FINANCIAL REPORT

Contents

Woodbridge Splash of Colour asset
by artist Lawry Halden

Statement of comprehensive income

for the year ended 30 June 2021

	Note	2021 $M	2020 $M
Revenue			
Annual service charges		1,367	1,361
Volume charges		797	798
Operating subsidies		469	431
Developers' contributions		206	154
Other revenue	5	110	107
Total revenue		**2,949**	**2,851**
Expenses			
Depreciation and amortisation	10 and 11	(532)	(517)
Employee benefits expense	6(a)	(344)	(321)
Hired and contracted services		(192)	(162)
Energy	6(b)	(146)	(161)
Other expenses	6(c)	(305)	(330)
Total expenses		**(1,519)**	**(1,491)**
Results from operating activities		**1,430**	**1,360**
Net finance costs	7	(181)	(211)
Surplus before income tax equivalent		**1,249**	**1,149**
Income tax equivalent expense	8	(373)	(340)
Surplus for the year		**876**	**809**
Other comprehensive income/(expense)		4	(1)
Related income tax equivalent (expense)/benefit	8	(1)	-
Other comprehensive income/(expense), net of tax equivalent		**3**	**(1)**
Total comprehensive income for the year		**879**	**808**
Attributable to:			
Owner of the Corporation	27	879	808
		879	**808**

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

Statement of financial position

As at 30 June 2021

	Note	2021 $M	2020 $M
Current assets			
Cash and cash equivalents		367	603
Trade and other receivables	9	265	272
Prepayments		9	12
Inventories		30	28
Total current assets		**671**	**915**
Non-current assets			
Trade and other receivables	9	25	23
Property, plant and equipment	10	17,761	17,542
Intangible assets	11	130	110
Total non-current assets		**17,916**	**17,675**
Total assets		**18,587**	**18,590**
Current liabilities			
Trade and other payables		296	337
Interest-bearing loans and borrowings	12	18	18
Income tax equivalent payable		52	67
Provisions	14	6	2
Employee benefits	15	110	97
Other liabilities	16	17	12
Total current liabilities		**499**	**533**
Non-current liabilities			
Interest-bearing loans and borrowings	12	6,004	6,208
Deferred tax equivalent liabilities	13	212	214
Provisions	14	23	19
Employee benefits	15	40	44
Other liabilities	16	18	18
Total non-current liabilities		**6,297**	**6,503**
Total liabilities		**6,796**	**7,036**
Net assets		**11,791**	**11,554**
Equity			
Contributed equity	17	7,561	7,561
Accumulated surplus		4,230	3,993
Equity attributable to owners of the Corporation		**11,791**	**11,554**
Total equity		**11,791**	**11,554**

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

Statement of changes in equity

For the year ended 30 June 2021

	Contributed equity $M	Accumulated surplus $M	Total equity $M
Opening balance at 1 July 2020	**7,561**	**3,993**	**11,554**
Total comprehensive income for the year			
Surplus for the year	-	876	876
Other comprehensive expense (net of tax equivalent)	-	3	3
Total comprehensive income for the year	**-**	**879**	**879**
Transactions with owners, recorded directly in equity			
Contributions by and distributions to owners			
Dividends paid (Note 17.2)	-	(642)	(642)
Total transactions with owners	**-**	**237**	**237**
Closing balance at 30 June 2021	**7,561**	**4,230**	**11,791**

For the year ended 30 June 2020

	Contributed equity $M	Accumulated surplus $M	Total $M
Opening balance at 1 July 2019 as previously reported	**7,561**	**3,201**	**10,762**
Impact of change in accounting policies	-	(12)	(12)
Adjusted balances as at 1 July 2019	**7,561**	**3,189**	**10,750**
Total comprehensive income for the year			
Surplus for the year	-	809	809
Other comprehensive expense (net of tax equivalent)	-	(1)	(1)
Total comprehensive income for the year	**-**	**808**	**808**
Transactions with owners, recorded directly in equity			
Contributions by and distributions to owners			
Dividends paid (Note 17.2)	-	(4)	(4)
Total transactions with owners	**-**	**804**	**804**
Closing balance at 30 June 2020	**7,561**	**3,993**	**11,554**

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

Statement of cash flows

For the year ended 30 June 2021

	Note	2021 $M	2020 $M
Cash flows from operating activities			
Cash receipts from customers		2,211	2,173
Interest received		1	3
Interest paid		(205)	(241)
Cash paid to suppliers and employees		(1,048)	(1,004)
Income tax equivalents paid		(392)	(360)
Government grants		11	16
Operating subsidies		469	431
Developers' contributions		139	94
GST received		109	109
Other fees and charges		55	52
Net cash from operating activities	**18.2**	**1,350**	**1,273**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(695)	(637)
Acquisition of intangible assets		(46)	(40)
Proceeds from sale of property, plant and equipment		9	2
Net cash used in investing activities		**(732)**	**(675)**
Cash flows from financing activities			
Net repayment of borrowings		(195)	-
Dividends paid	17.2	(642)	(4)
Payment of finance lease liabilities		(17)	(17)
Net cash used in financing activities		**(854)**	**(21)**
Net increase in cash and cash equivalents		**(236)**	**577**
Cash and cash equivalents at 1 July		**603**	**26**
Cash and cash equivalents at 30 June		**367**	**603**

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

Notes to the financial report

Note 1 Reporting entity

Water Corporation ('the Corporation') is a not-for-profit entity incorporated under the *Water Corporations Act 1995* and domiciled in Australia. Its registered office is at 629 Newcastle St Leederville WA 6007. These financial statements cover the year ended 30 June 2021. The Corporation is primarily involved in the provision of water and wastewater services.

Note 2 Basis of preparation

The financial report is a general-purpose financial report which has been prepared in accordance with the *Water Corporations Act 1995* and Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB). The financial report complies with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The financial report was approved in accordance with a resolution of the Directors on 24 August 2021.

The financial report is prepared on the historical cost basis except for certain financial assets and financial liabilities which are stated at their fair value. The methods used to measure fair values are discussed further in Note 25.5.

The financial report for the year ending 30 June 2021 is no longer prepared on a consolidated basis.

The comparative information has not been restated for the year ending 30 June 2020. Refer to Note 26 for further information.

Amounts in the financial report have been rounded off to the nearest whole number of millions of dollars, unless otherwise stated.

Note 3 Functional and presentation currency

The financial report is presented in Australian dollars, which is the Corporation's functional currency.

Note 4 Use of estimates and judgements

In preparing this financial report, management has made judgements, estimates and assumptions that affect the application of the Corporation's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the year in which the estimate is revised, and any future years affected.

The areas where estimates and judgements are significant to the financial report, or a higher degree of judgement or complexity is involved, are listed below and described in more detail in the related notes:

- Note 9 – Calculation of unbilled revenue
- Note 10 - Carrying values and useful lives of property, plant and equipment
- Note 11 – Impairment of intangible assets with an indefinite useful life
- Note 12 – Valuation of service concession liabilities
- Note 14 – Provisions for site restoration and decommissioning
- Note 15 – Measurement of defined benefit obligations

COVID-19 – Based on management's assessment, there is no evidence to show that the pandemic has a material impact on the Corporation's financial performance or financial position.

Note 5 Other revenue

	2021 $M	2020 $M
Other fees and charges	75	76
Government grants	17	18
Rental income	9	9
Net gain on disposal of property, plant and equipment	9	4
	110	**107**

Other fees and charges – Other fees and charges include design fees, building fees, industrial waste charges, plumbing inspection fees, sewerage testing fees, fire service charges and other miscellaneous revenue.

Government grants – Under AASB 15 *Revenue from Contracts with Customers*, government grants are initially recognised as deferred income at fair value. They are then recognised in profit or loss as other income if it is highly probable that significant reversal would not occur and the Corporation will comply with the conditions associated with the grant. The revenue is recognised in the periods in which the offsetting expenses are recognised.

Note 6 Expenses

Note 6(a) Employee benefits expense includes the following:

	2021 $M	2020 $M
Salaries, wages and other employee expenses	313	292
Superannuation expense	31	29
	344	**321**

Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the statement of comprehensive income in the financial year during which services are rendered by employees.

Note 6(b) Energy expenses predominantly relate to procuring renewable and non-renewable energy used in the Corporation's desalination plants, water and wastewater treatment plants and for conveying water through the metropolitan and regional systems.

Note 6(c) Other expenses include the following:

	2021 $M	2020 $M
Information technology	47	44
Equipment hire charges	20	19
Corporate charges	35	35
Materials	33	30
Chemicals	30	30
Derecognised assets	20	10
Payroll tax and workers' compensation	27	26
Contract labour	38	73
Property expenses	34	34
Other	17	14
Maintenance and asset management alliance partners (refer Note 26)	-	6
Discontinued capital projects	4	9
	305	**330**

Note 7 Net finance costs

	2021 $M	2020 $M
Finance income		
Interest income	1	3
Finance costs		
Interest and guarantee fee expense	199	235
Capitalised interest (Note a)	(17)	(21)
Total finance costs	182	214
Net finance costs	**181**	**211**

	2021	2020
Note a) The average interest rate used to capitalise interest expenses related to major works was:	2.99%	3.53%

Note 8 Income tax equivalent expense

8.1 Recognised in surplus

	2021 $M	2020 $M
Current income tax equivalent expense		
Current year	373	340
Total income tax equivalent expense	**373**	**340**

8.2 Recognised in other comprehensive income/(expense)

	Before tax 2021 $M	Tax benefit 2021 $M	Net of tax 2021 $M	Before tax 2020 $M	Tax expense 2020 $M	Net of tax 2020 $M
Re-measurement of defined benefit liability	(4)	1	(3)	1	-	1

8.3 Reconciliation of effective tax equivalent rate

	2021 $M	2020 $M
Surplus for the year attributable to parent entity	876	809
Total income tax equivalent expense	373	340
Surplus before income tax equivalent expense	**1,249**	**1,149**
Income tax equivalent using the Corporation's tax equivalent rate (30%)	375	345
Non-deductible expenses	(2)	1
Non-taxable income	-	(6)
Tax incentives not recognised in the income statement	(1)	-
Adjustment in respect to previous year	1	-
Effective tax equivalent expense	**373**	**340**

Note 9 Trade and other receivables

	2021 $M	2020 $M
Current		
Trade and other receivables (Note a)	271	278
Expected credit loss	(6)	(6)
	265	**272**
Non-current		
Pensioner rates deferrals (Note b)	25	23
	25	**23**
Total trade and other receivables	**290**	**295**

Note a) 'Trade and other receivables' includes unbilled revenue, which is calculated using a combination of actual and estimated monthly water usage and prices.

Note b) In accordance with the *Rates and Charges (Rebates and Deferments) Act 1992*, eligible pensioners are permitted to defer their annual service charges, which will be realised on sale of property or from the estate. Interest is not charged to customers on the deferred amounts, but is recouped from the state government in the form of operating subsidies (see Note 28.2b).

The Corporation's exposures to credit risk and expected credit losses related to trade and other receivables are disclosed in Note 25.2.

Note 10 Property, plant and equipment

	Cost 2021 $M	Accumulated depreciation 2021 $M	Carrying amount 2021 $M
System assets	22,281	(6,973)	15,308
Land and buildings	971	(197)	774
Support assets	391	(282)	109
Lease assets	46	(18)	28
Service concession assets	268	(61)	207
Works in progress	1,335	-	1,335
Carrying amount of property, plant and equipment	**25,292**	**(7,531)**	**17,761**

Comparative figures for 2020 are as follows:

	Cost 2020 $M	Accumulated depreciation 2020 $M	Carrying amount 2020 $M
System assets	21,953	(6,588)	15,365
Land and buildings	934	(182)	752
Support assets	378	(264)	114
Lease assets	39	(10)	29
Service concession assets	268	(54)	214
Works in progress	1,068	-	1,068
Carrying amount of property, plant and equipment	**24,640**	**(7,098)**	**17,542**

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below.

	System assets	Land and buildings	Support assets	Lease assets	Service concession assets	Work in progress	Total
	2021 $M	2021 $M	2021 $M	2021 $M	2021 $M	2021 $M	2021 $M
Balance at 1 July 2020	**15,365**	**752**	**114**	**29**	**214**	**1,068**	**17,542**
Additions	87	-	-	11	-	696	794
Disposals	(20)	(2)	-	(1)	-	-	(23)
Depreciation expense	(451)	(15)	(22)	(11)	(7)	-	(506)
Transfers	327	39	17	-	-	(429)	(46)
Balance at 30 June 2021	**15,308**	**774**	**109**	**28**	**207**	**1,335**	**17,761**

Comparative figures for 2020 are as follows:

	System assets	Land and buildings	Support assets	Lease assets	Service concession assets	Work in progress	Total
	2020 $M	2020 $M	2020 $M	2020 $M	2020 $M	2020 $M	2020 $M
Balance at 1 July 2019	**15,068**	**735**	**108**	**29**	**222**	**1,208**	**17,370**
Additions	79	4	1	11	-	623	718
Disposals	(9)	(1)	(1)	(1)	-	-	(12)
Depreciation expense	(438)	(14)	(24)	(10)	(8)	-	(494)
Transfers	665	28	30	-	-	(763)	(40)
Balance at 30 June 2020	**15,365**	**752**	**114**	**29**	**214**	**1,068**	**17,542**

Service Concession Assets – Mundaring Water Treatment Plant

In 2012, the Corporation entered into a Public Private Partnership (PPP) with Helena Water Pty Ltd (Helena Water) to privately finance, design, construct, own and operate the Mundaring Water Treatment Plant (MWTP) under a 35-year operating concession. The Corporation has determined that this is a service concession arrangement under AASB 1059 *Service Concession Arrangements: Grantors* and was treated as a service concession asset from 1 July 2020. It was previously accounted for as a lease per AASB 117 Leases.

Water Corporation supplies raw water to Helena Water and purchases the treated product water that is pumped to Sawyers Valley tank at the flow rate specified by Water Corporation's Operation Centre.

The agreement between the Corporation and Helena Water requires Helena Water to use reasonable endeavours to obtain the most favourable terms from existing or potential financiers when refinancing. Gains or losses will be allocated to each party on ratios determined by the agreement, with the next refinancing event scheduled for 2027.

The agreement allows for the review of goods and services costs at set intervals across the term of the contract. This review process has the potential to impact the monthly service charge. The purpose of the review and benchmarking process is to ensure that both parties receive a degree of protection from volatile price increases/decreases (outside of CPI changes) on goods and services that are procured during the term of the contract.

Termination options for the Corporation include convenience, force majeure, substantial damage to infrastructure, and default events. The Corporation may step in to operate and maintain the infrastructure in certain circumstances.

There were no changes to the arrangement during the reporting period.

Note 11 Intangible assets

	Cost	Accumulated amortisation	Carrying amount
	2021 $M	2021 $M	2021 $M
Computer software	399	(309)	90
Intellectual property	2	(2)	-
Water entitlement	31	-	31
Property easements	9	-	9
Total intangible assets	**441**	**(311)**	**130**

Comparative figures for 2020 are as follows:

	Cost	Accumulated amortisation	Carrying amount
	2020 $M	2020 $M	2020 $M
Computer software	354	(284)	70
Intellectual property	2	(2)	-
Water entitlement	31	-	31
Property easements	9	-	9
Total intangible assets	**396**	**(286)**	**110**

Reconciliations

Reconciliations of the carrying amounts of intangible assets at the beginning and end of the current and previous financial year are set out below.

	Computer software	Water entitlement	Property easements	Total
	2021 $M	2021 $M	2021 $M	2021 $M
Balance at 1 July 2020	70	31	9	110
Amortisation expense	(26)	-	-	(26)
Transfers	46	-	-	46
Balance at 30 June 2021	**90**	**31**	**9**	**130**

Comparative figures for 2020 are as follows:

	Computer software	Water entitlement	Property easements	Total
	2020 $M	2020 $M	2020 $M	2020 $M
Balance at 1 July 2019	54	31	8	93
Amortisation expense	(23)	-	-	(23)
Transfers	39	-	1	40
Balance at 30 June 2020	**70**	**31**	**9**	**110**

Impairment test for water entitlements

The Corporation acquired a number of water entitlements from a third party between 2006 and 2010. These entitlements are recorded at historical cost, less any impairment expense. They are considered to have an indefinite life and are therefore not amortised but tested annually for impairment by comparing the carrying value with the recoverable amount. The recoverable amount has been determined by assessing the replacement cost of the asset with reference to the cost of other current potential water sources, such as bore extraction, desalination or water catchment. The Corporation's long-run marginal cost of new sources of water is used to calculate the notional replacement cost of the water entitlements.

Note 12 Interest-bearing loans and borrowings

	2021 $M	2020 $M
Current		
Unsecured:		
Service concession liabilities (Note a(i))	9	8
Lease liabilities (Note a(ii))	9	10
	18	**18**
Non-current		
Unsecured:		
Western Australian Treasury Corporation term fixed rate lending (Note b)	3,693	3,887
Western Australian Treasury Corporation term floating rate lending (Note b)	2,093	2,093
Service concession liabilities (Note a(i))	197	206
Lease liabilities (Note a(ii))	21	22
	6,004	**6,208**
Total interest-bearing loans and borrowings	**6,022**	**6,226**

Note a) i. Service concession liabilities

Service concession liabilities are payable as follows:

	2021 $M	2020 $M
Less than one year	9	8
Between one and five years	30	31
More than five years	167	175
	206	**214**

In 2012, the Corporation entered into an arrangement that is not in the legal form of a lease, but is accounted for as a lease based on the terms and conditions of the arrangement in accordance with AASB117 *Leases*. As of 1 July 2020, this is now treated in accordance with AASB 1059 *Service Concession Arrangements: Grantors*. Refer to Note 10 for more information on the arrangement.

ii. Lease liabilities

Maturity analysis – contractual undiscounted cash flows	2021 $M	2020 $M
Less than one year	10	10
One to 5 years	16	18
More than 5 years	8	7
Total undiscounted lease liabilities at 30 June	**34**	**35**
Current	9	10
Non-current	21	22
Total lease liability included in the statement of financial position at 30 June	**30**	**32**

Note b) Western Australian Treasury Corporation term fixed and floating rate lending

The non-current amount of the term fixed rate lending of $3,693 million (2020: $3,887 million), includes $389 million (2020: $389 million) that will contractually become due and payable during the 2021-22 year. The non-current amount of the term floating rate lending of $2,093 million (2020: $2,093 million), includes $440 million (2020: $482 million) that will contractually become due and payable during the 2021-22 year. It is the Corporation's expectation that these amounts will be refinanced under contractual arrangements in place with the Western Australian Treasury Corporation, rather than repaid, and therefore they are not recognised as current borrowings. This is supported by:

i. an agreement with the Western Australian Treasury Corporation, an entity owned by the Western Australian State Government, where the Corporation's borrowings are refinanced at regular intervals between 2020 and 2030

ii. the approval of the Corporation's forecast borrowing requirements for the next four years, including no requirement for repayment of the amounts classified as non-current above, within the 2020 Western Australian State Budget.

Note 13 Deferred tax equivalent liabilities

13.1 Recognised deferred tax equivalent assets and liabilities

Deferred tax equivalent assets and liabilities are attributable to the following:

	Assets	Liabilities	Net
	2021 $M	**2021 $M**	**2021 $M**
Property, plant and equipment	-	293	293
Provisions	(53)	-	(53)
Accrued expenses	(25)	-	(25)
Other items	(12)	9	(3)
Deferred tax equivalent (assets)/liabilities	(90)	302	212
Set off of tax equivalents	90	(90)	-
Net deferred tax equivalent liabilities	**-**	**212**	**212**

Comparative figures for June 2020 are as follows:

	Assets	Liabilities	Net
	2020 $M	**2020 $M**	**2020 $M**
Property, plant and equipment	-	294	294
Provisions	(48)	-	(48)
Accrued expenses	(28)	-	(28)
Other items	(13)	9	(4)
Deferred tax equivalent (assets)/liabilities	(89)	303	214
Set-off of tax equivalents	89	(89)	-
Net deferred tax equivalent liabilities	**-**	**214**	**214**

13.2 Movement in temporary differences during the year

	Balance 1 July 20 $M	Recognised in income $M	Recognised in accumulated surplus $M	Balance 30 June 21 $M
Property, plant and equipment	294	(1)	-	293
Provisions	(48)	(5)	-	(53)
Accrued expenses	(28)	3	-	(25)
Other items	(4)	1	-	(3)
	214	**(2)**	**-**	**212**

Comparative figures for June 2020 are as follows:

	Balance 1 July 19 $M	Recognised in income $M	Recognised in accumulated surplus $M	Balance 30 June 20 $M
Property, plant and equipment	297	(3)	-	294
Provisions	(45)	(3)	-	(48)
Accrued expenses	-	(28)	-	(28)
Other items	(6)	7	(5)	(4)
	246	**(27)**	**(5)**	**214**

Note 14 Provisions

	2021 $M	2020 $M
Current		
Workers' compensation	1	1
Site restoration	5	1
	6	**2**
Non-current		
Workers' compensation	2	3
Site restoration	13	16
Decommissioning	8	-
	23	**19**
Total provisions	**29**	**21**

Reconciliations of the carrying amount of provisions for 2021 are set out below:

	Workers' Compensation $M	Site Restoration $M	Decommissioning $M	Total $M
Carrying amount at 1 July 2020	4	17	-	21
Provisions made during the year	-	4	8	12
Provisions utilised during the year	(1)	(3)	-	(4)
Carrying amount at 30 June 2021	**3**	**18**	**8**	**29**

Provision for site restoration

The provision for site restoration costs is calculated based on a probability weighted estimate of costs to investigate and remediate each site. The timing and extent of restoration work required is based on the classification allocated by the Department of Water and Environmental Regulation and the findings of preliminary and detailed investigations. Refer to Note 28.14.3.

Provision for decommissioning

The Corporation has recognised a provision for decommissioning obligations associated with facilities no longer utilised or scheduled for closure by the Corporation. Recognition of a provision is consistent with the Corporation's legal requirements. Refer to note 28.14.4.

Note 15 Employee benefits

The provision for employee benefits comprises:

	2021 $M	2020 $M
Current		
Long service leave	56	51
Annual leave	48	41
Other employee benefits	4	3
Defined benefit superannuation (Note a)	2	2
	110	**97**
Non-current		
Long service leave	5	4
Defined benefit superannuation (Note a)	35	40
	40	**44**
Total employee benefits	**150**	**141**

Note a) Defined benefit superannuation

The Corporation sponsors the following defined benefit plans:

- State Superannuation Pension Fund (Pension Scheme), which closed to contributory members on 15 August 1986
- Gold State Superannuation Scheme (GSSS) lump sum scheme, which was opened to contributory members on 1 July 1987 and closed on 29 December 1995.

The Corporation's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Re-measurements of the net defined liability, which comprise actuarial gains and losses, are recognised immediately in other comprehensive income. The Corporation determines the net interest expense on the net defined benefit liability for the period by applying the discount rate, used to measure the defined benefit obligation at the beginning of the annual period, to the net benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plans are recognised in profit or loss.

Nature of the benefits provided by the schemes

Pension scheme – The employer-financed benefit is a pension benefit payable on retirement, death or invalidity, or a lump sum benefit on resignation.

GSSS – Some former pension scheme members transferred to the GSSS. In respect of their transferred benefit, the members receive a lump sum benefit at retirement, death or invalidity which is related to their salary during their employment and indexed during any deferral period after leaving public sector employment.

Description of the regulatory framework

The schemes operate under *the State Superannuation Act 2000 (Western Australia*) and the *State Superannuation Regulations 2001 (Western Australia).* Although the schemes are not formally subject to the Superannuation Industry (Supervision) (SIS) legislation, the Western Australian government has undertaken (in a Heads of Government Agreement) to operate the schemes in accordance with the spirit of the SIS legislation. As exempt public sector superannuation schemes (as defined by the SIS legislation), the schemes are not subject to any minimum funding requirements. As constitutionally protected schemes, the schemes are not required to pay tax.

Description of other entities' responsibilities for the governance of the schemes

The Government Employees Superannuation Board (GESB) is the schemes' trustee and is responsible for the governance of the schemes. As trustee, GESB has a legal obligation to act solely in the best interests of scheme beneficiaries. GESB has the following roles:

- Administration of the schemes and payment to the beneficiaries when required in accordance with the scheme rules
- Compliance with the Heads of Government Agreement referred to above.

Description of risks

There are a number of risks to which the schemes expose the Corporation. The more significant risks relating to the defined benefits are:

- Legislative risk – The risk is that legislative changes could be made that increase the cost of providing the defined benefits.
- Pensioner mortality risk – The risk is that pensioner mortality will be lighter than expected, resulting in pensions being paid for a longer period.
- Inflation risk;
  - Pension scheme – The risk that inflation is higher than anticipated, increasing pension payments, and the associated employer contributions.
  - GSSS – The risk that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, and/or that inflation (which affects the indexation of deferred benefits) will be higher than assumed, increasing the defined benefit amounts and the associated employer contributions.

Description of significant events

There were no scheme amendments affecting the defined benefits payable, curtailments or settlements during the year.

Reconciliation of the net defined benefit liability

	2021 $M	2020 $M
Pension scheme	33	38
GSSS	4	4
Net defined benefit liability	**37**	**42**

Reconciliation of the defined benefit obligation

	2021 $M	2020 $M
Present value of defined benefit obligations at beginning of the year	42	43
Interest cost	1	1
Actuarial (gains)/losses arising from changes in financial assumptions	(4)	1
Benefits paid	(2)	(3)
Present value of defined benefit obligations at end of the year	**37**	**42**

Fair value of scheme assets

There are no assets in the pension scheme to support the state share of the benefit or in the GSSS for current employees to support the transferred benefits.

Significant actuarial assumptions at the reporting date

	2021	2020
Assumptions to determine start-of-year defined benefit obligation and defined benefit cost for the current year		
Discount rate (pensioners and active members)	0.85%	1.40%
Expected salary increase rate	2.0% for 2020-21, 2.0% for 2021-22, and then 3.5% pa	1.5% for 2019-20, 1.5% for 2020-21, and then 4.2% pa
Expected pension increase rate	2.0%	2.5%
Assumptions to determine defined benefit obligation at the valuation date		
Discount rate (pensioners and active members)	1.50%	0.85%
Expected salary increase rate	2.0% for 2021-22, 2.0% for 2022-23, and then 3.0% pa	2.0% for 2020-21, 2.0% for 2021-22, and then 3.5% pa
Expected pension increase rate	1.75% for 2021/22, 1.75% for 2022/23, and then 2.0% pa	2.0%

The discount rate is based on the government bond maturing in May 2030. The decrement rates used (for example mortality and retirement rates) are based on those used at the last actuarial valuation for the schemes.

Sensitivity analysis

The defined benefit obligation as at 30 June 2021 under several scenarios is presented below.

Pension scheme

Scenarios A and B relate to discount rate sensitivity. Scenarios C and D relate to expected pension increase rate sensitivity.

- Scenario A: 0.5% pa lower discount rate assumption
- Scenario B: 0.5% pa higher discount rate assumption
- Scenario C: 0.5% pa lower expected pension increase rate assumption
- Scenario D: 0.5% pa higher expected pension increase rate assumption

	Base case	Scenario A -0.5% pa discount rate	Scenario B +0.5% pa discount rate	Scenario C -0.5% pa pension increase rate	Scenario D +0.5% pa pension increase rate
Discount rate	1.5% pa	1.0% pa	2.0% pa	1.5% pa	1.5% pa
Pension increase rate	2.0% pa	2.0% pa	2.0% pa	1.5% pa	2.5% pa
Defined benefit obligation ($M)	33	36	31	31	36

GSSS

Scenarios A and B relate to discount rate sensitivity. Scenarios C and D relate to expected salary increase rate and indexation sensitivity.

- Scenario A: 0.5% pa lower discount rate assumption
- Scenario B: 0.5% pa higher discount rate assumption
- Scenario C: 0.5% pa lower expected salary increase rate and indexation rate assumption
- Scenario D: 0.5% pa higher expected salary increase rate and indexation rate assumption

	Base case	Scenario A -0.5% pa discount rate	Scenario B +0.5% pa discount rate	Scenario C -0.5% pa increase rate and indexation rate	Scenario D +0.5% pa increase rate and indexation rate
Discount rate	1.5% pa	1.0% pa	2.0% pa	1.5% pa	1.5% pa
Salary increase rate	3.0% pa	3.0% pa	3.0% pa	2.5% pa	3.5% pa
Defined benefit obligation ($M)	4	4	4	4	4

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, while retaining all other obligations.

Funding arrangements

The employer contributes, as required, to meet the benefits paid.

Expected contributions

Expected employer contributions for the financial year ending 30 June 2021 are $1 million.

Maturity profile of defined benefit obligation

- Pension scheme - The weighted average duration of the Corporation's defined benefit obligation is 14.6 years (2020: 15.9 years).
- GSSS - The weighted average duration of the Corporation's defined benefit obligation is 2.7 years (2020: 2.6 years).

Note 16 Other liabilities

	2021 $M	2020 $M
Current		
Developers' deferred liabilities (Note a)	5	5
Deposits	12	7
	17	**12**
Non-current		
Developers' deferred liabilities (Note a)	14	15
Deposits	4	3
	18	**18**
Total other liabilities	**35**	**30**

Note a) Developers' deferred liabilities

Developers' deferred liabilities are the amounts payable to developers as reimbursements for the costs of headworks, constructed under developer constructed work agreements, where developers have self-funded the construction of certain headworks to enable a development, at a time that was earlier than planned by the Corporation.

Note 17 Equity

17.1 Contributed equity

	2021 $M	2020 $M
Owner's initial contribution (Note a)	7,327	7,327
Equity contributions (Note b)	234	234
	7,561	**7,561**

Note a) Owner's initial contribution
Owner's initial contribution is the portion of the residual interest in the Water Authority of Western Australia's assets, after deducting the liabilities that were transferred from the Water Authority of Western Australia to the Water Corporation on 1 January 1996.

Note b) Equity contributions
Equity contributions represent assets and amounts received from the state government in relation to funding for the construction of projects.

17.2 Dividends

The following dividends were declared and paid by the Corporation for the year ended 30 June.

	2021 $M	2020 $M
Final dividend payment for the prior year	642	4
	642	**4**

Note 18 Reconciliation of cash flows from operating activities

18.1 Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks.

Cash held at bank earns interest at rates determined by the Department of Treasury. For the year ended 30 June 2021, the average interest rate was 0.32% (2020: 0.68%).

The Corporation's exposure to interest rate risk for financial assets and liabilities is disclosed in Note 25.

18.2 Reconciliation of cash flows from operating activities

	2021 $M	2020 $M
Surplus for the year	**876**	**809**
Gain on disposal of assets	(9)	(4)
Derecognised assets	20	10
Developers' contributions (non-cash)	(65)	(43)
Non-developers' contributions (non-cash)	(2)	(17)
Capitalisation of interest expense	(17)	(21)
Impairment loss on receivables	-	2
Employee benefits:		
Superannuation	(5)	(1)
Long service leave	7	3
Annual leave	7	4
Other	3	2
Depreciation and amortisation	532	517
Provision for site restoration	9	-
GST paid for property, plant and equipment	42	35
Decrease/(increase) in trade and other receivables	9	(33)
(Decrease) in income tax equivalent	(18)	(20)
(Increase)/decrease in inventories	(3)	2
(Decrease)/increase in trade and other payables and other liabilities	(36)	30
(Decrease) in decommissioning and disposal	-	(2)
Net cash from operating activities	**1,350**	**1,273**

Note 19 Auditor's remuneration

The total fees paid or due and payable to the Office of the Auditor General for the year are as follows:

	2021	2020
	$'000	$'000
Audit of financial reports	312	338

Note 20 Related parties

Key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. This comprises all Ministers, the Directors and the general managers who lead the various groups of the Corporation. The Corporation is not obligated to compensate the Minister for Water and therefore disclosures in relation to the Minister's compensation are not disclosed in this report, but they are included in the *Annual Report on State Finances*.

The compensation paid to key management personnel during the year comprised:

	2021	2020
	$'000	$'000
Short-term employee benefits	3,286	3,356
Post-employment benefits	235	279
Other long-term benefits	117	13
Termination benefits	-	336
	3,638	**3,984**

Other transactions with key management personnel and related entities

Related parties of the Corporation include:

- all Ministers, their close family members and their controlled or jointly controlled entities
- all directors, general managers, their close family members and their controlled or jointly controlled entities
- Western Australian government departments and public sector entities, including related bodies included in the whole of government consolidated financial statements
- associates and joint ventures, that are included in the whole-of-government consolidated financial statements
- the Government Employees Superannuation Board (GESB).

The Ministers and directors of the Corporation, or their related entities, conduct transactions with the Corporation within normal employee and customer relationships, on terms and conditions no more favourable than those that it is reasonable to expect the Corporation would have adopted if dealing with a Minister, Director or related entity at arm's length in similar circumstances.

There are no reportable related party transactions with the current Ministers, the Directors or the general managers of the Corporation this financial year (2020: nil).

The Corporation transacts with a number of Western Australian State Government authorities, agencies and government trading enterprises. Transactions with these entities include, but are not limited to: depositing and borrowing money; sales and purchases of goods, property and other assets; use of utilities; other government fees and charges. Total annual transactions with these entities, in excess of $10 million, include:

	2021 $M	2020 $M
Transactions with Department of Treasury, Department of Finance and Western Australian Treasury Corporation		
Receipts		
Department of Treasury – operating subsidies	469	431
Western Australian Treasury Corporation		
- Proceeds from borrowings	676	1,155
- Foreign currency	1	2
Payments		
Department of Treasury		
- Dividends	642	4
- Income tax equivalent	392	360
- Local government rates equivalent	8	7
Department of Finance		
- Payroll tax	27	22
Western Australian Treasury Corporation		
- Repayment of borrowings	871	1,155
- Interest on borrowings	141	176
- Guarantee fees	42	42
- Purchase of foreign currency	1	2
Other Western Australian Government-related entities		
Receipts		
Department of Jobs, Tourism, Science, and Innovation	11	11
Payments		
Government Employees' Superannuation Board	11	12
Horizon Power	14	14
Synergy	10	10
Western Power	11	9

The above list excludes annual service charges and volume charges received by the Corporation.

Note 21 Leases

Leases as lessor

The future minimum lease payments under non-cancellable leases are as follows:

	2021 $M	2020 $M
Less than one year	5	5
Between one and five years	16	14
More than five years	10	13
	31	**32**

The Corporation has entered into lease agreements for property and licenses which are classified under operating leases.

During the financial year ended 30 June 2021, $9 million was recognised as rental income in the statement of comprehensive income (2020: $9 million).

Note 22 Capital commitments

Total capital expenditure contracted for at reporting date but not provided for in the financial report was $246 million (2020: $269 million).

Note 23 Contingent liabilities

Currently the Corporation is a party to or is potentially affected by a number of legal claims. Until proceedings relating to these claims are finalised, uncertainty exists regarding their impact, if any, on the operations of the Corporation.

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required, or the amount is not capable of reliable measurement.

The following identifiable contingent liabilities exist at 30 June 2021:

	2021 $M	2020 $M
Bank guarantees (Note a)	12	12

Note a) Bank guarantees are issued in the normal course of business to guarantee the performance of the Water Corporation under contracts and the period of each guarantee varies by contract agreement.

Note 24 Events after the reporting period

There have been no events after the reporting period which would have a material effect on the Corporation's financial position.

Note 25 Financial instruments

25.1 Overview

The Corporation has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Corporation's exposure to each of the above risks, objectives, policies and processes for measuring and managing risk, as well as quantitative disclosures.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Corporation's activities. The Corporation has a disciplined and constructive control environment in which all employees are clearly advised of their roles and obligations.

The Corporation's Audit and Risk Committee oversees how management monitors compliance with the Corporation's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Corporation. The Audit and Compliance Committee is assisted in its oversight role by the Risk and Assurance Business Unit, which undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Corporation's Audit and Risk Committee.

25.2 Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's receivables from customers.

Management has a credit policy in place and the exposure to credit risk is monitored on a regular basis. The credit risk on financial assets, which have been recognised on the statement of financial position, other than cash and other financial assets is generally the carrying amount, net of any impairment loss for doubtful debts. Most receivables relating to water service charges are the responsibility of and are recoverable from the owner of the property. Under legislation, the Corporation may lodge and register a memorial and appropriate endorsements on the title of properties in arrears, which when in place restricts any instrument affecting that property from being registered without the Corporation's consent. Other receivables are regularly reviewed and allowance is made for debts deemed to be doubtful.

The Corporation has established an expected credit loss that represents its estimate of incurred losses in respect to its financial assets, primarily trade and other receivables, and comprises individually significant exposures.

At reporting date, there were no significant concentrations of credit risk.

Exposure to credit risk

The carrying amount of the Corporation's financial assets represents the maximum credit exposure. The Corporation's maximum exposure to credit risk at reporting date was:

	2021 $M	2020 $M
Cash and cash equivalents	367	603
Trade and other receivables (Note 9)	290	295
	657	**898**

The Corporation is not materially exposed to any individual customer.

Trade receivables

The Corporation's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the nature and location of each customer. In monitoring customer credit risk, customers are grouped according to their geographical locations as well as their account category. It is noted that in the majority of cases, the Corporation has security over the properties of the customers and as such has a very low credit risk.

During the year ended 30 June 2021, the Corporation renegotiated the terms of trade and other receivables of $20 million (2020: $22 million) from customers. If it had not been for these renegotiations, the receivables would have been overdue by more than 90 days. There was no impairment loss recognised this financial year (2020: nil).

The allowance account, in respect of trade and other receivables, is used to record impairment losses, unless the Corporation is satisfied that no recovery of the amount owing is possible. At that point, the amounts considered irrecoverable are written off against the financial asset directly. At 30 June 2021, the Corporation does not have any collective impairment on its trade and other receivables (2020: nil).

25.3 Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation.

On an annual basis, the Board approves the forward five-year forecast of cash flows incorporated in the Strategic Development Plan (SDP). On an annual basis, the Board also approves the projected cash flows, for the current and next financial years, derived from the Statement of Corporate Intent (SCI). The SDP and SCI convey the liquidity risk by reporting projected net debt levels with committed facilities. During the financial year, any significant divergence from the projected cash flows is reported to the Board.

The Corporation ensures that it maintains a liquidity buffer of $4 million on a daily basis in approved liquidity instruments to cover cash flow volatility over the short term and to provide time to arrange additional funding facilities in the event of a cash flow emergency. Funds held in excess of liquidity requirements may be used to retire debt, invest in approved liquidity instruments or invest in approved financial instruments, other than approved liquidity instruments, in a manner consistent with the approved liquidity and funding strategy.

The Corporation has in place arrangements for the Western Australian Treasury Corporation (WATC) to provide finance, with total facility limits set by the State Treasurer through the annual State Budget, or as amended from time-to-time by a formal process including the mid-year review or via letters of amendment.

For 2020-21, the borrowing limit was set at $6,094 million (2020: $6,090 million) for the repayment of maturing debt and ongoing capital expenditure. Included in the limit of $6,094 million is a liquidity facility that can be drawn down, within the constraints of the total limit, to meet short-term financing needs, and a working capital facility currently limited to $80 million (2020: $80 million) to assist with cash flow management.

As at 30 June 2021, $5,786 million was drawn under the total debt facility (2020: $5,980 million). The remaining amount available under the total debt facility, with the relevant approval was $308 million (2020: $114 million). For 2021-22, the facility limit has initially been set at $6,161 million (2020: $6,094 million) providing available borrowings of $375 million up to 30 June 2021.

Outstanding lines of credit are regularly discussed and agreed with WATC. The type, currency and term of any new finance are determined at the time of draw-down between the Corporation and WATC.

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements:

30 June 2021	Carrying amount $M	Contractual cash flows $M	6 mths or less $M	6-12 mths $M	1-2 mths $M	2-5 mths $M	More than 5 years $M
Non-derivative financial liabilities							
Trade and other payables	296	(296)	(296)	-	-	-	-
Interest-bearing loans and borrowings:							
- WATC term floating rate lending	2,093	(2,111)	(224)	(223)	(475)	(1,189)	-
- WATC term fixed rate lending	3,693	(4,201)	(253)	(248)	(485)	(1,370)	(1,845)
Lease liabilities	30	(34)	(5)	(5)	(6)	(10)	(8)
Service concession arrangements	206	(484)	(15)	(14)	(27)	(76)	(352)
	6,318	**(7,126)**	**(793)**	**(490)**	**(993)**	**(2,645)**	**(2,205)**

30 June 2020	Carrying amount $M	Contractual cash flows $M	6 mths or less $M	6-12 mths $M	1-2 mths $M	2-5 mths $M	More than 5 years $M
Non-derivative financial liabilities							
Trade and other payables	337	(337)	(337)	-	-	-	-
Interest-bearing loans and borrowings:							
- WATC Term floating rate lending	2,093	(2,126)	(274)	(220)	(449)	(1,183)	-
- WATC term fixed rate lending	3,887	(4,497)	(262)	(256)	(498)	(1,402)	(2,079)
Lease liabilities	32	(35)	(5)	(5)	(7)	(11)	(7)
Service Concession Arrangements	214	(513)	(15)	(14)	(29)	(78)	(377)
	6,563	**(7,508)**	**(893)**	**(495)**	**(983)**	**(2,674)**	**(2,463)**

Details of the lending arrangements are contained in Note 12**.**

25.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

The Corporation enters into derivatives and also incurs financial liabilities in order to manage market risks. All such transactions are carried out in line with risk management policies. Generally, the Corporation seeks to apply hedge accounting in order to manage volatility in surplus or deficit.

25.4.1 Currency risk

The Corporation makes purchases that are denominated in currencies other than Australian dollars. The currencies in which these transactions primarily are denominated in are Euro and USD.

In accordance with risk management policies, non-material exposures to an aggregate value of $100,000 for any one project may be left unhedged. At any one time, unhedged exposures in all foreign currencies cannot exceed an aggregate value of $1,000,000.

The Corporation uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from reporting date. When necessary, forward exchange contracts are rolled over at maturity.

The Corporation has no material exposure to foreign currency risk.

25.4.2 Interest rate risk

The Corporation is exposed to interest rate risk through financial assets and financial liabilities and adopts a policy of ensuring the majority of its exposure to changes in interest rates on borrowings is on a fixed rate basis.

Profile

At reporting date the interest rate profile of the Corporation's interest bearing financial instruments was:

	2021 $M	2020 $M
Fixed rate instruments		
WATC Term Floating Rate Lending (interest rate fixed for 3 or 6 months)	2,093	2,093
WATC Term Fixed Rate Lending (Note a)	3,693	3,887
	5,786	**5,980**

Note a) Structured into 37 lines spread over 37 quarters (9 years and 9 months), with one thirty-seventh of the portfolio maturing each quarter, refinanced at an interest rate fixed for 10 years.

Fair value sensitivity analysis for fixed rate instruments
The Corporation does not account for any fixed rate financial assets and liabilities at fair value through surplus or deficit, and the Corporation does not designate the forward points component of derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at reporting date would not affect equity.

Cash flow sensitivity analysis for fixed rate instruments
Borrowings under the Term Fixed Rate Lending facility are structured into various lines of 9 years and 9 month debt, with maturities staggered quarterly. Of the total $3,693 million under the Term Fixed Rate Lending facility, $389 million will mature in the next 12 months and will be refinanced at interest rates fixed for 10 years. Borrowings under the Term Floating Rate Lending facility are structured into various debt lines, with maturities between 2 years and 5 years. Interest rates under the Term Floating Rate facility are reset every 3 months or 6 months. Of the total $2,093 million under this facility, $440 million will mature in the next 12 months, with interest rates fixed for either 3 months or 6 months. An increase of 100 basis points in interest rates at the reporting date would have increased interest expense (before capitalised interest) by $20 million. A decrease of 100 basis points in interest rates at the reporting date would have decreased interest expense (before capitalised interest) by $4 million. This analysis assumes that all other variables remain constant.

25.5 Fair values

Fair values versus carrying amounts
The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Carrying amount 2021 $M	Fair value 2021 $M	Carrying amount 2020 $M	Fair value 2020 $M
Assets carried at amortised cost				
Cash and cash equivalents	367	367	603	603
Trade and other receivables	290	290	295	295
Liabilities carried at amortised cost				
Trade and other payables	296	296	337	337
Interest-bearing loans and borrowings:				
- WATC term floating rate lending	2,093	2,107	2,093	2,099
- WATC term fixed rate lending	3,693	3,984	3,887	4,297

The basis for determining fair values is disclosed in Note 28.19.

Interest rates used for determining fair value
The average interest rates used to discount estimated cash flows, where applicable, are based on the WATC 'mid-market' rates.

	2021	2020
Interest-bearing loans and borrowings	0.03%-1.8%	0.1%-1.5%

Note 26 Controlled entities

For financial year ended 30 June 2021, no other entities were consolidated in the Corporation's accounts.

The following two controlled entities were consolidated in the accounts for year ended 30 June 2020:

- Programmed Facility Management (PRA) Pty Ltd
- Aroona P&T Pty Ltd.

While the Corporation did not hold any ownership interests in Programmed Facility Management (PRA) Pty Ltd and Aroona P&T Pty Ltd, it controlled these entities through its power to direct their operations.

The Corporation terminated the alliance agreements with Programmed Facility Management Pty Ltd with effect from 9 March 2020 and Suez Water Pty Ltd and Broadspectrum (Australia) Pty Ltd trading as Perth PTIA Joint Venture with effect from 27 June 2020. As the Corporation no longer controls Programmed Facility Management (PRA) Pty Ltd and Aroona P&T Pty Ltd, the entities were not consolidated in the statement of financial position as at 30 June 2020. The comparatives have not been restated and as such the transactions up to the date of the termination have been included in the results of the statement of comprehensive income and the cash flow statement for the year ended 30 June 2020.

Note 27 Parent entity disclosures

	2021 $M	2020 $M
Result of parent entity		
Surplus for the period	876	809
Other comprehensive income/(expense)	3	(1)
Total comprehensive income for the period	879	808
Financial position of parent entity at year end		
Current assets	671	915
Non-current assets	17,916	17,675
Total assets	18,587	18,590
Current liabilities	499	533
Non-current liabilities	6,297	6,503
Total liabilities	6,796	7,036
Total equity of the parent entity comprising:		
Contributed equity	7,561	7,561
Accumulated surplus	4,230	3,993
Total equity	11,791	11,554

Parent entity contingent liabilities
The parent entity contingent liabilities are as disclosed in Note 23.

Parent entity capital commitments
Total capital expenditure contracted for at reporting date is as disclosed in Note 22.

Note 28 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in this financial report.

28.1 Principles of consolidation

28.1.1 Business combinations

The Corporation accounts for business combinations using the acquisition method when control is transferred to the Corporation.

28.1.2 Controlled entities

Controlled entities are entities controlled by the Corporation. The Corporation controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The financial results of controlled entities are included in the consolidated financial report from the date on which control commences until the date on which control ceases.

Where there is loss of control of a controlled entity, the Corporation derecognises the assets and liabilities of the controlled entity and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former controlled entity is measured at fair value when control is lost.

All inter-company balances and transactions, including unrealised gains arising from intra-Corporation transactions, are eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered. Non-controlling interests in the equity and the results of controlled entities are shown separately in the consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of changes in equity.

The Corporation currently has no controlled entities.

28.2 Revenue

(a) Revenue from annual service charges and volume charges is recognised in the statement of comprehensive income once the performance obligations have been met during the period, including interest on overdue amounts, less rebates/concessions allowed to entitled customers. Revenue also includes an estimate for the value of water consumed but not billed at reporting date.

(b) Operating subsidies are recognised as revenue to the extent that it is highly probable that a significant reversal would not occur and the Corporation has complied with the conditions attached to them. Operating subsidies are received from the state government for:

- costs in respect of country water, sewerage, drainage and irrigation services
- infill sewerage program
- revenue foregone, plus agreed administration costs, from rebates and concessions to pensioners, seniors and various exempt bodies on annual service charges, water consumption charges and other fees and charges.

(c) Developers' contributions are recognised as revenue at fair value when received. The Corporation receives capital contributions from external parties in the form of either assets or cash. These are commonly referred to as Developers' Contributions and consist of:

- headworks contributions: Developers are required to make standard contributions towards the cost of headworks necessary to provide reticulation services within a subdivision.
- handover works: As a condition of subdivision, developers are required to provide water, and in most areas sewerage services, to individual blocks. These services are connected to the existing system and handed over to the Corporation free of charge.
- work performed for developers: As an alternative to developers arranging for the installation of reticulation services, the Corporation may be requested to provide these with the developer paying the cost at an agreed quotation.
- notional capital surcharge: Companies supplied water through special agreements are required to make additional capital payments if they exceed the quota of water they have paid for.

(d) Grant revenue

Government grants are initially recognised as deferred income at fair value. They are then recognised in profit or loss as other income if it is highly probable that significant reversal would not occur and the Corporation will comply with the conditions associated with the Grant. The revenue is recognised in the periods in which the offsetting expenses are recognised.

28.3 Leases

(a) As a lessee

The Corporation assesses whether a contract is or contains a lease, at inception of the contract. The Corporation recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less). For these leases, the Corporation recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date. The right-of-use asset is subsequently depreciated using the straight-line-method to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date using the Western Australian Treasury Corporation's incremental borrowing rate. The liability is remeasured when there is a change in the future lease payment. The corresponding adjustment is made to the carrying amount of the right-of-use asset.

Concessionary leases

Leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives are referred to as 'concessionary leases'.

Right-of-use assets resulting from concessional leases are measured at cost, at inception, in accordance with AASB 16.

Extension options

Some property leases contain extension options exercisable by the Corporation up to one year before the end of the non-cancellable contract period. Where practicable, the Corporation seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Corporation and not by the lessors. The Corporation assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Corporation reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

(b) As a lessor

The Corporation enters into lease agreements as a lessor with respect to some of its residential properties.

Leases for which the Corporation is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

28.4 Net finance costs

28.4.1 Finance income

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method.

28.4.2 Finance costs

Finance costs comprise interest expense on borrowings calculated using the effective interest method. The interest expense component of finance lease payments is recognised in the statement of comprehensive income using the effective interest method.

Borrowing costs are expensed as incurred except where they relate to the financing of projects under construction, with an estimated cost of more than $5 million, where they are capitalised up to the date of commissioning.

Foreign currency gains and losses are reported on a net basis.

28.5 Income tax equivalent

The Corporation is exempt from the Commonwealth of Australia's *Income Tax Assessment Act 1936* but makes income tax equivalent payments to the Western Australian Government. The Corporation entered into the National Taxation Equivalent Regime (NTER) environment on 1 July 2001 having previously operated under the state-based Taxation Equivalent Regime. While tax equivalent payments are remitted to the Department of Treasury, the Corporation's tax equivalent is subject to Australian Tax Office (ATO) administration. The calculation of the liability in respect of these tax equivalents is governed by the *Income Tax Assessment Act 1936* and the NTER guidelines as agreed by the NTER Working Party.

Income tax equivalent expense comprises current and deferred tax equivalents. Current tax equivalent and deferred tax equivalent is recognised in the statement of comprehensive income.

Current tax equivalent is the expected tax equivalent payable on the taxable income for the year, using tax rates enacted or substantively enacted at reporting date, and any adjustment to tax equivalent payable in respect of previous years.

Deferred tax equivalent is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax equivalent is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by reporting date.

In determining the amount of current and deferred tax equivalent, the Corporation takes into account the impact of uncertain tax positions and whether additional tax equivalents and interest may be due. The Corporation believes that its accruals for tax equivalent liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Corporation to change its judgement regarding the adequacy of existing tax equivalent liabilities; such changes to tax equivalent liabilities will impact tax equivalent expense in the period that such a determination is made.

Deferred tax equivalent assets and liabilities are offset if there is a legally enforceable right to offset current tax equivalent liabilities and assets, and they relate to income tax equivalents levied by the same tax authority on the same taxable entity.

A deferred tax equivalent asset is recognised to the extent that it is probable that future taxable surpluses will be available against which the temporary difference can be utilised. Deferred tax equivalent assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax equivalent benefit will be realised.

28.6 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and in banks.

28.7 Trade and other receivables

Trade and other receivables are stated at their amortised cost less expected credit loss (see Note 28.11) and are normally settled within 30 days.

28.8 Inventories

Inventories consist of consumable engineering supplies and spares required for maintenance and operation of systems and general construction works. Inventories are measured at cost and adjusted when applicable for any loss of service potential.

An allowance is maintained for the diminution in the value of inventories due to obsolescence and items being surplus to requirements.

28.9 Property, plant and equipment

28.9.1 Recognition and measurement

Property, plant and equipment represent the capital works and plant required for the operation of the Corporation and comprise:

(a) works carried out under the capital investment program, which are initially recorded at cost. Cost includes direct materials and labour together with a proportion of management expenses directly related to bringing the asset to its working condition, and capitalisation of interest directly attributable to major works

(b) works carried out by developers, which are taken over by the Corporation free of charge are recorded at deemed cost, being the fair value at the date of acquisition

(c) other property, plant and equipment, which are initially recorded at cost of acquisition plus incidental costs directly attributable to the acquisition.

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see Note 28.9.3) and impairment losses (see Note 28.11).

28.9.2 Subsequent costs

The Corporation recognises in the carrying amount of an item of property, plant and equipment the following:

(a) the cost of replacement parts of an item is included when that cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the Corporation and the cost of the item can be measured reliably. The carrying amounts of those parts that are replaced are derecognised.

(b) the cost of regular major inspection if it is probable that the future economic benefits embodied within the item will flow to the Corporation and the cost of the item can be measured reliably. Any remaining carrying amount of the cost of the previous inspection is derecognised.

All other costs are recognised in the statement of comprehensive income as an expense when incurred.

28.9.3 Depreciation

In order to recognise the loss of service potential of property, plant and equipment, depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, making allowance where appropriate for residual values. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Corporation will obtain ownership at the end of the lease term. Asset lives are reviewed annually, taking into account commercial and technical obsolescence, as well as normal wear and tear. Land is not depreciated.

The estimated useful lives of the different classes of property, plant and equipment for current and comparative years are as follows:

	Life (years)
Tunnels - water	100 - 150
Dams and associated civil works	120
Pipes - water and wastewater (other than galvanised steel)	75 - 110
Ocean outfalls and associated pipes	40 - 100
Bridges	40 - 80
Reservoirs and tanks	40 - 70
Fire hydrants and reticulation valves	50 – 55
Valves	25
Civil works - pump stations and treatment plants	50
Civil works – minor	10
Buildings (other than temporary)	30 – 50
Buildings (temporary)	10
Pipes - water (galvanised steel)	30
Drains and channels (other than excavation)	20 – 30
Drains and channels (earth excavation)	150
Wells and bores	20 - 30
Mechanical and electrical installations	25
Telemetry equipment, instruments and revenue meters	10
Furniture, office and laboratory equipment	7
Vehicles and mobile plant	5 - 12
Computer equipment	3 – 5
Supervisory control and data acquisition (SCADA)	12

28.10 Intangible assets

28.10.1 Computer software

Computer software consists of software which is not integral to the hardware, such as the ERP and billing system. Computer software is stated at cost less accumulated amortisation (see Note 28.10.3) and accumulated impairment losses (see Note 28.11).

28.10.2 Water entitlements

Water entitlements purchased by the Corporation have been recognised initially at the cost of acquiring the entitlements plus incidental costs directly attributable to the acquisition. These entitlements are considered to have an indefinite useful life and are tested annually for impairment (see Note 28.11).

28.10.3 Amortisation

Amortisation is calculated using the cost of the asset, or its deemed cost, less its residual value.

Amortisation of computer software and intellectual property is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets, unless such lives are indefinite. Intangible assets with indefinite useful lives are not amortised and are systematically tested for impairment at each reporting date.

Intangible assets are amortised over the following useful lives:

	Life (years)
Computer software	3 - 10
Intellectual property	10

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

28.11 Impairment

28.11.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise and indications that a debtor will enter bankruptcy.

The Corporation considers evidence of impairment for financial assets at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment.

All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Financial assets that are not individually significant are collectively assessed for impairment by grouping together financial assets with similar risk characteristics.

In assessing collective impairment the Corporation uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognised in the statement of comprehensive income.

28.11.2 Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than inventories and deferred tax equivalent assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use for not-for-profit entities is determined using the depreciated replacement cost of the asset when the future economic benefits of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Corporation would, if deprived of the asset, replace its remaining future economic benefits.

28.12 Trade and other payables

Trade and other payables are stated at amortised cost and are normally settled within 30 days.

28.13 Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are recognised at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest basis.

28.14 Provisions

A provision is recognised if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

28.14.1 Insurance

A provision for uninsured loss events is recognised when a claim is received from an external party after an incident occurs, and it is probable that a payment to the external party will be required to settle the financial obligation associated with the incident. The amount provided for is up to the Corporation's insurance deductible level.

28.14.2 Workers' compensation

The Corporation self-insures for risks associated with workers' compensation for claims relating to pre-1 July 1997 events. Outstanding claims are recognised when an incident occurs that may give rise to a claim and are measured at the cost that the Corporation expects to incur in settling the claims, discounted using a government bond rate with a maturity date approximating the terms of the Corporation's obligation.

28.14.3 Site restoration

A provision for site restoration costs is recognised when: there is either a legal or constructive obligation to restore a site; the land is contaminated; it is probable a restoration expense will be incurred; and the costs can be estimated reasonably.

28.14.4 Decommissioning

The Corporation has a constructive obligation to decommission and dispose of aspects of the water network. A provision has been recognised for the present value of the estimated expenditure required to remove existing infrastructure.

28.15 Employee benefits

28.15.1 Long service leave and annual leave

Provisions for long service leave and annual leave are maintained to provide for employee benefits which are assessed on the basis of calculated leave liabilities for employee service to the reporting date.

The value of long service leave and annual leave is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and are discounted using the rates attached to the Commonwealth Government bonds at reporting date which have maturity dates approximating the terms of the Corporation's obligations.

28.15.2 Purchased leave

A provision for purchased leave is maintained to provide for purchased leave benefits which are assessed on the basis of calculated leave entitlements at reporting date.

This scheme allows employees to purchase up to 12 additional weeks of leave per annum by agreeing to a reduced salary rate over 52 weeks of the year. The minimum amount of leave available to be purchased is one week.

This scheme also allows employees to take reduced salary of 80% for four years and have paid leave for the whole of the fifth year at 80% of their salary.

Values are calculated at undiscounted amounts based on wage and salary rates that the Corporation expects to pay as at reporting date including related on-costs.

28.15.3 Termination benefits

Termination benefits are recognised as an expense when the Corporation is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Corporation has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

28.15.4 Non-monetary benefits

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Corporation as the benefits are taken by the employees.

28.16 Foreign currency transactions

Transactions in foreign currencies are translated to Australian dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in the statement of comprehensive income. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

28.17 Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

28.18 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for future reporting periods, and have not been applied in preparing this financial report. Those which may be relevant to the Corporation are set out below. The Corporation does not plan to adopt these standards early.

28.18.1 IFRIC agenda decisions – Software as a Service (SaaS)

In April 2021, the International Financial Reporting Standards Interpretations Committee (IFRIC) issued a final agenda decision, *configuration or customisation costs in a cloud computing arrangement*.

The decision discusses whether configuration or customisation expenditure relating to cloud computing arrangements is able to be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

The Corporation's accounting policy has historically been to capitalise all costs related to cloud computing arrangements as either property, plant and equipment or intangible assets in the Statement of Financial Position. The adoption of this agenda decision could result in a reclassification of these assets to either a prepaid asset in the Statement of Financial Position and/or recognition as an expense in the Statement of Comprehensive Income, impacting both the current and/or prior periods presented.

As at 30 June 2021, the Corporation has not adopted this IFRIC agenda decision. The impact of the change is not reasonably estimable as the Corporation is yet to complete its assessment of the impact of the IFRIC agenda decision. The Corporation expects to adopt the IFRIC agenda decision in its annual financial statements ending on 30 June 2022.

The Corporation has undertaken several IT cloud computing projects in recent years and is in the process of assessing which cloud computing arrangements may be impacted by this IFRIC agenda decision and will subject to further assessment. Costs associated with these cloud computing arrangements have been capitalised either as work in progress within Property, Plant and Equipment or as computer software within Intangible Assets in the Statement of Financial Position.

28.19 Determination of fair values

A number of the Corporation's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

28.19.1 Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

28.19.2 Finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements. The estimated fair values reflect changes in interest rates.

28.19.3 Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. The fair value of all other receivables/payables is estimated as the present value of future cash flows, discounted at the market rate of interest at reporting date.

28.20 Comparatives

Where appropriate, comparative amounts have been re-presented and re-classified to ensure comparability with the current reporting year.

Directors' declaration

In the opinion of the Directors of the Water Corporation (the "Corporation"):

(a) the financial statements and notes are in accordance with the *Water Corporations Act 1995*, including:

- (i) giving a true and fair view of the Corporation's financial position as at 30 June 2021 and of its performance, for the financial year ended on that date
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

R. Love

Chair

P. Donovan

Chief Executive Officer

PERTH, 27 August 2021

Auditor General

INDEPENDENT AUDITOR'S OPINION
2021
Water Corporation

To the Parliament of Western Australia

Opinion

I have audited the financial statements of Water Corporation (the Corporation), which comprise the Statement of Financial Position as at 30 June 2021, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In my opinion, the accompanying financial statements of the Corporation are prepared in accordance with Schedule 3 of the *Water Corporations Act 1995* including:

- giving a true and fair view of the Corporation's financial position as at 30 June 2021 and of its performance for the year then ended; and
- complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of my report. I am independent of the Corporation in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including independence Standards)* (the Code) that are relevant to my audit of the financial statements. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information in the Corporation's annual report for the year ended 30 June 2021, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and accordingly, I do not express any form of assurance conclusion thereon.

Responsibilities of the directors for the financial statements

The directors of the Corporation are responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and (Schedule 3 of) the *Water Corporations Act 1995* and for such internal control as the directors determine is necessary to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Corporation'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 Western Australian Government has made policy or funding decisions affecting the continued existence of the Corporation.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 the financial statements. 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.

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of my auditor's report.

Matters relating to the electronic publication of the audited financial statements

This auditor's report relates to the financial statements of Water Corporation for the year ended 30 June 2021 included on the Corporation's website. The Corporation's management is responsible for the integrity of the Corporation's website. This audit does not provide assurance on the integrity of the Corporation's website. The auditor's report refers only to the financial statements described above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from publication on the website, they are advised to refer to the hard copy of the audited financial statements to confirm the information contained in this website version of the financial statements.

Caroline Spencer
Auditor General for Western Australia
Perth, Western Australia
27 August 2021