South Australian Water Corporation

Financial report
for the year ended
30 June 2019

INDEPENDENT AUDITOR'S REPORT

Government of South Australia
Auditor-General's Department

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To the Chair
South Australian Water Corporation

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* 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 2019.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the South Australian Water Corporation as at 30 June 2019, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2019
- a Statement of Financial Position as at 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chair, the Acting Chief Executive and the General Manager Business Services.

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. 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* have been met.

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

Responsibilities of the Chief Executive and the Board 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 the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and 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 that 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 entity is to be liquidated or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial report

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 entity'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
- 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 and the Board 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
18 September 2019

SA Water

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.

Mark Gobbie
Acting Chief Executive

Jamie Hollamby
GM Business Services

Andrew Fletcher
Chair

Date 16TH SEPTEMBER 2019

South Australian Water Corporation
Statement of comprehensive income
For the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
Income			
Revenue from ordinary activities	5	**1,568,608**	1,472,392
Other income	6	**13,861**	22,499
Total income		**1,582,469**	1,494,891
Expenses			
Depreciation and amortisation expense	7	**(360,594)**	(356,774)
Borrowing costs	7	**(329,766)**	(329,500)
Electricity expense		**(82,600)**	(62,063)
Services and supplies		**(181,765)**	(232,637)
Operational and service contracts		**(218,756)**	(184,920)
Employee benefits expense		**(136,508)**	(127,433)
Total expenses		**(1,309,989)**	(1,293,327)
Profit before income tax equivalents		**272,480**	201,564
Income tax expense	8	**(79,637)**	(58,357)
Profit after income tax equivalents		**192,843**	143,207
Other comprehensive income			
Items that will not be reclassified to net result			
Gain on revaluation of infrastructure, plant and equipment assets	28(a)	**116,837**	99,920
Income tax relating to components of other comprehensive income	8(c)	**(32,117)**	(27,390)
Other comprehensive income for the year, net of tax		**84,720**	72,530
Total comprehensive result		**277,563**	215,737
Total comprehensive result for the year is attributable to:			
The SA Government as owner		**277,563**	215,737

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 2019

	Notes	2019 $'000	2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	25	**2,772**	3,966
Receivables	9	**233,886**	203,138
Inventories	10	**8,498**	9,118
Other financial assets	11	**-**	21
Other current assets	12	**12,761**	20,469
Total current assets		**257,917**	236,712
Non-current assets			
Deferred tax assets	13	**40,131**	40,169
Intangible assets	14	**155,603**	151,094
Infrastructure, plant and equipment	15	**14,212,169**	13,888,709
Other non-current assets		**221**	280
Total non-current assets		**14,408,124**	14,080,252
Total assets		**14,666,041**	14,316,964
LIABILITIES			
Current liabilities			
Payables	16	**225,480**	210,294
Financial liabilities/borrowings	17	**39,645**	39,118
Tax liabilities	18	**6,785**	10,167
Provisions	19	**17,370**	17,027
Other current liabilities	20	**15,640**	15,913
Total current liabilities		**304,920**	292,519
Non-current liabilities			
Payables		**2,519**	2,304
Financial liabilities/borrowings	21	**6,671,551**	6,462,021
Deferred tax liabilities	22	**1,677,241**	1,662,569
Provisions	23	**33,960**	29,469
Other non-current liabilities	24	**352,062**	361,466
Total non-current liabilities		**8,737,333**	8,517,829
Total liabilities		**9,042,253**	8,810,348
Net assets		**5,623,788**	5,506,616
EQUITY			
Contributed equity		**204,210**	185,110
Asset revaluation surplus	28(a)	**5,111,844**	5,049,757
Retained earnings	28(b)	**307,734**	271,749
Total equity		**5,623,788**	5,506,616

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 2019

	Notes	Contributed equity $'000	Asset revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2018		185,110	5,049,757	271,749	5,506,616
Adjustment on initial adoption of AASB 9	28	-	-	(131)	(131)
Deferred income tax	8(c)	-	-	39	39
Restated total equity at the beginning of the financial year		**185,110**	**5,049,757**	**271,657**	**5,506,524**
Profit for the year		-	-	192,843	192,843
Gain on revaluation on infrastructure, plant and equipment assets	28	-	116,837	-	116,837
Transfer to retained profits on disposal	28	-	(22,594)	-	(22,594)
Transfer from asset revaluation surplus	28	-	-	22,594	22,594
Income tax relating to components of other comprehensive income	8(c)	-	(32,156)	-	(32,156)
Total comprehensive result for the period		**-**	**62,087**	**215,437**	**277,524**
Transactions with the SA Government in their capacity as owners:					
Contributions of equity*		19,100	-	-	19,100
Dividends provided for or paid	32	-	-	(179,360)	(179,360)
		19,100	-	(179,360)	(160,260)
Balance at 30 June 2019		**204,210**	**5,111,844**	**307,734**	**5,623,788**

* In 2018-19, SA Water received $19.1m from the SA Government, to partially fund the Northern Adelaide Irrigation Scheme (NAIS) project, after completing the second milestone of the NAIS project. In accordance with Interpretation 1038 Contributions by Owners made to Wholly-Owned Public Sector Entities, this has been recognised as contributed equity.

	Notes	Contributed equity $'000	Asset revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2017		173,610	4,989,256	255,925	5,418,791
Profit for the year		-	-	143,207	143,207
Gain on revaluation on infrastructure, plant and equipment assets	28	-	99,920	-	99,920
Transfer to retained profits on disposal	28	-	(12,029)	-	(12,029)
Transfer from asset revaluation surplus	28	-	-	12,029	12,029
Income tax relating to components of other comprehensive income	8(c)	-	(27,390)	-	(27,390)
Total comprehensive result for the period		**-**	**60,501**	**155,236**	**215,737**
Transactions with the SA Government in their capacity as owners:					
Contributions of equity*		11,500	-	-	11,500
Dividends provided for or paid	32	-	-	(139,412)	(139,412)
		11,500	-	(139,412)	(127,912)
Balance at 30 June 2018		**185,110**	**5,049,757**	**271,749**	**5,506,616**

* In 2017-18, SA Water received $11.5m from the SA Government, to partially fund the Northern Adelaide Irrigation Scheme (NAIS) project, after completing the first milestone of the NAIS project. In accordance with Interpretation 1038 Contributions by Owners made to Wholly-Owned Public Sector Entities, this has 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 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers		**1,463,748**	1,372,647
Payments to suppliers and employees		**(711,280)**	(632,411)
Interest received		**109**	55
Receipts from community service obligations		**139,592**	144,193
Receipts from contributions		**11,123**	10,826
Receipts from government grants		**42**	155
Borrowing costs paid		**(326,992)**	(333,100)
Income tax equivalents paid		**(100,425)**	(75,851)
Net cash inflow from operating activities	26	**475,917**	486,514
Cash flows from investing activities			
Payments for construction and purchase of infrastructure, plant and equipment		**(513,629)**	(406,263)
Payments for intangible assets		**(34,751)**	(31,658)
Proceeds from sale of intangible assets		**13,248**	3,304
Proceeds from sale of infrastructure, plant and equipment		**348**	297
Proceeds from sale of renewable energy certificates		**7,877**	21,495
Net cash (outflow) from investing activities		**(526,907)**	(412,825)
Cash flows from financing activities			
Proceeds from borrowings		**1,314,400**	867,500
Repayment of borrowings		**(1,093,200)**	(801,800)
Proceeds from equity contributions		**19,100**	11,500
Dividends paid	32	**(179,360)**	(139,412)
Repayments of finance lease liability		**(11,144)**	(9,961)
Net cash inflow/(outflow) from financing activities		**49,796**	(72,173)
Net (decrease) increase in cash and cash equivalents		**(1,194)**	1,516
Cash and cash equivalents at the beginning of the financial year		**3,966**	2,450
Cash and cash equivalents at end of period	25	**2,772**	3,966

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.

Change in accounting policy

Treasurer's Instructions (Accounting Policy Statements)

Treasurer's Instructions (Accounting Policy Statements) 2019 were issued by the Treasurer under the *Public Finance and Audit Act 1987*.

The new Accounting Policy Statements have largely been prepared on a no-policy change basis. Changes that have an impact on these financial statements are:

• removal of the additional requirement to report transactions with the SA Government.
• increasing the bands from $10,000 to $20,000 for employee and board member reporting.

These changes, however, do not impact on the amounts reported in the financial statements.

1 Summary of significant accounting policies (continued)

(a) *Basis of preparation (continued)*

Adoption of new accounting standards as at 30 June 2019

The Corporation has applied the following standards for the first time in the annual reporting period ended 30 June 2019:

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces the provisions of *AASB 139 Financial Instrument Recognition and Measurement* that relates to recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. A review of this new standard identified that the only change in accounting policy and adjustments that were required related to the new impairment model associated with financial assets.

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' model when determining the impairment of trade receivables. The new impairment requirements result in a provision being applied to all receivables rather than only on those receivables that are credit impaired. This is different to the incurred loss model which only recognised impairment losses when there was objective evidence of impairment as a result of an actual loss event occurring.

The Corporation has adopted the simplified approach under AASB 9 and measured lifetime expected credit losses on all trade receivables using historical write-off experience.

In accordance with the transitional provisions and the Treasurer's Instructions (Accounting Policy Statements), AASB 9 was adopted without restating comparative information. Therefore, all measurement related adjustments arising from the first time adoption of AASB 9 are recognised in retained earnings at 1 July 2018.

The impact of this change in accounting policy on the financial statements at 1 July 2018 is as follows:

An increase in the allowance for doubtful debts of $0.13m and a decrease in retained profits of $0.1m net of tax.

AASB 15 Revenue from contracts with customers

AASB 15 Revenue from contracts with customers replaces *AASB 18 Revenue* and related interpretations.The core principle of the Standard is that revenue is recognised to represent the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

To determine when and how much revenue must be recognised the standard requires the Corporation to follow a 5-step process:

- Identifying the contract with a customer
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue when/as performance obligations are satisfied

Revenue is recognised either at a point in time or over time, when (or as) SA Water satisfies performance obligations by transferring the control of the promised goods or services to its customers.

The Corporation recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as contract liabilities in the Statement of Financial Position.

The implementation of this new standard did not have any impact on the timing or amount of revenue recognised by the Corporation during the period.

1 Summary of significant accounting policies (continued)

(a) *Basis of preparation (continued)*

Comparative information

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

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

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

Rounding

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

(b) *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:

1 Summary of significant accounting policies (continued)

(b) *Taxes (continued)*
Goods and services tax (continued)

- 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.

1 Summary of significant accounting policies (continued)

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

The Corporation did not voluntarily change any of its accounting policies during 2018-19.

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 2019.

AASB 16 Leases will require the Corporation to recognise, as a lessee, right-of-use assets and lease liabilities for all operating leases with a term of more than 12 months, unless the underlying asset within those leases is of low value. In accordance with Treasurer's Instructions a low value threshold of $15,000 must be adopted and to include motor vehicles leased from the South Australian Financing Authority (SAFA) with a remaining lease term of less than 12 months. AASB 16 replaces *AASB 117 Leases* and *Interpretation 4 Determining whether an arrangement contains a lease, Interpretation 115 Operating Leases - Incentives and Interpretation*, and *Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* This new standard is effective for the financial year commencing 1 July 2019.

In accordance with Treasurer's Instructions on transition to the adoption of the new standard the Corporation must adopt the partial retrospective approach. Under this approach the Corporation has adopted the practical expedient whereby the lease liability is recognised at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The right of use asset is recognised at an amount equal to the related lease liability, adjusted by the amount of any prepaid or accrued lease payments recognised in the statement of financial position immediately before the date of initial application. The incremental borrowing rate that will be adopted is the rate that has been published by the Department of Treasury and Finance (DTF) on 1 July 2019. A number of rates have been provided and the rate applied is the one that most closely aligns with the remaining lease term at 1 July 2019 plus the guarantee fee that is applicable to SA Water.

The estimated impact is based on applying AASB 16's transition approach to those leases identified as leases by the Corporation prior to 1 July 2019. The incremental borrowing rates applied to estimate the lease liability were SAFA's forecast interest loans to SA Government agencies.

The estimates provided below include non-lease components. Further work is required to separate these components prior to recognition of the right-of-use assets and lease liabilities on 1 July 2019.

	As at 1 July 2019 $'000
Assets	
Right-of-use assets	**57,823**
Finance lease receivable	**4,801**
Total Assets	**62,624**
Liabilities	
Lease liabilities	**63,200**
Other liabilities (lease incentive liabilities)	**(576)**
Total Liabilities	**62,624**
Net impact on Statement of Financial Position	**-**

1 Summary of significant accounting policies (continued)

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

AASB 16 will also impact on the Statement of Comprehensive Income. The operating lease expense previously included in supplies and services will mostly be replaced with:

• a depreciation expense that represents the use of the right-of-use asset; and

• borrowing costs that represent the cost associated with financing the right-of-use asset.

The estimated impact on 2019-20 Statement of Comprehensive Income is set out below:

	2020 $'000
Interest revenue	106
Rent revenue	(1,092)
Total Revenue	**(986)**
Depreciation and amortisation	14,589
Supplies and services	(15,974)
Borrowing costs	1,462
Total Expenses	**77**
Net impact on Statement of Comprehensive Income	**(1,063)**

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 AASB 139, and are disclosed as unrecognised fixed rate loan commitments. Refer note 2(c).

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 with effect from 9 January 2019. The permissible range prior to this was 2.1 - 4.9 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 2019 it has been assumed that a reasonable possible shift in interest rates over the next reporting period could be 1% upwards and 0.5% downwards.

		Interest rate risk			
		-0.5%		**+1.0%**	
30 June 2019	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial assets					
Cash and cash equivalents	2,772	(10)	(10)	19	19
Financial liabilities					
Short term borrowings	(27,174)	95	95	(190)	(190)
Total increase/(decrease)		85	85	(171)	(171)

		Interest rate risk			
		-0.5%		**+0.5%**	
30 June 2018	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial assets					
Cash and cash equivalents	3,966	(14)	(14)	14	14
Financial liabilities					
Short term borrowings	(27,974)	98	98	(98)	(98)
Total increase/(decrease)		84	84	(84)	(84)

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 mitigated 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. Movements in post-tax profit and equity for the year are due to higher electricity costs associated with electricity purchased at a floating market price.

At 30 June 2019 sensitivity analysis was not applicable as the carrying value of electricity derivatives was fully de-recognised.

At 30 June 2018 sensitivity analysis was not applicable as the carrying value ($0.021m) of electricity derivatives was not subject to any market movements.

(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 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 2019	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*	**132,239**	**-**	**-**	**-**	**132,239**
Fixed rate borrowings	**2,428,681**	**799,897**	**1,344,495**	**3,560,378**	**8,133,451**
Floating rate borrowings	**27,195**	**-**	**-**	**-**	**27,195**
Unrecognised fixed rate loan commitments**	**18,924**	**33,237**	**478,334**	**499,485**	**1,029,980**
Finance lease liabilities	**23,509**	**23,509**	**30,765**	**8,399**	**86,182**
Total non-derivatives	**2,630,548**	**856,643**	**1,853,594**	**4,068,262**	**9,409,047**

At 30 June 2018	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*	122,456	-	-	-	122,456
Fixed rate borrowings	968,606	1,988,898	1,057,815	3,412,888	7,428,207
Floating rate borrowings	27,949	-	-	-	27,949
Unrecognised fixed rate loan commitments**	8,549	18,815	56,400	494,030	577,794
Finance lease liabilities	23,266	23,266	50,976	11,076	108,584
Total non-derivatives	1,150,826	2,030,979	1,165,191	3,917,994	8,264,990

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

** For 30 June 2019, the principal component relating to FSLs that was refinanced prior to reporting date has been excluded from the less than 1 year category, and included in the 2-5 years category and over 5 years category in which the FSLs will mature (2018 FSLs were excluded from the less than 1 year category, and included in the over 5 years category).

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.

A reliable estimate of the fair value for finance leases cannot be determined due to the unique nature of the leasing arrangements. Refer note 17(b).

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

	2019		2018	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
Long term borrowings	**6,635,000**	**7,159,424**	6,413,000	6,575,893

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

3 Fair value measurements

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

- Financial assets (note 11);
- Land and buildings (note 15);
- Leased water and sewer infrastructure (note 15);
- Water and Sewer infrastructure (note 15);
- Sewer infrastructure (note 15);
- Plant and equipment (note 15); and
- Other property, plant and equipment (note 15).

(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 2019.

(i) Recognised fair value measurements

30 June 2019	**2019 $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Recurring fair value measurements				
Non- Financial Assets				
Buildings	**21,523**	**-**	**-**	**21,523**
Land	**385,806**	**-**	**385,806**	**-**
Water infrastructure	**8,827,677**	**-**	**-**	**8,827,677**
Sewer infrastructure	**4,203,179**	**-**	**-**	**4,203,179**
Plant and equipment and other	**120,244**	**-**	**-**	**120,244**
Total non-financial assets	**13,558,429**	**-**	**385,806**	**13,172,623**
Total recurring financial and non-financial assets	**13,558,429**	**-**	**385,806**	**13,172,623**

3 Fair value measurements (continued)

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

30 June 2018	2018 $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Recurring fair value measurement				
Financial assets				
Electricity derivatives	21	21	-	-
Total financial assets	21	21	-	-
Non-financial assets				
Buildings	23,154	-	-	23,154
Land	375,508	-	375,508	-
Water infrastructure	8,719,434	-	-	8,719,434
Sewer infrastructure	4,243,714	-	-	4,243,714
Plant and equipment and other	127,151	-	-	127,151
Total non-financial assets	13,488,961	-	375,508	13,113,453
Total recurring financial and non-financial assets	13,488,982	21	375,508	13,113,453

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

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

(ii) Disclosed fair values

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

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

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

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

(i) Recurring fair value measurements

The valuation techniques used to derive level 3 fair values are described in note 15.

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

3 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 15 for information relating to unobservable inputs and valuation processes.

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

The following tables are reconciliation fair value measurements for recurring fair value measurements using significant unobservable inputs (level 3):

	Buildings $'000	Water Infrastructure $'000	Sewer Infrastructure $'000	Plant and Equipment and Other $'000	Total $'000
Opening balance 1 July 2018	23,154	8,719,434	4,243,714	127,151	13,113,453
Acquisitions	1,287	185,166	92,518	13,126	292,097
Disposals	-	-	-	(159)	(159)
Asset write-off	-	(936)	(214)	-	(1,150)
Depreciation	(3,688)	(225,816)	(85,785)	(23,421)	(338,710)
	(3,688)	(226,752)	(85,999)	(23,421)	(339,860)
Total gain (losses) for the period in other comprehensive income:					
Revaluation increment/ (decrement)	770	149,829	(47,054)	3,547	107,092
	770	149,829	(47,054)	3,547	107,092
Closing balance 30 June 2019	**21,523**	**8,827,677**	**4,203,179**	**120,244**	**13,172,623**

3 Fair value measurements (continued)

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

	Buildings $'000	Water Infrastructure $'000	Sewer Infrastructure $'000	Plant and Equipment and Other $'000	Available-for-Sale Financial Assets $'000	Total $'000
Opening balance at 1 July 2017	23,848	8,709,210	4,102,385	119,313	35,170	12,989,926
Acquisitions	2,208	210,390	152,934	28,751	-	394,283
Transfers	-	-	35,170	-	(35,170)	-
Disposals	-	-	-	(36)	-	(36)
Total gain (losses) for the period in the net result:						
Asset write-off	-	(15,352)	(10,849)	-	-	(26,201)
Depreciation	(3,679)	(216,473)	(91,538)	(24,092)	-	(335,782)
	(3,679)	(231,825)	(102,387)	(24,092)	-	(361,983)
Total gain (losses) for the period in other comprehensive income:						
Revaluation increment/ (decrement)	777	31,659	55,612	3,215	-	91,263
	777	31,659	55,612	3,215	-	91,263
Closing balance 30 June 2018	**23,154**	**8,719,434**	**4,243,714**	**127,151**	**-**	**13,113,453**

4 Critical accounting estimates and judgements

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

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

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

- Contributed assets (refer note 5);
- Renewable energy certificates (refer note 12);
- Impairment of assets (refer note 15);
- Valuation and useful lives of assets (refer note 15, 7);
- Provision for long service leave (refer note 23); and
- Provision for workers compensation (refer note 23).

5 Revenue from ordinary activities

	2019 $'000	2018 $'000
Revenue from contracts with customers		
Water and sewer rates and charges	**1,246,762**	1,164,220
Recoverable works	**87,607**	55,368
Fees and charges	**45,953**	47,699
Contributed assets	**35,485**	49,154
	1,415,807	1,316,441
Other revenue		
Community Service Obligations	**140,267**	144,788
Government grants	**9,313**	9,466
Rents	**3,049**	1,515
Miscellaneous	**97**	119
Interest	**75**	63
	152,801	155,951
Total	**1,568,608**	1,472,392

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 of non-revenue water (non-revenue water includes water produced and then lost or unaccounted for, such as evaporation, firefighting and leaks).

5 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 based on the capital value of their property subject to a minimum charge. All 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.

A performance obligation exists to enable customers to have access to SA Water's water infrastructure. Revenue is recognised over time as customers require access to the delivery of water 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 access charge

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 sewerage and wastewater. Charges are associated with building, maintaining and replacing sewer pipes, sewage pump stations, sewage treatment plants and other sewerage infrastructure.

A performance obligation exists to enable customers to have access to SA Water sewer infrastructure. Revenue is recognised over time as customers require access to sewer 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 sewer services (due to the requirement for state wide pricing) and the provision of water and sewer concessions to certain properties e.g. charities, churches, public schools and remote communities.

The CSO revenue is recognised as the services are provided.

Contributed assets

Contributed assets principally arise from:

(i) 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.

5 Revenue from ordinary activities (continued)

Contributed assets (continued)

(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.

Revenue is recognised when the customer has access to water and sewer services which is when the cash contribution is received. The performance obligation is satisfied at a point in time when the customer has access to water and sewer 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

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

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

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 wastewater 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.

5 Revenue from ordinary activities (continued)

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 sewer network. A performance obligation exists for SA Water to connect customers to the water and sewer 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.

5 Revenue from ordinary activities (continued)

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 2019	**Water $'000**	**Wastewater $'000**	**Total $'000**
Revenue from contracts with customers			
Water and sewer rates and charges	**893,176**	**353,586**	**1,246,762**
Recoverable works	**86,320**	**1,287**	**87,607**
Fees and charges	**23,984**	**21,969**	**45,953**
Contributed assets	**19,513**	**15,972**	**35,485**
Total revenue from contracts with customers	**1,022,993**	**392,814**	**1,415,807**

30 June 2018	Water $'000	Wastewater $'000	Total $'000
Revenue from contracts with customers			
Water and sewer rates and charges	824,030	340,190	1,164,220
Recoverable works	54,624	744	55,368
Fees and charges	23,999	23,700	47,699
Contributed assets	24,697	24,457	49,154
Total revenue from contracts with customers	927,350	389,091	1,316,441

6 Other income

	2019 $'000	2018 $'000
Net gain on disposal of infrastructure, plant and equipment	**190**	262
Net gain on disposal of water allocations	**13,109**	3,256
Reversal of prior year infrastructure, plant and equipment revaluation decrement	**553**	651
Net gain on disposal of renewable energy certificates	**-**	18,330
Net gain from electricity derivatives at fair value through profit and loss	**9**	-
	13,861	22,499

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.

7 Expenses

	2019 $'000	2018 $'000
Profit before income tax includes the following specific expenses:		
Depreciation (note 15)		
Buildings	**3,688**	3,679
Plant and equipment	**2,609**	2,486
Other	**20,812**	21,606
Infrastructure assets - sewer	**85,786**	91,538
Infrastructure assets - water	**225,817**	216,473
Amortisation (note 14)		
Computer software	**20,182**	19,292
ADP intangible	**1,700**	1,700
Total depreciation and amortisation	**360,594**	356,774
Borrowing costs		
Interest paid/payable on short term and long term borrowings	**323,327**	321,877
Finance charges on capitalised leases	**6,439**	7,623
Total borrowing costs	**329,766**	329,500
Net loss from electricity derivatives at fair value through profit and loss	**-**	1,110
Finance lease contingent rentals	**5,531**	5,500
Operating lease minimum lease payments	**16,383**	16,369
Net bad and doubtful debts expense including movements in allowance for doubtful debts	**86**	119
Infrastructure, plant and equipment revaluation decrement	**-**	1,818
Write-off in value of infrastructure, plant, equipment, and capital WIP	**4,025**	31,841
Write-off in value of purchased seasonal water allocations	**-**	37,959
Net loss on disposal of renewable energy certificates	**5,228**	-
Superannuation contribution	**18,021**	17,415
Consultancy costs		
Less than $10,000 (Number 2019: 5; 2018: 6)	**14**	31
Between $10,000 and $50,000 (Number 2019: 10; 2018: 8)	**318**	168
Greater than $50,000 (Number 2019: 2; 2018 3)	**174**	266
	506	465

7 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

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

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

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

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.

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

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 risk. Within the parameters of the Corporation's Treasury Risk Management and Energy Price Risk Management 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).

7 Expenses (continued)

Operating leases

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

Finance leases

Leases for infrastructure assets, where substantially all the risks and benefits incidental to ownership of the asset but not the legal ownership are assumed by the Corporation, are classified as finance leases (refer note 17, 21). Finance leases are capitalised and depreciated over the useful life of the asset in accordance with *AASB 117 Leases.*

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

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

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

8 Income tax expense

(a) *Income tax expense*

	2019 $'000	2018 $'000
Current tax	**97,042**	91,675
Deferred tax	**(17,406)**	(33,320)
Amounts under provided in prior years	**1**	2
	79,637	58,357
Deferred income tax included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets (note 13)	**(620)**	4,545
(Decrease) in deferred tax liabilities (note 22)	**(16,786)**	(37,865)
	(17,406)	(33,320)

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

	2019 $'000	2018 $'000
Profit from continuing operations before income tax expense	**272,480**	201,564
Tax at the Australian tax rate of 30.0% (2018: 30.0%)	**81,744**	60,469
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
ADP intangible asset amortisation	**510**	510
Government grants	**(2,618)**	(2,618)
Provision for employee benefits	**-**	(6)
	79,636	58,355
Amounts under provided in prior years	**1**	2
Income tax expense	**79,637**	58,357

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

	2019 $'000	2018 $'000
Gain on revaluation of infrastructure, plant and equipment	**32,156**	27,390
Adjustment on initial adoption of AASB 9 (note 28a, 28b)	**(39)**	-
	32,117	27,390

9 Current assets - Receivables

	2019 $'000	2018 $'000
Receivables		
Rates receivable (water and sewer)	**171,414**	155,212
Sundry debtors	**42,968**	28,987
Allowance for doubtful debts	**(142)**	(32)
	214,240	184,167
Other receivables		
Community Service Obligations	**19,646**	18,971
	233,886	203,138

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.

Movements in the allowance for doubtful debts are as follows:

	2019	2018
Balance at 30 June under AASB 139	**32**	40
Adjustment on initial adoption of AASB 9	**131**	-
Opening balance at 1 July	**163**	40
Increase in the allowance	**3**	13
Amounts written off	**(107)**	(10)
Amounts reversed	**83**	(11)
Closing balance at 30 June	**142**	32

For 2018-19, 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 therefore not required to be disclosed. (refer note 1 and 2(b)).

Comparative information for 2017-18 is still required under AASB 139 for past due but not impaired trade receivables as follows;

(b) *Past due but not impaired*

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

9 Current assets - Receivables (continued)

(b) *Past due but not impaired (continued)*

	2018 $'000
Up to 3 months	22,949
More than 3 months	16,829
	39,778

The other balances within rates receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received when due. The carrying amount of past due rates receivables with renegotiated terms at balance date for 2018: $15.09m.

At 30 June 2018, the aging of sundry debtors that are past due but not impaired is as follows:

	2018 $'000
Up to 1 month	1,572
More than 1 month	1,401
	2,973

The remaining balances within sundry debtors do not contain impaired assets and are not past due. It is expected that these amounts will be received when due. The carrying amount of past due sundry debtors with renegotiated terms at balance date for 2018: $0.771m.

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

(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.

10 Current assets - Inventories

	2019 $'000	2018 $'000
Raw materials and stores	**7,357**	7,861
Allowance for obsolete stock	**(186)**	(257)
Work in progress	**1,327**	1,514
	8,498	9,118

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.

11 Current assets - Financial assets

	2019 $'000	2018 $'000
Electricity derivatives		
Settlement residue auction units	**-**	21
Total current derivative financial instrument assets	**-**	21

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 risk. Within the parameters of the Corporation's Treasury Risk Management and Energy Price Risk Management 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).

<u>Electricity derivatives</u>

Electricity price risk represents the risk of unfavourable movements in wholesale electricity prices which could adversely impact the Corporation's electricity costs. The Corporation uses derivative financial instruments to economically manage electricity price risk and to mitigate against exposure to fluctuations in wholesale electricity spot prices.

Permitted electricity derivatives include exchange traded futures and settlement residue auction units.

The Corporation is prohibited from the selling and early termination of derivative financial instruments.

11 Current assets - Financial assets (continued)

Accounting for derivatives

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

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 AASB139 and AASB 9.

Derivatives are carried as financial assets when their fair value is positive and as financial liabilities when their fair value is negative. 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.

12 Current assets - Other current assets

	2019 **$'000**	2018 $'000
Interest receivable	**5**	39
Prepayments	**10,400**	9,114
Renewable Energy Certificates *	**1,501**	10,923
Lease Incentive Asset	**60**	60
Australian Carbon Credits	**795**	333
	12,761	20,469

*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.

13 Non-current assets - Deferred tax assets

	Notes	2019 $'000	2018 $'000
The balance comprises temporary differences attributable to:			
Doubtful debts		**3**	10
Obsolete stock		**56**	77
Infrastructure, plant and equipment		**11,851**	12,096
Pooled assets		**58**	78
Payables		**1,439**	1,385
Audit fee payable		**136**	122
Government grants		**11,087**	11,250
Employee benefits		**13,634**	12,844
Deferred lease incentives		**173**	213
Unearned customer contributions		**(1,000)**	(858)
Unearned income		**89**	122
Provision for asset disposal		**455**	12
Provision for workers compensation		**193**	176
Derivative financial liability		**-**	27
		38,174	37,554
Amounts recognised directly in equity			
Unearned customer contributions		**2,335**	2,335
Revaluation of Infrastructure, plant and equipment	28	**(417)**	280
Doubtful debts - Initial adoption of AASB 9		**39**	-
Total deferred tax assets		**40,131**	40,169

	2019 $'000	2018 $'000
Movements:		
Opening balance at 1 July	**40,169**	45,460
Charged to the statement of comprehensive income (note 8a)	**620**	(4,545)
Charged to equity (note 28a & 28b)	**(658)**	(746)
Closing balance at 30 June	**40,131**	40,169
Deferred tax assets expected to be recovered within 12 months	**7,360**	7,561
Deferred tax assets expected to be recovered after more than 12 months	**32,771**	32,608
	40,131	40,169

14 Intangible assets

	Easements $'000	Prescription rights $'000	Computer software $'000	ADP intangible $'000	Purchased water rights $'000	Total $'000
Year ended 30 June 2019						
Opening net book amount	6,213	4,500	39,826	59,574	40,981	151,094
Additions	-	-	26,213	-	178	26,391
Amortisation charge	-	-	(20,182)	(1,700)	-	(21,882)
Closing net book amount	6,213	4,500	45,857	57,874	41,159	155,603
At 30 June 2019						
Cost	6,213	4,500	224,983	70,982	41,159	347,837
Accumulated amortisation	-	-	(179,126)	(13,108)	-	(192,234)
Net book amount	6,213	4,500	45,857	57,874	41,159	155,603

14 Intangible assets (continued)

	Easements $'000	Prescription rights $'000	Computer software $'000	ADP intangible $'000	Purchased water rights $'000	Seasonal Water Allocations $'000	Total $'000
Year ended 30 June 2018							
Opening net book amount	6,213	4,500	38,896	61,274	30,776	37,959	179,618
Additions	-	-	20,222	-	10,205	-	30,427
Amortisation charge	-	-	(19,292)	(1,700)	-	-	(20,992)
Write off	-	-	-	-	-	(37,959)	(37,959)
Closing net book amount	6,213	4,500	39,826	59,574	40,981	-	151,094
At 30 June 2018							
Cost	6,213	4,500	198,770	70,982	40,981	-	321,446
Accumulated amortisation	-	-	(158,944)	(11,408)	-	-	(170,352)
Net book amount	6,213	4,500	39,826	59,574	40,981	-	151,094

14 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 *Natural Resources Management (NRM) Act 2004 (SA)*. 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 our customers. These licenses are held by the Corporation in accordance with Department of Treasury & Finance (DTF) Accounting Policy Statement reference 138.

The corporation holds a River Murray licence to underpin the metropolitan Adelaide and associated country Areas, and a licence that supports 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 NRM Act 2004 (SA), as water shares issued by the Victorian Government under the Water Act 1989 (VIC), and as unit shares issued by the New South Wales Government under the Water Management Act 2000 (NSW)). 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.

Seasonal water allocations

In addition to the permanent water rights above, during 2008-09 and 2009-10 the Government granted approval for SA Water to purchase seasonal water allocations to be used for critical human water needs in future years. SA Water also purchased water allocations for operational needs. Prior to June 2012 the Government had approved the water allocations being preserved beyond 2011-12 and retained as a reserve to meet critical human water needs in future years. These purchased water allocations are held as other assets in the accounts and are expensed as the water is used. In 2015-16, a permanent reduction in available water of 52 GL was recorded as an expense in SA Water's 2015-16 financial statements with a remaining balance of 120GL. In 2017-18, a permanent reduction in the remaining water allocation of 120 GL was recognised as an expense in SA Water's 2017-18 financial statements.

14 Intangible assets (continued)

Prescription of the Mount Lofty Ranges

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

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.

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.

15 Non-current assets - Infrastructure, plant and equipment

	Work in progress $'000	Land $'000	Buildings $'000	Leased sewer infrastructure $'000	Plant and equipment $'000	Water infrastructure $'000	Sewer infrastructure $'000	Leased water infrastructure $'000	Other property, plant and equipment $'000	Total $'000
Year ended 30 June 2019										
Opening net book amount	399,748	375,508	23,154	22,699	20,537	8,644,542	4,221,015	74,892	106,614	13,888,709
Revaluation surplus	-	10,298	770	(4,693)	-	147,526	(42,361)	2,303	3,547	117,390
Additions	551,180	-	1,287	-	2,878	184,355	92,519	811	10,248	843,278
Transfers	(294,312)	-	-	-	-	-	-	-	-	(294,312)
Depreciation charge	-	-	(3,688)	(1,373)	(2,609)	(221,418)	(84,413)	(4,398)	(20,813)	(338,712)
Disposals	-	-	-	-	(159)	-	-	-	-	(159)
Asset write down	(2,875)	-	-	-	-	(936)	(214)	-	-	(4,025)
Closing net book amount	653,741	385,806	21,523	16,633	20,647	8,754,069	4,186,546	73,608	99,596	14,212,169
At 30 June 2019										
Cost	653,741	-	-	-	-	-	-	-	-	653,741
Valuation	-	385,806	98,163	35,853	53,355	15,372,243	7,013,043	209,431	339,580	23,507,474
Accumulated depreciation	-	-	(76,640)	(19,220)	(32,708)	(6,618,174)	(2,826,497)	(135,823)	(239,984)	(9,949,046)
Net book amount	653,741	385,806	21,523	16,633	20,647	8,754,069	4,186,546	73,608	99,596	14,212,169

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

	Work in progress $'000	Land $'000	Buildings $'000	Leased sewer infrastructure $'000	Plant and equipment $'000	Water infrastructure $'000	Sewer infrastructure $'000	Leased water infrastructure $'000	Other property, plant and equipment $'000	Total $'000
Year ended 30 June 2018										
Opening net book amount	363,157	367,996	23,848	22,585	20,235	8,632,851	4,079,800	76,359	99,078	13,685,909
Revaluation surplus	-	7,491	777	735	-	29,171	54,877	2,488	3,215	98,754
Additions	444,326	21	2,208	209	2,824	210,089	152,725	301	25,927	838,630
Transfers	(402,095)	-	-	-	-	-	35,170	-	-	(366,925)
Depreciation charge	-	-	(3,679)	(830)	(2,486)	(212,217)	(90,708)	(4,256)	(21,606)	(335,782)
Asset write down	(5,640)	-	-	-	-	(15,352)	(10,849)	-	-	(31,841)
Disposals	-	-	-	-	(36)	-	-	-	-	(36)
Closing net book amount	399,748	375,508	23,154	22,699	20,537	8,644,542	4,221,015	74,892	106,614	13,888,709
At 30 June 2018										
Cost	399,748	-	-	-	51,270	-	-	-	-	451,018
Valuation	-	375,508	93,757	32,386	-	14,986,229	7,068,003	201,901	319,290	23,077,074
Accumulated depreciation	-	-	(70,603)	(9,687)	(30,733)	(6,341,687)	(2,846,988)	(127,009)	(212,676)	(9,639,383)
Net book amount	399,748	375,508	23,154	22,699	20,537	8,644,542	4,221,015	74,892	106,614	13,888,709

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

(a) *Carrying amounts that would have been recognised*

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

	2019 $'000	2018 $'000
Freehold land		
Cost	**52,816**	52,816
Net book amount	**52,816**	52,816
Buildings		
Cost	**57,403**	56,117
Accumulated depreciation	**(34,576)**	(31,352)
Net book amount	**22,827**	24,765
Leased sewer infrastructure		
Cost	**18,792**	18,792
Accumulation depreciation	**(6,577)**	(6,107)
Net book amount	**12,215**	12,685
Water infrastructure		
Cost	**5,033,900**	4,873,328
Accumulated depreciation	**(1,329,046)**	(1,232,161)
Net book amount	**3,704,854**	3,641,167
Sewer infrastructure		
Cost	**2,524,108**	2,443,426
Accumulated depreciation	**(1,109,006)**	(1,026,195)
Net book amount	**1,415,102**	1,417,231
Leased water infrastructure		
Cost	**124,183**	124,183
Accumulation depreciation	**(78,625)**	(76,046)
Net book amount	**45,558**	48,137
Other		
Cost	**264,257**	254,467
Accumulated depreciation	**(178,765)**	(161,357)
Net book amount	**85,492**	93,110

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

Infrastructure, plant and equipment
Acquisition

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

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

Valuations

To comply with *AASB 13 Fair Value Measurement* and AASB 116, the Corporation has adopted the fair value method for measuring and reporting land and buildings and infrastructure assets in the Statement of Financial Position. Refer to note 3 for disclosures regarding fair value levels. The Corporation uses both independent valuation and Directors' valuation methods to measure fair value. Depending on the class, Directors' valuation is performed using the Producer Price Index (PPI) or current contract rates. PPI measures change over time in the price of new construction outputs. The PPI used is the Australian Bureau of Statistics Index Number 3101 "Road and Bridge Construction South Australia". Current contract rates are based on recently determined market contract rates for supplying and installing equivalent assets or components.

The Corporation's valuation methodologies, for all major classes of infrastructure assets, are subject to independent review when a change in the valuation method occurs. In addition to this, a complete independent review of these methodologies was completed by Aquenta Consulting Pty Ltd in April 2015. This review endorsed how individual asset classes are classified and concluded the assumptions/positions adopted by SA Water in its valuation methodologies are reasonable.

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

Infrastructure assets

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

Infrastructure assets were valued as follows:

- The unit rates for water mains/connections and sewer mains/connections, were independently determined by Capisce QS as at 1 July 2018. These rates are applied to the actual lengths of pre-defined modern equivalent asset types for water mains and sewer mains.

- Other infrastructure assets are independently valued on a cyclical basis at least every 5 years. In the intervening periods the assets are indexed annually as at 1 July using the appropriate PPI. Assets independently valued during the financial period were wastewater treatment plants by Capisce QS at 1 July 2018.

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

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

The previous independent valuations were:

- Water filtration plants, earth storages, reservoirs, water dosing stations, and the Adelaide Desalination plant were independently valued as at 1 July 2017.
-
- Bores and wells, water pumping stations, water tanks, leased water treatment plants were independently valued as at 1 July 2016.
- Sewer pumping stations and buildings were independently valued as at 1 July 2015.

Land and buildings

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

Buildings are independently valued on a cyclical basis at least every 5 years. In the intervening periods the assets are indexed annually as at 1 July using the appropriate PPI. Buildings were last independently valued by Aquenta as at 1 July 2015.

Plant and equipment

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

Other property, plant and equipment

Other assets are valued at cost which is deemed to be its fair value and indexed annually using the PPI.

Work in progress

Work in progress is carried at cost which is deemed to be its fair value.

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

Impairment of assets

Impairment Monitoring Regime

AASB136 requires for-profit entities, at each reporting date, to undertake an impairment assessment for its non-current assets including property, plant, equipment and its infrastructure assets. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. For revalued assets any impairment loss is offset against the relevant asset revaluation surplus until fully extinguished with any remaining amount expensed in the Statement of Comprehensive Income.

SA Water, in accordance with AASB136, has a sound "Impairment Monitoring Regime" 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 market conditions, technology changes or asset obsolescence.

There are a number of key parameters that influence SA Water's economic performance including the Regulated Asset Base (RAB) and the weighted average cost of capital (WACC).

The Corporation is aware of the release of the The Abridged Advice Final Report of the South Australian Inquiry into water prices which covers a range of parameters including the valuation of the RAB. Any reduction in the RAB and/or WACC that results in a significant decline in economic performance may constitute an impairment indicator.

The Government is considering the report and is yet to provide a response and therefore it is premature for the Corporation to draw any conclusions, with respect to the valuation of its assets. The Corporation will closely monitor the government response to the Final Report of the South Australian Inquiry into water prices during 2019-20 for any potential asset valuation implications.

16 Current liabilities - Payables

	2019 $'000	2018 $'000
Interest payable	**80,809**	78,034
Trade creditors	**131,983**	121,792
Other creditors	**12,688**	10,468
	225,480	210,294

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.

17 Current liabilities - Financial liabilities/borrowings

	2019 $'000	2018 $'000
Lease liabilities	**12,470**	11,144
Short term borrowings	**27,175**	27,974
	39,645	39,118

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.

18 Current liabilities - Tax liabilities

	2019 $'000	2018 $'000
Provision for current income tax movements during the year were as follows:		
Opening balance at 1 July	**10,167**	(5,659)
Income tax paid	**(100,425)**	(75,851)
Current year's income tax provision	**97,042**	91,675
Amounts under provided in prior years	**1**	2
	6,785	10,167

19 Current liabilities - Provisions

	2019 $'000	2018 $'000
Employee benefits	**15,814**	15,885
Asset disposal	**60**	40
Damages and claims	**404**	19
Workers compensation	**1,092**	1,083
	17,370	17,027

(a) *Movements in provisions*

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

2019 Current	**Asset disposal $'000**	**Damages and claims $'000**	**Workers compensation $'000**	**Total $'000**
Opening balance at 1 July	40	19	1,083	1,142
Provisions recognised	32	-	1,196	1,228
Re-measurement adjustments	-	-	(877)	(877)
Additional provision recognised	-	756	-	756
Payments made during year	(12)	(371)	(310)	(693)
Closing balance at 30 June	60	404	1,092	1,556

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.

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.

19 Current liabilities - Provisions (continued)

Damages and claims (continued)

SA Water is insured under the South Australian Government's insurance and risk management arrangements with SAICORP. Under this agreement between SAICORP and SA Water, SAICORP 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 2019 provided by KPMG Actuarial Pty Ltd. SA Water is committed to early intervention and supportive of early return to work programs for our people.

20 Current liabilities - Other current liabilities

	2019 $'000	2018 $'000
Government grants	**9,566**	9,566
Lease incentives	**133**	134
Unearned income	**88**	111
Deposits from customers	**1,403**	1,181
Contract liabilities	**4,450**	4,921
	15,640	15,913

21 Non-current liabilities - Financial liabilities/borrowings

	2019 $'000	2018 $'000
Lease liabilities (note 29)	**36,551**	49,021
Long term borrowings	**6,635,000**	6,413,000
	6,671,551	6,462,021

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

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

22 Non-current liabilities - Deferred tax liabilities

	2019 $'000	2018 $'000
The balance comprises temporary differences attributable to:		
Prepayments	**1,867**	1,777
Lease incentive asset	**84**	102
Infrastructure, plant and equipment	**(54,389)**	(37,531)
	(52,438)	(35,652)
Amounts recognised directly in equity		
Revaluation of infrastructure, plant and equipment	**1,729,679**	1,698,221
	1,729,679	1,698,221
Total deferred tax liabilities	**1,677,241**	1,662,569

	2019 $'000	2018 $'000
Movements:		
Opening balance	**1,662,569**	1,673,790
Credited to the Statement of Comprehensive Income (note 8)	**(16,787)**	(37,865)
Charged to equity (note 28)	**31,459**	26,644
Closing balance at 30 June	**1,677,241**	1,662,569
Deferred tax liabilities to be settled within 12 months	**1,885**	1,795
Deferred tax liabilities expected to be settled after more than 12 months	**1,675,356**	1,660,774
	1,677,241	1,662,569

23 Non-current liabilities - Provisions

	2019 $'000	2018 $'000
Employee benefits	**29,632**	26,928
Workers compensation	**2,869**	2,541
Asset disposal	**1,459**	-
	33,960	29,469

(a) *Movements in provisions*

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

2019 Non-current	**Workers compensation $'000**	**Asset disposal $'000**	**Total $'000**
Opening balance at 1 July	2,541	-	2,541
Re-measurement adjustments	328	-	328
Additional provision recognised	-	1,459	1,459
Closing balance at 30 June	2,869	1,459	4,328

23 Non-current liabilities - Provisions (continued)

(a) *Movements in provisions (continued)*

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 2019 was valued by KPMG Actuarial Pty Ltd.

24 Non-current liabilities - Other non-current liabilities

	2019 $'000	2018 $'000
Government grants	**351,619**	360,890
Lease incentives	**443**	576
	352,062	361,466

25 Reconciliation of cash

	2019 $'000	2018 $'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	**2,772**	3,966

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.

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

	2019 **$'000**	2018 $'000
Net profit for the year	**192,843**	143,207
Add/(less) non-cash items:		
Depreciation and amortisation	**360,594**	356,774
Amortisation of government grant revenue	**(9,313)**	(9,466)
Contributed assets	**(24,174)**	(22,636)
Net (gain) on disposal of infrastructure, plant and equipment	**(190)**	(262)
Net (gain) on disposal of temporary water allocations	**(13,248)**	(3,304)
Infrastructure, plant and equipment revaluation decrement reversal	**(553)**	(651)
Infrastructure, plant and equipment revaluation decrement	**-**	1,818
Write-off in value of infrastructure, plant and equipment and capital WIP	**4,025**	31,841
Write-off in value of purchased seasonal water allocations	**-**	37,959
Net loss (gain) on disposal of renewable energy certificates	**5,228**	(18,339)
Change in assets and liabilities:		
(Increase)/decrease in receivables	**(30,880)**	15,420
(Increase)/decrease in prepayments	**(1,286)**	543
Decrease/(increase) in inventories	**620**	(706)
(Increase) in other operating assets	**(4,051)**	(11,838)
Decrease in derivative financial assets	**21**	853
(Increase)/decrease in deferred tax assets	**(620)**	4,545
Decrease in income tax receivable	**-**	5,659
(Decrease)/increase in trade creditors	**(3,814)**	3,903
Increase provision for employee benefits	**2,634**	408
Increase/(decrease) in provision for workers compensation	**337**	(347)
Increase/(decrease) in other operating liabilities	**16,005**	(21,232)
Increase in government grants	**42**	155
Increase/(decrease) in other provisions	**1,864**	(92)
(Decrease) in deferred tax liabilities	**(16,786)**	(37,865)
(Decrease)/increase in income tax payable	**(3,381)**	10,167
Net cash inflow from operating activities	**475,917**	486,514

27 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 2018 and 30 June 2019 were as follows:

		2019 **$'000**	2018 $'000
Interest bearing borrowings (note 17, 21)		**6,711,196**	6,501,139
Less: Cash and cash equivalents (note 25)		**(2,772)**	(3,966)
Net debt		**6,708,424**	6,497,173
Total Assets		**14,666,042**	14,316,964
Gearing ratio	45.8%	45.4%	-

As part of the 2017-18 State Budget, the SA Government determined that SA Water adjust its borrowings each year prior to 30 June, to maintain a debt/asset gearing ratio of 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.

28 Asset revaluation surplus and retained profits

(a) *Asset revaluation surplus*

	2019 $'000	2018 $'000
Revaluation surplus - infrastructure, plant and equipment	**5,111,844**	5,049,757
	5,111,844	5,049,757

Movements:

Infrastructure, plant and equipment revaluation surplus		
Opening balance at 1 July	**5,049,757**	4,969,419
Revaluation of infrastructure, plant and equipment*	**116,837**	99,920
Transfers from available-for-sale investment revaluation surplus	**-**	19,837
Movements in deferred tax liability (note 22)	**(31,459)**	(26,644)
Transfer to retained profits on disposal	**(22,594)**	(12,029)
Movements in deferred tax assets (note13)	**(697)**	(746)
Closing balance at 30 June	**5,111,844**	5,049,757
Available-for-sale investments revaluation surplus		
Opening balance at 1 July	**-**	19,837
Reclassification adjustments - transfer to infrastructure revaluation surplus	**-**	(19,837)
Closing balance at 30 June	**-**	-

*The 2017-2018 revaluation increase (around 0.8%) is primarily attributable to the revaluation increment of pipe assets, wastewater treatment plants, and water filtration plants.

*The 2018-2019 revaluation increase (around 0.1%) is primarily attributable to the revaluation movement of pipe assets, wastewater treatment plants, desalination plant and water filtration plants.

(b) *Retained profits*

Movements in retained profits were as follows:

Opening balance at 1 July	**271,749**	255,925
Profit for the year	**192,843**	143,207
Dividends (note 32)	**(179,360)**	(139,412)
Transfers from asset revaluation surplus	**22,594**	12,029
Adjustment on initial adoption of AASB 9	**(131)**	-
Movement in deferred tax asset (note 8c)	**39**	-
Closing balance at 30 June	307,734	271,749

(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.

29 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:

	2019 **$'000**	2018 $'000
Within one year	**334,021**	175,203
Later than one year but not later than five years	**5,207**	30,703
	339,228	205,906

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

(b) *Operating lease commitments*

	2019 **$'000**	2018 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are committed as follows:		
Within one year	**16,200**	16,002
Later than one year but not later than five years	**50,170**	58,650
Later than five years	**976**	6,776
	67,346	81,428

The operating lease commitments relate to property and motor vehicle leases.

The rentals for property leases are non-cancellable, payable monthly and reviewed annually. The annual increases are based on 3%. The Corporation has an operating lease commitment for accommodation effective from 2008-09 which expires after 15 years, and includes a right of renewal and a market rent review in year 10.

The operating lease commitment for motor vehicles is non-cancellable, rentals are paid monthly in arrears and no contingent rental provisions exist within the agreement.

(c) *Other expenditure commitments*

	2019 **$'000**	2018 $'000
Future other expenditure commitments not provided for in the financial statements are committed as follows:		
Within one year	**199,896**	153,818
Later than one year but not later than five years	**239,891**	463,109
Later than five years	**235,248**	383,237
	675,035	1,000,164

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.

29 Commitments and contingencies (continued)

(c) *Other expenditure commitments (continued)*

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

(d) *Finance leases*

	2019 $'000	2018 $'000
Commitments in relation to finance leases are payable as follows:		
Within one year	**17,584**	17,584
Later than one year but not later than five years	**39,988**	50,207
Later than five years	**6,067**	13,432
Minimum lease payments	**63,639**	81,223
Future finance charges	**(14,618)**	(21,058)
Recognised as a liability	**49,021**	60,165
Representing lease liabilities:		
Current (note 17)	**12,470**	11,144
Non-current (note 21)	**36,551**	49,021
	49,021	60,165
The present value of finance lease liabilities is as follows:		
Within one year	**12,470**	11,144
Later than one year but not later than five years	**30,934**	37,164
Later than five years	**5,617**	11,857
Minimum lease payments	**49,021**	60,165

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

(e) *Contingent rentals*

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

	2019 $'000	2018 $'000
Within one year	**5,925**	5,682
Later than one year but not later than five years	**14,286**	16,764
Later than five years	**2,332**	4,914
	22,543	27,360

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

(f) *Other contingencies*

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

30 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:

	2019	2018
	$'000	$'000
Current assets		
Cash and cash equivalents	**48**	58
Receivables	**4**	5
Total current assets	**52**	63
Non-current assets		
Infrastructure, plant and equipment	**1,507**	1,518
Total assets	**1,559**	1,581
Current liabilities		
Payables	**42**	52
Total liabilities	**42**	52
Net assets	**1,517**	1,529

31 Remuneration of auditors

	2019 $'000	2018 $'000
Audit fees paid/payable		
SA Water annual Public Finance and Audit Act audit	**441**	395
SA Water regulatory financial statements audit*	**11**	11
	452	406

* 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 no longer required. An 'Agreed Upon Procedures Report' has been determined to be the appropriate audit assurance to SA Water's Board and Management.

32 Dividends

	2019 $'000	2018 $'000
Dividend paid	**179,360**	139,412
	179,360	139,412

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.

As part of the 2017-18 State Budget, the SA Government determined that SA Water adjust its borrowings each year prior to 30 June, to maintain a debt/asset gearing ratio of 45%.

As part of 2018-19 and 2019-2020 State Budgets, it was determined that there is no specified dividend to be paid for the year ended 30 June 2018 and the year ended 30 June 2019, in recognition that SA Water 's debt/asset gearing ratio was maintained above the predetermined gearing target of 45% (refer to note 27).

As part of the 2019-20 State budget process, SA Water's payout ratio for dividend was increased from 95% to 100% in line with a State Government initiative to increase payout ratios across government owned entities. This commences for the financial year ending 30 June 2019.

33 Remuneration of employees

	Current employees 2019	Ex-Employees 2019	Current employees 2018	Ex-Employees 2018
The number of employees whose remuneration paid and payables falls within the following bands is:				
$149,000 - 151,000*	n/a	n/a	10	-
$151,001 - 171,000	65	1	68	-
$171,001 - 191,000	34	2	20	-
$191,001 - 211,000	7	2	11	3
$211,001 - 231,000	7	-	5	-
$231,001 - 251,000	-	1	3	-
$251,001 - 271,000	2	-	2	-
$271,001 - 291,000	1	1	-	-
$291,001 - 311,000	2	2	2	1
$311,001 - 331,000	1	1	1	-
$331,001 - 351,000	-	-	-	-
$351,001 - 371,000	-	1	1	-
$371,001 - 391,000	1	-	1	-
$391,001 - 411,000	1	1	-	-
$411,001 - 431,000	1	1	1	-
$431,001 - 451,000	-	-	-	-
$451,001 - 471,000	-	-	-	-
$471,001 - 491,000	-	-	-	-
$491,001 - 511,000	-	-	-	-
$511,001 - 531,000	-	-	-	-
$531,001 - 551,000	-	-	-	-
$551,001 - 571,000	-	1	1	-
$591,001 - 611,000	1	-	-	-
Total	**123**	**14**	126	4

*This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2017-18.

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 $27.1m (2018: $24.1m).

	2019 $'000	2018 $'000
Targeted voluntary separation packages (TVSPs)		
Amount paid during the reporting period to separated employees:		
TVSPs	**472**	88
Annual leave and long service leave paid to those employees	**338**	74
Net cost to SA Water	**810**	162

The number of employees who received TVSPs during the reporting period was 4 (2018: 1).

34 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 33 and 35.

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

	2019 Number of directors	2018 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	**3**	-
$40,000 - $59,999	**5**	4
$60,000 - $79,999	**1**	-
$80,000 - $99,999	**-**	1
	9	5

The total remuneration paid and payable for those Directors was $0.30m (2018: $0.27m) which includes superannuation contributions.

35 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; Ms F.A Hele; Mr I.F Stirling; and Mr R.J.G.A Cheroux

Mr Fletcher is currently a non-executive director of Justin Pty Ltd and associated companies and Rheinmetall Defence Australia Pty Ltd (Supervisory Board), director/shareholder of Andrew Fletcher and Associates Pty Ltd and associated companies, and the chair of Cryoclock Pty Ltd.

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, chair of the Spencer Gulf Ecosystem and Development Initiative, and a member of the Women's and Children's Local Health Network Transition Board. Mr Bastian was previously the chair of Techin SA.

Ms Filby is currently a facilitator for Behind Closed Doors, external chair of the SA Power Networks Customer Consultative Panel, and a volunteer at Calvary Health Care. Ms Filby was previously a member of the Australian Institute of Company Directors. During the course of the year, Ms Filby was a verification judge for the Real Estate Institute of SA and a temporary member of the SA Planning Commission Public Hearing Panels.

Ms Finlay is currently a director of Leveque Consulting Pty Ltd and director and shareholder for Leveque Investments Pty Ltd, member of the Libraries Board SA, director of St John's Ambulance Australia SA Incorporated, chair of the SA Community Care Committee of St John's Ambulance Australia SA, member of the University of Adelaide Council, and committee member for the University of Adelaide Finance and Infrastructure Committee. Ms Finlay was previously a member of the State Planning Commission.

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, member of the council for St Peters College, and director and shareholder of Hele Investments Pty Ltd. Ms Hele was previously a director of Prime Q Pty Ltd.

Mr Stirling is currently the chair and director of A Noble and Son Limited group of companies, and executive chairman of Stirling Advisory Pty Ltd whose clients previously included Ausnet Services and Hastings Funds Management. Mr Stirling was previously a director of the Adelaide Botanic Gardens Foundation, and an independent member of the Air Warfare Destroyers LT Sustainment Board (Department for Defence - DDG SPO).

Mr Cheroux holds the position of Chief Executive and director of the corporation. He is currently a director of the Water Services Association of Australia, a member of the Advisory Council of the French-Australian Chamber of Commerce (FACCI), and member of the Advisory Committee of the Australian Water Partnership. Mr Cheroux was previously a member of the French Engagement Advisory Group (SA).

35 Related party disclosures (continued)

(b) *Key management personnel*

Key management personnel compensation for the years ended 30 June 2019 and 2018 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
2019*	**17**	**3,030**	**281**	**65**	**163**	**3,539**
2018*	**13**	**2,901**	**266**	**-**	**83**	**3,250**

*Both 2019 and 2018 include an overlap of SLT 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.

36 Statement of Administered items

The Corporation was responsible for administering the Save the River Murray levy. The River Murray levy billed and collected on behalf of Government was not controlled by the Corporation. The Corporation ceased billing this levy at 1 July 2015, but continued to collect the outstanding debt billed prior to 1 July 2015. The following administered items are not recognised in the Corporation's Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows.

	2019		2018
Consolidated entity	**River Murray Levy $'000**	**Total $'000**	**Total $'000**
Administered Income			
Revenue	(5)	(5)	(3)
Total Administered Revenues	**(5)**	**(5)**	(3)
Expenses	(5)	(5)	(3)
Total Administered Expenses	**(5)**	**(5)**	(3)
Operating Surplus	-	-	-
Consolidated entity			
Current Assets			
Total Current Assets	-	-	-
Total Administered Assets	-	-	-
Current Liabilities			
Total Current Liabilities	-	-	-
Total Administered Liabilities	-	-	-
Net Assets	-	-	-

36 Statement of Administered items (continued)

	2019		2018
Consolidated entity	**River Murray Levy $'000**	**Total $'000**	**Total $'000**
Cash flows from operating activities			
Cash inflows	-	-	(3)
Total Cash Inflows	-	-	(3)
Cash outflows	-	-	45
Total Cash Outflows	-	-	45
Net cash inflow/(outflow) from operating activities	-	-	(48)
Net increase/(decrease) in cash held	-	-	(48)
Cash at the beginning of the reporting period	-	-	48
Cash at the end of the reporting period	-	-	-