



# Annual Report 2018

Working with our customers to lead change

## About this report

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

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

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

The objective of this report is to provide our customers, community, stakeholders, as well as our owner, the Western Australian Government with information about our operational and financial performance and our contribution to the State's economy for the 2017-18 financial year.

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

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

For customer enquiries or feedback about our services, visit  
[watercorporation.com.au/contact](http://watercorporation.com.au/contact)

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## Our year at a glance

**363**

**billion litres**  
of water supplied

**eighty**  
water  
treatment  
plants

**483**

water pump  
stations



**34,678**

**kilometres**  
of water mains



**17,051**  
**kilometres**

of sewer mains

**2,547**

**kilometres**  
of drains

**164**

billion litres  
of wastewater  
collected



**963,035**

customer telephone  
calls answered

**2.39**

**million**

visitors to  
our website



**2,746**

**employees**

**125**  
dams & weirs



**\$931**  
million

in operating  
expenditure

**\$233**  
million

invested in  
regional projects

**112**  
wastewater  
treatment  
plants

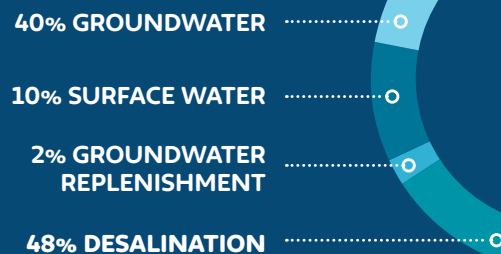
**75**   
recycled  
water schemes

**\$776**  
million

investment in  
capital works



Our largest scheme, the Integrated Water Supply Scheme (IWSS) produced 312 billion litres of water for our customers. This consisted of:



# Chairman's report



## The Board has worked extensively with Water Corporation's executive team over the past year to consider the key drivers for change shaping our strategic direction.

Climate change continues to be a significant challenge. Replicating traditional new water sources is expensive and has an environmental impact that compels us to instead increase our focus on closing the loop on the potable and non-potable components of the water cycle.

This work started 15 years ago with the aspirational targets in the State Water Strategy. This direction demanded game changing responses that have ultimately delivered the recently commissioned groundwater replenishment infrastructure which by 2020 will see us recycling 26 per cent of our wastewater in Perth.

Adoption of the globally recognised Water Sensitive Cities framework will continue this approach of asking 'what more can we do with the water that we have at any point in the water cycle?' rather than having a predominantly 'deliver and dispose' approach.



This type of thinking will lead to more decentralised systems delivering more fit for purpose water and reducing the demand for our precious drinking water supply.

Water Corporation's thinking in this area has been guided by the significant contributions of an external Expert Water Panel and the findings of the community and customer feedback through our Tap In market research over the past 18 months.

Additionally it has been important for Water Corporation to understand the areas of our business that may be impacted by digital and business model disrupters already active in the global market. We have gained valuable insights in this area and established a Digital Transformation Group guided initially by a working group of the Board to proactively position the Corporation to change our business and operating model to deliver a lower cost and lower environmental impact for our customers and our community.

This is an exciting phase in Water Corporation's history and I am very proud to be part of planning for the State's water future. Thanks to my fellow directors for their thought, leadership and enthusiasm for work in guiding Water Corporation through this time of transformation.

I acknowledge the leadership of CEO, Sue Murphy and her executive team for their continued excellent work and look forward to working together in the year ahead.

**Mr Michael Hollett**  
Board Chairman

# Chief Executive Officer's year in review



**I frequently reflect on the fact that the success of Water Corporation is dependent upon the dedication, care and hard work of our people – not just those who work directly for us, but also those in our Alliances and our contractors.**

We all share a commitment to delivering services which enable WA life to flourish.

Our Water Corporation community was rocked in April by the devastating news of the fatal injury of an employee of one of our construction alliance contractors at the Woodman Point Wastewater Treatment Plant upgrade project.

Our deepest sympathy is with the worker's family and co-workers. It is heartbreaking to see the sadness and grief which continues to be felt widely across our community.

Safety is one of our core values and a priority above all else at Water Corporation, so this tragedy genuinely rocked us and was a trigger for us to heighten our vigilance across all areas of our operations.

It's our people and their focus on our customers which makes me really proud to work at Water Corporation, and though we have had moments of deep sadness there have also been many instances where I think we can be pleased with the contribution we have made to our community.

The work done over the past 18 months through Tap In to check our understanding of what our customers want from us is a real highlight.

I was really pleased that the research identified a strong alignment between our strategies at Water Corporation and the priorities of our customers. We have also identified a number of areas where there is community appetite to fast-track and expand some planned work, such as recycling. Full details of the research and our plans can be found in the Tap In reports on our website.

One of the key insights to emerge from this research was, unsurprisingly, that our community is concerned about the cost of living. That's why we've developed a suite of initiatives to support customers to manage their bills.

Policy and procedure are only part of our plan though. Our contact centre staff have expanded their training to enable them to engage in empowering and respectful discussion with customers who are facing hardship.

This is complemented by our suite of customer assistance programs, so we encourage anyone who has difficulty with a bill to contact us to see if we can help.

Water Corporation is committed to continuing to deliver our services in a way which sensitively responds to our customers' needs. Through the first phase of Tap In we have established a reference panel of almost 10,000 customers and we hope to keep growing this number in the coming months, so I am confident we have the right mechanisms in place for our customers' voices to be heard.

I look forward to our continuing partnership with community, industry, our Board and government to deliver on Water Corporation's promise to deliver water services which make WA a great place to live and invest.

**Ms Sue Murphy**  
Chief Executive Officer



# Corporate snapshot





# Organisational profile



## Our operation

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

We directly employ more than 2,746 people in our offices in Perth, Bunbury, Albany, Karratha, Geraldton, Northam and Kalgoorlie, and a number of depots, providing a high level of expertise and strong commitment to communities across the State.

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

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

## Our vision

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

## Our values

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

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

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

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

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

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

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

## Our environment

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

## Our owner

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

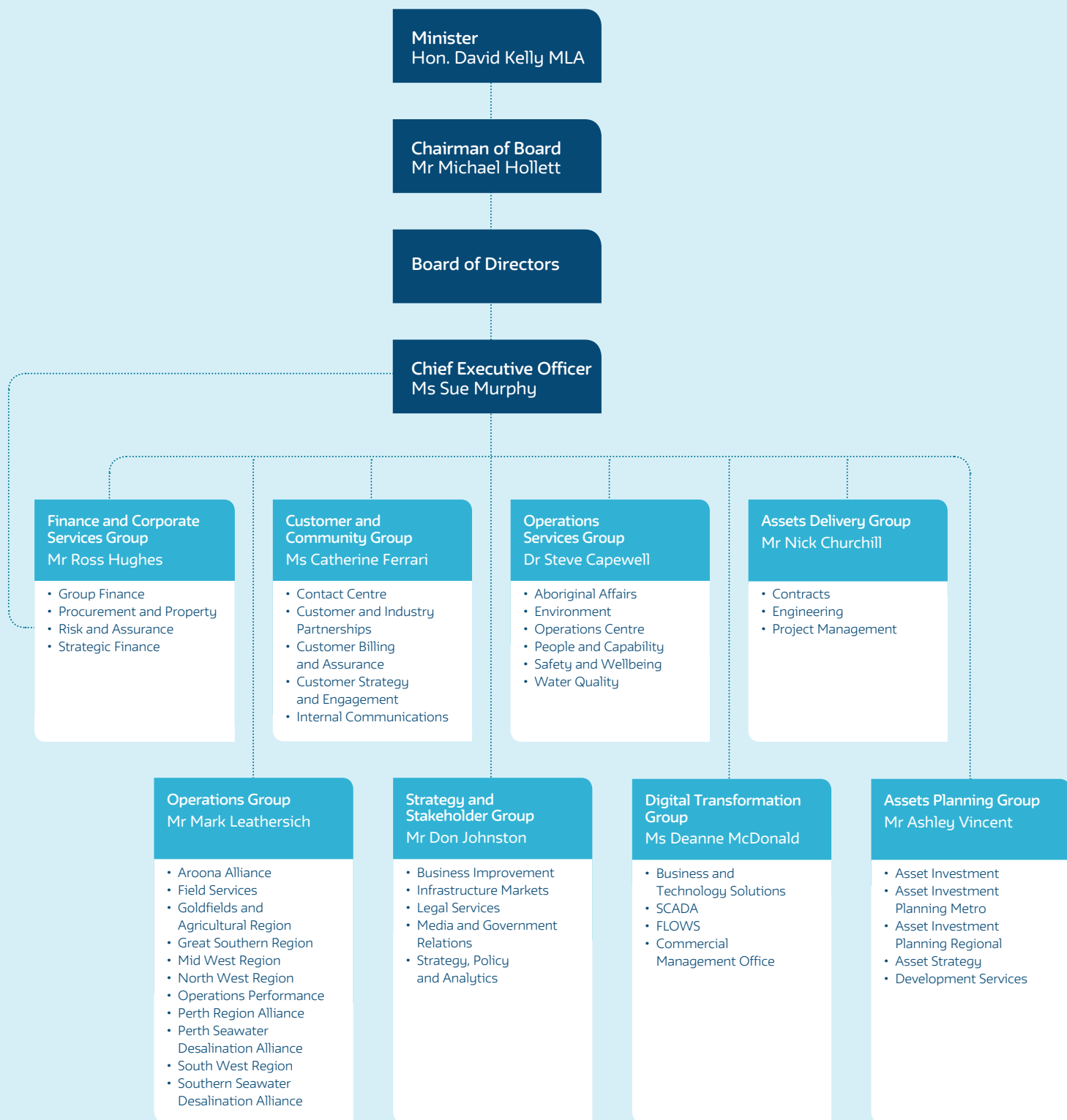
## Our stakeholders

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

## Our regulators

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

# Organisational structure





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

## Board profiles



### Mr Michael Hollett

**Chairman**  
**GAICD**

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

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

**Chair:** Safety and Wellbeing Committee and Remuneration Committee

### Ms Sue Murphy

**Chief Executive Officer**  
**BEng (Hons), CP Eng, FIE Aust, GAICD**

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

Appointed November 2008, term expires 31 December 2018.

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

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

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

**Chair:** Audit and Risk Committee  
**Member:** Remuneration Committee

**Mr Ross Holt**  
**B. Econs (Hons)**

Mr Ross Holt has been an integral part of the WA State Government finance and development landscape for almost 40 years. Previously the Chief Executive Officer of the WA Land Authority (LandCorp), Mr Holt retired in 2014. He is currently the Deputy Chancellor of Murdoch University, Chair of Forest Products Commission, Non-executive Director NS Projects and Chair of Nudge.

Appointed 8 June 2016, term expires 31 December 2018.

**Member:** Safety & Wellbeing Committee

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

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

Appointed 1 March 2016, term expires 31 December 2020.

**Member:** Audit & Risk Committee

**Mr David Rowe**  
**BA Grad AASC, JP, GAICD**

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

Appointed 1 March 2016, term expires 31 December 2018.

**Member:** Safety & Wellbeing Committee

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

Dr Jemma Green has extensive experience in risk assessment and advisory, working at the nexus of innovation and finance. She has a particular interest in sustainable finance and economics, and her doctoral research focuses on sustainable cities. Dr Green is a Co-Founder and Chairman of Power Ledger, the Chairman of Climate KIC Australia and an Advisory Board Member of Carbon Tracker.

Appointed 4 July 2017, term expires 31 December 2019.

**Member:** Audit & Risk Committee





Back row (l to r) Ms Catherine Ferrari, Mr Ross Hughes, Mr Don Johnston, Mr Nick Churchill, Mr Mark Leathersich  
Front row (l to r) Ms Sue Murphy, Dr Steve Capewell, Ms Deanne McDonald, Mr Ashley Vincent

## Executive summary



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

Ms Ferrari is Deputy Chair of the West Australian Opera; a Board Member of the John Curtin Gallery, ScreenWest WA, Energy and Water Ombudsman, a trustee of the Legal Contribution Trust, Director of Water Corporation Superannuation Pty Ltd (until November 2017), and is on the Southern Seawater Desalination Plant Lead Team.

### **Mr Ross Hughes** Chief Financial Officer BBus, FCPA, FAICD

Mr Hughes had 25 years' experience in the financial services sector prior to joining the Corporation in 2006.

He is a member of the Water Services Association of Australia Utility Excellence Committee and of the Corporation's Perth Seawater Desalination Plant Operations and Maintenance Alliance Lead Team.

Mr Hughes is a Fellow of CPA Australia and Fellow of the Australian Institute of Company Directors, and a Senate member of Murdoch University in Perth.

### **Dr Steve Capewell** General Manager Operations Services Bsc (Hons), PhD, GAICD

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

## **Ms Deanne McDonald**

**General Manager Digital Transformation**  
**MBA, GAICD**

Ms McDonald has been engaged in the development, design, construction, operations and maintenance of public and private projects with a career spanning more than 20 years in the property, transport, utilities and service sectors.

Passionate about innovative thinking, Ms McDonald is currently President of the Australian Water Association in WA and an active member of a number of institutions and associations.

Ms McDonald was the inaugural winner of the Eva Skira Scholarship for Women Leaders, recognising her for not only her exceptional technical strength, but also commercial acumen, stakeholder engagement and a leadership style that brings out the best in the people she works with.

## **Mr Don Johnston**

**General Manager Strategy and Stakeholders**  
**BSc/Comm (Hons), MBA**

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

## **Mr Mark Leathersich**

**General Manager Assets Delivery**  
**BSc (Hons), MSc**

Mr Leathersich is Chairman of the Woodman Point 180 Alliance and the Perth Region Alliance. Mr Leathersich has more than 25 years' experience in the water industry in Western Australia, with a focus on strategic planning for water and wastewater services and major project delivery.

## **Mr Ashley Vincent**

**General Manager, Assets Planning**  
**B.Eng, GCert BusMgmt, MBA**

Mr Vincent is Chair of the Aroona Alliance and Chair of the WA Water Sensitive Transition Network. He has extensive leadership experience in all aspects of water servicing including, strategy, policy infrastructure planning, asset management and operations.

## **Mr Nick Churchill**

**General Manager Assets Delivery**  
**B.Eng**

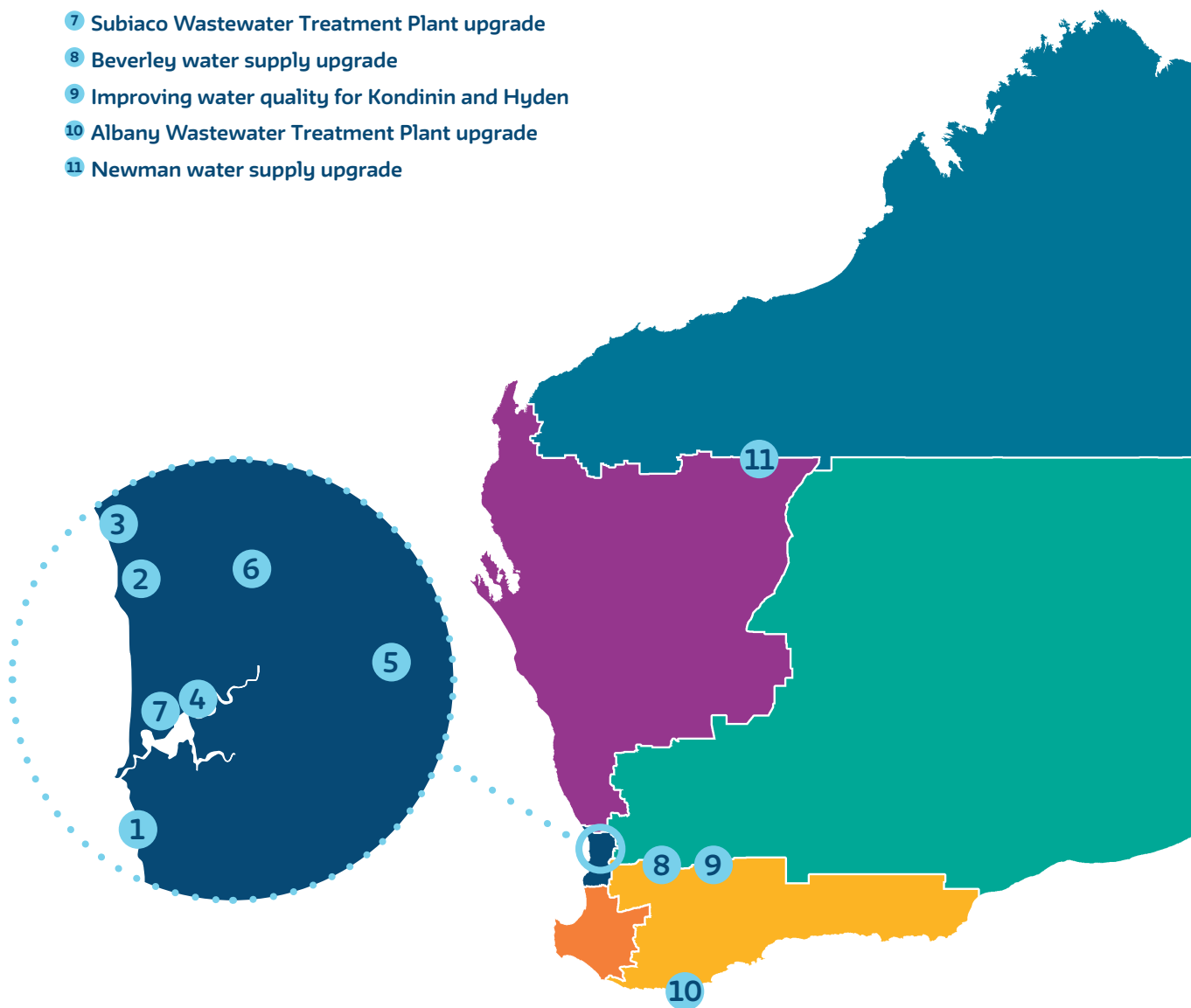
Mr Churchill has 25 years' experience in water infrastructure Project Management. He has successfully delivered a number of major capital projects including Western Australia's second desalination project. His leadership roles have included Head of Project Management, Project Director Digital Transformation and most recently, General Manager, Assets Delivery Group.

# Key capital projects



Our capital investment program for 2017-18 was \$776 million. Some of the projects with large financial contributions are profiled in the map below:

- 1 Woodman Point Wastewater Treatment Plant upgrade
- 2 Groundwater Replenishment Scheme
- 3 Neerabup Groundwater Treatment Plant upgrade
- 4 Pipes for Perth renewal program (across several suburbs in the metro area)
- 5 Mundaring Weir upgrade
- 6 Ellenbrook Tank construction
- 7 Subiaco Wastewater Treatment Plant upgrade
- 8 Beverley water supply upgrade
- 9 Improving water quality for Kondinin and Hyden
- 10 Albany Wastewater Treatment Plant upgrade
- 11 Newman water supply upgrade



# Financial highlights



**Our surplus for 2017-18 was marginally higher than recent years, with a reduction in per person water use following milder summer temperatures and lower housing development activity from the domestic economy which remained stable this year.**

Our operating business delivered a surplus of \$523 million and contributions from developers towards infrastructure for new housing developments contributed a further \$127 million. These contributions were received either as cash from developers' fees or non-cash in the form of infrastructure handed over. In 2017-18, developers' fees represented \$85 million of the surplus, which will be invested in our future capital expenditure program, and pipeline and pump infrastructure assets handed over contributed a further \$42 million of surplus.

In a year when we continued to invest heavily in infrastructure with \$776 million of new capital expenditure, the results featured total revenue of \$2.6 billion and returns to the State Government by way of net accruals of \$408 million.

Excluding the impact from development activity, total revenue increased by 3 per cent during the year due to a marginal increase in water consumption inline with additional connections during the year, together with lower operating subsidies received from the Government for the provision of non-profitable services. Climate change has seen an increasing proportion of our water delivered from sources which are independent of rainfall such as recycling and desalination, which has increased the cost of supplying into the scheme.

Total expenditure increased by 3.7 per cent to \$1.4 billion. On a total cost per property basis, costs marginally increased by 1 per cent however our operating costs per property remains one of the lowest in the Australian water industry for large scale supply. A continuing focus on cost management supported the achievement of our long term average annual efficiency target of 2.0 per cent.

## Returns to the State

The Board approved dividend payments totalling \$528 million to the State representing 85 per cent of our after-tax surplus (excluding developer's handover assets, State Government grants, and grants received from Government for Capital Expenditure purposes) as per our Dividend Policy disclosed in our Statement of Corporate Intent.

We are also required by the Australian Tax Office to lodge an income tax return and pay tax equivalents to the State. Inclusive of local government rates, taxation equivalents payments made to the State in 2017-18 amounted to \$289 million.

We received an operating subsidy payment from the Government of \$409 million for the provision of non-profitable services, mostly in regional and remote areas of Western Australia, and concessions to customers.

When operating subsidies are offset against the dividends and taxes paid to Government, the resulting Net Accrual to Government (NATG) came to \$408 million in 2017-18.

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

## Investing in Infrastructure

Our capital investment program benefits the community and a wide range of local private industry partners who assist us in our construction, maintenance and operations. In doing so, we employ, both directly and indirectly, a significant number of Western Australians. The \$776 million capital investment program for 2017-18 included \$427 million in our water business, \$225 million in our wastewater business, and the remainder on irrigation, drainage, property and facilities.

## Supporting regional growth

In 2017-18, the value of our regional assets was in excess of \$6 billion. During the year we spent over \$233 million on the delivery of projects for regional Western Australia.



<b>Net Accrual to Government</b>					
<b>\$ millions</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014-15</b>	<b>2013-14</b>
Dividend	528	483	567	562	487
Tax Equivalents	289	304	342	346	324
Operating Subsidy	(409)	(464)	(547)	(573)	(566)
NATG	408	323	362	335	245

## Summary of performance

	<b>Units</b>	<b>2017/18 Projected</b>	<b>2017/18 Actual</b>
<b>Financial Outcomes</b>			
<b>Operating Surplus before income tax</b>			
Operating business	\$m	845	750
Developer asset handover before tax	\$m	83	60
Developer cash contributions before tax	\$m	144	121
<b>Operating Surplus after income tax</b>			
Operating business	\$m	592	523
Developer asset handover after tax	\$m	58	42
Developer cash contributions after tax	\$m	101	85
Capital expenditure (including capitalised interest)	\$m	765	776
Borrowings taken (repaid)	\$m	270	264
<b>Financial Performance Measures</b>			
Return on equity	%	7.1	6.2
Return on assets	%	6.5	6.0
Debt to total assets ratio	%	35.0	35.1
<b>Accruals to Government</b>			
Indirect tax equivalents	\$m	6	8
Income tax equivalents (net of deferred tax adjustments)	\$m	328	281
Dividends paid	\$m	589	528
Total	\$m	923	817
<b>Payments from Government</b>			
<b>Operating Subsidies</b>			
Country Water, Sewerage and Drainage Operations	\$m	319	259
Pensioner and Senior Concessions (1)	\$m	147	148
Metropolitan Operations	\$m	3	2
Total operating subsidies	\$m	469	409
<small>(1) Includes Pensioners and Senior concessions, and concessions provided for non-rated and exempt properties.</small>			
<b>Net Accrual to Government</b>	<b>\$m</b>	<b>454</b>	<b>408</b>

## Community Targets

	<b>2017/18 Target</b>	<b>2017/18 Actual</b>
<b>Water Forever</b>		
Perth total per person water use	126 kL	123 kL
<b>Great Place</b>		
Customer Performance Index	7.07	7.25
Total cost per property	\$1,973	\$1,967
Safety Index	90.0	100.0

# Operational report



# Providing customer and community value



As the principal supplier of water, wastewater and drainage services in Western Australia, we are focussed on providing customer and community value. To deliver this, we are continually assessing the important issues facing the State and adapting our products and services to meet the ongoing expectations of our customers.

## Customer Performance Index

Our Customer Performance Index (CPI) actively measures customer perception of our overall performance across eight key areas each quarter. The graph below provides an overview of how our customers believe we have performed in these key areas for 2017-18.

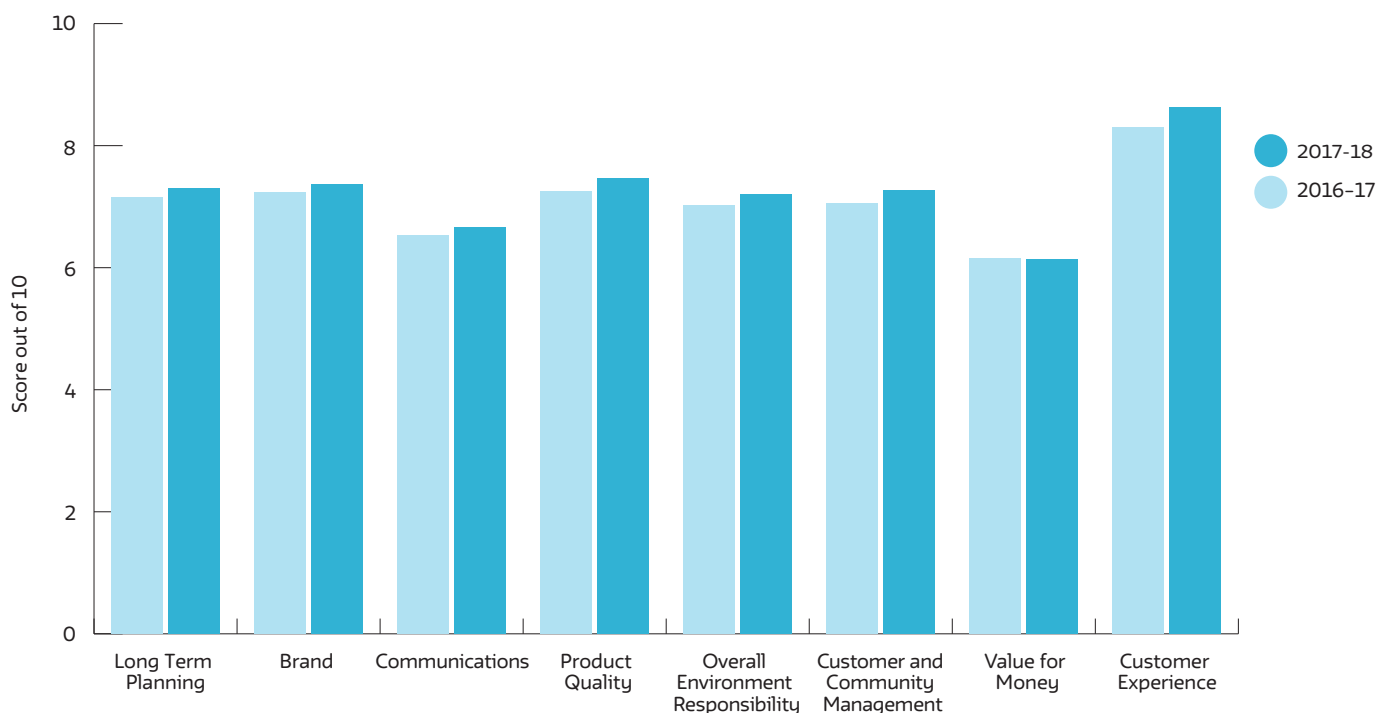
## Continual website optimisation

We are continually optimising our website to meet the needs of our customers. During the year, we made improvements to our bill payment page, to deliver more low-cost payment options. Visits to our direct debit page have increased by 14.2 per cent, form submissions are up 44.7 per cent and the conversion rate has improved by 27.7 per cent. In addition, we have also seen BPoint payment clicks increase by 4 per cent.

## Online outages map

To allow our customers to easily view water outage information, we introduced an online outages map on our website that shows current and upcoming water outages and maintenance work. Customers can view the entire map or search water outages by address and suburb. Since the online outages map was launched in March 2018, it has been utilised 23 per cent more on average than previous information.

## Our Customer Experience Performance







Broome Primary School received funds as part of the West Kimberley Community Grants Scheme to install 60 signs in the local Yawuru language, to help the students connect with the cultural heritage of the area.



## Working together to save water

In response to climate change, we are committed to working together with our customers to save water. Our dedicated water efficiency team helped households and businesses across WA reduce their water use via a range of community water saving programs and tailored water management plans.

Fifty thousand high-using residential customers in the Perth metropolitan area received detailed water use letters to help them save more than 270 million litres of water over summer. Almost 16,000 customers registered their interest in the Waterwise Garden Rewards offer, and more than 8,000 customers received free Waterwise gardening products, including mulch, soil improver and wetting agent that is estimated to have saved almost 136 million litres of water.

We also helped save more than 100 million litres of water by providing education, advice and free plumbing services to more than 3,000 customers in 14 regional towns, including Bindoon, Capel, Chittering, Coomberdale, Coral Bay, Denham, Exmouth, Fitzroy Crossing, Gascoyne Junction, Halls Creek, Moora, New Norcia, Onslow and Yalgoo.

### Community Waterwise Programs

During the year, our Waterwise Programs helped participants save 11 billion litres of water across a range of different areas of the community. We have a number of partnerships to support the delivery of our Waterwise Programs, including the Waterwise Council Program that reaches more than 1.8 million residents and the Waterwise Verge Incentive Scheme, which promotes low-water-use verge gardens with rebates or verge replacement initiatives.

## Community partnerships

We support a wide range of community programs across WA that build on our vision to make the State a great place to live and invest. These partnerships demonstrate our commitment to the communities and environments we operate in.

### Orange Sky

New to our partnership portfolio this year was Orange Sky, a national charity offering free laundry and shower services to people experiencing homelessness. Our support is helping to provide people doing it tough around Perth with the opportunity for a free warm shower and fresh clean clothes. Even more importantly, the service provides people with the opportunity to connect and have non-judgemental conversations with Orange Sky volunteers. In just a few short months since the service has been operating, 902 loads of washing have been done, nearly 100 showers provided and 2,500 hours of conversation.

### Museum of Water exhibition

We supported Perth Festival's Museum of Water exhibition that showcased WA's collection of water bottles and their journey around the State. The community were encouraged to donate to the collection and share their stories. The 241 bottles collected will be curated and become part of the permanent collection at the new Western Australian Museum in 2020.

### Clontarf Foundation

We continued our long-standing partnership with the Clontarf Foundation which provides important school engagement programs designed to help young Aboriginal and Torres Strait Islander boys complete their education and gain meaningful employment. We are WA's biggest employer of Clontarf students and have 23 boys training with us, who make up 25 per cent of our Aboriginal workforce.

### Community grants in the Kimberley

In the West Kimberley, our award-winning community grants scheme distributed more than \$30,600 during the year towards community-led projects to support health, culture and education. Funds for the grants were raised by the sale of hay that was irrigated and produced at the Broome North Wastewater Treatment Plant. The scheme was administered through a partnership with the Broome Lions Club.

In the East Kimberley, we provided \$28,260 to Wunan, an Aboriginal development organisation that drives long-term socio-economic change for Aboriginal people. This money supported the development of 30 female Aboriginal students with tutoring services for science, technology and mathematics as well as other essential items. The funds were again raised by the sale of hay that was irrigated and produced at the Broome North Wastewater Treatment Plant.

### Streamlined subdivision process

To help speed up subdivision timelines, we worked with major stakeholders in the development industry to deliver a new streamlined process. Outlined in our Developers' Manual, the new process provides our customers with cost savings, shorter turnaround times and a reduced amount of paperwork.

### Financial hardship support initiatives

As announced by the Premier and Minister for Water in May, we have implemented improved financial hardship support initiatives focussed on early intervention. The new initiatives have contributed to a decrease in the number of people who have had their water supply restricted for non-payment of bills, down from 2,467 in 2016-17 to 1,063 in 2017-18.

From 1 July 2018, people that need assistance in paying their water bills and those with a specific medical condition will benefit from the following new support initiatives:

- Medical Assist - for households that have a family member with kidney disease undertaking home dialysis, we will provide up to 180,000 litres of water free of charge each year.
- Start Over - for customers in hardship with a long-term outstanding debt, we will match their payments over a two-year period and then clear any outstanding debt, giving them a fresh start.
- Time Assist - for people who have a consistent payment history and suffer an accident that results in them being unable to pay, we will put their water bills on hold for up to three months.

### Splash of Colour Community Arts Program

In 2017, we worked with high school students in the South West and Great Southern to design artwork for assets through our Splash of Colour Community Arts Program. The students took part in workshops where they worked closely with professional artists who were responsible for transforming the assets. We now have 10 assets from Albany to the Wheatbelt bringing a splash of colour to the community, as well as a sense of ownership and pride to the students involved in the design process. Due to the success of the program, it is being rolled out across the State with an additional 15 water and wastewater electrical cabinets being transformed into public art pieces.

A Splash of Colour on one of our assets in Mount Pleasant (artwork by Jack Bromell).







Kep is Australia's first leak detection dog.



### Waterwise Schools Program

Our Waterwise Schools Program has been operating since 1995 and provides free curriculum-linked teaching resources, hands-on activities, school talks and excursions. During the year, our free School Talks program reached more than 25,000 students and we hosted more than 97 tours for schools, TAFEs and universities at our Groundwater Replenishment Visitor Centre in Craigie.

### The Shower Song

As a way of motivating our customers to reduce their showering time, we launched The Shower Song that encouraged people to shower as long as a four-minute song. The Shower Song was written by Kav Temperley from Eskimo Joe and performed by a collective of local WA musicians. We promoted the song via a strategic social media campaign targeting a youth audience, who have a higher propensity to take long showers. Since its launch, The Shower Song has achieved excellent media outcomes, reaching more than 4.5 million people and amassing over 500,000 video views and more than 670,000 audio listens.

### Kep the leak detection dog

In February we recruited Kep, a trained leak detection dog who can detect water leaks when other methods are unsuitable or not cost-effective. As a working springer spaniel, Kep is currently training on assets on the field. Our Asset Planning Group is determining Kep's full potential and this information will be used to develop future non-visible leak detection programs.

Since she arrived in Perth in February 2018, Kep has been busy visiting Waterwise Schools to spread the leak detection message. During school visits, students learn about how finding and fixing leaks early can avoid significant water wastage and see Kep in leak-detecting action with her handler.

Kep is now undertaking her on-the-job training, to learn how to detect leaks in below ground water mains under different soil conditions in the metropolitan area and in the regions. She has travelled from Greenbushes in the South West to Dalwallinu in the Goldfields and Agricultural Region and recently found a leak on a main under a verge in Cottesloe where other traditional methods had failed.

# Strengthening and aligning our core business



Our core business is delivering safe, reliable and sustainable water, wastewater and drainage services to our customers across WA. Climate change has significantly impacted dam streamflows and will continue to constrain groundwater availability. As a result, we are strengthening and aligning our services to adapt to the future needs of our customers.

## Securing our water supply

### Groundwater Replenishment Scheme

In 2017, we commenced the first stage of our Groundwater Replenishment Scheme in Craigie, which has already recharged more than 7 billion litres of recycled water in accordance with Australian Drinking Water Guidelines. The second stage of the Scheme is currently underway and includes the construction of a second Advanced Water Recycling Plant, drilling of four offsite recharge bores and four offsite monitoring bores with construction of above-ground infrastructure, and the construction of a 13 kilometre pipeline connecting the plant to the bores.

### Neerabup Groundwater Treatment Plant upgrade

To complement our Groundwater Replenishment Scheme, we are increasing our capacity to abstract and treat groundwater by upgrading our existing Neerabup Groundwater Treatment Plant in Tamala Park and constructing a new abstraction pipeline at onsite and offsite locations. The bores are currently being drilled and the plant upgrade and pipeline are planned to begin in late 2018.

A Splash of Colour on one of our assets in Bunbury (artwork by Dee Mosca).



### Desalination plants reach 1 trillion litres

Our desalination plants have reached a significant milestone, collectively producing one trillion litres of water from the Indian Ocean since opening (Perth Seawater Desalination Plant in 2006 and Southern Seawater Desalination Plant in 2011).

Investment in desalination has been vital to secure water supplies in response to climate change. The drying trend continues to have a profound impact in the south west of WA particularly between May and July.

Desalination now supplies 48 per cent of water to two million people connected to the Integrated Water Supply Scheme which covers Perth, the Goldfields and Agricultural Region and parts of the South West.

## Delivering safe and reliable metropolitan services

### Woodman Point Wastewater Treatment Plant upgrade

To improve the quality of treated wastewater being returned to the environment, we continued construction on the upgrade of the Woodman Point Wastewater Treatment Plant. The upgrade will increase the plant's capacity to 180 million litres per day, catering for a projected population of 900,000. Milestones achieved during the year included the completion of significant earthworks and the construction and operation of eight new secondary sedimentation tanks.

### Mundaring Weir upgrade

Mundaring Weir supplies drinking water through the Goldfields Pipeline to more than 100,000 people from Mundaring to Kalgoorlie. With assistance from 140 local workers, we constructed a new visitors' viewing platform and upgraded the intake tower and associated pipework, which allows us to draw water from a lower surface level and reduces the need to transfer groundwater or desalinated water into the weir.

### Subiaco main drain upgrade

We upgraded the main drain under Churchill Avenue in Subiaco to protect local homes and businesses from flooding during storm events. Throughout the upgrade, we worked closely with the City of Subiaco, local businesses and residents to ensure the construction methods minimised disruption and maintained access to all properties in the street.





Pipes for Perth renewal Program.

### Subiaco Wastewater Treatment Plant upgrade

During the year, we upgraded the treatment, electrical and control facilities at the Subiaco Wastewater Treatment Plant, which can now treat up to 67 million litres of wastewater per day. The upgrades will continue to support growth in the western suburbs between Perth CBD, Scarborough and Fremantle.

### Pipes for Perth replacement program

In 2017-18, we proactively renewed 30 kilometres of ageing water mains across several local government areas including Perth, Subiaco, Fremantle, South Perth, Cambridge, Stirling, Swan, Victoria Park, Cottesloe, Bayswater and Vincent. Since commencing work in 2016, the Pipes for Perth program has replaced more than 100 kilometres of ageing water mains to improve the reliability of Perth's water supply by reducing future breaks and leaks. As the program continues, we will work closely with key stakeholders and local councils to minimise the impact to residents, businesses and the wider community.

### Ellenbrook Tank construction

During the year, we constructed the Ellenbrook Tank which is our largest ever water storage tank, designed to support population growth and ensure consistent water pressure in the north east metropolitan corridor. The Ellenbrook Tank is 91 metres wide, 13 metres high and has a capacity of 80 million litres. The project involved more than 200 local workers during the construction phase.

### Auditing wastewater recycling schemes

To fulfil regulatory requirements, we have been working with the Department of Health to audit 75 recycling schemes against the *Guidelines for the Non-potable Uses of Recycled Water in Western Australia*. We have also been working with our end users, many of which are Local Government Authorities, to improve processes, resolve issues and ensure ongoing compliance with health guidelines. The program has been running for two years and we plan to audit all of our wastewater recycling schemes by the end of next financial year.

### Memorandum of Understanding for Drinking Water update

For the past 20 years, the Memorandum of Understanding for Drinking Water has been the foundation for the management of safe drinking water in WA. During this time, the MoU with Department of Health has been routinely updated to include the latest management practices. On 28 November 2017, our Chief Executive Officer, Sue Murphy, and the Chief Health Officer of Department of Health, Dr Tarun Weeramanthri, signed the latest updated MoU at our offices in Leederville.



## Renewable energy generation

Over the course of the year, we continued to develop our renewable energy generation at numerous sites across the State to reduce our greenhouse gas emissions and our reliance on power from the grid.

### Exmouth borefield

We upgraded Exmouth's southern borefield with the installation of solar panels and the addition of 10 bores, which have increased capacity by a further 500,000 litres of water per day. Solar power is now used to pump water from the borefield to a 5 million litre water storage tank, which supplies water to Exmouth's residents, businesses and tourists.

### Broome borefield

The use of hybrid solar-diesel power trial at Broome's borefield has proved successful and is now supplying drinking water to the town. The hybrid system powers the bore pump with solar energy during the day and stores excess solar energy in batteries for use in the evening and in times of low light. The bore pump is also equipped with a diesel generator that can be used when solar energy is not available.

### Leonora Wastewater Recycling Facility

We upgraded the Leonora Wastewater Recycling Facility with the installation of a solar power supply and battery storage. During the day, the facility treats the town's wastewater and pumps it to the nearby Leonora Shire Oval for overnight irrigation.

### Beenyup Wastewater Treatment Plant

Work commenced on a renewable energy generator at Beenyup Wastewater Treatment Plant. The generator will use biogas, a by-product from our wastewater treatment process, to produce renewable energy equivalent to 70 per cent of the energy consumption of the Beenyup Wastewater Treatment Plant.

### Mumbida wind farm and Greenough River solar farm

We continue to buy the entire output of Mumbida wind farm and Greenough River solar farm to help offset the energy requirements of the Southern Seawater Desalination Plant. The 55 megawatt Mumbida wind farm, which features 22 wind turbines, is located 40 kilometres south east of Geraldton.

### Albany tree farms

In June 2017, we replanted 170,000 locally sourced blue gum seedlings at our tree farms in Albany. This marked the beginning of a new 10-year cycle, during which the trees will be irrigated with treated wastewater, grown to size and harvested for woodchips. We currently have two tree farms in Albany, covering around 700 hectares of land, which reuse 100 per cent of Albany's treated wastewater and capture carbon from the atmosphere.

Solar panels at Leonora Wastewater Recycling Facility.





Completing upgrades in the South West.



## Making WA a great place to live



### Projects in the Great Southern

#### Improving water quality for Kondinin and Hyden

In late 2018, construction will be complete on a new 2.5 million litre water storage tank, pump station and 18.5 kilometre pipeline in the Shires of Kondinin and Kulin. The upgrade will improve the quality of water supplied to the towns of Kondinin and Hyden, while increasing flow capacity and removing reliance on local water sources downstream.

### Upgrades in the South West

#### Bunbury Wastewater Treatment Plant upgrade

In November 2017, we completed an upgrade of the Bunbury Wastewater Treatment Plant to meet the future needs of the South West's growing population. The project included upgrades to mechanical and electrical technology that have increased the plant's capacity to treat 13 million litres of wastewater per day.

#### Kemerton Wastewater Treatment Plant upgrade

Designed to minimise environmental impact, our Kemerton Wastewater Treatment Plant maximises nitrogen removal from treated water prior to irrigation on an adjacent 27-hectare woodlot. During the year, we upgraded the plant with the addition of a two-stage oxidation-denitrification tertiary filtration facility, which removes 96.3 per cent of nitrogen from treated water and reduces the loading on the woodlot.

### School-based trainees in Bunbury

In 2017, we welcomed school-based trainees from Newton Moore Senior High School who are working with our operational teams in Bunbury to get on-the-job experience and gain an understanding of the career options available at Water Corporation. The students are being exposed to all facets of our business, including working onsite with our rangers and operations teams. There are currently five trainees in the program, four of which are Aboriginal, who are working towards achieving a Certificate II in Water Operations at the end of 2018.

### Capel water supply upgrade

In July 2018, work will be complete on an upgrade to Capel's water supply bores and water treatment plant. The upgrades will provide a reliable water supply to more than 1,000 customers in the town and are part of our broader commitment to secure supplies in the South West.

## Delivering improved reliability in the Goldfields and Agricultural region

### Goldfields water supply upgrade

In August 2017, we completed work on replacing 1.2 kilometres of water mains supplying the town of Norseman, which has improved the reliability of supply to the town. Norseman has been part of the Goldfields and Agricultural Water Supply Scheme since 1935, when it was extended by 163 kilometres from Coolgardie to cater for growth in the town and the expanded gold mining industry.

### Beverley water supply upgrade

During the year, work was completed on the construction of a new 4 million litre water storage tank and 3.9 kilometre water supply pipeline in the town of Beverley. Construction will commence soon on a new pumping station, with completion anticipated in early 2019. These upgrades will provide our customers in Beverley with improved water quality and reliability as well as increased water pressure and water storage.

### Farmlands Project

Our Farmlands Project is a three-year, \$32 million project to significantly improve the performance of the farmlands water supply system (part of the Goldfields and Agricultural Water Supply Scheme). The project is in the third and final year however due to its success in reducing leaks and breaks and establishing positive customer sentiment a fourth year is in the planning stages. Our community engagement team conducted a customer perception survey in the region during June. The results indicate that customer awareness of the project has tripled and of those customers 100 per cent of them agreed that the project is worthwhile. 31 per cent of Farmlands customers have noticed a reduction in leaks and breaks.

## Projects in the Mid West

### Three Springs water mains replacement

In May 2018, we completed work on replacing 2.7 kilometres of water mains supplying Three Springs and surrounding farmlands as part of our commitment to minimising water disruptions to our customers living in remote locations.

### Geraldton Wastewater Treatment Plant upgrade

In December 2017, we completed a series of upgrades at one of our primary wastewater treatment plants in Geraldton, which are designed to cater for future growth in the community. The upgrades included the construction of additional infiltration ponds that increased the wastewater treatment capacity from 2 million litres to 3.5 million litres per day.

## Growing the North West

### Port Hedland water supply upgrade

In 2017, we completed an upgrade to improve the reliability of the East Pilbara Water Supply Scheme for our customers in Port Hedland. The upgrade replaced 1.1 kilometres of pipeline in Port Hedland, 4.5 kilometres of pipeline in South Hedland and 18 kilometres of pipeline between the town and the Yule Borefield.

### Broome Wastewater Treatment Plant bird watching facility

We opened a new bird watching facility at our Broome South Wastewater Treatment Plant to contribute to the active environmental community and provide students with a greater understanding of the important role of water recycling. The facility, known as The Barndarmarda Hut, is a collaboration between Water Corporation, Broome Bird Observatory, Native Animal Rescue Broome, Nyamba Buru Yawuru and the Department of Biodiversity, Conservation and Attractions.

### Broome wastewater infrastructure expansion

In March 2018, we completed an expansion of Broome's wastewater infrastructure with a second pivot irrigation system at the Broome North Wastewater Treatment Plant, upgrades to a major wastewater pump station and the installation of 3.3 kilometres of new wastewater mains. The Cable Beach Booster Pump Station, which supplies drinking water to 10,000 residents and businesses, was also upgraded to improve the reliability of supply for the local community.

### Newman water supply upgrade

In March 2018, work was completed on a water supply upgrade that included the replacement of more than 400 metres of water mains along Giles Avenue and Rundall Avenue. We also installed 47 new valves, three new magnetic flow meters and 28 new fire hydrants to improve safety and reduce the frequency and duration of water interruptions.



Ellenbrook Tank, our largest ever water storage tank.

## Safety and the environment

### Safety is our first priority

The safety of our people, contractors and community is our first priority. Central to managing our operations is the ongoing cultivation of a culture where no injury is considered acceptable, people are actively encouraged to question whether risks are effectively controlled and managed, and all activities are undertaken without compromising health and safety.

Sadly, a construction contractor died as a result of a workplace incident at the upgrade project at the Woodman Point Wastewater Treatment Plant. The incident is currently under investigation.

### Key safety initiatives

- Safety Essentials - we continue to better define and document the mandatory requirements and minimum standards that we expect our employees and contractors to meet to manage the work activities that pose the greatest risk.
- Competency Verification - the development and implementation of a field-based competency verification program across the State has provided us with assurance that our workforce has the necessary skills and knowledge to perform high-risk operational tasks.
- Contractor Pre-qualification - our contractors continue to go through our contractor pre-qualification process which includes requiring them to provide supporting evidence of capability. This enables us to properly assess and ensure they have the capability to meet the minimum safety requirement for the categories of work they have nominated for.
- Health and Wellbeing - we are implementing a three-year plan that is focussed on promoting positive physical and mental wellbeing through the provision of training, health and wellness programs and a range of other resources.
- Safety Culture Review - in 2014 and 2016, we undertook an independent review of our safety culture across the organisation. As a follow up, we commissioned an external consultant to conduct another review in June 2018 to assess our current safety culture and assist with identifying any further improvement opportunities.

### Improving our environmental decision making

We are continuously improving our environmental risk-based decision making process to ensure that the values impacted by our activities can be identified, measured and controlled for all high-risk environments.

### Key environmental initiatives

- Regulatory Notification Process - we have automated aspects of our environmental event notification process to ensure we provide all relevant government agencies with consistent and relevant information as soon as practicable and in a transparent manner.
- Environmental Risk Assessment Framework - we have improved the way we identify and manage risks by adopting a new assessment framework for how our operations interact with the surrounding environment.
- Integrated Asbestos Inspections - as we continue to progress with our State-wide inspection program, we are starting to experience cost savings and the reduction of risk as a result of the successful identification and remediation of sites across WA.

### Dedicated incident support van

In October 2017, our operations centre successfully commissioned a dedicated incident support van with a functional trial in Northam. The new mobile facility will be deployed to incidents such as bushfires and severe weather events to support emergency services and the community. The van will act as a timely reminder for the community to prepare for bushfire season, be a reference point for the public to know we are available to assist, and also serve as a temporary base for our employees who will be available 24 hours a day during periods of need.

Measure	Unit	2017-18 Target	2017-18	2016-17
Total Recordable Injury Frequency Rate (TRIFR)	FR	8.5	7.3	8.5
% Hazards Controlled on Time	%	96%	99.3%	99.6%
% HSEAA Inspections Completed vs Planned	%	95%	99.0%	99.7%
% Actions implemented Within Agreed Timeframe	%	96%	98.9%	98.9%
Number of fatalities	#	NA	1	0



# Developing leading edge thinking



## Work experience for people with a disability

We work in partnership with Workpower to offer work experience opportunities for people with disability.

In November 2017, we commenced our successful work placement program, which led to a pilot employment program at our Customer Contact Centre in Balcatta. We also implemented a strong partnership with JobAccess to improve our recruitment practices and attract candidates with disability to our workforce.

## Right people for the future

We currently have 48 graduates, including three Aboriginal participants, in our Graduate Development Program across a range of disciplines including engineering, science, commerce and finance. Water Corporation continues to be one of the top 10 employers of graduates as voted for by graduates themselves in the Australian Association of Graduate Employers (AAGE) Annual Survey.

Our Undergraduate Vacation Program had a very large intake, hosting 21 university students, including one Aboriginal participant, from a range of different disciplines.

We are also ranked in the top 20 employers of trainees and apprentices in the State. Our Trainee and Apprentices Programs are currently training more than 60 trainees and 18 trade apprentices, with 28 Aboriginal participants.

## Attracting Aboriginal graduates

During the year, we further improved our offering to Aboriginal graduates and are now attracting more tertiary students into our programs. Our main drawcards include offering a range of services, meaningful and challenging work, care for the environment, work-life balance, variety of opportunities and the chance to work across the State.

We are working with universities to enable 'meet and greet' opportunities with potential Aboriginal graduates and hiring managers. Graduates are also spending time working on the job to experience day-to-day operations.

## Emerging Aboriginal Leadership Program

As part of our Leadership Framework and Aboriginal Employment Strategy, we developed our Emerging Aboriginal Leadership Program (EALP) to identify and further the leadership skills of our Aboriginal employees.

## First Aboriginal Supplier Tradeshow

We launched our first Aboriginal Supplier Tradeshow on 27 October 2017 to provide Aboriginal businesses with a platform to raise awareness about the diverse products and services they provide. Delivered in collaboration with our alliance partners, the tradeshow was recognised as a huge success with more than 250 attendees. It enhanced our reputation as a client of choice amongst Aboriginal suppliers and we look forward to working with our stakeholders in the delivery of future tradeshows.

## White Ribbon Australia workplace accreditation

We are working with White Ribbon Australia on their world-first workplace accreditation program that will provide us with a range of tools to prevent and respond to incidents of violence occurring inside and outside the workplace. We anticipate completing all of the accreditation requirements in late 2018. As part of our response to this important social issue, we have also introduced 10 days' paid Family and Domestic Violence Leave for our employees. This leave is available to employees who are affected by family or domestic violence.



Second year mechanical apprentice, Matthew Hopkins, based in Broome.



# Recognising innovation and success



Throughout the year, a number of our projects were recognised for innovation and success with coveted industry awards and acknowledgements.

## WA Water Awards – Water Sensitive Urban Design Award – Winner

The White Gum Valley Waterwise Development sets mains water efficiency targets beyond those considered as industry best practice. Working with LandCorp, Department of Water and Environmental Regulation, Josh Byrne & Associates and the Cooperative Research Centre for Water Sensitive Cities, this project won the Water Sensitive Urban Design (Grahame Heal) Award at the WA Water Awards.

## WA Water Awards – Program Innovation Award – Winner

In partnership with the Broome Lions Club, Wunan Foundation and Mamabulanjin Aboriginal Corporation, we delivered a number of projects that resulted in economic and social benefits for people in the Kimberley region. These projects were funded by the innovative disposal of recycled water at the Broome North Wastewater Treatment Plant and won the Program Innovation Award at the WA Water Awards.

## Indigenous Music Awards – Community Music Clip of the Year – Winner

Our Save The Water music video won Community Music Clip of the Year at the National Indigenous Music Awards. The music clip was filmed in Halls Creek and features talented young people from the area encouraging the community to save water or “ngaba” in the local Aboriginal language.

## WA Water Awards – Student Water Prize – Winner

Sean Ding is a graduate mechanical engineer working in our field services branch. Mr Ding won the Student Water Prize at the WA Water Awards for his project that developed a set of tools to measure the remaining service life of bores and prioritise their replacement based on a set of criteria.

## Digital Utility Awards – Best Use of New Technology – Runner Up

Our virtual reality tool ‘Holodeck’ allows an operator to walk around a proposed asset before it’s built to identify and mitigate potential safety hazards during the engineering design process. This innovative tool was the Runner Up in the Best Use of New Technology category at the Digital Utility Awards.

## Australian Web Awards – National Finalist

Our “Don’t Feed the Monster” campaign was a national finalist at the Australian Web Awards. The engaging campaign reminded Western Australians to “only flush paper, pee and poo down the loo.”

## NECA Excellence Award – WA State Winner and National Winner

The Leonora Station Creek Telemetry Upgrade was a winner in the NECA Excellence Award. The innovative project replaced a labour-intensive system with a solar-powered, automated system that uses cost-effective communication technology.

## Banksia Awards – Indigenous Leadership for Sustainability – Finalist

Together with our community partners in the Kimberley, we were a finalist in the category of Indigenous Leadership for Sustainability at the prestigious Banksia Sustainability Awards. This recognition demonstrates how we helped create projects that benefit local communities across the Kimberley in partnership with the Mamabulanjin Aboriginal Corporation, Wunan and Broome Lions Club.

## Australian Red Cross Blood Service – Largest Corporate Blood Donor

We were named the largest corporate blood donor in Western Australia for the seventh consecutive year in the Corporate Red25 category. In 2017, our staff made 853 donations to the Red Cross, helping to save more than 2,550 lives.



Red Cross:  
Largest corporate  
blood donor.



# Creating a strong platform for the future



## Embracing our digital future

We are always looking for ways to enhance our digital capabilities by embracing new opportunities that will allow us to perform smarter and more efficiently. As a result, we are focussed on incorporating the latest digital technology across all areas of our business to improve how we operate and deliver value to our customers and the community.

### Holodeck virtual reality tool

In August 2017, we introduced our award-winning tool called Holodeck, which provides our team with an innovative solution to improve safety-in-design performance. Using the latest virtual reality technology, Holodeck allows an operator to walk around a proposed asset before it's built to identify and mitigate potential issues and safety hazards during the engineering design process. We have also used virtual reality technology to develop a bespoke interactive Prevention of Falls training program, and other applications are also being considered.

### Consolidating and upgrading our SCADA platform

During 2017, we began consolidating and upgrading our Supervisory Control and Data Acquisition (SCADA) systems that enables us to remotely monitor and control our water and wastewater schemes to ensure high quality and reliability for the WA community. We estimate the project will be completed by the end of 2020 and provide improved efficiencies and security for our diverse asset base.

### Scheme of the Future project

Our digital accelerator project called Scheme of the Future is trialling digital technologies for works management within the real-life setting of the Warren Blackwood district. The project is designed to improve mobility and access to accurate data by streamlining workflows between office and field-based personnel. In addition, the Scheme of the Future project will provide valuable learnings to assist us with larger scale digital transformation.

## Becoming a Waterwise city

A Waterwise city is one in which a variety of water sources move through urban areas in ways that deliver maximum value for a diverse range of functions and users at minimum cost. We have set the ambition for Perth to become the leading Waterwise city in Australia within the next five years. In October 2017, our Executive approved an action plan to drive short, medium and long-term strategies, and we are working with a range of key industry stakeholders to achieve future Waterwise city outcomes.

### Water Sensitive Cities Index Benchmarking Workshop

We provided support to local councils that participated in the Water Sensitive Cities Index Benchmarking Workshop, where councils were able to benchmark their organisation against a range of urban water indicators that characterise a Waterwise city, helping to set targets and identify strategic priorities.

### Transforming functional into fantastic

Our Drainage for Liveability Program, run in partnership with the Department of Water and Environmental Regulation, transforms unused land in or around our drainage channels and basins.

Among the projects this year, we partnered with the City of Bayswater to convert an area of underused land, adjacent to drains and a basin, into a new recreational park for the community. The Russell Street project was opened by the Mayor of the City of Bayswater and our CEO in April and features an obstacle course, green open spaces and living streams designed to help improve the quality of drainage water before it enters the Swan River. A mural by the local John Forrest Senior College students has been on a large wall at the park.



The living stream project in City of Bayswater.





Tap in

# Our Tap In Insights



Over the past 18 months Water Corporation has carried out the largest and most comprehensive community engagement program we've ever undertaken. Tap In has given us a detailed insight into how our customers prioritise water issues, and specifically where we need to focus our efforts in our short, medium and long-term planning and investment.

The specific objectives of Tap In were to:

- Gain a comprehensive understanding of what is important to our customers
- Identify areas for change that are a priority for our customers
- Test, quantify preferences for, and refine proposed solutions from Water Corporation

To do this, we wanted to make sure we had the process right. We needed to ensure we were asking the right questions, to the right people. As part of the Tap In journey we held 45 focus groups across Western Australia, conducted nine large-scale customer workshops, received almost 7,000 completed online surveys and received 14,500 log-ins on our online portal.

Tap In was a seven-stage program of work that contained 17 separate research studies, involved thousands of customer surveys, a number of focus groups and workshops with our customers across our entire State, that resulted in almost 20 separate reports.

In order to confirm we had heard our customers correctly and they supported our planned way forward, at the end of the Tap In process we ran a number of focus groups with our customers. What was pleasing was that our focus groups confirmed that there was very strong support for our findings and insights as a blueprint for the future.

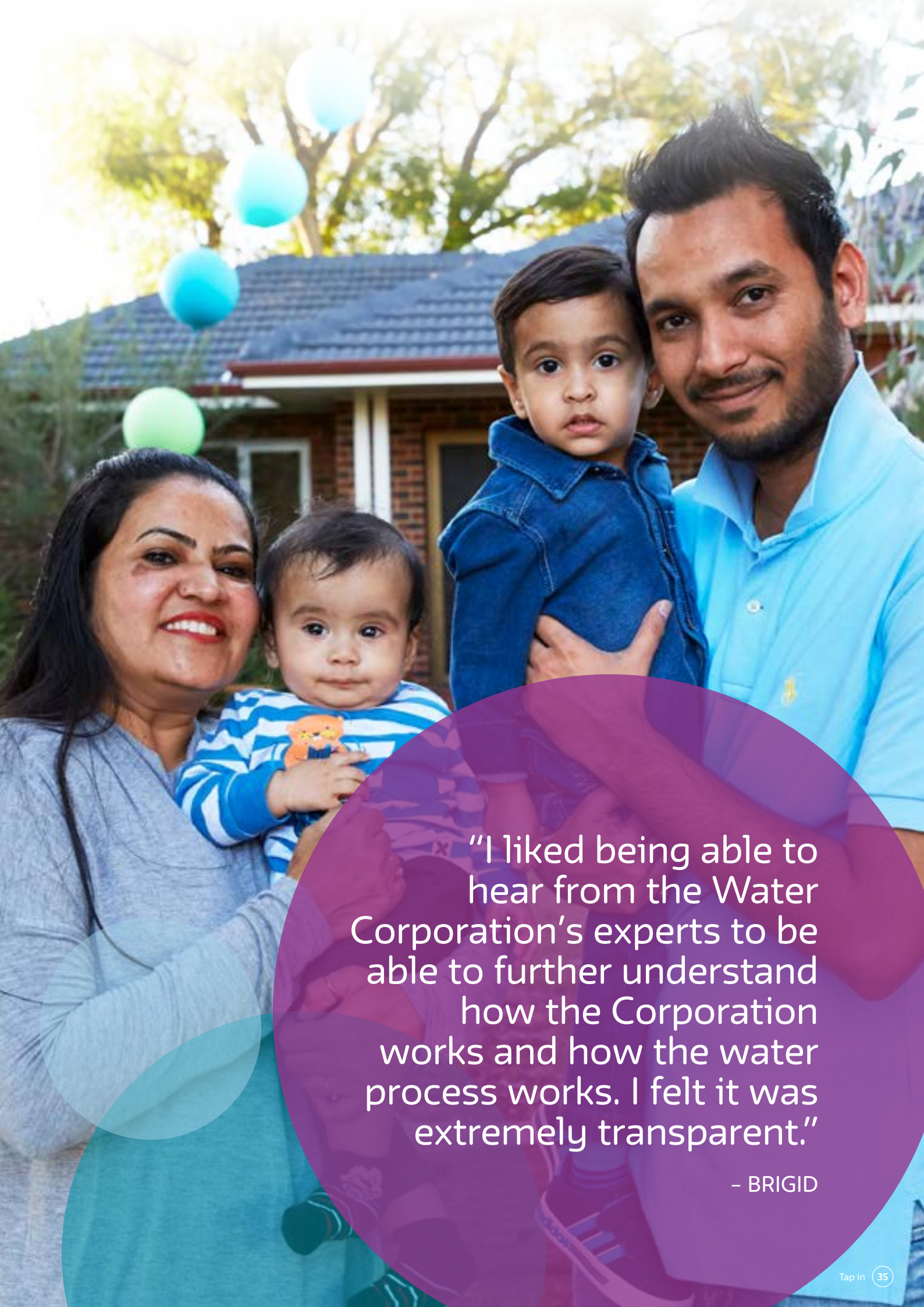
Our customers have told us what areas we should focus on, what issues need to be addressed as a priority and which initiatives should be prioritised for implementation in our business. This makes Tap In one of the most important pieces of work we've carried out, and one which will ensure our future investment is aligned to the values and priorities of our customers.



- 33 metro residential focus groups/  
workshops
- 9 metro non-residential focus groups
- 6 regional residential focus groups
- 6 regional non-residential focus groups



- 4,802 metro residential
- 1,026 metro non-residential
- 934 regional residential
- 226 regional non-residential



“I liked being able to hear from the Water Corporation’s experts to be able to further understand how the Corporation works and how the water process works. I felt it was extremely transparent.”

- BRIGID





### The Tap In seven-stage program

Stage 1: Internal Business Planning: This gave us an understanding about what we expected to achieve from Tap In and a clear and detailed scope as to what would be delivered.

Stage 2: Customer Engagement: From this stage we gained a clear understanding about which issues our customers were most concerned about and a prioritised list of those issues.

Stage 3: Internal Business Planning: This provided us with a list of solutions which addressed the most important customer issues identified in stage 2 of Tap In. In addition, it also delivered the fact sheets for each solution that would be presented to our customers in stage 4.

Stage 4: Customer Engagement: This gave us a clear understanding about which solutions our customers most valued, a prioritised list of those solutions, and an indication about how strongly customers felt about each individual solution.

Stage 5: Internal Business Planning: This allowed us to benchmark our current strategy and customers' expectations, identify any gaps that customers would like to see us close, and develop our Tap In guiding principles.

Stage 6: Customer Engagement: This stage confirmed that our planned response to the insights gained from Tap In was appropriate and that it was valued by our customers.

Stage 7: Implementation: At this final stage we agreed on how we would take the findings from Tap In forward, how we'd incorporate them into our business, and how we'll keep the Tap In process alive, as we move forward.

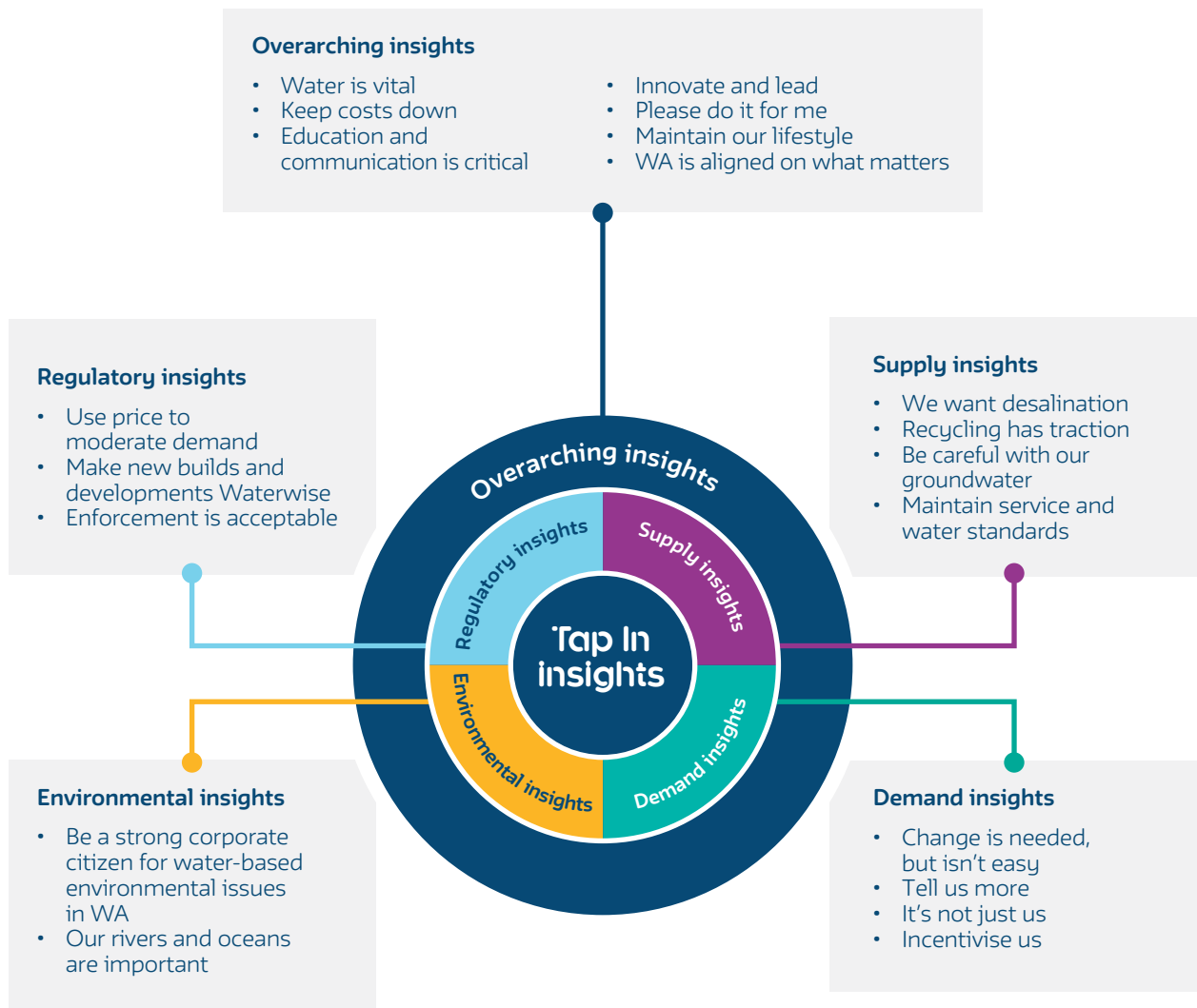
## Key statistics of customers engaged in the Tap In process

We wanted to ensure that the views captured through the Tap In process represented the views of the entire State, so we specifically set out to capture the views of both our metropolitan and our regional customers.

One of the most interesting aspects about the Tap In process was the commonly held views across all customer segments. In particular, water source preferences, behaviour change and environmental factors. This strong support was driven by predictions that an expected 3.5 million people will be calling Perth and Peel home by 2050.

On top of that, there is also the impact of climate change and decreasing rainfall in the south west of our State.

The Tap In insights are grouped into four key insight themes: demand, supply, regulation and environment, as well as a number of overarching insights. The overarching insights have important implications for many parts of our business and have been classified separately.



**From stage 2 surveys, six of the top 10 issues were common across all segments:**



1 Maintain a reliable supply of water services



4 Using recycled stormwater as a water supply source



2 Increasing recycling of treated wastewater from the sewerage system for non-drinking purposes



5 Legislating to ensure all new buildings and developments meet Waterwise criteria



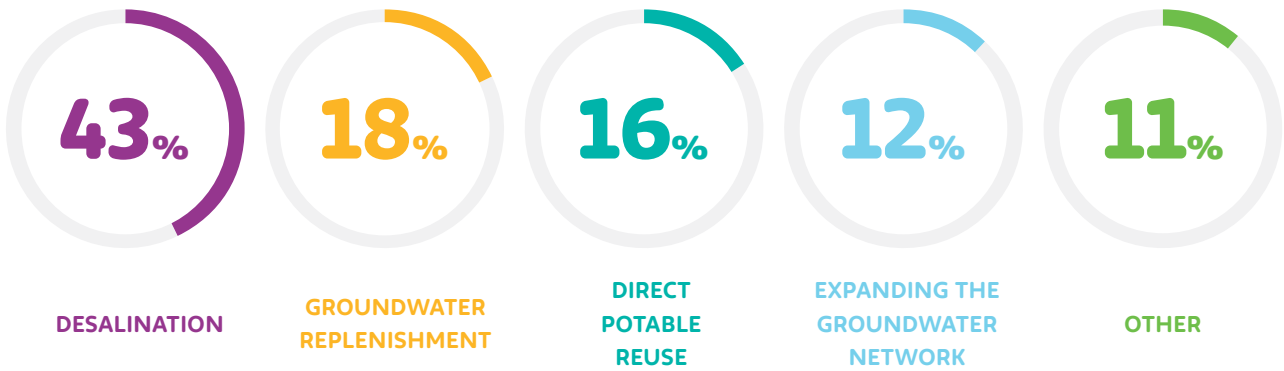
3 Minimising the loss of water through leaks and breaks through efficient maintenance practices and upgrade/replacement schedules for water and wastewater infrastructure



6 Offering rebates or incentives to encourage uptake of water efficient products and services

Across the State, communities and businesses all agreed about the water issues that affect them and the solutions they support. Interestingly, the four core customer segments – metropolitan and regional residential customers, and metropolitan and regional businesses, all agreed on six of the top 10 issues.

**If our customers could only choose one drinking water supply to be our next source:**




Maintaining a reliable supply of water was the number one issue for our customers and they had very strong expectations about how these should be achieved.

**The top three preferred options for non-drinking water supply are:**

- Recycling wastewater for irrigation and industry
- In-home greywater recycling
- Recycling rainwater

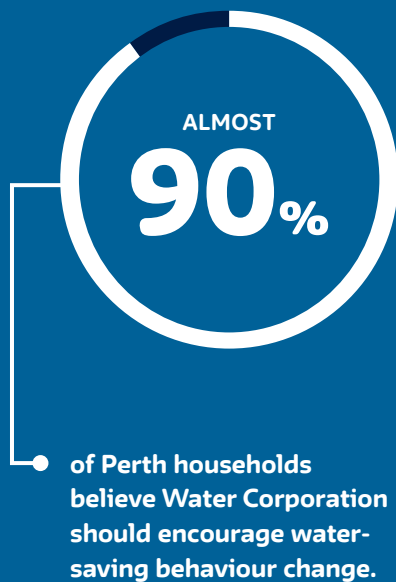
While most people told us that saving water is the right thing to do, 66 per cent said they could only make small reductions of less than 10 per cent in their water use. A further 14 per cent said that they could not make any reductions in their water use at all.





"I believe that keeping the community involved can assist people in being accountable and responsible for their own ways of managing water so that we have enough for now and in the future."

- JESSICA



**66%**

said they could make small reductions to their own consumption

**14%**

said they could not reduce their water use any further

*Results relate to metro residential only*

Environmental issues were amongst the most important for our customer, which reflects their concern for climate change and the desire to make sure there is water for today and tomorrow.

Our customers told us that their priorities of environmental solutions are:

- Reducing pollution in our rivers and waterways
- Reducing the pollution in our oceans
- Decreasing greenhouse gas emissions

While most of our customers are unified on what matters to them when it comes to water, there were some segments of the community that had unique concerns. In some regions customers told us that improving the taste is important to them.

#### **Next steps**

Tap In has provided us with a strong understanding of our customers' most important issues, their preferred solutions and therefore what they expect from Water Corporation. We are now progressing with stage 7 of Tap In, which is implementing these findings into our business and using the insights to shape our way forward.

As a result of the extensive Tap In process we developed principles to help guide the strategic direction of our business:

- Provide WA with enough water to sustainably live, grow and invest
- Deliver safe and reliable water services
- Work to keep our costs down, and help you do the same
- Deliver our services in a way that protects our environment
- Embrace innovation in everything we do
- Ensure everyone is focused on minimising water use
- Grow community water knowledge and provide support to enable us all to play our part
- Continue listening, keep you in the loop and use your insights to shape our decision making

We are committed to Tap In becoming an ongoing process where we will continually provide our customers with ways to have their say about our business, as well as having input into our strategic decisions. In addition, we will also regularly check in with our customers as we refine our strategy and develop solutions that have been identified by Tap In as being important to our customers.



# Corporate governance report



# Corporate governance report



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

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

## The Board of Directors

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

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

## Key activities

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

Both documents were developed for the 2017-18 year and agreed with the Minister.

At its regular meetings, the Board considerations include:

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

## Appointment of Directors

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

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

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

## Changes to the Board

Dr Jemma Green was appointed Director for a term expiring on 31 December 2019.

Mrs Nicole Lockwood was re-appointed as Director for a term expiring on 31 December 2020.

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

## Board committees

Committees of the Board that operated during the year ended 30 June 2018 were:

- Audit and Risk
- Safety and Wellbeing
- Remuneration

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

## Audit and Risk Committee

During the year, the Audit and Compliance Committee changed its name to Audit and Risk Committee to reflect industry practice. This was approved at the September 2017 Board meeting. The Audit and Risk Committee was chaired by Mr David Lock and included Directors Mrs Nicole Lockwood and Dr Jemma Green (from 3 July 2017). Each member has substantial corporate and/or financial experience in private enterprise and the necessary skills to undertake the Committee's responsibilities.

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

## Principal activities and duties

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

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

## Safety and Wellbeing Committee

During the year, the Safety Committee changed its name to the Safety and Wellbeing Committee. This was approved at the September 2017 Board meeting. The Safety and Wellbeing Committee is chaired by Mr Michael Hollett and includes Directors Mr David Rowe and Mr Ross Holt. Each member has extensive experience in the corporate sector at a senior level and brings the skills necessary for the Committee to undertake its role.

The Committee supports and assists the Board to review and oversee organisational health and safety matters, inclusive of mental health and wellbeing. The Committee enables focus and accountability on continuous improvement towards the goal of Zero Harm through encouragement of the Executive, review of policy proposals, and guiding strategies to enable health and safety to be front of mind within the Corporation.

## Remuneration Committee

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

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

## 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 2018, are shown in the table below.

	Board		Audit and Risk		Safety and Wellbeing		Remuneration	
Number of meetings held	14		4		5		2	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Mr Michael Hollett (Chairman)	14	14	0	0	5	5	2	2
Mr David Lock	14	14	4	4	0	0	2	2
Mr David Rowe	13	14	0	0	5	5	0	0
Mrs Nicole Lockwood	13	14	4	4	0	0	0	0
Mr Ross Holt	14	14	0	0	5	5	0	0
Dr Jemma Green <sup>1</sup>	13	14	4	4	0	0	0	0
Ms Sue Murphy (Chief Executive Officer)	12	14	4	4	5	5	1	2

1. Dr Jemma Green was appointed Director on 4 July 2017

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

## Ministerial directions

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

## Directors' and Senior Executives' remuneration

For further disclosure of Directors' and Senior Executives' remuneration please refer to the Remuneration report on page 49.

## 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, and comprehensive systems and control procedures. Management has the responsibility for establishing and maintaining the system of internal control that supports the achievement of our business objectives.

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

## Management review and audit

Our internal audit function is managed by the Risk and Assurance Business Unit's Management Review and Audit section, which has the authority to examine any matters referred to it by the Audit and Risk Committee, the Board of Directors or the Chief Executive Officer. The internal audit function supports the Audit and Risk Committee and senior executives by independently and objectively reviewing the adequacy, efficiency and effectiveness of the internal control and governance system with 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 KPMG for a three-year term. Total auditor remuneration is shown in Note 19 to the Financial Statements on page 76.

## Risk management

Risk management is a key element of our governance framework. We have an established Risk Management Framework that provides a common understanding of risk and a set of processes for managing risk aligned with the *International Standard on Risk Management AS/NZS ISO 31000:2018*. 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 objectives and our ability to provide services.

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

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

## Performance monitoring and reporting

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

## Ethical standards

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

Our Code of Conduct is available on both 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 is based on the Australian Standard for *Information Technology – Security Techniques – Information security management systems AS/ NZS ISO/IEC 27001:2013*.

## State Records Act 2000

In accordance with Section 61 of the *State Records Act 2000* and the *State Records Commission Standards (Standard 2 – Principle 6)*, we have an approved Recordkeeping Plan. In accordance with 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. There were no public interest disclosures in the period under review.

## Conflicts of interest

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

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

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

## Competition and Consumer Act Compliance Program

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

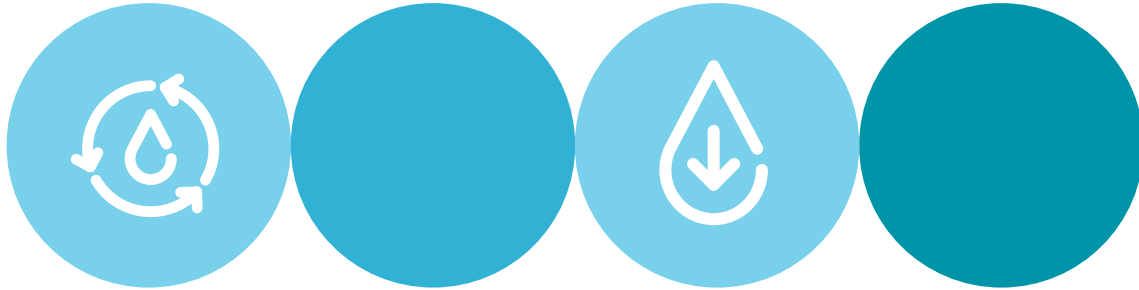
## Freedom of information

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

During 2017-18 we received 40 access applications, of which none were transferred in full to another agency, 10 were provided full access, 24 were provided edited access, none were withdrawn, six had access refused, none had access deferred, documents were not found or do not exist for one of the applications and four were on hand at the end of the year.

Five internal reviews were requested. Fees and charges totalling \$1,050 were received for processing these applications with 23 days being the average processing time.

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



### Advertising codes

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

### Reportable expenditure

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

Advertising agency	Amount paid
The Brand Agency	\$1,644,200 *
303 MullenLowe	\$1,279,558 ^
AdCorp	\$93,505 >

\* This amount includes costs associated with Fresh Water Thinking, The Shower Song and water education.

^ This amount includes costs associated with the Stay Waterwise WA demand management campaign, eDM communications, Waterwise Garden Rewards campaign, Seek a Leak promotions and Winter Sprinkler Switch-off campaign.

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

Media advertising	Amount Paid
OMD	\$1,019,285

Market research	Amount paid
Metrix	\$172,106 +
Painted Dog	\$312,150 *

+ This amount includes costs associated with Customer Performance Index.

\* This amount includes costs associated with Tap In.

# Director's report



The Directors of Water Corporation present their report for the 12 months ended 30 June 2018.

## Directors

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

### Mr Michael Hollett (Chairman)

Director since 1 January 2012  
Chairman since 1 January 2017

### Ms Sue Murphy

Chief Executive Officer since 6 November 2008

### Mr David Lock (Deputy Chairman)

Director since 1 January 2014  
Deputy Chairman since 1 January 2017

### Mr David Rowe

Director since 1 March 2016

### Ms Nicole Lockwood

Director since 1 March 2016

### Mr Ross Holt

Director since 8 June 2016

### Dr Jemma Green

Director since 4 July 2017

Directors' biographies are shown on pages 11 and 12.  
Directors' meetings and attendance are shown on page 43.  
Directors' compensation details are shown on page 49.

## 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 2017-18.

## Dividends

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

	Total amount \$M	Date of payment
Final 2016-17	15	22/12/2017
Interim 2017-18	513	28/06/2018
<b>Total</b>	<b>528</b>	

## Dividend declared after end of year

No final dividend has been declared after balance date.

## 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 363 billion litres of water and treated 164 billion litres of wastewater.

## Risk management

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

## Remuneration report

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

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

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

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

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

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

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

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

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

- Freezing Chief Executive Officer salaries for four years.
- Capping non-executive annual salary increases to \$1,000 per employee.
- Reviewing all attraction and retention incentives and report outcomes to the Public Sector Commission by 31 August 2017.

As part of our commitment to the State Government's budget repair strategies, the Corporation has adopted these strategies by freezing all CLC employee salaries and suspending any Target Based Reward (TBR) incentive programs for the 2017-18 financial year.

The TBR measures and targets are still used as indicators of the Corporation's performance and are reported monthly.

TBR is based on five key performance indicators (KPIs) defined across the following key areas.

Target Based Rewards (TBR)		
2017-18	Target	June 2018 Results
Safety Index (%)	90.0	100
Customer Performance Index	7.07	7.25
Operating Performance Index (%)	90.0	90.0
Operating Expenditure (\$m)	928.5	912.8
Capital Index	94.9	95.1

## Details of compensation provided to key management personnel

The directors during the financial year were:

Directors	
M Hollett	Chairman (non-executive). Appointed Director 1 January 2012, Deputy Chairman 1 January 2016 and Chairman 1 January 2017
D Lock	Director (non-executive). Appointed 1 January 2014 and Deputy Chairman 1 January 2017
N Lockwood	Director (non-executive). Appointed 1 March 2016
D Rowe	Director (non-executive). Appointed 1 March 2016
R Holt	Director (non-executive). Appointed 8 June 2016
J Green	Director (non-executive). Appointed 4 July 2017
S Murphy	Chief Executive Officer



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

Total Remuneration Band (\$)	Number of directors *		Short-Term				Post-employment		Total	
			Salary & Fees		Non-monetary Benefits **		Superannuation		\$'000	
			\$'000		\$'000		\$'000			
2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	
50,000-74,999	5	5	52	54	-	-	8	5	60	59
75,000-99,999	1	-	82	-	-	-	8	-	90	-
100,000-124,999	-	1	-	109	-	-	-	10	-	119
500,000-524,999	1	1	477	486	8	9	35	25	520	520

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

\*\* Private use of motor vehicle.

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

Five highest paid Executives*		Year ended 30 June 2017	Year ended 30 June 2018
M Andrews	General Manager, Operations (1 Jul 17 to 18 Jan 18)	✓	✓
S Capewell	General Manager, Operations Services	✓	✓
R Hughes	Chief Financial Officer	✓	✓
D Johnston	General Manager, Strategy & Stakeholders	✓	✓
M Leathersich	General Manager, Assets Delivery and Operations	✓	
A Vincent	General Manager, Assets Planning		✓

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

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

Total Remuneration Band (\$)	Number of staff *		Short-Term				Post-employment		Other Long-Term Benefits**		Termination benefits		Total	
			Salary & Fees		TBR		Super-annuation		\$'000		\$'000		\$'000	
			\$'000		\$'000		\$'000							
2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	
325,000-349,999	3	1	285	304	10	-	31	30	10	-	-	-	336	334
350,000-374,999	1	1	323	290	11	-	31	25	-	39	-	-	365	354
375,000-399,999	-	2	-	272	-	-	-	28	-	-	-	82	-	382
425,000-449,999	-	1	-	385	-	-	-	25	-	36	-	-	-	446
450,000-474,999	1	-	401	-	13	-	35	-	9	-	-	-	458	-

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

\*\* Long service leave taken in service.

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

## Environmental performance

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

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

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

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

## State of affairs

There were no significant changes during the year ended 30 June 2018 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 2018 and the date of the release of this report, the Directors are not aware of any matter or circumstance not otherwise dealt with in the report or financial statements that has significantly, or may significantly, affect our operations, the results of those operations, or our state of affairs in subsequent financial periods.

## Directors' interests and benefits

In the 12 months to 30 June 2018, 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.

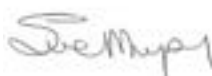
## Indemnification of Directors

The Corporation provides a general indemnification for Directors, via a deed of indemnity, and we purchase Directors and Officers insurance. In the 12 months ending 30 June 2018, we have not made any payments in respect to this indemnity.

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



**Michael Hollett**  
Chairman



**Sue Murphy**  
Chief Executive Officer

Perth, 22 August 2018

# Performance summary

Performance against key indicators

	Units	2018		2017	2016	2015	2014
		Target	Actual				
<b>Social Performance</b>							
<b>Employment and Workforce</b>							
Employee initiated turnover	No.	7.00	7.8	5.5	6.2	5.8	6.4
Women in senior management - tier 2	%	25.00	28.57	22.2	22.2	20.0	12.5
Women in senior management - tier 3	%	25.00	27.78	32.2	27.5	20.0	23.8
People from culturally diverse backgrounds	%	14.00	12.80	13.7	13.6	13.6	14.8
Indigenous Australians	%	2.68	3.54	3.12	3.01	2.35	1.90
People with disabilities	%	2.80	0.91	0.91	1.05	1.20	1.20
Youth (15-24)	%	6.70	3.13	2.90	3.62	3.20	5.00
Total Recordable Injury Frequency Rate (TRIFR)	No.	8.5	7.3	8.5	10.9	n/a	n/a
<b>Public Health - Safe Drinking Water</b>							
Metropolitan localities meeting requirements for E.coli	%	100	100	100	100	100	100
Metropolitan localities meeting requirements for amoebae (Thermophilic Naegleria)	%	100	100	100	100	100	100
Metropolitan localities meeting requirements for health-related chemical quality	%	100	100	100	100	100	100
Metropolitan localities meeting requirements for radiological performance	%	100	100	100	100	100	100
Country localities meeting requirements for E.coli	%	100	100	100	100	100	100
Country localities meeting requirements for amoebae (Thermophilic Naegleria)	%	100	100	100	100	100	100
Country localities meeting requirements for health-related chemical quality	%	100	100	100	100	100	100
Country localities meeting requirements for radiological performance	%	100	100	100	100	100	100
<b>Essential Service Provision</b>							
Continuity - properties not affected by interruption > 1 hr	%	75.0*	76.3	77.7	77.5	79.4	75.9
Water pressure and flow standards	%	99.80*	99.90	100.00	100.00	99.95	100.00
Water quality faults responsiveness	%	95.0	97.0	97.3	98.3	98.2	96.8
Installation of new water connections	%	90.0	97.4	97.2	98.6	97.4	97.0
Properties without wastewater overflow	%	99.8*	99.9	99.9	99.9	99.9	99.9
<b>Demand-Supply Balance</b>							
Number of Waterwise schools <sup>1</sup>	No.	-	575	523	503	503	526
Drought response (number of schemes on temporary restrictions)	No.	-	0	0	1	1	1
<b>Environmental Performance</b>							
<b>Ecosystem Protection</b>							
Overflows to Swan-Canning - conveyance system	No.	0	4	4	3	2	3
Overflows to Swan-Canning - pump stations only	No.	0	0	1	0	1	0

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

	Units	2018		2017	2016	2015	2014
		Target	Actual				
<b>Environmental Performance (continued)</b>							
<b>Energy and Greenhouse Gases</b>							
Electricity consumption per unit of output for water	MWh/ML	-	2.38	2.41	2.17	1.93	1.84
Electricity consumption per unit of output for wastewater	MWh/ML	-	0.91	0.87	0.81	0.80	0.79
Total energy consumption	TJ	-	4,105	3,863	3,633	3,346	3,294
Reported greenhouse gas emissions (CO2 equivalent)	kT	-	771	806	784	717	718
<b>Materials Use Efficiency</b>							
Biosolids re-use (Perth metro)	%	100	100	100	100	100	100
<b>Demand-Supply Balance</b>							
Environmental Performance - Demand-Supply Balance - Water supplied per capita (Perth metro)	kL	126	123	122	127	126	131
<b>Economic Performance</b>							
<b>Financial Efficiency</b>							
Operating cost per property	\$	820	794	769	796	819	800
Total cost per property	\$	1,973	1,967	1,941	2,004	1,982	1,989
Surplus before income tax equivalent	\$m	1,072	931	920	1,053	1,118	947
Return on assets	%	6.5	6.0	5.8	5.8	5.8	5.5
Return on equity	%	7.1	6.2	6.2	7.2	7.9	7.0
Interest cover	Times	4.4	4.2	4.0	3.8	3.6	3.3
Debt to Total Assets	%	35.0	35.1	34.3	34.0	33.8	33.8
<b>Asset Performance</b>							
Blockages per 100km of sewer	No.	40.0*	16.1	16.7	18.3	17.4	16.9
Leaks and bursts per 100km of main	No.	20.0*	16.2	17.9	17.8	17.8	17.5
Drainage systems operating in accordance with guidelines	%	100*	100	100	100	100	100
<b>Stakeholder Performance</b>							
<b>Customer Service</b>							
Complaints (per 1000 properties) RY	No.	-	2.0	1.4	1.2	1.2	1.4
Written customer complaints (responsiveness) < 15 business days	%	90.0*	100.0	98.9	98.4	100.0	98.8
Telephone calls to '13' numbers abandoned after 30 seconds	%	5.0	2.9	1.7	1.7	1.6	
Telephone calls to '13' numbers first call resolution	%	90.0	91.8	92.6	92.0	97.5	96.9
<b>Shareholder Accountability</b>							
Responsiveness to priority one enquiries	%	85.0	97.5	98.4	96.2	96.7	98.2
<b>Ethical &amp; Governance Performance</b>							
<b>Compliance</b>							
Number of legal sanctions for environmental breaches	No.	0	0	0	0	0	0
Environment Non-Compliances Addressed	%	95.0	100.0	99.0	94.9	98.7	98.6

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

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



## Five-year statistical summary

Financial Data	Units	2018	2017	2016	2015	2014
Total Revenue	\$'000	2,608,254	2,549,288	2,714,630	2,736,154	2,522,814
Operating Subsidy	\$'000	408,928	464,225	546,813	573,232	565,924
Direct Operating Expenses	\$'000	917,991	875,113	897,217	880,452	851,032
Depreciation / Amortisation	\$'000	495,106	486,275	459,727	459,732	444,081
Net Interest Expense	\$'000	249,185	253,592	256,263	274,032	256,013
Income Tax Expense	\$'000	281,254	275,048	315,589	334,305	266,773
Operating Surplus After Tax	\$'000	649,856	645,383	736,885	784,146	677,765
Transfer to / (from) Reserves	\$'000	0	0	(939,388)	130,699	79,486
Non-Current Borrowings	\$'000	5,253,312	4,959,000	5,679,437	5,592,772	5,444,502
New Works Investment (excluding developers take-over works)	\$'000	775,845	805,594	579,365	765,927	984,226
Current Borrowings	\$'000	887,723	926,000	7,000	20,000	1,150
New Borrowings	\$'000	264,000	199,000	82,000	175,000	85,000
<b>Operating Data</b>						
<b>Water Supply Services</b>						
Annual Volume of Water Supplied	ML	363,038	360,930	370,001	366,495	371,384
Number of Properties Served	No.	1,293,887	1,274,089	1,251,490	1,226,248	1,195,682
Number of Properties Connected	No.	1,111,464	1,095,943	1,078,639	1,057,388	1,032,186
Length of Mains	km	34,678	34,799	34,680	34,424	34,156
<b>Wastewater Services</b>						
Average Volume of Wastewater Treated Daily	ML	448	449	446	449	458
Number of Properties Served	No.	1,052,983	1,035,809	1,017,699	994,344	967,892
Number of Properties Connected	No.	975,583	958,064	937,220	910,167	885,920
Length of Sewers	km	17,051	16,903	16,693	16,416	16,080
<b>Drainage Services</b>						
Number of Properties Served (Metropolitan)	No.	411,803	406,724	398,844	391,408	382,833
Length of Drains	km	2,547	2,549	2,546	2,546	2,545
<b>Irrigation Services</b>						
Volume of Water Delivered	ML	5,234	5,731	139,268	150,147	135,481
<b>Employees</b>						
Total number of employees	No.	2,746	2,758	2,654	2,852	3,098
Total number of full-time equivalents (FTEs)	No.	2,609	2,622	2,533	2,703	2,934
Total number of FTEs (year-end average)	No.	2,599	2,576	2,520	2,845	2,971

## Principal statistics

### Water Supply

Region	Properties Served	Properties Connected	Water Supply Services	Length of Mains (Kilometres)	Water Supplied <sup>2</sup> (Megalitres)
Perth Metro	994,560	854,364	732,913	14,252	247,870
Mandurah-Murray	61,489	51,859	46,274	1,176	13,862
Perth Region <sup>1</sup>	1,056,049	906,223	779,187	15,428	261,731
Goldfields & Agricultural	43,135	38,654	42,425	9,624	23,068
Great Southern	47,545	41,386	40,742	4,047	12,694
Mid-West	49,871	40,749	36,412	2,286	16,551
North-West	42,960	35,322	29,102	1,503	34,710
South-West	54,327	49,130	44,761	1,790	14,284
<b>Total</b>	<b>1,293,887</b>	<b>1,111,464</b>	<b>972,629</b>	<b>34,678</b>	<b>363,038</b>

1. Perth Region includes Mandurah-Murray District.

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

### Wastewater

	Properties Served	Properties Connected	Total Length of Sewers (Kilometres)	Number of Pumping Stations	Number of Treatment Plants	Average Quantity of Wastewater Treated Daily (Megalitres)
Perth Metro	836,048	786,183	12,342	657	12	370
Mandurah-Murray	49,455	43,380	882	85	4	16
Perth Region <sup>1</sup>	885,503	829,563	13,224	742	16	384
Goldfields & Agricultural	11,264	9,616	317	32	19	4
Great Southern	29,585	25,516	733	83	21	11
Mid-West	26,004	20,749	597	69	19	7
North-West	34,338	31,055	682	76	17	16
South-West	66,289	59,084	1,498	166	20	27
<b>Total</b>	<b>1,052,983</b>	<b>975,583</b>	<b>17,051</b>	<b>1,168</b>	<b>112</b>	<b>451</b>

1. Perth Region includes Mandurah-Murray District.

### Drainage

Region	Properties Served	Length of Drains Controlled (Kilometres)
Perth	411,803	1,126
Great Southern	n/a	129
South-West	n/a	1,291
<b>Total</b>	<b>411,803</b>	<b>2,547</b>

### Irrigation

Region	Water Supplied (Megalitres)
Mid-West <sup>1</sup>	4,510
North-West <sup>2</sup>	724
South-West <sup>3</sup>	n/a
<b>Total</b>	<b>5,234</b>

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

2. North West irrigation is managed by the Ord Irrigation Co-operative (established in 2002). However, Water Corporation maintains responsibility for a number of customers.

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

## Metropolitan sources of supply

Source	Area of Catchment (Square km)	Storage Capacity (Megalitres)	Storage at 30/06/2018 (Megalitres)	Percentage of Maximum Storage (%)	Output to 30/06/2018 (Megalitres)
<b>Dams</b>					
Stirling	252	57,404	26,718	46.5	2,912
Samson WTP	192	8,003	3,614	45.2	9,328
South Dandalup	313	138,345	19,225	13.9	4,643
North Dandalup	151	60,791	29,218	48.1	5,437
Serpentine and Serpentine Pipehead	693	140,292	50,219	35.8	39,011
Canning	728	90,353	68,598	75.9	8,487
Wungong	128	59,796	41,001	68.6	13,087
Churchman	18	2,241	609	27.2	922
Victoria	37	9,463	4,625	48.9	1,804
<b>Total Hills Sources Output Gross</b>		<b>566,688</b>	<b>243,827</b>	<b>43.0</b>	<b>85,631</b>
<b>Total Hills Transfers Input</b>					<b>84,495</b>
<b>Total Hills Sources Output Nett</b>					<b>1,136</b>
<b>Groundwater</b>					
Artesian Bores					28,629
Mirrabooka					15,532
Gwelup					13,171
Wanneroo					30,090
Jandakot					16,423
Neerabup					24,007
Lexia					2,648
Yanchep/Two Rocks					1,448
<b>Total Groundwater Output</b>					<b>131,948</b>
<b>Desalination</b>					
Perth Seawater Desalination Plant					45,956
Southern Seawater Desalination Plant					102,948
<b>Total Desalination Output</b>					<b>148,905</b>
<b>Water Received from Bulk Supplier</b>					
Goldfields and Agricultural Water Supply Scheme supply to Perth					1,795
<b>Total</b>					<b>1,795</b>
<b>Bulk Water Exported</b>					
to Mundaring Dam for GAWS					17,371
Mandurah-Murray					13,862
South-West Region					1,192
Great Southern Towns Water Supply Scheme					638
<b>Total</b>					<b>33,062</b>
<b>Total Water Sourced</b>					
Net Output from Surface Water					1,136
Groundwater					131,948
Desalination					148,905
Received from Bulk Supplier					1,795
<b>Total Sources</b>					<b>283,783</b>
<b>Riparians (from Distribution System)</b>					
Riparians from Distribution System					2,422
<b>Total Potable Water Supplied</b>					
Total Water Sourced					283,783
Bulk Water Exported					(33,062)
Riparians (from Distribution System)					(2,422)
Operational Use & Service Reservoir Vol Change					(429)
<b>Total Water Supplied</b>					<b>247,870</b>





# Financial report



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# Consolidated Statement of Comprehensive Income



for the year ended 30 June 2018

	Note	2018 \$M	2017 \$M
<b>Revenue</b>			
Annual service charges		1,220	1,124
Volume charges		704	663
Operating subsidies		409	464
Developers' contributions		181	202
Other revenue	5	94	96
<b>Total revenue</b>		<b>2,608</b>	<b>2,549</b>
<b>Expenses</b>			
Depreciation and amortisation	10 & 11	(496)	(496)
Employee benefits expense	6(a)	(306)	(249)
Hired and contracted services		(134)	(235)
Energy	6(b)	(157)	(144)
Other expenses	6(c)	(334)	(262)
<b>Total expenses</b>		<b>(1,427)</b>	<b>(1,376)</b>
<b>Results from operating activities</b>		<b>1,181</b>	<b>1,173</b>
<b>Net finance costs</b>	7	<b>(250)</b>	<b>(253)</b>
<b>Surplus before income tax equivalent</b>		<b>931</b>	<b>920</b>
Income tax equivalent expense	8	(281)	(275)
<b>Surplus for the year</b>		<b>650</b>	<b>645</b>
Other comprehensive income – Re-measurement of defined benefit liability		2	3
Related income tax equivalent	8	(1)	(1)
<b>Other comprehensive income, net of tax equivalent</b>		<b>1</b>	<b>2</b>
<b>Total comprehensive income for the year</b>		<b>651</b>	<b>647</b>
<b>Attributable to:</b>			
Owner of the Corporation		651	647
Non-controlling interests	26	-	-
		<b>651</b>	<b>647</b>

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

# Consolidated Statement of Financial Position



as at 30 June 2018

	Note	2018 \$M	2017 \$M
<b>Current assets</b>			
Cash and cash equivalents		26	10
Trade and other receivables	9	228	221
Prepayments		4	5
Inventories		22	24
<b>Total current assets</b>		<b>280</b>	<b>260</b>
<b>Non-current assets</b>			
Trade and other receivables	9	19	18
Property, plant and equipment	10	17,108	16,798
Intangible assets	11	83	77
<b>Total non-current assets</b>		<b>17,210</b>	<b>16,893</b>
<b>Total assets</b>		<b>17,490</b>	<b>17,153</b>
<b>Current liabilities</b>			
Trade and other payables		329	359
Interest-bearing loans and borrowings	12	9	54
Income tax equivalent payable		7	26
Provisions	14	1	3
Employee benefits	15	88	82
Other liabilities	16	18	17
<b>Total current liabilities</b>		<b>452</b>	<b>541</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	12	6,132	5,831
Deferred tax equivalent liabilities	13	246	246
Provisions	14	17	11
Employee benefits	15	41	43
Other liabilities	16	22	24
<b>Total non-current liabilities</b>		<b>6,458</b>	<b>6,155</b>
<b>Total liabilities</b>		<b>6,910</b>	<b>6,696</b>
<b>Net assets</b>		<b>10,580</b>	<b>10,457</b>
<b>Equity</b>			
Contributed equity	17	7,561	7,561
Accumulated surplus		3,019	2,896
<b>Equity attributable to owners of the Corporation</b>		<b>10,580</b>	<b>10,457</b>
<b>Non-controlling interests</b>		-	-
<b>Total equity</b>		<b>10,580</b>	<b>10,457</b>

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



# Consolidated Statement of Changes In Equity



for the year ended 30 June 2018

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

# Consolidated Statement of Changes In Equity



for the year ended 30 June 2017

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

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

# Consolidated Statement of Cash Flows



for the year ended 30 June 2018

	Note	2018 \$M	2017 \$M
<b>Cash flows from operating activities</b>			
Cash receipts from customers		1,946	1,777
Interest received		-	2
Interest paid		(267)	(268)
Cash paid to suppliers and employees		(990)	(935)
Income tax equivalents paid		(300)	(316)
Government grants		24	13
Operating subsidies		409	464
Developers' contributions		121	118
GST received		122	114
Other fees and charges		53	85
<b>Net cash from operating activities</b>	18	<b>1,118</b>	<b>1,054</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(810)	(741)
Acquisition of intangible assets		(26)	(21)
Proceeds from sale of property, plant and equipment		4	2
Recognition of alliance cash on consolidation		3	-
Deposits		-	(2)
<b>Net cash used in investing activities</b>		<b>(829)</b>	<b>(762)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from borrowings		264	199
Dividends paid		(528)	(483)
Payment of finance lease liabilities		(9)	(8)
<b>Net cash used in financing activities</b>		<b>(273)</b>	<b>(292)</b>
<b>Net increase in cash and cash equivalents</b>		<b>16</b>	<b>-</b>
<b>Cash and cash equivalents at 1 July</b>		<b>10</b>	<b>10</b>
<b>Cash and cash equivalents at 30 June</b>		<b>26</b>	<b>10</b>

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

# Notes to the Consolidated Financial Report



## Note 1: Reporting Entity

Water Corporation (the "Corporation") is a not-for-profit entity incorporated under the *Water Corporations Act 1995* and domiciled in Australia. Its registered office is at 629 Newcastle St Leederville WA 6007. These consolidated financial statements cover the year ended 30 June 2018 and comprise the Corporation and its controlled entities (together referred to as the "Group"). The Group is primarily involved in the provision of water and wastewater services.

## Note 2: Basis of Preparation

During the financial year ended 30 June 2018, the Corporation reviewed the control model defined within AASB 10 Consolidated Financial Statements and AASB 12 Disclosure of Interests in Other Parties. In line with the Corporation's approach to continuously improve transparency of disclosure in the financial report, two controlled entities have been consolidated with effect from 1 July 2017 (See Note 26). Comparative amounts have not been restated for this change in the basis of preparation of the consolidated financial report.

The consolidated financial report is a general purpose financial report which has been prepared in accordance with the *Water Corporations Act 1995* and Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB). The consolidated financial report complies with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The consolidated financial report was approved in accordance with a resolution of the Directors on 21 August 2018.

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

Amounts in the Directors' Report and consolidated financial report have been rounded off to the nearest whole number of millions of dollars, unless otherwise stated rounding is to the nearest one hundred thousand.

Certain comparative amounts in this consolidated financial report have been reclassified to conform to the current year's presentation.

## Note 3: Functional and Presentation Currency

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

## Note 4: Use of Estimates and Judgements

In preparing this consolidated financial report, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the year in which the estimate is revised and any future years affected.

The areas where estimates and judgements are significant to the consolidated financial report, or a higher degree of judgement or complexity is involved, are listed below and described in more detail in the related notes:

- Note 9 - Calculation of unbilled revenue
- Note 11 - Impairment of intangible asset with an indefinite useful life
- Note 12 - Leases: whether an arrangement contains a lease
- Note 14 - Provision for site restoration

## Note 5: Other Revenue

	2018 \$M	2017 \$M
Other fees and charges	70	73
Government grants	14	13
Rental income	8	9
Net gain on disposal of property, plant and equipment	2	1
	<b>94</b>	<b>96</b>



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

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

## Note 6: Expenses

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

	2018 \$M	2017 \$M
Salaries, wages and other employee expenses	284	222
Contributions to Water Corporation Super and the Water Corporation Superannuation Plan	22	27
	<b>306</b>	<b>249</b>

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

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

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

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

	2018 \$M	2017 \$M
Information technology	44	44
Equipment hire charges	25	26
Corporate charges	37	35
Materials	29	26
Chemicals	28	27
Derecognised assets	12	12
Payroll tax and workers compensation	26	20
Contract labour	66	24
Property expenses	34	34
Other	17	10
Maintenance and Asset management Alliance partners (refer note 26)	5	-
Discontinued capital projects	11	4
	<b>334</b>	<b>262</b>

## Note 7: Net Finance Costs

	2018 \$M	2017 \$M
<b>Finance income</b>		
Interest income	-	(2)
<b>Finance costs</b>		
Interest expense	265	268
Capitalised interest (Note a)	(15)	(13)
Total finance costs	250	255
<b>Net finance costs</b>	<b>250</b>	<b>253</b>

**Note a)** The average interest rate used to capitalise interest expenses related to major works was:

4.27%	3.78%
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## Note 8: Income Tax Equivalent Expense

### 8.1 Recognised in surplus or deficit

	2018 \$M	2017 \$M
<b>Current income tax equivalent expense</b>		
Current year	281	297
<b>Deferred income tax equivalent expense</b>		
Reversal of temporary differences	-	(22)
<b>Total income tax equivalent expense</b>	<b>281</b>	<b>275</b>

### 8.2 Recognised in other comprehensive income

	Before tax 2018 \$M	Tax expense 2018 \$M	Net of tax 2018 \$M	Before tax 2017 \$M	Tax expense 2017 \$M	Net of tax 2017 \$M
Re-measurement of defined benefit liability	2	(1)	1	3	(1)	2

### 8.3 Reconciliation of effective tax equivalent rate

	2018 \$M	2017 \$M
Surplus for the year attributable to parent entity	650	645
Total income tax equivalent expense	281	275
<b>Surplus before income tax equivalent expense</b>	<b>931</b>	<b>920</b>
Income tax equivalent using the Group's tax equivalent rate (30%)	280	276
Non-taxable income	(1)	(1)
Adjustment in respect of previous year	2	-
<b>Effective tax equivalent expense</b>	<b>281</b>	<b>275</b>

## Note 9: Trade and Other Receivables

	2018 \$M	2017 \$M
<b>Current</b>		
Trade and other receivables (Note a)	232	223
Provision for impairment losses	(4)	(2)
	<b>228</b>	<b>221</b>
<b>Non-current</b>		
Pensioner rates deferrals (Note b)	19	18
	<b>19</b>	<b>18</b>
<b>Total trade and other receivables</b>	<b>247</b>	<b>239</b>

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

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

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

## Note 10: Property, Plant and Equipment

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

Comparative figures for 2017 are as follows:

	Cost 2017 \$M	Accumulated Depreciation 2017 \$M	Carrying Amount 2017 \$M
System Assets	20,289	5,430	14,859
Land and Buildings	824	144	680
Support Assets	330	217	113
Works in Progress	1,146	-	1,146
<b>Carrying amount of property, plant and equipment</b>	<b>22,589</b>	<b>5,791</b>	<b>16,798</b>

### Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below.

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

Comparative figures for 2017 are as follows:

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

### Leased Assets - Mundaring Water Treatment Plant

In 2012, the Group entered into an arrangement that is not in the legal form of a lease, but is accounted for as a lease based on the terms and conditions of the arrangement (see Note 12). The net carrying amount of the capitalised leased assets as at 30 June 2018 was \$231 million (2017: \$239 million).

## Note 11: Intangible Assets

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

Comparative figures for 2017 are as follows:

	Cost 2017 \$M	Accumulated Amortisation 2017 \$M	Carrying Amount 2017 \$M
Computer software	263	222	41
Intellectual property	2	2	-
Water entitlement	31	-	31
Property easements	6	1	5
<b>Total intangible assets</b>	<b>302</b>	<b>225</b>	<b>77</b>

### Reconciliations

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

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

Comparative figures for 2017 are as follows:

	Computer Software 2017 \$M	Intellectual Property 2017 \$M	Water Entitlement 2017 \$M	Property Easements 2017 \$M	Total 2017 \$M
Balance at 1 July 2016	36	2	31	6	75
Additions	-	-	-	-	-
Derecognitions	-	(2)	-	-	(2)
Amortisation expense	(18)	-	-	-	(18)
Transfer from works in progress (Note 10)	23	-	-	(1)	22
<b>Balance at 30 June 2017</b>	<b>41</b>	<b>-</b>	<b>31</b>	<b>5</b>	<b>77</b>

### Impairment test for water entitlements

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



## Note 12: Interest-bearing Loans and Borrowings

	2018 \$M	2017 \$M
<b>Current</b>		
Unsecured:		
Western Australian Treasury Corporation Working Capital Facility	-	46
Finance lease liabilities (Note b)	9	8
	<b>9</b>	<b>54</b>
<b>Non-current</b>		
Unsecured:		
Western Australian Treasury Corporation Term Fixed Rate Lending (Note a)	3,841	3,636
Western Australian Treasury Corporation Term Floating Rate Lending (Note a)	2,069	1,964
Finance lease liabilities (Note b)	222	231
	<b>6,132</b>	<b>5,831</b>
<b>Total interest-bearing loans and borrowings</b>	<b>6,141</b>	<b>5,885</b>

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

The non-current amount of the Term Fixed Rate Lending of \$3,841 million (\$2017: \$3,636 million), includes \$879 million (2017: \$872 million) that will become due and payable during the 2018-19 year. The non-current amount of the Term Floating Rate Lending of \$2,069 million (\$2017: \$1,964 million), includes \$500 million (2017: \$500 million) that will become due and payable during the 2018-19 year. It is the Corporation's expectation that these amounts will be refinanced under contractual arrangements in place with the Western Australian Treasury Corporation, rather than repaid, and therefore they are not recognised as current borrowings. This is supported by:

- An agreement with the Western Australian Treasury Corporation, an entity owned by the Western Australian State Government, where the Corporation's borrowings are refinanced at regular intervals between 2018 and 2028; and
- The approval of the Corporation's forecast borrowing requirements for the next four years, including no requirement for repayment of the amounts classified as non-current above, within the 2018 Western Australian State Budget.

### Note b) Finance lease liabilities

Finance lease liabilities are payable as follows:

	2018 \$M	2017 \$M
Less than one year	9	8
Between one and five years	32	34
More than five years	190	197
	<b>231</b>	<b>239</b>

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

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

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

## Note 13: Deferred Tax Equivalent Liabilities

### 13.1 Recognised deferred tax equivalent assets and liabilities

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

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

Comparative figures for June 2017 are as follows:

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

### 13.2 Movement in temporary differences during the year

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

Comparative figures for June 2017 are as follows:

	Balance 1 July 16 \$M	Recognised in income \$M	Balance 30 June 17 \$M
Property, plant and equipment	306	(14)	292
Provisions	(45)	2	(43)
Other items	6	(9)	(3)
	<b>267</b>	<b>(21)</b>	<b>246</b>

## Note 14: Provisions

	2018 \$M	2017 \$M
<b>Current</b>		
Site restoration	1	3
<b>Non-current</b>		
Workers' compensation	1	1
Site restoration	16	10
	<b>17</b>	<b>11</b>
<b>Total provisions</b>	<b>18</b>	<b>14</b>

Reconciliations of the carrying amount of provisions for 2018 are set out below:

	Workers' Compensation \$M	Site Restoration \$M	Total \$M
Carrying amount at 1 July 2017	1	13	14
Provisions made (reversed) during the year	-	4	4
Carrying amount at 30 June 2018	<b>1</b>	<b>17</b>	<b>18</b>

### Provision for site restoration

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

## Note 15: Employee Benefits

The provision for employee benefits comprises:

	2018 \$M	2017 \$M
<b>Current</b>		
Long service leave	47	49
Annual leave	35	30
Other employee benefits	3	2
Defined benefit superannuation (Note a)	3	1
	<b>88</b>	<b>82</b>
<b>Non-current</b>		
Long service leave	5	2
Defined benefit superannuation (Note a)	36	41
	<b>41</b>	<b>43</b>
<b>Total employee benefits</b>	<b>129</b>	<b>125</b>

### Note a) Defined benefit superannuation

The Group sponsors the following defined benefit plans:

- State Superannuation Pension Fund (Pension Scheme), which closed to contributory members on 15 August 1986; and
- Gold State Superannuation Scheme (GSSS) lump sum scheme, which was opened to contributory members on 1 July 1987 and closed on 29 December 1995.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Re-measurements of the net defined liability, which comprise actuarial gains and losses, are recognised immediately in Other Comprehensive Income. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate, used to measure the defined benefit obligation at the beginning of the annual period, to the net benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plans are recognised in profit or loss.

### Nature of the benefits provided by the Schemes

*Pension Scheme* - The employer-financed benefit is a pension benefit payable on retirement, death or invalidity, or a lump sum benefit on resignation.

*GSSS* - Some former Pension Scheme members transferred to the GSSS. In respect of their transferred benefit, the members receive a lump sum benefit at retirement, death or invalidity which is related to their salary during their employment and indexed during any deferral period after leaving public sector employment.

### Description of the regulatory framework

The schemes operate under the *State Superannuation Act 2000 (Western Australia)* and the *State Superannuation Regulations 2001 (Western Australia)*. Although the schemes are not formally subject to the Superannuation Industry (Supervision) (SIS) legislation, the Western Australian government has undertaken (in a Heads of Government Agreement) to operate the schemes in accordance with the spirit of the SIS legislation. As exempt public sector superannuation schemes (as defined by the SIS legislation), the schemes are not subject to any minimum funding requirements. As constitutionally protected schemes, the schemes are not required to pay tax.

### Description of other entities' responsibilities for the governance of the Schemes

The Government Employees Superannuation Board (GESB) is the Schemes' Trustee and is responsible for the governance of the Schemes. As Trustee, GESB has a legal obligation to act solely in the best interests of Scheme beneficiaries. GESB has the following roles:

Administration of the Schemes and payment to the beneficiaries when required in accordance with the Scheme rules;

Compliance with the Heads of Government Agreement referred to above.

### Description of risks

There are a number of risks to which the Schemes expose the Group. The more significant risks relating to the defined benefits are:

- Legislative risk - The risk is that legislative changes could be made which increases the cost of providing the defined benefits.
- Pensioner mortality risk - The risk is that pensioner mortality will be lighter than expected, resulting in pensions being paid for a longer period.
- Inflation risk -
  - *Pension Scheme* - The risk that inflation is higher than anticipated, increasing pension payments, and the associated employer contributions.
  - *GSSS* - The risk that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, and/or that inflation (which affects the indexation of deferred benefits) will be higher than assumed, increasing the defined benefit amounts and the associated employer contributions.

### Description of significant events

There were no Scheme amendments affecting the defined benefits payable, curtailments or settlements during the year.

### Reconciliation of the net defined benefit liability

	2018 \$M	2017 \$M
Pension Scheme	32	34
GSSS	7	8
<b>Net defined benefit liability</b>	<b>39</b>	<b>42</b>

## Reconciliation of the defined benefit obligation

	2018 \$M	2017 \$M
Present value of defined benefit obligations at beginning of the year	42	48
Current service cost	-	-
Interest cost	1	1
Actuarial (gains)/losses arising from changes in financial assumptions	(2)	-
Actuarial (gains)/losses arising from liability experience	-	(4)
Benefits paid	(2)	(3)
<b>Present value of defined benefit obligations at end of the year</b>	<b>39</b>	<b>42</b>

## Fair value of scheme assets

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

## Significant actuarial assumptions at the reporting date

	2018	2017
<i>Assumptions to determine start of year defined benefit obligation and defined benefit cost for the current year</i>		
Discount rate (pensioners and active members)	2.3%	2.3%
Expected salary increase rate	1.5% for 2017/18, 1.1% for 2018/19, 1.0% for 2019/20, and then 3.7% pa	2.5% for 2016/17, 2.5% for 2017/18, 2.5% for 2018/19, and then 3.5% pa
Expected pension increase rate	2.5%	2.5%
<i>Assumptions to determine defined benefit obligation at the valuation date</i>		
Discount rate (pensioners and active members)	2.6%	2.3%
Expected salary increase rate	1.5% for 2018/19, 1.5% for 2019/20, 1.5% for 2020/21, and then 4.2% pa	1.5% for 2016/17, 1.1% for 2017/18, 1.0% for 2018/19, and then 3.7% pa
Expected pension increase rate	2.5%	2.5%

The discount rate is based on the Government bond maturing in April 2026. 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 2018 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	2.6% pa	2.1% pa	3.1% pa	2.6% pa	2.6% pa
Pension increase rate	2.5% pa	2.5% pa	2.5% pa	2.0% pa	3.0% pa
Defined benefit obligation (\$M)	32	35	30	30	35



## 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	2.6% pa	2.1% pa	3.1% pa	2.6% pa	2.6% pa
Salary increase rate	4.2% pa	4.2% pa	4.2% pa	3.7% pa	4.7% pa
Defined benefit obligation (\$M)	7	8	7	7	8

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 2019 are \$3m.

### Maturity profile of defined benefit obligation

*Pension Scheme* - The weighted average duration of the Group's defined benefit obligation is 15.6 years.

*GSSS* - The weighted average duration of the Group's defined benefit obligation is 2.8 years.

## Note 16: Other Liabilities

	2018 \$M	2017 \$M
<b>Current</b>		
Developers' deferred liabilities (Note a)	13	8
Deposits	5	9
	<b>18</b>	<b>17</b>
<b>Non-current</b>		
Developers' deferred liabilities (Note a)	18	21
Deposits	4	3
	<b>22</b>	<b>24</b>
<b>Total other liabilities</b>	<b>40</b>	<b>41</b>

### Note a) Developers' deferred liabilities

Developers' deferred liabilities are the amounts payable to developers as reimbursements for the costs of headworks, constructed under Developer Constructed Work Agreements, where developers have self-funded the construction of certain headworks to enable a development, at a time that was earlier than planned by the Group.

## Note 17: Equity

### 17.1 Contributed equity

	2018 \$M	2017 \$M
Owner's initial contribution (Note a)	7,327	7,327
Equity contributions (Note b)	234	234
	<b>7,561</b>	<b>7,561</b>

#### Note a) Owner's initial contribution

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

#### Note b) Equity contributions

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

#### Dividends

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

	2018 \$M	2017 \$M
Interim dividend payment	513	479
Final dividend payment for the prior year	15	4
	<b>528</b>	<b>483</b>

## Note 18: Reconciliation of Cash Flows from Operating Activities

### 18.1 Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash includes cash on hand and in banks.

Cash held at bank earns interest at rates determined by the Department of Treasury. For the year ended 30 June 2018, the average interest rate was 2.0% (2017: 2.0%).

The Group's exposure to interest rate risk for financial assets and liabilities is disclosed in Note 25.

## 18.2 Reconciliation of cash flows from operating activities

	2018 \$M	2017 \$M
<b>Surplus for the year</b>	<b>650</b>	<b>645</b>
Gain on disposal of assets	(2)	(1)
Derecognised assets	12	12
Developers' contributions (non-cash)	(60)	(84)
Capitalisation of interest expense	(15)	(13)
Impairment loss on receivables	2	-
Employee benefits:		
Superannuation	(2)	(5)
Long service leave	1	(2)
Annual leave	6	(1)
Provisions:		
Site restoration - net	4	1
Depreciation and amortisation	496	487
GST paid for property, plant and equipment	50	44
Increase in trade and other receivables	(11)	(17)
Decrease in income tax equivalent	(18)	(41)
Decrease/(increase) in inventories	2	(2)
Increase in trade and other payables and other liabilities	3	31
<b>Net cash from operating activities</b>	<b>1,118</b>	<b>1,054</b>

## Note 19: Auditor's Remuneration

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

	2018 \$'000	2017 \$'000
Audit of financial reports	302	304

## Note 20: Related Parties

### Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. This comprises all Ministers, the directors and the general managers who lead the various groups of the Group. The Group is not obligated to compensate the Minister for Water and therefore disclosures in relation to the Minister's compensation are not disclosed in this report but they are included in the *Annual Report on State Finances*.

The compensation paid to key management personnel during the year comprised:

	2018 \$'000	2017 \$'000
Short-term employee benefits	3,493	2,927
Post-employment benefits	301	304
Other long-term benefits	115	132
Termination benefits	164	-
	<b>4,073</b>	<b>3,363</b>

## Other Transactions with Key Management Personnel and Related Entities

Related parties of the Group include:

- all Ministers, their close family members and their controlled or jointly controlled entities;
- all directors, general managers, their close family members and their controlled or jointly controlled entities;
- Western Australian government departments and public sector entities, including related bodies included in the whole of government consolidated financial statements;
- associates and joint ventures, that are included in the whole of government consolidated financial statements; and
- the Government Employees Superannuation Board (GESB).

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

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

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

	Transaction value year ended	
	2018 \$M	2017 \$M
<b>Transactions with Department of Treasury, Department of Finance and Western Australian Treasury Corporation</b>		
<b>Receipts</b>		
Department of Treasury – Operating Subsidies	409	464
Western Australian Treasury Corporation		
- Proceeds from borrowings	1,348	665
- Foreign currency	-	2
<b>Payments</b>		
Department of Treasury		
- Dividends	528	483
- Income tax equivalent	300	316
- Local government rates equivalent	7	6
Department of Finance		
- Payroll tax	20	18
- Vehicle leases and stamp duty	-	34
Western Australian Treasury Corporation		
- Repayment of borrowings	1,084	466
- Interest on borrowings	201	204
- Guarantee fees	40	38
- Purchase of foreign currency	-	2
<b>Other Western Australian Government Related Entities</b>		
<b>Payments</b>		
Government Employees' Superannuation Board	13	14
Synergy	9	18
Horizon Power	12	13
Western Power	11	7

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

## Note 21: Operating Leases

### 21.1 Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2018 \$M	2017 \$M
Less than one year	9	8
Between one and five years	14	14
More than five years	4	1
	<u>27</u>	<u>23</u>

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

During the financial year ended 30 June 2018, \$9 million was recognised as an expense in the Consolidated Statement of Comprehensive Income in respect of non-cancellable operating leases (2017: \$12 million).

A review of the Corporation's lease contracts during the current financial year concluded that payments made in relation to renewable energy supply arrangements are entirely variable as they are dependent on production that varies with weather conditions. The minimum lease payments under these arrangements are therefore nil. During the financial year ended 30 June 2018 contingent rental expenses of \$27 million (2017: \$25 million) in relation to the renewable energy supply arrangements were recognised as an expense in the Consolidated Statement of Comprehensive Income. The Group has restated the comparative amounts in the above note.

### 21.2 Leases as lessor

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

	2018 \$M	2017 \$M
Less than one year	6	7
Between one and five years	11	12
More than five years	11	10
	<u>28</u>	<u>29</u>

The Group leases out property under operating leases.

During the financial year ended 30 June 2018, \$8 million was recognised as rental income in the Consolidated Statement of Comprehensive Income (2017: \$9 million).

## Note 22: Capital Commitments

Total capital expenditure contracted for at reporting date but not provided for in the consolidated financial report is \$280 million (2017: \$338 million).

## Note 23: Contingent Liabilities

Currently the Group is a party to, or is potentially affected by a number of legal claims. Until proceedings relating to these claims are finalised, uncertainty exists regarding the impact, if any, on the operations of the Group.

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

The following identifiable contingent liabilities exist at 30 June 2018:

	2018 \$M	2017 \$M
Bank guarantees (Note a)	12	10

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

## Note 24: Subsequent Events

There have been no events subsequent to balance date which would have a material effect on the Group's financial statements at 30 June 2018.



## Note 25: Financial Instruments

### 25.1 Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Group's exposure to each of the above risks, objectives, policies and processes for measuring and managing risk, as well as quantitative disclosures.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group has a disciplined and constructive control environment in which all employees are clearly advised of their roles and obligations.

The Corporation's Audit and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit and Compliance Committee is assisted in its oversight role by the Risk and Assurance Branch, which undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Corporation's Audit and Risk Committee.

### 25.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Management has a credit policy in place and the exposure to credit risk is monitored on a regular basis. The credit risk on financial assets, which have been recognised on the statement of financial position, other than cash and other financial assets is generally the carrying amount, net of any impairment loss for doubtful debts. Most receivables relating to water service charges are the responsibility of and are recoverable from the owner of the property. Under legislation, the Group may lodge and register a memorial and appropriate endorsements on the title of properties in arrears, which when in place restricts any instrument affecting that property from being registered without the Group's consent. Other receivables are regularly reviewed and allowance is made for debts deemed to be doubtful.

The Group has established an allowance for impairment that represents its estimate of incurred losses in respect to trade and other receivables and comprises individually significant exposures.

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

#### **Exposure to credit risk**

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

	2018 \$M	2017 \$M
Cash and cash equivalents	26	10
Trade and other receivables (Note 9)	247	239
	<b>273</b>	<b>249</b>

The Group is not materially exposed to any individual customer.

#### **Impairment losses**

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

	Gross 2018 \$M	Impairment 2018 \$M	Gross 2017 \$M	Impairment 2017 \$M
Not past due	191	-	187	-
Past due 0-30 days	24	-	21	-
Past due 31-60 days	8	-	6	-
Past due 61-90 days	4	-	4	-
More than 90 days	24	4	23	2
	<b>251</b>	<b>4</b>	<b>241</b>	<b>2</b>

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

	2018 \$M	2017 \$M
Balance at 1 July	2	2
Impairment loss recognised	2	-
Balance at 30 June	<b>4</b>	<b>2</b>

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

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

During the year ended 30 June 2018, the Group renegotiated the terms of trade and other receivables of \$29 million (2017: \$29 million) from customers. If it had not been for these renegotiations, the receivables would have been overdue by more than 90 days. There was no impairment loss recognised this financial year (2017: nil).

The allowance account, in respect of trade and other receivables, is used to record impairment losses, unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the amounts considered irrecoverable are written off against the financial asset directly. At 30 June 2018, the Group does not have any collective impairments on its trade and other receivables (2017: nil).

### 25.3 Liquidity risk

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

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

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

At 30 June 2018, the current liabilities of the Corporation exceeded its current assets by \$172 million (2017: \$281 million). The Corporation will meet its current liability obligations, as and when they fall due for payment, by refinancing the debt, under contractual arrangements in place with the Western Australian Treasury Corporation (see Note 12).

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

For 2017/18, the borrowing limit was set at \$5,956 million (2017: \$5,722 million) for the repayment of maturing debt and ongoing capital expenditure. Included in the limit of \$5,956 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 (2017: \$80 million) to assist with cash flow management.

As at 30 June 2018, \$5,910 million was drawn under the total debt facility (2017: \$5,646 million), including \$nil (2017: \$46 million) of Working Capital Facility. The remaining amount available under the total debt facility, with the relevant approval was \$46 million (2017: \$76 million). For 2018/19, the facility limit has initially been set at \$6,006 million (2017: \$5,927 million) providing available borrowings of \$96 million up to 30 June 2019.

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

### Exposure to liquidity risk

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

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

30 June 2017	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
<b>Non-derivative financial liabilities</b>							
Trade and other payables	359	(359)	(359)	-	-	-	-
Interest-bearing loans and borrowings:							
- WATC liquidity facility	-	-	-	-	-	-	-
- WATC working capital facility	46	(46)	(46)	-	-	-	-
- WATC Term Floating Rate Lending	1,964	(2,075)	(482)	(76)	(534)	(983)	-
- WATC Term Fixed Rate Lending	3,636	(4,499)	(273)	(269)	(521)	(1,424)	(2,012)
	<b>6,005</b>	<b>(6,979)</b>	<b>(1,160)</b>	<b>(345)</b>	<b>(1,055)</b>	<b>(2,407)</b>	<b>(2,012)</b>

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

## 25.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

The Group enters into derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out in line with risk management policies. Generally, the Group seeks to apply hedge accounting in order to manage volatility in surplus or deficit.

### 25.4.1 Currency risk

The Group makes purchases that are denominated in currencies other than Australian dollars. The currencies in which these transactions primarily are denominated in are Euro and USD.

In accordance with risk management policies, non-material exposures to an aggregate value of \$200,000 for any one project may be left unhedged. At any one time, unhedged exposures in a specific foreign currency cannot exceed an aggregate value of \$500,000 and unhedged exposures in all foreign currencies cannot exceed an aggregate value of \$1,000,000.

The Group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from reporting date. When necessary, forward exchange contracts are rolled over at maturity.

The Group has no material exposure to foreign currency risk.

### 25.4.2 Interest rate risk

The Group is exposed to interest rate risk through financial assets and financial liabilities and adopts a policy of ensuring the majority of its exposure to changes in interest rates on borrowings is on a fixed rate basis.

#### Profile

At reporting date the interest rate profile of the Group's interest bearing financial instruments was:

	2018 \$M	2017 \$M
<b>Fixed rate instruments</b>		
WATC Working capital facility	-	46
WATC Term Floating Rate Lending (interest rate fixed for 3 or 6 months)	2,069	1,964
WATC Term Fixed Rate Lending (Note a)	3,841	3,636
	<b>5,910</b>	<b>5,646</b>

Note a) Structured into 40 lines spread over 40 quarters (10 years), with one fortieth of the portfolio maturing each quarter, refinanced at an interest rate fixed for 10 years.

#### Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through surplus or deficit, and the Group does not designate the forward points component of derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at reporting date would not affect equity.

#### Cash flow sensitivity analysis for fixed rate instruments

Borrowings under the Term Fixed Rate Lending facility are structured into various lines of 10 year debt, with maturities staggered quarterly. Of the total \$3,841 million under the Term Fixed Rate Lending facility, \$379 million will mature in the next 12 months and will be refinanced at interest rates fixed for 10 years. Borrowings under the Term Floating Rate Lending facility are structured into various debt lines, with maturities between 2 years and 5 years. Interest rates under the Term Floating Rate facility are reset every 3 months or 6 months. Of the total \$2,069 million under this facility, \$500 million will mature in the next 12 months, with interest rates fixed for either 3 months or 6 months. A change of 100 basis points in interest rates at the reporting date would have increased or decreased interest expense (before capitalised interest) by \$18 million. This analysis assumes that all other variables remain constant.

## 25.5 Fair values

### Fair values versus carrying amounts

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

	Carrying Amount 2018 \$M	Fair Value 2018 \$M	Carrying Amount 2017 \$M	Fair Value 2017 \$M
<b>Assets carried at amortised cost</b>				
Cash and cash equivalents	17	17	10	10
Trade and other receivables	250	250	241	241
<b>Liabilities carried at amortised cost</b>				
Trade and other payables	328	328	359	359
Interest-bearing loans and borrowings:				
- WATC working capital facility	-	-	46	46
- WATC Term Floating Rate Lending	2,069	2,084	1,964	1,981
- WATC Term Fixed Rate Lending	3,841	4,011	3,636	3,834
<b>Liabilities carried at fair value</b>				
Other forward exchange contracts	-	-	-	-

The basis for determining fair values is disclosed in Note 28.20.

### Interest rates used for determining fair value

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

	2018	2017
Interest-bearing loans and borrowings	2.0%-3.1%	1.6%-3.3%

## 25.6 Fair value hierarchy

The Group does not hold assets or liabilities that are required to be valued under the fair value hierarchy.

## Note 26: Controlled entities

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

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

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

In 2017-18, the third party contractors were paid a margin of \$8 million while the service entities were reimbursed for costs incurred in providing services. Of this \$8 million margin, \$5 million is included in Other expenses (see Note 6(c)) and \$3 million has been capitalised in property, plant and equipment.



## Note 27: Parent Entity Disclosures

	2018 \$M	2017 \$M
<b>Result of parent entity</b>		
Surplus for the period	650	645
Other Comprehensive income	1	2
<b>Total comprehensive income for the period</b>	<b>651</b>	<b>647</b>
<b>Financial Position of parent entity at year end</b>		
Current assets	274	260
Non-current assets	17,211	16,893
<b>Total assets</b>	<b>17,485</b>	<b>17,153</b>
Current liabilities	1,326	541
Non-current liabilities	5,578	6,155
<b>Total liabilities</b>	<b>6,904</b>	<b>6,696</b>
<b>Total equity of the parent entity comprising:</b>		
Contributed equity	7,561	7,561
Accumulated surplus	3,020	2,896
<b>Total equity</b>	<b>10,581</b>	<b>10,457</b>

### Parent entity contingent liabilities

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

### Parent entity capital commitments

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

## Note 28: Significant Accounting Policies

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

### 28.1 Principles of consolidation

#### 28.1.1 Business combinations

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

#### 28.1.2 Controlled entities

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

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

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

## 28.2 Revenue

- (a) Revenue from annual service charges and volume charges is recognised in the Consolidated Statement of Comprehensive Income at the amounts levied and billed for the period, including interest on overdue amounts, less rebates/concessions allowed to entitled customers. Revenue also includes an estimate for the value of water consumed but not billed at reporting date.
- (b) Operating Subsidies are recognised as revenue when there is reasonable assurance that they will be received and the Corporation has complied with the conditions attached to them. Operating Subsidies are received from the State Government for:
- costs in respect of country water, sewerage, drainage and irrigation services;
  - infill sewerage program; and
  - revenue foregone, plus agreed administration costs, from rebates and concessions to Pensioners, Seniors and various exempt bodies on annual service charges, water consumption charges and other fees and charges.
- (c) Developers' contributions are recognised as revenue at fair value when received. The Corporation receives capital contributions from external parties in the form of either assets or cash. These are commonly referred to as Developers' Contributions and consist of:
- headworks contributions - developers are required to make standard contributions towards the cost of headworks necessary to provide reticulation services within a subdivision;
  - handover works - as a condition of subdivision, developers are required to provide water, and in most areas sewerage services, to individual blocks. These services are connected to the existing system and handed over to the Corporation free of charge;
  - work performed for developers - as an alternative to developers arranging for the installation of reticulation services, the Corporation may be requested to provide these with the developer paying the cost at an agreed quotation; and
  - notional capital surcharge - companies supplied water through special agreements are required to make additional capital payments if they exceed the quota of water they have paid for.

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

## 28.3 Leases

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

### 28.3.1 Finance leases

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

### 28.3.2 Operating leases

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

## 28.4 Net finance costs

### 28.4.1 Finance income

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

### 28.4.2 Finance costs

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

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

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

## 28.5 Income Tax equivalent

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

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

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

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

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

In determining the amount of current and deferred tax equivalent the Group takes into account the impact of uncertain tax positions and whether additional tax equivalents and interest may be due. The Group believes that its accruals for tax equivalent liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax equivalent liabilities; such changes to tax equivalent liabilities will impact tax equivalent expense in the period that such a determination is made.

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

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

## 28.6 Cash and cash equivalents

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

## 28.7 Trade and other receivables

Trade and other receivables are stated at their amortised cost less provision for impairment losses (see Note 28.11) and are normally settled within 30 days.

## 28.8 Inventories

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

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

## 28.9 Property, plant and equipment

### 28.9.1 Recognition and measurement

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

- (a) works carried out under the capital investment program, which are initially recorded at cost. Cost includes direct materials and labour together with a proportion of management expenses directly related to bringing the asset to its working condition, and capitalisation of interest directly attributable to major works with an estimated cost greater than \$5 million;
- (b) works carried out by developers, which are taken over by the Group free of charge are recorded at deemed cost, being the fair value at the date of acquisition; and
- (c) other property, plant and equipment, which are initially recorded at cost of acquisition plus incidental costs directly attributable to the acquisition.

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see Note 28.9.3) and impairment losses (see Note 28.11).

### 28.9.2 Subsequent costs

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

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

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

### 28.9.3 Depreciation

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

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

	<b>Life (years)</b>
Tunnels - water	150
Dams and associated civil works	120
Pipes - water and wastewater (other than galvanised steel)	75 - 110
Ocean outfalls and associated pipes	40 - 100
Bridges (other than timber)	50 - 80
Reservoirs and tanks	50 - 70
Fire hydrants and reticulation valves	50 - 55
Civil works - pump stations and treatment plants	50
Buildings (other than temporary)	30 - 50
Pipes - water (galvanised steel)	30
Drains and channels	20 - 30
Wells and bores	20 - 30
Mechanical and electrical installations	25
Telemetry equipment, instruments and revenue meters	10
Furniture, office and laboratory equipment	7
Vehicles and mobile plant	3 - 7
Computer equipment	3 - 5

## 28.10 Intangible assets

### 28.10.1 Computer software

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

### 28.10.2 Water entitlements

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

### 28.10.3 Amortisation

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

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

Intangible assets are amortised over the following useful lives:

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

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

## 28.11 Impairment

### 28.11.1 Financial assets

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

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

The Group considers evidence of impairment for financial assets at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Financial assets that are not individually significant are collectively assessed for impairment by grouping together financial assets with similar risk characteristics.

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

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

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

### 28.11.2 Non-financial assets

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

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

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

## 28.12 Trade and other payables

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

## 28.13 Interest-bearing borrowings

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

## 28.14 Provisions

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

### 28.14.1 Insurance

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

### 28.14.2 Workers' compensation

The Group self-insures for risks associated with workers' compensation for claims relating to pre 1 July 1997 events. Outstanding claims are recognised when an incident occurs that may give rise to a claim and are measured at the cost that the Group expects to incur in settling the claims, discounted using a government bond rate with a maturity date approximating the terms of the Group's obligation.

### 28.14.3 Site restoration

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

## 28.15 Employee benefits

### 28.15.1 Long service leave and annual leave

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

The value of long service leave and annual leave is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and are discounted using the rates attached to the Commonwealth Government bonds at reporting date which have maturity dates approximating the terms of the Group's obligations.

### 28.15.2 Purchased leave

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

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

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

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

### 28.15.3 Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

### 28.15.4 Non-monetary benefits

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

## 28.16 Foreign currency transactions

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



## 28.17 Derivative financial instruments

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

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

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

### 28.17.1 Cash flow hedges

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

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

## 28.18 Goods and services tax

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

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

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

## 28.19 New standards and interpretations not yet adopted

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

### 28.19.1 AASB 9 Financial Instruments

AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from AASB 139. Based on the work performed thus far, this new standard is not expected to have a material impact to the Group's consolidated financial report.

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

### 28.19.2 AASB 15 Revenue from Contracts with Customers

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

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

### **28.19.3 AASB 16 Leases**

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

### **28.19.4 AASB 1058 Income of Not-for-Profit Entities**

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

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

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

### **28.19.5 AASB 1059 Service Concession Arrangements: Grantors**

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

AASB 1059 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted.

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

## **28.20 Determination of fair values**

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

### **28.20.1 Derivatives**

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

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

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

### **28.20.3 Finance lease liabilities**

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

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

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

## **28.21 Comparatives**

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

# Directors' declaration



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

- (a) the consolidated financial statements and notes are in accordance with the *Water Corporations Act 1995*, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance, for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

**Michael Hollett**  
Chairman

**Sue Murphy**  
Chief Executive Officer

Perth, 22 August 2018

# Auditor General's report



To the Parliament of Western Australia

## WATER CORPORATION

### **Opinion**

I have audited the financial report of Water Corporation and its controlled entities (the Group), which comprises the Consolidated Statement of Financial Position as at 30 June 2018, the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

### **Basis for Opinion**

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Group in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Responsibility of the Directors for the Financial Report**

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of the Group.

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

The objectives of my audit are to obtain reasonable assurance about whether the financial report as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.



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

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

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

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

This auditor's report relates to the financial report of the Group for the year ended 30 June 2018 included on the Corporation's website. The Corporation's management is responsible for the integrity of the Corporation's website. This audit does not provide assurance on the integrity of the Corporation's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial report. If users of the financial report are concerned with the inherent risks arising from publication on website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.



CAROLINE SPENCER  
AUDITOR GENERAL  
FOR WESTERN AUSTRALIA  
Perth, Western Australia  
22 August 2018







