

Annual Report 2017



About this report

The 2017 Annual Report is a review of our performance for the financial year ended 30 June 2017.

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; Fisheries; Forestry; Innovation and ICT; Science the Hon David Kelly MLA, the report is tabled in the Parliament of Western Australia.

The objective of this report is to provide our customers, community, stakeholders, as well as our owner, the Western Australian Government with information about our operational and financial performance and our contribution to the state's economy for the 2016-17 financial year.

To provide feedback on this report please email

report@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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Our year at a glance

361

billion litres
of water supplied

eighty two
water
treatment
plants

488

water pump
stations



34,799

kilometres
of water mains



16,903
kilometres
of sewer mains

2,549

kilometres
of drains

164

billion litres
of wastewater
collected



772,032

customer telephone
calls answered

2.1
million

visitors to
our website



2,758
employees

128
dams & weirs



\$875
million
in operating
expenditure

\$274
million
invested in
regional projects

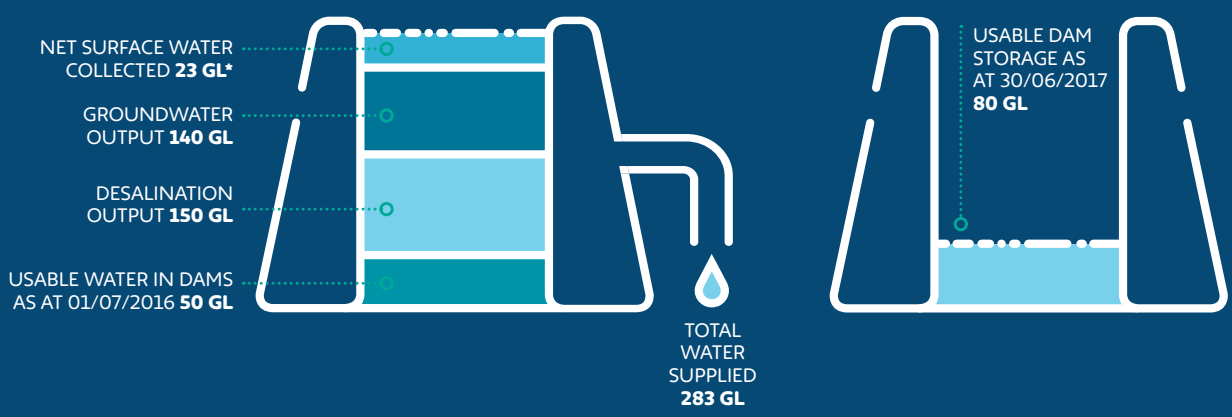


75
recycled
water schemes

\$806
million
investment in
capital works



Our largest scheme, the Integrated Water Supply Scheme (IWSS) supplied 283 billion litres of water to our customers. This consisted of:



*Streamflow less evaporation and riparian releases.

Chairman's report



I was honoured to take up the role of Board Chairman from 1 January 2017, and acknowledge the exceptional contribution of outgoing Chairman, Eva Skira.

Eva was incredibly passionate about the Water Corporation, and provided consistently strong leadership to the Board and Executive. Thank you to Eva for her many years of service to our State through her role on the Water Corporation Board.

The first few months of this year also brought a change of State Government, and a new Minister for Water, the Hon. David Kelly. We very much look forward in continuing to build a strong working partnership in the coming years and delivering on our owner's objectives.

Over the last 12 months the focus for the Water Corporation Board has been to define our strategy for the next 10 years.

Our first priority is, of course, our core business of sustainably managing water supply and demand, at the same time continuously improving the way we work, doing more for less and ensuring we have strong governance in place.

WA has been one of the areas of the globe most profoundly affected by climate change and Water Corporation continues to be internationally recognised for the way we have responded over the last decade or more.



We can anticipate that the drying climate will intensify in the coming years. So, while we continue to deliver to our customers' needs today, as a Board we are considering what our source mix will look like in the next 20 years, particularly examining the role of groundwater and non-potable water in our supply mix.

Our customers are the only reason we exist, so we also have a strong focus on continuing to build our understanding of what our customers' value and using these insights to drive our strategic decision making. Through our 'Tap In' program we will better understand what customers think our areas of focus should be, what issues need to be addressed as a priority and which initiatives should be prioritised for implementation in our business. This is an important piece of work, and one which will ensure our future investment is aligned to the priorities of our customers.

As a Board we have set ourselves the challenge to support Perth to become the leading water sensitive city in Australia. This is very much in keeping with what our customers want, too. Feedback from our community tells us that sustainable, positive and liveable communities are a high priority. As a government owned-water utility we are in a unique position to support Perth on the journey to become a water sensitive city, having involvement across the whole water cycle - public water supply, wastewater and drainage.

This is an audacious goal but one that is very much in line with our purpose - sustainably managing water services to make WA a great place to live and invest.

As a Board we are very excited about the work ahead, guiding the Water Corporation executive team to deliver on our strategy and help make Perth Australia's leading water sensitive city.

Thank you to my fellow directors for the energy and commitment which they bring to their roles. I also acknowledge the leadership of our CEO, Sue Murphy and her executive team for their continued excellent work and look forward to working together in the year ahead.

Mr Michael Hollett
Chairman

Chief Executive Officer's year in review



Our climate gets drier and drier. June 2017 was one of the hottest and driest on record for the South West of Western Australia, so our story of managing climate change continues.

After reasonable winter rains in 2016 - still well below average - we luckily had a very mild summer and above average rainfall from January to March. It was heartening to see that our customers responded to this so proactively keeping water use below target.

This year comes off the back of a long spate of dry, hot years which culminated in 2015-16 - a year of highest temperatures, lowest runoff and soaring water consumption in the Integrated Water Supply Scheme. So, anticipating similar patterns in the future, our efforts to achieve climate-resilience have continued without pause.

Stage one of our Groundwater Replenishment Scheme is in the final stages of commissioning, and has the capacity to recharge 14 billion litres of water each year, providing Perth's drinking water supplies with a new climate independent water source. Plans are also underway to double the size of the plant to deliver 28 billion litres of water a year within three years.

Big projects like this attract a great deal of interest from all quarters, but what largely goes unnoticed is the huge, 24-7 job done by the men and women of Water Corporation throughout this huge State to ensure safe water comes out of every tap and wastewater disappears from every home and business to be safely treated.

I am immensely proud of our people, who are all dedicated to doing their part to safely deliver critical water services to the people of Western Australia and care a great deal about our customers and community.



While we continuously improve our core business, when it comes to planning for the future we want to make sure that we understand what our customers value and can respond to their needs.

So, this year we have launched a major community engagement program called 'Tap In', where we are asking our customers to be directly involved in helping us make decisions about our future products and services through a series of focus groups and surveys across the State.

This work will continue into the new financial year and will inform our planning for the future in all areas of our business.

I extend my thanks to all our staff, contractors, partners, stakeholders and regulators for their part in our business. We are nothing without you and appreciate your hard work.

Ms Sue Murphy
Chief Executive Officer

Corporate snapshot





Organisational profile



Our operations

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.

We directly employ over 2,700 people located in offices in Perth, Bunbury, Albany, Karratha, Geraldton, Northam and Kalgoorlie, and a number of depots, providing a high level of expertise and strong commitment to communities across the State.

We manage \$36 billion (replacement value) of assets to deliver water services across the 2.6 million square kilometre expanse of the State, directly and through alliances with the private sector.

Our purpose is the sustainable management of water services to make WA a great place to live and invest.

Our vision

Our vision is where we want to be in the future. This is underpinned by our three pillars of Water Forever, Zero Footprint and Great Place. These pillars are continuously in tension and need to be balanced.

Our values

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

One Team: We are one team. We work together in the best interests of Water Corporation and the community.

Think Safe, Act Safe: We put safety first in everything we do. We are responsible for ourselves and others.

Customer Focussed: We value our customers. We understand their needs and deliver great services.

Value Every Dollar: We add value to our customers. We manage every hour we work, every dollar we spend.

Future Thinking: We find clever and innovative ways to do things. We plan and deliver for the future.

Take Personal Ownership: We hold ourselves and each other to account. We each take responsibility for our own decisions and actions.

Our environment

We have a commitment and responsibility to be a leader in ensuring the sustainable future of Western Australia's water supply. We aim to maximise the re-use of our by-products to reduce our environmental footprint. We are committed to protecting and enhancing the environment.

Our owner

Water Corporation is owned by the Western Australian Government and accountable to the Minister for Water; Fisheries; Forestry; Innovation and ICT; and Science the Hon David Kelly MLA, for the delivery of our services. Most of our financial surplus is returned to the State Government as a dividend to contribute to the development of the State, with the remainder reinvested in capital infrastructure.

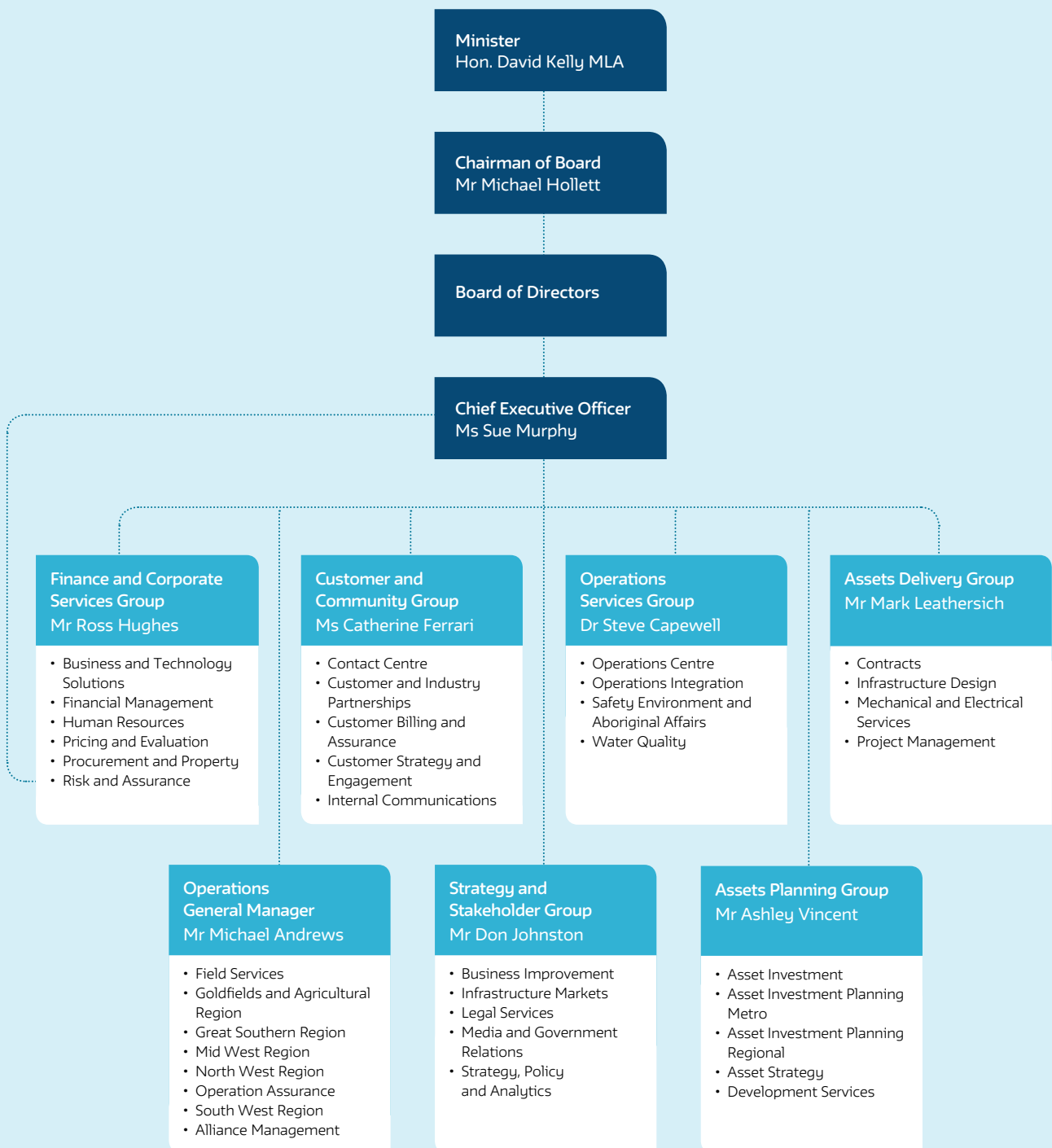
Our stakeholders

Our key stakeholders include relevant State and Australian Government agencies and regulators, Local Government and industry associations. The support and trust of our stakeholders and the broader community is critical to the achievement of our business objectives. We are proactive in ensuring that we engage our stakeholders and the community as we work to effectively manage current and future water services.

Our regulators

We deliver water to our customers and dispose of it within conditions set by the Departments of Water, Health, Environment Regulation, Parks and Wildlife, and the Environmental Protection Authority. The Economic Regulation Authority monitors our performance against our Water Services Licence. The State Government determines the prices of our regulated services each year through the State Budget process.

Organisational structure



Board profiles



Mr Michael Hollett

Chairman
GAICD

Mr Michael Hollett has extensive water industry and property development experience, and consults in both business and property development. Mr Hollett is currently Chairman of Ocean Gardens Inc and Director at H&H Development Enterprises Pty Ltd. Prior to this, Mr Hollett was the Chief Executive Officer of the National Lifestyle Villages Group and expanded the Group's delivery of affordable new housing estates, and senior and resource sector accommodation communities across the State and to Victoria. He is a qualified Hydrographer and worked in a variety of roles including regional and metropolitan land development, lead new pathways in water recycling, efficiency and strategic planning for Water Corporation and its predecessors from 1982 to 2004.

Appointed 1 January 2012, appointed Chairman 1 January 2017, term expires 31 December 2019.

Chair: Safety Committee and Remuneration Committee

Ms Sue Murphy

Chief Executive Officer

BEng (Hons), CP Eng, FIE Aust, GAICD

Ms Sue Murphy was appointed Chief Executive Officer of Water Corporation in November 2008. Ms Murphy is a Member of the University of Western Australia Senate and Board Member of the University of WA Business School, Board Member of the Water Services Association of Australia, Board Member of the Fremantle Football Club and Fellow of the Australian Academy of Technological Sciences and Engineering.

Appointed November 2008, term expires 31 December 2017.

Mr David Lock

Deputy Chairman

BComm (UNSW), CA, FAICD

Mr David Lock is Chief Executive Officer and Managing Director of Mareterram Limited, a listed agribusiness company. He is also the Chairman of the Western Australia Meat Industry Authority and a member of the Advisory Council of the Curtin Business School. Prior to joining Mareterram Limited in January 2016, Mr Lock was Chief Executive Officer of the Craig Mostyn Group for 12 years. He has 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 Chairman of the Food Industry Association of Western Australia.

Appointed 1 January 2014, appointed Deputy Chairman 1 January 2017, term expires 31 December 2019.

Chair: Audit and Compliance Committee

Member: Remuneration Committee

Mr Ross Holt

B. Econs (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 (LandCorp), Mr Holt retired in 2014. He is currently the Deputy Chancellor of Murdoch University, Chair of Forest Products Commission, Non-executive Director NS Projects and Non-executive Director of Nudge.

Appointed 8 June 2016, term expires 31 December 2018.

Member: Safety Committee



(l to r) Mr David Lock, Ms Sue Murphy, Mr David Rowe, Mr Michael Hollett, Mr Ross Holt, Ms Nicole Lockwood

Ms Nicole Lockwood
LLB, BBus Environ, GAICD

Ms Nicole Lockwood is owner and principal of Lockwood Advisory which provides advice to government and industry in the areas of regional development, infrastructure and stakeholder engagement. Prior to the establishment of Lockwood Advisory, she was a Director at KPMG. Ms Lockwood is currently the Commissioner of Tourism WA, Board Member of Infrastructure Australia, Deputy Chairman of Leadership WA, Board Member of Internet of Things Alliance Australia, Chair of the Freights and Logistics Council, Chair of MNG Surveying and the Independent Chair of Sienna Wood JV. Previous board roles include Pilbara Development Commission, WA Planning Commission and Horizon Power.

Appointed 1 March 2016, term expires 31 December 2017.
Member: Audit and Compliance Committee

Mr David Rowe
BA GradAASC JP GAICD

Mr David Rowe has worked in executive leadership positions within the residential development, construction and transport industries throughout Australia and in the Western Australian, Victorian and Commonwealth Governments. He is a Board Member of the South Metropolitan Health Service and was previously Deputy Chairman of the Western Australian Land Authority (LandCorp) and a Member of the South Metropolitan Health Service Governing Council.

Appointed 1 March 2016, term expires 31 December 2018.
Member: Safety Committee

Executive profiles



Mr Mike Andrews General Manager Operations MSc

Mr Andrews draws on over 25 years' experience in water utilities in both Australia and the UK, and brings a wealth of knowledge and expertise to his current position. Mr Andrews is also a Director for Dial Before You Dig WA, a national not-for-profit group that fosters unique partnerships with Australia's underground asset owners.

Dr Steve Capewell General Manager Operations Services BSc (Hons), PhD, GAICD

Dr Capewell has a broad background in the industrial and municipal water sectors in the areas of water quality management, operations and maintenance, asset management and service delivery. Dr Capewell is a member of the WA State Advisory Committee for the Purity of Water and the Curtin Water Quality Research Centre Advisory Board. He has considerable governance and assurance experience as a Board member for Water Research Australia, and Chairman of the Perth Seawater Desalination Plant Lead Team, the Southern Seawater Desalination Plant Lead Team and the Pilbara Clearwater Alliance.

Ms Catherine Ferrari General Manager Customer and Community BBus, PGradDipBus, MLM, FCPA, GAICD

Ms Ferrari is Deputy Chair of the West Australian Opera; a Board Member of the John Curtin Gallery, ScreenWest WA, Energy and Water Ombudsman, a trustee of the Legal Contribution Trust, Director of Water Corporation Superannuation Pty Ltd and is on the Southern Seawater Desalination Plant Lead Team.

Mr Ross Hughes Chief Financial Officer BBus, FCPA, FAICD

Mr Hughes had 25 years' experience in the financial services sector prior to joining the Corporation in 2006. He is a member of the Utility Excellence Committee for the Water Services Association of Australia and its Audit & Finance Committee. He is also member of the Perth Seawater Desalination Plant Lead Team.

Mr Don Johnston General Manager Strategy and Stakeholders BSc/Comm (Hons), MBA

Mr Johnston draws on experience from a wide variety of industries, with a proven track record in strategy and performance improvement. He previously worked with Bain & Co, and was a co-founder of Azure Consulting. Mr Johnston is a General Council member for the Chamber of Commerce and Industry of Western Australia, and is on the Industry Leadership Committee for the Water Services Association of Australia.

Mr Mark Leathersich General Manager Assets Delivery BSc (Hons), MSc

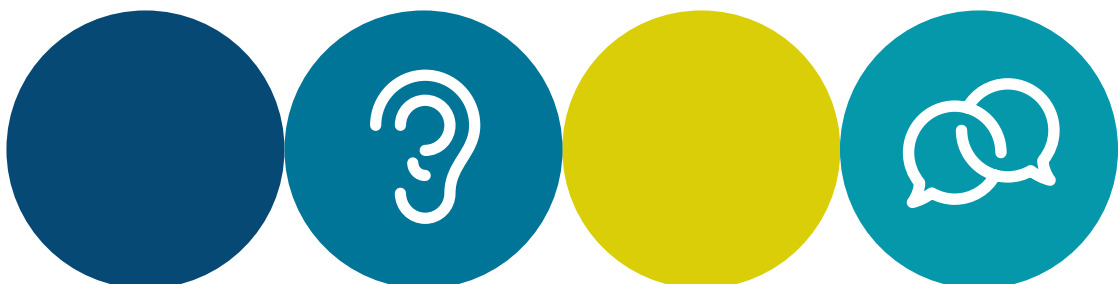
Mr Leathersich is Chair of the KEP Recharge Alliance, Chair of the Woodman Point 180 Alliance and Chair of the Perth Region Alliance. Mr Leathersich has over 25 years' experience in the water industry in Western Australia, with a focus on strategic planning for water and wastewater services, major project development and regulatory approvals.

Mr Ashley Vincent General Manager Assets Planning BE (Env), GradCert BusMgmt, MBA

Mr Vincent is a member of the KEP Recharge and Aroona Alliance Lead Teams.



*Back row (l to r) Mr Ashley Vincent, Mr Mark Leathersich,
Mr Don Johnston, Mr Ross Hughes, Mr Mike Andrews
Front row (l to r) Ms Catherine Ferrari, Ms Sue Murphy,
Dr Steve Capewell*



Key capital projects



Our capital investment program for 2016-17 was \$806 million. Some of the projects with large financial contributions are profiled in the map.

1 Groundwater Replenishment Scheme
Our new climate independent water source

1 Pipes for Perth
Replacing 100-year-old cast iron pipes to improve reliability

1 Ellenbrook Tank
Constructing our largest water storage tank (80 million litre capacity) to support growth in the north east metropolitan corridor

1 Woodman Point Wastewater Treatment Plant upgrade
Upgrades to increase capacity to support population growth

1 Subiaco Wastewater Treatment Plant upgrade
Upgrades to support population growth

1 Meter Renewal Program
Replacing water meters State-wide to improve our service

2 Upgrades to water treatment plants in Frankland, Ongerup and Jerramungup
Enhancements to plants to improve water quality

3 Cunderdin water storage tank
A new 74 million litre water storage tank to improve water quality and increase storage

4 Farmlands Project
Improving water supply to minimise disruptions and save water through the Wheatbelt

5 Goldfields Pipeline upgrade
Replacing sections of the 114-year-old pipeline to continue to improve reliability

6 Stirling Dam to Harris Dam Link
Interconnecting the Perth Integrated Water Supply Scheme with the Great Southern Town Water Supply Scheme

7 Divert Eaton wastewater to Bunbury wastewater main
Works to support population growth

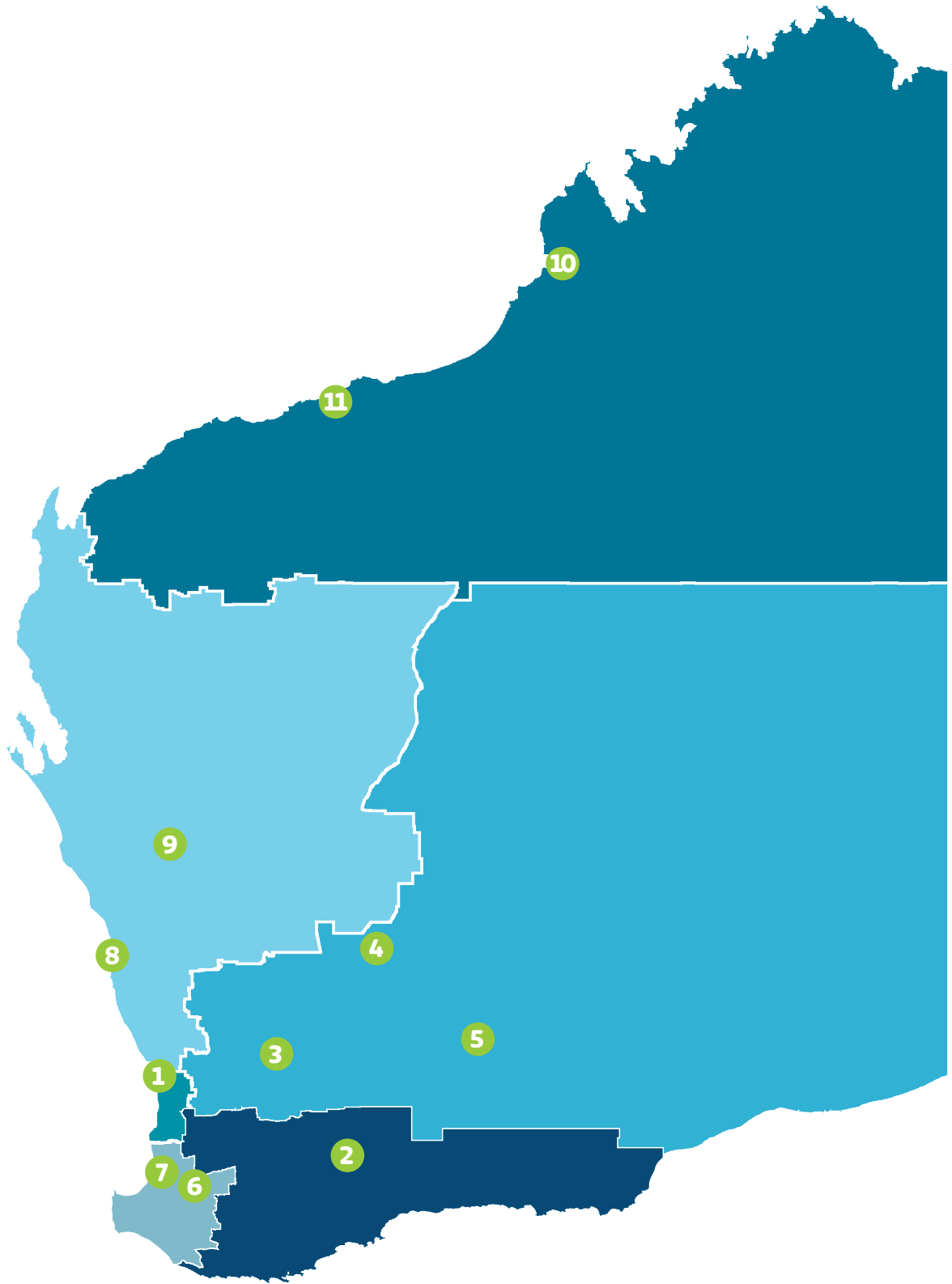
8 Dongara to Port Denison water supply upgrade
Improve supply capacity to both towns to meet peak demand times and cater for future growth

9 Murchison Project
Improve water quality starting in the town of Cue

10 Broome Water Supply Scheme
Upgrades to support the town's growth as a tourist destination and major regional centre

11 Port Hedland water pipe replacement
Improve water supply and cater for future growth

Further information on these projects can be found in 'Strengthening our operations' section on page 29.



Financial highlights



Our surplus for 2016-17 was lower than in recent years, influenced by reduced water consumption following a wetter than usual summer and lower levels of housing development activity from a subdued domestic economy. Our operating business delivered a surplus of \$503 million and contributions from developers towards infrastructure for new housing developments contributed a further \$142 million. These contributions were received either as cash from developers' fees or non-cash in the form of infrastructure handed over. In 2016-17, developers' fees represented \$83 million of the surplus, which will be invested in our future capital expenditure program, and pipeline and pump infrastructure assets handed over contributed a further \$59 million of surplus.

In a year when we continued to invest heavily in infrastructure with \$806 million of new capital expenditure, the results featured total revenue of \$2.5 billion and returns to the State Government by way of net accruals of \$323 million.

Excluding the impact from development activity, total revenue fell by 2.5 per cent during the year due to reduced water consumption together with lower operating subsidies received from the Government for the provision of non-profitable services. Climate change has seen an increasing proportion of our water delivered from sources that are independent of rainfall such as recycling and desalination, which has increased the cost of supplying into the scheme. Despite this, our customer tariffs continue to be among the lowest in Australia, and water in Western Australia remains one of the few commodities which can be delivered into our homes for less than \$1.70 per tonne^{1,2}.

Total expenditure decreased by 2.1 per cent to \$1.4 billion. On a per property basis, costs reduced 3.1 per cent as a result of savings from business transformation and continuous improvement activities, and our Operating Cost per Property remains one of the lowest in the Australian water industry for large scale supply¹. A continuing focus on cost management supported the achievement of our long term average annual efficiency target of 2.0 per cent.

Returns to the State

The Board approved dividend payments totalling \$483 million to the State Government.

We are also required by the Australian Tax Office to lodge an income tax return and pay tax equivalents to the State. Inclusive of local government rates, taxation payments made to the State in 2016-17 amounted to \$304 million.

We received an operating subsidy payment from the Government of \$464 million for the provision of non-profitable services, mostly in regional and remote areas of Western Australia, and concessions to customers.

When operating subsidies are offset against the dividends and taxes paid to Government, the resulting Net Accrual to Government (NATG) came to \$323 million in 2016-17.

The net returns form part of the State's consolidated results and are used to meet broader Government commitments.

Investing in infrastructure

Our capital investment program benefits the community and the wide range of local private industry partners who assist us in our construction, maintenance and operations. In doing so, we employ, both directly and indirectly, a significant number of Western Australians. The \$806 million capital investment program for 2016-17 included \$422 million in our water business, \$203 million in our wastewater business, and the remainder on irrigation, drainage, property and facilities.

Supporting the State's growth

In 2016-17, the value of our regional assets was in excess of \$6 billion. During the year we spent over \$274 million on the delivery of projects for regional Western Australia.

Net Accrual to Government					
\$ millions	2016-17	2015-16	2014-15	2013-14	2012-13
Dividend	483	567	562	487	366
Tax Equivalents	304	342	346	324	210
Operating Subsidy	(464)	(547)	(573)	(566)	(437)
NATG	323	362	335	245	140

1. Australian Government Bureau of Meteorology, March 2017, *National performance report 2015-16: Urban water utilities Part A*

2. Based on water demand charges for a typical 200kL p.a. household

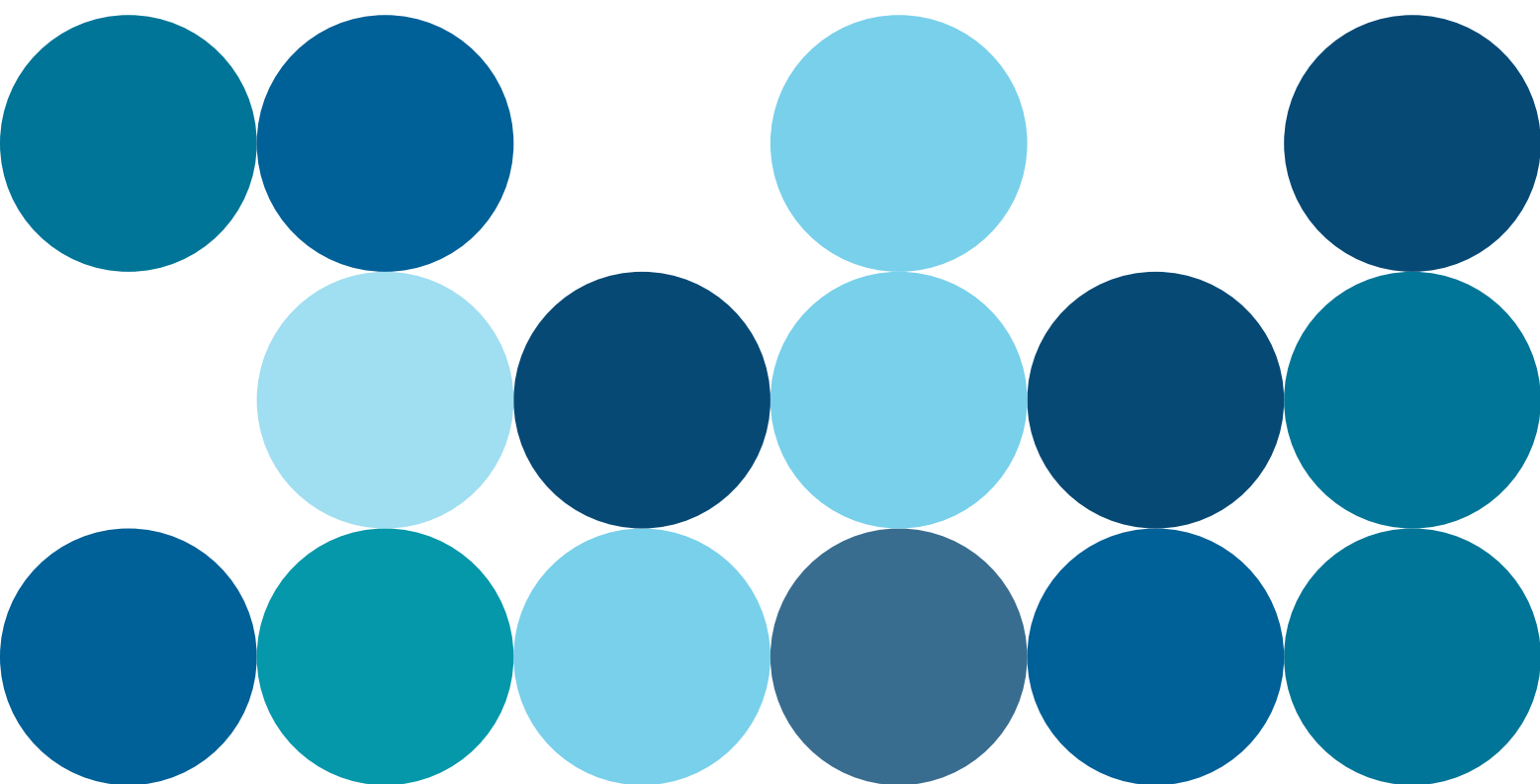
Summary of performance

	Units	2016-17 Projected	2016-17 Actual
Financial Outcomes			
Operating Surplus before income tax			
Operating business	\$m	755	719
Developer asset handover before tax	\$m	89	84
Developer cash contributions before tax	\$m	164	118
Operating Surplus after income tax			
Operating business	\$m	528	503
Developer asset handover after tax	\$m	63	59
Developer cash contributions after tax	\$m	115	83
Capital expenditure (including capitalised interest)	\$m	782	806
Borrowings taken - (repaid)	\$m	245	199
Financial Performance Measures			
Return on equity	%	6.8	6.2
Return on assets	%	6.0	5.8
Debt to total assets ratio	%	35.0	34.3
Accruals to Government			
Indirect tax equivalents	\$m	5.9	6
Income tax equivalents (net of deferred tax adjustments)	\$m	306	298
Dividends provided	\$m	546	483
Total	\$m	858	788
Payments from Government			
Operating Subsidies			
Country Water, Sewerage and Drainage Operations	\$m	340	316
Pensioner and Senior Concessions ¹	\$m	146	145
Metropolitan Operations	\$m	0.5	3
Total operating subsidies	\$m	486	464
Net Accrual to Government	\$m	372	323

1. Includes Pensioners and Senior concessions, and concessions provided for non-rated and exempt properties.

	2016-17 Target	2016-17 Actual
Community Targets		
Water Forever		
Perth total per capita consumption	129 kL	122 kL
Great Place		
Customer Performance Index	6.85	7.09
Total cost per property	\$1,965	\$1,941
Safety Index (%)	90.0	100.0

Operational report





Connecting with our customers



Enhancing points of connection with our customers and understanding what the community expects is important to us.

As the main provider of water and wastewater supplies in Western Australia, we have a key role in the sustainability, growth and prosperity of all communities across the State. During the year we continued to improve our connection with our customers, strengthened our partnerships with community organisations, schools and local government, and delivered water education campaigns. These connections to our community help us achieve water for all and to make WA a great place to live.

Enhancing the customer experience

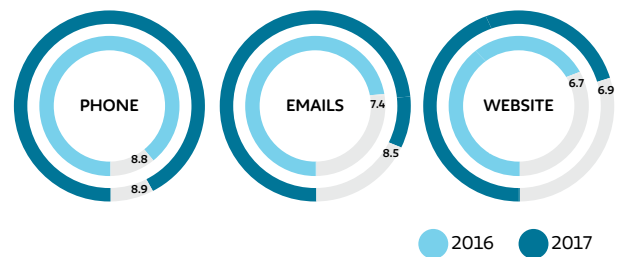
Our customers are at the centre of all we do and in how we deliver our services. Throughout the year, we actively engage with our customers and the wider community to understand how we are performing, and to listen to the issues that are important to them and how we can work to improve them. We are continually enhancing our communication channels to keep up with changes in customer behaviour and digital innovations that make it easier to connect.

Customer Performance Index

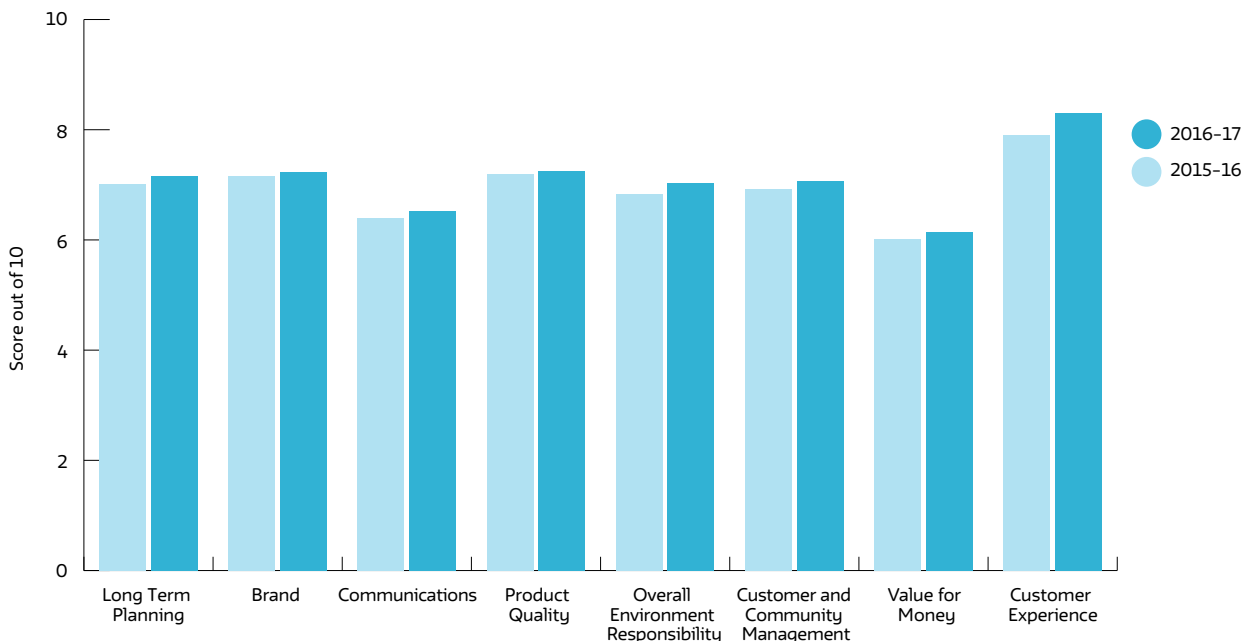
We actively measure customer perception of our overall performance across eight key areas in our Customer Performance Index (CPI). The graph below provides an overview of how our customers believe we have performed in these key areas for 2016-17.

Customer service surveys

There are many ways our customers can engage with us, and the quality of these interactions is measured through our post-interaction surveys. During the year, we improved our engagement through our key connections - phone, emails and website.



Our Customer Experience Performance



Tapping in to our customers

In March 2017, we began a formal, extensive State-wide community engagement and customer research program known as 'Tap In'. Through this program, we will plan customer feedback into our strategic and business planning processes to continue to ensure we are truly a customer led organisation. The multi-stage program was developed to gain a deeper understanding of what water issues our customers believe are most important in Western Australia. Using this feedback, Tap In will prioritise the issues customers believe are most important and identify potential solutions to these issues. We will then provide our customers with an opportunity to have their say on which solutions should be pursued at a later stage in the project.

Enhancing My Water

We are committed to providing a simple and convenient option for customers to pay their bills. During the year we reviewed the accessibility of My Water, our online self-service system, to gain a better understanding of how our customers used the online payment portal. Feedback from our customer research led us to improve the process of several key tasks, such as registration, paying a bill and setting up direct debit. These improvements have helped to increase visits to My Water by 36.5 per cent.

Website improvements

Our website continued to be the channel of choice for more than 245,000 visits each month, with a 43.9 per cent increase in the number of our customers accessing our website from mobile devices. This growth was front of mind in the design of our new website homepage, which when combined with our customer research and usability assessment, helped to identify key areas for improvement. Launched in April 2017, the website has proven easier to navigate for our customers, with a 36.8 per cent increase in customers using just one click to get to the 'Check for water outages' page, 11.8 per cent increase for 'Register for My Water' and 31.5 per cent increase for 'Water use calculator'.

Expanding our digital reach

Web chat

During the year there was a growing appetite from our customers for web chat, a communication service channel that allows us to connect with our customers online in real time. Following a successful pilot, in August 2016 we implemented web chat on our home page as a new communication channel for our customers. Engagement on this channel has been positive with 6,010 instances of web chat interaction with customers since full implementation and 99 per cent of customers reporting 8/10 or higher in support satisfaction. The popularity of this channel prompted us to extend the service hours of web chat in March 2017 to 6am-11pm.

Social Media

Our social media communities have increased by 36 per cent, with the number of times a post from our primary social media channels were displayed to users reaching 18 million. Customer service through Facebook and Twitter has grown, with over 4,400 social customer interactions this year. This growth was a key driver in extending our service hours from 6am-11pm. Social media has allowed us to provide urgent operational information to the community, with some incident posts achieving an audience reach of over 30,000.

Working together to save water

Climate change continues to place a growing emphasis on saving water. We remain committed to finding effective and simple water saving ideas that all our residential and non-residential customers can easily implement. Our dedicated water efficiency team helps households and businesses across the State to reduce their water use through key initiatives and tailored water management plans.

During the year we conducted residential water efficiency projects in:

- Australind/Eaton
- Dalyellup
- Towns in the Great Southern Region
- Towns in the South West Region
- Yancheep
- Karratha

More than 30,000 households in these towns took part in water saving activities including Showerhead Swap, irrigation controller reset services and received notifications comparing a household's water usage to a previous period. This helped to save more than 500 million litres of water.

Our larger non-residential customers that use over 20 million litres of scheme water annually continue to participate in our Water Efficiency Management Plan. Together, 299 of these customers saved around 11.6 billion litres of water through water saving actions.



Our Tap In program is asking Western Australians to contribute to our water future plans.

We also recognised a number of councils for their efforts towards sustainable water management through our Waterwise Councils Program. In this program, councils are able to demonstrate innovation and how they have improved water efficiency in their facilities and in public open spaces. During the year, eight councils were awarded with a 'gold' status and two councils – the City of Mandurah and the City of Vincent – were promoted to the highest level of 'platinum'. Councils awarded 'platinum' status are able to demonstrate water savings; how it has contributed towards the efficient and sustainable use of water; and work undertaken in the community or in council operations to reduce water use over the past year that can be applied by other councils.

Delivering tailored solutions

Our water efficiency programs also extend to developing tailored water recycling schemes that deliver 'fit for purpose' water. The existing recycled water scheme at the Subiaco Wastewater Treatment Plant was extended to provide treated water for irrigation at Christ Church Grammar School at Mt Claremont. The school constructed a 900 metre pipeline from the Plant to provide fit-for-purpose water to the school's playing fields.

In regional areas, substantial water recycling schemes were developed in Karratha and Port Hedland. The City of Karratha receives high quality recycled water to be used to irrigate existing and future public open spaces as well as a golf course. In Port Hedland, the high quality treated water used to irrigate public open space provides the town with flexible irrigation times and allows for the increase in water recycling as the population grows.

We are working with Aboriginal communities across the Pilbara, Kimberley and Goldfields to deliver smart water meters. These devices allow for a more proactive approach to managing water use by identifying water use trends and detecting leaks early.

Meter Renewal Program

In September 2016 we started the \$120 million Meter Renewal Program as part of our commitment to provide our customers with a reliable service. The program will see the replacement of all residential 20mm and 25mm water meters across the State over the next 15 years. About 950,000 meters are currently in use on our network. Since the program started, we have replaced 20,000 meters, and from next year, this will increase to around 70,000 meters each year. The program will improve meter accuracy and provide better information on leakages through the removal of ageing meters from service.

Community involvement

Community partnerships

We support a wide range of community programs across Western Australia that build on our vision to make the State a great place to live and invest. These partnerships demonstrate our commitment to the communities and environments we operate in, support waterwise messages and share our plans to deliver a sustainable water supply through fresh water thinking.

Our long term partnership with the Perth International Arts Festival continued, with support for the WA edition of the global Museum of Water. The exhibition collected more than 400 bottles of water from members of the public across WA that showcases the valuable part water plays in their lives. Their stories will be housed in the permanent collection of the Western Australian Museum.

We provided 607 metropolitan and regional students an opportunity to experience a working environment as part of our support for The University of Western Australia's Aspire program. The program encourages students who would not normally consider university as an option to see the benefits and opportunities that university study offers. Our young employees shared their career experience with the visiting students, providing an insight into what working life would be like.

We have been a longstanding community partner of WA's leading Aboriginal theatre company, Yirra Yaakin. During the year, we supported the 'Culture 2.0 Respect Yourself, Respect Your Culture' workshop in both the metropolitan and Kimberley regions. Up to 2,000 students attended this workshop, which aims to educate all students on cultural health and wellbeing. We also supported the regional tour of Boodjar Kaatjin, a show that brings to life stories collected from Noongar elders.

Water education

We are committed to providing contemporary education services that are valued by our community and customers. During the year our free School Talks program reached more than 28,000 students across the State. This is part of our Waterwise Schools Program consisting of talks and activities for teachers, and the wider community, which are also available on our website.

A number of schools reached key milestones during the year in our Waterwise Schools Program. Fifty one schools celebrated their 10th year, while City Beach Primary School was presented with a 20 year recognition certificate.



Taking a closer look

Isabella Croft, a year five student at Methodist Ladies College, investigated water use at her school and found that if every student in years five and six has a four-minute shower, they would save 3,803,289 litres a year. After sending the results straight to our CEO, Isabella and her classmates were invited for a VIP tour of our head office in Leederville.



West Kimberley Community Grants Scheme

Our West Kimberley Community Grants Scheme distributed more than \$50,000 during the year towards community-led projects to support health, culture, education and tackling anti-social behaviour in the area. The scheme is administered through a partnership with the Lions Club of Broome. Funds for the grants scheme are raised through the sale of hay from Broome North Wastewater Treatment Plant. Recycled water is used to irrigate Rhodes grass, which is then processed into hay and sold for stock feed to local cattle stations.

Native tree seed bank

During the year, 90 young people aged between 17 to 24 have gained horticultural experience, training or completed TAFE certifications as part of a collaborative project with the Mamabulanjin Aboriginal Corporation. Under the project, thousands of native trees were planted at our Broome North Wastewater Treatment Plant using recycled water. The project helps to establish a seed bank of native plants, protects endangered and rare species, and provides seeds for land restoration projects in the Kimberley and Pilbara. The project also creates valuable ongoing training and employment opportunities for the Broome community.

Lease agreement in Broome

In December 2016, we signed a landmark agreement that strengthened our partnership with the Mamabulanjin Aboriginal Corporation. Under the agreement, we will provide 600 hectares of land near Broome to establish a native fruit orchard. The project is expected to create major socio-economic opportunities for Aboriginal people in the West Kimberley by meeting growing demands for nutrient-dense native produce, such as Gubinge, a fruit with high quantities of Vitamin C. It will also create employment and training opportunities for local Aboriginal people. The first stage of the native fruit orchard is expected to be completed in late 2017.

Opening recreational opportunities

Our dams and other water source areas have great recreational opportunities such as camping, hiking, boating, fishing and water skiing. This needs to be balanced with keeping our water supplies safe. During the year, the map of drinking water source areas in the Perth Hills and further south to Balingup was updated in collaboration with the Departments of Water, Sport and Recreation, Health, and Parks and Wildlife. The map ensures our water supplies are safe and provides a clear indication of where people can access recreational opportunities.

Engaging the Halls Creek community

The challenge of engaging with a remote Kimberley town to encourage customers to reduce water use and support our work in the region was approached by partnering with not-for-profit arts group Indigenous Hip Hop Projects and the Shire of Halls Creek. Together we developed a waterwise music video that was written and performed by local youth. The music video attracted local and State-wide media attention, and was shared through social media platforms for its entertaining and innovative waterwise message. It is one of several community engagement events and programs planned for the area.

Above: Chairman Michael Hollett presenting a cheque to the Native Animal Rescue Broome as part of the West Kimberley Community Grants Scheme.



Halls Creek gets waterwise

We joined Indigenous Hip Hop Projects and the Shire of Halls Creek to create a waterwise hip-hop song and video. The 'Save the Water (Ngaba)' video was written, recorded and performed by young people living in Halls Creek, and encourages locals to conserve water and make waterwise choices every day.

Innovation pathways



Our focus of having the right tools, skills and information to deliver what our customers need now and into the future while making our operations safer, means staying current with innovative technology.

Minimising inconvenience

In an Australian first, we conducted a field trial near Northam using two specially trained leak detection dogs to detect hidden water leaks below ground. Both dogs – a springer spaniel and a cocker spaniel – are being trained as part of our research and development program to smell water when there is a potential break along underground mains. The investigation will help to determine whether the dogs can better detect hidden leaks in areas where other detection methods are unsuitable or where human access is difficult. With more than 34,000km of water mains across the State, across an area of more than 2.6 million km, this new way to detect hidden leaks can help save water and decrease the inconvenience to our customers.

Reducing safety risk

During the year we incorporated several new technologies into our asset inspections that have significantly reduced safety risks to our staff. In the North West, we adapted the 'crawler' that uses an ultrasonic technology to measure the thickness and condition of steel tanks. The remote-controlled 'crawler' attaches to the steel tank wall using magnets, allowing it to roam up to 30 metres high. Previously, our staff used cherry pickers to physically inspect the tank walls however the 'crawler' has eliminated the risk of working at heights. The success of this technology was recognised at the Australian Water Association awards, and has been included in our operational procedures.

Combining the two technologies of 3D laser scanning and drones has helped to strengthen inspections of our assets while reducing safety risks. One example is on trial in the Great Southern where the dual technology allows inspections to be undertaken without the tank being emptied or taken offline. This approach is in its last stage of testing and is planned to be rolled out across the State.

New technology reducing water interruptions

We became the first utility in Australia to use the innovative Mains Wizard and Hydrant Wizard technology, which allows us to perform maintenance works on our water network

without a shutdown. Following a successful trial, we have incorporated this technology in our common work practice. This has helped us to carry out almost 1,000 work orders in the past year without interrupting water supply for over 38,000 customers in the metropolitan area.

Improving access for backflow testing

A new online application that simplifies the process of lodging backflow testing forms for licenced plumbers was launched during the year. The Backflow Online Lodgement application improves the way we manage our backflow prevention compliance program that protects our scheme water supply from contamination. The award-winning application allows licenced plumbers qualified to test backflow devices across Western Australia to lodge boundary backflow test reports online for free and at any time. We have received strong support for the application, with 664 plumbers registered to the application and over 6,000 backflow device test reports submitted this year.

Complementing the application is the 'Backflow Smart Testers' program, an additional service that allows customers to search for a registered backflow tester in their area on the Water Corporation website. During the year, 149 businesses across WA signed up for this service.

Protecting our water supplies

We developed the Catchment Observational Monitoring Framework (COMF), a first of its kind in Australia that sets up the foundation for future work for other Australian water utilities. Our COMF outlines key assessment information for catchment observations including required measurements, targets and breaches, remedial actions, and frequent reporting for key catchment land uses and activities that pose a pathogen risk to our water supplies. The COMF allows us to continually confirm that the source risk level is maintained, a critical component of supplying safe drinking water to our customers.

Water quality innovations

We regularly conduct and participate in research and development activities on water quality issues to ensure continual improvement and capability to meet water quality requirements into the future. During the year we completed a research project with the support of Curtin University on understanding and improving sludge dewatering at our wastewater treatment plants. The outcomes have the potential to reduce chemical usage, operating and maintenance costs and improve performance.

Strengthening our operations



Delivering safe, reliable and sustainable water and wastewater services across Western Australia is at the core of what we do. Our operations cover 2.6 million square kilometres of the State, from Wyndham in the north to Esperance in the south.

Our large service area, combined with climate change, means we need to plan carefully to ensure we can meet the future needs of our customers.

During the year, we supplied 361 billion litres of water to more than 1.2 million properties and collected 164 billion litres of wastewater.

Securing our water supply

Groundwater Replenishment Scheme

At the end of the reporting period, we were in the final stages of commissioning for Stage One of Perth's new climate independent water source – the Groundwater Replenishment Scheme. The award-winning scheme is the first of its kind in Australia and has the capacity to recharge 14 billion litres of water each year into Perth's groundwater supplies.

The innovative scheme takes treated wastewater from the nearby Beenyup Wastewater Treatment Plant in Craigie, treats it further to drinking water standard and recharges the water into aquifers deep underground. The water is 'banked' before it is pumped out some time later for further treatment and supply to Perth's drinking water supply – the Integrated Water Supply Scheme (IWSS).

Groundwater replenishment is part of our Water Forever plan, a 50-year strategy that manages our supply and demand balance up to 2060 through three key areas of

- Reducing water use
- Increasing water recycling
- Developing new source



Tommy and Emma have been in training to detect hidden water leaks in our State's farmlands area as part of a trial to help us save water.

We are in the planning phase of Stage 2 of the Scheme, which is to increase recharge capacity to 28 billion litres of water each year. Unlike Stage One where water is recharged on site, the expansion will recharge water at two offsite locations to the east of Lake Joondalup via a recharge pipeline. These locations were chosen in consultation with the Department of Water to maximise benefits of the recharge.

Earlier in 2017, we reopened the Groundwater Replenishment Visitor Centre for school tours. The tour takes students on an exciting water cycle journey through interpretive walkways, multimedia experiences and viewing stations. Tours will be expanded to include all Western Australians later in the year.



Construction of the Ellenbrook water storage tank will create more than 200 jobs during construction phase.

Improving metropolitan services

Pipes for Perth

Our program of water main renewals in the Perth CBD expanded across the metropolitan area during the year. Known as 'Pipes for Perth', the project will replace about 150 kilometres of cast iron water mains many of which are around 100 years old by the end of 2018. After working in the City of Perth and City of Subiaco, work is now also underway in nine local government areas including Fremantle, South Perth, Cambridge, Stirling, Swan, Victoria Park, Cottesloe, Bayswater and Vincent. This work will improve the reliability of Perth's water supply by reducing future breaks. We are working closely with key partners, including local councils, to coordinate our work and help to minimise ongoing disruption to the community.

New water tank for Ellenbrook

We have started building an 80 million litre capacity water storage tank near Ellenbrook, which will be the largest tank ever to be built by Water Corporation. The tank will support projected growth in the north east metropolitan corridor and ensure consistent water pressure in the area. We are committed to minimising our impact on the surrounding environment and community during the construction of the tank, which is expected to be completed in early 2018.

Woodman Point Wastewater Treatment Plant upgrade

During the year, we started construction on the \$196 million Woodman Point Wastewater Treatment Plant upgrade. The work will increase the plant's capacity to 180 million litres of wastewater per day to cater for a projected population of 900,000. The upgrade, which is planned for completion in 2019, will also improve the quality of treated wastewater that is returned to the environment. A dedicated Community Reference Group is an important connection with the community living near the plant, and has provided advice and feedback to inform our operations.

Woodman Point is our largest wastewater treatment plant and currently treats wastewater from more than 650,000 people from Kalamunda in the east, Byford in the south, and the coast to the west.

Subiaco Wastewater Treatment Plant upgrade

Work is underway to upgrade the Subiaco Wastewater Treatment Plant, which will increase the plant capacity to treat up to 67 million litres of wastewater per day. This \$47 million project includes an upgrade of existing treatment facilities, including new inlet works and refurbishment of treatment components and existing electrical and control systems. More than 60 per cent of the project is complete and is on schedule for completion by January 2018. Our work will continue to support growth in the area, which encompasses the western suburbs between Perth City, Scarborough Beach and Fremantle and includes the Central Business District.

Our work in the regions



Upgrades in the Great Southern

During the year, we started an \$8.2 million project to upgrade water treatment plants in Frankland, Ongerup and Jerramungup. In October 2016, we completed the upgrade at the Frankland Water Treatment Plant, while upgrades to the Ongerup and Jerramungup water treatment plants are expected to be completed late 2017. This will improve the water quality supplied to our customers in these areas, by upgrading the filtration and disinfection systems at these plants. Local experts were contracted for all three projects, with contractors from Albany, Katanning and Mt Barker. Similar upgrades are also currently underway in Salmon Gums, with work expected to be completed before the end of 2017.

In September 2016 we completed the replacement of the Ulster Road water main in Albany. We delivered the project in a very short space of time, with minimal inconvenience to customers on a busy section of the road. The replacement has since improved the security of water supply and caters for future growth in the area.

Delivering improved reliability in the Goldfields and Agricultural region

In October 2016 we started work on two new 37.5 million litre water tanks west of Cunderdin. We worked closely with the Cunderdin community to determine the location of the storage facility and to ensure impacts were minimised. The \$20.6 million project involves the construction of two tanks that will improve water quality and provide increased storage for customers supplied by the Goldfields and Agricultural Region Water Supply Scheme. Work is expected to be completed by the end of September 2017.

We are working to give the Goldfields Pipeline an upgrade, with \$27.5 million invested to replace two 10 kilometre sections near Baandee and Coolgardie. The historic pipeline is nearly 114 years old and supplies around 100,000 customers as part of the Goldfields and Agricultural Water Supply Scheme. The upgrade will improve reliability of supply to customers by preventing future leaks and breaks along this pipe. Commissioning of the pipeline is anticipated to start in August 2017.

We continued to progress our three-year project to improve the Farmlands water supply. The \$32 million project started in 2015 and aims to minimise disruption to water supplies. Since the program began, we have completed 14 kilometres of main replacements across 26 different locations and undertaken over 6,000 preventative maintenance joint repairs. We continue to investigate the suitability of smart water meters for all Farmlands customers. The Farmlands program has also provided new opportunities for local contractors, with 24 contracts awarded to Wheatbelt businesses, including a joint venture with a local Aboriginal contractor.

Securing water supplies in the South West

We constructed an eight kilometre pipeline to help to secure water supplies for 44 towns connected to the Great Southern Towns Water Supply Scheme (GSTWSS). The GSTWSS sources water from Harris Dam and supplies water to towns including Collie, Kojonup, Tambellup, Katanning, Nyabing and Pingrup. Harris Dam continues to be impacted by climate change, with the dam at its lowest level since it was first filled in 1990. The pipeline, constructed between Stirling Dam to an existing pipeline north-west of Harris Dam near Collie, will allow water from the Integrated Water Supply Scheme (IWSS) to be used to supply the GSTWSS.

In July 2016, the effectiveness of our three flood compensating basins within the Busselton drainage district was tested during a significant rainfall event. The compensating basins worked as designed and attracted plenty of positive interest from local landowners and on social media. Our flood protection systems are a key operational component of the current 'Revitalising Geopraphe Waterways' strategy.

A \$22 million project has been completed to divert Eaton's wastewater to the Bunbury Wastewater Treatment Plant. The project removes a significant loading from the Kemerton Wastewater Treatment Plant and underpins urban growth and development in the Greater Bunbury area.



Water Corporation staff in our North West Region
(l to r) Lucas Ah Chee, Donna-Lee Patten and Jerome Wade.



Projects in the Mid West

During the year, we started a program to improve water quality initially in the town of Cue. We worked with the community to identify the most appropriate water treatment solution to address nitrate levels and explore ways to improve the aesthetic water quality. We also established a Customer Challenge Panel involving 15 local households and two businesses. The panel trialled household and commercial water treatment units, and provided positive feedback on improvements to the aesthetic water quality. Proposals for a range of water treatment systems to address nitrates are now being assessed. If successful, we will roll out the program to Meekatharra, Mount Magnet and Sandstone.

We have invested \$7.27 million to upgrade the Dongara and Port Denison Water Supply Scheme in the Shire of Irwin. The upgrade included the installation of 13.6 kilometres of water supply pipeline from the Allanooka Reservoir to the tanks servicing Dongara. This work was completed in September 2016 and will improve the supply capacity to both these towns, to meet peak demand times and cater for future growth.

In late 2016, we completed a \$2 million upgrade to the Yalgoo Water Treatment Plant. This involved installing a new Electro Dialysis Reversal (EDR) plant, which supports the water treatment plant to process an average of 180,000 litres of water per day. Post installation of the EDR plant, we received public acknowledgement on the improvements made to the customer experience and the increased aesthetic and drinking water quality.

We completed work in March 2017 on a \$1.4 million project to replace five kilometres of water supply main servicing the Shire of Morawa. This replacement main will provide a more reliable supply to our customers in Morawa by helping to prevent future leaks and breaks.

Growing the North West

We invested \$7 million to upgrade the Broome Water Supply Scheme, supporting the growth of the town as a tourist destination and major regional centre. The upgrades include a new 1.5 kilometre pipeline to supply Stage 1 of the new Broome Road Industrial Area development and the refurbishment of a pump station in Cable Beach.

Our Port Hedland customers will benefit from a \$28.4 million suite of water pipeline replacements that will improve supply and cater for future growth and development in the town. We started work in March 2017 to replace sections of water main that total over 23 kilometres, and we expect to complete this project in July 2017.

We are working to improve the reliability of Newman's Water Supply Scheme through a \$1.7 million major upgrade. The work, which is expected to be completed in August 2017, includes the replacements of a series of valves and sections of the water pipeline.

Integrating safety

We actively encourage a culture where safety is a priority for all our staff and contractors, with no compromise to safety and health. Our efforts are part of our safety journey towards Zero Harm, building a sustainable and healthy safety culture based on risk awareness, reporting and learning.

Our Early Prevention Injury Management Program has helped to reduce our Significant Injury Frequency Rate, which is well within our target in our internal Safety Index criteria.

Water Corporation Safety Index

Measure	Internal target	Result
Significant Injury Frequency Rate (SIFR)	4.5	2.6
% Hazards Controlled within Required Timeframe	96.0%	99.6%
% Incidents Investigated and Actions Assigned within 21 Days	97.5%	98.1%
% Actions Implemented within agreed Timeframe	96.0%	99.0%

Our safety strategy

Our strategy is to continuously improve our safety culture by integrating safety into our operations. To achieve this we focus on simple, easy-to-use safety management systems and documents, identify and measure critical controls for all high-risk works and increased leadership accountability.

Throughout the year, we started a number of initiatives to strengthen our safety culture. These include:

- Adding to our Safety Essentials Program with additional activities and assessments that are key to preventing high-risk accidents.

- Developing and implementing a new risk based pre-qualification database that allows us to assess a contractor's ability to undertake work safely. This reinforces our focus of increased oversight of our contractors.
- Integrating and simplifying our management system and documents to support our field personnel.

Environment

We take great care of the environment we operate in and are committed to minimising any potential impacts. Throughout the year we have continued to focus on improving our environmental risk-based decision making. This ensures that any potential impacts can be identified, measured and controlled for all high risk environments.

Some of the key initiatives undertaken during the year include:

- Integrating the Asbestos Inspection Process into the Contaminated Sites Program to ensure additional assets are included for assessment. Aligning the inspections has resulted in more sites being investigated with considerable cost savings across the business.
- Investing more than \$1 million in the management of asbestos-related risks. We developed documentation, training and awareness material, including the implementation of site QR codes that linked site asbestos risk to our database.
- Starting an assessment program by inspecting representative assets to identify the risks associated with different asset types. During the year 450 sites were inspected. The program is expected to be completed by June 2018.
- Reviewed and identified improvements in the Environmental Impact Assessments (EIA) process. We developed and implemented a process that transfers risk knowledge identified during an EIA into our construction, operations and future planning projects. This will help us manage the environmental risk associated in these projects.

Measure	Result ¹			
	Target 2016-17	2016-17	2015-16	2014-15
Significant Injury Frequency Rate (SIFR)	3.8	2.6	4.9	4.2
Number of fatalities	0	0	0	0
Percentage of injured workers returned to work		86%	100%	100%
(i) within 13 weeks	Greater than or equal to 80% return to work within 26 weeks			
(ii) within 26 weeks		86%	100%	100%

1. Water Corporation employees (including operations and maintenance alliances) – includes persons on Water Corporation payroll, operations and maintenance alliances (Perth Region Alliance, Aroona Alliance, Pro-Alliance, Southern Seawater Desalination Operations & Maintenance, IBM and Kinetic IT staff working on a Water Corporation site).

Our fresh water thinkers



We have over 2,700 employees performing a wide range of roles across Western Australia, all helping to deliver water, wastewater and drainage services.

Career entry opportunities

Our responsibility to deliver effective career entry opportunities is important to us as we look to secure the right people to lead us into the future.

In the past year, our Graduate Development Program comprised of 34 graduates in a range of engineering disciplines along with a representation from science, commerce and finance. Nationally the program is one of the top 10 employers of graduates as voted for by graduates themselves in the Association of Graduate Employer Association Annual Survey (AAGE).

We also continued to be one of the largest employers of trainee and apprentices across the State. During the year, 45 trainees completed a qualification in Water Industry Operations and 18 people in regional areas completed qualifications in mechanical, electrical and boilermaker/welder apprenticeships.

Our graduate and trainee and apprentices programs all have an extremely high completion rate with nearly all participants moving into full time positions.

In addition, our undergraduate vacation program had one of the largest intakes, hosting 26 students and six scholars in both the metro area and the regional areas of Northam, Albany and Cocos Islands. In October 2016, the program was awarded the Best Intern Program across the country by the AAGE.

Aboriginal engagement

Our partnership with Aboriginal communities in Western Australia is an important community pillar in our business. We are committed to strengthening our relationship with Aboriginal businesses and communities to enhance opportunities for employment and training, leading to sustainable employment and skill development.

Through our Reconciliation Action Plan 2015-18 we continued to build our relationship with Aboriginal businesses, solidifying partnerships and awarding supplier contracts.

Some of our achievements include:

- An increase of the Aboriginal School Based Traineeship (ASBT) intake from nine to 17 in 2017. This included the delivery of Certificate II Water Operations ASBT that started in the South West in partnership with Newton Moore Senior High School, with an intake of six trainees.
- Our Aboriginal and Torres Strait Islander workforce has grown from 2.68 per cent in 2015-16 to 3.1 per cent. This has put us on track to achieve our 2018 target of 3.2 per cent.
- An Aboriginal employment retention strategy that provides support to both managers and employees, and the development of a specifically focused Aboriginal Leadership Program for aspiring leaders.
- We continued to deliver our own Aboriginal Cultural Awareness sessions to staff while promoting Aboriginal cultural events and reconciliation activities to our employees throughout the year.
- The development of our Native Title Strategy that not only meets the legal requirements of the *Native Title Act 1993*, but also fulfils the broader obligations set out in Indigenous Land Use Agreements and other formal arrangements such as Land Access Agreements, Aboriginal Heritage Protection Agreements and Aboriginal Employment, Training and business contracting initiatives.
- We awarded contracts to Aboriginal suppliers totaling just over \$1.2 million as head contractors, and over \$200,000 as subcontractors.
- We implemented an Aboriginal Supplier Diversity Strategy that applies various mechanisms to ensure we encourage and sustain the future growth of Aboriginal supplier engagement in WA.
- Partnering with a number of organisations that support Aboriginal development and raise awareness of Aboriginal culture, including the Clontarf Foundation, Yirra Yaakin Theatre Company, South Metropolitan Youth Link and Job Networks.
- We implemented the 'Two People's Bay' partnership that enables Noongar people to legally carry out certain land-based Aboriginal customary activities within Public Drinking Water Source Areas in the South West of Western Australia.

Celebrating success



This year a number of our projects were recognised for their success and received the following awards:

Global Water Awards – Groundwater Replenishment Scheme

Our innovative Groundwater Replenishment Scheme, located in Craigie, was recognised as the Water/Wastewater Project of the Year at these international awards by a panel of our peers. This landmark project marks another key milestone in our ongoing success to secure WA's drinking water supplies.

National Infrastructure Partnerships Awards – Perth Seawater Desalination Plant

Ten years after it began its climate independent contribution to Perth's water supply, our first major desalination plant continues to be recognised. The Water Corporation and Suez alliance was awarded the Operator and Service Provider Excellence Award for the operation of the plant, which has continued to provide 45 billion litres of safe drinking water per year – about 18 per cent of Perth's total water supplies.

Australian Business Awards – East Rockingham Wastewater Treatment Plant

The challenging task of delivering a new major metropolitan wastewater treatment plant was recognised at the 2016 Australian Business Awards. The plant was delivered in an alliance between Water Corporation and Task JV, a joint venture between Jacobs and CPB Contractors. Delivered on time and under budget, the wastewater treatment plant won the Project Management category.

WA Project Management Achievement Awards – Steve Horrocks

Principal Project Manager, Steve Horrocks, was awarded Project Manager of the Year in 2016 for one of the largest and most challenging wastewater projects ever delivered by Water Corporation. Under Mr Horrocks' leadership, the East Rockingham Wastewater Treatment Plant achieved excellence in all phases of the project life-cycle, and achieved significant results in delivery, cost and safety outcomes.

Australian Water Awards – North West Region 'Crawler' technology

We were awarded the Water Industry Safety Excellence Award for our adaptation of 'crawler' technology, which helped to eliminate all risks associated with working at heights when inspecting tanks. Our team in the North West region use the ultrasonic, remote controlled crawler that is fitted with magnets to inspect steel tanks as high as 30 metres. Previously our employees used cherry pickers to physically inspect tanks.



Water Corporation was appointed as an inaugural member to the Leading Utilities of the World group – a newly formed network to share ideas and drive performance across the water utility sector.

Australian Water Association WA Awards – Waterwise Office Program

A partnership between Water Corporation, City of Perth and Property Council of Australia, the Waterwise Office Program was awarded the Program Innovation Award. The unique program sets performance benchmarks based on the water use of commercial office buildings in Perth, making the program relevant to the broader WA market. The Program demonstrates innovation by being the first collaboration in Australia between a water utility, a capital city local government and peak industry body to deliver mutual water saving objectives.

International Desalination Association – Exceptional Utility Leader (Runner-up)

Our work through Water Forever plans to secure water supplies in a changing climate were recognised at the global Water Reuse and Conservation Awards. The award acknowledges the outstanding performance of utilities that have implemented successful leading-edge water reuse and conservation programs and projects. We were a runner-up in this category, with Orange County Water District taking out first place.

Australian Red Cross Blood Service – Largest Corporate Blood Donor

We were again named largest corporate blood donor for the sixth consecutive year in the Corporate Red25 category. In 2016, our staff made 770 donations to the Red Cross, helping to save more than 2,300 lives.

Future thinking



Over the past year we have worked to reshape our corporate strategy and position our business to meet the challenges ahead.

We have identified four key areas of strategic focus and are developing plans for driving measurable progress over the next five years. Our commitment is to:

Focus on customers and community

In the upcoming year, we will continue our State-wide community engagement and customer research program Tap In. This program will help us better understand what is important to our customers, stakeholders (such as businesses, industry and local government) and the broader Western Australian community and where our areas of focus should be. The knowledge and insights will help to guide our decision making across all areas of our business.

The State's economic climate has resulted in an increase in the number of customers experiencing financial hardship, and we are trying to make it easier for customers in need to manage their water bill. This includes introducing SMS reminders and extensions to bill deadlines, as well as more personalised and meaningful proactive conversations with our customers in need, through both phone and home visits. In the coming year, we will complete a full review of the support programs available to customers experiencing hardship to deliver improved financial hardship assistance.

Shape water sensitive cities

We have an important role in driving water sensitive city outcomes beyond the provision of essential water and wastewater services. As our water resources come under pressure it is vital that cities embrace water sensitive thinking to create cities that are liveable; resilient; sustainable; and productive. Over the last year, our 'Drainage for Liveability' program is one of our key initiatives in this space, driving community outcomes beyond flood protection.

We have set the challenge to support Perth to become the leading water sensitive city in Australia – an ambitious goal that will enable us to achieve our purpose of providing sustainable management of water services for the people of WA. We will now actively adapt our business and work in partnership with industry to embrace water sensitive city outcomes.

Develop our leading edge thinking

The digital era presents new opportunities to make our business smarter and more effective and efficient. This will require us to adapt our process, people and systems to ensure we harness the potential of new information technologies and practices. To capture these opportunities we have established a Digital Transformation Group that brings together core information and technology functions and skills from across the business to plan and implement towards a digital future. This will ensure we deliver smart plans and investment based on quality data, confidence in our asset performance and that we have the right people in the right place at the right time, using the right tools. We also will implement our people strategy, which will develop a workforce of that has the capability and commitment to deliver strong outcomes for WA. This will help us meet the many current and future challenges that we face in delivering our services.

Strengthen and align our core business

Whilst we are moving towards new ways of working, we understand that our primary responsibility is to continue to deliver our core services effectively and reliably. This means we must sustain our exceptionally high water quality standards, deliver water dependably, comply with environmental and other requirements, all whilst working safely.

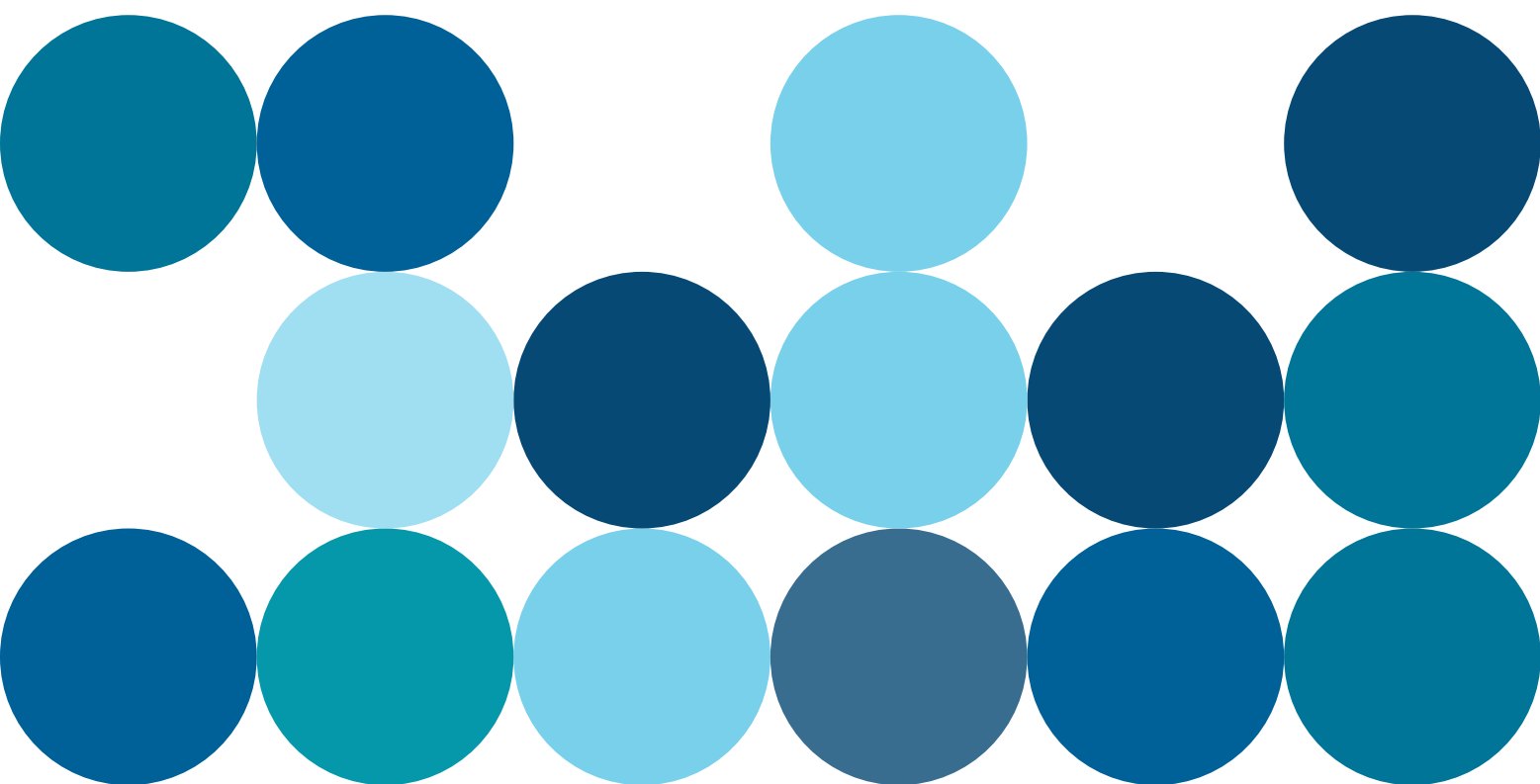
We need to keep our focus to deliver services acceptably and continually, whilst at the same time driving incremental improvements for a solid foundation, and make space to ensure the success of the other three major strategic priorities which will shape how we work for the future.



Drainage for Liveability Program

In August 2016, we launched this program which invited local government to submit proposals to transform unused land in or around our drainage channels and basins. Some of our drains have already been converted to living streams, and other proposals include the creation of parks and installation of public art.

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 high standards of corporate behaviour and in the best interests of our owner.

The Board of Directors

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

- The Board must comprise of 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 re-appointment.
- 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 Perth.

Key activities

The Board, in consultation with management, develops our strategic direction for the immediate and long-term horizons. We have a Statement of Corporate Intent (SCI) covering 12 months, and a five-year Strategic Development Plan (SDP), which are updated every year.

Both documents were developed for the 2016-17 year and agreed with the Minister.

At its regular meetings, the Board considerations include:

- Safety performance
- Strategy and risk issues
- The capital program
- The award of contracts for major projects
- Financial matters
- Key operational matters

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 that one third of the Directors retire each year. Subject to reappointment, there is no limit on the time a Director may serve on the Board. 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

Ms Eva Skira completed her term as Chairman on 31 December 2016.

Mr Michael Hollett was appointed Chairman for a term expiring on 31 December 2019.

Mr David Lock was appointed Deputy Chairman for a term expiring on 31 December 2019.

There was no other change to the composition of the Board during the year.

Board committees

Committees of the Board that operated during the year ended 30 June 2017 were:

- Audit and Compliance
- Safety
- Remuneration
- RCR

From time to time the Board convenes working committees to deal with specific strategic issues.

Audit and Compliance Committee

The Audit and Compliance Committee is chaired by Mr David Lock and included Directors Ms Eva Skira (to 31 December 2016) and Ms Nicole Lockwood. 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 Compliance Committee invites management, auditors or others to attend meetings and provide information, as necessary.

External attendees at various meetings during the year can include 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.

Principal activities and duties

The Audit and Compliance 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.

Safety Committee

The Safety Committee is chaired by Mr Michael Hollett and includes Directors Mr David Rowe and Mr Ross Holt. Each member has extensive experience in the corporate sector at a senior level and brings the skills necessary for the Committee to undertake its role.

The Committee supports and assists the Board to review and oversee Occupational Safety and Health policies and performance, including impacts on the public, employees and contractors.

Remuneration Committee

The Remuneration Committee was chaired by Ms Eva Skira (to 31 December 2016) and is now chaired by Mr Michael Hollett (from 1 January 2017) and includes Director Mr David Lock (from 1 January 2017).

The Committee supports and assists the Board to ensure remuneration and benefit arrangements support the strategic aims of the business while complying with regulatory requirements and satisfying the requirements of our owner.

RCR Committee

The RCR Committee was chaired by Mr David Lock and included Director Mr Michael Hollett.

In August 2015, we sold our internal Engineering and Construction Services (ECS) to RCR Water Pty Ltd (RCR) and entered into the Business Sale Agreement (BSA) and the Ongoing Service Agreement (OSA).

The RCR Sub Committee was formed to oversee the responsibilities of Water Corporation and RCR under the OSA, all contracts awarded by the Corporation to RCR, and RCR's performance under these awarded contracts.

At its 19 December 2016 meeting, the Board approved the termination of the Sub Committee Charter with effect from 1 January 2017 and noted that the Audit and Compliance Committee will monitor the contracts awarded under the Ongoing Service Agreement.

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 2017, are shown in the following table below.

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 \$25 million) that will result in a major initiative, or are likely to be of significant public interest.

	Board		Audit & Compliance		Safety		Remuneration		RCR	
Number of meetings held	12		4		4		3		4	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Ms Eva Skira (Chairman) ¹	6	6	2	2	0	0	2	2	0	0
Mr Michael Hollett ²	12	12	0	0	4	4	3	3	4	4
Mr David Lock ³	11	12	4	4	0	0	1	1	4	4
Mr David Rowe	12	12	0	0	4	4	0	0	0	0
Ms Nicole Lockwood	11	12	3	4	0	0	0	0	0	0
Mr Ross Holt	10	12	0	0	3	4	0	0	0	0
Ms Sue Murphy (Chief Executive Officer)	12	12	4	4	4	4	3	3	3	4

1. Ms Eva Skira tenure with the Board was completed on 31 December 2016

2. Mr Michael Hollett was appointed Chairman on 1 January 2017

3. Mr Lock was appointed Deputy Chairman on 1 January 2017

Ministerial directions

Under section 64 (1) of the *Water Corporations Act 1995* the Minister may give us 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 45.

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 Compliance 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. The system of internal control can only provide reasonable and not absolute assurance of the effectiveness of the systems 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 Branch's Management Review and Audit section, which has the authority to examine any matters referred to it by the Audit and Compliance Committee, the Board of Directors or the Chief Executive Officer. The internal audit function supports the Audit and Compliance Committee and senior executives by independently and objectively reviewing the effectiveness of our internal control system.

External auditors

In accordance with the *Water Corporations Act 1995*, we 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 period. Total auditor remuneration is shown in Note 19 to the Financial Statements on page 73.

Risk management

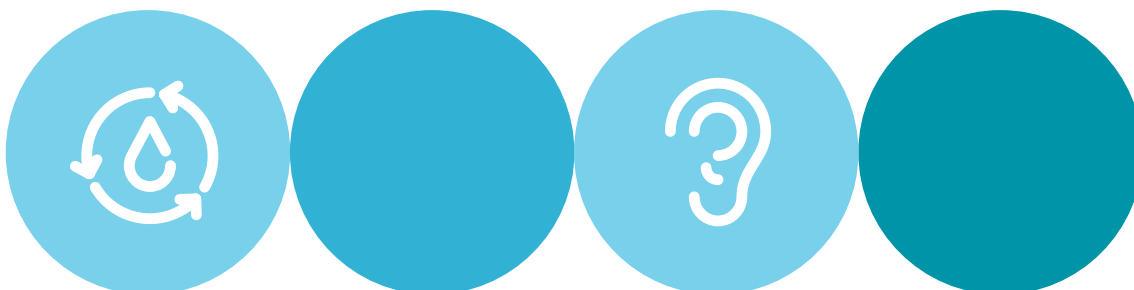
Risk management is a key element of our governance framework. We have an established Risk Management Framework that provides a common understanding of risk and a set of processes for managing risk aligned with the *International Standard on Risk Management AS/NZS ISO 31000:2009*. The Framework ensures 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 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 performance standards specified in the Water Services Licence is also provided to the Economic Regulation Authority. In addition, the Board and Corporate Executive receive 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.

There is a Board Charter, available on our website, that sets out the roles and responsibilities of the Board and management. Under the guidance of the Audit and Compliance 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 – Code of Practice for Information Security Management 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 employees' 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* has been 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 developed and implemented in accordance with the guidelines provided by the Public Sector Commission. There were no public interest disclosures in the period under review.

Conflicts of interest

We have 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, or 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 2016-17 we received 41 access applications, of which one was transferred in full to another agency, three were provided full access, 33 were provided edited access, none were withdrawn, two had access refused, none had access deferred, documents were not found or do not exist for four of the applications and one was on hand at the end of the year.

Five internal reviews were requested. Fees and charges totalling \$1,020 were received for processing these applications with 21 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
303MullenLowe	\$1,785,716 *
The Brand Agency	\$1,793,270 ^
AdCorp	\$225,886 >

* This amount includes costs associated with Paperless billing, Pressure management, Pipe Monsters (logged wastewater pipes), Fresh Water Thinking branded items and Tap In (community engagement research program).

^ This amount includes costs associated with the Stay Waterwise WA demand management campaign, Paperless billing campaign, Farm Flow app, education eDM communications, Waterwise Garden Rewards campaign, Seek a Leak promotions, Winter Sprinkler Switch-off campaign, Pipes for Perth campaign and Winter campaign.

> This amount includes costs associated with non-campaign advertising such as public notices, tenders and recruitment.

Media advertising	Amount paid
OMD	\$2,458,071

Market research	Amount paid
Metrix	\$155,440 +
IPSOS	\$49,000 ‡
Painted Dog	\$139,449 #

+ This amount includes costs associated with Customer Performance Index, Waterwise Schools research, Partnerships evaluation, Customer Performance Index for Dunsborough/Busselton booster sample.

‡ This amount relates to costs for Questback customer feedback program.

This amount includes costs associated with customer segmentation refresh, My water usability research and website redesign.

Painted Dog was also paid \$865,000 to undertake community consultation as part of the Tap In program.

Directors' report



The Directors of Water Corporation present their report for the 12 months ended 30 June 2017.

Directors

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

Mr Michael Hollett (Chairman)

Director since 1 January 2012
Chairman since 1 January 2017

Ms Sue Murphy

Chief Executive Officer since 6 November 2008

Mr David Lock (Deputy Chairman)

Director since 1 January 2014
Deputy Chairman since 1 January 2017

Mr David Rowe

Director since 1 March 2016

Ms Nicole Lockwood

Director since 1 March 2016

Mr Ross Holt

Director since 8 June 2016

Directors' biographies are shown on pages 12 and 13.
Directors' meetings and attendance are shown on page 41.
Directors' compensation details are shown on page 47.

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 2016-17.

Dividends

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

	Total amount \$M	Date of payment
Final 2015-16	4	30/11/2016
Interim 2016-17	479	30/6/2017
Total	483	

Dividend declared after end of year

After the balance sheet date, the Directors have proposed a final dividend of \$15 million for the 2016-17 year, payable on or before 31 December 2017.

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2017 and will be recognised in subsequent financial reports.

Review of operations

We operate in a regulatory framework comprising the Economic Regulation Authority, and departments of Water, Health, Environment Regulation, and Parks and Wildlife.

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 361 billion litres of water and treated 164 billion litres 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.

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, and variable compensation in the form of an 'at risk' amount payable as a lump sum under the Target Based Rewards (TBR) scheme. 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. A payment occurs under the TBR scheme if predetermined key indicators of corporate and individual performance are met. 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 a CEO of a Government Trading Enterprise (GTE). The Tribunal is in the initial stages of an enquiry process, which will establish a "band structure" to categorise GTE's, with a corresponding range of remuneration that may be paid to its CEO.

The CEO, with the concurrence of the Remuneration 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 centered on the market median for the fixed compensation for each of the identified levels.

The primary sources of remuneration data are Korn Ferry Hay 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.

The corporate performance component of the TBR is determined by a scorecard, which is set annually and approved by the Board. The scorecard is based on five key performance indicators (KPIs) defined across the following key areas. Each KPI is identified in italics below:

Safety – based on the *Safety Index*, which includes the Significant Injury Frequency Rate, hazards addressed and incidents investigated on time.

Customer service – based on the *Customer Performance Index*, a survey-based measure of our customers' perceptions of the effectiveness of the Water Corporation.

Operations – based on the *Operating Performance Index*, a basket of indicators measuring performance in the areas of operating license, regulatory, and environmental compliance, together with asset management effectiveness.

Finance – based on *Operating Expenditure* performance and the *Capital Index*, which measures the extent to which major projects are delivered on time and on budget.

These KPIs were chosen to align performance with our vision and purpose, and measure an appropriate mix of financial and non-financial outcomes across the Corporation. Targets are set for each KPI and are reported monthly throughout the performance year. It is a requirement of the TBR scheme that the target level is achieved on at least four of the five KPIs in order for any TBR payment to be recommended. TBR measures and targets are reviewed annually and adjusted where appropriate to drive increasing levels of performance. Such changes are approved by the Board.

In years where targets are reached in at least four out of five measures, the Board reserves the right to withhold the TBR payments, where an exceptional adverse event or significant series of events occur.

For 2015-16 financial year, the TBR scorecard reached target in three out of five measures only. This resulted in non-payment of the TBR in October 2016.

The 2016-17 TBR scorecard results for the corporate KPIs are as follows:

Target Based Rewards

2016-17

Measure	Target	June 2017 Results
Safety Index (%)	90.0	100.0
Customer Performance Index	6.85	7.09
Operating Performance Index (%)	90.0	100
Operating Expenditure (\$m)	886.3	851.4
Capital Index (%)	94.9	100.3

As the table above shows, we reached our targets on all five KPIs during 2016-17. The Board in its discretion will confirm by September 2017 whether incentive payments will be made for the 2016-17 performance year. We do not provide any long-term incentives, loans, grant options, rights or shares to key management personnel. No termination benefits were paid to key management personnel during the year.

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

- Freezing Chief Executive Officer 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.

As we approach our annual remuneration review deadline(s), we will look to adopt these strategies as requested.

As part of our commitment to the State Government's budget repair strategies, the CEO has elected to forego the Target Based Reward payment for 2016-17.

Details of compensation provided to key management personnel

The directors during the financial year were:

Directors	
E Skira	Chairman (non-executive). Appointed Director 4 October 2011 and Chairman 1 January 2012 Term expired 31 December 2016
M Hollett	Chairman (non-executive). Appointed Director 1 January 2012, Deputy Chairman 1 January 2016 and Chairman 1 January 2017
D Lock	Director (non-executive). Appointed 1 January 2014 and Deputy Chairman 1 January 2017
R Holt	Director (non-executive). Appointed 8 June 2016.
N Lockwood	Director (non-executive). Appointed 1 March 2016.
D Rowe	Director (non-executive). Appointed 1 March 2016.
S Murphy	Chief Executive Officer

During the reporting period, the composition of the Board changed. The number of directors whose total remuneration was within the following bands is:

Total Remuneration Band (\$)	Number of directors *		Short-Term						Post-employment		Other Long-Term Benefits		Total	
			Salary & Fees		Non-monetary Benefits **		TBR		Super-annuation					
			\$'000		\$'000		\$'000		\$'000		\$'000		\$'000	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
0-24,999	2	-	19	-	-	-	-	-	2	-	-	-	21	-
25,000-49,999	3	-	33	-	-	-	-	-	3	-	-	-	36	-
50,000-74,999	2	5	54	52	-	-	-	-	5	8	-	-	59	60
75,000-99,999	-	1	-	82	-	-	-	-	-	8	-	-	-	90
100,000-124,999	1	-	83	-	-	-	-	-	36	-	-	-	119	-
500,000-524,999	1	1	468	477	5	8	-	-	35	35	-	-	508	520

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

** Private use of motor vehicle.

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

Five highest paid Executives*		Year ended 30 June 2016	Year ended 30 June 2017
M Andrews	General Manager, Operations		✓
S Capewell	General Manager, Operations Services	✓	✓
R Hughes	Chief Financial Officer	✓	✓
D Johnston	General Manager, Strategy & Stakeholders		✓
M Leathersich	General Manager, Assets Delivery	✓	✓
P Moore	General Manager, Operations	✓	
A Vincent	General Manager, Assets Planning	✓	

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

The remuneration of the executives receiving the highest emoluments was within the following bands:

Total Remuneration Band (\$)	Number of staff *		Short-Term						Post-employment		Other Long-Term Benefits		Total	
			Salary & Fees		Non-monetary Benefits **		TBR		Super-annuation					
			\$'000		\$'000		\$'000		\$'000		\$'000		\$'000	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
300,000-324,999	2	-	282	-	-	-	-	-	33	-	6	-	321	-
325,000-349,999	-	3	-	285	-	-	-	10	-	31	-	10	-	336
350,000-374,999	1	1	310	323	-	-	-	11	30	31	21	-	361	365
425,000-449,999	1	-	409	-	-	-	-	-	35	-	-	-	444	-
450,000-474,999	-	1	-	401	-	-	-	13	-	35	-	9	-	458
525,000-549,999	1	-	3	-	17	-	-	-	513	-	-	-	533	-

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

** Private use of motor vehicle.

Variations in salary can be caused by a wide variety of factors such as the key management personnel's leave arrangements, the TBR, 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 we also track our compliance with various non-statutory commitments.

With the significant volume of wastewater conveyed across the State it is possible that unplanned discharges will occasionally occur and that some of these may affect the environment, public health and public 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 internal 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 2017 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 2017 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.

Directors' interests and benefits

In the 12 months to 30 June 2017, no Director received, or became 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 provides a general indemnification for Directors, via a deed of indemnity, and we purchase Directors and Officers insurance. In the 12 months ending 30 June 2017, we have not made any payments in respect to this indemnity.

This statement is made in accordance with a resolution of the Board.



Michael Hollett
Chairman



Sue Murphy
Chief Executive Officer

Perth, 30 June 2017

Performance summary

Performance against key indicators

	Units	2017		2016	2015	2014	2013
		Target	Actual				
Social Performance							
Employment and Workforce							
Employee initiated turnover	No.	7.00	5.50	6.2	5.8	6.4	6.4
Women in senior management - tier 2	%	25.00	22.20	22.2	20.0	12.5	10.0
Women in senior management - tier 3	%	25.00	32.20	27.5	20.0	23.8	15.0
People from culturally diverse backgrounds	%	14.00	13.67	13.6	13.6	14.8	13.5
Indigenous Australians	%	2.68	3.12	3.01	2.35	1.90	1.35
People with disabilities	%	2.80	0.91	1.05	1.20	1.20	1.30
Youth (15-24)	%	6.70	2.90	3.62	3.20	5.00	4.40
Significant Injury Frequency Rate	No.	3.80	2.60	4.9	4.2	6.0	7.3
Public Health - Safe Drinking Water							
Metropolitan localities meeting requirements for E.coli	%	100	100	100	100	100	100
Metropolitan localities meeting requirements for amoebae (Thermophilic Naegleria)	%	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 E.coli	%	100	100	100	100	100	100
Country localities meeting requirements for amoebae (Thermophilic Naegleria)	%	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
Essential Service Provision							
Continuity – properties not affected by interruption > 1 hr	%	75.0	77.7	77.5	79.4	75.9	80.8
Water pressure and flow standards	%	99.80	100.00	100.00	99.95	100.00	100.00
Water quality faults responsiveness	%	95.0	97.3	98.3	98.2	96.8	95.3
Installation of new water connections	%	90.0	97.2	98.6	97.4	97.0	96.2
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	523	503	503	526	516
Drought response (number of schemes on temporary restrictions)	No.	na	0	1	1	1	1
Environmental Performance							
Ecosystem Protection							
Overflows to Swan-Canning - conveyance system	No.	0	4	3	2	3	1
Overflows to Swan-Canning - pump stations only	No.	0	1	0	1	0	0
Energy and Greenhouse Gases							
Electricity consumption per unit of output for water	MWh/ML	na	2.41	2.17	1.93	1.84	1.70
Electricity consumption per unit of output for wastewater	MWh/ML	na	0.87	0.81	0.80	0.79	0.80
Total energy consumption	TJ	na	3,863	3,633	3,346	3,294	3,000
Reported greenhouse gas emissions (CO ₂ equivalent)	kT	na	806	784	717	718	692
Materials Use Efficiency							
Biosolids re-use (Perth metro)	%	100	100	100	100	100	100

	Units	2017		2016	2015	2014	2013
		Target	Actual				
Demand-Supply Balance							
Water supplied per capita (Perth metro)	kL	129	122	127	126	131	132
Economic Performance							
Financial Efficiency							
Operating cost per property	\$	801	769	796	819	800	805
Total cost per property	\$	1,965	1,941	2,004	1,982	1,989	1,949
Surplus before income tax equivalent	\$m	1,008	920	1,053	1,118	947	722
Return on assets	%	6.0	5.8	5.8	5.8	5.5	4.4
Return on equity	%	6.8	6.2	7.2	7.9	7.0	5.4
Interest cover	Times	3.9	4.0	3.8	3.6	3.3	2.9
Debt to Total Assets	%	35.0	34.3	34.0	33.8	33.8	33.0
Asset Performance							
Blockages per 100km of sewer	No.	40.0	16.7	18.3	17.4	16.9	16.8
Leaks and bursts per 100km of main	No.	20.0	17.9	17.8	17.8	17.5	17.2
Drainage systems operating in accordance with guidelines	%	100	100	100	100	100	100
Stakeholder Performance							
Customer Service							
Customer complaints – total	No.	na	1,526	1,340	1,269	1,390	1,040
Written customer complaints (responsiveness) < 15 business days	%	90.0	98.9	98.4	100.0	98.8	100.0
Telephone calls to '13' numbers answered within 30 seconds	%	70.0	70.6	71.1	72.8	72.6	73.1
Telephone calls to '13' numbers abandoned after 30 seconds	%	2.5	1.7	1.7	1.6		
Telephone calls to '13' numbers first call resolution	%	90.0	92.6	92.0	97.5	96.9	97.3
Shareholder Accountability							
Responsiveness to priority one enquiries	%	85.0	98.4	96.2	96.7	98.2	99.5
Ethical & Governance Performance							
Compliance							
Number of legal sanctions for environmental breaches	No.	0	0	0	0	0	0
% Environment Non-Compliances Addressed	%	95.0	99.0	94.9	98.7	98.6	95.4

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



Five-year statistical summary

Financial Data	Units	2017	2016	2015	2014	2013
Total Revenue	\$'000	2,549,288	2,714,630	2,736,154	2,522,814	2,180,721
Operating Subsidy	\$'000	464,225	546,813	573,232	565,924	436,702
Direct Operating Expenses	\$'000	875,113	897,217	880,452	851,032	805,931
Depreciation / Amortisation	\$'000	486,275	459,727	459,732	444,081	414,764
Net Interest Expense	\$'000	253,592	256,263	274,032	256,013	233,706
Income Tax Expense	\$'000	275,048	315,589	334,305	266,773	215,626
Operating Surplus After Tax	\$'000	645,383	736,885	784,146	677,765	506,596
Transfer to / (from) Reserves	\$'000	0	(939,388)	130,699	79,486	53,753
Long-Term Debt	\$'000	5,831,433	5,679,437	5,592,772	5,444,502	5,105,000
New Works Investment (excluding developers take-over works)	\$'000	805,594	579,365	765,927	984,226	967,348
Short-Term Liquidity Facility	\$'000	46,000	7,000	20,000	1,150	0
New Borrowings	\$'000	199,000	82,000	175,000	85,000	449,225

Operating Data

Water Supply Services

Annual Volume of Water Supplied	ML	360,930	370,001	366,495	371,384	357,390
Number of Properties Served	No.	1,274,089	1,251,490	1,226,248	1,195,682	1,166,366
Number of Properties Connected		1,095,943	1,078,639	1,057,388	1,032,186	1,001,362
Length of Mains	km	34,799	34,680	34,424	34,156	33,823

Wastewater Services

Average Volume of Wastewater Treated Daily	ML	449	446	449	458	428
Number of Properties Served	No.	1,035,809	1,017,699	994,344	967,892	945,944
Number of Properties Connected		958,064	937,220	910,167	885,920	865,612
Length of Sewers	km	16,903	16,693	16,416	16,080	15,782

Drainage Services

Number of Properties Served (Metropolitan)	No.	406,724	398,844	391,408	382,833	377,962
Length of Drains	km	2,549	2,546	2,546	2,545	2,544

Irrigation Services

Volume of Water Delivered	ML	5,731 ²	139,268	150,147	135,481	154,042
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Employees

Total number of employees	No.	2,758	2,654	2,852	3,098	3,113
Total number of full-time equivalents (FTEs)	No.	2,622	2,533	2,703	2,934	2,967
Total number of FTEs (year-end average)	No.	2,576	2,520	2,845	2,971	2,952

Principal statistics

Water Supply

Region	Properties Served	Properties Connected	Water Supply Services	Length of Mains (Kilometres)	Water Supplied ² (Megalitres)
Perth Metro	975,635	841,045	722,846	14,136	245,578
Mandurah-Murray	60,784	51,006	45,509	1,166	13,548
Perth Region ¹	1,036,419	892,051	768,355	15,302	259,126
Goldfields & Agricultural	43,251	38,597	42,242	9,599	24,011
Great Southern	47,478	41,112	40,443	4,038	12,346
Mid-West	50,147	40,475	36,188	2,519	17,056
North-West	43,017	35,362	29,040	1,529	34,156
South-West	53,777	48,346	44,039	1,812	14,235
Total	1,274,089	1,095,943	960,307	34,799	360,930

1. Perth Region includes Mandurah-Murray District.

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

Wastewater

Region	Properties Served	Properties Connected	Total Length of Sewers (Kilometres)	Number of Pumping Stations	Number of Treatment Plants	Average Quantity of Wastewater Treated Daily (Megalitres)
Perth Metro	821,181	771,659	12,214	651	12	367
Mandurah-Murray	48,431	42,272	875	85	4	16
Perth Region ¹	869,612	813,931	13,089	736	16	383
Goldfields & Agricultural	11,255	9,576	316	30	19	4
Great Southern	29,501	25,214	732	83	21	12
Mid-West	25,817	20,527	596	70	19	8
North-West	34,294	30,968	678	78	18	17
South-West	65,330	57,848	1,492	164	20	26
Total	1,035,809	958,064	16,903	1,161	113	449

1. Perth Region includes Mandurah-Murray District.

Metropolitan sources of supply

Source	Area of Catchment (Square km)	Storage Capacity (Megalitres)	Storage at 30/06/2017 (Megalitres)	Percentage of Maximum Storage (%)	Output to 30/06/2017 (Megalitres)
Dams					
Stirling	252	57,404	13,966	24.3	0
Samson WTP	192	8,003	2,234	27.9	4,256
South Dandalup	313	138,345	13,206	9.5	2,970
North Dandalup	151	60,791	16,113	26.5	17,400
Serpentine and Serpentine Pipehead	693	140,292	34,110	24.3	47,145
Canning	728	90,353	49,183	54.4	7,696
Wungong	128	59,796	37,464	62.7	8,909
Churchman	18	2,241	640	28.6	722
Victoria	37	9,463	4,474	47.3	2,228
Total Hills Sources Output Gross		566,688	171,390	30.2	91,326
Total Hills Transfers Input					99,858
Total Hills Sources Output Nett					(8,531)
Groundwater					
Artesian Bores					31,896
Mirrabooka					16,584
Gwelup					14,751
Wanneroo					30,118
Jandakot					16,627
Neerabup					25,471
Lexia					2,727
Yanchep/Two Rocks					1,424
Total Groundwater Output					139,598
Desalination					
Perth Seawater Desalination Plant					47,338
Southern Seawater Desalination Plant					102,484
Total Desalination Output					149,823
Water Received from Bulk Supplier					
GAWS supply to Perth					1,832
Total					1,832

Source	Area of Catchment (Square km)	Storage Capacity (Megalitres)	Storage at 30/06/2017 (Megalitres)	Percentage of Maximum Storage (%)	Output to 30/06/2017 (Megalitres)
Bulk Water Exported					
to Mundaring Dam for GAWS					19,662
Mandurah Murray					13,548
South-West Region					1,221
Total					34,431
Total Water Sourced					
Net Output from Surface Water					(8,531)
Groundwater					139,598
Desalination					149,823
Received from Bulk Supplier					1,832
Total Sources					282,722
Riparians (from Distribution System)					
Riparians from Distribution System					2,071
Total Potable Water Supplied					
Total Water Sourced					282,722
Bulk Water Exported					(34,431)
Riparians (from Distribution System)					(2,071)
Operational Use & Service Reservoir Vol Change					(642)
Total Water Supplied					245,578

Drainage

Region	Properties Served	Length of Drains Controlled (Kilometres)
Perth	406,724	1,128
Great Southern	n/a	129
South-West	n/a	1,291
Total	406,724	2,549

Irrigation

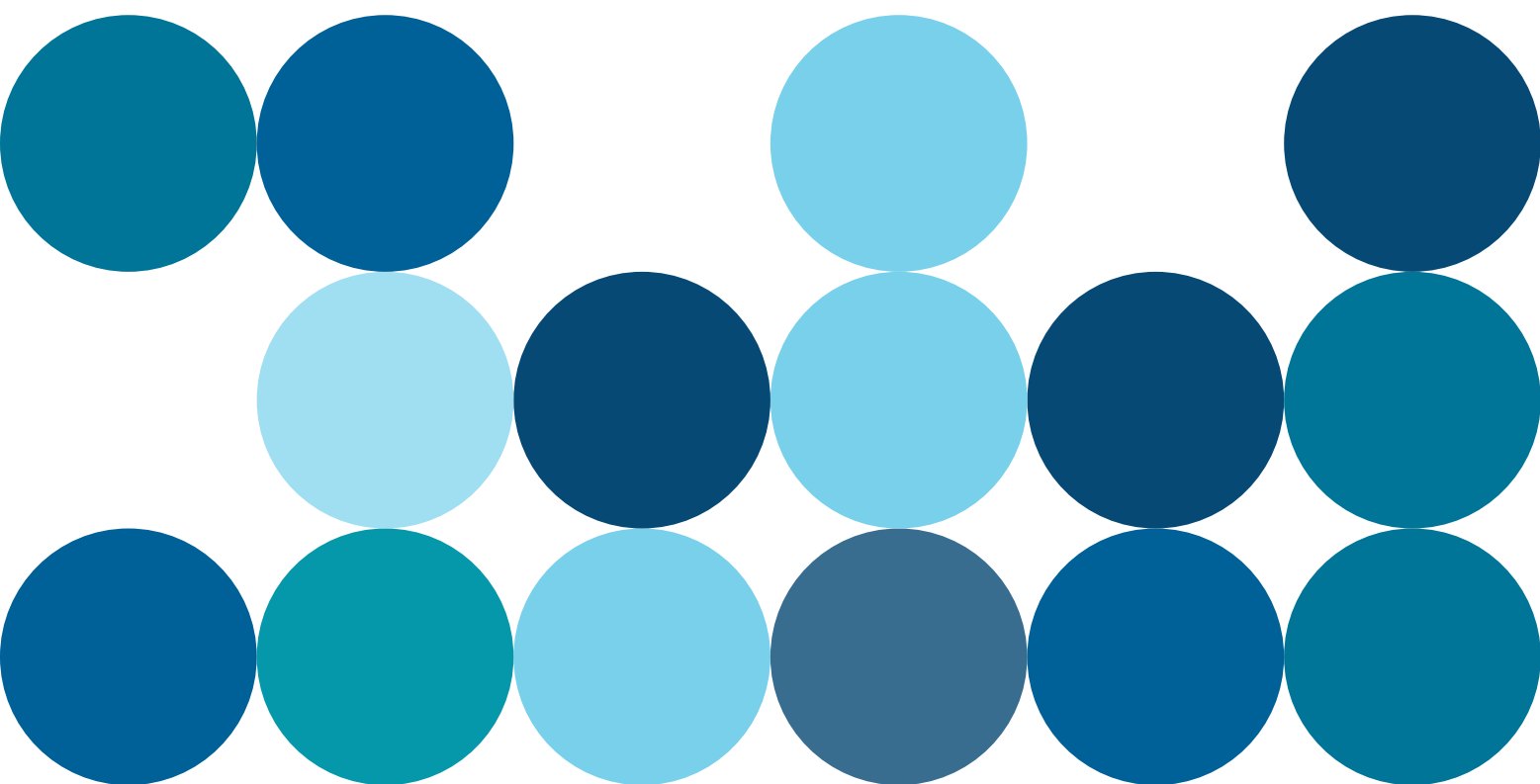
Region	Water Supplied (Megalitres)
Mid-West ¹	5,032
North-West ²	699
South-West ³	n/a
Total	5,731

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 PrestonValley Irrigation but they have the water allocation directly with the Department of Water.

Financial report





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Statement of Comprehensive Income



for the year ended 30 June 2017

	Note	2017 \$M	2016 \$M
Revenue			
Annual service charges		1,124	1,056
Volume charges		663	681
Operating subsidies		464	547
Developers' contributions		202	309
Other revenue	5	96	122
Total revenue		2,549	2,715
Expenses			
Depreciation	10	(469)	(443)
Employee benefits expense	6(a)	(248)	(247)
Hired and contracted services		(235)	(241)
Energy		(144)	(147)
Other expenses	6(b)	(280)	(328)
Total expenses		(1,376)	(1,406)
Results from operating activities		1,173	1,309
Net finance costs	7	(253)	(256)
Surplus before income tax equivalent		920	1,053
Income tax equivalent expense	8	(275)	(316)
Surplus for the year		645	737
Other comprehensive income - Re-measurement of defined benefit liability		3	(2)
Related income tax equivalent	8	(1)	1
Other comprehensive income, net of tax equivalent		2	(1)
Total comprehensive income for the year		647	736

The above Statement of Comprehensive Income is to be read in conjunction with the accompanying notes.

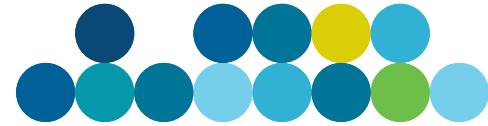
Statement of Financial Position



as at 30 June 2017

	Note	2017 \$M	2016 \$M
Current assets			
Cash and cash equivalents		10	10
Trade and other receivables	9	226	211
Inventories		24	22
Total current assets		260	243
Non-current assets			
Trade and other receivables	9	18	16
Property, plant and equipment	10	16,798	16,419
Intangible assets	11	77	75
Total non-current assets		16,893	16,510
Total assets		17,153	16,753
Current liabilities			
Trade and other payables		359	278
Interest-bearing loans and borrowings	12	54	15
Income tax equivalent payable		26	44
Provisions	14	3	2
Employee benefits	15	82	88
Other liabilities	16	17	24
Total current liabilities		541	451
Non-current liabilities			
Interest-bearing loans and borrowings	12	5,831	5,679
Deferred tax equivalent liabilities	13	246	267
Provisions	14	11	12
Employee benefits	15	43	46
Other liabilities	16	24	5
Total non-current liabilities		6,155	6,009
Total liabilities		6,696	6,460
Net assets		10,457	10,293
Equity			
Contributed equity	17	7,561	7,561
Accumulated surplus		2,896	2,732
Total equity		10,457	10,293

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 2017

	Contributed Equity \$M	Reserves \$M	Accumulated Surplus \$M	Total \$M
Opening balance at 1 July 2016	7,561	-	2,732	10,293
Total comprehensive income for the year				
Surplus for the year	-	-	645	645
Other comprehensive income (net of tax equivalent)	-	-	2	2
Total comprehensive income for the year	-	-	647	647
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Dividends paid	-	-	483	483
Total transactions with owners	-	-	483	483
Closing balance at 30 June 2017	7,561	-	2,896	10,457

for the year ended 30 June 2016

	Contributed Equity \$M	Reserves \$M	Accumulated Surplus \$M	Total \$M
Opening balance at 1 July 2015	7,547	939	1,624	10,110
Total comprehensive income for the year				
Surplus for the year	-	-	737	737
Other comprehensive income (net of tax equivalent)	-	-	(1)	(1)
Transfer to developers' contribution reserve (net of tax equivalent)	-	(939)	939	-
Total comprehensive income for the year	-	(939)	1,675	736
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Equity contributions	14	-	-	14
Dividends paid	-	-	(567)	(567)
Total transactions with owners	14	-	(567)	(553)
Closing balance at 30 June 2016	7,561	-	2,732	10,293

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

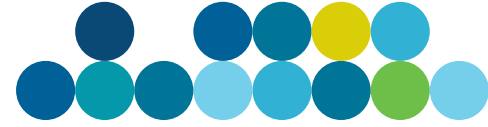
Statement of Cash Flows



for the year ended 30 June 2017

	Note	2017 \$M	2016 \$M
Cash flows from operating activities			
Cash receipts from customers		1,777	1,728
Interest received		2	3
Interest paid		(268)	(288)
Cash paid to suppliers and employees		(935)	(976)
Income tax equivalents paid		(316)	(381)
Government grants		13	13
Operating subsidies		464	547
Developers' contributions		118	193
GST received		114	96
Other fees and charges		85	103
Net cash from operating activities	18	1,054	1,038
Cash flows from investing activities			
Acquisition of property, plant and equipment		(741)	(569)
Acquisition of intangible assets		(21)	(12)
Proceeds from sale of property, plant and equipment		2	13
Deposits		(2)	(3)
Net cash used in investing activities		(762)	(571)
Cash flows from financing activities			
Net proceeds from borrowings		199	82
Dividends paid		(483)	(567)
Payment of finance lease liabilities		(8)	(8)
Equity contributions		-	14
Net cash used in financing activities		(292)	(479)
Net decrease in cash and cash equivalents		-	(12)
Cash and cash equivalents at 1 July		10	22
Cash and cash equivalents at 30 June		10	10

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 incorporated under the *Water Corporations Act 1995* and domiciled in Australia and its registered office is at 629 Newcastle St Leederville WA 6007. The Corporation is a not-for-profit entity primarily involved in the provision of water and wastewater services.

Note 2: Basis of accounting

2.1 Statement of compliance

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 was approved by the Board of Directors on 22 August 2017.

2.2 Basis of measurement

The financial report is prepared on the accrual accounting basis and in accordance with the historical cost convention, 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 26.19.

Note 3: Functional and presentation currency

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

All financial information has been rounded to the nearest million, unless otherwise stated.

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 11 - Impairment of intangible asset with an indefinite useful life
- Note 12 - Leases: whether an arrangement contains a lease
- Note 14 - Provision for site restoration

Note 5: Other Revenue

	2017 \$M	2016 \$M
Other fees and charges	73	89
Government grants	13	17
Rental income	9	7
Net gain on disposal of property, plant and equipment	1	9
	96	122

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 - Government grants are recognised as revenue when evidence exists to support the passing of control of the benefit and there is reasonable assurance that they will be received.

Note 6: Expenses

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

	2017 \$M	2016 \$M
Salaries, wages and other employee expenses	221	220
Contributions to Water Corporation Super and the Water Corporation Superannuation Plan	27	27
	248	247

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.

Up until the end of April 2017 the Corporation sponsored the Water Corporation Superannuation Plan, which was managed by Water Corporation Superannuation Pty Ltd, a trustee company. The trustee company had six directors, three of whom were nominated by the Corporation and the other three were elected by the Water Corporation Superannuation Plan's members. On the 1 May 2017 the fund was transferred to Water Corporation Super, a new fund managed by AMP.

note 6(b) Other expenses includes the following:

	2017 \$M	2016 \$M
Amortisation	18	17
Information technology	44	39
Equipment hire charges	26	25
Corporate charges	35	35
Materials	26	26
Chemicals	27	24
Derecognised assets	12	52
Discontinued capital projects	4	16
Other	88	94
	280	328



Note 7: Net Finance Costs

	2017 \$M	2016 \$M
Finance income		
Interest income	(2)	(2)
Finance costs		
Interest expense	268	286
Capitalised interest (note a)	(13)	(28)
Total finance costs	255	258
Net finance costs	253	256
	2017	2016
note a The average interest rate used to capitalise interest expenses related to major works was:	3.78%	4.14%

Note 8: Income tax equivalent expense

8.1 Recognised in surplus or deficit

	2017 \$M	2016 \$M
Current income tax equivalent expense		
Current year	297	337
Deferred income tax equivalent expense		
Reversal of temporary differences	(22)	(21)
Total income tax equivalent expense	275	316

8.2 Recognised in other comprehensive income

	Before tax 2017 \$M	Tax expense 2017 \$M	Net of tax 2017 \$M	Before tax 2016 \$M	Tax expense 2016 \$M	Net of tax 2016 \$M
Re-measurement of defined benefit liability	3	(1)	2	(2)	1	(1)

8.3 Reconciliation of effective tax equivalent rate

	2017	2016
	\$M	\$M
Surplus for the year	645	737
Total income tax equivalent expense	275	316
Surplus before income tax equivalent expense	920	1,053
Income tax equivalent using the Corporation's tax equivalent rate (30%)	276	317
Non-taxable income	(1)	(1)
Over provided in prior years	-	-
Effective tax equivalent expense	275	316

Note 9: Trade and Other Receivables

	2017	2016
	\$M	\$M
Current		
Trade and other receivables (note a)	223	208
Provision for impairment losses	(2)	(2)
Prepayments	5	5
	226	211
Non-current		
Pensioner rates deferrals (note b)	18	16
	18	16
Total trade and other receivables	244	227

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*, 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 26.1b).

The Corporation's exposures to credit risk and impairment losses related to trade and other receivables are disclosed in Note 25.



Note 10: Property, Plant and Equipment

	Cost 2017 \$M	Accumulated Depreciation 2017 \$M	Carrying Amount 2017 \$M
System Assets	20,289	5,430	14,859
Land and Buildings	824	144	680
Support Assets	330	217	113
Works in Progress	1,146	-	1,146
Carrying amount of property, plant and equipment	22,589	5,792	16,798

Comparative figures for 2016 are as follows:

	Cost 2016 \$M	Accumulated Depreciation 2016 \$M	Carrying Amount 2016 \$M
System Assets	19,776	5,019	14,757
Land and Buildings	788	131	657
Support Assets	297	198	99
Works in Progress	906	-	906
Carrying amount of property, plant and equipment	21,767	5,348	16,419

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 2017 \$M	Land and Buildings 2017 \$M	Support Assets 2017 \$M	Works in Progress 2017 \$M	Total 2017 \$M
Balance at 1 July 2016	14,757	657	99	906	16,419
Additions	104	-	-	777	881
Disposals	(11)	-	(1)	-	(12)
Depreciation expense	(434)	(13)	(22)	-	(469)
Transfers between classes	443	35	37	(515)	-
Transfer to Intangible Assets (Note 11)	-	1	-	(22)	(21)
Balance at 30 June 2017	14,859	680	113	1,146	16,798

Comparative figures for 2016 are as follows:

	System Assets 2016 \$M	Land and Buildings 2016 \$M	Support Assets 2016 \$M	Works in Progress 2016 \$M	Total 2016 \$M
Balance at 1 July 2015	14,434	631	105	1,038	16,208
Additions	133	-	-	545	678
Disposals	(6)	(1)	(4)	-	(11)
Depreciation expense	(411)	(13)	(19)	-	(443)
Transfers between classes	607	40	17	(664)	-
Transfer to Intangible Assets (Note 11)	-	-	-	(13)	(13)
Balance at 30 June 2016	14,757	657	99	906	16,419

Leased Assets – Mundaring Water Treatment Plant

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 (see Note 12). The net carrying amount of the capitalised leased assets as at 30 June 2017 was \$240 million (2016: \$253 million).

Note 11: Intangible Assets

	Cost 2017 \$M	Accumulated Amortisation 2017 \$M	Carrying Amount 2017 \$M
Computer software	263	223	41
Intellectual property	2	2	-
Water entitlement	31	-	31
Property easements	6	-	5
Total intangible assets	302	225	77

Comparative figures for 2016 are as follows:

	Cost 2016 \$M	Accumulated Amortisation 2016 \$M	Carrying Amount 2016 \$M
Computer software	242	206	36
Intellectual property	2	2	-
Water entitlement	31	-	31
Renewable energy certificates	2	-	2
Property easements	6	-	6
Total intangible assets	283	208	75



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	Intellectual Property	Water Entitlements	Renewable Energy Certificates	Property Easements	Total
	2017	2017	2017	2017	2017	2017
	\$M	\$M	\$M	\$M	\$M	\$M
Balance at 1 July 2016	36	-	31	2	6	75
Additions	-	-	-	-	-	-
Derecognitions	-	-	-	(2)	-	(2)
Amortisation expense (Note 6)	(18)	-	-	-	-	(18)
Transfer from works in progress (Note 10)	23	-	-	-	(1)	22
Balance at 30 June 2017	41	-	31	-	5	77

Comparative figures for 2016 are as follows:

	Computer Software	Intellectual Property	Water Entitlements	Renewable Energy Certificates	Property Easements	Total
	2016	2016	2016	2016	2016	2016
	\$M	\$M	\$M	\$M	\$M	\$M
Balance at 1 July 2015	40	-	77	21	6	144
Additions	-	-	-	1	-	1
Derecognitions	-	-	(46)	(20)	-	(66)
Amortisation expense (Note 6)	(17)	-	-	-	-	(17)
Transfer from works in progress (Note 10)	13	-	-	-	-	13
Balance at 30 June 2016	36	-	31	2	6	75

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. 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 as outlined below. During the previous financial year, acquired water entitlements with a carrying value of \$46 million were derecognised as they no longer provide economic benefits to the Corporation, due to reduced rainfall in the relevant catchment area.

The cost to replace the water entitlements is determined 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

	2017 \$M	2016 \$M
Current		
Unsecured:		
Western Australian Treasury Corporation Working Capital Facility	46	7
Finance lease liabilities (note b)	8	8
	54	15
Non-current		
Unsecured:		
Western Australian Treasury Corporation Term Fixed Rate Lending	3,636	3,521
Western Australian Treasury Corporation Term Floating Rate Lending	1,964	1,919
Finance lease liabilities (note b)	231	239
	5,831	5,679
Total interest-bearing loans and borrowings	5,885	5,694

note a: Western Australian Treasury Corporation Term Fixed Rate Lending

The non-current amount of the Term Fixed Rate Lending of \$3,636 million (2016: \$3,521 million), includes \$872 million (2016: \$371 million) that will become due and payable during the 2017-18 year. It is the Corporation's expectation that this amount 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 2017 and 2027; and
- 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 2017 Western Australian State Budget.

note b: Finance lease liabilities

Finance lease liabilities are payable as follows:

	2017 \$M	2016 \$M
Less than one year	8	8
Between one and five years	34	33
More than five years	197	206
	239	247

Leases under which the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are expensed in the periods in which they are incurred.

Lease of system assets not in the legal form of a lease

During 2012, the Corporation entered into an arrangement with a third party to build and operate the Mundaring Water Treatment Plant for a period of 35 years. Although the arrangement is not in the legal form of a lease, the Corporation concluded that the arrangement contains a lease of the plant. The lease was classified as a finance lease. At inception of the arrangement, payments were split into lease payments and payments that related to other elements. The imputed finance costs on the liability were determined based on the interest rate implicit in the arrangement.



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 2017 \$M	Liabilities 2017 \$M	Net 2017 \$M
Property, plant and equipment	-	292	292
Provisions	(43)	-	(43)
Other items	(17)	14	(3)
Deferred tax equivalent (assets) / liabilities	(60)	306	246
Set off of tax equivalents	60	(60)	-
Net deferred tax equivalent liabilities	-	246	246

Comparative figures for June 2016 are as follows:

	Assets 2016 \$M	Liabilities 2016 \$M	Net 2016 \$M
Property, plant and equipment	-	306	306
Provisions	(45)	-	(45)
Other items	(8)	14	6
Deferred tax equivalent (assets) / liabilities	(53)	320	267
Set off of tax equivalents	53	(53)	-
Net deferred tax equivalent liabilities	-	267	267

13.2 Movement in temporary differences during the year

	Balance 1 July 16 \$M	Recognised in income \$M	Balance 30 June 17 \$M
Property, plant and equipment	306	(15)	291
Provisions	(45)	2	(43)
Other items	6	(9)	(3)
	267	(22)	245

Comparative figures for June 2016 are as follows:

	Balance 1 July 15 \$M	Recognised in income \$M	Balance 30 June 16 \$M
Property, plant and equipment	345	(39)	306
Provisions	(53)	8	(45)
Other items	(4)	10	6
	288	(21)	267

Note 14: Provisions

	2017 \$M	2016 \$M
Current		
Site restoration	3	2
Non-current		
Workers' compensation	1	1
Site restoration	10	11
	11	12
Total provisions	14	14

Reconciliations of the carrying amount of provisions for 2017 are set out below:

	Workers' Compensation \$M	Site Restoration \$M	Total \$M
Carrying amount at 1 July 2016	1	13	14
Provisions made (reversed) during the year	-	-	-
Carrying amount at 30 June 2017	1	13	14

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 (formerly the Department of Environment Regulation) and the findings of preliminary and detailed investigations.

Note 15: Employee Benefits

The provision for employee benefits comprises:

	2017 \$M	2016 \$M
Current		
Long service leave	49	52
Annual leave	30	30
Other employee benefits	2	2
Defined benefit superannuation (note a)	1	4
	82	88
Non-current		
Long service leave	2	2
Defined benefit superannuation (note a)	41	44
	43	46
Total employee benefits	125	134



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; and
- 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 which increases 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

	2017	2016
	\$M	\$M
Pension Scheme	34	38
GSSS	8	10
Net defined benefit liability	42	48

Reconciliation of the defined benefit obligation

	2017	2016
	\$M	\$M
Present value of defined benefit obligations at beginning of the year	48	55
Current service cost	-	-
Interest cost	1	1
Actuarial (gains)/losses arising from changes in financial assumptions	-	2
Actuarial (gains)/losses arising from liability experience	(4)	-
Benefits paid	(3)	(10)
Present value of defined benefit obligations at end of the year	42	48

Fair value of scheme assets

There are no assets in the Pension Scheme to support the State Share of the benefit or in the Gold State Superannuation Scheme for current employees to support the transferred benefits.

Significant actuarial assumptions at the reporting date

	2017	2016
<i>Assumptions to determine start of year defined benefit obligation and defined benefit cost for the current year</i>	2.3%	2.7%
Discount rate (pensioners and active members)		
Expected salary increase rate	2.5% for 2016-17, 2.5% for 2017-18, 2.5% for 2018-19, and then 3.5%pa	4.0%
Expected pension increase rate	2.5%	2.5%
<i>Assumptions to determine defined benefit obligation at the valuation date</i>	2.3%	2.3%
Discount rate (pensioners and active members)		
Expected salary increase rate	1.5% for 2016-17, 1.1% for 2017-18, 1.0% for 2018-19, and then 3.7%	3.5%
Expected pension increase rate	2.5%	2.5%

The discount rate is based on the Government bond maturing in April 2025. The decrement rates used (e.g. 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 2017 under several scenarios is presented below.

Pension Scheme

Scenario A and B relate to discount rate sensitivity. Scenario 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	2.3% pa	1.8% pa	2.8% pa	2.3% pa	2.3% pa
Pension increase rate	2.5% pa	2.5% pa	2.5% pa	2.0% pa	3.0% pa
Defined benefit obligation (\$M)	34	38	32	32	37

GSSS

Scenario A and B relate to discount rate sensitivity. Scenario 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 assumption
- Scenario D: 0.5% pa higher expected salary increase rate and indexation assumption

	Base Case	Scenario A -0.5% pa discount rate	Scenario B +0.5% pa discount rate	Scenario C -0.5% pa increase rate & indexation rate	Scenario D +0.5% pa increase rate & indexation rate
Discount rate	2.3% pa	1.8% pa	2.8% pa	2.3% pa	2.3% pa
Salary increase rate	3.7% pa	3.7% pa	3.7% pa	3.2% pa	4.2% pa
Defined benefit obligation (\$M)	8	9	8	8	9

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst 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 2018 are \$1m.

Maturity profile of defined benefit obligation

- Pension Scheme - The weighted average duration of the Corporations defined benefit obligation is 16.3 years.
- GSSS - The weighted average duration of the Corporation's defined benefit obligation is 3.1 years.

Note 16: Other Liabilities

	2017	2016
	\$M	\$M
Current		
Developers' deferred liabilities (note a)	8	16
Deposits	9	8
	17	24
Non-current		
Developers' deferred liabilities (note a)	21	-
Deposits	3	5
	24	5
Total other liabilities	41	29

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

	2017	2016
	\$M	\$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.

	2017	2016
	\$M	\$M
Interim dividend payment	479	544
Final dividend payment for the prior year	4	23
	483	567

After 30 June 2017, the Directors proposed a final dividend of \$15 million for the 2016-17 year, payable by 31 December 2017. The dividend has not been provided for and there are no tax consequences.



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 2017, the average interest rate was 2.0% (2016: 2.3%).

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

	2017	2016
	\$M	\$M
Surplus for the year	645	737
Gain on disposal of assets	(1)	(9)
Derecognised assets	12	52
Developers' contributions (non-cash)	(84)	(116)
Capitalisation of interest expense	(13)	(28)
Impairment loss on receivables	-	1
Employee benefits:		
Superannuation - net	(5)	(7)
Long service leave - net	(2)	(10)
Annual leave - net	(1)	(3)
Other employee benefits - net	-	(19)
Provisions:		
Site restoration - net	1	3
Depreciation	469	443
Amortisation	18	17
GST paid for property, plant and equipment	44	34
(Increase)/Decrease in trade and other receivables	(17)	4
Decrease in income tax equivalent	(41)	(67)
Increase in inventories	(2)	(5)
Increase in trade and other payables and other liabilities	31	11
Net cash from operating activities	1,054	1,038

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

	2017	2016
	\$'000	\$'000
Audit and review of financial reports	304	297

Note 20: Related Parties

Key management personnel

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:

	2017	2016
	\$'000	\$'000
Short-term employee benefits	2,927	2,601
Post-employment benefits	304	792
Other long-term benefits	132	32
Termination benefits	-	-
	3,363	3,425

The above disclosures are based on actual payments made for employee benefits during the reporting period.

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; and
- 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 this 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.

During the previous financial year the Corporation, after a public tender process, sold its Engineering and Construction Services Branch, to RCR Tomlinson, for a total cash consideration of \$10.4 million. Pursuant to the terms of the sale the Corporation guaranteed to procure goods and services from RCR Tomlinson to the value of \$130 million over three years. The Corporation's previous Chairman, Eva Skira, declared a conflict of interest in the sale and subsequent transactions as she was non-executive director of RCR Tomlinson and did not participate in deliberations or voting by the Board on this matter.

The total cost of goods and services acquired from RCR Tomlinson during the six month period ended 31 December 2016, while Eva Skira was a director of the Corporation, was \$44.6 million.

There have been no other reportable related party transactions with the current Minister for Water, the directors and the general managers of the Corporation.



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; vehicle licensing; other government fees and charges. Total annual transactions with these entities, in excess of \$10 million, include:

	Transaction value year ended	
	2017 \$M	2016 \$M
Transactions with Department of Treasury, Department of Finance and Western Australian Treasury Corporation		
Receipts		
Department of Treasury – Operating Subsidies	464	562
Western Australian Treasury Corporation		
Proceeds from borrowings	665	597
Foreign currency	2	8
Payments		
Department of Treasury		
Dividends	483	567
Income tax equivalent	316	381
Local government rates equivalent	6	6
Department of Finance		
Payroll tax	18	20
Vehicle leases and stamp duty	34	12
Western Australian Treasury Corporation		
Repayment of borrowings	466	515
Interest on borrowings	204	224
Guarantee fees	38	39
Purchase of foreign currency	2	8
Other Western Australian Government Related Entities Payments		
Government Employees Superannuation Board	14	25
Synergy	18	28
Horizon Power	13	11

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

Note 21: Operating Leases

21.1 Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2017 \$M	2016 \$M
Less than one year	45	48
Between one and five years	171	173
More than five years	241	293
	457	514

The Corporation leases property, plant and motor vehicles under non-cancellable operating leases.

During the financial year ended 30 June 2017, \$37 million was recognised as an expense in the Statement of Comprehensive Income in respect of non-cancellable operating leases (2016: \$43 million).

21.2 Leases as lessor

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

	2017	2016
	\$M	\$M
Less than one year	7	7
Between one and five years	12	14
More than five years	10	10
	29	31

The Corporation leases out property under operating leases.

During the financial year ended 30 June 2017, \$9 million was recognised as rental income in the Statement of Comprehensive Income (2016: \$7 million).

Note 22: Capital Commitments

Total capital expenditure contracted for at reporting date but not provided for in the financial report is \$338 million (2016: \$154 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 the 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 2017:

	2017	2016
	\$M	\$M
Bank guarantees (note a)	10	7

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: Subsequent Events

There have been no events subsequent to balance date which would have a material effect on the Corporation's financial statements at 30 June 2017.

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; and
- 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 Compliance 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 Branch, 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 Compliance 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 allowance for impairment that represents its estimate of incurred losses in respect to 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:

	2017	2016
	\$M	\$M
Cash and cash equivalents	10	10
Trade and other receivables (Note 9)	244	227
	254	237

The Corporation is not materially exposed to any individual customer.

Impairment losses

The aging of the Corporation's trade and other receivables at reporting date was:

	Gross	Impairment	Gross	Impairment
	2017	2017	2016	2016
	\$M	\$M	\$M	\$M
Not past due	192	-	179	-
Past due 0-30 days	21	-	22	-
Past due 31-60 days	6	-	6	-
Past due 61-90 days	4	-	3	-
More than 90 days	23	2	19	2
	246	2	229	2

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	2017 \$M	2016 \$M
Balance 1 July	2	1
Impairment loss recognised	-	1
Balance 30 June	2	2

Impairment losses are recognised when recovery of the debt is considered to be unlikely or of high risk due to circumstances such as the value of any security held is or becomes less than the value of the debt, the cost of recovery is approximate to or becomes greater than the value of the debt, the customer's financial position is unfavourable or the customer is deceased or whereabouts is unknown.

Based on historical default rates, the Corporation believes that no impairment allowance is necessary in respect of trade and other receivables not past due or past due by up to 90 days.

During the year ended 30 June 2017, the Corporation renegotiated the terms of trade and other receivables of \$29 million (2016: \$29 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 (2016: \$1 million).

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 2017, the Corporation does not have any collective impairments on its trade and other receivables (2016: 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.

At 30 June 2017 the current liabilities of the Corporation exceeded its current assets by \$281 million (2016: \$208 million). The Corporation will meet its current liability obligations, as and when they fall due for payment, by drawing down on its unused lines of credit. The lines of credit are detailed below.

The Corporation has in place arrangements for 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. Previously, the facility limit was an amount agreed between WATC and the Corporation.

For 2016-17, the borrowing limit was set at \$5,722 million (2016: \$6,025 million) for the repayment of maturing debt and ongoing capital expenditure. Included in the limit of \$5,722 million is a Liquidity Facility with no specified limit (2016: \$500 million) 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 (2016: \$80 million) to assist with cash flow management.

As at 30 June 2017, \$5,646 million was drawn under the total debt facility (2016: \$5,447 million), including \$nil (2016: \$nil) Liquidity Facility and \$46 million (2016: \$7 million) of Working Capital Facility. The remaining amount available under the total debt facility, with the relevant approval was \$76 million (2016: \$585 million). For 2017/18, the facility limit has initially been set at \$5,927 million (2016: \$6,025 million) providing available borrowings of \$281 million up to 30 June 2018.

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 2017	Carrying amount \$M	Contractual cash flows \$M	6 mths or less \$M	6-12 mths \$M	1-2 years \$M	2-5 years \$M	More than 5 years \$M
Non-derivative financial liabilities							
Trade and other payables	359	(359)	(359)	-	-	-	-
Interest-bearing loans and borrowings:							
WATC working capital facility	46	(46)	(46)	-	-	-	-
WATC Term Floating Rate Lending	1,964	(2,075)	(482)	(76)	(534)	(983)	-
WATC Term Fixed Rate Lending	3,636	(4,499)	(273)	(269)	(521)	(1,424)	(2,012)
	6,005	(6,979)	(1,160)	(345)	(1,055)	(2,407)	(2,012)
30 June 2016							
	Carrying amount \$M	Contractual cash flows \$M	6 mths or less \$M	6-12 mths \$M	1-2 years \$M	2-5 years \$M	More than 5 years \$M
Non-derivative financial liabilities							
Trade and other payables*	277	(277)	(277)	-	-	-	-
Interest-bearing loans and borrowings:							
WATC liquidity facility	-	-	-	-	-	-	-
WATC working capital facility	7	(7)	(7)	-	-	-	-
WATC Term Floating Rate Lending	1,919	(2,101)	(30)	(31)	(564)	(1,476)	-
WATC Term Fixed Rate Lending	3,521	(4,404)	(292)	(264)	(517)	(1,412)	(1,919)
	5,724	(6,789)	(606)	(295)	(1,081)	(2,888)	(1,919)
Derivative financial liabilities							
Other forward exchange contracts							
Outflow	1	1	1	-	-	-	-
Inflow	(1)	(1)	(1)	-	-	-	-
	5,724	(6,789)	(606)	(295)	(1,081)	(2,888)	(1,919)

* Excludes derivatives (shown separately)

The gross inflows/(outflows) disclosed in the previous table represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are usually not closed out prior to contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement, e.g. forward exchange contracts.

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 \$200,000 for any one project may be left unhedged. At any one time, unhedged exposures in a specific foreign currency cannot exceed an aggregate value of \$500,000 and 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:

	2017	2016
	\$M	\$M
Fixed rate instruments		
WATC Working capital facility	46	7
WATC Term Floating Rate Lending (Interest rate fixed for six months)	1,964	1,919
WATC Term Fixed Rate Lending (note a)	3,636	3,521
	5,646	5,447

note a: Structured into 40 lines spread over 40 quarters (10 years), with one fortieth 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 10 year debt, with maturities staggered quarterly. Of the total \$3,636 million under the Term Fixed Rate Lending facility, \$362 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 \$1,964 million under this facility, \$510 million will mature in the next 12 months, with interest rates fixed for either 3 months or 6 months. A change of 100 basis points in interest rates at the reporting date would have increased or decreased interest expense (before capitalised interest) by \$18 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 2017 \$M	Fair Value 2017 \$M	Carrying Amount 2016 \$M	Fair Value 2016 \$M
Assets carried at amortised cost				
Cash and cash equivalents	10	10	10	10
Trade and other receivables	244	244	227	227
Liabilities carried at amortised cost				
Trade and other payables*	359	359	277	277
Interest-bearing loans and borrowings:				
WATC working capital facility	46	46	7	7
WATC Term Floating Rate Lending	1,964	1,981	1,919	1,940
WATC Term Fixed Rate Lending	3,636	3,834	3,521	3,834
Liabilities carried at fair value				
Other forward exchange contracts	-	-	1	1

* Excludes derivatives (shown separately)

The basis for determining fair values is disclosed in Note 26.19.

Interest rates used for determining fair value

The average interest rates used to discount estimated cash flows, where applicable, are based on the WA Treasury Corporation yield curve at the reporting date, plus a margin which represents the buy sell spread, and were as follows:

	2017	2016
Interest-bearing loans and borrowings	1.6%-3.3%	1.9%-2.8%

25.6 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M
30 June 2017				
Derivative financial liabilities	-	-	-	-
30 June 2016				
Derivative financial liabilities	1	-	-	1

Note 26: Significant accounting policies

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

26.1 Revenue

- a. Revenue from annual service charges and volume charges is recognised in the Statement of Comprehensive Income at the amounts levied and billed for 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 when there is reasonable assurance that they will be received 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; and
 - 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; and
 - 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.

The after-tax equivalent value of handover works is excluded from the base used to calculate dividend payments.

26.2 Leases

Leases under which the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases.

26.2.1 Finance leases

Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

26.2.2 Operating leases

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.



26.3 Net finance costs

26.3.1 Finance income

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

26.3.2 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.

26.4 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 Administration Acts and the NTER guidelines as agreed by the State Government.

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.

26.5 Cash and cash equivalents

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

26.6 Trade and other receivables

Trade and other receivables are stated at their amortised cost less provision for impairment losses (see Note 26.10.1) and are normally settled within 30 days.

26.7 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.

26.8 Property, plant and equipment

26.8.1 Recognition and measurement

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

- 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 with an estimated cost greater than \$5 million;
- 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; and
- 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 26.8.3) and impairment losses (see Note 26.10).

26.8.2 Subsequent costs

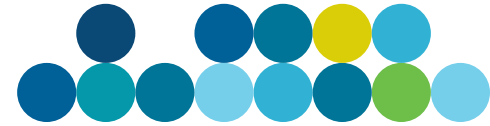
The Corporation recognises in the carrying amount of an item of property, plant and equipment the following:

- 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.

26.8.3 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. Land is not depreciated. The asset lives are reviewed annually, taking into account commercial and technical obsolescence, as well as normal wear and tear.



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	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 (other than timber)	50 - 80
Reservoirs and tanks	50 - 70
Fire hydrants and reticulation valves	50 - 55
Civil works - pump stations and treatment plants	50
Buildings (other than temporary)	30 - 50
Pipes - water (galvanised steel)	30
Drains and channels	20 - 30
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	3 - 7
Computer equipment	3 - 5

26.9 Intangible assets

26.9.1 Computer software

Computer software consists of software which is not integral to the hardware, such as SAP and Grange. Computer software is stated at cost less accumulated amortisation (see Note 26.9.4) and accumulated impairment losses (see Note 26.10).

26.9.2 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 26.10).

26.9.3 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.

26.10 Impairment

26.10.1 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.

26.10.2 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.

26.11 Trade and other payables

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

26.12 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.

26.13 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.



26.13.1 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.

26.13.2 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.

26.13.3 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.

26.14 Employee benefits

26.14.1 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 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.

26.14.2 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 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 1 week.

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

26.14.3 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.

26.14.4 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.

26.15 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.

26.16 Derivative financial instruments

The Corporation uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational activities. In accordance with the Treasury Risk Management policy, the Corporation does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments through surplus or deficit.

On initial designation of the hedge, the Corporation formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Corporation makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 per cent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect the reported surplus or deficit.

Derivatives are recognised initially at fair value and attributable transaction costs are recognised in the Statement of Comprehensive Income when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

26.16.1 Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the Statement of Comprehensive Income.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to the Statement of Comprehensive Income in the same period that the hedged item affects the Statement of Comprehensive Income.

26.17 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.

26.18 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual reporting periods beginning after 1 January 2017, and have not been applied in preparing this financial report. Those which may be relevant to the Corporation are set out below.



26.18.1 AASB 9 Financial Instruments

AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from AASB 139.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Corporation has not assessed the impact of this standard and does not plan to adopt it early.

26.18.2 AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programs.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Corporation has not assessed the impact of this standard and does not plan to adopt it early.

26.18.3 AASB 16 Leases

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

This Standard is applicable to annual reporting periods beginning on or after 1 January 2019, with early adoption permitted.

The Corporation has not assessed the impact of this standard and does not plan to adopt it early.

26.18.4 AASB 1058 Income of Not-for-Profit Entities

AASB 1058 replaces the majority of income recognition requirements relating to public sector not-for-profit entities previously reflected in AASB 1004 Contributions.

AASB 1058 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted.

26.19 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.

26.19.1 Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

26.19.2 Interest-bearing loans and borrowings

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

26.19.3 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.

26.19.4 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.

26.20 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 2017 and of its performance, for the financial year ended on that date; and
 - 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

M. Hollett
Chairman

S.L. Murphy
Chief Executive Officer

Perth, 22 August 2017



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

WATER CORPORATION

Opinion

I have audited the financial report of Water Corporation (the Corporation), which comprises the Statement of Financial Position as at 30 June 2017, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In my opinion, the financial report of Water Corporation is in accordance with schedule 3 of the Water Corporations Act 1995, including:

- (a) giving a true and fair view of the Corporation's financial position as at 30 June 2017 and of its performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Water Corporation in accordance with the Auditor General Act 2006 and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report. 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.

Responsibility of the Directors for the Financial Report

The directors of the Corporation are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and schedule 3 of the Water Corporations Act 1995. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the 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 Responsibility for the Audit of the Financial Report

The objectives of my audit are to obtain reasonable assurance about whether the financial report 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 report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of Water Corporation for the year ended 30 June 2017 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 report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial report. If users of the financial report are concerned with the inherent risks arising from publication on website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.



COLIN MURPHY
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia

24 August 2017



