

Annual Report

2023



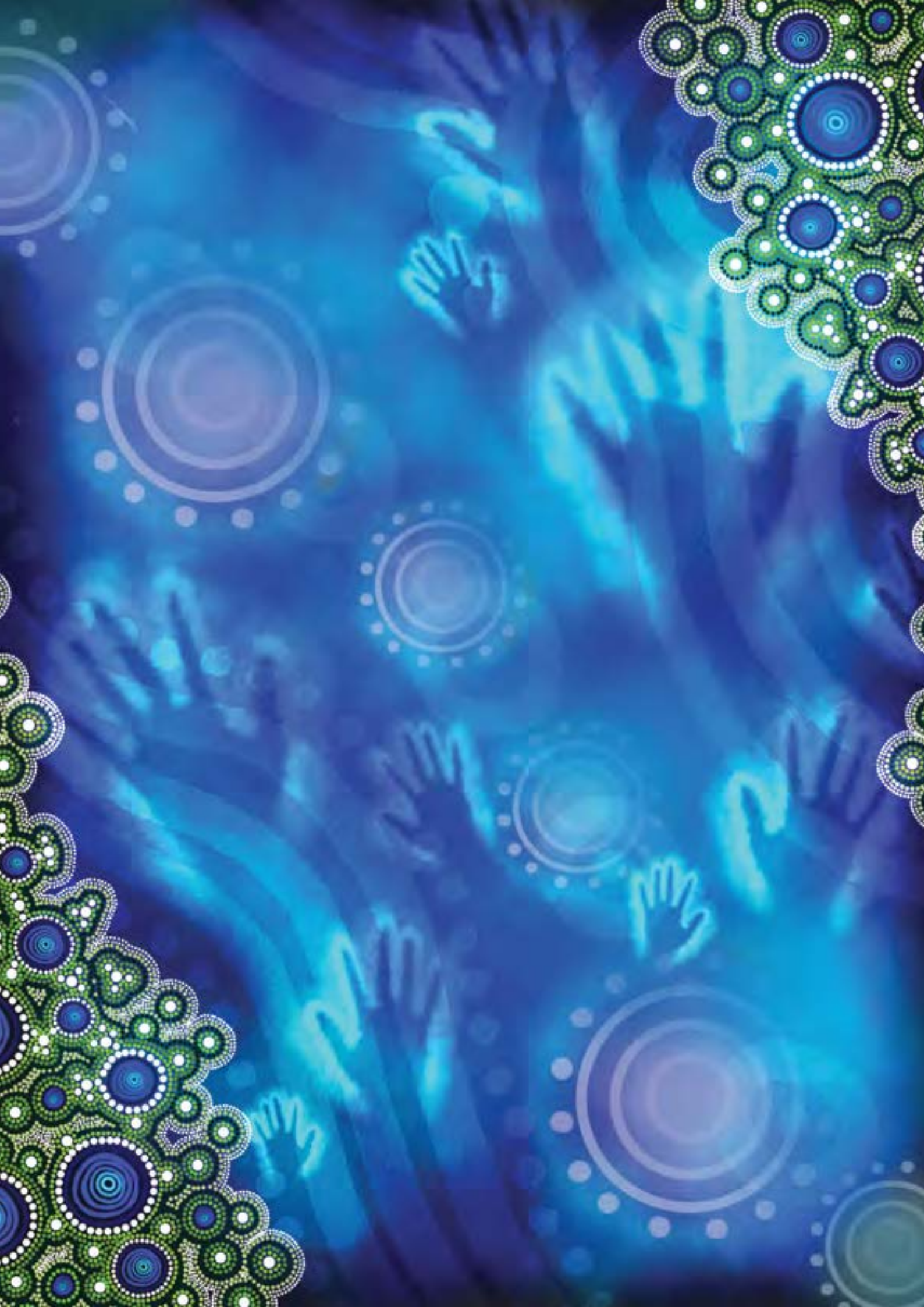
Acknowledgement to Country

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

Perth/South West/Great Southern

*Salena Abdullah
(Wongutha, Noongar)*

The circles in the middle represent the water holes, the flows on the side represent the Swan River and the hands represent the people, that know water brings life to all. The dots on the side represent rain and land that we live on.



About this report

The 2022-23 Annual Report is a review of our performance for the financial year ended 30 June 2023.

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

Provided to the Minister for Water; Training; Youth the Hon Simone McGurk MLA, the report is tabled in the Parliament of Western Australia.

The objective of this report is to provide our customers, community, stakeholders, as well as our owner, the Western Australian Government with information about our operational and financial performance and our contribution to the state's economy for the 2022-23 financial year.

To provide feedback on this report please email corporatecommunications2@watercorporation.com.au

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

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




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Year at a Glance

CLIMATE CHANGE IMPACTS 

responding to worst flood conditions in a century p27

10m LITRES 


of water carted during Great Southern Region bushfires p27

10 


projects that have Human Factors applied p29

STANDARDISING WATER SERVICES FOR 141


Aboriginal communities p26

300 


Mental Health Champions p28

25% 


of workforce engaged in mental health chats p28




SAFE FOR ALL




Purchase of development rights to Flat Rocks Wind Farm Stage 2 p32




Progression of Alkimos Seawater Desalination Plant p33




Biochar investigation p33

0 


environmental breaches p58

83 HECTARES 

of land revegetated this financial year p35

Perth 

has become a leading waterwise city in Australia p35



ENVIRONMENTALLY SUSTAINABLE AS OUR CLIMATE CHANGES

4,043 

employees across the state p60

BEST PLACE TO WORK 

in Australia award p46



Disability Confident Recruiter status p46

DEADLY SISTA GIRLZ PROGRAM 

now a supported partnership p47

EMPLOYEE NETWORKS 

expanded to culturally and linguistically diverse group p46

LARGEST GRADUATE INTAKE 

in 10 years p47



GREAT PLACE TO WORK

SATISFIED CUSTOMERS

- 42,345** students reached through education programs (p44)
- 1.2 MILLION** seeds harvested through Ozfish partnership (p40)
- 1,468** weather-smart irrigation controller rebates (p42)
- 387b** LITRES of water supplied (p43)
- 1,886** sprinkler checks conducted (p42)
- 1.58** billion litres saved by the aquatic centre industry (p43)

SUPPORTING STATE DEVELOPMENT

- Investigating the creation and export of magnesium (p36)
- Expansion of Ord Irrigation Scheme (p37)
- Supporting first low-cost hydrogen plant in Australia (p36)
- \$264 MILLION** invested in regional projects (p36)
- \$745 MILLION** invested in capital works (p36)
- SUPPORTING **7** new METRONET precincts (p37)
- SUPPORTING WA TOURISM during Total Solar Eclipse Event (p39)

EFFICIENT

- \$40 MILLION** saving goal through our Focus Challenge (p30)
- 73%** reduction in evaporation trial (p30)
- 875** public housing properties retrofitted with water efficient fixtures (p31)
- TRANSFORMATION OFFICE** set up to help us finance Thrive2035 (p30)
- 3,781** customers supported through financial hardship programs (p31)
- 373 MILLION LITRES** saved (p31)



Chair's report Mr Ross Love



I am delighted to present Water Corporation's 2022-23 Annual Report.

Despite prevailing economic and geopolitical challenges, Water Corporation has continued to deliver strongly on its purpose to sustainably manage and deliver water services across our great state.

In late-2022, we welcomed our new Minister for Water, the Hon. Simone McGurk MLA. The Board wishes previous Water Minister Dave Kelly every success in his future endeavours and looks forward to building a strong working relationship with Minister McGurk.

With the introduction of Thrive2035, our new corporate strategy, we have renewed our focus on delivering maximum value to our customers, communities and state so they may continue to thrive, now and long into the future.

This financial year, under the direction of Chief Executive Officer (CEO) Pat Donovan, we have remained resilient through natural disasters, supply chain shortages, and challenges brought about by climate change and a growing population.

It's this resilience and adaptability that will be crucial into the future.

With the support of the State Government, we actively pursued investment in rainfall independent water sources and played our part in helping to position WA as a frontrunner in the creation of renewable energy sources.

I'm proud to also share the early success of our strategic plan, highlighted by progress made to date on Perth's next major water source – a proposed seawater desalination plant in Alkimos.

To meet the plant's renewable energy requirements, and those of our existing desalination plants, we are working to competitively procure up to 400 megawatts (MW) of additional renewable energy, reflecting our commitment towards net zero greenhouse gas emissions by 2035.

We took a significant step towards this ambitious target in the last financial year, securing development rights to Flat Rocks Wind Farm Stage Two near Kojonup.

As an organisation, we have taken care to identify and integrate environmental, social, and governance considerations into our strategic planning and business processes. This includes providing safe and secure water to meet United Nations Sustainable Development Goal #6.

We are excited to help drive lasting impact as we focus on creating secure jobs, safe and flourishing communities, and contributing to WA's environmental, social and governance agenda.

Thank you to my fellow directors for the energy and commitment they bring to their roles. I am also thankful for the strong leadership of our CEO Pat Donovan and his Executive team for driving our vision forward. Finally, I want to acknowledge Water Corporation's employees who work tirelessly to not only deliver an essential service to the people of WA, but do so in a way that's efficient, sustainable and helps our state and communities thrive.

Thank you for your hard work and dedication.

Ross Love
Chair

Chief Executive Officer's report Mr Pat Donovan



What a challenging yet rewarding year it has been. From natural disasters at either end of the state, to world-class events such as the Total Solar Eclipse – it's certainly been a varied one!

An early highlight for me was the release of our long-awaited corporate strategy – Thrive2035 – which charts a course towards realising our strategic goals. Through the preparation of this strategy, it has become increasingly clear that tackling current and future challenges will take ambition, vision and energy.

This is particularly true as we come up against the accelerated effects of climate change. Since announcing our pathway towards net zero greenhouse gas emissions from our operations by 2035, we have taken significant steps towards making that a reality. Our recent work to secure the development rights for Flat Rocks Wind Farm Stage 2 is just one example. But wind farms aren't the only new frontier we are exploring.

We have begun investigating new commercial opportunities, as well as research and development in circular economy initiatives to better the environmental, social, and economic outcomes for the state.

Traditionally, these activities have been delivered by different sections of the business. However recently, we have developed an Environmental, Social and Governance Strategy to bring them together in a cohesive, single plan and identify any material gaps. This will allow our actions to be prioritised, managed and reported centrally. As always, we continue to remain focused on managing water services sustainably and making WA a great place to live and invest.

This financial year we have continued to centre the voice of Aboriginal People in our decision-making and promote self-determination principles, social inclusion, cultural security, and economic participation. Our Reconciliation Action Plan underpins this approach.

Guided by these strategies, we have been engaging and co-designing solutions with communities under the Aboriginal Communities Water Services Program. This important body of work isn't just about upgrading infrastructure and services to 141 communities. It's about improving understanding, advocacy and equality across all WA communities. This is a significant chapter in our Water Corporation story, and we are proud to help write these pages for our state.

It goes without saying, we could not have achieved any of this without the strong commitment of our people. As CEO, one of the greatest compliments to receive is knowing employees feel safe, seen and heard in the workplace.

Taking out one of the Australian Financial Review's BOSS' Best Places to Work Awards and becoming the only Australian water utility to be a Disability Confident Recruiter makes me proud. Our commitment to the safety and experience of our employees remains a key priority.

But it is the collective buy-in from our 4,000+ people that uplifts our culture and embeds safety into the heart of our daily operations.

I am sincerely thankful to all employees, our Board of Directors and Minister McGurk for your ongoing support and look forward to the road ahead.

Pat Donovan
Chief Executive Officer

Corporate Snapshot



Celebrating International Day of Women in Science

Our purpose

Our purpose is to sustainably manage water services to make WA a great place to live and invest.

Water Corporation is the principal supplier of water, wastewater, drainage and bulk irrigation services in Western Australia (WA) to hundreds of thousands of homes, businesses and farms. Directly employing more than 4,000 people, we provide a high level of expertise and a strong commitment to our customers, community and state.

We manage \$46 billion (replacement value) of assets to deliver water services across 2.6 million square kilometres. As we continue to feel the impacts of climate change, we have adapted. We are working with government, partnering with businesses and supporting the community to take action and secure our water future.

Our values

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



Our vision

For our people, communities and state to thrive.

Today



Need for change

We are experiencing...



Climate change



Increasing community expectations



Technological progress



Price and cost pressures



Demand for a future-ready workforce

This requires us to invest in our people, processes and assets so we can continue to deliver our services

Tomorrow



Taking action



Create positive environmental impact as our climate changes

Accelerate our road to net zero, educate the community on climate change impacts and maximise efforts on waterwise outcomes and wastewater recycling



Secure assets and infrastructure

Invest in our digital and physical assets, to improve safety and future viability



Build meaningful relationships

Understand local customer needs and partner with communities to deliver value



Scale commercial capability

Identify opportunities and scale capabilities to develop new projects and customers



Drive efficiency to finance our vision

Optimise internal budgets and external spend to free up resources for our key priorities



Inspire and enable our organisation

Build capabilities and improve processes to jointly deliver the vision

2035



Our goals



Safe for All

Safety for our customers, communities and employees

- Providing safe and secure water to meet UN Sustainable Development Goal #6
- Improving employee and public safety outcomes

Efficient

Enabling us to sustainably finance our vision

- Reducing total recurring expenditure to fund our key priorities
- Providing socially equitable outcomes for our communities



Environmentally sustainable as our climate changes

Accelerating environmental sustainability of the water cycle as our climate changes

- Accelerating to net zero for scope 1 and 2 greenhouse gas emissions
- Educating the community on climate change impacts, driving waterwise outcomes and innovative wastewater recycling

Supporting State Development

Water services partner of choice for state development

- Taking an active role in state development where water supply is a critical enabler
- Contributing to local communities and reduce locational marginal costs for small customers



Satisfied Customers

Local solutions developed in partnership with communities

- Driving value for money and customer satisfaction across all regions and segments
- Building trust in the communities we serve

Great Place to Work

Empowering our people to achieve our best performance

- Creating an inclusive workplace for a diverse workforce
- Engaging, leading and enabling our employees to perform at our best





Planting a waterwise garden

ESG Material Topic Assessment

In line with our purpose and vision, we strive to deliver our services to improve the environmental, social, and governance (ESG) outcomes for Western Australia.

We must continually adapt our approach to future-proofing our water supply as we are increasingly impacted by climate change, population growth, cost pressures, emerging technologies and shifting community expectations.

In this current climate, it is crucial we apply a sustainability lens across all existing processes to ensure our customers, community and state thrive.

Our ESG material topics

This financial year, we conducted our first ESG materiality assessment to identify the topics relevant to our business activities and stakeholders. We are working to integrate these into our Thrive2035 strategic planning, risk management, and reporting for 2023-24.

Our approach

To ensure we can meet ESG goals, we worked with independent external experts to conduct a robust assessment broadly aligned to the Global Reporting Initiative (GRI).

This enabled us to identify ESG issues and develop a plan to address them.

A materiality framework was developed following a five-step process which included extensive internal and external stakeholder engagement:

1. **Define base criteria:** Define business priorities, key stakeholders and value chain
2. **Identify potential topics:** Create a long list of potential material topics based on Water Corporation documents
3. **Categorise topics:** Refine the long list of potential material topics into key categories
4. **Stakeholder engagement:** Engage with stakeholders to understand each material topic in detail and relevance to the business and stakeholders
5. **Prioritise:** Prioritise material topics based on the business priorities, key stakeholders, and impact on the value chain

A total of nine 'material topics' were identified as being most important to our business and our stakeholders. These material ESG topics provide us with a blueprint for future reporting and will be reviewed regularly to ensure continued relevance and value to our business.

Priority Material Topics



Environment

Climate change and asset resilience

Energy transition and net zero (greenhouse gas emissions)

Treated wastewater discharge effect



Social

Water security and quality

Aboriginal Communities Water Services

Safety and wellbeing



Governance

Corporate governance, ethics and transparency

Cyber security and data/privacy

Financial sustainability



South Perth Splash of Colour by artist Peter Ryan

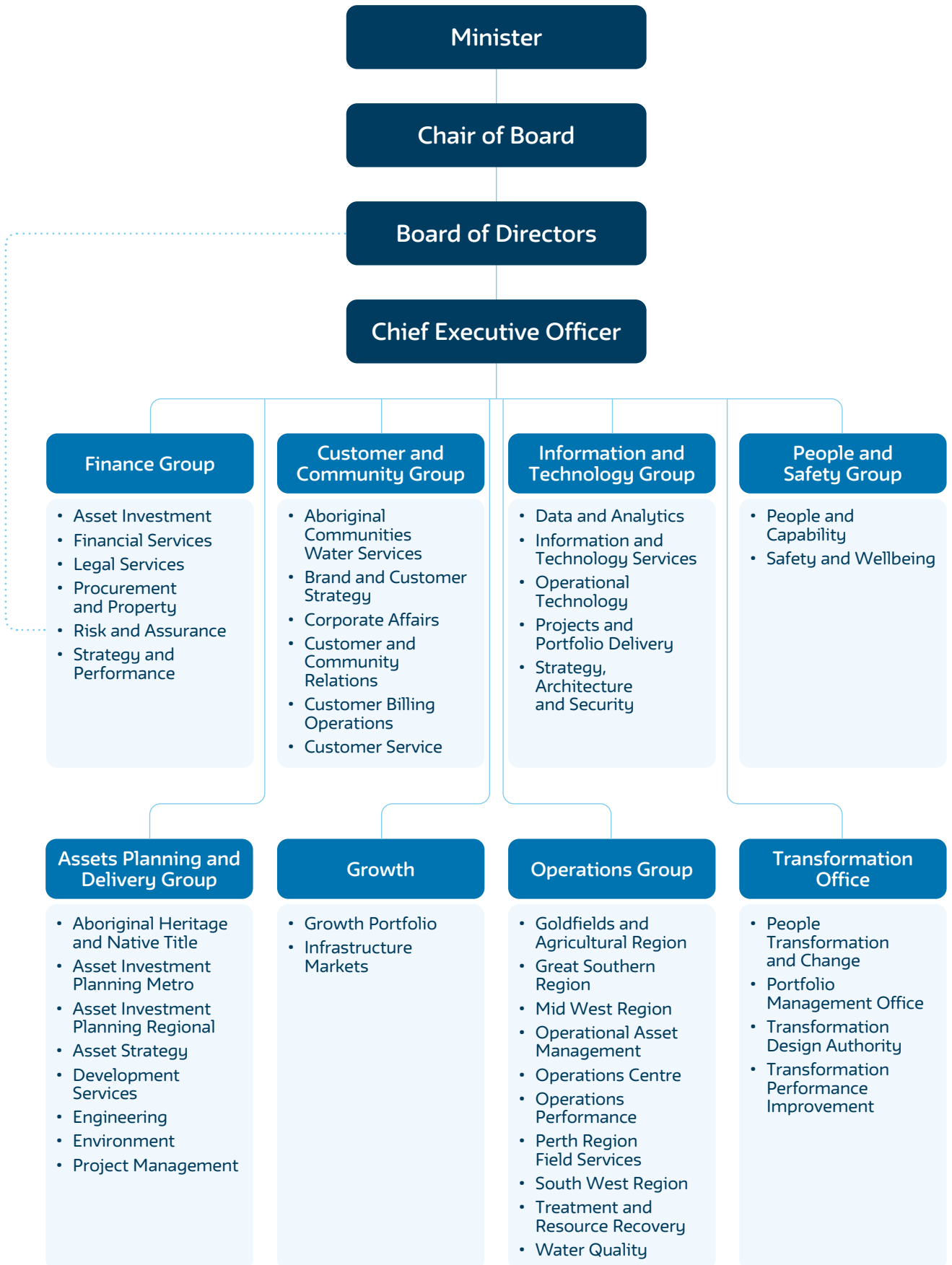
One year targets

| | 2022/23 Target | 2022/23 Actual |
|--|----------------|----------------|
| Outcome: Keep total cost per property as low as possible over six years | | |
|  Total cost per property (\$) | 2,067 | 2,229 |
| Outcome: Providing safe and secure water to meet or exceed UN Sustainable Development Goal #6 | | |
|  Measure to be determined during 2023-24 year | N/A | N/A |
| Outcome: Improving employee and public safety outcomes | | |
|  Total Recordable Injury Frequency Rate (rate) | 3 | 4.4 |
| Outcome: Driving value for money and customer satisfaction across all regions and segments | | |
|  Individual measurement of value for money, across regions and segments (score out of 10) | 6.5 | 6.6 |
| Outcome: Building trust among the communities we serve | | |
|  Individual measurement of community trust, across regions and segments (score out of 10) | 6.9 | 7.0 |
| Outcome: Accelerating environmental sustainability of the water cycle as our climate changes | | |
|  Reported greenhouse gas emissions (CO2 equivalent kilotonnes) | N/A | 450 |
| Outcome: Driving waterwise outcomes and ramping up wastewater recycling | | |
|  Wastewater recycled (%) | 21 | 19.8 |





Organisational structure





Dr Carla
Boehl

Mr David
Lock

Mr Ross
Love

Mr Pat
Donovan

Ms Janine
Freeman

Ms Helen
Creed

Mrs Gningala
Yarran-Mark

Board profiles

Mr Ross Love

Chair

BA Hons, MPA2, ADP

Mr Love is an experienced consultant and board member. He retired from the Boston Consulting Group (BCG) after a 25-year career where he was most recently the managing partner for New York. Prior to BCG, he held a number of positions in the WA Government, which included Chief of Staff to the Premier between 1990-93.

Mr Love's experience bridges both corporate and government sectors, including airlines and airports, commuter rail, retail and resources. His focus has been on strategy development and execution, which includes large-scale organisational transformations. He is currently a non-executive director of Tellus Holdings and Executive Chair of Structural Monitoring Systems.

*Appointed 22 September 2020,
term expires 31 December 2025.*

Member: People & Safety Committee

Mr David Lock

Deputy Chair

Bcomm, CA, FAICD

Mr Lock is the Chairman of the Faculty of Business and Law Advisory Council at Curtin University, Odeum Produce Pty Limited and the Audit and Risk Committees at Water Corporation, CBH Group and Marine Stewardship Council.

He is a non-executive director of CBH Group, Interflour Group in Singapore, the Marine Stewardship Council in London, and is on the Advisory Board for Harvest Road.

Mr Lock held managing director roles in public and private Australian food and agribusiness companies from 2004, prior to taking on a portfolio career in December 2017. He also held managerial positions with Price Waterhouse Coopers in Australia, Canada and the UK. In 2012, he was named NAB Agribusiness Leader of the Year, and in 2013 he won the Australian Export Heroes Award.

Mr Lock is a chartered accountant and brings significant finance skills to the board, as well as a deep understanding of the Australian agribusiness industry. He was previously Chairman of Australian Pork Limited, the West Australian Meat Industry Authority, the Food Industry Association of Western Australia, Mareterram Limited, Sea Harvest Australia Pty Ltd and a director of Food, Fibre and Land International Pty Limited.

*Appointed 1 January 2014, appointed Deputy Chair
1 January 2017, term expires 31 December 2023.*

Chair: Audit and Risk Committee.

Mr Pat Donovan

Chief Executive Officer

BEng (BA BAI), FIEAust, GAICD

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

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

Appointed 1 January 2019, term expires 31 December 2023.

Dr Carla Boehl

FIEAust, CPEng, GAICD

Dr Boehl is a civil engineer with international work experience who moved to Australia in 2006 to work as a water engineer. Dr Boehl specialised in asset management and has worked in industries such as rail and mining. She is currently employed as the manager of asset strategy and planning at the Fremantle Port Authority and is an advisory Board member at Curtin University's School of Civil and Mechanical Engineering. Dr Boehl is also a member of the Board's Nominations Committee of the Asset Management Council WA and a fellow member of Engineers Australia.

Appointed 1 January 2021, term expires 31 December 2023.
Member: Audit and Risk Committee.

Ms Helen Creed

BA, Dip Soc Studs

A social worker by background, Ms Creed brings a wealth of experience to Water Corporation from her senior roles in state government, the non-government sector and in the union movement.

Ms Creed has held various board and committee positions across these sectors, currently chairs Regional Early Education and Development and is a board member of the Gaming and Wagering Commission. She is currently a Senior Sessional Member at the State Administrative Tribunal and undertakes various work across the community sector. Ms Creed is a recipient of several awards, and in 2018 was inducted into the WA Women's Hall of Fame.

Appointed 7 April 2021, term expires 19 April 2024.
Member: People & Safety Committee

Mrs Gningala Yarran-Mark

LLB MBL BSc (Hon)

Mrs Yarran-Mark is an experienced board director. Following an early legal career, Mrs Yarran-Mark moved into commercial roles with BHP and other large contracting firms where she managed Aboriginal engagement. Her remit was inclusive of employment outcomes, diversity in the supply chain, internal and external stakeholder partnerships and commitments under company Reconciliation Action Plans (RAPs).

After fifteen years of building and growing Aboriginal engagement across a number of industries, Mrs Yarran-Mark is now undertaking a PhD with a focus on social procurement and Aboriginal contracting entities. She has in-depth working knowledge of the execution and implementation of RAP's and is adept to the intricacies of Native Title and Traditional Owner negotiations.

Mrs Yarran-Mark has a deep understanding of diversity, cultural intelligence, change management, stakeholder relations and currently holds a director position on the Edith Cowan University Council, is a member of Council Executive and other ECU committees.

Appointed 12 November 2019,
term expires 30 September 2025.

Chair: People & Safety Committee

Ms Janine Freeman

BEC, GradDipOH&S, CertIVFinServices, GAICD

Ms Freeman is a social equity advocate and former member of WA Parliament who proudly served her diverse community for 13 years as the Member for Mirrabooka. Ms Freeman spent her career representing working people and their families including the role of Assistant State Secretary of UnionsWA.

Ms Freeman has extensive board and committee experience. Since joining her first board in 1993, she has filled roles as Chair of the WA Legislative Assembly Education and Health Committee, been a Member of the WA WorkCover Board, and Deputy Chair of the industry superannuation fund, HESTA.

She is currently the A/CEO of Northern Suburbs Community Legal Centre, Board Member of Anglicare WA Board and Government Employees Superannuation and recently appointed to the UWA School of Population and Global Health Advisory Board.

Appointed 9 March 2022, term expires 31 December 2024.
Member: Audit and Risk Committee.



Sarah Bagshawe

Karen Willis

Barry Ford

Dean Page

Pat Donovan

Evan Hambleton

Jane Mitchell

Jacque Harding

Executive profiles

Mr Dean Page

Chief Financial Officer

Term commenced February 2020

BComm, GradDip AppFin, FCPA, MAICD

Mr Barry Ford

General Manager Operations

Term commenced December 2019

BEng, MBA, GAICD

Mr Evan Hambleton

General Manager, Assets Planning and Delivery

Term commenced April 2019

BEng (Hons), MBA, GAICD

Ms Sarah Bagshawe

General Manager People and Safety

Term commenced January 2023

BBA, CAHRI

Ms Karen Willis

General Manager Customer and Community

Term commenced April 2019

BA (Hons), GradDip (Marketing), GAICD

Ms Jacque Harding

General Manager Transformation Office

Term commenced May 2023

Ms Jane Mitchell

General Manager Information and Technology

Term commenced November 2022

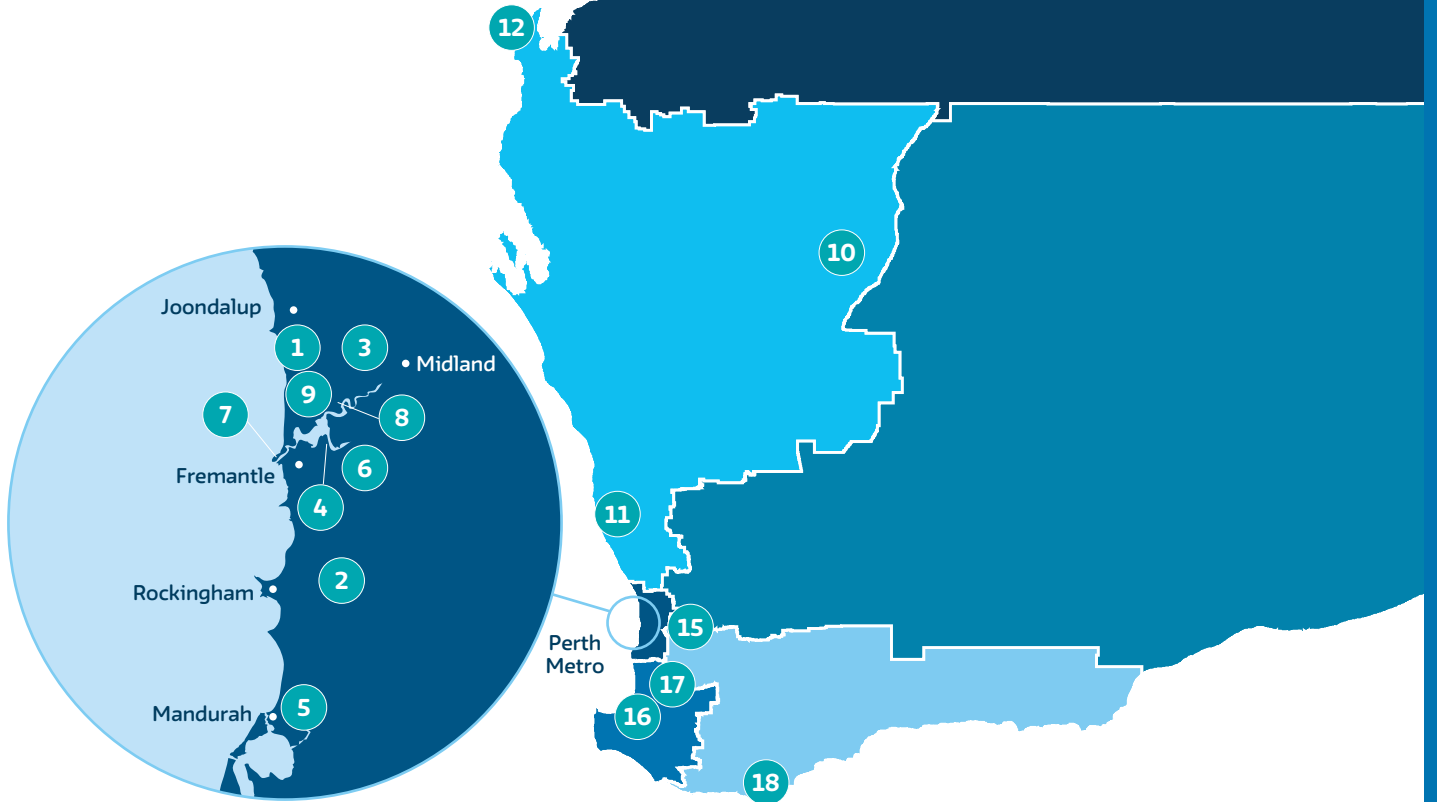
BASc (Hons)



Employees testing an asset

Key Capital Projects

Our capital investment program for 2022-23 totalled \$745 million. Key projects completed and underway are highlighted below:



Metro

- 1 Clarkson wastewater upgrade
- 2 Baldivis wastewater upgrade
- 3 Bullsbrook to Ellenbrook wastewater pipeline
- 4 Mount Pleasant wastewater upgrade
- 5 Mandurah Water Resource Recovery Facility upgrade
- 6 Canning wastewater upgrade
- 7 Pipes for Perth East Fremantle
- 8 Pipes for Perth Beaufort Street
- 9 Pipes for Perth Kings Park

Regional

- 10 New advanced water treatment plant in Meekatharra
- 11 Cervantes tank replacement
- 12 Exmouth solar eclipse temporary water and wastewater tank
- 13 Fitzroy River sewer main replacement
- 14 Mowanjum Wastewater Treatment Plant - Aboriginal Community Water Services Program
- 15 Wungong Dam remedial works
- 16 Busselton Bridge replacement
- 17 Boyanup water tank repair
- 18 Water main upgrades across 18 towns in South West and Great Southern Region



Financial highlights

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

We also provided innovative energy solutions to support the state's aspirational target of zero emissions by 2050. Our surplus for 2022-23 was influenced by solid revenue receipts from our core activities, combined with higher levels of land development and building activity. This is due to a state economy that continues to perform strongly, with strong population growth leveraging off the Federal and State Governments' policies designed to drive economic activity in the residential building industry.

The results featured total revenue of \$3.3 billion but lower overall returns to the State Government of -\$195.9 million. This is because of the Government's decision for us to retain the interim dividends that were forecast to be paid in 2022-23 to contribute to funding the Alkimos Seawater Desalination Plant.

Our operating business delivered a surplus of \$946.8 million.

Operating revenue increased by 6.6 per cent primarily due to a rise in service charges, water consumption and higher operating subsidies received from the Government for the provision of non-profitable services.

Contributions from land developers towards infrastructure for new housing developments added a further \$243.6 million. These contributions were received either as cash (\$143.1 million) or infrastructure handed over such as pipes and pumps (\$100.5 million).

Total expenditure increased by 8.5 per cent to \$2.0 billion, reflecting the cost of operating and maintaining our increasing, ageing and diverse infrastructure. The rise encompassed the effects of inflation on materials and services, a labour market with intense competition, elevated borrowing costs due to interest rate hikes by the Reserve Bank of Australia throughout the year, and increased depreciation for infrastructure and technology assets. Our total cost per property increased by 4.0 per cent and our operating costs per property increased by 6.1 per cent. Despite these rises we remain one of the lowest cost businesses in the Australian water industry for large scale supply.

Over the year we repaid \$388.8 million of fixed borrowings.

INVESTING IN INFRASTRUCTURE

We invested \$745.0 million in new capital projects to expand our water infrastructure. Our capital investment program benefits the community and leverages off a wide range of local private sector partners to assist us in our construction, maintenance, and operations activities. In doing so, we employ, both directly and indirectly, a significant number of Western Australians. The capital investment program for 2022-23 included \$316.3 million spent on our water business, \$227.9 million on our wastewater business with the remainder on a range of programs including irrigation, drainage, and facilities management.

FLAT ROCKS WIND FARM STAGE 2 PTY LTD

We are a significant energy consumer due to our desalination plants and other operational requirements. In order to minimise our environmental footprint and achieve our goal of net zero greenhouse gas emissions by 2035, we have proactively pursued renewable energy solutions. We have acquired the rights to develop the 92.4-megawatt Flat Rocks Wind Farm Stage 2, a prominent wind energy project in Western Australia. This will enable us to generate around 25 per cent of the renewable energy required to meet our emissions target. The windfarm was registered as a company under the Federal Corporations Act 2001 on 29 July 2022 and is wholly owned by Water Corporation. We entered into an agreement to purchase the entire share capital of the wind farm from Moonies Hill Energy Pty Ltd, which was finalised on 11 November 2022. The transfer of shares was completed on 22 December 2022.

ABORIGINAL COMMUNITIES WATER SERVICES

Prior to 30 June 2023, the Department of Communities (DoC) was responsible for providing essential services, such as water and power, to 141 remote communities through the Remote Essential and Municipal Services (REMS) Program. To ensure optimal long-term arrangements for water services, DoC and the Corporation collaborated on a proposal to transfer water and wastewater service responsibilities to the Corporation. A similar proposal for power services was also prepared by Horizon Power. As of 30 June 2023, assets worth \$5.3 million for the Mowanjum Community were transferred to the Corporation under the Aboriginal Communities Water Services Program. The Corporation officially took over management and service delivery responsibilities for the remaining 140 communities on 1 July 2023.

| Net accrual to government | | | | | | |
|---------------------------|---------|---------|---------|---------|---------|---------|
| \$million | 2022-23 | 2021-22 | 2020-21 | 2019-20 | 2018-19 | 2017-18 |
| Dividend | - | - | 642 | 4 | 605 | 528 |
| Tax equivalents | 419 | 392 | 369 | 373 | 360 | 289 |
| Operating subsidy | (614) | (519) | (469) | (431) | (420) | (409) |
| NATG | (196) | (127) | 543 | (54) | 545 | 408 |

Summary of performance

| | Units | 2022/23 Projected | 2022/23 Actual |
|--|------------|-------------------|----------------|
| Financial Outcomes | | | |
| Operating Surplus before income tax | | | |
| Operating business | \$m | 1,152 | 1,105 |
| Developer asset handover before tax | \$m | 55 | 101 |
| Developer cash contributions before tax | \$m | 126 | 143 |
| Operating Surplus after income tax | | | |
| Operating business | \$m | 806 | 774 |
| Developer asset handover after tax | \$m | 39 | 70 |
| Developer cash contributions after tax | \$m | 88 | 100 |
| Capital expenditure (including capitalised interest) | \$m | 663 | 745 |
| Borrowings taken - (repaid) | \$m | 7 | (389) |
| Financial Performance Measures | | | |
| Return on equity | % | 7.4 | 7.2 |
| Return on assets | % | 7.4 | 6.4 |
| Debt to total assets ratio | % | 29.4 | 26.9 |
| Accruals to Government | | | |
| Indirect tax equivalents | \$m | 8 | 8 |
| Income tax equivalents (net of deferred tax adjustments) | \$m | 406 | 411 |
| Dividends provided | \$m | 728 | - |
| Total | \$m | 1,142 | 419 |

| Payments from Government | | | |
|---|------------|------------|--------------|
| Operating Subsidies | | | |
| Country Water, Sewerage and Drainage Operations | \$m | 339 | 433 |
| Pensioner and Senior Concessions (1) | \$m | 185 | 180 |
| Metropolitan Operations | \$m | 2 | 2 |
| Total operating subsidies | \$m | 526 | 614 |
| Net Accrual to Government | \$m | 616 | (196) |

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

Operational Report



An employee at a community event

Water connects us all

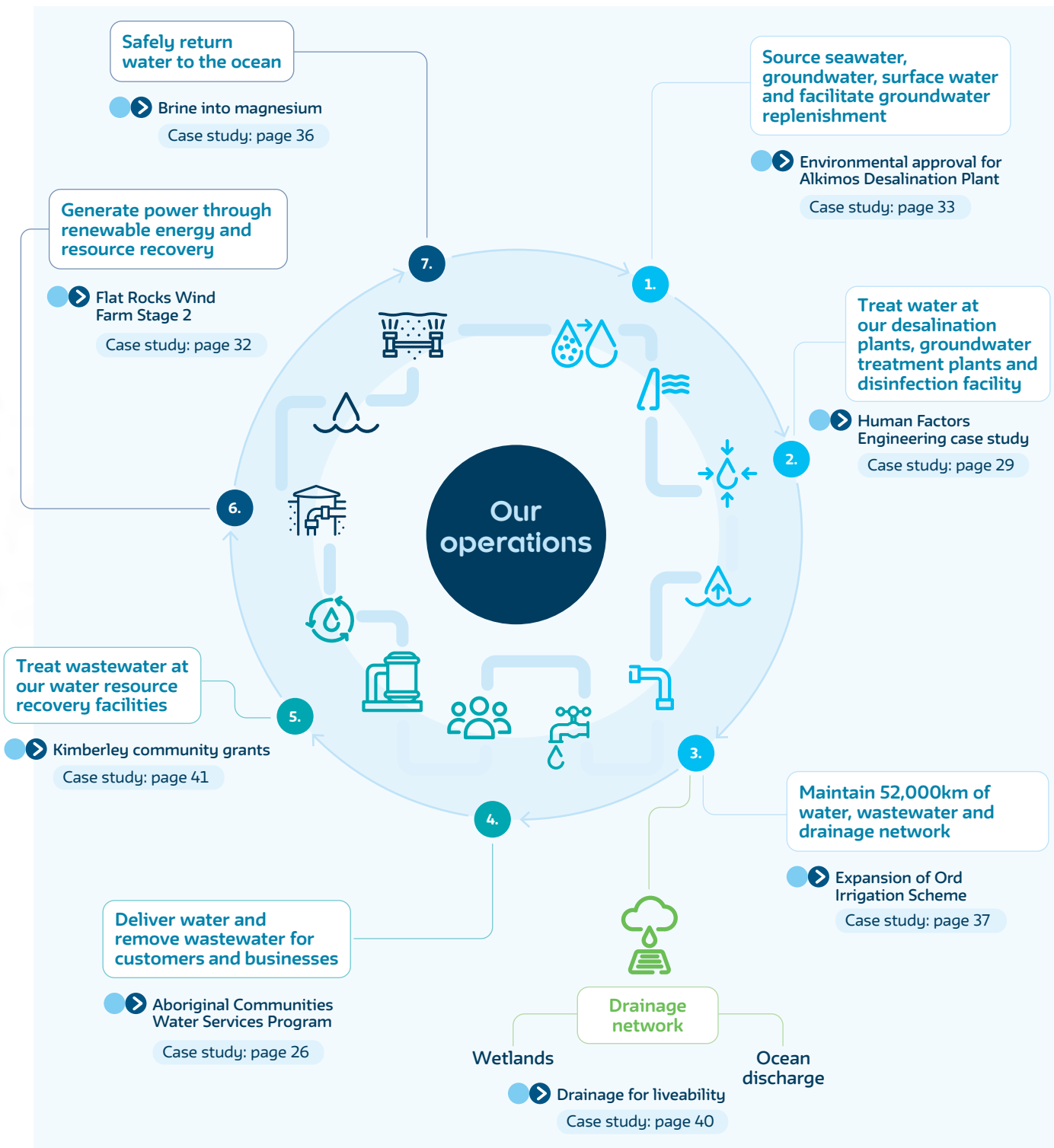
It represents the soul, spirit and breath of our First Nations Australians and is the lifeblood flowing through our people, communities and environment. From waking up to a cup of coffee to our last evening flush, we interact with this precious resource on so many levels, it's easy to take for granted.

For the 4,043 Water Corporation employees across WA, sustainably managing water, wastewater and drainage services through a network of pipes spanning millions of kilometres, is a huge responsibility.

Because at Water Corporation, we aren't just providing clean, safe water to 1.3 million customers. We are also re-using waste to power our operations and supporting state development through energy transition.

As we face increasing pressures due to climate change, a growing population, industrial demand, and rising costs, we also have a responsibility to enrich communities where water services have broad environmental and social values. We must anchor our operations to customer values by co-designing solutions and partnering with industry and government to meet net zero ambitions.

Together, by focusing our efforts on our Thrive2035 corporate objectives, we are making sure Western Australians Thrive by 2035.



Safety for our customers, community and employees

Water is at the core of sustainable development. Everyone has the right to access safe water from secure sources – whether your family has been here five years or 5,000 generations.

Yet, in Western Australia today, around 70 per cent of our Aboriginal communities are not connected to a regulated water service. With an acute focus on seeing our state thrive, we are on a mission to ensure everyone receives the same standard of water services, regardless of location.

SAFE FOR ALL - ABORIGINAL COMMUNITIES WATER SERVICES

The WA government is taking major steps in standardising water and power services across the state. Responsibility for these services in 141 Aboriginal communities has moved from the Department of Communities to Water Corporation and Horizon Power. Together, the two utilities will work to deliver safe and reliable water and power to these communities over the next 10 years. Our contribution to this body of work is known as the Aboriginal Communities Water Services (ACWS) program.

We are co-designing solutions that are led by communities with local knowledge and experience. Every step of the way we continue to listen to local voices and, in return, be transparent with the rationale for decisions and any relevant challenges.

CASE STUDY

TOWN PROFILE – DJARINDJIN



Djarindjin is one of the 141 communities being upgraded. Sitting on Bardi Jawi native title determined land, Djarindjin includes an area that the Goolarrgoon people call home. It is situated 196km north of Broome, with a population of approximately 400 people.

Water Corporation has been working with the Djarindjin community since July 2020. We listen respectfully to the Djarindjin community to understand their unique water experiences and needs. By working collaboratively with communities, we are able to build trust, form sustainable relationships, achieve meaningful solutions, and help create an environment where self-determination can thrive.

Safe, reliable water builds strong communities and encourages investment in local communities and people. As part of our community-led approach, we have completed asset investigation work, and are currently collaborating on a co-designed upgrade plan.



Our CEO joined the Aboriginal Community Water Services team for a cultural tour near Djarindjin





Munglinup carted water tanks in Ravensthorpe

Major works planned for Djarindjin include:

- building and equipping a bore as a new water source
- a water treatment plant
- the construction of a pipeline to connect the community to the new water supply.

These upgrades will significantly improve reliability and water quality for the community.

There are 91 water connections with data loggers being installed in Djarindjin. For the first time, residents will have oversight over how much water they are using.

Our work to date with the Djarindjin community demonstrates our commitment to drive positive outcomes for Aboriginal people, communities, employees, suppliers and contractors.

The concept of safety presents itself in many forms at Water Corporation daily. From devastating floods, to cyber security threats, to the mental health of our staff - safety is our top priority. We are always striving for continuous improvement to keep WA safe. Here are a few of our challenges and triumphs this financial year.

FLOODING IN THE KIMBERLEY

Teams from across Water Corporation united to support the state's response to the largest flood event in WA history. From late-December 2022 into early-January 2023, up to 500mm of rainfall inundated several towns, including Fitzroy Crossing, Camballin, Derby and Broome.

Thorough preparation by our North West team prevented major disruption to water services but we were unable to prevent damage to a wastewater pipeline attached to the Fitzroy River (Martuwarra) Bridge.

The team was quick to mobilise support for the local community. Some members of our Perth-based field team even hitched a ride to Fitzroy Crossing aboard a Department of Defence Chinook helicopter.

Despite high water levels making site access a challenge, crews worked tirelessly on interim repairs to the main to stop wastewater entering the river. This was no mean feat considering the stifling temperatures, and difficulty moving people and materials into the area.

In total, more than fifty employees were involved in the response, including West Kimberley district, regional projects team, water quality experts, communications, procurement, safety and metropolitan operations.

We have replaced the damaged wastewater main, which involved tunnelling underneath the river to increase protection from catastrophic weather events in the future.

BUSHFIRES IN THE GREAT SOUTHERN

While our North West team was responding to a once-in-a-century flood, our people in the Great Southern were contending with bushfires. In February, firefighters and emergency crews battled multiple fires ignited by lightning strikes in Hopetoun, Ravensthorpe and Munglinup.

Our people were up against a multitude of barriers, including isolated roads and a water bombing plane crashing into the Fitzgerald River National Park. This escalated the incident to a new level.

It was 'all systems go' as trucks transported power generators between towns and water carting commenced. With generators at our borefields, we were prepped to continue supplying water in the event of a power outage.

A couple of weeks later, further fires broke out in Esperance, Munglinup, Albany and Ravensthorpe.

One hundred per cent of Munglinup’s water is carted into the town. With the fires causing road closures, there was a serious risk to its water supply, not to mention the safety of our crews moving in and out of the area.

However, with the help of emergency services teams, we were able to maintain supply to the community, and avoid damage to our assets.

Responding to incidents takes a massive amount of on-the-ground support and behind-the-scenes logistics. Thanks to the combined efforts of everyone involved, we were able to keep our people safe during the floods and fires we experienced this year.

CYBER SECURITY

Throughout the years we have increasingly relied on technology to deliver water, wastewater and drainage services across the state. Our systems help us carry out work safely and reliably, and are critical to preventing interruption to our essential services.

The security of our data, including that of our people, customer, financial, operational and asset data, is non-negotiable. For anyone who watches the news, cyber security is front of mind for many organisations.

To ensure we stay resilient in the face of cyber threats, we are uplifting our technology maturity across the organisation.

This year, we commenced an Information Management Program to improve data security, accessibility and reliability across all areas of the business.

To support the rollout of this program, new policies, frameworks, standards and training were developed in line with Thrive2035 corporate objectives.

The project still has more to do in implementing a data catalogue and supporting the development of capabilities in the newly formed Information Management Centre of Excellence (IMCoE).

The IMCoE provides skills, tools, processes and support to enable the establishment of a sustainable model for business-led continuous improvement of information.

‘A great place to work’ is a core objective, woven into the fabric of our organisation. A huge part of this is making sure our people feel safe. Here are some of the ways we bring this objective to life.

CHAMPIONING MENTAL HEALTH ACROSS THE STATE

Supporting the wellbeing of our staff is an ever-evolving journey. This is why we are continually improving access to resources. We now recognise mental wellbeing as part of our Safety Corporate Risk. We have adopted new Healthy Minds Safety Essential training, and introduced mandatory Blooming Minds Flourishing Workplace training for all employees.

Every quarter, around 800-1,000 intentional mental health conversations are conducted at Water Corporation. This means roughly 25 per cent of our workforce is engaged in these chats.

With the adoption of the new Code of Practice for Psychosocial Hazards in the Workplace, our flagship Mental Health Champion program continued to grow. We were able to educate teams in addressing key workplace hazards through our champions. We now have 300 champions across the organisation, with our fourth cohort of employees having been trained and inducted earlier this financial year.

During a recent survey, 93 per cent of employees acknowledged there is awareness of mental health at Water Corporation, and 87 per cent of surveyed employees felt they would be supported by their immediate manager if they raised a mental health issue.

Importantly, we empower our people to stop a task when they feel unsafe. Identifying when workers feel unsafe, or a change occurs on site, offers significant insight into the planning aspects of each job. However, more than that, each time a job is stopped on site an incident may have been prevented.

Mental Health performance



*approximately 90 each quarter (1,033 since inception of program in 2020)





DRIVING SAFETY HOME

The Big Breakfast Roadshow has continued around the state this year. This rewarding activity, which started in 2021, provides our employees with the unique opportunity of directly engaging with the General Manager of Operations and Head of Safety and Wellbeing over a cooked breakfast.

A total of 14 meetings were carried out in every region this financial year. Key highlights of the engagement led to the optimisation of procedures and enhancements to local procurement process, which allowed teams to access vital equipment more efficiently. This will vastly improve the quality of customer service provided.

The breakfast conversations also shone a light on the need to drive accountability of asset performance and consistency across the state. The roadshow is only gaining momentum across the business and is a significant part of our push for safer workplaces.

STATE-WIDE SAFETY COMMITMENT

Our key safety assurance process reached a new milestone during the financial year. Our Safe Job Planning Program was implemented state-wide. Through this process, team leaders and management observed 8,167 Water Corporation tasks and 1,705 so they could be rated on performance against site safety measures. We also implemented the widespread adoption of digital inspections, which leveraged existing technology solutions. This means that we can operate safely, without the burden of expense and time needed to make physical inspections on site.

▶ CASE STUDY

THE HUMAN FACTOR



Part of the beauty of being human is that no two people are exactly the same. Acknowledging this also means accepting it has an impact on the design and implementation of projects and assets. This financial year, we embarked on a journey to become the first water utility in Australia (if not globally) to formally integrate Human Factors Engineering (HFE) into our projects. This not only allows us to safely and efficiently manage our operations, but also puts us on the right path to satisfying our other Thrive2035 objectives of Safe for All, Great Place to Work, and Satisfied Customer.

HFE applies the knowledge of human capabilities, or 'how humans do things', to the design, operation and maintenance of technological systems. By applying the science of HFE around people at work, we can:

- reduce the consequences of human error
- improve safety performance, human reliability, efficiency, effectiveness, and user acceptance of new plants or facilities
- reduce capital and operational expenditure costs by contributing to a more efficient design
- reduce the risk of late changes or re-work after construction
- improve operability and maintainability of new assets.

So far, 10 internal projects have had Human Factors Engineering applied to them. The most notable project for inclusion is the new Alkimos Seawater Desalination Plant (ASDP).





Enabling us to sustainably finance our vision

In order to meet our Thrive2035 objectives and achieve the ambitions of our corporate strategy, we need to deliver significant business change.

This financial year, we have undergone changes in leadership, structure, and the prioritisation of activity that delivers Thrive2035 and the highest value back to our community, customers and state.

TRANSFORMATION

Our corporate strategy is ambitious and will require significant transformational effort across the business. The Transformation Office was set up this financial year to enable the transformative change required for Water Corporation to thrive.

With the appointment of Jacque Harding as General Manager of the Transformation Office, the team is working collaboratively across the organisation to:

- schedule and prioritise projects and group plan initiatives
- manage portfolio inter-dependencies risks and issue resolution
- lead change management and people transformation
- review our operating model to understand what is required to deliver Thrive2035
- provide data-driven insights to enable performance and process improvement.

DRIVING EFFICIENCY

The Focus Challenge is one example of the prioritised transformation portfolio initiatives.

Our aim is to save \$40 million in operational expenditure in the 2023-24 financial year. The savings will help sustainability finance key strategic initiatives and set us on the pathway to successfully deliver our Thrive2035 efficiency targets.

REDUCTION IN WATER LOSS THROUGH EVAPORATION

Evaporation of water from open storage poses a threat to our reliable supply. In the case of insufficient stored water, usually the only option available to residents is to cart water, which can be very costly, and increases our carbon footprint while supplying water.

In collaboration with The University of Western Australia, we have undertaken research to understand the effectiveness and cost-benefits of reducing evaporation and determining the overall value of the water saving. As part of the research, we installed Hexa-Covers, a tessellated floating cover made from recycled plastic. This product was chosen to trial as it reduces contact with the air, which in turn means reduced evaporation. These floating covers may also help with water quality issues by reducing the risk of birdlife and wind-borne contaminants entering the water body.

The trial produced a 73 per cent reduction in evaporation, as well as additional benefits in improving water quality for many key parameters, including a reduction in algae concentration. The solution also proved to be cost effective, leading to implementation at three sites in the Great Southern Region - Ravensthorpe, Salmon Gums and Lake King.

This financial year we have continued to deliver programs to assist our most financially vulnerable customers, placing more emphasis on early intervention, support programs, home visits, and flexible payment options. Here's a snapshot of the support we offer.

FINANCIAL HARDSHIP REVIEW

Given the cost of living crisis throughout the financial year 2022-23, we have been reviewing our hardship programs to assist more of our vulnerable customers to manage their living expenses. Five workshops have been conducted across the organisation, with representatives from Water Corporation, financial counsellors, and customers who are having difficulty paying their bill. These groups have provided valuable insight from customer and business perspectives, and will assist greatly with the updated programs.



HARDSHIP UTILITY GRANT SCHEME

We are currently supporting nearly 600 customers experiencing family and domestic violence. A new process has been implemented in conjunction with the Department of Communities to assist customers with mental health issues and those experiencing family and domestic violence. We are now able to submit outside-of-guidelines applications, which has resulted in customers only needing to tell their story once and receive financial assistance to reduce their account balances.

E-CONCESSIONS PROJECT

We have a new concessions platform built into our website. This has vastly improved the online experience by allowing customers to update and access their concession entitlements.

The next stage of the project is to implement a portal for our Local Government and utilities customers so they can securely download concession application and cancellation certificates.

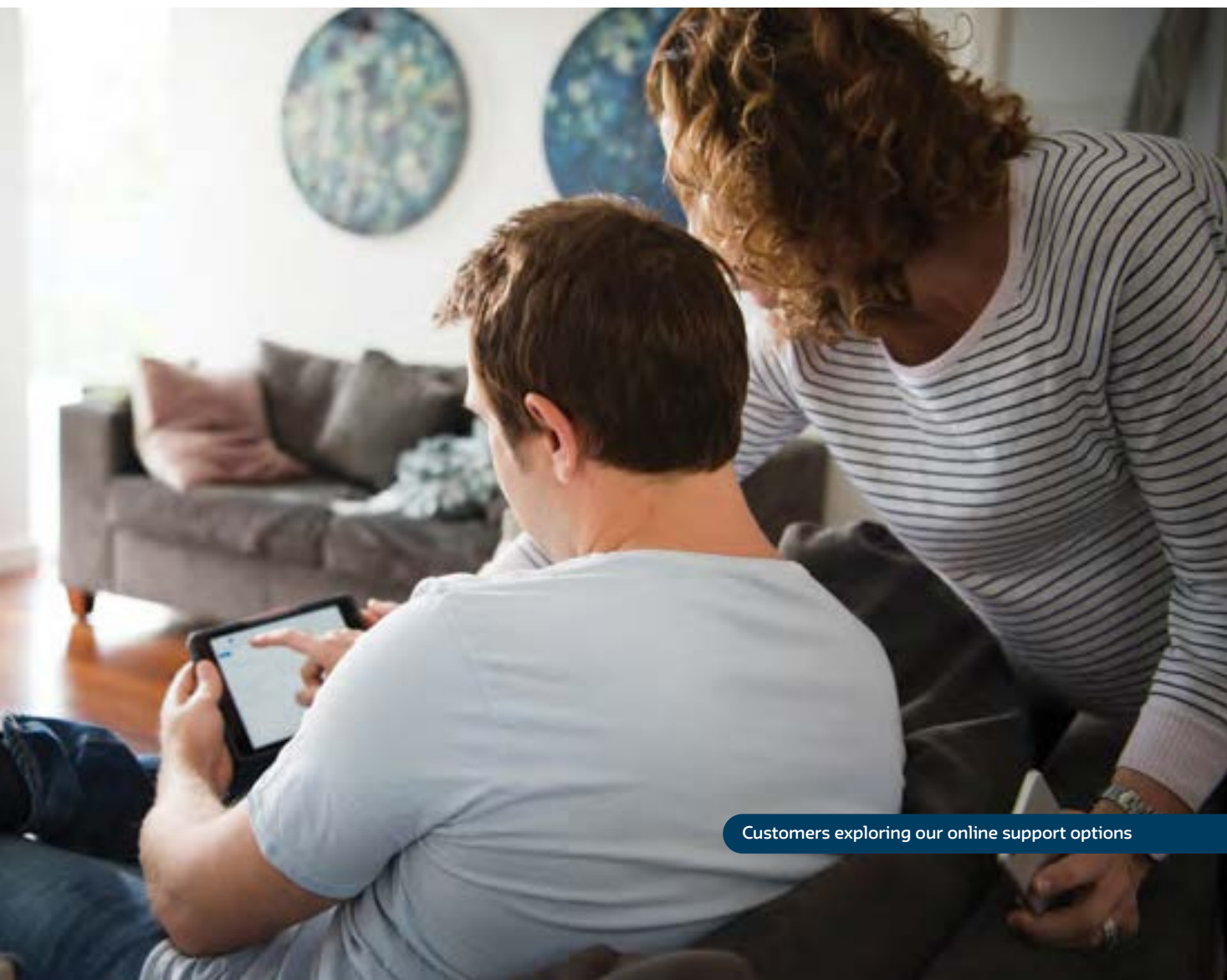
PUBLIC HOUSING WATER EFFICIENCY PROGRAMS

As part of our Waterwise Public Housing Project, 875 government-owned properties have been retrofitted with water-efficient fixtures, such as showerheads, toilets and taps. This has been delivered in partnership with the Department of Communities.

Leaks were repaired, and advice was provided to help tenants make waterwise changes to their daily lives. The program helped save 133 million litres of drinking water throughout 2022-23 and prompted a 19 per cent reduction in annual household water use.

Since its inception in 2019, the project has saved 373 million litres of precious water across the state and reduced household water bills substantially.

This year, Water Corporation and the Department of Communities delivered a waterwise exemplar garden at a Mosman Park public housing complex to reduce water use and provide a space for the senior residents to enjoy. More than 3,000 native shrubs, 10 native trees and 20 fruit trees were planted, with residents co-designing the garden with The Forever Project.



Customers exploring our online support options



Accelerating environmental sustainability of the water cycle as our climate changes

Around half of Perth’s drinking water comes from the Indian Ocean, but treating seawater to remove salt and impurities is extremely energy intensive. If we are to meet our Thrive2035 goals, delivering water and wastewater services with renewable energy is essential.

CASE STUDY



FLAT ROCKS WIND FARM STAGE 2

Our desalination plants give us the unenviable role of being one of the highest electricity users on the grid. To help protect our environment, we have committed to securing renewable energy to help us reach our net zero greenhouse gas Scope 1 and Scope 2 emissions target by 2035.

We are now the proud developers of the 92.4MW Flat Rocks Wind Farm Stage 2. This is one of the largest wind energy projects in WA and will be built 30km from Kojonup. Once commissioned, this asset will generate around a quarter of the total renewable energy required to achieve our target of net zero emissions across all operations by 2035.

To put 92.4MW into perspective, that’s enough power to sustainably provide water to 600,000 homes annually. We are working with Western Power, the community and other partners to complete the project.



Wind farm

SEQUESTERING CARBON THROUGH PINE PLANTATIONS AND REVEGETATION

This financial year, we successfully amended our Emissions Reduction Fund. This was established under the *Carbon Credits (Carbon Farming Initiative) Act 2011* by the Commonwealth Clean Energy Regulator to include a total of 1,350 ha of carbon sequestering pine plantation.

Since 2021, we have worked in partnership with the Forest Products Commission to implement two pine plantations within the Shire of Boyup Brook and Boddington. There are more than 1.7 million pine trees planted across our two plantations. Together, they are projected to generate over 350,000 Australian Carbon Credit Units over the next 18 years, by sequestering carbon from our atmosphere and soils.

In addition, we have continued our partnership with Carbon Positive Australia to plant 240 hectares of native vegetation to sequester nearly 30,000 tonnes of carbon dioxide equivalent (CO₂-e) over the next 25 years. This is more than equivalent to our entire fleet vehicle emissions during the financial year.

The 240 hectares of biodiverse native vegetation was undertaken at Eurady Reserve in Nada Country in the Shire of Northhampton. Eurady Reserve, purchased by Bush Heritage Australia in 2005, is in the process of being registered under the Commonwealth Emissions Reduction Fund.

Carbon Positive Australia aims to restore over 1,300 ha of cleared vegetation in Eurady, with a mix of native trees and shrubs. This protects the land from further degradation and habitat loss.



To reach our Thrive2035 goals, we need to have a clear understanding of our impact on the environment, so are working on a way to accurately measure and reduce our emissions.

INSTALLING PERMANENT GHG MONITORING SYSTEMS

We are at the forefront of worldwide research to directly measure GHG emissions. As part of this research, we are installing monitoring systems at all our major metropolitan water resource recovery facilities.

This allows us to conduct research into wastewater network odours and hazardous gases, along with measurement and modelling in sewer networks.

We've partnered with the University of Queensland's Fugitive Emissions Research team, the leading authority on utility GHG mitigation strategies in Australia. The team's research is focused on minimising direct GHG emissions from urban wastewater systems.

We have also commenced a project with The University of Western Australia, Melbourne Water and TasWater to address the knowledge gap on the measurement of GHG emissions at regional wastewater pond treatment plants. This project spans our many different pond treatment processes and geographical locations.

Throughout the stages of these research projects, we are collaborating on the development of standardised reporting methods in Australia and around the world.

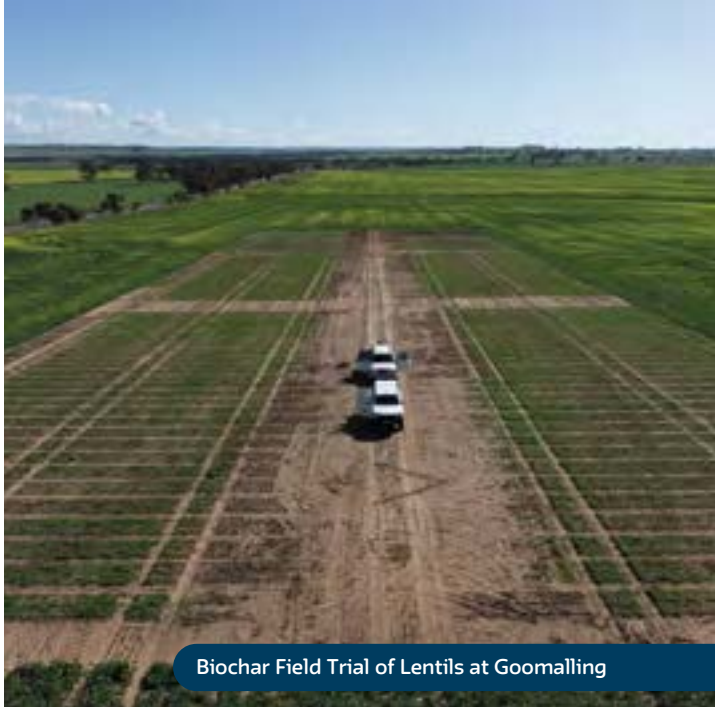
ENSURING OUR WASTE ISN'T WASTED

Another objective of our research and development area this year was a focus on waste reduction.

Water and wastewater treatment sludges are often sent to landfill where there is no current viable recycling option. Over 99% of carbon dioxide captured by bio-mass re-enters our atmosphere as part of the natural carbon cycle.

We have teamed up with Murdoch University's Centre of Rhizobium Studies to look at the potential of turning the sludge into biochar. Biochar is a charcoal-like product made by heating organic matter (such as wastewater treatment sludge) in a controlled process with limited oxygen, called pyrolysis. When used as a soil amendment (or fertiliser), the product captures and makes negative emissions possible by intercepting the cycle and converting carbon into a form that is typically stable for centuries to millennia.

We investigated biochar types for improving broadacre agricultural practices. Our research specifically focused on biochar being a suitable nutrient and carbon source to improve legume productivity.



We sourced biochar from our waste streams, such as powdered activated carbon from the Denmark Wastewater Treatment Plant and solid waste from tree farms and our other plants.

The research showed our biochar was effectively used in the legume industry and successfully demonstrated another way for our waste products to avoid landfill or being incinerated. This opens the door for further research into carbon sequestering and offers an alternative to chemical nitrogen fertilisers.

It takes a passionate and determined cast of thousands to secure our water future. Working together across the state, here are other initiatives which are also propelling us down the road to net zero.

CASE STUDY

ALKIMOS SEAWATER DESALINATION PLANT - OUR NEXT MAJOR SOURCE

This year, Water Corporation substantially progressed the environmental assessment of Perth's next major water source.

Last financial year, the WA Government announced the next major new source would be a seawater desalination plant at Alkimos. Declining rainfall and our growing population require us to reduce our dependence on rainfall and groundwater as a drinking water source. The ASDP will provide a secure sustainable drinking water source to the Integrated Water Supply Scheme.

Supporting the Western Australia Climate Policy (2020), we are committing to construct and operate the ASDP with net zero Scope 1 and 2 greenhouse gas emissions. This means any greenhouse gas emissions produced through the construction and operation of ASDP will be avoided, minimised or offset.



Thrive2035 goals have shaped how we have proposed to construct and operate ASDP, including many environmental commitments fundamentally aligned to accelerating environmental sustainability of the water cycle as our climate changes. Our commitments include:

To counterbalance essential native vegetation clearing, we have secured approximately 10 times the area proposed to be cleared for inclusion into conservation areas managed by the Department of Biodiversity, Conservation and Attractions. Some of this area includes nearly 70ha of revegetation to create new Black Cockatoo foraging habitat.

Following further public consultation on the proposal, the Environmental Protection Authority (EPA) considered the implementation and operation of ASDP, published its report, and sent recommendations to the Western Australian Minister for Environment in May 2023. The EPA recommended that the proposal may be implemented subject to conditions reflecting Water Corporation's environmental commitments proposed as part of implementing and operating ASDP.

At full capacity, the plant will provide 100 billion litres of drinking water per year, with the first stage, to provide 50 billion litres, operational in 2028. Under our new source development program, ASDP will be the first key step towards delivering up to 125 billion litres per year of additional supply to meet the expected demand by 2035.



Our Boddington Pine Plantation registered under the Emissions Reduction Fund

POSITIVE LAND AND WATER IMPACTS

Thrive2035 views net clearing as a lead indicator for positive land and water impacts. At a minimum, we plan to revegetate the same area of vegetation that we clear in the process of delivering our water and wastewater services.

This financial year saw continued collaboration with the Department of Biodiversity Conservation and Attractions (DBCA) as part of our commitment to positive land and water impacts. Since the implementation of this initiative in 2019, we have voluntarily revegetated in excess of 235ha to counterbalance approximately 191ha of clearing. This was needed to support the planning, delivery and maintenance of services across the state.

A focus on the expansion of existing revegetation sites for enhanced environmental values saw approximately 83ha of land revegetated this financial year. Revegetation projects this year included an additional 50ha planted at the Lakeland Nature Reserve in the Wheatbelt and an extra 33ha at the former Gngangara Pine Plantation site, situated within the City of Wanneroo.



Perth is becoming a leading waterwise city



Climate change is leaving a worrying footprint on Perth and the south west of our state. Since the late 1970s, rainfall in the region has declined by up to 20 per cent overall. At the same time, urban development and the demand for water are continuing to grow. A key challenge for us is determining how we can create and maintain highly liveable communities when natural water sources continue to decline.

CASE STUDY

**WATERWISE CITIES PROGRAM
FIVE-YEAR SUMMARY**



To meet this challenge, we commenced a five-year Waterwise Cities Program in 2018 with the ambition of making Perth a leading global waterwise city. The program has been a catalyst for change, embedding waterwise thinking into our organisation and through our partnerships with a range of organisations to ensure our city is liveable, resilient, sustainable and productive.

Achievements under the five-year program include:

| | | |
|---|---|--|
| <p>Delivery of the H²OME study, our largest residential water-use study ever undertaken, helping us better understand water use in the home and garden, plan for Perth's water future, and design targeted programs to help households save water</p> | <p>1,965 million litres of water saved through residential waterwise offers and rebates and initiatives with schools, businesses and other sectors</p> | <p>Planning for Perth and Peel's water supply needs up to 2050, including drinking water, wastewater and drainage services, as well as a portfolio of recycling options for industry, agriculture and green space watering</p> |
| <p>26 of our drainage and other assets transformed into living streams, wetlands and community gardens to increase community access to green space and improve biodiversity under our Drainage for Liveability program</p> | <p>Over 198,000 waterwise plants, 1,126 verge transformations and 6,779 waterwise trees planted to increase biodiversity and cool urban environments under our Waterwise Greening Scheme and Local Government Urban Canopy Grant Program in partnership with local governments</p> | <p>100 per cent of metro local governments endorsed as Waterwise Councils, with 88 per cent of councils achieving Gold recognition as leaders in creating waterwise communities</p> |
| <p>Multi-sensory educational resources developed, and the reach of the Waterwise Schools Education Program expanded, teaching students about Perth's water cycle and sources, water in Aboriginal culture, and how to be waterwise</p> | <p>Contributing to a 26 per cent improvement in our urban water management performance score over five years, as measured by the national Water Sensitive Cities Index benchmarking tool, indicating Perth has become a waterwise city in Australia</p> | <p>Contributing to Perth's Water Sensitive Transition Network, a network of leaders from government, industry, research and community organisations working together towards the vision of a waterwise Perth. The work of this network was recognised internationally, receiving a bronze medal in the Governance, Institutions and Social Enterprise category at the International Water Association's Project Innovation Awards, held in Copenhagen in 2022</p> |

Even though the five-year program has now transitioned into our core business, our waterwise focus continues. The goals of a waterwise city are reflected in our Thrive2035 strategy, including water recycling, water efficiency and net zero emissions targets.



Water services partner of choice for state development

Climate change, increasing community expectations, emerging markets and demand for a future-ready workforce are all pushing us to make big leaps in the way we responds to critical challenges and opportunities.

We have continued to explore collaborative opportunities that contribute to the WA Government’s priorities, including a strong economy, regional prosperity and a thriving, liveable environment.

In response to this rapidly changing landscape, teamed with the urgent need to deliver our Thrive2035 strategic goals, we created the Growth Portfolio.

The Growth Portfolio is responsible for identifying potential new revenue streams, delivering commercial and infrastructure initiatives, identifying partnership opportunities, and collaborating with other Government agencies, the private sector, and relevant communities.

Secondly, the growing global awareness of environmental, social and governance (ESG) will attract many direct and end-market customers looking for ‘green’ raw inputs in their supply chain and provide an additional barrier to competition. The strong demand has already been demonstrated by a range of local participants, such as Magnium Australia and the Rare Earth Elements industry.

Overall, our intention will be to operate the project on a net zero basis and produce a product that is less energy and pollution intensive than products traditionally available in the market.

CASE STUDY

FEASIBILITY OF MAGNESIUM

The WA Government has committed up to \$2 million, matched by Water Corporation, for a detailed feasibility study into producing magnesium hydroxide.

Our desalination process produces a by-product, brine, which we currently release back into the ocean. But brine represents a valuable source of critical materials, such as magnesium.

We are completing the study in partnership with the South West Development Commission and the Department of Jobs, Tourism, Science and Innovation.

With Thrive2035 strategic priorities concentrated on supporting state development, environmental sustainability, and local solutions, our efforts are focused in the right direction. Pending the feasibility results, we can potentially provide magnesium hydroxide to the industry. Magnesium hydroxide can be used as a feedstock to support supply chains in aerospace and transport sectors, as well as in the production of other critical metals, including titanium.

We are well-placed to extract further value from brine. Firstly, we have access to large quantities of desalination brine as a feedstock for magnesium hydroxide production.

AUSTRALIA’S FIRST LOW-COST HYDROGEN PROJECT

A renewable hydrogen project near Waroona is on the pathway to production as we have signed a major 15-year water supply agreement.

Western Australia-based Frontier Energy’s Bristol Springs Green Hydrogen Project is expected to be one of the first, low-cost renewable hydrogen projects in Australia. Production is due to commence in 2025 with Stage One production forecast at approximately 4.4 million kilograms of renewable hydrogen each year.

Water is an essential component of renewable, or green hydrogen, where water is split into hydrogen and oxygen via electrolysis using renewable electricity.

The electrolyzers for the first stage of the Bristol Springs Project will be powered by Frontier Energy’s 114MW industrial solar farm, with any excess renewable energy sold into the grid.





Kununurra Diversion Dam on the Ord River

Supporting the WA Government’s pipeline of hydrogen investment, the 15-year agreement is our first contracted commercial supply to a renewable hydrogen facility. Supply will be from existing scheme capacity with future increases to support the project’s expansion.

Uses for renewable hydrogen include transport, industrial feedstock, electricity generation, and blending into the natural gas supply.

NEW HOMES IN THE PIPELINE TO SUPPORT METRONET

To support the creation of more diverse, affordable housing, we are establishing strategic water and wastewater infrastructure for more than 15,000 new homes across Perth.

Infrastructure will be delivered at seven METRONET precincts, including Bennett Springs, Morley, Malaga, the future Yanchep Station, and around existing stations at Redcliffe, Meltham and Kelmscott.

Development precincts in Kenwick and Maddington will also benefit from connections to reticulated wastewater infrastructure, with works at Kenwick to commence first.

Special Development Contribution Areas will be created to ensure the state investment is recouped fairly and equitably from future developers that benefit from planned upgrades.

CASE STUDY

EXPANSION OF THE ORD IRRIGATION SCHEME



The Ord Irrigation Scheme is Western Australia’s largest irrigation system by water volume. Located in the East Kimberley region, the irrigation system is serviced by the Ord Dam, Lake Argyle and Kununurra Diversion Dam and Lake Kununurra.

The existing irrigated farmland is used for a variety of agricultural crops including maize, cotton, mango, citrus, watermelon, rockmelons, pumpkin, chickpeas, sandalwood and chia.

Through state agreements and the expansion of available irrigable land, the irrigation scheme is undergoing an expansion and volume capability upgrade. This upgrade will increase available irrigation water supply to the Knox Farmlands with 570 million litres a day for the irrigation of a further 5,600ha of farmland.

This kind of agricultural progress in the Ord paves the way for new industries and provides genuine employment opportunities.

The new farmland area will also play an important role in the region’s burgeoning cotton industry, backed by local growers and Traditional Owners.





Future proofing Albany's water supply

UNLOCKING A NEW WATER SOURCE IN THE GREAT SOUTHERN

Climate change and a growing demand for water have put our existing groundwater sources under strain. On current projections, annual demand in the Great Southern Region will outstrip supply by 2030, with an additional 1.8 billion litres of drinking water per annum needed by 2050.

We're making great progress investigating potential new water sources for the Lower Great Southern Towns Water Supply Scheme (LGSTWSS). Both groundwater and desalination are options for the scheme which currently supplies more than 37,000 people in Albany, Mount Barker and Kendenup, as well as 4,000 residents in Denmark.

Partnering with communities for long-term solutions, we've explored how source options can be delivered in the required timeframe with the lowest environmental impact, and with the greatest long-term benefit to the region.

PROUDLY PARTNERING WITH ABORIGINAL SUPPLIERS

Each year, we purchase millions of dollars' worth of goods and services. To address key commitments made in our Reconciliation Action Plan, we are harnessing that purchasing power to achieve real change for Aboriginal Australians.

This financial year, we have almost tripled the value of contracts awarded to Aboriginal businesses across the state. To address inequity, we have awarded 5 per cent of contracts to Aboriginal suppliers.

The achievement follows our re-commitment to the WA Government's Aboriginal Procurement Policy which ensures Aboriginal businesses receive at least 3.5 per cent of awarded contracts.

To meet these government expectations, we made sure contracts also achieved best value for money and complied with existing procurement legislation, policies and internal obligations.

In November 2021, we hosted our third biennial Aboriginal supplier event, with the next one planned for November 2023. This provides our project managers the chance to present their capital works programs to Aboriginal businesses.

With the recent transfer of responsibility for water services from the Department of Communities to Water Corporation, three contracts for water and wastewater asset maintenance in Aboriginal communities were awarded to Aboriginal suppliers.



2023 TOTAL SOLAR ECLIPSE EVENT

With eyes around the world looking to catch a glimpse of this special occurrence, it was essential we played our part in supporting this important tourist event for Western Australia.

On 20 April 2023, more than 19,000 people from around the world gathered in Exmouth to witness a 62 second, rare spectacle – a total solar eclipse. With Exmouth’s permanent population of 2,700, and the usual holiday influx taking that up to around 6,000, there was the anticipation of additional pressure on the town’s water and wastewater supply.

To service the thousands of additional visitors, we played a significant part in a whole-of-government planning and working group to ensure visitors to Exmouth would enjoy the eclipse experience while protecting the pristine Ningaloo region.

To cater for the influx of visitors, we began early investigations into key infrastructure for maintenance requirements, and identified solutions to best serve the region for the event and to benefit the scheme into the future. We worked closely with the community, the Department of Jobs, Tourism, Science and Innovation, and key stakeholders to install a six million litre temporary tank to provide non-potable water to the Welch Street Campsite in Exmouth, along with the installation of permanent water infrastructure. Water supply at the nearby bore field was also upgraded to increase water supply by 300,000L per day.

Remedial works were also carried out at the wastewater treatment plant to prepare for increased wastewater during the event. On the demand management side, through respectful education and collaboration with the local community and businesses, we were able to save millions of litres of water through short-term alterations to gardening and commercial water use.

This project represents one of our biggest collaborations to date, working with representatives across 14 WA Government agencies in partnership with the local government to ensure communities in the region were supported for the event. It showcased our capability to be part of WA’s potential as a centre of collaboration and knowledge building, while developing strong working relationships and learnings to take into our own state development projects.



Exmouth Eclipse April 2023



Local solutions developed in partnership with local communities

We operate in a land of extremes. Record flooding in the Kimberley and record heat and drought in our South West bring vastly different goals to ensure our state remains liveable.

In the face of climate variability, education about the value of water, our reliance on desalination and our unique water cycle is imperative to driving greater customer value.

From Kimberley community grants and customer education programs, to urban greening and mitigating urban heat in Perth metro - we must educate, adapt, and seek customer-led solutions.

The Nurdi Park Living Stream and Wetland project in the City of Canning won the Excellence in Water Project Award at the Institute of Public Works Engineering Australasia WA Awards in 2023.

A total of 34 drainage assets have been transformed under the program since 2016. We proudly partner with organisations that drive the state's growth, increase awareness of our environment, and enable a greater platform to educate our community.

CASE STUDY

DRAINAGE FOR LIVEABILITY PROGRAM



This year, six of our drainage assets were transformed into living streams, wetlands and parks. These Drainage for Liveability initiatives improve biodiversity and create a healthier, sustainable water system for local communities.

We partnered with the City of Canning to transform an existing drain into the Lake Street urban stream. The urban stream will mimic a natural waterway and remove pollutants from stormwater. The space will be open to the public and provide a pedestrian link from Lake Street to Cecil Avenue.

We also partnered with the City of Armadale to support the Westfield Heron Wetland improvement works. Over a number of years, the City received requests for the upgrade of the reserve to provide greater open space amenity for the local community. The improvements included landscape planting and revegetation works, barbecue shelters and picnic furniture, more efficient bore and irrigation systems and connecting pathways.

PARTNERING WITH OZFISH - SEEDS FOR SNAPPER

Seagrass is important in our oceans as it not only provides shelter and food for fish and aquatic life but also stores carbon and nutrients. This improves water quality and helps combat the impacts of climate change. We have partnered with Ozfish to raise awareness about the ecological value of Perth's waterways and coastlines through funding and sharing our in-house engineering expertise.

Seagrass (*posidonia australis*) fruit once a year. During this time, OzFish diving volunteers collect the fruit in nets to harvest. Once the fruit matures, it's processed in large onshore tanks. The seeds are then dispersed in areas ideal for seagrass meadow restoration. OzFish volunteer scientists and University of Western Australia (UWA) researchers continually monitor the area.



'Before' image of Lake Street drain



After the Lake Street urban stream transformation





Volunteer divers collecting fruit in Cockburn Sound

Developed with UWA, this approach has increased seedling density by up to 2,000 per cent, more than natural regrowth.

Collecting, processing, and distributing seagrass seeds requires a lot of effort and storage, so we provided our own engineers' expertise to design holding tanks and pumps as well as fund the charter boat to help disperse the seagrass seeds.

JULUWARLU COMMUNITY PARTNERSHIP

This financial year we sponsored Juluwarlu Group Aboriginal Corporation, the arts subsidiary of Yindjibarndi Aboriginal Corporation in Karratha. The outcome was a theatrical performance called Ngurra Nyjunggamu (When the World Was Soft). The dramatic performance depicted the Yindjibarndi dreamtime stories from the Roebourne and Karratha areas. The performance was the opening event of Karratha's Red Earth Arts Festival in May 2023, with around 600 community members in attendance. Sharon Broad our North West Regional Manager, spoke at the event and we had an interactive stall promoting waterwise messages and our sponsorship set up during the festival.

This partnership encourages Aboriginal communities to thrive - which aligns with our commitments made in our Yesterday, Today, Tomorrow strategy and our Reconciliation Action Plan.

Historically, the relationship between Water Corporation and the Yindjibarndi people has been strained due to the building of the dam on Yindjibarndi sacred sites. However, by supporting this initiative, we have been able to build trust and offer support to the Yindjibarndi people in sharing and recognising their culture and ongoing connection to land.

CASE STUDY

KIMBERLEY COMMUNITY GRANTS SCHEME

The Kimberley Community Grants Scheme has been running since 2016, and in that time has donated over \$587,000 to community projects in the Kimberley that build an appreciation of nature, foster community wellbeing and make a positive difference to the lives of Kimberley residents.

Funding for the Kimberley Community Grants Scheme is generated from the sale of Rhodes Grass hay, which we grow at our Broome North Water Resource Recovery Facility (WRRF) as an environmentally-friendly means of disposing of recycled water.

In 2023's Round 9 of the Scheme, 14 not-for-profit groups in the Kimberley received grants totalling nearly \$70,000 to build projects that empower their communities across the region.

Fitzroy Valley Rodeo Club was a recipient of a Kimberley Community Grant in 2022 to set up an equine therapy program for vulnerable young people in the area. They received funding again in 2023 to rebuild the program after the devastating effects of the Fitzroy Crossing floods.



Kimberley Community Grant recipient - Fitzroy Valley Rodeo Club



We have built countless waterwise partnerships with our customers and communities, who have in turn maintained a focus on successfully delivering water efficiency outcomes.

SPRINKLER CHECK PROGRAM

Our popular Sprinkler Check program was offered again this year, aimed at helping customers waste less water on their gardens and to adapt to climate change.

Between August 2022 and May 2023, customers in Perth and Peel could access a free sprinkler check conducted by a Waterwise Irrigator. Over 1,880 services were delivered, and very positive feedback was provided by customers. The program was developed to help customers optimise the performance of their existing irrigation system in spring, providing the maximum opportunity for gardens to remain healthy during the hot summer months, while also minimising overwatering.

REBATES FOR WEATHER-SMART IRRIGATION CONTROLLERS

More than 1,460 customers took up our offer of rebates for weather-smart irrigation controllers this year, making the latest technology in water-saving irrigation practices more accessible to customers.

The rebates were available to customers who purchased approved products from Waterwise irrigation and garden design shops, and had their controller professionally installed by a Waterwise irrigation specialist to ensure watering rosters and other waterwise gardening practices were considered..

WATERWISE GARDEN ADVICE FOR BORE OWNERS

This year we offered free garden visits to domestic bore owners in the Perth and Peel regions. The new program was developed to help garden bore owners adapt to the new two-day per week watering roster. Over 550 customers took up the offer for a waterwise landscaper or garden designer to visit their property and advise on optimising soil condition, watering requirements of plants and alternative waterwise options, garden design and layout to reduce irrigation requirements while maintaining a thriving garden.



Customers trialling our weather-smart irrigation controller



NON-RESIDENTIAL PROGRAMS

Our Waterwise Council Program, delivered in partnership with the Department of Water and Environmental Regulation (DWER), supports local governments to improve water efficiency and help create waterwise communities.

There are 64 local governments participating in the Waterwise Council Program, including all 32 metropolitan local governments.

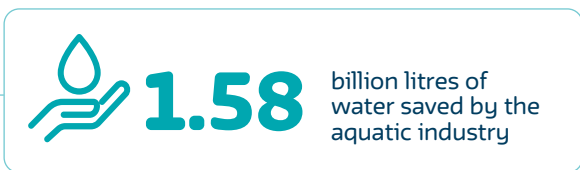
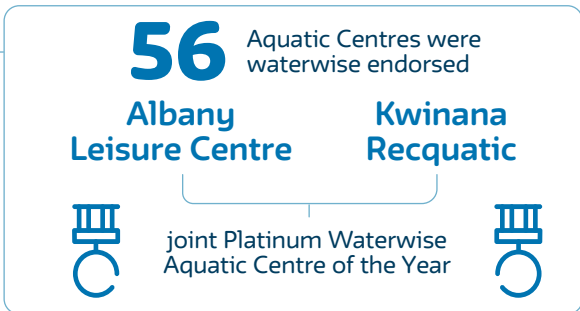
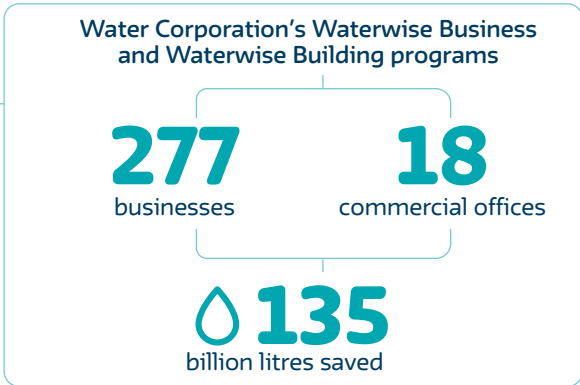
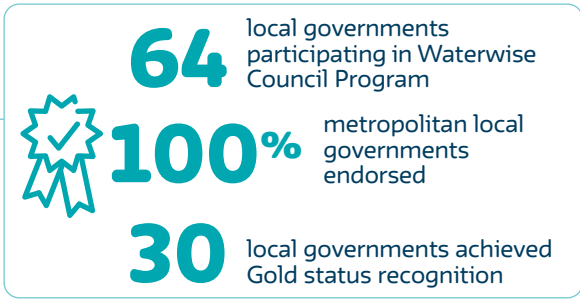
Two Local Governments - the City of Stirling and Town of Cambridge - were awarded WA's Platinum Waterwise Council of the Year 2023 bringing the total to 9 councils achieving Platinum status

The Waterwise Business Program provides water saving support to business customers that use more than 20 million litres of scheme water per annum. This year 277 businesses and 18 commercial offices were part of Water Corporation's Waterwise Business and Waterwise Building programs, which have saved more than 135 billion litres since 2007.

Under our Waterwise Aquatic Centre Program, delivered in partnership with the Leisure Institute of WA Aquatics, 56 aquatic centres are endorsed as Waterwise across WA, including 96 per cent of aquatic centres in the metropolitan area. Albany Leisure Centre and Kwinana Recquatic were named joint Platinum Waterwise Aquatic Centre of the Year, while Northam Aquatic Facility, in the Shire of Northam, and Swan Active Beechboro, in the City of Swan, earned Gold recognition.

The aquatic industry in total has saved 1.58 billion litres of water since 2008 - that's around 700 Olympic swimming pools of water.

The Waterwise Development Program has endorsed 25 developments since 2014. Subi East, by DevelopmentWA, joined the list in 2023 as a new leader in waterwise and sustainable housing design. Brabham Estate, in the City of Swan, was crowned Waterwise Development of the Year (developed by Peet Limited in collaboration with DevelopmentWA).





High school students engaging with our Waterwise Experience incursion

SMARTER CUSTOMER EXPERIENCES

Trialling smart metering

Today's customers have far higher expectations of service providers and want a clear view of water use patterns.

There is a lot of evidence from around the world to support the transition to smart metering. The technology allows customers greater visibility around their water use, reduces water loss caused by leaks, and improves operational efficiency.

Building on past trials in Kalgoorlie-Boulder and the North West, we have begun installing smart meters in Perth. The new meters take an automatic reading and detect leaks which removes the need for our employees to physically access customer properties. Outcomes from the smart metering trial program will inform the pace and scale of future rollouts of smart metering across the state.

Supply water alerts

In a network of our size, planned and unplanned repair work can lead to supply interruptions. Every year, more than 500,000 properties are impacted by water outages. We understand how disruptive this can be and know customers want time to plan for an interruption and reduce the impact.

We've taken a step towards improving the customer experience for outages by launching our Water Supply Alerts tool. The tool allows customers to receive alerts

via SMS or email to stay informed about outages affecting their home or business. Once they opt in, customers receive a notification for both planned and unplanned water outages, including outage times and when their supply is expected to resume.

After actively promoting the tool this financial year, we now have 40,000 customers signed up, with subscriptions continually on the rise. By redesigning this customer journey to initiate notifications before the work begins, we are putting the customer first and at the heart of our operating model.

WATERWISE SCHOOLS EDUCATION

The importance of teaching waterwise sustainability in schools has never been more evident. This is reflected in a record number of school bookings this financial year. We reached a whopping 42,345 students this financial year, with a record number of school bookings. These numbers tell us that teachers, as satisfied customers, value our program which directly aligns to the WA Curriculum.

Our Education Team delivers a range of waterwise incursions to increase the understanding of water sustainability concepts, including the importance of water in Aboriginal culture.

Educating young students on water supply and conservation concepts increases their water literacy, including the waterwise behaviour of students and their families.





Empowering our people to achieve our best performance

We've implemented a number of strategies designed to create a workplace as diverse as the communities we serve and target unconscious bias.



TAKING OUT THE BEST PLACE TO WORK AWARD

The Australian Financial Review / BOSS crowned us as Australia's Best Place to Work for Agriculture, Mining and Utilities for 2023.

The award celebrates some of the amazing groundwork our teams have laid through a variety of excellent people-focused initiatives. Our career entry, youth development, flexible working, diversity, and mental wellbeing programs helped our submission stand out from the rest. We were taken aback by the volume of people from across the business willing to advocate for us in the employee survey which was part of the selection process.

CELEBRATING OUR SUCCESSES



Throughout the financial year, there were a number of projects and people recognised for their accomplishments through coveted industry awards. These include:

Australian Water Association WA Awards:

- **Young Water Professional | Winner** | Phillip Meng
- **Organisational Intelligence | Finalist** | Operational Intelligence in Decision Making
- **R&D Excellence Award | Finalist** | Harvey River Restoration Demonstration Project with the Harvey River Restoration Taskforce
- **Infrastructure Project Innovation Award (METRO):** Neerabup Groundwater Scheme Expansion with GHD, Sacyr, Water Corporation and Westforce Construction

International Water Association: (IWA) Project Innovation Awards | **Bronze** | Groundwater Replenishment Scheme

The Australian Business Awards: Business Innovation | **Winner** | Visual Connect

The Civil Contractors Federation WA 2022 Earth Awards: | **Finalist** | Gngangara Branch Sewer Section 2 Rob Carr Pty Ltd and Water Corporation

2022 Australian Street Art Awards: Best External Mural | **Finalist** | Busselton Diversion Drain Street Art Mural



Miriwoong Gajerrong truth telling event

STRENGTH IN SHARED UNDERSTANDING

We want to see our people, communities and state thrive. We have implemented an Aboriginal engagement strategy named Yesterday, Today and Tomorrow. This strategy has been conceived to improve the overall employment experience for our Aboriginal employees. It works hand-in-hand with our proposed Reconciliation Action Plan, and asks us to expand our toolkit beyond frameworks and commitments to real and meaningful engagement with our people.

We are focused on equipping our workforce with the knowledge of Aboriginal experience and culture in as many ways, voices and perspectives as possible. There has never been a more important time for a bold approach to drive change.

EMPOWERING EMPLOYEE NETWORKS

We offer opportunities for workers and leaders to take part in our diversity and inclusion initiatives through social networks and employee working groups. These groups work in the areas of gender equity, people with disability, the LGBTQIA+ population, and culturally and linguistically diverse people.

The passionate members of our networks and working groups help to raise awareness through training, events and keeping our people informed with topical news.

BUILDING CONFIDENCE INTO RECRUITMENT

In February 2023, we achieved Disability Confident Recruiter status from Australian Network on Disability. The accreditation was received after a rigorous audit process on all the recruitment steps.





Yr 11 and 12 Deadly Sister Girlz students

Making our recruitment processes more accessible is a key step towards creating a workforce that is inclusive, and reflects the diversity of our customers and our community. From job advertisement right through to how we onboard candidates - we've assessed each step to address the potential barriers to participating in our recruitment process equitably.

Disability Confident Recruiter is run by the Australian Network on Disability which recognises organisations that meet the standards of the program as employers of choice for people with disability.

SUPPORTING PARTNERSHIPS

We know we need to foster partnerships to attract and build the pipeline of female talent into Water Corporation. One example of this is our Waalitj Foundation partnership supporting the Deadly Sista Girlz program. This partnership is a fantastic way to work collaboratively with women across the state to identify future career opportunities. If we can assist with mentorship and career pathways, we help our state to thrive.

LARGEST GRADUATE INTAKE IN 10 YEARS

We welcomed 44 new graduates in our January 2023 cohort. Our graduate program has evolved from typical science and

engineering to include finance, commerce, information technology, cybersecurity and data science to meet our growing needs.

Many of our graduates stay on to have fulfilling careers with us and continue to fill leadership roles including members of the Executive Team and senior managers.

We began our pilot of the Regional Graduate Leadership Program in 2023. This program was rolled out in an effort to transition graduates to leadership roles in Karratha, Geraldton, Bunbury and Albany towards the conclusion of their three-year rotation with us.

RETURNING TO WORK MADE EASIER

We've introduced a program for carers and parents who are looking for a supportive transition back to the workforce. As a progressive employer, leading the way in flexible and safe work, we have created this opportunity with flexibility, and highly structured coaching and mentoring sessions to ensure returners ease into their roles without a challenge. A webinar, presented by four of our female leaders was held, and candidates were given an insight into our supportive culture. The program is gaining momentum and attracting key talent that may not have been able to re-enter the workforce otherwise, which is highly attractive in a restricted labour market.



Our latest graduates



Corporate Governance Report



Employees taking part in Clean Up Australia Day

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

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

The Board of Directors

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

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

Appointment of Directors

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

Appointments are typically staggered to ensure one third of the Directors retire each year. In line with sound governance practices and our Board Charter the maximum length of time a Director may serve on the Board should not exceed 10 years. Their duties are not full-time.

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

Changes to the Board

Mr Ross Love was re-appointed as Chair for a term expiring 31 December 2025.

Ms Gningala Yarran-Mark was re-appointed as a Director for a term expiring 30 September 2025.

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

Board committees

Committees of the Board that operated during the year ended 30 June 2023 were:

- Audit and Risk; and
- People and Safety.

Audit and Risk Committee

The Audit and Risk Committee was chaired by Mr David Lock and included Dr Carla Boehl and Janine Freeman. Each member has substantial financial, risk management, public sector or industry experience and the necessary skills to undertake the Committee's responsibilities.

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

Principal activities and duties

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

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

People and Safety Committee

The People and Safety Committee was chaired by Mrs Gningala Yarran-Mark and included Directors Mr Ross Love and Ms Helen Creed. Each member has extensive experience in the corporate or public sector at a senior level and brings the skills necessary for the Committee to undertake its role.

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

Directors' meetings

The number of Board meetings and committees of the Board held, and the number of meetings attended by each Director during the 12 months ending 30 June 2023, are shown in the table below.

| | Board | | Audit and Risk | | People and Safety | |
|---|----------|--------------------|----------------|--------------------|-------------------|--------------------|
| Number of Meetings held | 10 | | 4 | | 4 | |
| | Attended | Eligible to attend | Attended | Eligible to attend | Attended | Eligible to attend |
| Mr Ross Love | 9 | 10 | 0 | 0 | 3 | 4 |
| Mr David Lock | 10 | 10 | 4 | 4 | 0 | 0 |
| Mrs Gningala Yarran-Mark | 7 | 10 | 0 | 0 | 4 | 4 |
| Dr Carla Boehl | 9 | 10 | 0 | 0 | 4 | 4 |
| Ms Helen Creed | 10 | 10 | 0 | 0 | 4 | 4 |
| Ms Janine Freeman | 10 | 10 | 4 | 4 | 0 | 0 |
| Mr Pat Donovan (Chief Executive Officer) | 9 | 10 | 4 | 4 | 4 | 4 |



Board trip to Broome to announce Kimberley Community Grants recipients

Accountability and independence

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

Ministerial directions

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

Directors' and Senior Executives' remuneration

For further disclosure of Directors' and Senior Executives' remuneration please refer to the remuneration report on page 56.

Governance framework

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

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

Internal control

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

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

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

To ensure the independence of the audit function, the reporting line is to the Chair of the Audit and Risk Committee.

Management review and audit

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

External auditors

In accordance with the *Water Corporations Act 1995*, we must have the financial report for a financial year audited by the Auditor General. The Auditor General has outsourced the audit to RSM for a three-year term. Total auditor remuneration is shown in Note 25 to the Financial Statements on page 100.

Risk management

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

The risk appetite has been defined to guide decision making within agreed boundaries, as determined by the Board. All managers are responsible for the identification and management of risks that will impact on their business processes and subsequent objectives. The management of risk within the business is embedded at all levels, with appropriate support and systems in place to ensure risks are managed to an acceptable level.

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

Performance monitoring and reporting

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

Ethical standards

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

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

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

Managing financial exposures

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

Information security management system

We maintain an enterprise information security management framework that utilises a risk based approach based on the National Institute of Standards and Technology (NIST) Cyber Security Framework (CSF).

State Records Act 2000

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

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

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

Public Interest Disclosure Statement

The *Public Interest Disclosures Act 2003* was enacted to protect the privacy and confidentiality of both the individual making a public interest disclosure and the subject of that disclosure. Public Interest Disclosure Officers have been appointed. Internal procedures relating to our obligations under the Act have been implemented in accordance with the guidelines provided by the Public Sector Commission. The one PID from the previous year was closed out during this year. No PID received in 2022-23.

Conflicts of interest

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

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

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

Competition and Consumer Act Compliance Program

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

Freedom of information

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

During 2022-23 we received 60 access applications, of which one was transferred in full to another agency, 29 were provided full access, 40 were provided edited access, zero were withdrawn, three had access refused, zero had access deferred, documents were not found or do not exist for six of the applications and none were on hand at the end of the year.

14 internal reviews were requested. Fees and charges totalling \$1,732 were received for processing these applications with 32 days being the average processing time.

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

Advertising codes

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

Reportable expenditure

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

| Advertising agency | Amount paid |
|--------------------|---------------|
| 303MullenLowe | \$5,966* |
| The Brand Agency | \$733,505.49^ |

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

^ This amount includes costs associated with Think Climate Change. Be Waterwise campaign, Winter Sprinkler Switch Off, Waterwise Towns, Waterwise Schools, Irrigation Offers, Noongar seasons, Solar eclipse, and Think Before You Flush campaign.

> This amount includes costs associated with non-campaign advertising.

| Media advertising | Amount Paid |
|------------------------|----------------|
| Initiative | \$235,348.98> |
| The Brand Agency Media | \$396,036.88 |
| Carat Media | \$1,178,738.56 |
| 303 MullenLowe | \$35,716.93 |

| Market research | Amount paid |
|-------------------|---------------|
| Painted Dog | \$142,117.00 |
| Metrix Consulting | \$ 129,910.00 |
| Kantar | \$0 |

Directors' Report

The Directors of Water Corporation present their report for the 12 months ended 30 June 2023.

Directors

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

Mr Ross Love (Chair)

Chair since 22 September 2020

Mr Pat Donovan

Chief Executive Officer since 1 January 2019

Mr David Lock (Deputy Chair)

Director since 1 April 2014
Deputy Chair since 1 January 2017 to 15 January 2020 and from 22 September 2020
Acting Chair from 16 January 2020 to 21 September 2020

Mrs Gningala Yarran-Mark

Director since 12 November 2019

Dr Carla Boehl

Director since 1 January 2021

Ms Helen Creed

Director since 7 April 2021

Ms Janine Freeman

Director since 9 March 2022

Director biographies are shown on pages 17 and 18.

Director meetings and attendance are shown on page 50.

Director compensation details are shown on page 56.

Principal activities

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

Our principal functions are:

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

There has been no significant change in the nature of our activities during 2022-23.

Dividends

On 23 December 2022, the Minister advised the Corporation of the Cabinet endorsed Expenditure Review Committee (ERC) decision that all dividends to be paid in the 2022-23 year (being the final dividend for 2021-22 year and the interim dividend for 2022-23 year) be retained by the Corporation and be held in its existing bank account. The increased cash balance must be quarantined for the purposes of specifically approved future projects, with the funds only able to be drawn down following ERC approval of a business case.

The Corporation retained dividend payments of \$731.6 million to contribute to funding a new desalination plant. As at 30 June 2023, there is \$930.7 million remaining in the fund following Alkimos related capital expenditure of \$19.4 million and a temporary reduction in borrowing requirements for 2022-23 of \$388.7 million.

Review of operations

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

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

During the year, we supplied 387 billion litres of water and treated 177 billion litres of wastewater.

Risk management

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

Remuneration report

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

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

The compensation of the non-executive Directors of the Board is determined following independent advice from management remuneration consultants and the WA Government's Salaries and Allowances Tribunal (SAT) on an ad-hoc basis and is agreed by the Minister. The compensation is in the form of salary and superannuation contributions. Other than compulsory superannuation contributions and superannuation via salary sacrifice, Water Corporation does not pay any other post-employment benefits to non-executive Directors. Director's remuneration has not been increased since December 2014.

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

In December 2016 the *Salaries and Allowances Act 1975* was amended providing that SAT is to determine the minimum and maximum remuneration that can be paid to the Corporation's Chief Executive Officer, the first determination was effective from 1 July 2021 and is reviewed annually.

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

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

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

Details of compensation provided to key management personnel

The Directors during the financial year were:

| Directors | |
|---------------|--|
| C Boehl | Director (non-executive). Appointed 1 January 2021. |
| D Lock | Chair (non-executive). Appointed 1 January 2014, appointed Deputy Chair 1 January 2017, appointed Acting Chair January 2020. |
| G Yarran-Mark | Director (non-executive). Appointed 12 November 2019. |
| H Creed | Director (non-executive). Appointed 7 April 2021. |
| P Donovan | Chief Executive Officer. Appointed 1 January 2019. |
| R Love | Chair (non-executive). Appointed 22 September 2020. |
| J Freeman | Director (non-executive). Appointed 9 March 2022. |

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

| Total Remuneration Band (\$) | Number of directors ** | | Short-Term | | Post-employment | | Long-Term Benefits | | Total | |
|------------------------------|------------------------|------|----------------------|------|-----------------------|------|---------------------------|------|--------|------|
| | | | Salary & Fees \$'000 | | Superannuation \$'000 | | Long Service Leave \$'000 | | \$'000 | |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| 0-24,999 | 1 | 2 | - | 17 | | 2 | - | - | - | 19 |
| 25,000-49,999 | | 1 | | 38 | | 3 | - | - | - | 41 |
| 50,000 - 74,999 | 4 | 3 | 55 | 55 | 6 | 5 | - | - | 60 | 60 |
| 75,000 - 99,999 | | - | | - | | - | - | - | - | - |
| 100,000-124,999 | 1 | 1 | 110 | 110 | 11 | 10 | - | - | 121 | 120 |
| 500,000 - 524,999 | 1 | 1 | 529 | 484 | 25 | 25 | - | - | 554 | 509 |

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

*** Private use of motor vehicle.

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

| Five highest paid Executives* | | Year ended 30 June 2023 | Year ended 30 June 2022 |
|-------------------------------|---|-------------------------|-------------------------|
| B Ford | General Manager, Operations | ✓ | ✓ |
| D Page | Chief Financial Officer | ✓ | ✓ |
| E Hambleton | General Manager, Assets Planning & Delivery | ✓ | |
| E Vervetjes | General Manager, Information & Technology | | ✓ |
| K Willis | General Manager, Customer & Community | ✓ | ✓ |
| J Mitchell | General Manager, Information & Technology | ✓ | |
| M Cronin | General Manager, Strategic Performance | | ✓ |

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

The remuneration of the Executives whose total remuneration was within the following bands:

| Total Remuneration Band (\$) | Number of staff* | | Short-Term | | Post-employment | | Other Long-Term Benefits** | | Termination benefits | | Total | |
|------------------------------|------------------|------|---------------|------|-----------------------|------|----------------------------|------|----------------------|------|--------|------|
| | | | Salary \$'000 | | Superannuation \$'000 | | Long Service Leave \$'000 | | \$'000 | | \$'000 | |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| 325,000-349,999 | 2 | | 307 | | 24 | | - | - | - | - | - | 331 |
| 350,000-374,999 | 2 | 1 | 341 | 335 | 24 | 23 | - | - | - | - | 365 | 358 |
| 375,000-399,999 | 2 | 1 | 359 | 357 | 25 | 25 | - | - | - | - | 384 | 382 |
| 400,000-424,999 | 1 | 1 | 397 | 387 | 25 | 25 | - | - | - | - | 422 | 412 |
| 600,000-624,999 | - | - | - | - | - | - | - | - | - | - | - | - |

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

** Long service leave taken in service

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

Environmental compliance

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

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

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

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

ESG Reporting

Central to our ESG Strategy and sustainability reporting framework are nine material topics. These topics identify areas of focus for the business and inform relevant sub-strategies across the business.

Work has begun to improve ESG reporting aligned with internationally recognised frameworks, to both meet emerging regulatory requirements and create value for the business (GRI Appendix page 110).

State of affairs

There were no significant changes during the year ended 30 June 2023 in the state of our affairs not otherwise disclosed in this report, or the financial statements.

Events subsequent to balance date

Since the end of the financial year on 30 June 2023 and the date of the release of this report, the Directors are not aware of any matter or circumstance not otherwise dealt with in the report or financial statements that has significantly, or may significantly, affect our operations, the results of those operations, or our state of affairs in subsequent financial periods.

Director interests and benefits

In the 12 months to 30 June 2023, Directors did not receive, or become entitled to receive, any benefit (other than a benefit included in the total amount of remuneration received or due and receivable by Directors) by reason of a contract made by the Corporation with the Director, or with a firm, of which the Director is a member, or with an entity in which the Director has a substantial interest.

Indemnification of Directors

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

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



Ross Love
Chair



Pat Donovan
Chief Executive Officer

Performance summary

Performance against key indicators

| | Units | 2023 | | 2022 | 2021 | 2020 | 2019 |
|---|--------|--------|--------------------|-------|-------|-------|-------|
| | | Target | Actual | | | | |
| SAFE FOR ALL | | | | | | | |
| Public Health - Safe Drinking Water | | | | | | | |
| Metropolitan localities meeting requirements for E.coli | % | 100 | 96 ^a | 100 | 100 | 100 | 100 |
| Metropolitan localities meeting requirements for amoebae (Thermophilic Naegleria) | % | 100 | 100 | 100 | 100 | 100 | 100 |
| Metropolitan localities meeting requirements for health-related chemical quality | % | 100 | 100 | 100 | 100 | 100 | 100 |
| Metropolitan localities meeting requirements for radiological performance | % | 100 | 100 | 100 | 100 | 100 | 100 |
| Country localities meeting requirements for E.coli | % | 100 | 100 | 100 | 100 | 100 | 100 |
| Country localities meeting requirements for amoebae (Thermophilic Naegleria) | % | 100 | 100 | 100 | 100 | 100 | 100 |
| Country localities meeting requirements for health-related chemical quality | % | 100 | 100 | 100 | 100 | 100 | 100 |
| Country localities meeting requirements for radiological performance | % | 100 | 99 ^b | 100 | 100 | 100 | 100 |
| EFFICIENT | | | | | | | |
| Economic Performance | | | | | | | |
| Financial Efficiency | | | | | | | |
| Operating cost per property | \$ | 895.0 | 960.5 | 908.1 | 807.8 | 822.7 | 748.6 |
| Total cost per property | \$ | 2,067 | 2,229 | 2,076 | 2,028 | 1,995 | 1,908 |
| Surplus before income tax equivalent | \$m | 1,334 | 1,349 | 1,255 | 1,253 | 1,148 | 1,140 |
| Return on assets | % | 7.4 | 6.4 | 7.0 | 6.8 | 7.1 | 7.1 |
| Return on equity | % | 7.4 | 7.2 | 7.2 | 7.3 | 7.2 | 7.4 |
| Interest cover | Times | 8.1 | 6.7 | 7.7 | 6.7 | 5.7 | 5.0 |
| Debt to Total Assets | % | 29.4 | 26.9 | 29.8 | 32.6 | 33.5 | 34.9 |
| ENVIRONMENTALLY SUSTAINABLE AS CLIMATE CHANGES | | | | | | | |
| Environmental Performance | | | | | | | |
| Ecosystem Protection | | | | | | | |
| Overflows to Swan-Canning - conveyance system | No. | 0 | 3 | 0 | 2 | 0 | 3 |
| Overflows to Swan-Canning - pump stations only | No. | 0 | 1 | 0 | 0 | 1 | 0 |
| Energy and Greenhouse Gases | | | | | | | |
| Electricity consumption per unit of output for water | MWh/ML | 2.15 | 1.60 | 1.88 | 2.26 | 2.22 | 1.57 |
| Electricity consumption per unit of output for wastewater | MWh/ML | 0.85 | 0.81 | 0.81 | 0.82 | 0.84 | 0.84 |
| Total energy consumption | TJ | na | 3,461 | 3,559 | 4,148 | 4,023 | 3,072 |
| Reported greenhouse gas emissions (CO ² equivalent) | kT | na | 450 | 645 | 760 | 756 | 575 |
| Materials Use Efficiency | | | | | | | |
| Biosolids re-use (Perth metro) | % | 100 | 99.98 ^c | 100 | 100 | 100 | 100 |
| Ethical & Governance Performance | | | | | | | |
| Compliance | | | | | | | |
| Number of legal sanctions for environmental breaches | No. | 0 | 0 | 0 | 0 | 0 | 1 |
| % Environment Non-Compliances Addressed | % | 95.0 | 96.4 | 96.9 | 94.5 | 100.0 | 96.2 |

| | Units | 2023 | | 2022 | 2021 | 2020 | 2019 |
|---|-------|--------|--------|-------|-------|------------------|-------|
| | | Target | Actual | | | | |
| SATISFIED CUSTOMERS | | | | | | | |
| Essential Service Provision | | | | | | | |
| Continuity – properties not affected by interruption > 1 hr | % | 75.0 | 64.2 | 71.1 | 72.4 | 75.5 | 76.1 |
| Water pressure and flow standards | % | 99.80 | 99.95 | 99.96 | 99.96 | 99.95 | 99.95 |
| Water quality faults responsiveness | % | 95.0 | 86.2 | 88.6 | 96.4 | 97.4 | 96.8 |
| Installation of new water connections | % | 90.0 | 89.9 | 95.9 | 97.9 | 99.1 | 99.0 |
| Properties without wastewater overflow | % | 99.80 | 99.95 | 99.9 | 99.9 | 99.9 | 99.9 |
| Demand-Supply Balance | | | | | | | |
| Drought response (number of schemes on temporary restrictions) | No. | na | 0 | 0 | 0 | 1 | 0 |
| Demand-Supply Balance | | | | | | | |
| Environmental Performance - Demand-Supply Balance - Water supplied per capita (Perth metro) | kL | 127 | 126 | 130 | 125 | 127 | 126 |
| Asset Performance | | | | | | | |
| Blockages per 100km of sewer | No. | 40.0 | 12.3 | 12.9 | 15.8 | 17 | 16.5 |
| Leaks and bursts per 100km of main | No. | 20.0 | 14.3 | 13.6 | 14.2 | 16.4 | 15.9 |
| Drainage systems operating in accordance with guidelines | % | 100 | 100 | 100 | 100 | 97 | 100 |
| Stakeholder Performance | | | | | | | |
| Customer Service | | | | | | | |
| Complaints (per 1000 properties) MTD | No. | 0.4 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Written customer complaints (responsiveness) < 15 business days | % | 90.0 | 90.4 | 100.0 | 98.1 | 92.5 | 100.0 |
| Telephone calls to '13' numbers first call resolution | % | 90.0 | 92.7 | 92.1 | 91.8 | 93.7 | 92.9 |
| SUPPORTING STATE DEVELOPMENT | | | | | | | |
| Social Performance | | | | | | | |
| Employment and Workforce | | | | | | | |
| Employee initiated turnover | No. | 7.0 | 10.3 | 9.7 | 5.5 | 5.6 | 6.8 |
| Women in senior management - tier 2 | % | 38.0 | 50.0 | 33.3 | 42.9 | 42.8 | 25.0 |
| Women in senior management - tier 3 | % | 38.0 | 33.3 | 28.6 | 26.5 | 22.6 | 25.8 |
| People from culturally diverse backgrounds | % | 14.2 | 13.2 | 12.6 | 12.3 | 12.0 | 12.9 |
| Indigenous Australians | % | 6.3 | 5.2 | 5.3 | 4.8 | 4.6 | 3.8 |
| People with disabilities | % | 3.0 | 1.6 | 1.6 | 1.7 | 1.6 | 1.9 |
| Youth (15-24) | % | 5.4 | 5.4 | 4.7 | 3.8 | 3.8 | 3.2 |
| Total Recordable Injury Frequency Rate (TRIFR) | No. | 3.0 | 4.4 | 3.8 | 4.5 | 3.4 ^d | 3.2 |
| Shareholder Accountability | | | | | | | |
| Responsiveness to priority one enquiries | % | 90.0 | 90.00 | 90.0 | 95.0 | 90.0 | 95.5 |

- a) Non-compliance associated with microbiological performance criteria from one assessable locality, as defined under the MoU with DoH. Response protocols implemented in accordance with DoH requirements demonstrated continuous supply of safe drinking water to the locality.
- b) Non-compliance associated with radiological performance criteria from one assessable locality, as defined under the MoU with DoH. Response protocols implemented in accordance with DoH requirements demonstrated continuous supply of safe drinking water to the locality.
- c) 27 tonnes of biosolids diverted to landfill due to truck fire incident contaminating sludge with melted aluminium
- d) TRIFR is reported for Total Workforce (including contractors) from 2019-20 - all previous periods include Internal Workforce only



Five-year statistical summary

| Financial Data | Units | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|--------|-----------|-----------|-----------|-----------|-----------|
| Total Revenue | \$'000 | 3,310,491 | 3,061,511 | 2,948,499 | 2,850,305 | 2,761,367 |
| Operating Subsidy | \$'000 | 624,130 | 519,186 | 468,579 | 430,912 | 420,050 |
| Direct Operating Expenses | \$'000 | 1,181,910 | 1,093,631 | 1,021,878 | 965,671 | 873,618 |
| Depreciation / Amortisation | \$'000 | 558,627 | 532,766 | 521,427 | 516,568 | 492,575 |
| Net Interest Expense | \$'000 | 186,879 | 168,685 | 181,180 | 210,691 | 242,842 |
| Income Tax Expense | \$'000 | 402,064 | 376,646 | 359,077 | 339,685 | 353,629 |
| Operating Surplus After Tax | \$'000 | 946,778 | 878,513 | 844,996 | 807,849 | 786,591 |
| Transfer to / (from) Reserves | \$'000 | - | 0 | 0 | 0 | 0 |
| Non-Current Borrowings | \$'000 | 5,068,418 | 5,644,394 | 6,003,994 | 6,207,303 | 6,194,213 |
| New Works Investment (excluding developers take-over works) | \$'000 | 744,992 | 648,015 | 652,341 | 650,898 | 695,504 |
| Current Borrowings | \$'000 | 9,995 | 17,024 | 17,539 | 18,410 | 8,094 |
| New Borrowings | \$'000 | (388,700) | (356,604) | -194,350 | 0 | 70,000 |
| Operating Data | | | | | | |
| Water Supply Services | | | | | | |
| Annual Volume of Water Supplied | ML | 386,789 | 387,975 | 374,202 | 374,808 | 366,820 |
| Number of Properties Served | No. | 1,365,217 | 1,350,688 | 1,338,298 | 1,322,204 | 1,308,558 |
| Number of Properties Connected | No. | 1,181,035 | 1,167,415 | 1,154,501 | 1,135,221 | 1,123,748 |
| Length of Mains | km | 35,122 | 34,917 | 34,947 | 34,842 | 34,779 |
| Wastewater Services | | | | | | |
| Average Volume of Wastewater Treated Daily | ML | 486 | 480 | 466 | 452 | 452 |
| Number of Properties Served | No. | 1,114,625 | 1,103,173 | 1,091,581 | 1,076,665 | 1,065,505 |
| Number of Properties Connected | No. | 1,032,236 | 1,021,436 | 1,011,665 | 1,001,432 | 989,094 |
| Length of Sewers | km | 17,701 | 17,526 | 17,397 | 17,280 | 17,193 |
| Drainage Services | | | | | | |
| Number of Properties Served (Metropolitan) | No. | 434,287 | 430,082 | 426,592 | 421,799 | 416,253 |
| Length of Drains | km | 2,539 | 2,539 | 2,539 | 2,534 | 2,545 |
| Irrigation Services | | | | | | |
| Volume of Water Delivered | ML | 5,941 | 6,057 | 5,539 | 6,300 | 5,142 |
| Employees | | | | | | |
| Total number of employees | No. | 4,043 | 3,822 | 3,662 | 3,429 | 2,819 |
| Total number of full-time equivalents (FTEs) | No. | 3,843 | 3,627 | 3,499 | 3,277 | 2,679 |
| Total number of FTEs (year-end average) | No. | 3,727 | 3,583 | 3,421 | 2,856 | 2,637 |

Principal statistics

| Water Supply | | | | | | | | | |
|--|-------------|-----------------|---------------------------|---------------------------|----------------|----------|------------|------------|-----------|
| Region | Perth Metro | Mandurah-Murray | Perth Region ¹ | Goldfields & Agricultural | Great Southern | Mid-West | North-West | South-West | Total |
| Properties Served | 1,058,324 | 64,704 | 1,123,028 | 43,590 | 48,310 | 50,500 | 43,275 | 56,514 | 1,365,217 |
| Properties Connected | 912,229 | 56,079 | 968,308 | 39,455 | 42,895 | 42,258 | 35,997 | 52,122 | 1,181,035 |
| Water Supply Services | 781,816 | 50,481 | 832,297 | 43,090 | 42,011 | 38,625 | 29,807 | 47,960 | 1,033,790 |
| Length of Mains (Kilometres) | 14,687 | 1,233 | 15,920 | 9,650 | 4,073 | 2,157 | 1,533 | 1,789 | 35,122 |
| Water Supplied ² (Megalitres) | 263,451 | 13,570 | 277,021 | 23,468 | 12,815 | 16,818 | 39,867 | 16,801 | 386,789 |

1. Perth Region includes Mandurah-Murray District.
2. Water supplied is the quantity recorded by master meters from 1 July to 30 June.

| Wastewater | | | | | | | | | |
|---|-------------|-----------------|---------------------------|---------------------------|----------------|----------|------------|------------|-----------|
| Region | Perth Metro | Mandurah-Murray | Perth Region ¹ | Goldfields & Agricultural | Great Southern | Mid-West | North-West | South-West | Total |
| Properties Served | 889,628 | 52,148 | 941,776 | 11,630 | 30,213 | 26,192 | 34,714 | 70,100 | 1,114,625 |
| Properties Connected | 832,989 | 46,629 | 879,618 | 9,891 | 26,599 | 21,475 | 31,500 | 63,153 | 1,032,236 |
| Total Length of Sewers (Kilometres) | 12,818 | 933 | 13,751 | 326 | 749 | 596 | 715 | 1,563 | 17,701 |
| Number of Pumping Stations | 659 | 87 | 746 | 42 | 87 | 70 | 82 | 170 | 1,197 |
| Number of Treatment Plants | 11 | 4 | 15 | 20 | 21 | 19 | 19 | 20 | 114 |
| Average Quantity of Wastewater Treated Daily (Megalitres) | 396.5 | 18.0 | 414.5 | 4.1 | 13.1 | 8.2 | 18.2 | 27.6 | 485.7 |

| Metropolitan sources of supply | | | | | |
|---|-------------------------------|-------------------------------|------------------------------------|-----------------------------------|-----------------------------------|
| Source | Area of Catchment (Square km) | Storage Capacity (Megalitres) | Storage at 30/06/2023 (Megalitres) | Percentage of Maximum Storage (%) | Output to 30/06/2023 (Megalitres) |
| Dams | | | | | |
| Stirling | 252 | 57,404 | 28,800 | 50.0 | 22,225 |
| Samson WTP | 192 | 8,003 | 4,159 | 52.0 | 6,164 |
| South Dandalup | 313 | 138,345 | 31,926 | 23.0 | 0 |
| North Dandalup | 151 | 60,791 | 41,116 | 68.0 | 10,260 |
| Serpentine and Serpentine Pipehead | 693 | 140,292 | 69,389 | 49.0 | 46,706 |
| Canning | 728 | 59,796 | 48,103 | 80.0 | 20,113 |
| Wungong | 128 | 90,353 | 50,363 | 56.0 | 3,914 |
| Churchman | 18 | 2,241 | 780 | 35.0 | 989 |
| Victoria | 37 | 9,463 | 3,964 | 42.0 | 9,893 |
| Total Hills Sources Output Gross | | 566,688 | 278,600 | 49.2 | 120,263 |
| Total Hills Transfers Input | | | | | 52,388 |
| Total Hills Sources Output Nett | | | | | 67,874 |
| Groundwater | | | | | |
| Artesian Bores | | | | | 31,223 |
| Mirrabooka | | | | | 15,848 |
| Gwelup | | | | | 13,353 |
| Wanneroo | | | | | 24,346 |
| Jandakot | | | | | 15,506 |
| Neerabup | | | | | 32,863 |
| Lexia | | | | | 2,597 |
| Yanchep/Two Rocks | | | | | 1,054 |
| Total Groundwater Output | | | | | 136,791 |
| Desalination | | | | | |
| Perth Seawater Desalination Plant | | | | | 44,319 |
| Southern Seawater Desalination Plant | | | | | 50,155 |
| Total Desalination Output | | | | | 94,474 |
| Water Received from Bulk Supplier | | | | | |
| GAWS supply to Perth | | | | | 1,980 |
| Total | | | | | 1,980 |
| Bulk Water Exported | | | | | |
| to Mundaring Dam for GAWS | | | | | 16,185 |
| Mandurah Murray | | | | | 13,570 |
| South-West Region | | | | | 1,205 |
| GSTWS | | | | | 3,297 |
| Total | | | | | 34,257 |
| Total Water Sourced | | | | | |
| Net Output from Surface Water | | | | | 67,874 |
| Groundwater | | | | | 136,791 |
| Desalination | | | | | 94,474 |
| Received from Bulk Supplier | | | | | 1,980 |
| Total Sources | | | | | 301,119 |
| Riparians (from Distribution System) | | | | | |
| Riparians from Distribution System | | | | | 2,876 |

| Metropolitan sources of supply | | | | | |
|--|-------------------------------|-------------------------------|------------------------------------|-----------------------------------|-----------------------------------|
| Source | Area of Catchment (Square km) | Storage Capacity (Megalitres) | Storage at 30/06/2023 (Megalitres) | Percentage of Maximum Storage (%) | Output to 30/06/2023 (Megalitres) |
| Total Potable Water Supplied | | | | | |
| Total Water Sourced | | | | | 301,119 |
| Bulk Water Exported | | | | | (34,257) |
| Riparians (from Distribution System) | | | | | (2,876) |
| Operational Use & Service Reservoir Vol Change | | | | | (535) |
| Total Water Supplied | | | | | 263,451 |

| Drainage | | | | |
|--|---------|----------------|------------|---------|
| Region | Perth | Great Southern | South-West | Total |
| Properties Served | 434,287 | n/a | n/a | 434,287 |
| Length of Drains Controlled (Kilometres) | 1,111 | 132 | 1,296 | 2,539 |

| Irrigation | |
|-------------------------|-----------------------------|
| Region | Water Supplied (Megalitres) |
| Mid-West ¹ | 5,256 |
| North-West ² | 685 |
| South-West ³ | n/a |
| Total | 5,941 |

1. Mid-West irrigation district was transferred to the Gascoyne Water Co-operative on 1 July 2003.
2. North-West irrigation water supplied from the Ord dam to Water Corporation customers only. Previously reported amount included Ord Irrigation Cooperative customers.
3. Water Corporation owns and maintains the dams that supply Harvey Water and Preston Valley Irrigation but they have the water allocation directly with the Department of Water.

| Employees (FTEs as at 30 June 2023) | 2023 | 2022 |
|-------------------------------------|--------------|--------------|
| Metropolitan | 3,033 | 2,840 |
| Country | 810 | 786 |
| Total | 3,843 | 3,627 |

Financial Report

Inspecting our Karratha treatment plant

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Statement of Comprehensive Income

for the year ended 30 June

| Note | Group | | Corporation | |
|---|--------------|--------------------------|----------------|----------------|
| | 2023 \$M | 2022 ¹ \$M | 2023 \$M | 2022 \$M |
| Revenue | | | | |
| | 1,464 | 1,410 | 1,464 | 1,410 |
| Annual service charges | | | | |
| Volume charges | 833 | 814 | 833 | 814 |
| Operating subsidies | 614 | 519 | 614 | 519 |
| Developers' contributions | 244 | 204 | 244 | 204 |
| Other revenue | 5.2.1 | 136 | 136 | 114 |
| Total revenue | 5.2.2 | 3,291 | 3,061 | 3,061 |
| Expenses | | | | |
| Depreciation and amortisation | 11 - 14 | (559) | (532) | (532) |
| Employee benefits expense | 6.1(a) | (392) | (357) | (357) |
| Hired and contracted services | | (249) | (212) | (212) |
| Energy expenses | 6.1(b) | (151) | (172) | (172) |
| Other expenses | 6.1(c) | (405) | (368) | (368) |
| Total expenses | | (1,756) | (1,641) | (1,641) |
| Results from operating activities | | 1,535 | 1,420 | 1,535 |
| Net finance costs | 7 | (187) | (169) | (169) |
| Profit before income tax equivalent | | 1,348 | 1,251 | 1,348 |
| Income tax equivalent expense | 8 | (402) | (375) | (375) |
| Profit for the year | | 946 | 876 | 876 |
| Items that will not be reclassified to profit or loss | | | | |
| Remeasurements of defined benefits | | (1) | 3 | 3 |
| Related income tax equivalent expense | 8 | - | (1) | (1) |
| Other comprehensive (loss)/income, net of tax equivalent | | (1) | 2 | 2 |
| Total comprehensive income for the year | | 945 | 878 | 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. Comparative 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 | | | | |
| <i>Contributions by and distributions to owners</i> | | | | |
| 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 | | | | |
| <i>Contributions by and distributions to owners</i> | | | | |
| Equity contributions | 23 | 23 | - | 23 |
| Total transactions with owners | | 23 | - | 23 |
| Closing balance at 30 June 2022¹ | | 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 | | | | |
| <i>Contributions by and distributions to owners</i> | | | | |
| 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 | | | | |
| <i>Contributions by and distributions to owners</i> | | | | |
| 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% |

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)

| | 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 |
|---|---------------------------|----------------------------|---------------------------|---------------------------|----------------------------|---------------------------|
| Group | | | | | | |
| Re-measurement of defined benefit liability | (1) | - | (1) | 3 | (1) | 2 |

| 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 Deferrals) 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 |
| | | | <u>5</u> | <u>5</u> |

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:

- 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;
- 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
- 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:

- 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.
- 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 POSITION⁶

| 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 | Land and buildings | Support assets | Work in progress | Total |
| | 2023 \$M | 2023 \$M | 2023 \$M | 2023 \$M | 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 | Land and buildings | Support assets | Work in progress | Total |
| | 2022 \$M | 2022 \$M | 2022 \$M | 2022 \$M | 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 |

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 |
|--|--|---|---|
| <i>Assumptions to determine start of year defined benefit obligation and defined benefit cost for the current year</i> | | | |
| Discount rate (pensioners and active members) | | 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 |
| <i>Assumptions to determine defined benefit obligation at the valuation date</i> | | | |
| 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 POSITION⁷

| | 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 communities 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 | Contractual cash flows | 1 year or less | 1-2 years | 2-5 years | More than 5 years |
| | | \$M | \$M | \$M | \$M | \$M | \$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 | Contractual cash flows | 1 year or less | 1-2 years | 2-5 years | More than 5 years |
|---|---------------------------|-----------------|------------------------|----------------|----------------|----------------|-------------------|
| | | \$M | \$M | \$M | \$M | \$M | \$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.

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



Path: 001
WATER CORP

Sample ID: W12345

FLN-Sample ID: W1200024-011801
SP Desc: SP Canning Range 001

Case Description: 31/07/2018
Amoeba

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 |

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- 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.

