Annual Report
2020

Owned by the people of WA

WATER CORPORATION

Climate change is a global issue with a very real local impact.

ABOUT THIS REPORT

The 2019-2020 Annual Report is a review of our performance for the financial year ended 30 June 2020.

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

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

The objective of this report is to provide our customers, community, stakeholders, as well as our owner, the Western Australian Government, with information about our financial performance and contribution to the State's economy for the 2019-2020 financial year.

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

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

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

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

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Contents

Our year at a glance

3,429 employees

165 billion litres of wastewater collected

921,773 customer interactions (phone, email, webchat)

1.3 million homes and businesses served

375 billion litres of water supplied

76 recycled water schemes

113 wastewater treatment plants

2,534 kilometres of drains

34,842 kilometres of water mains

118 dams and weirs

100%
of Perth councils part of Waterwise Council Program

71,871
customers supported with flexible payment options

$180
million
invested in regions*

482
pump stations

8.5/10
Voice of Customer Score across all channels (above target)

3.01
million
visitors to website

17,280
kilometres
of sewer mains

$651
million
investment in capital works

3,897
customers
supported through financial hardship programs

82
water treatment plants

*Capital spend only

2019-20 Highlights

Responding to climate change

We are adapting the way we deliver water in the face of climate change. Part of our response includes doubling our water recycling capacity during Stage 2 of our Groundwater Replenishment Scheme. We have saved around two billion litres of water through our residential demand delivery programs and all of Perth-Peel local governments are participating in our Waterwise Council Program.

Safety is our top priority

We have developed and introduced new safe job planning processes for our high-risk operations. This has created 18 new positions in the organisation dedicated to planning and developing safe job packs, ensuring communication is taking place between our crews about potential risks and the controls we are putting in place to address these.

Boosting financial support

While we have always offered extensive support for customers experiencing difficulty paying their bill, we boosted our support to provide financial relief to those impacted by COVID-19. This was through easy accessibility to Time Assist for anyone via self-service, longer interest free payment extensions, a freeze on household water fees and charges and a Major Fixtures Waiver for eligible businesses.

Greater workforce diversity

We established an Aboriginal Employment and Development team who have helped increase our retention of Aboriginal employees by 50 per cent. Our rate of Aboriginal employment has reached 4.6 per cent, with 40 per cent of our apprentice and trainee roles now filled by Aboriginal people.

Securing Denmark's water future

A pipeline to connect Denmark to the Lower Great Southern Towns Water Supply Scheme is under construction. With the town's local dam levels continuing to fall due to climate change, this essential work will help secure Denmark's long-term water supply.

Reducing energy use

Another part of our response to climate change is to decrease our carbon footprint. We have installed 740kW of solar panels at our facilities to generate renewable energy. We have also introduced two battery electric vehicles to the Water Corporation fleet.

Image: Karijini National Park, WA

Chairman's report

It was a year like no other in Water Corporation's history, as we took on the challenge to keep our water, wastewater and drainage networks running throughout the COVID-19 global pandemic.

Never before have we had to respond to such a significant issue, with the potential to impact on all parts of the business at the same time. The Board was pleased by how quickly all employees adapted and found new ways to work safely, while we continued to provide customers with our essential services.

Another major challenge faced during the year, and one that we have dealt with now for almost two decades, was the impact of climate change.

Water Corporation was involved in the development of a Waterwise Perth Action Plan, launched in October during National Water Week. The across-government plan sets the direction for transitioning Perth to a leading waterwise city by 2030, and is another critical step towards adapting our way of life to deal with the effects of climate change.

Regionally, the impact of climate change was most severe in the Great Southern, where an unprecedented number of agricultural areas were declared water deficient. Water Corporation was called on to support the WA Government with carting water for emergency animal welfare needs, which brought immediate relief to livestock producers.

A $25 million pipeline will also be built to connect Denmark to the Lower Great Southern Towns Water Supply Scheme. Construction has been fast-tracked and the 43km pipeline is expected to be completed in early 2021.

There is no doubt climate change has had a major impact on streamflows in our catchment areas and, combined with a growing population, is set to continue to have a significant bearing on our operations for years to come.

There is still a lot we need to do to respond to the impacts of climate change, from reducing water use in the community and increasing recycling, to developing new climate independent water sources where required. Water Corporation policies and strategies are in need of constant review to ensure we remain on top of the issue.

Over the past year, our incoming Chief Executive Officer, Pat Donovan, has settled in well leading the transition to a new operating model. The model is a high-level representation of how we can best be organised to more efficiently and effectively achieve our new vision and implement corporate strategy.

The vision, completed by the Board during the 2018-19 financial year, incorporates three key objectives - safe for all, lowest total cost, and lowest environmental impact - while maintaining focus on our customers', community's and owners' needs.

Aligned with the vision was a major Board initiative during the year to review our alliance arrangements with the private sector. The Board made the decision to insource all Perth metropolitan water and wastewater production, treatment, operations and maintenance activities and the people delivering them. This created a clear line of sight from our strategic objectives through to our stakeholders and customers.

The Board looks forward to continuing to provide strategic guidance to Pat and the wider executive, as they work together to further embed the vision and operating model in the business.

In November, the Board was pleased to welcome a new member, Gningala Yarran-Mark, who replaced David Rowe. David's and former Chairman Michael Hollett's contributions to Water Corporation during their terms are acknowledged. On behalf of the Board, I also thank management and staff for their valued support throughout the year.

Mr David Lock
Acting Chairman

Chief Executive Officer's report

I am extremely proud of the work of our Water Corporation people who safely and reliably maintained services to our community throughout the COVID-19 pandemic.

The whole Water Corporation team really pulled together through COVID-19 with essential support for core business delivered remotely thanks to new technology fast-tracked by our IT team.

Our contact centre staff also demonstrated extraordinary compassion in working with customers in financial distress.

To ease this distress and support our customers, we worked in partnership with the State Government to offer a price freeze on residential water fees and charges, interest free payment arrangements and wastewater charges relief for our business customers.

We also have a unique opportunity to support the State's economic and social recovery by fast-tracking infrastructure projects in the coming financial year to create more local jobs and cashflow for WA businesses.

Climate change is a global issue with a very real local impact, most especially on our water supplies throughout the state.

Last summer the south of the state felt the full effects of climate change, with little or no rainfall. Each month we were carting about 13 million litres of drinking water and 17 million litres of non-potable water to support communities and farms across the South West, Great Southern and out to the Goldfields-Agricultural regions.

A range of long term supply solutions are planned, including the construction of a new pipeline to connect Denmark to the Lower Great Southern Town Water Supply beginning early in the 2020-21 financial year.

Streamflow into Perth's dams is consistently below the post-1975 average so we continue to explore climate independent and fit for purpose water solutions which will increasingly include water recycling. We have also continued working with our customers to reduce their water use and fix leaks through our suite of Waterwise programs.

I am pleased that we have made strong progress on key focus areas in our Reconciliation Action Plan over the last year.

We have established an Aboriginal employment team who helped increase our retention of Aboriginal employees by 50 per cent and enabled us to reach 4.6 per cent Aboriginal employment during this year, with 40 per cent of our apprentices and trainees now being Aboriginal people.

We also awarded $4.82 million in contracts to Aboriginal and Torres Strait Islander-owned businesses – an almost 400 per cent increase on the previous year.

In the year ahead we begin delivery on water infrastructure in Aboriginal communities across the state where we look forward to working with the community to deliver outcomes which support and enhance their way of life and respect their connection to culture and Country.

Safety is always the highest priority at Water Corporation, and last year we increased our focus on mental health and wellbeing, which has been especially important during COVID-19. We also broadened our safety action plans to continue to protect the safety of the community and contractors in proximity to our existing infrastructure as well as around construction of new assets.

I thank acting Board Chairman, David Lock and the Board for their ongoing support. Thanks also to the Water Corporation executive for playing their role in leading our one Water Corporation team.

Finally, my thanks to our people across the state, for their dedication to delivering essential water services during one of the most challenging years in our history.

Pat Donovan
Chief Executive Officer

Corporate snapshot

Organisational profile

Our operations

Water Corporation is the principal supplier of water, wastewater, drainage and bulk irrigation services in Western Australia to hundreds of thousands of homes, businesses and farms.

We directly employ more than 3,400 people across the state, providing a high level of expertise and strong commitment to communities.

We manage $38 billion (replacement value) of assets that support us in delivering water services across an expanse of 2.6 million square kilometres.

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

Our owner

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

Our stakeholders

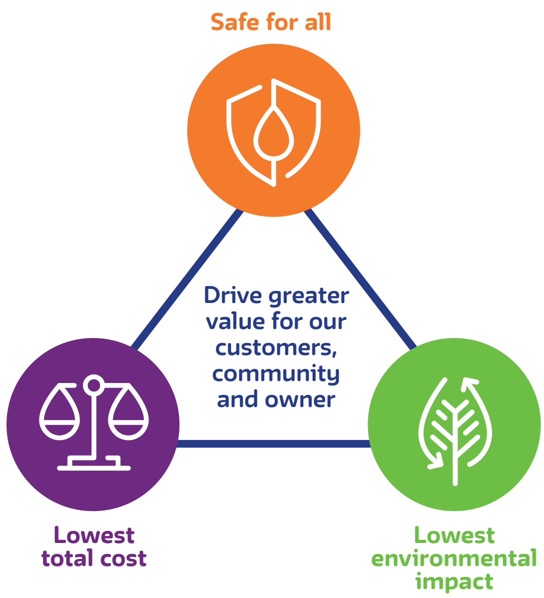
Our key stakeholders include relevant State and Australian Government agencies and regulators, local government and industry associations. The support and trust of our stakeholders and the broader community is critical to the achievement of our business objectives. We are proactive in ensuring we engage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

Our regulators

We deliver water to our customers and dispose of it within conditions set by the Departments of Water and Environmental Regulation; 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 price of our regulated services each year through the State Budget process.

Our vision

Our vision is a long-term challenge to deliver greater value to our customers, community and owner by ensuring our operations are safe for all, and at the lowest environmental impact and lowest total cost.



Organisational structure

Minister

Chairman of Board

Board of Directors

Chief Executive Officer

Finance Group

- Asset Investment
- Group Finance
- Procurement and Property
- Risk and Assurance
- Strategic Finance

Customer and Community Group

- Contact Centre
- Customer and Industry Partnerships
- Customer Billing and Assurance
- Customer Strategy and Engagement

People and Safety Group

- People and Capability
- Safety and Wellbeing

Information and Technology Group

- Information and Technology Services
- Operational Technology

Operations Group

- Goldfields and Agricultural Region
- Great Southern Region
- Mid West Region
- North West Region
- Operational Asset Management
- Operations Centre
- Operations Performance
- Perth Region - Field Services
- South West Region
- Treatment and Resource Recovery
- Water Quality

Strategic Performance Group

- Business Innovation and Improvement
- Infrastructure Markets
- Internal Communications and Change
- Legal Services
- Media and Government Relations
- Strategy Policy and Analytics

Assets Planning and Delivery Group

- Aboriginal Affairs
- Asset Investment Planning Metro
- Asset Investment Planning Regional
- Asset Strategy
- Contracts
- Development Services
- Engineering
- Environment
- Project Management

Board profiles

As at 30 June 2020

Acting Chairman

Mr David Lock
BComm, CA, FAICD

Mr David Lock is the Chairman of Sea Harvest Pty Limited and Odeum Produce Pty Ltd. He is a non-executive director of CBH Group, a director of Interflour Group Singapore, a Trustee of the Marine Stewardship Council and a member of the Advisory Council of the Curtin Business School. He is the Chairman of the Audit and Risk Committees for CBH Group and Marine Stewardship Council. Mr Lock has 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 Australian Pork Limited, the West Australian Meat Industry Authority, the Food Industry Association of Western Australia and a director of Food, Fibre and Land International Pty Ltd.

Appointed 1 January 2014, appointed Deputy Chairman 1 January 2017, appointed Acting Chairman 16 January 2020, term expires 31 December 2020.

Chairman: Audit and Risk Committee

Chief Executive Officer

Mr Pat Donovan
BEng (BA BAI) Mechanical Engineering, FIEAust, GAICD

Mr Pat Donovan 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 delivery of safe, reliable and affordable energy to more than 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 completed an Ivey Business Executive Program at Western University in Canada. Mr Donovan is also a Board Member of the Water Services Association of Australia. He has a proven track record of leading customer-focussed business strategies and achieving sustained commercial success and business growth.

Appointed 1 January 2019, term expires 31 December 2023.

Member: Audit and Risk Committee, People and Safety Committee

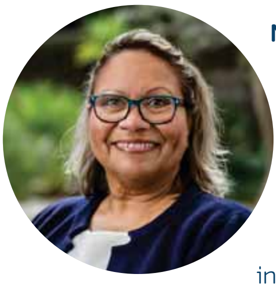
Board members

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 also 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.

Chair: People and Safety Committee



Mrs Gningala Yarran-Mark
MBL, LLB, BSc

Mrs Gningala Yarran-Mark is an experienced board director, focussed on education and Aboriginal health governance. Following an early legal career she moved into commercial roles in large engineering and contracting firms, as the leader of Aboriginal engagement, coordination and liaison with BHP Iron Ore (Port Hedland); Sinclair Knight Merz working on the Rio Tinto Expansion Project; Jacobs; and currently United Group Ltd (UGL). Gningala's current role with UGL leads significant internal cultural change across workforce, supply chain and procurement partnerships. Gningala's experience in managing external stakeholder relations gave her exposure to native title and the sensitivities around Traditional Owner aspirations, as well as in-depth working knowledge of the execution and implementation of Reconciliation Action Plans (RAPs).

Gningala has a deep understanding of diversity, cultural competencies, change management and stakeholder relationships and currently holds the position of Aboriginal and Torres Strait Islander coordinator at UGL, as well as being a board director for Derbarl Yerrigan Health Services.

Appointed 12 November 2019, term expires 30 September 2022.

Member: People and Safety Committee

Dr Jemma Green
BComm, (Finance), Post Cert (Cross Sector Partnership) Post Cert (Sustainability) Masters (Sustainability), PhD (Disruptive Innovation), MAICD

Dr Jemma Green has extensive experience in finance, risk advisory and innovation, having worked for more than 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, which she chairs.

Appointed 4 July 2017, term expires 31 December 2020.

Member: Audit and Risk Committee

Mr Ross Holt
BEcon (Hons)

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

Appointed 8 June 2016, term expires 31 December 2021.

Member: Audit and Risk Committee

Executive

As at 30 June 2020

Chief Financial Officer

Mr Dean Page - Term commenced February 2020
BComm, GradDip AppFin, FCPA, MAICD

General Manager Customer and Community

Ms Karen Willis - Term commenced April 2019
BA (Hons), GradDip (Marketing), GAICD

General Manager People and Safety

Ms Fiona Smith - Term commenced October 2019
BEcon, GradCert PubSecMgmt

General Manager Information and Technology

Ms Elise Vervetjes - Term commenced April 2020
M.GenMgmt, BBusEcon, GradCert PubMgmt, GAICD

General Manager Operations

Mr Barry Ford - Term commenced December 2019
BSc, MBA, PEng, GAICD

General Manager Strategic Performance

Mr Matthew Cronin - Term commenced November 2019
BAg (Econ), GradDip AppFin

General Manager Asset Planning and Delivery

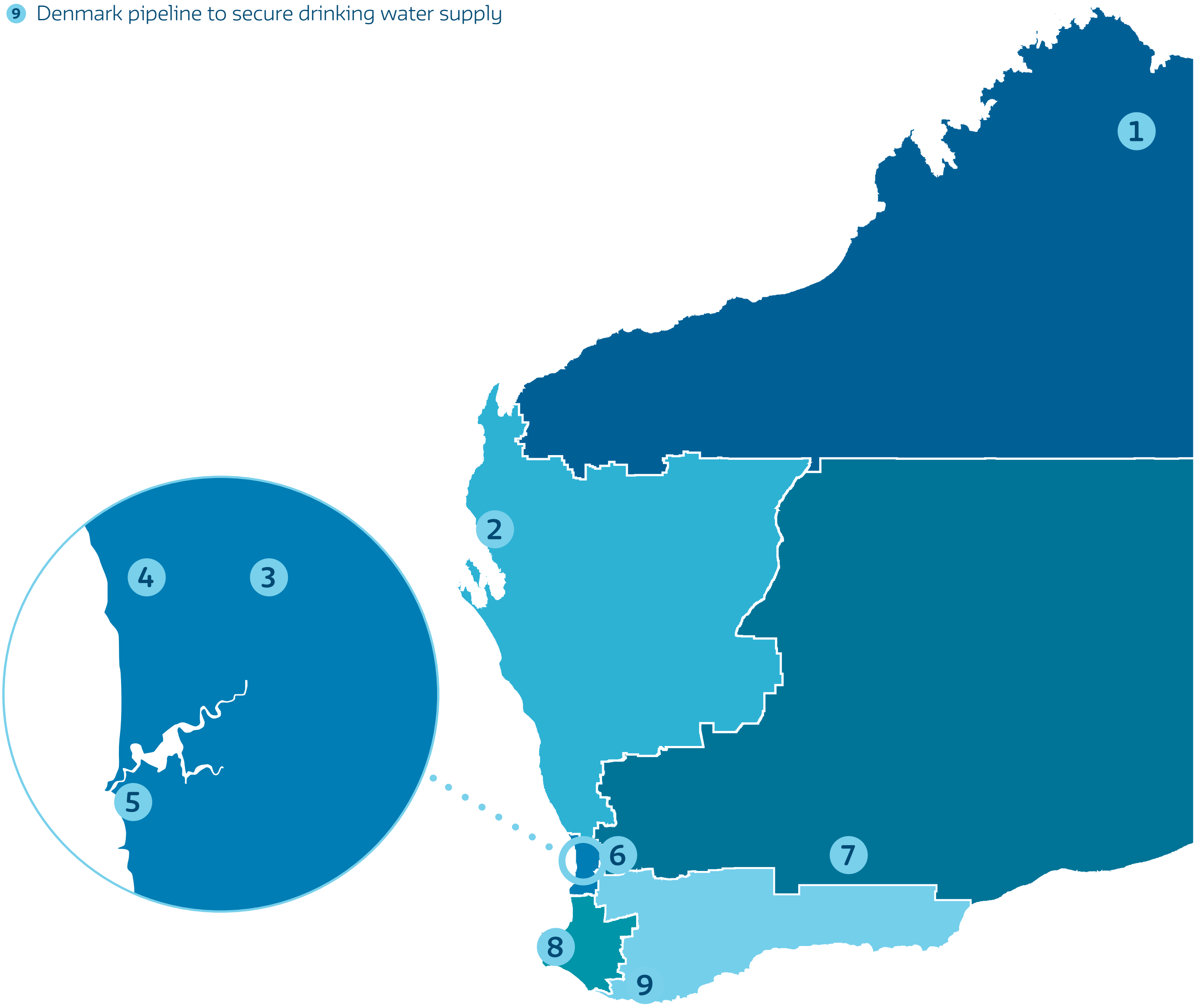
Mr Evan Hambleton - Term commenced April 2019
BEng (Hons), CEng MICE

Artwork by Salena Rose Abdullah
This artwork represents the Swan River. It depicts the water holes, the flow of the river, the rain,the land we live on, and the people, to whom water brings life.

Key capital projects

Our capital investment program for 2019-20 was $651 million. Key projects completed and under way are highlighted below.

1. Kununurra Diversion Dam upgrade
2. Carnarvon Brown Range tanks upgrade
3. Ellenbrook wastewater infrastructure upgrade
4. Expansion of Perth's Groundwater Replenishment Scheme
5. Pipes for Fremantle renewals - Stage 1
6. Upgrade of York Wastewater Treatment Plant
7. Kambalda wastewater main upgrade
8. Increased capacity to Margaret River Wastewater Treatment Plant
9. Denmark pipeline to secure drinking water supply



Financial highlights

We continue to make a significant contribution to the Western Australian economy, stimulating and supporting the state's growth through the provision of water and wastewater infrastructure.

Our surplus for 2019-20 was driven by solid revenue from our core activities. Lower levels of land development and building activity reduced our outgoing costs, which reflected the subdued economic conditions of the year.

The resulting total revenue was $2.9 billion. However, deferral of our interim dividend payment to December 2020 has meant lower overall returns to the WA Government of -$54 million.

Our operating business delivered a surplus of $695 million, and contributions from land developers towards infrastructure for new housing developments added a further $113 million. These contributions were received either as cash ($66 million) or infrastructure handed over such as pipeline and pumps ($47 million).

Excluding the impact of development activity, total revenue increased by 4.0 per cent during the year, primarily due to a rise in water consumption, service charges, and higher operating subsidies received from the WA Government for the provision of non-profitable services.

Total expenditure increased by 4.9 per cent to $1.7 billion due in part to higher water production at the Southern Seawater Desalination Plant above 2018-19 levels (94Gl v 50Gl). Our total cost per property rose by 4.5 per cent and our operating costs per property increased by 10.1 per cent. Despite these rises, we remain one of the lowest cost businesses in the Australian water industry for large scale supply.

Investing in infrastructure

We invested $651 million in new capital projects to expand our water infrastructure. Our capital investment program benefits the community and is delivered through partnerships in the private sector to assist in our construction, maintenance and operations activities. In doing so, we employ, both directly and indirectly, over 3,000 Western Australians. The capital investment program for 2019-20 included $289 million on our water business, $149 million on our wastewater business with the remainder on a range of programs including irrigation, drainage, and facilities management.

Returns to the State

In response to the COVID-19 pandemic, the WA Government approved several measures, which included the deferral of Water Corporation's 2019-20 interim dividend payment to December 2020.

The actual dividend paid during the year was $4 million, which reflected the final dividend component from 2018-19. We paid tax equivalents in 2019-20, inclusive of local government rates, of $372 million. We received an operating subsidy from the Government of $431 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, the resulting returns to Government were -$54 million in 2019-20.

If the interim dividend of $613 million had been paid, the net return to Government would have been $559 million. Due to COVID-19 uncertainties, the dividend will be paid in 2020-21 instead of 2019-20.

COVID-19 impacts

Since February 2020, the WA Government has approved several measures in response to the COVID-19 pandemic. These include support measures for our customers and a $52 million stimulus package for new projects.

Supporting the state's growth

Our water and wastewater services 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 2019-20, the value of our regional assets was in excess of $6 billion. During the year, we spent more than $180 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 WA Government's 12 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'. During 2019-20, we have engaged with government agencies to support the implementation of a number of government-led initiatives and policies.

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

Summary of performance

	Units	2019-20 Projected	2019-20 Actual
Financial outcomes			
Operating surplus before income tax			
Operating business	$m	972	994
Developer asset handover before tax	$m	91	60
Developer cash contributions before tax	$m	132	94
Operating surplus after income tax			
Operating business	$m	680	695
Developer asset handover after tax	$m	64	47
Developer cash contributions after tax	$m	92	66
Capital expenditure (including capitalised interest)	$m	720	651
Borrowings taken	$m	-	-
Financial performance measures			
Return on equity	%	7.7	7.2
Return on assets	%	7.3	7.1
Debt to total assets ratio	%	35.0	33.5
Accruals to government			
Indirect tax equivalents	$m	7	7
Income tax equivalents (net of deferred tax adjustments)	$m	354	366
Dividends provided	$m	620	4
Total	**$m**	**981**	**377**
Payments from government			
Operating subsidies			
Country Water, Sewerage and Drainage Operations	$m	281	272
Pensioner and Senior Concessions[1]	$m	171	157
Metropolitan Operations	$m	1	2
Total operating subsidies	**$m**	**453**	**431**
Net accrual to government	**$m**	**528**	**(54)**

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

Community targets

	2019-20 Target	2019-20 Actual
Perth total per person water use	126 kL	127 kL
Customer value survey	6.97	7.03
Total cost per property	$1,999	$1,995
Safety index	92.5	100.0

Image: Perth Seawater Desalination Plant

Corporate governance report

Corporate governance report

Our corporate governance is underpinned by robust values and behaviours. Our commitment to strong governance enables our business to perform at its best and is essential to the sustainability of our operations.

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).
- Directors are appointed for terms of up to three years and are eligible for reappointment.
- The Board should comprise directors with a broad range of skills and experience.
- Board meetings are generally held once a month at our head office in Perth.

Appointment of Directors

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

Appointments are typically staggered to ensure one third of the directors retire each year. Subject to reappointment, there is no limit on the time a director may serve on the Board. Their duties are not full-time.

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

Changes to the Board

- Mr David Rowe ceased as a Director on 11 November 2019.
- Mr Michael Hollett resigned as Chairman on 15 January 2020.
- Mr David Lock was reappointed as Deputy Chairman for a term expiring on 31 December 2020 and was appointed as acting Chairman on 16 January 2020.
- Dr Jemma Green was reappointed as Director for a term expiring on 31 December 2020.
- Mr Ross Holt was reappointed as Director for a term expiring on 31 December 2021.
- Ms Gningala Yarran-Mark was appointed Director for a term expiring on 30 September 2022.

There were no other changes to the composition of the Board during the year.

Board committees

Committees of the Board that operated during the year ended 30 June 2020 were:

- Audit and Risk
- People and Safety (from 1 January 2020)
- Safety and Wellbeing (until 31 December 2019)
- People and Culture (until 31 December 2019)

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 Ms Nicole Lockwood (until 31 December 2019), Dr Jemma Green and Mr Ross Holt (from 1 January 2020). Each member has substantial corporate and/or financial experience in private enterprise and the necessary skills to undertake the committee's responsibilities.

Whilst it is not preferred practice to have the Chair of the Board as the Chair of the Audit & Risk Committee, this non alignment with better practice has been agreed by the Board and is considered to be a temporary situation.

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

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

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

People and Safety Committee (from 1 January 2020)

The Safety and Wellbeing Committee and People and Culture Committee amalgamated to become the People and Safety Committee from 1 January 2020.

This change was approved at the November 2019 Board meeting.

The People and Safety Committee was chaired by Ms Nicole Lockwood, and included Directors Mr Michael Hollett (until 15 January 2020) and Ms Gningala Yarran-Mark. 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, people, culture, remuneration and benefit arrangements in line with strategic aims of the business, regulatory requirements and the requirements of our owner.

Safety and Wellbeing Committee (until 31 December 2019)

The Safety and Wellbeing Committee was chaired by Mr Michael Hollett and included Directors Mr David Rowe (until 11 November 2019) and Mr Ross Holt.

The committee supported and assisted the Board to review and oversee organisational health and safety matters, inclusive of mental health and wellbeing.

People and Culture Committee (until 31 December 2019)

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

The committee supported and assisted the Board to ensure people, culture, remuneration and benefit arrangements aligned with the strategic aims of the business while complying with regulatory requirements and satisfying the requirements of our owner.

Directors' meetings

The number of Board meetings and committees of the Board held, and the number of meetings attended by each director during the 12 months ending 30 June 2020, 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 more than $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 24.

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.

	Board		Audit and Risk		People and Safety[1]		Safety and Wellbeing[1]		People and Culture[1]	
Number of meetings held	23		4		2		2		2	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Mr David Lock (Acting Chairman)	23	23	4	4	0	0	0	0	2	2
Mr Pat Donovan (Chief Executive Officer)	23	23	4	4	2	2	2	2	2	2
Mrs Nicole Lockwood	23	23	2	2	2	2	0	0	2	2
Mr Ross Holt	22	23	2	2	0	0	2	2	0	0
Dr Jemma Green	21	23	3	4	0	0	0	0	1	2
Mrs Gningala Yarran-Mark[2]	19	19	0	0	2	2	0	0	0	0
Mr David Rowe[3]	4	4	0	0	0	0	0	1	0	0
Mr Michael Hollett (Chairman)[4]	6	6	0	0	0	0	2	2	2	2

1 The Safety and Wellbeing Committee and People and Culture Committee amalgamated to become the People and Safety Committee from 1 January 2020
2 Mrs Gningala Yarran-Mark was appointed as a Director on 12 November 2019
3 Mr David Rowe ceased as a Director on 11 November 2019
4 Mr Michael Hollett resigned as Chair on 15 January 2020

Internal control

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

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

This system of internal control is designed to manage and mitigate rather than eliminate the risks of failure to achieve business objectives. It can only provide reasonable, 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*, Water Corporation must have the financial report for a financial year audited by the Auditor General. The Auditor General has outsourced the audit to KPMG for a three-year term. Total auditor remuneration is shown in Note 19 to the Financial Statements on page 50.

Risk management

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

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

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

Performance monitoring and reporting

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

Ethical standards

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

Our Code of Conduct is available on both 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 61 of the *State Records Act 2000* and the State Records Commission Standards (Standard 2 – Principle 6), we have an approved Recordkeeping Plan. In accordance with section 28 (5) of the Act, in December 2019, an updated plan was endorsed by the Minister. The plan describes how our records are created, maintained, managed and disposed of together with opportunities for continuous improvement over the next five years.

We have an online induction process for all new staff, which includes information on employee roles and responsibilities. We also provide mandatory training courses online, including 'Information on Record Keeping and Information Management Compliance for Water Corporation' and 'Information Security Awareness'.

Information and data 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 and governance.

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 no public interest disclosures in the period under review, and the disclosure outstanding from the previous period was resolved and closed out.

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 statewide program is conducted that includes mandatory training.

Freedom of Information

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

During 2019-20, we received 58 access applications, of which one was partially transferred in from another agency, 14 were provided full access, 33 were provided edited access, none were withdrawn, four had access refused, none had access deferred, documents were not found or do not exist for two of the applications, and five were on hand at the end of the year.

Nineteen internal reviews were requested. Fees and charges totalling $1,590 were received for processing these applications with 20 days being the average processing time.

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

Advertising codes

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

Reportable expenditure

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

Advertising agency	Amount paid
303MullenLowe	$588,164*
The Brand Agency	$1,824,343^

* This amount includes costs associated with Water for Life and education program.
^ This amount includes costs associated with the Nature Knows Best, What Not to Flush, Water Watchers, Climate Change, COVID-19 and Winter Sprinkler Switch-off.

Media advertising	Amount paid
Carat	$231,109
Initiative	$528,679

Market research	Amount paid
Metrix	$224,900+
Painted Dog	$623,080#

+ This amount includes costs associated with Customer Value Survey.
# This amount includes costs associated with the H_2OME Study

The Directors of Water Corporation present their report for the 12 months ended 30 June 2020.

Directors

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

Mr David Lock (Acting Chairman)

Director since 1 January 2014
Deputy Chairman from 1 January 2017 to 15 January 2020
Acting Chairman since 16 January 2020

Mr Pat Donovan

Chief Executive Officer since 1 January 2019

Ms Nicole Lockwood

Director since 1 March 2016

Mr Ross Holt

Director since 8 June 2016

Dr Jemma Green

Director since 4 July 2017

Mrs Gningala Yarran-Mark

Director since 12 November 2019

Mr David Rowe

Director from 1 March 2016 to 11 November 2019

Mr Michael Hollett (Chairman)

Director since 1 January 2012
Chairman from 1 January 2017 to 15 January 2020

Directors' biographies are shown on pages 10 and 11.

Directors' meetings and attendance are shown on page 19.

Directors' compensation details are shown on page 24.

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 2019-20.

Dividends

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

	Total amount $M	Date of payment
Final 2018-19	4	16/12/2019
Interim 2019-20	-	

Dividend declared after end of year

After the balance sheet date, the directors have proposed a final dividend of $642 million for the 2019-20 year, payable on or before 31 December 2020. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2020 and will be recognised in the 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 375 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. Directors' remuneration has not increased since December 2014.

The compensation packages for the Chief Executive Officer 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 Chief Executive Officer.

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

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

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

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

- freezing 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.

Details of compensation provided to key management personnel

The directors during the financial year were:

Directors	
D Lock	Director (non-executive). Appointed 1 January 2014, Deputy Chairman 1 January 2017 and Acting Chairman 16 January 2020.
P Donovan	Chief Executive Officer from 1 January 2019
N Lockwood	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.
G Yarran-Mark	Director (non-executive). Appointed 12 November 2019.
D Rowe	Director (non-executive). Appointed 1 March 2016 to 11 November 2019.
M Hollett	Chairman (non-executive). Appointed Director 1 January 2012, Deputy Chairman 1 January 2016 and Chairman 1 January 2017 to 15 January 2020.

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

			Short-term				Post-employment		Long-term benefits		Total	
Total remuneration band ($)	Number of directors **		Salary and fees $'000		Non-monetary benefits*** $'000		Super-annuation $'000		Long service leave $'000		$'000	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
0-24,999	-	1	-	20	-	-	-	2	-	-	-	22
25,000-49,999	-	1	-	34	-	-	-	3	-	-	-	37
50,000-74,999	5	4	54	56	-	-	5	5	-	-	59	61
75,000 - 99,999	-	1	-	79	-	-	-	8	-	-	-	87
100,000-124,000	1	-	109	-	-	-	10	-	-	-	119	-
275,000-299,999	1	-	270	-	-	-	8	-	-	-	278	-
500,000-524,999	-	1	-	492	-	-	-	25	-	-	-	517
550,000-574,999	1	-	278	-	15	-	13	-	252	-	558	-

** Where there is more than one executive in a remuneration band the average remuneration is shown.
*** Private use of motor vehicle.

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

Five highest paid executives*		Year ended 30 June 2019	Year ended 30 June 2020
A Vincent	General Manager, Assets Planning to 10 April 2019	✓	
B Ford	General Manager, Operations		✓
C Ferrari	General Manager, Customer and Community to 10 April 2019	✓	
D Johnston	General Manager, Strategic Performance to 30 September 2019		✓
D McDonald	General Manager, Digital Transformation to 10 April 2019	✓	
E Hambleton	General Manager, Assets Planning and Delivery		✓
K Willis	General Manager, Customer and Community		✓
M Leathersich	General Manager, Operations to 30 January 2020	✓	✓
R Hughes	Chief Financial Officer to 5 July 2019	✓	

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

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

			Short-term		Post-employment		Other long-term benefits**		Termination benefits		Total	
Total remuneration band ($)	Number of staff *		Salary $'000		Super-annuation $'000		Long service leave $'000		$'000		$'000	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
225,000-249,999	-	1	-	234	-	7	-	-	-	-	-	241
275,000-299,999	-	1	-	271	-	24	-	2	-	-	-	297
325,000-349,999	-	2	-	217	-	22	-	15	-	84	-	338
350,000-374,999	1	-	298	-	34	-	23	-	-	-	355	-
400,000-424,999	2	-	330	-	27	-	17	-	50	-	424	-
450,000-474,999	1	-	264	-	26	-	110	-	72	-	472	-
600,000-624,999	-	1	-	236	-	43	-	175	-	168	-	622
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, in its operations, is subject to significant environmental legislation and regulation under both Commonwealth and State laws, in particular the:

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

Additionally, we comply with more than 40 other pieces of environment-related legislation and track our compliance with various non-statutory commitments. With the significant volume of wastewater conveyed across the state, it is possible unplanned discharges will occasionally occur and some of these may affect the environment, public health and amenity. Our incident management process provides a fast and effective response to, and reporting of, any incident that has the potential to harm the environment. Our environmental performance is underpinned by our corporate objective of Lowest Environmental Impact, the programs included within that objective, and our Corporate Environment Policy. We also maintain an Environmental Management System, certified under the international standard ISO 14001, that provides for the systematic identification of environmental risks, setting of performance targets, and development of environmental improvement plans to reduce risks and ensure our activities are sustainable.

State of affairs

There were no significant changes during the year ended 30 June 2020 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 2020 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 2020, Directors did not receive, or become entitled to receive, any benefit (other than a benefit included in the total amount of remuneration received or due and receivable by Directors) by reason of a contract made by the Corporation with the Director, or with a firm, of which the Director is a member, or with an entity in which the Director has a substantial interest.

Indemnification of Directors

The Corporation has entered into Deeds of Indemnity, Insurance and Access with Directors, to the extent provided for under the *Water Corporations Act 1995* and has paid insurance premiums to insure Directors and Officers against certain liabilities which arise out of their service while acting on behalf of the Corporation.

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

David Lock
Acting Chair

Pat Donovan
Chief Executive Officer

Perth, 28 August 2020

Performance summary

	Units	2020 Target	Actual	2019	2018	2017	2016
SAFETY							
Public health - safe drinking water							
Metropolitan localities meeting requirements for E.coli	%	100	100	100	100	100	100
Metropolitan localities meeting requirements for amoebae (Thermophilic Naegleria)	%	100	100	100	100	100	100
Metropolitan localities meeting requirements for health-related chemical quality	%	100	100	100	100	100	100
Metropolitan localities meeting requirements for radiological performance	%	100	100	100	100	100	100
Country localities meeting requirements for E.coli	%	100	100	100	100	100	100
Country localities meeting requirements for amoebae (Thermophilic Naegleria)	%	100	100	100	100	100	100
Country localities meeting requirements for health-related chemical quality	%	100	100	100	100	100	100
Country localities meeting requirements for radiological performance	%	100	100	100	100	100	100
COST							
Financial efficiency							
Operating cost per property	$	837.7	822.7	748.6	794	769	796
Total cost per property	$	1,999	1,995	1,908	1,967	1,941	2,004
Surplus before income tax equivalent	$m	1,195	1,148	1,140	931	920	1,053
Return on assets	%	7.3	7.1	7.1	6.0	5.8	5.8
Return on equity	%	7.7	7.2	7.4	6.2	6.2	7.2
Interest cover	Times	4.9	5.7	5	4.2	4.0	3.8
Debt to total assets	%	35.0	33.5	34.9	35.1	34.3	34.0
ENVIRONMENT							
Ecosystem protection							
Overflows to Swan-Canning - conveyance system	No.	0	0	3	4	4	3
Overflows to Swan-Canning - pump stations only	No.	0	1	0	0	1	0
Energy and greenhouse gases							
Electricity consumption per unit of output for water	MWh/ML	2.15	2.22	1.57	2.38	2.41	2.17
Electricity consumption per unit of output for wastewater	MWH/ML	0.85	0.84	0.84	0.91	0.87	0.81
Total energy consumption	TJ	-	4,023	3,072	4,105	3,863	3,633
Reported greenhouse gas emissions (CO_2 equivalent)	kT	740	756	575	771	806	784
Materials use efficiency							
Biosolids re-use (Perth metro)	%	100	100	100	100	100	100

	Units	2020 Target	Actual	2019	2018	2017	2016
ENVIRONMENT (continued)							
Compliance							
Number of legal sanctions for environmental breaches	No.	0	0	1	0	0	0
% Environment non-compliances addressed	%	95.0	100.0	96.2	100.0	99.0	94.9
CUSTOMER EXPERIENCE							
Essential service provision							
Continuity – properties not affected by interruption > 1 hr	%	75.0*	75.5	76.1	76.3	77.7	77.5
Water pressure and flow standards	%	99.80*	99.95	99.95	99.9	100	100
Water quality faults responsiveness	%	95.0	97.4	96.8	97.0	97.3	98.3
Installation of new water connections	%	90.0	99.1	99	97.4	97.2	98.6
Properties without wastewater overflow	%	99.80*	99.87	99.89	99.9	99.9	99.9
Demand-supply balance							
Number of Waterwise Schools[1]	No.	na	582	580	575	523	503
Drought response (number of schemes on temporary restrictions)	No.	na	1	0	0	0	1
Water supplied per capita (Perth metro)	kL	126	127	126	123	122	127
Asset performance							
Blockages per 100km of sewer	No.	40.0*	17.0	16.5	16.1	16.7	18.3
Leaks and bursts per 100km of main	No.	20.0*	16.4	15.9	16.2	17.9	17.8
Drainage systems operating in accordance with guidelines	%	100*	97.3	100	100	100	100
Customer service							
Complaints (per 1,000 properties) MTD	No.	0.4	0.1	0.1	0.2	0.1	0.07
Written customer complaints (responsiveness) < 15 business days	%	90.0	92.5	100	100	98.9	98.4
Telephone calls to '13' numbers abandoned after 30 seconds	%	5.0	4.4	3.6	2.9	1.7	1.7
Telephone calls to '13' numbers first call resolution	%	90.0	93.7	92.9	91.8	92.6	92.0
SUPPORT FOR COMMUNITY AND STATE							
Employment and workforce							
Employee initiated turnover	No.	7.00	5.6	6.8	7.8	5.5	6.2
Women in senior management - tier 2	%	32.00	42.80	25	28.57	22.2	22.2
Women in senior management - tier 3	%	32.00	22.60	25.8	27.78	32.2	27.5
People from culturally diverse backgrounds	%	16.50	12.02	12.91	12.8	13.7	13.6
Indigenous Australians	%	5.00	4.64	3.83	3.54	3.12	3.01
People with disabilities	%	2.50	1.57	1.92	0.91	0.91	1.05
Youth (15-24)	%	4.30	3.79	3.23	3.13	2.9	3.62
Total Recordable Injury Frequency Rate (TRIFR)	No.	3.5	3.4[2]	3.2	7.3	8.5	10.9
Shareholder accountability							
Responsiveness to priority one enquiries	%	90.0	90.0	95.5	97.5	98.4	96.2

1. Note from 2016 we are now including early childhood centres, primary schools, high schools, education support centres and secondary colleges.
2 TRIFR is reported for Total Workforce (including contractors) from 2019/2020 - all previous periods include Internal Workforce only
* These targets applied to our Operating Licence between 1 July 2013 - 17 November 2013. From 18 November 2013 the Licence was substituted by the introduction of the *Water Services Act 2012.*

Five-year statistical summary

	Units	2020	2019	2018	2017	2016
FINANCIAL DATA						
Total revenue	$'000	2,850,305	2,761,367	2,608,254	2,549,288	2,714,630
Operating subsidy	$'000	430,912	420,050	408,928	464,225	546,813
Direct operating expenses	$'000	965,671	873,618	917,991	875,113	897,217
Depreciation / amortisation	$'000	516,568	492,575	495,106	486,275	459,727
Net interest expense	$'000	210,691	242,842	249,185	253,592	256,263
Income tax expense	$'000	339,685	353,629	281,254	275,048	315,589
Operating surplus after tax	$'000	807,849	786,591	649,856	645,383	736,885
Transfer to / (from) reserves	$'000	0	0	0	0	(939,388)
Non-current borrowings	$'000	6,207,303	6,194,213	5,253,312	4,959,000	5,679,437
New works investment (excluding developers' take-over works)	$'000	650,898	695,504	775,845	805,594	579,365
Current borrowings	$'000	18,410	8,094	887,723	926,000	7,000
New borrowings	$'000	0	70,000	264,000	199,000	82,000
OPERATING DATA						
Water supply services						
Annual volume of water supplied	ML	374,808	366,820	363,038	360,930	370,001
Number of properties served	No.	1,322,204	1,308,558	1,293,887	1,274,089	1,251,490
Number of properties connected	No.	1,135,221	1,123,748	1,111,464	1,095,943	1,078,639
Length of mains	km	34,842	34,779	34,678	34,799	34,680
Wastewater services						
Average volume of wastewater treated daily	ML	452	452	448	449	446
Number of properties served	No.	1,076,665	1,065,505	1,052,983	1,035,809	1,017,699
Number of properties connected	No.	1,001,432	989,094	975,583	958,064	937,220
Length of sewers	km	17,280	17,193	17,051	16,903	16,693
Drainage services						
Number of properties served (metropolitan)	No.	421,799	416,253	411,803	406,724	398,844
Length of drains	km	2,534	2,545	2,547	2,549	2,546
Irrigation services						
Volume of water delivered	ML	6,300	5,142	5,234	5,731	139,268
Employees						
Total number of employees	No.	3,429	2,819	2,746	2,758	2,654
Total number of full-time equivalents (FTEs)	No.	3,277	2,679	2,609	2,622	2,533
Total number of FTEs (year-end average)	No.	2,856	2,637	2,599	2,576	2,520

Principal statistics

WATER SUPPLY					
Region	Properties served	Properties connected	Water supply services	Length of mains (kilometres)	Water supplied[2] (megalitres)
Perth metro	1,020,606	874,888	748,599	14,392	257,324
Mandurah-Murray	62,306	52,982	47,410	1,188	13,692
Perth region[1]	1,082,912	927,870	796,009	15,580	271,016
Goldfields & Agricultural	43,450	38,854	42,523	9,647	23,880
Great Southern	47,865	41,935	41,178	4,055	12,050
Mid West	50,102	41,038	37,649	2,297	16,387
North West	42,832	35,397	29,356	1,500	37,755
South West	55,043	50,127	45,825	1,763	13,720
Total	**1,322,204**	**1,135,221**	**992,540**	**34,842**	**374,808**

WASTEWATER					
Region	Properties served	Properties connected	Length of sewers (kilometres)	Number of pumping stations	Number of treatment plants
Perth metro	857,030	807,985	12,514	668	11
Mandurah-Murray	50,061	44,711	901	87	4
Perth region[1]	907,091	852,696	13,415	755	15
Goldfields & Agricultural	11,395	9,706	324	34	21
Great Southern	29,972	26,083	737	86	21
Mid West	25,771	20,735	593	70	19
North West	34,389	31,131	679	78	17
South West	68,047	61,081	1,533	168	20
Total	**1,076,665**	**1,001,432**	**17,280**	**1191**	**113**

DRAINAGE		
Region	Properties served	Length of drains controlled (kilometres)
Perth	421,799	1,108
Great Southern	n/a	131
South West	n/a	1,295
Total	**421,799**	**2,534**

IRRIGATION	
Region	Water supplied (megalitres)
Mid West[3]	5,395
North West[4]	905
South West[5]	n/a
Total	**6,300**

1. Perth Region includes Mandurah-Murray District.
2. Water supplied is the quantity recorded by master meters from 1 July to 30 June.
3. Mid West irrigation district was transferred to the Gascoyne Water Co-operative on 1 July 2003.
4. North West irrigation water supplied from the Ord dam to Water Corporation customers only. Previously reported amount included Ord Irrigation Cooperative customers.
5. Water Corporation owns and maintains the dams that supply Harvey Water and Preston Valley Irrigation but they have the water allocation directly with Department of Water and Environmental Regulation.

METROPOLITAN SOURCES OF SUPPLY					
Source	Area of catchment (square km)	Storage capacity (megalitres)	Storage at 30/06/2020 (megalitres)	Percentage of maximum storage	Output to 30/06/2020
DAMS					
Stirling	252	57,404	21,876	46.3	9,251
Samson WTP	192	8,003	3,031	31.7	2,849
South Dandalup	313	138,345	22,753	20.5	5,767
North Dandalup	151	60,791	36,786	64.6	14,148
Serpentine and Serpentine Pipehead	693	140,292	66,324	46.7	40,182
Canning	128	90,353	54,379	58.6	14,857
Wungong	728	59,796	41,668	65.8	11,361
Churchman	18	2,241	727	41.7	848
Victoria	37	9,463	4,310	30.6	2,666
Total hills sources output gross		**566,688**	**251,855**	**44.4**	**101,929**
Total hills transfers input					**81,395**
Total hills sources output nett					**20,534**
GROUNDWATER					
Artesian Bores					31,167
Mirrabooka					15,754
Gwelup					12,822
Wanneroo					28,253
Jandakot					16,661
Neerabup					26,895
Lexia					2,636
Yanchep/Two Rocks					1,328
Total groundwater output					**135,517**
DESALINATION					
Perth seawater desalination plant					46,332
Southern seawater desalination plant					93,715
Total desalination output					**140,048**
WATER RECEIVED FROM BULK SUPPLIER					
GAWS supply to Perth					1,938
Total					**1,938**
BULK WATER EXPORTED					
to Mundaring Dam for GAWS					19,861
Mandurah Murray					13,692
South West Region					1,188
GSTWS					2,861
Total					**37,602**
TOTAL WATER SOURCED					
Net output from surface water					20,534
Groundwater					135,517
Desalination					140,048
Received from bulk supplier					1,938
Total sources					**298,037**
RIPARIANS (FROM DISTRIBUTION SYSTEM)					
Riparians from distribution system					**2,748**
TOTAL POTABLE WATER SUPPLIED					
Total water sourced					298,037
Bulk water exported					(37,602)
Riparians (from distribution system)					(2,748)
Operational use & service reservoir vol change					(363)
Total water supplied					**257,324**

Financial report

Consolidated statement of comprehensive income

For the year ended 30 June 2020

	Note	2020 $M	2019 $M
Revenue			
Annual service charges		1,361	1,310
Volume charges		798	746
Operating subsidies		431	420
Developers' contributions		154	170
Other revenue	5	107	115
Total revenue		**2,851**	**2,761**
Expenses			
Depreciation and amortisation	10 & 11	(517)	(493)
Employee benefits expense	6(a)	(321)	(313)
Hired and contracted services		(162)	(135)
Energy	6(b)	(161)	(102)
Other expenses	6(c)	(330)	(328)
Total expenses		**(1,491)**	**(1,371)**
Results from operating activities		**1,360**	**1,390**
Net finance costs	7	(211)	(243)
Surplus before income tax equivalent		**1,149**	**1,147**
Income tax equivalent expense	8	(340)	(356)
Surplus for the year		**809**	**791**
Other comprehensive expense		(1)	(6)
Related income tax equivalent benefit	8	-	2
Other comprehensive expense, net of tax equivalent		**(1)**	**(4)**
Total comprehensive income for the year		**808**	**787**
Attributable to:			
Owner of the Corporation		808	787
Non-controlling interests	26	-	-
		808	**787**

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

Statement of financial position

As at 30 June 2020

	Note	2020 $M	2019 $M
Current assets			
Cash and cash equivalents		603	26
Trade and other receivables	9	272	251
Prepayments		12	5
Inventories		28	30
Total current assets		**915**	**312**
Non-current assets			
Trade and other receivables	9	23	21
Property, plant and equipment	10	17,542	17,341
Intangible assets	11	110	93
Total non-current assets		**17,675**	**17,455**
Total assets		**18,590**	**17,767**
Current liabilities			
Trade and other payables		337	305
Interest-bearing loans and borrowings	12	18	8
Income tax equivalent payable		67	60
Provisions	14	2	11
Employee benefits	15	97	89
Other liabilities	16	12	20
Total current liabilities		**533**	**493**
Non-current liabilities			
Interest-bearing loans and borrowings	12	6,208	6,194
Deferred tax equivalent liabilities	13	214	246
Provisions	14	19	11
Employee benefits	15	44	45
Other liabilities	16	18	16
Total non-current liabilities		**6,503**	**6,512**
Total liabilities		**7,036**	**7,005**
Net assets		**11,554**	**10,762**
Equity			
Contributed equity	17	7,561	7,561
Accumulated surplus		3,993	3,201
Equity attributable to owners of the Corporation		**11,554**	**10,762**
Non-controlling interests		**-**	**-**
Total equity		**11,554**	**10,762**

The above 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 2020

	Attributable to owners of Water Corporation				
	Contributed equity	Accumulated surplus	Total	Non-controlling interests	Total equity
	$M	$M	$M	$M	$M
Opening balance at 1 July 2019 as previously reported	**7,561**	**3,201**	**10,762**	**-**	**10,762**
Impact of change in accounting policies (Notes 28.2d, 28.3d)	**-**	**(12)**	**(12)**	**-**	**(12)**
Adjusted balances as at 1 July 2019	**7,561**	**3,189**	**10,750**	**-**	**10,750**
Total comprehensive income for the year					
Surplus for the year	-	809	809	-	809
Other comprehensive expense (net of tax equivalent)	-	(1)	(1)	-	(1)
Total comprehensive income for the year	**-**	**808**	**808**	**-**	**808**
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners:					
Dividends paid (note 17.2)	-	(4)	(4)	-	(4)
Total transactions with owners	**-**	**(4)**	**(4)**	**-**	**(4)**
Closing balance at 30 June 2020	**7,561**	**3,993**	**11,554**	**-**	**11,554**

Consolidated statement of changes in equity

For the year ended 30 June 2019

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

Consolidated statement of cash flows

For the year ended 30 June 2020

	Note	2020 $M	2019 $M
Cash flows from operating activities			
Cash receipts from customers		2,173	2,055
Interest received		3	4
Interest paid		(241)	(264)
Cash paid to suppliers and employees		(1,004)	(965)
Income tax equivalents paid		(360)	(302)
Government grants		16	30
Operating subsidies		431	420
Developers' contributions		94	100
GST received		109	108
Other fees and charges		52	52
Net cash from operating activities	18.2	**1,273**	**1,238**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(637)	(672)
Acquisition of intangible assets		(40)	(29)
Proceeds from sale of property, plant and equipment		2	7
Net cash used in investing activities		**(675)**	**(694)**
Cash flows from financing activities			
Net proceeds from borrowings		-	70
Dividends paid	17	(4)	(605)
Payment of finance lease liabilities		(17)	(9)
Net cash used in financing activities		**(21)**	**(544)**
Net increase in cash and cash equivalents		**577**	**-**
Cash and cash equivalents at 1 July		**26**	**26**
Cash and cash equivalents at 30 June		**603**	**26**

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 2020 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 28 August 2020.

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 25.5.

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

Note 3: Functional and presentation currency

The consolidated financial report is presented in Australian dollars, which is the Group'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 and whether the Group is reasonably certain to exercise extension options
- Note 14 - Provision for site restoration
- Note 15 – Measurement of defined benefit obligations

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

Note 5: Other revenue

	2020 $M	2019 $M
Other fees and charges	76	73
Government grants	18	30
Rental income	9	9
Net gain on disposal of property, plant and equipment	4	3
	107	**115**

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

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

Note 6: Expenses

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

	2020 $M	2019 $M
Salaries, wages and other employee expenses	292	285
Superannuation expense	29	28
	321	**313**

Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the Consolidated 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:

	2020 $M	2019 $M
Information technology	44	41
Equipment hire charges	19	24
Corporate charges	35	33
Materials	30	27
Chemicals	30	25
Derecognised assets	10	13
Payroll tax and workers compensation	26	26
Contract labour	73	74
Property expenses	34	33
Other	14	14
Maintenance and asset management alliance partners (refer note 26)	6	5
Discontinued capital projects	9	13
	330	**328**

Note 7: Net finance costs

	2020 $M	2019 $M
Finance income		
Interest income	3	4
Finance costs		
Interest expense (Note a)	235	266
Capitalised interest (Note b)	(21)	(19)
Total finance costs	214	247
Net finance costs	**211**	**243**

Note a) The Group initially applied AASB 16 *Leases* at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in Accumulated surplus on the date of initial application. See Note 28.3.

		2020	2019
Note b)	The average interest rate used to capitalise interest expenses related to major works was:	3.53%	4.11%

Note 8: Income tax equivalent expense

8.1 Recognised in surplus or deficit

	2020 $M	2019 $M
Current income tax equivalent expense		
Current year	340	356
Total income tax equivalent expense	**340**	**356**

8.2 Recognised in other comprehensive income

	Before tax 2020 $M	Tax benefit 2020 $M	Net of tax 2020 $M	Before tax 2019 $M	Tax benefit 2019 $M	Net of tax 2019 $M
Re-measurement of defined benefit liability	1	(0)	1	(6)	2	(4)

8.3 Reconciliation of effective tax equivalent rate

	2020 $M	2019 $M
Surplus for the year attributable to parent entity	809	791
Total income tax equivalent expense	340	356
Surplus before income tax equivalent expense	**1,149**	**1,147**
Income tax equivalent using the Group's tax equivalent rate (30%)	345	344
Non-deductible expenses	1	-
Non-taxable income	(6)	(1)
Adjustment in respect of previous year	-	13
Effective tax equivalent expense	**340**	**356**

Note 9: Trade and other receivables

	2020 $M	2019 $M
Current		
Trade and other receivables (Note a)	278	255
Expected credit loss	(6)	(4)
	272	**251**
Non-current		
Pensioner rates deferrals (Note b)	23	21
	23	**21**
Total trade and other receivables	**295**	**272**

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

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

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

Note 10: Property, plant and equipment

	Cost 2020 $M	Accumulated depreciation 2020 $M	Carrying amount 2020 $M
System assets	22,209	6,639	15,570
Land and buildings	963	188	775
Support assets	400	271	129
Works in progress	1,068	-	1,068
Carrying amount of property, plant and equipment	**24,640**	**7,098**	**17,542**

Comparative figures for 2019 are as follows:

	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
Carrying amount of property, plant and equipment	**23,978**	**6,637**	**17,341**

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 2020 $M	Land and buildings 2020 $M	Support assets 2020 $M	Works in progress 2020 $M	Total 2020 $M
Balance at 1 July 2019	15,281	744	108	1,208	17,341
Recognition of right-of-use assets on initial application of AASB 16	-	15	14	-	29
Adjusted balance at 1 July 2019	15,281	759	122	1,208	17,370
Additions	79	6	10	623	718
Disposals	(9)	(1)	(2)	-	(12)
Depreciation expense	(446)	(17)	(31)	-	(494)
Transfers between classes	665	28	30	(763)	(40)
Balance at 30 June 2020	**15,570**	**775**	**129**	**1,068**	**17,542**

Comparative figures for 2019 are as follows:

	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)
Balance at 30 June 2019	**15,281**	**744**	**108**	**1,208**	**17,341**

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) in accordance with AASB 117 *Leases*. As of 1 July 2020, this will be treated in accordance with AASB 1059 *Service Concession Arrangements: Grantors*. The net carrying amount of the capitalised leased assets as at 30 June 2020 was $214 million (2019: $222 million).

Note 11: Intangible assets

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

Comparative figures for 2019 are as follows:

	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
Total intangible assets	**355**	**262**	**93**

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

Comparative figures for 2019 are as follows:

	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
Balance at 30 June 2019	**54**	**31**	**8**	**93**

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

	2020 $M	2019 $M
Current		
Unsecured:		
Lease liabilities (Note a(i))	8	8
AASB 16 lease liabilities (Note a(ii))	10	-
	18	**8**
Non-current		
Unsecured:		
Western Australian Treasury Corporation Term Fixed Rate Lending (Note b)	3,887	3,886
Western Australian Treasury Corporation Term Floating Rate Lending (Note b)	2,093	2,094
Lease liabilities (Note a(i))	206	214
AASB 16 lease liabilities (Note a(ii))	22	-
	6,208	**6,194**
Total interest-bearing loans and borrowings	**6,226**	**6,202**

Note a) Lease liabilities

i. Lease liabilities

Lease liabilities are payable as follows:

	2020 $M	2019 $M
Less than one year	8	8
Between one and five years	31	32
More than five years	175	182
	214	**222**

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 in accordance with AASB 117 *Leases*. As of 1 July 2020, this will be treated in accordance with AASB 1059 *Service Concession Arrangements: Grantors*.

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.

ii. AASB 16 lease liabilities

	2020 $M
Maturity analysis – contractual undiscounted cash flows	
Less than one year	10
Between one and five years	18
More than five years	7
Total undiscounted lease liabilities at 30 June	**35**
Current	10
Non-current	22
Total lease liability included in the Statement of Financial Position at 30 June	**32**

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

The non-current amount of the Term Fixed Rate Lending of $3,887 million (2019: $3,886 million), includes $389 million (2019: $387 million) that will contractually become due and payable during the 2020-21 year. The non-current amount of the Term Floating Rate Lending of $2,093 million (2019: $2,094 million), includes $482 million (2019: $642 million) that will contractually become due and payable during the 2020-21 year. It is the Group'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 Group's borrowings are refinanced at regular intervals between 2020 and 2030; and

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

Comparative figures for June 2019 are as follows:

	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)	-
Net deferred tax equivalent liabilities	**-**	**246**	**246**

13.2 Movement in temporary differences during the year

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

Comparative figures for June 2019 are as follows:

	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)
	246	**-**	**246**

Note 14: Provisions

	2020 $M	2019 $M
Current		
Workers compensation	1	1
Site restoration	1	8
Decommissioning	-	2
	2	**11**
Non-current		
Workers compensation	3	2
Site restoration	16	9
	19	**11**
Total provisions	**21**	**22**

Reconciliations of the carrying amount of provisions for 2020 are set out below:

	Workers' Compensation $M	Site Restoration $M	Decomm-issioning $M	Total $M
Carrying amount at 1 July 2019	3	17	2	22
Provisions made during the year	1	-	(2)	(1)
Carrying amount at 30 June 2020	**4**	**17**	**-**	**21**

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:

	2020 $M	2019 $M
Current		
Long service leave	51	48
Annual leave	41	36
Other employee benefits	3	2
Defined benefit superannuation (Note a)	2	3
	97	**89**
Non-current		
Long service leave	4	5
Defined benefit superannuation (Note a)	40	40
	44	**45**
Total employee benefits	**141**	**134**

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

	2020 $M	2019 $M
Pension Scheme	38	37
GSSS	4	6
Net defined benefit liability	**42**	**43**

Reconciliation of the defined benefit obligation

	2020 $M	2019 $M
Present value of defined benefit obligations at beginning of the year	43	39
Interest cost	1	1
Actuarial (gains)/losses arising from changes in financial assumptions	1	6
Benefits paid	(3)	(3)
Present value of defined benefit obligations at end of the year	**42**	**43**

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

	2020	2019
Assumptions to determine start of year defined benefit obligation and defined benefit cost for the current year		
Discount rate (pensioners and active members)	1.40%	2.60%
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%
Assumptions to determine defined benefit obligation at the valuation date		
Discount rate (pensioners and active members)	0.85%	1.40%
Expected salary increase rate	2.0% for 2020/21, 2.0% for 2021/22, and then 3.5% pa	1.5% for 2019/20, 1.5% for 2020/21, and then 4.2% pa
Expected pension increase rate	2.0%	2.5%

The discount rate is based on the Government bond maturing in November 2029. 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 2020 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	0.85% pa	0.35% pa	1.35% pa	0.85% pa	0.85% pa
Pension increase rate	2.0% pa	2.0% pa	2.0% pa	1.5% pa	2.5% pa
Defined benefit obligation ($M)	38	42	36	36	41

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	0.85% pa	0.35% pa	1.35% pa	0.85% pa	0.85% pa
Salary increase rate	3.5% pa	3.5% pa	3.5% pa	3.0% pa	4.0% pa
Defined benefit obligation ($M)	4	4	4	4	4

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 2021 are $2m.

Maturity profile of defined benefit obligation

- *Pension Scheme* – The weighted average duration of the Group's defined benefit obligation is 15.9 years (2019: 15.9 years).
- *GSSS* – The weighted average duration of the Group's defined benefit obligation is 2.6 years (2019: 2.8 years).

Note 16: Other liabilities

	2020 $M	2019 $M
Current		
Developers' deferred liabilities (Note a)	5	13
Deposits	7	7
	12	**20**
Non-current		
Developers' deferred liabilities (Note a)	15	12
Deposits	3	4
	18	**16**
Total other liabilities	**30**	**36**

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

	2020 $M	2019 $M
Owner's initial contribution (Note a)	7,327	7,327
Equity contributions (Note b)	234	234
	7,561	**7,561**

Note a) Owner's initial contribution

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

Note b) Equity contributions

Equity contributions represent assets and amounts received from the State Government in relation to funding for the construction of projects.

17.2 Dividends

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

	2020 $M	2019 $M
Interim dividend payment	-	605
Final dividend payment for the prior year	4	-
	4	**605**

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 2020, the average interest rate was 0.68% (2019: 2.05%).

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

	2020 $M	2019 $M
Surplus for the year	809	**791**
Gain on disposal of assets	(4)	(3)
Derecognised assets	10	13
Developers' contributions (non-cash)	(43)	(59)
Non-Developers' contributions (non-cash)	(17)	(11)
Capitalisation of interest expense	(21)	(19)
Impairment loss on receivables	2	-
Employee benefits:		
Superannuation	(1)	-
Long service leave	3	-
Annual leave	4	1
Other	2	-
Depreciation and amortisation	517	493
GST paid for property, plant and equipment	35	41
(Increase) in trade and other receivables	(33)	(27)
(Decrease) / Increase in income tax equivalent	(20)	54
(Decrease) / Increase in inventories	2	(7)
(Decrease) / Increase in trade and other payables and other liabilities	30	(31)
(Decrease) / Increase in decommissioning and disposal	(2)	2
Net cash from operating activities	**1,273**	**1,238**

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:

	2020 $'000	2019 $'000
Audit of financial reports	338	301

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:

	2020 $'000	2019 $'000
Short-term employee benefits	3,356	3,402
Post-employment benefits	279	299
Other long-term benefits	13	167
Termination benefits	336	1,281
	3,984	**5,149**

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 (2019: 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:

	2020 $M	2019 $M
Transactions with Department of Treasury, Department of Finance and Western Australian Treasury Corporation		
Receipts		
Department of Treasury – operating subsidies	431	420
Western Australian Treasury Corporation		
- Proceeds from borrowings	1,155	1,281
- Foreign currency	2	2
Payments		
Department of Treasury		
- Dividends	4	605
- Income tax equivalent	360	302
- Local government rates equivalent	7	7
Department of Finance		
- Payroll tax	22	20
Western Australian Treasury Corporation		
- Repayment of borrowings	1,155	1,211
- Interest on borrowings	176	201
- Guarantee fees	42	41
- Purchase of foreign currency	2	2
Other Western Australian Government related entities		
Receipts		
Department of State Development	11	10
Payments		
Government Employees' Superannuation Board	12	12
Horizon Power	14	13

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

Note 21: Leases

Leases as lessor

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

	2020 $M	2019 $M
Less than one year	5	9
Between one and five years	14	16
More than five years	13	15
	32	**40**

The Group leases out property under operating leases. These rentals are leased to employees that can be cancelled at any time by Water Corporation. Therefore, the risks and rewards are not considered to be substantially transferred.

During the financial year ended 30 June 2020, $9 million was recognised as rental income in the Consolidated Statement of Comprehensive Income (2019: $9 million).

Note 22: Capital commitments

Total capital expenditure contracted for at reporting date but not provided for in the consolidated financial report is $269 million (2019: $231 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 2020:

	2020 $M	2019 $M
Bank guarantees (Note a)	12	12

Note a) Bank guarantees are issued in the normal course of business to guarantee the performance of 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 2020.

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 Group'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 Business Unit, which undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Group'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:

	2020 $M	**2019 $M**
Cash and cash equivalents (Note 18.1)	603	26
Trade and other receivables (Note 9)	295	272
	898	**298**

The Group is not materially exposed to any individual customer.

Trade receivables

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

During the year ended 30 June 2020, the Group renegotiated the terms of trade and other receivables of $22 million (2019: $26 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 (2019: 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 2020, the Group does not have any collective impairment on its trade and other receivables (2019: 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.

The Group 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 2019/20, the borrowing limit was set at $6,090 million (2019: $5,980 million) for the repayment of maturing debt and ongoing capital expenditure. Included in the limit of $6,090 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 (2019: $80 million) to assist with cash flow management.

As at 30 June 2020, $5,980 million was drawn under the total debt facility (2019: $5,980 million). The remaining amount available under the total debt facility, with the relevant approval was $110 million (2019: nil). For 2020/21, the facility limit has initially been set at $6,090 million (2019: $6,090 million) providing available borrowings of $110 million up to 30 June 2021.

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

Exposure to liquidity risk

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

30 June 2020	Carrying amount $M	Contractual cash flows $M	6 mths or less $M	6-12 mths $M	1-2 years $M	2-5 years $M	More than 5 years $M
Non-derivative financial liabilities							
Trade and other payables	337	(337)	(337)	-	-	-	-
Interest-bearing loans and borrowings:							
- WATC Term Floating Rate Lending	2,093	(2,126)	(274)	(220)	(449)	(1,183)	-
- WATC Term Fixed Rate Lending	3,887	(4,497)	(262)	(256)	(498)	(1,402)	(2,079)
Lease liabilities	246	(548)	(20)	(19)	(36)	(89)	(384)
	6,563	**(7,508)**	**(893)**	**(495)**	**(983)**	**(2,674)**	**(2,463)**

30 June 2019	Carrying amount $M	Contractual cash flows $M	6 mths or less $M	6-12 mths $M	1-2 years $M	2-5 years $M	More than 5 years $M
Non-derivative financial liabilities							
Trade and other payables	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)
Lease liabilities	222	(543)	(15)	(15)	(29)	(81)	(403)
	6,507	**(7,774)**	**(1,119)**	**(463)**	**(1,079)**	**(2,565)**	**(2,548)**

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:

	2020 $M	2019 $M
Fixed rate instruments		
WATC Term Floating Rate Lending (interest rate fixed for 3 or 6 months)	2,093	2,094
WATC Term Fixed Rate Lending (Note a)	3,887	3,886
	5,980	5,980

Note a) Structured into 39 lines spread over 39 quarters (9 years and 9 months), with one thirty-ninth of the portfolio maturing each quarter, refinanced at an interest rate fixed for 9 years and 9 months.

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 9 years and 9 month debt, with maturities staggered quarterly. Of the total $3,887 million under the Term Fixed Rate Lending facility, $389 million will mature in the next 12 months and will be refinanced at interest rates fixed for 10 years. Borrowings under the Term Floating Rate Lending facility are structured into various debt lines, with maturities between 2 years and 5 years. Interest rates under the Term Floating Rate facility are reset every 3 months or 6 months. Of the total $2,093 million under this facility, $482 million will mature in the next 12 months, with interest rates fixed for either 3 months or 6 months. An increase of 100 basis points in interest rates at the reporting date would have increased interest expense (before capitalised interest) by $19 million. A decrease of 100 basis points in interest rates at the reporting date would have decreased interest expense (before capitalised interest) by $5 million. This analysis assumes that all other variables remain constant.

25.5 Fair values

Fair values versus carrying amounts

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

	Carrying Amount 2020 $M	Fair Value 2020 $M	Carrying Amount 2019 $M	Fair Value 2019 $M
Assets carried at amortised cost				
Cash and cash equivalents	603	603	26	26
Trade and other receivables	295	295	272	272
Liabilities carried at amortised cost				
Trade and other payables	337	337	305	305
Interest-bearing loans and borrowings:				
- WATC Term Floating Rate Lending	2,093	2,099	2,094	2,108
- WATC Term Fixed Rate Lending	3,887	4,297	3,886	4,249

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

Interest rates used for determining fair value

The average interest rates used to discount estimated cash flows, where applicable, are based on the WATC 'mid-market' rates. This is not comparable to 2019 rates where it was based on the WATC yield curve at the reporting date, plus a margin which represents the buy sell spread.

	2020	2019
Interest-bearing loans and borrowings	0.1%-1.5%	1.2%-1.9%

Note 26: Controlled entities

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 it controls these entities through its power to direct their operations and it is exposed to variable returns from the entities' operations.

The Corporation terminated the alliance agreements with Programmed Facility Management Pty Ltd with effect from 9 March 2020 and Suez Water Pty Ltd and Broadspectrum (Australia) Pty Ltd trading as Perth PTIA Joint Venture with effect from 27 June 2020. As the Corporation no longer controls Programmed Facility Management (PRA) Pty Ltd and Aroona P&T Pty Ltd the entities are not consolidated in the statement of financial position as at 30 June 2020. Transactions up to the date of the termination have been included in the results of the Consolidated Statement of Comprehensive Income and the Consolidated Cash Flow Statement.

In 2019-20, 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

	2020 $M	2019 $M
Result of parent entity		
Surplus for the period	809	791
Other comprehensive expense	(1)	(4)
Total comprehensive income for the period	808	787
Financial Position of parent entity at year end		
Current assets	915	301
Non-current assets	17,675	17,455
Total assets	18,590	17,756
Current liabilities	533	479
Non-current liabilities	6,503	6,515
Total liabilities	7,036	6,994

	2020 $M	2019 $M
Total equity of the parent entity comprising:		
Contributed equity	7,561	7,561
Accumulated surplus	3,993	3,201
Total equity	**11,554**	**10,762**

Parent entity contingent liabilities

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

Parent entity capital commitments

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

Note 28: Significant accounting policies

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

The Group adopted AASB 15 *Revenue from Contracts with Customers* using the modified retrospective method of transition, with the date of initial application of 1 July 2019. In accordance with the provisions of this approach, the Group recognised the cumulative effect of applying this new standard as an adjustment to opening retained earnings at the date of initial application. Consequently, the comparative period information presented has not been restated and continues to be reported under the previous standard on revenue. In addition, the Group has applied the practical expedient and elected to apply this standard retrospectively only to those contracts that were not completed at the date of initial application.

The details and quantitative impact of this change in accounting policy has been disclosed below for the impacted principal activities:

(a) Grant revenue

The Group previously recognised grant revenue directly to other income when the cash grant was received. Under AASB 15, government grants are initially recognised as deferred income at fair value. They are then recognised in profit or loss as other income if it is highly probable that significant reversal would not occur and the Group will comply with the conditions associated with the Grant. The revenue is recognised in the periods in which the offsetting expenses are recognised.

This change in accounting policy has resulted in a reduction to opening retained earnings of $10.5m and a deferred tax adjustment of $4.5m

The following is a description of principal activities from which the Group generates its revenue to which the Group has determined that there has been no change with the transition to AASB 15:

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

(b) Operating Subsidies are recognised as revenue to the extent that it is highly probable that a significant reversal would not occur and the Group 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 Group 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 Group free of charge;
- work performed for developers - as an alternative to developers arranging for the installation of reticulation services, the Group 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

The Group initially applied AASB 16 *Leases* from 1 July 2019. The Group applied AASB 16 using the modified retrospective approach, the Group has chosen, on a lease-by-lease basis, to measure the related right-of-use asset at either:

i. Its carrying amount as if AASB16 *Leases* has been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application, or

ii. As amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

In accordance with the provisions of this transition approach, the Group recognised the cumulative effect of applying this new standard as an adjustment to opening retained earnings at the date of initial application i.e. 1 July 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under AASB 117 *Leases* and related interpretations. The details of the changes in accounting policies are disclosed below.

The details of the changed in accounting policies are disclosed below:

(a) Definition of a lease

On transition to AASB 16 *Leases*, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applies AASB 16 *Leases* only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 *Leases* and IFRIC 4 *Determining Whether an Arrangement Contains a Lease* were not reassessed for whether there is a lease. Therefore, the definition of a lease under AASB 16 *Leases* was applied only to contracts entered into or changed on or after 1 July 2019.

(b) As a lessee

As a lessee, the Group leases many assets including property and motor vehicles. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly the entire risks and rewards incidental to ownership of the underlying asset to the Group. Under AASB 16 *Leases*, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

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

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

Short-term leases

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less remaining from inception date, 1 July 2019. The Group recognises the lease payments associated with these leases as an expense over the lease term. The amount charged to the Consolidated Statement of Comprehensive Income for the period ending 30 June 2020 is $1.6m.

Concessionary leases

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

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

Extension options

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

(c) As a lessor

The Group leases out its residential properties. The Group has classified these leases as operating leases. The Group is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor, except for a sub-lease.

(d) Impact on financial statements

i. Impact on transition

On transition to AASB 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	1 July 2019 $M
Right-of-use assets – property, plant and equipment	29
Deferred tax asset	1
Lease liabilities	31
Retained earnings	(2)

ii. Reconciliation of operating lease commitments under AASB 117 and lease liabilities under AASB 16

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 2.38%.

The difference between the operating lease commitments disclosed previously by applying AASB 117 and the value of the lease liabilities recognised under AASB 16 on 1 July 2019 is explained as follows:

	1 July 2019 $M
Operating lease commitments at 30 June 2019 as disclosed under AASB 117 in the Group's consolidated financial statements	40
Discounted using the incremental borrowing rate at 1 July 2019	(6)
Finance lease liabilities recognised as at 30 June 2019	
- Recognition exemption for leases of low-value assets	-
- Recognition exemption for leases with less than 12 months of lease term at transition	(2)
- Extension options reasonably certain to be exercised	1
- Changes from prior year leases	(2)
Lease liabilities recognised at 1 July 2019	31

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 Consolidated 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 Consolidated 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;

(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 Consolidated 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 Consolidated 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.

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 Consolidated 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 Consolidated 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 Consolidated 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

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

28.15 Employee benefits

28.15.1 Long service leave and annual leave

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

The value of long service leave and annual leave is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and are discounted using the rates attached to the Commonwealth Government bonds at reporting date which have maturity dates approximating the terms of the 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 per cent for four years and have paid leave for the whole of the fifth year at eighty per cent 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 Consolidated 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 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 Water 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 2020 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:

David Lock
Acting Chair

Pat Donovan
Chief Executive Officer

Perth, 28 August 2020


BANNISTER CREEK
Primary School

Auditor General's report

INDEPENDENT AUDITOR'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 Statement of Financial Position as at 30 June 2020, 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 2020 and of its performance for the year then ended; and

(b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the 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 financial report that gives a true and fair view in accordance with Australian Accounting Standards and schedule 3 of the *Water Corporations Act 1995.* The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the 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.

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

Matters Relating to the Electronic Publication of the Audited Consolidated Financial Report

This auditor's report relates to the consolidated financial report of the Group for the year ended 30 June 2020 included on the Corporation's website. The Corporation's management is responsible for the integrity of the Corporation's website. This audit does not provide assurance on the integrity of the Corporation's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of the financial report are concerned with the inherent risks arising from publication on the website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

CAROLINE SPENCER
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
3 September 2020