

Annual Report 2021



Owned by the
people of WA.

Think climate change.
Be waterwise.

Living in the world's driest inhabited continent means the impact of climate change varies dramatically across the state.

From rising temperatures and extreme weather events to significant changes in rainfall, it's never been more important to work with the community to sustainably manage our water use and reduce our impact on the environment.

ABOUT THIS REPORT

The 2020-21 Annual Report is a review of our performance for the financial year ended 30 June 2021.

This report is produced in accordance with the provisions of the *Water Corporations Act 1995* and other relevant legislation, which governs our operations.

Provided to the Minister for Water; Forestry; Youth the Hon Dave Kelly MLA, the report is tabled in the Parliament of Western Australia.

The objective of this report is to provide our customers, community, stakeholders, and our owner, the Western Australian Government with information about our operational and financial performance and our contribution to the State's economy for the 2020-21 financial year.

To provide feedback on this report, please email marketing@watercorporation.com.au

Previous annual reports can be found at watercorporation.com.au

For customer enquiries or feedback about our services visit watercorporation.com.au/contact

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We acknowledge the Traditional Owners throughout Western Australia and their continuing connection to the land, water and community. We pay our respects to all members of Aboriginal communities, to their cultures, and to Elders past, present and emerging.

OUR YEAR AT A GLANCE

Safe for all



Lowest total cost



Lowest environmental impact



One hundred
**Mental Health
Champions**

5.4 billion litres
of water

saved



through our leak
detection program

76 recycled
water
schemes

75%
solid waste
recovered
for reuse



132,441

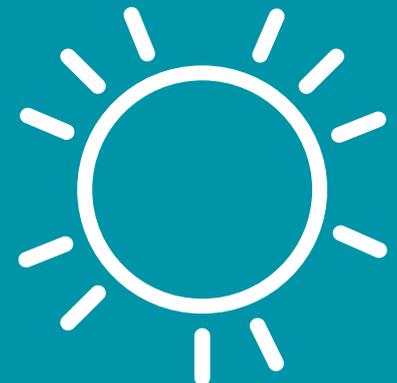


Webex
meetings



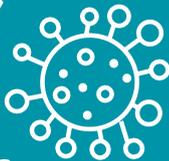
262
million
invested
in regions

712
million
invested
in capital
works



820kW
solar PV installed

WEEKLY
wastewater
sampling for
COVID-19
at 17 WA sites



5,334
customers

supported
through
financial
care
programs



78ha
revegetated

78ha
vegetation
cleared

40
corporate
incidents handled

Satisfied customers



374 billion litres
of water supplied



814,166

customer
interactions
by phone, email,
and web chat



105,088

engagements
through
social media



2,990,000
website
visits



A record
number of

32,809

students reached
through our
**Waterwise
Schools Program**

Value for WA communities



WA Museum
Boola Bardip
display installed



9 Splash of
Colour
assets painted

6 assets

transformed for improved amenity



22 WA
high schools
took part in
**Think Tank
Challenge**

35,000 plants
co-funded under
**Waterwise
Greening
Scheme**



Supportive workplace



3,662
employees

1,276

female employees

801

flexible working arrangements

446

culturally diverse employees

177

Aboriginal employees

140

employees under 25

58

employees with a disability

36.4%

women in management

Chair's Report



As the state deals with the ongoing impacts of the COVID-19 pandemic, I am immensely proud of Water Corporation and its people for all that has been achieved over the past 12 months.

Climate change continues to be the biggest single challenge facing Water Corporation. The combination of reduced rainfall and lower streamflow, together with longer, hotter summers and a growing population requires an adaptive approach to supply planning. In response, we have a clear plan to invest in climate-resilient water sources, innovate through re-use and sustainability initiatives and save water with efficient programs and community education.

In reflecting on the past year's achievements, I am reminded of the Corporation's important role in supporting the state's recovery from the COVID-19 pandemic. In partnership with the State Government, we were able to offer a variety of relief options and assistance measures to our residential and business customers across the state to help them through the difficult times. This is alongside an infrastructure project investment totalling some \$712 million that created jobs and directly supported local businesses across the state at a time they needed it most.

We take pride in knowing this contribution has made a positive difference to our suppliers, communities and customers across the state.

Among those projects delivered in FY2020-21 was the Denmark Pipeline - a \$25 million investment to secure long-term water supply in our Great Southern. Connecting Denmark to the Lower Great Southern Towns Water Supply Scheme, the pipeline promotes resilience in the face of climate change, which remains the single biggest challenge to the way we source and supply drinking water.

Indeed, the Denmark Pipeline reflects much of what Water Corporation stands for. The project created nearly 160 local jobs during construction and saw \$6.2 million invested into regional businesses, including with local Aboriginal contractors. On behalf of the Board, congratulations to all involved in the project's successful design and delivery.

Since becoming Board Chair in September 2020, I have been privileged to stand alongside my fellow Board members to help guide Water Corporation's corporate and strategic focus.

I would like to welcome newly appointed Board members, Dr Carla Boehl and Ms Helen Creed, whose expertise complements that of Deputy Chair Mr David Lock, Chief Executive Mr Pat Donovan and fellow directors Mr Ross Holt and Mrs Gningala Yarran-Mark. I would also like to thank Ms Nicole Lockwood and Dr Jemma Green for their valuable contributions to the Board and the Corporation over their terms.

On behalf of the Board, I would like to thank the Minister for Water, Hon. Dave Kelly MLA for his support, and all Water Corporation staff for the important role they play in supporting our customers and communities. I look forward to another successful and productive year ahead.

Ross Love
Chair

Chief Executive Officer's report



With disruption seemingly becoming the new normal, the positive spirit, resilience, and commitment I witnessed from the Water Corporation team throughout the reporting year was phenomenal.

This year we've had fires, floods and a once-in-50-years cyclone devastate the Mid-West - as well as more COVID-19 lockdowns. The weather events are harsh reminders of the climate change impacts we're experiencing, and why it's important we continue to sustainably manage water services to make WA a great place to live and invest.

Water is our most precious resource and we all have a role to play in being waterwise to meet the complex needs of a growing state impacted by climate change. It was wonderful to celebrate the water saving achievements made this year, and we thank our customers and Waterwise Partners for helping preserve our state's water resources.

Along with representatives from government and partner agencies involved in the Waterwise Perth Action Plan, we expanded our waterwise thinking to consider the fundamental role of water in healthy environments and thriving communities. So it was great to see our collective achievements and progress made towards Perth becoming a leading waterwise city by 2030.

Safety underpins every decision we make at the Corporation, so it was pleasing to hold our first Safety Summit to hear from, learn from and thank our safety representatives and leaders who work together with all at the Corporation to deliver services to the community that are safe for all.

During COVID we increased our mental health and wellbeing focus, and this past year we introduced a Mental Health Champions program. Designed to provide easy access to wellbeing support to meet personal circumstances, the program has inducted more than 100 people as Mental Health Champions.

Environmental stewardship is central to our values, and it's pleasing to see sustainability engrained in service delivery and planning. Among recent developments in this space was the renaming of 53 Wastewater Recovery Facilities, reflecting their true role and functionality. No longer plants to simply treat wastewater, innovation has allowed Water Corporation to produce fertilisers, energy, safe irrigation and drinking water from what was once waste. This is an exciting area of opportunity as part of circular economies of the future.

We joined with the State Government in announcing future investments in our state's water infrastructure, including \$38.9 million to accelerate upgrades to water and wastewater facilities in Aboriginal communities in the state. This project is vital for us to take steps on the journey towards equity in water services for many Aboriginal communities.

We again made strong progress on key focus areas of our Reconciliation Action Plan this year. A core element of our Reconciliation journey is to improve our relationship with Aboriginal communities, incorporating their input into planning decisions and, importantly, in the co-design of solutions for the communities we serve, and we're excited about the opportunities ahead.

Our organisation is proud of our commitment to diversity and inclusion. This year we announced Water Corporation's support for Pride in Water - a network for LGBTIQ+ people and allies working in the Australian water industry, and new employment pathways we offer people with disability.

Internally, we're moving from a functional operating model to a process-led operating model. By improving our way of working, we can better deliver core business and focus on the challenges and opportunities we have ahead as an economic and social enabler for the state.

While there is much to be proud of this year, we continue to work with governments, regulators, traditional owners, public and private partners, the community and our customers to deliver safe and reliable water services for the state long into the future.

I'm enjoying working with Ross and the Board as we evolve our governance processes and long-term strategic plan, so we can deliver greater value for our customers, community, and owner.

I would like to thank the Minister for Water, Hon. Dave Kelly MLA and his staff for their support of Water Corporation during a busy and challenging year.

Ultimately, we could not have achieved what we have this year without the strong commitment from our people who deliver essential water services to the WA community, so my sincere thanks to you all.

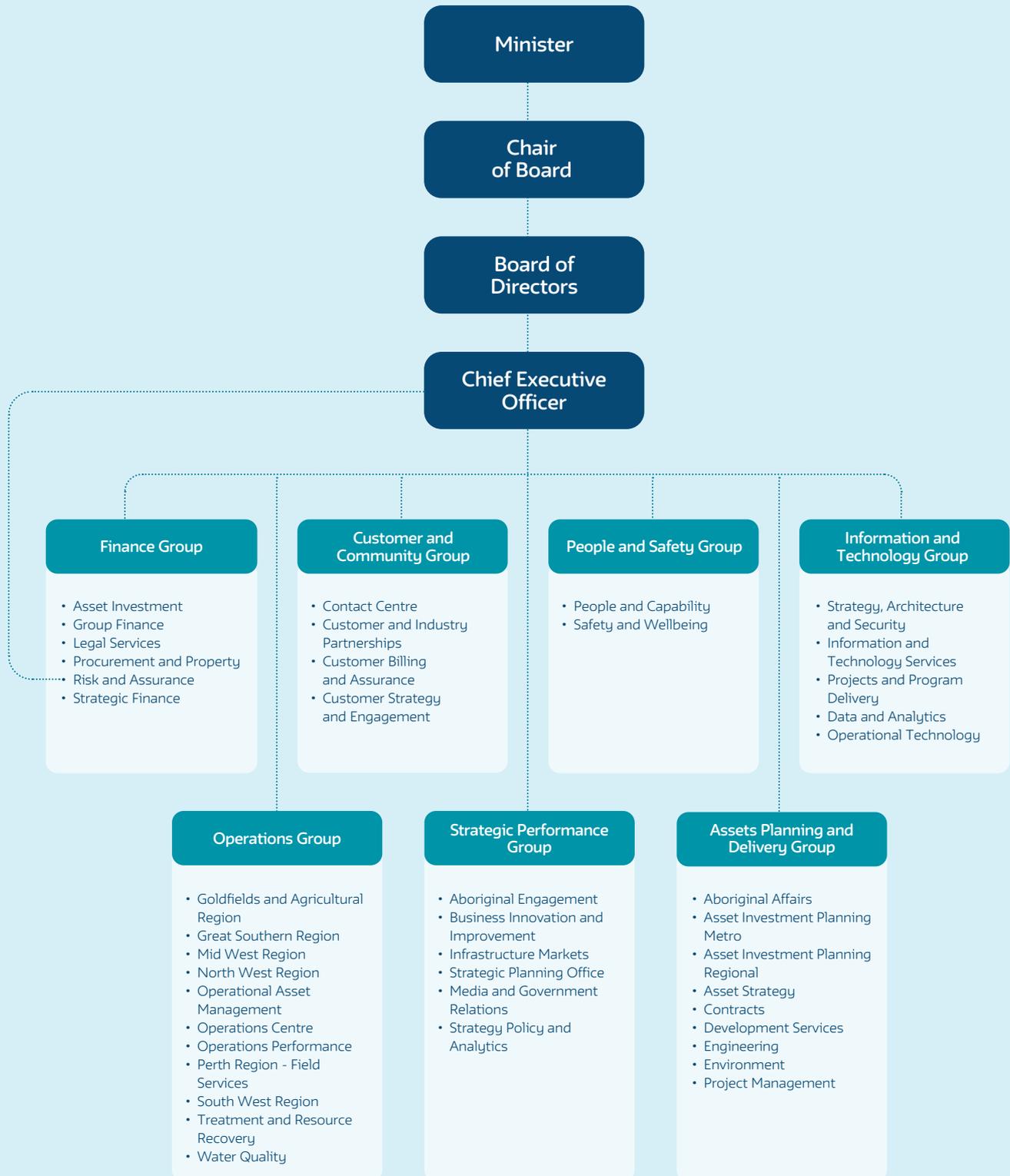
Pat Donovan
Chief Executive Officer

CORPORATE SNAPSHOT



South Perth Splash of Colour asset by artist Peter Ryan

Organisational structure





Wellington Dam wall artist - Guido Van Helten
Image of Wellington Dam mural by Richard Krieder

Organisational profile



OUR PURPOSE

We exist to sustainably manage water services to make WA a great place to live and invest.

Water Corporation is the principal supplier of water, wastewater, drainage and bulk irrigation services in Western Australia to hundreds of thousands of homes, businesses and farms. Directly employing over 3,662 people, we provide a high level of expertise and a strong commitment to our customers, community and state.

We manage \$38 billion (replacement value) of assets to deliver water services across 2.6 million square kilometres.

As we continue to feel the impacts of climate change, we have adapted. We are working with government, partnering with businesses and supporting the community to take action and secure our water future.

OUR VALUES

Guided by our values, it is our people who enable us to deliver on our purpose and vision.



OUR VISION

Deliver greater value for our customers, community and owner by ensuring our operations are safe for all, with the lowest environmental impact and at the lowest total cost.

Safe for all

Our people and the community want our products, assets and operations to be safe for all, as no one should suffer harm from our business.

Lowest total cost

Our customers and government want us to deliver services they value, at the lowest whole-of-life cost, while keeping bills affordable and contributing back to the state.

Lowest environmental impact

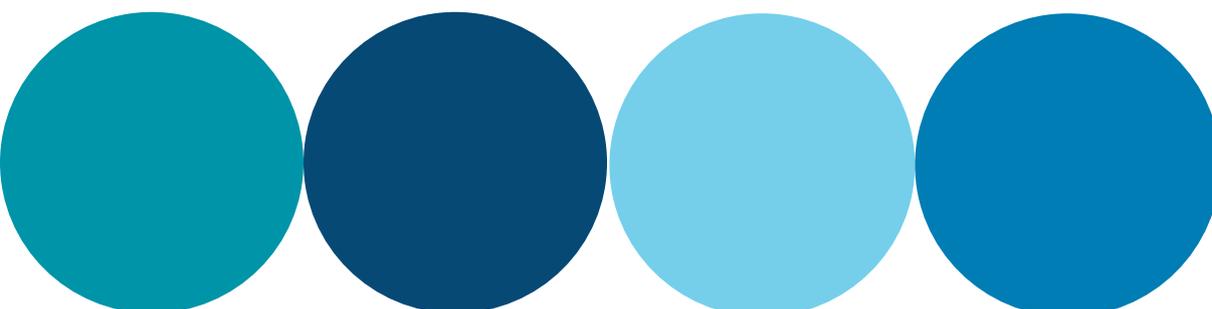
Our community and government want us to reduce the impact our operations have on our environment to preserve it for future generations.



One-year targets



Core KPIs and one-year targets		2020-21 Target	2020-21 Actual
Reputation 	Customer perception of water quality (score out of 10)	7.00	6.82
	Customer perception of communications (score out of 10)	7.10	6.67
	Community trust in Water Corporation (score out of 10)	7.03	7.29
	Brand perception (score out of 10)	7.33	7.50
Safe 	Number of public drinking water quality advisories	0	0
	Number of people with fatality or total permanent disability	0	0
	Total Recordable Injury Frequency (rate)	2.9	4.5
	Number of members of the public with fatality or total permanent disability	0	0
	Wellbeing measure (number of targets achieved)	5	5
Reliable 	Number of schemes at risk of temporary water restrictions	2	1
	Number of properties affected by unplanned interruptions (water)	325,000	393,981
	Number of properties affected by unplanned interruptions (wastewater)	1,100	1,265





From the left: Ross Holt, Carla Boehl, Ross Love, Pat Donovan, David Lock, Helen Creed, Gningala Yarran-Mark

Board profiles



Mr Ross Love

Chair
BA (Hons), MPA2, ADP

Mr Ross Love recently retired after 25 years with the Boston Consulting Group where he was most recently Managing Partner for New York. Prior to that, he held a number of positions in the WA Government, including Chief of Staff to the Premier, from 1990 to 1993. Ross's experience bridges both corporate and government sectors, including airlines and airports, commuter rail, retail and resources. His focus has been on strategy development and execution, including large-scale organisational transformations. He is currently the Chair of Fremantle Ports.

Appointed 22 September 2020, term expires 31 December 2022

Member: People and Safety Committee

Mr David Lock

Deputy Chair
BComm, CA, FAICD

Mr David Lock is the Chair of the Faculty of Business and Law at Curtin University and Odeum Produce Pty Ltd. He is a non-executive director of CBH Group and Interflour Group in Singapore, and he is a Trustee of the Marine Stewardship Council. He is the Chair of the audit and risk committees at Water Corporation, CBH Group and the Marine Stewardship Council. Mr Lock held managing director roles in public and private Australian food and agribusiness companies from 2004, prior to taking on a portfolio career in December 2017. He also held managerial positions with PriceWaterhouseCoopers in Australia, Canada and the

UK. In 2012, he was named NAB Agribusiness Leader of the Year and in 2013 he won the Australian Export Heroes Award. Mr Lock brings significant finance skills to the Board, as well as a deep understanding of the Australian agribusiness industry. He was previously Chair of Australian Pork Limited, the Western Australian Meat Industry Authority, the Food Industry Association of Western Australia, Mareterram Limited, Sea Harvest Australia Pty Ltd and a director of Food, Fibre and Land International Pty Ltd.

Appointed 1 January 2014, appointed Deputy Chair 1 January 2017, term expires 31 December 2021

Chair: Audit and Risk Committee

Mr Pat Donovan

BEng (BA BAI) Mechanical Engineering, FIEAust, GAICD, AICD

Mr Pat Donovan joined Water Corporation after more than 25 years in the gas utility sector in Australia and Ireland. He was previously president of ATCO Gas Australia where he led the delivery of safe, reliable and affordable energy to over 750,000 customers across the south west of Western Australia. He also held senior executive roles at ATCO and Alinta.

Mr Donovan has qualifications in engineering and finance, and has completed an Ivey Business Executive Program at Western University in Canada. Mr Donovan is also a Board member of the Water Services Association of Australia. He has a proven track record of leading customer-focused business strategies and achieving sustained commercial success and business growth.

Appointed 1 January 2019, term expires December 2023

Board profiles



Mr Ross Holt

BEcon (Hons)

Mr Ross Holt has been an integral part of the WA State Government finance and development landscape for almost 40 years. Previously the Chief Executive Officer of the WA Land Authority (DevelopmentWA), Mr Holt retired in 2014. He is currently the Deputy Chancellor of Murdoch University, Chair of Forest Products Commission and Chair of Nudge.

Appointed 8 June 2016, term expires 31 December 2021

Member: Audit and Risk Committee

Dr Carla Boehl

FIEAust, CPEng, GAICD

Dr Carla Boehl is a civil engineer with international work experience who moved to Australia in 2006 to work as a water engineer. Dr Boehl then specialised in asset management and worked in industries such as rail and mining. She is currently employed by Rio Tinto and is an Associate at Curtin University's WA School of Mines. Dr Boehl is also currently Chair of the Asset Management Council WA and Fellow of Engineers Australia.

Appointed 1 January 2021, term expires 31 December 2023

Member: Audit and Risk Committee

Mrs Gningala Yarran-Mark

MBL, LLB, Bsc

Mrs Gningala Yarran-Mark is an experienced Board Director, focused on education and Aboriginal health governance. Following an early legal career she moved into commercial roles in large engineering and contracting firms, as the leader of Aboriginal engagement, coordination and liaison with BHP Iron Ore (Port Hedland); Sinclair Knight Merz working on the Rio Tinto Expansion Project; Jacobs and

currently United Group Ltd (UGL). Mrs Yarran-Mark's current role with UGL leads significant internal cultural change across workforce, supply chain and procurement partnerships. Mrs Yarran-Mark's experience in managing external stakeholder relations gave her exposure to Native Title and the sensitivities around Traditional Owner aspirations as well as in-depth working knowledge of the execution and implementation of reconciliation action plans (RAPs).

Mrs Yarran-Mark has a deep understanding of diversity, cultural competencies, change management and stakeholder relationships. She currently holds the position of Aboriginal and Torres Strait Islander Co-ordinator, UGL, as well as being a Board Director on the Edith Cowan University Council.

Appointed 12 November 2019, term expires 30 September 2022

Chair: People and Safety Committee

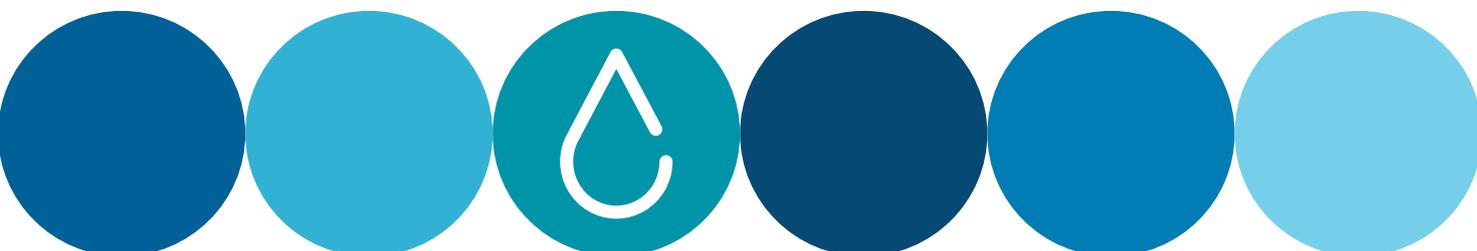
Ms Helen Creed

BA, Dip Soc Studs

Ms Helen Creed is a senior sessional member on the State Administrative Tribunal. Ms Creed brings considerable experience as the former executive director of the Community Legal Centres Association of WA, and has held senior positions with the Western Australian Council of Social Services, Department of Communities, and Department of Consumer and Employment Protection. Ms Creed is also the current Chair of Regional Early Education and Development Inc and the Victoria Park Youth Accommodation, as well as a board member for Child Australia and Children Integrated Management Services.

Appointed 7 April 2021, term expires 19 April 2024

Member: People and Safety Committee





Executive profiles



Chief Financial Officer

Mr Dean Page - Term commenced February 2020

BComm, GradDip AppFin, FCPA, MAICD

General Manager Assets Planning and Delivery

Mr Evan Hambleton - Term commenced April 2019

BEng (Hons), MBA, GAICD

General Manager Customer and Community

Ms Karen Willis - Term commenced April 2019

BA (Hons), GradDip (Marketing) GAICD

General Manager Information and Technology

Ms Elise Vervetjes - Term commenced April 2020

BBusEcon, GradCert PubMgmt, M.GenMgmt, GAICD

General Manager Operations

Mr Barry Ford - Term commenced December 2019

BSc, MBA, PEng GAICD

General Manager People and Safety

Ms Fiona Smith - Term commenced October 2019

BEcon, GradCert PubSecMgmt

General Manager Strategic Performance

Mr Matthew Cronin - Term commenced November 2019

BAG (Econ), GradDip AppFin

Key capital projects



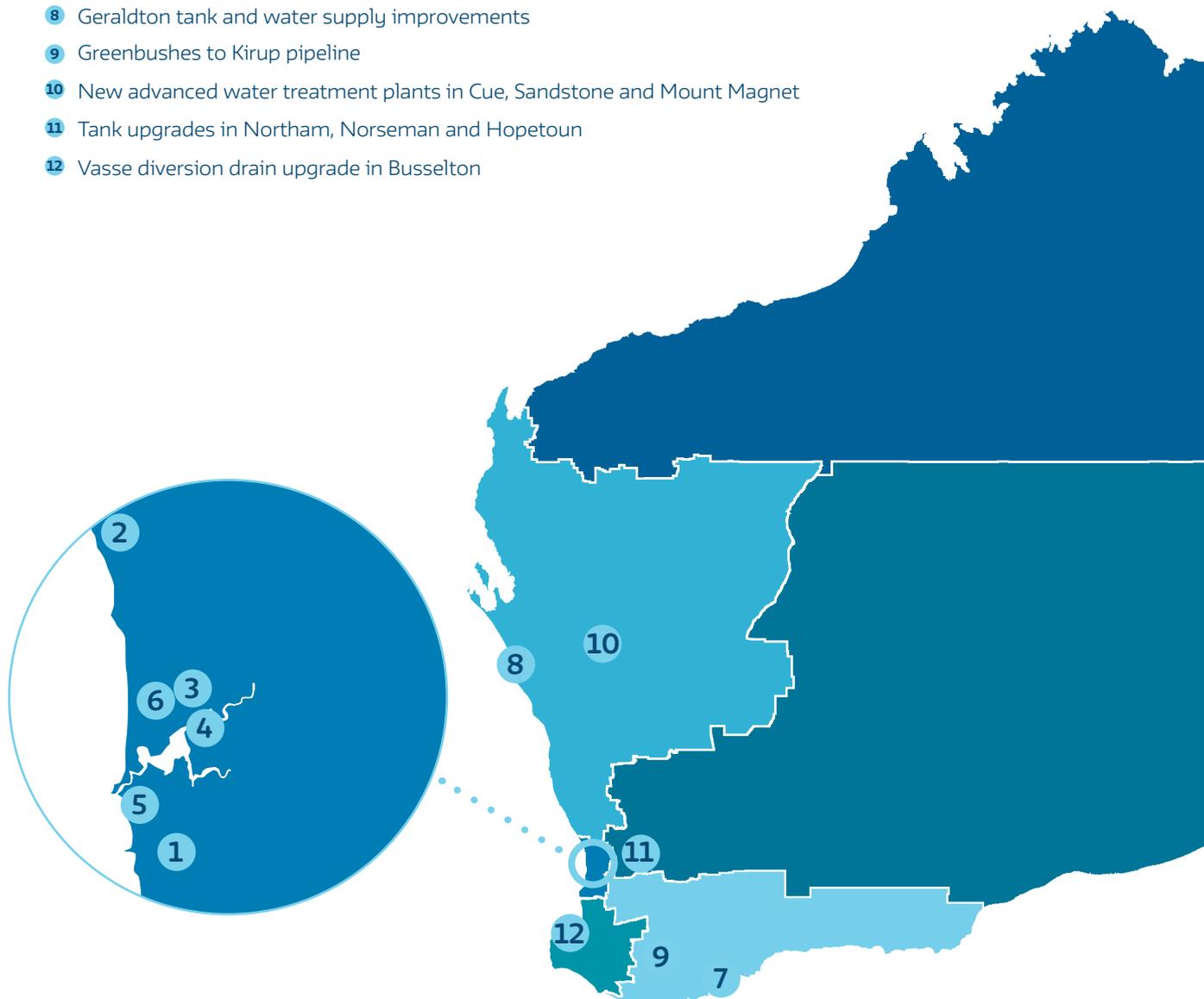
Our key capital investment program for 2020-21 totalled \$712 million. Key projects completed and underway are highlighted below.

Metro

- 1 Beeliar pipeline to Banjup, Yangebup and Hammond Park areas
- 2 Eglinton Marmion Avenue pipeline extension
- 3 Osborne Park drainage upgrades
- 4 Pipes for East Perth and Victoria Park renewals
- 5 Pipes for Fremantle renewals – Stage 2
- 6 Pollutant traps in Herdsman Lake to remove litter from stormwater drains

Regional

- 7 Denmark pipeline to secure drinking water supply
- 8 Geraldton tank and water supply improvements
- 9 Greenbushes to Kirup pipeline
- 10 New advanced water treatment plants in Cue, Sandstone and Mount Magnet
- 11 Tank upgrades in Northam, Norseman and Hopetoun
- 12 Vasse diversion drain upgrade in Busselton





**Kapi Pulk
(Big Rain) North West**

**Emily Hunter
(Nyikina/NyulNyul)**

The colours are inspired by my father's Country in the North West Kimberley region, representing the salt water and fresh water of my ancestral homeland.

Financial highlights



We continue to make a significant contribution to the WA economy by stimulating and supporting the state's growth through the provision of water infrastructure.

Our surplus for 2020-21 was influenced by solid revenue receipts from our core activities and significantly higher levels of land development and building activity. This was a direct result of the Federal and State Governments' Homebuilder and Building Bonus packages, designed to drive economic activity in the residential building industry.

The results featured total revenue of \$2.9 billion but lower overall returns than budget to the State Government by \$583 million due to the deferral of our 2020-21 interim dividend payment.

Our operating business delivered a surplus of \$879 million.

Operating revenue increased by 1.7 per cent, primarily due to an increase in service charges, water consumption and higher operating subsidies received from the government for the provision of non-profitable services – offset by lower government grants.

Contributions from land developers towards infrastructure for new housing developments added a further \$206 million. These contributions were received either as cash (\$139 million) or infrastructure handed over, such as pipelines and pumps (\$67 million).

Total expenditure marginally decreased by 0.6 per cent to remain at \$1.7 billion, largely due to lower interest rates throughout the year (2.89 per cent in 2020-21 versus 3.23 per cent in 2019-20). Our total cost per property decreased by 0.4 per cent and our operating cost per property dropped by 2.4 per cent. This remains one of the lowest in the Australian water industry for large scale supply.

Investing in infrastructure

We invested \$712 million in new capital projects to expand our water infrastructure. Our capital investment program benefits the community and leverages off a wide range of local private sector partners to assist us in construction, maintenance and operations activities. In doing so, we directly and indirectly employ a significant number of Western Australians.

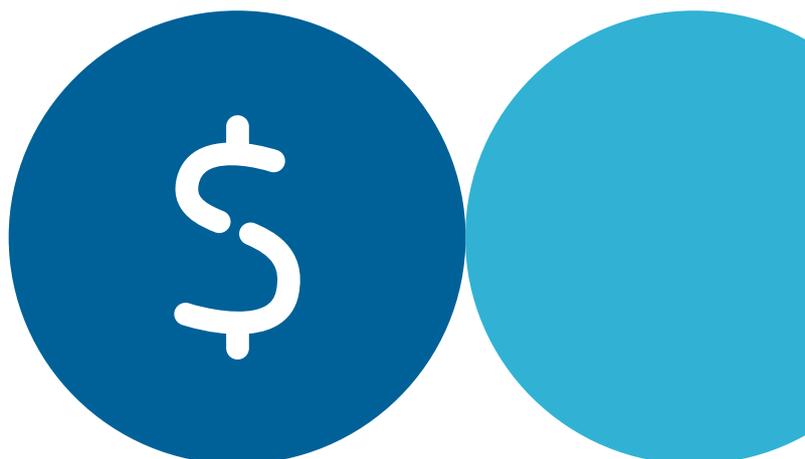
The capital investment program for 2020-21 included \$335 million spent on our water business, \$132 million on our wastewater business and the remainder on a range of programs including irrigation, drainage, and facilities management.

Returns to the state

In response to the COVID-19 pandemic the Government approved several economic measures, including the deferral of the Corporation's 2019-20 interim dividend payment to December 2020, a zero increase in residential rates and charges and the waiving of some charges for business customers.

The actual dividend paid during the year was \$642 million, which reflected the interim and final dividend components relating to the 2019-20 period. We paid tax equivalents, inclusive of local government rates, of \$385 million.

We received an operating subsidy from the government of \$469 million for the provision of non-profitable services and concessions. This was mostly in regional and remote areas of WA and concessions (pensioner and senior) to customers. When operating subsidies were offset against the dividends and taxes paid, returns of \$558 million were delivered to government.



Net accrual to government						
\$million	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16
Dividend	642	4	605	528	483	567
Tax equivalents	385	373	360	289	304	342
Operating subsidy	(469)	(431)	(420)	(409)	(464)	(547)
NATG	558	(54)	545	408	323	362

Summary of performance

	Units	2020/21 Projected	2020/21 Actual
Financial outcomes			
Operating surplus before income tax			
Operating business	\$m	996	1,048
Developer asset handover before tax	\$m	40	67
Developer cash contributions before tax	\$m	89	139
Operating surplus after income tax			
Operating business	\$m	697	735
Developer asset handover after tax	\$m	28	47
Developer cash contributions after tax	\$m	62	97
Capital expenditure (including capitalised interest)	\$m	715	712
Borrowings taken (repaid)	\$m	(114)	(194)
Financial performance measures			
Return on equity	%	7.0	7.2
Return on assets	%	7.0	7.5
Debt to total assets ratio	%	34.7	32.4
Accruals to government			
Indirect tax equivalents	\$m	8	8
Income tax equivalents (net of deferred tax adjustments)	\$m	341	377
Dividends paid	\$m	1,258	642
Total	\$m	1,607	1,027
Payments from government			
Operating subsidies			
Country water, sewerage and drainage operations	\$m	298	297
Pensioner and senior concessions ⁽¹⁾	\$m	167	170
Metropolitan operations	\$m	2	2
Total operating subsidies	\$m	467	469
Net accrual to government	\$m	1,141	558

(1) Includes pensioner and senior concessions, and concessions provided for non-rated and exempt properties.

OPERATIONAL REPORT



Operational report



In the face of climate change, it's never been more important to work collaboratively with government, industry and the community.

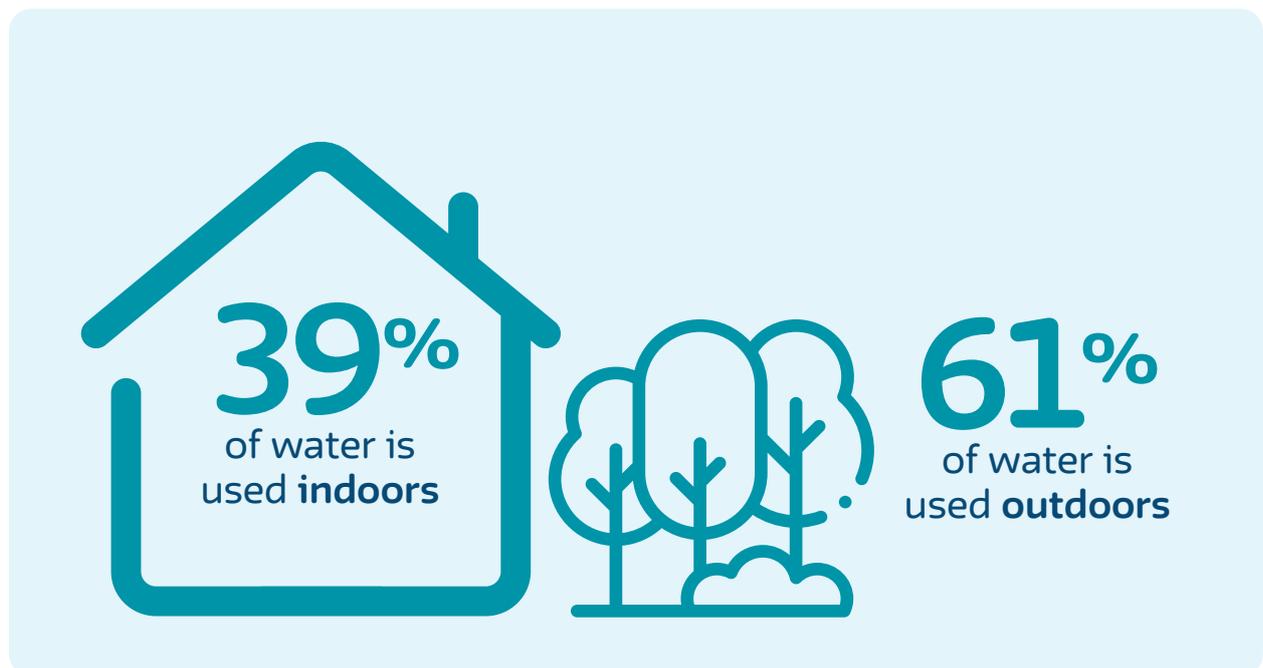
We are deeply conscious that while we are responsible for the state's water services, the Traditional Owners have been the custodians of the natural environment for more than 60,000 years.

Together, we need to seek innovative solutions and lean on traditional water management insights to protect our precious resource and drive necessary behavioural change.

Enhanced community education is a vital step towards creating a safe, sustainable, and resilient environment. This is why our six strategic priorities are centred around challenging conventional models, discovering new ways of reducing our carbon footprint, and driving greater value for our customers, community and state.

The six strategic priorities are:

- Safe for all
- Lowest total cost
- Lowest environmental impact
- Satisfied customers
- Value for WA communities
- Supportive workplace



Includes estimated bore water use

Safe for all



We do not compromise when it comes to protecting our employees, customers, community and state. This year, our focus has been monitoring wastewater for COVID-19, responding to natural disasters through incident management, and addressing water service delivery in regional communities.

Wastewater testing underway to boost COVID-19 monitoring

The state's COVID-19 wastewater testing program commenced in October 2020. The monitoring results help keep our community safe by informing WA's response to the pandemic. Following extensive scientific preparation and analysis, the testing was a collaboration between Water Corporation, Department of Health and PathWest.

Since commencing, the program has repeatedly detected viral fragments from untreated wastewater collected from Subiaco water resource recovery facility. This was anticipated, as the catchment includes sewerage networks from Perth CBD quarantine hotels. Expected detections were also observed in Alkimos and Beenyup wastewater treatment plants during the June 2021 lockdown event.

To keep our community safe, we continue to provide weekly wastewater samples from treatment plants across the state, including nine regional areas. We also provide enhanced monitoring to support incident response, including sampling from sub-catchments within the wastewater network. Wastewater testing can allow an early warning of undiagnosed COVID-19 in the community from people who are asymptomatic or have not yet been tested.



Sample testing in Maylands



Our Cyclone Seroja response fleet lined up and ready for action

Natural disaster relief

This financial year saw several major corporate incidents managed, which required significant coordinated effort across many parts of our business. Three of these were natural disasters, which left a trail of destruction and impacted our customers and the communities they live in. In all instances, Water Corporation teams were deployed to ensure public health and safety by working closely with all other responding agencies.

The Nilgen bushfire threatened the lives and homes of people living in the Gingin and Dandaragan regions in January 2021. By day three, the fire had burnt through more than 2,000 ha of bushland. We responded quickly, deploying our incident support van to the area, embedding liaison officers into the Department of Fire and Emergency Services (DFES) command team, and ensuring water was available to essential services.

In February 2021, the Wooroloo bushfire caused the destruction of 28 homes and 26 km of bushland, as well as widespread power disruptions, and threatened a number of our assets. Water Corporation was involved with the state-led response and was represented at the DFES command team, state operations centre, incident forward control point, State Recovery coordination group, and local recovery centres. Through ongoing, collaborative efforts, no corporate asset was seriously damaged by the fires and our services were not disrupted.

In the wake of ex-tropical cyclone Seroja, we quickly responded to customer needs with operational and welfare support, basing ourselves out of Geraldton in April 2021. We deployed 18 vehicles and 27 people from Perth Region Field Services and Treatment and Resource Recovery. Thousands of kilometres of pipeline and more than 200 water tanks, pump stations and other infrastructure across the Mid West Region were impacted by the cyclone and the resulting loss of power. Our dedicated incident management team, consisting of a diverse range of stakeholders from maintenance to strategic guidance, was able to maintain and protect the quality of drinking water in the impacted region.

Securing Denmark's water supply

Like many parts of south west WA, Denmark is experiencing the impact of climate change through declining rainfall. Since 2014, Denmark has experienced four of its driest winters since records began in 1911 and is currently reliant on streamflow (rainfall runoff) into Quickup Dam for drinking water.

To secure Denmark's long-term sustainable water supply, we have built a 43 km pipeline to connect Denmark to our Lower Great Southern Towns Water Supply Scheme (LGSTWSS). The scheme also supplies drinking water to Albany, Mount Barker, Kendenup and Narrikup. The pipeline allows us to alternate Denmark's drinking water throughout the year between LGSTWSS and Quickup Dam to ensure the town's long-term water supply is secure and more climate independent.

DWER and Water Corporation will continue to work together to manage the demand on our regional water supplies and identify future water sources.



Our crew working on the Denmark pipeline



The Big Conversation participants in Northam

The Big Conversation

General Manager for Operations, Barry Ford, and the Head of Safety and Wellbeing, Tony Dennis, were determined to kick start the year with a Big Conversation. To ensure safer outcomes for everyone, they wanted to reset management expectations, identify personal commitments, and engage with employees to hear about their own personal experiences with safety and wellbeing.

Travelling across the state to facilitate 40 individual sessions, Barry and Tony met with more than 1,500 diverse employees. The sessions elicited enlightening and real conversations, which showcased the strong leadership and dedication our people adopt when it comes to safety.

The outcomes from the sessions have been themed into 14 key focus areas, which will feed into the relevant business plans for the coming financial year.

In-vehicle safety systems (IVSS)

Our employees drive around 20 million km each year, which makes being out on the road a high-risk activity for our people. The installation of IVSS and dash cameras helped us improve safety for all and allowed us to better respond to emergency situations. Inbuilt systems such as emergency warnings, GPS location and wireless safety communication gather information to improve driver behaviour with real-time feedback, such as speeding, braking, cornering, and acceleration. The technology has been installed in more than 760 Water Corporation vehicles, with the remaining 40 to be completed later this year.



Lowest total cost



We are committed to delivering services as cost-effectively as possible. Our priorities this financial year have focussed on protecting our infrastructure from the impacts of climate change and population growth, and uplifting performance so we are accessible and inclusive to all members of the community.

Pay for the Plumber scheme

Covering the cost of leak repairs provides vulnerable customers experiencing leaks with access to plumbers. Providing this assistance ensures leaks are repaired quickly and waterwise fittings can also be fitted. This program resulted in 44 customers assisted with plumbing charges of more than \$40,000. The program saved 68.2 million L of water.

Financial Inclusion Action Plan (FIAP) commitments

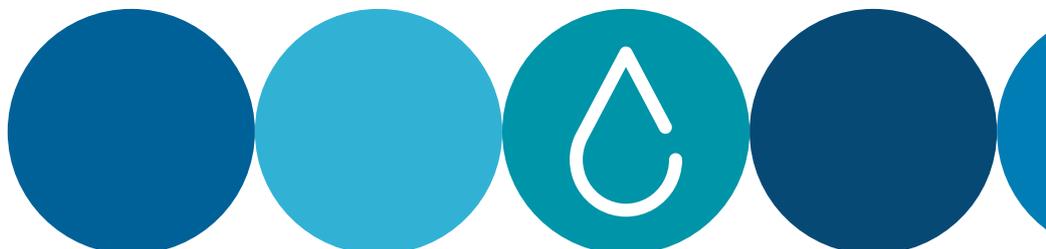
We are successfully taking strategic and practical actions to improve the financial wellbeing of our customers. Ernst & Young conducted an audit in November 2020 to verify our actions. Ensuring our vulnerable customers have financial support and assistance can be attributed to the expansion of our water saving programs and providing a dedicated case management service to vulnerable customers.



Supporting high-water-use public housing tenants

We partnered with Department of Communities (DoC) to provide practical support to high-water-use public housing tenants through education, leak detection and property retrofits. More than 137 million L of precious drinking water was saved and a 27 per cent reduction in annual household water use was recorded for participating households this financial year. Under the program, 973 tenants received free home water audits. Around 735 properties were retrofitted with waterwise showerheads, toilets and tapware.

1 in 5
HOUSEHOLDS
HAVE A LEAK



HUGS outbound campaign

This financial year we've been contacting customers in hardship to inform them of their eligibility for the State Government's Hardship Utility Grant Scheme (HUGS). The scheme assists customers who are in financial hardship and unable to pay their utility bills. Accessing these grants provides a significant contribution to reducing their outstanding balance and decreases the amount of time it takes for them to get on top of their overdue water bill.

Taking a stand against family violence

A new family violence policy has been implemented outlining our specialised support and services for customers experiencing family violence. We want our customers to know they will be heard and treated with compassion when interacting with us. We have specialised staff that have been trained to respond appropriately. Our policy aligns to the *Water Services Code of Practice (Family Violence) 2020*.

Detecting non-visible leaks

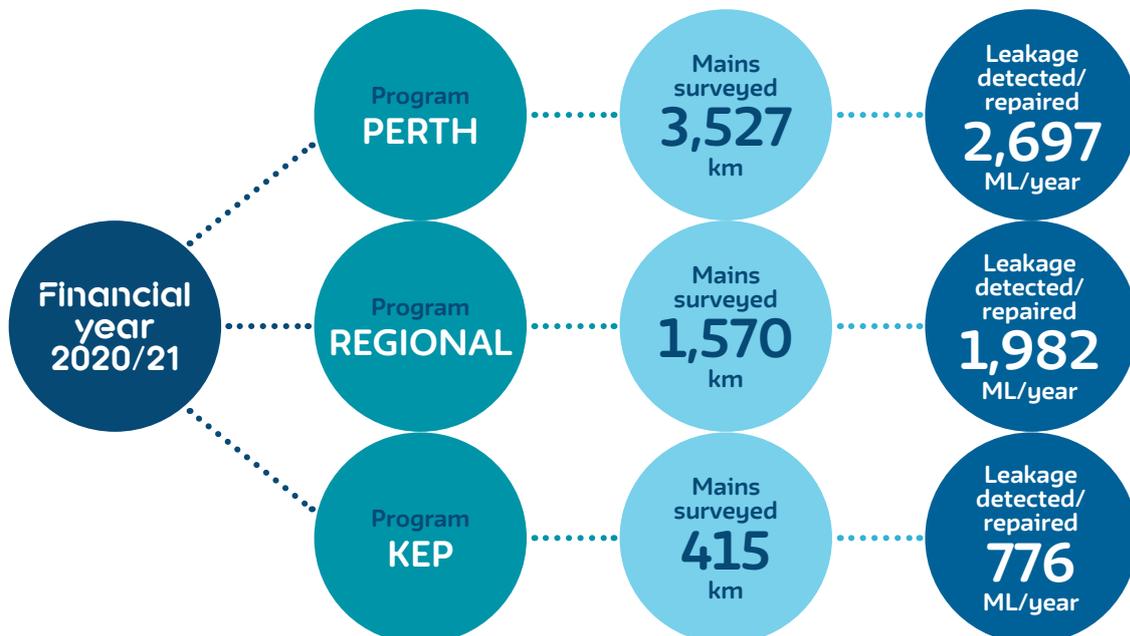
Water Corporation currently undertakes a state-wide non-visible leak detection program to reduce precious water lost through leaks and extend the life of our assets. Commencing in 2010 in the Perth metropolitan area, the program has now been deployed in regional schemes across the state. Results of the leak detection activities are fed back through to our operations areas for repairs.

This financial year, 5,512 km of pipeline across the state was investigated, which resulted in 2,530 leaks being detected and repaired. Such discoveries have saved around 5.4 billion L of water.

Our very own leak detection dog, Kep, made her largest discovery yet this year on a salt pan in Morowa. Her target scent of chlorine led her to isolate an estimated leak rate of over 150 L of water per minute. To date, Kep has found 106 leaks across the agricultural areas in the Great Southern, South West, and Mid West regions.



Kep hard at work



Lowest environmental impact



The impact of climate change has been felt throughout the state. We recognise the impact our own operations have in terms of energy use and greenhouse gas (carbon) emissions. We remain committed to continue decarbonising our operations and reducing our environmental footprint. Key focusses for 2020-21 have been improving energy efficiency, investing in new resource recovery initiatives and progressing our environmental risk assessments.

Used water reuse governance

Water Corporation provides the state with treated wastewater, also known as used water, through 76 reuse schemes. Treated used water has a variety of purposes, including irrigating public open space, commercial irrigation, tree farming, and industrial processing. This sustainable approach to wastewater disposal sees our precious resource recycled and reduces pressure on our drinking water and groundwater supplies. We have also committed \$3.2 million over five years to understand potential environmental impacts associated with the use of treated wastewater from these schemes and provide a governance and regulatory framework for scheme management.

Delivery of the Vasse diversion drain project

The Vasse diversion drain project in Busselton was completed with many positive environmental, social and community outcomes, including the protection of native fauna and flora species.

Extensive environmental management was undertaken prior to and during construction. This included the relocation of more than 35,000 protected Carter’s freshwater mussels, installation of approximately 35 fauna shelters and 15 rope bridges for western ringtail possums, and the planting of more than 130,000 seedlings. The 10-year project has been successfully delivered in collaboration with Westforce and JWI Contractors, providing more than 70 local jobs.



Tamsin relocating mussels at Vasse diversion drain

17,397 km
**SEWER MAINS
ACROSS THE STATE**
.....



Resource recovery supports broad-acre crops such as wheat, oat, canola and lupins

Resource recovery

Struvite is a mineral by-product produced in the wastewater treatment process. It can cause operational impacts like scale build up and clogging at our used water facilities. It is also rich in phosphorus, making it an excellent candidate for fertiliser. During the financial year, a pilot plant was operational at the Woodman Point resource recovery facility to produce enough struvite to allow wholesalers to test the product. We were able to demonstrate that extraction of struvite from the wastewater treatment process could produce struvite-based fertiliser for use in agriculture.

Waste avoidance

As one of our 'lowest environmental impact' initiatives, we have adopted the state's Waste Avoidance and Resource Recovery (WARR) Strategy and its relevant targets as our objective for waste avoidance. During 2020-21, our total solid waste generation exceeded 250,000 tonnes (mainly biosolids, contaminated soil and clean fill) of which more than 75 per cent was diverted from landfill for reuse or recycling. This meets the WARR Strategy target for 2030.

Water Corporation has developed a three-year action plan to ensure we address the relevant objectives of the WARR Strategy, particularly focusing on procurement (both waste avoidance and recycled content) and technologies to ensure our current reuse and recycling initiatives remain operational.

Riverine ecosystem support

We actively maintain the function of riverine ecosystems to ensure our state's delicate ecosystems can survive during summer months. Our program, regulated by DWER, released approximately 15 gigalitres (GL) of water into rivers in the financial year. This included rivers in Harvey, Collie and Harris in the South West; Canning, Helena, Wungong, Serpentine and Dandalup rivers in the metropolitan and Peel regions; and the Harding River in the Pilbara. In addition, 2,145 GL was released into the lower Ord River in the Kimberley, in order to maintain the river's unique environmental value.



Serpentine River



100kW solar system at Ravenswood pump station

Management of contaminated sites

Prevention of soil and water contamination is central to Water Corporation's environmental management. We are particularly focussed on the effective remediation of spills or accidental releases of wastewater or other materials to the environment. However, with the Corporation's long operating history and evolving standards over time, we are investigating and managing a significant number of contaminated sites. These have almost all resulted from legacy operating sites or materials that are no longer supplied, such as asbestos.

As at 31 December 2020, Water Corporation has reported 115 'known' or 'suspected' contaminated sites to DWER under the provisions of the *Contaminated Sites Act 2003*.

Water Corporation has 40 active contaminated site investigations or remediation projects underway.

No net clearing

Water Corporation has a policy to voluntarily revegetate ecosystems to offset clearing of native vegetation for infrastructure. In 2020-21 we cleared approximately 78 ha of vegetation. We revegetated 53 ha with Department of Biodiversity Conservation and Attractions (DBCA) at Gnangara and 25 ha on a Water Corporation property at Hopetoun. We are currently in planning for another 50ha on a DBCA property adjoining the Lakelands Nature Reserve in the Wheatbelt.

Renewable energy

In addition to our ongoing major wind and solar farm contracts, we also continued implementing our own solar energy program to reduce our greenhouse gas emissions. This year, the Behind the Meter Program has added about 1,500 megawatt hours (MWh) of renewable energy generation at 14 sites across the state, including two solar/battery hybrid installations. This reduces emissions by approximately 1,000 t of CO₂ equivalent per annum.

An additional 50 sites have been identified for further investigation across WA.

We were also a key provider in Western Power's Flexibility Services Pilot to decarbonise the grid. This initiative aims to shift energy use to help maintain a stable grid and support the continued uptake of renewables. We achieved this by changing our load patterns during spring and autumn (times of potential grid instability) due to large volumes of solar power being generated.



High school students enjoying the Waterwise Experience

Satisfied customers



We all have a role to play in securing our water future in response to climate change. Part of ours is to motivate our customers to make the necessary changes to their water use to create a sustainable future for WA. A significant cornerstone of supporting and engaging customers was aligning our water efficiency projects, waterwise programs and marketing under the 'Think Climate Change. Be Waterwise' banner.

Education and community connection to water

Customers, businesses and governments all have a part to play in conserving our precious water resource.

Our Waterwise Schools Program hit a milestone of 32,809 students reached this financial year. New resources under the program were completed in 2020-21, including six Water in Aboriginal Culture videos and supporting comprehension lesson plans. To consolidate understanding across our other two content pillars (water supply/water conservation and sustainability), primary and secondary digital lesson plans were created for teachers to integrate into their classes.

Our new Waterwise Experience incursion was released in 2021, which further expanded our reach to high schools. Audio-led narratives took 5,964 students on a journey to learn about where water comes from. The immersive experiences are supported with comprehensive lesson plans for teachers to extend understanding and continue important conversations.

Gabrielle, our Customer Education Lead setting up the Waterwise Experience





Showerhead Swap

Household showers account for 23 per cent of all residential scheme water use. Under Water Corporation's Showerhead Swap program, Perth and Mandurah residents exchanged their inefficient showerheads for free waterwise WELS 4-star rated showerheads. Around 10,000 water efficient showerheads were taken up by metropolitan residents in Perth and Peel, potentially reducing water consumption in an average Perth household by 20,000 L a year and saving around 92 million L of precious water in total. The program has previously been available for regional Western Australians in designated towns but was extended to metropolitan customers in 2020-21.

SHOWERS

THE AVERAGE HOUSEHOLD USED 52KL OF WATER ON SHOWERS EACH YEAR.

This equates to:

142 L
per household
per day



56 L
per person
per day

Non-residential programs

Our Waterwise Council Program, delivered in partnership with DWER, achieved a fantastic milestone with all 32 metropolitan local government authorities becoming endorsed as Waterwise Councils. State-wide, 46 local governments are now endorsed as waterwise through the program and 25 have achieved Waterwise Gold recognition for their commitment to developing sustainable, liveable communities.

Under our Waterwise Aquatic Centre Program, delivered in partnership with the Leisure Institute of WA Aquatics, five new leisure centres achieved waterwise endorsement in 2020-21. This brings the total to 51 endorsed waterwise aquatic centres across WA, including 96 per cent of aquatic centres in the metropolitan area. These centres have committed to being waterwise through actions such as installing automated taps and toilets, introducing water efficient appliances, daily water use monitoring, leak detection programs and waterwise gardens. The aquatic centre industry has saved 918 million litres of water since 2008.

Four of WA's leading waterwise housing developments were newly endorsed under Water Corporation's Waterwise Development Program in 2020-21. The Waterwise Development of the Year went to WGV by DevelopmentWA. Five other estates were recognised as Gold Waterwise Developments for their outstanding achievement in water sensitive urban design at the 2021 Waterwise Recognition Awards. A total of 24 developments have now been endorsed through the program since it was created in partnership with the Urban Development Institute of Australia in 2014.



WA Museum Boola Bardip installation

Seeking opportunity through partnerships

We continue to invest in partnerships that inspire sustainable communities and operations.

We have partnered with the Foundation for the WA Museum to enhance the community's appreciation of our natural environment. This partnership is aligned with two thought-provoking and moving displays at the WA Museum Boola Bardip. These displays engage and educate people of all ages on current environmental issues, climate change and the preciousness of water in WA.

Our continued partnership with Yirra Yaakin supports our reconciliation action plan (RAP) outcomes by providing genuine partnerships through engagement, consultation and communication with Aboriginal organisations. Their school performance series Bilya Katatijin (which means fresh water knowledge in Noongar) toured metropolitan and regional schools this financial year and was complemented by an educational pack for teachers. Journeying through global Dreaming stories, the show teaches the students about the impact of climate change on the land and the ways we can keep our waterways cleaner. Thanks to our support, the tour is being extended to cover more schools across the state.

More than 180 students from 22 high schools across Perth, the South West and Great Southern took part in the WA Schools Think Tank Challenge, hosted by Water Corporation and the Innovation Institute of WA. Students were encouraged to employ innovative problem-solving techniques to help inspire people to remain waterwise in the face of climate change and reduced rainfall. They also learnt about how Traditional Owners have been the custodians of WA's water systems for more than 60,000 years. Students from Fremantle College were crowned the challenge winners for their campaign to develop a sink tap and outdoor hose that has flow settings for different purposes.

Our partnership with Loop Upcycling helps to raise awareness of environmental processes through reusing redundant workwear. We are able to securely and sustainably 'dispose' of our unused workwear in a responsible and ethical way, at the lowest total cost and environmental impact.

Under our Splash of Colour Program, nine new artworks across WA were commissioned, transforming our water and wastewater assets into works of public art. A total of 55 assets (29 of these in the Perth metropolitan area) have been painted across the state to increase the community's knowledge of local water stories.



Minister for Water The Hon Dave Kelly MLA with Think Tank winning students from Fremantle College

Value for WA communities



Water is not only intrinsic to our WA lifestyle, but essential for economic development and quality of life. We are committed to leveraging partnerships to increase community access to green space and continue to support the growth and liveability of our state.

Delivering on Perth's Waterwise Action Plan

This financial year, we have continued to be an enabler of the State Government's Waterwise Perth Action Plan. This plan sets the direction for transitioning Perth to a waterwise city, and creating cool, liveable, green and sustainable communities in which people can live, work and recreate.

We have worked with METRONET and DWER to embed waterwise outcomes and water sensitive urban design in the planning of METRONET projects. This work continues with DWER, Department of Planning, Lands and Heritage and other key policymakers to support and influence the urban form to help transition to leading waterwise cities by 2030.

Government partnerships

In February 2021, we partnered with DWER to reassess the waterwise performance of the Perth and Peel metropolitan area using the Water Sensitive Cities Index tool. Stakeholders across state and local government, industry, research, and community sectors assisted with scoring the 34 metrics that characterise a waterwise city. There has been a 26 per cent improvement in our overall score, compared to when the city was benchmarked five years ago. Through increased stakeholder collaboration and a whole-of-government approach, Perth city is well on its way towards the vision of being a leading waterwise city.

To help reduce the impacts of urban heat in the face of climate change, Water Corporation funded the \$750,000 Urban Canopy Grant Program. The program is being administered by the Western Australian Local Government Association as part of delivery of the Waterwise Perth Action Plan. Under round one of the program, more than 2,400 trees will be planted in 14 local governments across Perth.

We have been a proud partner of the Cooperative Research Centre for Water Sensitive Cities, which completes its nine-year, \$100 million program in 2020-21. Established in July 2012, the centre delivered new publications, tools and products to help change the way we design, build and manage our communities. The legacy of the centre will live on through our ongoing work with the Water Sensitive Transition Network, a group of champions from across state and local government, industry, community and research organisations working together to transition Perth to a waterwise city.



Local residents playing near Mount Hawthorn Splash of Colour asset by artist Pippa Scheepers



AFTER

Wharf Street Basin transformed through Drainage for Liveability



BEFORE

Before the Drainage for Liveability transformation

**Drainage for Liveability:
improving green space**

In 2020-21, six of our assets were transformed to improve amenity for the community through our Drainage for Liveability Program. A total of 22 drainage and wastewater assets have been transformed under the program since it began in 2016. We were a partner in the award-winning Wharf Street Basin Next Generation Community Park project, led by the City of Canning. This project transformed the formerly fenced-off area around one of our stormwater basins into a multifunctional smart park. It is the largest project to date under our Drainage for Liveability program. The project has created habitat for wildlife and provides opportunities to learn more about water, including real-time information on environmental conditions at the park and interactive education stations.

WATERWISE GREENING SCHEME

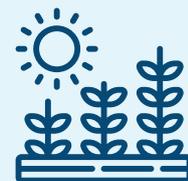
WATERWISE COUNCILS



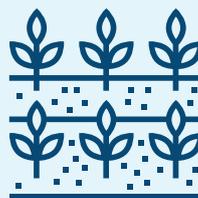
helped us create cooler, greener and more sustainable neighbourhoods.

In 2020-21, the scheme resulted in the creation of

216
WATERWISE
VERGES



621
WATERWISE
TREES



35,000
WATERWISE PLANTS

Supportive workplace



To successfully deliver on our vision, we continue to optimise our core business by retaining what works well, refining our diverse culture and realigning our processes to drive performance in the areas most valued by our employees.

Supporting our youth

To ensure young people don't face barriers when entering the workforce, Water Corporation has implemented career entry programs to support those looking to kickstart their career. These opportunities offer a stepping stone to meaningful careers and provide opportunities for youth, Aboriginal people, women, people with disability, and those from culturally and linguistically diverse backgrounds.

There was an increase of entries across all our programs in 2020-21, particularly with apprentice positions increasing across the state.

This financial year we welcomed 18 young graduates into our three-year program which was recently ranked 13th on the Top Intern Programs list. This result came from a survey of more than 1,200 undergraduates who were part of their employer's graduate program in 2020-21.

As part of our commitment to improving disability access and inclusion, we welcomed four young people with disability as part of our new traineeship and work experience program. We partnered with Edge employment and local schools to source the students, who will be completing an 18-month traineeship undertaking the Certificate II in Workplace Skills.



Employees from our youth programs



Water Corporation had a strong showing at the Walk for Reconciliation in Perth

Three trainees are based in our Leederville office, one in Bunbury and a fifth trainee will commence in the Balcatta office in the new financial year. These are the first of 15 school-based trainees with disability we will employ over the next six years.

Relationships are key and we have worked hard to engage meaningfully and purposefully with Aboriginal suppliers, with remote Aboriginal communities, and with Aboriginal people throughout the state. Our relationship with Mamabulanjin Aboriginal Corporation, located in Broome, and Madalah Ltd in Perth, are great examples of coming together to provide support to the North West.

We have also sought many other opportunities to build rapport. This included connecting our North West employees with Traditional Owners for a cultural immersion experience, partnering with Clontarf Foundation and celebrating significant events such as NAIDOC Week and National Reconciliation Week with our employees.



Employees with members of the Mamabulanjin Aboriginal Corporation

34,947 km
OF WATER MAINS
ACROSS THE STATE



Employees standing on the bank of Derbal Yerrigan

Kambarang

This three-day conference saw our Aboriginal and Torres Strait Islander employees come together from all corners of the state to forge peer support networks and engage, learn and yarn with each other. More than 130 Aboriginal employees kicked off Kambarang on the banks of the Derbal Yerrigan. Kambarang is all about connecting and supporting each other to get the most out of the opportunities at Water Corporation. This important opportunity helps to inform and guide our reconciliation and closing the gap journey.

The feedback from the conference was overwhelmingly positive: “The highlight for me was seeing all of our mob and empowering each other.” Thierra Clanton, Environmental Engineer (below).



My highlight was... seeing all of our mob and empowering one another. The executive team taking on feedback for improvements for a chronic failure of Water Corporation to support our Indigenous Australian employment, engagement & development.

Providing a place to belong

Water Corporation has made a strong commitment to build cultural capacity to better engage with local Aboriginal and Torres Strait Islander communities. One of the ways we do this is by providing meaningful employment opportunities because it's not about hitting a target. It's about improving our understanding of our land, waterways and people, to sustainably secure our water future and better serve our community.

Our Aboriginal and Torres Strait Islander Employment Plan provides guiding principles to assist the organisation in meeting the needs of Aboriginal communities. The work we do through our attraction and retention activities provides a culturally safe and meaningful place to belong for Aboriginal and Torres Strait Islander candidates and employees. Our first Aboriginal Employment Plan was launched in 2014 and provided a proactive framework, enabling us to successfully increase the number of Aboriginal and Torres Strait Islander employees in our workforce. We continually strive to attract and retain Aboriginal and Torres Strait Islander employees and have set a stretch target of six per cent Aboriginal employees by 2022.

Our commitment to mental health

Water Corporation recently saw the introduction of Mental Health Champions within the workplace. The program, in which Water Corporation has partnered with organisational health and wellbeing provider Blooming Minds, is designed to provide quick and easy access to wellbeing support for our people. This financial year, more than 100 colleagues have been trained as Mental Health Champions across the state.



Adapting to a flexible current working environment

COVID-19 taught us that working flexibly and remotely has many benefits, so we have introduced guidelines ensuring all roles can be flexible on an 'if not, why not?' basis. This may come in the form of changes to start or finish times, remote working, compressed hours, or other flexibility options. Building trust and empowering our people to do their best and bring their whole self to the workplace is our priority. The upgrade of our standard operating environment to Windows 10/Office 365 and the expansion of our video conferencing and collaboration platform, Webex, has enabled flexible working and provided staff with a range of collaboration tools to allow a seamless working experience, regardless of location. This enables a culture shift to being outcomes-based and measuring achievement, rather than focussing on inputs and activities like where and when work is performed.

Transitioning to a smart utility

This year, we successfully completed a four-year program to modernise operational technology within key areas of the business.

Completing the program and modernising the control systems and related communications infrastructure has allowed us to build more computing power into our facilities, allowing higher levels of connectivity and optimisation across our assets. This foundation will provide the base infrastructure to enable higher levels of control and automation and is part of Water Corporation's journey towards a smart utility.

Bringing meter reading services back into our business

This financial year saw the insourcing of 30 meter readers and associated administration, following the successful transfer last year of 420 employees from the private sector. The field-based team makes close to 4.5 million visits to properties within the metropolitan area each year. Water meters are read every eight weeks to ensure customers are accurately billed for their water use.

The new insourced model provides greater security of employment, addresses safety concerns, and allows Water Corporation to attract suitably skilled staff as required for our digital metering future

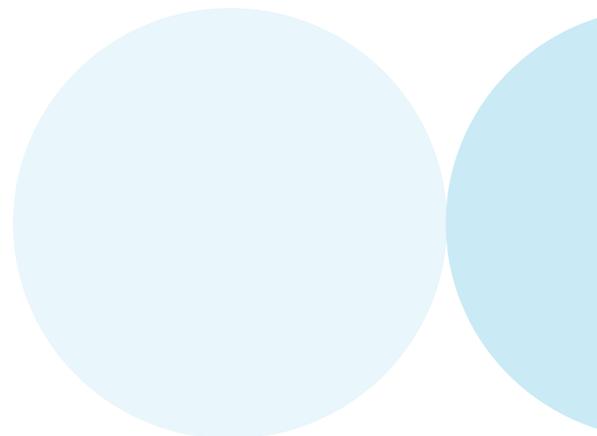


Marketing Lead Rachel Ivey with her twins, taking a break while working from home

A woman wearing a white lab coat, a dark hijab, and blue-rimmed glasses is focused on her work in a laboratory. She is using a white pipette to transfer liquid into a small glass vial. The background is a blurred laboratory environment with various pieces of equipment.

CORPORATE GOVERNANCE REPORT

Corporate governance report



Our approach to corporate governance is based on a set of values and behaviours that underpin our culture and business practices. This approach includes a commitment to robust governance standards that is fundamental to the sustainability of our operations and our performance.

This section includes a description of our main corporate governance practices, which form a framework to ensure we act with integrity, high standards of corporate behaviour and in the best interests of our customers, community and owner.

The Board of Directors

The structure of the Board is subject to the following parameters:

- The Board must comprise at least six and not more than seven Directors (the Chief Executive Officer is the only Executive Director).
- The Directors are appointed for terms of up to three years and are eligible for reappointment.
- The Board should comprise Directors with a broad range of skills and experience.
- Board meetings are generally held once a month at our head office in Leederville.

Appointment of Directors

The Western Australian Governor appoints non-executive Directors on the nomination of the Minister for Water. This is after consultation with, or on the recommendation of, the Board.

Appointments are typically staggered to ensure one third of the Directors retire each year. Their duties are not full time.

Chief Executive Officer appointments are made by the Board, subject to the Minister's agreement. The Board can appoint a person to act in place of the Chief Executive Officer during a vacancy in that office.

Changes to the Board

Dr Jemma Green ceased as a Director on 31 December 2020.

Mrs Nicole Lockwood ceased as a Director on 31 December 2020.

Mr David Lock was reappointed as Deputy Chair for a term expiring on 31 December 2021.

Mr Ross Love was appointed as Chair for a term expiring on 31 December 2022.

Dr Carla Boehl was appointed Director for a term expiring on 31 December 2023.

Ms Helen Creed was appointed Director for a term expiring on 19 April 2024.

Board committees

Committees of the Board that operated during the year ended 30 June 2021 were:

- Audit and Risk
- People and Safety.

Audit and Risk Committee

The Audit and Risk Committee was chaired by Mr David Lock and included Directors Dr Jemma Green (until 31 December 2020), Mr Ross Holt and Dr Carla Boehl (from 15 February 2021). Each member has substantial corporate and/or financial experience in private enterprise and the necessary skills to undertake the committee's responsibilities.

The Audit and Risk Committee invited management, auditors or others to attend meetings and provide information, as necessary. External attendees at various meetings during the year included staff of the Office of the Auditor General (OAG) and the external auditors appointed by the OAG to undertake our annual audit, which is presently KPMG.

The Audit and Risk Committee assists the Board with its oversight of the financial reporting process, the system of internal control, risk management, the audit process, and our process for monitoring compliance with applicable laws and regulations.

The committee oversees the internal audit function and liaises with the external auditor.

People and Safety Committee

The People and Safety Committee was chaired by Mrs Nicole Lockwood (until 31 December 2020), and included Directors Mrs Gningala Yarran-Mark (Chair from 1 January 2021), Mr Ross Love (from 15 February 2021) and Ms Helen Creed (from 26 May 2021). Each member has extensive experience in large organisations at a senior level and brings the skills necessary for the committee to undertake its role.

The committee supports and assists the Board to ensure, review and oversee organisational health and safety matters, people, culture, remuneration and benefit arrangements. It does this in line with the strategic aims of the business while complying with regulatory requirements and satisfying the requirements of our owner.

Directors' meetings

The number of Board meetings and committees of the Board held, and the number of meetings attended by each Director during the 12 months ending 30 June 2021, are shown in the table below.

	Board		Audit and Risk		People and Safety	
Number of meetings held	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Mr Ross Love ¹	8	8	0	0	2	2
Mr David Lock	11	11	4	4	0	0
Mrs Nicole Lockwood ²	6	6	0	0	2	2
Mr Ross Holt	11	11	4	4	0	0
Dr Jemma Green ³	5	5	2	2	0	0
Mrs Gningala Yarran-Mark	10	11	0	0	4	4
Dr Carla Boehl ⁴	6	6	1	2	0	0
Ms Helen Creed ⁵	3	3	0	0	0	0
Mr Pat Donovan (Chief Executive Officer)	11	11	4	4	4	4

1 Mr Ross Love was appointed as Chair on 22 September 2020

2 Mrs Nicole Lockwood ceased as a Director on 31 December 2020

3 Dr Jemma Green ceased as a Director on 31 December 2020

4 Dr Carla Boehl was appointed as a Director on 1 January 2021

5 Ms Helen Creed was appointed as a Director on 7 April 2021

Accountability and independence

As prescribed in the *Water Corporations Act 1995*, Directors are to act honestly, exercise due care and diligence, and disclose all material personal interest in matters involving the Corporation that are raised in Board meetings. The Board has complete independence to determine the policies and control the affairs of the business subject to restrictions imposed by the *Water Corporations Act 1995*. Ministerial approval is required for transactions that are above a prescribed amount (currently over \$25 million) that will result in a major initiative, or are likely to be of significant public interest.

Ministerial directions

Under section 64 (1) of the *Water Corporations Act 1995* the Minister may give directions in writing, generally with respect to the performance of our functions and, subject to section 65, we are to give effect to any such direction. If the Minister gives a direction, it must be tabled in Parliament. During the period under review, no directions were received from the Minister.

Directors' and senior executives' remuneration

For further disclosure of Directors' and senior executives' remuneration, please refer to the remuneration report on page 48.

Governance framework

The Board has legislative authority, under the *Water Corporations Act 1995*, to perform the functions and determine the policies that control our activities.

The Board is responsible for our overall corporate governance and approves strategic direction and budgets, ensuring legal compliance, ethical behaviour and proper risk management processes are in place and operate effectively. Comprehensive monthly reports are provided to the Board to allow it to monitor performance.

Internal control

The Board, through the Audit and Risk Committee, has oversight of the financial reporting process, the system of internal control, risk management, the audit process, and our process for monitoring compliance with applicable laws and regulations. These responsibilities assist in maintaining an effective internal control structure.

It consists, in part, of organisational arrangements with clearly defined lines of responsibility and delegation of authority, and comprehensive systems and control procedures. Management has the responsibility for establishing and maintaining the system of internal control that supports the achievement of our business objectives.

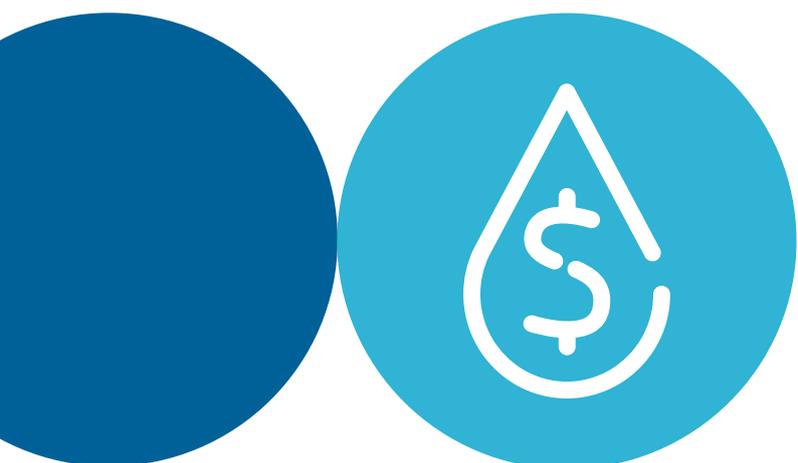
This system of internal control is designed to manage and mitigate rather than eliminate the risks of failure to achieve business objectives. It can only provide reasonable and not absolute assurance of the effectiveness of the system of internal control implemented by management. An important element of the control environment is an ongoing internal audit program, delivered by Management Review and Audit.

Management Review and Audit

Our internal audit function is managed by the Risk and Assurance Business Unit's Management Review and Audit section, which has the authority to examine any matters referred to it by the Audit and Risk Committee, the Board of Directors or the Chief Executive Officer. The internal audit function supports the Audit and Risk Committee and senior executives by independently and objectively reviewing the adequacy, efficiency and effectiveness of the internal control and governance system with the Corporation.

External auditors

In accordance with the *Water Corporations Act 1995*, Water Corporation must have the financial report for a financial year audited by the Auditor General. The Auditor General has outsourced the audit to KPMG for a three-year term. Total auditor remuneration is shown in note 19 to the financial statements on page 75.



Risk management

Risk management is a key element of our governance framework. We have an established Risk Management Framework that provides a common understanding of risk and a set of processes for managing risk aligned with the International Standard on Risk Management ISO 31000:2018. The framework ensures a formalised, structured and corporation-wide approach to the identification, evaluation and control of risks, which have the potential to threaten the achievement of our corporate objectives and our ability to provide services.

All managers are responsible for the identification and management of risks that will impact on their business processes and subsequent objectives. The management of risk within the business is embedded at all levels, with appropriate support and systems in place to ensure risks are managed to an acceptable level.

A comprehensive commercial insurance program is maintained covering insurable risks, which may have a significant impact on our assets, construction activities and legal liability.

Performance monitoring and reporting

We provide written quarterly reports and this Annual Report to the Minister for Water detailing our performance and progress made in fulfilling the Statement of Corporate Intent. A written annual report on compliance with the Water Services Licence was also provided to the Economic Regulation Authority. In addition, the Board and Corporate Executive received monthly performance reports covering a diverse range of financial and non-financial matters.

Ethical standards

We require all Directors, employees and contractors to exercise high standards of ethical behaviour in carrying out their duties.

Our Code of Conduct is available on both the Corporation's external and internal websites. A report on compliance is forwarded to the Public Sector Commission.

The Board Charter, available on our website, sets out the roles and responsibilities of the Board and management. Under the guidance of the Audit and Risk Committee, the charter was drafted using the *Water Corporations Act 1995*, Australian Standards and other corporate governance resources.

Managing financial exposures

We have a central Treasury function to manage financial exposures in accordance with our Treasury Risk Management Policy. Regular reporting ensures the Board can monitor financial risk management.

Information security management system

We maintain an enterprise information security management framework that is based on the Australian Standard for Information Technology - Security techniques - Information security management systems AS/NZS ISO/IEC 27001:2013.

State Records Act 2000

In accordance with Section 61 of the *State Records Act 2000* and the State Records Commission Standards (Standard 2 - Principle 6), we have an approved Recordkeeping Plan. In accordance with s.28 (5) of the Act, an updated plan was submitted to the Minister and endorsed in September 2014. The plan describes how records are created, maintained, managed and disposed of in accordance with our standards and principles. We regularly conduct audits of recordkeeping practices and system use by our staff and alliance partners. Regular in-house records and document management training is conducted and feedback and evaluation is sought from all attendees. The course is also available online for regional officers.

We have an online induction process for all new staff, which includes information on employee roles and responsibilities and how they comply with the approved Recordkeeping Plan. It also includes 'Information on Record Keeping and Information Management Compliance for Water Corporation' and 'Information Security Awareness'.

Information management, including records management, is acknowledged as critical to the effectiveness and success of the business and we are committed to continuously improving its management.

Public Interest Disclosure Statement

The *Public Interest Disclosures Act 2003* was enacted to protect the privacy and confidentiality of both the individual making a public interest disclosure and the subject of that disclosure. Public interest disclosure officers have been appointed. Internal procedures relating to our obligations under the Act have been implemented in accordance with the guidelines provided by the Public Sector Commission. There were two public interest disclosures in the period under review. These disclosures are still being investigated.

Conflicts of interest

Water Corporation established procedures to identify, prevent, or resolve conflicts of interest, which are outlined in our procurement standards and Code of Conduct.

All our personnel with duties related to the negotiation of contracts must disclose current or prospective interests to their immediate supervisor. If known, they must also disclose the interests of members of their immediate family.

In such cases, we will assess the appropriateness of the situation and determine if the basis of that interest should be discontinued, if the person should cease the duties involved, or if it is proper and ethical to continue the transaction.

Competition and Consumer Act Compliance Program

In accordance with the standards and guidelines recommended by the Australian Competition and Consumer Commission (ACCC), we conduct a Competition and Consumer Act Compliance Program to manage the risk of breaching the Act. To ensure that all employees are aware of their obligations, a state-wide program is conducted that includes mandatory training.

Freedom of information

We met our obligations under the *Freedom of Information Act 1992*.

During 2020-21, we received 64 access applications, of which zero were transferred in full to another agency, 16 were provided full access, 38 were provided edited access, zero were withdrawn, one had access refused and zero had access deferred. Documents were not found or do not exist for five of the applications and two were on hand at the end of the year.

There were 27 internal reviews requested. Fees and charges totalling \$1,890 were received for processing these applications, with 31.7 days being the average processing time.

Under Section 96 of the *Freedom of Information Act 1992*, we are required to produce an information statement. Its purpose is to provide a description of our procedures to give members of the public access to our documents, as well as the types of documents we hold. This statement can be found at watercorporation.com.au

Advertising codes

We comply with the Communications Council's Code of Ethics. In addition, our advertising agencies have full compliance policies with the ACCC. There were no breaches or complaints recorded in the reporting year.

Reportable expenditure

The *Electoral Act 1907* (S. 175 ZE) requires the disclosure of certain categories of expenditure. Details of the organisations contracted and the amounts paid for the financial year are as follows:

Advertising agency	Amount paid
303 MullenLowe	\$143,377*
The Brand Agency	\$1,454,192^

* This includes costs associated with Waterwise Schools program campaign and Splash of Colour.

^ This amount includes costs associated with Think Climate Change, Be Waterwise campaign, Covid-19 communications, demand management, Indigenous seasons partnership and Winter Sprinkler Switch-off.

Media advertising	Amount paid
Initiative	\$162,850>
The Brand Agency	\$744,016
Carat Media	\$1,358,374
303 MullenLowe	\$46,810

> This includes costs associated with non-campaign advertising.

Market research	Amount paid
Painted Dog	\$396,890
Metrix Consulting	\$333,700
Kantar	\$97,500

Directors' Report

The Directors of Water Corporation present their report for the 12 months ended 30 June 2021.

Directors

The following persons were Directors of Water Corporation at the date of this report:

Mr Ross Love (Chair since 22 September 2020)

Mr Pat Donovan

Chief Executive Officer since 1 January 2019

Mr David Lock (Deputy Chair)

Director since 1 January 2014

Deputy Chair from 1 January 2017 to

15 January 2020 and since 22 September 2020

Acting Chair from 16 January 2020 to

21 September 2020

Ms Nicole Lockwood

Director from 1 March 2016 to 31 December 2020

Mr Ross Holt

Director since 8 June 2016

Dr Jemma Green

Director from 4 July 2017 to 31 December 2020

Mrs Gningala Yarran-Mark

Director since 12 November 2019

Dr Carla Boehl

Director since 1 January 2021

Ms Helen Creed

Director since 7 April 2021

Director biographies are shown on pages 13 and 14.

Directors' meetings and attendance are shown on page 42.

Director compensation details are shown on page 48.

Principal activities

Water Corporation was established as a body corporate under the provisions of the *Water Corporations Act 1995* and is the principal water utility in Western Australia. Water, wastewater, drainage and irrigation services are provided under this Act and other legislation and subsidiary legislation, which control the water industry.

Our principal functions are:

- acquire, store, treat, distribute, market and otherwise supply water for any purpose
- collect, store, treat, market and dispose of wastewater and surplus water
- undertake, maintain and operate any works, system, facilities, apparatus or equipment required for any of these purposes.

There has been no significant change in the nature of our activities during 2020-21.

Dividends

Dividends paid or declared by Water Corporation since the end of the previous financial year were:

	Total amount \$million	Date of payment
Final 2019-20	642	23/12/2020
Interim 2020-21	-	

Review of operations

We operate in a regulatory framework comprising the Economic Regulation Authority, and the Departments of Water and Environmental Regulation, Health, and Biodiversity Conservation and Attractions.

Clear commercial objectives and strict environmental targets and accountabilities have been established through the Statement of Corporate Intent and a system of licences through the various regulators.

During the year, we supplied 374 billion L of water and treated 170 billion L of wastewater.

Risk management

Our Risk Management Framework aims to improve the quality of information considered in delivering better informed assessments for the purpose of resource allocation, increasing transparency in decision making and clearly articulated accountability.

Remuneration report

Remuneration of key management personnel is referred to as compensation throughout this report. Key management personnel comprise the Directors of the Board and Executives who are responsible for planning, directing and controlling the activities of the Corporation.

Compensation levels for key management personnel are set at a level sufficient to attract and retain appropriately qualified and experienced Directors and Executives.

The compensation of the non-executive Directors of the Board is determined following independent advice from management remuneration consultants and the State Government's Salaries and Allowances Tribunal (SAT) on an ad-hoc basis and is agreed by the Minister.

The compensation is in the form of salary and superannuation contributions. Other than compulsory superannuation contributions and superannuation via salary sacrifice, Water Corporation does not pay any other post-employment benefits to non-executive Directors. Directors' remuneration has not been increased since December 2014.

The compensation packages for the Chief Executive Officer (CEO) and Executives consist of a total reward that is a mix of fixed compensation, in the form of salary, non-monetary benefits and superannuation contributions. Non-monetary benefits may include access to a fully maintained motor vehicle and fringe benefits tax. Other long-term benefits refer to long service leave. The compensation of all staff is reviewed annually.

In December 2016, the *Salaries and Allowances Act 1975* was amended so that SAT can set the remuneration of the Corporation's CEO.

The CEO, with the concurrence of the People and Safety Committee and the Board, sets Executive compensation based on annual salary survey data and advice from independent remuneration sources regarding compensation practices. Specifically, fixed compensation is benchmarked against comparative industry groups in order to remain competitive in the labour market.

Employees in management roles, including Executives, are employed on individual employment contracts under common law and are referred to as common law contract (CLC) employees. The compensation structure of CLC employees is centred on the market median for the fixed compensation for each of the identified levels.

The primary sources of remuneration data are Korn Ferry Group Australia and Mercer Consulting Australia. We use the Hay Group job evaluation methodology to provide assurance that remuneration is similar to that for comparable positions in other organisations.

In April 2017, Water Corporation was requested by the new State Government to adopt its Machinery of Government budget repair strategies comprising:

- freezing CEO salaries for four years
- capping non-executive annual salary increases to \$1,000 per employee
- reviewing all attraction and retention incentives and report outcomes to the Public Sector Commission by 31 August 2017.

The State Government Machinery of Government budget repair strategies have been extended for a further two years.

Details of compensation provided to key management personnel

The directors during the financial year were:

Directors	
R Love	Chair (non-executive) appointed 22 September 2020
D Lock	Director (non-executive) appointed 1 January 2014 Deputy Chair 1 January 2017 to 15 January 2020 and from 22 September 2020 Acting Chair 16 January 2020 to 21 September 2020
N Lockwood	Director (non-executive) appointed 1 March 2016 to 31 December 2020
R Holt	Director (non-executive) appointed 8 June 2016
J Green	Director (non-executive) appointed 4 July 2017 to 31 December 2020
G Yarran-Mark	Director (non-executive) appointed 12 November 2019
C Boehl	Director (non-executive) appointed 1 January 2021
H Creed	Director (non-executive) appointed 7 April 2021
P Donovan	Chief Executive Officer from 1 January 2019



The number of Directors whose total remuneration was within the following bands is:

Total remuneration band (\$)	Number of Directors **		Short-term		Post-employment		Long-term benefits		Total	
			Salary and fees \$'000		Superannuation \$'000		Long service leave \$'000		\$'000	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
0-24,999	1	1	13	20	1	2	-	-	14	22
25,000-49,999	3	1	28	34	3	3	-	-	31	37
50,000 - 74,999	2	4	55	56	5	5	-	-	60	61
75,000 - 99,999	2	1	77	79	7	8	-	-	84	87
500,000 - 524,999	1	1	493	492	25	25	-	-	518	517

** Where there is more than one Director in a remuneration band, the average remuneration is shown.

The names and positions of the five executives receiving the highest emoluments were:

Five highest-paid executives*		Year ended 30 June 2021	Year ended 30 June 2020
B Ford	General Manager, Operations	✓	✓
D Johnston	General Manager, Strategic Performance to 30 September 2019		✓
D Page	Chief Financial Officer	✓	
E Hambleton	General Manager, Assets Planning and Delivery	✓	✓
E Vervetjes	General Manager, Information and Technology	✓	
K Willis	General Manager, Customer and Community		✓
M Cronin	General Manager, Strategic Performance	✓	
M Leathersich	General Manager, Operations to 30 January 2020		✓

* CEO's remuneration is included in the table of Directors.

The remunerations of the executives receiving the highest emoluments were within the following bands:

Total remuneration band (\$)	Number of staff *		Short-term		Post-employment		Other long-term benefits**		Termination benefits		Total	
			Salary \$'000		Superannuation \$'000		Long service leave \$'000		\$'000		\$'000	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
225,000-249,999	-	1	-	234	-	7	-	-	-	-	-	241
275,000-299,999	-	1	-	271	-	24	-	2	-	-	-	297
325,000-349,999	1	2	314	217	25	22	-	15	-	84	339	338
350,000-374,999	1	-	339	-	25	-	-	-	-	-	364	-
375,000-399,999	2	-	362	-	25	-	-	-	-	-	387	-
400,000-424,999	1	-	394	-	25	-	-	-	-	-	419	-
600,000-624,999	-	1	-	236	-	43	-	175	-	168	-	622

* Where there is more than one executive in a remuneration band, the average remuneration is shown.

** Long service leave taken in service

Variations in salary can be caused by a wide variety of factors such as the key management personnel's leave arrangements and other smaller adjustments.

Environmental performance

The Corporation is subject to particular and significant environmental legislation under both Commonwealth and State laws, in particular:

- *Environment Protection and Biodiversity Conservation Act 1999 (Cth)*
- *Environmental Protection Act 1986 (WA)*
- *Contaminated Sites Act 2003 (WA)*.

Additionally, we comply with more than 40 other pieces of environment-related legislation and track our compliance with various non-statutory commitments. With the significant volume of wastewater conveyed across the state, it is possible unplanned discharges will occasionally occur and some of these may affect the environment, public health and amenity. Our incident management process provides a fast and effective response to these and other incidents. Consistent with the *Environmental Protection Act 1986*, we report any unplanned discharges of waste that have the potential to harm the environment.

Our environmental performance is underpinned by our Corporate Environment Policy and Carbon and Energy Policy. We also maintain an environmental management system, certified under the international standard ISO 14001 that provides for the systematic identification of environmental risks, setting of performance targets and development of environmental improvement plans to reduce risks and ensure our activities are sustainable.

State of affairs

There were no significant changes during the year ended 30 June 2021 in the state of our affairs not otherwise disclosed in this report, or the financial statements.

Events subsequent to balance date

Since the end of the financial year on 30 June 2021 and the date of the release of this report, the Directors are not aware of any matter or circumstance not otherwise dealt with in the report or financial statements that has significantly, or may significantly, affect our operations, the results of those operations, or our state of affairs in subsequent financial periods.

Director interests and benefits

In the 12 months to 30 June 2021, Directors did not receive, or become entitled to receive, any benefit (other than a benefit included in the total amount of remuneration received or due and receivable by Directors) by reason of a contract made by the Corporation with the Director, or with a firm of which the Director is a member, or with an entity in which the Director has a substantial interest.

Indemnification of Directors

The Corporation has entered into deeds of indemnity, insurance and access with Directors, to the extent provided for under the *Water Corporations Act 1995* and has paid insurance premiums to insure Directors and officers against certain liabilities which arise out of their service while acting on behalf of the Corporation. This statement is made in accordance with a resolution of the Board.



Ross Love

Chair



Pat Donovan

Chief Executive Officer



Performance summary



Performance against key indicators

	Units	2021 Target	Actual				
			2021	2020	2019	2018	2017
SAFETY							
Public health - safe drinking water							
Metropolitan localities meeting requirements for <i>E.coli</i>	%	100	100	100	100	100	100
Metropolitan localities meeting requirements for amoebae (<i>thermophilic naegleria</i>)	%	100	100	100	100	100	100
Metropolitan localities meeting requirements for health-related chemical quality	%	100	100	100	100	100	100
Metropolitan localities meeting requirements for radiological performance	%	100	100	100	100	100	100
Country localities meeting requirements for <i>E.coli</i>	%	100	100	100	100	100	100
Country localities meeting requirements for amoebae (<i>thermophilic naegleria</i>)	%	100	100	100	100	100	100
Country localities meeting requirements for health-related chemical quality	%	100	100	100	100	100	100
Country localities meeting requirements for radiological performance	%	100	100	100	100	100	100
COST							
ECONOMIC PERFORMANCE							
Financial efficiency							
Operating cost per property	\$	827.8	807.8	822.7	748.6	794.0	769.0
Total cost per property	\$	1,999	1,985	1,995	1,908	1,967	1,941
Surplus before income tax equivalent	\$m	1,124	1,253	1,148	1,140	931	920
Return on assets	%	7.0	7.2	7.1	7.1	6.0	5.8
Return on equity	%	7.0	7.5	7.2	7.4	6.2	6.2
Interest cover	Times	6.2	7.0	5.7	5.0	4.2	4.0
Debt to total assets	%	34.7	32.4	33.5	34.9	35.1	34.3
ENVIRONMENT							
ENVIRONMENTAL PERFORMANCE							
Ecosystem protection							
Overflows to Swan-Canning - conveyance system	No.	0	2	0	3	4	4
Overflows to Swan-Canning - pump stations only	No.	0	0	1	0	0	1
Energy and greenhouse gases							
Electricity consumption per unit of output for water	MWh/ML	2.15	2.26	2.22	1.57	2.38	2.41
Electricity consumption per unit of output for wastewater	MWh/ML	0.85	0.82	0.84	0.84	0.91	0.87
Total energy consumption	TJ	na	4,148	4,023	3,072	4,105	3,863
Reported greenhouse gas emissions (CO ₂ equivalent)	kT	740	760	756	575	771	806
Materials use efficiency							
Biosolids re-use (Perth metro)	%	100	100	100	100	100	100

	Units	2021 Target	Actual				
			2021	2020	2019	2018	2017
ETHICAL AND GOVERNANCE PERFORMANCE							
Compliance							
Number of legal sanctions for environmental breaches	No.	0	0	0	1	0	0
Environment non-compliances addressed	%	95.0	95.0	100.0	96.2	100.0	99.0
CUSTOMER EXPERIENCE							
Essential service provision							
Continuity - properties not affected by interruption > 1 hr	%	75.0	72.4	75.5	76.1	76.3	77.7
Water pressure and flow standards	%	99.8	99.9	99.9	99.9	99.9	100.0
Water quality faults responsiveness	%	95.0	96.4	97.4	96.8	97.0	97.3
Installation of new water connections	%	90.0	97.9	99.1	99.0	97.4	97.2
Properties without wastewater overflow	%	99.8	99.9	99.9	99.9	99.9	99.9
Demand-supply balance							
Number of Waterwise schools ⁽¹⁾	No.	na	587	582	580	575	523
Drought response (number of schemes on temporary restrictions)	No.	na	0	1	0	0	0
Water supplied per capita (Perth metro)	kL	126	125	127	126	123	122
Asset performance							
Blockages per 100 km of sewer	No.	40.0	15.8	17.0	16.5	16.1	16.7
Leaks and bursts per 100 km of main	No.	20.0	14.2	16.4	15.9	16.2	17.9
Drainage systems operating in accordance with guidelines	%	100	100	97.3	100	100	100
STAKEHOLDER PERFORMANCE							
Customer service							
Complaints (per 1,000 properties) MTD	No.	0.4	0.1	0.1	0.1	0.2	0.10
Written customer complaints (responsiveness) < 15 business days	%	90.0	98.1	92.5	100.0	100.0	98.9
Telephone calls to '13' numbers abandoned after 30 seconds	%	N/A	5.8	4.4	3.6	2.9	1.7
Telephone calls to '13' numbers first call resolution	%	90.0	91.8	93.7	92.9	91.8	92.6
SUPPORT FOR COMMUNITY AND STATE							
SOCIAL PERFORMANCE							
Employment and workforce							
Employee-initiated turnover	No.	7.0	5.5	5.6	6.8	7.8	5.5
Women in senior management - tier 2	%	34.0	42.9	42.8	25.0	28.6	22.2
Women in senior management - tier 3	%	34.0	26.5	22.6	25.8	27.8	32.2
People from culturally and linguistically diverse backgrounds	%	13.1	12.3	12.0	12.9	12.8	13.7
Indigenous Australians	%	6.0	4.8	4.6	3.8	3.5	3.1
People with disability	%	1.8	1.7	1.6	1.9	0.9	0.9
Youth (15-24)	%	4.6	3.8	3.8	3.2	3.1	2.9
Total Recordable Injury Frequency Rate (TRIFR)	No.	2.9	4.5	3.4 ⁽²⁾	3.2	7.3	8.5
Shareholder accountability							
Responsiveness to priority-one enquiries	%	90.0	95.0	90.0	95.5	97.5	98.4

1) Note: from 2016 we are now including early childhood centres, primary schools, high schools, education support centres and secondary colleges.

2) TRIFR is reported for total workforce (including contractors) from 2019-20 - all previous periods include internal workforce only.

*These targets applied to our operating licence between 1 July 2013 - 17 November 2013. From 18 November 2013, the licence was substituted by the introduction of the Water Services Act 2012.

Five-year statistical summary



	Units	2021	2020	2019	2018	2017
Financial data						
Total revenue	\$'000	2,948,499	2,850,305	2,761,367	2,608,254	2,549,288
Operating subsidy	\$'000	468,579	430,912	420,050	408,928	464,225
Direct operating expenses	\$'000	961,897	965,671	873,618	917,991	875,113
Depreciation/amortisation	\$'000	532,117	516,568	492,575	495,106	486,275
Net interest expense	\$'000	181,180	210,691	242,842	249,185	253,592
Income tax expense	\$'000	373,864	339,685	353,629	281,254	275,048
Operating surplus after tax	\$'000	879,499	807,849	786,591	649,856	645,383
Transfer to/(from) reserves	\$'000	0	0	0	0	0
Non-current borrowings	\$'000	6,003,994	6,207,303	6,194,213	5,253,312	4,959,912
New works investment (excluding developers take-over works)	\$'000	712,322	650,898	695,504	775,845	805,594
Current borrowings	\$'000	17,539	18,410	8,094	887,723	925,919
New borrowings	\$'000	(194,350)	0	70,000	264,000	199,000
Operating data						
Water supply services						
Annual volume of water supplied	ML	374,202	374,808	366,820	363,038	360,930
Number of properties served	No.	1,338,298	1,322,204	1,308,558	1,293,887	1,274,089
Number of properties connected	No.	1,154,501	1,135,221	1,123,748	1,111,464	1,095,943
Length of mains	km	34,947	34,842	34,779	34,678	34,799
Wastewater services						
Average volume of wastewater treated daily	ML	466.1	452	452	448	449
Number of properties served	No.	1,091,581	1,076,665	1,065,505	1,052,983	1,035,809
Number of properties connected	No.	1,011,665	1,001,432	989,094	975,583	958,064
Length of sewers	km	17,397	17,280	17,193	17,051	16,903
Drainage services						
Number of properties served (metropolitan)	No.	426,592	421,799	416,253	411,803	406,724
Length of drains	km	2,539	2,534	2,545	2,547	2,549
Irrigation services						
Volume of water delivered	ML	5,539	6,300	5,142	5,234	5,731
Employees						
Total number of employees	No.	3,662	3,429	2,819	2,746	2,758
Total number of full-time equivalents (FTEs)	No.	3,499	3,277	2,679	2,609	2,622
Total number of FTEs (year-end average)	No.	3,421	2,856	2,637	2,599	2,576

Principal statistics



Water supply									
Region	Perth Metro	Mandurah-Murray	Perth Region ¹	Goldfields and Agricultural	Great Southern	Mid West	North West	South West	Total
Properties served	1,034,817	63,174	1,097,991	43,457	48,007	50,426	43,002	55,415	1,338,298
Properties connected	890,734	54,169	944,903	39,067	42,361	41,710	35,652	50,808	1,154,501
Water supply services	763,519	48,627	812,146	42,791	41,586	38,090	29,522	46,803	1,010,938
Length of mains (km)	14,492	1,206	15,698	9,647	4,034	2,295	1,501	1,771	34,947
Water supplied ² (ML)	255,409	13,731	269,140	22,750	12,804	17,195	37,617	14,697	374,202
Wastewater									
Region	Perth Metro	Mandurah-Murray	Perth Region ¹	Goldfields & Agricultural	Great Southern	Mid West	North West	South West	Total
Properties served	869,841	50,855	920,696	11,607	30,049	26,149	34,529	68,551	1,091,581
Properties connected	816,500	45,313	861,813	9,804	26,208	21,148	31,271	61,421	1,011,665
Total length of sewers (km)	12,610	910	13,520	326	737	595	678	1,541	17,397
Number of pumping stations	658	87	745	34	86	70	80	169	1,184
Number of treatment plants	11	4	15	20	20	19	17	20	111
Average quantity of wastewater treated daily (ML)	379.9	17.5	397.4	3.9	11.5	7.9	17.6	27.8	466.1

1. Perth region includes Mandurah-Murray district.

2. Water supplied is the quantity recorded by master meters from 1 July to 30 June.

Drainage				
Region	Perth	Great Southern	South West	Total
Properties served	426,592	n/a	n/a	426,592
Length of drains controlled (km)	1,112	131	1,296	2,539

Irrigation	
Region	Water supplied (ML)
Mid West ¹	4,641
North West ²	898
South West ³	n/a
Total	5,539

1. Mid West irrigation district was transferred to the Gascoyne Water Co-operative on 1 July 2003.

2. North West irrigation water supplied from the Ord dam to Water Corporation customers only. Previously reported amount included Ord Irrigation Cooperative customers.

3. Water Corporation owns and maintains the dams that supply Harvey Water and Preston Valley Irrigation but they have the water allocation directly with the Department of Water.

Principal statistics



Metropolitan sources of supply

Source	Area of catchment (km ²)	Storage capacity (ML)	Storage at 30/06/2021 (ML)	Percentage of maximum storage (%)	Output to 30/06/2021 (ML)
Dams					
Stirling	252	57,404	24,047	41.9	5,580
Samson WTP	192	8,003	3,747	46.8	1,820
South Dandalup	313	138,345	19,931	14.4	5,709
North Dandalup	151	60,791	36,390	59.9	11,447
Serpentine and Serpentine Pipehead	693	140,292	67,340	48.0	41,365
Canning	128	90,353	48,338	53.5	17,439
Wungong	728	59,796	46,220	77.3	13,521
Churchman	18	2,241	734	32.8	570
Victoria	37	9,463	5,547	58.6	907
Total hills sources output gross		566,688	252,294	44.5	98,358
Total hills transfers input					77,588
Total hills sources output net					20,770
Groundwater					
Artesian bores					31,679
Mirrabooka					16,223
Gwelup					13,431
Wanneroo					29,120
Jandakot					14,847
Neerabup					27,640
Lexia					2,898
Yanchep/Two Rocks					1,226
Total groundwater output					137,064
Desalination					
Perth seawater desalination plant					45,122
Southern seawater desalination plant					98,519
Total desalination output					143,641
Water received from bulk supplier					
Goldfields Agricultural Water Supply (GAWS) to Perth					2,006
Total					2,006

Source	Area of Catchment (km ²)	Storage Capacity (Megalitres)	Storage at 30/06/2021 (ML)	Percentage of maximum storage (%)	Output to 30/06/2021 (ML)
Bulk water exported					
to Mundaring Dam for GAWS					24,278
Mandurah Murray					13,731
South West Region					1,282
Great Southern Towns Water Supply (GSTWS)					5,170
Total					44,461
Total water sourced					
Net output from surface water					20,770
Groundwater					137,064
Desalination					143,641
Received from bulk supplier					2,006
Total sources					303,482
Riparians (from distribution system)					
Riparians from distribution system					2,642
Total potable water supplied					
Total water sourced					303,482
Bulk water exported					(44,461)
Riparians (from distribution system)					(2,642)
Operational use and service reservoir vol change					(971)
Total water supplied					255,409



A young child with light brown hair, wearing a blue and white striped t-shirt and green and white plaid shorts, is watering plants in a wheelbarrow. The child is holding a purple watering can with a woven basket nozzle, and water is spraying out. The wheelbarrow is filled with various green plants and a red watering can. The scene is set outdoors in a grassy area, with a bright sun in the background creating a lens flare effect. A large blue circle is overlaid on the left side of the image, containing the text 'FINANCIAL REPORT'.

FINANCIAL REPORT

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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 subsidiaries		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

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

	2021 \$M	2020 \$M
Maturity analysis – contractual undiscounted cash flows		
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	2021	2021
	\$M	\$M	\$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	2020	2020
	\$M	\$M	\$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	Recognised in income	Recognised in accumulated surplus	Balance 30 June 21
	\$M	\$M	\$M	\$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	Recognised in income	Recognised in accumulated surplus	Balance 30 June 20
	\$M	\$M	\$M	\$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
<i>Assumptions to determine start-of-year defined benefit obligation and defined benefit cost for the current year</i>		
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%
<i>Assumptions to determine defined benefit obligation at the valuation date</i>		
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





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