



Owned by the
people of WA.

Annual Report

2022

Think climate change.
Be waterwise.



Reduced rainfall accelerated by climate change and increasing demand, means Perth and Peel require a new major water source.

ABOUT THIS REPORT

The 2021-22 Annual Report is a review of our performance for the financial year ended 30 June 2022.

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

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

The objective of this report is to provide our customers, community, stakeholders, and our owner, the Western Australian Government with information about our operational and financial performance and our contribution to the State's economy for the 2021-22 financial year.

To provide feedback on this report, please email
corporate.comms@watercorporation.com.au

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

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

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

OUR YEAR AT A GLANCE

Safe for all



300
Mental Health
Champions

3,500
COVID-19
care packs
distributed



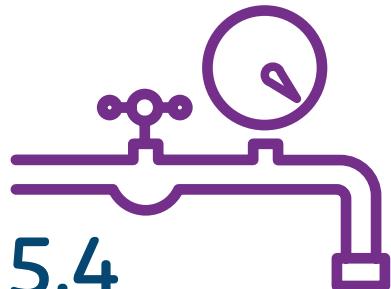
10 million litres
of water carted
during Great
Southern
Region
bushfires



14
safety
outcomes
from the
Big Breakfast
roadshow



Lowest
total cost



5.4
billion litres
of water saved
through our leak
detection program



229
million
invested
in regional
projects

648
million
invested
in capital
works

5,138
customers

supported through
financial care
programs



Lowest
environmental
impact



Net zero
by 2035
commitment

Groundwater
Replenishment
Scheme capacity
doubled to

28 billion
litres
a year



73%
solid waste
recovered
for reuse



151ha
of voluntary
revegetation
.....
144ha
cleared

Satisfied customers



388 billion litres of water supplied

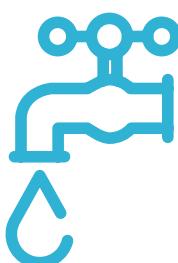


819,031

Customer contacts responded to (across phone, email, social, webchat)

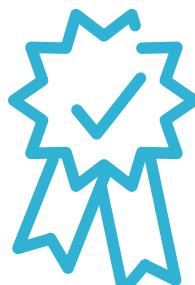


1,167,415



properties connected to water statewide

26



Local Governments reached Waterwise Gold status

Value for WA communities



2,364 boys enrolled in WA Clontarf academies

7,924 students participated in a Water in Aboriginal Culture education session



11

Kimberly Community Grants awarded

28

Drainage For Liveability projects since 2016

Supportive workplace



334

young people started their career



3



cultural immersion sessions



36%

of leadership roles are women



Around **80** employees marched in Pride event

Chair's report



It is with great pleasure I present Water Corporation's 2021-22 Annual Report.

I would like to congratulate and acknowledge the ongoing commitment and achievements of Water Corporation's employees during the year, particularly its focus on maintaining essential water services as the state transitions to living with COVID-19.

I've seen first-hand, the genuine passion from employees in their contributions and their dedication to the day-to-day business of delivering critical services across the state.

As the challenges of climate change escalate, none more so than here in WA, building a rainfall-independent water supply is critical to securing a reliable water supply for all Western Australians.

But, crucially, it must also be sustainable. Aligning with the *Western Australian Climate Policy*, I am delighted we committed in June to a new, earlier net zero greenhouse gas target across all operations by 2035. This is in addition to meeting the new government emissions reduction target of 80 per cent below 2020 levels by 2030, and for all electricity needed for government operations to be from local renewable sources by 2030.

As part of this key commitment, our proposed Alkimos Seawater Desalination Plant (ASDP) and Perth's two existing desalination plants will be renewably-powered.

This means Water Corporation will competitively procure up to 400 megawatts of additional renewable wind energy for desalination plants, as we move towards a more sustainable future.

Alkimos Seawater Desalination Plant will be the next major source for our state's water future. This will allow us to meet growing demand across Perth, Peel and parts of the South West and Goldfields - while also supporting future economic development.

As part of the state's infrastructure strategy, the 100 billion litres-a-year plant will be delivered in two stages, with the government setting aside \$1.4 billion enabling the first 50 billion-litre stage expected by 2028.

In regional WA, we delivered multiple projects to enhance water security and quality for our communities. This included multi-million-dollar

investments in new water pipelines between Albany to Denmark and Greenbushes to Kirup. We also invested in a \$25.7 million program to improve water quality in Murchison using a treatment process called electrodialysis reversal. Another notable achievement was the completion of the \$29 million upgrade to the Vasse Diversion Drain, a critical component of Busselton's flood mitigation.

Across the year, the Board worked with the business to set a new vision and refreshed strategy for Water Corporation, Thrive2035.

This important work sets a platform for the business between now and 2035 to build upon the significant progress already achieved in some areas and move into new areas, so we continue to manage water services sustainably to make WA a great place to live and invest.

I am privileged to stand alongside my fellow Board members to help guide Water Corporation's corporate and strategic focus. Thank you to my fellow directors, Chief Executive Mr Pat Donovan, Mrs Gningala Yarran-Mark, Ms Helen Creed, Dr Carla Boehl, Deputy Chair Mr David Lock, whose term was extended a further two years, and newly appointed member, Ms Janine Freeman, for their support and expertise.

Mr Ross Holt stepped down from the Board after his term expired earlier this year and I would like to thank him for his valuable contributions to the Board and Water Corporation across his term.

On behalf of the Board, I would also like to thank the Minister for Water, Hon. Dave Kelly MLA, and all Water Corporation employees for their dedication and resilience in supporting our customers and communities this last financial year.

Finally, I look forward to working with Pat and the Executive Team in the year ahead to deliver on Thrive2035, our vision for the future of Western Australia's water supply. I have absolute confidence in their ability to meet the challenges and deliver the best results for our customers, so our people, our communities and our state can thrive.

Ross Love
Chair

Chief Executive Officer's report



Reflecting on the achievements of the past year, I am reminded how proud I am of our people's commitment to delivering safe, sustainable water services to Western Australia.

The past year saw us rise to meet many challenges, including widespread bushfires and the evolving nature of the COVID-19 pandemic.

Arguably, the most pressing challenge facing water security in WA is climate change compounded by streamflow decreasing some 80 per cent since the 1970's. Nowhere is this issue more pronounced than in the southern areas of the state.

While the challenge of climate change is undeniable, there is considerable opportunity for us to move towards a more sustainable, lower carbon future. Recently, Water Corporation announced an accelerated pathway towards net zero greenhouse emissions across our operations by 2035. This will see us build on environmental achievements by procuring more renewable energy, reducing or offsetting our emissions, increasing water reuse and supporting better ecological outcomes for our diverse communities.

An example of this commitment is the new Alkimos Seawater Desalination Plant. This was announced by Premier Mark McGowan MLA and Water Minister Dave Kelly MLA in June 2022. This rainfall-independent plant will be fully powered by renewable energy and provide an additional 100 billion litres of drinking water to our growing state. This is a project of enormous social and economic importance, ensuring water security and quality for the future.

In December 2021, we formed a new Reconciliation Action Plan (RAP) committee to lead the next chapter in our reconciliation journey. I'm pleased to report we have increased the value of contracts awarded to Aboriginal businesses by 60 per cent in the last financial year.

The ongoing COVID-19 pandemic has caused significant change and disruption. Despite this, we continued to support each other, and our state. I am heartened to see more than 300 of our employees trained to provide wellbeing support through our Mental Health Champions program. Pleasingly our employee engagement scores reflected more than 80 per cent of our staff are proud to work for Water Corporation.

I am thrilled to close out the financial year by announcing our long-term strategy, called Thrive2035, which is underpinned by a vision for our people, communities and state to thrive. This strategy engrains innovation, safety, customer value and sustainability across all our daily operations. It also focuses on making Water Corporation a great place to work, where our people enjoy what they do, feel included, are motivated to bring their best selves to work, and thrive in all they do.

As we look to the future, Thrive2035 charts a course for what is to come. We will rise to the challenge of stretching beyond our current goals in the pursuit of better outcomes for our people, customers and communities.

In closing, I would like to thank Water Minister, Hon. Dave Kelly MLA, and his staff for their support across the past year. Thank you also to our Board Chair, Mr Ross Love and my fellow Directors, the Executive Team and all our valued employees.

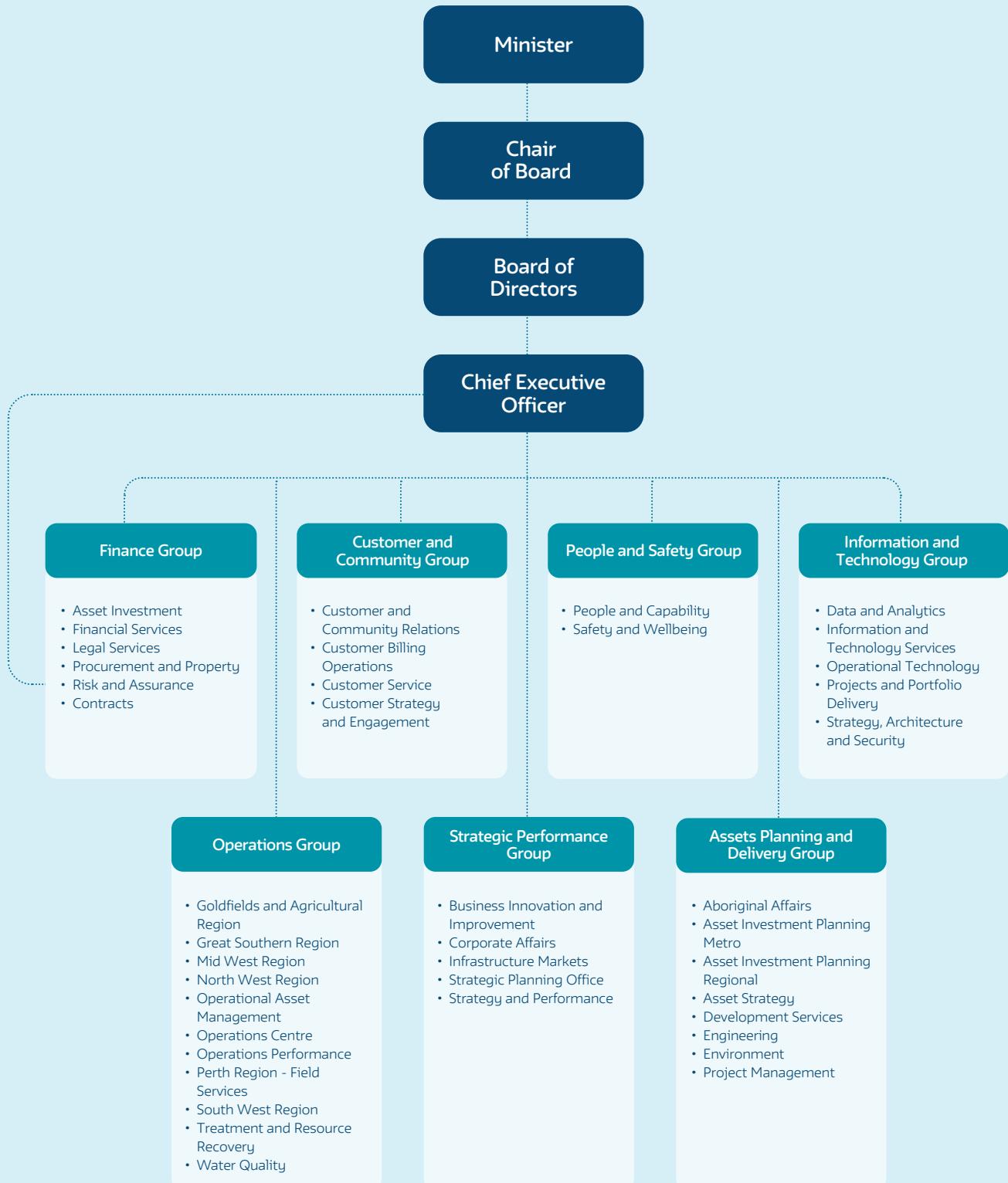
I look forward to the coming year with optimism, as we continue to position our people, community and state to thrive.

Pat Donovan
Chief Executive Officer

CORPORATE SNAPSHOT

Noongar Elder Neville, guiding our employees through an On Country experience at Canning Dam

Organisational structure





Our Pilbara based employee Jessica in front of the Karratha tank mural

Organisational profile



OUR PURPOSE

We exist to sustainably manage water services
to make WA a great place to live and invest.

Water Corporation is the principal supplier of water, wastewater, drainage and bulk irrigation services to hundreds of thousands of homes, businesses and farms across Western Australia. Directly employing over 3,822 people, we provide a high level of expertise and a strong commitment to our customers, community and state.

We manage \$44 billion (replacement value) of assets to deliver water services across 2.6 million square kilometres.

As we continue to feel the impacts of climate change, we have adapted. We are working with government, partnering with businesses and supporting the community to take action and secure our water future.

OUR VALUES

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



OUR VISION

Deliver greater value for our customers, community and owner by ensuring our operations are safe for all, with the lowest environmental impact and at the lowest total cost.

Safe for all

Our people and the community want our products, assets and operations to be safe for all, as no one should suffer harm from our business.

Lowest total cost

Our customers and government want us to deliver services they value, at the lowest whole-of-life cost, while keeping bills affordable and contributing back to the state.

Lowest environmental impact

Our community and government want us to reduce the impact our operations have on our environment to preserve it for future generations.



One-year targets



| Core KPIs and one-year targets | 2021-22 Target | 2021-22 Actual |
|--|----------------|----------------|
| Outcome 1: Continue to satisfy customers when we interact with them achieving a high performing score when surveyed | | |
|  Voice of Customer experience (score) | 8.00 | 8.30 |
| Outcome 2: Keep total cost per property as low as possible over six years | | |
|  Total cost per property (\$) | 2,012 | 2,076 |
| Outcome 3: Create a workplace that reflects the diversity in Western Australia (including women in leadership) and continuously strengthen our commitment to reconciliation, equity and Aboriginal engagement in the ways in which we operate | | |
|  Workplace diversity targets achieved - women in leadership (% and number of) | 36.0%, 64 | 34.3%, 61 |
|  Aboriginal and Torres Strait Islander employment (% and number of) | 6.0%, 220 | 5.3%, 201 |
|  Contracts >\$50K awarded to Aboriginal suppliers (%) | 3.20% | 5.10% |
| Outcome 4: Demonstrate advanced health and safety practices by 2024-25 | | |
|  Public drinking water advisories (number of) | 0 | 0 |
|  Total Recordable Injury Frequency Rate (rate) | 2.2 | 3.8 |
| Outcome 5: Support the Government to deliver Waterwise Perth Action Plan | | |
|  Support the Government to deliver Waterwise Perth Action Plan (number of Water Corporation's actions completed on time) | 10 | 10 |
| Outcome 6: Achieve net zero carbon emissions by 2035* | | |
|  Reported greenhouse gas emissions (kilotonnes CO ₂ equivalent) | N/A | 645 |
| Outcome 7: Increase the percentage of materials recovered from solid waste over six years | | |
|  Material recovered - solid waste (%) | 73% | 78% |

*Target updated in 2022



From the left: Mrs Gningala Yarran-Mark, Ms Helen Creed, Dr Carla Boehl, Mr Ross Love, Mr David Lock, Mr Pat Donovan and Ms Janine Freeman.
Photo Credit: Csfoto-Christian Sprogøe

Board profiles



Mr Ross Love

**Chair
BA Hons, MPA2, ADP**

Mr Ross Love has retired after 25 years with the Boston Consulting Group where he was most recently Managing Partner for New York. Prior to that, he held a number of positions in the WA Government, including Chief of Staff to the Premier, between 1990-93. Mr Love's experience bridges both corporate and government sectors, including airlines and airports, commuter rail, retail and resources. His focus has been on strategy development and execution, including large-scale organisational transformations. He is currently the Chairman of Fremantle Ports and non-executive director of Tellus Holdings and the Hopeland Foundation New York.

Appointed 22 September 2020, term expires 31 December 2022.

Member: People & Safety Committee

Mr David Lock

**Deputy Chair
BComm (UNSW), CA, FAICD**

Mr David Lock is the Chairman of Faculty of Business and Law at Curtin University, Odeum Produce Pty Limited and the Audit and Risk Committee at Water Corporation. He is a non-executive director of CBH Group, Interflour Group in Singapore and a Board member of the Board of Trustees for the Marine Stewardship Council. Mr Lock held Managing Director roles in public and private Australian food and agribusiness companies from 2004, prior to taking on a portfolio career in December 2017. He also held managerial positions with PriceWaterhouseCoopers

in Australia, Canada and the UK. In 2012, he was named NAB Agribusiness Leader of the Year and in 2013 he won the Australian Export Heroes Award. Mr Lock brings significant finance skills to the board, as well as a deep understanding of the Australian agribusiness industry. He was previously Chairman of Australian Pork Limited, the West Australian Meat Industry Authority, the Food Industry Association of Western Australia, Mareterram Limited, Sea Harvest Australia Pty Ltd and a director of Food, Fibre and Land International Pty Limited.

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

Chair: Audit and Risk Committee

Mr Pat Donovan

**Chief Executive Officer
Bachelor of Engineering (BA BAI) Mechanical Engineering (Trinity College, Dublin), FIEAust, GAICD**

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

Mr Donovan has qualifications in engineering and finance and has completed an Ivey Business Executive Program at Western University in Canada. Mr Donovan is also a Board member of the Water Services Association of Australia. He has a proven track record of leading customer-focussed business strategies and achieving sustained commercial success and business growth.

Appointed 1 January 2019, term expires December 2023.

Board profiles



Dr Carla Boehl

FIEAust CPEng GAICD

Dr Boehl is a civil engineer with international work experience who moved to Australia in 2006 to work as a water engineer. Dr Boehl then specialised in asset management and worked in industries such as rail and mining. She is currently employed as Manager of Asset Strategy and Planning at the Fremantle Port Authority and is an Associate at Curtin University's WA School of Mines. Dr Boehl is also currently Chair of the Asset Management Council WA and Fellow member of Engineers Australia.

Appointed 1 January 2021, term expires 31 December 2023.

Member: Audit and Risk Committee.

Ms Helen Creed

Helen Creed is a Senior Sessional Member on the State Administrative Tribunal. Ms Creed brings considerable experience as the former executive director of the Community Legal Centres Association of WA and has held senior positions with the Western Australian Council of Social Services, Department of Communities, and Department of Consumer and Employment Protection. Ms Creed is also the Chair of Regional Early Education and Development Inc and the Victoria Park Youth Accommodation, as well as a Board member for the Gaming and Wagering Commission.

Appointed 7 April 2021, term expires 19 April 2024.

Member: People & Safety Committee

Mrs Gningala Yarran-Mark

MBL LLB Bsc

Gningala Yarran-Mark is an experienced Board director, focused on education and Aboriginal health governance. Following an early legal career she moved into commercial roles in large engineering and contracting firms, as the leader of Aboriginal engagement, coordination and liaison with BHP Iron Ore (Port Hedland); Sinclair Knight Merz working on the Rio Tinto Expansion Project; Jacobs and currently United Group Ltd. Mrs Yarran-Mark's current role with UGL leads significant internal cultural change across

workforce, supply chain and procurement partnerships. Mrs Yarran-Mark's experience in managing external stakeholder relations gave her exposure to native title and the sensitivities around Traditional Owner aspirations as well as in-depth working knowledge of the execution and implementation of Reconciliation Action Plans.

Mrs Yarran-Mark has a deep understanding of diversity, cultural competencies, change management and stakeholder relationships and currently holds the position of Aboriginal Engagement Manager, UGL as well as being a Board director on the Edith Cowan University Council.

Appointed 12 November 2019, term expires 30 September 2022.

Chair: People & Safety Committee

Ms Janine Freeman

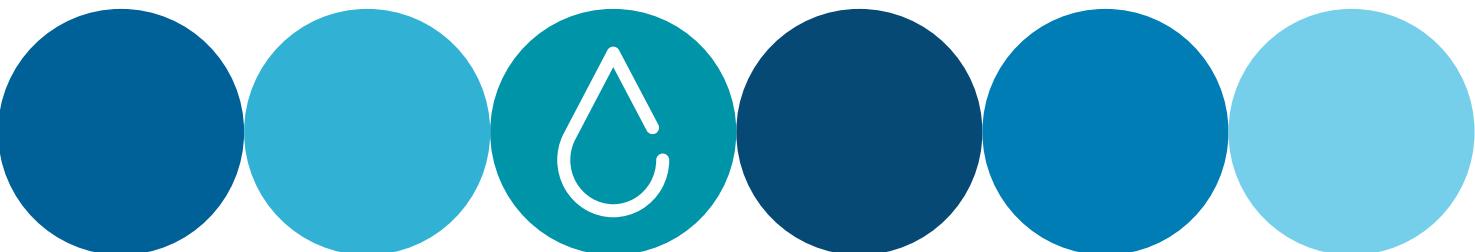
BEc, GradDipOH&S, CertIVFinServices, GAICD

Janine Freeman is a social equity advocate and former WA Member of Parliament who proudly served her diverse community for 13 years as the Member for Mirrabooka. Ms Freeman has spent her career representing working people and their families including the role of Assistant State Secretary of UnionsWA. Ms Freeman has extensive board and committee experience joining her first board in 1993, was Chair WA Legislative Assembly Education and Health Committee, has been a Member of the WA WorkCover Board, and Deputy Chair of the industry superannuation fund, HESTA.

Ms Freeman is the current independent Chair of Fair Food WA and the State Emergency Relief Committee (auspiced by Western Australian Council of Social Service), Anglicare WA Board Member and serves on the Health Department's Sustainable Health Independent Oversight Committee. Ms Freeman is also a Board member of Anglicare WA, a Member Director of the Government Employees Superannuation Board and Trustee of Trades Hall.

Appointed 9 March 2022, term expires 31 December 2024.

Member: Audit and Risk Committee.





Executive profiles



Chief Financial Officer

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

General Manager Assets Planning and Delivery

Mr Evan Hambleton – Term commenced April 2019
BEng (Hons), MBA, GAICD

General Manager Customer and Community

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

General Manager Information and Technology

Matt Coleman – Term commenced May 2021
BEng

Ms Elise Vervetjes – Term commenced April 2020 – May 2021
BBusEcon, GradCert PubMgmt, M.GenMgmt, GAICD

General Manager Operations

Mr Barry Ford – Term commenced December 2019
BEng, MBA, GAICD

General Manager People and Safety

Ms Fiona Smith – Term commenced November 2019 – December 2021
BEcon, GradCert PubSecMgmt

General Manager Strategic Performance

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

Key capital projects



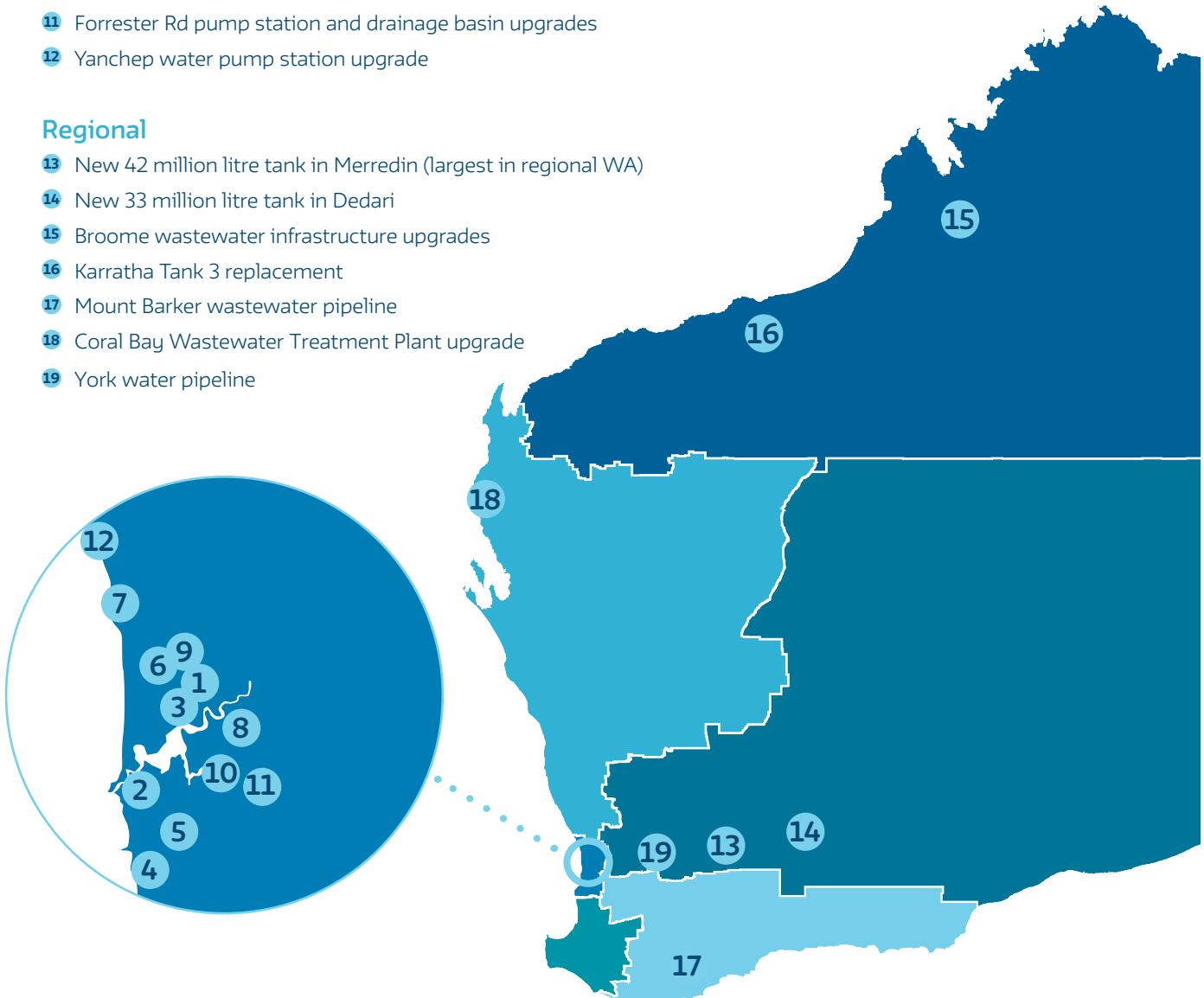
Our capital investment program for 2021-22 totalled \$648 million.
Key projects completed and underway are highlighted below.

Metro

- ① Pipes for Perth - Beaufort Street
- ② Pipes for Perth - East Fremantle
- ③ Pipes for Perth - Kings Park
- ④ Meadow Springs wastewater upgrade
- ⑤ Mundijong water pipeline
- ⑥ Wangara wastewater pipeline
- ⑦ Mindarie wastewater upgrades
- ⑧ Wastewater pump station electrical upgrades
- ⑨ Wangara to Landsdale wastewater upgrades
- ⑩ Piara Waters wastewater upgrades
- ⑪ Forrester Rd pump station and drainage basin upgrades
- ⑫ Yanchep water pump station upgrade

Regional

- ⑬ New 42 million litre tank in Merredin (largest in regional WA)
- ⑭ New 33 million litre tank in Dedari
- ⑮ Broome wastewater infrastructure upgrades
- ⑯ Karratha Tank 3 replacement
- ⑰ Mount Barker wastewater pipeline
- ⑱ Coral Bay Wastewater Treatment Plant upgrade
- ⑲ York water pipeline





Artist: Ms Pickett (Yamatji, Noongar)

"Water is running through the Golden Pipeline, from Mundaring Weir to Kalgoorlie. And road is running through all different scenery travelling from Perth to Kalgoorlie. We got the ocean, green grass, Wheatbelt and the Goldfields."

Financial highlights



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

Our surplus for 2021-22 was influenced by solid revenue receipts from our core activities and significantly higher levels of land development and building activity as a direct result of the Federal and State Governments' Homebuilder and Building Bonus packages designed to drive economic activity in the residential building industry.

The results featured total revenue of \$3.1 billion but lower overall returns to the State Government of -\$15 million due to the Government's decision for us to retain the interim dividends that were forecast to be paid in 2021-22.

Our operating business delivered a surplus of \$879 million.

Operating revenue increased by 4.2 per cent primarily due to a rise in service charges, water consumption and higher operating subsidies received from the Government for the provision of non-profitable services – offset by lower government grants.

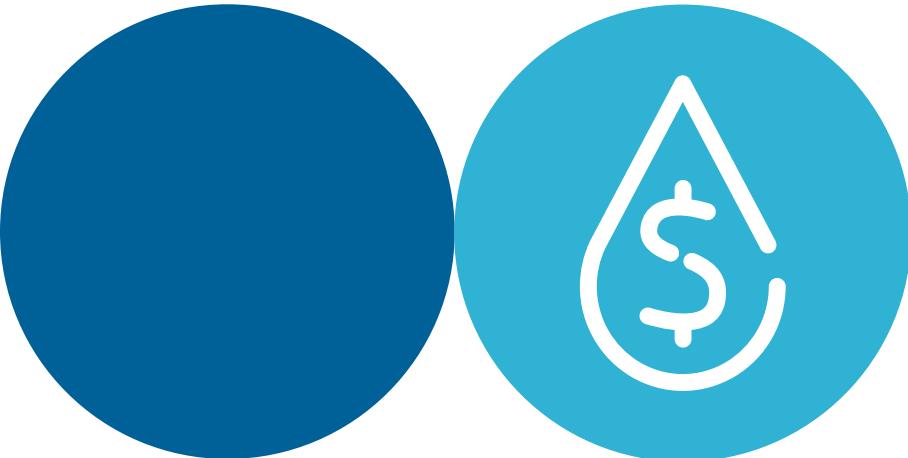
Contributions from land developers towards infrastructure for new housing developments added a further \$204 million. These contributions were received either as cash (\$144 million) or infrastructure handed over such as pipeline and pumps (\$60 million).

Total expenditure increased by 6.6 per cent to \$1.8 billion, reflecting the cost of operating and maintaining our increasing and diverse infrastructure. The increase also included costs associated with the increased liability to cover the Southern Seawater Desalination Plant (SSDP) renewable energy certificate (RECs) requirements, combined with a change in accounting treatment of cloud computing costs, also referred to Software as a Service (SaaS) arrangements. Our total cost per property increased by 4.2 per cent and our operating costs per property increased by 12.4 per cent. Despite these rises we remain one of the lowest cost businesses in the Australian water industry for large scale supply.

Over the year, we repaid \$398 million of fixed borrowings.

Investing in infrastructure

We invested \$648 million in new capital projects to expand our water infrastructure. Our capital investment program benefits the community and leverages off a wide range of local private sector partners to assist us in our construction, maintenance, and operations activities. In doing so, we employ, both directly and indirectly, a significant number of Western Australians. The capital investment program for 2021-22 included \$292 million spent on our water business, \$173 million on our wastewater business with the remainder on a range of programs including irrigation, drainage, and facilities management.



| Net accrual to government | | | | | | |
|---------------------------|---------|---------|---------|---------|---------|---------|
| \$million | 2021-22 | 2020-21 | 2019-20 | 2018-19 | 2017-18 | 2016-17 |
| Dividend | - | 642 | 4 | 605 | 528 | 483 |
| Tax equivalents | 392 | 369 | 373 | 360 | 289 | 304 |
| Operating subsidy | (519) | (469) | (431) | (420) | (409) | (464) |
| NATG | (127) | 543 | (54) | 545 | 408 | 323 |

Summary of performance

| | Units | 2021-22 Projected | 2021-22 Actual |
|--|------------|----------------------|-------------------|
| Financial outcomes | | | |
| Operating surplus before income tax | | | |
| Operating business | \$m | 1,088 | 1,051 |
| Developer asset handover before tax | \$m | 34 | 60 |
| Developer cash contributions before tax | \$m | 100 | 144 |
| Operating surplus after income tax | | | |
| Operating business | \$m | 762 | 736 |
| Developer asset handover after tax | \$m | 24 | 42 |
| Developer cash contributions after tax | \$m | 70 | 101 |
| Capital expenditure (including capitalised interest) | \$m | 712 | 648 |
| Borrowings taken repaid | \$m | 375 | (357) |
| Financial performance measures | | | |
| Return on equity | % | 7.0 | 7.2 |
| Return on assets | % | 7.3 | 7.0 |
| Debt to total assets ratio | % | 32.2 | 29.8 |
| Accruals to government ⁽¹⁾ | | | |
| Indirect tax equivalents | \$m | 8 | 8 |
| Income tax equivalents (net of deferred tax adjustments) | \$m | 371 | 385 |
| Dividends provided | \$m | - | - |
| Total | \$m | 379 | 392 |
| Payments from government | | | |
| Operating subsidies | | | |
| Country water, sewerage and drainage operations | \$m | 318 | 331 |
| Pensioner and senior concessions ⁽²⁾ | \$m | 171 | 186 |
| Metropolitan operations | \$m | 2 | 2 |
| Total operating subsidies | \$m | 491 | 519 |
| Net accrual to government | \$m | (112) | (127) |

(1) Totals may not add up due to rounding

(2) Includes pensioners and senior concessions, and concessions provided for non-rated and exempt properties.

OPERATIONAL REPORT



Operational report



As the current stewards of WA's precious water resources, the biggest challenge we continue to face is climate change.

Through research, we know our customers want us to deliver safe and secure water services, while keeping prices as low as possible.

To do this, we need to find innovative, rainfall-independent water sources and extract as much value as possible through integrated water cycle management. We are moving to renewable energy sources like wind and solar. We are also integrating the wisdom of our state's Traditional Owners to preserve our future water supply.

Through these actions, we align with the Western Australian Climate Policy and are working together to enable WA to thrive.



A tank base pour in Dedari, Goldfields

Our strategic priorities focus our efforts on caring for our customers, communities and state.

- Safe for all
- Lowest total cost
- Lowest environmental impact
- Satisfied customers
- Value for WA communities
- Supportive workplace



Safe for all



Safety is paramount. Last financial year, we have had a greater focus on uplifting performance, supporting our people's mental health, and reviewing public safety.

Maturing our internal safety culture

Safety maturity assessment

We partnered with Ernest and Young to undertake the second part of our maturity assessment. This serves to better understand the culture of the organisation when it comes to safety and wellbeing. Interviews, focus groups and questionnaires were given to over 500 employees. The assessment revealed a positive uplift in maturity when compared to the 2019 assessment. We also came out on top compared to similar companies assessed across Australia.

Growing our Mental Health Champions program

Our Mental Health Champions program has been hugely successful in raising awareness and understanding of mental health issues in the workplace. This year a further 120 Mental Health Champions were inducted into the program, bringing the total to 300 across the entire business.

Our champions are not counsellors but have sufficient training in mental health first aid to provide early support for our staff. They also run awareness and education sessions for employees to continue to promote positive mental health and wellbeing.



Mental Health Champion Marco who is based in the North West region

OUR COVID-19 SAFETY RESPONSE

We have a dedicated team in place to assist with the response to COVID-19. Over the past year, some of the high-level achievements include:

Ongoing mental health and wellbeing checks with employees who are both in the office and sick at home with COVID-19



Development of COVID-19 management procedures and work instructions



COVID-19 care-packs which included masks, antibacterial wipes and hand sanitiser (approx. 3,500 distributed state-wide)



Establishment of the seven-day-a-week COVID-19 hotline for staff to call if they are close contacts or test positive



Rapid Antigen Testing Surveillance Program for operational sites

A COVID-19 cross-collaboration network with other WA Government Trading Enterprises



A series of 'Life after COVID-19' employee sessions which were accessible by Webex

COVID-19 intelligence monitoring and reporting statistics as they relate to managing outbreaks and staff absenteeism



Implemented staff vaccination clinics associated with the mandatory vaccination requirements

The Big Breakfast

In 2020, Barry our General Manager of Operations and Tony our Head of Safety and Wellbeing embarked on a state-wide safety-focussed conversation. Over 1,500 employees across 40 different locations were consulted across the state. The conversations unpacked what is getting in the way of safer outcomes for our employees, customers, and the wider communities in which we operate. The conversations generated 14 key focus areas to concentrate on. To keep up the momentum with employees, a Big Breakfast series has now been created. Once a month breakfast is cooked for different teams across Water Corporation to talk through any progress made and felt on the ground. This method of communication has really struck a chord with great engagement and feedback from all involved.



Tony and Barry cooking a team breakfast



Great Southern resident with his livestock

Providing a safe water supply for all

The fight against bushfires

Great Southern Region

Bushfires in February 2022 in the Great Southern caused extensive damage to scheme drinking water mains, rendering them unusable between Wickepin and Dumbleyung.

A massive effort was coordinated by our teams to cart drinking water into the Dongolocking and Collanilling tanks. This involved up to eight road trains and four semi-trailers from contractors as far as Albany, Esperance and Ravensthorpe. Approximately 10 million litres of drinking water was carted during the incident response.

Around 40 farmlands customers were without water supply due to extensive water mains damage for the duration of mains repairs. Bottled water and non-drinking water were provided at key locations for basic hygiene and to sustain live stock.

Teams on the ground undertook repairs to the water mains in very hot conditions. All repairs to infrastructure were completed and drinking water supplies were back to normal operations within two weeks. We provided regular updates to Department of Health who commended the efforts of our teams in their speedy response to resume supply of safe drinking water given the degree of damage suffered to infrastructure.

Lower Great Southern District

A very severe bushfire hit the Jerramungup township on 11 February 2022. The scheme was put under immense pressure as firefighters and the community worked to control the blaze. Much of the community was evacuated. Power outages added another layer of complexity to providing water services to the town.

The Jerramungup Wastewater Treatment Plant was rendered temporarily inoperable and prevented the use of the local water source until a key piece of infrastructure could be replaced.

The contingencies put in place, including carting water via trucks, meant Jerramungup customers were only without water for a few hours. A targeted water quality monitoring program was implemented to assess the local source water over time to ensure safety to the community. This monitoring showed there were no water quality concerns and service was brought back online promptly in mid-May 2022.



Mid West students looking for leaks

Improving the quality of water in the Mid West

In Western Australia, high nitrate concentrations in groundwater are quite common. They are usually due to naturally occurring processes of plant decay that have occurred over time. Department of Health recommends that infants should not drink water with these levels of nitrate.

We've been progressively addressing high nitrate in 11 towns in the Mid West and Goldfields. This year, we completed a \$25 million project to install electrodialysis reversal (EDR) treatment plants to remove nitrate from water sources in four locations. These towns include Cue, Sandstone, Mount Magnet and Meekatharra.

EDR plants already operating in the northern Goldfields communities of Yalgoo and Wiluna have helped reduce nitrate levels in drinking water by as much as 75 per cent.

Cue's plant, like those in Mount Magnet and Meekatharra, is powered by renewable energy, reducing carbon emissions, lowering operating costs, and allowing the site to operate during network power outages.

Incident response in Laverton

Laverton's water is supplied from two sources, the Beasley bore and several bores in Wedge Pit. All bores have a high to moderate nitrate level. To meet town demand and supply water below nitrate limits, Beasley water is blended with Wedge Pit water.

Due to climate change and increased customer demand, our groundwater supply has slowly declined and nitrate concentration has increased. To ensure water security for the town, we installed and coordinated the operation of a transportable emergency reverse osmosis (RO) unit. This removes the nitrate from the Beasley Bore and is an innovative solution while longer term planning continues.



Meekatharra EDR plant

Lowest total cost



Our customers want affordable services. We continue to focus on optimising capital and operating expenditure to minimise total costs. We also continue to deliver programs to assist our most financially vulnerable customers.

COVID-19 response plan

The impacts of the global pandemic continued to disrupt our plans to build new water servicing assets (water, wastewater, drainage), as part of our capital delivery program. The pandemic created challenges to our construction material supply chains and labour shortages as our people and contractors suffered the effects of COVID-19.

We were also affected by a heated construction market which exacerbated labour shortages and drove up the costs of construction by an average of 30 per cent. Through efficient project management and a mature capital delivery program, we were able to deliver a \$648 million program of works to our community.



SUPPORTING STATE DEVELOPMENT

\$204 MILLION collected* in developer contributions

12,490 LOTS CREATED state-wide

16,913 NEW SERVICES
(meters) delivered:



15,284 residential services **1,629 non-residential developments**

*Financial contributions and assets handed over by developers



Enjoying our Splash of Colour mural in Mt Hawthorn
Photo Credit: Csfoto-Christian Sprogøe

Advanced optimisation of groundwater bores

This year, we optimised the extraction of groundwater through our Neerabup bores. The project which ran across groups of bores, enables us to comply with license restrictions while still producing water for customer demand and minimising our energy use. This capability will now be extended across the state to regional towns.



Water quality check

Supporting our customers in financial hardship

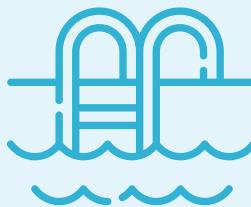
We want our customer support programs to be caring, innovative, flexible and easily accessible. This year our focus has been on evolving, improving and strengthening our support programs for customers who are struggling to pay their bills. The Customer Support Better Practice Framework by Water Services Association of Australia (WSAA) assisted us in identifying areas for improvement.

Supporting high water-use public housing tenants

Government-owned properties were retrofitted with water-efficient fixtures, such as showerheads, toilets and taps. Leaks were repaired and advice provided to help tenants make waterwise changes to their daily lives.

We expanded the program in partnership with Department of Communities (DoC) to provide practical support to high water-use public housing tenants. The 2021-22 financial year saw the program save 90 million litres of drinking water and a 20 per cent reduction in annual household water use.

This is a saving of over



100
OLYMPIC SIZED
SWIMMING
POOLS

Taking a stand against family violence

Last financial year we have supported over 270 customers experiencing family violence by offering individual case management of their accounts. These customers trust our commitment to ensuring personal and private information remains confidential. Our employees are trained to appropriately respond and support customers experiencing family violence.

Working with St Vincent de Paul

We support Vinnies by funding financial counsellors through their 'National Debt Helpline'. Financial counsellors are objective, qualified professionals trained to help people in financial difficulty. They provide information, support and advocacy at no cost for anyone in hardship. By discussing their situation with a Vinnie's Financial Counsellor, a customer experiencing hardship can be signed up for one of our debt forgiveness hardship programs within a few days.

Lowest environmental impact



Concern for the environment was one of the top issues identified by our customers in our recent Tap in 2.0 customer research report. We recognise it takes a lot of energy to supply water to the nation's largest state. And we've put just as much energy into finding new and innovative ways to reduce our environmental impact in the face of climate change.

There are many committed teams around the organisation working to achieve our net zero greenhouse gas emissions ambition by 2035.

New major source for Perth

Declining rainfall and a growing population, means WA will need a new major water source. A range of water source options were investigated since 2015 to determine the most effective and feasible long-term solution to meet growing demand.

The State Government announced the next major new source will be a seawater desalination plant at Alkimos. A desalination plant will help reduce our dependence on rainfall and groundwater, and will provide a secure,

sustainable drinking water source to the Integrated Water Supply Scheme.

Supporting the Western Australian Climate Policy (2020), we are committed to constructing and operating the Alkimos Seawater Desalination Plant (ASDP) with net zero Scope 1 and 2 greenhouse gas emissions. This means any greenhouse gas emissions produced through construction and operation of ASDP will be avoided, minimised or offset.

Water Corporation plans to competitively procure up to 400 megawatts of additional renewable energy to match the energy requirements of ASDP and existing desalination plants at Kwinana and Binningup.

Net zero Scope 1 and 2 greenhouse gas emissions is a key commitment developed to support the ongoing environmental assessment of ASDP.

At full capacity, the plant will provide 100 billion litres of drinking water per year, with the first 50 billion litre stage operational in 2028.

Under our new source development program, ASDP will be the first key step toward delivering up to 125 billion litres per year of additional supply to meet demand by 2035.

Diagram of the new seawater desalination plant in Alkimos





Treating of biosolids at our Innovation Precinct

No net clearing

Since 2019, we have voluntarily revegetated around 151 hectares (ha) to counterbalance approximately 144 ha of clearing needed to support the delivery of water and wastewater services.

During last financial year, in collaboration with the Department of Biodiversity Conservation and Attractions (DBCA), we revegetated approximately 32 ha at the former Gnangara Pine Plantation in the City of Wanneroo and approximately 50 ha at the Lakelands Nature Reserve in the Wheatbelt. Further, approximately 30 ha of Water Corporation land was revegetated at Hopetoun in the Shire of Ravensthorpe.

Driving down emissions

In 2021-22, we worked in partnership with Carbon Positive Australia to plant 145 hectares of native vegetation which will sequester approximately 11,300 tonnes of carbon dioxide equivalent (CO₂-e) over the next 100 years. This is the equivalent to our entire passenger vehicle fleet emissions during the 2021-22 financial year.

The 145 hectares of biodiverse native revegetation was undertaken at Eurardy Reserve in Nanda Country in the Shire of Northhampton. Eurardy Reserve, purchased by Bush Heritage Australia in 2005, is in the process of being registered under the Commonwealth Emissions Reduction Fund.

Carbon Positive Australia aim to restore 1,350 hectares of cleared vegetation and habitats with a mix of native trees and shrubs, impacted by decades of extensive grazing.

Renewable hydrogen project

Hydrogen is an increasingly important renewable fuel source. We have been collaborating with Hazer Group to complete their trial of new technology to convert the methane in our biogas into hydrogen and graphite.

The cutting-edge technology was developed at the University of Western Australia, using our homegrown iron ore. The technology capitalises on the waste product of biogas, made up of methane and carbon dioxide. This is released during the wastewater treatment process, as solid matter (biosolids) breaks down. While most of this renewable fuel is currently used to produce electricity for the treatment plant, the excess is usually burned off. Now it will be converted into valuable materials using an iron ore catalyst.

Despite the global COVID-19 pandemic resulting in supply chain issues and labour shortages, the project will be operational by December 2022.



Minister for Water the
Hon Dave Kelly MLA with
our CEO Pat Donovan.



Newly established pine plantation



On-farm desalination plant in Burracoppin

A greener future through carbon farming

We've partnered with the Forest Products Commission (FPC) to establish two pine plantations in the Shires of Boddington and Boyup Brook. This practical action forms part of our climate change strategy and will see FPC establish, maintain and harvest approximately 1,400 hectares of future pine plantation.

As part of our commitment to a sustainable, low-carbon future, the project will deliver over 400,000 Australian Carbon Credits Units to offset greenhouse gas emissions over the next 18 years.

WaterSmart Farms for our livestock

Lower rainfall due to climate change is impacting on-farm dams, creating unsustainable demand for scheme water. In response, we have spent more than \$3.3 million on transporting emergency water supplies to several Wheatbelt towns to support livestock watering.

For a more sustainable solution, we have adopted on-farm desalination plants in agricultural regions. The plants process salty groundwater into a suitable water supply for livestock, crop farming and other agribusiness activities.

The WaterSmart Farms project provides farmers with practical ways to improve on-farm water supply through the use of advanced technology. Farmers can use this information to respond to climate variability and make use of groundwater.

The project is a collaborative effort between Water Corporation, Department of Primary Industries and Regional Development, Murdoch University and the Wheatbelt Development Commission.



Reverse Osmosis at our Groundwater Replenishment Plant

Reducing our footprint through Innovation trials

To reduce our environmental footprint, we have been trialling the application of Continuous Electro Chlorination (CEC) on treated wastewater.

This innovation eliminates the use of hazardous chemicals. This is extremely beneficial for regional and remote locations where access to these chemicals is difficult and availability of staff trained in their safe use is limited. The trial will assess the effectiveness of CEC treatment and disinfection of treated wastewater for potential reuse applications across the state.

Water Corporation has also embarked on an ambitious extension to this project to power the pilot plant directly from solar with storage via a vanadium deep cycle battery developed by Vsun Pty Ltd.

The trial is currently underway at the Water Research and Innovation Precinct. This will determine whether solar and battery technology would be feasible for use under Western Australian conditions, with broader application across the national water sector.

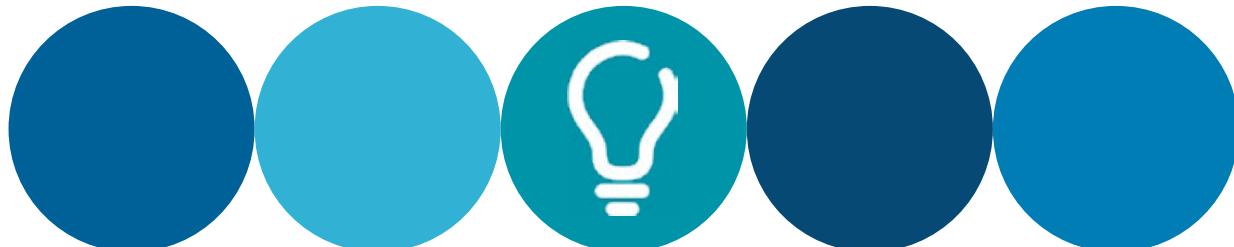
Groundwater Replenishment Stage 2

To help reduce our dependence on rainfall and secure our water supply for the future, we built Australia's first groundwater replenishment scheme in 2017. By 2028, almost 10 per cent of Perth's water supply is expected to come from groundwater replenishment. Together with desalination, climate resilient sources now make up around half of Perth-Peel's water supply.

Groundwater replenishment is an innovative concept where treated wastewater is further treated to drinking water standards and recharged into our groundwater supplies. The water can then be stored in our underground aquifers, until needed. This rainfall-independent water source doesn't rely on rainfall and can recycle large volumes of water naturally and sustainably.

Construction of the second stage of the Groundwater Replenishment Scheme is now complete and recharging has commenced. We will continue to optimise the operations and maintenance of the scheme. Feedwater capacity to the advanced water treatment facility will continue to grow over coming years, eventually producing up to 28 billion litres of water each year. This is enough to supply up to 100,000 Perth households in the future.

The \$320 million stage two expansion includes a second Advanced Water Recycling Plant, off-site recharge and monitoring bores, and a 13 km pipeline connecting the plant with the bores.





Testing DNA samples

A giant leap for spongekind

After millions of years living undetected, a freshwater sponge species has been found in Wyndham. There are only 220 freshwater sponge species recorded worldwide. This sponge is the first of its genus reported in Australia.

The sponge discovery happened at Moothalabra Dam. Water Corporation staff were investigating a technical issue at the treatment plant. After finding the organism attacking membrane filters, they sent a sample away for testing to the WA Museum. Unable to identify the genus, the WA Museum engaged experts in Italy and Germany. By using DNA samples, they found it may have originated in Gondwanaland, more than 180 million years ago!



A gemmule cut open to show the inside.
Courtesy Università Degli Studi Di Sassari.

After discussions around the globe, the species was finally given a name - *Corvospongilla moothalabrensis* named after the dam. Water Corporation is one of the largest managers of land and water in the state. This exciting discovery helps us to grow our understanding of WA's extraordinary biodiversity. We are also pleased the sponge has such good taste. Wyndham's water from Moothalabra Dam was voted the best tasting tap water in WA late 2021.

United Nations Sustainable Development Goals

As a Western Australian Government Trading Enterprise, we recognise the importance of supporting our state's contribution to United Nations Sustainable Development Goals (SDGs) objectives. The SDG's are a set of 17 integrated, indivisible and balanced global sustainable development goals. These are supported by 169 targets seeking to drive transformative steps to shift the world onto a sustainable and resilient path.

This year, Water Corporation had four key initiatives - securing water supply, the Waterwise Perth Action Plan, wastewater recycling and biosolids recovery. These underpin continuous improvement in ESG outcomes across Goals 4, 6, 9, 11, 12 and 13 for Western Australia. We continue to recognise our ability to contribute to SDG's, both directly and indirectly through partnerships with our customers, stakeholders and community.

We are especially well placed to drive goal six - clean water and sanitation - and continue to integrate sustainable outcomes into our business processes and outcomes.



United Nations (2015). Transforming our World: The 2030 Agenda for Sustainable Development. UN General Assembly A/RES/70/1

Satisfied customers



We support our customers' desire for long-term water security in the face of climate change. This year, our long-term planning efforts have steered us toward investing in climate resilient water sources, maximising recycling and educating our customers on waterwise practices.

Perth-Peel long term water planning

Last financial year, an extensive deep dive into Perth-Peel's water supply needs until 2050 was carried out. The body of work looked at every stage of the water cycle including non-drinking water, wastewater, and drainage. Varying climate change impact scenarios, population growth and regulation changes were also carefully considered.

The work offers huge insight into long term planning solutions and will drive future decisions to ensure water security for the region. A range of projects delivered through the State Government will also benefit from this planning, including identifying appropriate water supplies for urban green space in areas with limited or no groundwater availability.

For the first time, a portfolio of recycling options was also developed for industry, agriculture and green space watering.



Family at Mundaring Weir



Students enjoying our interactive incursion

School and community connection to water

Customers, businesses, and governments have a role to play in conserving our precious water resource.

Educating our future water sustainability leaders

Our Waterwise Schools interactive incursions empower young people across WA to make waterwise choices so they can have a positive impact on future water sustainability. We aim to increase awareness of the impacts of climate change on our water cycle through engaging and hands-on workshops.

Last financial year saw us expand our Water in Aboriginal Culture program to reach high school students with a new interactive incursion. The program engaged 7924 primary and high school students and received a lot of positive feedback.

Facing COVID-19 restrictions, we also continued to evolve our offering with interactive live-virtual workshops ready to deliver. Schools were provided with resource boxes and our education officers visited their students via an online platform. High school students worked together, answering questions using their devices with real-time feedback.

Sprinkler service program

We delivered a new waterwise program aimed at helping customers reduce water waste on their lawns and gardens and adapt to climate change. Between October 2021 and March 2022, customers in Perth and Peel could access a free sprinkler service conducted by a waterwise irrigator. Just under 2,000 services were delivered, and very positive feedback was provided by customers. The program was developed to help customers optimise performance of their existing irrigation system in spring, providing the maximum opportunity for gardens to remain healthy during the hot summer weather and minimise overwatering.

New look bill introduced

In November 2021, Water Corporation customers around the state received an improved new-look bill for their service charges and water use.

The new format addresses a number of common customer bill queries about the way information was presented. It features a simpler layout, prominent water use pricing tier information and logical placement of customer-friendly content.

The improved bill format was possible due to the configurable Customer Communication Management (CCM) technology implemented earlier this year.

"It was interesting, relevant and engaging. I thought that Hannah was very competent and confident with the technology, and with handling students."

Donna Hendry, Oneschool Global WA

"Hi Water Corp, thank you for your new look bill ! It is easier to understand. I do appreciate it!"

Water Corporation customer



Water Minister Dave Kelly with students and their upgraded facilities

Non-residential programs

Our Waterwise Council Program, delivered in partnership with the Department of Water and Environmental Regulation (DWER), supports local governments to improve water efficiency and help create waterwise communities. State-wide, a record 48 local governments are now endorsed as Waterwise Councils, including all 32 metropolitan local governments. Across the state, 26 local governments have achieved Waterwise Gold recognition for their commitment to developing sustainable, liveable communities and leading the way towards a Waterwise WA. City of Joondalup was awarded WA's Platinum Waterwise Council of the Year at Water Corporation's 2022 Waterwise Recognition Awards.

Water efficient public schools

Public schools across the state have benefited from waterwise advice. Over 80 schools have received water use audits and upgrades to improve water efficiency and knowledge on their grounds. Upgrades have included soil regeneration to improve irrigation efficiency, plumbing retrofits to improve the efficiency of fixtures, along with rainwater harvesting, water pump replacements, data logger installations, and irrigation audits, upgrades, and repairs.

Detecting non-visible leaks

Water Corporation has run a state-wide non-visible leak detection program to reduce water lost through leaks and extend the life of our assets.

Last financial year, approximately 5,150 kms of pipeline across the state were investigated, which resulted in almost 1,500 leaks being detected and repaired. Such discoveries have saved around 2.5 billion litres of water.

Our very own leak detection dog, Kep, again contributed to finding several leaks across WA. One very large discovery was near Wickepin. Her target scent of chlorine led her to find an estimated leak rate of over 110 litres of water per minute. This year, Kep has found around 150 leaks across the state including Great Southern, South West, Perth metro and Mid West regions. Our clever Kep also took out Silver at the RSPCA Animal Awards. Her noble award was for having the most significant impact on the life of an owner or community.



Our award winning Kep, posing for a photo

Value for WA communities



We have continued to explore collaborative opportunities to contribute to the State Government's priorities, including a strong economy, regional prosperity, a liveable environment and Aboriginal wellbeing.

Government partnerships

We have worked collaboratively with METRONET and Department of Water and Environmental Regulation (DWER) to embed waterwise outcomes and water sensitive urban design in the planning of METRONET projects. This work continues with DWER, Department of Planning, Lands and Heritage and other key policy makers to support and influence the urban form to help transition Perth transition to a leading waterwise city by 2030.

Transforming drains into green space

Last financial year, six of our drainage assets were transformed into living streams, wetlands and parks. These Drainage for Liveability initiatives improve biodiversity and create a healthier, sustainable water system for local communities. We partnered with the Town of Bassendean to transform the Mary Crescent Reserve stormwater basin into a micro wetland. Native waterwise verges now surrounding the park, provide amenity for residents and a habitat for local flora and fauna. In the long term, the wetland will also reduce groundwater use and create a cooler environment in the park.

The project won the Community Choice Award (voted by the public) at Water Corporation's 2022 Waterwise Recognition Awards. The Wharf Street Basin Next Generation Community Park in Cannington project, also won awards for Excellence in Research and Innovation, and Excellence in Infrastructure at the 2022 Stormwater WA Awards. While still operating as a stormwater basin, this site was transformed to create a space to relax in, a habitat for wildlife and an area to learn more about water. A total of 28 drainage assets have been transformed under the program since 2016.



Mary Crescent Reserve
stormwater basin

BEFORE



AFTER

our Drainage for Liveability team got to work



Clontarf students visiting Canning Dam

Seeking opportunity through partnerships

Events like Perth Royal Show, Perth Garden Festival and Open Gardens West Coast provide an opportunity to directly connect with our customers. From the merely curious to the passionate green thumbs, we provide inspiration and guidance on how to create waterwise gardens and designs. Selecting the right tree for the area and managing soil are key ingredients to reducing water use.

Climate change means we all have a role to play to protect and adapt the way we use water. Fostering waterwise behaviours in the garden is a great way the community can get involved.

These public events also help us to link in with our industry partners such as the Nursery and Garden Industry WA and the Landscape Industry Association WA to promote local council waterwise verge initiatives.



Attendee of our Royal Show stand

Clontarf Foundation partnership

Water Corporation has been proud partners with Clontarf Foundation since 2008. We help support the important work of Clontarf Academies across WA.

Their programs provide young Indigenous males with a pathway towards future meaningful employment.

We engage with Clontarf participants through hosting worksite visits, participating in employment forums, and assisting in building the employability of the students. This partnership has led to numerous employment pathways including full-time employment and students completing school-based traineeships across WA.

We are one of WA's largest employers of Clontarf Foundation Alumni students and are committed to providing training and employment opportunities to First Nation people.

This partnership supports our Reconciliation Action Plan outcomes and is a key employment channel for Aboriginal and Torres Strait Island employees at Water Corporation.



Yirra Yaakin theatre artists

Yirra Yaakin Theatre Company

Water Corporation has proudly partnered with Yirra Yaakin Theatre Company since 2012.

Their performances share the stories of Aboriginal people and celebrate Aboriginal culture through engaging theatre productions. These live celebrations promote positive cultural messages to Aboriginal and non Aboriginal communities throughout WA.

In 2022, we supported Bilya-Kaatjin which means freshwater knowledge in Noongar. This production forms part of a touring educational program which connects young people with important cultural knowledge and stories about their region.

This mutually-beneficial partnership connects our diverse cultures, history and spheres of influence to promote two-way learning and understanding. Deepening this connection forms part of our Reconciliation Action Plan.

Aboriginal supplier gathering

Since 2017, Water Corporation has hosted an annual Aboriginal Supplier gathering. These gatherings help continually develop relationships with Aboriginal suppliers, an essential part of our commitment to making a tangible contribution to reconciliation.

These gatherings offer an opportunity for us to lead a cross-industry collaboration to engage with our current Aboriginal suppliers, engage new suppliers and provide a network for collaboration. This gives us the chance to share our program of works for the financial year, explain Water Corporation processes and how suppliers can bid for contracts.

Kimberley community grants

Preserving local language through children's books, providing all abilities play equipment in Kununurra and upgrading the Broome Community Resource Centre are just some of the local initiatives supported as part of our Kimberley Community Grants Scheme.

A total of 11 not-for-profit groups received grants totalling more than \$70,000 in the last financial year, helping enhance facilities, programs, and deliver events across the region.

To fund the scheme, we produce several crops of Rhodes Grass each year on land at our Broome North Water Resource Recovery Facility using recycled water. The grass is harvested, processed into around 3,000 bales of hay, then sold to various cattle stations across the Kimberley as stock feed.

Recycled water from the facility is also used to irrigate a native tree seed bank, a project delivered in partnership with Mamabulanjin Aboriginal Corporation.



Kimberley students reading

Supportive workplace



We understand prioritising diversity and inclusion is more than a legislative requirement. It makes good business sense because our people are our greatest asset. We aim to have a workforce as diverse as the community we serve.

Flexible careers certification

We're delighted to be partnering with Work180 and have been recognised as a Flexready Certified Employer, enabling us to promote our flexible working policy. Certification is awarded to employers who demonstrate a commitment to flexible working arrangements and is provided by FlexCareers.

We believe every role can 'flex' to some degree. Our philosophy is just like water - our work and personal lives are fluid and critically impact our overall wellbeing. Moving away from a 9-5 work culture allows our employees to find a work and life balance. This initiative is strongly supported by our people, with 83 per cent of recent survey participants responding favourably to the program.

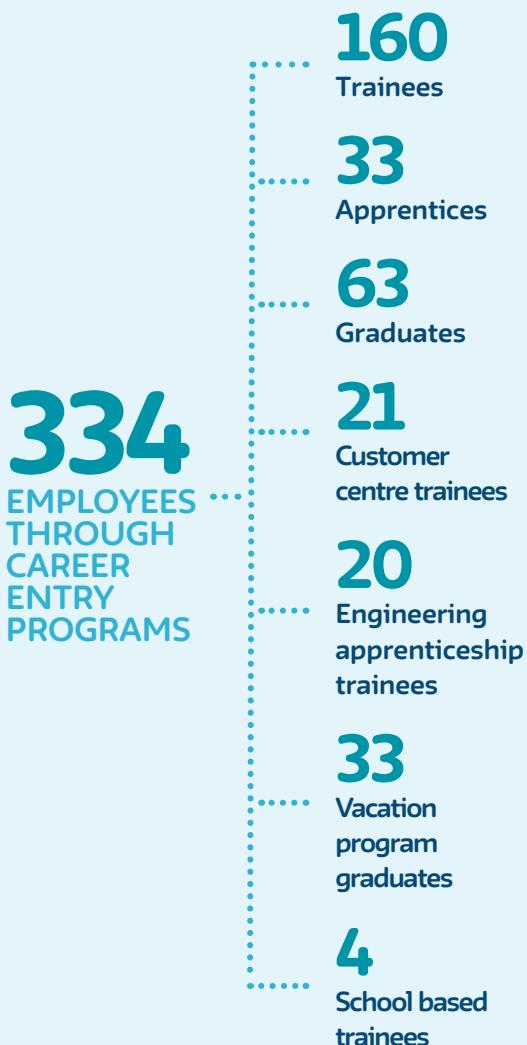


One of our team out in the field



Career Entry Programs

We continue to create opportunities for young people through our career entry programs. This year we had an increased focus on recruiting from diversity groups which include youth, women, Aboriginal participants and persons with a disability.





Celebrating our employees

Our people are the key to our success in delivering value to our customers and community. With over 500 of our people proudly claiming to come from culturally and linguistically diverse backgrounds, we have much to celebrate and be proud of. That's why we enjoy many opportunities throughout the year to acknowledge our workforce and encourage each person to bring their whole selves to work.





North West cultural immersion session

Cultural immersion

We continually look for opportunities to build relationships with Traditional Owner groups around the state. Cultural immersion sessions are one way we have successfully embedded Aboriginal culture and history into our way of working. The on-country sessions provide the opportunity for our employees to understand water conservation and land practices from Traditional Owners as they explore the land on which they operate. Truth telling is encouraged, and ancient practices explored in a two-way learning, hands on experience. Everyone involved reiterates the value they get out of such an impactful and moving experience.

Strengthening our connection with Country

Everyone at Water Corporation plays a key role in helping to build the attitudes, behaviours and curiosity that will see us lead reconciliation.

We continue to support Aboriginal empowerment through the implementation of our second Stretch Reconciliation Action Plan (RAP) 2022-24. Our RAP Committee, made up of Aboriginal and non-Aboriginal employees, promotes Aboriginal and Torres Strait Islander voices in our daily decision making and activities.

We strive to attract and retain Aboriginal and Torres Strait Islander employees and have set a stretch target of 7 per cent for 2024.

The dedicated work of our Aboriginal Employment and Development team ensures our unique pastoral care program supports a culturally safe and meaningful place to belong for future candidates and employees.

Empowering our First Nations People

Our relationship with Mamabulanjin Aboriginal Corporation in Broome and Perth based organisation Madalah Ltd are great examples of coming together to support regional communities. In 2021, we introduced the Madalah scholarship program. The scholarships were the beginning of what is becoming a strong partnership with the not-for-profit. Aboriginal students from remote and regional communities were provided the opportunity to attend WA's leading boarding schools and universities. As well as financial support, the scholarship pairs each student with a Water Corporation mentor to help them with their studies. These opportunities to develop relationships through engagement activities is crucial to provide employment and economic development initiatives.

Diversity networks groups establishment

As part of our diversity and inclusion strategy, we have created employee networks for key diversity areas. When we consider inclusion in all aspects of our work, we influence performance and create an environment where our people feel valued, safe, and welcome to be themselves. The networks are led and made up of passionate employees from across the business who share common experiences or identify as an ally to the group they represent.

Eliminating the gender pay gap

We are proud to be a leader in the industry and state as we look to ultimately eliminate the gender pay gap. Over the last six years our overall gender pay gap (base earnings) has reduced from 11.2 per cent in 2015 to 5.3 per cent in 2021.

The continuing improvement has been a result of gender equality strategies. This includes critical control points at all stages of the employment life cycle and a range of initiatives to steadily make Water Corporation a more attractive employer for women.



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 are fundamental to the sustainability of our operations and our performance.

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

The Board of Directors

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

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

Appointment of Directors

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

Appointments are typically staggered to ensure one third of the Directors retire each year. Although there is no limit on the length of time a Director may serve on the Board, sound governance practice suggests the membership of individuals should not exceed ten years. Their duties are not full-time.

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

Changes to the Board

Mr Ross Holt ceased as a Director on 9 March 2022.

Ms Janine Freeman was appointed as a Director for a term expiring 9 March 2025.

Mr David Lock was re-appointed as Deputy Chairman for a term expiring 31 December 2023.

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

Board committees

Committees of the Board that operated during the year ended 30 June 2022 were:

- Audit and Risk; and
- People and Safety.



Audit and Risk Committee

The Audit and Risk Committee was chaired by Mr David Lock and included Directors Mr Ross Holt (until 9 March 2022) Dr Carla Boehl and Janine Freeman (from 3 May 2022). 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 RSM.

Principal activities and duties

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

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

People and Safety Committee

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

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

Directors' meetings

The number of Board meetings and committees of the Board held, and the number of meetings attended by each Director during the 12 months ending 30 June 2022, are shown in the table below.

| Number of meetings held | Board | | Audit and Risk | | People and Safety | |
|--|----------|--------------------|----------------|--------------------|-------------------|--------------------|
| | Attended | Eligible to attend | Attended | Eligible to attend | Attended | Eligible to attend |
| Mr Ross Love | 12 | 12 | 0 | 0 | 3 | 4 |
| Mr David Lock | 11 | 12 | 4 | 4 | 0 | 0 |
| Mr Ross Holt ¹ | 6 | 6 | 3 | 3 | 0 | 0 |
| Mrs Gningala Yarran-Mark | 10 | 12 | 0 | 0 | 4 | 4 |
| Dr Carla Boehl | 11 | 12 | 3 | 4 | 0 | 0 |
| Ms Helen Creed | 12 | 12 | 0 | 0 | 4 | 4 |
| Ms Janine Freeman ² | 6 | 6 | 1 | 1 | 0 | 0 |
| Mr Pat Donovan (Chief Executive Officer) | 12 | 12 | 4 | 4 | 4 | 4 |

¹ Mr Ross Holt ceased as a Director on 9 March 2022

² Ms Janine Freeman was appointed as a Director on 9 March 2022

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) or that will result in a major initiative or are likely to be of significant public interest.

Ministerial directions

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

Directors' and Senior Executives' remuneration

For further disclosure of Directors' and Senior Executives' remuneration please refer to the Remuneration report on page 50.

Governance framework

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

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

Internal control

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

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

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

During the year, to ensure the independence of the audit function, the reporting line moved to the Chair of the Audit & Risk Committee from the Chief Executive Officer.

Management review and audit

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

External auditors

In accordance with the *Water Corporations Act 1995*, we must have the financial report for a financial year audited by the Auditor General. The Auditor General has outsourced the audit to RSM for a three-year term. Total auditor remuneration is shown in Note 19 to the financial statements on page 80.

Risk management

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

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

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

Performance monitoring and reporting

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

Ethical standards

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

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

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

Managing financial exposures

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

Information security management system

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

State Records Act 2000

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

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

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

Public Interest Disclosure Statement

The Public Interest Disclosures Act 2003 was enacted to protect the privacy and confidentiality of both the individual making a public interest disclosure and the subject of that disclosure. Public Interest Disclosure Officers have been appointed. Internal procedures relating to our obligations under the Act have been implemented in accordance with the guidelines provided by the Public Sector Commission. The 1 PID from the previous year was closed out during this year and 1 new PID was completed in 2021/22.

Conflicts of interest

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

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

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

Competition and Consumer Act Compliance Program

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

Freedom of information

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

During 2021-22 we received 61 access applications, of which 1 was transferred in full to another agency, 29 were provided full access, 40 were provided edited access, zero were withdrawn, 3 had access refused, zero had access deferred, documents were not found or do not exist for 6 of the applications and 1 was on hand at the end of the year.

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

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

Advertising codes

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

Reportable expenditure

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

| Advertising agency | Amount paid |
|--------------------|--------------|
| The Brand Agency | \$341,402.53 |

This includes costs associated with Think Climate Change, Be Waterwise Campaign, Tourist Towns Campaign, Waterwise Towns Campaign, Irrigation Offers Campaign, Indigenous Seasons Partnership, Autumn Garden Campaign & Winter Sprinkler Switch-off.

| Media advertising | Amount paid |
|-------------------|----------------|
| Initiative | \$252,704.08 |
| The Brand Agency | \$442,665.96 |
| Carat Media | \$1,380,100.34 |
| 303 MullenLowe | \$91,642.32 |

| Market research | Amount paid |
|-------------------|-------------|
| Painted Dog | \$224,800 |
| Metrix Consulting | \$19,100 |

Directors' report

The Directors of Water Corporation present their report for the 12 months ended 30 June 2022.

Directors

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

Mr Ross Love (Chairman)

Chairman since 22 September 2020

Mr Pat Donovan

Chief Executive Officer since 1 January 2019

Mr David Lock (Deputy Chair)

Director since 1 January 2014

Deputy Chairman since 1 January 2017 to 15 January 2020 and from 22 September 2020

Acting Chairman from 16 January 2020 to 21 September 2020

Mr Ross Holt

Director since 8 June 2016 to 9 March 2022

Mrs Gningala Yarran-Mark

Director since 12 November 2019

Dr Carla Boehl

Director since 1 January 2021

Ms Helen Creed

Director since 7 April 2021

Ms Janine Freeman

Director since 9 March 2022

Directors biographies are shown on pages 13 and 14.

Directors' meetings page 44.

Director compensation details are shown on page 50.

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 2021-22.

Dividends

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

| | Total amount \$million | Date of payment |
|-----------------|---------------------------|--------------------|
| Final 2020-21 | - | - |
| Interim 2021-22 | - | - |

Dividend declared after end of year

After the balance sheet date, the Directors have proposed a final dividend of \$14.1 million for the 2021-22 year, payable on or before 31 December 2022. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2022 and will be recognised in subsequent financial reports.

Review of operations

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

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

During the year, we supplied 388 billion litres of water and treated 175 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 People and Safety Committee and the Board, sets Executive compensation based on annual salary survey data and advice from independent remuneration sources regarding compensation practices. Specifically, fixed compensation is benchmarked against comparative industry groups in order to remain competitive in the labour market.

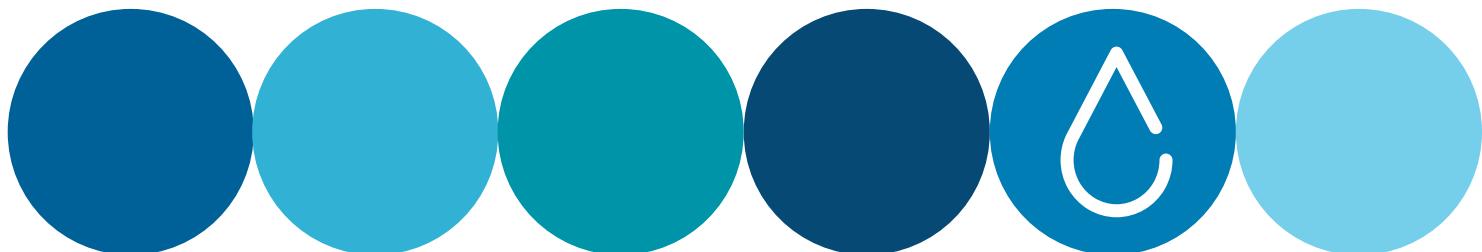
Employees in management roles, including Executives, are employed on individual employment contracts under common law and are referred to as Common Law Contract (CLC) employees. The compensation structure of CLC employees is centred on the market median for the fixed compensation for each of the identified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

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

Details of compensation provided to key management personnel

The directors during the financial year were:

| Directors | |
|----------------------|--|
| R Love | Chairman (non-executive). Appointed 22 September 2020 |
| D Lock | Director (non-executive). Appointed 1 January 2014, Deputy Chairman 1 January 2017 to 15 January 2020 and since 22 September 2020 and Acting Chairman 16 January 2020 to 21 September 2020 |
| R Holt | Director (non-executive). Appointed 8 June 2016 to 9 March 2022 |
| G Yarran-Mark | Director (non-executive). Appointed 12 November 2019 |
| C Boehl | Director (non-executive). Appointed 1 January 2021 |
| H Creed | Director (non-executive). Appointed 7 April 2021 |
| J Freeman | Director (non-executive). Appointed 9 March 2022 |
| P Donovan | Chief Executive Officer from 1 January 2019 |



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

| | | | Short-term | | Post-employment | | Long-term benefits | | Total | |
|------------------------------|------------------------|------|------------------------|------|-----------------------|------|---------------------------|------|------------|------|
| Total remuneration band (\$) | Number of Directors ** | | Salary and fees \$'000 | | Superannuation \$'000 | | Long service leave \$'000 | | \$'000 | |
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| 0-24,999 | 2 | 1 | 17 | 13 | 2 | 1 | - | - | 19 | 14 |
| 25,000-49,999 | 1 | 3 | 38 | 28 | 3 | 3 | - | - | 41 | 31 |
| 50,000 - 74,999 | 3 | 2 | 55 | 55 | 5 | 5 | - | - | 60 | 60 |
| 75,000 - 99,999 | - | 2 | - | 77 | - | 7 | - | - | - | 84 |
| 100,000-124,999 | 1 | - | 110 | - | 10 | - | - | - | 120 | - |
| 500,000 - 524,999 | 1 | 1 | 484 | 493 | 25 | 25 | - | - | 509 | 518 |

* 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 2022 | Year ended 30 June 2021 |
|-------------------------------|---|----------------------------|----------------------------|
| B Ford | General Manager, Operations | ✓ | ✓ |
| D Page | Chief Financial Officer | ✓ | ✓ |
| E Hambleton | General Manager, Assets Planning & Delivery | ✓ | |
| E Vervetjes | General Manager, Information & Technology | ✓ | ✓ |
| K Willis | General Manager, Customer & Community | ✓ | |
| M Cronin | General Manager, Strategic Performance | ✓ | ✓ |

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

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

| | | | Short-term | | Post-employment | | Other long-term benefits** | | Termination benefits | | Total | |
|------------------------------|-------------------|------|---------------|------|------------------------|------|----------------------------|------|----------------------|------|------------|------|
| Total remuneration band (\$) | Number of staff * | | Salary \$'000 | | Super-annuation \$'000 | | Long service leave \$'000 | | \$'000 | | \$'000 | |
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| 225,000-249,999 | - | - | - | - | - | - | - | - | - | - | - | - |
| 275,000-299,999 | - | - | - | - | - | - | - | - | - | - | - | - |
| 325,000-349,999 | 2 | 1 | 307 | 314 | 24 | 25 | - | - | - | - | 331 | 339 |
| 350,000-374,999 | 1 | 1 | 335 | 339 | 23 | 25 | - | - | - | - | 358 | 364 |
| 375,000-399,999 | 1 | 2 | 357 | 362 | 25 | 25 | - | - | - | - | 382 | 387 |
| 400,000-424,999 | 1 | 1 | 387 | 394 | 25 | 25 | - | - | - | - | 412 | 419 |
| 600,000-624,999 | - | - | - | - | - | - | - | - | - | - | - | - |

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

** Long service leave taken in service

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

Environmental performance

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

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

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

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

State of affairs

There were no significant changes during the year ended 30 June 2022 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 2022 and the date of the release of this report, the Directors are not aware of any matter or circumstance not otherwise dealt with in the report or financial statements that has significantly, or may significantly, affect our operations, the results of those operations, or our state of affairs in subsequent financial periods.

Director interests and benefits

In the 12 months to 30 June 2022, Directors did not receive, or become entitled to receive, any benefit (other than a benefit included in the total amount of remuneration received or due and receivable by Directors) by reason of a contract made by the Corporation with the Director, or with a firm, of which the Director is a member, or with an entity in which the Director has a substantial interest.

Indemnification of Directors

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

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



Ross Love
Chair



Pat Donovan
Chief Executive Officer



Performance summary



Performance against key indicators

| | Units | 2022 Target | Actual | | | | | | |
|--|--------|-------------|--------|-------|-------|-------|-------|--|--|
| | | | 2022 | 2021 | 2020 | 2019 | 2018 | | |
| SAFETY | | | | | | | | | |
| Public Health - Safe Drinking Water | | | | | | | | | |
| Metropolitan localities meeting requirements for E.coli | % | 100 | 100 | 100 | 100 | 100 | 100 | | |
| Metropolitan localities meeting requirements for amoebae (<i>Thermophilic Naegleria</i>) | % | 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 (<i>Thermophilic Naegleria</i>) | % | 100 | 100 | 100 | 100 | 100 | 100 | | |
| Country localities meeting requirements for health-related chemical quality | % | 100 | 100 | 100 | 100 | 100 | 100 | | |
| Country localities meeting requirements for radiological performance | % | 100 | 100 | 100 | 100 | 100 | 100 | | |
| COST | | | | | | | | | |
| ECONOMIC PERFORMANCE | | | | | | | | | |
| Financial Efficiency | | | | | | | | | |
| Operating cost per property | \$ | 817.5 | 908.1 | 807.8 | 822.7 | 748.6 | 794.0 | | |
| Total cost per property | \$ | 2,012 | 2,076 | 2,028 | 1,995 | 1,908 | 1,967 | | |
| Surplus before income tax equivalent | \$m | 1,223 | 1,255 | 1,253 | 1,148 | 1,140 | 931 | | |
| Return on assets | % | 7.3 | 7.0 | 6.8 | 7.1 | 7.1 | 6.0 | | |
| Return on equity | % | 7.0 | 7.2 | 7.3 | 7.2 | 7.4 | 6.2 | | |
| Interest cover | Times | 7.6 | 7.7 | 6.7 | 5.7 | 5.0 | 4.2 | | |
| Debt to Total Assets | % | 32.2 | 29.8 | 32.6 | 33.5 | 34.9 | 35.1 | | |
| ENVIRONMENT | | | | | | | | | |
| ENVIRONMENTAL PERFORMANCE | | | | | | | | | |
| Ecosystem Protection | | | | | | | | | |
| Overflows to Swan-Canning - conveyance system | No. | 0 | 0 | 2 | 0 | 3 | 4 | | |
| Overflows to Swan-Canning - pump stations only | No. | 0 | 0 | 0 | 1 | 0 | 0 | | |
| Energy and Greenhouse Gases | | | | | | | | | |
| Electricity consumption per unit of output for water | MWh/ML | 2.15 | 1.88 | 2.26 | 2.22 | 1.57 | 2.38 | | |
| Electricity consumption per unit of output for wastewater | MWh/ML | 0.85 | 0.81 | 0.82 | 0.84 | 0.84 | 0.91 | | |
| Total energy consumption | TJ | na | 3,559 | 4,148 | 4,023 | 3,072 | 4,105 | | |
| Reported greenhouse gas emissions (CO2 equivalent) | kT | na | 645 | 760 | 756 | 575 | 771 | | |
| Materials Use Efficiency | | | | | | | | | |
| Biosolids re-use (Perth metro) | % | 100 | 100 | 100 | 100 | 100 | 100 | | |

| | Units | 2022 Target | Actual | | | | | | |
|---|-------|-------------|--------|-------|-------|-------|-------|--|--|
| | | | 2022 | 2021 | 2020 | 2019 | 2018 | | |
| ETHICAL AND GOVERNANCE PERFORMANCE | | | | | | | | | |
| Compliance | | | | | | | | | |
| Number of legal sanctions for environmental breaches | No. | 0 | 0 | 0 | 0 | 1 | 0 | | |
| % Environment Non-Compliances Addressed | % | 95.0 | 96.9 | 94.5 | 100.0 | 96.2 | 100.0 | | |
| CUSTOMER EXPERIENCE | | | | | | | | | |
| Essential Service Provision | | | | | | | | | |
| Continuity – properties not affected by interruption > 1 hr | % | 75.0 | 71.1 | 72.4 | 75.5 | 76.1 | 76.3 | | |
| Water pressure and flow standards | % | 99.80 | 99.96 | 99.96 | 99.95 | 99.95 | 99.90 | | |
| Water quality faults responsiveness | % | 95.0 | 88.6 | 96.4 | 97.4 | 96.8 | 97.0 | | |
| Installation of new water connections | % | 90.0 | 95.9 | 97.9 | 99.1 | 99.0 | 97.4 | | |
| Properties without wastewater overflow | % | 99.80 | 99.94 | 99.9 | 99.9 | 99.9 | 99.9 | | |
| Demand-Supply Balance | | | | | | | | | |
| Number of waterwise schools ⁽¹⁾ | No. | na | na | 587 | 582 | 580 | 575 | | |
| Drought response (number of schemes on temporary restrictions) | No. | na | 0 | 0 | 1 | 0 | 0 | | |
| Water supplied per capita (Perth metro) | kL | 127 | 130 | 125 | 127 | 126 | 123 | | |
| Asset Performance | | | | | | | | | |
| Blockages per 100km of sewer | No. | 40.0 | 12.9 | 15.8 | 17 | 16.5 | 16.1 | | |
| Leaks and bursts per 100km of main | No. | 20.0 | 13.6 | 14.2 | 16.4 | 15.9 | 16.2 | | |
| Drainage systems operating in accordance with guidelines | % | 100 | 100 | 100 | 97 | 100 | 100 | | |
| STAKEHOLDER PERFORMANCE | | | | | | | | | |
| Customer service | | | | | | | | | |
| Complaints (per 1000 properties) MTD | No. | 0.4 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | | |
| Written customer complaints (responsiveness) < 15 business days | % | 90.0 | 100 | 98.1 | 92.5 | 100 | 100 | | |
| Telephone calls to '13' numbers first call resolution | % | 90.0 | 92.1 | 91.8 | 93.7 | 92.9 | 91.8 | | |
| SUPPORT FOR COMMUNITY AND STATE | | | | | | | | | |
| SOCIAL PERFORMANCE | | | | | | | | | |
| Employment and Workforce | | | | | | | | | |
| Employee initiated turnover | No. | 7.0 | 9.7 | 5.5 | 5.6 | 6.8 | 7.8 | | |
| Women in senior management - tier 2 | % | 36.0 | 33.3 | 42.9 | 42.8 | 25.0 | 28.6 | | |
| Women in senior management - tier 3 | % | 36.0 | 28.6 | 26.5 | 22.6 | 25.8 | 27.8 | | |
| People from culturally diverse backgrounds | % | 13.7 | 12.6 | 12.3 | 12.0 | 12.9 | 12.8 | | |
| Indigenous Australians | % | 6.0 | 5.3 | 4.8 | 4.6 | 3.8 | 3.5 | | |
| People with disabilities | % | 2.3 | 1.6 | 1.7 | 1.6 | 1.9 | 0.9 | | |
| Youth (15-24) | % | 5.1 | 4.7 | 3.8 | 3.8 | 3.2 | 3.1 | | |
| Total Recordable Injury Frequency Rate (TRIFR) | No. | 2.2 | 3.8 | 4.5 | 3.4* | 3.2 | 7.3 | | |
| Shareholder Accountability | | | | | | | | | |
| Responsiveness to priority one enquiries | % | 90.0 | 90.0 | 95.0 | 90.0 | 95.5 | 97.5 | | |

1) Note we no longer report on the number of Waterwise Schools.

2) TRIFR is reported for Total Workforce (including contractors) from 2019/2020 - all previous periods include Internal Workforce only"

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

Five-year statistical summary



| | Units | 2022 | 2021* | 2020 | 2019 | 2018 |
|---|--------|-----------|-----------|-----------|-----------|-----------|
| Financial data | | | | | | |
| Total Revenue | \$'000 | 3,061,511 | 2,948,499 | 2,850,305 | 2,761,367 | 2,608,254 |
| Operating Subsidy | \$'000 | 519,186 | 468,579 | 430,912 | 420,050 | 408,928 |
| Direct Operating Expenses | \$'000 | 1,093,631 | 1,021,878 | 965,671 | 873,618 | 917,991 |
| Depreciation / Amortisation | \$'000 | 532,766 | 521,427 | 516,568 | 492,575 | 495,106 |
| Net Interest Expense | \$'000 | 168,685 | 181,180 | 210,691 | 242,842 | 249,185 |
| Income Tax Expense | \$'000 | 376,646 | 359,077 | 339,685 | 353,629 | 281,254 |
| Operating Surplus After Tax | \$'000 | 878,513 | 844,996 | 807,849 | 786,591 | 649,856 |
| Transfer to / (from) Reserves | \$'000 | 0 | 0 | 0 | 0 | 0 |
| Non-Current Borrowings | \$'000 | 5,644,394 | 6,003,994 | 6,207,303 | 6,194,213 | 5,253,312 |
| New Works Investment (excluding developers take-over works) | \$'000 | 648,015 | 652,341 | 650,898 | 695,504 | 775,845 |
| Current Borrowings | \$'000 | 17,024 | 17,539 | 18,410 | 8,094 | 887,723 |
| New Borrowings | \$'000 | (356,604) | (194,350) | 0 | 70,000 | 264,000 |
| Operating Data | | | | | | |
| Water Supply Services | | | | | | |
| Annual Volume of Water Supplied | ML | 387,975 | 374,202 | 374,808 | 366,820 | 363,038 |
| Number of Properties Served | No. | 1,350,688 | 1,338,298 | 1,322,204 | 1,308,558 | 1,293,887 |
| Number of Properties Connected | No. | 1,167,415 | 1,154,501 | 1,135,221 | 1,123,748 | 1,111,464 |
| Length of Mains | km | 34,917 | 34,947 | 34,842 | 34,779 | 34,678 |
| Wastewater Services | | | | | | |
| Average Volume of Wastewater Treated Daily | ML | 480 | 466 | 452 | 452 | 448 |
| Number of Properties Served | No. | 1,103,173 | 1,091,581 | 1,076,665 | 1,065,505 | 1,052,983 |
| Number of Properties Connected | No. | 1,021,436 | 1,011,665 | 1,001,432 | 989,094 | 975,583 |
| Length of Sewers | km | 17,526 | 17,397 | 17,280 | 17,193 | 17,051 |
| Drainage Services | | | | | | |
| Number of Properties Served (Metropolitan) | No. | 430,082 | 426,592 | 421,799 | 416,253 | 411,803 |
| Length of Drains | km | 2,539 | 2,539 | 2,534 | 2,545 | 2,547 |
| Irrigation Services | | | | | | |
| Volume of Water Delivered | ML | 6,057 | 5,539 | 6,300 | 5,142 | 5,234 |
| Employees | | | | | | |
| Total number of employees | No. | 3,822 | 3,662 | 3,429 | 2,819 | 2,746 |
| Total number of full-time equivalents (FTEs) | No. | 3,627 | 3,499 | 3,277 | 2,679 | 2,609 |
| Total number of FTEs (year-end average) | No. | 3,583 | 3,421 | 2,856 | 2,637 | 2,599 |

*The Corporation has revised its accounting policy in relation to configuration and customisation costs incurred in implementing cloud computing arrangements with cloud providers. The change in accounting policy is consistent with the International Financial Reporting Standards Interpretations Committee (IFRIC) final agenda decision; Configuration or customisation costs in a cloud computing arrangement issued in April 2021. The change in accounting policy was applied retrospectively, with the accumulated impact of the change in accounting policy reflected at 1 July 2020 in the Corporation's financial statements. The figures prior to this have not been restated. Details of the restatement can be found in note 25.19 of the notes to the financial report.

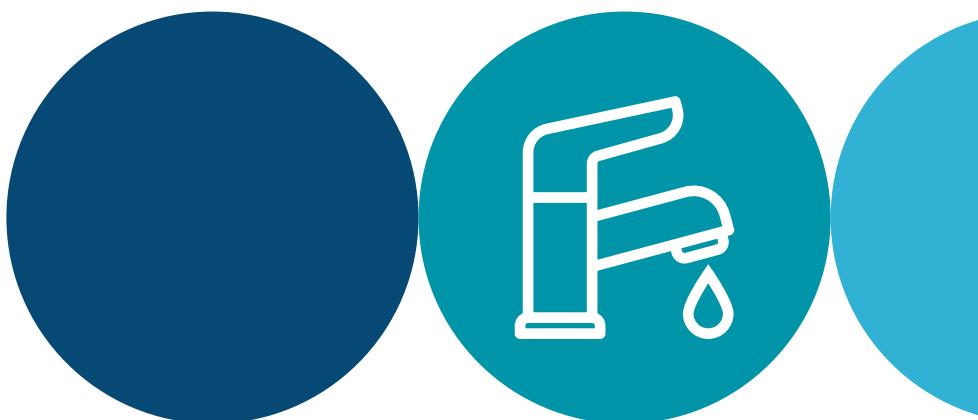
Principal statistics



| Region | Perth Metro | Mandurah- Murray | Perth Region ¹ | Goldfields & Agricultural | Great Southern | Mid- West | North -West | South- West | Total |
|--|----------------|---------------------|------------------------------|------------------------------|-------------------|--------------|----------------|----------------|------------------|
| Water supply | | | | | | | | | |
| Properties Served | 1,045,828 | 63,858 | 1,109,686 | 43,461 | 48,168 | 50,491 | 43,068 | 55,814 | 1,350,688 |
| Properties Connected | 901,396 | 54,923 | 956,319 | 39,250 | 42,662 | 42,007 | 35,796 | 51,381 | 1,167,415 |
| Water Supply Services | 773,647 | 49,543 | 823,190 | 42,945 | 41,815 | 38,377 | 29,665 | 47,429 | 1,023,421 |
| Length of Mains (Kilometres) | 14,586 | 1,219 | 15,805 | 9,649 | 4,033 | 2,138 | 1,512 | 1,781 | 34,917 |
| Water Supplied ² (Megalitres) | 265,480 | 14,350 | 279,830 | 23,441 | 12,729 | 16,998 | 38,880 | 16,096 | 387,975 |
| Wastewater | | | | | | | | | |
| Properties Served | 879,945 | 51,526 | 931,471 | 11,613 | 30,102 | 26,129 | 34,597 | 69,261 | 1,103,173 |
| Properties Connected | 824,308 | 45,920 | 870,228 | 9,852 | 26,416 | 21,275 | 31,392 | 62,273 | 1,021,436 |
| Total Length of Sewers (Kilometres) | 12,708 | 922 | 13,630 | 326 | 739 | 595 | 686 | 1,550 | 17,526 |
| Number of Pumping Stations | 654 | 87 | 741 | 39 | 84 | 70 | 82 | 170 | 1,186 |
| Number of Treatment Plants | 11 | 4 | 15 | 20 | 20 | 19 | 18 | 20 | 112 |
| Average Quantity of Wastewater Treated Daily (Megalitres) | 390.9 | 17.7 | 408.6 | 4.3 | 12.5 | 8.1 | 17.8 | 28.2 | 479.4 |

1. Perth Region includes Mandurah-Murray District.

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



Metropolitan sources of supply

| Source | Area of Catchment (Square km) | Storage Capacity (Megalitres) | Storage at 30/06/2022 (Megalitres) | Percentage of Maximum storage (%) | Output to 30/06/2022 (Megalitres) |
|--|-------------------------------|-------------------------------|------------------------------------|-----------------------------------|-----------------------------------|
| Dams | | | | | |
| Stirling | 252 | 57,404 | 38,415 | 66.9 | 12,082 |
| Samson WTP | 192 | 8,003 | 4,003 | 50.0 | 6,493 |
| South Dandalup | 313 | 138,345 | 28,070 | 20.3 | 0 |
| North Dandalup | 151 | 60,791 | 43,442 | 71.5 | 4,921 |
| Serpentine and Serpentine Pipehead | 693 | 140,292 | 75,831 | 54.1 | 18,469 |
| Canning | 128 | 90,353 | 51,607 | 57.1 | 8,044 |
| Wungong | 728 | 59,796 | 42,710 | 71.4 | 8,504 |
| Churchman | 18 | 2,241 | 754 | 33.7 | 1,108 |
| Victoria | 37 | 9,463 | 4,849 | 51.2 | 1,080 |
| Total Hills Sources Output Gross | | 566,688 | 289,680 | 51.1 | 60,700 |
| Total Hills Transfers Input | | | | | |
| Total Hills Sources Output Nett | | | | | 60,700 |
| Groundwater | | | | | |
| Artesian Bores | | | | | 27,334 |
| Mirrabooka | | | | | 14,718 |
| Gwelup | | | | | 12,844 |
| Wanneroo | | | | | 27,000 |
| Jandakot | | | | | 13,084 |
| Neerabup | | | | | 31,412 |
| Lexia | | | | | 2,762 |
| Yançep/Two Rocks | | | | | 1,102 |
| Total Groundwater Output | | | | | 130,257 |
| Desalination | | | | | |
| Perth Seawater Desalination Plant | | | | | 42,043 |
| Southern Seawater Desalination Plant | | | | | 74,155 |
| Total Desalination Output | | | | | 116,198 |
| Water Received from Bulk Supplier | | | | | |
| Goldfields Agricultural Water Supply (GAWS) to Perth | | | | | 1,996 |
| Total | | | | | 1,996 |

Metropolitan sources of supply

| Source | Area of Catchment (Square km) | Storage Capacity (Megalitres) | Storage at 30/06/2022 (Megalitres) | Percentage of Maximum storage (%) | Output to 30/06/2022 (Megalitres) |
|---|-------------------------------|-------------------------------|------------------------------------|-----------------------------------|-----------------------------------|
| Bulk Water Exported | | | | | |
| to Mundaring Dam for GAWS | | | | | 21,373 |
| Mandurah Murray | | | | | 14,350 |
| South-West Region | | | | | 1,349 |
| Great Southern Towns Water Supply (GSTWS) | | | | | 3,106 |
| Total | | | | | 40,177 |
| Total Water Sourced | | | | | |
| Net Output from Surface Water | | | | | 60,700 |
| Groundwater | | | | | 130,257 |
| Desalination | | | | | 116,198 |
| Received from Bulk Supplier | | | | | 1,996 |
| Total Sources | | | | | 309,151 |
| Riparians (from Distribution System) | | | | | |
| Riparians from Distribution System | | | | | 2,654 |
| Total Potable Water Supplied | | | | | |
| Total Water Sourced | | | | | 309,151 |
| Bulk Water Exported | | | | | (40,177) |
| Riparians (from Distribution System) | | | | | (2,654) |
| Operational Use & Service Reservoir | | | | | |
| Vol Change | | | | | (840) |
| Total Water Supplied | | | | | 265,480 |

Drainage

| Region | Perth | Great Southern | South-West | Total |
|--|---------|----------------|------------|----------------|
| Properties Served | 430,082 | n/a | n/a | 430,082 |
| Length of Drains Controlled (Kilometres) | 1,112 | 131 | 1,296 | 2,539 |

Irrigation

| Region | Water supplied (Megalitres) |
|-------------------------|-----------------------------|
| Mid-West ¹ | 4,736 |
| North West ² | 1,321 |
| South-West ³ | n/a |
| Total | 6,057 |

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

| Employees (FTEs as at 30 June 2022) | 2022 | 2021 |
|-------------------------------------|--------------|--------------|
| Metropolitan | 2,840 | 2,728 |
| Country | 786 | 771 |
| Total | 3,627 | 3,499 |

FINANCIAL REPORT



Colleagues from our Balcatta office

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Statement of comprehensive income

for the year ended 30 June 2022



| | Note | 2022 \$M | 2021 \$M |
|--|---------|----------------|----------------|
| Revenue | | | |
| Annual service charges | | 1,410 | 1,367 |
| Volume charges | | 814 | 797 |
| Operating subsidies | | 519 | 469 |
| Developers' contributions | | 204 | 206 |
| Other revenue | 5 | 114 | 110 |
| Total revenue | | 3,061 | 2,949 |
| Expenses | | | |
| Depreciation and amortisation | 10 & 11 | (532) | (521) |
| Employee benefits expense | 6(a) | (357) | (344) |
| Hired and contracted services | | (212) | (192) |
| Energy expenses | 6(b) | (172) | (146) |
| Other expenses | 6(c) | (368) | (365) |
| Total expenses | | (1,641) | (1,568) |
| Results from operating activities | | 1,420 | 1,381 |
| Net finance costs | 7 | (169) | (181) |
| Profit before income tax equivalent | | 1,251 | 1,200 |
| Income tax equivalent expense | 8 | (375) | (358) |
| Profit for the year | | 876 | 842 |
| <i>Items that will not be reclassified to profit or loss</i> | | | |
| Remeasurements of defined benefits | | 3 | 4 |
| Related income tax equivalent expense | 8 | (1) | (1) |
| Other comprehensive income, net of tax equivalent | | 2 | 3 |
| Total comprehensive income for the year | | 878 | 845 |

(a) Refer Note 25.19.

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

Statement of financial position



As at 30 June 2022

| | Note | As at 30 June 2022 \$M | As at 30 June 2021 Restated(a) \$M | As at 1 July 2020 Restated(a) \$M |
|---|------|------------------------------|---|--|
| Current assets | | | | |
| Cash and cash equivalents | | 736 | 367 | 603 |
| Trade and other receivables | 9 | 273 | 265 | 272 |
| Prepayments | | 19 | 9 | 12 |
| Inventories | | 46 | 46 | 35 |
| Total current assets | | 1,074 | 687 | 922 |
| Non-current assets | | | | |
| Trade and other receivables | 9 | 26 | 25 | 23 |
| Property, plant and equipment | 10 | 17,830 | 17,657 | 17,464 |
| Intangible assets | 11 | 84 | 86 | 98 |
| Total non-current assets | | 17,940 | 17,768 | 17,585 |
| Total assets | | 19,014 | 18,455 | 18,507 |
| Current liabilities | | | | |
| Trade and other payables | | 337 | 296 | 337 |
| Interest-bearing loans and borrowings | 12 | 17 | 18 | 18 |
| Income tax equivalent payable | | 34 | 52 | 67 |
| Provisions | 14 | 2 | 6 | 2 |
| Employee benefits | 15 | 110 | 110 | 97 |
| Other liabilities | 16 | 10 | 17 | 12 |
| Total current liabilities | | 510 | 499 | 533 |
| Non-current liabilities | | | | |
| Interest-bearing loans and borrowings | 12 | 5,644 | 6,004 | 6,208 |
| Deferred tax equivalent liabilities | 13 | 163 | 172 | 189 |
| Provisions | 14 | 39 | 23 | 19 |
| Employee benefits | 15 | 35 | 40 | 44 |
| Other liabilities | 16 | 23 | 18 | 18 |
| Total non-current liabilities | | 5,904 | 6,257 | 6,478 |
| Total liabilities | | 6,414 | 6,756 | 7,011 |
| Net assets | | 12,600 | 11,699 | 11,496 |
| Equity | | | | |
| Contributed equity | 17 | 7,584 | 7,561 | 7,561 |
| Retained earnings | | 5,016 | 4,138 | 3,935 |
| Equity attributable to owners of the Corporation | | 12,600 | 11,699 | 11,496 |
| Total equity | | 12,600 | 11,699 | 11,496 |

(a) Refer Note 25.19.

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

Statement of changes in equity



For the year ended 30 June 2022

| | Contributed equity \$M | Retained earnings \$M | Total equity \$M |
|--|------------------------------|-----------------------------|------------------------|
| Reported opening balance as at 1 July 2021 | 7,561 | 4,230 | 11,791 |
| Impact of change in accounting policies (Note 25.19) | - | (92) | (92) |
| Restated opening balance as at 1 July 2021 | 7,561 | 4,138 | 11,699 |
| Total comprehensive income for the year | | | |
| Profit for the year | - | 876 | 876 |
| Other comprehensive expense (net of tax equivalent) | - | 2 | 2 |
| Total comprehensive income for the year | - | 878 | 878 |
| Transactions with owners, recorded directly in equity | | | |
| <i>Contributions by and distributions to owners</i> | | | |
| Equity contributions | 23 | - | 23 |
| Total transactions with owners | 23 | - | 23 |
| Closing balance at 30 June 2022 | 7,584 | 5,016 | 12,600 |

| | Contributed equity \$M | Retained earnings \$M | Total \$M |
|--|------------------------------|-----------------------------|---------------|
| Reported opening balance at 1 July 2020 | 7,561 | 3,993 | 11,554 |
| Impact of change in accounting policies (Note 25.19) | - | (58) | (58) |
| Restated opening balance as at 1 July 2020 | 7,561 | 3,935 | 11,496 |
| Total comprehensive income for the year | | | |
| Profit for the year | - | 842 | 842 |
| Other comprehensive expense (net of tax equivalent) | - | 3 | 3 |
| Total comprehensive income for the year | - | 845 | 845 |
| Transactions with owners, recorded directly in equity | | | |
| <i>Contributions by and distributions to owners</i> | | | |
| Dividends paid (Note 17.2) | - | (642) | (642) |
| Total transactions with owners | - | (642) | (642) |
| Closing balance at 30 June 2021 | 7,561 | 4,138 | 11,699 |

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

Statement of cash flows



For the year ended 30 June 2022

| | Note | 2022 \$M | 2021 Restated ^(a) \$M |
|---|-------------|--------------|--|
| Cash flows from operating activities | | | |
| Cash receipts from customers | | 2,255 | 2,211 |
| Interest received | | 1 | 1 |
| Interest paid | | (180) | (205) |
| Cash paid to suppliers and employees | | (1,114) | (1,108) |
| Income tax equivalents paid | | (403) | (392) |
| Government grants | | 22 | 11 |
| Operating subsidies | | 519 | 469 |
| Developers' contributions | | 144 | 139 |
| GST received | | 103 | 109 |
| Other fees and charges | | 58 | 55 |
| Net cash from operating activities | 18.2 | 1,405 | 1,290 |
| Cash flows from investing activities | | | |
| Acquisition of property, plant and equipment | | (674) | (678) |
| Acquisition of intangible assets | | (12) | (3) |
| Proceeds from sale of property, plant and equipment | | - | 9 |
| Net cash used in investing activities | | (686) | (672) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 542 | 676 |
| Repayment of borrowings | | (899) | (871) |
| Dividends paid | | - | (642) |
| Payment of lease liabilities | | (16) | (17) |
| Equity contributions | | 23 | - |
| Net cash used in financing activities | | (350) | (854) |
| Net increase/(decrease) in cash and cash equivalents | | 369 | (236) |
| Cash and cash equivalents at 1 July | | 367 | 603 |
| Cash and cash equivalents at 30 June | | 736 | 367 |

(a) Refer Note 25.19.

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

Notes to the 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 Street Leederville WA 6007. These financial statements cover the year ended 30 June 2022. The Corporation is primarily involved in the provision of water and wastewater services.

Note 2 Basis of preparation

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

The financial report was approved in accordance with a resolution of the Directors on 23 August 2022.

The financial report is prepared on the historical cost basis.

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

Note 3 Functional and presentation currency

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

Note 4 Use of estimates and judgements

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

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

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

- Note 9 – Calculation of unbilled revenue
- Note 10 – Carrying values, useful lives and impairment indicator assessment of property, plant and equipment
- Note 11 – Impairment of intangible assets with an indefinite useful life and useful lives assessment of intangible assets with a finite useful life
- Note 12 – Valuation of service concession liabilities
- Note 14 – Provisions for site restoration and decommissioning
- Note 15 – Measurement of long service leave and defined benefit obligations

Note 5 Other revenue

| | 2022 \$M | 2021 \$M |
|---|-------------|-------------|
| Other fees and charges | 86 | 75 |
| Government grants | 18 | 17 |
| Rental income | 9 | 9 |
| Net gain on disposal of property, plant and equipment | 1 | 9 |
| | 114 | 110 |

Note 6 Expenses

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

| | 2022 \$M | 2021 \$M |
|---|-------------|-------------|
| Salaries, wages and other employee expenses | 323 | 313 |
| Superannuation expense | 34 | 31 |
| | 357 | 344 |

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

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

Note 6(c) Other expenses include the following:

| | 2022 \$M | 2021 Restated \$M |
|--------------------------------------|-------------|-------------------------|
| Information technology | 102 | 107 |
| Equipment hire charges | 24 | 20 |
| Corporate charges | 39 | 35 |
| Materials | 37 | 33 |
| Chemicals | 32 | 30 |
| Derecognised assets | 11 | 20 |
| Payroll tax and workers compensation | 31 | 27 |
| Contract labour | 33 | 38 |
| Property expenses | 34 | 34 |
| Discontinued capital projects | 9 | 4 |
| Other | 16 | 17 |
| | 368 | 365 |

Note 7 Net finance costs

| | 2022 \$M | 2021 \$M |
|---|-------------|-------------|
| Finance income | | |
| Interest income | 2 | 1 |
| Finance costs | | |
| Interest and guarantee fee expense | 181 | 199 |
| Capitalised interest (Note a) | (10) | (17) |
| Total finance costs | 171 | 182 |
| Net finance costs | 169 | 181 |
| Note a) The average interest rate used to capitalise interest expenses related to major works was: | 2.88% | 2.99% |

Note 8 Income tax equivalent expense

8.1 Recognised in profit or loss

| | 2022 \$M | 2021 Restated \$M |
|--|-------------|-------------------------|
| Current income tax equivalent expense | | |
| Current year | 375 | 358 |
| Total income tax equivalent expense | 375 | 358 |

8.2 Recognised in other comprehensive income / (loss)

| | Before tax 2022 \$M | Tax benefit 2022 \$M | Net of tax 2022 \$M | Before tax 2021 \$M | Tax expense 2021 \$M | Net of tax 2021 \$M |
|---|---------------------------|----------------------------|---------------------------|---------------------------|----------------------------|---------------------------|
| Re-measurement of defined benefit liability | 3 | (1) | 2 | 4 | (1) | 3 |

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

| | 2022 \$M | 2021 Restated \$M |
|---|--------------|-------------------------|
| Profit for the year | 876 | 842 |
| Add back: income tax equivalent expense | 375 | 358 |
| Profit before income tax equivalent expense | 1,251 | 1,200 |
| Income tax equivalent using the Corporation's tax equivalent rate (30%) | 375 | 360 |
| Non-deductible expenses | 1 | (2) |
| Non-taxable income | - | - |
| Tax incentives not recognised in the income statement | - | (1) |
| Adjustment in respect of previous year | (1) | 1 |
| Total income tax equivalent expense | 375 | 358 |

Note 9 Trade and other receivables

| | 2022 \$M | 2021 \$M |
|--|-------------|-------------|
| Current | | |
| Trade and other receivables (Note a) | 278 | 271 |
| Expected credit loss | (5) | (6) |
| | 273 | 265 |
| Non-current | | |
| Pensioner rates deferrals (Note b) | 26 | 25 |
| | 26 | 25 |
| Total trade and other receivables | 299 | 290 |

Note a) Trade and other receivables includes unbilled revenue of \$47 million (2021: \$50 million), which is calculated using a combination of actual and estimated monthly water usage and prices.

Note b) In accordance with the Rates and Charges (Rebates and Deferments) Act 1992, eligible pensioners are permitted to defer their annual service charges, which will be realised on sale of property or from the estate. Interest is not charged to customers on the deferred amounts, but is recouped from the State Government in the form of Operating Subsidies (see Note 25.3.2).

During the year ended 30 June 2022, the Corporation renegotiated the terms of trade and other receivables of \$21 million (2021: \$20 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 (2021: nil).

The allowance account, in respect of trade and other receivables, is used to record impairment losses, unless the Corporation 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 2022, the provision for expected credit losses trade and other receivables was \$5 million (2021:\$6 million).

The Corporation's exposures to credit risk and expected credit losses related to trade and other receivables are disclosed in Note 24.2.

Note 10 Property, plant and equipment

| | Cost 2022 \$M | Accumulated depreciation 2022 \$M | Carrying amount 2022 \$M |
|---|---------------------|--|-----------------------------------|
| System assets | 22,641 | (7,413) | 15,228 |
| Land and buildings | 999 | (215) | 784 |
| Support assets | 414 | (302) | 112 |
| Right of use assets | 58 | (25) | 33 |
| Service concession asset | 267 | (68) | 199 |
| Works in progress | 1,474 | - | 1,474 |
| Carrying amount of property, plant and equipment | 25,853 | (8,023) | 17,830 |

Restated comparative figures for 2021 are as follows (refer to note 25.19):

| | Cost 2021 \$M | Accumulated depreciation 2021 \$M | Carrying amount 2021 \$M |
|---|---------------------|--|-----------------------------------|
| System assets | 22,281 | (6,973) | 15,308 |
| Land and buildings | 971 | (197) | 774 |
| Support assets | 391 | (282) | 109 |
| Right of use assets | 46 | (18) | 28 |
| Service concession asset | 268 | (61) | 207 |
| Works in progress | 1,231 | - | 1,231 |
| Carrying amount of property, plant and equipment | 25,188 | (7,531) | 17,657 |

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 | Land and buildings | Support assets | Right of use assets | Service concession assets | Work in progress | Total |
|--|------------------|-----------------------|-------------------|---------------------------|---------------------------------|---------------------|---------------|
| | 2022 \$M | 2022 \$M | 2022 \$M | 2022 \$M | 2022 \$M | 2022 \$M | 2022 \$M |
| Balance at 1 July 2021 as previously reported | 15,308 | 774 | 109 | 28 | 207 | 1,335 | 17,761 |
| Change in accounting policy (see note 25.19) | - | - | - | - | - | (71) | (71) |
| Reclassification of inventories (see note 25.19) | - | - | - | - | - | (16) | (16) |
| Reclassification of work in progress (see note 25.19) | - | - | - | - | - | (17) | (17) |
| Balance at 1 July 2021 (restated) | 15,308 | 774 | 109 | 28 | 207 | 1,231 | 17,657 |
| Additions | 77 | - | - | 17 | - | 609 | 703 |
| Disposals | (11) | - | - | (1) | - | - | (12) |
| Depreciation expense | (461) | (15) | (23) | (11) | (8) | - | (518) |
| Transfers | 315 | 25 | 26 | - | - | (366) | - |
| Balance at 30 June 2022 | 15,228 | 784 | 112 | 33 | 199 | 1,474 | 17,830 |

Restated comparative reconciliation for 2021 are as follows:

| | System assets | Land and buildings | Support assets | Right of use assets | Service concession assets | Work in progress | Total |
|--|----------------------|---------------------------|-----------------------|----------------------------|----------------------------------|-------------------------|-----------------|
| | 2021 \$M | 2021 \$M | 2021 \$M | 2021 \$M | 2021 \$M | 2021 \$M | 2021 \$M |
| Balance at | 15,365 | 752 | 114 | 29 | 214 | 1,068 | 17,542 |
| 1 July 2020 as previously reported | - | - | - | - | - | (46) | (46) |
| Change in accounting policy (see note 25.19) | - | - | - | - | - | (7) | (7) |
| Reclassification of inventories (see note 25.19) | - | - | - | - | - | (25) | (25) |
| Balance at 1 July 2020 (restated) | 15,365 | 752 | 114 | 29 | 214 | 990 | 17,464 |
| Additions (restated) | 87 | - | - | 11 | - | 624 | 722 |
| Disposals | (20) | (2) | - | (1) | - | - | (23) |
| Depreciation expense | (451) | (15) | (22) | (11) | (7) | - | (506) |
| Transfers (restated) | 327 | 39 | 17 | - | - | (383) | - |
| Balance at 30 June 2021 (restated) | 15,308 | 774 | 109 | 28 | 207 | 1,231 | 17,657 |

There were no indicators of impairment for the year ending 30 June 2022 (2021: Nil).

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

The Corporation is developing its assessment of the impact that climate change may have on the amounts recognised in the financial statements. Climate-related risk is a risk for the Corporation, but it has been actively dealing with the consequences having built two desalination plants since 2005 and a third is scheduled for completion in 2028 as part of a longer-term plan for securing climate-resilient water sources for Perth. The impact of climate change related risks which the Corporation may face in the future are not considered to materially impact the carrying value of property, plant and equipment currently recognised in the financial statements.

Service Concession Asset – Mundaring Water Treatment Plant

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

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

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

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

Termination options for the Corporation include convenience, force majeure, substantial damage to infrastructure, and default events. The Corporation may step-in to operate and maintain the infrastructure in certain circumstances. There were no changes to the arrangement during the reporting period (2021: Nil).

Note 11 Intangible assets

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

Restated comparative figures for 2021 are as follows (refer to note 25.19):

| | Cost | Accumulated amortisation | Carrying amount |
|--------------------------------|------------|--------------------------|-----------------|
| | 2021 \$M | 2021 \$M | 2021 \$M |
| Computer software | 305 | (276) | 29 |
| Intellectual property | 2 | (2) | - |
| Water entitlement | 31 | - | 31 |
| Property easements | 9 | - | 9 |
| Works in progress | 17 | - | 17 |
| Total intangible assets | 364 | (278) | 86 |

Reconciliations

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

| | Computer software | Water entitlement | Property easements | Work in Progress | Total |
|---|-------------------|-------------------|--------------------|------------------|------------|
| | 2021 \$M | 2021 \$M | 2021 \$M | 2021 \$M | 2021 \$M |
| Balance at 1 July 2021 as previously reported | 90 | 31 | 9 | - | 130 |
| Change in accounting policy (see note 25.19) | (61) | - | - | - | (61) |
| Reclassification of work in progress (see note 25.19) | - | - | - | 17 | 17 |
| Balance at 1 July 2021 (restated) | 29 | 31 | 9 | 17 | 86 |
| Additions | - | - | - | 12 | 12 |
| Amortisation expense | (14) | - | - | - | (14) |
| Transfers | 15 | - | - | (15) | - |
| Balance at 30 June 2022 (restated) | 30 | 31 | 9 | 14 | 84 |

Restated comparative reconciliation for 2021 are as follows:

| | Computer software | Water entitlement | Property easements | Work in Progress | Total |
|---|-------------------|-------------------|--------------------|------------------|------------|
| | 2021 \$M | 2021 \$M | 2021 \$M | 2021 \$M | 2021 \$M |
| Balance at 1 July 2020 as previously reported | 70 | 31 | 9 | - | 110 |
| Change in accounting policy (see note 25.19) | (37) | - | - | - | (37) |
| Reclassification of work in progress (see note 25.19) | - | - | - | 25 | 25 |
| Balance at 1 July 2020 (restated) | 33 | 31 | 9 | 25 | 98 |
| Additions (restated) | - | - | - | 3 | 3 |
| Amortisation expense (restated) | (15) | - | - | - | (15) |
| Transfers (restated) | 11 | - | - | (11) | - |
| Balance at 30 June 2021 (restated) | 29 | 31 | 9 | 17 | 86 |

The Corporation did not record any adjustments as the result of a useful lives assessment performed for intangible assets with a finite useful life.

Impairment test for water entitlements

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

Note 12 Interest-bearing loans and borrowings

| | 2022 \$M | 2021 \$M |
|---|--------------|--------------|
| Current | | |
| Unsecured: | | |
| Service concession liability | 8 | 9 |
| Lease liabilities (Note a) | 9 | 9 |
| | 17 | 18 |
| Non-current | | |
| Unsecured: | | |
| Western Australian Treasury Corporation Term Fixed Rate Lending (Note b) | 3,556 | 3,693 |
| Western Australian Treasury Corporation Term Floating Rate Lending (Note b) | 1,873 | 2,093 |
| Service concession liability | 189 | 197 |
| Lease liabilities (Note a) | 26 | 21 |
| | 5,644 | 6,004 |
| Total interest-bearing loans and borrowings | 5,661 | 6,022 |

Note a) i. Lease liabilities

| | 2022 \$M | 2021 \$M |
|--|-------------|-------------|
| Maturity analysis – contractual undiscounted cash flows | | |
| Less than one year | 10 | 10 |
| One to five years | 19 | 16 |
| More than five years | 11 | 8 |
| Total undiscounted lease liabilities at 30 June | 40 | 34 |
| Lease liability movements | | |
| As at 1 July | 30 | 32 |
| Additions | 16 | 9 |
| Accretion of interest | 1 | 1 |
| Payments | (12) | (12) |
| As at 30 June | 35 | 30 |
| Current | 9 | 9 |
| Non-current | 26 | 21 |
| Total lease liability included in the Statement of Financial Position | 35 | 30 |

ii. Assets pledged as security

| | 2022 \$M | 2021 \$M |
|---|-------------|-------------|
| Assets pledged as security | | |
| The carrying amounts of non-current assets pledged as security are: | | |
| Right of use assets | 33 | 28 |
| Total assets pledged as security at 30 June | 33 | 28 |

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

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

The non-current amount of the Term Fixed Rate Lending of \$3,556 million (2021: \$3,693 million), includes \$389 million (2021: \$389 million) with an original contractual maturity in the 2022-23 year. The non-current amount of the Term Floating Rate Lending of \$1,873 million (2021: \$2,093 million), includes \$470 million (2021: \$440 million) with an original contractual maturity in the 2022-23 year. The loans have been classified as non-current as a result of the following:

- i. The Corporation has an agreement with the Western Australian Treasury Corporation (WATC), an entity owned by the Western Australian State Government, to refinance loans at regular intervals until 2030; and
- ii. The Corporation's forecast borrowing requirements for the next four years have been approved within the 2022 Western Australian State Budget, including no requirement for repayment of the amounts classified as non-current above.

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 | Liabilities | Net |
|--|-------------|-------------|-------------|
| | 2022 \$M | 2022 \$M | 2022 \$M |
| | \$M | \$M | \$M |
| Property, plant and equipment | - | 274 | 274 |
| Intangible assets | (14) | - | (14) |
| Provisions | (55) | - | (55) |
| Accrued expenses | (33) | - | (33) |
| Other items | (9) | - | (9) |
| Deferred tax equivalent (assets) / liabilities | (111) | 274 | 163 |
| Set off of tax equivalents | 111 | (111) | - |
| Net deferred tax equivalent liabilities | - | 163 | 163 |

| | Assets | Liabilities | Net |
|--|-------------------------|-------------------------|-------------------------|
| | 2021 Restated \$M | 2021 Restated \$M | 2021 Restated \$M |
| Property, plant and equipment | - | 275 | 275 |
| Intangible assets | (15) | - | (15) |
| Provisions | (53) | - | (53) |
| Accrued expenses | (25) | - | (25) |
| Other items | (10) | - | (10) |
| | (89) | 303 | 214 |
| Deferred tax equivalent (assets) / liabilities | (103) | 275 | 172 |
| Net deferred tax equivalent liabilities | - | 172 | 172 |

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

13.2 Movement in temporary differences during the year

| | Balance 1 July 2021 | Recognised in income | Recognised in retained earnings | Balance 30 June 2022 |
|-------------------------------|------------------------|-------------------------|---------------------------------------|-------------------------|
| | \$M | \$M | \$M | \$M |
| Property, plant and equipment | 275 | (1) | - | 274 |
| Intangible assets | (15) | 1 | - | (14) |
| Provisions | (53) | (2) | - | (55) |
| Accrued expenses | (25) | (8) | - | (33) |
| Other items | (10) | 1 | - | (9) |
| | 172 | (9) | - | 163 |

Restated comparative figures for 2021 are as follows:

| | Balance 1 July 2020 Restated | Recognised in income | Recognised in retained earnings Restated | Balance 30 June 2021 |
|-------------------------------|------------------------------------|-------------------------|---|-------------------------|
| | \$M | \$M | \$M | \$M |
| Property, plant and equipment | 283 | (8) | - | 275 |
| Intangible assets | (7) | (8) | - | (15) |
| Provisions | (48) | (5) | - | (53) |
| Accrued expenses | (28) | 3 | - | (25) |
| Other items | (11) | 1 | - | (10) |
| | 189 | (17) | - | 172 |

Note 14 Provisions

| | 2022 \$M | 2021 \$M |
|-------------------------|-------------|-------------|
| Current | | |
| Workers compensation | - | 1 |
| Site restoration | 2 | 5 |
| | 2 | 6 |
| Non-current | | |
| Workers compensation | 4 | 2 |
| Site restoration | 17 | 13 |
| Decommissioning | 18 | 8 |
| | 39 | 23 |
| Total provisions | 41 | 29 |

Reconciliations of the carrying amount of provisions for 2022 are set out below:

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

Provision for site restoration

The provision for site restoration costs is calculated based on a probability weighted estimate of costs to investigate and remediate each site. The timing and extent of restoration work required is based on the classification allocated by the Department of Water and Environmental Regulation and the findings of preliminary and detailed investigations. Refer to note 25.15.2.

Provision for decommissioning

The Corporation has recognised a provision for decommissioning obligations associated with facilities no longer utilised or scheduled for closure by the Corporation. Recognition of a provision is consistent with the Corporation's legal requirements. Refer to note 25.15.3.

Note 15 Employee benefits

The provision for employee benefits comprises:

| | 2022 \$M | 2021 \$M |
|---|-------------|-------------|
| Current | | |
| Long service leave (Note a) | 55 | 56 |
| Annual leave (Note b) | 48 | 48 |
| Other employee benefits | 5 | 4 |
| Defined benefit superannuation (Note c) | 2 | 2 |
| | 110 | 110 |
| Non-current | | |
| Long service leave (Note a) | 5 | 5 |
| Defined benefit superannuation (Note c) | 30 | 35 |
| | 35 | 40 |
| Total employee benefits | 145 | 150 |

Note a) Long service leave

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

| | 2022 \$M | 2021 \$M |
|---|-------------|-------------|
| Within 12 months of the end of the reporting period | 8 | 9 |
| More than 12 months after the end of the reporting period | 52 | 52 |
| | 60 | 61 |

Note b) Annual leave

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

| | 2022 \$M | 2021 \$M |
|---|-------------|-------------|
| Within 12 months of the end of the reporting period | 30 | 29 |
| More than 12 months after the end of the reporting period | 18 | 19 |
| | 48 | 48 |

Note c) Defined benefit superannuation

The Corporation 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 Corporation'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 Corporation 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 Corporation. 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

| | 2022 \$M | 2021 \$M |
|--------------------------------------|-------------|-------------|
| Pension Scheme | 29 | 33 |
| GSSS | 3 | 4 |
| Net defined benefit liability | 32 | 37 |

Reconciliation of the defined benefit obligation

| | 2022 \$M | 2021 \$M |
|--|-------------|-------------|
| Present value of defined benefit obligations at beginning of the year | 37 | 42 |
| Interest cost | 1 | 1 |
| Actuarial (gains)/losses arising from changes in financial assumptions | (5) | (4) |
| Actuarial (gains)/losses arising from liability experience | 1 | - |
| Benefits paid | (2) | (2) |
| Present value of defined benefit obligations at end of the year | 32 | 37 |

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

| | 2022 | 2021 |
|--|---|--|
| <i>Assumptions to determine start of year defined benefit obligation and defined benefit cost for the current year</i> | 1.50% | 0.85% |
| Discount rate (pensioners and active members) | | |
| Expected salary increase rate | 2.0% for 2021/22, 2.0% for 2022/23, and then 3.0% pa | 2.0% for 2020/21, 2.0% for 2021/22, and then 3.5% pa |
| Expected pension increase rate | 1.75% for 2021/22, 1.75% for 2022/23, and then 2.0% pa | 2.0% |
| <i>Assumptions to determine defined benefit obligation at the valuation date</i> | 3.35% | 1.50% |
| Discount rate (pensioners and active members) | | |
| Expected salary increase rate | 3.5% | 2.0% for 2021/22, 2.0% for 2022/23, and then 3.0% pa |
| Expected pension increase rate | 3.0% for 2022/23, 3.0% for 2023/24, 3.0% for 2024/25, and then 2.5% pa | 1.75% for 2021/22 1.75% for 2022/23 and then 2.0% pa |

The discount rate is based on the Government bond maturing in December 2030. The decrement rates used (e.g. mortality and retirement rates) are based on those used at the last actuarial valuation for the Schemes.

Sensitivity analysis

The defined benefit obligation as at 30 June 2022 under several scenarios is presented below.

Pension scheme

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

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

| | Base case | Scenario A -0.5% pa discount rate | Scenario B +0.5% pa discount rate | Scenario C -0.5% pa pension increase rate | Scenario D +0.5% pa pension increase rate |
|----------------------------------|------------------|---|---|---|---|
| Discount rate | 3.35% pa | 2.85% pa | 3.85% pa | 3.35% pa | 3.35% pa |
| Pension increase rate | 2.5% pa | 2.5% pa | 2.5% pa | 2.0% pa | 3.0% pa |
| Defined benefit obligation (\$M) | 29 | 31 | 28 | 28 | 31 |

GSSS

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

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

| | Base case | Scenario A -0.5% pa discount rate | Scenario B +0.5% pa discount rate | Scenario C -0.5% pa increase rate and indexation rate | Scenario D +0.5% pa increase rate and indexation rate |
|----------------------------------|------------------|---|---|--|--|
| Discount rate | 3.35% pa | 2.85% pa | 3.85% pa | 3.35% pa | 3.35% pa |
| Salary increase rate | 3.5% pa | 3.5% pa | 3.5% pa | 3.0% pa | 4.0% pa |
| Defined benefit obligation (\$M) | 3 | 3 | 3 | 3 | 3 |

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 2022 are \$1m (2021: \$1m).

Maturity profile of defined benefit obligation

- Pension Scheme - The weighted average duration of the Corporation's defined benefit obligation is 13.0 years (2021: 14.6 years).
- GSSS - The weighted average duration of the Corporation's defined benefit obligation is 2.5 years (2021: 2.7 years).

Note 16 Other liabilities

| | 2022 \$M | 2021 \$M |
|---|-------------|-------------|
| Current | | |
| Developers' deferred liabilities (Note a) | 2 | 5 |
| Deposits | 8 | 12 |
| | 10 | 17 |
| Non-current | | |
| Developers' deferred liabilities (Note a) | 18 | 14 |
| Deposits | 5 | 4 |
| | 23 | 18 |
| Total other liabilities | 33 | 35 |

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 Corporation.

Note 17 Equity

17.1 Contributed equity

| | 2022 \$M | 2021 \$M |
|---------------------------------------|--------------|--------------|
| Owner's initial contribution (Note a) | 7,327 | 7,327 |
| Equity contributions (Note b) | 257 | 234 |
| | 7,584 | 7,561 |

Note a) Owner's initial contribution

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

Note b) Equity contributions

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

17.2 Dividends

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

| | 2022 \$M | 2021 \$M |
|---|-------------|-------------|
| Interim dividend payment | - | - |
| Final dividend payment for the prior year | - | 642 |
| | - | 642 |

Note 18 Reconciliation of cash flows from operating activities

18.1 Cash and cash equivalents

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

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

The Corporation's exposure to interest rate risk for financial assets and liabilities is disclosed in Note 24.

The Corporation retained a forecast 2021-22 dividend payment of \$1,355 million to contribute to funding a new desalination plant. As at 30 June 2022, there is \$587 million remaining in the fund following Alkimos related capital expenditure of \$4 million and a temporary reduction in borrowing requirements for 2021/22 of \$764 million.

18.2 Reconciliation of cash flows from operating activities

| | 2022 \$M | 2021 Restated \$M |
|---|--------------|-------------------------|
| Profit for the year | 876 | 842 |
| Gain on disposal of assets | (1) | (9) |
| Derecognised assets | 11 | 20 |
| Developers' contributions (non-cash) | (53) | (65) |
| Non-Developers' contributions (non-cash) | (7) | (2) |
| Capitalisation of interest expense | (10) | (17) |
| Reversal of credit loss on receivables | (1) | - |
| Employee benefits: | | |
| Superannuation | (5) | (5) |
| Long service leave | (2) | 7 |
| Annual leave | 1 | 7 |
| Other | 1 | 3 |
| Depreciation and amortisation | 532 | 521 |
| GST paid for property, plant and equipment | 34 | 42 |
| Decrease / (Increase) in trade and other receivables | (18) | 9 |
| (Decrease) / Increase in income tax equivalent | (26) | (33) |
| Decrease / (Increase) in inventories | - | (3) |
| Increase / (Decrease) in trade and other payables and other liabilities | 61 | (36) |
| (Decrease) / Increase in provisions | 12 | 9 |
| Net cash from operating activities | 1,405 | 1,290 |

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:

| | 2022 \$'000 | 2021 \$'000 |
|----------------------------|----------------|----------------|
| Audit of financial reports | 303 | 312 |

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 Corporation, directly or indirectly. This comprises all Ministers, the Directors and the General Managers who lead the various groups of the Corporation. The Corporation 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:

| | 2022 \$'000 | 2021 \$'000 |
|------------------------------|----------------|----------------|
| Short-term employee benefits | 3,286 | 3,286 |
| Post-employment benefits | 242 | 235 |
| Other long-term benefits | 59 | 117 |
| Termination benefits | - | - |
| Total | 3,587 | 3,638 |

Other transactions with key management personnel and related entities

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

There are no reportable related party transactions in relation to Ministers, the Directors or the General Managers of the Corporation this financial year (2021: nil).

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

| | 2022 \$M | 2021 \$M |
|--|---------------------|---------------------|
| Transactions with Department of Treasury, Department of Finance and Western Australian Treasury Corporation | | |
| Receipts | | |
| Department of Treasury – Operating Subsidies | 519 | 469 |
| Western Australian Treasury Corporation | | |
| - Proceeds from borrowings | 542 | 676 |
| - Foreign currency | 4 | 1 |
| Payments | | |
| Department of Treasury | | |
| - Dividends | - | 642 |
| - Income tax equivalent | 403 | 392 |
| - Local government rates equivalent | 8 | 8 |
| Department of Finance | | |
| - Payroll tax | 29 | 27 |
| Western Australian Treasury Corporation | | |
| - Repayment of borrowings | 899 | 871 |
| - Interest on borrowings | 119 | 141 |
| - Guarantee fees | 40 | 42 |
| - Purchase of foreign currency | 4 | 1 |
| Other Western Australian Government-related entities | | |
| Receipts | | |
| Department of Jobs, Tourism, Science, and Innovation | 11 | 11 |
| Payments | | |
| Government Employees' Superannuation Board | 8 | 11 |
| Horizon Power | 13 | 14 |
| Synergy | 7 | 10 |
| Western Power | 11 | 11 |
| Public Transport Authority | 24 | - |

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

Note 21 Capital commitments

Leases as lessor

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

| | 2022 \$M | 2021 \$M |
|--|-------------|-------------|
| Within 1 year | 243 | 183 |
| Later than 1 year and not later than 5 years | 112 | 63 |
| | 355 | 246 |

Note 22 Contingent liabilities

Currently the Corporation 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 Corporation.

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 2022:

| | 2022 \$M | 2021 \$M |
|-----------------|-------------|-------------|
| Bank guarantees | 12 | 12 |

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

Note 23 Events after the reporting period

<There have been no events after the reporting period which would have a material effect on the Corporation's financial position>.

Note 24 Financial risk management

24.1 Overview

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

24.2 Credit risk

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

Management has a credit policy in place and the exposure to credit risk is monitored on a regular basis. The credit risk on financial assets, which have been recognised on the statement of financial position, other than cash and other financial assets is generally the carrying amount, net of any impairment loss for expected credit loss. Most receivables relating to water service charges are the responsibility of and are recoverable from the owner of the property. Under legislation, the Corporation 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 Corporation's consent. Other receivables are regularly reviewed and allowance is made for expected credit loss.

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

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

Cash held at bank earns interest at rates determined by the Department of Treasury. For the year ended 30 June 2022, the weighted average interest rate was 0.58% (2021: 0.32%).

Exposure to credit risk

The Corporation's credit exposure in relation to trade and other receivables is disclosed in Note 9.

The Corporation is not materially exposed to any individual customer.

Trade receivables

The Corporation's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the nature and location of each customer. In monitoring customer credit risk, customers are grouped according to their geographical locations as well as their account category. It is noted that in the majority of cases, the Corporation has security over the properties of the customers and as such has a very low credit risk. The Corporation adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning.

24.3 Liquidity risk

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

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

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

The 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 2021/22, the borrowing limit was set at \$6,161 million (2021: \$6,094 million) for the repayment of maturing debt and ongoing capital expenditure. Included in the limit of \$6,161 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 (2021: \$80 million) to assist with cash flow management. The 2021/22 borrowing limit was subsequently amended to \$5,429 million within the 2022/23 budget direction from Department of Treasury.

As at 30 June 2022, \$5,429 million was drawn under the total debt facility (2021: \$5,786 million). The remaining amount available under the total debt facility, with the relevant approval was \$nil (2021: \$308 million). For 2022/23, the facility limit has initially been set at \$5,437 million (Facility limit for 2021/22: \$6,161 million) providing available borrowings of \$8 million up to 30 June 2022.

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 2022 | Weighted average interest | Carrying amount \$M | Contractual cash flows \$M | 1 year of less \$M | 1-2 years \$M | 2-5 years \$M | More than 5 years \$M |
|---|----------------------------------|----------------------------|-----------------------------------|---------------------------|----------------------|----------------------|------------------------------|
| Non-derivative financial liabilities | | | | | | | |
| Trade and other payables | - | 337 | (337) | (337) | - | - | - |
| Interest-bearing loans and borrowings: | | | | | | | |
| - WATC Term Floating Rate Lending | 1.24% | 1,873 | (1,945) | (503) | (522) | (920) | - |
| - WATC Term Fixed Rate Lending | 3.11% | 3,556 | (4,288) | (517) | (500) | (1,401) | (1,870) |
| Lease liabilities | 1.94 % | 35 | (40) | (10) | (7) | (12) | (11) |
| Service Concession Arrangements | 10.41% | 197 | (455) | (27) | (26) | (74) | (328) |
| | | 5,998 | (7,065) | (1,394) | (1,055) | (2,407) | (2,209) |

| 30 June 2021 | Weighted average interest | Carrying amount \$M | Contractual cash flows \$M | 1 year of less \$M | 1-2 years \$M | 2-5 years \$M | More than 5 years \$M |
|---|----------------------------------|----------------------------|-----------------------------------|---------------------------|----------------------|----------------------|------------------------------|
| Non-derivative financial liabilities | | | | | | | |
| Trade and other payables | - | 296 | (296) | (296) | - | - | - |
| Interest-bearing loans and borrowings: | | | | | | | |
| - WATC Term Floating Rate Lending | 0.36% | 2,093 | (2,111) | (447) | (475) | (1,189) | - |
| - WATC Term Fixed Rate Lending | 3.23% | 3,693 | (4,201) | (501) | (485) | (1,370) | (1,845) |
| Lease liabilities | 2.20% | 30 | (34) | (10) | (6) | (10) | (8) |
| Service Concession Arrangements | 10.41% | 206 | (484) | (29) | (27) | (76) | (352) |
| | | 6,318 | (7,126) | (1,283) | (993) | (2,645) | (2,205) |

Details of the lending arrangements are contained in Note 12.

24.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Corporation'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 Corporation 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 Corporation seeks to apply hedge accounting in order to manage volatility in surplus or deficit..

24.4.1 Currency risk

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

In accordance with risk management policies, non-material exposures to an aggregate value of \$100,000 for any one project may be left unhedged. At any one-time, unhedged exposures in all foreign currencies cannot exceed an aggregate value of \$1,000,000.

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

24.4.2 Interest rate risk

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

Profile

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

| | 2022 \$M | 2021 \$M |
|---------------------------------------|--------------|--------------|
| Fixed rate instruments | | |
| WATC Term Floating Rate Lending | 1,873 | 2,093 |
| WATC Term Fixed Rate Lending (Note a) | 3,556 | 3,693 |
| | 5,429 | 5,786 |

The fair value of the WATC Term Floating Rate Lending and Fixed Rate Lending respectively as at 30 June 2022 was \$1,890 million, and \$3,418 million (2021: \$2,107 million and \$3,984 million).

Note a) The fixed debt portfolio is structured with 34 lines spread of 10 year fixed rate debt with a fairly regular quarterly maturity cycle and with 4 lines of 20 year fixed rate debt which was entered into during 2021/22.

Fair value sensitivity analysis for fixed rate instruments

The Corporation does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Corporation 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 Floating Rate Lending facility are structured into various debt lines, with maturities between 2 years and 5 years. Interest rates under the Term Floating Rate facility are reset every 3 months or 6 months. Of the total \$1,873 million under this facility, \$470 million will mature in the next 12 months, with interest rates fixed for either 3 months or 6 months. An increase of 100 basis points in interest rates at the reporting date would have increased interest expense (before capitalised interest) by \$18 million. A decrease of 100 basis points in interest rates at the reporting date would have decreased interest expense (before capitalised interest) by \$18 million. This analysis assumes that all other variables remain constant.

Note 25 Significant accounting policies

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

25.1 New or amended Accounting Standards and Interpretations adopted

The Corporation has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

25.2 Current and non-current classification

Assets and liabilities are present in the statement of financial position based on current and non-current classification.

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

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

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

25.3 Revenue

25.3.1 Regulated revenue

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

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

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

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

25.3.2 Operating subsidies

Operating Subsidies are recognised as revenue to the extent that it is highly probable that a significant reversal would not occur and the Corporation has complied with the conditions attached to them. Operating Subsidies are received from the State Government for:

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

25.3.3 Developers' contributions

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

Subdivisions Infrastructure contributions

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

Building - Infrastructure contributions

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

Assets handed over from developers

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

Special agreements - infrastructure contributions

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

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

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

25.3.4 Grant revenue

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

Grants that do not fall within the scope of AASB 15 Revenue from Contracts with Customers are recognised:

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

25.3.5 Other revenue

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

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

25.4 Leases

25.4.1 As a lessee

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

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

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

Concessionary leases

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

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

Extension options

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

25.4.2. As a lessor

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

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

25.5 Net finance costs

25.5.1 Finance income

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

25.5.2 Finance costs

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

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

25.6 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 1936 and the NTER guidelines as agreed by the NTER Working Party.

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

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

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

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

In determining the amount of current and deferred tax equivalent the Corporation takes into account the impact of uncertain tax positions and whether additional tax equivalents and interest may be due. The Corporation 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 Corporation 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.

25.7

Cash and cash equivalents

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

25.8

Trade and other receivables

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

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

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

25.9

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.

25.10

Property, plant and equipment

25.10.1 Recognition and measurement

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

- a. works carried out under the capital investment program, which are initially recorded at cost.
Cost includes direct materials and labour together with a proportion of management expenses directly related to bringing the asset to its working condition, and capitalisation of interest directly attributable to major works;
- b. works carried out by developers, which are taken over by the Corporation 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 25.10.3) and impairment losses (see Note 25.12).

25.10.2 Subsequent costs

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

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

25.10.3 Depreciation

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

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

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

25.11 Intangible assets

25.11.1 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 25.11.3) and accumulated impairment losses (see Note 25.12).

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

25.11.2 Water entitlements

Water entitlements purchased by the Corporation 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 25.12).

25.11.3 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.

| | 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.

25.12 Impairment

25.12.1 Financial assets

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

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

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

25.12.2 Non-financial assets

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

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

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

25.13 Trade and other payables

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

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

25.14 Interest-bearing borrowings

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

25.15 Provisions

A provision is recognised if, as a result of a past event, the Corporation 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.

25.15.1 Workers' compensation

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

25.15.2 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.

25.15.3 Decommissioning

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

25.16 Employee benefits

25.16.1 Long service leave and annual leave

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

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

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

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

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

25.16.2 Purchased leave

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

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

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

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

25.16.3 Termination benefits

Termination benefits are recognised as an expense when the Corporation 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 Corporation 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.

25.16.4 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 Corporation as the benefits are taken by the employees.

25.17 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.

25.18 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.

25.19 Prior period restatements

The following restatements have been made in the year:

Change in accounting policy - Cloud computing arrangements

The Corporation has revised its accounting policy in relation to configuration and customisation costs incurred in implementing cloud computing arrangements with cloud providers. The change in accounting policy is consistent with the International Financial Reporting Standards Interpretations Committee (IFRIC) final agenda decision; Configuration or customisation costs in a cloud computing arrangement issued in April 2021. No restatement was made to Employee Benefits expense or Capitalised Interest as it was impractical to determine the allocation between Other expenses and these items.

Prior period restatement - Inventory

In previous reporting periods, inventory relating to Steel Pipes was erroneously reclassified to Property, Plant and Equipment (Works in Progress).

Prior period restatement - Works in Progress

In previous reporting periods, assets under construction relating to Intangible Assets (Software) was erroneously classified to Property, Plant and Equipment (Works in Progress) rather than to Intangible Assets (Software).

These changes were applied retrospectively and impacted the financial statements of the Corporation as follows:

| Statement of financial position (extract) | 30 June 2021 | | Inventory reclassification | Works in Progress reclassification | 30 June 2021 |
|---|---------------|--|----------------------------|------------------------------------|----------------|
| | Reported \$M | Cloud computing arrangements Increase/(Decrease) \$M | | | (Restated) \$M |
| Inventories | 30 | - | 16 | - | 46 |
| Property, plant and equipment | 17,761 | (71) | (16) | (17) | 17,657 |
| Intangible assets | 130 | (61) | - | 17 | 86 |
| Deferred tax equivalent liabilities | (212) | 40 | - | - | (172) |
| Net assets | 11,791 | (92) | - | - | 11,699 |
| Retained earnings | 4,230 | (92) | - | - | 4,138 |
| Total equity | 11,791 | (92) | - | - | 11,699 |

| Statement of financial position (extract) | 30 June 2020 | | Cloud computing arrangements | Inventory reclassification | Works in Progress reclassification | 30 June 2020 |
|--|-----------------|--------------------------------|------------------------------|----------------------------|------------------------------------|-------------------|
| | Reported \$M | Increase/ (Decrease) \$M | | | | (Restated) \$M |
| Inventories | 28 | - | | 7 | - | 35 |
| Property, plant and equipment | 17,542 | (46) | | (7) | (25) | 17,464 |
| Intangible assets | 110 | (37) | | - | 25 | 98 |
| Deferred tax equivalent liabilities | (214) | 25 | | - | - | (189) |
| Net assets | 11,554 | (58) | | - | - | 11,496 |
| Retained earnings | 3,993 | (58) | | - | - | 3,935 |
| Total equity | 11,554 | (58) | | - | - | 11,496 |

| Statement of comprehensive income (extract) | 30 June 2021 | | Cloud computing arrangements | 30 June 2021 |
|--|-----------------|---------------------------------------|------------------------------|--------------|
| | Reported \$M | Profit Increase/ (Decrease) \$M | (Restated) \$M | |
| Depreciation and amortisation | (532) | 11 | (521) | |
| Other expenses | (305) | (60) | (365) | |
| Profit before income tax equivalent | 1,249 | (49) | 1,200 | |
| Income tax equivalent expense | (373) | 15 | (358) | |
| Profit for the year | 876 | (34) | 842 | |

No restatement was made to Employee Benefits expense or Capitalised Interest as it was impractical to determine the allocation between Other expenses and these items.

| Statement of cash flows (extract) | 30 June 2021 | | Cloud computing arrangements | Works in Progress reclassification | 30 June 2021 |
|--|-----------------|--------------------------------|------------------------------|------------------------------------|-------------------|
| | Reported \$M | Increase/ (Decrease) \$M | | | (Restated) \$M |
| Cash paid to suppliers and employees | (1,048) | (60) | | - | (1,108) |
| Net cash from operating activities | 1,350 | (60) | | - | 1,290 |
| Acquisition of property, plant and equipment | (695) | 25 | | (8) | (678) |
| Acquisition of intangible assets | (46) | 35 | | 8 | (3) |
| Net cash used in investing activities | (732) | 60 | | - | (672) |

25.20 Accounting standards and interpretations issued but not yet adopted

The following standards have been issued but are not mandatory for the 30 June 2022 reporting period. The Corporation has elected not to early adopt these standards. The Corporation's assessment of the impact of these new standards and interpretations is set out below:

| Standard | Description | Application date | Implication |
|--------------------|---|-------------------------|--|
| AASB 2021-2 | Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates | 1 January 2023 | Not expected to have a material effect |
| AASB 2021-5 | Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction [AASB 112] | 1 January 2023 | Not expected to have a material effect |

25.21 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 Water Corporation (the "Corporation"):

(a) the financial statements and notes are in accordance with Schedule 3 of the Water Corporations Act 1995, including:

- (i) giving a true and fair view of the Corporation's financial position as at 30 June 2022 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 Corporation will be able to pay its debts as and when they become due and payable

Signed in accordance with a resolution of the Directors:

Handwritten signature of R. Love.

R. Love

Chair

Handwritten signature of P. Donovan.

P. Donovan

Chief Executive Officer

PERTH, 1 September 2022



Auditor General

INDEPENDENT AUDITOR'S REPORT 2022 Water Corporation

To the Parliament of Western Australia

Opinion

I have audited the financial report of Water Corporation (the Corporation), which comprises:

- the Statement of Financial Position at 30 June 2022, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended
- notes comprising a summary of significant accounting policies
- the directors' declaration.

In my opinion, the financial report of the Corporation is prepared in accordance with Schedule 3 of the *Water Corporations Act 1995*, and:

- presents fairly, in all material respects, the financial position at 30 June 2022 and of its performance for the year then ended
- in accordance with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

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

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

Emphasis of Matter – Restatement of comparative balances

I draw attention to note 25.19 to the financial report which states that the amounts reported in the previously issued 30 June 2021 financial report have been restated and disclosed as comparatives in this financial report. My opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information is the information in the Corporation's annual report for the year ended 30 June 2022, but not the financial report and my auditor's report.

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

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

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

Responsibilities of the directors for the financial report

The directors of the Corporation are responsible for:

- preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and Schedule 3 of the *Water Corporations Act 1995*
- such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial report

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial report. The objectives of my audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

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

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

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

Matters relating to the electronic publication of the audited financial report

This auditor's report relates to the financial report of the Corporation for the year ended 30 June 2022 included in the annual report on the Corporation's website. The Corporation's management is responsible for the integrity of the Corporation's website. This audit does not provide assurance on the integrity of the Corporation's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from the annual report. If users of the financial report is concerned with the inherent risks arising from publication on the website, they are advised to contact the Corporation to confirm the information contained in the website version.



Grant Robinson
Assistant Auditor General Financial Audit
Delegate of the Auditor General for Western Australia
Perth, Western Australia
01 September 2022



City of Bayswater Splash of Colour artwork by Peter Ryan
Photo Credit: Csfoto-Christian Sprogøe

NAIDOC 2022

Every year, we celebrate NAIDOC week with pride. We reflect on Aboriginal and Torres Strait Islander people who have driven and led change in communities. We thank those who have been the champions of preserving their culture by passing it down through the generations. This year part of the celebration included building an interactive sand mural at our Leederville office. This was led by artist Roni Gray-Forrest, Minang Ngadju.

