

South Australian Water Corporation

Annual Report

For the year ending 30 June 2012



Government
of South Australia



Letter of Transmittal

30 September 2012

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

Dear Minister

On behalf of the Board of SA Water, it gives me great pleasure to present the Corporation's Annual Report for the financial year ended 30 June 2012.

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

Yours sincerely

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

Lewis W Owens
Chairman

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Our Organisation

Every hour of every day, SA Water provides clean, safe drinking water to almost 1.6 million South Australians. We also remove the wastewater and treat it to ensure the best health outcomes for the community and to minimise environmental impact.

Owned by the Government of South Australia, SA Water is focused on providing essential services to support growth and economic development throughout our state. Our history spans over 150 years, starting with the establishment of the Waterworks and Drainage Commission in 1856. SA Water was established as a government-owned corporation on 1 July 1995 following the enactment of the *South Australian Water Corporation Act 1994*.

We manage over \$13 billion worth of assets, our water quality expertise is recognised around the globe and we are a leader in wastewater recycling. We employ more than 1600 people – each one doing their part to ensure that we continue to deliver efficient and responsible water and wastewater services to our customers into the future.

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

Our organisation also works closely with a number of government agencies, including:

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

Moving forward

As we begin the 2012-13 financial year, our new Strategic Plan sets a clear direction for our organisation through to 2016: *Delivering water and wastewater services in efficient, responsive, sustainable and accountable ways*. This purpose statement is extended to four strategic priorities that focus on addressing the key challenges and opportunities we face:

- Customers & Community
- Quality & Delivery
- Business Success
- Planning for the Future

With a clear strategic direction to focus all our efforts, and an organisation-wide framework on which to implement them, SA Water moves towards a new regulated operational environment with the confidence to ensure its customers receive safe, clean drinking water and effective wastewater services at a reasonable cost.

Water Quality Report

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

Highlights from 2011-12

Topic/Activity/Project	Page
Profit before tax of \$317 million achieved	57
SA Water's Strategic Plan 2012-16 finalised	16
Drinking water from the Adelaide Desalination Plant introduced into the network	30
15 838 students across the state enjoy SA Water learning programs	25
The North South Interconnector System Project nears completion	36
10-year contract between SA Water and Allwater Joint Venture commences on 1 July 2011	28
Operational responsibility for water and wastewater supplies in 18 Aboriginal communities	26
Construction phase of Bird in Hand wastewater treatment plant project completed	32
Environmental incidents down 40% from last year	41
Significant reductions in Lost Time Injury Frequency Rate and Significant Injury Frequency Rate	43
New <i>Water Industry Act 2012</i> passed on 5 April 2012	63
New SA Water Risk Management Policy and Framework approved	70
SA Water launches its first Reconciliation Action Plan in July 2011	27
SA Water recognised for the Australian Human Resources National Award in October 2011	46
SA Water awarded the Public Water Agency of the Year award in Rome in May 2012	8

A message from our Chairman

The past year has been a challenging one for the organisation as it transitions from one era to another, both operationally and culturally. In recent years, the organisation has been focussed on actions to manage the supply of safe water to our customers in periods of extended drought, and to protect South Australian businesses and households from the impact of inadequate supplies of drinking water. Those actions, be they in water licensing, desalination plant construction, or interconnecting the metropolitan Adelaide water networks, will essentially be completed over 2012 and will leave a water supply system much more resilient and reliable for present and future generations. The focus in the future will be on managing our assets in the most cost effective manner by optimising the operations of our water and sewage treatment facilities across the state.

Preparations for the commencement of independent economic regulation of the water industry in South Australia have been underway for some time, but particularly during the past year as we have been developing our first proposal to the Essential Services Commission of South Australia (ESCOSA), due to be submitted in September 2012. The introduction of independent regulation of SA Water will have a significant impact on our business focus and culture, and force an even harder assessment of our expenditure on projects desired by the community and government.

Associated with these challenges, the governance arrangements that support our core business activities have required review and adjustment. The Board has been working with management to ensure that the strategic, risk management, treasury and overall governance arrangements are appropriate for the new environment.

The Board's Committees (Audit & Risk, Human Resources, Asset Management and Regulation and Pricing) have been active in reviewing their charters and ensuring that the Board is focussed on the key risks and opportunities. Not only is the organisation undertaking a record level of capital expenditure on the water security projects (requiring robust contract management, safety and purchasing practices), it is also having to commit to expenditure plans out for the next four years in the face of uncertain sales and revenue. This has required a new discipline at Board level and within the organisation, to protect the interests of the Government (as owners of the business, on behalf of all South Australians) and our customers.

I would like to acknowledge the enthusiasm, commitment and contribution of my fellow directors as we oversight these major changes. We are highly conscious of the need to manage water prices in the future. The recent investments in water security have been necessary to ensure supplies for the growth and sustainability of the state but these have come at a cost to customers and affordability is a major concern. Management and the Board are united to ensure that our operations going forward will be efficient and cost-effective, and focussed on customer needs.

The commencement of independent price regulation gives us the opportunity to demonstrate to an independent agency the quality of our operations and to benchmark SA Water against other utilities. While we are all different, and SA Water has particular challenges of source water quality, state-wide responsibilities for many small and remote locations, and a lack of adequate rainfall in many years, we believe that South Australians can be proud of their water and wastewater provider. It is our intention to work with regulators, government, water authorities and our customers to ensure the best outcome for the state.

I would like to acknowledge the contribution of our employees and contractors throughout the past year. With a renewed focus on safety and continuing programs on customer service and operational efficiency, our employees and contractors will continue to deliver top quality water and wastewater services for South Australians. That is the commitment of the Board and management as we move into this new era of independent regulation.

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

Lewis W Owens
Chairman

A message from our Chief Executive

While the rains continue to fall and the River Murray flows strengthen, SA Water remains focused on consolidating its assets, infrastructure and customer services as we continue to deliver a secure and healthy future for South Australia's water supply.

Adelaide's desalination plant reached an exciting milestone in mid October 2011 when treated water entered the state's network for the first time. The plant can now operate at 50% capacity and continues to be commissioned as we move towards achieving its full operational potential of 100GL per year.

The North South Interconnection System Project (NSISP), also nearing completion, will provide Adelaide residents and businesses with further water security by enabling our water supplies to be transferred across the broader metropolitan region. This includes delivering water from our desalination plant to Adelaide's northern suburbs.

The quality of the work we've been doing gained significant international recognition in May this year when SA Water was awarded the *Public Water Agency of the Year* at the 2012 Global Water Awards ceremony in Rome. The award recognises the public sector organisation that has made the greatest contribution to meeting the challenges of water supply and pitched our efforts against a number of international water utilities, all facing unique challenges.

Preparing for regulation

This year the State Parliament passed historic legislation which will, among other provisions, give South Australians independent economic regulation and greater consumer protection. We've been working hard to ensure that our organisation understands the intricacies and requirements of the new legislation and how we can best operate within the regulatory guidelines while continuing to meet the needs of our customers.

The development of a new Strategic Plan that clearly outlines and consolidates our business strategy for the next four years has been at the centre of those efforts. This document sets clear paths for us to follow and ensures that every activity our organisation undertakes leads us towards achieving our four strategic priorities of Customers & Community, Business Success, Quality & Delivery and Planning for the Future.

Engaging with our community

As we design and build our capital projects, it has been heartening to see the relationships SA Water has established with the communities we serve. By engaging the people who will be most affected by our growing infrastructure, we have been able to shape the outcomes of our projects and strengthen our customer relations. Projects such as the Clapham Pump Station and the Mt Barker water development are great examples of this where local residents can now see their input come to life as we construct new infrastructure.

The continuing work of our Education team with school children, both in Adelaide and throughout the regions, also demonstrates to me the positive effects our organisation has on the community.

As from 1st July 2011, SA Water has also undertaken the operational responsibility for water and wastewater services to 18 Aboriginal communities. Delivered through our Remote Communities Group, we have been working closely with the communities and a number of contractors to ensure that capital works are in place to deliver quality services.

Strengthening our workforce

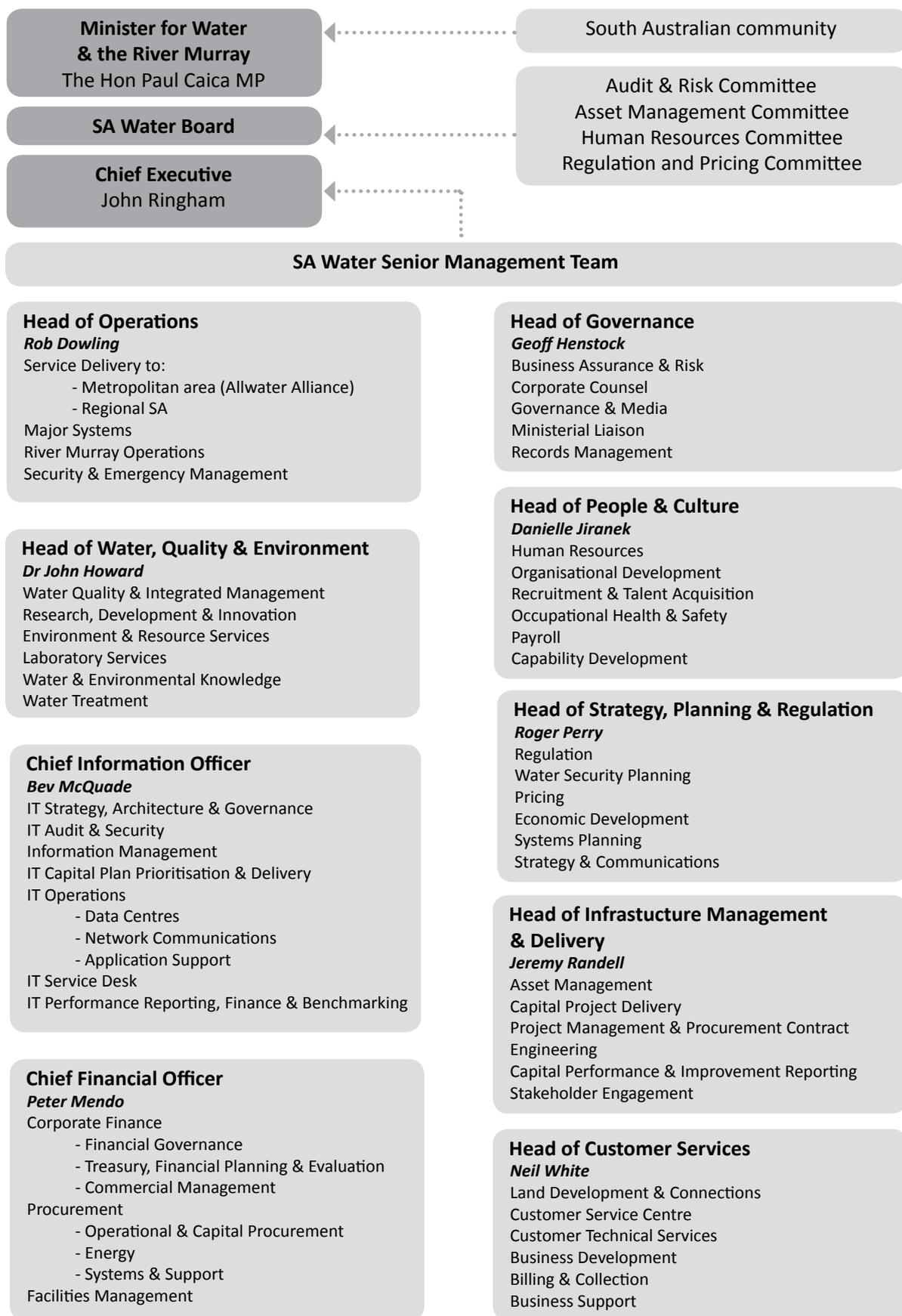
We continue to build a capable and enthusiastic workforce. Our efforts in this field were rewarded in October when we received the *Australian Human Resources Institute* award recognising our workforce replenishment strategy. Moving forward, we are reshaping our recruitment branding and strategy to align with industry best practice and increase our ability to attract high quality candidates.

As the organisation prepares for independent economic regulation, I feel a great sense of pride in the outstanding efforts our people have made to ensure that our customers are provided with a competitive and consumer-focussed service. We face extraordinary challenges with our water supply and are likely to encounter more over the coming years, but the steps we are taking to meet those challenges will allow all South Australians to feel a sense of security about the state of their water supply, and wastewater services. After all, that is exactly what we're here for.

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

John Ringham
Chief Executive

Organisational Chart as at 30 June 2012



Director Profiles

Lewis Owens

BE (Hons), MSc, BA

Chair of the Board since July 2011

Chair of the Regulation & Pricing Committee and Member of the Asset Management and Human Resources Committees

Lewis is a Reconciliation Ambassador in South Australia, with a particular interest in indigenous employment initiatives. He is also Chair of the SA Country Arts Trust, Chair of the University of Adelaide Business School Advisory Board, a director of Petratherm Ltd and Regional Arts Australia Ltd, a member of the Resources and Energy Sector Infrastructure Council and a member of the City of Marion Audit Committee. Lewis was Chairman of the Essential Services Commission of South Australia (2002 to 2005), responsible for regulating the SA electricity and gas industries, intra-state and Darwin railways, ports and urban water pricing. He was CEO of WorkCover Corporation and Funds SA in the 1990s and later CEO of ETSA Utilities (2005 to 2010). Lewis has served as an associate Commissioner of the Australian Competition and Consumer Commission Energy Committee and was also the South Australian Independent Industry Regulator for the state's electricity industry.

Sybella Blencowe

BA, MTP, LLB, GDLP

Non-executive director since July 2008

Member of the Asset Management, Audit & Risk Management and Human Resources Committees

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

Hon Frank Blevins

Non-executive director since December 2002

Chair of the Audit & Risk Management Committee and Member of the Regulation & Pricing Committee

Frank was elected to the SA Legislative Council in 1975 and to the House of Assembly in 1985. He served the state as Deputy Premier and across a range of Ministerial portfolios including Treasury, Mineral Resources, Transport and Agriculture and Fisheries for 10 of his 22 years in Parliament. Having held senior government Ministries over many years, Frank brings valuable knowledge and experience, particularly in the fields of economics and finance.

Catherine Cooper**LLB, GDLP****Non-executive director since July 2008****Chair of the Human Resources Committee and Member of the Audit & Risk Management Committee**

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

Hon Karlene Maywald**Non-Executive Director from April 2011 to June 2012****Member of the Asset Management, Human Resources and Regulation & Pricing Committees**

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

Kevin Osborn**Non-executive director since February 2012****Chair of the Asset Management Committee and Member of the Audit & Risk Management and Regulation & Pricing Committees**

Kevin is a non-executive director of Calgary based Viterra Inc, a global agriculture logistics company listed on the Toronto Stock Exchange. Kevin is Deputy Chairman of the Economic Development Board of South Australia and Chairman of the Adelaide Desalination Project Steering Committee. Before taking on director roles, Kevin had a 30-year career in international financial markets where he held various global senior management positions with the USA's then 4th largest Banking Corporation, Bank One, which is now part of JP Morgan Chase. At Bank One he was Regional Chief Executive responsible for Australia, New Zealand and Singapore and served on the bank's global foreign exchange committee. He is also on the Board of the Port Adelaide Football Club.

Senior Management Team Profiles

John Ringham, Chief Executive (from December 2010)

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

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

Rob Dowling, Head of Operations

B Comm, MBA

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

Geoff Henstock, Head of Governance

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

Dr John Howard, Head of Water, Quality and Environment

BSc (Hons), PhD (UK), FAICD

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

**Danielle Jiranek, Head of People & Culture
BA (Psych), Hons Psych, Registered Psychologist**

Danielle has more than 25 years of experience in all aspects of human resource management and organisational development and has worked in this capacity in Australia, New Zealand and the USA. She has worked for several multinational corporations including TMP Worldwide as an organisational psychologist, and was a director and part owner of Locher Human Resources prior to joining SA Water. She is a recognised leader in the HR field in SA, has held positions on the Australian Human Resources Institute Committee and is a member of the Centre for Human Resources Advisory Group (UniSA). Danielle joined SA Water in 2010 as Manager Organisational Development and was appointed to her current role in April 2011.

Bev McQuade, Chief Information Officer

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

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

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

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

Roger is a water industry specialist with over 30 years of experience, much of it gained at Melbourne Water, Victoria. Roger's areas of expertise include sewerage system design, construction management, water operations, asset management and strategic and corporate planning. Prior positions at SA Water include General Manager Bulk Water, General Manager Operations and Head of Planning & Infrastructure.

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

Jeremy has a commercial background in civil engineering and diverse construction related businesses. He managed Business Development and Industrial Services for Brambles in WA and Sydney before moving to South Australia in the mid 1990s, joining Macmahon Holdings as Group General Manager Plant and Technology. Jeremy's previous positions at SA Water include Head of Economic Development and Procurement, Head of Business Services, Head of Operations and Head of Metropolitan Operations.

Neil White, Head of Customer Services
B Comm

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

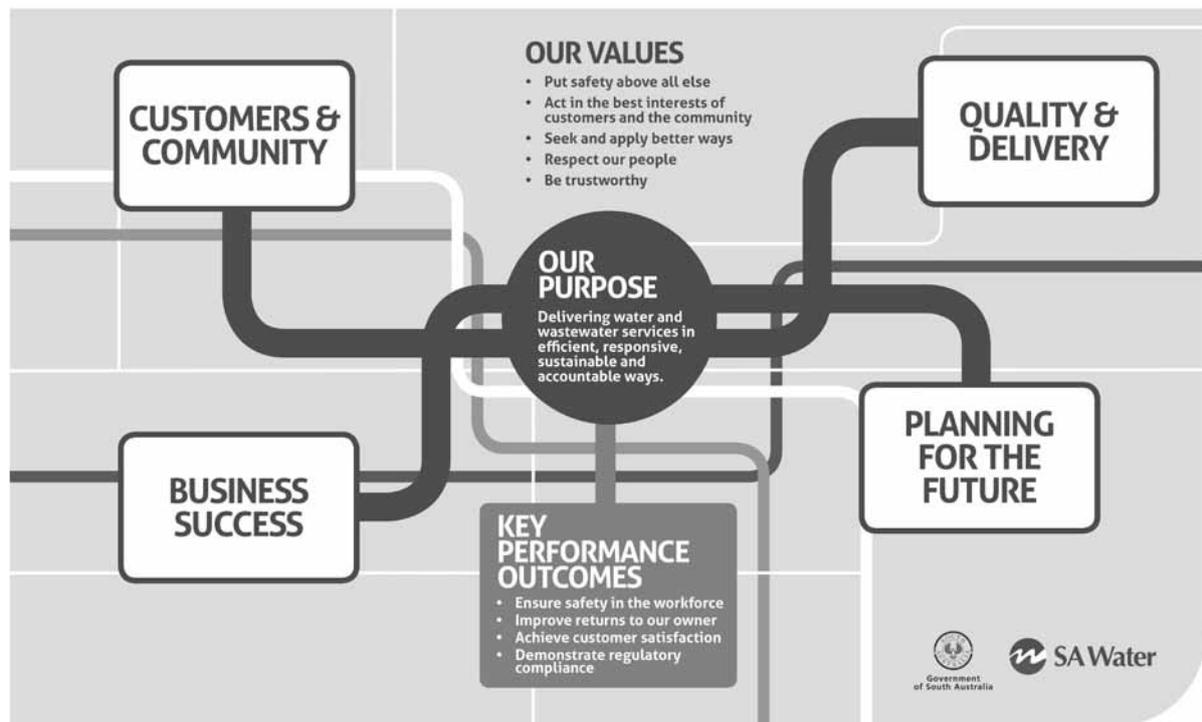
A New Strategic Plan

SA Water launched its new *Strategic Plan 2012-2016* in July 2012. The Strategic Plan is the result of a comprehensive process which included a review of our existing plans and performance, together with consideration of the key challenges and opportunities facing SA Water over the coming four years.

At the heart of the Strategic Plan is our purpose: *Delivering water and wastewater services in efficient, responsive, sustainable and accountable ways*. The Strategic Plan sets a clear direction in what will be a period of significant change and establishes four strategic priorities which encompass our purpose and aim to deliver success against our key performance outcomes, indicated in the figure below.

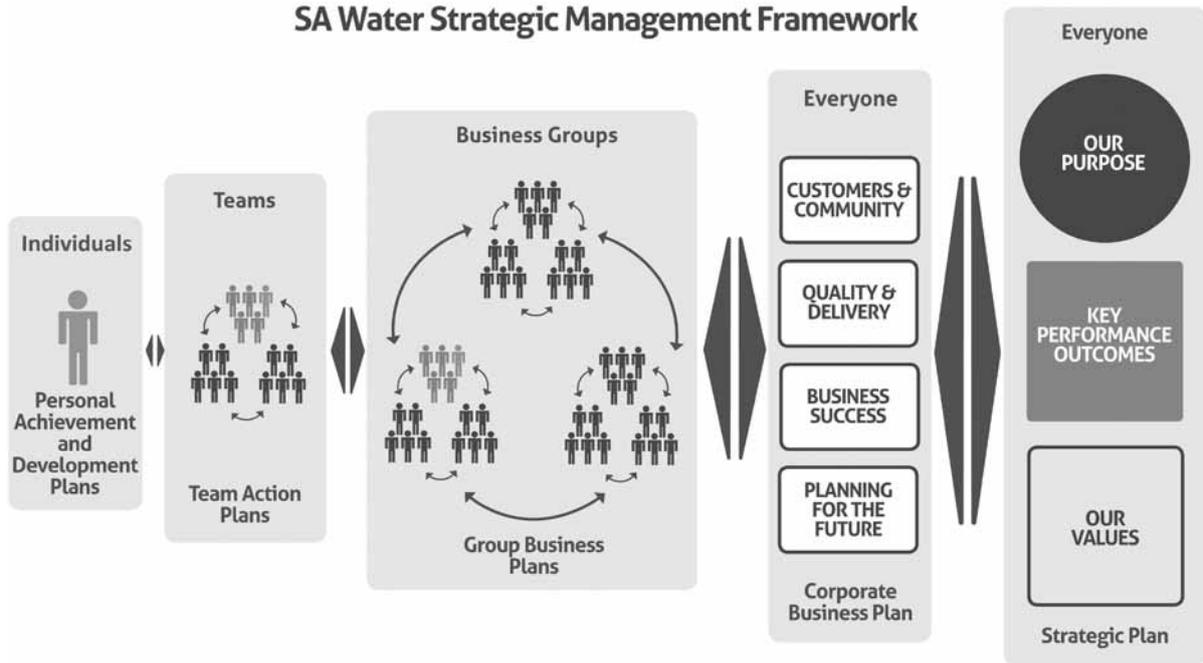
The new Strategic Plan can be viewed on our website: www.sawater.com.au

SA Water Strategic Priorities



Each of our strategic priorities is supported by a suite of key strategies that seek to drive the achievement of the key performance outcomes. To enable implementation of the key strategies, a strategic management framework has been developed, as indicated in the figure below. Integral to the strategic management framework is the concept of line-of-sight. This is essentially about individuals and teams understanding how they contribute to the whole of business priorities and outcomes, and also the way in which individuals and teams work together to deliver the corporate wide strategies.

SA Water Strategic Management Framework



This Annual Report and the associated performance measures are presented according to the structure of the previous SA Water Strategic Map (which was in place throughout the 2011-12 financial year). Future Annual Reports will present performance against the new SA Water Strategic Plan.

Customer Service and Water Quality

Performance summary			
<p><i>We will deliver quality water services and be responsive to our customers' needs</i></p> <p>Desired outcomes:</p> <ul style="list-style-type: none"> • Leadership in water quality • Improved levels of service • Increased customer satisfaction 	Indicator	2011-12 Target	2011-12 Result
	<i>E. coli compliance across all customer taps in drinking water supply systems - metro</i>	>98% free from E. coli	100%
	<i>E. coli compliance across all customer taps in drinking water supply systems - country</i>	>98% free from E. coli	99.94%
	Australian Drinking Water Guidelines compliance <ul style="list-style-type: none"> • Metro • Regional 	99.90% 99.80%	99.79% 99.54%
	Improve Water Quality Management Index <ul style="list-style-type: none"> • Water quality management index • Incident response index 	78% 81%	81% 93%
	Percentage compliance with the draft Customer Charter <ul style="list-style-type: none"> • Water and Sewer Services • Calls answered within 30 seconds • Routine written enquiries responded < 10 working days 	95% 85% 95%	96% 61% 90%
	Minor land development & connections – construction completion from receiving payment	95%	92%
	Customer satisfaction index	8.2	7.3

Comments:

The Australian Drinking Water Guidelines (ADWG) for health related parameters recognise that occasional exceedances will occur. Compliance with these guidelines was marginally below our target for 2011-12 in both metropolitan (below target by 0.11%) and regional (below target by 0.26%) areas. This result was primarily due to the quality of water being sourced from the River Murray, which was naturally carrying a higher than usual organic load due to the higher flows, including floodwaters and a blackwater event. Despite these source water challenges, the “Improve Water Quality Management Index” demonstrates robust management of water quality, with well above target performance in this area.

There are eight separate KPIs that comprise the ‘water and sewer services’ element of the draft Customer Charter measure – the consolidated, event-based figure is the reported result. Both of the customer service related measures were below target (‘calls answered within 30 seconds’ and ‘routine written enquiries responded <10 working days’). These results were due to increases in customer enquiries, operational changes related to the call centre (the shift from out-sourced functions under the United Water contract to in-sourced functions under the Allwater Alliance) and the distribution of staff between business units to account for call centre staff shortages.

While the minor land development and connections result was marginally below target for 2011-12, this result represents a significant improvement in performance on the 2010-11 result of 77%.

Customer satisfaction remains consistent with our 2010-11 results at 7.3 out of 10, with over two thirds of those surveyed reporting favourably. This figure indicates that we have been successful in maintaining improvements over poorer results from a few years ago.

Customer satisfaction survey

SA Water has conducted annual customer satisfaction research since 2001, surveying metropolitan and regional residential customers, business customers, and callers who have made recent contact with our customer centre.

The most recent research, undertaken in April 2012, included only householders and showed high levels of satisfaction with the services they see as most important: providing safe and healthy drinking water; maintaining water and sewer infrastructure; responding quickly if something goes wrong.

Overall, householders indicated relatively high levels of satisfaction with the job SA Water was doing, with an average rating of 7.3 out of 10, the same rating as 2011:

	2008	2009	2010	2011	2012
Rating out of 10 - residential customers	8	8	8	7.3	7.3

To ensure we can more effectively assess and address issues for our customers, a new suite of research is being developed that will include:

- quarterly customer satisfaction research of customers with recent service experience – to measure satisfaction against key service contact points and service standards
- major consumer issues/ perception survey – to allow SA Water to track key consumer issues and propose measures to address these
- caller experience survey – for ongoing tracking of recent customer experience to identify areas for improvement
- website experience surveys – to gauge levels of satisfaction with the SA Water website, better understand areas of importance in terms of communication and improve the customer experience.

Customer Service Centre

In 2011-12, our Customer Service Centre received a total of 540 646 enquiries and requests in person, in writing, via email or by phone. The total number of calls received this financial year was 495 022 and 61% of calls received were answered within 30 seconds. The number of email enquiries received in 2011-12 was 35 418.

The average duration of calls to the SA Water Customer Service Centre was three minutes and six seconds, an increase of 34 seconds from the previous year. This can be attributed to having to deal with more complex issues as we began to encompass all metropolitan service calls. These calls had been handled by our metropolitan contractor the previous year and the change resulted in an additional 166 643 calls into the Customer Service Centre.

Customer complaint handling

In 2011-12, a total of 1005 complaints were recorded. The majority of complaints related to the time taken to undertake repairs and maintenance in the metropolitan area, the increase to water prices and incorrect meter readings.

The number of complaints received increased by 453 in 2011-12. However, it is important to note that the figures provided in 2010-11 did not include complaints from our previous metropolitan maintenance contractor which have been included this year. SA Water also implemented an enhanced complaints management and reporting process in 2011-12 for capturing and tracking customer feedback across the corporation. This would also have contributed to the increase in complaints recorded as a more consistent and responsive approach was adopted.

Disability Action Plan

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

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

Trade waste

SA Water's Trade Waste group's primary function is to ensure that wastewater discharges from SA Water's commercial and industrial customers to our wastewater network meet particular criteria to ensure the infrastructure, wastewater treatment plant [WWTP] operations, waste disposal and the potential for by-product reuse are not compromised.

Significant changes in volume load-based charges (VLBC) were introduced in line with National Water Initiative Pricing and Charging Principles. The thresholds to qualify for VLBC shifted from 20 tonne Biological Oxygen Demand (BOD), suspended solids or 20 mega litres [ML] of flow to 10, 10, 10 for each of these parameters per annum. This has resulted in approximately 40 new VLBC sites so far.

Trade Waste monitored and audited around 8000 industrial and commercial customers in 2011-12; the frequency of audits is based on a risk index. Through this auditing regime, compliance with permit conditions for larger industrial customers was 89%, 4% above our target of 85%. We continue to work closely with sites requiring more appropriate pre-treatment of their waste prior to disposal to sewer to ensure improved performance in the future.

Hauled waste

Hauled waste services that involve receiving tankered waste to wastewater treatment plants were significantly reviewed. Major upgrades have commenced at various tanker receival facilities and improvements at other sites are being progressed. Permits and induction protocols were overhauled, resulting in greater cost recovery.

Business Sustainability Group

Through our Business Sustainability Program, we assist our business customers in achieving an equitable balance between water usage and trade wastewater output. Some significant improvements have been made in order to generate savings for customers in both water and trade waste charges.

As part of the State Government's Water for Good plan, all businesses within South Australia using above 25ML per annum were required to complete a water efficiency plan. SA Water successfully developed an online tool kit that can be used by any business customer to assist in completing and submitting these reports.

Land development and connections

The financial year saw a substantial decline in building activity in both in-fill development and major new developments. In 2011-12 there were:

- 3009 general land development applications, compared to 4235 in 2010-11;
- 139 SA Water agreements issued for major developments, compared to 284 for 2010-11;
- 11 612 connection applications processed, compared to 25 272 in 2010-11.

Revenue from development and building activity fell about 1.5% on the previous year, from about \$66.1 million to \$65.3 million.

Water quality performance

The year saw extremely challenging water quality in the River Murray, requiring significant water quality monitoring and operational responses. We were again faced with floodwaters entering the River Murray, leading to a blackwater event in early 2012 which was characterised by elevated levels of dissolved organic carbon. The associated treatment challenges for systems sourcing raw water from the River Murray impacted our overall performance against some water quality targets. As a result, we were slightly below our target for compliance against the Australian Drinking Water Guidelines for the 2011-12 financial year. For our metropolitan systems we achieved 99.79% compliance with the Australian Drinking Water Guidelines health related parameters and 99.54% for our country drinking water supply systems.

In 2011-12, we achieved 99.94% E. coli compliance across all customer taps in our 62 country drinking water supply systems and 100% E. coli compliance across all customer taps in our six metropolitan drinking water supply systems. Both results firmly meet our target of greater than 98% free from E. coli.

All samples (100%) collected in country drinking water supply systems during 2011-12 met the Australian Drinking Water Guidelines aesthetic value of <5 NTU for turbidity, and this has improved every year since 2006-07. This shows a positive trend for the quality of water supplied to country South Australia and can likely be attributed to our Country Water Quality Improvement Program.

Detailed results of water quality performance can be found in our Drinking Water Quality reports, available on our website (www.sawater.com.au).

Source water quality management

During 2011-12, we continued with improvements to existing source water quality management strategies and the implementation of new initiatives for our reservoirs and the River Murray:

- continuation of cyanobacterial bloom management in Myponga and Little Para reservoirs by optimising reservoir and water treatment plant management
- immediate on-the-ground assessment, tracking and early warning of potential water quality changes through focused surveys of the river (facilitated by SA Water's River Murray Field Response Team)
- installation of in-situ on-line monitoring equipment at Murray Bridge and Taillem Bend for dissolved oxygen, salinity and pH
- continuation of an enhanced algal monitoring program covering 19 key locations along the SA reaches of the River Murray in order to provide an early detection of any algal related challenges in the River Murray.

Water quality in the South Australian reaches of the River Murray was again affected by floodwaters and a blackwater event during much of the first half of 2012. Progress of the event and the associated effects on source water quality was tracked using an enhanced routine monitoring program for key water quality parameters. This initiative allowed timely operational responses to address any impending water quality issues.

Drinking water quality management

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

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

We use 'Aquality' – a measurement and evaluation tool developed by the Water Services Association of Australia – to assess our progress against the framework. In 2011-12, we improved our rating from 87.7% in 2010-11 to 88.4% (2011-12 target 86.5%). The increase was mainly due to:

- improvements in communicating our water quality commitments to employees
- development of a robust risk assessment process
- development of new operating plans with included critical control points
- establishment of formal register of approved water quality chemicals
- improved incident and emergency response communications to customers.

Water quality improvement

A number of projects were initiated in 2011-12 to improve the quality of water delivered to our customers across the state. These included:

- upgrade to water treatment plant filters at Myponga water treatment plant and coagulation control instrumentation at Morgan water treatment plant to improve removals of suspended solids and natural organic matter
- extensive infrastructure modifications and control system enhancements at Happy Valley water treatment plant to ensure optimal blending of desalinated water with Happy Valley water
- upgrades to 27 bores across South East and Northern regions to improve source water quality, structural bore integrity and to ensure water security
- iron removal plant (IRP) upgrades to enhance filter performance at Kingston and improvements to IRP sludge management at Beachport, Kalangadoo and Lameroo
- tank cleaning regimes across Railway Town supplies leading to improvements in chemical water quality
- implementation of a number of additional proactive water quality management strategies including aeration, optimisation of system water age and disinfection residual management across a number of SA Water's drinking water systems.

Community Engagement

Sponsorships and partnerships

SA Water sponsored a range of community activities in 2011-12. Key sponsorships for the year were:

- **South Australia Botanic Gardens - SA Water Mediterranean Garden:** showcasing sustainable landscapes and promoting water efficient gardening, the Mediterranean Garden offers visitors ideas for plant species suitable for the local climate
- **Trees for Life – Tree Scheme:** Trees for Life is a not-for-profit community volunteer-based organisation with the aim to revegetate South Australia through community participation. The sponsorship supported revegetation across the state
- **Australian Water Association (AWA) – South Australian Program of Events including the Hodgson Medal (Undergraduate Water Prize):** The AWA is a peak industry body dealing with all water related issues including the impacts of climate change, stressed water resources, water reuse and recycling.
- **SA Water VacSwim Program:** an annual community based swimming program providing opportunities for children to develop confidence and competence in the water including basic swimming stroke improvement, water safety and survival skills
- **Credit Union Christmas Pageant:** we provided 40 000 bottles of water to performers and spectators attending this free family event
- **PARAQUADSA - Zoo Accessible Adventure Days:** the Zoo's adventure days provide low cost or free access to the Zoo for individuals with disabilities and their carers or family.

WaterWise Communities Program

Since December 2009, the WaterWise Communities Program has provided a platform for South Australian householders, businesses and community groups to share water saving tips and ideas. The program is run as a partnership between SA Water, the Department for Water and the Local Government Association of South Australia. In 2011-12, the initiative was expanded to also include South Australian schools. Over 100 schools have pledged their commitment to wise water usage so far.

School education program

The SA Water *Brainwave*, a series of learning programs and resources, was available to primary and secondary students and teachers. Programs promote student awareness of and positive attitudes towards water and water related issues. In 2011-12, the *Brainwave* attracted a total audience of 15 838 students (9 385 from metropolitan schools and 6453 from regional schools) and 694 teachers participated in our teacher professional learning programs. Programs were held at the SA Water Learning Centre, water and wastewater treatment plants, in schools and at regional theatres throughout the state.

In 2012, we began a new three year Memorandum of Understanding (MOU) with the Department for Education and Child Development (DECD). The *Brainwave* is delivered in collaboration with DECD. A consultant teacher, seconded to SA Water, ensures learning experiences are relevant and reflect curriculum and pedagogical research. Our entire suite of programs and resources were free of charge and travel reimbursements were offered to disadvantaged schools.

Community education program

In 2011-12, SA Water's community education program included tours of the Hope Valley Water Treatment Plant where community groups discover the path of water from catchment to tap and the process of water treatment and testing. Similar tours were also held at Bolivar Wastewater Treatment Plant where participants experienced a behind-the-scenes look at how wastewater is treated.

Remote communities

SA Water Remote Communities Group works with federal and state agencies, Aboriginal land holding authorities and communities in the provision of water and wastewater services. As from 1 July 2011, portfolio responsibility for water and wastewater supplies in 18 Aboriginal communities was transferred to the Minister for Water and the River Murray and the operational responsibility transferred to SA Water. The group also undertakes the project management of new infrastructure initiatives, with current delivery including a Commonwealth funded capital works program in the order of \$11 million, with projects at Amata, Mimili, Kaltjiti and Indulkana.

The transfer of responsibilities presented some new challenges this year, in particular issues associated with local operations in such remote regions. These requirements have been addressed through additional contracted arrangements including part time community based water services officers in strategic locations and SA Water regional operations.

Supervisory control and data acquisition (SCADA) installations have also been established to assist with the day-to-day operations and management of these communities. SCADA provides limited remote system control, such as start/stop pumps, instantaneous data, including water storage capacity and long term data. Most importantly, it provides system-fault alarms that deliver valuable lead time to respond to breakdown incidents associated with water and wastewater systems.

Annual service delivery includes routine preventative maintenance, response to emergency breakdowns, aquifer performance monitoring, regular water quality and wastewater sampling analysis, and training of water service officers who are responsible for system monitoring, reporting and community liaison activities.

Local Government Liaison

The Local Government Liaison position within SA Water was established in 2011 and has responsibility for ensuring regular contact with the state's 68 local councils. The role ensures councils and SA Water exchange information on activities that may be of interest to, or have an impact on, the organisations. Having an understanding of council's strategies is an important component of effectively managing our assets and ensuring infrastructure meets future demand. Over the past 12 months the Manager Local Government Liaison has met most councils to introduce the role and discuss future plans.

In response to feedback received from local councils, SA Water has established pages on its corporate website to provide councils with insight into SA Water's forward capital program, highlighting projects that may involve work in the public realm or that may be of interest. Sharing this information is resulting in a more coordinated approach as organisations schedule important capital works.

Reconciliation Action Plan

Our first Reconciliation Action Plan (RAP) has seen a number of actions undertaken across the organisation which support national reconciliation efforts. Highlights from our 2011-12 RAP include:

- engaging with Aboriginal community groups on the North South Interconnection System Project in order to develop an Aboriginal cultural heritage management plan including guidelines on how SA Water will engage with Aboriginal community representatives and manage works
- selection of a cultural awareness training provider to provide cultural awareness training to relevant SA Water staff
- guidelines about Welcome to Country and Acknowledgement of Country
- incorporation of *Tarndanyangga* into our Victoria Square address
- recruitment of eight Aboriginal and Torres Strait Islander staff including two trainees at Lake Victoria.

A full report detailing progress on all RAP actions has been published and is available on our website, www.sawater.com.au.

Home Rebates Scheme

In November 2007, the State Government launched the H2OME Rebate scheme to encourage South Australian households to achieve greater water savings inside and outside the home. The rebates provided householders with a range of incentives to purchase products and services to reduce water consumption.

During 2011-12, there were 32 256 rebate applications processed worth over \$5.8 million and since the inception of the H2OME Rebate scheme the total number of rebates processed to 30 June 2012 was 268 772, worth in excess of \$48.6 million.

Breakdown of H2OME Rebates since 1 November 2007:

Rebate	Total issued
Dual flush toilets	12 386
Garden smart items	62 177
Home water audit	76
Hot water re-circulator	8
Rainwater tanks	38 901
Showerhead	29 488
Pool covers/rollers	2 433
Washing machine	123 303
TOTAL	268 772

System Performance

Performance summary			
<p><i>We will plan, develop, operate and maintain our infrastructure to consistently meet the needs of our customers and owner</i></p> <p>Desired outcomes:</p> <ul style="list-style-type: none"> • Maintain asset condition • Meet future demand 	Indicator	2011-12 Target	2011-12 Result
	<p>Number of properties with 3+ unplanned water interruptions per year</p> <ul style="list-style-type: none"> • Metro • Regional 	2 000	580
	<p>Number of properties per year with a sewer overflow caused by a sewer mains choke</p> <ul style="list-style-type: none"> • Metro - Inside building • Metro - Outside building • Regional - Inside building • Regional - Outside Building 	76	35
		576	191
		3	5
	18	19	
<p>Infrastructure Leakage Index</p> <ul style="list-style-type: none"> • Metro • Regional 	<1.5	1.1	
	<2.0	1.25	

Comments:

Performance in the number of properties with three or more unplanned water interruptions per year, for both metropolitan and regional areas, was within target by a significant margin.

The number of sewer chokes across the state has been reducing in recent years. Both of the metropolitan results were within target by a significant margin. However, both of the regional results were slightly over target. Initiatives such as the sewer mains cleaning program should see the number of chokes (and therefore sewer overflows) continue to reduce over time.

The Infrastructure Leakage Index is a performance indicator of real water loss from the water distribution network and SA Water consistently performs well in relation to other national and international utilities. Both the metropolitan and regional results were well within target.

Metropolitan service delivery

The new 10-year alliance contract between SA Water and Allwater Joint Venture to manage the operation and maintenance of Adelaide's water, wastewater and recycled systems commenced on 1 July 2011.

The new form of contract is intended to provide greater flexibility and transparency to the delivery of treatment and network services to customers in the greater metropolitan area. It also provides for greater management input from SA Water and opportunities for Allwater to work collaboratively with the rest of the business.

The year brought with it many new operational opportunities for the Alliance with the introduction of desalinated water to the network, construction of the pipework interconnecting the southern and northern water networks and commissioning of the upgraded wastewater treatment plant at Christies Beach. New infrastructure transferred to Allwater for operation and maintenance during the year included the Glenelg Recycled Water Scheme in July and the Transfer Pumping System from the desalination plant in April.

Improvements were made in a number of areas including the reliability of the mechanical plant at Bolivar Wastewater Treatment Plant and at several wastewater pumping stations. Allwater's parent companies were also able to bring considerable technical capability to the Alliance during the year with assistance provided in the areas of treatment plant optimisation, specialist maintenance and safety management.

Network maintenance proved to be the most challenging area to meet the high workloads and customer expectations. A number of initiatives were implemented during the year to lessen backlogs and improve works management. This will remain a focus for the Alliance in 2012-13 to ensure compliance with the service standards developed by the industry regulator, ESCOSA.

The Alliance was also able to effectively assist SA Water and its new project management and procurement contractor, PMP Solutions, with the delivery of capital works projects in the metropolitan area.

Regional service delivery

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

In 2011-12, Regional Operations attended to 3836 service delivery events of which 99% were completed within required timeframes. Some important events included:

- Unplanned Interruptions to Water Supply Priority 1 Attendance: 183
- Unplanned Interruptions to Water Supply Priority 2 Attendance: 241
- Water restorations: 1 200
- Wastewater overflow attendances: 394
- Wastewater overflow clean ups: 198
- Wastewater odour complaints: 35

Of total available resource hours, 68% were spent on infrastructure service delivery. Of this, corrective maintenance accounted for about 19% and preventative maintenance 21% of resource time (up 1% on the previous year). 99% of preventative maintenance tasks were completed within scheduled timeframes.

Adelaide Desalination Project (ADP)

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

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

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

Transfer pipeline: In August 2011, the McConnell Dowell Built Environs Joint Venture achieved pipeline handover milestone. In April 2012, it achieved final acceptance for the transfer pipeline system when SA Water's metro operator, Allwater, took possession of the asset for ongoing operations. Desalinated drinking water continues to be pumped from the plant, through the pipeline to the Happy Valley water filtration plant and into the customer network.

Plant power: In February 2012, the second stage of the high voltage power supply to deliver an additional 30 mega watts of power to the 100 giga litre per annum process building was energised, followed by progressive power-up of downstream plant.

Site safety: A strong safety culture has continued to be emphasised on site, including the development and implementation of various safety measures and initiatives to ensure that everyone working on the project is able to perform their work safely. Since the beginning of the project, over 1400 Job Safety and Environmental Assessments (JSEAs) have been produced, over 1000 random and voluntary drug/alcohol tests have been conducted and approximately 11 000 pre-start meetings (with a strong focus on safety) have occurred. As at 30 June 2012 the project had recorded around 8.5 million hours worked and a Lost Time Injury Frequency Rate (LTIFR) of 0.94.

In the *SA Water Annual Report 2009-10*, the tragic death of a worker at the site on 16 July 2010 was reported. Following investigations into the incident, SafeWork SA has laid charges against Ferro Con (SA) Pty Ltd under the *Occupational Health, Safety and Welfare Act 1986*. SA Water has cooperated fully with SafeWork SA during its investigation and, if asked to do so, will provide any further information.

Desalination Plant and marine works: The project's design, procurement and construction works are proceeding well. In 2011-12:

- the first 50 gigalitre per annum plant produced first desalinated drinking water in July 2011
- the permanent marine exclusion zone was formally approved by Department of Planning, Transport and Infrastructure (DPTI) in July 2011
- desalinated drinking water from the first 50 gigalitre per annum plant was introduced into the SA Water supply network in October 2011
- the first 50 gigalitre per annum plant achieved operation at its full hydraulic capacity of 150 million litres per day in March 2012
- the Energy Recovery Turbines (and associated electrical generators) in the outfall shaft were successfully commissioned
- construction completion and commissioning works for the 100 gigalitre process plant and associated buildings are continuing in advanced stage.

Community and industry engagement: The community continues to be informed and consulted on the project. To date more than 15 000 people have received information on the project, many of these through our structured information sessions. More than 3500 people have been to the temporary visitors centre on site, which also hosts all site visits. More than 840 local companies had been involved in the project. More than 70% of the workforce has been sourced from local companies, giving local people and businesses the opportunity to participate in the state's largest infrastructure project. Approximately 79% of contestable work put to tender by the desalination plant contractor has been secured by South Australian companies at a value of over \$212 million.

Parliamentary Select Committee: In December 2010, a Parliamentary Upper House Select Committee was established to inquire into the management and administration of the project. Several hearings have since been conducted, with SA Water providing evidence and responses to the Select Committee as required. SA Water continues to attend hearings and respond to issues arising out of these sessions.

The environment: SA Water and the AdelaideAqua Consortium are committed to meeting the highest standards of environmental compliance during the entire life of the project.

Nearly 165 000 local indigenous plants have been established across the site with a further 85 000 planned by the end of 2012. Wetlands have been constructed and planted with local aquatic plants as part of the sensitive urban stormwater design to manage rainwater collected on the desalination plant site.

Construction of the Kauwi Interpretative Centre is substantially complete and includes a native '*bush tukka*' garden that was planted by local school children with the involvement of the local Kurna Elders.

The Keep South Australia Beautiful (KESAB) Clean Site Partnership has progressed well, with more than 95% of recyclable materials from the site recycled, including 10 255 tonnes of solid waste.

Adelaide's desalination plant will be one of the most energy efficient large reverse osmosis desalination plants in Australia.

Capital projects highlights

In 2011-12, SA Water's overall capital expenditure reached \$600 million with a range of water, wastewater and recycled water projects either under way or completed across the state. The following pages provide a summary of the year's highlights.

Bird in Hand wastewater treatment plant project: A \$60 million treatment plant upgrade was completed to deliver a long term wastewater solution that reduces the impact on the local environment and provides more than 300 million litres of recycled water annually to local landowners for irrigation. Construction of the plant commenced in March 2010, with final completion in June 2012.

Major work undertaken in the 2011-12 financial year:

- completion of the construction phase of the contract
- testing and commissioning of the plant commenced on 18 August 2011
- the first treated wastewater was produced for use on 16 September 2011.

Mount Barker development water and wastewater services: To support the state Government's *30 Year Plan for Greater Adelaide*, this project will deliver a significant expansion of the existing water and wastewater supply networks to facilitate the projected growth and development of the Mount Barker region. The works are being staged to align with the anticipated land development rate.

Major water services work undertaken in the 2011-12 financial year:

- investigation of options
- commenced concept design
- undertaken a range of communication and engagement processes to involve the community in planning and delivery.

Major wastewater services work undertaken in the 2011-12 financial year:

- established a project brief
- called for expressions of interest and short-listed two proponents
- confirmed a staged approach to service residents in new, expanded urban areas initially with an interim arrangement, to be followed by a permanent solution
- established a Community Reference Group and continued to work with councils, government agencies and other key stakeholders to seek input into the proposed solutions.

Murray Bridge wastewater treatment plant upgrade project: To accommodate the significant population increase in the Murray Bridge area and cater for the continued expansion of the region, SA Water is developing a project to construct a treatment plant at a new location and decommission the existing plant.

Major work undertaken in the 2011-12 financial year:

- established a project brief
- called for expressions of interest and short-listed two proponents
- established a Community Reference Group to seek input into the proposed solutions.

Happy Valley water treatment plant chlorine station upgrade: A \$17.848 million upgrade of the current chlorine storage and dosing facilities at the Happy Valley Reservoir. This upgrade will ensure water distributed from the plant continues to meet the Australian Drinking Water guidelines and all operations comply with current occupational health, safety and welfare practices by providing safe and efficient storage of chlorine at the reservoir site.

Construction will commence in March 2013, with completion expected in late 2014.

Major work undertaken in the 2011-12 financial year:

- detail design works have been completed
- project construction tenders were received in May 2012 with tender review and assessment currently underway.

Marion Road, Holbrooks Road trunk water main renewal: The 6.9km trunk water main between Anzac Highway and Grange Road was originally constructed in 1898 and is one of the oldest in the state. This project involves renewing the main along Marion and Holbrooks Roads to improve the security of water supply to customers and reduce the incidence of unplanned disruptions as a result of leaks and bursts.

Construction is scheduled to occur between April and November 2013 when demand for water is at its lowest.

Major work undertaken in the 2011-12 financial year:

- options endorsement received and preferred option identified – a lined solution using the existing pipe alignment along Marion Road and Holbrooks Road linked by a new main along Sherriff Street and Norman Street
- completion of the project constructability assessment to provide construction methodology analysis, with a focus on traffic management outcomes
- concept design commenced, with geotechnical, traffic and survey investigations currently underway
- commenced stakeholder engagement with personal visits to all businesses along the alignment and letters delivered to all residents to introduce the project and provide an overview of likely construction impacts and timeframes
- identified and briefed key stakeholders and continued to work with local councils and state government departments throughout the planning and design stages.

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

Construction commenced July 2012, and the anticipated completion is mid 2014.

The contract for this project was let at the end of May 2012 and major works are yet to commence.

Bolivar WWTP energy utilisation optimisation: A \$25.8 million project to connect natural gas to the Bolivar site, convert the existing gas turbine to natural gas operation and install new infrastructure to create electricity from the available biogas which is created as a by-product of the sewage treatment process.

The project will deliver a reduction in greenhouse gas emissions of more than 11 000 tonnes CO₂e annually, increase the reliability and security of energy supply to the Bolivar treatment plant and ensure all available biogas generated is used as efficiently as possible.

Construction commences in August 2012, with completion expected by the end of 2013.

The contract for this project was let at the end of May 2012 and major works are yet to commence.

Christies Beach wastewater treatment plant project: A \$272 million project to upgrade the existing wastewater treatment plant to increase pumping capacity from 30 million litres per day to 45 million litres per day. This upgrade will ensure the plant can cater for the population growth demands outlined in the State Government's *30 Year Plan for Greater Adelaide*.

Construction commenced in January 2009, with major construction works completed in mid 2012. Minor mechanical and electrical works will continue into 2013.

Major work undertaken in the 2011-12 financial year:

- new C plant process train plant in operation (inlet works, activated sludge reactor, membrane bioreactor, new aeration system and ultraviolet disinfection system)
- new digester civil works and roof lift complete
- dissolved air flotation thickener commissioned
- site landscaping complete
- design of the wetlands continuing for the old Port Noarlunga sludge lagoons, in conjunction with the local community and aboriginal heritage groups
- site security fencing substantially completed
- ongoing community engagement during construction including a community 'open day', public tours of the plant and the establishment of a community forum.

Aldinga wastewater treatment plant capacity upgrade: A \$22.8 million project to expand the existing wastewater treatment process to cater for future growth and development in the region. Other improvements include a reduction in the footprint required for collection and treatment and the continued supply of treated wastewater to the local community for irrigation purposes.

Construction commenced in May 2010 and was completed in August 2011.

Major work undertaken in the 2011-12 financial year:

- performance testing of the entire plant completed
- site civil works for stormwater drainage completed August 2011
- site security upgrade completed.

Barker Inlet – stormwater re-use scheme: An \$8.15 million project to harvest, treat, store and distribute stormwater collected from the Barker Inlet wetlands at Wingfield to industrial, commercial and irrigation customers in the Regency Park area.

The Barker Inlet wetlands are fed by four stormwater drainage systems, carrying urban and industrial stormwater runoff from approximately 4500 hectares of north western Adelaide. The Scheme will provide 350 million litres of dual reticulation standard stormwater for industry use each year, reducing the use of drinking water and thereby improving the security of water supplies for metropolitan Adelaide.

The construction of the project commenced February 2011, with the anticipated completion date October 2012. Following a full season of injection, water will be available for subsequent extraction and sale for use in both irrigation and industrial applications.

Major work undertaken in the 2011-12 financial year:

- installation of distribution pipelines now completed with the exception of Regency Park Golf Course under-bore
- most major plant and equipment is now installed at the wetlands site.

Adelaide Airport – stormwater scheme: This \$9.8 million project involves the harvesting and treatment of up to 270 million litres of stormwater from the Brownhill and Keswick Creek networks. Following a full season of injection, water will be available for subsequent extraction and sale to Adelaide Airport and surrounding industry, reducing the use of drinking water and thereby improving the security of water supplies for metropolitan Adelaide.

Construction is scheduled to commence in the final quarter of 2012, with an estimated completion date of June 2013.

Major work undertaken in the 2011-12 financial year:

- concept design completed through the early contractor involvement process
- amendment of scope in conjunction with key stakeholders.

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

The pump station infrastructure is in a poor condition due to its age and needs replacing to provide an ongoing service to the population. The project will see construction of a new pump station to meet the current and future demands of the area, increased pumping capacity to prevent the risk of wastewater overflow and address a history of odour complaints from local residents.

Construction is expected to commence in January 2013, with completion due early 2015.

Major work undertaken in the 2011-12 financial year:

- implemented a community engagement strategy which included seeking input from the local residents on a number of occasions during the project design stage to help SA Water deliver the best possible outcome for the community
- completed a detailed design for the project incorporating comments received from the local community and other key stakeholders
- prepared documentation in readiness for full financial approval through the government approval process.

North South Interconnection System Project: A \$403 million project to connect Adelaide's northern and southern water supply networks. Works include construction of three new pump stations, over 30 kilometres of new pipe work, installation of a number of pressure regulating and sustaining valves and a range of ancillary works across the SA Water metropolitan water supply network.

These works will allow water to move across one connected system, improving reliability, network flexibility and water security for Adelaide and enabling water from the new Adelaide desalination plant to be distributed throughout the whole water supply network system.

The project commenced construction in 2010, with a range of project elements completed in 2011-12. Full project completion and operational handover is scheduled for late 2012.

Major work undertaken in the 2011-12 financial year:

- continued to work with local communities throughout 2011 and 2012 to deliver acceptable designs for the above-ground infrastructure to be constructed in residential areas
- community meetings and information sessions were held on proposed works and a number of community reference groups and council technical committees established to input to the project design process
- in June 2012, the project exceeded 1.5 million hours worked without a recorded Lost Time Injury (LTI)
- on 31 March 2012 the first major milestone was achieved with infrastructure in place to enable transfer of bulk water from the desalination plant, or Happy Valley Reservoir, to the northern suburbs through the Eastern Transfer System
- Clapham and Wattle Park pump stations are currently being commissioned and are capable of water transfer
- Wattle Park Reservoir liner and cover replaced
- Eastern Pipeline completed
- the Low Level Trunk Main completed in conjunction with the Eastern Pipeline;
- Northern Pipeline completed
- Northern Pressure Regulating Valve (PRV) has been completed and is ready for commissioning
- Central Pipeline works have commenced
- Western Pipeline is installed and awaiting testing
- Gilberton pump station package awarded to York/Downer EDI Joint Venture, with construction well underway.

Sustainable Future

Performance summary			
<p><i>We will play a leading role in providing a sustainable and secure water supply for the community and minimise our impact on the environment</i></p> <p>Desired outcomes:</p> <ul style="list-style-type: none"> • Balance demand with a sustainable water supply • Minimise environmental impact • Move towards 1990 levels of greenhouse gas emissions 	Indicator	2011-12 Target	2011-12 Result
	<p>10 year average consumption</p> <ul style="list-style-type: none"> • Metro • Regional 	162.8GL 85.2GL	153.0GL 81.6GL
	<p>Percentage of water recycled</p> <ul style="list-style-type: none"> • Metro • Regional 	34.7% 28.4%	26.4% 19.3%
	<p>Water licence compliance</p> <ul style="list-style-type: none"> • Water extraction within allocation • Compliance with licence conditions 	100% 100%	100% 100%
	<p>EPA licence compliance</p>	100%	100%
	<p>Type 1 and 2 wastewater environmental notifications reported to the EPA</p>	94	64
	<p>Net tonnes of greenhouse gas emitted (CO₂-e)</p>	405 000t	402 496t

Comments:

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

Above average rainfall in most regions has limited the demand for recycled water during the year and also increased the volume of effluent available for treatment and reuse (through the incursion of stormwater into the sewer network).

The EPA licence compliance, environmental notification and greenhouse gas related targets were met, supporting SA Water's commitment to the environment.

Greening of Government (GoGO)

SA Water remains committed to sustainability and eco-efficiency, and continues to incorporate GoGO principles into our operations, facility management and capital delivery. This is supported through a range of initiatives, policies and systems including our Sustainability Policy, our Climate Change Sector Agreement, our Environmental Management Plan, our certified Environmental Management System, and through the Energy Efficiency Opportunities Program.

Fines and sanctions

Compliance with Environment Protection Authority (EPA) Licence Conditions 2011-12

Measures	Target	Result	Assessment
Metropolitan and country wastewater treatment EPA licences	100%	100%	Achieved target
Abrasive blasting EPA licences	100%	100%	Achieved target
Treated water transfer EPA licence	100%	100%	Achieved target
Production and disposal of listed waste EPA licence	100%	100%	Achieved target
Discharge of stormwater to underground aquifers	100%	100%	Achieved target
Streaky Bay Aquifer Storage and Recovery EPA licence	100%	100%	Achieved target
Penneshaw Desalination Plant EPA licence	100%	100%	Achieved target
Aldinga Managed Aquifer Recharge new EPA licence	100%	100%	Achieved target

Environment Protection Orders

Nil Environment Protection Orders (EPOs) were issued to SA Water between 1 July 2011 and 30 June 2012.

Legal actions

Nil legal actions against SA Water between 1 July 2011 and 30 June 2012.

Significant Spills

No significant spills in the 2011/12 period that have resulted in regulatory action.

Climate Change Strategy

The Climate Change Strategy outlines SA Water's approach to climate change adaptation and mitigation, as well as to relevant research in this field.

The strategy applies to SA Water's infrastructure and activities undertaken across South Australia and is implemented by our employees and contractors. The strategy touches on all aspects of our business including long term infrastructure and financial planning, source water management, water treatment, water and wastewater networks, and wastewater treatment.

The strategy builds upon SA Water's ongoing efforts and past achievements, such as our participation in the Commonwealth Government's Greenhouse Challenge Plus and Energy Efficiency Opportunities Programs.

Climate Change Sector Agreement

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

The high level targets of the agreement are:

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

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

Greenhouse inventory

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

We continue to make improvements to the quality of our inventory data, including undertaking an annual independent audit and use of a licenced greenhouse gas inventory system to improve accuracy and transparency of data.

2011 Greenhouse gas inventory

Facility emission	Scope 1	Scope 2	Scope 3	Total emissions 2011-12
SA Water corporate and aggregates	14 347	4 359	3 912	22 620
Non metropolitan water pumping and networks	110	124 363	26 869	151 343
Country WWTP	8 219	9 612	6 263	24 095
Metropolitan water treatment and networks	969	16 137	24 147	41 254
Bolivar WWTP	29 912	24 191	4 661	58 765
Glenelg WWTP	3 940	2 525	486	6 953
Christies Beach WWTP	3 377	5 600	6 102	15 080
Aldinga WWTP	585	1 443	328	2 357

Facility emission	Scope 1	Scope 2	Scope 3	Total emissions 2011-12
Adelaide Desalination Project	3 563	14 180	78 377	96 121
Country outsourced facilities	-	-	5 843	5 843
Chemicals	-	-	13 165	13 165
Gross emissions (tonnes CO₂-e)	65 025	202 415	174 670	442 243
Catchment buffer zones and land holdings (Bio-sequestration)				-7 952
GreenPower and RECS				-31 795
Carbon offsets				n/a
Equivalent net emissions (tonnes CO₂-e)				402 496

Notes:

- 1. The inventory is based on a calendar year performance and includes some estimates and preliminary figures.*
- 2. The inventory is based on facilities to align with the National Greenhouse and Energy Reporting System (NGERS)*
- 3. Scope 1 emissions refer to direct emissions from fuel burning and fugitive emission sources*
- 4. Scope 2 emissions acknowledge emissions caused indirectly through the consumption of electricity*
- 5. Scope 3 emissions acknowledge other indirect emissions caused in relation to SA Water's activities, such as electricity transmission losses, some outsourced activities and emissions embodied in the products and services that SA Water purchase. (Whilst significant scope 3 emissions are reported a number of minor indirect emissions are not quantified)*
- 6. SA Water's GHG reduction performance was better than its net emissions target of 405 000 tonnes CO₂-e due to the lower pumping rates and electricity use and the generation/purchase of renewable energy to achieve the 20% renewable energy target in our Climate Change Sector Agreement. However emissions were slightly higher than in 2010 mainly attributed to the peak construction stage of our water security projects including the Adelaide Desalination Project.*

Reducing greenhouse gas emissions

In 2011 we continued to achieve our greenhouse gas emissions reduction targets in line with South Australia's Strategic Plan and national and state climate change regulation. Achievements for greenhouse gas reduction included:

- constraining equivalent net greenhouse gas emissions (2011 calendar year) to within 405 000 tonnes carbon dioxide equivalent (CO₂-e), meeting our Kyoto protocol aligned target

- achieving 20% renewable energy use based on renewable electricity produced and used at the Bolivar and Glenelg WWTP sites as well as our additional purchases of accredited GreenPower/Renewable Energy Certificates
- monitoring construction of our large water security projects which included tracking fuels, electricity use and significant materials and components in order to meet mandatory greenhouse reporting requirements
- 12 176 megawatt hours of renewable energy from wastewater treatment plant biogas was produced and used during 2011
- continuing to implement energy efficiency and renewable initiatives in our system to achieve a 12 GWh savings by 2014
- recovering 4762 megawatt hours of electricity through our Hope Valley mini hydroelectric joint venture facility with Hydro Tasmania
- staff greening initiatives such as internal Environment Awards, knowledge sharing, cycling facilities to encourage staff to cycle to work and participation in Earth Hour with all non-emergency SA Water House lighting switched off, including the building logo, for the hour
- 100 ha of biosequestration plantings at Little Para Reservoir in 2011-12 to capture 43 385 tonnes CO₂-e across the total life of the project.

Environmental incidents that result in emissions to the environment

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

Environmental incident type	Result 2008-09	Result 2009-10	Result 2010-11	Result 2011-12
Wastewater overflow incidents (Types 1 and 2)	69	60	86	50
Mains water discharges (unplanned) (Types 1 and 2)	24	25	31	23
Total wastewater overflows and spills entering water courses or stormwater systems	58	52	81	50
Overflows from wastewater pumping stations in Adelaide (including power outages)	8	3	18	9
Overflows from wastewater pumping stations in country (including power outages)	6	6	10	3

In 2011-12 there was a decrease in the number of wastewater overflow incidents. This was partly a result of a reduction in incidents associated with stormwater infiltration to the sewer due to less rainfall and different rainfall patterns compared with the previous

year, and fewer power failures at sewer pump stations. In recent years, there has been a downward trend in environmental incidents due to SA Water investing heavily in targeted mains cleaning, backup power supplies, improved telemetry and storage capacity at wastewater pump stations as part of an overflow abatement program.

Environmental Incidents 2007-08 to 2011-12

	2007-08	2008-09	2009-10	2010-11	2011-12
Total Type 1 Environmental Incidents	16	15	19	18	18
Total Type 2 Environmental Incidents	82	72	77	105	80

People and Culture

Performance summary			
<p><i>We will develop a high achieving culture with a talented and diverse workforce and aspire to a zero harm workplace</i></p> <p>Desired outcomes:</p> <ul style="list-style-type: none"> • Move towards zero incidents in the workplace • Increased employee satisfaction • Increased diversity in the workplace 	Indicator	2011-12 Target	2011-12 Result
	Significant Injury Frequency Rate	16.40	11.79
	Staff Satisfaction Index	75%	N/A*
	Gender and Diversity		
	<ul style="list-style-type: none"> • Professional women in the core water business • Women in Information Services • Women in senior & middle management • Indigenous employees 	31%	29%
	30%	18%	
	30%	32%	
	1.6%	1.6%	

Comments:

The target for the 'Significant Injury Frequency Rate' was achieved in 2011-12 and supports our commitment to zero harm.

The 'women in information services' result was below target and reflects the profile of the external labour market for women in IT roles and the number of females completing tertiary qualifications in IT. Similarly, the 'professional women in core water business' result is also marginally below target. Ongoing activities in the area of attraction, retention, branding and professional development for women in SA Water aim to positively affect results in the future.

* *The Staff Satisfaction Index, which has previously been measured every two years, will now be measured every three years and will next be measured in 2012-13.*

Occupational Health and Safety (OHS)

SA Water has achieved significant reductions in both Lost Time Injury Frequency Rate (60%) and Significant Injury Frequency Rate (37%) compared to 2010-11 and is continuing to meet the majority of the targets established in the South Australian Government's *Safety and Wellbeing in the Public Sector Framework 2010-15*.

Key high risk projects are continuing to address major hazards to drive improvement, and an early intervention strategy has led to improved rehabilitation and claims management outcomes. OHS is integrated with the Leadership Fundamentals and Corporate Induction programs and is to be revised and extended in the new financial year.

The OHS strategy has been reviewed and updated to include a major emphasis on achieving a cultural shift through safety leadership and employee engagement.

SA Water OHS performance indicators

Key outcome	2009-10 target	2009-10 actual	2010-11 target	2010-11 actual	2011-12 target	2011-12 actual
Significant Injury Frequency Rate*1	18	15.14	16.40	15.75	16.40	11.79
Severity rate	6.42	15.9	5.62	4.23	5.62	4.89
Lost Time Injury Frequency Rate*2	3.2	5.77	2.72	7.88	2.72	3.22

NOTE:

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

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

Workers' compensation gross expenditure

Expenditure	2010-11 (\$)	2011-12 (\$)	Variation (\$)+ (-)	% Change + (-)
Income Maintenance	154 141	92 657	-61 484	-40%
Lump Sum Settlements Redemptions – Section 42 Permanent Disability – Section 43	632 073	498 970	-133 103	-21%
Medical/Hospital Costs combined	209 841	201 142	-8 699	-4%
Other	124 644	76 172	-48 627	-40%
Total claims expenditure	1 120 699	868 941	-251 758	-22%

Meeting Safety Performance Targets

	2009-10	2011-12			2015 Final Target
	Actual	Actual	Notional June Target	Variation	Numbers or %
1. Workplace Fatalities	0	0	0	0	0
2. New Workplace Injury Claims	55	55	50	+5	41
3. New Workplace Injury Claims Frequency Rate*1	22.75	21.63	20.48	+1.15	17.06
4. Lost Time Injury Frequency Rate *2	7.86	5.11	7.07	-1.96	5.90
5. New Psychological Injury Frequency rate	2.11	0.79	1.89	-1.11	1.58
6. Rehabilitation and return to work					
6.a Early Assessment within 2 days	76%	51%	80%	-30%	80%
6.b Early Intervention within 5 days	80%	100%	90%	+10%	90%
6.c Days Lost <= 10 days	58%	69%	60%	+9%	60%
7. Claim Determination					
7.a Claims determined for provisional liability within 7 calendar days#	7%	0%	100%	-100%	100%
7.b Claims determined in 10 business days	79%	68%	75%	-7%	75%
7.b Claims still to be determined after 3 months	4%	15%	3%	+12%	3%
8. Income Maintenance - Payments for recent injuries					
8.a 2010-11 Injuries (at 24 months development)		\$44 084	\$55 116	-\$11 032	
8.b 2010-11 Injuries (at 12 months development)		\$16 102	\$43 442	-\$27 340	

NOTE:

**1 The claims injury frequency rate includes all new claims registered in a 12-month period, regardless of date of injury, determination or any other factor. The figure includes all claims whether accepted, rejected, pending determination or withdrawn.*

**2 The lost time injury frequency are LTI claims (days lost greater than or equal to one) extracted from the SIMS Claims Data at the end of a 12-month period. Only Income Maintenance payments with days lost is used in this calculation and the payment amount is converted into a days lost figure.*

The majority of claims reported were determined within 10 working days and no provisional liability claims were required.

OHS&W notices and corrective action taken

Number of notifiable occurrences pursuant to OHS&W Regulations Division 6.6	5
Number of notifiable injuries pursuant to OHS&W Regulations Division 6.6	1
Number of notices served pursuant to OHS&W Act s35, s39 and s40 (default, improvement and prohibition notices)	1

An Improvement Notice was issued to SA Water regarding storage of old asbestos-cement pipes. The pipes identified by this notice have since been removed.

Attracting and retaining people

For the past five years, SA Water has implemented an innovative and successful Workforce Replenishment program. This program was developed to compensate for a potential skills shortage as our older workers reached retirement age and aims to ensure their skills are passed on.

The Workforce Replenishment program has been extremely successful in ensuring we have skilled technical workers as our workforce ages. It has also helped in the retention of employees who have entered the corporation as part of the Replenishment Program, with approximately 80% of all participating employees being retained. This initiative recently received an award from the Australian Human Resources Institute for Human Capital Management.

Our approach to workforce planning and replenishment for 2012-17 will include a continuing Workforce Replenishment program particularly focused on key technical roles in the Operations and Infrastructure Management & Delivery areas of SA Water and will target apprentices, graduates, trainees and technical cadetships.

Graduate program

In 2011-12 we recruited ten graduates with a focus on engineering, science, business and information technology disciplines. Promotional and recruitment activities included attendance at career expos in metropolitan and regional areas, information nights, SA Water tours, TAFE presentations, school group involvement and university guest lecturers.

Trainees, apprentices and technical cadets

Throughout 2011-12 we employed:

- 42 apprentices, with 8 completing their apprenticeship and winning ongoing roles
- 11 water industry trainees, with 2 appointed to ongoing positions to date
- 11 administration trainees, with 6 completing their traineeship and 5 winning ongoing roles
- 9 technical cadets, with 2 completing their cadetship and winning ongoing roles.

We have been successful in retaining over 85% of these employees.

Scholarships

The SA Water Scholarship Program offered education opportunities to young South Australians in a range of categories. In 2011-12 we awarded scholarships to 176 recipients through our ongoing scholarship partners: The Smith Family, University of South Australia, University of Adelaide, Flinders University, Tafe SA and Tauondi College.

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

Growing our capability

Performance management

SA Water's existing Performance Management Process has been 'refreshed' to ensure best practice and enhance its ability to drive business performance. The changes will help to ensure a focused approach to setting individual performance goals linked to required organisational strategy and business drivers. Training for all employees in the new process will be completed by August 2012.

In 2011-12 we had 99% of our workforce complete performance appraisals.

Leadership development: SA Water has leveraged its Leadership Capability Framework to ensure we continue to develop strong and skilled leaders who are empowered and capable of leading in a period of organisational change.

Successes in this area included:

- Leadership Impact Program, a custom designed program to equip our mid and senior level leaders with a range of contemporary and practical leadership skills
- Leadership Fundamentals, a five-day program providing a comprehensive leadership induction for our new and emerging leaders
- Frontline Management Programs for our frontline leaders in both metropolitan and regional locations
- our refreshed high potential talent program, Lead the Future, providing participants with a range of intense developmental activities over an eight-month period, supporting their growth into future senior leadership roles
- participation by the Senior Management Team in a range of leadership activities with a focus on developing and supporting standardised leadership behaviours
- more than 100 individual coaching sessions undertaken for SA Water people leaders.

Training and development expenditure

	Total Cost \$	Percentage of total salary expenditure
Total training and development expenditure	1 713 203	1.07%
Total leadership and management expenditure	348 598	0.22%

Unions

SA Water employees have the freedom to choose to be represented by a union. Information about relevant unions is available in the workplace and is provided to new employees as part of their new employee pack and included in their induction process. SA Water employees are currently represented by six different unions.

Enterprise Agreement

The current SA Water Corporation Enterprise Agreement 2010 has a nominal expiry date of 30 June 2012. Not less than three months prior to its expiration SA Water is required to review its operation and negotiate a new agreement. The first preliminary meeting for negotiation of a new enterprise agreement occurred in February 2012. Immediately following this preliminary meeting, SA Water initiated commencement of negotiations with its employees and their unions. Negotiations are continuing.

The parties to the enterprise agreement are those employees whose conditions of employment are defined as being within the agreement, the six unions representing employees and SA Water.

Equal Employment Opportunity programs

SA Water has diversity targets set across our business.

We currently have 27 Aboriginal and Torres Strait Islander employees who are undertaking roles in various business functions including technical/laboratory work, information technology, field maintenance, administration and management. In consultation with local Kurna and Ramindjeri Peoples, SA Water developed an Aboriginal Cultural Heritage Management Plan for all works associated with the North South Interconnection System Project. This major project has provided full-time and part-time employment opportunities for representatives from both Aboriginal community groups in SA Water and with the contractor. There are four Aboriginal employees located at Lake Victoria and Lock 7 in NSW undertaking cultural heritage and land management duties.

During the year there have been ten scholarships and targeted traineeships offered to Aboriginal and Torres Strait Islander applicants.

SA Water's percentage of Aboriginal staff representation currently sits at 1.6% against a target of 1.6%.

SA Water has workplace diversity targets in place for women within the SA Water workforce. The Women in SA Water Consultative Group, which commenced in May 2011,

continues to provide a program of activities aligned to supporting our women to achieve professional and personal growth. A key objective of this group is to provide advice and recommendations to management on initiatives to assist SA Water to achieve its identified strategic diversity targets. This includes the promotion of policies, processes and a workplace culture that encourages full participation of women and provides women with opportunities for growth and personal career development at all levels across SA Water.

Accredited training by classification

Technical training developed a total of 66 people in the following qualifications:

Certificate 3 in Water Operations	(44)
Diploma in Information Technology (System Analyst)	(10)
Training and Assessment	(12)

Number of people enrolled in accredited training packages by classification:

Classification level	Number of employees
SAW2	48
SAW3	30
SAW4	64
SAW5	31
SAW6	21
SAW7	3
SAW8	1
SAW9	0

These are in Water Operations, Project Management, Engineering and Instrumentation.

Job competency profiles were developed for 95% of all jobs across the organisation.

Employee statistics 2011-12

Employee numbers, gender and status

	2007-08	2008-09	2009-10	2010-11	2011-12
Total employees (people)	1 405	1 505	1 572	1 567	1 640
Male	1 042	1 105	1 144	1 139	1 194
Female	363	400	428	428	446
Total FTEs	1 373.5	1 469.24	1 537.92	1 526.59	1 593.0
Total male	1 040.6	1 100.7	1 142.15	1 135.50	1 189.5
% male	75.8	74.92	74.27	74.38	74.67
Total female	332.9	368.54	395.77	391.09	403.5
% female	24.2	25.08	25.73	25.62	25.33
Number of people separated from the organisation	138	121	134	193	176
Number of people recruited to the organisation	192	218	223	177	254
Number of people on leave without pay as at 30 June exceeding 22 days*	19	15	28	17	22

* A continual period of absence due to leave without pay, in excess of 22 working days, will remove the employee from headcount totals for the relevant reporting periods.

Employees by salary bracket

Salary bracket	Male	Female	Total
\$0 - \$51 599	273	135	408
\$51 600 - \$65 699	231	109	340
\$65 700 - \$84 099	323	112	435
\$84 100 – 106 199	188	49	237
\$106 200 +	179	41	220
Total	1 194	446	1 640

Status of employees in current position

FTEs	Ongoing	Short-term contract	Long-term contract	Other (casual)	Total
Male	1 055.4	33.0	100.2	.9	1 189.5
Female	339.8	32.4	29.3	2.0	403.5
Total	1 395.2	65.4	129.5	2.9	1 593.0
Persons	Ongoing	Short-term Contract	Long-term Contract	Other (casual)	Total
Male	1 058	33	101	2	1 194
Female	379	34	30	3	446
Total	1 437	67	131	5	1 640

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

Class	Ongoing		Contract tenured		Contract untenured		Other (casual)		Total	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
EX A (SAW10)			1		20	7			21	7
EX B (SAW11)					3				3	
EX C (SAW12)					7	2			7	2
EX D (SAW13)										
EX E (SAW14)					1				1	

Percentage of women by classification levels

	2011-12
SAW1	42.86%
SAW2	25.37%
SAW3	20.62%
SAW4	36.89%
SAW5	23.77%
SAW6	31.62%
SAW7	26.80%
SAW8	24.84%
SAW9	22.06%
SW10	24.14%
SW11	0
SW12	22.22%
SW14	0
Trainees	37.50%

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

	2007-08	2008-09	2009-10	2010-11	2011-12
Sick leave days taken	6.5	6.42	6.42	6.55	7.36
Family carers leave taken	0.9	0.97	1.08	1.27	1.19
Special leave with pay	0.4	0.14	0.25	0.39	0.63
Total average days taken per FTE employee	7.80	7.53	7.75	8.21	9.18

Workforce diversity information

We are mindful of the need to protect the privacy of our employees, and employees are not obliged to volunteer information about their culture. Therefore the following information about Aboriginal peoples employed, cultural diversity and disability is based on information we have been able to gather.

Aboriginal and/or Torres Strait Islander employees

Salary bracket	Aboriginal staff	Total staff	% Aboriginal	% Target*
\$0 - \$51 599	10	408	2.45%	1.6
\$51 600 - \$65 699	10	340	2.94%	1.6
\$65 700 - \$84 099	4	435	0.92%	1.6
\$84 100 - \$106 199	1	237	0.42%	1.6
\$106 200 +	1	220	0.45%	1.6
Total	26	1 640	1.58%	1.6

* Target from South Australia's Strategic Plan

Cultural and linguistic diversity

	Male	Female	Total	% SA Water
No. of employees born overseas	127	60	187	11.25%
No. who speak language other than English at home	120	92	212	12.76%

Number of employees with disabilities*

Male	Female	Total	% SA Water
18	4	22	1.32%

* As defined by the Commonwealth Disability Discrimination Act.

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

Employees by age bracket and gender

Age bracket	Male	Female	Total	% of Total
15-19	18	3	21	1.26%
20-24	76	37	113	6.80%
25-29	117	72	189	11.37%
30-34	145	82	227	13.66%
35-39	122	72	194	11.67%
40-44	139	56	195	11.73%
45-49	144	49	193	11.61%
50-54	126	39	165	9.93%
55-59	172	40	212	12.76%
60-64	114	15	129	7.77%
65+	23	1	24	1.44%
Total	1 196	466	1 662	100%

* Source: Australian Bureau of Statistics Australian Demographic Statistics, 6291.0.55.001 Labour Force Status (ST LM8) by sex, age, state, marital status – employed – total from Feb78 Super table, South Australia at June 2008.

Voluntary flexible working arrangements

Leave Type	Male	Female	Total	% of all SA Water employees
Purchased Leave	21	11	32	1.93%
Working From Home	10	17	27	1.62%
Flexitime	927	376	1 303	78.40%

Employees' overseas travel - from F11/F12 Financial year

Number of employees	Destination/s	Reason for travel	Total cost* to SA Water (\$)
3	(COMBINED TRIP) Paris, Bordeaux – France London, Manchester, Yorkshire – United Kingdom Edinburgh – Scotland	Europe trip to visit operational control centres and witness different planning/ operation models. To keep up to date with the current technologies. Ondeo Systems; Société des Eaux de Versailles et de Saint-Cloud (SEVESC) control room. Thames Water; United Utilities Operations Control Centre; Cumbria Water Treatment Plant; Yorkshire Water Services. Visit the Scottish Water facilities.	41 200
1	Rome (Italy); London (UK)	Attend Global Water Summit – <i>Brave New World</i> and Institute of Water Annual Conference – 2012 – <i>Changing the Industry for a Sustainable Legacy</i> .	13 700
1	Singapore/ Hong Kong	Attend South East Asia Infrastructure Leadership Forum / International Tunnelling Awards ceremony.	1 460
1	Barcelona (Spain)	Attend European Desalination Society Conference.	5 560
3	Phoenix, USA	Attend and present at Water Quality Technology Conference (WQTC) in Phoenix.	10 300
1	Pittsburgh, Chicago, Ames, LA, Hong Kong, Manila	Study tour as part of Water Quality Cryptosporidium Risk Project.	6 600
1	Germany	Attend 8th International Water Association (IWA) Conference and visit Wastewater Treatment Plants.	4 650
1	Budapest	Attended and present at the 11th International Water Association Specialised Conference “Design, Operation and Economics of Large Waste Water Treatment Plants”.	2 750

Number of employees	Destination/s	Reason for travel	Total cost* to SA Water (\$)
1	Beijing, China	Attend workshop and Research Centre for Eco-Environmental Sciences (RCEES), Chinese Academy of Sciences visit.	3 050
1	California, USA	Attend and present at the 4th International Water Association Specialist Conference on Natural Organic Matter: <i>From Source to Tap and Beyond</i> .	9 300
1	Singapore, Malaysia	Attend International Water Week and participate in an information exchange with Public Utilities Board (PUB) Singapore's water utility company.	2 500
1	USA, Salt Lake City	Supervisory Control and Data Acquisition (SCADA) security training course.	4 200
1	San Diego - USA	USA 2011 Environmental Systems Research Institute International (ESRI) user conference.	14 900
1	Shanghai - China	Attend the Fuji Electric Plant to inspect Variable Speed Drives and witnessed factory acceptance testing at the plant.	2 700
1	Bremen - Germany	Inspection of Quality Assurance / Quality Control testing regime for performance of pumping equipment for the North South Interconnection System Project (NSISP).	9 700
1	Salt Lake City, San Jose – United States Vancouver - Canada	Attend Corrosion 2012 Conference (National Association of Corrosion Engineers International). Visit Burke Industries Factory in San Jose, manufacturer of CSPE (Hypalon) liner and cover material for Knotts Hill and Penneshaw water storages. Conduct factory inspection and review of quality procedures. Visit Layfields Factory in Vancouver, manufacturer of Enviroliner liner and cover for Wattle Park water storage. Conduct factory inspection and review of quality procedures.	2 260
1	England, Netherlands, Sweden and Germany	International study tour to examine examples of water sensitive urban design and integrated water management in European countries.	10 000
TOTAL \$			144 830

* Total costs include all travel and accommodation expenses.

Commercial Success

Performance summary			
<p><i>We will drive operating and capital efficiency and meet the financial expectations of our owner</i></p> <p>Desired outcomes</p> <ul style="list-style-type: none"> • Improved cost efficiency • Efficient capital investment • Move towards a return on assets of 6% 	Indicator	2011-12 Target	2011-12 Result
	Net profit before tax	\$208m	\$317m
	Capital expenditure	\$835m	\$603m
	Return on assets	3.3%	3.9%

The profit before tax result in 2011-12 was \$317 million, approximately 52% above target. There were several factors contributing to the favourable result including:

- impact of the Adelaide Desalination Plant operating regime and delay to first water
- preservation of (temporary) water allocations beyond 2011-12
- lower expenditure on renewable energy and carbon offsets
- reduced depreciation and financing costs resulting from lower than targeted capital expenditure.

Offsetting these favourable factors, water consumption was below the target as a result of significant rainfall during the year and the continuing effect of demand management strategies implemented during the drought years.

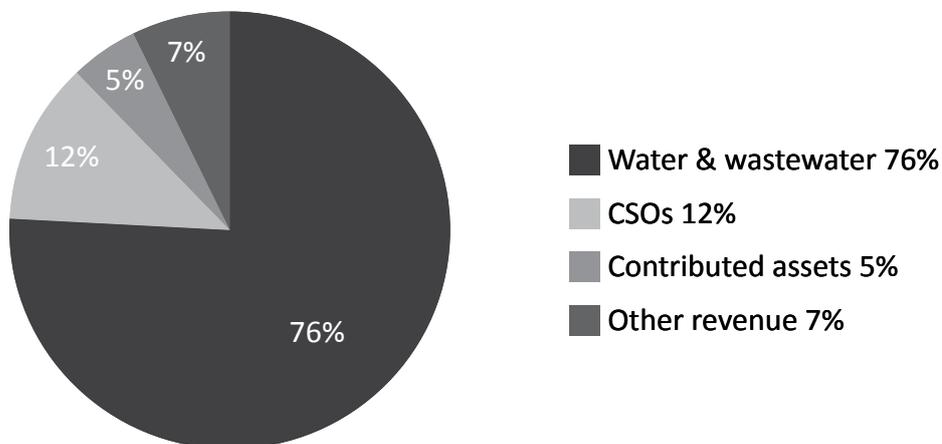
SA Water returned a net contribution of \$165m to the South Australian Government consisting of dividend, tax equivalent amounts and community service obligations.

Capital expenditure of \$603 million was incurred in 2011-12, with a significant proportion spent on water security and the balance mainly invested in renewal, augmentation and upgrades of water and sewerage infrastructure.

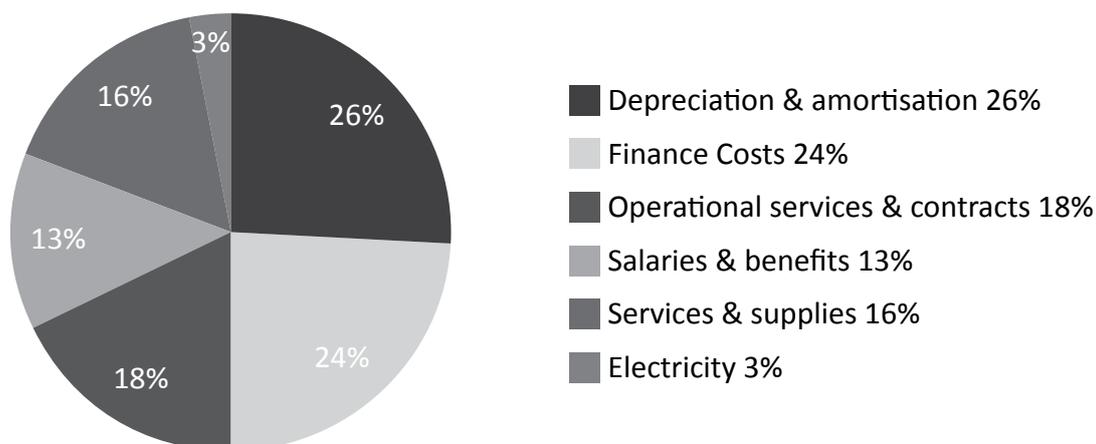
End of Year results

The charts below represent the sources of revenue and categories of expenditure for 2011-12.

Where our revenue comes from



Where we spend our money



Water and sewerage pricing

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

Water prices increased on average by 26.3% across all customers. Sewerage charges were increased by 5.5% for metropolitan customers and 6.0% for country customers on average. Prices for 2011-12 were set under the *Waterworks Act 1932* and *Sewerage Act 1929*.

The water pricing increase contributed to critical investment in South Australia's water infrastructure including the Adelaide Desalination Plant and the North South Interconnection System Project. The sewerage increase included provision for wastewater reuse projects such as the Southern Urban Reuse Project and upgrades of the Christies Beach, Bird in Hand and Aldinga wastewater treatment plants.

Residential charges for 2011-12 compared to 2010-11

Water	Relevant daily threshold	Indicative quarterly threshold (91 days)	Year	Water use price
Usage Charge Tier 1	0 to 0.3288kL	0 to 30kL	2010-11	\$1.28/kL
			2011-12	\$1.93/kL
Usage Charge Tier 2	0.3288 to 1.4247kL/day	30 to 130kL	2010-11	\$1.88/kL
			2011-12	\$2.75/kL
Usage Charge Tier 3	Above 1.4247kL	Above 130kL	2010-11	\$2.26/kL
			2011-12	\$2.98/kL
Annual Supply Charge			2010-11	\$142.40
			2011-12	\$234.60
Sewerage	Customers		Year	Sewerage prices
Minimum			2010-11	\$308
			2011-12	\$325
Rate in Dollar	Metropolitan		2010-11	0.1172%
			2011-12	0.1157%
Rate in Dollar	Country		2010-11	0.1337%
			2011-12	0.1526%

Contractual arrangements

1. Annual spend

\$853 317 670

2. Procurement overview

In 2011-12, SA Water’s external expenditure exceeded \$850 million. SA Water’s procurement area has had an active and key role in managing spend and in developing best practice procurement strategies that ensure delivery of value for money outcomes in all procurements.

Capability within procurement has increased drawing upon our employees’ diverse global experience from both the public and private sectors in the application of best practice procurement. Focused contract management has driven an increase in the performance of suppliers supported by significant development of our systems and processes to improve management and monitoring of performance.

Maintaining compliance with government and corporate procurement policies and relevant legislative requirements is a key procurement objective and internal controls have been strengthened and supported by a program of ongoing monitoring and audit.

3. Contractual arrangements

(Contracts awarded in 2011-12 which exceed \$4 million (GST inclusive) and extend beyond a single year).

3.1 Adelaide Desalination Project

One contract was awarded for the Adelaide Desalination Project:

Design Build Operate and Maintain (DBOM) construction oversight services

Dommar Construction Pty Ltd

To provide project management services for the construction oversight of the Electricity Substation, Seawater Processing Plant and equipment, and Supervisory Control and Data Acquisition (SCADA) connection.

3.2 North South Interconnection System Project

Numerous contracts were awarded for the North South Interconnection System Project:

Clapham and Wattle Park pump stations

Guidera O'Connor Pty Ltd

Detail design and construction to replace the existing pump station at Clapham as well as a new pump station at Wattle Park that will provide the ability to distribute desalinated water across the wider metropolitan area.

Gilberton pump station

York Civil / EDI Downer Joint Venture

The Gilberton pump station, together with the Central Pipeline, will form a pathway to enable bulk water transfer from the Adelaide CBD to the Hope Valley treated water storage. This reversible transfer pathway will allow water to be moved between the southern and northern drinking water distribution zones.

Northern Pipeline

Fulton Hogan / B J Jarrad Joint Venture

The Northern Pipeline will increase the flow of water northwards within the distribution network by creating a direct water supply route from terminal storage at Hope Valley to the Barossa Trunk Main. The new pipeline is approximately 5.7 kilometres.

Central Pipeline

York Civil

The new Central Pipeline is approximately 10 kilometres in length and is delivered through a traditional design and construct contract. The Central Pipeline will transfer water from the newly constructed Gilberton pump station to Hope Valley treated water storage.

Western Pipeline

Leed Engineering and Construction

The 3.2 kilometre Western Pipeline connects two transfer mains in order to boost the bulk water transfer capacity of the network.

3.3 Other major capital works

Cathodic protection services CW6488

Team Civil Pty Ltd

Provision of programmed cathodic protection construction services for various sites in order to prevent general corrosion on water mains. The contract commenced on 22 March 2012 and runs for a period of three years, with the option to extend for a further 2 years.

Bolivar main pumping station upgrade

Guidera O'Connor Pty Ltd

Upgrade of the Bolivar wastewater treatment plant's main pump station to ensure its continued reliable operation. The Bolivar main pump station was constructed in 1964-65 and currently services a population of approximately 650 000. The contract was awarded on 28 May 2012 and completion of the works is expected during 2014.

South Para Reservoir dam safety upgrade work

Bardavcol Pty Ltd

Flood mitigation and structural remediation works to the South Para Dam comprising of the raising of the crest wall, major banking reinforcement works as well as other structural improvements.

Bolivar Wastewater Treatment Plant (WWTP) energy optimisation

Clarke Energy (Australia) Pty Ltd

This contract involves the design, manufacture and supply of dual fuel gas engines to the Bolivar wastewater treatment plant as well as the delivery of associated powerhouse upgrade works. This contract forms part of the Bolivar energy use optimisation project.

3.4 Operational contracts

Heavy fleet management services

VEHTEC Pty Ltd

Administration of the maintenance, repair and modification of the corporation's heavy fleet and minor assets including minimising whole of life fleet costs and analysis of heavy fleet utilisation, distribution and operation across SA Water to ensure operational requirements are addressed.

The contract also includes specialist services relating to the purchase and commissioning of new heavy fleet units, decommissioning and disposal of retired vehicles, provision of safety inspections, establishment of a state-wide cost effective service network and comprehensive roadside breakdown service.

Account payment collection and foundation transactional banking services

Commonwealth Bank of Australia

Account payment collection and foundation transactional banking services including an over the counter agency network, mail sorting and cheque remittance facilities, BPAY facilities, collection of direct debit payments and the provision of an internet and interactive voice recognition bill payment system.

Information Services

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

Our Information Services (IS) group's key areas of focus include enhancing our capabilities, IT strategy and planning, maintaining IT operations and application support, and delivery of the IS capital program of work.

Our business program & project delivery

In 2011-12 the Information Services Group, in consultation with business units, developed a program of work to deliver business intelligence capability to provide consistent, accurate, reliable and easily accessible information across the entire SA Water business. The North-South Interconnection System Project (NSISP) is the first project to benefit from this capability. In order to achieve the program outcomes, data governance will be formalised across SA Water. Effective data governance means data will be accessible and is of sufficient quality, accuracy and completeness to be useful across SA Water.

In 2011-12 a number of IS projects were successfully implemented adding value to SA Water. Below are the key projects delivered for the year:

- **Business intelligence & governance:** minimising duplication of work and improving the accuracy and consistency of information
- **Operational data store phase 2:** automating the collection and analysis of real time information from SCADA and other operational data
- **Maximo Alliance partner integration phase 2:** implementation of automated interfaces between SA Water's Maximo solution and Allwater's SAP solution
- **EConveyancing Stage2, electronic certificates:** a joint project between SA Water and Department of Transport, Energy & Infrastructure (DTEI) establishing electronic SA Water certificates of charges and special meter readings for conveyances
- **Enterprise integration hub establishment:** ensuring SA Water's existing investment in Microsoft BizTalk software is maximised
- **SQL Server upgrade:** establishing an infrastructure environment to meet the IS strategic five-year technology roadmap and help us meet potential business objectives
- **Data centre stage 2 - virtual server upgrade:** a new virtual infrastructure and migration of all existing virtual servers to this new infrastructure
- **DC stage 3 physical server migration:** establishing the network environment at the new primary data centre, and procuring and installing new server hardware and migrated physical servers
- **Call recording:** expansion of the use of this system to include call monitoring and evaluation.

Use of consultants

There were 14 consultancies with expenditure less than \$10 000 in 2011-12.

The total expenditure for these consultancies was \$67 261.04.

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

Name of business	Description of work
CB Richard Ellis	Valuation services
CETEC Pty Ltd	Residual hazard and technical risks assessment
Deloitte Touche Tomatsu	Auditing services
EMA Legal	Workers compensation management services
ETSA Utilities	Power supply consultancy
Evans & Peck Pty Ltd	Review indexation rates for regulatory business proposal panel
Fullerton Consulting	Wastewater treatment plant capacity upgrade
Mercer (Aust) Pty Ltd	Remuneration consultancy services
MSM Loss Management	Insurance management
South East Water Ltd	National bench marking study

The total expenditure for these consultancies was \$168 829

Consultancies with expenditure greater than \$50 000

Name of business	Description of work
Aquenta Consulting Pty Ltd	Cost estimation services
Aquenta Consulting Pty Ltd	Asset componentisation and registration
Deloitte Touche Tohmatsu	Plant operational model evaluation
Edwards Marshall Pty Ltd	Legal services
ESKB Consulting	Economic regulation review and advice
Infrastructure Transaction Network (ITN)	Metro Adelaide services delivery project consultancy service
KPMG	Accounting and tax advice
KPMG	Procurement advice
Lonergan Edwards & Associates	Legal services
Maloney Field Services	North South Interconnections System Project advice
Momentum Partners (Aust) Pty Ltd	Benchmark and efficiency review of SA Water
PKF Chartered Accountants	Water pricing advice
Tonkin Consulting	Wastewater treatment plant odour assessment

The total expenditure for these consultancies was: \$2 402 229

The overall total expenditure on all consultancies by SA Water in 2011-12 was: \$2 638 319

Account payment performance

Particulars	Number of accounts paid	Percentage of accounts paid (by number)	Value of accounts paid (\$A)	Percentage of accounts paid (by value)
Paid by due date	78 123	98.12%	1 041 649 538	97.33%
Paid late, within 30 days of due date	1 131	1.42%	20 685 224	1.93%
Paid more than 30 days from due date	364	0.46%	7 960 973	0.74%

SA Water paid 98.12% of invoices within 30 days of the receipt of GST compliant invoices against a target of 90%, an improvement on the 2010-11 result of 96.47%.

Energy efficiency opportunities

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

Participation is mandatory for corporations using more than 0.5 petajoules (PJ) of energy per annum. At least 90% of a corporation's total energy use must be assessed within a five year assessment cycle and the assessments must meet the minimum standards of a prescribed assessment framework.

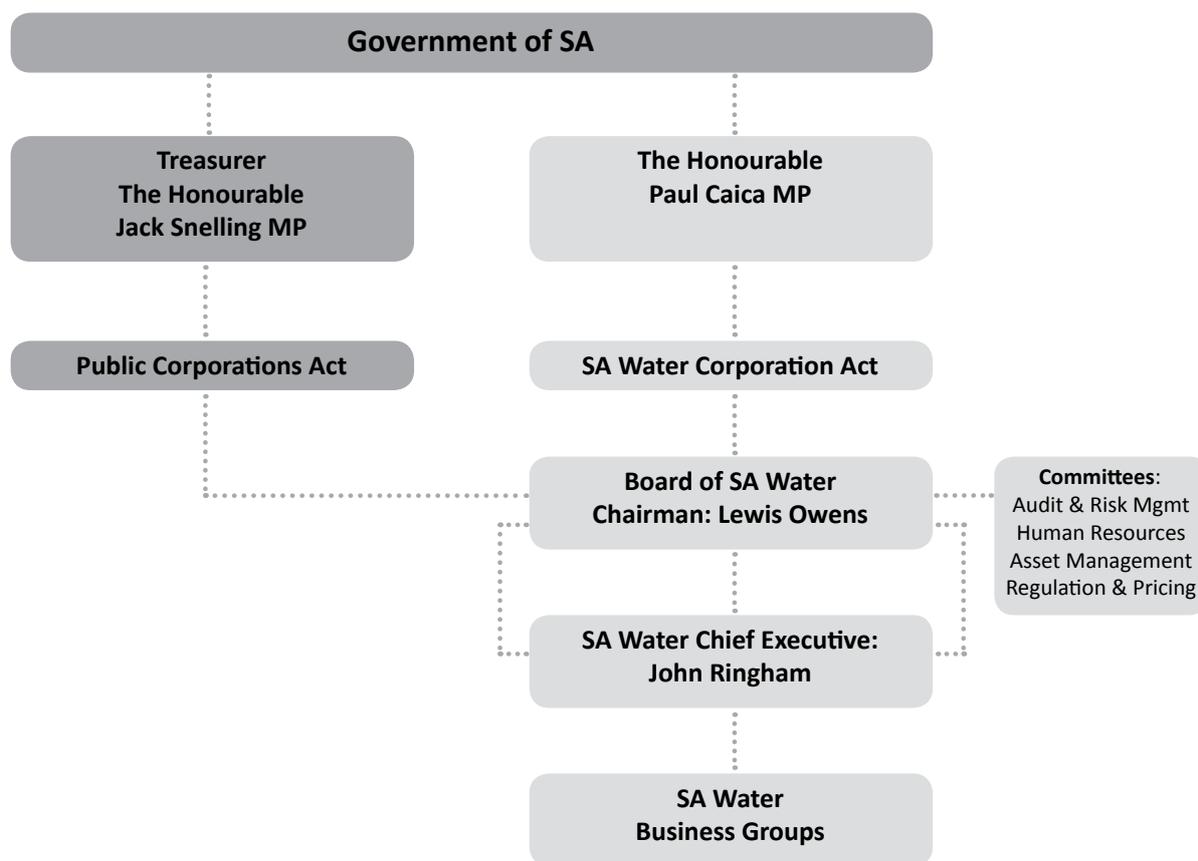
Our water transmission activity was assessed in 2008, our wastewater treatment, recycling and disposal activity was assessed in 2009 and our water distribution activity was assessed in 2011. The completed assessments have identified a total of 82 energy saving opportunities for implementation.

A public report was released in December 2011 providing an update on the progress of opportunities from the completed assessments.

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

In addition, SA Water was independently audited by the Department of Resources, Energy and Tourism, demonstrating full compliance across all elements of the legislation and rated as leading practice in the areas of *Leadership and Opportunity identification and evaluation*.

Corporate Governance



Our Charter

Under section 12 of the *Public Corporations Act 1993*, the Corporation's Minister and the Treasurer, in consultation with the corporation, are required to prepare a charter for SA Water and to review it annually. The charter is effectively a statement from the government which guides the Board in pursuing its functions under the *South Australian Water Corporation Act 1994*.

In 2011, the Minister and Treasurer, in consultation with the corporation, reviewed the charter and concluded that no changes were required for 2011–12. The charter seeks to balance community service with prudent commercial principles in the conduct of our business.

The charter will be reviewed during 2012, in particular to incorporate changes to complement the economic regulation framework under the new *Water Industry Act 2012*.

Delegation of functions

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

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

Directors' interests

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

In 2011-12 no director had an interest in any contract or proposed contract with SA Water other than contracts in the ordinary course of the organisation's business and at arm's length. One director declared a conflict of interest in relation to a matter listed for decision and was absent from the meeting when the decision was taken.

Directors' benefits

In 2011-12, no contract involving directors' interests arose and no director of SA Water received, or became entitled to receive, a benefit (other than a remuneration benefit) by virtue of a contract that the director, or a firm of which the director is a member, or an entity in which the director has a substantial financial interest, has made with SA Water, other than dealings in the normal course of business as set out in Note 36 of the Financial Statements.

Board committees

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

A charter guides the functions and duties of each committee, which in turn reports to the Board. The charters are reviewed annually and are available on request. Membership of the committees is reviewed regularly, most recently in April 2012.

Audit & Risk Management Committee

In 2011-12 the members of the Audit & Risk Management Committee were:

- Frank Blevins, Chair
- Sybella Blencowe
- Catherine Cooper
- Kevin Osborn (from 16 April 2012)

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

The committee also monitors our risk management framework (including treasury risk) and legal and competition & consumer protection compliance programs. More information on our risk management can be found on **page 69**.

In 2011-12 a feature of the committee's work was a focus on enhancing the effectiveness of risk management and reporting, and improvements in procurement.

Asset Management Committee

In 2011-12 the members of the Asset Management Committee were:

- Lewis Owens, Chair (to 16 April 2012) and member thereafter
- Kevin Osborn, Chair (from 16 April 2012)
- Karlene Maywald
- Sybella Blencowe (from 16 April 2012)

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

A particular focus during 2011-12 was capital planning and asset conditioning monitoring, particularly with regard to the introduction of independent economic regulation.

Human Resources Committee

In 2011-12, the members of the Human Resources Committee were:

- Lewis Owens, Chair (to 16 April 2012) and member thereafter
- Catherine Cooper, Chair (from 16 April 2012)
- Sybella Blencowe
- Karlene Maywald

This committee reviews and makes recommendations to the Board on conditions of employment including the level of remuneration paid to the Chief Executive and other senior executives. During the year the Committee took particular interest in issues relating to occupational health, safety and welfare, remuneration, and attraction and retention.

Regulation & Pricing Committee

In August 2011 the Board established a Regulation & Pricing Committee. During the course of the year the members of the committee were:

- Lewis Owens, Chair
- Frank Blevins
- Karlene Maywald
- John Ringham (to 16 April 2012)
- Kevin Osborn (from 16 April 2012)

This committee provides support and advice on matters associated with the Corporation's approach to and performance of its various regulatory obligations and on the Corporation's working relationships with regulatory agencies. During 2011-12 it has paid particular attention to preparations for the introduction of formal economic regulation pursuant to the passage of the *Water Industry Act*.

Directors' meetings

The number of meetings of the Board of Directors (including meetings of committees of directors) held in 2011-12 was:

- Board of Directors – 14 meetings
- Audit & Risk Management Committee – 4 meetings
- Asset Management Committee – 4 meetings
- Human Resources – 4 meetings
- Regulation & Pricing Committee – 11 meetings

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

	Board		Special Board		Audit & Risk Management Committee		Human Resources		Asset Management		Regulation & Pricing	
	A	B	A	B	A	B	A	B	A	B	A	B
Sybella Blencowe	11	10	3	3	4	4	4	4	1	1		
Frank Blevins	11	11	3	3	4	4					11	11
Catherine Cooper	11	11	3	2	4	4	1	1				
Karlene Maywald	11	11	3	3			4	4	4	4	11	10
Kevin Osborn	5	4	3	3	1	1			1	1	4	3
Lewis Owens	11	11	3	2			4	3	4	4	11	10
John Ringham	11	10	3	2	4	3	3	2			7	5

A = number eligible to attend B = number attended

Fraud

We have a code of conduct in place to inform staff members of what activities might constitute fraud and to warn employees against committing fraud. There is also a specific Fraud Control Policy and Fraud Control Procedure which deal with the treatment of any detected frauds. Additionally, SA Water has a Whistleblower's Procedure. The policy and procedures are reviewed and updated regularly and communicated to employees.

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

In 2011 we launched an independent whistleblower service, aimed at providing an additional, potentially anonymous avenue for SA Water employees, contractors and external parties to report instances of suspected fraud, corruption or maladministration. For the year ended 30 June 2012, no reports were received through this facility.

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

As part of the annual Internal Audit Plan, data mining of accounts payable, payroll and purchase card expenditure is performed and anomalies investigated. In the year to 30 June 2012 these exercises did not uncover any instances of fraud or corruption.

Compliance with legislative requirements

SA Water is committed to best practice and the highest standards of compliance with legislative requirements. Several systems have been developed to assist managers in monitoring compliance with a range of legislation. Training is also provided as required, with particular focus on areas such as environmental law and the *Competition & Consumer Protection Act 2010*. Six-monthly monitoring and reporting programs are in place to ensure adherence to laws, standards, treasury instructions and internal policy. The results of the monitoring programs and the resolution of matters recorded are reported to the Audit Committee.

Insurance and indemnification

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

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

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

Risk management

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

The policy is reviewed by the Board on a regular basis and is consistent with the International Standard ISO 31000 and the South Australian Government Risk Management

Policy Statement, 2009. The policy principles are applied across SA Water and risk assessments are a key component of strategic and business unit planning, project management, capital and asset planning, emergency response and business continuity planning.

The Audit Committee has been delegated responsibility, via the Audit Committee Charter, for the overall review and evaluation of risk management processes within SA Water.

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

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

To assist both the Chief Executive and the Audit Committee:

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

Policy development

Our Policy Management Framework supports the development of strategic (Board approved) and management (Senior Management Team approved) policies that are aligned to our corporate strategic objectives. Our policies cover a broad range of areas including environmental, financial management, procurement, human resource management and OHS. They are supported by a suite of procedures and guidelines.

Targeted and general consultation of draft documents is undertaken when developing new policy at SA Water, along with development of implementation plans and performance indicators that measure policy effectiveness.

Continuous improvement remains at the core of our policy development, with the policy framework, our policies, procedures and guidelines all subject to periodic review.

Economic regulation of the South Australian water industry

Economic regulation of the South Australian water industry featured in SA Water's Annual Report for the first time in 2010-11. The information detailed the tabling of the *Water Industry Bill* by the Minister for Water in November 2010 following the outcomes of the State Government's *Water for Good* initiative.

In 2011-12, economic regulation of the South Australian water industry progressed, most notably by the passing of the legislation through the lower and upper houses of Parliament. The *Water Industry Act 2012* was passed on 5 April 2012 and received royal assent on 19 April 2012 and officially came into effect on 1 July 2012.

The *Water Industry Act 2012* is a positive move for the South Australian water industry introducing economic regulation in addition to the promotion of wise water management, competition and innovation within the industry, clear technical standards and the protection of the interests of consumers. Under the *Water Industry Act 2012* the Essential Services Commission of South Australia (ESCOSA) has responsibility for regulatory functions of the water industry.

On 11 November 2011 ESCOSA released its draft advice to the Treasurer on the economic regulation of South Australia. On 12 June 2012 this draft advice was succeeded by ESCOSA's final advice. SA Water has been working with ESCOSA in preparing itself for regulatory requirements outlined in ESCOSA's final advice.

In addition to implementing corporation-wide regulatory process changes, SA Water has been preparing its first regulatory business proposal for submission to ESCOSA in September 2012 which forms part of ESCOSA's first revenue determination for SA Water.

Based on this submission, ESCOSA will determine the prudent and efficient expenditures required by SA Water for the first regulatory control period (1 July 2013 – 30 June 2016) and the resultant revenue requirement. SA Water will then set water and sewerage prices in line with the approved revenue allowance.

Freedom of Information

SA Water is committed to openness, transparency and accountability while at the same time recognising the right of stakeholders to privacy. Throughout 2011-12 we continued to ensure our website delivered a broad scope of free educational and informative material to the public.

In 2011-12 SA Water received 66 new applications for information under the *Freedom of Information Act 1991* (FOI Act). 13 applications were also carried over from 2010-11, leading to an overall total of 79 applications in 2011-12. Members of Parliament submitted 73 applications for information, the public made five applications, and a media organisation submitted one application under the FOI Act.

The outcome of the applications received in 2011-12 was as follows:

- Access granted in full – 20
- Access granted in part – 31
- Applications refused – 16
- Applications withdrawn – 1
- Applications transferred to other departments – 1

10 applications are being carried over into the 2012-13 period.

In addition to the FOI applications received, SA Water responded to 10 third party consultation requests from local, state and federal government departments.

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

A complete *Freedom of Information Statement* is published on the following two pages.

Freedom of Information Statement

This information is published pursuant to section 9 of the Freedom of Information Act 1991.

SA Water structure and functions

A comprehensive description of SA Water's structure and functions (including the SA Water Board and Board committees) can be found in this Annual Report and in the About Us section of SA Water's website.

Functions of SA Water affecting members of the public

SA Water's purpose is to deliver water and wastewater services in efficient, responsive, sustainable, and accountable ways. As a service delivery organisation, SA Water's functions and decisions directly affect the public. We are committed to working with our customers and key stakeholders to understand their expectations so that we can prioritise our activities accordingly.

Public participation

SA Water helps the public to understand its scope of activities by offering a range of community and school education programs through its Learning Centre and on its website. SA Water uses a variety of media to communicate with the public and raises awareness of its services through community investment programs.

SA Water's Customer Council has operated since 2004 to provide a forum for residential and business customers to openly discuss and feedback comments about water and wastewater issues and policies. In 2012-13 the Customer Council will be substituted by two new advisory councils. SA Water also operates a 24/7 customer contact centre and a program of customer service research to inform its policies and decision-making.

A customer assist program has been implemented to help customers who experience difficulty paying their bills in March 2012. SA Water also became a member of the Energy and Water Ombudsman SA scheme and an active participant in industry networks and forums.

SA Water also encourages public participation in its decision-making by proactively engaging the community on major capital projects and by sharing information with Local Government through an active program of liaison.

Public access to information

SA Water publishes a substantial amount of information about its activities on its website.

Broad categories include information about:

- Annual and Drinking Water Quality Reports
- Major projects
- Reservoirs
- River Murray
- Saving water in the home and garden
- SA Water's education programs
- SA Water's Strategic Plan 2012-16
- Water and wastewater services for residential, business and industry customers
- Water conservation
- Water pricing
- Water quality

In addition to information about SA Water's activities, helpful guides are published to assist the public in making informed decisions about using water. Publications on the following subjects are available for free download from SA Water's website:

- Caring for your Aquarium
- Caring for the Wastewater Network
- Gardens
- Irrigated Public Open Space
- Plumbing Guides
- Regional Information
- Saving Water
- Selecting Trees to Lower Risk of Pipe Blockages

The following key public policies are available for free download from SA Water's website:

- Community Involvement Policy
- Privacy Policy
- SA Water Strategic Plan 2012-16
- Sponsorship Policy

SA Water holds the following broad categories of documents. Pursuant to the FOI Act, some of these documents may not be accessible:

- Accounting and financial records
- Asset management and planning records
- Corporate and strategic planning records
- Corporate files including correspondence, memoranda and minutes on the SA Water's operations
- Internal policies, procedures and guidelines that set out the way various activities and programs are performed
- Occupational health and safety records
- Personnel records

Making an application

SA Water's Accredited Freedom of Information Officer administers the *Freedom of Information Act 1991* (the FOI Act) for SA Water and facilitates access to SA Water documents and policies or amendments to personal information. Further information on how to apply for information under the FOI Act is available from SA Water's website, www.sawater.com.au.

Completed applications should be addressed to:

The Accredited FOI Officer
SA Water
GPO Box 1751
Adelaide SA 5001

The accredited FOI Officer can be phoned on (+ 61 8) 7424 2865.

Operations Overview 2011-12

Length of mains (km)	2011-12
Total length of water mains	26 591
Metropolitan	8 997
Country	17 594
Major pipeline lengths (km)	
Murray Bridge to Onkaparinga	48
Morgan/Whyalla no 1 via Port Augusta	356
Morgan/Whyalla no 2 undersea from Baroota	281
Mannum Adelaide	60
Swan Reach/Paskeville	183
Tailem Bend/Keith	133
Lincoln Gap/Kimba	131
Major pipeline rated capacities (ML per day)	
Murray Bridge/Onkaparinga	514
Morgan/Whyalla	206
Mannum/Adelaide	380
Swan Reach/Swanport	80
Tailem Bend/Keith	31
Lincoln Gap/Kimba	4.5
Length of sewers (km)	
Total length of sewers	8 712
Metropolitan	7 276
Country	1 436
Length of recycled water mains (km)	
Metropolitan	168
Country	12
Accounts	
Accounts billed	773 439
Number of water treatment plants	
Metropolitan	6
Country	24

Number wastewater treatment plants	2011-12
Metropolitan	5
Country	19
Wastewater reuse	
Metropolitan	26.4%
Country	19.3%
Population served water supply (at 30 June)	
Estimated population supplied metropolitan	1 149 000
Estimated population served country	427 000
Total	1 576 000
Population served wastewater (at June 30)	
Estimated population served metropolitan	1 087 000
Estimated population served country	167 000
Total	1 254 000
Average volume water delivered statewide for past five years (ML)	
Metropolitan	136 336
Country	75 285
Total volume delivered*	
Statewide	208 144
Metropolitan	135 276
Country	72 868
Highest daily consumption (metro) recorded in 24 hours to 8am (ML)	708
Average residential consumption per household (kl)	
Statewide	173
Metropolitan	179
Country	155
Water sources	
Total water (ML)	208 144
% provided by River Murray	45.6
% provided by surface water	46.6
% provided by ground water	6.0
% provided by sea water	1.8

* Total volume delivered represents amount of treated water delivered through the network, not the amount recorded by customer meters.

Five year comparisons 2011-12

	2007-08	2008-09	2009-10	2010-11	2011-12
Water supply					
Adelaide					
Volume delivered (ML)	139 352	138 300	139 753	129 000	135 276
Average daily volume delivered (ML)	381	378	383	353	370
Average daily per capita consumption, including commercial, industrial and residential (L)	346	339	340	310	323
Estimated population served	1 103 000	1 117 000	1 125 000	1 140 000	1 149 000
Length of mains (km)	8 889	8 933	8 980	9 020	8 997
Country					
Volume delivered (ML)	79 613	79 900	76 378	67 665	72 868
Estimated population served	403 000	408 000	411 000	417 000	427 000
Length of mains (km)	17 004	17 217	17 297	17 532	17 594
Total (rounded)					
Total water (ML)	218 965	218 170	216 131	196 665	208 144
% provided by River Murray	85	86	44	46	45.6
% provided by surface water	8	8	50	48	46.6
% provided by ground water	7	6	6	6	6
% provided by sea water	<0.1	<0.1	<0.1	<0.1	1.8
Wastewater					
Adelaide					
Number of wastewater treatment plants	4	4	4	4	5
Estimated population served	1 043 000	1 057 000	1 064 000	1 076 000	1 087 000
Length of sewers (km)	7 099	7 147	7 202	7 252	7 267
Length of recycled wastewater supply main (km)	-	74	82	127	168
% wastewater re-use	30.7	31.8	29.5	22.5	26.4

	2007-08	2008-09	2009-10	2010-11	2011-12
Country					
Number of wastewater treatment plants	20	20	20	20	19
Estimated population served	157 500	159 000	161 000	163 000	167 000
Length of sewers	1 402	1 418	1 436	1 451	1 436
Length of recycled wastewater supply main (km)	-	6	9	9	12
% wastewater reuse	23.8	24	25.7	20.1	19.3
<i>Wastewater re-use</i>					
Total %	27.25	27.9	27.7	21.3	19.3
Finance					
Revenue					
Water sales and rates	309 650	347 585	396 367	492 885	646 718
Sewerage rates	272 805	282 582	292 175	305 729	325 636
Contributions and grants	61 890	68 864	65 023	69 883	63 995
CSO funding	164 597	183 087	198 547	180 780	153 274
Sundries	80 524	107 317	113 934	105 424	80 341
Total revenue	889 466	989 435	1 066 046	1 154 702	1 269 964
Operating expenditure					
Operations and services	340 716	445 980	440 051	456 392	479 743
Interest	99 821	106 908	143 562	206 297	228 586
Depreciation	162 128	177 696	211 129	234 293	245 514
Total operating expenditure	602 665	730 581	794 742	896 982	953 843
Capital expenditure					
Water supply	154 081	536 000	875 048	456 064	469 636
Sewerage	36 950	142 798	120 269	181 574	98 667
Other	55 935	52 674	174 185	55 486	35 155
Total capital expenditure	246 966	731 472	1 169 502	693 124	603 458
Water/wastewater services					
Total expenses per customer (\$)	785	927	1 102	1 243	1 289

	2007-08	2008-09	2009-10	2010-11	2011-12
Expenses recovery					
Revenue as a % of expenses	152.4	139.2	134.0	129	133
Contracts customer service					
% of developer contracts prepared within 90 days	100	100	100	100	100
Improving water quality					
% of filtered water distributed into Adelaide system	100	100	100	100	100
Water supply performance					
Metropolitan					
Service calls per 1000 customers	94	92	91	91	86.6
Number of priority calls, bursts, leaks per 1000 customers	2	2.21	2.18	2.10	3
Service interruptions restored in 5 hours (target 80%)	92	91	90	87	91.3
Water quality complaints per 1000 customers	0.76	0.61	0.73	1.05	1.23
% of samples free from <i>E. coli</i> *	100	99.96	100	99.96	100
Total expenses per customer (\$)	368	453	482	397	435
Country					
Mainbreaks per 1000 customers	5.6	4.9	7.5	8.7	9
Mainbreaks per 100 km of main	6.3	5.5	8.9	11	10
% interruptions responded to within 1 hour	95	93.5	93	98	97
% of samples free from <i>E. coli</i>	100.00	99.95	99.99	99.94	99.94
Total expenses per customer (\$)	958	1 098	1 189	1 028	1 142

	2007-08	2008-09	2009-10	2010-11	2011-12
Wastewater services performance					
Metropolitan					
Chokes in sewer mains per 100 km of main	58	54.9	48.8	48.4	39
Chokes in sewer mains per 1000 customers	8.4	8.05	7.11	7.01	6
Chokes in property connections per 1000 customers	36	34.2	30.9	28.71	35
Restoration of service, mains and connections (full loss of service) restored within 5 hours (target >75%)	97	97	97	97	89.8
Restoration of service, mains and connections (partial loss of service) restored within 18 hours (target >90%)	98	98	98	98	83.7
Wastewater overflows reported, % attended within 4 hours	100	100	100	100	100
Treated wastewater total BOD - Christies Beach, Glenelg, Bolivar HS - mg/L (target <20)	3	3.1	3	2.8	3.0
Treated wastewater soluble BOD - activated sludge plant - Bolivar - mg/L (target <10)	2	2.1	2.2	2.2	2.1
Treated wastewater suspended solids / Bolivar High Salinity, Glenelg, Christies Beach	9	9.1	8.6	8.3	4.0
Treated wastewater % compliance with EPA targets	100	100	100	100	100
Total expenses per customer (\$)	301	349	373	352	328

	2007-08	2008-09	2009-10	2010-11	2011-12
Country					
Chokes in connections per 1000 customers	27.5	13.2	17	12.9	19
Chokes in sewers per 100 km of sewer	16.4	18.5	11	14.1	15
% internal overflows responded to within one hour	92	100	98	100	96
Treated wastewater BOD (activated sludge/extended aeration plant) mg/L	3	2	<2	<2	<2
Treated wastewater soluble BOD (lagoon plants) mg/L	2	2	2	2	<2
Treated wastewater suspended solids (activated sludge/extended aeration) mg/L	4	3	5	3	3
Total expenses per customer (\$)	555	644	620	717	535

* *E. coli* figures were rounded up to the nearest 10th percentile in previous SA Water Annual Reports. Results for the past 4 years have been amended for this publication.

South Australian Water Corporation Charter

June 2010

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Part 1 Preliminary

Purpose

The purpose of this Charter is to set out the Government's strategic objectives, operating arrangements, priorities and requirements for the South Australian Water Corporation's Board.

Charter's Design

The Minister has prepared this Charter with input from the Treasurer following consultation with the South Australian Water Corporation.

Governance Context

This Charter should be read in conjunction with the:

Public Corporations Act 1993

South Australian Water Corporation Act 1994

Sewerage Act 1929

Waterworks Act 1932

Metropolitan Drainage Act 1935

Rates and Land Tax Remission Act 1986

Public Finance and Audit Act 1987

Public Sector Management Act 1995

Code of Conduct for South Australian Public Sector Employees March 2005.

This Charter aims to meet the following Australian and New Zealand Standards:

AS8000 2003 Good Governance Principles

AS4360 2004 Risk Management.

Definitions

Under this Charter the following definitions apply:

'Act' means the *South Australian Water Corporation Act 1994*

'board' means the Board of Directors established as the governing body of South Australian Water Corporation

'commercial' means engaging in commerce with a view to building business value by making long term, ethical, sustainable returns on capital invested. This includes taking into account the cost of negative externalities from commercial activities

'director' means a member of the Board

'Minister' means the Minister for Water Security

'performance statement' means the statement of performance targets that the Corporation must pursue in the coming financial year as specified by the Minister and the Treasurer after consultation with the Corporation under section 13 of the *Public Corporations Act 1993*

'stewardship' means acting as an ethical trustee and fiduciary to manage, maintain, preserve and enhance the assets, resources and relationships of the Corporation

'the Corporation' means the South Australian Water Corporation

'the Government' means the Government of South Australia

'Treasurer' means the Treasurer for the South Australian Government

'water' includes water from any source and of any class

'water services', 'water industry' or 'water systems' means water products, supplies, services and systems

'whole-of-government policy' means objectives for Government approved by Cabinet from time to time and relate to the functions or operations of all or various public sector agencies. This includes South Australia's Strategic Plan.

Fundamental Governance Arrangements

1. The Corporation shall discharge its duties under the legislation listed above as well as under any other piece of legislation which has an impact on SA Water activities.
2. The Corporation owns assets for and on behalf of the Crown for the benefit of South Australians and has the powers of a natural person and those conferred on it by the Acts of Parliament.
3. The Minister and the Treasurer are shareholders of the Corporation for and on behalf of the people of South Australia.
4. The Board through the Chair is accountable to the Minister for:
 - 4.1.1. sound management and stewardship of the Corporation and its assets for and on behalf of its shareholders in accordance with the law
 - 4.1.2. attainment of performance objectives as established in the 'performance statement'.
5. The Minister and the Treasurer, after consultation with the Corporation, must prepare an annual performance statement in accordance with section 13 of the Public Corporations Act 1993.
6. The Minister and Treasurer will assess the Board's performance as against the Board's annual performance objectives.
7. The Chief Executive, appointed by the Board, is accountable to the Board for day-to-day management of the Corporation and the implementation of the Board's decisions, directions and policies and discharge of delegated powers or functions.

Part 2 Purpose and Direction

Function Of The Corporation

8. The function of the Corporation is to provide services:
 - 8.1. for the supply of water by means of reticulated systems
 - 8.2. for the storage, treatment and supply of bulk water
 - 8.3. for the removal and treatment of wastewater by means of sewerage systems
 - 8.4. to carry out research and works to improve water quality and wastewater disposal and treatment methods
 - 8.5. to provide consultancy and other services within areas of the Corporation's expertise
 - 8.6. to develop commercially and market products, processes and intellectual property produced or created in the course of the Corporation's operations
 - 8.7. to advise users of water in the efficient and effective use of water
 - 8.8. to encourage and facilitate private or public sector investment and participation, whether from within or outside the State, in the provision of water and wastewater services and facilities subject to section 9 of the SA Water Corporation Act 1994 and only where there is a clear public benefit
 - 8.9. to undertake any other function conferred on the Corporation by the Act, any other Act or the Minister or delegated to the Corporation by the Minister.

Government Policies And Directions

9. In pursuing its statutory functions and exercising its powers, the Corporation shall:
 - 9.1. work to advance the Government's vision and direction
 - 9.2. act in accordance with the Government's:
 - 9.2.1. governance framework for public corporations
 - 9.2.2. policies generally applying to its commercial agencies and
 - 9.2.3. policies specifically applying to the Corporation
 - 9.3. work collaboratively with other Government agencies.
10. The Government requires the Corporation to play its part to support the objectives, targets and priority actions in South Australia's Strategic Plan and other whole-of-government policies and to work with other public sector agencies to achieve strategic objectives under the plan.
11. The Government seeks, through the Corporation's strategic plan, its associated targets and projects, to implement whole-of-government policies as per South Australia's Strategic plan objectives to:
 - Grow prosperity
 - Improve well being
 - Attain sustainability
 - Foster creativity
 - Build communities
 - 11.1. Expand opportunity.

Part 3 Operational Matters

Corporation's Operations

12. The Corporation shall operate in a sustainable manner. This includes undertaking activities in the following contexts:
 - long term
 - global
 - local
 - economic
 - financial
 - social
 - environmental.
13. For the purposes of the Public Corporations Act 1993, all operations of the Corporation are commercial operations, except for those operations referenced as non-commercial operations as outlined in the **Schedule** to this Charter.

Scope Of Commercial Operations

14. The Corporation shall undertake and develop commercial operations consistent with its strategic business plan and in particular:
 - 14.1. *Customer Service & Water Quality* – to deliver quality water services and be responsive to its customers needs
 - 14.2. *System Performance* – to plan, develop, operate and maintain our infrastructure to consistently meet the needs of its customers and owner
 - 14.3. *Sustainable Future* – to play a leading role in providing a sustainable and secure water supply for the community and minimise its impact on the environment in accordance with governance policy
 - 14.4. *People & Culture* – to develop a high achieving culture with a talented and diverse workforce and aspire to a zero harm workplace
 - 14.5. *Commercial Success* – to drive operating and capital efficiency and meet the financial expectations of its owner.
15. The Corporation may undertake other commercial operations within South Australia, including where such operations:
 - 15.1. support or are ancillary to or utilise by-products of its primary operations
 - 15.2. involve water trading to secure supplies to meet demand and
 - 15.3. relate to research and development to support primary or ancillary operations.
16. The Corporation may pursue opportunities beyond South Australia in accordance with risk management and other financial arrangements agreed with the Minister and the Treasurer including where such operations:
 - 16.1. support or are ancillary to or utilise by-products of its primary operations
 - 16.2. involve water trading to secure supplies to meet demand
 - 16.3. relate to research and development to support primary or ancillary operations.

17. With the approval of the Treasurer and the Minister the Corporation may pursue commercial opportunities through subsidiaries, joint ventures or other appropriate arrangements, provided that the services delivered under the arrangements relate to water or ancillary services.

Scope Of Non-Commercial Operations

18. The Corporation's non-commercial operations, in terms of the Public Corporation Act, include those operations:
 - 18.1. listed in the **Schedule** to this Charter
 - 18.2. subject to a community service agreement between the Corporation and a purchasing Minister
 - 18.3. agreed to be non-commercial by the Minister and the Treasurer.
19. The Corporation is required to perform all non-commercial operations so as to minimise their negative impact on the State.
20. Non-commercial operations are to be costed and funded in accordance with arrangements determined by the Minister and Treasurer.
21. The Corporation may undertake approved non-commercial operations within or outside the State.

Service Standards

22. The Corporation shall comply with service standards that are prescribed by legislation or regulatory requirements and guidelines.
23. The Corporation shall propose, in consultation with the community and any customer council appointed by the Minister, other service standards that shall be approved by the Minister and the Treasurer.
24. The Corporation shall maintain and review every three years those service standards that have been approved by the Minister and the Treasurer.
25. The Corporation shall report annually to the Minister and the Treasurer on benchmarking of price and service quality based on national reporting requirements required by the National Water Initiative.

Financial and Commercial Management

26. All accounts and financial records must be kept in accordance with legislative requirements under the Public Finance and Audit Act and associated Regulations and Treasurer's Instructions.
27. The Corporation must prepare a general purpose financial report in accordance with applicable Australian Accounting Standards (including Australian equivalents to International Financial Reporting Standards), other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and the Treasurer's Instructions and Accounting Policy Framework issued pursuant to the Public Finance and Audit Act.

28. Pricing

28.1. The Corporation shall adopt rates, fees and other charges set by:

28.1.1. the Minister under the Waterworks Act and Sewerage Act

28.1.2. regulation by the Governor in Executive Council pursuant to the Waterworks Act, Sewerage Act and Fees Regulation Act

28.1.3. the Corporation by agreement, under the Waterworks Act and Sewerage Act

28.1.4. the Corporation on a commercial basis, for other services not covered by the above.

29. Capital Structure

29.1. In accordance with the policy guidelines for the capital structure of Public Non Financial Corporations, the Corporation shall maintain a capital structure commensurate with the capital intensity of its operations and the risk profile of its operating revenue and expenses. In addition, consideration will also be given to the:

- impact of alternative asset valuation methods on business value
- dividend requirements
- credit rating objectives
- need for financial flexibility and
- ability to finance approved capital expenditure.

Accounting and Internal Auditing Systems and Practices

30. The Corporation must establish and maintain:

30.1. effective internal auditing of its operations in accordance with appropriate standards of practice and the Public Corporations Act

30.2. a register of governance arrangements for all subsidiaries and audit committees.

Part 4 The Board

Board Powers

31. The Board is empowered under the Act to make binding decisions for the implementation of the Act.

32. The Board shall have authority to interpret the meaning of this Charter and any other matter relating to the affairs of the Board on which this Charter is silent.

33. The Board (through the Chair) may make recommendations to the Minister about improvements or modifications to the Charter.

Board Responsibilities

34. The Board is responsible to the Minister for overseeing the operations of the Corporation to:

34.1. secure sustainable supplies of water for the benefit of the Corporation's customers

- 34.2. protect the long term viability of the Corporation and the Crown's financial interests in SA Water
- 34.3. secure continuing improvements in the Corporation's performance.

Board Activities

35. The Board's activities will include:

- 35.1. Meeting the Government's expectations by:
 - 35.1.1. setting the long term strategic direction for the Corporation, mindful of expectations set by the Minister and the Treasurer in performance statements and this Charter
 - 35.1.2. optimising the value of the Corporation for the long term whilst achieving other key requirements of Government
 - 35.1.3. ensuring organisational and operational congruence with whole-of-government policy and in particular contributing to South Australia's Strategic Plan
 - 35.1.4. collaborating with others in the public sector to ensure congruence with Government policy and activities
 - 35.1.5. providing advice and reports to the Minister in accordance with the reporting obligations outlined in this Charter
 - 35.1.6. making recommendations to the Minister on the impacts on the Corporation, or implementation, of relevant water policy.
- 35.2. Providing good strategic management and sound stewardship of the Corporation by:
 - 35.2.1. modeling high standards of corporate and business ethics and fostering a positive, dynamic and ethical culture by appropriate investment in the development of the Corporation's human resources
 - 35.2.2. good decision making on material matters that effect the Corporation and resource allocation
 - 35.2.3. setting:
 - strategic directions and corporate strategy
 - broad policy of the Corporation
 - strategic objectives, key performance indicators, targets and their respective priorities
 - 35.2.4. monitoring:
 - the Corporation's ability to meet its statutory obligations and functions
 - performance to ensure strategic objectives are achieved and continuous operational improvement
 - governance arrangements to ensure good governance principles are applied by the Corporation and its subsidiaries
 - the Corporation's capacity and competence to meet future anticipated requirements.

- 35.3. Setting operational management parameters by:
- 35.3.1. empowering the Chief Executive to manage the Corporation's operations
 - 35.3.2. setting annual expectations of the Chief Executive and assessing the Chief Executive's performance against those expectations
 - 35.3.3. requiring the Corporation and its subsidiaries to aim to:
 - adopt a customer centric approach to service delivery
 - work constructively with other public sector organisations
 - operate in a sustainable manner (financially, socially and environmentally) to maximize long-term business value
 - promote demand management, water conservation and the use of recycled water consistent with Government policy
 - adopt appropriate systems and practices for the management and financial planning and control of all assets and liabilities
 - undertake appropriate risk management in all decision making throughout the organisation
 - maintain processes and procedures to ensure staff demonstrate high levels of honesty and accountability and appropriately manage any conflicts of interest.

Board's Methodology in Monitoring the Corporation's Performance

36. The Board will:
- 36.1. approve the Corporation's strategic direction and priorities and ensure they are communicated to all staff and stakeholders. It will ensure that the expectations of the Minister and commitments from the Board to achieve those expectations are incorporated into plans and implemented
 - 36.2. approve a strategic resource allocation plan that aligns resources against strategic objectives and its nominated priorities
 - 36.3. approve strategic key performance indicators as they link to the strategic plan and will expect regular reports on the Corporation's performance against those indicators
 - 36.4. review reports by the Corporation on attainment of its strategic and financial objectives and consider recommendations to adjust its strategies to ensure achievement of its objectives
 - 36.5. review and approve the Corporation's annual report, which will assess performance on a triple bottom line basis.
37. The Board may use internal audit functions to assess whether the Corporation is performing in accordance with its stated directions.

Board Membership

38. The Board is comprised of:
 - the chief executive and
 - six directors appointed by the Governor
 - one director (who must not be the chief executive) will be appointed by the Governor to Chair meetings of the Board.
39. The Governor may appoint a director (who must not be the chief executive officer) to be the deputy of the director appointed to Chair meetings of the Board. The deputy may perform or exercise the functions and powers of that director in their absence.
40. Membership of the Board is subject to review and confirmation by the Minister and Governor.
41. The Board's membership must include persons who together have, in the Minister's opinion, the abilities and experience required for the effective performance of the Corporation's functions and the proper discharge of its business and management obligations.
42. At least two directors must be women and two men.
43. A director will be appointed for a term, not exceeding three years, specified in the instrument of appointment and will, at the expiration of a term of appointment, be eligible for reappointment.
44. The Governor may remove an appointed director from office on the recommendation of the Minister.
45. The Minister may recommend removal of an appointed director on any ground the Minister considers sufficient including a failure to meet agreed performance expectations.
46. The office of an appointed director becomes vacant if the director:
 - dies or
 - completes a term of office and is not reappointed or
 - resigns by written notice to the Minister or
 - becomes bankrupt or applies to take the benefit of a law for the relief of insolvent debtors or
 - is convicted of an indictable offence or sentenced to imprisonment for an offence or
 - is removed from office under the Act.
47. Where an office of a director becomes vacant the Chair, who has been duly informed, will notify the Minister of the circumstances and seek a replacement appointment.
48. A current list of directors and their contact particulars will be kept by the Corporation Secretary and on a register kept by the Department of Premier and Cabinet.
49. Where a director ceases to be a director for whatever reason, any Board papers in their possession must be returned to the Corporation Secretary as soon as practicable.

Duties Of Board Directors

50. Directors are required to:
 - 50.1. follow written directions of the Minister
 - 50.2. comply with all statutory and legal obligations

- 50.3. continuously improve their skills and knowledge relevant to their Board membership
- 50.4. be accountable for their actions
- 50.5. act in good faith
- 50.6. abstain from any involvement in any decision where there may be a conflict of interest
- 50.7. support and implement decisions of the Board
- 50.8. exercise a reasonable degree of care and diligence in the performance of their functions, and (without limiting the effect of the foregoing) for that purpose:
 - 50.8.1. must take reasonable steps to inform themselves about the Corporation and its subsidiaries, their businesses and activities and the circumstances in which they operate and
 - 50.8.2. must take reasonable steps through the processes of the Board to obtain sufficient information and advice about all matters to be decided by the Board or pursuant to a delegation to enable themselves to make conscientious and informed decisions and
 - 50.8.3. must exercise an active discretion with respect to all matters to be decided by the Board or pursuant to a delegation
- 50.9. exercise reasonable diligence in attendance at and preparation for Board meetings but are not bound to give continuous attention to the affairs of the Corporation
- 50.10. act honestly at all times in the performance of the functions of their office, whether within or outside the State
- 50.11. model high levels of corporate ethics and values of a public sector corporation director
- 50.12. ensure that neither a director or an associate of the director is either directly or indirectly involved in a transaction with the Corporation or its subsidiary unless they have written approval from the Minister
- 50.13. ensure all Board papers are secure whilst in their possession.

Director Training

- 51. It is incumbent on each director to undertake:
 - 51.1. induction and training on appointment to the Board
 - 51.2. ongoing training and development to model continuous improvement in their skills and knowledge.
- 52. The Chair must ensure that induction and training is provided to all directors.

Board Decision Making

- 53. The Board will have documented decision-making procedures in place which exemplify good governance practice and meet the Minister's expectation.

Part 5 Reporting

Reporting on Financial Matters

54. The Board is obliged to:
- 54.1. advise the Minister, as soon as practicable, of any material development that affects the financial or operating capacity of the Corporation or any of its subsidiaries or gives rise to an expectation that the Corporation or any of its subsidiaries may not be able to meet its debts as and when they fall due
 - 54.2. ensure that all information furnished to the Minister by the Corporation or any of its subsidiaries is accurate and comprehensive
 - 54.3. provide advice on dividends to the government and dividend returns to Government in accordance with the Public Non-Financial Corporations Ownership Framework 2004.

Reporting Statement on Operations

55. In addition to statutory reporting, the Corporation must provide the following reports to the Minister and the Treasurer:
- 55.1. quarterly, a statement of financial position, statement of financial performance, capital investment report and a statement of cash flows
 - 55.2. quarterly reports on any commercial operations beyond South Australia
 - 55.3. annually for the budget planning process, a forward estimates report covering the Budget year and the four out years
 - 55.4. annual reports on performance against customer service standards
 - 55.5. other information as requested from time-to-time by the Minister or the Treasurer.

Annual Reporting

56. The Board must report annually to the Minister on:
- 56.1. achieving its statutory obligations, functions and expectations of the Minister
 - 56.2. achievements in implementing whole-of-government policy
 - 56.3. comparisons between strategic plan targets and actual results
 - 56.4. why targets were not achieved or exceeded and lessons from the process
 - 56.5. compliance with legislative obligations
 - 56.6. activities of the Corporation in implementing policies.

Date of Operation

57. This Charter comes into operation upon signing by the Minister and the Treasurer, and is binding on the Corporation.
- Charter was signed by Paul Caica, Minister for Water on 23 June 2010
 - Charter was signed by Paul Holloway, Acting Treasurer on 4 July 2010

Schedule of Non-Commercial Operations (Refer Clause 13)

Operations Of SA Water

1. Services that are funded by the South Australian Water Corporation:
 - 1.1. plumbing standards administration
 - 1.2. flood mitigation and environmental schemes
 - 1.3. water services pursuant to the Water Conservation Act
 - 1.4. construction and maintenance on behalf of the constructing authority to the Murray Darling Basin Commission (MDBC) in South Australia and upstream to Lock 9 (reimbursed by the MDBC)
 - 1.5. manage and operate assets on behalf of the MDBC
 - 1.6. irrigation and drainage services within Government Reclaimed Irrigation Districts
 - 1.7. works management under the River Torrens Linear Park and the South West Suburbs Drainage Act assets
 - 1.8. management and administration of water industry economic development agreements on behalf of the Government for South Australia
 - 1.9. in cooperation with the economic development agencies of Government, facilitate and support the Water Industry Development Program and the Water Industry Alliance and
 - 1.10. fluoride dosing of water supplies where the Department of Health deems that dosing is appropriate.

Non-Commercial Operations

2. Until further notice from the Minister, the Corporation is required to provide the non-commercial operations listed in this Schedule.
3. Services for which funding is provided by Government or other agencies:
 - 3.1. provision of country water and wastewater services
 - 3.2. manage and apply pensioners remissions
 - 3.3. provide exemptions to properties in accord with the Waterworks Act and the Sewerage Acts
 - 3.4. administer the River Murray levy
 - 3.5. provide water and wastewater services to emergency services at no cost and
 - 3.6. maintain water services free of charge to the City of Port Adelaide and Enfield as provided under s.27 of the Waterworks Act.

Glossary and acronyms

ADP	Adelaide Desalination Project
ADWG	Australian Drinking Water Guidelines
AWQC	Australian Water Quality Centre
BOD	Biochemical Oxygen Demand
CE	Chief Executive
CEO	Chief Executive Officer
CSIRO	Commonwealth Scientific & Industrial Research Organisation
CSIS	Customer Services Information System
CSO	Community Service Obligation
DWQMS	Drinking Water Quality Management System
E&WS	Engineering and Water Supply Department
EPA	Environmental Protection Authority
ESCOSA	Essential Services Commission of South Australia
FOI	Freedom of Information
FTE	Full Time Equivalent (employee)
GL	Gigalitre – 1 billion litres
GoGO	Greening of Government framework
IPOS	Irrigated Public Open Space (Code of Practice)
KL	Kilolitre – 1000 litres
km	Kilometre
KPI	Key performance indicator
LTIFR	Lost Time Injury Frequency Rate
MDBA	Murray Darling Basin Authority
ML	Megalitre – 1 million litres
MOU	Memorandum of Understanding
MP	Member of Parliament
MWh	Megawatt hours
NSISP	North South Interconnection System Project
NWC	National Water Commission
OHS	Occupational Health and Safety
OHS&W	Occupational Health, Safety and Welfare
PJ	Petajoule
RAP	Reconciliation Action Plan
RDI	Research Development Institute
SCADA	Supervisory Control, Automation and Data Acquisition
SIFR	Significant Injury Frequency Rate
SIS	Salt Interception Scheme
SMT	Senior Management Team, SA Water
VLBC	Volume load based charges
WIA	Water Industry Alliance
WSAA	Water Services Association of Australia
WTP	Water Treatment Plant
WWTP	Wastewater Treatment Plant
YTD	Year to Date

South Australian Water Corporation

Annual Financial Statements

For the year ending 30 June 2012

INDEPENDENT AUDITOR'S REPORT



Government of South Australia

Auditor-General's Department

South Australian Water Corporation

Statement of comprehensive income

For the year ended 30 June 2012

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To the Chairman South Australian Water Corporation

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 32(4) of the *Public Corporations Act 1993*, I have audited the accompanying financial report of the South Australian Water Corporation for the financial year ended 30 June 2012. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2012
- a Statement of Financial Position as at 30 June 2012
- a Statement of Changes in Equity for the year ended 30 June 2012
- a Statement of Cash Flows for the year ended 30 June 2012
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chairman and Chief Executive and the Chief Financial Officer.

The Board's Responsibility for the Financial Report

The Directors of the Board are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the Directors of the Board determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial report gives a true and fair view of the financial position of the South Australian Water Corporation as at 30 June 2012, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.



S O'Neill
AUDITOR-GENERAL
25 September 2012

Certification of the Financial Statements

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

- comply with relevant Treasurer's instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian accounting standards;
- are in accordance with the accounts and records of the Corporation; and
- present a true and fair view of the financial position of the Corporation as at 30 June 2012 and the results of its operation and cash flows for the financial year.

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

Signed in accordance with a resolution of the board members.



L Owens
Chairman
17 September 2012


for

J Ringham
Chief Executive
17 September 2012



P Mendo
Chief Financial Officer
17 September 2012

South Australian Water Corporation
Statement of comprehensive income
For the year ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
Income			
Revenue from ordinary activities	4	1,269,964	1,154,130
Other income	5	<u>1,258</u>	<u>573</u>
Total income		1,271,222	1,154,703
Expenses			
Depreciation and amortisation expense	6	(245,514)	(234,293)
Borrowing costs	6	(228,586)	(208,824)
Electricity expense		(28,886)	(28,284)
Services and supplies		(171,838)	(177,852)
Operational and service contracts		(155,135)	(136,957)
Employee benefits expense		<u>(123,884)</u>	<u>(110,773)</u>
Total expenses		(953,843)	(896,983)
Profit before income tax equivalents		317,379	257,720
Income tax equivalent expense	7	<u>(95,283)</u>	<u>(76,843)</u>
Profit after income tax equivalents		222,096	180,877
Other comprehensive income			
Gain on revaluation of infrastructure, plant and equipment assets	29	146,331	848,400
Revaluation of financial assets	29	1,741	(1,468)
Income tax relating to components of other comprehensive income	7c	<u>(39,934)</u>	<u>(248,976)</u>
Total other comprehensive income for the year, net of tax		108,138	597,956
Total comprehensive result		330,234	778,833
Total comprehensive income for the year is attributable to:			
The SA Government as owner		<u>330,234</u>	<u>778,833</u>

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

South Australian Water Corporation
Statement of financial position
As at 30 June 2012

	Notes	2012 \$'000	2011 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	26	1,878	1,410
Receivables	8	171,526	129,957
Inventories	9	4,834	5,591
Derivative financial instruments	22	154	-
Other current assets	10	7,212	57,043
Total current assets		<u>185,604</u>	<u>194,001</u>
Non-current assets			
Financial assets (available for sale)	11	22,107	20,366
Deferred tax assets	12	34,845	32,785
Intangible assets	13	214,143	76,350
Infrastructure, plant and equipment	14	13,317,783	12,874,723
Derivative financial instruments	22	-	179
Total non-current assets		<u>13,588,878</u>	<u>13,004,403</u>
Total assets		<u>13,774,482</u>	<u>13,198,404</u>
LIABILITIES			
Current liabilities			
Payables	15	204,640	196,113
Financial liabilities/Borrowings	16	21,691	27,748
Tax liabilities	17	9,468	21,547
Provisions	18	18,122	20,111
Derivative financial instruments	22	249	203
Other current liabilities	19	17,501	16,640
Total current liabilities		<u>271,671</u>	<u>282,362</u>
Non-current liabilities			
Payables	20	2,985	1,731
Financial liabilities/Borrowings	21	3,480,471	3,290,162
Derivative financial instruments	22	-	1,116
Deferred tax liabilities	23	1,694,677	1,645,559
Provisions	24	34,920	26,904
Other non-current liabilities	25	368,041	141,041
Total non-current liabilities		<u>5,581,094</u>	<u>5,106,513</u>
Total liabilities		<u>5,852,765</u>	<u>5,388,875</u>
Net assets		<u>7,921,717</u>	<u>7,809,529</u>
EQUITY			
Contributed equity		173,610	173,610
Reserves	29(a)	7,497,824	7,404,010
Retained earnings	29(b)	250,283	231,909
Total equity		<u>7,921,717</u>	<u>7,809,529</u>

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

The total equity is attributable to the SA Government as owner.

South Australian Water Corporation
Statement of changes in equity
For the year ended 30 June 2012

Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2010	173,610	6,813,675	212,417	7,199,702
Profit after income tax equivalent	-	-	180,877	180,877
Gain on revaluation of infrastructure, plant and equipment assets	29	848,400	-	848,400
Revaluation of investment in financial assets	29	(1,468)	-	(1,468)
Transfer to retained profits on disposal	29	(7,621)	-	(7,621)
Transfer from Infrastructure, plant and equipment reserve	29	-	7,621	7,621
Income tax relating to components of other comprehensive income	7c	(248,976)	-	(248,976)
Total comprehensive result for the year	-	590,335	188,498	778,833
Transactions with the SA Government in their capacity as owners:				
Dividends provided for or paid	33	-	(169,006)	(169,006)
Balance at 30 June 2011	173,610	7,404,010	231,909	7,809,529
Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2011	173,610	7,404,010	231,909	7,809,529
Profit for the year	-	-	222,096	222,096
Gain on revaluation of infrastructure, plant and equipment assets	29	146,331	-	146,331
Revaluation of investment in unlisted shares	29	1,741	-	1,741
Transfer to retained profits on disposal	29	(14,324)	-	(14,324)
Transfer from infrastructure, plant and equipment reserve	29	-	14,324	14,324
Income tax relating to components of other comprehensive income	7c	(39,934)	-	(39,934)
Total comprehensive result for the year	-	93,814	236,420	330,234
Transactions with the SA Government in their capacity as owners:				
Dividends provided for or paid	33	-	(218,046)	(218,046)
Balance at 30 June 2012	173,610	7,497,824	250,283	7,921,717

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

All changes in equity are attributable to the SA Government as owner.

South Australian Water Corporation
Statement of cash flows
For the year ended 30 June 2012

	2012	2011
Notes	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	1,095,457	988,276
Payments to suppliers and employees	(539,452)	(536,153)
Receipts from Community Service Obligation funding	153,047	180,361
Receipts from contributions	21,453	29,213
Receipts from Government Grants	233,316	12,091
Interest received	1,537	135
Borrowing costs paid	(228,484)	(199,512)
Income taxes paid	(100,237)	(78,691)
17	<u>(100,237)</u>	<u>(78,691)</u>
Net cash inflow from operating activities	27	395,720
Cash flows from investing activities		
Payments for construction and purchase of infrastructure, plant and equipment	(598,810)	(707,442)
Payments for intangible assets	(9,558)	(18,140)
Proceeds from sale of intangible assets	5,598	2,650
Proceeds from sale of infrastructure, plant and equipment	395	813
Net cash (outflow) from investing activities	(602,375)	(722,119)
Cash flows from financing activities		
Proceeds from borrowings	1,389,540	1,792,562
Repayment of borrowings	(1,200,198)	(1,292,619)
Dividends paid	(218,046)	(169,006)
33	<u>(5,090)</u>	<u>(4,553)</u>
Repayment of finance lease liability	(33,794)	326,384
Net cash (outflow)/inflow from financing activities	(33,794)	326,384
Net increase/(decrease) in cash and cash equivalents		
	468	(15)
Cash and cash equivalents at the beginning of the financial year	1,410	1,425
Cash and cash equivalents at end of year	26	1,410

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

1 Summary of significant accounting policies

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

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

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

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

Australian accounting standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Corporation for the reporting period ending 30 June 2012.

(a) Basis of preparation

The preparation of the financial statements requires:

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

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

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

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

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2012 and the comparative information presented.

The financial statements were authorised for issue by the Board.

Change in accounting policy

There have been no changes to accounting policy during the 2011-12 financial year.

Historical cost convention

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

1 Summary of significant accounting policies (continued)

Comparative Information

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

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

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

Rounding

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

(b) Jointly controlled operations

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

(c) Revenue recognition

Rates and charges

Revenue from water usage is based on water consumed throughout the year by customers. The annual Water and Sewer rates charges for a financial year are earned and billed during that financial year. Other rates and charges are based on amounts billed during the financial year ended 30 June 2012. Refer to note 3.

Unbilled revenue

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

Community Service Obligations (CSOs)

The Corporation is required under its charter to provide a number of non-commercial services to the community on behalf of the Government. The Government, after negotiations with SA Water, provides SA Water with funding to compensate for these non-commercial activities. The main CSOs relate to under recovery of country water and wastewater services (due to the requirement for state-wide pricing) and the provision of water and wastewater concessions to certain properties e.g. charities, churches and public schools.

The CSO revenue is recognised as the services are provided.

Contributed assets

Contributed assets principally arise from:

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

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

1 Summary of significant accounting policies (continued)

Disposal of non-current assets

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

Recoverable works

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

Government grants

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

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

The Corporation received grant funding in 2011-12 amounting to \$232.4m (2011: \$8.795m). For 2011-12 the projects are: Adelaide Airport Stormwater Scheme, the Barker Inlet Stormwater Scheme and the Adelaide Desalination Plant. Refer note 25.

(d) Expenses

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

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

The notes accompanying the financial statements disclose expenses where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The following are specific recognition criteria:

Employee Benefits Expenses

Employee benefit expenses includes all cost related to employment including wages and salaries, non-monetary benefits and leave entitlements. These are recognised when incurred.

Superannuation

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

Supplies and Services

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

Depreciation

Refer to Note 1 (e)

1 Summary of significant accounting policies (continued)

Borrowing Costs

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

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

The Corporation has not capitalised borrowing costs in 2011-12 as they were assessed as not material.

(e) Non-current assets

Infrastructure, plant and equipment

Acquisition

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

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

Valuations

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

The Corporation uses both Directors' valuation and independent valuation methods to measure fair value. Directors' valuation is performed using the Producer Price Index (PPI) or current contract rates. (PPI measures changes over time in the price of new construction outputs whereas current contract rates are based on recently determined market contract rates for supplying and installing equivalent assets or components).

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

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

Accordingly the Corporation has adopted the following asset valuation methods:

Infrastructure assets

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

Infrastructure assets during the year were valued as follows:

- The unit rates for water mains/connections and sewer mains/connections, were independently determined by Aquenta Consulting as at 1 July 2011. These rates are applied to the actual lengths of pre-defined modern equivalent asset types for water mains and sewer mains.
- Leased water treatment plants, water pumping stations, water tanks, and bores and wells were independently valued by Aquenta Consulting as at 1 July 2011.
- Other infrastructure assets were either independently valued or valued using Directors' valuations as at 1 July 2011 based on the current construction data rates. These assets are indexed in between intervening years of comprehensive valuations using the PPI.

1 Summary of significant accounting policies (continued)

Land and buildings

Land is valued at market value generally using valuations provided from the State Valuer-General. In isolated cases, the Corporation may use independent valuations performed by an appropriately qualified Valuer.

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

Plant and equipment

Plant and equipment is valued at historical cost.

Other assets

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

Depreciation

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

<u>Class of Assets</u>	<u>Useful life (years)</u>
-Water and sewer assets	7 - 170 years
- Water and sewer leased assets	20 - 50 years
- Buildings	50 years
- Other	2 - 50 years
- Plant and equipment	3 - 15 years

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

Financial assets (Available for sale)

The Corporation was a participant to the funding arrangements for the Virginia Pipeline Scheme (VPS). SA Water's involvement in this scheme will result in an option at the end of the contract to acquire the scheme. The scheme distributes "Class A" reclaimed water from the Bolivar Wastewater Treatment Plant throughout the Virginia region for the irrigation of seasonal crops and fixed plantings. As part of the arrangement, the Corporation made advances to the operating company of VPS, Water Reticulation Systems (Virginia) Pty Ltd (WRS), a subsidiary of Euratech Limited. Advances to WRS were converted to Non-Voting class B shares, issued at a price of \$1 per share.

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

Intangible assets

Issued water licences

The South Australian Government has issued water licences to the Corporation under the Natural Resources Management (NRM) Act 2004. Some of these licences have conditions attached which restrict the use of the allocations endorsed thereon. In applying AASB 138 *Intangible Assets*, the Corporation has concluded that a reliable estimate of the fair value of these water licences cannot be determined because there are not active markets for the rights endorsed on the licences. As there is no active market, these licences are held by the Corporation at nominal value.

The details of these water licences are as follows:

Rights other than those relating to the River Murray are:

Various South East Region licences.

Various Murray Mallee Area licences.

1 Summary of significant accounting policies (continued)

Various Eyre Peninsula Region licences.

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

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

River Murray water rights are conferred via multiple instruments:

Licence 2333 River Murray Licence for Metropolitan Adelaide.

Licence 2334 River Murray Licence for Country Towns.

Other Water rights - Permanent

The Corporation owns a series of tradable water rights that it has purchased. The rights are perpetual and title is held by the Corporation under the relevant legislation in the jurisdiction of issue (as Water Access Entitlements onto licences issued by the South Australian Government under the NRM Act 2007, as Water Shares issued by the Victorian Government under the Water Act 1989, and as unit shares issued by the New South Wales Government under the Water Management Act 2000). These rights comprise;

River Murray entitlements under the Natural Resources Management Act (NRM) Act 2004 (South Australia),

Goulburn Zone 1A and Murray Zone 7 High Reliability water shares held under the Water Act 1989 (Victoria),

NSW Murray Regulated River High Security unit shares held under the Water Management Act 2000 (NSW).

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

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

Seasonal water allocations

In addition to the permanent water rights above, during 2008-09 and 2009-10 the Government granted approval for SA Water to purchase seasonal water allocations to be used for critical human water needs in future years. SA Water also purchased water allocations for operational needs. Prior to June 30 2012 the Government has approved the water allocations being preserved beyond 2011-12 and retained as a reserve to meet critical human water needs in future years.

Prescription of the Mount Lofty Ranges

SA Water has contributed towards the prescription of the water resources for the Mount Lofty Ranges to provide long term protection of the water supply to Adelaide. These purchased water allocations are held as other assets in the accounts and are expensed as the water is used.

Easements

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

Application software

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

ADP Intangible Asset

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

The useful life of the intangible asset has been assessed at 65.2 years based on the average useful life of the ADP assets belonging to SA Water upon which it is dependent as per AASB 138 *Intangible Assets*. As with other non-current assets, its useful life will be assessed annually.

1 Summary of significant accounting policies (continued)

(f) Impairment of assets

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

The Corporation has reviewed its assets as at 30 June 2012 and given the absence of an indication of impairment, recoverable amounts have not been estimated and no impairment losses have been recorded.

(g) Leases

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

Operating leases

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

Lease Incentives

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

Finance leases

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

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

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

Variation between the availability charges determined at the inception of the lease and the actual availability charges are brought to account as contingent rentals in accordance with AASB 117 *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 Comprehensive Income.

(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 6.

(i) Taxes

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

1 Summary of significant accounting policies (continued)

Income Tax

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

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

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

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

Taxation Equivalents - land tax and council rates

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

Goods and Services Tax

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

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

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

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables in the Statement of Financial Position.

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

(j) Cash and cash equivalents

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

(k) Receivables

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

Bad debts are written off when they are identified.

(l) Inventories

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

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

1 Summary of significant accounting policies (continued)

(m) Employee benefits

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

Wages and salaries, annual leave and sick leave

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

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

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

Long service leave

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

The Corporation's long service leave liability for 30 June 2012 is valued by KPMG Actuarial Pty Ltd.

Superannuation

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

(n) Workers compensation

The Corporation is registered with WorkCover as an exempt employer and is responsible for payment of workers compensation claims. The provision is for the estimated cost of ongoing payments to employees as required under current legislation. The Corporation's provision is an actuarial estimate of the outstanding liability as at 30 June 2012 provided by KPMG Actuarial Pty Ltd.

The Corporation is responsible for the payment of workers compensation claims.

(o) Insurance

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

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

(p) Payables

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

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

1 Summary of significant accounting policies (continued)

(q) Provisions

Provisions are recognised when the Corporation has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

Damages and claims

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

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

Asset disposal and site rehabilitation

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

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

(r) Borrowings

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

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

(s) Derivatives

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

Interest rate derivatives

The Corporation's exposure to movements in interest rates arises from its borrowings and from any funds that it might have on deposit. To manage interest rate risk the Corporation uses interest rate swaps and interest rate futures contracts. These derivatives are used to reconfigure interest rate risk profiles and manage refinancing exposures. The Corporation does not trade physical debt with no trades of physical debt occurring in 2011-12.

Foreign exchange derivatives

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

1 Summary of significant accounting policies (continued)

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

As at 30 June 2012, SA Water had no outstanding foreign exchange derivatives.

Accounting for derivatives

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as financial assets when their fair value is positive and as financial liabilities when their fair value is negative. All derivatives are categorised as 'held for trading' under AASB 139 *Financial Instruments: Recognition and Measurement* and do not qualify for hedge accounting. Any changes in fair value are recognised immediately in profit or loss in other income or other expenses. The fair value of interest rate swaps is estimated by discounting the anticipated future cash flows to their present value based on current market interest rates at the respective balance dates.

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

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

(t) Administered items

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

River Murray levy

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

Pensioner concessions

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

(u) Adelaide Water Contract (United Water International)

Under this contract, United Water managed the operations and maintenance of metropolitan Adelaide water and wastewater systems, including the delivery of capital works. This contract commenced on 1 January, 1996 and expired on 30 June 2011. As part of the contract, there is a further eighteen month transition period that expires on 31 December 2012. United Water and SA Water are working together through this period to finalise the close out of the contract.

(v) Adelaide Services Alliance Agreement

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

1 Summary of significant accounting policies (continued)

(w) Adelaide Desalination Project

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

In addition, the Corporation has entered into contracts to:

Operate and maintain the Adelaide Desalination Project from project handover of the 50 gegalitre per annum capacity. The contract is for a term of 20 years from handover and includes flexible mechanisms to manage the volume of water produced.

Provide GreenPower accredited renewable energy to operate the Adelaide Desalination Project. The contract commenced on 1 June 2011 for a term of 20 years and includes the requirement to purchase a minimum level of renewable energy certificates. The renewable energy certificates can be used elsewhere in the Corporation.

(x) United Water dispute

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

On 14th of September 2012 SA Water and United Water International announced that all disputes between them concerning the 1995 Adelaide Metropolitan Outsourcing Contract which ended on 30 June 2011 have been settled. Under the agreed terms of settlement, United Water will pay SA Water the net amount of \$6.3 million without any admission of liability.

Upon payment of the settlement amount there will be no further claims or disputes between United Water and SA Water.

(y) New water industry legislation

The Water Industry Act 2012 (the Act) was gazetted by the South Australian Government on 21 June 2012. The Act has a commencement date of 1 July 2012, although certain sections of the Act are not operational until 1 January 2013 via transitional provisions. The Act repeals the Waterworks Act 1932, Sewerage Act 1929 and Water Conservation Act 1936. The Corporation's own incorporating legislation, the South Australian Water Corporation Act 1994 remains unchanged. The Corporation will operate within the requirements of the Act by holding a licence, and will continue to provide water supply and sewerage services.

(z) New accounting standards and interpretations

The Corporation did not voluntarily change any of its accounting policies during 2011-12.

Australian accounting standards and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Corporation for the period ending 30 June 2012. The Corporation has assessed the AASB 108 para 30 and 31 impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Corporation.

2 Financial risk management

(a) Market risk

(i) Interest rate risk exposures - financial liabilities

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

A key component of the Corporation's interest rate risk management framework is the benchmark debt duration, which reflects the average term to maturity of the Corporation's core debt portfolio. Since 2009-10 the Corporation has applied a benchmark debt duration of 2.75 years based on advice from the Corporation's debt advisor and manager - the South Australian Financing Authority (SAFA). The benchmark duration has been determined based on the size of the Corporation's borrowings, the level of interest rates and to ensure that risk on the Corporation's profitability from increases in interest rates is appropriate.

(ii) Summarised sensitivity analysis

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

At 30 June 2012 it has been assumed that a reasonable possible shift in interest rates over the next reporting period could be 0.5% upwards and 1.0% downwards.

	Carrying amount \$'000	Interest rate risk			
		-1.0%		+0.5%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
30 June 2012					
Financial assets					
Cash and cash equivalents	1,878	(13)	(13)	7	7
Derivatives - held for trading	154	-	-	-	-
Financial liabilities					
Derivatives - held for trading	(249)	(1)	(1)	-	-
Short Term Borrowings	(16,000)	112	112	(56)	(56)
Long Term Borrowings	(3,380,000)	175	175	(88)	(88)
Total increase/(decrease)		273	273	(137)	(137)
	Carrying amount \$'000	Interest rate risk			
		-0.5%		+1.0%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
30 June 2011					
Financial assets					
Cash and cash equivalents	1,410	(5)	(5)	10	10
Derivatives - held for trading	179	133	133	(266)	(266)
Financial liabilities					
Derivatives - held for trading	(1,319)	(138)	(138)	277	277
Short Term Borrowings	(22,658)	79	79	(159)	(159)
Long Term Borrowings	(3,184,000)	88	88	(175)	(175)
Total increase/(decrease)		157	157	(313)	(313)

2 Financial risk management (continued)

(b) Credit risk

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

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

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

The Corporation has no significant concentration of credit risk.

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

(c) Liquidity risk

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

Contractual maturities

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

30 June 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows
	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives					
Non-interest bearing liabilities *	161,153	-	-	-	161,153
Finance lease liabilities	21,695	21,695	65,084	130,120	238,594
Floating rate borrowings	41,808	-	-	-	41,808
Fixed rate borrowings	1,121,090	713,972	1,088,657	1,180,044	4,103,763
Total non-derivatives	1,345,746	735,667	1,153,741	1,310,164	4,545,318
Derivatives - Financial Assets					
Net settled (interest rate swaps)	(181)	-	-	-	(181)
Derivatives - Financial Liabilities					
Net settled (interest rate swaps)	605	-	-	-	605
Total derivatives	424	-	-	-	424

2 Financial risk management (continued)

30 June 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows
	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives					
Non-interest bearing liabilities *	153,817	-	-	-	153,817
Finance lease liabilities	21,428	21,428	64,283	149,461	256,600
Floating rate borrowings	24,195	26,117	-	-	50,312
Fixed rate borrowings	633,109	807,383	1,652,022	813,646	3,906,160
Total non-derivatives	832,549	854,928	1,716,305	963,107	4,366,889
Derivatives - Financial Assets					
Net settled (interest rate swaps)	(159)	(32)	-	-	(191)
Derivatives - Financial Liabilities					
Net settled (interest rate swaps)	1,245	513	-	-	1,758
Total derivatives	1,086	481	-	-	1,567

* Non-interest bearing liabilities disclosed are financial liabilities at cost and exclude amounts relating to statutory payables such as tax equivalents and commonwealth tax.

(d) Fair value measurements

(i) Fair value of financial liabilities

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

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

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

	2012		2011	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Long Term Borrowings	3,380,000	3,543,172	3,184,000	3,223,367

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

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

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

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

2 Financial risk management (continued)

30 June 2012	Quoted market price (Level 1) \$'000	Valuation technique - market observable inputs (Level 2) \$'000	Valuation technique - non-market observable inputs (Level 3) \$'000	Total \$'000
Assets				
Derivatives held for trading	-	154	-	154
Available-for-sale financial assets				
Unlisted shares	-	-	22,107	22,107
Total assets	-	154	22,107	22,261
Liabilities				
Derivatives held for trading	-	249	-	249
Total liabilities	-	249	-	249

The following table presents the changes in level 3 instruments for the year ended 30 June 2012:

30 June 2012	Available-for-sale financial assets - Unlisted Shares \$'000	Total \$'000
Opening balance	20,366	20,366
Gains recognised in other comprehensive income	1,741	1,741
Closing balance	22,107	22,107

The Corporation has invested in unlisted class B shares as part of the Build Own Operate and Transfer (BOOT) arrangements for the Virginia Pipeline Scheme. These shares have been measured at fair value, which includes some assumptions that are not supportable by observable market prices or rates. The fair value has been estimated using the written down current cost of the pipeline assets at the transfer date of 2018, discounted to their present value. In determining fair value a discount factor of 6% (30 June 2011: 6%) has been used which has been determined from SA Water's pre-tax real weighted average cost of capital. If the discount rate was 1% higher, while all other variables were constant, the carrying amount of the shares would decrease by \$1.3M (30 June 2011: \$1.4M) If the discount rate was 1% lower, while all other variables were held constant, the carrying amount of the shares would increase by \$1.4M (30 June 2011: \$1.5M).

3 Critical accounting estimates and judgements

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

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

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

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

4 Revenue from ordinary activities

	2012	2011
	\$'000	\$'000
Community Service Obligations	153,274	180,780
Water and wastewater rates and charges	972,354	798,873
Recoverable works	57,460	74,636
Fees and charges	19,975	20,155
Miscellaneous *	114	14,628
Government grants	3,376	1,891
Contributed assets	60,619	61,859
Rents	1,118	1,118
Interest	1,674	190
	1,269,964	1,154,130

* Includes \$14m received in 2011 re: United Water dispute. Refer note 1(x)

5 Other income

	2012	2011
	\$'000	\$'000
Net gain on disposal of infrastructure, plant and equipment	176	-
Net gain on interest rate derivatives	-	528
Net gain on disposal of water allocations	826	-
Reversal of prior year infrastructure, plant and equipment revaluation decrement	256	45
	1,258	573

6 Expenses

	2012 \$'000	2011 \$'000
Profit before income tax includes the following specific expenses:		
Depreciation (note 14)		
Buildings	1,638	4,418
Plant and equipment	4,806	5,369
Other	13,072	11,737
Infrastructure assets - water	138,909	127,222
Infrastructure assets - sewer	78,490	79,870
Amortisation (note 13)		
Computer Software	7,826	5,677
ADP Intangibles	773	-
Total depreciation	245,514	234,293
Borrowing costs		
Interest paid/payable for borrowings not at fair value through profit or loss	216,222	195,664
Finance charges on capitalised leases	12,364	13,160
Total borrowing costs	228,586	208,824
Net loss on interest rate derivatives	7	-
Finance lease contingent rentals	4,120	3,579
Operating lease minimum lease payments	9,466	8,916
Net bad and doubtful debts expense including movements in allowance for doubtful debts	276	(14)
Infrastructure, plant and equipment revaluation decrement	83	5,914
Write-down in value of infrastructure, plant and equipment	5,709	-
Net loss on disposal of infrastructure, plant and equipment	-	50
Write-off value of capital works in progress	2,949	3,818
Superannuation contributions	15,260	14,475
Consultancy costs	2,368	5,029
Expenditure on behalf of State Government - Water Industry Best Practice Program	-	190

7 Income tax expense

(a) Income tax expense

Current tax	87,914	77,156
Deferred tax	7,140	(298)
Amounts under/(over) provided in prior years	229	(15)
	<u>95,283</u>	<u>76,843</u>

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

(Increase) in deferred tax assets (note 12)	(2,060)	(2,576)
Increase/(Decrease) in deferred tax liabilities (note 23)	9,200	2,278
	<u>7,140</u>	<u>(298)</u>

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

Profit before income tax expense	317,379	257,720
Tax at the Australian tax rate of 30% (2011: 30%)	95,214	77,316
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Net loss on sale of land	-	18
Investment allowance	-	(316)
Revaluation decrement	40	-
Government Grants	(123)	(120)
Provision for employee benefits	(77)	(40)
	<u>95,054</u>	<u>76,858</u>

Amounts under/(over) provided in prior years	229	(15)
Income tax expense	<u>95,283</u>	<u>76,843</u>

Total income tax expense	<u>95,283</u>	<u>76,843</u>
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(c) Tax expense (income) relating to items of other comprehensive income

Gain on revaluation of infrastructure, plant and equipment assets (note 29(a))	39,412	249,416
Revaluation of investment in unlisted shares (note 29(a))	522	(440)
	<u>39,934</u>	<u>248,976</u>

8 Current assets - Receivables

	2012 \$'000	2011 \$'000
Receivables		
Rates receivable (water and wastewater)	124,701	88,357
Sundry debtors	34,250	29,241
Allowance for doubtful debts	(96)	(85)
	<u>158,855</u>	<u>117,513</u>
Other receivables		
Community Service Obligations	12,671	12,444
	<u>171,526</u>	<u>129,957</u>

8 Current assets - Receivables (continued)

(a) Impaired receivables

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

The ageing of these receivables is as follows:

	2012 \$'000	2011 \$'000
More than 90 days overdue	96	85

Movements in the allowance for impairment loss are as follows:

	2012 \$'000	2011 \$'000
At 1 July	85	162
Provision for impairment recognised during the year	35	23
Amounts written off	(24)	(100)
	96	85

(b) Past due but not impaired

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

	2012 \$'000	2011 \$'000
Past Due 0-69 days	15,451	16,785
More than 69 days	11,293	9,389
	26,744	26,174

The other balances within rates receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received when due. The carrying amount of past due rates receivables with renegotiated terms at balance date is \$8.970m (2011: \$8.153m).

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

	2012 \$'000	2011 \$'000
Past due 0-30 days	1,670	1,953
Past due more than 30 days	1,093	1,325
	2,763	3,278

The other balances within sundry debtor receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received when due. The carrying amount of past due sundry debtor receivables with renegotiated terms at balance date is \$1.072m (2011: \$1.292m).

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

(c) Fair value and credit risk

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

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

9 Current assets - Inventories

	2012 \$'000	2011 \$'000
Raw materials & stores	5,764	6,014
Allowance for obsolete stock	(1,286)	(1,081)
Work in progress - sundry debtors	356	658
	4,834	5,591

10 Current assets - Other current assets

	2012 \$'000	2011 \$'000
Interest receivable	192	55
Prepayments	2,607	2,580
Seasonal water allocations	-	54,408
Renewable Energy Certificates *	4,413	-
	7,212	57,043

*SA Water purchases Renewable Energy Certificates (RECs) in order to meet Green House Gas (GHG) emission targets. SA Water does not purchase REC's with the intention of trading for gain. Unused RECs accumulated as at 30 June are recorded at cost. These RECs are expected to be utilised in satisfying the Corporations 2012-13 GHG emission targets and will be expensed at time of surrender.

11 Non-current assets - Financial assets (available for sale)

	2012 \$'000	2011 \$'000
Unlisted shares at fair value	22,107	20,366

12 Non-current assets - Deferred tax assets

	2012 \$'000	2011 \$'000
The balance comprises temporary differences attributable to:		
Doubtful debts	29	25
Obsolete stock	386	324
Infrastructure, plant and equipment	3,824	3,978
Pooled assets	73	78
Payables	1,485	1,056
Audit Fee payable	119	114
Government grants	10,547	9,611
Employee benefits	14,247	12,170
Deferred lease incentive	453	493
Unearned Income - customer contributions	647	943
Provision for site rehabilitation	176	911
Provision for asset disposal	35	38
Provision for damages and claims	209	118
Provision for workers compensation	205	127
Derivative financial liability	(2,608)	(2,287)
	29,827	27,699
 <i>Amounts recognised directly in equity</i>		
Derivative financial liability	2,683	2,683
Unearned Income - customer contributions	2,335	2,335
Revaluation of infrastructure, plant and equipment	-	68
Net deferred tax assets	34,845	32,785
 Movements:		
Opening balance at 1 July	32,785	30,315
Credited to the Statement of Comprehensive Income (note 7)	2,060	2,576
Charged to equity	-	(1)
Amounts under provided in prior years	-	(105)
Closing balance at 30 June	34,845	32,785
Deferred tax assets to be recovered within 12 months	10,477	10,036
Deferred tax assets to be recovered after more than 12 months	24,368	22,749
	34,845	32,785

13 Non-current assets - Intangible assets

	Easements \$'000	Prescription rights \$'000	Computer software \$'000	Purchased water rights \$'000	Total \$'000
Year ended 30 June 2011					
Opening net book amount	5,916	4,500	24,918	44,292	79,626
Additions from external acquisitions	142	-	4,279	630	5,051
Disposals	-	-	-	(2,650)	(2,650)
Amortisation charge	-	-	(5,677)	-	(5,677)
Closing net book amount	<u>6,058</u>	<u>4,500</u>	<u>23,520</u>	<u>42,272</u>	<u>76,350</u>

At 30 June 2011					
Cost	6,058	4,500	68,719	42,272	121,549
Accumulated amortisation	-	-	(45,199)	-	(45,199)
Net book amount	<u>6,058</u>	<u>4,500</u>	<u>23,520</u>	<u>42,272</u>	<u>76,350</u>

	Easements \$'000	Prescription rights \$'000	Computer software \$'000	ADP Intangible \$'000	Purchased water rights \$'000
Year ended 30 June 2012					
Opening net book amount	6,058	4,500	23,520	-	42,272
Additions from external acquisitions	91	-	22,041	70,982	3,642
Disposals	-	-	-	-	(4,772)
Transfers	-	-	-	-	-
Amortisation charge	-	-	(7,826)	(773)	-
Closing net book amount	<u>6,149</u>	<u>4,500</u>	<u>37,735</u>	<u>70,209</u>	<u>41,142</u>

At 30 June 2012					
Cost	6,149	4,500	90,760	70,982	41,142
Accumulated amortisation	-	-	(53,025)	(773)	-
Net book amount	<u>6,149</u>	<u>4,500</u>	<u>37,735</u>	<u>70,209</u>	<u>41,142</u>

	Seasonal Water Allocations \$'000	Total \$'000
Year ended 30 June 2012		
Opening net book amount	-	76,350
Additions from external acquisitions	-	96,756
Disposals	-	(4,772)
Transfers	54,408	54,408
Amortisation charge	-	(8,599)
Closing net book amount	<u>54,408</u>	<u>214,143</u>

At 30 June 2012		
Cost	54,408	267,941
Accumulated amortisation	-	(53,798)
Net book amount	<u>54,408</u>	<u>214,143</u>

14 Non-current assets - Infrastructure, plant and equipment

	Work in progress \$'000	Land \$'000	Buildings \$'000	Leased sewer infrastructure \$'000
Year ended 30 June 2011				
Opening net book amount	1,751,508	328,137	23,554	20,386
Revaluation	-	12,899	3,182	925
Additions	693,124	2,558	4,141	-
Disposals	-	(372)	-	-
Transfers	(291,019)	-	-	-
Depreciation charge	-	-	(4,418)	(602)
Asset write down	(3,818)	-	-	-
Closing net book amount	<u>2,149,795</u>	<u>343,222</u>	<u>26,459</u>	<u>20,709</u>
At 30 June 2011				
- Cost	2,149,795	-	-	-
- Valuation	-	343,222	86,470	24,042
Accumulated depreciation	-	-	(60,011)	(3,333)
Net book amount	<u>2,149,795</u>	<u>343,222</u>	<u>26,459</u>	<u>20,709</u>
	Plant and equipment \$'000	Water infrastructure \$'000	Sewer infrastructure \$'000	Leased water infrastructure \$'000
Year ended 30 June 2011				
Opening net book amount	28,468	6,044,581	3,124,627	133,740
Revaluation	-	447,156	368,375	6,074
Additions	3,885	157,191	140,103	-
Disposals	(356)	-	-	-
Transfers	-	-	-	-
Depreciation charge	(5,369)	(123,577)	(79,268)	(3,644)
Asset write down	-	-	-	-
Closing net book amount	<u>26,628</u>	<u>6,525,351</u>	<u>3,553,837</u>	<u>136,170</u>
At 30 June 2011				
- Cost	57,015	-	-	-
- Valuation	-	11,357,708	5,823,533	182,226
Accumulated depreciation	(30,387)	(4,832,357)	(2,269,696)	(46,056)
Net book amount	<u>26,628</u>	<u>6,525,351</u>	<u>3,553,837</u>	<u>136,170</u>

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

	Other \$'000	Total \$'000
Year ended 30 June 2011		
Opening net book amount	86,277	11,541,278
Revaluation	3,919	842,530
Additions	14,094	1,015,096
Disposals	-	(728)
Transfers	-	(291,019)
Depreciation charge	(11,738)	(228,616)
Asset write down	-	(3,818)
Closing net book amount	<u>92,552</u>	<u>12,874,723</u>
At 30 June 2011		
- Cost	-	2,206,810
- Valuation	183,641	18,000,842
Accumulated depreciation	(91,089)	(7,332,929)
Net book amount	<u>92,552</u>	<u>12,874,723</u>

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

	Work in progress \$'000	Land \$'000	Buildings \$'000	Leased sewer infrastructure \$'000
Year ended 30 June 2012				
Opening net book amount	2,149,795	343,222	26,459	20,709
Revaluation	-	15,123	836	654
Additions	603,457	4,013	1,132	2,686
Disposals	-	-	-	-
Transfers	(609,926)	-	-	-
Depreciation charge	-	-	(1,638)	(623)
Asset write down	(2,949)	-	-	-
Closing net book amount	<u>2,140,377</u>	<u>362,358</u>	<u>26,789</u>	<u>23,426</u>

At 30 June 2012

- Cost	2,140,377	-	-	-
- Valuation	-	362,358	69,558	27,487
Accumulated depreciation	-	-	(42,769)	(4,061)
Net book amount	<u>2,140,377</u>	<u>362,358</u>	<u>26,789</u>	<u>23,426</u>

	Plant and equipment \$'000	Water infrastructure \$'000	Sewer infrastructure \$'000	Leased water infrastructure \$'000
Year ended 30 June 2012				
Opening net book amount	26,628	6,525,351	3,553,837	136,170
Revaluation	-	234,003	(74,565)	(32,464)
Additions	4,268	287,172	238,124	-
Disposals	(210)	-	-	-
Transfers	-	-	-	-
Depreciation charge	(4,806)	(132,168)	(77,867)	(6,741)
Asset write down	-	(4,155)	(1,554)	-
Closing net book amount	<u>25,880</u>	<u>6,910,203</u>	<u>3,637,975</u>	<u>96,965</u>

At 30 June 2012

- Cost	59,638	-	-	-
- Valuation	-	12,060,229	5,977,221	187,891
Accumulated depreciation	(33,758)	(5,150,026)	(2,339,246)	(90,926)
Net book amount	<u>25,880</u>	<u>6,910,203</u>	<u>3,637,975</u>	<u>96,965</u>

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

	Other \$'000	Total \$'000
Year ended 30 June 2012		
Opening net book amount	92,552	12,874,723
Revaluation	2,920	146,507
Additions	11,410	1,152,262
Disposals	-	(210)
Transfers	-	(609,926)
Depreciation charge	(13,072)	(236,915)
Asset write down	-	(8,658)
Closing net book amount	<u>93,810</u>	<u>13,317,783</u>
At 30 June 2012		
- Cost	-	2,200,015
- Valuation	178,952	18,863,696
Accumulated depreciation	<u>(85,142)</u>	<u>(7,745,928)</u>
Net book amount	<u>93,810</u>	<u>13,317,783</u>

Carrying amounts that would have been recognised if revalued assets were stated at cost

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

	2012 \$'000	2011 \$'000
Freehold land		
Cost	<u>44,612</u>	40,638
Buildings		
Cost	46,418	54,337
Accumulated depreciation	<u>(24,045)</u>	(31,764)
Net book amount	<u>22,373</u>	22,573
Water infrastructure		
Cost	2,244,874	1,984,561
Accumulated depreciation	<u>(770,135)</u>	(740,160)
Net book amount	<u>1,474,739</u>	1,244,401
Sewer infrastructure		
Cost	1,664,590	1,447,837
Accumulated depreciation	<u>(596,762)</u>	(561,280)
Net book amount	<u>1,067,828</u>	886,557
Other		
Cost	150,186	154,960
Accumulated depreciation	<u>(67,798)</u>	(72,358)
Net book amount	<u>82,388</u>	82,602

15 Current liabilities - Payables

	2012 \$'000	2011 \$'000
Interest payable	34,327	32,577
Trade creditors	160,090	155,354
Other creditors	<u>10,223</u>	8,182
	<u>204,640</u>	196,113

16 Financial liabilities/Borrowings

	2012 \$'000	2011 \$'000
Lease liabilities (note 30)	5,691	5,090
Short term borrowings	16,000	22,658
	21,691	27,748

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

(a) Risk exposures

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

(b) Fair value disclosures

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

17 Current tax liabilities

	2012 \$'000	2011 \$'000
Provision for current income tax movements during the year were as follows:		
Balance at beginning of year	21,547	23,201
Income tax paid	(100,237)	(78,690)
Current year's income tax provision	87,914	77,156
Amounts under/(over) provided in prior year	244	(120)
	9,468	21,547

18 Current liabilities - Provisions

	2012 \$'000	2011 \$'000
Employee benefits	15,348	15,200
Asset disposal	20	30
Site rehabilitation	588	3,039
Damages and claims	898	593
Workers compensation	1,268	1,249
	18,122	20,111

Movements in provisions

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

	Asset disposal \$'000	Site rehabilitation \$'000	Damages and claims \$'000	Workers compensation \$'000	Total \$'000
2012					
Current					
Carrying amount at start of year	30	3,039	593	1,249	4,911
Payments made during the year	(9)	(2,451)	(98)	(839)	(3,397)
Transfer to non-current provision	(1)	-	-	-	(1)
Re-measurement adjustments	-	-	(46)	(1,360)	(1,406)
Additional provision recognised	-	-	449	2,218	2,667
Carrying amount at end of year	20	588	898	1,268	2,774

19 Current liabilities - Other current liabilities

	2012 \$'000	2011 \$'000
Government grants	6,155	4,334
Lease incentives	134	134
Unearned income	9,941	10,925
Deposits from contractors	1,271	1,247
	17,501	16,640

20 Non-current liabilities - Payables

	2012 \$'000	2011 \$'000
Other payables	2,985	1,731

21 Non-current liabilities - Financial liabilities/Borrowings

	2012 \$'000	2011 \$'000
Lease liabilities (note 30)	100,471	106,162
Long term borrowings	3,380,000	3,184,000
	3,480,471	3,290,162

22 Derivative financial instruments

	2012 \$'000	2011 \$'000
Current financial assets		
Interest rate swaps - held for trading	154	-
Non-Current financial assets		
Interest rate swaps - held for trading	-	179
Total derivative financial instrument assets	154	179
Current financial liabilities		
Interest rate swaps - held for trading	249	203
Non-current financial liabilities		
Interest rate swaps - held for trading	-	1,116
Total derivative financial instrument liabilities	249	1,319

23 Non-current liabilities - Deferred tax liabilities

	2012 \$'000	2011 \$'000
The balance comprises temporary differences attributable to:		
Prepayments	290	344
Rates receivable	20,098	12,127
Interest receivable	-	17
Derivative financial asset	46	54
Unlisted shares at fair value	(2,406)	(2,406)
Seasonal Water Allocations	16,322	16,322
Depreciation and amortisation	72,872	71,581
	107,222	98,039
<i>Amounts recognised directly in equity</i>		
Revaluation of infrastructure, plant and equipment	1,582,872	1,543,459
Unlisted shares at fair value	4,583	4,061
Sub-total other	1,587,455	1,547,520
Total deferred tax liabilities	1,694,677	1,645,559
Movements:		
Opening balance at 1 July	1,645,559	1,394,305
Charged to the Statement of Comprehensive Income (note 7)	9,200	2,278
Charged to equity (note 29)	39,412	249,416
Unlisted shares at fair value	522	(440)
Amounts under provided in prior years	(16)	-
Closing balance at 30 June	1,694,677	1,645,559

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

Deferred tax liabilities to be settled within 12 months	20,434	28,810
Deferred tax liabilities to be settled after more than 12 months	1,674,243	1,616,749
	<u>1,694,677</u>	<u>1,645,559</u>

24 Non-current liabilities - Provisions

	2012	2011
	\$'000	\$'000
Employee benefits	32,143	25,367
Workers compensation	2,680	1,441
Asset disposal	97	96
	<u>34,920</u>	<u>26,904</u>

Movements in provisions

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

	Workers compensation \$'000	Asset disposal \$'000	Total \$'000
2012			
Non-current			
Carrying amount at start of year	1,441	96	1,537
Transfer from current provision	-	1	1
Re-measurement adjustments	1,239	-	1,239
Carrying amount at end of year	<u>2,680</u>	<u>97</u>	<u>2,777</u>

25 Non-current liabilities - Other non-current liabilities

	2012	2011
	\$'000	\$'000
Non-business advances	-	497
Government grants	366,664	139,034
Lease incentives	1,377	1,510
	<u>368,041</u>	<u>141,041</u>

26 Reconciliation of cash

	2012	2011
	\$'000	\$'000
Cash and cash equivalents as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the items in the Statement of Financial Position as follows:		
Cash and cash equivalents	<u>1,878</u>	<u>1,410</u>

(a) Fair Value

Due to the short term nature of cash and cash equivalents, their carrying value is assumed to approximate their fair value.

27 Reconciliation of net profit after income tax to net cash inflow from operating activities

	2012 \$'000	2011 \$'000
Net profit for the year	222,096	180,877
Add/(less) non-cash items:		
Depreciation and amortisation	245,514	234,293
Amortisation of government grant revenue	(3,376)	(1,891)
Contributed assets	(38,545)	(35,041)
Net gain on disposal of infrastructure, plant and equipment	(188)	(95)
Net gain on disposal of water allocations	(826)	-
Infrastructure, plant and equipment revaluation decrement reversal	(256)	(45)
Infrastructure, plant and equipment revaluation decrement	83	5,914
Write-down in value of infrastructure, plant and equipment	5,709	-
Write-off value of capital works in progress	2,949	3,818
Changes in assets and liabilities		
(Increase) in rates and sundry receivables	(42,060)	(16,205)
Decrease/(Increase) in inventories	757	(198)
(Increase)/Decrease in prepayments	(28)	638
(Increase) in other operating assets	(137)	(55)
Decrease in fair value of derivative financial assets	25	183
(Increase) in deferred tax asset	(2,059)	(2,472)
Increase in trade creditors	5,276	9,931
Increase in provision for employee benefits	6,924	3,682
Increase/(Decrease) in provision for workers compensation	1,258	(105)
Increase in other operating liabilities	6,324	2,412
(Decrease) in fair value of derivative financial liabilities	(1,070)	(1,802)
Increase in government grants	233,316	12,091
Increase in provision for deferred income tax	9,184	2,278
(Decrease) in other provisions	(2,154)	(833)
(Decrease) in provision for income taxes payable	(12,079)	(1,655)
Net cash inflow from operating activities	636,637	395,720

28 Capital risk management

Capital is managed within the parameters outlined in the Financial Ownership Framework for SA Water, which encompasses the Corporation's relationship with its owner in respect of capital structure, community service obligations and dividends.

When managing capital, management's objective is to ensure the Corporation continues as a going concern as well as to maintain optimal returns to the State Government (as sole shareholder) and benefits for other stakeholders.

The framework for SA Water includes a target range for debt to total assets (gearing) ratio of 15% to 25%.

The Corporation's strategy, which is unchanged from 2010-11, was to maintain a gearing ratio within 15% to 25%. The gearing ratios based on continuing operations at 30 June 2011 and 30 June 2012 were as follows:

	2012 \$millions	2011 \$millions
Interest bearing liabilities (notes 16, 21)	3,502	3,318
Less: Cash and cash equivalents (note 26)	<u>(2)</u>	<u>(1)</u>
Net debt	<u>3,500</u>	<u>3,317</u>
Total assets	<u>13,774</u>	<u>13,198</u>
Gearing ratio	25%	25%

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

SA Water and the State Government continue to review the parameters of the Financial Ownership Framework to ensure the appropriateness of the targets.

29 Reserves and retained profits

	2012 \$'000	2011 \$'000
(a) Reserves		
Infrastructure, plant and equipment revaluation reserve	7,487,131	7,394,536
Available-for-sale revaluation reserve	<u>10,693</u>	<u>9,474</u>
	<u>7,497,824</u>	<u>7,404,010</u>

Movements:

<i>Property, plant and equipment revaluation reserve</i>		
Balance 1 July	7,394,536	6,803,174
Revaluation - gross	146,331	848,400
Movements in deferred tax liability (note 23)	(39,412)	(249,416)
Movements in deferred tax asset	-	-
Transfer to retained profits on disposal	<u>(14,324)</u>	<u>(7,621)</u>
Balance 30 June	<u>7,487,131</u>	<u>7,394,537</u>

29 Reserves and retained profits (continued)

	2012 \$'000	2011 \$'000
Movements:		
<i>Available-for-sale investments revaluation reserve</i>		
Balance 1 July	9,474	10,501
Revaluation of investment in unlisted shares	1,741	(1,468)
Movements in deferred tax liabilities (note 23)	(522)	440
Balance 30 June	10,693	9,473

(b) Retained profits

Movements in retained profits were as follows:

	2012 \$'000	2011 \$'000
Balance 1 July	231,909	212,417
Profit for the year	222,096	180,877
Dividends (note 33)	(218,046)	(169,006)
Transfers from Infrastructure, plant and equipment revaluation reserve	14,324	7,621
Balance 30 June	250,283	231,909

(c) Nature and purpose of reserves

(i) Infrastructure, plant and equipment revaluation reserve

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

(ii) Available-for-sale revaluation reserve

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

30 Commitments

(a) Capital commitments

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

	2012 \$'000	2011 \$'000
Within one year	170,372	289,862
Later than one year but not later than five years	71,421	29,947
Later than five years	-	-
	241,793	319,809

(b) Operating lease commitments

	2012 \$'000	2011 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	11,129	10,375
Later than one year but not later than five years	41,674	38,043
Later than five years	75,813	79,732
	128,616	128,150

The operating lease commitments relate to property leases which are non cancellable leases. The rental is payable monthly and reviewed annually. The annual increases are based on either CPI, 3% or 4%. Options exist to renew the leases at the end of the term of the leases.

The Corporation has an operating lease commitment for accommodation effective from 2008-09 which expires after 15 years with a market rent review renegotiation in year 10. The lease has escalation clauses and no purchase options.

(c) Other expenditure commitments

	2012 \$'000	2011 \$'000
Future other expenditure commitments not provided for in the financial statements and payable:		
Within one year	180,016	140,208
Later than one year but not later than five years	604,700	486,442
Later than five years	1,461,441	1,237,754
	2,246,157	1,864,404

Other expenditure commitments include commitments pursuant to contracts to:

Operate, manage and maintain the Adelaide metropolitan water and wastewater networks and treatment plants. Refer to Note 1 (v).

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

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

30 Commitments (continued)

(d) (i) Finance leases

	2012 \$'000	2011 \$'000
Commitments in relation to finance leases are payable as follows:		
Within one year	17,584	17,584
Later than one year but not later than five years	70,335	70,335
Later than five years	98,807	116,390
Minimum lease payments	<u>186,726</u>	<u>204,309</u>
Future finance charges	(80,564)	(93,057)
Recognised as a liability	<u>106,162</u>	<u>111,252</u>
Total lease liabilities	<u>106,162</u>	<u>111,252</u>
Representing lease liabilities:		
Current (note 16)	5,691	5,090
Non-current (note 21)	100,471	106,162
	<u>106,162</u>	<u>111,252</u>

The present value of finance lease liabilities is as follows:

Within one year	5,691	5,090
Later than one year but not later than five years	30,344	27,132
Later than five years	70,127	79,030
Minimum lease payments	<u>106,162</u>	<u>111,252</u>

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

(ii) Contingent rentals

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

	2012 \$'000	2011 \$'000
Within one year	4,111	3,844
Later than one year and not later than five years	16,443	15,375
Later than five years	31,314	33,071
	<u>51,868</u>	<u>52,290</u>

The amount of contingent rentals paid during the year is disclosed in note 6.

(e) Remuneration commitments

	2012 \$'000	2011 \$'000
Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not recognised as liabilities, are payable as follows:		
Within one year	14,937	14,102
Later than one year and not later than five years	21,301	16,619
	<u>36,238</u>	<u>30,721</u>

31 Interests in Joint Venture

Jointly controlled operations

The Corporation holds an interest of 50% in the output of the Joint Venture operation named SA Water/Lofty Ranges Power - Joint Venture whose principal activity is the generation of electricity from the use of water energy stored in and by the Corporation's infrastructure at Hope Valley.

Included in the assets and liabilities of the Corporation are the following items which represent the Corporation's interest in the assets and liabilities employed in the Joint Venture, recorded in accordance with the accounting policies described in note 1(b), under the following classifications:

	2012 \$'000	2011 \$'000
Current assets		
Cash and cash equivalents	33	60
Receivables	3	1
Other Current Assets	8	3
Total current assets	44	64
Non-current assets		
Infrastructure, plant and equipment	1,605	1,606
Total non-current assets	1,605	1,606
Total assets	1,649	1,670
Current liabilities		
Payables	21	21
Total current liabilities	21	21
Total liabilities	21	21
Net assets	1,628	1,649

32 Remuneration of auditors

	2012 \$'000	2011 \$'000
Audit fees paid/payable to the Auditor General's Department relating to the audit of financial statements. No other services were provided.	396	378

33 Dividends

	2012 \$'000	2011 \$'000
Dividends paid	218,046	169,006

The dividends paid to the South Australian Government were based on the recommendation of the Board and approved by the Treasurer pursuant to section 30(2) of the Public Corporations Act 1993.

34 Remuneration of employees

	2012	2011
	Number of	Number of
	employees	employees
The number of employees whose remuneration paid and payable falls within the following bands is:		
\$130,700 - 133,999*	n/a	14
\$134,000 - 143,999	47	35
\$144,000 - 153,999	28	28
\$154,000 - 163,999	10	14
\$164,000 - 173,999	9	6
\$174,000 - 183,999	7	9
\$184,000 - 193,999	9	6
\$194,000 - 203,999	4	1
\$204,000 - 213,999	2	3
\$214,000 - 223,999	1	3
\$224,000 - 233,999	3	2
\$234,000 - 243,999	2	2
\$244,000 - 253,999	-	2
\$254,000 - 263,999	2	3
\$264,000 - 273,999	2	1
\$274,000 - 283,999	2	1
\$284,000 - 293,999	1	1
\$294,000 - 303,999	1	1
\$304,000 - 313,999	-	2
\$314,000 - 323,999	-	1
\$344,000 - 353,999	-	2
\$354,000 - 363,999	1	-
\$364,000 - 373,999	-	1
\$374,000 - 383,999	1	-
\$384,000 - 393,999	1	-
\$474,000 - 483,999	-	1
\$574,000 - 583,999	1	-

*This band has been included for the purpose of reporting comparative figures based on the executive base level remuneration rate for 2010-11.

The total remuneration paid and payable for those employees was \$23.2 million (2011: \$24.2 million). This amount includes separation payments, lump sum payments for annual leave and long service leave, fringe benefits and superannuation payments.

35 Remuneration of directors

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

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

	2012	2011
	Number of directors	Number of directors
The number of Directors of the Corporation (excluding the Chief Executive) whose remuneration paid and payable falls within the following bands is:		
\$1 - \$9,999	-	2
\$30,000 - \$39,999	2	-
\$40,000 - 49,999	2	3
\$50,000 - 59,999	1	1
\$80,000 - 89,999	1	-
\$90,000 - 99,999	-	1

The total remuneration paid and payable for those Directors was \$0.30 million (2011: \$0.28 million) which includes fringe benefits and superannuation contributions.

36 Related party disclosures

(a) Directors

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

S.G.M. Blencowe, F.T. Blevins, C.S. Cooper, K.A. Maywald, K.G. Osborn, L.W. Owens, and J.F. Ringham.

Ms Blencowe is an independent member of the Primary Industries SA Audit Committee, and a Specialist Member of the City of Port Adelaide Development Assessment Panel.

Mr Blevins is a Board member of the Law Foundation of South Australia Inc and a member of the board of the Adelaide Park Lands Authority.

Ms Cooper is Chair of the Dairy Authority of SA, Fisheries Research and Agriculture Council, Dairy Authority of SA and Fleurieu Regional Waste Authority, Director of Rural Solutions and Lawguard Pty Ltd, Company Secretary of CRC CARE Pty Ltd and a member of the National Panel Energy Advocacy, Motor Accident Commission Third Party Claims Committee, District Court Panel Experts and an independent member of the City of Marion Audit Committee.

Ms Maywald is a Director of Maywald Consultants Pty Ltd, Advisory Board Member of Transfield Services, consultant to Transfield Services Water Infrastructure and Kingston Estate Wines and member of the Sturt Fleurieu Gpet Management Committee.

Mr Osborn, who was appointed on 2 February 2012, is Director of Viterra Inc., Pateka Pty Ltd., Tristar Properties Pty Ltd., Adelaide University Business School Advisory Board, Chair of the Adelaide Desalination Cross Agency Steering Committee, Invest in South Australia and Deputy Chair of the Economic Development Board of SA and Port Adelaide Football Club.

Mr Owens is Chair of SA Water, SA Country Arts Trust, Adelaide University Business School Advisory Board, Director of Petratherm and Regional Arts Australia Ltd and Reconciliation Ambassador for Reconciliation SA and Member of Resources and Energy Sector Infrastructure Council, member of the City of Marion Audit Committee.

36 Related party disclosures (continued)

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

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

(b) Key management personnel compensation

Key management personnel compensation for the years ended 30 June 2012 and 2011 is set out below. The key management personnel are the Directors of the Corporation (including the Chief Executive) and the Senior Management Team who have responsibility for the strategic direction and management of the Corporation.

	Number of key management personnel	Short-term benefits \$'000	Post-employ ment benefits \$'000	Long-term benefits \$'000	Total \$'000
2012	16	2,668	785	72	3,525
2011	19	2,852	735	82	3,668

37 Statement of administered items

	2012		2011	
	River Murray Levy \$'000	Pensioner concessions \$'000	Total \$'000	Total \$'000
Administered Income				
Revenue	26,162	29,000	55,162	54,077
Total Administered Revenues	26,162	29,000	55,162	54,077
Administered Expenses				
Expenses	26,162	29,000	55,162	54,077
Total Administered Expenses	26,162	29,000	55,162	54,077
Operating Surplus	-	-	-	-
Current Assets				
Cash and cash equivalents	126	248	374	736
Receivables	1,247	-	1,247	1,229
Total Current Assets	1,373	248	1,621	1,965
Total Administered Assets	1,373	248	1,621	1,965
Current Liabilities				
Payables	1,373	248	1,621	1,965
Total Current Liabilities	1,373	248	1,621	1,965
Total Administered Liabilities	1,373	248	1,621	1,965
Net Assets	-	-	-	-

	2012		2011	
	River Murray Levy \$'000	Pensioner concessions \$'000	Total \$'000	Total \$'000
Cash flows from operating activities				
Cash inflows	26,144	29,000	55,144	54,027
Total cash inflows	<u>26,144</u>	<u>29,000</u>	<u>55,144</u>	<u>54,027</u>
Cash outflows	26,171	29,335	55,506	54,635
Total cash outflows	<u>26,171</u>	<u>29,335</u>	<u>55,506</u>	<u>54,635</u>
Net cash (outflows) from operating activities	<u>(27)</u>	<u>(335)</u>	<u>(362)</u>	<u>(608)</u>
Net (decrease) in cash held	(27)	(335)	(362)	(608)
Cash at the beginning of the reporting period	<u>153</u>	<u>583</u>	<u>736</u>	<u>1,344</u>
Cash at the end of the reporting period	<u>126</u>	<u>248</u>	<u>374</u>	<u>736</u>

38 SA Government transactions

Income received/receivable from entities within the SA Government

Rates and charges	56,197	46,765
Community service obligations	153,274	180,780
Recoverable works	4,065	8,628
Fees and charges	36	156
Miscellaneous	2	65
Government grants	1,789	1,108
Interest received	1,628	130
Rents	-	2
Other income	-	528
Total revenue - SA Government entities	216,991	238,162

(b) EXPENSES

Supplies and services

Provided by entities within the SA Government

Operational services	37,118	20,924
Administration	22,321	27,150
Total Supplies and Services - SA Government entities	59,439	48,074

Operational and service contracts

Provided by entities within the SA Government

Operational and service contracts	2,373	1,724
Operational and Service Contracts provided by entities within the SA Government	2,373	1,724

Borrowing costs

Provided by entities within the SA Government

Interest expense	216,222	195,664
Total Borrowing Costs provided by entities within the SA Government	216,222	195,664

38 SA Government transactions (continued)

	2012 \$'000	2011 \$'000
(c) RECEIVABLES		
Receivables from SA Government entities		
Community service obligations	12,671	12,444
Rates receivable (water and wastewater)	812	2,856
Sundry debtors	<u>7,232</u>	<u>2,899</u>
	<u>20,715</u>	<u>18,199</u>
 (d) PAYABLES		
Current		
Payables to SA Government entities		
Trade creditors	4,666	7,021
Interest payable	34,327	32,577
Other creditors	<u>2,947</u>	<u>1,283</u>
	<u>41,940</u>	<u>40,881</u>
 Non-current		
Payables to SA Government entities		
Other creditors	<u>1,638</u>	<u>1,278</u>

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This report was prepared by SA Water's Strategy, Planning & Regulation Group. Enquiries related to this report should be directed to our Customer Service Centre on 1300 650 950 or via customerservice@sawater.com.au.



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