Financial Report

Inspecting our Karratha treatment plant

Contents

Statement of Comprehensive Income

for the year ended 30 June

	Note	Group 2023 $M	Group 2022[1] $M	Corporation 2023 $M	Corporation 2022 $M
Revenue					
Annual service charges		1,464	1,410	1,464	1,410
Volume charges		833	814	833	814
Operating subsidies		614	519	614	519
Developers' contributions		244	204	244	204
Other revenue	5.2.1	136	114	136	114
Total revenue	**5.2.2**	**3,291**	**3,061**	**3,291**	**3,061**
Expenses					
Depreciation and amortisation	11 - 14	(559)	(532)	(559)	(532)
Employee benefits expense	6.1(a)	(392)	(357)	(392)	(357)
Hired and contracted services		(249)	(212)	(249)	(212)
Energy expenses	6.1(b)	(151)	(172)	(151)	(172)
Other expenses	6.1(c)	(405)	(368)	(405)	(368)
Total expenses		**(1,756)**	**(1,641)**	**(1,756)**	**(1,641)**
Results from operating activities		**1,535**	**1,420**	**1,535**	**1,420**
Net finance costs	7	(187)	(169)	(187)	(169)
Profit before income tax equivalent		**1,348**	**1,251**	**1,348**	**1,251**
Income tax equivalent expense	8	(402)	(375)	(402)	(375)
Profit for the year		**946**	**876**	**946**	**876**
Items that will not be reclassified to profit or loss					
Remeasurements of defined benefits		(1)	3	(1)	3
Related income tax equivalent expense	8	-	(1)	-	(1)
Other comprehensive (loss)/income, net of tax equivalent		**(1)**	**2**	**(1)**	**2**
Total comprehensive income for the year		**945**	**878**	**945**	**878**

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

1 The Corporation acquired a subsidiary during the year ended 30 June 2023. Comparatives figures for the year ended 30 June 2022 comprise of the figures for the Corporation only.

Statement of Financial Position

as at 30 June

	Note	Group		Corporation	
		2023 $M	2022[1] $M	2023 $M	2022 $M
Current assets					
Cash and cash equivalents		952	736	952	736
Trade and other receivables	9	371	273	371	273
Prepayments		37	19	37	19
Inventories		47	46	47	46
Total current assets		**1,407**	**1,074**	**1,407**	**1,074**
Non-current assets					
Trade and other receivables	9	28	26	28	26
Property, plant and equipment[2]	11	17,840	17,598	17,840	17,598
Right of use assets[1]	12	36	33	36	33
Service concession asset[1]	13	191	199	191	199
Intangible assets	14	117	84	93	84
Investments in subsidiaries	15	-	-	24	-
Total non-current assets		**18,212**	**17,940**	**18,212**	**17,940**
Total assets		**19,619**	**19,014**	**19,619**	**19,014**
Current liabilities					
Trade and other payables	16	375	337	375	337
Service concession liability[3]	13	7	8	7	8
Lease liabilities[3]	17	10	9	10	9
Income tax equivalent payable		29	34	29	34
Provisions	18	10	2	10	2
Employee benefits	19	115	110	115	110
Other liabilities	20	12	10	12	10
Total current liabilities		**558**	**510**	**558**	**510**

1 The Corporation acquired a subsidiary during the year ended 30 June 2023. Comparatives figures for the year ended 30 June 2022 comprise of the figures for the Corporation only.
2 Right of use assets and Service concession assets, previously presented in Property, plant and equipment in the year ended 30 June 2022, have been presented as separate line items in the Statement of Financial Position. Comparative disclosure has also been restated.
3 Service concession liability and Lease liabilities, previously presented in Interest-bearing loans and borrowings in the year ended 30 June 2022, have been presented as separate line items in the Statement of Financial Position. Comparative disclosure has also been restated.

Statement of Financial Position (continued)

as at 30 June

	Note	Group		Corporation	
		2023 $M	2022[1] $M	2023 $M	2022 $M
Non-current liabilities					
Service concession liability[3]	13	182	189	182	189
Lease liabilities[3]	17	28	26	28	26
Interest-bearing loans and borrowings[3]	21	5,040	5,429	5,040	5,429
Deferred tax equivalent liabilities	22	156	163	156	163
Provisions	18	38	39	38	39
Employee benefits	19	34	35	34	35
Other liabilities	20	36	23	36	23
Total non-current liabilities		**5,514**	**5,904**	**5,514**	**5,904**
Total liabilities		**6,072**	**6,414**	**6,072**	**6,414**
Net assets		**13,547**	**12,600**	**13,547**	**12,600**
Equity					
Contributed equity	23	7,586	7,584	7,586	7,584
Retained earnings		5,961	5,016	5,961	5,016
Equity attributable to owners		**13,547**	**12,600**	**13,547**	**12,600**
Total equity		**13,547**	**12,600**	**13,547**	**12,600**

The above Statement of Financial Position is to be read in conjunction with the accompanying notes.

1 The Corporation acquired a subsidiary during the year ended 30 June 2023. Comparatives figures for the year ended 30 June 2022 comprise of the figures for the Corporation only.

3 Service concession liability and Lease liabilities, previously presented in Interest-bearing loans and borrowings in the year ended 30 June 2022, have been presented as separate line items in the Statement of Financial Position. Comparative disclosure has also been restated.

Statement of Changes in Equity

for the year ended 30 June

Group

	Note	Contributed equity $M	Retained earnings $M	Total equity $M
Opening balance at 1 July 2022		**7,584**	**5,016**	**12,600**
Total comprehensive income for the year				
Profit for the year		-	946	946
Other comprehensive expense (net of tax equivalent)		-	(1)	(1)
Total comprehensive income for the year		**-**	**945**	**945**
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Equity contributions	23	2	-	2
Total transactions with owners		**2**	**-**	**2**
Closing balance at 30 June 2023		**7,586**	**5,961**	**13,547**

	Note	Contributed equity $M	Retained earnings $M	Total equity $M
Opening balance as at 1 July 2021		**7,561**	**4,138**	**11,699**
Total comprehensive income for the year				
Profit for the year		-	876	876
Other comprehensive expense (net of tax equivalent)		-	2	2
Total comprehensive income for the year		**-**	**878**	**878**
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Equity contributions	23	23	-	23
Total transactions with owners		**23**	**-**	**23**
Closing balance at 30 June 2022[1]		**7,584**	**5,016**	**12,600**

The above Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

1 The Corporation acquired a subsidiary during the year ended 30 June 2023. Comparatives figures for the year ended 30 June 2022 comprise of the figures for the Corporation only.

Statement of Changes in Equity (continued)

for the year ended 30 June

Corporation

	Note	Contributed equity $M	Retained earnings $M	Total equity $M
Opening balance at 1 July 2022		**7,584**	**5,016**	**12,600**
Total comprehensive income for the year				
Profit for the year		-	946	946
Other comprehensive expense (net of tax equivalent)		-	(1)	(1)
Total comprehensive income for the year		**-**	**945**	**945**
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Equity contributions	23	2	-	2
Total transactions with owners		**2**	**-**	**2**
Closing balance at 30 June 2023		**7,586**	**5,961**	**13,547**

	Note	Contributed equity $M	Retained earnings $M	Total equity $M
Opening balance as at 1 July 2021		**7,561**	**4,138**	**11,699**
Total comprehensive income for the year				
Profit for the year		-	876	876
Other comprehensive expense (net of tax equivalent)		-	2	2
Total comprehensive income for the year		**-**	**878**	**878**
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Equity contributions	23	23	-	23
Total transactions with owners		**23**	**-**	**23**
Closing balance at 30 June 2022		**7,584**	**5,016**	**12,600**

The above Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

Statement of Cash Flows

for the year ended 30 June

		Group		Corporation	
	Note	2023 $M	2022[1] $M	2023 $M	2022 $M
Cash flows from operating activities					
Cash receipts from customers		2,337	2,255	2,337	2,255
Interest received		14	1	14	1
Interest paid		(210)	(180)	(210)	(180)
Cash paid to suppliers and employees		(1,273)	(1,114)	(1,273)	(1,114)
Income tax equivalents paid		(414)	(403)	(414)	(403)
Government grants		21	22	21	22
Operating subsidies		526	519	526	519
Developers' contributions		143	144	143	144
GST received		121	103	121	103
Other fees and charges		60	58	60	58
Net cash from operating activities	**24.3**	**1,325**	**1,405**	**1,325**	**1,405**
Cash flows from investing activities					
Acquisition of property, plant and equipment		(668)	(674)	(668)	(674)
Acquisition of intangible assets		(45)	(12)	(21)	(12)
Proceeds from sale of property, plant and equipment		4	-	4	-
Investment in subsidiary		-	-	(24)	-
Net cash used in investing activities		**(709)**	**(686)**	**(709)**	**(686)**
Cash flows from financing activities					
Proceeds from borrowings		470	542	470	542
Repayment of borrowings		(859)	(899)	(859)	(899)
Payment of lease liabilities		(13)	(16)	(13)	(16)
Equity contributions		2	23	2	23
Net cash used in financing activities		**(400)**	**(350)**	**(400)**	**(350)**
Net increase/(decrease) in cash and cash equivalents		**216**	**369**	**216**	**369**
Cash and cash equivalents at 1 July		**736**	**367**	**736**	**367**
Cash and cash equivalents at 30 June		**952**	**736**	**952**	**736**

The above Statement of Cash Flows is to be read in conjunction with the accompanying notes.

1 The Corporation acquired a subsidiary during the year ended 30 June 2023. Comparatives figures for the year ended 30 June 2022 comprise of the figures for the Corporation only.

Notes to the Financial Report

for the year ended 30 June 2023

Note 1 Reporting entity

Water Corporation (the "Corporation") is not-for-profit entity incorporated under the *Water Corporations Act 1995* and domiciled in Australia. Its registered office is at 629 Newcastle Street Leederville WA 6007. These financial statements cover the year ended 30 June 2023. The Corporation is primarily involved in the provision of water and wastewater services.

On 21 December 2022, the Corporation acquired a subsidiary, Flat Rocks Wind Farm Stage 2 Pty Ltd. The consolidated financial statements comprise the financial statements of the Corporation and its subsidiary (collectively the "Group") as at 30 June 2023. Disclosures for the Group for the year ended 30 June 2022 comprise of the figures for the Corporation only and have been included for comparative purposes.

Note 2 Basis of preparation

The financial report is a general-purpose financial report which has been prepared in accordance with the *Government Trading Enterprises Act 2023* and Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB). The financial report complies with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The financial report was approved in accordance with a resolution of the Directors on **29 August 2023**.

The financial report is prepared on the historical cost basis.

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

Basis of consolidation

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date at which the Group ceases to have control. The financial statements of subsidiaries are prepared using consistent accounting policies. All intercompany balances and transactions have been eliminated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period.

Current and non-current classification

Assets and liabilities are presented in the Statement of Financial Position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

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.

Accounting standards and interpretations issued but not yet adopted

The following standards have been issued but are not mandatory for the 30 June 2023 reporting period. The Group has elected not to early adopt these standards. The Group's assessment of the impact of these new standards and interpretations is set out below:

Standard	Description	Application date	Implication
AASB 2021-2	Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023	Not expected to have a material effect
AASB 2021-5	Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	Not expected to have a material effect

Comparatives

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

Note 3 Functional and presentation currency

The functional and presentation currency of the Group and its subsidiary is Australian dollars.

Foreign currency transactions

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

Note 4 Use of estimates and judgements

In preparing this financial report, management has made judgements, estimates and assumptions that affect the application of the 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 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 Carrying values, useful lives and impairment indicator assessment of property, plant and equipment
- Note 13 Valuation of service concession liabilities
- Note 14 Impairment of intangible assets with an indefinite useful life and useful lives assessment of intangible assets with a finite useful life
- Note 15 At acquisition accounting for Flat Rocks Wind Farm Stage 2 Pty Ltd
- Note 18 Provisions for site restoration and decommissioning
- Note 19 Measurement of long service leave and defined benefit obligations

Note 5 Revenue

5.1 ACCOUNTING POLICIES

5.1.1 Regulated revenue

Revenue from annual service charges and volume charges is recognised in the Statement of Comprehensive Income when customers are billed. The underlying revenue recognition principle is to recognise revenue in the period it is consumed.

Annual service charges are raised based on the availability of the service to the property, and may include charges for water, wastewater and drainage services.

Volumetric water and wastewater charges are based on customer metered water use. Where a meter read is unable to be made, the bill is estimated based on previous meter read information. Volumetric water revenue includes recognition of water used by customers but not yet billed.

Most customers are billed on a two-monthly cycle that includes a share of the annual service charge based on the number of days in that two-monthly period plus volumetric charges. Bills are adjusted for any entitlement for discounts or concessions.

5.1.2 Operating subsidies

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:

- The difference between customer revenue and costs in respect of country water, sewerage, drainage and irrigation services;
- metropolitan operations as approved by Cabinet; and
- revenue foregone, plus agreed administration costs, from rebates and concessions to Pensioners, Seniors and Concessional Land customers on annual service charges, water consumption charges and other fees and charges.

5.1.3 Developers' Contributions

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

Subdivisions Infrastructure contributions

Subdivision Infrastructure contributions are one-off charges payable by developers who apply to subdivide lands to create extra lots that require the Group's services. Infrastructure contributions help the Group cover the cost of ongoing upgrades to their infrastructure such as distribution mains, main drains or pumping stations. These charges are known as Standard Infrastructure Contributions (SIC) which refers to the base level service required by an average residential property in a typical urban location. Other properties with a higher level of service are assessed in multiples of this amount.

Building – Infrastructure contributions

Building stage Infrastructure contributions are one-off charges payable by builders/developers who submit a building application, and the building development involves a change to the water services (e.g. installation of an additional water meter, or an upgrade to a water meter). This is different from subdivision infrastructure contributions such that the land will already have water and/or wastewater infrastructure in place. Drainage infrastructure contributions are not payable at building stage.

Assets Handed Over from Developers

Developers are required to construct and provide water, wastewater and drainage reticulation infrastructure when subdividing land. These reticulation assets are connected to the existing network owned by Water Corporation. Developers are required to hand over to Water Corporation these reticulation assets free of charge.

Special Agreements – Infrastructure contributions

Special agreements only apply to 'Major Consumers' in regional areas. These special agreements are based on terms and conditions agreed by the Group and the developer (Major Consumer). Hence, they are not based on fixed rates like the other types of Infrastructure contributions. These special agreements aim to recover the cost of providing water services to rural locations to ensure the risk of stranded assets is managed so that they support efficient water use.

These special agreement developers' contributions are different from other types of developer contributions such that charges are not based on a fixed price. Instead, the charges (known as capacity charges) are based on the daily peak entitlement and the location of the asset.

Capacity charges for Major Consumers are calculated so that they achieve full cost recovery of capital expenditures by using depreciation and a return on capital method.

5.1.4 Grant revenue

Where an enforceable agreement exists between the Group and the Government to transfer sufficiently specific goods or services to a customer, the Group recognises the grant income under AASB 15 *Revenue from Contracts with Customers*. Under AASB 15, revenue relating to such grant income is recognised based on the Group's total expenses incurred in relation to the total expected expenses to be incurred (i.e. cost input methodology). Where the Group has not yet met the performance obligations, any amounts received in advance is recognised as a contract liability in the Statement of Financial Position.

Grants that do not fall within the scope of AASB 15 are recognised:

- Where the grant does not relate to capital funding, when the Group's contractual right to the grant has been established.
- Where the grant relates to the acquisition/construction of a non-financial asset, over time as the non-financial asset is acquired/constructed.

5.1.5 Other revenue

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.

Gains and losses on the disposal of property, plant and equipment are presented by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses. Gains and losses are recognised in profit or loss in the Statement of Comprehensive Income.

The Group enters into lease agreements as a lessor with respect to some of its residential properties. Revenue relating to leases for which the Group is a lessor is classified as rental income and presented in other revenue.

5.2 AMOUNTS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME

5.2.1 Other revenue

	Group		Corporation	
	2023 $M	2022 $M	2023 $M	2022 $M
Other fees and charges	94	86	94	86
Government grants	30	18	30	18
Rental income	10	9	10	9
Net gain on disposal of property, plant and equipment	2	1	2	1
	136	**114**	**136**	**114**

5.2.2 Timing of revenue recognition

	Group		Corporation	
	2023 $M	2022 $M	2023 $M	2022 $M
Over time	2,943	2,762	2,943	2,762
At a point in time	348	299	348	299
	3,291	**3,061**	**3,291**	**3,061**

Note 6 Expenses

6.1 AMOUNTS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME

Note 6.1(a) Employee benefits expense includes the following:

	Group		Corporation	
	2023 $M	2022 $M	2023 $M	2022 $M
Salaries, wages and other employee expenses	354	323	354	323
Superannuation expense	38	34	38	34
	392	**357**	**392**	**357**

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

Note 6.1(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 6.1(c) *Other expenses include the following:*

	Group		Corporation	
	2023 $M	**2022 $M**	**2023 $M**	**2022 $M**
Information technology	117	102	117	102
Equipment hire charges	25	24	25	24
Corporate charges	37	39	37	39
Materials	39	37	39	37
Chemicals	33	32	33	32
Derecognised assets	15	11	15	11
Payroll tax and workers compensation	34	31	34	31
Contract labour	25	33	25	33
Property expenses	40	34	40	34
Discontinued capital projects	20	9	20	9
Other	20	16	20	16
	405	**368**	**405**	**368**

Note 7 Net finance costs

7.1 ACCOUNTING POLICIES

7.1.1 Finance income

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

7.1.2 Finance costs

Finance costs comprise interest expense on borrowings calculated using the effective interest method. The interest expense component of finance lease payments is recognised in the Statement of Comprehensive Income using the effective interest method. Finance costs include guarantee fees on borrowings from the Western Australian Treasury Corporation (WATC).

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.

7.2 AMOUNTS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME

	Group		Corporation	
	2023 $M	**2022 $M**	**2023 $M**	**2022 $M**
Finance income				
Interest income	19	2	19	2
Finance costs				
Interest and guarantee fee expense	223	181	223	181
Capitalised interest (Note a)	(17)	(10)	(17)	(10)
Total finance costs	206	171	206	171
Net finance costs	**187**	**169**	**187**	**169**

		2023	**2022**
Note a)	*The average interest rate used to capitalise interest expenses related to major works was:*	3.86%	2.88%

Notes to the Financial Report

Note 8 Income tax equivalent expense

8.1 ACCOUNTING POLICIES

8.1.1 Income tax equivalent

The Group 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 Group 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 Group's tax equivalent is subject to Australian Tax Office (ATO) administration. The calculation of the liability in respect of these tax equivalents is governed by the *Income Tax Assessment Act 1936* and the NTER guidelines as agreed by the NTER Working Party.

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

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

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

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

In determining the amount of current and deferred tax equivalent the 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.

8.2 AMOUNTS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME

	Group		Corporation	
	2023 $M	2022 $M	2023 $M	2022 $M
Current income tax equivalent expense				
Current year	413	385	413	385
Adjustments from prior year	(3)	(1)	(3)	(1)
Deferred income tax equivalent expense				
Temporary differences	(8)	(9)	(8)	(9)
Total income tax equivalent expense	**402**	**375**	**402**	**375**

8.2.1 Recognised in other comprehensive income / (loss)

Group	Before tax 2023 $M	Tax expense 2023 $M	Net of tax 2023 $M	Before tax 2022 $M	Tax expense 2022 $M	Net of tax 2022 $M
Re-measurement of defined benefit liability	(1)	-	(1)	3	(1)	2

Notes to the Financial Report

Corporation	Before tax 2023 $M	Tax expense 2023 $M	Net of tax 2023 $M	Before tax 2022 $M	Tax expense 2022 $M	Net of tax 2022 $M
Re-measurement of defined benefit liability	(1)	-	(1)	3	(1)	2

8.2.2 Numerical reconciliation of income tax equivalent expense and tax at statutory rate

		Group		Corporation
	2023 $M	2022 $M	2023 $M	2022 $M
Profit for the year	946	876	946	876
Add back: income tax equivalent expense	402	375	402	375
Profit before income tax equivalent expense	**1,348**	**1,251**	**1,348**	**1,251**
Income tax equivalent using the Corporation's tax equivalent rate (30%)	405	375	405	375
Non-deductible expenses	-	1	-	1
Non-taxable income	-	-	-	-
Tax incentives not recognised in the income statement	-	-	-	-
Adjustment in respect of previous year	(3)	(1)	(3)	(1)
Total income tax equivalent expense	**402**	**375**	**402**	**375**

Note 9 Trade and other receivables

9.1 ACCOUNTING POLICIES

9.1.1 Trade and other receivables

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

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on similar credit characteristics.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

9.1.2 Impairment

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months.

Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

9.2 AMOUNTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

	Group		Corporation	
	2023 $M	2022 $M	2023 $M	2022 $M
Current				
Annual service charge and volume debtors (Note a)	256	257	256	257
Expected credit loss	(5)	(5)	(5)	(5)
Net current debtors	251	252	251	252
Other receivables	120	21	120	21
Total current	**371**	**273**	**371**	**273**
Non-current				
Pensioner rates deferrals (Note b)	28	26	28	26
Total non-current	**28**	**26**	**28**	**26**
Total trade and other receivables	**399**	**299**	**399**	**299**

Note a) *Annual service charge and volume debtors includes unbilled revenue of $45 million (2022: $47 million), which is calculated using a combination of actual and estimated monthly water usage and prices.*

Note b) *In accordance with the Rates and Charges (Rebates and Deferments) Act 1992, eligible pensioners are permitted to defer their annual service charges, which will be realised on sale of property or from the estate. Interest is not charged to customers on the deferred amounts, but is recouped from the State Government in the form of Operating Subsidies (see Note 5.1.2).*

During the year ended 30 June 2023, the Group renegotiated the terms of trade and other receivables of $19 million (2022: $21 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 (2022: nil).

9.2.1 Impairment of trade receivables

An 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 2023, the provision for expected credit losses trade and other receivables was $5 million (2022: $5 million).

The Group provides for specific identified debt and then adopts a provision matrix disaggregated based on similar credit characteristics to measure the expected credit losses for trade receivables under the simplified approach. The expected credit loss provision is made up as follows:

Group and Corporation	Expected credit loss rate		Allowance for expected credit loss	
	2023	2022	2023 $M	2022 $M
Specific identified debt	100%	100%	2	2
Remote communities	100%	100%	2	2
Low value land debtors	1%	1%	1	1
			5	5

Note 10 Inventories

10.1 ACCOUNTING POLICY

10.1.1 Inventories

Inventories consist of consumable engineering supplies and spares required for maintenance and operation of systems and general construction works. Inventories are measured at the lower of cost and net realisable value.

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

Note 11 Property, plant and equipment

11.1 ACCOUNTING POLICIES

11.1.1 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 and impairment losses.

11.1.2 Subsequent costs

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

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

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

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

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

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

	Life (years)
Tunnels - water	80 – 150
Dams and associated civil works	80 – 120
Pipes - water and wastewater (other than galvanised steel)	75 – 110
Ocean outfalls and associated pipes	40 – 100
Bridges	40 – 80
Reservoirs and tanks	40 – 70
Fire hydrants and reticulation valves	50 – 55
Valves	25
Civil works - pump stations and treatment plants	40 – 50
Civil works – minor	10
Buildings (other than temporary)	30 – 50
Buildings (temporary)	10 – 20
Pipes - water (galvanised steel)	30 – 60
Drains and channels (other than excavation)	20 – 50
Drains and channels (earth excavation)	150
Wells and bores	20 – 30
Mechanical and electrical installations	25
Telemetry equipment, instruments and revenue meters	10 – 12
Furniture, office and laboratory equipment	7
Vehicles and mobile plant	5 – 12
Computer equipment	3 – 5
Supervisory control and data acquisition (SCADA)	12
Asset condition assessment	4 – 5

11.2 AMOUNTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION[6]

Group and Corporation	Cost 2023 $M	Accumulated depreciation 2023 $M	Carrying amount 2023 $M
System assets	23,194	(7,865)	15,329
Land and buildings	1,082	(231)	851
Support assets	474	(318)	156
Works in progress	1,504	-	1,504
Carrying amount of property, plant and equipment	**26,254**	**(8,414)**	**17,840**

Comparative figures for 2022 are as follows:

Group and Corporation	Cost 2022 $M	Accumulated depreciation 2022 $M	Carrying amount 2022 $M
System assets	22,641	(7,413)	15,228
Land and buildings	999	(215)	784
Support assets	414	(302)	112
Works in progress	1,474	-	1,474
Carrying amount of property, plant and equipment	**25,528**	**(7,930)**	**17,598**

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.

Group and Corporation	System assets 2023 $M	Land and buildings 2023 $M	Support assets 2023 $M	Work in progress 2023 $M	Total 2023 $M
Balance at 1 July 2022	**15,228**	**784**	**112**	**1,474**	**17,598**
Additions	121	-	-	665	786
Disposals	(15)	-	(2)	-	(17)
Depreciation expense	(479)	(18)	(28)	-	(525)
Transfers	474	85	74	(635)	(2)
Balance at 30 June 2023	**15,329**	**851**	**156**	**1,504**	**17,840**

6 Right of use assets (Note 12) and Service concession assets (Note 13), previously presented in Property, plant and equipment, in the year ended 30 June 2022, have been presented as separate line items in the Statement of Financial Position. Comparative disclosure has also been restated.

Comparative reconciliation for 2022 is as follows:

Group and Corporation	System assets 2022 $M	Land and buildings 2022 $M	Support assets 2022 $M	Work in progress 2022 $M	Total 2022 $M
Balance at 1 July 2021	**15,308**	**774**	**109**	**1,231**	**17,422**
Additions	77	-	-	609	686
Disposals	(11)	-	-	-	(11)
Depreciation expense	(461)	(15)	(23)	-	(499)
Transfers	315	25	26	(366)	-
Balance at 30 June 2022	**15,228**	**784**	**112**	**1,474**	**17,598**

There were no indicators of impairment for the year ending 30 June 2023 (2022: Nil).

Consideration of climate change related risk in relation to property, plant and equipment

The Group is developing its assessment of the impact that climate change may have on assets in accordance with State Government requirements and future reporting as part of financial statements. Climate-related risk is a risk for the Group, but it has been actively adapting to the impacts of a drying climate through the construction of two desalination plants since 2005 and a third is scheduled for completion in 2028 as part of a longer-term plan for securing climate-resilient water sources for Perth. The impact of climate change related risks which the Group may face in the future is likely to impact the carrying value of property, plant and equipment currently recognised in the financial statements but at this stage the quantum is uncertain.

Note 12 Right of use assets

12.1 ACCOUNTING POLICIES

12.1.1 Right of use assets

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less).

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.

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.

12.2 AMOUNTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

Reconciliations

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

	Group		Corporation	
	2023 $M	2022 $M	2023 $M	2022 $M
Balance at 1 July	**33**	**28**	**33**	**28**
Additions	16	17	16	17
Disposals	(1)	(1)	(1)	(1)
Depreciation expense	(12)	(11)	(12)	(11)
Balance at 30 June	**36**	**33**	**36**	**33**
Accumulated cost	71	58	71	58
Accumulated depreciation	(35)	(25)	(35)	(25)
Carrying amount	**36**	**33**	**36**	**33**

Note 13 Service concession asset and liability

13.1 SERVICE CONCESSION ASSET – MUNDARING WATER TREATMENT PLANT

Reconciliations

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

	Group		Corporation	
	2023 $M	2022 $M	2023 $M	2022 $M
Balance at 1 July	**199**	**207**	**199**	**207**
Depreciation expense	(8)	(8)	(8)	(8)
Balance at 30 June	**191**	**199**	**191**	**199**
Accumulated cost	267	267	267	267
Accumulated depreciation	(76)	(68)	(76)	(68)
Carrying amount	**191**	**199**	**191**	**199**

In 2012, the Corporation entered into a Public Private Partnership with Helena Water Pty Ltd (Helena Water) to privately finance, design, construct, own and operate the Mundaring Water Treatment Plant under a 35-year operating concession.

The Group supplies raw water to Helena Water and purchases the treated product water that is pumped to Sawyer's Valley tank at the flow rate specified by the Group's operation centre.

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

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

Termination options for the Corporation include convenience, force majeure, substantial damage to infrastructure, and default events. The Group may step-in to operate and maintain the infrastructure in certain circumstances. There were no changes to the arrangement during the reporting period (2022: Nil).

13.2 SERVICE CONCESSION LIABILITY – MUNDARING WATER TREATMENT PLANT

Reconciliations

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

	Group		Corporation	
	2023 $M	2022 $M	2023 $M	2022 $M
As at 1 July	197	206	197	206
Payments	(8)	(9)	(8)	(9)
As at 30 June	**189**	**197**	**189**	**197**
Current	7	8	7	8
Non-current	182	189	182	189
Total included in the Statement of Financial Position	**189**	**197**	**189**	**197**

Note 14 Intangible assets

14.1 ACCOUNTING POLICIES

14.1.1 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 and accumulated impairment losses.

Software-as-a-service (SaaS) expenses are recognised as incurred when the related services are delivered, unless they qualify for capitalisation as computer software because they are identifiable and controlled in a way that allows future economic benefits to be obtained, and others' access to those benefits can be restricted. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received. Some of the costs incurred are for the development of software code that enhances, modifies or creates additional capability to existing on-premise systems and meets the recognition criteria for an intangible asset.

14.1.2 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.

14.1.3 Investment in wind farm development rights

Wind farm development rights include project studies, project drawings, wind data, environmental approvals, development approvals and other intellectual property obtained through the acquisition of Flat Rocks Wind Farm Stage 2 Pty Ltd.

Wind farm development rights purchased by the Group have been recognised initially at the cost of acquiring the rights plus incidental costs directly attributable to the acquisition. Development rights are stated at cost less accumulated amortisation and accumulated impairment losses.

14.1.4 Amortisation

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

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

Intangible assets are amortised over the following useful lives:

	Life (years)
Computer software	3 – 10
Intellectual property	10
Investment in wind farm development rights	30

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

14.1.5 Impairment

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

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income.

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

14.2 AMOUNTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

Group	Cost 2023 $M	Accumulated amortisation 2023 $M	Carrying amount 2023 $M
Computer software	327	(302)	25
Intellectual property	3	(3)	-
Water entitlement	31	-	31
Property easements	10	-	10
Investment in wind farm development rights	24	-	24
Works in progress	27	-	27
Total intangible assets	**422**	**(305)**	**117**

Comparative figures for 2022 are as follows:

	Cost 2022 $M	Accumulated amortisation 2022 $M	Carrying amount 2022 $M
Computer software	319	(289)	30
Intellectual property	2	(2)	-
Water entitlement	31	-	31
Property easements	9	-	9
Investment in wind farm development rights	-	-	-
Works in progress	14	-	14
Total intangible assets	**375**	**(291)**	**84**

Corporation	Cost 2023 $M	Accumulated amortisation 2023 $M	Carrying amount 2023 $M
Computer software	327	(302)	25
Intellectual property	3	(3)	-
Water entitlement	31	-	31
Property easements	10	-	10
Works in progress	27	-	27
Total intangible assets	**398**	**(305)**	**93**

Comparative figures for 2022 are as follows:

	Cost 2022 $M	Accumulated amortisation 2022 $M	Carrying amount 2022 $M
Computer software	319	(289)	30
Intellectual property	2	(2)	-
Water entitlement	31	-	31
Property easements	9	-	9
Works in progress	14	-	14
Total intangible assets	**375**	**(291)**	**84**

Reconciliations

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

Group	Computer Software 2023 $M	Intellectual property 2023 $M	Water Entitlement 2023 $M	Property Easements 2023 $M	Investment in wind farm development rights 2023 $M	Work in Progress 2023 $M	Total 2023 $M
Balance at 1 July 2022	**30**	**-**	**31**	**9**	**-**	**14**	**84**
Additions	-	-	-	-	24	21	45
Amortisation expense	(13)	(1)	-	-	-	-	(14)
Transfers	8	1	-	1	-	(8)	2
Balance at 30 June 2023	**25**	**-**	**31**	**10**	**24**	**27**	**117**

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Comparative reconciliation for 2022 is as follows:

	Computer Software 2022 $M	Intellectual property 2022 $M	Water Entitlement 2022 $M	Property Easements 2022 $M	Investment in wind farm development rights 2022 $M	Work in Progress 2022 $M	Total 2022 $M
Balance at 1 July 2021	**29**	**-**	**31**	**9**	**-**	**17**	**86**
Additions	-	-	-	-	-	12	12
Amortisation expense	(14)	-	-	-	-	-	(14)
Transfers	15	-	-	-	-	(15)	-
Balance at 30 June 2022	**30**	**-**	**31**	**9**	**-**	**14**	**84**

Corporation

	Computer Software 2023 $M	Intellectual property 2023 $M	Water Entitlement 2023 $M	Property Easements 2023 $M	Work in Progress 2023 $M	Total 2023 $M
Balance at 1 July 2022	**30**	**-**	**31**	**9**	**14**	**84**
Additions	-	-	-	-	21	21
Amortisation expense	(13)	(1)	-	-	-	(14)
Transfers	8	1	-	1	(8)	2
Balance at 30 June 2023	**25**	**-**	**31**	**10**	**27**	**93**

Comparative reconciliation for 2022 is as follows:

	Computer Software 2022 $M	Intellectual property 2022 $M	Water Entitlement 2022 $M	Property Easements 2022 $M	Work in Progress 2022 $M	Total 2022 $M
Balance at 1 July 2021	**29**	**-**	**31**	**9**	**17**	**86**
Additions	-	-	-	-	12	12
Amortisation expense	(14)	-	-	-	-	(14)
Transfers	15	-	-	-	(15)	-
Balance at 30 June 2022	**30**	**-**	**31**	**9**	**14**	**84**

There were no indicators of impairment for the year ending 30 June 2023 (2022: Nil).

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 current replacement cost of the asset with reference to the cost of other current potential water sources, such as bore extraction, desalination or water catchment.

To calculate the current replacement cost of the water entitlements, the Group has determined what it would cost to obtain the water from an alternative source. In doing so, the Group has estimated the following:

Expected volume – the Group has estimated the volume of water that it will continue to take on the basis of past usage and availability of the water. The Group considers factors such as long term rainfall data and climate change in making its estimates.

Expected unit cost – the Group has estimated the expected unit cost on the basis of the Group's adjusted Long Run Marginal Cost (LRMC) for new sources of water. An adjustment is made to the LRMC to reflect the cost of pumping water from the southern dams to Perth.

The Group's long run marginal cost of new sources of water is used to calculate the notional current replacement cost of the water entitlements.

The entitlements are then valued under two scenarios, using an appropriate discount rate. The Group's long-term nominal cost of capital of 7.2% (2022: 7.2%) has been used as the discount rate.

The scenarios considered are:

(i) Average volume of water taken during the last three financial years

(ii) Average volume of water taken during the last 10 financial years.

The following table details the assumptions used as inputs in the impairment

Input	Description of input	2023	2022
Adjusted cost of new sources of water	LRMC less average conveyance cost	$3.06 per kilolitre	$2.72 per kilolitre
Discount rate	The Group's long-term cost of capital	7.2%	7.2%

Investment in wind farm development rights

See Note 15.3 for details of the acquisition of the wind farm development rights.

Note 15 Investments in subsidiaries

15.1 ACCOUNTING POLICIES

15.1.1 Recognition and measurement

Investments in subsidiaries are recognised from the date on which control is obtained by the Group.

Subsidiaries are all the entities over which the Group has the power over the investee such that the Group is able to direct the relevant activities, has exposure, or rights, to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of the investor's returns.

Investments in subsidiaries are measured at cost.

15.2 INFORMATION RELATING TO SUBSIDIARY

The financial statements of the Group include the following:

	Principal activity	Country of incorporation	% Equity interest	
			2023	2022
Flat Rocks Wind Farm Stage 2 Pty Ltd	Renewable energy development	Australia	100%	-

The movement in the net carrying value of the subsidiary is shown below:

	Corporation	
	2023 $M	2022 $M
Balance at 1 July	-	-
Additions	24	-
Balance at 30 June	**24**	**-**

15.3 ACQUISITION OF FLAT ROCKS WIND FARM STAGE 2 PTY LTD

In December 2022, the Corporation acquired Flat Rocks Wind Farm Stage 2 Pty Ltd from Moonies Hill Energy.

The acquisition of Flat Rocks Stage 2 Pty Ltd, does not meet the definition of a business combination. Therefore, the Group has accounted for the underlying assets and liabilities acquired, as an asset acquisition in accordance with relevant Australian Accounting Standards that apply. The underlying assets and liabilities acquired comprised of wind farm development rights that include project studies, project drawings, wind data, environmental approvals and development approvals.

Flat Rocks Wind Farm Stage 2 is expected to have up to 24 wind turbines and export up to 100MW of renewable energy into the South West Interconnected System, with the potential to upgrade the capacity to in excess of 150MW. The wind farm is expected to be located 30 kilometres south of Kojonup in the State's Great Southern region. Approvals for 24 wind turbines were received from the Joint Development Assessment Panel in 2021 and Management forecast energy production will begin in 2025.

Note 16 Trade and other payables

16.1 ACCOUNTING POLICIES

16.1.1 Trade and other payables

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

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

16.2 AMOUNTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

		Group		Corporation
	2023 $M	2022 $M	2023 $M	2022 $M
Trade payables	333	305	333	305
Other payables	37	17	37	17
Contract liabilities (Note a)	5	15	5	15
	375	**337**	**375**	**337**

Note a) Contract liabilities

		Group		Corporation
	2023 $M	2022 $M	2023 $M	2022 $M
Reconciliation of changes in contract liabilities				
As at 1 July	15	12	15	12
Additions	-	7	-	7
Revenue recognised in the reporting period	(10)	(4)	(10)	(4)
As at 30 June	**5**	**15**	**5**	**15**

Note 17 Lease liabilities

17.1 ACCOUNTING POLICY

17.1.1 Leases - as a lessee

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

The 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.

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.

17.1.2 Leases - as a lessor

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

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

17.2 AMOUNTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

	Group		Corporation	
	2023 $M	2022 $M	2023 $M	2022 $M
Current				
Lease liabilities (Note a)	10	9	10	9
	10	**9**	**10**	**9**
Non-current				
Lease liabilities (Note a)	28	26	28	26
	28	**26**	**28**	**26**
Total lease liabilities	**38**	**35**	**38**	**35**

Note (a) *i. Lease liabilities*

	Group		Corporation	
	2023 $M	2022 $M	2023 $M	2022 $M
Maturity analysis – contractual undiscounted cash flows				
Less than one year	11	10	11	10
One to five years	20	19	20	19
More than five years	15	11	15	11
Total undiscounted lease liabilities at 30 June	**46**	**40**	**46**	**40**
Lease liability movements				
As at 1 July	35	30	35	30
Additions	15	16	15	16
Accretion of interest	1	1	1	1
Payments	(13)	(12)	(13)	(12)
As at 30 June	**38**	**35**	**38**	**35**
Current	10	9	10	9
Non-current	28	26	28	26
Total lease liability included in the Statement of Financial Position	**38**	**35**	**38**	**35**

ii. Assets pledged as security

	Group		Corporation	
	2023 $M	2022 $M	2023 $M	2022 $M
Assets pledged as security				
The carrying amounts of non-current assets pledged as security are:				
Right of use assets	36	33	36	33
Total assets pledged as security at 30 June	**36**	**33**	**36**	**33**

The Group has secured the right of use assets against the related lease liabilities. In the event of default, the rights to the leased assets will revert to the lessor.

Note 18 Provisions

18.1 ACCOUNTING POLICIES

18.1.1 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.

18.1.2 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.

18.1.3 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.

18.1.4 Decommissioning

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

18.2 AMOUNTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

	Group		Corporation	
	2023 $M	**2022 $M**	**2023 $M**	**2022 $M**
Current				
Site restoration	10	2	10	2
	10	2	10	2
Non-current				
Workers compensation	4	4	4	4
Site restoration	16	17	16	17
Decommissioning	18	18	18	18
	38	**39**	**38**	**39**
Total provisions	**48**	**41**	**48**	**41**

Reconciliations of the carrying amount of provisions for 2023 are set out below:

Group and Corporation	**Workers' Compensation $M**	**Site Restoration $M**	**Decommissioning $M**	**Total $M**
Carrying amount at 1 July 2021	3	18	8	29
Provisions made during the year	1	4	10	15
Provisions utilised during the year	-	(3)	-	(3)
Carrying amount at 30 June 2022	4	19	18	41
Provisions made during the year	-	10	-	10
Provisions utilised during the year	-	(3)	-	(3)
Carrying amount at 30 June 2023	**4**	**26**	**18**	**48**

Provision for site restoration

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

Provision for decommissioning

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

Note 19 Employee benefits

19.1 ACCOUNTING POLICIES

19.1.1 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.

Annual leave provisions are classified as current, as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. The provision for annual leave is calculated at the present value of expected payments to be made in relation to services provided by employees up to the reporting date.

Long service leave provisions are classified as current liabilities as the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the Group has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

The provision for long service leave is calculated at present value as the Group does not expect to wholly settle the amounts within 12 months. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the reporting date. These payments are estimated using the remuneration rate expected to apply at the time of settlement, and discounted using market yields at the end of the reporting period on Commonwealth Government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

19.1.2 Purchased leave

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

This scheme allows employees to purchase up to 12 additional weeks leave per annum by agreeing to a reduced salary rate over 52 weeks of the year. The minimum amount of leave available to be purchased is 1 week.

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

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

19.1.3 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.

19.1.4 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.

19.2 AMOUNTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

The provision for employee benefits comprises:

	Group		Corporation	
	2023 $M	2022 $M	2023 $M	2022 $M
Current				
Long service leave (Note a)	57	55	57	55
Annual leave (Note b)	50	48	50	48
Other employee benefits	5	5	5	5
Defined benefit superannuation (Note c)	3	2	3	2
	115	110	115	110
Non-current				
Long service leave (Note a)	5	5	5	5
Defined benefit superannuation (Note c)	29	30	29	30
	34	**35**	**34**	**35**
Total employee benefits	**149**	**145**	**149**	**145**

Note (a) *Long service leave*

Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	Group		Corporation	
	2023 $M	2022 $M	2023 $M	2022 $M
Within 12 months of the end of the reporting period	11	8	11	8
More than 12 months after the end of the reporting period	51	52	51	52
	62	**60**	**62**	**60**

Note (b) *Annual leave*

Annual leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	Group		Corporation	
	2023 $M	2022 $M	2023 $M	2022 $M
Within 12 months of the end of the reporting period	31	30	31	30
More than 12 months after the end of the reporting period	19	18	19	18
	50	**48**	**50**	**48**

Note (c) *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

	Group		Corporation	
	2023 $M	2022 $M	2023 $M	2022 $M
Pension Scheme	30	29	30	29
GSSS	2	3	2	3
Net defined benefit liability	**32**	**32**	**32**	**32**

Reconciliation of the defined benefit obligation

	Group		Corporation	
	2023 $M	2022 $M	2023 $M	2022 $M
Present value of defined benefit obligations at beginning of the year	32	37	32	37
Interest cost	1	1	1	1
Actuarial (gains)/losses arising from changes in financial assumptions	(1)	(5)	(1)	(5)
Actuarial (gains)/losses arising from liability experience	1	1	1	1
Benefits paid	(1)	(2)	(1)	(2)
Present value of defined benefit obligations at end of the year	**32**	**32**	**32**	**32**

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

Group and Corporation		
	2023 $M	2022 $M
Assumptions to determine start of year defined benefit obligation and defined benefit cost for the current year		
Discount rate (pensioners and active members)	3.35% pa	1.50% pa
Expected salary increase rate	3.5% pa	2.0% for 2021/22, 2.0% for 2022/23, and then 3.0% pa
Expected pension increase rate	3.0% for 2022/23, 3.0% for 2023/24, 3.0% for 2024/25, and then 2.5% pa	1.75% for 2021/22, 1.75% for 2022/23, and then 2.0% pa
Assumptions to determine defined benefit obligation at the valuation date		
Discount rate (pensioners and active members)	3.55% pa	3.35% pa
Expected salary increase rate	3.5% pa	3.5% pa
Expected pension increase rate	5.8% for 2023/24, 3.0% for 2024/25, and then 2.5% pa	3.0% for 2022/23, 3.0% for 2023/24, 3.0% for 2024/25, and then 2.5% pa

The discount rate is based on the Government bond maturing in December 2030. 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 2023 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	3.55% pa	3.05% pa	4.05% pa	3.55% pa	3.55% pa
Pension increase rate	2.5% pa	2.5% pa	2.5% pa	2.0% pa	3.0% pa
Defined benefit obligation ($M)	30	31	28	28	31

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	3.55% pa	3.05% pa	4.05% pa	3.55% pa	3.55% pa
Salary increase rate	3.5% pa	3.5% pa	3.5% pa	3.0% pa	4.0% pa
Defined benefit obligation ($M)	2	2	2	2	2

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 2023 are $2m (2022: $1m).

Maturity profile of defined benefit obligation

- *Pension Scheme* - The weighted average duration of the Group's defined benefit obligation is 12.2 years (2022: 13.0 years).
- *GSSS* - The weighted average duration of the Group's defined benefit obligation is 2.3 years (2022: 2.5 years).

Note 20 Other liabilities

	Group		Corporation	
	2023 $M	**2022 $M**	**2023 $M**	**2022 $M**
Current				
Developers' deferred liabilities (Note a)	2	2	2	2
Deposits	10	8	10	8
	12	**10**	**12**	**10**
Non-current				
Developers' deferred liabilities (Note a)	34	18	34	18
Deposits	2	5	2	5
	36	**23**	**36**	**23**
Total other liabilities	**48**	**33**	**48**	**33**

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 21 Interest-bearing loans and borrowings

21.1 ACCOUNTING POLICIES

21.1.1 Interest-bearing borrowings

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

21.2 AMOUNTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION[7]

	Group		Corporation	
	2023 $M	2022 $M	2023 $M	2022 $M
Non-current				
Unsecured:				
Western Australian Treasury Corporation Term Fixed Rate Lending (Note a)	3,167	3,556	3,167	3,556
Western Australian Treasury Corporation Term Floating Rate Lending (Note a)	1,873	1,873	1,873	1,873
Total interest-bearing loans and borrowings	**5,040**	**5,429**	**5,040**	**5,429**

	Group		Corporation	
	2023 $M	2022 $M	2023 $M	2022 $M
Interest-bearing borrowings movements				
As at 1 July	5,429	5,786	5,429	5,786
Borrowings advanced	-	542	-	542
Capital repayments	(389)	(899)	(389)	(899)
As at 30 June	**5,040**	**5,429**	**5,040**	**5,429**

Note (a) Western Australian Treasury Corporation Term Fixed & Floating Rate Lending

The non-current amount of the Term Fixed Rate Lending of $3,167 million (2022: $3,556 million), includes $389 million (2022: $389 million) with an original contractual maturity in the 2023-24 year. The non-current amount of the Term Floating Rate Lending of $1,873 million (2022: $1,873 million), includes $500 million (2022: $470 million) with an original contractual maturity in the 2023-24 year. The loans have been classified as non-current as a result of the following:

i The Group has an agreement with the Western Australian Treasury Corporation (WATC), an entity owned by the Western Australian State Government, to refinance loans at regular intervals until 2030; and

ii The Group's forecast borrowing requirements for the next four years have been approved within the 2023 Western Australian State Budget, including no requirement for repayment of the amounts classified as non-current above.

7 Service concession liability (Note 13) and Lease liabilities (Note 17), previously presented in Interest-bearing loans and borrowings in the year ended 30 June 2022, have been presented as separate line items in the Statement of Financial Position.

Note 22 Deferred tax equivalent liabilities

22.1 RECOGNISED DEFERRED TAX EQUIVALENT ASSETS AND LIABILITIES

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

Group and Corporation

	Assets 2023 $M	Liabilities 2023 $M	Net 2023 $M
Property, plant and equipment	-	288	288
Right of use assets	(10)	-	(10)
Prepayments	-	-	-
Intangible assets	(7)	-	(7)
Provisions	(58)	-	(58)
Accrued expenses	(57)	-	(57)
Other items	-	-	-
Deferred tax equivalent (assets) / liabilities	(132)	288	156
Set off of tax equivalents	132	(132)	-
Net deferred tax equivalent liabilities	**-**	**156**	**156**

	Assets 2022[(a)] $M	Liabilities 2022[(a)] $M	Net 2022[(a)] $M
Property, plant and equipment	-	291	291
Right of use assets	(9)	-	(9)
Prepayments	(1)	-	(1)
Intangible assets	(7)	-	(7)
Provisions	(55)	-	(55)
Accrued expenses	(55)	-	(55)
Other items	(1)	-	(1)
Deferred tax equivalent (assets) / liabilities	(128)	291	163
Set off of tax equivalents	128	(128)	-
Net deferred tax equivalent liabilities	**-**	**163**	**163**

The Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

Note (a) *The disaggregation of deferred tax assets and liabilities previously presented in the period ended 30 June 2022 was reviewed and reclassified. This reclassification has been reflected in the comparatives presented for the period ended 30 June 2022.*

22.2 MOVEMENT IN TEMPORARY DIFFERENCES DURING THE YEAR

Group and Corporation

	Balance 1 July 2022 $M	Recognised in income $M	Recognised in retained earnings $M	Balance 30 June 2023 $M
Property, plant and equipment	291	(3)	-	288
Right of use assets	(9)	(1)	-	(10)
Prepayments	(1)	1	-	-
Intangible assets	(7)	-	-	(7)
Provisions	(55)	(3)	-	(58)
Accrued expenses	(55)	(2)	-	(57)
Other items	(1)	1	-	-
	163	**(7)**	**-**	**156**

Comparative figures for 2022 are as follows:

	Balance 1 July 2021 $M	Recognised in income $M	Recognised in retained earnings $M	Balance 30 June 2022 $M
Property, plant and equipment	294	(3)	-	291
Right of use assets	(8)	(1)	-	(9)
Prepayments	(3)	2	-	(1)
Intangible assets	(8)	1	-	(7)
Provisions	(53)	(2)	-	(55)
Accrued expenses	(49)	(6)	-	(55)
Other items	(1)	-	-	(1)
	172	**(9)**	-	**163**

Note 23 Equity

23.1 CONTRIBUTED EQUITY

		Group		Corporation
	2023 $M	2022 $M	2023 $M	2022 $M
Reconciliation of movements in contributed equity				
As at 1 July	7,584	7,561	7,584	7,561
Contributions in the year				
Oyster Harbour Ulster Road	1	-	1	-
Remote Communities	1	-	1	-
Perdaman	-	23	-	23
As at 30 June	**7,586**	**7,584**	**7,586**	**7,584**
Owner's initial contribution (Note a)	7,327	7,327	7,327	7,327
Equity contributions (Note b)	259	257	259	257
Total contributed equity included in the Statement of Financial Position	**7,586**	**7,584**	**7,586**	**7,584**

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 and have been designated as equity contributions by the State Government.

Note 24 Cash and cash equivalents

24.1 ACCOUNTING POLICY

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the Statement of Cash Flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the Statement of Financial Position.

24.2 CASH AND CASH EQUIVALENTS

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks.

Cash held at bank earns interest at rates determined by the Department of Treasury.

The Group's exposure to interest rate risk for financial assets and liabilities is disclosed in Note 30.

The Group retained 2022-23 dividend payments of $732 million for investment in the next major water source (2022: $1,355 million for investment in the next major water source).

22.3 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Group		Corporation	
	2023 $M	2022 $M	2023 $M	2022 $M
Profit for the year	**946**	**876**	**946**	**876**
Gain on disposal of assets	(2)	(1)	(2)	(1)
Derecognised assets	15	11	15	11
Developers' contributions (non-cash)	(89)	(53)	(89)	(53)
Non-Developers' contributions (non-cash)	(11)	(7)	(11)	(7)
Capitalisation of interest expense	(17)	(10)	(17)	(10)
Reversal of credit loss on receivables	-	(1)	-	(1)
Employee benefits:				
Superannuation	(1)	(5)	(1)	(5)
Long service leave	3	(2)	3	(2)
Annual leave	2	1	2	1
Other	-	1	-	1
Depreciation and amortisation	559	532	559	532
GST paid for property, plant and equipment	39	34	39	34
(Increase)/decrease in trade and other receivables	(118)	(18)	(118)	(18)
Increase/(decrease) in income tax equivalent	(12)	(26)	(12)	(26)
(Increase)/decrease in inventories	(1)	-	(1)	-
Increase/(decrease) in trade and other payables and other liabilities	5	61	5	61
Increase/(decrease) in provisions	7	12	7	12
Net cash from operating activities	**1,325**	**1,405**	**1,325**	**1,405**

24.4 NON-CASH INVESTING AND FINANCING ACTIVITIES

	Group		Corporation	
	2023 $M	2022 $M	2023 $M	2022 $M
Additions to right of use assets	16	17	16	17

Note 25 Auditor's remuneration

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

	Group		Corporation	
	2023 $000	2022 $000	2023 $000	2022 $000
Audit of financial reports	361	303	361	303

Note 26 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:

	Group		Corporation	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Short-term employee benefits	3,208	3,286	3,208	3,286
Post-employment benefits	226	242	226	242
Other long-term benefits	191	59	191	59
	3,625	**3,587**	**3,625**	**3,587**

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 in relation to Ministers, the Directors or the General Managers of the Group this financial year (2022: 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:

	Group		Corporation	
	2023 $M	**2022 $M**	**2023 $M**	**2022 $M**
Transactions with Department of Treasury, Department of Finance and Western Australian Treasury Corporation Receipts				
Department of Treasury – Operating Subsidies	526	519	526	519
Western Australian Treasury Corporation				
- Proceeds from borrowings	470	542	470	542
- Foreign currency	3	4	3	4
Payments				
Department of Treasury				
- Dividends	-	-	-	-
- Income tax equivalent	414	403	414	403
- Local government rates equivalent	8	8	8	8
Department of Finance				
- Pension reimbursements	1	1	1	1
- Land tax	9	6	9	6
- Payroll tax	26	29	26	29
Western Australian Treasury Corporation				
- Repayment of borrowings	859	899	859	899
- Interest on borrowings	152	119	152	119
- Guarantee fees	37	40	37	40
- Purchase of foreign currency	3	4	3	4
Other Western Australian Government Related Entities				
Receipts				
Department of Jobs, Tourism, Science, and Innovation	14	11	14	11
Payments				
Government Employees' Superannuation Board	14	8	14	8
Horizon Power	15	13	15	13
Western Power	37	11	37	11
Public Transport Authority	-	24	-	24

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

Note 27 Capital commitments

Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are as follows:

	Group		Corporation	
	2023 $M	**2022 $M**	**2023 $M**	**2022 $M**
Within 1 year	277	243	277	243
Later than 1 year and not later than 5 years	366	112	366	112
	643	**355**	**643**	**355**

Note 28 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:

	Group		Corporation	
	2023 $M	2022 $M	2023 $M	2022 $M
Bank guarantees	12	12	12	12

The Group is a market customer in the Western Australian Wholesale Electricity Market (WEM), which is administered by the Australian Energy Market Operator (AEMO). The Group's participation and subsequent electricity purchases in the WEM are subject to meeting the prudential support requirements. The level of credit support required is equivalent to the maximum net amount the Group is expected to owe the AEMO over any 70-day period, based on actual electricity purchases.

Note 29 Events after the reporting period

On 1 July 2023, the Group had officially assumed responsibility for the management of water services in 141 Aboriginal communicates as part of the Aboriginal Communities Water Services (ACWS) program. Water services will continue to be delivered by Aboriginal-owned service providers.

Prior to 1 July 2023, these services have been managed by Department of Communities with the exception of Mowanjum community which the Corporation assumed responsibility for from 1 April 2023.

Note 30 Financial risk management

30.1 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.

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:

	Group		Corporation	
	2023 $M	2022 $M	2023 $M	2022 $M
Financial assets				
Cash and cash equivalents	952	736	952	736
Financial assets at amortised cost	399	299	399	299
Total financial assets	**1,351**	**1,035**	**1,351**	**1,035**
Financial liabilities				
Financial liabilities at amortised cost	5,642	5,998	5,642	5,998
Total financial liabilities	**5,642**	**5,998**	**5,642**	**5,998**

30.2 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 expected credit loss. 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 expected credit loss.

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.

Cash held at bank earns interest at rates determined by the Department of Treasury. For the year ended 30 June 2023, the weighted average interest rate was 2.53% (2022: 0.58%).

Exposure to credit risk

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. The Group adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning.

30.3 LIQUIDITY RISK

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

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

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

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

For 2022/23, the borrowing limit was set at $5,472 million (2022: $5,429 million) for the repayment of maturing debt and ongoing capital expenditure. Included in the limit of $5,472 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 (2022: $80 million) to assist with cash flow management.

As at 30 June 2023, $5,040 million (2022: $5,429 million) was drawn under the total debt facility. The remaining amount available under the total debt facility, with the relevant approval was $432 million (2022: $nil). For 2023-24, the facility limit has initially been set at $5,678 million (Facility limit for 2022-23: $5,437 million) providing available borrowings of $638 million up to 30 June 2024.

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:

Group and Corporation

30 June 2023	Weighted average interest	Carrying amount $M	Contractual cash flows $M	1 year or less $M	1-2 years $M	2-5 years $M	More than 5 years $M
Non-derivative financial liabilities							
Trade and other payables	-	375	(375)	(375)	-	-	-
Interest-bearing loans and borrowings:							
- WATC Term Floating Rate Lending	4.20%	1,873	(2,083)	(581)	(525)	(977)	-
- WATC Term Fixed Rate Lending	3.01%	3,167	(3,760)	(500)	(484)	(1,467)	(1,309)
Lease liabilities	2.47%	38	(46)	(11)	(7)	(13)	(15)
Service Concession Arrangements	10.41%	189	(427)	(26)	(25)	(72)	(304)
		5,642	**(6,691)**	**(1,493)**	**(1,041)**	**(2,529)**	**(1,628)**

30 June 2022	Weighted average interest	Carrying amount $M	Contractual cash flows $M	1 year or less $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	1.24%	1,873	(1,945)	(503)	(522)	(920)	-
- WATC Term Fixed Rate Lending	3.11%	3,556	(4,288)	(517)	(500)	(1,401)	(1,870)
Lease liabilities	1.94%	35	(40)	(10)	(7)	(12)	(11)
Service Concession Arrangements	10.41%	197	(455)	(27)	(26)	(74)	(328)
		5,998	**(7,065)**	**(1,394)**	**(1,055)**	**(2,407)**	**(2,209)**

Details of the lending arrangements are contained in Note 21.

Corporation							
30 June 2023	Weighted average interest	Carrying amount $M	Contractual cash flows $M	1 year or less $M	1-2 years $M	2-5 years $M	More than 5 years $M
Non-derivative financial liabilities							
Trade and other payables	-	365	(365)	(365)	-	-	-
Interest-bearing loans and borrowings:							
- WATC Term Floating Rate Lending	4.20%	1,873	(2,083)	(581)	(525)	(977)	-
- WATC Term Fixed Rate Lending	3.01%	3,167	(3,760)	(500)	(484)	(1,467)	(1,309)
Lease liabilities	2.47%	38	(47)	(12)	(7)	(13)	(15)
Service Concession Arrangements	10.41%	189	(427)	(26)	(25)	(72)	(304)
		5,632	**(6,682)**	**(1,484)**	**(1,041)**	**(2,529)**	**(1,628)**

30 June 2022	Weighted average interest	Carrying amount $M	Contractual cash flows $M	1 year or less $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	1.24%	1,873	(1,945)	(503)	(522)	(920)	-
- WATC Term Fixed Rate Lending	3.11%	3,556	(4,288)	(517)	(500)	(1,401)	(1,870)
Lease liabilities	1.94%	35	(40)	(10)	(7)	(12)	(11)
Service Concession Arrangements	10.41%	197	(455)	(27)	(26)	(74)	(328)
		5,998	**(7,065)**	**(1,394)**	**(1,055)**	**(2,407)**	**(2,209)**

Details of the lending arrangements are contained in Note 21.

30.4 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.

30.4.1 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 $100,000 for any one project may be left unhedged. At any one-time, unhedged exposures in all foreign currencies cannot exceed an aggregate value of $1,000,000.

The 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.

30.4.2 Interest rate risk

The Group is exposed to interest rate risk through 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:

	Group		Corporation	
	2023 $M	2022 $M	2023 $M	2022 $M
Fixed rate instruments				
WATC Term Floating Rate Lending	1,873	1,873	1,873	1,873
WATC Term Fixed Rate Lending (Note a)	3,167	3,556	3,167	3,556
Total financial liabilities	**5,040**	**5,429**	**5,040**	**5,429**

The fair value of the WATC Term Floating Rate Lending and Fixed Rate Lending respectively as at 30 June 2023 was $1,893 million, and $2,978 million (2022: $1,890 million and $3,418 million).

Note (a) *The fixed debt portfolio is structured with 30 lines spread of 10 year fixed rate debt with a fairly regular quarterly maturity cycle and with 4 lines of 20 year fixed rate debt which was entered into during 2021/22.*

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 profit or loss, 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 floating rate instruments

Borrowings under the Term Floating Rate Lending facility are structured into various debt lines, with maturities between 2 years and 5 years. Interest rates under the Term Floating Rate facility are reset every 3 months or 6 months. Of the total $1,873 million under this facility, $500 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 $18 million. A decrease of 100 basis points in interest rates at the reporting date would have decreased interest expense (before capitalised interest) by $18 million. This analysis assumes that all other variables remain constant.

Directors' Declaration

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

a) the financial statements and notes are prepared in accordance with the *Government Trading Enterprises Act 2023*, including section 176 and the *Government Trading Enterprises Regulations 2023*, and:

   (i) gives a true and fair view of the Corporation and Group's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and

   (ii) in accordance with Australian Accounting Standards and the *Corporations Regulations 2001*.

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

c) financial records of the Corporation for the financial year have been properly maintained.

Signed in accordance with a resolution of the Directors:

R. Love

Chair

P. Donovan

Chief Executive Officer

PERTH, 29 August 2023

Employee at our Groundwater Replenishment Plant

Auditor General

INDEPENDENT AUDITOR'S REPORT

2023

Water Corporation

To the Parliament of Western Australia

Opinion

I have audited the financial report of Water Corporation (the Corporation) and its subsidiary (Group), which comprises:

- the Statements of Financial Position as at 30 June 2023, and the Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for the year then ended
- notes comprising a summary of significant accounting policies
- the directors' declaration.

In my opinion, the financial report of the Corporation and the Group is prepared in accordance with the *Government Trading Enterprises Act 2023*, including section 176 and the Government Trading Enterprises Regulations 2023*,* and:

- gives a true and fair view of the financial position at 30 June 2023 and of its performance for the year then ended
- in accordance with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

The directors are responsible for the other information. The other information is the information in the Group's annual report for the year ended 30 June 2023, but not the financial report and my auditor's report.

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

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

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If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I did not receive the other information prior to the date of this auditor's report. When I do receive it, I will read it and if I conclude that there is a material misstatement in this information, I am required to communicate the matter to those charged with governance and request them to correct the misstated information. If the misstated information is not corrected, I may need to retract this auditor's report and re-issue an amended report.

Responsibilities of the directors for the financial report

The directors of the Corporation are responsible for:

- keeping proper records
- preparation of the financial report in accordance with the *Government Trading Enterprises Act 2023*, including section 176 and the Government Trading Enterprises Regulations 2023 that gives a true and fair view in accordance with Australian Accounting Standards and Corporations Regulations 2001
- such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for:

- assessing the Corporation's ability to continue as a going concern
- disclosing, as applicable, matters related to going concern
- using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of the Corporation.

Auditor's responsibilities for the audit of the financial report

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial report. The objectives of my audit are to obtain reasonable assurance about whether the 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 financial report. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

A further description of my responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website. This description forms part of my auditor's report and can be found at https://www.auasb.gov.au/auditors_responsibilities/ar3.pdf.

My independence and quality management relating to the report on the financial report

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*, the Office of the Auditor General maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Matters relating to the electronic publication of the audited financial report

This auditor's report relates to the financial report of the Corporation for the year ended 30 June 2023 included in the annual report 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 annual report. If users of the financial report are concerned with the inherent risks arising from publication on the website, they are advised to contact the Corporation to confirm the information contained in the website version.

Grant Robinson
Assistant Auditor General for Western Australia
Delegate of the Auditor General for Western Australia
Perth, Western Australia
4 September 2023

Our scientist testing water quality

Global Reporting Initiative Appendix

We are committed to reporting in line with the Global Reporting Initiative (GRI) Standards.

Our 2022-23 Annual Report includes an overview of the GRI requirements we currently report to the public, aligning with a 'GRI-referenced' claim. As we mature our ESG capabilities, we will expand reporting on our material topics (see page 12) against existing and emerging recognised frameworks. We are actively working towards increased data availability and readiness for enhanced reporting in future years.

WATER CORPORATION ANNUAL REPORT 2022-23 – GRI INDEX

Disclosure #	Year of standard	Level	Topic	Page number
2-1	2021	Full	Organisational details	2, 72
2-2	2021	Full	Entities included in the organisation's sustainability reporting	72
2-3	2021	Full	Reporting period, frequency and contact point	2
2-4	2021	Full	Restatements of information	67-68, 81
2-6	2021	Full	Activities, value chain and other business relationships	8-11, 21, 24-47
2-7	2021	Partial[1]	Employees	60, 63
2-9	2021	Full	Governance structure and composition	16, 17-19, 48-51, 54-55
2-10	2021	Full	Nomination and selection of the highest governance body	49
2-11	2021	Full	Chair of the highest governance body	17, 54
2-12	2021	Full	Role of the highest governance body in overseeing the management of impacts	49-53, 54
2-13	2021	Full	Delegation of responsibility for managing impacts	19, 49-53
2-15	2021	Full	Conflicts of interest	53, 57
2-19	2021	Full	Remuneration policies	55-56
2-20	2021	Partial[2]	Process to determine remuneration	50-56, 100
2-22	2021	Full	Statement on sustainable development strategy	6, 11
2-27	2021	Partial[3]	Compliance with laws and regulations	58
2-28	2021	Full	Membership associations	26
201-3	2016	Full	Defined benefit plan obligations and other retirement plans	92-96
201-4	2016	Full	Financial assistance received from government	2, 23, 71, 74-75, 97, 102-107

1 Total number of employees, total FTE, year-end averages are reported, and partly reported by region (country or metropolitan). Gender breakdowns for the entire workforce have not been provided but can be reported in future years.

2 The role of the People and Safety Committee is described and reported, as well as the use of remuneration consultants and their independence.

3 Number of legal sanctions for environmental breaches, % environment non-compliance addressed reported. Non-environmental sanctions have not been publicly reported to date but are reported internally through our governance channels.

Disclosure #	Year of standard	Level	Topic	Page number
403-6	2016	Full	Promotion of worker health	26-29
403-9	2016	Partial[4]	Work-related injuries	59
201-1	2016	Full	Direct economic value generated and distributed	66-70
302-1	2016	Partial[5]	Energy consumption within the organisation	58
303-3	2016	Partial[6]	Water withdrawal	62-63
305-1	2016	Partial[7]	Direct (scope 1 GHG emissions)	58
305-2	2016	Partial[7]	Energy indirect (scope 2) GHG emissions	58
401-1	2016	Partial[8]	New employee hires and employee turnover	59-60, 63
416-2	2016	Partial[9]	Incidents of non-compliance concerning the health and safety impacts of products and services	58

4 Total Recordable Injury Frequency Rate per 1,000,000 hours work, for all employees and contractors is reported. Further detail is recorded and reported internally through our governance channels.

5 Total energy consumption in TJ is provided and included and prepared in accordance with the requirements of the annual National Greenhouse & Energy Reporting scheme.

6 Total water withdrawal from all areas by surface water, groundwater, seawater, and third-party water, in ML, are reported. Water Corporation uses different definitions of water stress and fresh/other water sources. We will work to align these definitions where appropriate for our business.

7 The sum of gross direct (scope 1) GHG emissions and location-based energy indirect (scope 2) in metric tons of CO2 equivalent has been provided. These figures are prepared in accordance with the requirements of the annual National Greenhouse & Energy Reporting scheme.

8 The rate of employee turnover during the reporting period is reported. The breakdown of new hires specifically, and break down by age group, gender, and region, is measured but not reported.

9 Per cent of metropolitan and country localities meeting specific water quality requirements are reported. Specific incidents of non-compliance have not been reported.