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To the Chair South Australian Water Corporation

Opinion

I have audited the financial report of the South Australian Water Corporation for the financial year ended 30 June 2023.

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 2023, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2023
- a Statement of Financial Position as at 30 June 2023
- a Statement of Changes in Equity for the year ended 30 June 2023
- a Statement of Cash Flows for the year ended 30 June 2023
- notes, comprising material accounting policy information and other explanatory information
- a Certificate from the Chair, the Chief Executive and the Chief Financial Officer.

Basis for opinion

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

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

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

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

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

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 32(4) of the *Public Corporations Act 1993*, I have audited the financial report of the South Australian Water Corporation for the financial year ended 30 June 2023.

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

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

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

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

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

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



Andrew Richardson
Auditor-General

22 September 2023

**South Australian Water Corporation
Annual Financial Statements
for the year ended 30 June 2023**

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; and
 - comply with relevant Treasurer's instructions; and
 - 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 for the financial year over its financial reporting and its preparation of financial statements have been effective.


.....
Jacqueline Guerin
Chief Financial Officer


.....
David Ryan
Chief Executive


.....
Allan Holmes
Chair

Date

..... 15/9/2023

South Australian Water Corporation
Statement of comprehensive income
For the year ended 30 June 2023

	Notes	2023 \$'000	2022 \$'000
Income			
Revenue from ordinary activities	4	1,424,011	1,355,499
Other income	5	1,436	7,048
Total income		<u>1,425,447</u>	<u>1,362,547</u>
Expenses			
Depreciation and amortisation expense	6	(364,717)	(368,405)
Borrowing costs	6	(298,478)	(286,185)
Electricity expense		(71,525)	(73,475)
Services and supplies	6	(209,273)	(178,463)
Operational and service contracts		(240,029)	(232,495)
Employee benefits expense	6	(142,440)	(141,431)
Other expenses	6	(28,157)	(34,038)
Total expenses		<u>(1,354,619)</u>	<u>(1,314,492)</u>
Profit before income tax equivalents		70,828	48,055
Income tax expense	7	(18,774)	(11,742)
Profit after income tax equivalents		<u>52,054</u>	<u>36,313</u>
Other comprehensive income			
<i>Items that will not be reclassified to net result</i>			
(Loss)/gain on revaluation of infrastructure, plant and equipment assets	32(a)	(1,906,277)	(526,385)
Income tax relating to items of other comprehensive income	7(c)	579,531	148,143
Other comprehensive income for the year, net of tax		<u>(1,326,746)</u>	<u>(378,242)</u>
Total comprehensive result		<u>(1,274,692)</u>	<u>(341,929)</u>
Total comprehensive result for the year is attributable to:			
The SA Government as owner		<u>(1,274,692)</u>	<u>(341,929)</u>

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

South Australian Water Corporation
Statement of financial position
As at 30 June 2023

	Notes	2023 \$'000	2022 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	29	5,571	7,176
Receivables	8	185,120	185,708
Inventories	9	10,771	10,098
Tax receivables	20	5,951	-
Other current assets	10	17,012	17,998
Finance lease receivable	11	1,527	2,110
Total current assets		225,952	223,090
Non-current assets			
Finance lease receivable	11	-	1,469
Deferred tax assets	12	95,455	88,953
Intangible assets	13	137,640	151,982
Infrastructure, plant and equipment	14	11,653,228	13,332,529
Right-of-use assets	16	151,945	166,858
Other non-current assets	17	2,391	1,226
Total non-current assets		12,040,659	13,743,017
Total assets		12,266,611	13,966,107
LIABILITIES			
Current liabilities			
Payables	18	208,955	185,712
Financial liabilities/borrowings	19	62,982	49,554
Tax liabilities	20	-	4,341
Provisions	21	36,629	35,590
Other financial liabilities	22	289	-
Other current liabilities	23	35,975	27,302
Total current liabilities		344,830	302,499
Non-current liabilities			
Payables	24	1,863	2,478
Financial liabilities/borrowings	25	7,386,612	7,272,622
Deferred tax liabilities	26	768,135	1,296,722
Provisions	27	30,204	34,651
Other non-current liabilities	28	316,378	325,675
Total non-current liabilities		8,503,192	8,932,148
Total liabilities		8,848,022	9,234,647
Net assets		3,418,589	4,731,460
EQUITY			
Contributed equity		249,792	238,147
Asset revaluation surplus	32(a)	2,868,715	4,207,847
Retained earnings	32(b)	300,082	285,466
Total equity		3,418,589	4,731,460

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 2023

Notes	Contributed equity \$'000	Asset revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2022	238,147	4,207,847	285,466	4,731,460
Deferred income tax finance lease	-	-	(526)	(526)
Restated total equity at the beginning of the financial year	238,147	4,207,847	284,940	4,730,934
Profit for the year	-	-	52,054	52,054
Transfer to retained profits on (disposal)/transfer from asset revaluation surplus	-	(12,912)	12,912	-
Income tax relating to components of other comprehensive income	-	572,400	-	572,400
Income tax relating to non-assessable income from prior year	-	7,657	-	7,657
Gain/(loss) on revaluation on infrastructure, plant and equipment assets	-	(1,906,277)	-	(1,906,277)
Total comprehensive result for the period	-	(1,339,132)	64,966	(1,274,166)
Transactions with the SA Government in their capacity as owners:				
Contributions of equity*	12,255	-	-	12,255
Transfer of Crown land**	(610)	-	-	(610)
Dividends provided for or paid	-	-	(49,824)	(49,824)
	11,645	-	(49,824)	(38,179)
Balance at 30 June 2023	249,792	2,868,715	300,082	3,418,589

*In 2022/23, SA Water received the following contributions of equity;

- \$2.60m from the SA Government to partially fund the opening of South Australian reservoirs for recreational use;
- \$4.269m to partially fund key works completed for the Kangaroo Island Desalination Plant;
- \$0.486m was received to fund completion of the Angle Vale Super School Augmentation project;
- \$4.90m was received for the construction of a new Wastewater Treatment Plant and pipeline for Thomas Foods International.

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

**SA Water transferred parcels of land at Hindmarsh Tiers to the SA Government under the Crown Land Management Act 2009 (CLMA 2009). This land had been dedicated by the Minister for Environment and Water to SA Water, pursuant to legislative powers vested to the Minister under section 18 of this Act. Upon revocation of dedication under section 19 of the Act the land has reverted to the Minister and is accounted for as a redemption of ownership interest in SA Water.

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

South Australian Water Corporation
Statement of changes in equity
For the year ended 30 June 2023
(continued)

Notes	Contributed equity \$'000	Asset revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2021	224,319	4,597,921	267,203	5,089,443
Deferred income tax finance lease	-	-	(2,412)	(2,412)
Restated total equity at the beginning of the financial year	224,319	4,597,921	264,791	5,087,031
Profit for the year	-	-	36,313	36,313
Transfer to retained profits on (disposal)/transfer from asset revaluation surplus	-	(14,244)	14,244	-
Income tax relating to components of other comprehensive income	-	150,555	-	150,555
Gain/(loss) on revaluation on infrastructure, plant and equipment assets	-	(526,385)	-	(526,385)
Total comprehensive result for the period	-	(390,074)	50,557	(339,517)
Transactions with the SA Government in their capacity as owners:				
Contributions of equity*	17,627	-	-	17,627
Transfer of Crown land**	(3,799)	-	-	(3,799)
Dividends provided for or paid	-	-	(29,882)	(29,882)
	13,828	-	(29,882)	(16,054)
Balance at 30 June 2022	238,147	4,207,847	285,466	4,731,460

*In 2021/22, SA Water received the following contributions of equity;

- \$2.471m from the SA Government to partially fund the opening of South Australian reservoirs for recreational use;
- \$13.243m to partially fund key works completed for the Kangaroo Island Desalination Plant;
- \$1.205m was received to fund completion of the Angle Vale Super School Augmentation project;
- \$0.708m was received from the Government Building Energy Fund to support the Glenelg Wastewater Treatment Plant Trade Waste Storage System and Energy Demand Management Phase 2 projects.

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

**SA Water transferred parcels of land at Beetaloo Reservoir to the SA Government under the Crown Land Management Act 2009 (CLMA 2009). This land had been dedicated by the Minister for Environment and Water to SA Water, pursuant to legislative powers vested to the Minister under section 18 of this Act. Upon revocation of dedication under section 19 of the Act the land has reverted to the Minister and is accounted for as a redemption of ownership interest in SA Water.

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 2023

	2023	2022
Notes	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	1,347,282	1,276,511
Payments to suppliers and employees	(758,934)	(743,706)
Interest received	181	117
Receipts from community service obligations	141,057	138,837
Receipts from contributions	14,061	14,839
Receipts from government grants	2,135	1,767
Borrowing costs paid	(299,774)	(286,054)
Income tax equivalents paid	(17,736)	(29,979)
Income tax equivalents refunded	33,103	-
Net cash inflow from operating activities	30 461,375	372,332
Cash flows from investing activities		
Payments for construction and purchase of infrastructure, plant and equipment	(533,776)	(442,532)
Payments for intangible assets	(22,297)	(20,442)
Payment for acquisition of interest in Joint Operation	(1,260)	-
Proceeds from sale of infrastructure, plant and equipment	5,900	8,006
Proceeds from sale of renewable energy certificates	3,674	-
Net cash (outflow) from investing activities	(547,759)	(454,968)
Cash flows from financing activities		
Proceeds from borrowings	1,063,200	783,100
Repayment of borrowings	(921,274)	(667,200)
Proceeds from equity contributions	12,255	17,627
Dividends paid	36 (49,824)	(29,882)
Repayments of finance lease liability	(19,578)	(17,703)
Net cash inflow from financing activities	84,779	85,942
Net (decrease)/increase in cash and cash equivalents	(1,605)	3,306
Cash and cash equivalents at the beginning of the financial year	7,176	3,870
Cash and cash equivalents at end of period	29 5,571	7,176

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

1 Summary of significant accounting policies

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

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

(a) Basis of preparation

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

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

The Corporation's statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for infrastructure, plant and equipment, derivative financial instruments and renewable energy certificates which are measured on a fair value basis in accordance with the valuation policy applicable.

Changes in accounting policy

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

Comparative information

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

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

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

Rounding

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

(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.

1 Summary of significant accounting policies (continued)

(b) Taxes (continued)

Income tax equivalents (continued)

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

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

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

Land tax and council rate equivalents

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

Goods and services tax

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

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

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables in the statement of financial position.

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

(c) New accounting standards and interpretations not yet effective

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 2023.

SA Water has not yet quantified the impact of adopting the new and amended standards and the resulting impact on the financial statements of the Corporation.

2 Financial risk management

(a) Market risk

(i) Interest rate risk exposures - financial liabilities

The Corporation's financial liabilities are exposed to interest rate risk. The Corporation constantly analyses its interest rate exposure and consideration is given to potential renewals of existing positions and the use of alternative risk mitigation strategies. To minimise interest rate volatility, the Corporation enters into forward starting loans (FSLs) with the South Australian Financing Authority (SAFA) where it agrees to borrow specified amounts in the future at a pre-determined interest rate. FSLs are non-derivative financial instruments which are outside the scope of AASB 9, and are disclosed as unrecognised fixed rate loan commitments. Refer note 2c.

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

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance date, assuming all other variables are held constant. The movements in post-tax profit and equity for the year are due to higher/lower interest costs from floating rate debt and cash balances. The movement in interest expense is estimated by applying the interest rate movement to the balance of floating rate debt and cash balances outstanding at balance date. There is no exposure to interest rate risk for fixed rate debt at balance date, so it is excluded from the sensitivity analysis.

At 30 June 2023 it has been assumed that a reasonable possible shift in interest rates over the next reporting period could be 0.75% upwards and -0.75% downwards.

	Carrying amount \$'000	Interest rate risk			
		-0.75%		+0.75%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
30 June 2023					
Financial assets					
Cash and cash equivalents	5,571	(29)	(29)	29	29
Financial liabilities					
Short term borrowings	(42,700)	224	224	(224)	(224)
Total increase/(decrease)		195	195	(195)	(195)

	Carrying amount \$'000	Interest rate risk			
		-1.0%		+1.5%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
30 June 2022					
Financial assets					
Cash and cash equivalents	7,176	(50)	(50)	75	75
Financial liabilities					
Short term borrowings	(30,774)	215	215	(323)	(323)
Total increase/(decrease)		165	165	(248)	(248)

2 Financial risk management (continued)

(a) Market risk (continued)

(iii) Electricity price risk exposures

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

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

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

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

Permitted electricity derivatives include exchange traded futures and electricity swaps.

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

The following sensitivity analysis is based on electricity price risk exposures in existence at 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 electricity costs associated with electricity purchased at a floating market price.

It has been assumed that a reasonable possible change in the relevant forward prices for wholesale electricity prices over the next reporting period could be 10% upwards and 10% downwards. Sensitivity of 10% is based on industry standards and historical volatilities in the electricity pool prices.

	Carrying amount \$'000	Electricity price risk			
		-10%		+10%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
30 June 2023					
Financial liabilities					
Derivative financial instrument - Electricity swaps	(289)	(20)	(20)	20	20
Total increase/(decrease)		(20)	(20)	20	20

(b) Credit risk

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

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

Under the South Australian Water Corporation Act 1994, 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.

2 Financial risk management (continued)

(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 2021 and approved by the Treasurer on 28 February 2022. 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 monitored on a daily basis.

Contractual maturities

The table below analyses the Corporation's financial liabilities as at the reporting date based on the remaining period 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 2023	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
Derivatives					
Electricity swaps	289	-	-	-	289
Total derivatives	289	-	-	-	289
Non-derivatives					
Non-interest bearing liabilities*	136,017	-	-	-	136,017
Fixed rate borrowings	319,021	1,753,579	3,018,557	2,611,132	7,702,289
Floating rate borrowings	42,937	-	-	-	42,937
Unrecognised fixed rate loan commitments**	20,965	41,053	123,176	956,009	1,141,203
Lease liabilities	25,122	19,753	27,544	67,521	139,940
Total non-derivatives	544,062	1,814,385	3,169,277	3,634,662	9,162,386

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

**For 30 June 2023, the principal component relating to FSLs that were refinanced prior to reporting date have been excluded from the less than 1 year category, and included in the over 5 years category in which the FSLs will mature.

2 Financial risk management (continued)

(c) *Liquidity risk (continued)*

	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
At 30 June 2022					
Non-derivatives					
Non-interest bearing liabilities*	115,423	-	-	-	115,423
Fixed rate borrowings	622,645	1,038,076	2,821,587	3,886,882	8,369,190
Floating rate borrowings	30,834	-	-	-	30,834
Unrecognised fixed rate loan commitments**	296	4,672	14,010	109,342	128,320
Lease liabilities	24,703	23,200	34,662	77,529	160,094
Total non-derivatives	793,901	1,065,948	2,870,259	4,073,753	8,803,861

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

**For 30 June 2022, the principal component relating to a FSL that was refinanced prior to reporting date has been excluded from the less than 1 year category, and included in the over 5 years category in which the FSL will mature.

2 Financial risk management (continued)

(d) Fair value measurements

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

(i) Fair value of financial liabilities

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

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

	Carrying amount \$'000	2023 Fair value \$'000	Carrying amount \$'000	2022 Fair value \$'000
Long term borrowings (note 25)	7,289,000	6,805,622	7,159,000	6,736,814

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

3 Accounting estimates and judgements

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

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

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

- Contributed assets (refer note 4);
- Renewable energy certificates (refer note 10);
- Configuration or customisation in a cloud computing environment (refer note 13);
- Asset valuation methodology and useful lives of assets (refer note 14);
- Impairment of assets (refer note 14);
- Unbilled water sales (refer note 4);
- Provision for long service leave (refer note 27); and
- Provision for workers compensation (refer note 21 & 27).

4 Revenue from ordinary activities

	2023 \$'000	2022 \$'000
Revenue from contracts with customers		
Water and sewer rates and charges	1,087,901	1,061,441
Recoverable works	81,159	52,909
Fees and charges	63,449	54,385
Contributed assets	41,762	40,215
	1,274,271	1,208,950
Other revenue		
Community service obligations	136,371	133,511
Government grants	10,689	10,676
Rents	2,420	2,151
Miscellaneous	62	91
Interest	152	38
Interest - finance leases	46	82
	149,740	146,549
Total	1,424,011	1,355,499

Water and sewer rates and charges

SA Water sets its water and sewerage 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 to achieve 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 sewerage charges is comprised of the following:

Water usage charge

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

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

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

4 Revenue from ordinary activities (continued)

Water and sewer rates and charges (continued)

Water access charge

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

Revenue is recognised over time as customers require access to their water service connection.

Sewerage access charge

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

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

Sewerage charges are updated every year on the basis of the latest Valuer-General property values. The number of cents charged per \$1,000 of property value is varied to ensure alignment with the regulatory revenue allowance. Therefore, SA Water does not incur revenue gains or losses from changes in property values.

Community service obligations (CSOs)

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

4 Revenue from ordinary activities (continued)

Contributed assets

Contributed assets principally arise from:

(i) Mains extensions contributions:

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

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

(ii) Gifted assets:

Developers who make contributions where water and sewer infrastructures are constructed by developers and transferred to SA Water for nil value. This contribution is recognised at the fair value of these assets which is estimated using the depreciated modern equivalent replacement cost. Contributed asset revenue is 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.

(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 overarching infrastructure required to serve the total area to be developed.

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

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

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

Recoverable works

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

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

4 Revenue from ordinary activities (continued)

Fees and charges

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

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

Government grants

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

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

Disaggregation of revenue from contracts with customers

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

30 June 2023	Water \$'000	Wastewater \$'000	Total \$'000
Revenue from contracts with customers			
Water and sewer rates and charges	746,325	341,576	1,087,901
Recoverable works	71,105	10,054	81,159
Fees and charges	38,731	24,718	63,449
Contributed assets	18,444	23,318	41,762
Total revenue from contracts with customers	874,605	399,666	1,274,271
30 June 2022	Water \$'000	Wastewater \$'000	Total \$'000
Revenue from contracts with customers			
Water and sewer rates and charges	734,847	326,594	1,061,441
Recoverable works	49,620	3,289	52,909
Fees and charges	29,749	24,636	54,385
Contributed assets	20,222	19,993	40,215
Total revenue from contracts with customers	834,438	374,512	1,208,950

5 Other income

	2023	2022
	\$'000	\$'000
Net gain on disposal of infrastructure, plant and equipment	914	4,926
Gain on derecognition of right-of-use asset*	22	-
Reversal of prior year infrastructure, plant and equipment revaluation decrement**	500	2,122
Total	1,436	7,048

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

* During the 2023 financial year a sublease was entered into which resulted in a gain being recognised on derecognition of that portion of the building that had been recognised as a right-of-use asset.

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

6 Expenses

	Notes	2023 \$'000	2022 \$'000
Depreciation and amortisation			
Infrastructure, plant and equipment	14	321,643	327,245
Intangible assets	13	23,147	26,011
Right-of-use assets	16	19,927	15,149
Total depreciation and amortisation		364,717	368,405
Borrowing costs			
Interest paid/payable on short term and long term borrowings		292,136	278,836
Interest expense on lease liabilities		6,342	7,349
Total borrowing costs		298,478	286,185
Services & supplies			
Consultancy costs		214	531
Cost of goods sold		31,169	33,214
External fees and charges		56,925	55,374
Licences		32,345	21,899
Materials and chemicals		35,043	22,152
Other services and supplies		52,420	44,110
Short-term leases		1,157	1,183
Total services & supplies		209,273	178,463
Employee benefits			
Salaries and wages		111,194	106,236
Long service leave		3,337	2,696
Annual leave		11,301	14,436
Workers compensation		281	442
Superannuation contribution		16,327	17,621
Total employee benefits		142,440	141,431
Other expenses			
Net bad and doubtful debts		299	(7)
Write-off in value of infrastructure, plant and capital WIP		2,871	6,495
Infrastructure, plant and equipment revaluation decrement		24,698	27,550
Net loss from electricity derivatives at fair value through P&L		289	-
Total other expenses		28,157	34,038
Consultancy costs			
Less than \$10,000 (Number 2023: #0; 2022: #2)		-	12
\$10,000 and above (Number 2023: #5; 2022: #5)		214	519
		214	531

6 Expenses (continued)

Superannuation

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

Depreciation

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

<u>Class of assets</u>	<u>Useful life (years)</u>
- Water and sewer	7 - 170 years
- Renewable energy assets	4 - 25 years
- Right-of-use infrastructure assets	20 - 50 years
- Buildings	50 years
- Plant and equipment	3 - 15 years
- Other	2 - 50 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 AASB 123 *Borrowing Costs*, borrowing costs attributable to the acquisition or construction of infrastructure, plant and equipment are capitalised after considering materiality. The Corporation has not capitalised borrowing costs in the year as the proportion related to the acquisition and construction of infrastructure was assessed as not material.

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

Derivatives

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

6 Expenses (continued)

Derivatives (continued)

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.

Leases

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

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

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

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

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

Short term and low-value leases

In accordance with AASB 16 Leases and Treasurer's Instructions (Accounting Policy Statements) the Corporation must apply the recognition exemption for short-term leases and leases for which the underlying asset is of low value. The recognition exemption for short-term leases is applied by class of underlying asset to which the right-of-use relates. In accordance with AASB 16 a short-term lease is a lease that, at the commencement date, has a lease term of 12 months or less. The recognition exemption of low-value assets has been applied where the underlying asset value is less than \$15,000. In accordance with AASB 16 the lease payments associated with these types of leases are recognised as an expense over the term of the lease.

7 Income tax expense

(a) *Income tax expense*

	2023	2022
	\$'000	\$'000
Current tax on profits for the year	6,262	32,181
Deferred tax	12,508	(20,384)
Amounts under/(over) provided in prior years	4	(55)
	18,774	11,742

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

Increase in deferred tax assets (note 12)	(4,923)	(3,384)
Increase/(decrease) in deferred tax liabilities (note 26)	17,432	(17,000)
	12,509	(20,384)

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

	2023	2022
	\$'000	\$'000
Profit from continuing operations before income tax expense	70,828	48,055
Tax at the Australian tax rate of 30.0% (2022: 30.0%)	21,248	14,417
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
ADP intangible asset amortisation	510	510
Government grants	(2,619)	(2,619)
Provision for employee benefits	(70)	(104)
Gain on sale of land	(299)	(407)
	18,770	11,797
Amounts under/(over) provided in prior years	4	(55)
Income tax expense	18,774	11,742

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

	2023	2022
	\$'000	\$'000
Loss on revaluation of infrastructure, plant and equipment (note 26 & 12)	(572,400)	(150,555)
Non-assessable income from prior year	(7,657)	-
Leased infrastructure assets (note 26)	526	2,412
	(579,531)	(148,143)

8 Current assets - Trade and other receivables

	2023 \$'000	2022 \$'000
<u>Receivables</u>		
Rates receivable (water and sewer)	121,536	131,061
Sundry debtors*	44,859	36,485
Impairment loss on receivables (note 8(a))	(174)	(119)
	166,221	167,427
<u>Other receivables</u>		
Community service obligations	18,899	18,281
	185,120	185,708

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

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

(a) Impaired trade receivables

The Corporation recognises an allowance for impairment loss on receivables 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 impairment loss on receivables 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 or the Corporation is 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 impairment loss on receivables are as follows:

	2023 \$'000	2022 \$'000
Opening balance at 1 July	119	137
Increase in the allowance	76	30
Amounts written off	(244)	(11)
Amounts reversed	223	(37)
Closing balance at 30 June	174	119

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

8 Current assets - Trade and other receivables (continued)

(a) *Impaired trade receivables (continued)*

	2023	2022
	\$'000	\$'000
At 30 June the ageing of rates receivable is as follows:		
Not past due	89,451	88,823
Past due 22 - 60 days	14,500	20,158
Past due 61 - 90 days	2,688	3,153
Past due 91 - 120 days	870	865
Past due > 120 days	14,027	18,062
	121,536	131,061
	2023	2022
	\$'000	\$'000

At 30 June the ageing of sundry debtors is as follows:

Not past due	39,875	32,392
Past due 31 - 60 days	4,461	3,274
Past due 61 - 90 days	184	363
Past due 91 - 120 days	16	187
Past due > 120 days	323	269
	44,859	36,485

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

(b) *Fair value and credit risk*

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

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

9 Current assets - Inventories

	2023	2022
	\$'000	\$'000
Raw materials and stores	10,840	10,155
Allowance for obsolete stock	(215)	(377)
Work in progress	146	320
	10,771	10,098

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

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

10 Current assets - Other current assets

	2023 \$'000	2022 \$'000
Interest receivable	25	7
Prepayments	13,822	15,152
Renewable Energy Certificates*	3,148	2,723
Australian carbon credits	17	116
	<u>17,012</u>	<u>17,998</u>

*SA Water generates and purchases Renewable Energy Certificates (RECs) from renewable sources such as solar, biogas and hydro, to meet legislated obligations in relation to Australia's Renewable Energy Target scheme. Unused RECs accumulated as at 30 June are recorded at their fair value and are expected to be utilised in satisfying the Corporation's future Renewable Energy target obligations or sold where surplus RECs have been created.

11 Finance lease receivable

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

	2023 \$'000	2022 \$'000
Undiscounted finance lease payments receivable		
Less than 1 year	1,536	2,155
Between 1 and 2 years	-	1,476
Total undiscounted finance payments receivable	<u>1,536</u>	<u>3,631</u>
Less unearned finance income	(9)	(52)
Total finance lease receivables	<u>1,527</u>	<u>3,579</u>
Current finance lease receivable	1,527	2,110
Non-current finance lease receivable	-	1,469
Total finance lease receivable	<u>1,527</u>	<u>3,579</u>

The Corporation subleases two floors of its office building located in Adelaide CBD. One floor is subleased to the South Australian Tourism Commission and another floor to the Department for Trade, Tourism and Investment. The remaining term of each of the subleases is 0.75 years, which aligns to the head lease. The subleases are classified as a finance lease. The payments received for the subleases are allocated between a reduction in the lease receivable and interest received.

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

12 Non-current assets - Deferred tax assets

	Notes	2023 \$'000	2022 \$'000
The balance comprises temporary differences attributable to:			
Doubtful debts		13	(4)
Obsolete stock		65	113
Infrastructure, plant and equipment		28,947	22,170
Pooled assets		60	72
Payables		1,759	1,504
Audit fee payable		150	146
Government grants		10,435	10,598
Employee benefits		12,856	14,115
Deferred lease incentives		173	173
Lease liability - right-of-use assets		(11,146)	(8,333)
Unearned customer contributions		59	(390)
Unearned income		4,917	3,160
Provision for asset disposal		5,537	5,114
Provision for workers compensation		171	189
Derivative financial instruments		87	-
		54,083	48,627
 <i>Amounts recognised directly in equity:</i>			
Unearned customer contributions		2,335	2,335
Revaluation of Infrastructure, plant and equipment	32	(290)	(342)
Lease liability - Initial adoption of AASB 16		36,236	36,236
Leased infrastructure assets		(1,061)	(1,061)
Lease make good provision		494	494
Deferred lease incentives		(173)	(173)
Doubtful debts - Initial adoption of AASB 9		39	39
		37,580	37,528
 <i>Recognition of leases - AASB 16</i>			
Recognition of new leases		3,785	2,798
Lease liability remeasurement		7	-
		3,792	2,798
 Total deferred tax assets		 95,455	 88,953
		2023	2022
		\$'000	\$'000
Movements:			
Opening balance at 1 July		88,953	84,658
Charged to the statement of comprehensive income (note 7(a))		4,923	3,384
Charged to equity (note 32(a))		52	63
Recognition of new leases - AASB 16		988	848
Lease liability remeasurement		7	-
Amounts under provided in prior years		532	-
Closing balance at 30 June		95,455	88,953
 Deferred tax assets expected to be recovered within 12 months			
		21,773	18,668
Deferred tax assets expected to be recovered after more than 12 months		73,682	70,285
		95,455	88,953

13 Non-current assets - Intangible assets

	Easements \$'000	Prescription rights \$'000	Computer software \$'000	ADP intangible \$'000	Purchased water rights \$'000	Total \$'000
Year ended 30 June 2023						
Opening net book amount	6,647	4,500	46,903	52,773	41,159	151,982
Additions	90	-	8,715	-	-	8,805
Amortisation charge	-	-	(21,447)	(1,700)	-	(23,147)
Closing net book amount	6,737	4,500	34,171	51,073	41,159	137,640
At 30 June 2023						
Cost	6,737	4,500	298,435	70,982	41,159	421,813
Accumulated amortisation	-	-	(264,264)	(19,909)	-	(284,173)
Net book amount	6,737	4,500	34,171	51,073	41,159	137,640

13 Non-current assets - Intangible assets (continued)

	Easements \$'000	Prescription rights \$'000	Computer Software \$'000	ADP Intangible \$'000	Purchased water rights \$'000	Total \$'000
Year ended 30 June 2022						
Opening net book amount	6,647	4,500	64,593	54,473	41,159	171,372
Additions	-	-	6,621	-	-	6,621
Amortisation charge	-	-	(24,311)	(1,700)	-	(26,011)
Closing net book amount	6,647	4,500	46,903	52,773	41,159	151,982
At 30 June 2022						
Cost	6,647	4,500	289,720	70,982	41,159	413,008
Accumulated amortisation	-	-	(242,817)	(18,209)	-	(261,026)
Net book amount	6,647	4,500	46,903	52,773	41,159	151,982

13 Non-current assets - Intangible assets (continued)

Issued water licences

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

The Corporation has concluded that a reliable estimate of the fair value of these water licences cannot be determined because there are no active markets for the rights endorsed on the licences. As there is no active market, these licences have not been recognised in the Corporation's Statement of Financial Position.

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

Rights other than those relating to the River Murray are:

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

Purchased water rights

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

During normal River Murray flow conditions the South Australian purchased River Murray licences must be held to meet the requirements of the Section 6 direction of the Public Corporation Act 1993. This direction was gazetted on 11 June 2020 and requires that;

"SA Water must provide the full environmental watering volume required in eligible years under clause S-IV(ii) of Schedule 1 of the Implementation Plan for Augmentation of the Adelaide Desalination Plant (100 gigalitres per annum), National Partnership Agreement on Water for the Future (up to 12 gigalitres), prior to trading to third parties any unused allocations obtained on account of water access entitlements on its South Australian River Murray licences."

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.

13 Non-current assets - Intangible assets (continued)

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.

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Corporation with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are generally recognised as operating expenses when the services are received.

Where some of the costs incurred are for the development of software code that enhances, modifies or creates additional capability to existing on-premise systems and meets the recognition criteria for an intangible asset, these costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis.

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.

14 Non-current assets - Infrastructure, plant and equipment

	Work in progress Water & Sewerage	Work in progress Renewable energy \$'000	Land \$'000	Renewable energy \$'000	Plant and equipment \$'000	System infrastructure assets \$'000	Other property, plant and equipment \$'000	Total \$'000
Year ended 30 June 2023								
Opening net book amount	658,900	87,955	377,266	219,191	29,641	11,887,523	72,053	13,332,529
Additions*	558,371	3,555	1,673	85,740	6,035	327,362	6,553	989,289
Transfers	(316,497)	(91,510)	-	-	-	-	-	(408,007)
Depreciation charge	-	-	-	(10,252)	(3,834)	(287,379)	(20,178)	(321,643)
Asset write-down	(2,871)	-	-	-	-	-	-	(2,871)
Disposals	-	-	(5,145)	-	(450)	-	-	(5,595)
Revaluation increase/(decrease)	-	-	5,111	(22,100)	-	(1,913,485)	-	(1,930,474)
Closing net book amount	897,903	-	378,905	272,579	31,392	10,014,021	58,428	11,653,228
At 30 June 2023								
Cost or fair value	897,903	-	378,905	288,130	72,307	18,095,895	379,462	20,112,602
Accumulated depreciation	-	-	-	(15,551)	(40,915)	(8,081,874)	(321,034)	(8,459,374)
Net book amount	897,903	-	378,905	272,579	31,392	10,014,021	58,428	11,653,228

*Additions include transfers from work in progress.

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

	Work in progress Water & Sewerage \$'000	Work in progress Renewable energy \$'000	Land \$'000	Renewable energy \$'000	Plant and equipment \$'000	System Infrastructure assets \$'000	Other property, plant and equipment \$'000	Total \$'000
Year ended 30 June 2022								
Opening net book amount	457,471	191,838	405,059	139,815	25,898	12,433,441	89,235	13,742,757
Additions*	452,326	11,111	-	105,163	7,583	254,768	2,871	833,822
Transfers	(246,061)	(105,639)	-	-	-	-	-	(351,700)
Depreciation charge	-	-	-	(6,542)	(3,566)	(297,084)	(20,053)	(327,245)
Asset write-down	(4,836)	(1,659)	-	-	-	-	-	(6,495)
Disposals	-	-	(6,523)	-	(274)	-	-	(6,797)
Revaluation decrease	-	(7,696)	(21,270)	(19,245)	-	(503,602)	-	(551,813)
Closing net book amount	658,900	87,955	377,266	219,191	29,641	11,887,523	72,053	13,332,529
At 30 June 2022								
Cost or fair value	658,900	87,955	377,266	225,750	68,470	21,285,405	372,909	23,076,655
Accumulated depreciation	-	-	-	(6,559)	(38,829)	(9,397,882)	(300,856)	(9,744,126)
Net book amount	658,900	87,955	377,266	219,191	29,641	11,887,523	72,053	13,332,529

*Additions include transfers from work in progress.

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

Infrastructure, plant and equipment

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

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

	Land \$'000	Renewable energy assets \$'000	System infrastructure assets \$'000	Other property, plant and equipment \$'000	Total \$'000
Revalued assets based on cost model					
Cost	56,942	356,875	8,856,224	304,137	9,574,178
Accumulated depreciation	-	(18,976)	(3,126,786)	(252,299)	(3,398,061)
At 30 June 2023 net carrying amount	56,942	337,899	5,729,438	51,838	6,176,117

Revalued assets based on cost model

Cost	52,816	253,389	8,563,062	297,600	9,166,867
Accumulated depreciation	-	(7,508)	(2,960,994)	(233,861)	(3,202,363)
At 30 June 2022 net carrying amount	52,816	245,881	5,602,068	63,739	5,964,504

Acquisition

Items of infrastructure, plant and equipment are initially recorded at cost in accordance with AASB 116 *Property, Plant and Equipment*, and are depreciated as outlined above in expenses (note 6). Assets acquired under BOOT agreements are brought to account when commissioned as right-of-use assets, ownership is transferred to SA Water once the lease expires.

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

Valuations

The Corporation has adopted the revaluation method for measuring and reporting infrastructure assets and renewable energy assets in the statement of financial position in accordance with AASB 13 *Fair Value Measurement* and AASB 116 *Property, Plant and Equipment*. Refer note 15 for disclosures regarding fair value level hierarchy.

The application of the income approach means the assets are valued using a discounted cash flow methodology which is based on the discounted value of the future cash flows expected to be generated from the use of SA Water's assets under the environment in which the Corporation operates as a for profit entity. Future cashflows generated from the use of these assets are considered the primary factor that a market participant would consider when pricing these assets. An independent valuation was performed in June 2023 by KPMG Financial Advisory Services (Australia) Pty Ltd and was used to complete the valuation.

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

System infrastructure assets

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

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

Infrastructure, plant and equipment (continued) System infrastructure assets (continued)

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

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

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

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

Renewable energy assets

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

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

Land

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

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

Plant and equipment

Includes operating plant and machinery, vehicles and office equipment. These are valued at cost which is deemed to be fair value.

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

Other property, plant and equipment

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

Until 2018/19 assets in this class were recognised at fair value under the cost approach using a directors valuation based on the Producer Price Index for 'Road and Bridge Construction in South Australia' (ABS Index 3101). Assets acquired since then are valued at cost which is deemed to be fair value.

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

Infrastructure, plant and equipment (continued)

Work in progress

Work in progress (WIP) is split out between the Corporation's water and sewer cash generating unit (CGU) and the renewable energy CGU. The CGUs include their respective capital projects that are currently under construction.

The Corporation's water and sewerage CGU WIP is recognised at cost which is deemed to be fair value at 30 June 2023.

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

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

Infrastructure, plant and equipment (continued)
Fair value model

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

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

Input	Impact on fair value measurement	For 30 June 2023 (W&S CGU)	For 30 June 2023 (ZCEF CGU)
Discount rate	Asset value would increase as the discount rate decreases.	Nominal post-tax Weighted Average Cost of Capital (WACC) of 4.60% (2022: 4.52%).	Nominal post-tax Weighted Average Cost of Capital (WACC) of 5.24% (2022: 4.97%).
Perpetual growth rate	Asset value would increase as the perpetual growth rate increases.	2.50%	N/A
CPI rate	Asset value would increase as CPI increases.	2023/24 is based on the 2023/24 State Budget Outcome approved CPI increase. 2024/25 and 2025/26 is based upon RBA inflation forecast and 2026/27 onwards utilises a glide path to a long term rate of 2.50%	2023/24 is based on the 2023/24 State Budget Outcome approved CPI increase. 2024/25 and 2025/26 is based upon RBA inflation forecast and 2026/27 onwards utilises a glide path to a long term rate of 2.50%
Period of discounting	Asset value would increase as period of discounting increases.	5 years (with an estimate of terminal value).	28 years (with a defined future point of 2051, in line with the cash-flow period for ZCEF)
Cash inflows:			
Service and usage revenue	Asset value would increase if future revenue increases.	Estimates of future revenues were based the SA Water Regulatory Determination 2020 and expected revenue over succeeding regulatory periods.	N/A
Other non-regulated revenue	Asset value would increase if non-regulated revenue increases.	Non-regulated revenue is based on forward estimates. Investment and interest income is excluded.	Revenue is based on independently modelled electricity market and renewable energy certificate pricing estimates applied to generation profiles and capacities of respective assets.
Cash outflows:			
Operating expenditure	Asset value would increase as operating expenditure decreases.	Operating expenditure is based on the 2023/24 State Budget Outcome and estimates of non-regulated expenditure.	Operating expenditure is based on the operating estimates and maintenance profiles of the ZCEF assets.
Capital expenditure	Asset value would increase as capital expenditure decreases.	Capital expenditure based on the 2023/24 State Budget Outcome and estimates of non-regulated Capital expenditure.	Capital expenditure is based on final state budget forward estimates.

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

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

Sensitivity analysis (W&S)

(i) Discount rate	Rate applied %	If higher +0.1%	If lower -0.1%
Nominal post-tax rate	4.60%	4.70%	4.50%
Calculated fair value of infrastructure, plant and equipment ('\$000)	\$11,670,200	\$11,122,050	\$12,272,500
Resulting change ('\$000)		(\$548,150)	\$602,300

(ii) Perpetual nominal growth rate	Rate applied %	If higher +0.1%	If lower -0.1%
Nominal Post tax rate	2.50%	2.60%	2.40%
Calculated fair value of infrastructure, plant and equipment ('\$000)	\$11,670,200	\$12,239,250	\$11,152,800
Resulting change ('\$000)		\$569,050	(\$517,400)

(iii) Sustainable Capital Expenditure	Value applied \$	If higher \$10.0m	If lower \$10.0m
Nominal post-tax value	\$407.4m	\$417.4m	\$397.4m
Calculated fair value of infrastructure, plant and equipment ('\$000)	\$11,670,200	\$11,271,600	\$12,068,700
Resulting change ('\$000)		(\$398,600)	\$398,500

Sensitivity analysis (ZCEF)

(i) Discount rate	Rate applied %	If higher +0.1%	If lower -0.1%
Nominal post-tax rate	5.24%	5.34%	5.14%
Calculated fair value of renewable energy assets ('\$000)	\$272,600	\$270,100	\$275,300
Resulting change ('\$000)		(\$2,500)	\$2,700

(ii) Forecast revenue	Value applied \$	If higher 10% p.a	If lower 10% p.a
Nominal post-tax rate	Varying p.a.		
Calculated fair value of renewable energy assets ('\$000)	\$272,600	\$299,415	\$245,840
Resulting change ('\$000)		\$26,815	(\$26,760)

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

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

Infrastructure, plant and equipment (continued) Impairment of assets

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

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

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

For the year ending 30 June 2023, SA Water has undertaken a discounted cashflow asset valuation to determine fair value using current market data to inform assumptions. There are no further indications, for either the water and wastewater CGU or the renewable energy CGU, that the carrying value is not reflective of fair value or would constitute an impairment indicator against the fair value measurement.

15 Fair value measurements

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

- Other financial liabilities (note 22);
- Land (note 14);
- System infrastructure assets (note 14);
- Plant and equipment (note 14);
- Other property, plant and equipment (note 14); and
- Renewable energy (note 14).

(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 financial liabilities and non-financial assets measured and recognised at fair value at 30 June 2023.

(i) Recognised fair value measurements

30 June 2023	Notes	2023 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurements					
Financial liabilities					
Electricity Swap		289	289	-	-
Total financial liabilities		289	289	-	-
Non-financial assets					
	14				
Land		378,905	-	378,905	-
System infrastructure assets		10,014,021	-	-	10,014,021
Renewable energy assets		272,579	-	-	272,579
Plant and equipment and other		89,820	-	-	89,820
Total non-financial assets		10,755,325	-	378,905	10,376,420

15 Fair value measurements (continued)

(a) *Fair value measurements (continued)*

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

30 June 2022	Notes	2022 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurement					
Non-financial assets	14				
Land		377,266	-	377,266	-
System infrastructure assets		11,887,523	-	-	11,887,523
Renewable energy assets		219,191	-	-	219,191
Plant and equipment and other		101,694	-	-	101,694
Total non-financial assets		12,585,674	-	377,266	12,208,408
Total recurring non-financial assets		12,585,674	-	377,266	12,208,408

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.

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

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

(i) *Recurring fair value measurements*

The valuation techniques used to derive level 3 fair values are described in note 14.

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

The amounts shown as comparatives for fair value in note 15 are disclosed according to the fair value definitions that apply or applied in each relevant reporting period. When categories of assets are revalued based on the income approach, the gross carrying amount and any existing accumulated depreciation or amortisation are proportionately adjusted to equal the carrying amount of the revalued asset.

15 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 14 for information relating to unobservable inputs and valuation processes.

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

The recurring fair value measurements for those asset classes using significant unobservable inputs (level 3) is disclosed under note 14.

16 Non-current assets - Right-of-use asset

	Land \$'000	Buildings \$'000	Plant and equipment \$'000	Infrastructure assets \$'000	Total \$'000
Year ended 30 June 2023					
Opening balance at 1 July 2022	527	63,163	4,889	98,279	166,858
Additions	-	109	3,184	-	3,293
Lease liability remeasurement	25	(1)	-	1,754	1,778
Derecognition	-	(57)	-	-	(57)
Depreciation	(21)	(5,814)	(3,090)	(11,002)	(19,927)
Closing net book amount at 30 June 2023	531	57,400	4,983	89,031	151,945
At 30 June 2023					
Cost	612	82,002	18,369	117,752	218,735
Accumulated depreciation	(81)	(24,602)	(13,386)	(28,721)	(66,790)
Net book value	531	57,400	4,983	89,031	151,945
Year ended 30 June 2022					
Opening balance at 1 July 2021	547	68,904	5,436	96,289	171,176
Additions	-	-	2,825	-	2,825
Lease liability remeasurement	-	-	-	8,041	8,041
Depreciation	(20)	(5,741)	(3,337)	(6,051)	(15,149)
Disposals	-	-	(35)	-	(35)
Closing net book amount at 30 June 2022	527	63,163	4,889	98,279	166,858
At 30 June 2022					
Cost	587	81,951	15,185	115,998	213,721
Accumulated depreciation	(60)	(18,788)	(10,296)	(17,719)	(46,863)
Net book value	527	63,163	4,889	98,279	166,858

16 Non-current assets - Right-of-use asset (continued)

The Corporation has entered into a number of leases:

A Memorandum of Lease has been entered into with Adelaide Airport Limited for the use of land for the purpose of storm water capture, management and treatment. The term of the lease is 29 years with monthly rental payments which are increased annually by the higher of 4% and CPI. As at 30 June 2023 there is 25 years left remaining on the lease.

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

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

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

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

At 30 June 2023 the remaining lease liability has been remeasured using the indexes applicable at this date.

17 Other non-current assets

	2023 \$'000	2022 \$'000
Prepayments	2,391	1,226

18 Current liabilities - Payables

	2023 \$'000	2022 \$'000
Interest payable	60,127	61,423
Trade creditors	135,133	110,100
Other creditors	13,695	14,189
	208,955	185,712

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.

19 Current liabilities - Financial liabilities/borrowings

	2023 \$'000	2022 \$'000
Lease liabilities	20,282	18,780
Short term borrowings	42,700	30,774
	62,982	49,554

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.

20 Current liabilities - Tax liabilities/(receivables)

	2023	2022
	\$'000	\$'000
Provision for current income tax movements during the year were as follows:		
Opening balance at 1 July	4,341	2,454
Income tax paid	(17,736)	(29,979)
Income tax refunded	33,103	-
Current year's income tax provision	6,262	32,181
Amounts over provided in prior years	(31,921)	(315)
	(5,951)	4,341

21 Current liabilities - Provisions

	2023 \$'000	2022 \$'000
Employee benefits	19,039	19,957
Asset disposal	16,015	13,897
Lease make good	200	-
Damages and claims	360	606
Workers compensation	1,015	1,130
	36,629	35,590

(a) Movements in provisions

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

	Asset disposal \$'000	Lease make good \$'000	Damages and claims \$'000	Workers compensation \$'000	Total \$'000
2023 Current					
Opening balance at 1 July	13,897	-	606	1,130	15,633
Provisions recognised	2,260	-	189	1,311	3,760
Payments made during year	(4,763)	-	(1,175)	(530)	(6,468)
Re-measurement adjustments	3,914	-	740	(896)	3,758
Transfer from non-current provisions	707	200	-	-	907
Closing balance at 30 June	16,015	200	360	1,015	17,590

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 for annual leave and the discounted amount for long service leave 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.

21 Current liabilities - Provisions (continued)

Damages and claims (continued)

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

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

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

Workers compensation

The Corporation is registered with ReturnToWorkSA as a government self-insurer and is responsible for the management and liability of all workers' compensation claims. The provision is for the estimated cost of ongoing payments to employees as required under current legislation. The Corporation's provision is an actuarial estimate of the outstanding liability as at 30 June 2023 provided by KPMG Financial Services Consulting Pty Ltd.

22 Current liabilities - Other financial liabilities

	2023	2022
	\$'000	\$'000
Derivative financial instruments - at fair value		
Electricity swaps	289	-

Details of derivative financial instruments are provided in note 2(a)(i) and note 6.

23 Current liabilities - Other current liabilities

	2023 \$'000	2022 \$'000
Government grants	11,248	10,421
Unearned income	13,501	7,492
Deposits from customers	3,244	2,906
Contract liabilities	7,982	6,483
	35,975	27,302

24 Non-current liabilities - Payables

	2023 \$'000	2022 \$'000
Employment on-costs	1,863	2,478

Employment on-costs include payroll tax and superannuation contributions and are settled when the respective employee benefits that they relate to are discharged. These on-costs relate to the balance of long service leave owing to employees. Estimates as to the proportion of long service leave estimated to be taken as leave, rather than paid on termination, affects whether superannuation on-costs are recognised as a consequence of long service leave liabilities.

25 Non-current liabilities - Financial liabilities/borrowings

	2023 \$'000	2022 \$'000
Lease liabilities	97,612	113,622
Long term borrowings	7,289,000	7,159,000
	7,386,612	7,272,622

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 floating interest rates only apply to short term borrowings (refer note 19). The Government provides a guarantee in respect of these borrowings pursuant to the provisions of the *Public Finance and Audit Act 1987*.

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

25 Non-current liabilities - Financial liabilities/borrowings (continued)

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

30 June 2023	Land \$'000	Buildings \$'000	Plant and equipment \$'000	Infrastructure assets \$'000	Total \$'000
Opening balance at 1 July 2022	588	96,832	4,910	30,072	132,402
Interest expense	22	3,206	97	3,017	6,342
Additions	-	104	3,187	-	3,291
Remeasurement	25	(1)	-	1,754	1,778
Lease payments	(23)	(9,510)	(3,168)	(13,218)	(25,919)
Closing net book amount at 30 June 2023	612	90,631	5,026	21,625	117,894

30 June 2022	\$'000	\$'000	\$'000	\$'000	Total \$'000
Opening balance at 1 July 2021	589	102,596	5,483	30,603	139,271
Interest expense	20	3,390	55	3,882	7,347
Additions	-	-	2,825	-	2,825
Remeasurement	-	-	-	8,041	8,041
Write off on disposal	-	-	(32)	-	(32)
Lease payments	(21)	(9,154)	(3,421)	(12,454)	(25,050)
Closing net book amount at 30 June 2022	588	96,832	4,910	30,072	132,402

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

26 Non-current liabilities - Deferred tax liabilities

	2023	2022
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
Prepayments	1,755	1,725
Lease incentive asset	84	84
Infrastructure, plant and equipment	(63,404)	(86,464)
Right-of-use asset	(17,130)	(12,111)
Finance lease receivable	(863)	(248)
	(79,558)	(97,014)
 <i>Amounts recognised directly in equity</i>		
Revaluation of infrastructure, plant and equipment	784,114	1,356,461
Right-of-use asset - initial adoption of AASB 16	27,449	27,449
Finance lease receivable - initial adoption of AASB 16	1,321	1,321
Leased infrastructure assets	7,192	6,666
Lease incentive asset	(84)	(84)
	819,992	1,391,813
Recognition of new leases	3,786	2,798
Lease liability remeasurement	(10)	-
Amounts under/(over) provided in prior years	23,925	(875)
	27,701	1,923
 Total deferred tax liabilities	768,135	1,296,722
 Movements:		
Opening balance	1,296,722	1,460,694
Credited to the Statement of Comprehensive Income (note 7)	17,432	(17,000)
Charged to equity (note 32(a) & 32(b))	(571,822)	(148,080)
Recognition of new leases - AASB 16	1,013	848
Lease remeasurement	(10)	-
Amounts under provided in prior years	24,800	260
Closing balance at 30 June	768,135	1,296,722
Deferred tax liabilities to be settled within 12 months	2,213	2,358
Deferred tax liabilities expected to be settled after more than 12 months	765,922	1,294,364
	768,135	1,296,722

27 Non-current liabilities - Provisions

	2023 \$'000	2022 \$'000
Employee benefits	23,813	27,091
Workers compensation	2,501	2,763
Asset disposal	2,443	3,150
Lease make good	1,447	1,647
	30,204	34,651

(a) Movements in provisions

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

	Workers compensation \$'000	Asset disposal \$'000	Lease make good \$'000	Total \$'000
2023 Non-current				
Opening balance at 1 July	2,763	3,150	1,647	7,560
Transfer to current provisions	-	(707)	(200)	(907)
Re-measurement adjustments	(262)	-	-	(262)
Closing balance at 30 June	2,501	2,443	1,447	6,391

Employee benefits

AASB 119 Employee Benefits contains the calculation methodology for long service leave.

The long service leave liability is 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.

AASB 119 Employee Benefits requires the use of the yield on long-term Commonwealth Government Bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government Bonds has increased from 3.63% in 2022 to 4.14% in 2023. The increase in the bond yield, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$2.84m and employee benefit expense of \$2.84m. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions - including the long-term discount rate. The actuarial assessment undertaken has left the salary inflation rate unchanged from the 2022 rate of 3.5%. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

The Corporation's long service leave liability for 30 June 2023 was valued by KPMG Financial Services Consulting Pty Ltd.

Lease make good

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

28 Non-current liabilities - Other non-current liabilities

	2023 \$'000	2022 \$'000
Government grants	314,484	323,781
Unearned income*	1,894	1,894
	316,378	325,675

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

29 Reconciliation of cash

	2023 \$'000	2022 \$'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	5,571	7,176

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.

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

	2023 \$'000	2022 \$'000
Net profit for the year	52,054	36,313
Add/(less) non-cash items:		
Depreciation and amortisation	364,717	368,405
Amortisation of government grant revenue from liabilities	(10,689)	(10,676)
Gifted assets	(28,156)	(25,522)
Net (gain) on disposal of infrastructure, plant and equipment	(914)	(5,008)
Infrastructure, plant and equipment revaluation decrement reversal	(500)	(2,122)
Infrastructure, plant and equipment revaluation decrement	24,698	27,550
Write-off in value of infrastructure, plant and equipment and capital WIP	2,871	6,495
Gain on derecognition of right-of-use-asset	(22)	-
Change in assets and liabilities:		
Decrease in receivables	2,640	8,182
(Increase) in inventories	(673)	(121)
Decrease/(Increase) in prepayments	165	(2,833)
(Increase) in other operating assets	(4,018)	(1,173)
Decrease/(increase) in deferred tax assets	(4,924)	(3,384)
(Increase) in income tax receivable	(5,951)	-
Increase in income tax equivalents refunded	33,103	-
Increase/(decrease) in trade creditors	15,616	(10,722)
(Decrease)/increase in provision for employee benefits	(4,196)	480
(Decrease) in provision for workers compensation	(377)	(2,097)
Increase in other operating liabilities	10,431	3,718
Increase in derivative financial liability	289	-
Increase in government grants	2,135	1,767
Increase)/(decrease) in other provisions	1,163	(2,068)
Increase/(decrease) in deferred tax liabilities	17,432	(17,000)
(Decrease)/increase in income tax payable	(5,519)	2,148
Net cash inflow from operating activities	461,375	372,332

31 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 2023 and 30 June 2022 were as follows:

	2023	2022
	\$'000	\$'000
Interest bearing borrowings (note 19 & 25)	7,449,594	7,322,176
Less: cash and cash equivalents (note 29)	(5,571)	(7,176)
Net debt	7,444,023	7,315,000
Total assets	12,266,611	13,966,107
Gearing ratio	60.7%	52.4%

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

There was no specified dividend to be paid for the year ended 30 June 2023 or the year ended 30 June 2022, in recognition that SA Water's debt/asset gearing ratio was maintained above the predetermined minimum gearing target of 45%.

32 Asset revaluation surplus and retained earnings

(a) *Asset revaluation surplus*

	2023 \$'000	2022 \$'000
Revaluation surplus - infrastructure, plant and equipment	<u>2,868,715</u>	<u>4,207,847</u>
	2,868,715	4,207,847

Movements:

Infrastructure, plant and equipment revaluation surplus

Opening balance at 1 July	4,207,847	4,597,921
Revaluation of infrastructure, plant and equipment*	(1,906,277)	(526,385)
Movements in deferred tax liability (note 26)	572,348	150,492
Transfer to retained profits on disposal	(12,912)	(14,244)
Movements in deferred tax assets (note 12)	52	63
Movements in income tax liability (receivable)	7,657	-
Closing balance at 30 June	<u>2,868,715</u>	<u>4,207,847</u>

*The 2022/23 revaluation decrease (16%) is attributable to the revaluation of system infrastructure assets that includes SA Water's network assets, treatment plants for both water and wastewater, storage related assets and buildings and depots.

*The 2021/22 revaluation decrease (3%) is attributable to the revaluation of system infrastructure assets that includes SA Water's network assets, treatment plants for both water and wastewater, storage related assets and buildings and depots.

(b) *Retained earnings*

Movements in retained earnings were as follows:

Opening balance at 1 July	285,466	267,203
Profit for the year	52,054	36,313
Dividends (note 36)	(49,824)	(29,882)
Transfers from asset revaluation surplus	12,912	14,244
Movement in deferred tax liability (note 26)	(526)	(2,412)
Closing balance at 30 June	<u>300,082</u>	<u>285,466</u>

(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.

33 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:

	2023 \$'000	2022 \$'000
Within one year	258,436	165,406
Later than one year but not later than five years	9,717	3,317
	268,153	168,723

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

(b) Other expenditure commitments

	2023 \$'000	2022 \$'000
Future other expenditure commitments not provided for in the financial statements are committed as follows:		
Within one year	200,935	207,866
Later than one year but not later than five years	337,476	476,216
Later than five years	565,295	596,020
	1,103,706	1,280,102

Other expenditure commitments include commitments pursuant to contracts to:

- Operate, manage and maintain the Adelaide metropolitan water and sewer networks and treatment plants.
- Operate, maintain and provide energy for the Adelaide Desalination Project.
- Other expenditure commitments reported are based on minimum contracted amounts payable at balance date and include an estimate for escalation of charges.

(c) Other contingencies

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

34 Joint Operation

Jointly controlled operations

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

At the conclusion of the 20 year joint operation agreement between SA Water and Lofty Ranges Power Pty Ltd it was agreed that SA Water would take full ownership of the Hope Valley terminal storage mini hydro asset by acquiring the 50% interest held by Lofty Ranges Power Pty Ltd. On 30 September 2022 the joint operation agreement was terminated by SA Water paying a commercially negotiated amount to Lofty Ranges Power Pty Ltd. The fair values of the assets and liabilities of the 50% interest in SA Water/Lofty Ranges Power operation as at the date of acquisition was \$1.30m. The mini hydro asset is now 100% owned by SA Water and included in Infrastructure, plant and equipment.

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:

	2023	2022
	\$'000	\$'000
Current assets		
Cash and cash equivalents	-	23
Non-current assets		
Infrastructure, plant and equipment	-	1,320
Total assets	-	1,343
Current liabilities		
Payables	-	3
Total liabilities	-	3
Net assets	-	1,340

35 Remuneration of auditors

	2023	2022
	\$'000	\$'000
Audit fees paid/payable:		
SA Water annual Public Finance and Audit Act audit	539	473
SA Water Regulatory financial statements audit*	12	12
Total	551	485

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

36 Dividends

	2023	2022
	\$'000	\$'000
Dividend paid	49,824	29,882
	49,824	29,882

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

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

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

There was no specified dividend to be paid for the year ended 30 June 2022 and the year ended 30 June 2023, in recognition that SA Water's debt/asset gearing ratio was maintained above the predetermined minimum gearing target of 45% (refer to note 31).

37 Remuneration of employees

	Current employees 2023	Ex-Employees 2023	Current employees 2022*	Ex-Employees 2022*
The number of employees whose remuneration paid and payables falls within the following bands is:				
\$157,001 - 160,000**	-	-	10	-
\$160,001 - 180,000	74	6	69	6
\$180,001 - 200,000	34	8	27	2
\$200,001 - 220,000	10	2	11	1
\$220,001 - 240,000	4	2	7	1
\$240,001 - 260,000	6	1	5	-
\$260,001 - 280,000	4	1	-	-
\$280,001 - 300,000	1	-	2	1
\$300,001 - 320,000	1	-	-	-
\$320,001 - 340,000	1	-	-	1
\$340,001 - 360,000	-	1	-	-
\$400,001 - 420,000	-	-	1	-
\$420,001 - 440,000	3	-	4	-
\$440,001 - 460,000	1	-	-	-
\$580,001 - 600,000	1	-	1	-
Total	140	21	137	12

* Prior year comparatives have been restated

**This band has been included for the purpose of reporting comparative figures based on the executive base level remuneration for 2021-22.

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 \$32.0m (2022: \$29.1m).

2023	2022
\$'000	\$'000

Targeted voluntary separation packages (TVSPs)

Amount paid during the reporting period to separated employees:

TVSPs	-	49
Annual leave and long service leave paid to those employees	-	33
Net cost to SA Water	-	82

The number of employees who received TVSPs during the reporting period was Nil ([2022: 1]).

38 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 37 and 39.

38 Remuneration of directors (continued)

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

	2023 Number of directors	2022 Number of directors
The number of Directors of the Corporation (excluding the Chief Executive) whose remuneration paid and payable falls within the following bands is:		
\$0 - \$19,999	1	-
\$20,000 - \$39,999	-	1
\$40,000 - \$59,999	3	4
\$60,000 - \$79,999	2	-
\$80,000 - \$99,999	-	1
	6	6

The total remuneration paid and payable for those directors was \$0.29m (2022: \$0.31m) which includes superannuation contributions.

39 Related party disclosures

(a) Directors

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

Mr A.N Holmes; Mr J.J Bastian, Ms S.M Filby; Ms J.M.H Finlay; Mr C.J Ford, Ms F.A Hele; and Mr D.A Ryan.

Mr Holmes is the Chairman of the Board for Arid Recovery Pty Ltd, member of the Nature Foundation SA, member of Bush Heritage and sole practitioner of Allan Holmes Consulting.

Mr Bastian is the chair of Techgrow Agriculture, syndicate chair of the CEO Institute, owner and irrigation customer of SA Water for Bastian's Block - Clare Valley Vineyard and a member of the Women's and Children's Local Health Network Board. Mr Bastian ceased his position as a director of the Corporation on 2 August 2022.

Ms Filby is a facilitator for Behind Closed Doors.

Ms Finlay is a member of the Libraries Board SA, member of the council of the University of Adelaide, commissioner of the South Australian National Football League Inc, director of Helping Hand Aged, Adelaide Oval Stadium Management Authority Limited and Leveque Consulting Pty Ltd and associated entities.

Ms Hele is a director and shareholder of the Kelsian Group Limited (formerly Sealink Travel Group), board member of the Adelaide Venue Management Corporation, director and shareholder of Hele Investments Pty Ltd and non-executive director of Argo Global Listed Infrastructure Limited. In February 2023, Ms Hele ceased her position as director with Celsus Securitisation Pty Ltd.

Mr Ford is a senior executive with the SA Power Networks and Enerven, a member of the School of Mathematical Sciences Advisory Board for the University of Adelaide and a member of the SAP Australia and New Zealand Customer Advisory Council.

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

39 Related party disclosures (continued)

(a) *Directors (continued)*

(b) *Key management personnel*

Key management personnel compensation for the years ended 30 June 2023 and 2022 is set out below. The key management personnel are the directors of the Corporation (including the Chief Executive) and the Executive Leadership Team who have responsibility for the strategic direction and management of the Corporation.

The Minister for Climate, Environment and Water 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 they are 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
2023*	18	3,382	259	-	-	3,641
2022*	18	3,331	257	79	-	3,667

*Both 2023 and 2022 include an overlap of the senior leadership team members.

(c) *Transactions with other related parties*

All SA Government entities are related parties, significant transactions with SA Government entities are identifiable throughout this financial report.