# South Australian Water Corporation

Financial report
for the year ended
30 June 2021

# INDEPENDENT AUDITOR'S REPORT

Government of South Australia
Auditor-General's Department

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**To the Chair**
**South Australian Water Corporation**

## Opinion

I have audited the financial report of the South Australian Water Corporation and the consolidated entity comprising the South Australian Water Corporation and its controlled entities for the financial year ended 30 June 2021.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the South Australian Water Corporation and its controlled entities as at 30 June 2021, their financial performance and their cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The consolidated financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2021
- a Statement of Financial Position as at 30 June 2021
- a Statement of Changes in Equity for the year ended 30 June 2021
- a Statement of Cash Flows for the year ended 30 June 2021
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chair, the Chief Executive and the Chief Financial Officer.

## Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the South Australian Water Corporation and its controlled entities. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* have been met.

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

## Responsibilities of the Chief Executive for the financial report

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

In preparing the financial report, the Chief Executive is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the assessment indicates that it is not appropriate.

The Board is responsible for overseeing the entity's financial reporting process.

## Auditor's responsibilities for the audit of the financial report

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 financial report of the South Australian Water Corporation for the financial year ended 30 June 2021.

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the South Australian Water Corporation's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- conclude on the appropriateness of the Chief Executive's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

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

Andrew Richardson
**Auditor-General**
16 September 2021

# South Australian Water Corporation
# Annual Financial Statements
# for the year ended 30 June 2021

These two pages are intentionally left blank to allow for insertion of final Audit Opinion.

**Certification of the Financial Statements**

We certify that the:

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

Jacqueline Guerin
Chief Financial Officer

David Ryan
Chief Executive

Andrew Fletcher
Chair

Date 13-9-2021

These two pages are intentionally left blank to allow for insertion of final Audit Opinion.

**South Australian Water Corporation**
**Statement of comprehensive income**
**For the year ended 30 June 2021**

| | Notes | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **Income** | | | |
| Revenue from ordinary activities | 4 | **1,344,710** | 1,605,205 |
| Other income | 5 | **8,942** | 736 |
| **Total income** | | **1,353,652** | **1,605,941** |
| **Expenses** | | | |
| Depreciation and amortisation expense | 6 | **(354,900)** | (362,047) |
| Borrowing costs | 6 | **(298,749)** | (317,623) |
| Electricity expense | | **(52,392)** | (86,772) |
| Services and supplies | 6 | **(180,448)** | (147,614) |
| Operational and service contracts | | **(205,342)** | (226,328) |
| Employee benefits expense | 6 | **(139,057)** | (140,248) |
| Other expenses | 6 | **(23,559)** | (9,636) |
| **Total expenses** | | **(1,254,447)** | **(1,290,268)** |
| **Profit before income tax equivalents** | | **99,205** | **315,673** |
| Income tax expense | 7 | **(25,733)** | (92,587) |
| **Profit after income tax equivalents** | | **73,472** | **223,086** |
| **Other comprehensive income** | | | |
| ***Items that will not be reclassified to net result*** | | | |
| (Loss)/gain on revaluation of infrastructure, plant and equipment assets | 29(a) | **439,079** | (1,162,845) |
| Income tax relating to items of other comprehensive income | 7(c) | **(130,202)** | 355,497 |
| **Other comprehensive income for the year, net of tax** | | **308,877** | **(807,348)** |
| **Total comprehensive result** | | **382,349** | (584,262) |
| Total comprehensive result for the year is attributable to: | | | |
| The SA Government as owner | | **382,349** | (584,262) |

*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 2021**

| | Notes | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 26 | **3,870** | 4,844 |
| Receivables | 8 | **193,889** | 223,273 |
| Inventories | 9 | **9,978** | 8,928 |
| Other current assets | 10 | **13,858** | 11,456 |
| **Total current assets** | | **221,595** | **248,501** |
| **Non-current assets** | | | |
| Finance lease receivable | | **3,579** | 2,705 |
| Deferred tax assets | 11 | **84,576** | 75,368 |
| Intangible assets | 12 | **177,074** | 175,563 |
| Infrastructure, plant and equipment | 13 | **13,757,095** | 13,173,450 |
| Right-of-use assets | 15 | **171,176** | 186,866 |
| Other non-current assets | 16 | **1,351** | 3,615 |
| **Total non-current assets** | | **14,194,851** | **13,617,567** |
| **Total assets** | | **14,416,446** | **13,866,068** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Payables | 17 | **197,667** | 167,389 |
| Financial liabilities/borrowings | 18 | **45,618** | 57,286 |
| Tax liabilities | 19 | **6,216** | 10,444 |
| Provisions | 20 | **37,679** | 21,064 |
| Other current liabilities | 21 | **21,628** | 14,837 |
| **Total current liabilities** | | **308,808** | **271,020** |
| **Non-current liabilities** | | | |
| Payables | | **2,579** | 2,558 |
| Financial liabilities/borrowings | 22 | **7,167,527** | 7,073,955 |
| Deferred tax liabilities | 23 | **1,460,694** | 1,343,275 |
| Provisions | 24 | **36,247** | 36,645 |
| Other non-current liabilities | 25 | **334,952** | 344,179 |
| **Total non-current liabilities** | | **9,001,999** | **8,800,612** |
| **Total liabilities** | | **9,310,807** | **9,071,632** |
| **Net assets** | | **5,105,639** | **4,794,436** |
| **EQUITY** | | | |
| Contributed equity | | **224,319** | 213,372 |
| Asset revaluation surplus | 29(a) | **4,597,921** | 4,299,115 |
| Retained earnings | 29(b) | **283,399** | 281,949 |
| **Total equity** | | **5,105,639** | **4,794,436** |

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

**South Australian Water Corporation**
**Statement of changes in equity**
**For the year ended 30 June 2021**

| | Notes | Contributed equity $'000 | Asset revaluation surplus $'000 | Retained earnings $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Balance at 1 July 2020** | | **213,372** | **4,299,115** | **281,949** | **4,794,436** |
| Deferred income tax finance lease | 7(c) | - | - | 44 | 44 |
| **Restated total equity at the beginning of the financial year** | | **213,372** | **4,299,115** | **281,993** | **4,794,480** |
| Profit for the year | | - | - | 73,472 | 73,472 |
| Transfer to retained profits on disposal | 29 | - | (10,027) | - | (10,027) |
| Transfer from asset revaluation surplus | 29 | - | - | 10,027 | 10,027 |
| Income tax relating to components of other comprehensive income | 7(c) | - | (130,246) | - | (130,246) |
| Gain/(loss) on revaluation on infrastructure, plant and equipment assets | | - | 439,079 | - | 439,079 |
| **Total comprehensive result for the period** | | **-** | **298,806** | **83,499** | **382,305** |
| **Transactions with the SA Government in their capacity as owners:** | | | | | |
| Contributions of equity* | | 10,947 | - | - | 10,947 |
| Dividends provided for or paid | 33 | - | - | (82,093) | (82,093) |
| | | **10,947** | **-** | **(82,093)** | **(71,146)** |
| **Balance at 30 June 2021** | | **224,319** | **4,597,921** | **283,399** | **5,105,639** |

*In 2020/21, SA Water received the following contributions of equity;
- $3.250m from the SA Government to partially fund the opening of South Australian reservoirs for recreational use.
- $2.288m to partially fund key works completed for the Kangaroo Island Desalination Plant;
- $5.409m was received to fund completion of the Angle Vale Super School Augmentation project.

In accordance with Interpretation 1038 Contributions by Owners made to Wholly-Owned Public Sector Entities, these payments have been recognised as contributed equity.

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

| | Notes | Contributed equity $'000 | Asset revaluation surplus $'000 | Retained earnings $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Balance at 1 July 2019** | | **204,210** | **5,111,844** | **307,734** | **5,623,788** |
| Adjustment on initial adoption of AASB 9 | 7(c) | - | - | (26,165) | (26,165) |
| Deferred income tax finance lease | 7(c) | - | - | 7,871 | 7,871 |
| **Restated total equity at the beginning of the financial year** | | **204,210** | **5,111,844** | **289,440** | **5,605,494** |
| Profit for the year | | - | - | 223,086 | 223,086 |
| Gain/(loss) on revaluation on infrastructure, plant and equipment assets | 29 | - | (1,162,845) | - | (1,162,845) |
| Transfer to retained profits on disposal | 29 | - | (2,869) | - | (2,869) |
| Transfer from asset revaluation surplus | 29 | - | - | 2,869 | 2,869 |
| Income tax relating to components of other comprehensive income | 7(c) | - | 352,985 | (5,359) | 347,626 |
| **Total comprehensive result for the period** | | **-** | **(812,729)** | **220,596** | **(592,133)** |
| | | | | | |
| **Transactions with the SA Government in their capacity as owners:** | | | | | |
| Contributions of equity* | | 9,162 | - | - | 9,162 |
| Dividends provided for or paid | 33 | - | - | (228,087) | (228,087) |
| | | **9,162** | **-** | **(228,087)** | **(218,925)** |
| **Balance at 30 June 2020** | | **213,372** | **4,299,115** | **281,949** | **4,794,436** |

* In 2019/20, SA Water received $7.0m from the SA Government, to partially fund the Northern Adelaide Irrigation Scheme (NAIS) project, after completing the third milestone of the NAIS project. In addition, SA Water received a further $2.162m as a contribution of equity from the SA Government to partially fund the opening of South Australian reservoirs for recreational use. In accordance with Interpretation 1038 Contributions by Owners made to Wholly-Owned Public Sector Entities, these payments have been recognised as contributed equity.

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

**South Australian Water Corporation**
**Statement of cash flows**
**For the year ended 30 June 2021**

| | Notes | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | **1,274,213** | 1,514,872 |
| Payments to suppliers and employees | | **(636,990)** | (730,339) |
| Interest received | | **126** | 132 |
| Receipts from community service obligations | | **141,027** | 165,846 |
| Receipts from contributions | | **15,538** | 8,160 |
| Receipts from government grants | | **1,359** | 35 |
| Borrowing costs paid | | **(298,250)** | (337,639) |
| Income tax equivalents paid | | **(51,951)** | (102,636) |
| **Net cash inflow from operating activities** | **27** | **445,072** | **518,431** |
| **Cash flows from investing activities** | | | |
| Payments for construction and purchase of infrastructure, plant and equipment | | **(439,748)** | (545,314) |
| Payments for intangible assets | | **(25,678)** | (33,760) |
| Proceeds from sale of intangible assets | | **1,616** | 501 |
| Proceeds from sale of infrastructure, plant and equipment | | **9,885** | 585 |
| Proceeds from sale of renewable energy certificates | | **-** | 2,460 |
| **Net cash (outflow) from investing activities** | | **(453,925)** | **(575,528)** |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | **867,800** | 1,530,600 |
| Repayment of borrowings | | **(760,900)** | (1,225,800) |
| Proceeds from equity contributions | | **10,947** | 9,162 |
| Dividends paid | 33 | **(82,093)** | (228,087) |
| Repayments of finance lease liability | | **(27,875)** | (26,706) |
| **Net cash inflow from financing activities** | | **7,879** | **59,169** |
| **Net (decrease)/increase in cash and cash equivalents** | | **(974)** | 2,072 |
| Cash and cash equivalents at the beginning of the financial year | | **4,844** | 2,772 |
| **Cash and cash equivalents at end of period** | **26** | **3,870** | **4,844** |

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

## 1 Summary of significant accounting policies

The South Australian Water Corporation ("SA Water" or the "Corporation") was established on 1 July 1995, as a State owned statutory corporation by the South Australian Water Corporation *Act 1994*, to which the provisions of the *Public Corporations Act 1993* apply. SA Water provides retail water supply and sewerage services in accordance with its licence, provided by *the Water Industry Act 2012* (the Act) which came into operation on 1 July 2012. The Act repealed the *Waterworks Act 1932*, *Sewerage Act 1929* and *Water Conservation Act 1936*.

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

**(a)** *Basis of preparation*

These general purpose financial statements have been prepared in accordance with relevant Australian Accounting Standards and comply with the Treasurer's Instructions and Accounting Policy Statements promulgated under provisions of the *Public Finance and Audit Act 1987*, as well as complying with and Interpretations issued by the Australian Accounting Standards Board and the *Corporations (South Australia) Act 2001*. South Australian Water Corporation is a for-profit entity for the purpose of preparing the financial statements. Where the Treasurer's Instructions are more prescriptive than the equivalent Australian Accounting Standards, SA Water has applied the Treasurer's Instructions in the application of accounting frameworks.

The financial statements are prepared based on a 12 month reporting period and presented in Australian currency/ dollars. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

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 the historical cost convention, except for infrastructure, plant and equipment, derivative financial instruments and renewable energy certificates which are measured on a fair value basis in accordance with the valuation policy applicable.

Changes in accounting policy

There were no changes in accounting policy during the financial period.

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.

## 1 Summary of significant accounting policies (continued)

**(b)** *Taxes*

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

Income tax equivalents

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

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.

Land tax and council rate equivalents

The charge for land tax and council rate equivalents has been calculated by Revenue SA, 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.

**(c)** *New accounting standards and interpretations not yet effective*

The Corporation did not voluntarily change any of its accounting policies during 2020/21.

## 1 Summary of significant accounting policies (continued)

**(c)** *New accounting standards and interpretations not yet effective (continued)*

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 2021.

**(d)** *New accounting standards and interpretations effective at 1 July 2020*

*AASB 1059 Service Concession Arrangements: Grantors* is effective for the annual reporting period beginning 1 July 2020. This standard is applicable to public-private partnerships (PPPs) which involve the private sector (the operator) providing public services related to a service concession arrangement on behalf of the public sector (the grantor) and the operator managing at least some of those services under its own discretion rather than at the direction of the grantor. It also requires that the government entity controls the asset used to deliver those services. A review has been completed of this standard and as all services are provided to the Corporation rather than directly to the public, there is no impact to SA Water.

## 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 and the use of alternative risk mitigation strategies. To minimise interest rate volatility, the Corporation enters into forward starting loans (FSLs) with the South Australian Financing Authority (SAFA) where it agrees to borrow specified amounts in the future at a pre-determined interest rate. FSLs are non-derivative financial instruments which are outside the scope of AASB 9, and are disclosed as unrecognised fixed rate loan commitments. Refer note 2c.

A key component of the Corporation's interest rate risk management framework is the requirement for a permissible duration range to be maintained, which reflects the average term to maturity of the Corporation's core debt portfolio. As part of a Treasury Risk Management Policy review, the permissible duration range is 2.1 - 6.5 years.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance date, assuming all other variables are held constant. The movements in post-tax profit and equity for the year are due to higher/lower interest costs from floating rate debt and cash balances. The movement in interest expense is estimated by applying the interest rate movement to the balance of floating rate debt and cash balances outstanding at balance date.

At 30 June 2021 it has been assumed that a reasonable possible shift in interest rates over the next reporting period could be 1% upwards and -0.75% downwards.

| | | Interest rate risk | | | |
|---|---|---|---|---|---|
| | | **-0.75%** | | **+1.0%** | |
| **30 June 2021** | Carrying amount $'000 | Profit $'000 | Equity $'000 | Profit $'000 | Equity $'000 |
| Financial assets | | | | | |
| Cash and cash equivalents | 3,870 | (20) | (20) | 27 | 27 |
| Financial liabilities | | | | | |
| Short term borrowings | (29,874) | (157) | (157) | 209 | 209 |
| **Total increase/(decrease)** | | **(177)** | **(177)** | **236** | **236** |

| | | Interest rate risk | | | |
|---|---|---|---|---|---|
| | | **-0.5%** | | **+1.0%** | |
| **30 June 2020** | Carrying amount $'000 | Profit $'000 | Equity $'000 | Profit $'000 | Equity $'000 |
| Financial assets | | | | | |
| Cash and cash equivalents | 4,844 | (16) | (16) | 34 | 34 |
| Financial liabilities | | | | | |
| Short term borrowings | (29,974) | 105 | 105 | (210) | (210) |
| **Total increase/(decrease)** | | **89** | **89** | **(176)** | **(176)** |

## 2 Financial risk management (continued)

**(a)** *Market risk (continued)*

*(ii) Electricity price risk exposures*

The Corporation has established a multi-faceted risk management framework incorporating an overarching Energy Price Risk Management Policy to manage its energy exposure in the wholesale National Electricity Market.

The energy portfolio is managed to mitigate the associated financial risk through activities including demand management, electricity self-generation and financial market hedging.

The Corporation monitors its energy consumption profile and uses permitted electricity derivatives, where the pre-determined risk limits are forecast to be exceeded, to manage its exposure to electricity spot prices on energy purchases.

Sensitivity analysis is based on electricity price risk exposures in existence at balance date assuming all other variables are held constant.

At 30 June 2020 and 30 June 2021 a sensitivity analysis was not applicable as no electricity derivatives were held.

**(b)** *Credit risk*

Credit risk is the risk of financial loss to the Corporation resulting from the failure of a customer or a counterparty to a financial instrument to meet its financial obligations as and when they fall due.

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

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

The Corporation has no significant concentration of credit risk.

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

Electricity derivatives are entered into on organised exchanges and with highly rated financial counterparties.

**(c)** *Liquidity risk*

The Corporation has in place a Treasury Risk Management Policy to provide a prudential framework for managing liquidity risk. The policy was reviewed in 2018 and approved by the Treasurer on 09 January 2019. 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 on a daily basis.

## 2 Financial risk management (continued)

**(c)** *Liquidity risk (continued)*

Contractual maturities

The table below analyses the Corporation's financial liabilities into the relevant groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed are the future contractual undiscounted cash flows. The contractual cash flows for fixed rate and floating rate borrowings include principal, interest, guarantee fees and SAFA margins.

Maturing borrowings are included in the table at their maturity date and are refinanced at prevailing market interest rates. Fixed rate borrowings are interest only with no fixed repayment date for the principal component. Any principal component of fixed rate borrowings that has already been refinanced prior to the reporting date via forward starting loans (FSLs) is excluded from the relevant maturity grouping. The future cash flows relating to FSLs are separately disclosed in the table below as unrecognised fixed rate loan commitments.

| At 30 June 2021 | Less than 1 year $'000 | Between 1 and 2 years $'000 | Between 2 and 5 years $'000 | Over 5 years $'000 | Total contractual cash flows $'000 |
|---|---|---|---|---|---|
| **Non-derivatives** | | | | | |
| Non-interest bearing liabilities* | 120,653 | - | - | - | 120,653 |
| Fixed rate borrowings | 503,705 | 663,680 | 2,902,018 | 4,332,439 | 8,401,842 |
| Floating rate borrowings | 29,918 | - | - | - | 29,918 |
| Unrecognised fixed rate loan commitments** | 1,617 | 2,880 | 8,642 | 117,285 | 130,424 |
| Lease liabilities | 22,148 | 20,886 | 43,533 | 85,822 | 172,389 |
| **Total non-derivatives** | 678,041 | 687,446 | 2,954,193 | 4,535,546 | 8,855,226 |

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

**For 30 June 2021, the principal component relating to a FSL that was refinanced prior to reporting date has been excluded from the less than 1 year category, and included in the over 5 years category in which the FSL will mature.

## 2 Financial risk management (continued)

**(c)** *Liquidity risk (continued)*

| | Less than 1 year $'000 | Between 1 and 2 years $'000 | Between 2 and 5 years $'000 | Over 5 years $'000 | Total contractual cash flows $'000 |
|---|---|---|---|---|---|
| **At 30 June 2020** | | | | | |
| **Non-derivatives** | | | | | |
| Non-interest bearing liabilities* | 89,722 | - | - | - | 89,722 |
| Fixed rate borrowings | 1,557,437 | 247,703 | 2,939,679 | 3,751,457 | 8,496,276 |
| Floating rate borrowings | 30,026 | - | - | - | 30,026 |
| Lease liabilities | 35,431 | 21,164 | 53,380 | 95,654 | 205,629 |
| **Total non-derivatives** | **1,712,616** | **268,867** | **2,993,059** | **3,847,111** | **8,821,653** |

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

## 2 Financial risk management (continued)

**(d)** *Fair value measurements*

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

*(i) Fair value of financial liabilities*

The fair value for long term borrowings is estimated by discounting the anticipated future cash flows to their present value based on current market interest rates at the respective balance dates.

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

| | **2021** | | 2020 | |
|---|---|---|---|---|
| | **Carrying amount $'000** | **Fair value $'000** | Carrying amount $'000 | Fair value $'000 |
| Long term borrowings (note 22) | **7,044,000** | **7,511,570** | 6,937,000 | 7,573,307 |

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

## 3 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:

- Contributed assets (refer note 4);
- Renewable energy certificates (refer note 10);
- Configuration or customisation in a cloud computing environment (refer note12 );
- Asset valuation methodology and useful lives of assets (refer note 13);
- Impairment of assets (refer note 13);
- Unbilled water sales (refer note 4);
- Provision for long service leave (refer note 24); and
- Provision for workers compensation (refer note 24).

## 4 Revenue from ordinary activities

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Revenue from contracts with customers** | | |
| Water and sewer rates and charges | **1,040,522** | 1,245,913 |
| Recoverable works | **54,472** | 89,620 |
| Fees and charges | **58,103** | 46,648 |
| Contributed assets | **46,499** | 41,180 |
| | **1,199,596** | **1,423,361** |
| **Other revenue** | | |
| Community service obligations | **132,351** | 169,391 |
| Government grants | **9,896** | 9,331 |
| Rents | **2,583** | 2,489 |
| Miscellaneous | **160** | 501 |
| Interest | **32** | 34 |
| Interest - finance leases | **92** | 98 |
| | **145,114** | **181,844** |
| **Total** | **1,344,710** | **1,605,205** |

Water and sewer rates and charges

SA Water sets its water and sewer prices in accordance with a pricing methodology that is guided by the principles outlined in the National Water Initiative and the South Australian Government's statewide pricing policy. Statewide pricing means that most customers pay the same price regardless of where they live or the actual cost of providing the service. Prices are set in line with the revenue caps set by the Essential Services Commission of South Australia (ESCOSA). The water demand and sewerage customer growth inputs are consistent with ESCOSA's regulatory determination.

The revenue for water and sewer charges is comprised of the following:

Water usage charge

This is a volumetric charge based on the number of kilolitres of water that are used by the customer. This is charged to customers for costs associated with pumping, treatment and the filtration of water. The supply of water to the customer is deemed to be a distinct performance obligation under the contract with the customer.

Revenue is recognised over time as water is received and consumed by the customer. The amount of revenue recognised is comprised of water usage billed for the period and an accrual for unbilled usage at 30 June.

The underlying revenue recognition principle is to recognise revenue in the period it is consumed. The period ended 30 June calculation is based on state-wide water supplied, customer billing information, and an assessment and adjustment for non-revenue water (includes water produced and then lost or unaccounted for, such as evaporation, fire fighting and leaks).

## 4 Revenue from ordinary activities (continued)

*Water and sewer rates and charges (continued)*

Water access charge

This is a fixed charge that is billed to customers whose properties have been provided with access to the water supply network (connected or unconnected). This is charged to customers for costs associated with building, maintaining and replacing water mains, pipes, reservoirs and other water infrastructure. Commercial customers are charged a property rate per $1000 of property value above $10 million subject to a minimum charge. Most other customers receive a fixed charge equivalent to the minimum charge. Commercial water charges are updated every year on the basis of the latest Valuer General property values.

Sewerage access charge

A performance obligation exists to enable customers to have access to SA Water's sewerage infrastructure. Revenue is recognised over time as customers require access to the sewerage services. All customers are billed quarterly with the last bill of the year being for the period ended 30 June. Revenue is recognised as the performance obligation is satisfied. It is at this point that customer bills are raised.

Properties that have been provided with access to the sewerage network (connected or unconnected) pay this charge. This is a charge that is billed to the customer quarterly for the removal and treatment of sewage. Charges are associated with building, maintaining and replacing sewer pipes, sewerage pump stations, sewerage treatment plants and other sewerage infrastructure.

A performance obligation exists to enable customers to have access to SA Water sewerage infrastructure. Revenue is recognised over time as customers require access to sewerage services. All customers are billed quarterly with the last bill of the year being for the period ended 30 June. Revenue is recognised as the performance obligation is satisfied. It is at this point that customer bills are raised.

Sewerage charges are updated every year on the basis of the latest Valuer-General property values.

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

During the 2019/20 financial year an agreement between the Commonwealth Government and the State of South Australia was formalised whereby SA Water produced water from the Adelaide Desalination Plant. The equivalent unused River Murray water allocations were then transferred from entitlements held by the State in the Murray - Darling Basin to irrigators in the Southern Murray Darling Basin under the Water for Fodder program. The project spanned the 2019/20 financial year when an initial 40GL of water was transferred, and the intent was for a further 60GL to be transferred in 2020/21. Following a review, in September 2020 the Commonwealth Government announced that there will not be a second round of the Water for Fodder Program.

The CSO revenue is recognised as the services are provided.

## 4 Revenue from ordinary activities (continued)

Contributed assets

Contributed assets principally arise from:

(i) Mains extensions contributions:

Customers or Developers who make a contribution where a service or connection has been requested that will require construction of a new main.

A performance obligation exists to construct infrastructure for customers based on the cash contributions that are received by SA Water. This performance obligation is satisfied over time and revenue recognised when the constructed assets are practically completed. When the customer initially makes the payment the amount received is recognised as a contract liability.

(ii) Gifted assets:

Developers who make contributions where water and sewer infrastructures are constructed by developers and transferred to SA Water. The contribution recognised is equivalent to the fair value of these assets that is estimated using the depreciated modern equivalent replacement cost.

The performance obligation for assets that are constructed by developers and gifted to SA Water for nil value, is satisfied and contributed asset revenue recognised when the ownership of the constructed assets is transferred to SA Water.

(iii) Miscellaneous capital contributions:

The Corporation constructs the infrastructure at the developer's request.

The performance obligation is satisfied over time and revenue recognised at key milestones during the construction of the asset, and when the asset is practically complete.

(iv) Augmentation cash contributions:

When an individual development forms part of a larger area where further development will occur, rather than only consider what upgrade work is required for the individual development, an augmentation charge can be established to fund the infrastructure required to serve the total area to be developed.

An augmentation charge may also be applied where there are a number of existing properties not currently connected to a service offered by SA Water.

The performance obligation is satisfied at a point in time when the customer has access to water and sewerage services.

The administration fees associated with the processing of an application are treated as a separate distinct performance obligation. Revenue is recognised at a point in time when payment is received from the customer.

Recoverable works

SA Water is requested by local councils and other government departments to undertake capital works and make alterations to the water and sewerage network in accordance with contract specifications. The performance obligation for these contracts is satisfied over time as the work is undertaken.

## 4 Revenue from ordinary activities (continued)

*Recoverable works (continued)*

Revenue is recognised when the works are practically completed, and the customer is billed for costs incurred on the project.

SA Water provides a comprehensive range of water and sewerage services including sampling, analysis, advice and research. The performance obligation for these contracts is satisfied at a point in time. Revenue is recognised as customers are billed, which is after testing has been undertaken and the results have been reported to the customer.

Fees and charges

This includes ancillary services that are associated with the provision of water and sewer services. These services include the connection of the customer to the water and sewerage network. A performance obligation exists for SA Water to connect customers to the water and sewerage network. As the service provided requires the construction of an asset, revenue is recognised over time as the constructed assets are practically completed. In accordance with the contract with the customer, payment must be received before works can be undertaken. When the customer initially makes the payment, the amount received is recognised as a contract liability. For other fees and charges the performance obligation is satisfied and revenue recognised at a point in time once the service has been provided by SA Water.

A performance obligation also exists to provide customers access to dispose of hazardous waste through SA Water infrastructure. The amount charged is based on volume of waste that is disposed. Revenue recognition occurs as services are provided.

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.

*Disaggregation of revenue from contracts with customers*

In accordance with AASB 15, revenue has been disaggregated based on the provision of water and wastewater services to customers.

| **30 June 2021** | **Water $'000** | **Wastewater $'000** | **Total $'000** |
|---|---|---|---|
| **Revenue from contracts with customers** | | | |
| Water and sewer rates and charges | 719,691 | 320,831 | 1,040,522 |
| Recoverable works | 51,524 | 2,948 | 54,472 |
| Fees and charges | 33,647 | 24,456 | 58,103 |
| Contributed assets | 19,775 | 26,724 | 46,499 |
| **Total revenue from contracts with customers** | 824,637 | 374,959 | 1,199,596 |

## 4 Revenue from ordinary activities (continued)

*Disaggregation of revenue from contracts with customers*

| **30 June 2020** | Water $'000 | Wastewater $'000 | Total $'000 |
|---|---|---|---|
| **Revenue from contracts with customers** | | | |
| Water and sewer rates and charges | 885,144 | 360,769 | 1,245,913 |
| Recoverable works | 87,520 | 2,100 | 89,620 |
| Fees and charges | 24,122 | 22,526 | 46,648 |
| Contributed assets | 15,806 | 25,374 | 41,180 |
| **Total revenue from contracts with customers** | **1,012,592** | **410,769** | **1,423,361** |

## 5 Other income

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Net gain on disposal of infrastructure, plant and equipment | **6,617** | 166 |
| Gain on derecognition of right-of-use asset* | **407** | - |
| Net gain on disposal of water allocations | **1,595** | 491 |
| Reversal of prior year infrastructure, plant and equipment revaluation decrement** | **323** | 79 |
| | **8,942** | **736** |

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

* During the year a sublease was entered into which resulted in a gain being recognised on derecognition of that portion of the building that had been recognised as a right-of-use asset.

** Reversal of prior year revaluation decrement relates to land and buildings asset classes.

## 6 Expenses

| | Notes | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| Depreciation and amortisation | | | |
| Infrastructure, plant and equipment | 13 | **311,930** | 326,062 |
| Intangible assets | 12 | **27,300** | 19,940 |
| Right-of-use assets | 15 | **15,670** | 16,045 |
| **Total depreciation and amortisation** | | **354,900** | **362,047** |
| Borrowing costs | | | |
| Interest paid/payable on short term and long term borrowings | | **290,647** | 307,341 |
| Interest expense on lease liabilities | | **8,102** | 10,282 |
| **Total borrowing costs** | | **298,749** | **317,623** |
| Services & supplies | | | |
| Consultancy costs | | **614** | 769 |
| Cost of goods sold | | **30,175** | 30,922 |
| External fees and charges | | **53,559** | 41,322 |
| Licences | | **20,769** | 19,439 |
| Materials and chemicals | | **21,001** | 16,784 |
| Other services and supplies | | **53,684** | 38,070 |
| Short-term leases | | **646** | 308 |
| **Total services & supplies** | | **180,448** | **147,614** |
| Employee benefits | | | |
| Salaries and wages | | **109,682** | 103,267 |
| Long service leave | | **2,205** | 5,732 |
| Annual leave | | **11,785** | 12,007 |
| Workers compensation | | **801** | 634 |
| Superannuation contribution | | **14,584** | 18,608 |
| **Total employee benefits** | | **139,057** | **140,248** |
| Other expenses | | | |
| Net bad and doubtful debts | | **24** | 88 |
| Net loss on disposal of renewable energy certificates | | **-** | 226 |
| Write-off in value of infrastructure, plant and capital WIP | | **5,479** | 8,260 |
| Infrastructure, plant and equipment revaluation decrement | | **18,021** | 1,062 |
| Net loss from electricity derivatives at fair value through P&L | | **35** | - |
| **Total other expenses** | | **23,559** | **9,636** |
| *Consultancy costs* | | | |
| Less than $10,000 (Number 2021: 6 ; 2020: 1) | | **23** | 7 |
| Between $10,000 and $50,000 (Number 2021: 6 ; 2020: 2) | | **166** | 48 |
| Greater than $50,000 (Number 2021: 2 ; 2020: 6) | | **425** | 714 |
| | | **614** | **769** |

## 6 Expenses (continued)

Superannuation

The amount charged to the statement of comprehensive income represents the contributions made by the Corporation to the superannuation plan in respect of employment services of current staff. The contributions are made to the state government superannuation scheme and several non-state government superannuation schemes. With relation to the state government superannuation scheme, the Department of Treasury and Finance centrally recognises the superannuation liability in the whole of government financial statements.

Depreciation

Leased infrastructure, plant and equipment are depreciated over the term of the lease. For BOOT arrangements, as ownership of the underlying asset is transferred to the Corporation at the end of the lease term, depreciation is calculated over the useful life of the underlying asset. Owned infrastructure, plant and equipment and other assets are depreciated using the straight line method over their estimated useful lives ranging from 2 to 170 years. The useful lives of assets are reviewed annually and have been assessed as follows:

| Class of assets | Useful life (years) |
|---|---|
| - Water and sewer | 7 - 170 years |
| - Renewable energy assets | 4 - 25 years |
| - Right-of-use infrastructure 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.

Borrowing costs

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

In accordance with the *Treasurer's Instructions (Accounting Policy Statements)* and *AASB 123 Borrowing Costs*, borrowing costs attributable to the acquisition or construction of infrastructure, plant and equipment are capitalised after considering materiality. The Corporation has not capitalised borrowing costs in the year as the proportion related to the acquisition and construction of infrastructure was assessed as not material.

The Corporation's Treasury Risk Management Policy and Energy Price Risk Management Policy provide a prudential framework for the management of the Corporation's financial risks including interest rate risk, foreign exchange price risk and commodity price (e.g. electricity) risk. Within the parameters of these policies, SA Water utilises derivative financial instruments for foreign exchange and commodity price risk to implement appropriate financial risk mitigation strategies. Interest rate risk arising from borrowings is managed in accordance with the debt management strategies outlined in note 2(a)(i).

## 6 Expenses (continued)

Derivatives

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently remeasured to fair value.

All derivatives are categorised as financial assets or financial liabilities at fair value through profit and loss and classified as economic hedges in the Statement of Financial Position as the Corporation has elected not to apply hedge accounting under AASB 9 Financial Instruments: Recognition and Measurement.

Any changes in the fair value of derivatives are recognised immediately as an adjustment to other income or other expenses in the Statement of Comprehensive Income.

Electricity derivatives are remeasured to fair value with reference to published market prices and quotations.

Consistent with SA Water's treasury and energy policies, derivative financial instruments are transacted as economic hedges of cash flow exposures and are not held for speculative purposes.

Leases

At inception of a contract , the Corporation considers whether a contract is, or contains a lease in accordance with *AASB 16 Leases*. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Corporation assesses whether the contract meets three key requirements which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Corporation.
- The Corporation has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- The Corporation has the right to direct the use of the identified asset throughout the period of use. This will arise where the Corporation has the right to direct 'how and for what purpose' the asset is used.

## 6 Expenses (continued)

*Leases (continued)*

At lease commencement date, the Corporation recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability and any initial direct costs incurred by the Corporation. When the Corporation incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under *AASB 137 Provisions, Contingent Liabilities and Contingent Assets*. The costs are included in the related right-of-use asset.

The lease liability is measured at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the incremental borrowing rate. The lease payment is allocated between interest expense and a reduction in the lease liability, with the interest expense calculated using the incremental borrowing rate published by the Department of Treasury and Finance.

The right-of-use asset is adjusted for remeasurement of lease liabilities and derecognition associated with the recognition of a finance lease for subleases. The right-of-use asset is also assessed for impairment when such indicators exist.

Short term and low-value leases

In accordance with AASB 16 *Leases* and *Treasurer's Instructions (Accounting Policy Statements)* the Corporation must apply the recognition exemption for short-term leases and leases for which the underlying asset is of low value. The recognition exemption for short-term leases is applied by class of underlying asset to which the right-of-use relates. In accordance with AASB 16 a short-term lease is a lease that, at the commencement date, has a lease term of 12 months or less. The recognition exemption for leases for which the underlying asset is of low value can be made on a lease-by-lease basis. In accordance with AASB 16 the lease payments associated with these types of leases are recognised as an expense over the term of the lease.

## 7 Income tax expense

**(a)** *Income tax expense*

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Current tax | **46,589** | 106,294 |
| Deferred tax | **(20,856)** | (13,708) |
| Amounts under provided in prior years | **-** | 1 |
| | **25,733** | **92,587** |

| | | |
|---|---|---|
| Deferred income tax included in income tax expense comprises: | | |
| (Increase)/decrease in deferred tax assets (note 11) | **(8,273)** | 1,286 |
| (Decrease) in deferred tax liabilities (note 23) | **(12,583)** | (14,994) |
| | **(20,856)** | **(13,708)** |

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

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Profit from continuing operations before income tax expense | **99,205** | 315,673 |
| Tax at the Australian tax rate of 30.0% (2019: 30.0%) | **29,762** | 94,702 |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| ADP intangible asset amortisation | **510** | 510 |
| Government grants | **(2,619)** | (2,626) |
| Provision for employee benefits | **(43)** | - |
| Gain on sale of land | **(1,877)** | - |
| | **25,733** | **92,586** |
| Amounts under provided in prior years | **-** | 1 |
| **Income tax expense** | **25,733** | **92,587** |

**(c)** *Income tax relating to items of other comprehensive income*

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| (Loss)/gain on revaluation of infrastructure, plant and equipment (note 23) | 130,246 | (352,985) |
| Adjustment on initial adoption of AASB 16 | - | (7,871) |
| Leased infrastructure assets (note 23) | (44) | 5,359 |
| | 130,202 | **(355,497)** |

## 8 Current assets - Receivables

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Receivables | | |
| Rates receivable (water and sewer) | **135,925** | 165,780 |
| Sundry debtors* | **36,674** | 31,725 |
| Allowance for doubtful debts | **(137)** | (193) |
| | **172,462** | **197,312** |
| Other receivables | | |
| Finance lease receivable | **2,010** | 914 |
| Community service obligations | **19,417** | 25,047 |
| | **193,889** | **223,273** |

*Sundry debtors includes trade waste revenue, Australian Water Quality Centre revenue & other miscellaneous fees and charges.

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.

**(a)** *Impaired trade receivables*

The Corporation recognises an allowance for doubtful debts from the initial recognition of trade receivables using the simplified approach permitted by AASB 9. Under the simplified approach lifetime expected credit losses have been recognised using historical write-off experience.

An allowance for doubtful debts has also been recognised based on an assessment of expected credit losses where a debtor has experienced a known credit event.

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to enter into a payment plan with the Corporation, the Company has gone into liquidation, unable to recover the water and sewer charges from the sale of the customers property in accordance with the South Australian Water Corporation Act 1994.

## 8 Current assets - Receivables (continued)

**(a)** *Impaired trade receivables (continued)*

Movements in the allowance for doubtful debts are as follows:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Opening balance at 1 July** | **193** | 142 |
| Increase in the allowance | **31** | 72 |
| Amounts written off | **(80)** | (36) |
| Amounts reversed | **(7)** | 15 |
| **Closing balance at 30 June** | **137** | **193** |

SA Water has elected not to adopt a provision matrix methodology for measuring expected credit losses under AASB 9 due to the immateriality of exposure to credit risk. The information relating to the ageing analysis for rates and sundry receivables is shown below:

## 8 Current assets - Receivables (continued)

**(a)** *Impaired trade receivables (continued)*

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| At 30 June the ageing of rates receivable is as follows: | | |
| Not past due | **84,028** | 118,270 |
| Past due 22 - 60 days | **24,213** | 18,539 |
| Past due 91 - 120 days | **6,906** | 4,046 |
| Past due 61 - 90 days | **1,417** | 5,619 |
| Past due > 120 days | **19,361** | 19,306 |
| | **135,925** | **165,780** |

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| At 30 June the ageing of sundry debtors is as follows: | | |
| Not past due | **32,956** | 28,558 |
| Past due 31 - 60 days | **1,202** | 1,922 |
| Past due 61 - 90 days | **431** | 428 |
| Past due 91 - 120 days | **428** | 38 |
| Past due > 120 days | **1,590** | 779 |
| | **36,607** | **31,725** |

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

## 8 Current assets - Receivables (continued)

**(b)** *Finance lease receivable*

The following is a maturity analysis of the current and non-current finance lease receivable which is required under *AASB 16 Leases*:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Undiscounted finance lease payments receivable | | |
| Less than 1 year | **2,092** | 991 |
| Between 1 and 2 years | **2,155** | 1,020 |
| Between 2 and 5 years | **1,476** | 1,772 |
| **Total undiscounted finance payments receivable** | **5,723** | **3,783** |
| | | |
| Less unearned finance income | **(134)** | (164) |
| Total finance lease receivables | **5,589** | **3,619** |

The Corporation subleases two floors of its office building located in Adelaide CBD. One floor is subleased to the South Australian Tourism Commission. During 2020-21 another floor was subleased to the Department for Trade, Tourism and Investment. The remaining term of each of the subleases are 4 and 3 years respectively which aligns to the head lease. Consequently, the subleases are classified as a finance lease. The payments received for the subleases are allocated between a reduction in the lease receivable and interest received.

None of the finance lease receivable at the end of the reporting period is past due and taking into consideration the historical default experience and current economic conditions it is considered not to be impaired.

*Operating leases*

The following table is a maturity analysis of lease payments, showing the undiscounted operating lease payments to be received after the reporting date.

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Undiscounted operating lease payments | | |
| Less than 1 year | **40** | 385 |
| Between 1 and 2 years | **-** | 40 |
| **Total** | **40** | **425** |

**(c)** *Fair value and credit risk*

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

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

## 9 Current assets - Inventories

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Raw materials and stores | **9,476** | 8,422 |
| Allowance for obsolete stock | **(282)** | (254) |
| Work in progress | **784** | 760 |
| | **9,978** | **8,928** |

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.

## 10 Current assets - Other current assets

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Interest receivable | **4** | 6 |
| Prepayments | **12,194** | 9,707 |
| Renewable Energy Certificates* | **1,465** | 1,454 |
| Australian carbon credits | **195** | 289 |
| | **13,858** | **11,456** |

*SA Water purchases Renewable Energy Certificates (RECs) as well as generate RECS, in order to meet Green House Gas (GHG) emission targets. Unused RECs accumulated as at 30 June are recorded at their fair value and expected to be utilised in satisfying the Corporation's GHG emission targets.

## 11 Non-current assets - Deferred tax assets

| | Notes | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **The balance comprises temporary differences attributable to:** | | | |
| Doubtful debts | | **2** | 19 |
| Obsolete stock | | **85** | 76 |
| Infrastructure, plant and equipment | | **16,688** | 11,650 |
| Pooled assets | | **47** | 47 |
| Payables | | **1,626** | 1,547 |
| Audit fee payable | | **151** | 153 |
| Government grants | | **10,761** | 10,924 |
| Employee benefits | | **13,971** | 14,270 |
| Deferred lease incentives | | **173** | 173 |
| Lease liability - right-of-use assets | | **(5,584)** | (2,917) |
| Unearned customer contributions | | **(641)** | (1,202) |
| Unearned income | | **1,298** | 709 |
| Provision for asset disposal | | **5,795** | 972 |
| Provision for workers compensation | | **789** | 467 |
| | | **45,161** | **36,888** |
| *Amounts recognised directly in equity:* | | | |
| Unearned customer contributions | | **2,335** | 2,335 |
| Revaluation of Infrastructure, plant and equipment | 29 | **(405)** | (405) |
| Lease liability - Initial adoption of AASB 16 | | **36,236** | 36,236 |
| Leased infrastructure assets | | **(1,061)** | (1,061) |
| Lease make good provision | | **494** | 494 |
| Deferred lease incentives | | **(173)** | (173) |
| Doubtful debts - Initial adoption of AASB 9 | | **39** | 39 |
| | | **82,626** | **74,353** |
| *Recognition of leases - AASB 16* | | | |
| Recognition of new leases | | **1,950** | 1,015 |
| | | **1,950** | **1,015** |
| **Total deferred tax assets** | | **84,576** | **75,368** |

## 11 Non-current assets - Deferred tax assets (continued)

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Movements:** | | |
| Opening balance at 1 July | **75,368** | 40,131 |
| Charged to the statement of comprehensive income | **8,273** | (1,286) |
| Charged to equity (note 29(a) & 29(b)) | **-** | 35,508 |
| Recognition of new leases - AASB 16 | **935** | 1,015 |
| **Closing balance at 30 June** | **84,576** | **75,368** |

| | | |
|---|---|---|
| Deferred tax assets expected to be recovered within 12 months | **17,797** | 11,500 |
| Deferred tax assets expected to be recovered after more than 12 months | **66,779** | 63,868 |
| | **84,576** | **75,368** |

## 12 Intangible assets

| | Easements $'000 | Prescription rights $'000 | Computer software $'000 | ADP intangible $'000 | Purchased water rights $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Year ended 30 June 2021** | | | | | | |
| Opening net book amount | 6,213 | 4,500 | 67,517 | 56,174 | 41,159 | 175,563 |
| Additions | 434 | - | 28,377 | - | - | 28,811 |
| Amortisation charge | - | - | (25,599) | (1,701) | - | (27,300) |
| **Closing net book amount** | **6,647** | **4,500** | **70,295** | **54,473** | **41,159** | **177,074** |
| **At 30 June 2021** | | | | | | |
| Cost | 6,647 | 4,500 | 293,260 | 70,982 | 41,159 | 416,548 |
| Accumulated amortisation | - | - | (222,965) | (16,509) | - | (239,474) |
| **Net book amount** | **6,647** | **4,500** | **70,295** | **54,473** | **41,159** | **177,074** |

## 12 Intangible assets (continued)

| | Easements $'000 | Prescription rights $'000 | Computer software $'000 | ADP intangible $'000 | Purchased water rights $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Year ended 30 June 2020** | | | | | | |
| Opening net book amount | 6,213 | 4,500 | 45,857 | 57,874 | 41,159 | 155,603 |
| Additions | - | - | 39,900 | - | - | 39,900 |
| Amortisation charge | - | - | (18,240) | (1,700) | - | (19,940) |
| **Closing net book amount** | **6,213** | **4,500** | **67,517** | **56,174** | **41,159** | **175,563** |
| | | | | | | |
| **At 30 June 2020** | | | | | | |
| Cost | 6,213 | 4,500 | 264,883 | 70,982 | 41,159 | 387,737 |
| Accumulated amortisation | - | - | (197,366) | (14,808) | - | (212,174) |
| **Net book amount** | **6,213** | **4,500** | **67,517** | **56,174** | **41,159** | **175,563** |

## 12 Intangible assets (continued)

Issued water licences

The South Australian Government has issued water licences to the Corporation under the relevant Water Allocation Plan for the water resource given effect by the *Landscape South Australia Act 2019*. Some of these licences have conditions attached which restrict the use of the allocations endorsed thereon. All licences are held to underpin the water security of SA Water customers. These licenses are held by the Corporation in accordance with Department of Treasury & Finance (DTF) Accounting Policy Statement reference 138.

The Corporation holds River Murray licences to underpin the metropolitan Adelaide, associated country areas and our River Murray Country towns customers.

Rights other than those relating to the River Murray are:

- Various South East Region licences;
- Various Murray Mallee Area licences;
- Various Eyre Peninsula Region licences;
- McLaren Vale licence for the Aldinga Wastewater Treatment Plant;
- Northern Adelaide Plains licence for the Bolivar Wastewater Treatment Plant;
- Western Mount Lofty Ranges licences; and
- Far North region licences.

Purchased water rights

The Corporation owns a series of tradable water rights that it has purchased from the Southern Murray Darling Basin water trading markets. 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 Landscape South Australia Act 2019 (SA), as water shares issued by the Victorian Government under the Water Act 1989 (VIC), and as unit shares issued by the New South Wales Government under the Water Management Act 2000 (NSW)). The allocations made to these water rights are held in South Australia or are able to be transferred into South Australia from within the Southern Murray Darling Basin, subject to statutory trading rules.

In accordance with the requirements of *Treasurer's Instructions (Accounting Policy Statements)* 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.

Easements

In accordance with the *Treasurer's Instructions (Accounting Policy Statements)* and *AASB 138 Intangible Assets*, easements have been 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. The useful life is reviewed annually and has been assessed at 5 years. The software is amortised using the straight-line method.

## 12 Intangible assets (continued)

*Application software (continued)*

ADP intangible asset

An intangible asset exists in relation to the network connection agreement between SA Water and SA Power Networks. The agreement grants the Corporation the legal right to connect to the SA Power Networks substation constructed at Port Stanvac and thus acquire electricity for the Adelaide Desalination Plant (ADP) at the rates specified in the agreement.

In accordance with AASB 138, this right was recognised in 2012/13 as an intangible asset and is measured at the construction cost of the SA Power Networks' substation.

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

Configuration or Customisation Costs in a Cloud Computing Arrangement

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision for configuration and customisation costs incurred related to implementing Software as a Service (SaaS) arrangements. The Corporation is currently assessing the impact of the agenda decision on its current accounting policy, which may result in previously capitalised costs needing to be recognised as an expense.

The process to quantify the impact of the decision is ongoing. The process is ongoing due to the complexity in interpreting the decision and ensuring the interpretation is consistent with government and industry and the effort required in obtaining the underlying information from historical records covering multiple projects and assessing the nature of each of the costs. At the date of this report, the impact of the IFRIC agenda decision on the Corporation cannot be estimated with reasonable certainty. The impact of adopting the accounting policy clarification will be quantified ahead of 30 June 2022 financial reporting.

## 13 Non-current assets - Infrastructure, plant and equipment

| | Work in progress Water & Sewerage $'000 | Work in progress Renewable energy $'000 | Land $'000 | Renewable energy* $'000 | Plant and equipment $'000 | System infrastructure assets $'000 | Other property, plant and equipment $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **Year ended 30 June 2021** | | | | | | | | |
| Opening net book amount | 383,990 | 222,331 | 400,375 | - | 23,861 | 12,044,408 | 98,485 | 13,173,450 |
| Additions** | 349,171 | 130,249 | 2,929 | 148,227 | 5,117 | 242,412 | 11,226 | 889,331 |
| Transfers | (255,873) | (150,537) | - | - | - | - | - | (406,410) |
| Depreciation charge | - | - | - | (626) | (3,080) | (287,748) | (20,476) | (311,930) |
| Asset write-down | (5,479) | - | - | - | - | - | - | (5,479) |
| Disposals | - | - | (3,248) | - | - | - | - | (3,248) |
| Revaluation surplus/(decrement) | - | (10,205) | 5,003 | (7,786) | - | 434,369 | - | 421,381 |
| **Closing net book amount** | **471,809** | **191,838** | **405,059** | **139,815** | **25,898** | **12,433,441** | **89,235** | **13,757,095** |
| | | | | | | | | |
| **At 30 June 2021** | | | | | | | | |
| Cost or fair value | 471,809 | 191,838 | 405,059 | 140,408 | 62,324 | 21,951,287 | 370,194 | 23,592,919 |
| Accumulated depreciation | - | - | - | (593) | (36,426) | (9,517,846) | (280,959) | (9,835,824) |
| **Net book amount** | **471,809** | **191,838** | **405,059** | **139,815** | **25,898** | **12,433,441** | **89,235** | **13,757,095** |

*The renewable energy asset class created in the 2020/21 financial year reflects all assets delivered as part of the Corporation's Zero- Cost Energy Future program of works.
**Additions include transfers to work in progress.

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

| | Work in progress $'000 | Land $'000 | Leased sewer infrastructure $'000 | Plant and equipment $'000 | System Infrastructure assets $'000 | Leased water infrastructure $'000 | Other property, plant and equipment $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **At 30 June 2020** | | | | | | | | |
| Valuation | 606,321 | 400,375 | - | 57,597 | 20,943,706 | - | 358,966 | 22,366,965 |
| Accumulated depreciation | - | - | - | (33,736) | (8,899,298) | - | (260,481) | (9,193,515) |
| **Net book amount** | **606,321** | **400,375** | **-** | **23,861** | **12,044,408** | **-** | **98,485** | **13,173,450** |
| | | | | | | | | |
| **Year ended 30 June 2020** | | | | | | | | |
| Opening net book amount | 653,741 | 385,806 | 16,633 | 20,647 | 12,962,138 | 73,608 | 99,596 | 14,212,169 |
| Adjustment for change in accounting policy | - | - | (16,633) | - | - | (73,608) | - | (90,241) |
| Additions** | 564,887 | - | - | 6,491 | 567,593 | - | 19,386 | 1,158,357 |
| Transfers | (608,267) | - | - | - | - | - | - | (608,267) |
| Depreciation charge | - | - | - | (2,859) | (302,706) | - | (20,497) | (326,062) |
| Asset write-down | (4,040) | - | - | - | (4,220) | - | - | (8,260) |
| Disposals | - | - | - | (418) | - | - | - | (418) |
| Revaluation surplus/(decrement) | - | 14,569 | - | - | (1,178,397) | - | - | (1,163,828) |
| **Closing net book amount** | **606,321** | **400,375** | **-** | **23,861** | **12,044,408** | **-** | **98,485** | **13,173,450** |

**Additions include transfers to work in progress.

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

*Infrastructure, plant and equipment*
**(a)** *Carrying amounts that would have been recognised*

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

| | Land $'000 | Renewable energy assets $'000 | System infrastructure assets $'000 | Other property, plant and equipment $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Revalued assets based on cost model** | | | | | |
| Cost | 52,816 | 148,227 | 8,345,329 | 294,868 | 8,841,240 |
| Accumulated depreciation | - | (626) | (2,783,753) | (214,659) | (2,999,038) |
| **At 30 June 2021 net carrying amount** | 52,816 | 147,601 | 5,561,576 | 80,209 | 5,842,202 |
| **Revalued assets based on cost model** | | | | | |
| Cost | 52,816 | - | 8,142,249 | 283,644 | 8,478,709 |
| Accumulated depreciation | - | - | (2,623,153) | (196,484) | (2,819,637) |
| **At 30 June 2020 net carrying amount** | 52,816 | - | 5,519,096 | 87,160 | 5,659,072 |

*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 above in expenses (note 6). Assets acquired under BOOT agreements are brought to account when commissioned as right-of-use assets, ownership is transferred to SA Water once the lease expires.

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*

The Corporation has adopted the revaluation method for measuring and reporting infrastructure assets in the statement of financial position in accordance with *AASB 13 Fair Value Measurement* and *AASB 116 Property, Plant and Equipment*. Refer note 14 for disclosures regarding fair value level hierarchy.

The application of the income approach means the assets are valued using a discounted cash flow methodology which is based on the discounted value of the future cash flows expected to be generated from the use of SA Water's assets under the environment in which the Corporation operates as a for profit entity. Future cashflows generated from the use of these assets are considered the primary factor that a market participant would consider when pricing these assets. An independent valuer was not involved in the valuation.

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

*Infrastructure, plant and equipment (continued)*
*Valuations (continued)*

Revaluations undertaken during each reporting period are effective from 30 June. Depreciation for the year is based on the carrying value of assets prior to revaluation.

System infrastructure assets

Includes all the Corporations network assets, its treatment plants for both water and sewerage, storage related assets and buildings and depots. These assets deliver water, sewerage and recycled water to and from the customer through its integrated network of assets. The network of assets are assessed as an integrated network because of the interdependent nature of their operations.

The income approach has been adopted by SA Water to determine the fair value of system infrastructure assets, as there is generally no active market for assets of such a specialised nature. As a for-profit entity, any expected transaction price for the Corporation's assets would be based on the income that the assets derive.

The income approach calculates the future net cashflows from the whole of the integrated network of system infrastructure assets held by the Corporation, which are discounted to their present value.

The Corporation aligns its approach in determining the future cash flows with the methodology applied by the Essential Services Commission of South Australia (ESCOSA). In addition to the cash flows for regulated assets under this approach, the Corporation's fair value calculations also include estimated cash flows from non-regulated assets excluding non-regulated renewable energy assets.

The fair value of system infrastructure assets is determined by calculating the total value of all SA Water assets that contribute to the generation of future cashflows and then deducting asset classes that have been valued using the market or cost approach.

Renewable energy assets

Includes all renewable energy assets that were delivered as part of the Corporation's zero-cost energy future program (ZCEF). The Corporation has installed solar panels and battery storage on some of its existing land and facilities, to offset its electricity needs and reduce operating costs. Any excess electricity is sold back to the wholesale energy market. As there is an accessible active market for the sale of this electricity, these renewable energy assets have been classified as a separate cash generating unit from that of the corporation's sewerage and water cash generating unit.

The income approach has been adopted by SA Water to determine the fair value of renewable energy assets. Estimated cashflows for renewable energy assets are based on independently modelled electricity market and renewable energy certificate pricing estimates applied to the generation profiles and capacities of assets installed under the program. The revenues forecast include benefits from energy generation, renewable certificate production and savings on network charges as well as participation in market ancillary services.

Land

Land is independently valued using the market approach by the State Valuer-General. The Valuer-General uses site values of generically similar allotments to arrive at a unit rate used to assign a value to individual parcels. Rates depend on whether the site is residential, industrial or commercial.

Land is valued separately from any structures or improvements residing on it. It is acquired and held principally for continued use. Land has an unlimited useful life and is not a depreciable asset.

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

*Infrastructure, plant and equipment (continued)*
Plant and equipment

Includes operating plant and machinery, vehicles and office equipment. Valued at cost which is deemed to be its fair value.

Costs associated with this class include construction cost or purchase price, installation costs and attributable labour.

Other property, plant and equipment

Includes computing equipment, leasehold improvements and assets that do not fall into the above categories.

On initial recognition costs associated with this asset class include construction cost or purchase price, installation costs and attributable labour. These assets are subsequently revalued. Our methodology for measuring fair value is the cost approach within AASB 13 using the directors valuation to measure fair value. The Corporation assess whether the carrying value is materially consistent with fair value on an annual basis and appropriately update using indexation where required.

Work in progress

In the 2020/2021 financial year work in progress (WIP) was split out between the Corporation's water and sewer cash generating unit (CGU) and the renewable energy CGU. The CGU's include their respective capital projects that are currently under construction.

The Corporation's water and sewerage CGU WIP is recognised at fair value based on the cost approach at 30 June 2021.

Due to the long construction timeframe of the ZCEF program, fair value for the renewable energy CGU including the assets that remain in WIP, has been based on the income approach. Revaluation decrement for the renewable energy CGU has been apportioned to the ZCEF WIP assets to ensure all assets within the CGU reflect fair value.

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

*Infrastructure, plant and equipment (continued)*
Fair value model

A discounted cash flow model is used to determine fair value for all assets classes valued under the income approach. Determining fair value under this approach is highly dependent on the assumptions and inputs used to estimate the future cashflows.

The significant judgement and estimate of assumptions and inputs used in the Corporation's fair value model (primarily level 3 inputs) are tabled below. Each input is detailed in relation to its particular cash generating unit (CGU), and whether it relates to water and sewerage(W&S) or the renewable energy assets (ZCEF).

| **Input** | **Impact on fair value measurement** | **For 30 June 2021 (W&S CGU)** | **For 30 June 2021 (ZCEF CGU)** |
|---|---|---|---|
| Discount rate | Asset value would increase as the discount rate decreases. | Nominal post-tax Weighted Average Cost of Capital (WACC) of 4.09%. | Nominal post-tax Weighted Average Cost of Capital (WACC) of 4.65%. |
| Perpetual growth rate | Asset value would increase as the perpetual growth rate increases. | 2.50% | N/A |
| CPI rate | Asset value would increase as CPI increases. | 2021/22 is based on annual CPI ending March 2021, reflecting the actual revenue increase. 2022/23 onwards utilises a glide path to a long term rate of 2.50% | 2021/22 is based on annual CPI ending March 2021, reflecting the actual revenue increase. 2022/23 onwards utilises a glide path to a long term rate of 2.50% |
| Period of discounting | Asset value would increase as period of discounting increases. | 5 years (with an estimate of terminal value). | 29 years (with a defined future point of 2050, in line with the cash-flow period for ZCEF) |
| *Cash inflows:* | | | |
| Service and usage revenue | Asset value would increase if future revenue increases. | Estimates of future revenues were based the SA Water Regulatory Determination 2020 and expected revenue over succeeding regulatory periods. | N/A |
| Other non-regulated revenue | Asset value would increase if non-regulated revenue increases. | Non-regulated revenue is based on forward estimates. Investment and interest income is excluded. | Revenue is based on independently modelled electricity market and renewable energy certificate pricing estimates applied to generation profiles and capacities of respective assets. |
| *Cash outflows:* | | | |

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

*Infrastructure, plant and equipment (continued)*

*Fair value model (continued)*

| | | | |
|---|---|---|---|
| Operating expenditure | Asset value would increase as operating expenditure decreases. | Operating expenditure is based on the SA Water Regulatory Determination 2020 and estimates of non-regulated expenditure. | Operating expenditure is based on the operating estimates and maintenance profiles of the ZCEF assets. |
| Capital expenditure | Asset value would increase as capital expenditure decreases. | Capital expenditure based on the SA Water Regulatory Determination 2020 and estimates of non-regulated Capital expenditure. | Capital expenditure is based on final state budget forward estimates. |

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

*Infrastructure, plant and equipment (continued)*
*Fair value model (continued)*

Sensitivity analysis (W&S)

| **(i) Discount rate** | **Rate applied %** | **If higher +0.1%** | **If lower -0.1%** |
|---|---|---|---|
| Nominal post-tax rate | 4.09% | 4.19% | 3.99% |
| Calculated fair value of infrastructure, plant and equipment ('$000) | $13,772,700 | $12,894,500 | $14,772,700 |
| **Resulting change ('$000)** | | ($878,200) | $1,000,000 |

| **(ii) Perpetual nominal growth rate** | **Rate applied %** | **If higher +0.1%** | **If lower -0.1%** |
|---|---|---|---|
| Nominal Post tax rate | 2.50% | 2.60% | 2.40% |
| Calculated fair value of infrastructure. plant and equipment ('$000) | $13,772,700 | $14,692,800 | $12,961,400 |
| **Resulting change ('$000)** | | $920,000 | ($811,300) |

| **(iii) Sustainable Capital Expenditure** | **Value applied $** | **If higher $10.0m** | **If lower $10.0m** |
|---|---|---|---|
| Nominal post-tax value | $385.7m | $395.7m | $375.7m |
| Calculated fair value of infrastructure, plant and equipment ('$000) | $13,772,700 | $13,373,800 | $14,171,600 |
| **Resulting change ('$000)** | | ($398,900) | $398,900 |

Sensitivity analysis (ZCEF)

| **(i) Discount rate** | **Rate applied %** | **If higher +0.1%** | **If lower -0.1%** |
|---|---|---|---|
| Nominal post-tax rate | 4.65% | 4.75% | 4.55% |
| Calculated fair value of renewable energy assets ('$000) | $346,000 | $341,600 | $350,100 |
| **Resulting change ('$000)** | | ($4,400) | $4,100 |

| **(ii) Forecast revenue** | **Valued applied $** | **If higher 10% p.a** | **If lower 10% p.a** |
|---|---|---|---|
| Nominal post-tax rate | Varying p.a. | | |
| Calculated fair value of renewable energy assets ('$000) | $346,000 | $378,600 | $313,200 |
| **Resulting change ('$000)** | | $32,600 | ($32,800) |

The sensitivity analysis is being carried out on those variables which have the greatest influence over the discounted cashflow model.

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

*Infrastructure, plant and equipment (continued)*
*Impairment of assets*

*AASB 136 Impairment of Assets* requires for-profit entities, at each reporting date, to undertake an assessment for impairment indicators for its non-current assets including infrastructure, plant and equipment. Where there is an indication of impairment, an impairment test is undertaken for a CGU and the recoverable amount is estimated. SA Water has two CGU's being the water & wastewater CGU and the renewable energy CGU. Recoverable amount is determined as the higher of fair value less cost of disposal and value-in-use.

An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. For revalued assets, any impairment loss is offset against the relevant asset revaluation surplus until fully extinguished with any remaining amount expensed in the statement of comprehensive income.

SA Water, in accordance with AASB 136, has sound impairment monitoring processes where management assess whether there are any "impairment Indicators" being present from external and internal sources prior to each reporting date. External and internal sources include but are not limited to market conditions, technology changes or asset obsolescence.

For the year ending 30 June 2021, SA Water has undertaken a discounted cashflow asset valuation to determine fair value using current market data to inform assumptions. There are no further indications for either the water and wastewater CGU or the renewable energy CGU that our carrying value is not reflective of fair value or would constitute an impairment indicator against the fair value measurement.

In June 2020, the outcome of the South Australian Inquiry into water prices and the SA Water Regulatory Determination 2020 were released. The impacts resulting from the pricing inquiry outcome and regulatory determination are incorporated within the fair value measurement as at 30 June 2020, with the carrying value based on fair value adjusted accordingly. As these factors were taken into consideration at 30 June 2020 as part of the asset revaluation no further impact of these outcomes were required to be accounted for under AASB 136.

## 14 Fair value measurements

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

- Land (note 13);
- System infrastructure assets (note 13);
- Plant and equipment (note 13);
- Other property, plant and equipment (note 13); and
- Renewable energy (note 13).

**(a)** *Fair value measurements*

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

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Corporation's non-financial assets measured and recognised at fair value at 30 June 2021.

*(i) Recognised fair value measurements*

| **30 June 2021** | Notes | **2021 $'000** | **Level 1 $'000** | **Level 2 $'000** | **Level 3 $'000** |
|---|---|---|---|---|---|
| ***Recurring fair value measurements*** | | | | | |
| Non- Financial Assets | 13 | | | | |
| Land | | **405,059** | **-** | **405,059** | **-** |
| System infrastructure assets | | **12,433,441** | **-** | **-** | **12,433,441** |
| Renewable energy assets | | **139,815** | **-** | **-** | **139,815** |
| Plant and equipment and other | | **115,133** | **-** | **-** | **115,133** |
| **Total non-financial assets** | | **13,093,448** | **-** | **405,059** | **12,688,389** |
| **Total recurring financial and non-financial assets** | | **13,093,448** | **-** | **405,059** | **12,688,389** |

## 14 Fair value measurements (continued)

**(a)** *Fair value measurements (continued)*
*(i) Recognised fair value measurements (continued)*

| 30 June 2020 | Notes | 2020 $'000 | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 |
|---|---|---|---|---|---|
| ***Recurring fair value measurement*** | | | | | |
| Non-financial assets | 13 | | | | |
| Land | | **400,375** | **-** | **400,375** | **-** |
| System infrastructure assets | | **12,044,408** | **-** | **-** | **12,044,408** |
| Plant and equipment and other | | **122,343** | **-** | **-** | **122,343** |
| **Total non-financial assets** | | **12,567,126** | **-** | **400,375** | **12,166,751** |
| **Total recurring financial and non-financial assets** | | **12,567,126** | **-** | **400,375** | **12,166,751** |

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

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

*(ii) Disclosed fair values*

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

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

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

**(b)** *Valuation techniques used to derive level 3 fair values*

*(i) Recurring fair value measurements*

The valuation techniques used to derive level 3 fair values are described in note 13.

There were no changes in the valuation techniques during the reporting period.

The amounts shown as comparatives for fair value in note 14 are disclosed according to the fair value definitions that apply or applied in each relevant reporting period. When categories of assets are revalued based on the income approach, any existing accumulated depreciation or amortisation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

## 14 Fair value measurements (continued)

**(b)** *Valuation techniques used to derive level 3 fair values (continued)*
*(ii) Non-recurring fair value measurements*

SA Water has no non-recurring fair value measurements.

*(iii) Valuation inputs and relationships to fair value*

Refer to note 13 for information relating to unobservable inputs and valuation processes.

**(c)** *Fair value measurements using significant unobservable inputs (level 3)*

The recurring fair value measurements for those asset classes using significant unobservable inputs (level 3) is disclosed under note 13.

## 15 Non-current assets - Right-of-use asset

| | Land $'000 | Buildings $'000 | Plant and equipment $'000 | Infrastructure assets $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Year ended 30 June 2021** | | | | | |
| Opening balance at 1 July 2020 | **567** | **78,144** | **5,888** | **102,267** | 186,866 |
| Additions | **-** | **-** | **3,115** | **-** | 3,115 |
| Lease liability remeasurement | **-** | **-** | **-** | **(147)** | (147) |
| Derecognition | **-** | **(2,903)** | **-** | **-** | (2,903) |
| Depreciation | **(20)** | **(6,337)** | **(3,482)** | **(5,831)** | (15,670) |
| Disposals | **-** | **-** | **(85)** | **-** | (85) |
| **Closing net book amount at 30 June 2021** | **547** | **68,904** | **5,436** | **96,289** | **171,176** |
| | | | | | |
| **At 30 June 2021** | | | | | |
| Cost or fair value | **587** | **81,951** | **12,396** | **107,957** | 202,891 |
| Accumulated depreciation | **(40)** | **(13,047)** | **(6,960)** | **(11,668)** | (31,715) |
| **Net book value** | **547** | **68,904** | **5,436** | **96,289** | **171,176** |

| | Land $'000 | Buildings $'000 | Plant and equipment $'000 | Infrastructure assets $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Year ended 30 June 2020** | | | | | |
| Opening balance at 1 July 2019 | **587** | **84,854** | **6,056** | **90,241** | 181,738 |
| Additions | **-** | **-** | **3,383** | **-** | 3,383 |
| Lease liability remeasurement | **-** | **-** | **-** | **17,863** | 17,863 |
| Depreciation | **(20)** | **(6,710)** | **(3,478)** | **(5,837)** | (16,045) |
| Disposals | **-** | **-** | **(73)** | **-** | (73) |
| **Closing net book amount at 30 June 2020** | **567** | **78,144** | **5,888** | **102,267** | **186,866** |
| | | | | | |
| **At 30 June 2020** | | | | | |
| Cost or fair value | **587** | **84,854** | **9,366** | **108,104** | 202,911 |
| Accumulated depreciation | **(20)** | **(6,710)** | **(3,478)** | **(5,837)** | (16,045) |
| **Net book value** | **567** | **78,144** | **5,888** | **102,267** | **186,866** |

## 15 Non-current assets - Right-of-use asset (continued)

The Corporation has entered into a number of leases:

A Memorandum of Lease has been entered into with Adelaide Airport Limited for the use of land for the purpose of storm water capture, management and treatment. The term of the lease is 29 years with monthly rental payments which are increased annually by the higher of 4% and CPI.

A Memorandum of Administrative Arrangement has been entered into with the Department for Infrastructure and Transport for the lease of its office accommodation in Adelaide CBD and at Berri. The initial recognition of the right-of-use asset has been calculated in accordance with the transitional requirements of AASB 16. The carrying amount of the right-of use asset for the office in the CBD has been calculated at the commencement date of the lease, but discounted using the incremental borrowing rate at 1 July 2019. While the right-of-use asset for the office accommodation at Berri has been calculated as the amount equal to the remaining lease liability at 1 July 2019. The lease is paid monthly and increased annually by a fixed amount of 3%.

SA Water has motor vehicle leases with the South Australian Government Financing Authority (SAFA). Motor vehicle leases are non-cancellable, with rental payments paid monthly in arrears. Motor vehicle lease terms can range from 1 year up to 5 years and up to 10 years by exception on approval. The lease term can also range in duration from 60,000km up to 100,000km and 200,000km by exception. No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their term.

At the commencement date of the lease, where the Corporation is not reasonably certain of exercising any lease extension options, the additional term/s have not been included in the measurement of the right-of-use asset and remaining lease liability.

The Corporation has previously entered into BOOT agreements for a number of infrastructure facilities. These BOOT agreements include the requirement for an ongoing availability tariff, as escalated over time by certain indices, for the term of the agreement. In accordance with AASB 16 lease payments included in the measurement of the lease liability include variable lease payments that depend on an index or a rate.

In accordance with the transitional provisions of AASB 16, the Corporation was able to recognise the fair value of BOOT leased infrastructure assets recognised at 30 June 2019 as the carrying value of the right-of-use asset at 1 July 2019. After initial recognition, the Corporation was required to adopt the application of AASB 16 to measure the remaining lease liability, which included the impact of any future escalation. This resulted in an increase in the lease liability of $17.9m and a corresponding increase in the carrying value of the right-of-use asset at 30 June 2020 (refer note 22).

At 30 June 2021 the remaining lease liability has been remeasured using the indexes applicable at this date.

## 16 Other non-current assets

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Prepayments | **1,351** | 3,615 |

## 17 Current liabilities - Payables

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Interest payable | **61,292** | 60,793 |
| Trade creditors | **120,394** | 91,984 |
| Other creditors | **15,981** | 14,612 |
| | **197,667** | **167,389** |

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

## 18 Current liabilities - Financial liabilities/borrowings

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Lease liabilities | **15,744** | 27,312 |
| Short term borrowings | **29,874** | 29,974 |
| | **45,618** | **57,286** |

The Corporation has a $150m short term borrowing facility with SAFA, bearing interest at SAFA's daily cash rate.

**(a)** *Risk exposures*

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

**(b)** *Fair value disclosures*

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

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

## 19 Current liabilities - Tax liabilities

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Provision for current income tax movements during the year were as follows: | | |
| Opening balance at 1 July | **10,444** | 6,785 |
| Income tax paid | **(51,951)** | (102,636) |
| Current year's income tax provision | **46,589** | 106,294 |
| Amounts under provided in prior years | **1,134** | 1 |
| | **6,216** | **10,444** |

## 20 Current liabilities - Provisions

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Employee benefits | **18,085** | 17,377 |
| Asset disposal | **16,174** | 1,340 |
| Damages and claims | **397** | 401 |
| Workers compensation | **3,023** | 1,946 |
| | **37,679** | 21,064 |

**(a)** *Movements in provisions*

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

| 2021 Current | Asset disposal $'000 | Damages and claims $'000 | Workers compensation $'000 | Total $'000 |
|---|---|---|---|---|
| Opening balance at 1 July | 1,340 | 401 | 1,946 | 3,687 |
| Provisions recognised | 16,274 | 631 | 1,340 | 18,245 |
| Re-measurement adjustments | (3,176) | - | 438 | (2,738) |
| Payments made during year | (164) | (635) | (701) | (1,500) |
| Transfer from non-current provisions | 1,900 | - | - | 1,900 |
| **Closing balance at 30 June** | **16,174** | **397** | **3,023** | **19,594** |

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.

Employee benefits

This includes liabilities for annual and long service leave. The annual leave and long service leave liability is expected to be payable within twelve months and is measured at the undiscounted amount expected to be paid when the liability is settled.

Asset disposal

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.

## 20 Current liabilities - Provisions (continued)

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.

SA Water is insured under the South Australian Government's insurance and risk management arrangements with SAFA. Under this agreement between SAFA and SA Water, SAFA will meet the cost of any civil liability claim made against SA Water subject to SA Water's selected deductible.

In addition, insurance arrangements are in place for construction works, travel insurance, and director and officer liabilities.

Workers compensation

The Corporation is registered with ReturnToWorkSA as a government self-insurer and is responsible for the management and liability of all 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 2021 provided by KPMG Actuarial Pty Ltd. SA Water is committed to early intervention and supportive of early return to work programs for our people.

## 21 Current liabilities - Other current liabilities

| | **2021 $'000** | 2020 $'000 |
|---|---|---|
| Government grants | **10,301** | 9,566 |
| Unearned income* | **3,298** | 214 |
| Deposits from customers | **2,385** | 1,281 |
| Contract liabilities | **5,644** | 3,776 |
| | **21,628** | **14,837** |

*Adelaide Desalination Plant CSO funding received in advance under the Water for Fodder program was reclassified from other current liabilities to other non-current liabilities in the 2019/20 financial year

## 22 Non-current liabilities - Financial liabilities/borrowings

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Lease liabilities | **123,527** | 136,955 |
| Long term borrowings | **7,044,000** | 6,937,000 |
| | **7,167,527** | **7,073,955** |

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*.

SA Water's debt portfolio is managed in line with the requirements outlined in the Treasury Risk Management Policy. The policy is approved by the State Treasurer and the SA Water Board. SA Water's Treasury Risk Management Committee (TRMC) is responsible for the management of the debt portfolio within the requirements of this policy. Under a Client Service Agreement between SAFA and SA Water, SAFA is a member of this Committee and executes debt transactions on behalf of SA Water.

## 22 Non-current liabilities - Financial liabilities/borrowings (continued)

The movements in the lease liability (current and non-current) relating to the right-of-use asset are set out below:

| 30 June 2021 | Land $'000 | Buildings $'000 | Plant and equipment $'000 | Infrastructure assets $'000 | Total $'000 |
|---|---|---|---|---|---|
| Opening balance at 1 July 2020 | 588 | 107,926 | 5,931 | 49,822 | 164,267 |
| Interest expense | 21 | 3,561 | 89 | 4,431 | 8,102 |
| Additions | - | - | 3,115 | - | 3,115 |
| Remeasurement | - | - | - | (147) | (147) |
| Write off on disposal | - | - | (89) | - | (89) |
| Lease payments | (20) | (8,891) | (3,563) | (23,503) | (35,977) |
| **Closing net book amount at 30 June 2021** | 589 | 102,596 | 5,483 | 30,603 | **139,271** |

| 30 June 2020 | $'000 | $'000 | $'000 | $'000 | Total $'000 |
|---|---|---|---|---|---|
| Opening balance at 1 July 2019 | 585 | 114,143 | 6,056 | 49,021 | 169,805 |
| Interest expense | 21 | 3,727 | 148 | 6,386 | 10,282 |
| Additions | - | - | 3,383 | - | 3,383 |
| Remeasurement | - | - | - | 17,863 | 17,863 |
| Write off on disposal | - | - | (79) | - | (79) |
| Lease payments | (18) | (9,944) | (3,577) | (23,448) | (36,987) |
| **Closing net book amount at 30 June 2020** | 588 | 107,926 | 5,931 | 49,822 | **164,267** |

The lease payments included in the measurement of the lease liability comprise fixed payments (including in-substance fixed payments) and variable lease payments that depend on an index or rate less any lease incentives.

## 23 Non-current liabilities - Deferred tax liabilities

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **The balance comprises temporary differences attributable to:** | | |
| Prepayments | **1,691** | 1,872 |
| Lease incentive asset | **84** | 84 |
| Infrastructure, plant and equipment | **(73,631)** | (65,275) |
| Right-of-use asset | **(8,514)** | (3,876) |
| Finance lease receivable | **356** | (235) |
| | **(80,014)** | **(67,430)** |
| *Amounts recognised directly in equity* | | |
| Revaluation of infrastructure, plant and equipment | **1,506,952** | 1,376,706 |
| Right-of-use asset - initial adoption of AASB 16 | **27,449** | 27,449 |
| Finance lease receivable - initial adoption of AASB 16 | **1,321** | 1,321 |
| Leased infrastructure assets | **4,254** | 4,298 |
| Lease incentive asset | **(84)** | (84) |
| | **1,539,892** | **1,409,690** |
| Recognition of new leases | **1,950** | 1,015 |
| Amounts over provided in prior years | **(1,134)** | - |
| | **816** | **1,015** |
| **Total deferred tax liabilities** | **1,460,694** | **1,343,275** |

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Movements:** | | |
| Opening balance | **1,343,275** | 1,677,241 |
| Credited to the Statement of Comprehensive Income (note 7) | **(12,583)** | (14,994) |
| Charged to equity (note 29(a) & 29(b)) | **130,202** | (319,987) |
| Recognition of new leases - AASB 16 | **934** | 1,015 |
| Amounts over provided in prior years | **(1,134)** | - |
| **Closing balance at 30 June** | **1,460,694** | **1,343,275** |
| Deferred tax liabilities to be settled within 12 months | **2,294** | 2,146 |
| Deferred tax liabilities expected to be settled after more than 12 months | **1,458,400** | 1,341,129 |
| | **1,460,694** | **1,343,275** |

## 24 Non-current liabilities - Provisions

| | **2021 $'000** | 2020 $'000 |
|---|---|---|
| Employee benefits | **28,483** | 30,191 |
| Workers compensation | **2,967** | 2,907 |
| Asset disposal | **3,150** | 1,900 |
| Lease make good | **1,647** | 1,647 |
| | **36,247** | **36,645** |

**(a)** *Movements in provisions*

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

| **2021 Non-current** | **Workers compensation $'000** | **Asset disposal $'000** | **Lease make good $'000** | **Total $'000** |
|---|---|---|---|---|
| Opening balance at 1 July | 2,907 | 1,900 | 1,647 | 6,454 |
| Transfer to current provisions | - | (1,900) | - | (1,900) |
| Re-measurement adjustments | 60 | - | - | 60 |
| Additional provision recognised | - | 3,150 | - | 3,150 |
| **Closing balance at 30 June** | **2,967** | **3,150** | **1,647** | **7,764** |

Employee benefits

Liabilities that are not expected to be settled within 12 months 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 2021 was valued by KPMG Actuarial Pty Ltd.

Lease make good

The opening balance of the lease make good provision stems from recognising leases in accordance now with AASB 16. It is the expected cost of returning the properties to their original condition.

## 25 Non-current liabilities - Other non-current liabilities

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Contract liabilities for Government grants | **333,052** | 342,323 |
| Unearned income* | **1,900** | 1,856 |
| | **334,952** | **344,179** |

*Adelaide Desalination Plant CSO funding received in advance under the Water for Fodder program.

## 26 Reconciliation of cash

| | 2021 $'000 | 2020 $'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 | **3,870** | 4,844 |

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.

**(a)** *Fair Value*

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

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

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Net profit for the year** | **73,472** | 223,086 |
| **Add/(less) non-cash items:** | | |
| Depreciation and amortisation | **354,900** | 362,047 |
| Amortisation of government grant revenue | **(9,896)** | (9,331) |
| Gifted assets | **(32,489)** | (32,483) |
| Net (gain) on disposal of infrastructure, plant and equipment | **(6,617)** | (166) |
| Net (gain) on disposal of temporary water allocations | **(1,616)** | (501) |
| Infrastructure, plant and equipment revaluation decrement reversal | **(323)** | (79) |
| Infrastructure, plant and equipment revaluation decrement | **18,021** | 1,062 |
| Write-off in value of infrastructure, plant and equipment and capital WIP | **5,479** | 8,260 |
| Gain on derecognition of right-of-use-assets | **(407)** | - |
| Net loss on disposal of renewable energy certificates | **-** | 217 |
| **Change in assets and liabilities:** | | |
| Decrease in receivables | **31,791** | 12,336 |
| (Increase) in prepayments | **(223)** | (2,931) |
| (Increase) in inventories | **(1,051)** | (430) |
| Decrease/(increase) in other operating assets | **86** | (2,125) |
| (Increase)/decrease in deferred tax assets | **(8,273)** | 1,286 |
| Increase/(decrease) in trade creditors | **7,089** | (13,744) |
| (Decrease)/increase in provision for employee benefits | **(999)** | 2,122 |
| Increase in provision for workers compensation | **1,137** | 892 |
| Increase/(decrease) in other operating liabilities | **15,498** | (21,505) |
| Increase in government grants | **1,359** | 35 |
| Increase in other provisions | **16,080** | 1,718 |
| (Decrease) in deferred tax liabilities | **(12,583)** | (14,994) |
| (Decrease)/increase in income tax payable | **(5,363)** | 3,659 |
| **Net cash inflow from operating activities** | **445,072** | **518,431** |

## 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 maintaining optimal returns to the State Government (as sole shareholder).

The gearing ratios based on continuing operations at 30 June 2021 and 30 June 2020 were as follows:

| | **2021** | 2020 |
|---|---|---|
| | **$'000** | $'000 |
| Interest bearing borrowings (note 18, 22) | **7,213,145** | 7,131,241 |
| Less: cash and cash equivalents (note 26) | **(3,870)** | (4,844) |
| Net debt | **7,209,275** | 7,126,397 |
| **Total assets** | **14,416,446** | **13,866,068** |
| **Gearing ratio** | 50.0% | 51.4% |

SA Water is required by the SA Government to adjust its borrowings each year prior to 30 June, to maintain a debt/asset gearing ratio of at least 45%. This commenced from the year ended 30 June 2017, and requires SA Water to make an additional return to the State Government, transacted as a specified dividend, as directed by the Treasurer, of an amount equivalent to the required incremental increase in borrowings.

There was no specified dividend to be paid for the year ended 30 June 2020 and the year ended 30 June 2021, in recognition that SA Water 's debt/asset gearing ratio was maintained above the predetermined minimum gearing target of 45%.

## 29 Asset revaluation surplus and retained earnings

**(a)** Asset revaluation surplus

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Revaluation surplus - infrastructure, plant and equipment | **4,597,921** | 4,299,115 |
| | **4,597,921** | **4,299,115** |

**Movements:**

| | 2021 | 2020 |
|---|---|---|
| *Infrastructure, plant and equipment revaluation surplus* | | |
| Opening balance at 1 July | **4,299,115** | 5,111,844 |
| Revaluation of infrastructure, plant and equipment* | **439,079** | (1,162,845) |
| Movements in deferred tax liability (note 23) | **(130,246)** | 352,973 |
| Transfer to retained profits on disposal | **(10,027)** | (2,869) |
| Movements in deferred tax assets (note 11) | **-** | 12 |
| **Closing balance at 30 June** | **4,597,921** | **4,299,115** |

*The 2019/20 revaluation decrease (8%) is attributable to the revaluation of system infrastructure assets that includes SA Water's network assets, treatment plants for both water and wastewater, storage related assets and buildings and depots.

*The 2020/21 revaluation increase (3%) is attributable to the revaluation of system infrastructure assets that includes SA Water's network assets, treatment plants for both water and wastewater, storage related assets and buildings and depots.

**(b)** Retained earnings

Movements in retained earnings were as follows:

| | 2021 | 2020 |
|---|---|---|
| Opening balance at 1 July | **281,949** | 307,734 |
| Profit for the year | **73,472** | 223,086 |
| Dividends (note 33) | **(82,093)** | (228,087) |
| Transfers from asset revaluation surplus | **10,027** | 2,869 |
| Adjustment on initial adoption of AASB 16 | **-** | (26,165) |
| Movement in deferred tax asset (note 11) | **-** | 36,557 |
| Movement in deferred tax liability (note 23) | **44** | (28,686) |
| Leased infrastructure assets (note 11 & 23) | **-** | (5,359) |
| **Closing balance at 30 June** | **283,399** | **281,949** |

**(c)** Nature and purpose of other asset revaluation surplus

*(i) Infrastructure plant and equipment revaluation surplus*

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

## 30 Commitments and contingencies

**(a)** *Capital commitments*

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

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Within one year | **114,051** | 158,135 |
| Later than one year but not later than five years | **21,798** | 61,067 |
| Later than five years | **7,253** | - |
| | **143,102** | **219,202** |

The capital commitments relate to the Corporation's capital program in delivering water and sewer infrastructure, property, plant & equipment assets.

**(b)** *Other expenditure commitments*

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Future other expenditure commitments not provided for in the financial statements are committed as follows: | | |
| Within one year | **170,249** | 170,111 |
| Later than one year but not later than five years | **522,807** | 103,886 |
| Later than five years | **622,777** | 207,416 |
| | **1,315,833** | **481,413** |

Other expenditure commitments include commitments pursuant to contracts to:

• Operate, manage and maintain the Adelaide metropolitan water and sewer networks and treatment plants.

• Operate, maintain and provide energy for the Adelaide Desalination Project.

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

**(c)** *Other contingencies*

At balance date there were no other known contingent assets or liabilities.

## 31 Joint Operation

*Jointly controlled operations*

The Corporation holds an interest of 50% in the output of the Jointly controlled operation named SA Water/Lofty Ranges Power - Jointly controlled operation 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.

The Corporation's jointly controlled operation is brought to account by including its proportionate share of the operation's assets, liabilities, expenses and revenues on a line by line basis.

Included in the assets and liabilities of the Corporation are the following items which represent the Corporation's interest in the assets and liabilities employed in the Jointly controlled operation, recorded under the following classifications:

| | **2021 $'000** | 2020 $'000 |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | **34** | 58 |
| Receivables | **10** | 31 |
| **Total current assets** | **44** | **89** |
| **Non-current assets** | | |
| Infrastructure, plant and equipment | **1,382** | 1,445 |
| **Total assets** | **1,426** | **1,534** |
| **Current liabilities** | | |
| Payables | **32** | 65 |
| **Total liabilities** | **32** | **65** |
| **Net assets** | **1,394** | **1,469** |

## 32 Remuneration of auditors

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Audit fees paid/payable: | | |
| SA Water annual Public Finance and Audit Act audit | **486** | 497 |
| SA Water regulatory financial statements audit* | **12** | 11 |
| | **498** | **508** |

* Pursuant to *Water Industry Guideline Number 2* and confirmation from ESCOSA, a full Audit Opinion Certificate on the Corporation's special purpose (regulatory) financial statements is not required. An 'Agreed Upon Procedures Report' has been determined to be the appropriate audit assurance to SA Water's Board and Management.

## 33 Dividends

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Dividend paid | **82,093** | 228,087 |
| | **82,093** | **228,087** |

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.

Dividend paid to the South Australian (SA) Government has been in accordance with the Financial Ownership Framework where the dividend paid is based on the recommendation of the Board and approved by the Treasurer pursuant to section 30 of the Public Corporations Act 1993.

SA Water is required by the SA Government to adjust its borrowings each year prior to 30 June, to maintain a debt/asset gearing ratio of a minimum of 45%. This is transacted as a specified dividend.

There was no specified dividend to be paid for the year ended 30 June 2020 and the year ended 30 June 2021, in recognition that SA Water 's debt/asset gearing ratio was maintained above the predetermined minimum gearing target of 45% (refer to note 28).

## 34 Remuneration of employees

| | Current employees 2021 | Ex-Employees 2021 | Current employees 2020 | Ex-Employees 2020 |
|---|---|---|---|---|
| **The number of employees whose remuneration paid and payables falls within the following bands is:** | | | | |
| $154,001 - 174,000 | 62 | 2 | 55 | 3 |
| $174,001 - 194,000 | 31 | 2 | 38 | - |
| $194,001 - 214,000 | 16 | 1 | 9 | - |
| $214,001 - 234,000 | 5 | 2 | 8 | - |
| $234,001 - 254,000 | 4 | 1 | 1 | - |
| $254,001 - 274,000 | 2 | - | 1 | - |
| $274,001 - 294,000 | 1 | - | 2 | 1 |
| $294,001 - 314,000 | 1 | 1 | 1 | 1 |
| $314,001 - 334,000 | - | - | - | 1 |
| $334,001 - 354,000 | 1 | 1 | 3 | 2 |
| $354,001 - 374,000 | - | - | - | 1 |
| $394,001 - 414,000 | 2 | 2 | - | 1 |
| $414,001 - 434,000 | 1 | - | 1 | 1 |
| $434,001 - 454,000 | - | - | - | 1 |
| $454,001 - 474,000 | - | - | 1 | - |
| $534,001 - 554,000 | 1 | - | - | - |
| **Total** | **127** | **12** | **120** | **12** |

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits, and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by these employees for the year was $27.3m (2020: $26.5m).

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Targeted voluntary separation packages (TVSPs)** | | |
| **Amount paid during the reporting period to separated employees:** | | |
| TVSPs | 706 | 1,292 |
| Annual leave and long service leave paid to those employees | 372 | 1,013 |
| **Net cost to SA Water** | **1,078** | **2,305** |

The number of employees who received TVSPs during the reporting period was 5 (2020: 10).

## 35 Remuneration of directors

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

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

| | **2021 Number of directors** | 2020 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: | | |
| $0 - $19,999 | **-** | 1 |
| $20,000 - $39,999 | **1** | 1 |
| $40,000 - $59,999 | **4** | 4 |
| $80,000 - $99,999 | **1** | 1 |
| | **6** | **7** |

The total remuneration paid and payable for those directors was $0.31m (2020: $0.31m) which includes superannuation contributions.

## 36 Related party disclosures

**(a)** *Directors*

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

Mr A.V Fletcher AO; Mr J.J Bastian AM; Ms S.M Filby; Ms J.M.H Finlay; Mr C.J Ford, Ms F.A Hele; and Mr D.A Ryan.

Mr Fletcher is currently a non-executive director of Justin Pty Ltd and associated companies, director/shareholder of Andrew Fletcher and Associates Pty Ltd and associated companies, and the chair of QuantX Labs Pty Ltd (formerly Cryoclock Pty Ltd). Mr Fletcher ceased his non-executive director position with Rheinmetall Defence Australia Pty Ltd in March 2021.

Mr Bastian is currently chair of Techgrow Agriculture, syndicate chair of the CEO Institute, owner and irrigation customer of SA Water for Bastian's Block - Clare Valley Vineyard and a member of the Women's and Children's Local Health Network Board. Mr Bastian ceased his position as chair of the Spencer Gulf Ecosystem and Development Initiative in December 2020.

Ms Filby is currently a facilitator for Behind Closed Doors and a volunteer at Calvary Health Care.

Ms Finlay is currently a director of Leveque Consulting Pty Ltd and associated entities, member of the Libraries Board SA, director of St John Ambulance Australia SA Incorporated, member of the University of Adelaide Council, and commissioner of the South Australian National Football League Inc.

Ms Hele is a director and shareholder of the Sealink Travel Group, director for Celsus Securitisation Pty Ltd, board member of the Adelaide Venue Management Corporation, and director and shareholder of Hele Investments Pty Ltd.

Mr Ford is a senior executive with the SA Power Networks and Enerven.

Mr Ryan holds the position of Chief Executive and director of the corporation. He is currently a director of the Water Services Association of Australia.

## 36 Related party disclosures (continued)

**(b)** *Key management personnel*

Key management personnel compensation for the years ended 30 June 2021 and 2020 is set out below. The key management personnel are the directors of the Corporation (including the Chief Executive) and the Senior Leadership Team (SLT) who have responsibility for the strategic direction and management of the Corporation.

The Minister for Water and the River Murray is also considered a member of the key management personnel of the Corporation by virtue of the Minister's power to control and direct the Corporation pursuant to the *Public Corporations Act 1993*. No remuneration has been included in this note disclosure for the Minister as he is not directly remunerated by the Corporation.

| | Number of key management personnel | Short-term benefits $'000 | Post-employment benefits $'000 | Long-term benefits $'000 | Termination benefits $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **2021*** | **17** | **3,218** | **250** | **75** | **66** | **3,609** |
| **2020*** | **18** | **2,889** | **223** | **-** | **-** | **3,112** |

*Both 2021 and 2020 include an overlap of the senior leadership team members.

Due to the additional disclosures on related party transactions with key management personnel as required by Department of Treasury and Finance, from 1 July 2016 the value of leave liabilities accrued are no longer included as part of compensation - leave is recognised as it is paid.