



# ANNUAL REPORT 2019





Like a family tree,  
water connects us all.



## ABOUT THIS REPORT

The 2018-19 Annual Report is a review of our performance for the financial year ended 30 June 2019.

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 2018-19 financial year.

To provide feedback on this report please email  
[report@watercorporation.com.au](mailto:report@watercorporation.com.au)

Previous annual reports can be found at [watercorporation.com.au](http://watercorporation.com.au)

For customer enquiries or feedback about our services visit  
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## OUR YEAR AT A GLANCE



**2,819**  
employees

**8.6/10**

Voice of Customer score  
across all channels  
(above target)



**966,123**  
customer  
interactions  
(phone, email  
and webchat)



**2.65**  
million

visitors to  
our website

**1,432**  
customers

supported through  
financial hardship  
programs

**22,074**  
students

reached through  
Waterwise  
School Program

**367**  
billion litres  
of water supplied

**34,779**  
kilometres  
of water mains

**2,545**  
kilometres  
of drains



**17,193**  
kilometres  
of sewer mains

**123**  
dams & weirs

**10**  
billion litres  
saved by business  
customers through  
WEMP\* program

**\$878**  
million  
in operating  
expenditure

**\$346**  
million  
invested  
in regions\*\*

**112**  
wastewater  
treatment  
plants

**75**   
recycled  
water schemes

**\$696**  
million  
investment in  
capital works

**1.3**  
million  
homes and  
business served

**486**  
pump  
stations

**82**  
water  
treatment  
plants



**165**  
billion litres  
of wastewater  
collected

\* WEMP - water efficiency management plan

\*\*Operational spend was \$193M and capital spend was \$153M



# 2018-19 HIGHLIGHTS

1

We launched our 2019-21 Reconciliation Action Plan, setting our Aboriginal and Torres Strait Islander workforce target at 6 per cent, after we exceeded our 2018 target of 3.2 per cent.

2

The Water Research and Innovation Precinct opened in Subiaco to help secure and maintain water supply through collaboration with global technology providers and innovators.

3

We received accreditation into world-first White Ribbon workplace program to lead social change in the prevention of domestic and family violence. *Read more on page 21.*

4

We were WA's first organisation to support a Financial Inclusion Action Plan program to provide immediate assistance to customers experiencing financial hardship. *Read more on page 21.*

5

Our new interactive hub was launched at our Groundwater Replenishment Visitors Centre, bringing our innovative processes to life to over 1,500 visitors this year.



6

Three Aboriginal remote communities in the Kimberley region will receive upgraded water services as part of a new initiative between Department of Communities and Water Corporation through the Essential Municipal Services Upgrade Program.

7

We finished building the 80 million litre Ellenbrook Tank, which serves 15,000 homes in the north-east metropolitan corridor and is the largest tank we have ever built.

8

Over 30km of pipes have been replaced across the metropolitan area through our Pipes for Perth renewal program. *Read more on page 25.*

9

Our award-winning Grants Scheme was expanded to the entire Kimberley region, providing \$74,086 to ten grassroots projects supporting health, education, environment, and the arts.

10

Stage 2 construction of Australia's first Groundwater Replenishment Scheme is well underway to help secure Perth's water supply in the face of climate change. *Read more on page 24.*

# CHAIR'S REPORT



**In reflecting upon the last 12 months, I wish to acknowledge the significant contribution and commitment of Ms Sue Murphy over the 10 years that she tirelessly served Water Corporation as our CEO.**

Sue's legacy of building climate resilient water supply infrastructure with our second desalination plant and our first groundwater replenishment plant places us in a strong position to withstand the challenges of climate change.

In January this year, the Board was very pleased to welcome Pat Donovan as only the third CEO in Water Corporation's 23rd year.

Pat's strong operational and commercial expertise puts him in good stead as he leads the establishment of the new operating model to deliver on Water Corporation's new vision. Our vision is the culmination of more than a year of consultation and engagement to shape a new strategic direction for Water Corporation with the support of the Minister for Water.

Our new vision incorporating three key objectives of safe for all, lowest total cost and lowest environmental impact will stretch the organisation in better serving our customers, the community and our owner.

It will also challenge us to drive innovation to achieve targets across all three areas, rather than making trade-offs and compromising on our commitments.

It is this focus on innovation that has been critical in enabling Water Corporation to deliver secure water supply to Western Australia in the face of climate change. This underpins a number of our highlights in the last 12 months, including making good progress towards our ambition of Perth becoming a leading waterwise city in Australia.



During National Water Week in October 2018, Minister for Water, Dave Kelly launched the Water Research and Innovation Precinct which is attached to the Subiaco Wastewater Treatment Plant.

The Water Research and Innovation Precinct will enable Water Corporation to collaborate with global technology providers, research institutions and local industry on research and pilot testing of water recovery technologies. Through this work we're seeking ways to reduce whole of life costs on our assets, reduce greenhouse gas emissions, lower chemical use and increase water recovery.

Wastewater will become for us a valuable resource to be recycled and reused. Water, solids, nutrients and energy can all be recovered from wastewater so we hope to trial technologies in the precinct to give us the confidence and data to enable us to become early adopters of a range of emerging technologies. In time we expect our wastewater treatment plants to become water resource and recovery facilities where nothing is wasted anymore.

During National Water Week we also launched a new interactive hub at the Groundwater Replenishment Visitor Centre in Craigie to educate the community about Australia's first Groundwater Replenishment Scheme.

The first stage of the Groundwater Replenishment Scheme began recharging recycled water in late 2017. Work is well underway to build Stage 2 to help secure Perth's water supply in the face of climate change.

We are proud of our track record of delivering innovative solutions to meet the needs of our community. So the challenge of our new vision will not only drive innovation within Water Corporation, but will also see us leverage existing and develop new partnerships with researchers, technology developers and other leading water utilities here and further afield. There are some very exciting possibilities that we are eager to pursue in the coming year.

Thank you to my fellow Directors for their support and the insight and energy they bring to their roles.

I look forward to working with Pat and the Executive Team in the year ahead to drive greater value for our customers, community and owner.

**Mr Michael Hollett**  
Board Chair

# CHIEF EXECUTIVE OFFICER'S REPORT



**I am humbled to have been appointed to the role of CEO and look forward to the opportunity to lead Water Corporation in the delivery of sustainable water services to the people of Western Australia.**

I acknowledge, too, that I am preceded by two important leaders of the water industry. As Water Corporation's first two CEOs, Sue Murphy and Dr Jim Gill have both contributed to the strength and stability of Water Corporation, and we are all indebted to them for this.

One of my first tasks in the role has been to engage our people in our new vision for Water Corporation. Our vision is intentionally bold to challenge us to stretch beyond our current thinking to drive greater value for our customers and community.

Our highest priority is safety. In our services and in our operations, our commitment is to be 'safe for all' which includes our customers, community, contractors and of course our own people.

'Lowest total cost' is about finding the most effective, efficient and economical path to make our services affordable and accessible to all while ensuring the long term sustainability of our asset base.

Our commitment to 'lowest environmental impact' means we must stretch ourselves to reduce the impact of our operations, including factors associated with climate change.

To successfully deliver on our vision we must optimise our core business by retaining what works well, but we must also refine our culture and realign our processes to drive performance in the areas most valued by our customers and community.

We will rise to the challenge of delivering our new vision through embracing innovation in how we operate today and seeking new and innovative solutions through integrated water cycle planning for the future.

While we make these improvements we remain focussed on maintaining our high standard of delivery to our customers. I believe Water Corporation is uniquely positioned to support the social and economic development of our state by working in partnership with government, industry and of course the communities we serve.

I am very proud of the work done over the last 12 months, in particular to further enhance the support we offer our customers experiencing hardship.

In November 2018 we launched a partnership with the Women's Council for Family and Domestic Violence. The 'Funds for Freedom' program will support women leaving situations of domestic violence to purchase practical items such as whitegoods when setting up a new home.



This initiative is part of our broader commitment to supporting those experiencing domestic violence. In January this year we were proud to confirm our status as a White Ribbon Australia accredited workplace. We are committed to supporting our own people living with domestic violence, and also taking practical steps to create the cultural change needed to prevent domestic violence and promote respectful relationships between men and women throughout the state.

In December 2018 we also became the first WA-based organisation to launch a Financial Inclusion Action Plan (FIAP), which includes a range of initiatives to support our customers, suppliers, employees and community members across the state to achieve financial resilience. Through this work and our other hardship programs, since 2016 we have reduced by almost 70 per cent the number of families facing water restrictions for non-payment of water bills.

One of the most important programs that Water Corporation has committed to in the last 12 months is the Essential and Municipal Services Upgrade Program (EMSUP) in partnership with the Department of Communities.

Through this program and an initial \$23 million investment, Water Corporation will become the licensed water service provider for Mowanjum, Bayulu and Bidyadanga in the Kimberley. This will then expand to a further seven communities in the Kimberley and Pilbara.

Collectively these ten communities comprise more than 20 per cent of the total population of remote Aboriginal communities in Western Australia, so it is an important beginning, however, there is a great deal more to be done to ensure that all Western Australians have equal access to utility services.

By collaborating with Aboriginal communities we can ensure we contribute to the current inequity and achieve better cultural, social, health, financial and environmental outcomes for all. I am personally committed to the success of this program, and look forward to swift progress to deliver greater value for people living in remote Aboriginal communities in our state.

**Pat Donovan**  
Chief Executive Officer



# CORPORATE SNAPSHOT

# ORGANISATIONAL PROFILE



## Our operation

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 2,800 people located in offices in Perth, Bunbury, Albany, Karratha, Geraldton, Northam and Kalgoorlie, as well as a number of depots, providing a high level of expertise and strong commitment to communities across the state.

We manage \$37 billion (replacement value) of assets to deliver water services across the 2.6 million square kilometre expanse of the State, directly and through our alliances with the private sector.

Our purpose is the sustainable management of water services to make WA a great place to live and invest. Having set a new vision in the latter half of the financial year, we are now on a journey to improve the performance metrics of the business.

## 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. Water Corporation sees working across government as essential to a well-functioning public sector, and will continue to be an active participant in the State Government's priorities such as creating local jobs, repairing the State's finances, and supporting METRONET.

## Our stakeholders

Our key stakeholders include 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 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 wastewater within conditions set by a number of regulators including Department of Water and Environmental Regulation, Department of Health, Biodiversity, Conservation and Attractions 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.

## 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 take responsibility for our own decisions and actions.

## Our vision

Our new vision was endorsed by the Water Corporation Board in March 2019 and developed through an extensive consultation process with internal and external stakeholders, together with insights gained through customer research. Central to the vision is our commitment to drive even greater value for our customers, community and owner.

### Safe for all

Our highest priority is to keep our customers and community safe. Our commitment is to ensure our operations and services are 'safe for all' and we will continue to advance safe work practices throughout our business.

### Lowest total cost

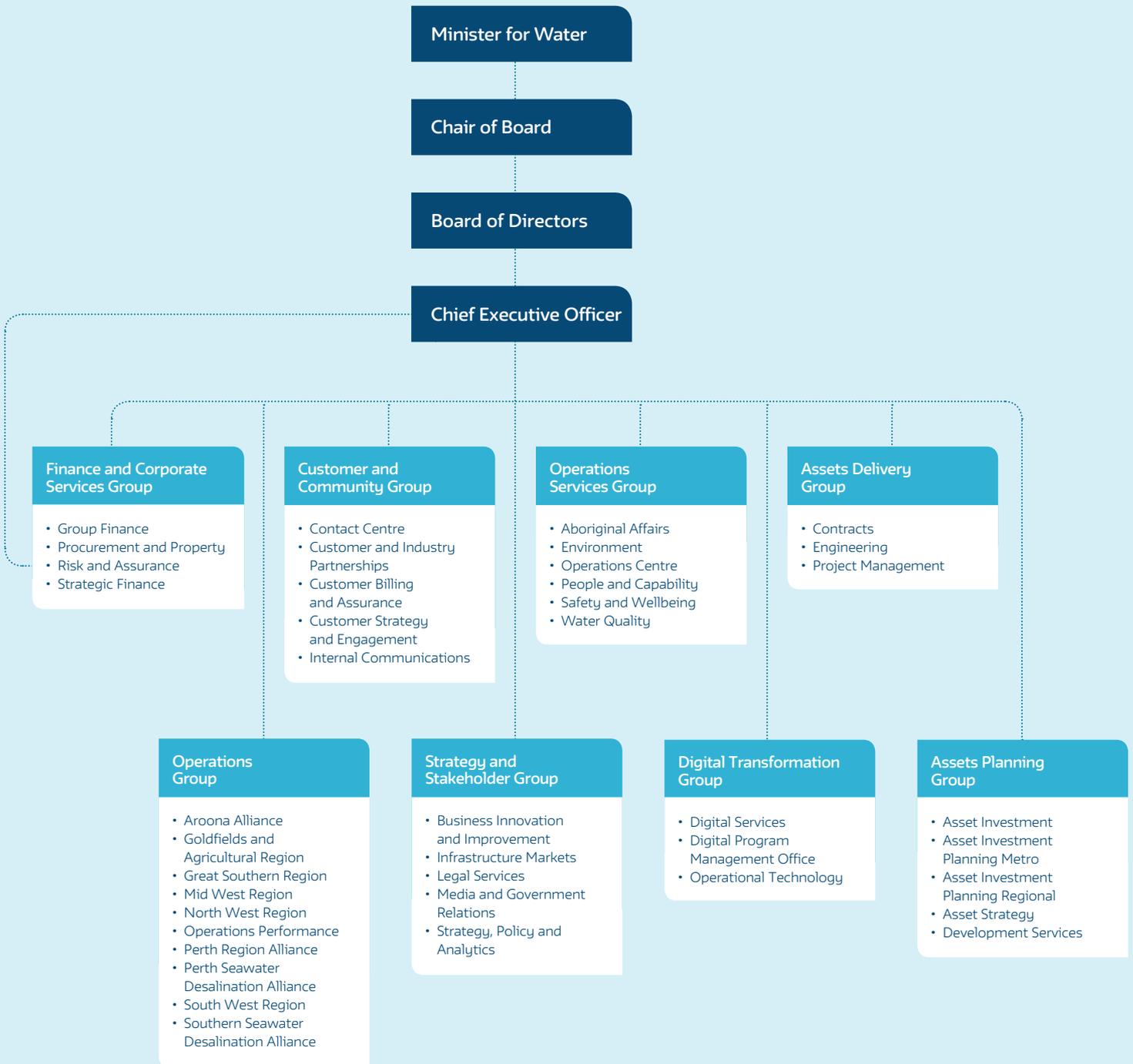
Our customers and owner want us to deliver services they value at the lowest long term cost to ensure our services remain accessible to all Western Australians. We will use innovation to identify solutions which balance cost with the long term stability of our asset base and reliability of services to our customers.

### Lowest environmental impact

Our customers have told us they are interested in the health of our waterways, increasing recycling, managing waste and reducing greenhouse gas emissions. We are committed to reducing the impact of our operations on the environment to preserve and enhance all ecosystems for generations to come.



# ORGANISATIONAL STRUCTURE





(l to r) Mr David Rowe, Mr Ross Holt, Dr Jemma Green, Mr Michael Hollett, Mr Pat Donovan, Ms Nicole Lockwood, Mr David Lock

## BOARD PROFILES



### Chair

**Mr Michael Hollett**  
GAICD

Mr Michael Hollett has extensive water industry, property and senior living experience and has diverse business interests across regional areas. Mr Hollett is currently Chairman of Ocean Gardens Inc, Director at H&H Development Enterprises Pty Ltd and a Director at Kimberley Marine Support Base Pty Ltd. Mike as co-founder of Eco Lifestyle Villages is forging a new model of lifestyle communities for seniors in peri-urban areas of Perth with delivery of more sustainable outcomes. 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, led new pathways in water recycling, efficiency and strategic planning for Water Corporation and its predecessors from 1982 to 2004.

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

**Chair:** Safety & Wellbeing Committee and People & Culture Committee

### Chief Executive Officer

**Mr Pat Donovan**  
Bachelor of Engineering (BA BAI) Mechanical Engineering (Trinity College, Dublin) FIEAust, GAICD

Mr Pat Donovan was appointed CEO in January 2019 and comes to Water Corporation with more than 25 years' experience in the gas utility sector in Australia and Ireland. He was previously President of ATCO Gas Australia where he led the business in the delivery of safe, reliable and affordable energy to over 750,000 customers across the south west of Western Australia and previously held senior executive roles at ATCO and Alinta.

Mr Donovan has qualifications in engineering and finance, and has also completed an Ivey Business Executive Program at Western University in Canada. He has a proven track record of leading customer focussed business strategies and achieving sustained commercial success and business growth. He is a passionate proponent of delivering service and operational excellence at a sustainable cost to customers and the community. He is a Director of the Water Services Association of Australia (WSAA).

Appointed 1 January 2019, term expires December 2024.

**Ms Sue Murphy AO**  
**B.Eng (Hons), CP Eng, FIE Aust, GAICD**

Ms Sue Murphy is a Member of The University of Western Australia Senate and Board Member of the University of WA Business School, and Director of the Fremantle Football Club.

Appointed 6 November 2008, term expired 31 December 2018.

**Deputy Chair**

**Mr David Lock**  
**BComm (UNSW), CA, FAICD**

Mr David Lock is the Chairman of Australian Pork Limited, the Western Australia Meat Industry Authority, Mareterram Limited and Odeum Produce Pty Limited. He is a non-executive director of CBH Group. He is a Trustee of the Marine Stewardship Council and is a member of the Advisory Council of the Curtin Business School. Mr Lock held Managing Director roles in public and private Australian food and agribusiness companies since 2004, prior to taking on a portfolio career in December 2017. He also held managerial positions with PriceWaterhouseCoopers in Australia, Canada and the UK. In 2012, he was named NAB Agribusiness Leader of the Year and in 2013 he won the Australian Export Heroes Award. Mr Lock brings significant finance skills to the board, as well as a deep understanding of the Australian agribusiness industry. He was previously Chairman of the Food Industry Association of Western Australia and a director of Food, Fibre and Land International Pty Limited.

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

**Chair:** Audit & Risk Committee

**Member:** People & Culture Committee

**Board members**

**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, Chair of Nudge and part of the independent panel advising government on the Strategic Assessment of the Perth-Peel Region (SAPPR) and provides strategic management consultancy services.

Appointed 8 June 2016, term expired 31 December 2018 and was extended by the *Water Corporations Act 1995*.

**Member:** Safety & Wellbeing Committee

**Ms Nicole Lockwood**  
**LLB, BBus Environ, GAICD**

Ms Nicole Lockwood is the Independent Chair of the Westport Taskforce charged with planning the infrastructure to drive the freight future of WA's South West for the next 50-100 years. She is the Chair of the Freight and Logistics Council and a Board Member of Infrastructure Australia. She Chairs MNG Surveying and the Sienna Wood Joint Venture and is the Deputy Chair of Leadership WA. With a background in law and regional economic development, Nicole works with Government and the private sector to develop long-term infrastructure plans to secure the future prosperity and liveability of our cities.

Appointed 1 March 2016, term expires 31 December 2020.

**Member:** Audit & Risk Committee and People & Culture Committee

**Mr David Rowe**  
**BA GradAASC JP GAICD**

Mr David Rowe has worked in executive leadership positions within the property development, construction, health and transport industries throughout Australia and in the Western Australian, Victorian and Commonwealth Governments. He is Chairman of the Ellenbrook Joint Venture, 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 expired 31 December 2018 and was extended by the *Water Corporations Act 1995*.

**Member:** Safety & Wellbeing Committee

**Dr Jemma Green**  
**B Comm, (Finance), Murdoch, Post Cert (Cross Sector Partnership) Post Cert (Sustainability) Masters (Sustainability), Cambridge University, PhD (Disruptive Innovation), Curtin University**

Dr Jemma Green has extensive experience in finance, risk advisory and innovation, having worked for over a decade in investment banking in London. Her doctoral research focused on electricity market disruption that led to her co-founding Power Ledger, a blockchain technology company, of which she is the Chair. Dr Green is also an Advisory Board Member of Carbon Tracker.

Appointed 4 July 2017, term expires 1 December 2019.

**Member:** Audit & Risk Committee and People & Culture Committee



## EXECUTIVE



### General Manager Customer and Community

Ms Karen Willis, term April 2019  
BA (Hons), PGradDip (Marketing) GAICD

Ms Catherine Ferrari, term January 2015 – April 2019  
BBus, PGradDip Bus, MLM, FCPA, GAICD

### Chief Financial Officer

Mr Ross Hughes  
BBus, FCPA, FAICD

### General Manager Operations Services

Dr Steve Capewell  
Bsc (Hons), PhD, GAICD

### General Manager Digital Transformation

Mr Ed Riley, term April 2019  
BSc (Hons)

Ms Deanne McDonald, term July 2017 – April 2019  
MBA, GAICD

### General Manager Strategy and Stakeholders

Mr Don Johnston  
BSc Comm (Hons), MBA

### General Manager Assets Delivery

Mr Nathan Hardwick, term January 2019  
B.Eng (Hons), C.Eng MICE

Mr Mark Leathersich, term August 2018 – January 2019  
BSc (Hons), MSc

### General Manager, Assets Planning

Mr Evan Hambleton, term April 2019  
B.Eng (Hons), MBA, GAICD

Mr Ashley Vincent, term July 2013 – April 2019  
B.Eng, GCert BusMgmt, MBA

### General Manager, Operations

Mr Mark Leathersich, term January 2019  
BSc (Hons), MSc

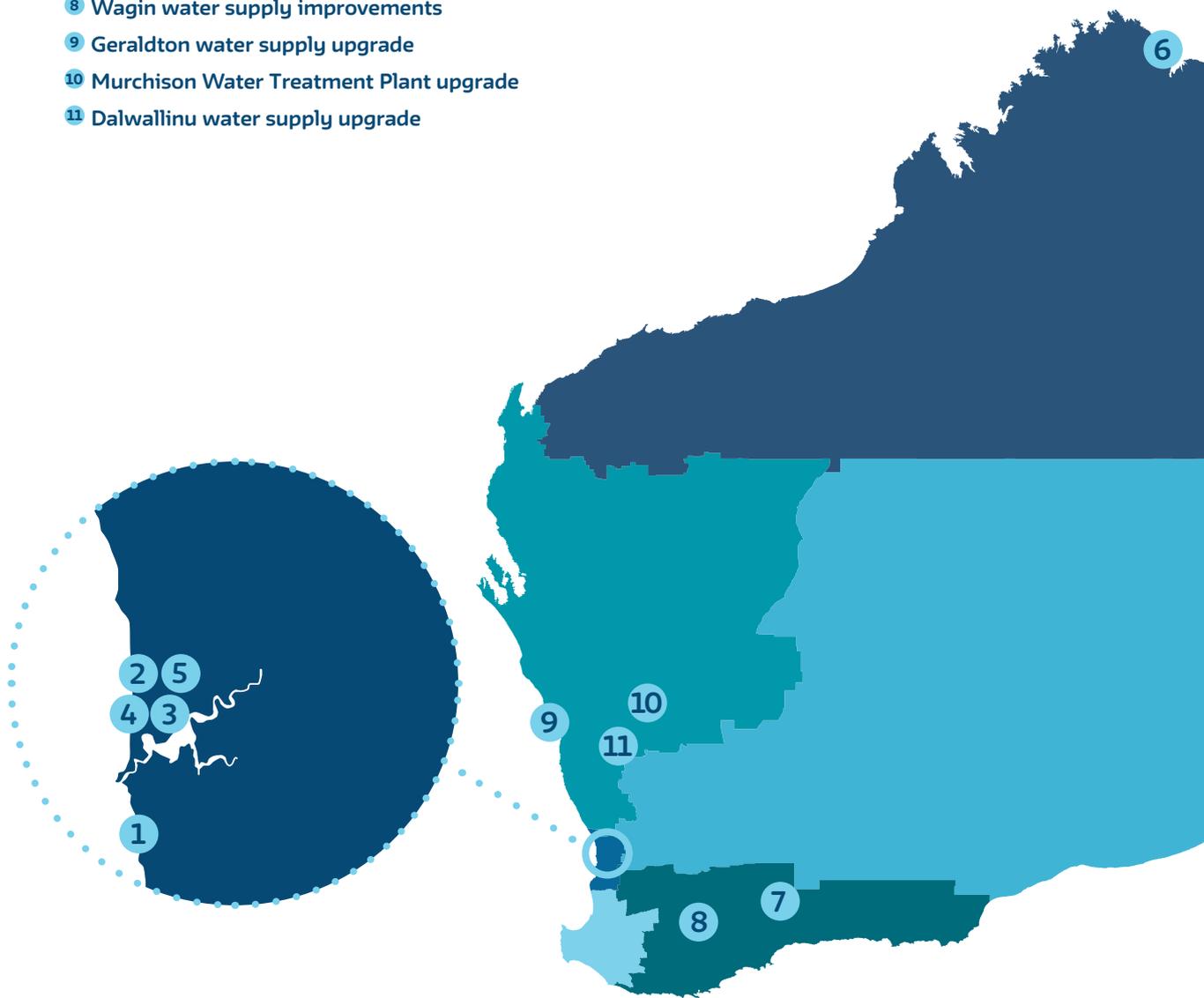
Mr Pat Donovan, term August 2018 – December 2018  
Bachelor of Engineering (BA BAI) Mechanical  
Engineering (Trinity College, Dublin) FIEAust, GAICD

# KEY CAPITAL PROJECTS



Our capital investment program for 2018-19 was \$696 million. Key projects completed and underway are highlighted below.

- 1 Woodman Point Wastewater Treatment Plant upgrade
- 2 Groundwater Replenishment Scheme Stage 2 expansion
- 3 Increased capacity of Subiaco Wastewater Treatment Plant
- 4 Pipes for Perth Renewal program
- 5 Ellenbrook Tank construction
- 6 Replacement of Kununurra Diversion Dam's Gantry Crane
- 7 Improving Norseman's water supply
- 8 Wagin water supply improvements
- 9 Geraldton water supply upgrade
- 10 Murchison Water Treatment Plant upgrade
- 11 Dalwallinu water supply upgrade





# FINANCIAL HIGHLIGHTS



## **Our surplus for 2018-19 was strongly influenced by a combination of reduced expenditure primarily driven by lower levels of water production required from desalination sources and a strong revenue performance from our core activities.**

The results featured total revenue of \$2.8 billion and returns to the State Government by way of our Net Accruals to Government (NATG) of \$545 million.

Our operating business delivered a surplus of \$668 million and contributions from land developers towards infrastructure for new housing developments contributed a further \$119 million. These contributions were received either as cash or as infrastructure handed over. In 2018-19, developers' fees represented \$70 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 \$49 million of surplus.

Excluding the impact from development activity, total revenue increased by 6.7 per cent during the year primarily due to a rise in water consumption, government grants, and higher operating subsidies received from the Government for the provision of non-profitable services.

Total expenditure decreased by 3.9 per cent. On a total cost per property basis, costs decreased by 2.9 per cent and our operating costs per property reduced by 6.3 per cent. We continue to be one of the lowest cost businesses in the Australian water industry for large scale supply. A continued focus on cost management supported the achievement of our long term two per cent average annual efficiency target.

## **Investing in infrastructure**

We continued to invest heavily in infrastructure with \$696 million of new capital expenditure. Our capital investment program benefits the community and a wide range of local private sector 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 \$696 million capital investment program for 2018-19 included \$331 million on our water business, \$172 million on our wastewater business with the remainder on a range of programs including irrigation, drainage, and facility management.

## **Returns to the State**

The Board approved dividend payments totalling \$605 million to the State representing 85 per cent of our after-tax surplus (excluding developers' handover assets, State Government grants, and grants received from Government for capital expenditure purposes) as per the Dividend Policy disclosed in our Statement of Corporate Intent. 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 equivalents payments made to the State in 2018-19 amounted to \$360 million. We received an operating subsidy payment from the Government of \$420 million for the provision of non-profitable services, mostly in regional and remote areas of Western Australia, and concessions (pensioner and senior) to customers. When operating subsidies are offset against the dividends and taxes paid to Government, the resulting NATG came to \$545 million in 2018-19.

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

## **Supporting the State's growth**

The water and wastewater services we provide facilitate the development of residential land, the growth of our towns and cities, and meet the needs of commerce and industry across Western Australia.

In 2018-19, the value of our regional assets was in excess of \$6 billion. During the year we spent over \$153 million on the delivery of projects for regional Western Australia.

## **Alignment with Government priorities**

As a Government-owned enterprise, we are committed to ensuring alignment with the State Government's twelve priorities to deliver better outcomes for all Western Australians. The key priorities we contribute to include 'a strong economy', 'a liveable environment' and 'regional prosperity.' Over 2018-19 we have engaged with general Government agencies to support the implementation of a number of Government-led initiatives and policies. We see working across government as essential to a well functioning public sector, and will continue to be an active participant in the State Government's priorities such as creating local jobs, repairing the State's finances, and supporting METRONET.

<b>Net accrual to government</b>					
<b>\$ millions</b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014-15</b>
Dividend	605	528	483	567	562
Tax Equivalents	360	289	304	342	346
Operating Subsidy	(420)	(409)	(464)	(547)	(573)
NATG	545	408	323	362	335

## Summary of performance

	<b>Units</b>	<b>2018-19 Projected</b>	<b>2018-19 Actual</b>
<b>Financial outcomes</b>			
<b>Operating Surplus before income tax</b>			
Operating business	\$m	934	970
Developer asset handover before tax	\$m	112	70
Developer cash contributions before tax	\$m	131	100
<b>Operating Surplus after income tax</b>			
Operating business	\$m	654	668
Developer asset handover after tax	\$m	78	49
Developer cash contributions after tax	\$m	92	70
Capital expenditure (including capitalised interest)	\$m	738	696
Borrowings taken	\$m	50	70
<b>Financial performance measures</b>			
Return on equity	%	7.7	7.4
Return on assets	%	7.0	7.1
Debt to total assets ratio	%	34.9	34.9
<b>Accruals to government</b>			
Indirect tax equivalents	\$m	7	6
Income tax equivalents (net of deferred tax adjustments)	\$m	361	354
Dividends provided	\$m	618	605
Total	\$m	986	965
<b>Payments from government</b>			
<b>Operating Subsidies</b>			
Country Water, Sewerage and Drainage Operations	\$m	312	255
Pensioner and Senior Concessions <sup>1</sup>	\$m	149	166
Metropolitan Operations	\$m	3	(1)
		<b>464</b>	<b>420</b>

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

## Community targets

	<b>2018-19 Target</b>	<b>2018-19 Actual</b>
Perth total per person water use	125 kL	126kL
Customer performance index	7.30	7.10
Total cost per property	\$1,981	\$1,908
Safety Index	92.5	100.0

A man wearing a dark cap and a dark polo shirt is shown in profile, looking towards the right. He is standing in a field of cows at sunrise. The sun is low on the horizon, creating a warm, golden glow and lens flare effects. In the background, several cows are grazing. The scene is framed by three large, overlapping circles in shades of blue and teal. The text 'OPERATIONAL REPORT' is centered within the largest, darkest blue circle.

# OPERATIONAL REPORT

# DRIVING VALUE FOR CUSTOMERS, THE COMMUNITY AND OUR OWNER



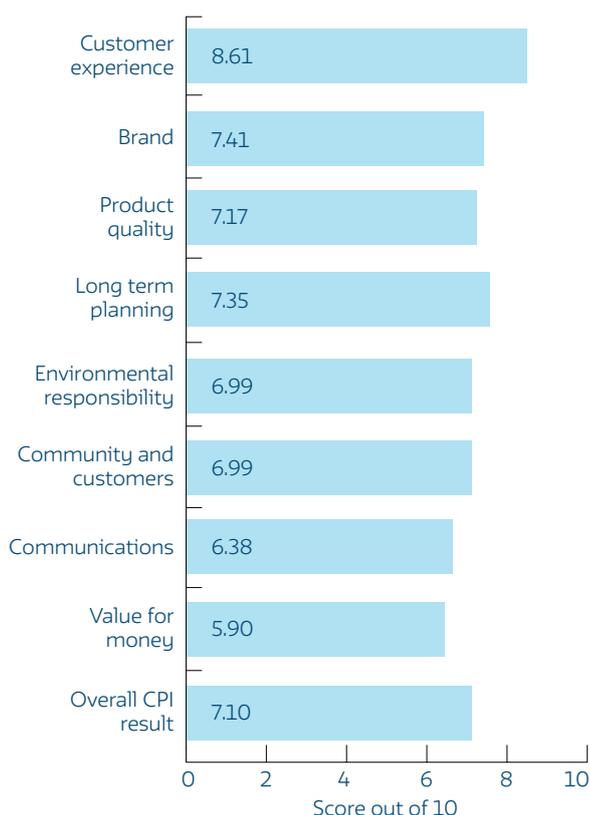
We have maintained a strong commitment to customers, the community and our owner. Being the primary water service provider in the state, it is imperative we listen and understand what is expected of us and adapt those expectations to drive service improvements.

## Listening to customer feedback

We continue to align our activities to reflect the needs of our customers through insights gathered from our most comprehensive community engagement program, Tap In.

Research showed there is a large knowledge gap in the community about where our water comes from and why our drinking water sources have changed over time. We created a campaign to drive increased water knowledge in the Perth community followed by an action-based campaign to provide customers with the tools and tips they need to reduce water use. Customers who have seen our campaigns have higher levels of water literacy with two out of three customers making water-saving changes in the last three months.

CPI Results 2018-19



## Customer Performance Index

Our Customer Performance Index (CPI) actively measures customer perception of our overall performance across eight key areas each quarter with a view to identify the areas that we can improve within our business. The graph on this page provides an overview of how our customers believe we have performed in these key areas for 2018-19. We equalled or exceeded our target for 2018-19 in the areas of customer experience, brand and long term planning.

## Voice of the Customer

Our Voice of the Customer program is another way we actively seek feedback to guide decision making. We do this by measuring customer satisfaction with the interactions they have with Water Corporation. These insights have been used to drive improvements in our service delivery. In the last financial year, our overall customer satisfaction score was 8.61, exceeding our target of 8.35.

## Financial inclusion and resilience

After conducting in-depth customer research to understand circumstances driving financial hardship, the importance of building trusting relationships to deliver a needs based solution was made very clear. We have now become the first Western Australian organisation to develop a Financial Inclusion Action Plan (FIAP). This document outlines our commitment to providing immediate assistance to customers experiencing financial hardship, embedding socially responsible practices throughout our business. We have invested in specialised employee training, enhanced our communications, offer flexible payment arrangements, safeguard transparency in our policies and processes and are dedicated to continuous improvement.

## Leading social change in the prevention of domestic and family violence

The safety and wellbeing of our people is one of our highest priorities. Water Corporation has made a commitment to create a safer work environment for employees experiencing domestic and family violence. To broaden awareness, take action and support our community, we have implemented a Family and Domestic Violence policy and been accredited into White Ribbon's world-first Workplace Program.

As part of our commitment to creating a safer work place, our employees experiencing a crisis situation have access to flexible working arrangements, time to attend appointments, counselling and other activities without loss of pay. We have been empowering staff to stand up against family and domestic violence.



## OUR DIGITAL CAPABILITIES



**We continue to build technological capabilities and deliver on customer needs. We are adapting our processes and systems to effectively leverage data, new information technologies and practices.**

### **Scheme of the future (work management)**

This was an intensive project to trial innovative ways to plan, schedule and execute field based work to optimise our service delivery model. This involved understanding how our people work, standardising and improving business processes, developing an industry-standard asset data model and investigating how best-practice technologies can help us meet our goals. The trial was conducted in the Warren Blackwood district of the South West.

A new solution has been developed to make it easier for people to do their jobs, improve customer outcomes and increase visibility to ensure work is completed safely.

### **Digital uplift**

The Big Data project enhanced our ability to effectively analyse corporate data for insights to improve strategic decision making. Interactive data visualisation tools like Power BI have been implemented to improve critical corporate reports like dam storage levels and procurement.

This financial year also saw the delivery of several key capabilities including a new document management system, single touch payroll and workforce mobility. Key foundations have also been established in cyber security and cloud platforms.

# BECOMING A LEADING WATERWISE STATE



**As climate change continues to impact rainfall in the south west of WA and our water supplies, we aim to embed waterwise thinking into every aspect of our business and the community. By partnering with a range of Government agencies and private organisations we will make our state more resilient, sustainable and liveable. This will increase conservation for future generations, making a cleaner, more sustainable environment, and support METRONET across the Perth and Peel region.**

## Making a splash across WA

We recognise our responsibility to improve the liveability and aesthetics of highly visible facilities for local communities across the state. We have worked with many talented home-grown artists to paint nearly 40 assets which bring to life our unique Western Australian water story. These visual reminders help to create an emotional connection to water, highlighting the important role the precious resource plays in our WA lifestyle.

## Reducing water use

Since our waterwise programs began in the early 2000s, we have been successful at reducing water use by working together with the Western Australian community. Key programs continue to be implemented to reduce water use by residential and business customers in Perth and regional areas.

Following our demand management campaign Nature Knows Best 65 per cent of customers surveyed reported making changes to reduce water use. The integrated campaign included promoting an online leak detection tool and the Water Watchers tool, which allows customers to see how their water use compares to similar households.

Other programs include rebates on weather based irrigation controllers and rainwater tanks, letters to 50,000 of Perth's highest water users with tips on how to save, and waterwise partnerships with businesses to identify innovative ways to save and recycle water. We also partnered with Department of Communities to identify ways to save water in social housing. We replaced 75,000 ageing water meters and inspected and repaired leaks on nearly 3,000 km of water mains. It is estimated the programs implemented this year to reduce water use have saved more than 2.2 billion litres of water, building on the significant ongoing savings achieved through the Winter Sprinkler Switch-off and watering rosters.

Since 2001, Perth's average per person water use has decreased by almost 35 per cent, yet Perth still remains one of the highest water using cities in Australia and our efforts in working with our customers to reduce water use are ongoing.

## Drainage for Liveability

In partnership with Department of Water and Environmental Regulation, Local Governments and other stakeholders the Drainage for Liveability Program has enhanced the value of our stormwater drains and basins across WA. Our stormwater drains and basins serve a functional purpose, but also now create more green open spaces in our urban environment. This financial year we have transformed 11 drainage areas into vibrant community spaces that have reduced the urban heat effect and created beautiful natural spaces for residents and local wildlife to enjoy.

## Waterwise Council initiatives

The Waterwise Council Program supports councils to improve their water efficiency and recognises their achievements in building waterwise communities. The program is a partnership between Water Corporation and Department of Water and Environmental Regulation. This financial year, one new council became waterwise endorsed, 18 councils achieved Gold status and one council also received Platinum recognition.

To encourage residents to become more waterwise, we have joined forces with councils to deliver a Waterwise Verge Scheme. Through our scheme, Waterwise Councils can receive rebates to help their residents create sustainable, liveable verges, fostering biodiversity throughout our neighbourhoods. Eligible councils receive dollar-for-dollar funding from Water Corporation. This year 243 verges were installed and over 19,000 waterwise plants subsidised.



City of Bayswater stormwater drain transformation into a community space

# DELIVERY EXCELLENCE AND INNOVATION



**We have continued to maintain the current high level of operational performance for safe, sustainable and cost-effective services.**

## Working together to improve safety

We are uncompromising in our commitment to the health and safety of our employees and the community.

To further improve our safe work practices and ensure our people can confidently make decisions about how to safely manage risk, we have established a Safety Taskforce made up of around 40 employees across WA. The Safety Taskforce focuses on providing teams across the business with relevant information and tools upfront to complete the job safely, and determine ways to improve the management and expectations of our contractors.

We established Safety Essentials which identified the nine activities in our operations that posed the greatest risk to employees. We've launched the next phase of the program which includes updating the associated procedures and tools and outlining mandatory system requirements to support the management of high risk activities.

We have established the Safety Leadership Forum with industry leaders from our major works contractors to ensure capital works projects are delivered as safely as possible. This initiative enables greater collaboration with industry leaders to ensure best practice and lessons learned are embedded within Water Corporation, supporting the 'safe for all' pillar of our vision.

## Expansion of Perth's newest water source

Construction of Stage 2 of Australia's first Groundwater Replenishment Scheme is well underway, duplicating our Advanced Water Recycling Plant in Craigie. Four recharge and four monitoring bores across two offsite recharge locations in Wanneroo and Neerabup

have been built, along with a 13km recharge pipeline connecting the Advanced Water Recycling Plant with the bores. When Stage 2 is complete, the Groundwater Replenishment Scheme will provide a new climate independent water source to boost drinking water supplies in Perth.

## Water Research and Innovation Precinct

The desire to make Perth a leading waterwise city has been a driving factor in the creation of our new innovation hub, the Water Research and Innovation Precinct in Subiaco. The Precinct will help to secure and maintain our precious water supply through collaboration with global technology providers, investigating new and innovative wastewater treatment and resource recovery technologies.

## New source investigation

Perth's current water supply is made up of a number of sources including desalination, groundwater and surface water. As part of our long term planning to secure Perth's water supply, we have completed feasibility investigations for two new seawater desalination plants. These plants would be located near existing Water Corporation sites to maximise our network and minimise the footprint of the plant and the impact on the surrounding community. The investigations were completed for plants located within the Alkimos Water Precinct (next to the Alkimos Wastewater Treatment Plant) and in the Kwinana industrial area at a site owned by Water Corporation adjacent to the Perth Seawater Desalination Plant. Extensive marine research has been conducted to ensure offshore pipelines will be constructed with the least possible environmental impact and we have engaged extensively with stakeholders and community.

Current planning indicates a new water source may be needed for Perth within the next five to ten years, but by using water wisely the community can help defer the need for a new water source.

Measure	Unit	2018-19 Target	2018-19 Actuals	2017-18 Actuals
Total recordable injury frequency rate (TRIFR)	FR	8.5	3.2	7.3
% Hazards controlled within required timeframe	%	98.0	98.8	99.3
% HSEAA inspections completed vs planned	%	97.0	100.0	99.0
% Actions implemented within agreed timeframe	%	98.0	98.4	98.9
Number of fatalities	#	NA	0	1

## Boosting solar to reduce energy footprint

Pumping water and wastewater across 2.6 million square kilometres of Western Australia requires a significant amount of energy. Aligned to our vision we are seeking to reduce our energy footprint by installing solar panels at offices, pump stations, treatment plants and borefields to reduce emissions. Nine of our offices, workshops and depots have had solar energy panels fitted, generating up to 50 per cent of the total power required to run each site. The solar panels are expected to reduce annual emissions by 450 tonnes.

## Pipes for Perth

We're replacing sections of our ageing water main network to avoid future leaks and bursts. This is essential to help ensure the safety and reliability of Perth's water supply.

This financial year, we've replaced over 30km of pipes across the metropolitan area, some of which were over 100 years old. Extensive and innovative community consultation has been carried out to mitigate risk for businesses and customers as we know the work is disruptive. We've recently opened a pop up shop in Beaufort Street, Highgate for businesses, residents and visitors to ask the team any questions they have about the project. In partnership with the City of Vincent and Beaufort Street Network we have delivered Art on Beaufort, an art activation project aiming to bring visitors to the area during construction.

## Acclaimed water innovations

Throughout the year a number of our projects and people have been recognised for their innovation and accomplishments with coveted industry awards and acknowledgements.

Australian Red Cross Blood Donation - Largest Corporate Blood Donor

Australian Water Association (WA) Awards - Water Professional of the Year - Nick Turner (gold)

Australian Water Association (WA) Awards - Water Professional of the Year - Suzanne Brown (finalist)

Australian Water Association (WA) Awards - Young Water Professional of the Year - Kate Bowker (gold)

Australian Water Association (WA) Awards - Young Water Professional of the Year - Moe Oo (finalist)

Australian Water Association (WA) Awards - Program Innovation Award - Tap In (finalist)

Australian Water Association (WA) Awards - Program Innovation Award - Aboriginal Supplier Program (finalist)

Australian Water Association (WA) Awards - Water Sensitive Urban Design (finalist)

Australian Water Association Awards - Infrastructure Project Innovation Award - Groundwater Replenishment Scheme (gold)

Campaign Brief - Advertiser of the Year

International Water Association Awards - Project Innovation Award - West Kimberley Community Grants Scheme (gold)

International Water Association Awards - Project Innovation Award - Mamabulanjin Aboriginal Corporation and Wunan Partnership (gold)

WA Information Technology and Telecommunications Alliance (WAITTA) Awards - H<sub>2</sub>OME Study (gold)

Water Corporation Waterwise Office Program - Gold recognition - John Tonkin Water Centre Facility Management



Construction of Stage 2  
Groundwater Replenishment Scheme

# 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 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 Leederville.

## 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 is updated every year.

Both documents were developed for the 2018-19 year and agreed with the Minister.

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

Appointments are typically staggered to ensure one third of the Directors retire each year. Subject to re-appointment, 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

During 2018-19, Ms Sue Murphy left as Chief Executive Officer of Water Corporation and Executive Director on the Board. Mr Pat Donovan was appointed as her successor.

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 2019 were:

- Audit and Risk
- Safety and Wellbeing
- People and Culture

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

## Audit and Risk Committee

The Audit and Risk Committee was chaired by Mr David Lock and included Directors Mrs Nicole Lockwood and Dr Jemma Green. Each member has substantial corporate and/or financial experience in private enterprise and the necessary skills to undertake the Committee's responsibilities.

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

## Principal activities and duties

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

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

## Safety and Wellbeing Committee

The Safety and Wellbeing Committee was chaired by Mr Michael Hollett and included 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 organisational health and safety matters, inclusive of mental health and wellbeing. The Committee enables focus and accountability on continuous improvement to ensure we create a workplace that is 'safe for all' through encouragement of the Executive, review of policy proposals, and guiding strategies to enable health and safety to be front of mind within Water Corporation.

## People & Culture Committee

During the year the Remuneration Committee changed its name to People & Culture Committee.

This change was approved at the August 2018 Board meeting.

The People & Culture Committee was chaired by Mr Michael Hollett and included Directors Mr David Lock, Mrs Nicole Lockwood and Dr Jemma Green.

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

## Directors' meetings

The number of Board and Committee meetings held and the number of meetings attended by each Director during the 12 months ending 30 June 2019, are shown in the 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 Water Corporation that are raised in Board meetings. The Board has complete independence to determine the policies and control the affairs of the business subject to restrictions imposed by the *Water Corporations Act 1995*. Ministerial approval is required for transactions that are above a prescribed amount (currently over \$25 million) that will result in a major initiative, or are likely to be of significant public interest.

## Ministerial directions

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

## Directors' and Senior Executives' remuneration

For further disclosure of Directors' and Senior Executives' remuneration please refer to the Remuneration report on page 33.

## Governance framework

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

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

## Internal control

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

	Board		Audit and Risk		Safety and Wellbeing		People and Culture Committee	
Number of meetings held	12		4		4		4	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Mr Michael Hollett (Chair)	12	12	0	0	4	4	4	4
Mr David Lock	10	12	4	4	0	0	4	4
Mr David Rowe	12	12	0	0	4	4	0	0
Mrs Nicole Lockwood	11	12	3	4	0	0	2	4
Mr Ross Holt	11	12	0	0	4	4	0	0
Dr Jemma Green <sup>1</sup>	9	9	2	3	0	0	2	3
Ms Sue Murphy (Chief Executive Officer) <sup>2</sup>	5	6	2	2	2	2	1	2
Mr Pat Donovan (Chief Executive Officer) <sup>3</sup>	6	6	2	2	2	2	2	2

1. Dr Jemma Green took maternity leave from 1 July 2018 to 30 September 2018

2. Ms Murphy left as Chief Executive Officer with effect from 31 December 2018

3. Mr Donovan was appointed as Chief Executive Officer with effect from 1 January 2019

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

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

### **Management review and audit**

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

### **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 term. Total auditor remuneration is shown in Note 19 to the Financial Statements on page 59.

### **Risk management**

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

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

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

### **Performance monitoring and reporting**

We provide written quarterly reports and this Annual Report to the Minister for Water detailing our performance and progress made in fulfilling the Statement of Corporate Intent. A written Annual Report

on compliance with the Water Services Licence was also provided to the Economic Regulation Authority. In addition, the Board and Corporate Executive received monthly performance reports covering a diverse range of financial and non-financial matters.

### **Ethical standards**

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

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

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

### **Managing financial exposures**

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

### **Information security management system**

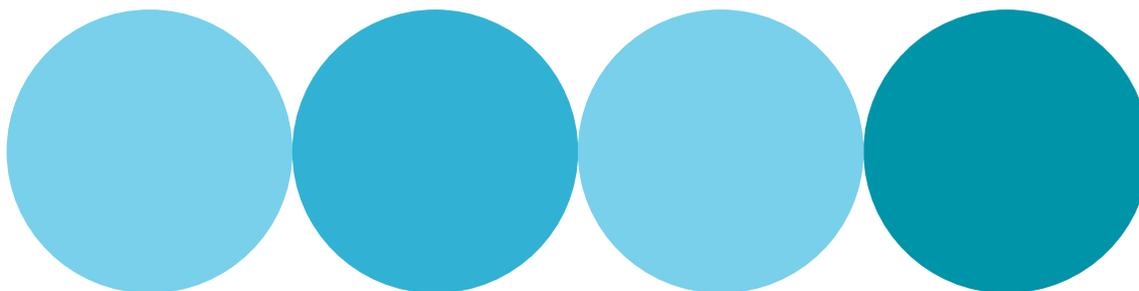
We maintain an enterprise information security management framework that is based on the Australian Standard for *Information Technology – Security techniques – Information security management systems AS/ NZS ISO/IEC 27001:2013*.

### **State Records Act 2000**

In accordance with Section 27 (1) of the *State Records Act 2000* and the *State Records Commission Standards (Standard 2)*, 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 Policies, Procedures and Standards, as well as best practice procedures. We 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.

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

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



## Public Interest Disclosure Statement

The *Public Interest Disclosures Act 2003* was enacted to protect the privacy and confidentiality of both the individual making a public interest disclosure and the subject of that disclosure. Public Interest Disclosure Officers have been appointed. Internal procedures relating to our obligations under the Act have been implemented in accordance with the guidelines provided by the Public Sector Commission. There were two public interest disclosures in the period under review, one was referred to an external agency and is ongoing and one was investigated and resolved.

## 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, 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 2018-19 we received 44 access applications, of which one was transferred in full to another agency, 18 were provided full access, 26 were provided edited access, none were withdrawn, none had access refused, none had access deferred, documents were not found or do not exist for two of the applications and three were on hand at the end of the year.

Eight internal reviews were requested. Fees and charges totalling \$1,290 were received for processing these applications with 15 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](http://watercorporation.com.au)

## Advertising codes

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

## Reportable expenditure

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

Advertising agency	Amount paid
303 MullenLowe	\$399,963 *
The Brand Agency	\$902,225 ^

\* This amount includes costs associated with Water for Life and Be Groundwater Wise.

^ This amount includes costs associated with Nature Knows Best and Winter Sprinkler Switch-off.

Media advertising	Amount paid
Ad Corp	\$35,334
Carat	\$101,778
Initiative	\$1,446,294

Market research	Amount paid
Metrix	\$185,446 +
Painted Dog	\$789,371 #

+ The amount includes costs associated with Customer Performance Index.  
# This amount includes costs for: H<sup>2</sup>OME Study.

# DIRECTORS' REPORT



The Directors of Water Corporation present their report for the 12 months ended 30 June 2019.

## Directors

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

### Mr Michael Hollett (Chair)

Director since 1 January 2012  
Chair since 1 January 2017

### Ms Sue Murphy

Chief Executive Officer since 6 November 2008 to 31 December 2018

### Mr Pat Donovan

Chief Executive Officer since 1 January 2019

### Mr David Lock (Deputy Chair)

Director since 1 January 2014  
Deputy Chair 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

### Dr Jemma Green

Director since 4 July 2017

Director biographies are shown on pages 13 and 14. Directors' meetings and attendance are shown on page 28. Director compensation details are shown on page 33.

## 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 2018-19.

## Dividends

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

	Total amount \$M	Date of payment
Final 2017-18	-	
Interim 2018-19	605	27/06/2019
<b>Total</b>	<b>605</b>	

## Dividend declared after end of year

After the balance sheet date, the Directors have proposed a final dividend of \$4 million for the 2018-19 year, payable on or before 31 December 2019. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2019 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 and Environmental Regulation, Health, and Biodiversity Conservation and Attractions.

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

During the year, we supplied 367 billion litres of water and treated 165 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 Water 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. Director's remuneration has not been increased since December 2014.

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

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

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

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

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

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

- Freezing 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 part of our commitment to the State Government's budget repair strategies, Water Corporation has adopted these measures.

## Details of compensation provided to key management personnel

The directors during the financial year were:

Directors	
M Hollett	Chair (non-executive). Appointed 1 January 2012 and Chair 1 January 2017.
D Lock	Director (non-executive). Appointed 1 January 2014 and Deputy Chair 1 January 2017.
N Lockwood	Director (non-executive). Appointed 1 March 2016.
D Rowe	Director (non-executive). Appointed 1 March 2016.
R Holt	Director (non-executive). Appointed 8 June 2016.
J Green	Director (non-executive). Appointed 4 July 2017.
S Murphy	Chief Executive Officer to 31 December 2018.
P Donovan	Chief Executive Officer. Appointed 1 January 2019. *

\* Mr P Donovan was the General Manager Operations previous to his appointment as Chief Executive Officer. His remuneration in the table below relates to the period as Chief Executive Officer.

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

Total remuneration band (\$)	Number of directors **		Short-term				Post-employment		Long-term benefits		Total	
			Salary & fees		Non-monetary benefits ***		Super-annuation		Long service leave			
			\$'000		\$'000		\$'000		\$'000		\$'000	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
50,000-74,999	5	5	54	54	-	-	5	5	-	-	59	59
100,000-124,999	1	1	109	109	-	-	10	10	-	-	119	119
275,000-299,999	-	1	-	270	-	-	-	8	-	-	-	278
500,000-524,999	1	-	486	-	9	-	25	-	-	-	520	-
550,000-574,999	-	1	-	278	-	15	-	13	-	252	-	558

\*\* 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 in alphabetical order were:

Five highest paid Executives*		Year ended 30 June 2018	Year ended 30 June 2019
M Andrews	General Manager, Operations (1 Jul 17 to 18 Jan 18)	✓	
S Capewell	General Manager, Operations Services	✓	
C Ferrari	General Manager, Customer and Community (to 10 April 2019)		✓
R Hughes	Chief Financial Officer	✓	✓
D Johnston	General Manager, Strategy & Stakeholders	✓	
M Leathersich	General Manager, Assets Delivery and Operations		✓
D McDonald	General Manager, Digital Transformation (to 10 April 2019)		✓
A Vincent	General Manager, Assets Planning (to 10 April 2019)	✓	✓

\* 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**		Termination benefits		Total	
			Salary		Super-annuation		Long service leave					
			\$'000		\$'000		\$'000		\$'000		\$'000	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
325,000-349,999	1	-	304	-	30	-	-	-	-	-	334	-
350,000-374,999	1	1	290	298	25	34	39	23	-	-	354	355
375,000-399,999	2	-	272	-	28	-	-	-	82	-	382	-
400,000-424,999	-	2	-	330	-	27	-	17	-	50	-	424
425,000-449,999	1	-	385	-	25	-	36	-	-	-	446	-
450,000-474,999	-	1	-	264	-	26	-	110	-	72	-	472
700,000-724,999	-	1	-	285	-	31	-	36	-	371	-	723

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

\*\* Long service leave taken in service

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

## Environmental performance

Water 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 unplanned discharges will occasionally occur and 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 2019 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 2019 and the date of the release of this report, the Directors are not aware of any matter or circumstance not otherwise dealt with in the report or financial statements that has significantly, or may significantly, affect our operations, the results of those operations, or our state of affairs in subsequent financial periods.

## Director interests and benefits

In the 12 months to 30 June 2019, Directors did not receive, or become entitled to receive, any benefit (other than a benefit included in the total amount of remuneration received or due and receivable by Directors) by reason of a contract made by Water 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

Water 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 2019, 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**  
Chair



**Pat Donovan**  
Chief Executive Officer

Perth, 23 September 2019

# Performance summary

Performance against key indicators

	Units	2019		2018	2017	2016	2015
		Target	Actual				
<b>SAFETY</b>							
<b>Public health – safe drinking water</b>							
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
<b>COST</b>							
<b>Financial efficiency</b>							
Operating cost per property	\$	824	748.6	794	769	796	819
Total cost per property	\$	1,981	1,908	1,967	1,941	2,004	1,982
Surplus before income tax equivalent	\$m	1,176	1,140	931	920	1,053	1,118
Return on assets	%	7.0	7.1	6.0	5.8	5.8	5.8
Return on equity	%	7.7	7.4	6.2	6.2	7.2	7.9
Interest cover	Times	4.6	5	4.2	4.0	3.8	3.6
Debt to total assets	%	34.9	34.9	35.1	34.3	34.0	33.8
<b>ENVIRONMENT</b>							
<b>Ecosystem protection</b>							
Overflows to Swan-Canning - conveyance system	No.	0	3	4	4	3	2
Overflows to Swan-Canning - pump stations only	No.	0	0	0	1	0	1
<b>Energy and greenhouse gases</b>							
Electricity consumption per unit of output for water	MWh/ML	2.40	1.57	2.38	2.41	2.17	1.93
Electricity consumption per unit of output for wastewater	MWh/ML	0.85	0.84	0.91	0.87	0.81	0.8
Total energy consumption	TJ	-	3,072	4,105	3,863	3,633	3,346
Reported greenhouse gas emissions (CO2 equivalent)	kT	795.0	575	771	806	784	717
<b>Materials use efficiency</b>							
Biosolids re-use (Perth metro)	%	100	100	100	100	100	100

		2019		2018	2017	2016	2015
	Units	Target	Actual				
<b>ENVIRONMENT (continued)</b>							
<b>Compliance</b>							
Number of legal sanctions for environmental breaches	No.	0	1	0	0	0	0
% Environment Non-Compliances Addressed	%	96.0	96.2	100.0	99	94.9	98.7
<b>CUSTOMER EXPERIENCE</b>							
<b>Essential service provision</b>							
Continuity - properties not affected by interruption > 1 hr	%	75.0*	76.1	76.3	77.7	77.5	79.4
Water pressure and flow standards	%	99.80*	99.95	99.90	100.00	100.00	99.95
Water quality faults responsiveness	%	95.0	96.8	97.0	97.3	98.3	98.2
Installation of new water connections	%	90.0	99.0	97.4	97.2	98.6	97.4
Properties without wastewater overflow	%	99.80*	99.89	99.9	99.9	99.9	99.9
<b>Demand-supply balance</b>							
Number of waterwise schools <sup>1</sup>	No.	-	580	575	523	503	503
Drought response (number of schemes on temporary restrictions)	No.	-	0	0	0	1	1
<b>Demand-supply balance</b>							
Environmental performance - Demand-supply balance - water supplied per capita (Perth metro)	kL	125	126	123	122	127	126
<b>Asset Performance</b>							
Blockages per 100km of sewer	No.	40.0*	16.5	16.1	16.7	18.3	17.4
Leaks and bursts per 100km of main	No.	20.0*	15.9	16.2	17.9	17.8	17.8
Drainage systems operating in accordance with guidelines	%	100*	100	100	100	100	100
<b>Customer Service</b>							
Complaints (per 1000 properties) MTD	No.	0.4	0.1	0.2	0.1	0.07	0.08
Written customer complaints (responsiveness) < 15 business days	%	90.0	100.0	100.0	98.9	98.4	100.0
Telephone calls to '13' numbers abandoned after 30 seconds	%	5.0	3.6	2.9	1.7	1.7	1.6
Telephone calls to '13' numbers first call resolution	%	90.0	92.9	91.8	92.6	92.0	97.5
<b>SUPPORT FOR COMMUNITY AND STATE</b>							
<b>Employment and workforce</b>							
Employee initiated turnover	No.	7.00	6.8	7.8	5.5	6.2	5.8
Women in senior management - tier 2	%	25.00	25.00	28.57	22.2	22.2	20.0
Women in senior management - tier 3	%	25.00	25.80	27.78	32.2	27.5	20.0
People from culturally diverse backgrounds	%	14.00	12.91	12.80	13.7	13.6	13.6
Indigenous Australians	%	2.68	3.83	3.54	3.12	3.01	2.35
People with disabilities	%	1.50	1.92	0.91	0.91	1.05	1.20
Youth (15-24)	%	3.60	3.23	3.13	2.90	3.62	3.20
Total Recordable Injury Frequency Rate (TRIFR)	No.	8.5	3.2	7.3	8.5	10.9	n/a
<b>Shareholder accountability</b>							
Responsiveness to priority one enquiries	%	90.0	95.5	97.5	98.4	96.2	96.7

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

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

## Five-year statistical summary

Financial data	Units	2019	2018	2017	2016	2015
Total revenue	\$'000	2,761,367	2,608,254	2,549,288	2,714,630	2,736,154
Operating subsidy	\$'000	420,050	408,928	464,225	546,813	573,232
Direct operating expenses	\$'000	873,618	917,991	875,113	897,217	880,452
Depreciation / amortisation	\$'000	492,575	495,106	486,275	459,727	459,732
Net interest expense	\$'000	242,842	249,185	253,592	256,263	274,032
Income tax expense	\$'000	353,629	281,254	275,048	315,589	334,305
Operating surplus after tax	\$'000	786,591	649,856	645,383	736,885	784,146
Transfer to / (from) reserves	\$'000	0	0	0	(939,388)	130,699
Non-current borrowings	\$'000	6,194,213	5,253,312	4,959,000	5,679,437	5,592,772
New works investment (excluding developers take-over works)	\$'000	695,504	775,845	805,594	579,365	765,927
Current borrowings	\$'000	8,094	887,723	926,000	7,000	20,000
New borrowings	\$'000	70,000	264,000	199,000	82,000	175,000
<b>Operating data</b>						
<b>Water supply services</b>						
Annual volume of water supplied	ML	366,820	363,038	360,930	370,001	366,495
Number of properties served	No.	1,308,558	1,293,887	1,274,089	1,251,490	1,226,248
Number of properties connected	No.	1,123,748	1,111,464	1,095,943	1,078,639	1,057,388
Length of mains	km	34,779	34,678	34,799	34,680	34,424
<b>Wastewater services</b>						
Average volume of wastewater treated daily	ML	452	448	449	446	449
Number of properties served	No.	1,065,505	1,052,983	1,035,809	1,017,699	994,344
Number of properties connected	No.	989,094	975,583	958,064	937,220	910,167
Length of sewers	km	17,193	17,051	16,903	16,693	16,416
<b>Drainage services</b>						
Number of properties served (metropolitan)	No.	416,253	411,803	406,724	398,844	391,408
Length of drains	km	2,545	2,547	2,549	2,546	2,546
<b>Irrigation services</b>						
Volume of water delivered	ML	5,142	5,234	5,731	139,268	150,147
<b>Employees</b>						
Total number of employees	No.	2,819	2,746	2,758	2,654	2,852
Total number of full-time equivalents (ftes)	No.	2,679	2,609	2,622	2,533	2,703
Total number of ftes (year-end average)	No.	2,637	2,599	2,576	2,520	2,845

## Principal statistics

### Water supply

Region	Properties served	Properties connected	Water supply services	Length of mains (kilometres)	Water supplied <sup>2</sup> (megalitres)
Perth Metro	1,008,035	864,786	740,992	14,338	249,406
Mandurah-Murray	61,928	52,421	46,872	1,183	12,925
<b>Perth Region<sup>1</sup></b>	<b>1,069,963</b>	<b>917,207</b>	<b>787,864</b>	<b>15,521</b>	<b>262,331</b>
Goldfields & Agricultural	43,178	38,731	42,496	9,631	22,253
Great Southern	47,634	41,631	40,975	4,073	12,548
Mid-West	50,096	41,072	37,543	2,286	16,813
North-West	42,887	35,398	29,283	1,502	38,679
South-West	54,800	49,709	45,355	1,765	14,195
<b>Total</b>	<b>1,308,558</b>	<b>1,123,748</b>	<b>983,516</b>	<b>34,779</b>	<b>366,820</b>

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
Perth Metro	846,867	797,394	12,447	667	12
Mandurah-Murray	49,771	44,082	896	85	4
<b>Perth Region<sup>1</sup></b>	<b>896,638</b>	<b>841,476</b>	<b>13,343</b>	<b>752</b>	<b>16</b>
Goldfields & Agricultural	11,269	9,649	318	32	19
Great Southern	29,828	25,835	736	83	21
Mid-West	26,006	20,881	592	69	19
North-West	34,376	31,116	682	76	17
South-West	67,388	60,137	1,522	166	20
<b>Total</b>	<b>1,065,505</b>	<b>989,094</b>	<b>17,193</b>	<b>1,178</b>	<b>112</b>

### Drainage

Region	Properties served	Length of drains controlled (kilometres)
Perth	416,253	1,119
Great Southern	n/a	131
South-West	n/a	1,295
<b>Total</b>	<b>416,253</b>	<b>2,545</b>

### Irrigation

Region	Water supplied (megalitres)
Mid-West <sup>1</sup>	4,251
North-West <sup>2</sup>	891
South-West <sup>3</sup>	n/a
<b>Total</b>	<b>5,142</b>

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

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

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

## Metropolitan sources of supply

Source	Area of catchment (square km)	Storage capacity (megalitres)	Storage at 30/06/2019 (megalitres)	Percentage of maximum storage (%)	Output to 30/06/2019 (megalitres)
<b>Dams</b>					
Stirling	252	57,404	26,594	46.3	19,867
Samson WTP	192	8,003	2,538	31.7	10,232
South Dandalup	313	138,345	28,421	20.5	0
North Dandalup	151	60,791	39,293	64.6	6,790
Serpentine and Serpentine Pipehead	693	140,292	65,571	46.7	22,955
Canning	728	90,353	52,981	58.6	29,762
Wungong	128	59,796	39,340	65.8	14,618
Churchman	18	2,241	934	41.7	899
Victoria	37	9,463	2,839	30.0	2,688
<b>Total hills sources output gross</b>		<b>566,688</b>	<b>258,510</b>	<b>45.6</b>	<b>107,811</b>
<b>Total hills transfers input</b>					<b>33,796</b>
<b>Total hills sources output nett</b>					<b>74,016</b>
<b>Groundwater</b>					
Artesian Bores					30,261
Mirrabooka					13,933
Gwelup					11,009
Wanneroo					25,471
Jandakot					14,135
Neerabup					23,498
Lexia					2,899
Yanchep/Two Rocks					1,112
<b>Total groundwater output</b>					<b>122,317</b>
<b>Desalination</b>					
Perth seawater desalination plant					39,029
Southern seawater desalination plant					50,266
<b>Total desalination output</b>					<b>89,295</b>
<b>Water received from bulk supplier</b>					
GAWS supply to Perth					1,906
<b>Total</b>					<b>1,906</b>
<b>Bulk water exported</b>					
to Mundaring Dam for GAWS					16,446
Mandurah Murray					12,925
South-West Region					1,267
GSTWS					4,212
<b>Total</b>					<b>34,850</b>
<b>Total water sourced</b>					
Net output from surface water					74,016
Groundwater					122,317
Desalination					89,295
Received from bulk supplier					1,906
<b>Total sources</b>					<b>287,533</b>
<b>Riparians (from distribution system)</b>					
Riparians from distribution system					2,383
<b>Total potable water supplied</b>					
Total water sourced					287,533
Bulk water exported					(34,850)
Riparians (from distribution system)					(2,383)
Operational use & service reservoir vol change					(894)
<b>Total water supplied</b>					<b>249,406</b>



# FINANCIAL REPORT

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# Consolidated statement of comprehensive income

For the year ended 30 June 2019



	Note	2019 \$M	2018 \$M
<b>Revenue</b>			
Annual service charges		1,310	1,220
Volume charges		746	704
Operating subsidies		420	409
Developers' contributions		170	181
Other revenue	5	115	94
<b>Total revenue</b>		<b>2,761</b>	<b>2,608</b>
<b>Expenses</b>			
Depreciation and amortisation	10 & 11	(493)	(496)
Employee benefits expense	6(a)	(313)	(306)
Hired and contracted services		(135)	(134)
Energy	6(b)	(102)	(157)
Other expenses	6(c)	(328)	(334)
<b>Total expenses</b>		<b>(1,371)</b>	<b>(1,427)</b>
<b>Results from operating activities</b>		<b>1,390</b>	<b>1,181</b>
Net finance costs	7	(243)	(250)
<b>Surplus before income tax equivalent</b>		<b>1,147</b>	<b>931</b>
Income tax equivalent expense	8	(356)	(281)
<b>Surplus for the year</b>		<b>791</b>	<b>650</b>
Other comprehensive (expense) / income		(6)	2
Related income tax equivalent benefit / (expense)	8	2	(1)
<b>Other comprehensive (expense) / income, net of tax equivalent</b>		<b>(4)</b>	<b>1</b>
<b>Total comprehensive income for the year</b>		<b>787</b>	<b>651</b>
<b>Attributable to:</b>			
Owner of the Corporation		787	651
Non-controlling interests	26	-	-
		<b>787</b>	<b>651</b>

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

# Consolidated statement of financial position

As at 30 June 2019



	Note	2019 \$M	2018 \$M
<b>Current assets</b>			
Cash and cash equivalents		26	26
Trade and other receivables	9	251	228
Prepayments		5	4
Inventories		30	22
<b>Total current assets</b>		<b>312</b>	<b>280</b>
<b>Non-current assets</b>			
Trade and other receivables	9	21	19
Property, plant and equipment	10	17,341	17,108
Intangible assets	11	93	83
<b>Total non-current assets</b>		<b>17,455</b>	<b>17,210</b>
<b>Total assets</b>		<b>17,767</b>	<b>17,490</b>
<b>Current liabilities</b>			
Trade and other payables		305	329
Interest-bearing loans and borrowings	12	8	9
Income tax equivalent payable		60	7
Provisions	14	11	1
Employee benefits	15	89	88
Other liabilities	16	20	18
<b>Total current liabilities</b>		<b>493</b>	<b>452</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	12	6,194	6,132
Deferred tax equivalent liabilities	13	246	246
Provisions	14	11	17
Employee benefits	15	45	41
Other liabilities	16	16	22
<b>Total non-current liabilities</b>		<b>6,512</b>	<b>6,458</b>
<b>Total liabilities</b>		<b>7,005</b>	<b>6,910</b>
<b>Net assets</b>		<b>10,762</b>	<b>10,580</b>
<b>Equity</b>			
Contributed equity	17	7,561	7,561
Accumulated surplus		3,201	3,019
<b>Equity attributable to owners of the Corporation</b>		<b>10,762</b>	<b>10,580</b>
<b>Non-controlling interests</b>		-	-
<b>Total equity</b>		<b>10,762</b>	<b>10,580</b>

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

# Consolidated statement of changes in equity

for the year ended 30 June 2019



	Attributable to owners of the Corporation			Non-controlling interests	Total equity
	Contributed equity	Accumulated surplus	Total		
	\$M	\$M	\$M	\$M	\$M
<b>Opening balance at 1 July 2018</b>	<b>7,561</b>	<b>3,019</b>	<b>10,580</b>	-	<b>10,580</b>
<b>Total comprehensive income for the year</b>					
Surplus for the year	-	791	791	-	791
Other comprehensive expense (net of tax equivalent)	-	(4)	(4)	-	(4)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>787</b>	<b>787</b>	<b>-</b>	<b>787</b>
<b>Transactions with owners, recorded directly in equity</b>					
Contributions by and distributions to owners:					
Dividends paid	-	(605)	(605)	-	(605)
<b>Total transactions with owners</b>	<b>-</b>	<b>(605)</b>	<b>(605)</b>	<b>-</b>	<b>(605)</b>
<b>Closing balance at 30 June 2019</b>	<b>7,561</b>	<b>3,201</b>	<b>10,762</b>	<b>-</b>	<b>10,762</b>

# Consolidated statement of changes in equity

for the year ended 30 June 2018



	Attributable to owners of the Corporation			Non-controlling interests	Total equity
	Contributed equity	Accumulated surplus	Total		
	\$M	\$M	\$M		
<b>Opening balance at 1 July 2017</b>	<b>7,561</b>	<b>2,896</b>	<b>10,457</b>	-	<b>10,457</b>
<b>Total comprehensive income for the year</b>					
Surplus for the year	-	650	650	-	650
Other comprehensive income (net of tax equivalent)	-	1	1	-	1
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>651</b>	<b>651</b>	<b>-</b>	<b>651</b>
<b>Transactions with owners, recorded directly in equity</b>					
Contributions by and distributions to owners:					
Dividends paid	-	(528)	(528)	-	(528)
<b>Total transactions with owners</b>	<b>-</b>	<b>(528)</b>	<b>(528)</b>	<b>-</b>	<b>(528)</b>
<b>Closing balance at 30 June 2018</b>	<b>7,561</b>	<b>3,019</b>	<b>10,580</b>	<b>-</b>	<b>10,580</b>

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

# Consolidated statement of cash flows

For the year ended 30 June 2019



	Note	2019 \$M	2018 \$M
<b>Cash flows from operating activities</b>			
Cash receipts from customers		2,055	1,946
Interest received		4	-
Interest paid		(264)	(267)
Cash paid to suppliers and employees		(965)	(990)
Income tax equivalents paid		(302)	(300)
Government grants		30	24
Operating subsidies		420	409
Developers' contributions		100	121
GST received		108	122
Other fees and charges		52	53
<b>Net cash from operating activities</b>	18	<b>1,238</b>	<b>1,118</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(672)	(810)
Acquisition of intangible assets		(29)	(26)
Proceeds from sale of property, plant and equipment		7	4
Recognition of alliance cash on consolidation		-	3
<b>Net cash used in investing activities</b>		<b>(694)</b>	<b>(829)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from borrowings		70	264
Dividends paid		(605)	(528)
Payment of finance lease liabilities		(9)	(9)
<b>Net cash used in financing activities</b>		<b>(544)</b>	<b>(273)</b>
<b>Net increase in cash and cash equivalents</b>		<b>-</b>	<b>16</b>
<b>Cash and cash equivalents at 1 July</b>		<b>26</b>	<b>10</b>
<b>Cash and cash equivalents at 30 June</b>		<b>26</b>	<b>26</b>

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

# Notes to the consolidated financial report

## Note 1: Reporting entity

Water Corporation (the "Corporation") is a not-for-profit entity incorporated under the *Water Corporations Act 1995* and domiciled in Australia. Its registered office is at 629 Newcastle St Leederville WA 6007. These consolidated financial statements cover the year ended 30 June 2019 and comprise the Corporation and its controlled entities (together referred to as the "Group"). The Group is primarily involved in the provision of water and wastewater services.

## Note 2: Basis of preparation

The consolidated 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 consolidated financial report complies with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The consolidated financial report was approved in accordance with a resolution of the Directors on 20 August 2019.

The consolidated financial report is prepared on the historical cost basis except for certain financial assets and financial liabilities which are stated at their fair value. The methods used to measure fair values are discussed further in Note 25.

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

## Note 3: Functional and presentation currency

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

## Note 4: Use of estimates and judgements

In preparing this consolidated financial report, management has made judgements, estimates and assumptions that affect the application of the Group'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 consolidated 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

	2019 \$M	2018 \$M
Other fees and charges	73	70
Government grants	30	14
Rental income	9	8
Net gain on disposal of property, plant and equipment	3	2
	<b>115</b>	<b>94</b>

**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 it is probable that benefits will flow to the entity.

## Note 6: Expenses

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

	2019 \$M	2018 \$M
Salaries, wages and other employee expenses	285	279
Superannuation expense	28	27
	<b>313</b>	<b>306</b>

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

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

**Note 6(c)** Other expenses include the following:

	2019 \$M	2018 \$M
Information technology	41	44
Equipment hire charges	24	25
Corporate charges	33	37
Materials	27	29
Chemicals	25	28
Derecognised assets	13	12
Payroll tax and workers compensation	26	26
Contract labour	74	66
Property expenses	33	34
Other	14	17
Maintenance and Asset management Alliance partners (refer note 26)	5	5
Discontinued capital projects	13	11
	<b>328</b>	<b>334</b>

## Note 7: Net finance costs

	2019 \$M	2018 \$M
<b>Finance income</b>		
Interest income	4	-
<b>Finance costs</b>		
Interest expense	266	265
Capitalised interest (Note a)	(19)	(15)
Total finance costs	247	250
<b>Net finance costs</b>	<b>243</b>	<b>250</b>

**Note a)** The average interest rate used to capitalise interest expenses related to major works was: 4.11% 2019, 4.27% 2018

## Note 8: Income tax equivalent expense

### 8.1 Recognised in surplus or deficit

	2019 \$M	2018 \$M
<b>Current income tax equivalent expense</b>		
Current year	356	281
<b>Total income tax equivalent expense</b>	<b>356</b>	<b>281</b>

### 8.2 Recognised in other comprehensive income

	Before tax 2019 \$M	Tax benefit 2019 \$M	Net of tax 2019 \$M	Before tax 2018 \$M	Tax expense 2018 \$M	Net of tax 2018 \$M
Re-measurement of defined benefit liability	(6)	2	(4)	2	(1)	1

### 8.3 Reconciliation of effective tax equivalent rate

	2019 \$M	2018 \$M
Surplus for the year attributable to parent entity	791	650
Total income tax equivalent expense	356	281
<b>Surplus before income tax equivalent expense</b>	<b>1,147</b>	<b>931</b>
Income tax equivalent using the Group's tax equivalent rate (30%)	344	280
Non-taxable income	(1)	(1)
Adjustment in respect of previous year	13	2
<b>Effective tax equivalent expense</b>	<b>356</b>	<b>281</b>

## Note 9: Trade and other receivables

	2019 \$M	2018 \$M
<b>Current</b>		
Trade and other receivables (Note a)	255	232
Expected credit loss	(4)	(4)
	<b>251</b>	<b>228</b>
<b>Non-current</b>		
Pensioner rates deferrals (Note b)	21	19
	<b>21</b>	<b>19</b>
<b>Total trade and other receivables</b>	<b>272</b>	<b>247</b>

**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 Deferrals) 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 28.2b).

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

## Note 10: Property, plant and equipment

	Cost 2019 \$M	Accumulated depreciation 2019 \$M	Carrying amount 2019 \$M
System assets	21,499	6,218	15,281
Land and buildings	915	171	744
Support assets	356	248	108
Works in progress	1,208	-	1,208
<b>Carrying amount of property, plant and equipment</b>	<b>23,978</b>	<b>6,637</b>	<b>17,341</b>

Comparative figures for 2018 are as follows:

	Cost 2018 \$M	Accumulated depreciation 2018 \$M	Carrying amount 2018 \$M
System assets	20,925	5,815	15,110
Land and buildings	901	158	743
Support assets	349	233	116
Works in progress	1,139	-	1,139
<b>Carrying amount of property, plant and equipment</b>	<b>23,314</b>	<b>6,206</b>	<b>17,108</b>

### 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 2019 \$M	Land and buildings 2019 \$M	Support assets 2019 \$M	Works in progress 2019 \$M	Total 2019 \$M
Balance at 1 July 2018	15,110	743	116	1,139	17,108
Additions	85	-	-	667	752
Disposals	(12)	(3)	(2)	-	(17)
Depreciation expense	(434)	(15)	(24)	-	(473)
Transfers between classes	532	19	18	(598)	(29)
<b>Balance at 30 June 2019</b>	<b>15,281</b>	<b>744</b>	<b>108</b>	<b>1,208</b>	<b>17,341</b>

Comparative figures for 2018 are as follows:

	System assets 2018 \$M	Land and buildings 2018 \$M	Support assets 2018 \$M	Works in progress 2018 \$M	Total 2018 \$M
Balance at 1 July 2017	14,859	680	113	1,146	16,798
Additions	81	3	-	719	803
Disposals	(14)	(2)	(1)	-	(17)
Depreciation expense	(439)	(14)	(23)	-	(476)
Transfers between classes	623	76	27	(726)	-
<b>Balance at 30 June 2018</b>	<b>15,110</b>	<b>743</b>	<b>116</b>	<b>1,139</b>	<b>17,108</b>

### Leased assets – Mundaring Water Treatment Plant

In 2012, the Group 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 2019 was \$222 million (2018: \$231 million).

## Note 11: Intangible assets

	Cost 2019 \$M	Accumulated amortisation 2019 \$M	Carrying amount 2019 \$M
Computer software	314	260	54
Intellectual property	2	2	-
Water entitlement	31	-	31
Property easements	8	-	8
<b>Total intangible assets</b>	<b>355</b>	<b>262</b>	<b>93</b>

Comparative figures for 2018 are as follows:

	Cost 2018 \$M	Accumulated amortisation 2018 \$M	Carrying amount 2018 \$M
Computer software	286	242	44
Intellectual property	2	2	-
Water entitlement	31	-	31
Property easements	8	-	8
<b>Total intangible assets</b>	<b>327</b>	<b>244</b>	<b>83</b>

### 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 2019 \$M	Water entitlement 2019 \$M	Property easements 2019 \$M	Total 2019 \$M
Balance at 1 July 2018	44	31	8	83
Additions	1	-	-	1
Amortisation expense	(20)	-	-	(20)
Transfers	29	-	-	29
<b>Balance at 30 June 2019</b>	<b>54</b>	<b>31</b>	<b>8</b>	<b>93</b>

Comparative figures for 2018 are as follows:

	Computer software 2018 \$M	Water entitlement 2018 \$M	Property easements 2018 \$M	Total 2018 \$M
Balance at 1 July 2017	41	31	5	77
Additions	23	-	3	26
Amortisation expense	(20)	-	-	(20)
<b>Balance at 30 June 2018</b>	<b>44</b>	<b>31</b>	<b>8</b>	<b>83</b>

### Impairment test for water entitlements

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

	2019 \$M	2018 \$M
<b>Current</b>		
Unsecured:		
Finance lease liabilities (Note b)	8	9
<b>Non-current</b>		
Unsecured:		
Western Australian Treasury Corporation Term Fixed Rate Lending (Note a)	3,886	3,841
Western Australian Treasury Corporation Term Floating Rate Lending (Note a)	2,094	2,069
Finance lease liabilities (Note b)	214	222
	<b>6,194</b>	<b>6,132</b>
<b>Total interest-bearing loans and borrowings</b>	<b>6,202</b>	<b>6,141</b>

### Note a) Western Australian Treasury Corporation term fixed & floating rate lending

The non-current amount of the Term Fixed Rate Lending of \$3,886 million (2018: \$3,841 million), includes \$387 million (2018: \$379 million) that will contractually become due and payable during the 2019-20 year. The non-current amount of the Term Floating Rate Lending of \$2,094 million (2018: \$2,069 million), includes \$642 million (2018: \$500 million) that will contractually become due and payable during the 2019-20 year. It is the Corporation's expectation that these amounts will be refinanced under contractual arrangements in place with the Western Australian Treasury Corporation, rather than repaid, and therefore they are not recognised as current borrowings. This is supported by:

- (i) An agreement with the Western Australian Treasury Corporation, an entity owned by the Western Australian State Government, where the Corporation's borrowings are refinanced at regular intervals between 2019 and 2029; 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 2019 Western Australian State Budget.

### Note b) Finance lease liabilities

Finance lease liabilities are payable as follows:

	2019 \$M	2018 \$M
Less than one year	8	9
Between one and five years	32	32
More than five years	182	190
	<b>222</b>	<b>231</b>

Leases under which the Group 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 Group 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 Group 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 2019 \$M	Liabilities 2019 \$M	Net 2019 \$M
Property, plant and equipment	-	297	297
Provisions	(45)	-	(45)
Other items	(19)	13	(6)
Deferred tax equivalent (assets) / liabilities	(64)	310	246
Set off of tax equivalents	64	(64)	-
<b>Net deferred tax equivalent liabilities</b>	<b>-</b>	<b>246</b>	<b>246</b>

Comparative figures for June 2018 are as follows:

	Assets 2018 \$M	Liabilities 2018 \$M	Net 2018 \$M
Property, plant and equipment	-	289	289
Provisions	(43)	-	(43)
Other items	(12)	12	-
Deferred tax equivalent (assets) / liabilities	(55)	301	246
Set off of tax equivalents	55	(55)	-
<b>Net deferred tax equivalent liabilities</b>	<b>-</b>	<b>246</b>	<b>246</b>

### 13.2 Movement in temporary differences during the year

	Balance 1 July 18 \$M	Recognised in income \$M	Balance 30 June 19 \$M
Property, plant and equipment	289	8	297
Provisions	(43)	(2)	(45)
Other items	-	(6)	(6)
	<b>246</b>	<b>-</b>	<b>246</b>

Comparative figures for June 2018 are as follows:

	Balance 1 July 17 \$M	Recognised in income \$M	Balance 30 June 18 \$M
Property, plant and equipment	292	(3)	289
Provisions	(43)	-	(43)
Other items	(3)	3	-
	<b>246</b>	<b>-</b>	<b>246</b>

## Note 14: Provisions

	2019 \$M	2018 \$M
<b>Current</b>		
Workers compensation	1	-
Site restoration	8	1
Decommissioning	2	-
	<b>11</b>	<b>1</b>
<b>Non-current</b>		
Workers compensation	2	1
Site restoration	9	16
	<b>11</b>	<b>17</b>
<b>Total provisions</b>	<b>22</b>	<b>18</b>

Reconciliations of the carrying amount of provisions for 2019 are set out below:

	Workers' Compensation \$M	Site Restoration \$M	Decomm- issioning \$M	Total \$M
Carrying amount at 1 July 2018	1	17	-	18
Provisions made during the year	2	-	2	4
Carrying amount at 30 June 2019	<b>3</b>	<b>17</b>	<b>2</b>	<b>22</b>

### 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 the findings of preliminary and detailed investigations. Refer to note 28.14.3.

## Note 15: Employee benefits

The provision for employee benefits comprises:

	2019 \$M	2018 \$M
<b>Current</b>		
Long service leave	48	47
Annual leave	36	35
Other employee benefits	2	3
Defined benefit superannuation (Note a)	3	3
	<b>89</b>	<b>88</b>
<b>Non-current</b>		
Long service leave	5	5
Defined benefit superannuation (Note a)	40	36
	<b>45</b>	<b>41</b>
<b>Total employee benefits</b>	<b>134</b>	<b>129</b>

## Note a) Defined benefit superannuation

The Group 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 Group'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 Group 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 Group. 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

	2019 \$M	2018 \$M
Pension Scheme	37	32
GSSS	6	7
<b>Net defined benefit liability</b>	<b>43</b>	<b>39</b>

### Reconciliation of the defined benefit obligation

	2019 \$M	2018 \$M
Present value of defined benefit obligations at beginning of the year	39	42
Interest cost	1	1
Actuarial (gains)/losses arising from changes in financial assumptions	6	(2)
Benefits paid	(3)	(2)
<b>Present value of defined benefit obligations at end of the year</b>	<b>43</b>	<b>39</b>

### Fair value of scheme assets

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

### Significant actuarial assumptions at the reporting date

	2019	2018
<i>Assumptions to determine start of year defined benefit obligation and defined benefit cost for the current year</i>		
Discount rate (pensioners and active members)	2.6%	2.3%
Expected salary increase rate	1.5% for 2018/19, 1.5% for 2019/20, 1.5% for 2020/21, and then 4.2% pa	1.5% for 2017/18, 1.1% for 2018/19, 1.0% for 2019/20, and then 3.7% pa
Expected pension increase rate	2.5%	2.5%
<i>Assumptions to determine defined benefit obligation at the valuation date</i>		
Discount rate (pensioners and active members)	1.4%	2.6%
Expected salary increase rate	1.5% for 2019/20, 1.5% for 2020/21, and then 4.2% pa	1.5% for 2018/19, 1.5% for 2019/20, 1.5% for 2020/21, and then 4.2% pa
Expected pension increase rate	2.5%	2.5%

The discount rate is based on the Government bond maturing in November 2027. 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 2019 under several scenarios is presented below.

### Pension Scheme

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

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

	Base Case	Scenario A -0.5% pa discount rate	Scenario B +0.5% pa discount rate	Scenario C -0.5% pa pension increase rate	Scenario D +0.5% pa pension increase rate
Discount rate	1.4% pa	0.9% pa	1.9% pa	1.4% pa	1.4% pa
Pension increase rate	2.5% pa	2.5% pa	2.5% pa	2.0% pa	3.0% pa
Defined benefit obligation (\$M)	37	41	35	35	40

### GSSS

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

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

	Base Case	Scenario A -0.5% pa discount rate	Scenario B +0.5% pa discount rate	Scenario C -0.5% pa increase rate & indexation rate	Scenario D +0.5% pa increase rate & indexation rate
Discount rate	1.4% pa	0.9% pa	1.9% pa	1.4% pa	1.4% pa
Salary increase rate	4.2% pa	4.2% pa	4.2% pa	3.7% pa	4.7% pa
Defined benefit obligation (\$M)	6	6	6	6	6

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 2020 are \$3m.

### Maturity profile of defined benefit obligation

- Pension Scheme – The weighted average duration of the Group's defined benefit obligation is 15.9 years (2018: 15.6 years).
- GSSS – The weighted average duration of the Group's defined benefit obligation is 2.8 years (2018: 2.8 years).

## Note 16: Other liabilities

	2019 \$M	2018 \$M
<b>Current</b>		
Developers' deferred liabilities (Note a)	13	13
Deposits	7	5
	<b>20</b>	<b>18</b>
<b>Non-current</b>		
Developers' deferred liabilities (Note a)	12	18
Deposits	4	4
	<b>16</b>	<b>22</b>
<b>Total other liabilities</b>	<b>36</b>	<b>40</b>

### 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 Group.

## Note 17: Equity

### 17.1 Contributed equity

	2019 \$M	2018 \$M
Owner's initial contribution (Note a)	7,327	7,327
Equity contributions (Note b)	234	234
	<b>7,561</b>	<b>7,561</b>

#### 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 Group for the year ended 30 June.

	2019 \$M	2018 \$M
Interim dividend payment	605	513
Final dividend payment for the prior year	-	15
	<b>605</b>	<b>528</b>

## Note 18: Reconciliation of cash flows from operating activities

### 18.1 Cash and cash equivalents

For the purposes of the consolidated 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 2019, the average interest rate was 2.05% (2018: 1.99%).

The Group'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

	2019 \$M	2018 \$M
<b>Surplus for the year</b>	<b>791</b>	<b>650</b>
Gain on disposal of assets	(3)	(2)
Derecognised assets	13	12
Developers' contributions (non-cash)	(59)	(60)
Non-Developers' contributions (non-cash)	(11)	-
Capitalisation of interest expense	(19)	(15)
Impairment loss on receivables	-	2
Employee benefits:		
Superannuation	-	(2)
Long service leave	-	1
Annual leave	1	6
Provisions:		
Site restoration - net	-	4
Depreciation and amortisation	493	496
GST paid for property, plant and equipment	41	50
Increase in trade and other receivables	(27)	(11)
Increase in income tax equivalent	54	(18)
Increase in inventories	(7)	2
Increase in trade and other payables and other liabilities	(31)	3
Decommissioning and Disposal	2	-
<b>Net cash from operating activities</b>	<b>1,238</b>	<b>1,118</b>

## 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:

	2019 \$'000	2018 \$'000
Audit of financial reports	301	302

## Note 20: Related parties

### Key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. This comprises all Ministers, the directors and the general managers who lead the various groups of the Group. The Group 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:

	2019 \$'000	2018 \$'000
Short-term employee benefits	3,402	3,493
Post-employment benefits	299	301
Other long-term benefits	167	115
Termination benefits	1,281	164
	<b>5,149</b>	<b>4,073</b>

### Other transactions with key management personnel and related entities

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

There are no reportable related party transactions with the current Ministers, the directors or the general managers of the Group this financial year (2018: nil).

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

	Transaction value year ended	
	2019 \$M	2018 \$M
<b>Transactions with Department of Treasury, Department of Finance and Western Australian Treasury Corporation</b>		
<b>Receipts</b>		
Department of Treasury – operating subsidiaries	428	409
Western Australian Treasury Corporation		
- Proceeds from borrowings	1,281	1,348
- Foreign currency	2	-
<b>Payments</b>		
Department of Treasury		
- Dividends	605	528
- Income tax equivalent	302	300
- Local government rates equivalent	7	7
Department of Finance		
- Payroll tax	20	20
Western Australian Treasury Corporation		
- Repayment of borrowings	1,211	1,084
- Interest on borrowings	201	201
- Guarantee fees	41	40
- Purchase of foreign currency	2	-
<b>Other Western Australian Government Related Entities</b>		
<b>Payments</b>		
Government Employees' Superannuation Board	12	13
Horizon Power	13	12
Western Power	8	11

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

## Note 21: Operating leases

### 21.1 Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2019 \$M	2018 \$M
Less than one year	11	9
Between one and five years	16	14
More than five years	13	4
	<b>40</b>	<b>27</b>

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

During the financial year ended 30 June 2019, \$12 million was recognised as an expense in the Statement of Comprehensive Income in respect of operating lease payments (2018: \$9 million).

During the financial year ended 30 June 2019 contingent rental expenses of \$27 million (2018: \$27 million) in relation to the renewable energy supply arrangements were recognised as an expense in the Statement of Comprehensive Income.

## 21.2 Leases as lessor

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

	2019 \$M	2018 \$M
Less than one year	9	6
Between one and five years	16	11
More than five years	15	11
	<b>40</b>	<b>28</b>

The Group leases out property under operating leases.

During the financial year ended 30 June 2019, \$9 million was recognised as rental income in the Statement of Comprehensive Income (2018: \$8 million).

## Note 22: Capital commitments

Total capital expenditure contracted for at reporting date but not provided for in the consolidated financial report is \$231 million (2018: \$280 million).

## Note 23: Contingent liabilities

Currently the Group 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 Group.

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 2019:

	2019 \$M	2018 \$M
Bank guarantees (Note a)	12	12

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

## Note 24: Subsequent events

There have been no events subsequent to balance date which would have a material effect on the Group's financial statements at 30 June 2019.

## Note 25: Financial instruments

### 25.1 Overview

The Group 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 Group'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 Group, 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 Group's activities. The Group has a disciplined and constructive control environment in which all employees are clearly advised of their roles and obligations.

The Corporation's Audit and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. 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 Risk Committee.

## 25.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group'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 Group 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 Group's consent. Other receivables are regularly reviewed and allowance is made for debts deemed to be doubtful.

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

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

### **Exposure to credit risk**

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

	2019 \$M	2018 \$M
Cash and cash equivalents (Note 18.1)	26	26
Trade and other receivables (Note 9)	271	247
	<b>297</b>	<b>273</b>

The Group is not materially exposed to any individual customer.

### **Impairment**

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investment at fair value through other comprehensive income, but not to investments in equity instruments. Under AASB 9, credit losses are recognised earlier than under AASB 139.

Set out below is the reconciliation of the ending impairment allowances in accordance with AASB 139 to the opening loss allowances determined in accordance with AASB 9:

	Trade receivables \$M
ECL under AASB 9 as at 1 July 2018	4
Re-measurement	-
Allowance for impairment under AASB 139 as at 30 June 2018	4

Trade and other receivables that were classified as loans and receivables under AASB 139 are now classified at amortised cost. The Group has determined that the application of AASB 9's impairment requirements at 1 July 2018 is not considered material.

During the year ended 30 June 2019, the Group renegotiated the terms of trade and other receivables of \$26 million (2018: \$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 (2018: nil).

The allowance account, in respect of trade and other receivables, is used to record impairment losses, unless the Group 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 2019, the Group does not have any collective impairment on its trade and other receivables (2018: nil).

## 25.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group'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 Group'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 2019, the current liabilities of the Corporation exceeded its current assets by \$178 million (2018: \$172 million). The Corporation will meet its current liability obligations, as and when they fall due for payment, by refinancing the debt, under contractual arrangements in place with the Western Australian Treasury Corporation (see Note 12).

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.

For 2018/19, the borrowing limit was set at \$5,980 million (2018: \$5,956 million) for the repayment of maturing debt and ongoing capital expenditure. Included in the limit of \$5,980 million is a Liquidity Facility that can be drawn down, within the constraints of the total limit, to meet short-term financing needs, and a Working Capital Facility currently limited to \$80 million (2018: \$80 million) to assist with cash flow management.

As at 30 June 2019, \$5,980 million was drawn under the total debt facility (2018: \$5,910 million), including \$nil (2018: nil) of Working Capital Facility. The remaining amount available under the total debt facility, with the relevant approval was \$nil (2018: \$46 million). For 2019/20, the facility limit has initially been set at \$6,090 million (2018: \$6,006million) providing available borrowings of \$110 million up to 30 June 2020.

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 2019	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
<b>Non-derivative financial liabilities</b>							
Trade and other payables	305	(305)	(305)	-	-	-	-
Interest-bearing loans and borrowings:							
- WATC Term Floating Rate Lending	2,094	(2,207)	(517)	(171)	(514)	(1,005)	-
- WATC Term Fixed Rate Lending	3,886	(4,719)	(282)	(277)	(536)	(1,479)	(2,145)
	<b>6,285</b>	<b>(7,231)</b>	<b>(1,104)</b>	<b>(448)</b>	<b>(1,050)</b>	<b>(2,484)</b>	<b>(2,145)</b>

30 June 2018	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
<b>Non-derivative financial liabilities</b>							
Trade and other payables	329	(329)	(329)	-	-	-	-
Interest-bearing loans and borrowings:							
- WATC Term Floating Rate Lending	2,069	(2,195)	(530)	(22)	(680)	(963)	-
- WATC Term Fixed Rate Lending	3,841	(4,706)	(278)	(278)	(539)	(1,481)	(2,130)
	<b>6,239</b>	<b>(7,230)</b>	<b>(1,137)</b>	<b>(300)</b>	<b>(1,219)</b>	<b>(2,444)</b>	<b>(2,130)</b>

## 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 Group'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 Group 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 Group seeks to apply hedge accounting in order to manage volatility in surplus or deficit.

### 25.4.1 Currency risk

The Group 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 Group 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 Group has no material exposure to foreign currency risk.

### 25.4.2 Interest rate risk

The Group 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 Group's interest bearing financial instruments was:

	2019 \$M	2018 \$M
<b>Fixed rate instruments</b>		
WATC Term Floating Rate Lending (interest rate fixed for 3 or 6 months)	2,094	2,069
WATC Term Fixed Rate Lending (Note a)	3,886	3,841
	<u>5,980</u>	<u>5,910</u>

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 Group does not account for any fixed rate financial assets and liabilities at fair value through surplus or deficit, and the Group 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 \$3,886 million under the Term Fixed Rate Lending facility, \$387 million will mature in the next 12 months and will be refinanced at interest rates fixed for 10 years. Borrowings under the Term Floating Rate Lending facility are structured into various debt lines, with maturities between 2 years and 5 years. Interest rates under the Term Floating Rate facility are reset every 3 months or 6 months. Of the total \$2,094 million under this facility, \$642 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 \$17 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:

	<b>Carrying Amount 2019 \$M</b>	<b>Fair Value 2019 \$M</b>	<b>Carrying Amount 2018 \$M</b>	<b>Fair Value 2018 \$M</b>
<b>Assets carried at amortised cost</b>				
Cash and cash equivalents	19	19	17	17
Trade and other receivables	251	251	250	250
<b>Liabilities carried at amortised cost</b>				
Trade and other payables	302	302	328	328
Interest-bearing loans and borrowings:				
- WATC Term Floating Rate Lending	2,094	2,108	2,069	2,084
- WATC Term Fixed Rate Lending	3,886	4,249	3,841	4,011
<b>Liabilities carried at fair value</b>				
Other forward exchange contracts	-	-	-	-

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

### **Interest rates used for determining fair value**

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

	<b>2019</b>	<b>2018</b>
Interest-bearing loans and borrowings	1.2%-1.9%	2.0%-3.1%

## Note 26: Controlled entities

During the financial year ended 30 June 2018, the Corporation reassessed the control model, defined within AASB 10 Consolidated Financial Statements and AASB 12 Disclosure of Interests in Other Parties, to determine whether any entities are a controlled entity, and should be consolidated. In line with the Corporation's approach to continuously improve transparency of disclosure in the financial report, the following two controlled entities have been consolidated with effect from 1 July 2017.

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

While the Corporation does not hold any ownership interests in Programmed Facility Management (PRA) Pty Ltd and Aroona P&T Pty Ltd (service companies) but controls these entities, which have been created as part of the Perth Region and Metro Operation, Maintenance and Asset Management contracts with third party contractors, through its involvement over these service companies to direct their operations and is exposed to variable returns through its involvement and power over the activities of the entities.

In 2018-19, the third party contractors were paid a margin of \$8 million while the service entities were reimbursed for costs incurred in providing services. Of this \$8 million margin, \$5 million is included in Other expenses (see Note 6(c)) and \$3 million has been capitalised in property, plant and equipment.

## Note 27: Parent entity disclosures

	2019 \$M	2018 \$M
<b>Result of parent entity</b>		
Surplus for the period	791	650
Other comprehensive (expense) income	(4)	1
Total comprehensive income for the period	787	651
<b>Financial Position of parent entity at year end</b>		
Current assets	301	274
Non-current assets	17,455	17,211
Total assets	17,756	17,485
Current liabilities	479	1,326
Non-current liabilities	6,515	5,578
Total liabilities	6,994	6,904
<b>Total equity of the parent entity comprising:</b>		
Contributed equity	7,561	7,561
Accumulated surplus	3,201	3,020
<b>Total equity</b>	<b>10,762</b>	<b>10,581</b>

### Parent entity contingent liabilities

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

### Parent entity capital commitments

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

## Note 28: Significant accounting policies

AASB 9 Financial Instruments is effective for the first time for entities with an annual reporting period beginning on or after 1 January 2019. Applying the new standard is not expected to significantly affect the disclosures included in the financial statements and are illustrated in Note 9, Note 25 and Note 28.11. The Group has no other transactions that would be affected by the newly effective standard or its accounting policies are already consistent with the new requirements.

Other than the above, the accounting policies set out below have been applied consistently to all periods presented in this consolidated financial report.

### 28.1 Principles of consolidation

#### 28.1.1 Business combinations

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

#### 28.1.2 Controlled entities

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

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

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

### 28.2 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.

## 28.3 Leases

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

### 28.3.1 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.

### 28.3.2 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.

## 28.4 Net finance costs

### 28.4.1 Finance income

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

### 28.4.2 Finance costs

Finance costs comprise interest expense on borrowings calculated using the effective interest method. The interest expense component of finance lease payments is recognised in the Statement of Comprehensive Income using the effective interest method.

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

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

## 28.5 Income Tax equivalent

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

Income tax equivalent expense comprises current and deferred tax equivalents. Current tax equivalent and deferred tax equivalent is recognised in the Statement of Comprehensive Income.

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

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

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

In determining the amount of current and deferred tax equivalent the Group takes into account the impact of uncertain tax positions and whether additional tax equivalents and interest may be due. The Group 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 Group to change its judgement regarding the adequacy of existing tax equivalent liabilities; such changes to tax equivalent liabilities will impact tax equivalent expense in the period that such a determination is made.

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

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

## 28.6 Cash and cash equivalents

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

## 28.7 Trade and other receivables

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

## 28.8 Inventories

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

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

## 28.9 Property, plant and equipment

### 28.9.1 Recognition and measurement

Property, plant and equipment represent the capital works and plant required for the operation of the Group 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 Group 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 28.9.3) and impairment losses (see Note 28.11).

### 28.9.2 Subsequent costs

The Group 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 Group 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 Group and the cost of the item can be measured reliably. Any remaining carrying amount of the cost of the previous inspection is derecognised.

All other costs are recognised in the Statement of Comprehensive Income as an expense when incurred.

### 28.9.3 Depreciation

In order to recognise the loss of service potential of property, plant and equipment, depreciation is recognised in the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, making allowance where appropriate for residual values. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership at the end of the lease term. Land is not depreciated. 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:

### 28.9.3 Depreciation (continued)

	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

## 28.10 Intangible assets

### 28.10.1 Computer software

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

### 28.10.2 Water entitlements

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

### 28.10.3 Amortisation

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

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

Intangible assets are amortised over the following useful lives:

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

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

## 28.11 Impairment

### 28.11.1 Financial assets

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

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

The Group 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.

### **28.11.1 Financial assets (continued)**

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

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

All impairment losses are recognised in the Statement of Comprehensive Income.

### **28.11.2 Non-financial assets**

The carrying amounts of the Group'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 Group would, if deprived of the asset, replace its remaining future economic benefits.

## **28.12 Trade and other payables**

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

## **28.13 Interest-bearing borrowings**

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

## **28.14 Provisions**

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

### **28.14.1 Insurance**

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

### **28.14.2 Workers' compensation**

The Group 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 Group expects to incur in settling the claims, discounted using a government bond rate with a maturity date approximating the terms of the Group's obligation.

### **28.14.3 Site restoration**

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

### **28.14.4 Decommissioning**

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

## **28.15 Employee benefits**

### **28.15.1 Long service leave and annual leave**

Provisions for Long Service Leave and annual leave are maintained to provide for employee benefits which are assessed on the basis of calculated leave liabilities for employee service to 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 Group's obligations.

### **28.15.2 Purchased leave**

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

This scheme allows employees to purchase up to 12 additional weeks 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 Group expects to pay as at reporting date including related on-costs.

### **28.15.3 Termination benefits**

Termination benefits are recognised as an expense when the Group 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 Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

### **28.15.4 Non-monetary benefits**

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

## **28.16 Foreign currency transactions**

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

## 28.17 Goods and services tax

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

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

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

## 28.18 New standards and interpretations not yet adopted

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

### 28.18.1 AASB 15 Revenue from contracts with customers

AASB 15 outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in AASB 15 provide a more structured approach to measuring and recognising revenue and replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programs. Based on the work performed, this new standard is not expected to have a material impact to the Group's consolidated financial report.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2019, for not-for-profit entities, with early adoption permitted.

### 28.18.2 AASB 16 Leases

AASB 16 removes the lease classification test for lessees and requires all leases (including operating leases) to be brought onto the balance sheet for lessees. The definition of a lease is also amended and is now the new on/off balance sheet test for lessees. It is mandatory for the Group's 30 June 2020 financial statements. The Group is yet to fully determine the effect of the standard on the Group.

### 28.18.3 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.

This new standard is not expected to have a material impact to the Group's consolidated financial statements.

### 28.18.4 AASB 1059 Service Concession Arrangements: Grantors

AASB 1059 addresses the accounting for a service concession arrangement by a grantor that is a public sector entity by prescribing the accounting from a grantor's perspective. The entity is to be involved in the provision of providing public services on behalf of a government entity, and managing some of those services under its own discretion. It also requires that the government entity controls the asset used to deliver those services.

AASB 1059 is effective for annual reporting periods beginning on or after 1 January 2020, with early adoption permitted.

Based on the work performed thus far, this new standard is not expected to have a material impact to the Group's consolidated financial standards, but will require additional disclosure.

## **28.19 Determination of fair values**

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

### **28.19.1 Interest-bearing loans and borrowings**

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

### **28.19.2 Finance lease liabilities**

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

### **28.19.3 Trade and other receivables/payables**

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

## **28.20 Comparatives**

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

# DIRECTORS' DECLARATION



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

- (a) the consolidated financial statements and notes are in accordance with the *Water Corporations Act 1995*, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 June 2019 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 Group 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**  
Chair

**P. Donovan**  
Chief Executive Officer

PERTH, 20 August 2019

# AUDITOR GENERAL'S REPORT



To the Parliament of Western Australia

## WATER CORPORATION

### **Opinion**

I have audited the consolidated financial report of Water Corporation and its controlled entities (the Group), which comprises the Consolidated Statement of Financial Position as at 30 June 2019, the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (a) giving a true and fair view of the Group's financial position as at 30 June 2019 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 Responsibility for the Audit of the Financial Report* section of my report. I am independent of the Group 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 consolidated 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 Consolidated Financial Report**

The directors of the Corporation are responsible for the preparation of the consolidated 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 consolidated financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial report, the directors are responsible for assessing the Group'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 Group.

### **Auditor's Responsibility for the Audit of the Consolidated Financial Report**

The objectives of my audit are to obtain reasonable assurance about whether the consolidated financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 consolidated financial report, including the disclosures, and whether the consolidated financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial report. I am responsible for the direction, supervision and performance of the Group audit. I remain solely responsible for my audit opinion.

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 Consolidated Financial Report***

This auditor's report relates to the consolidated financial report of the Group for the year ended 30 June 2019 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 consolidated financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from the consolidated financial report. If users of the consolidated 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 consolidated financial report to confirm the information contained in this website version of the consolidated financial report.



CAROLINE SPENCER  
AUDITOR GENERAL  
FOR WESTERN AUSTRALIA  
Perth, Western Australia

27 August 2019

