

ACHIEVING BALANCE

Uncertainty about our climate
threatens the security of our traditional water sources.

In the future we will need to
use water more efficiently,
while maintaining our way of life.

The Water Corporation will continue to
plan and develop new water sources; and
encourage the smarter use and re-use of water...

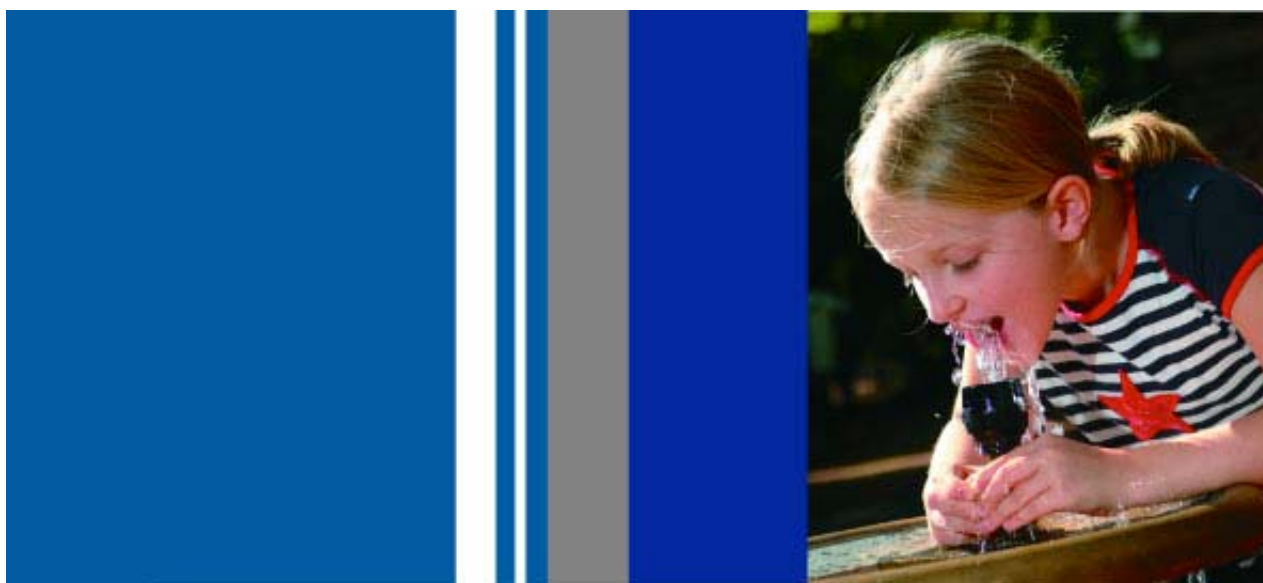
while enhancing and protecting our environment...

contributing to the State's economic future...

and respecting the values of our community.



[enter](#)



Security through Diversity

Annual Report 2005



WATER CORPORATION

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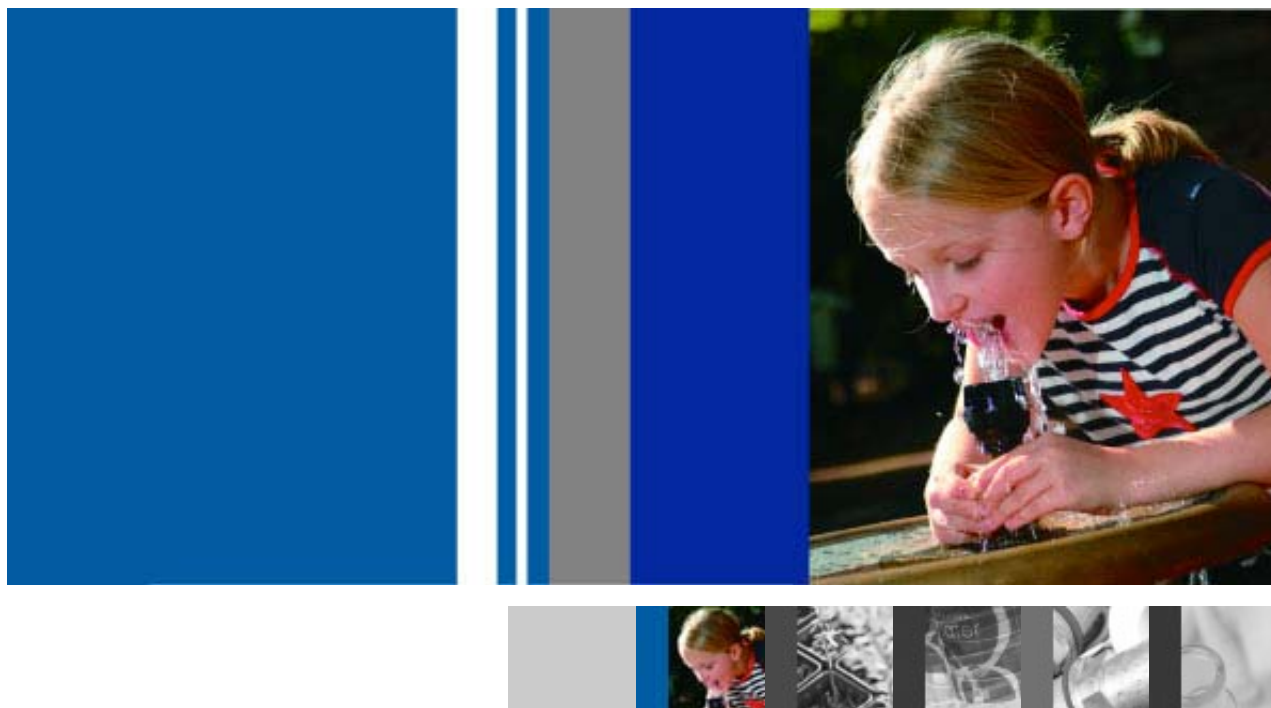


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CHAIRMAN'S REPORT

The Water Corporation is dealing with the drying climate by balancing the environmental, social and economic aspects of our business. These principles of sustainability underpin the development of all new water sources, as well as our existing operations.

Sustainability is about good design and planning, so we are incorporating sustainability principles into our business processes, training and communications. All our staff will understand sustainability and its relevance to their jobs and their lives; and they will have the skills and enthusiasm to deploy sustainable practices across our operations.

This is a common sense decision for the Corporation as it will improve business outcomes by protecting and enhancing the environment and will grow our capacity as a community. It will also give our customers and the broader community confidence in our organisation and our decision-making processes.

The successful expansion of our operations to meet the needs of our State at a time when water demand is increasing and the water supply from our traditional sources is limited, is a credit to the sound foundations we already have in place and to the excellent work of our people.

A major highlight of the year under review was that work started on the Perth

Seawater Desalination Plant, which will be powered by renewable energy. This will avoid adverse environmental impacts and serve as an example of sustainability in action to the rest of the State - as well as the nation.

Desalination is proven technology that will supply large volumes of water that are independent of the climate. As a Board, we were particularly impressed with the professionalism that underpinned the investigation into this ground-breaking project. The sound information provided to us by the Corporation's project team helped us make our recommendations to Government with confidence.

The desalination project reinforces the Corporation's growing reputation as a national leader in response to climate change and it is an important element of its Security through Diversity initiative, which is working well. Planning for the future has helped provide Western Australia with an adequate amount of water to meet its needs.

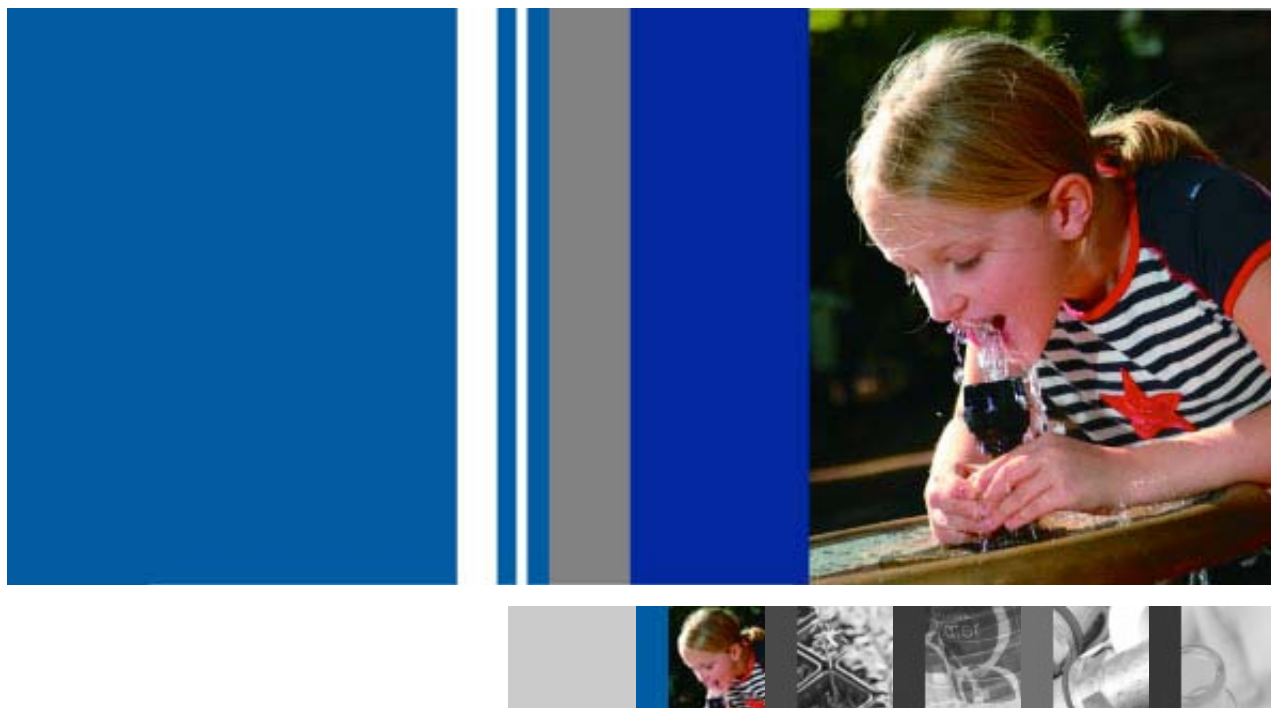
Importantly, a total sprinkler ban has been avoided. In fact, Western Australia is in much better shape than many of our Eastern States counterparts, who have been looking to us for advice and direction.

It has been a good year for the Corporation in trying times. I would like to thank the members of the Board, the Executive and all employees for their continued dedication to achieving excellent outcomes for the Corporation; and for the people and environment of Western Australia.



Tim Ungar
Chairman

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CHIEF EXECUTIVE OFFICER'S REPORT

The Water Corporation continues to lead in providing a secure water future for the people of Western Australia.

With our changing climate comes the need for a comprehensive approach that we call – Security through Diversity.

We are investigating, developing and delivering a range of water solutions such as the seawater desalination plant at Kwinana, water trading opportunities with the agricultural industry and groundwater from deep aquifers in our South West.

We also continue to encourage smarter use of the water. Water recycling, the Waterwise Rebate Scheme and Waterwise initiatives for land developers, plumbers, home-owners, garden centres and irrigators are helping the community to be more water efficient.

We recently updated our Source Development Plan for the Integrated Water Supply Scheme (IWSS). The plan provides a guide to the timing of water source developments through to the year 2050. Among other important information, it explains how we plan to add 107 gigalitres of water to the IWSS in the next five years.

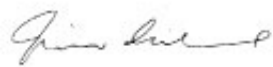
Taking a long-term view is essential to operating in a sustainable manner.

Sustainability, by its very nature, is central to our business. We deliver our services using a renewable resource, effectively borrowing it from the environment, renting it to customers and returning it to the environment. Our ongoing challenge is to provide a secure water supply while protecting the environment.

Climate change and urban growth also have combined to put pressure on our river systems. We are working to minimise our impact and are liaising closely with relevant authorities on wastewater operations. Ongoing business improvement initiatives continue to deliver benefits to the Water Corporation, while making it a stimulating and rewarding place to work.

The safety and welfare of our employees is a priority; and projects like employee-health risk-profiling, driver training and manual-handling training are equipping our people with the information and skills they need to be safer and healthier at work and at home.

I thank our staff for their very competent contributions to the year's performance. I also thank my fellow Board members for their stimulating and strategic support.



Dr Jim Gill
Chief Executive Officer

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HIGHLIGHTS

Construction started on the **45**-gigalitre-a-year Perth Seawater Desalination Plant at Kwinana. The plant will be powered by wind energy.

The Kwinana Water Reclamation Plant began operation. It will **double** the level of wastewater recycling in Perth from three per cent to six per cent.

It won the Water Environment Merit Award at the Australian Water Association's 2005 Ozwater Conference.

The Harvey water trading project was launched. It will deliver significant water efficiencies for the local area's irrigation farmers and will increase the annual water supply to the Integrated Water Supply Scheme by 17 gigalitres.

The **\$31.5**-million Harding Dam microfiltration plant started operating and is improving the water quality for the West Pilbara.

With the support of our customers, we achieved a **38**-gigalitre reduction in scheme water consumption over summer.

Our involvement with the Men of the Trees Carbon Neutral Program will see the carbon dioxide emitted from our vehicle fleet offset by native trees and understorey planting.

Our Significant Injury Frequency Rate dropped to **9** in 2004-05 from 11 in 2003-04, which met our target.

Our Call Centre was **judged** 'Best Call Centre in Australia' in the 2005 Call Centre Networking Group awards. It was also judged 'Best of the Best' across all award categories.

We won three **awards** in the 2005 WA Engineering Excellence Awards. The winners were:

- Beenyup Wastewater Treatment Plant Odour Control and Upgrade (Stage 2) – Infrastructure and Building category
- Vasse and Wonnerup Floodgates Upgrade at Busselton – Environment category and Engineering for Regional Communities category

WHAT WE DO

The Water Corporation of Western Australia serves almost two million people spread across 2.5 million square kilometres of one of

the driest countries on Earth.

We are one of Australia's largest water-service providers with an asset base close to \$10 billion and we provide water, wastewater and drainage services to homes and businesses throughout the State. We are also a bulk supplier of water for irrigation.

We directly employ 2,116 people and our operations generate more than \$1.3 billion in revenue a year. The majority of profits are returned to the Western Australian Government as a dividend to contribute to the development of the State.

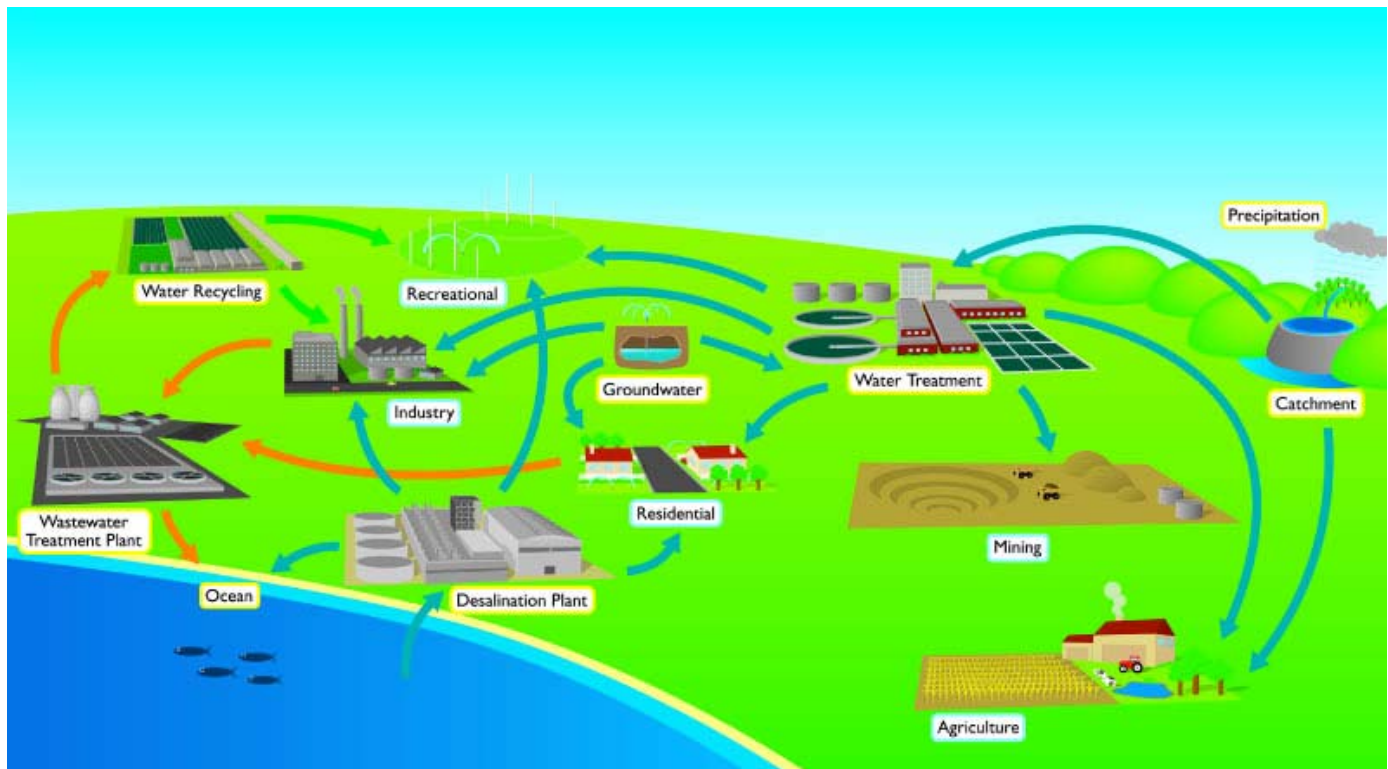
We delivered 342,173 megalitres of high-quality drinking water, while 135,544 megalitres of wastewater was received from customers and delivered to treatment plants throughout the State.

We also supplied 319,029 megalitres of irrigation water and managed some 452,101 hectares in declared drainage areas across Perth and southern areas of the State.

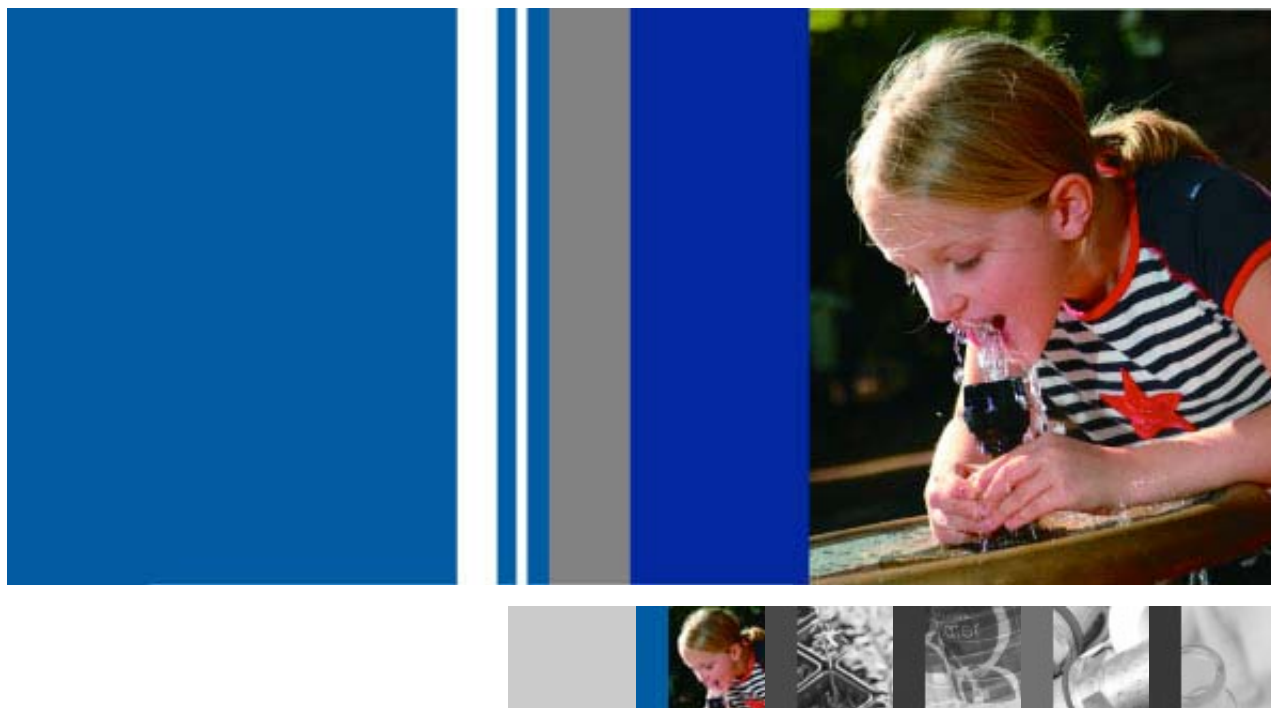
These services were provided through:

- 249 water treatment plants
- 99 wastewater treatment plants
- 113 dams and weirs
- 715 bores and 106 borefields
- 30,776 kilometres of water mains
- 13,417 kilometres of sewers
- 2,780 kilometres of drains

[Click on items below to read about them in more detail.](#)



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SUSTAINABILITY

Sustainable management of water services to make Western Australia a great place to live and invest.

Water Corporation Purpose

For any activity to be truly sustainable in the long term, the overall value of all forms of capital must be enhanced. The four forms of capital are:

- Human capital, in the form of labour, intelligence, culture and organisation;
- Financial capital, consisting of cash, investments and money;
- Manufactured capital, including infrastructure, machines, tools and factories; and
- Natural capital, made up of natural resources, living systems and ecosystem 'services' such as the production of oxygen by plants.

(Hawken, Lovins and Lovins; 1999. Natural Capitalism. The Next Industrial Revolution.)

To continue in the long term, the first three forms of capital must not exist at the expense of natural capital, because human society and the financial system depend on natural resources. The Water Corporation's business depends on our ability to continue to harvest water from the environment, energy to move water

and wastewater around, and on many other ecosystem services, such as plant plankton or trees consuming the nitrogen discharged to the ocean or to land in treated wastewater. We all have a vital stake in contributing to healthy ecosystems. The future of our business, our community and our families depends on it.

CHALLENGE

We are committed to visibly integrating sustainability principles into decision-making in key areas of our business over the next year. In three years, sustainability principles will be integrated into all aspects of our business.

PROGRESS

Our Sustainability Strategy involves 17 programs, which are designed to meet our one and three-year goals.

The capital investment decision-making process was selected as the first area for integrating sustainability into the business. This project, which started in March 2005, has progressed in a consultative way to identify where and how we can do things differently. The greatest opportunity we have to make a significant difference to our outcomes is when we do our planning and definition.

An important outcome of this process review is to ensure that there is integrity of decision-making throughout our capital investment process. The criteria by which we make project decisions should be clearly linked to our corporate policies, sustainability principles and, ultimately, our corporate purpose which is "Sustainable management of water services to make Western Australia a great place to live and invest."

Our Sustainability Executive Committee meets monthly to monitor the progress of our Sustainability Strategy Programs. We also have a Leaders In Sustainability Action group, comprising a range of employees, which leads sustainability thinking and action across the organisation.

We have a Environmental Resource Awareness group. It is an employee initiative that focuses on improving environmental awareness throughout the workplace. Some of its achievements include initiating the installation of sensor lights in meeting rooms, paper waste recycling and design of the Green Transport Plan.

REPORT SCOPE

In our Annual Report, we promote transparency by reporting our performance against what were "future" activities and commitments in our 2004 integrated Annual and Sustainability Report and our 2004-05 Statement of Corporate Intent.

Our Annual Report covers all aspects of our performance within our Operating Licence service areas and our products and services. In preparing this report we have used as a guide the 2002 Sustainability Reporting Guidelines released by the Global Reporting Initiative (GRI). Our compliance with the GRI is set out in the GRI table.

LOOKING AHEAD

The full implementation of the Sustainability Decision-Making Framework and sustainability assessment tools into our capital investment process will take several years. Enhancing the way we make capital decisions will have implications throughout the business and across the functions of community engagement, environmental management, indigenous engagement, procurement, contracting and human resource activities.



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SECURITY THROUGH DIVERSITY

"We are now in a drying climate and desalination is a proven technology capable of delivering large quantities of water independent of the weather.

"Desalination will reduce the risk of severe sprinkler bans that would undermine the amenity of our beautiful State."

Dr Jim Gill
Chief Executive Officer

CHALLENGE

Uncertainty about our climate threatens the security of our traditional water sources – dams and groundwater. Declining rainfall has reduced stream-flow into our dams by two-thirds in the past 30 years and the drying trend has continued. The past four years have been the driest on record in the South West of Western Australia.

In planning our water future, we have adopted a Security through Diversity approach. We are implementing a range of options - from those that will increase water supply to those where we can be smarter in the way we use and re-use

water.

PROGRESS

Construction began on the 45-gigalitre a year, seawater desalination plant at Kwinana. When operational in 2006, it will boost the water supply to the Integrated Water Supply Scheme (IWSS) by 17 per cent. The \$387-million facility will be the largest reverse osmosis desalination plant in the southern hemisphere.

A water trading project with Harvey Water in the South West will deliver significant water efficiencies for the area's 356 irrigation farmers and increase the IWSS water supply by 17 gigalitres. The project involves replacing open irrigation channels in the Harvey Irrigation District – with a pipe network that will deliver water to local farms. Water from the project will be progressively available to the IWSS from the end of 2007.

The \$20-million Wungong Catchment Environment and Water Management Project was launched. Initially it is expected to recover an average of four to six gigalitres of run-off water annually. It will focus on the thinning of selected trees in regrowth forest, and forests that have been rehabilitated after mining.

The metropolitan area significantly boosted its capacity to use recycled water during the year with the opening of the \$28.5-million Kwinana Water Reclamation Plant. The plant takes wastewater from our Woodman Point Wastewater Treatment Plant and treats it for use by local industries. It will allow an additional six gigalitres of water to be available for the IWSS. It will also double the amount of water recycling in Perth from three to six per cent.

The South West Yarragadee groundwater source is the most significant next water resource in the South West. The regulatory approval process associated with our proposal to sustainably abstract 45 gigalitres a year from this aquifer continued in 2004-05. The process is expected to be finalised by the second quarter of 2006.

Indirect re-use of treated wastewater through Managed Aquifer Recharge (MAR) is an important part of our medium to longer term source planning. We undertook a successful MAR trial for non-drinking water from our Halls Head Wastewater Treatment Plant, south of Mandurah.

The community's response to ongoing water-efficiency initiatives and the two-days-a-week water roster system was excellent. With community support, we achieved a 38-gigalitre reduction in water consumption over the 2004-05 summer.

The highly successful Waterwise Rebate Program has been operating since February 2003. Based on the average 10-year life of the appliances and products purchased so far, a water saving of more than 64 gigalitres is expected.

Our Waterwise 'family' of initiatives, involving the Waterwise Plumber, Display Village, Garden Centre and Garden Irrigator programs, continued to provide water users with cost-effective ways to achieve efficiencies.

LOOKING AHEAD

In planning for the future, we have adopted the drier climate and stream-flow regime since 1997 as the basis of our source development planning. We have also taken into account population growth projections and an underlying assumption that annual per-capita demand of 155 kilolitres will be maintained in the long term.

Our plans also take into consideration the undesirability and significant economic implications of a total sprinkler ban for the State.

In the next five years, we plan to add 107 gigalitres of water to the IWSS to address the imbalance in water supply and demand. Currently, the IWSS supplies

about 230 gigalitres of water a year.

Major additions of new water to the IWSS will be achieved through:

- The establishment of a seawater desalination plant at Kwinana.
- Water trading with Harvey Water.
- The proposed development of the South West Yarragadee aquifer.

The South West Yarragadee aquifer is being progressed as a water source option, with a second seawater desalination plant as a contingency.

These actions, together with catchment management operations at the Wungong Dam, the continuation of initiatives to promote the smarter use of water and major managed aquifer recharge projects will maintain the water supply-demand balance to at least 2015.

From that time, the most likely early source development options include an extension of catchment management activities to yield significant additional water; the development of a major groundwater scheme at Eglinton (north of Perth); and the development of a pumpback scheme at Wellington Dam in the South West; further water trading and greatly increased water recycling.

The establishment of major water-consuming industries at Kwinana will be supplied with treated wastewater from the Woodman Point Wastewater Treatment Plant, either directly without further treatment or with recycling through the Kwinana Water Reclamation Plant or a similar facility.

The option of water from the Kimberley is being assessed by an independent panel of experts, which is expected to deliver its findings in 2006.



Graeme Hughes
Principal Engineer Source

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DELIVERING SERVICES

WATER

Water quality

Supplying safe drinking water is our highest priority. During 2004-05, the Perth metropolitan area and all country localities met all targets for drinking water quality set by the Department of Health. We have an extensive drinking water quality monitoring program to confirm the safety of the water we provide. Bacterial and other chemical analyses are carried out by independent Department of Health-approved laboratories.

We are improving barriers to contamination at all our water supply schemes. We are strengthening source protection at all surface and groundwater catchments. In addition, new chlorination facilities were installed at a number of country towns and this program is continuing over the next few years. Also, MIEX® treatment at Wanneroo continues to deliver water quality improvements to Perth.

Regional

A new 25-megalitre water storage tank at Mount Melville is providing Albany with a more secure water supply. The tank is a significant part of a \$50-million water infrastructure program that will ensure Great Southern communities continue to be provided with a high quality and reliable water supply.

Plans were announced for a \$70-million interconnected water supply scheme for Bridgetown, Hester, Boyup Brook, Greenbushes, Balingup, Mullalyup and Kirup in the South West. The project will take three to five years to complete.

The \$31.5-million Harding Dam microfiltration plant has greatly improved the water quality for the West Pilbara. A sand filtration water treatment plant began operating in Derby and it is improving the aesthetic quality of the town's water supply.

WASTEWATER

The three major metropolitan wastewater treatment plants (WWTP) at Beenyup, Subiaco and Woodman Point serve more than 600,000 properties in Perth. In total, we operate 99 WWTP across the State.

We routinely monitor the quality of our treated wastewater before it passes back to the environment. We also continue to assess the effects of treated wastewater discharges on the marine environment through the PLOOM (Perth Long-term Ocean Outlet Monitoring) program. Over 15 years these studies have continued to show no adverse impacts of this method of disposal in terms of nutrient enrichment, toxicity, algal pathogen blooms or to detect any measurable impact on fish life, seagrass or limestone reef algal communities.

We recently identified priority areas for wastewater recycling schemes in terms of environmental or public health improvements. This program will be implemented over the next five years.



Wastewater Treatment Plants

New odour control works completed in early 2004 at Subiaco WWTP have resulted in a significant reduction in odour complaints. Similarly, at Beenyup WWTP, where stage two of the odour-control project is nearing completion, the odour complaints for the past 12 months have halved.

Planning for the next major odour upgrade at Woodman Point WWTP is under way. The odour control works proposed will bring the plant into line with the national best practice standard set by the Subiaco and Beenyup WWTP.

The irrigation of the UWA Sports Park (McGillivray Oval) with recycled wastewater from the Subiaco WWTP has completed its second summer of successful operation and is now under review.

To reduce our reliance on biosolids re-use to agricultural land, we are working with the Forest Products Commission to trial biosolids use in forestry. Trials started three years ago and have developed into a full-scale program where up to 30 per cent of biosolid production from the Woodman Point WWTP is being applied to forestry sites south of Perth.

Buffers

We are working with the relevant Government agencies to develop a long-term strategy to resolve, or prevent, potential land-use conflicts caused by urban encroachment around facilities like wastewater treatment plants.

The preferred model will promote compatible land uses and developments within the buffer zones.

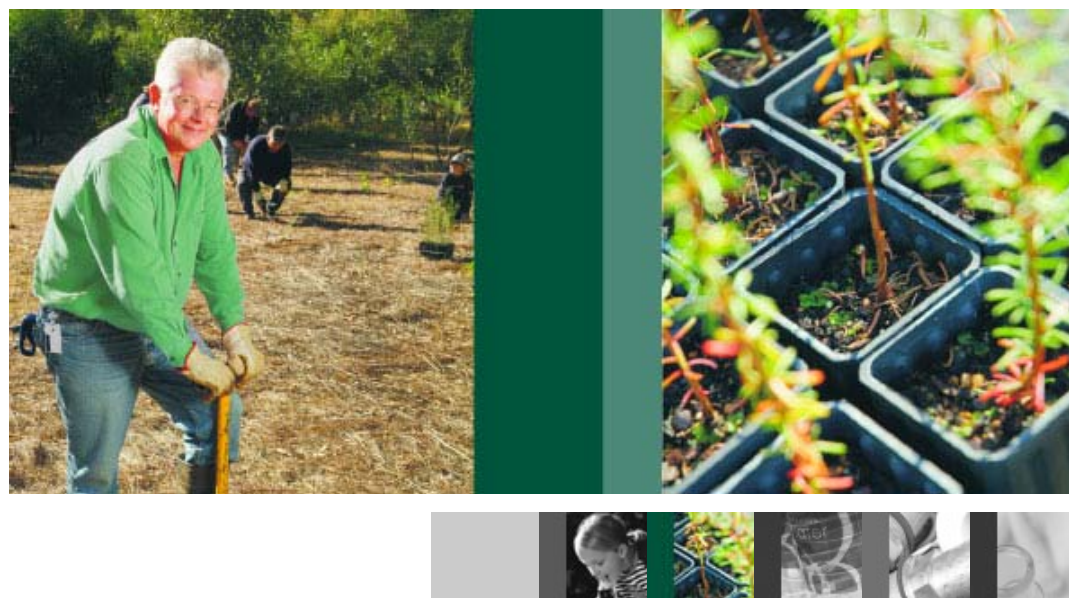
URBAN WATER MANAGEMENT (DRAINAGE)

About 100 gigalitres of water a year discharges from our drainage system into the ocean, rivers and wetlands. We are investigating the possibility of using drainage system water for drinking water source substitution. We are involved in a demonstration project at the Mill Street main drain in the Perth metropolitan area to examine ways to reduce the nitrogen and phosphorus that is entering the drain from groundwater.

IRRIGATION

While remaining a bulkwater provider, we have transferred the water distribution side of our irrigation schemes to grower co-operatives, which was in line with national water industry reforms. We operate bulkwater supplies in the South West, Carnarvon and the Kimberley.

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TOWARDS CARBON NEUTRALITY



"We have entered into an agreement with the Men of the Trees Carbon Neutral program that will see the carbon dioxide emitted from our fleet of 981 cars, utilities, trucks and other vehicles offset by native trees and understorey planting.

"Our involvement in the program is significant and will involve about 43,000 native tree and understorey seedlings being planted each year to offset the carbon dioxide emissions. It will make us the largest corporate member of the Carbon Neutral program.

"We all need to take responsibility for the stress placed on our planet, and to safeguard the future from the threats posed by rapid climate change."

Dr Robert Humphries
Manager, Sustainability

CHALLENGE

The emission of carbon dioxide, mainly from burning fossil fuels and other greenhouse gases is changing the global climate. In fact, climate change is arguably the most significant challenge faced by the human race and the Water Corporation's business is being directly affected by it.

Surface water has been the traditional source of most of the drinking water for the Integrated Water Supply Scheme (IWSS), but the huge decline in its availability has led to groundwater becoming the dominant source of supply. As a result, the energy used in our business has risen because of increased pumping and treatment costs; and large amounts of capital expenditure have been required to secure water supplies.

We are one of Australia's largest water utilities and electricity is our main energy source; and our largest single contributor

to emissions. About 90 per cent of our total emissions come from electricity consumption. Significant emissions, particularly methane, are also generated from our wastewater treatment plants and sewers, from vehicles, stationary diesel engines and other sources.

In late 2001, we took stock of our emission profile and decided that we wanted to be part of the solution, not part of the problem. So we accepted the challenge of climate change and committed to achieving a significant reduction in our emissions by joining the Greenhouse Challenge Program.

PROGRESS

Membership of the Greenhouse Challenge provided the catalyst for the systematic analysis of our patterns of energy use and emissions. This led to improved energy efficiency, reduced energy costs and lower net emissions.

In 2002-03, we reported a greenhouse gas abatement of 110,000 tonnes of carbon dioxide equivalent, or more than 25 per cent of our emissions for that year. As a result of this, and other actions, we were awarded the Australian Greenhouse Office Greenhouse Challenge Gold Award in 2003.

We followed this up in 2003-04 with a greenhouse gas abatement of 97,306 tonnes of carbon dioxide, or more than 19 per cent of our emissions.

These significant reductions were achieved through a series of initiatives including improved energy efficiencies; increased use of renewable energy; capture and combustion of methane; fuel switching; carbon sequestration; an award-winning water education campaign; and the establishment of a specialist Energy Management Unit.

Our Energy Management Unit reformed the internal management of power purchasing. It focused our attention on patterns of energy use, energy efficiency, the carbon intensity of various electricity supply options and energy costs.

The combination of these actions resulted in more efficient electricity use and cost savings of more than \$1 million a year.

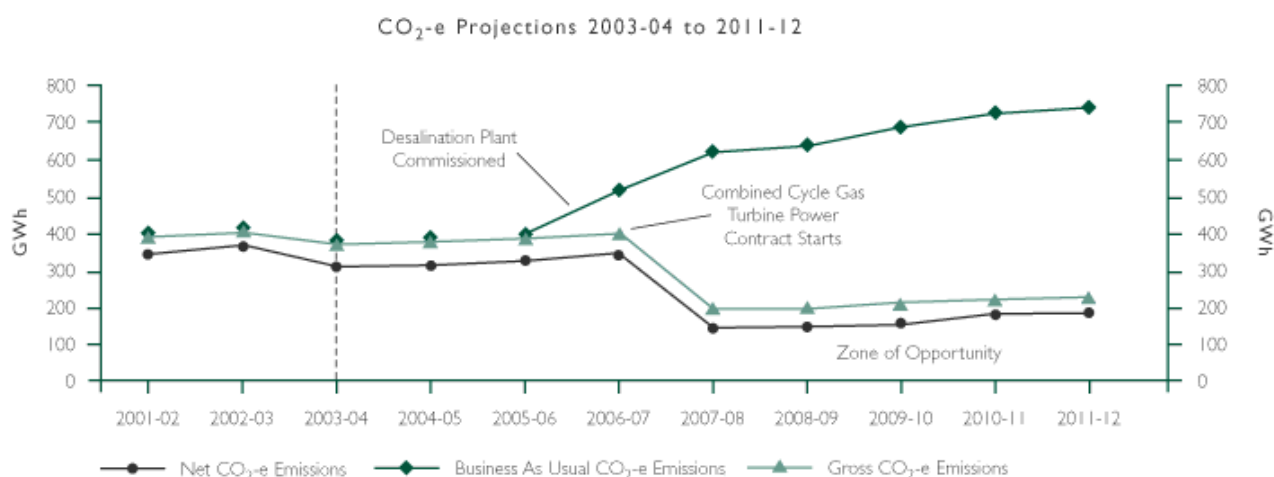
The Perth Seawater Desalination Plant will be run on energy from a wind farm near Cervantes. Electricity will be drawn from the grid at Kwinana to power the desalination plant.

We are already the largest user of renewable energy on Western Power's grid. With renewable energy to power the desalination plant, it will take us into a new era of renewable energy use.

LOOKING AHEAD

We are exploring the case for moving to full 'greenhouse neutrality' and a number of options are being investigated. The most promising being a balanced portfolio ranging through revegetation with a greenhouse-biodiversity focus; low rainfall area plantings for greenhouse gas offsets and salinity mitigation; revegetation of lost or degraded native vegetation; and expanded areas of plantations for treated wastewater disposals.

We are monitoring developments in carbon trading, renewable energy technology and costs, and are looking at all feasible and affordable sustainability opportunities.



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PERTH'S WASTEWATER SYSTEM – PROTECTING HEALTH AND THE ENVIRONMENT



"Perth's wastewater system operates without incident almost all of the time. Regrettably, incidents do occasionally occur.

"Thorough contingency planning and well-drilled emergency response procedures saw the Corporation take swift and decisive action in response to what was our largest ever recorded wastewater overflow into the Swan River.

"On Saturday 16 October 2004, an estimated 2.5 million litres of wastewater (slightly less than the capacity of two Olympic-sized swimming pools) discharged from a ruptured sewer pipe into the river near Caversham.

"This incident presented significant engineering and logistical challenges because the burst section of pipe was about four metres below the river level.

"However, I think the response brought out the best from all our

people involved. Everyone seemed to work just that little bit harder and with more purpose because they, like the rest of the Perth community, really value the Swan River."

Steve Wisdom
Program Manager, Planning and Infrastructure

CHALLENGE

Perth's wastewater system is large and complex. Every day we collect about 300 million litres of wastewater from households, commercial businesses and industry. This process operates without incident almost all of the time. In fact, 99.99 per cent of Perth's wastewater is conveyed without overflows.

Regrettably, wastewater overflows do occur from time-to-time and they are often caused by events beyond our control. Wastewater networks rely significantly on gravity to transport the water, therefore it is inevitable that pumping stations and pressure mains are located low in the landscape, often near rivers and wetlands. This is standard practice around the world, but in Perth it has implications for the Swan and Canning rivers.

An extensive independent study commissioned by the Swan River Trust found that the small number and low volume of wastewater overflows have minimal short term and no long-term environmental impact on the river system. Despite that, we acknowledge the community's concerns about wastewater overflows into the environment and we have invested significant time and resources to address this important issue.

PROGRESS

In 1994, in conjunction with the State Government, we launched the Infill Sewerage Program to reduce the number of septic tanks in Western Australia and their associated health and environmental risks. By 2004-05, about 58,500 properties in Perth and 20,700 properties in country towns had been provided with a sewerage service under the program. This represents about 80 per cent of the original target. The program is scheduled for completion by 2018-19.

Our \$15-million Riverwise Program was completed in 2000. Through the program, 112 riverside wastewater pumping stations were upgraded.

More than \$100 million is being invested over the next five years to reduce the chance of sewerage system overflows in sensitive areas around Perth, particularly targeting assets near the river system. This is part of a statewide \$200-million, 15-year Overflow Risk Management Program that started in 2003.

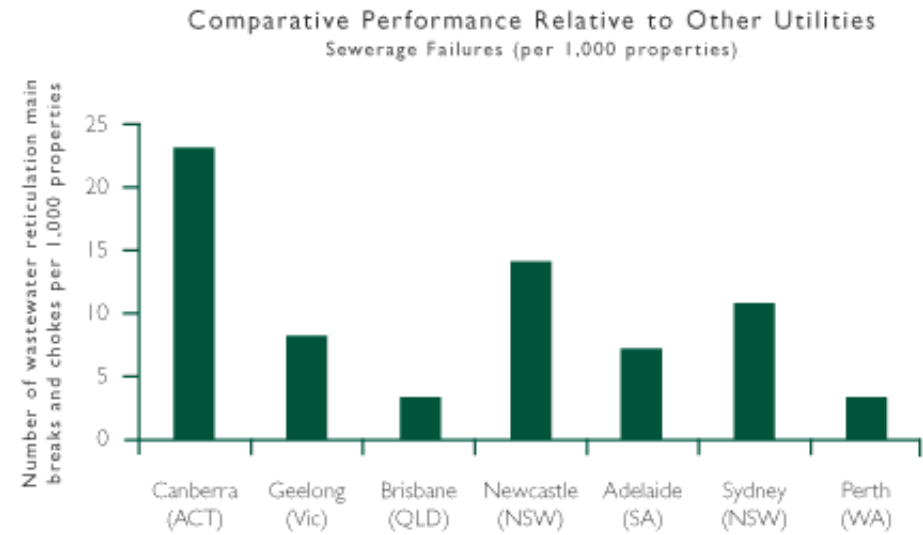
The emergency power backup arrangements we put in place as part of the program have proved themselves. During a storm in May 2005, that disrupted power supplies, 73 of our wastewater pumping stations were without electricity for some time. Our work crews used our fleet of generators to keep these pumping stations running. As a result, there were only two minor overflows, which were contained and quickly cleaned up.

We monitor our performance in key areas and benchmark our achievements against other peer utilities in Australia and overseas. In Perth, we have a relatively low number of sewerage failures compared to other water utilities throughout Australia.

Importantly, assets within the metropolitan system are relatively young compared to other Australian water utilities. Industry standards indicate that water-related assets could be expected to perform reliably for up to 75 years, whereas more than 60 per cent of Perth's sewers are less than 25 years old and 75 per cent of its water mains are less than 40 years old.

We inspect our assets regularly and undertake remedial work as required. However, a failure in May 2005 of the sewer main in Hordern Street, Victoria Park, prompted us to review our asset monitoring procedures. We decided to accelerate the refurbishment program for the type of sewer main that failed at Hordern Street – the two per cent of unlined, reinforced concrete sewer mains that are more than 50 years old.

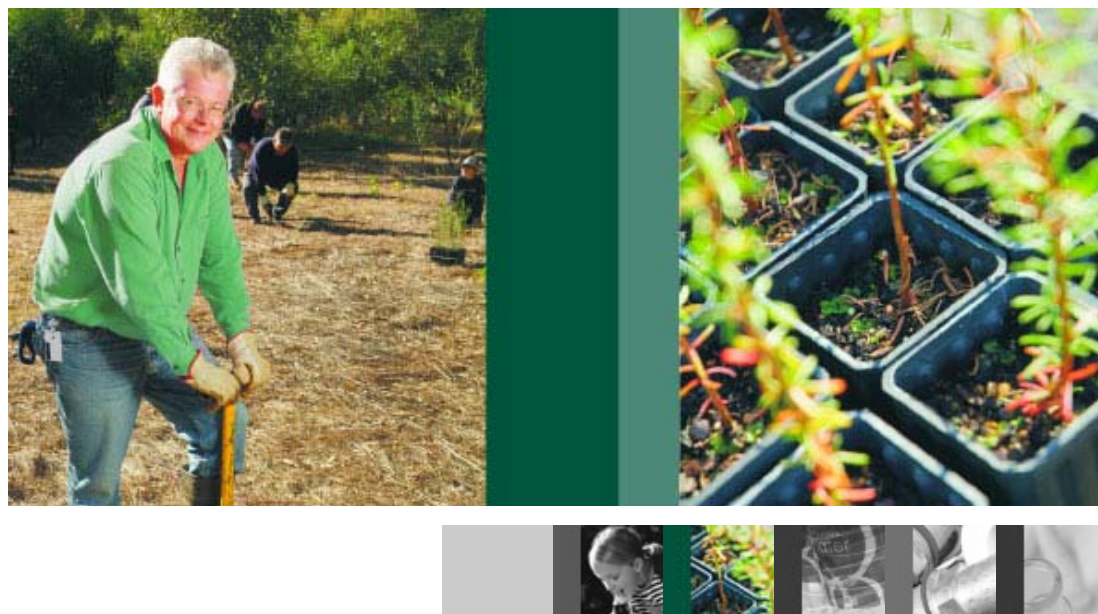
The Economic Regulation Authority requires regular independent reviews of our asset management system and its most recent report found that we had achieved a very high standard, which reflected a culture of continuous improvement.



LOOKING AHEAD

While it is unlikely to be achieved, we have set ourselves an aspirational target of having zero overflows from our wastewater conveyance system.





ENVIRONMENTAL PERFORMANCE



CHALLENGE

We will sustain the natural environment to maintain and restore the productive capacity of ecosystems and the natural diversity of life forms by reducing the impact of our ecological footprint.

	3-year target	1-year target	2004-05	2003-04	2002-03	2001-02	2000-01
Overflows to the Swan-Canning river system from wastewater conveyance system	n/a	n/a	6	3	3	6	1
Electricity consumption per unit of output for water (MWh/ML)	n/a	n/a	0.8	0.8	0.8	0.7	0.6
Electricity consumption per unit of output for wastewater (MWh/ML)	n/a	n/a	0.6	0.6	0.6	0.6	0.6
Net direct energy consumption (TJ)	n/a	n/a	1,530	1,571	1,523	-	-
Indirect energy consumption (TJ)	n/a	n/a	2,755	2,801	2,618	-	-
Net greenhouse emissions (Kilo tonnes)	n/a	n/a	321	321	367	354	342
Number of odour complaints - Subiaco ³	n/a	n/a	2	7	25	65	70
Number of odour complaints - Woodman Point	n/a	n/a	62	32	1	1	3
Number of odour complaints - Beenyup	n/a	n/a	87	167	354	215	209
Number of legal sanctions for environmental breaches	0	0	0	0	0	0	0

Notes:

1. n/a means information not available or information not applicable

2. - means not calculated

3. There were two odour complaints from the one person, however investigations showed the odours were not attributable to the Subiaco WWTP.

PROGRESS

Standards

In recent years many business units have implemented internal management systems and achieved and maintained certification to appropriate Australian and international standards.

We are experiencing major changes to environmental legislation and administrative procedures. Internal changes to our business have been made and we plan to have a corporate environmental management system accredited within the next 18 months.

Training

Regular environmental training is undertaken by our staff and contractors to ensure that everyone is fully aware of their environmental responsibilities.

We also incorporate environmental training into our induction courses for new employees and are moving towards competency-based training modules.

Environmental Performance

As well as complying with the general requirements of environmental legislation, we operate under the conditions of Department of Environment licences and works approvals; conditions imposed by the Minister for the Environment; and water abstraction licences.

We fully complied with all environmental legislation and conditions, with no successful action taken against us. However, there were some occurrences of variations to specifications within a licence or Ministerial Condition (of which there are about 1,000). We measure these monthly and there have been an average of 1.5 variations a month (5.8 in 2003-04). These are typically bursts from pipes conveying treated wastewater, leaks or overflows.

Under the *Environmental Protection Act 1986* we report any unplanned incidents that occur that have the potential to harm the environment. During 2004-05, there were 44 reportable incidents (29 in 2003-04) where wastewater was accidentally released into the environment. We responded to these incidents to the satisfaction of our regulators and our monitoring showed no harm to the environment or to public health.

Sustainable extraction

We are a significant user of water resources on behalf of the community, but there are many other users including industry, agriculture and individuals owning private groundwater bores.

We attempt to ensure that the environment is protected by having objective scientific knowledge underpin our decisions and actions. Examples of this science at work included the investigations of the Gngangara Mound and South West Yarragadee groundwater aquifer; and the ocean outlet monitoring program known as PLOOM (Perth Long-term Ocean Outlet Monitoring).

We also sponsor research into environmental flow requirements for surface-water storages throughout the State, including the Ord River in the Kimberley and the Harding River - Millstream aquifer system in the Pilbara.

During the year about 40 shallow groundwater bores were switched off in the Perth region to protect wetlands and vegetation from falling aquifer levels. Some of this lost capacity was replaced with wells drilled into the deeper Leederville and Yarragadee aquifers.

Ocean monitoring

We are committed to the safe disposal of treated wastewater through our five ocean outlets. There is a significant history of world-class scientific investigation of the effects of treated wastewater discharged into Perth's coastal waters. This work has been extended to Bunbury in the South West and to the Burrup Peninsula in the North West, where we have built a seawater supply and effluent disposal system. Our studies indicate that no environmental harm is occurring and that public health and amenity are being protected.

Contaminated sites

We own or manage more than 6,600 parcels of land throughout the State. Several hundred of these have the potential to be contaminated from past activities, with a small number likely to be contaminated. Through the *Contaminated Sites Act 2003*, we are undertaking a risk-based approach to site assessment and classification. We are preparing a strategic agreement with the Department of Environment to ensure the identification and declaration of these sites.

Biodiversity management

Most catchment areas, water reserves and many wastewater treatment plants support important populations of native plants and animals. In general, surveys are carried out before any activity begins on a site, and appropriate mitigation measures are implemented. We partly fund a Water Policy Officer for the Conservation Council of Western Australia to facilitate informed debate on water related matters.

LOOKING AHEAD

We will develop an integrated energy and vegetation management strategy for forests, woodlots and carbon sequestration; renewable energy; and energy efficiency options. For more consistent and improved environmental outcomes, we will review environmental best-practice procedures and incorporate them into the Corporate Business Management System.

We are developing a Geographic Information System-based assessment tool that identifies environmental features so that planning can be undertaken to minimise or avoid impacts.

We are continuing to develop our knowledge of potential source opportunities by conducting trials into aquifer storage and recovery at Jandakot, preparing a geochemical research report and completing groundwater modelling.

We are pursuing a trial Managed Aquifer Recharge project at the Beenyup Wastewater Treatment Plant using highly treated wastewater.

We are developing policies for native vegetation management, nutrient and biodiversity offsets and greenhouse emissions.



We have a number of advertising and marketing initiatives to encourage the smarter use of water.

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TOWARDS A HEALTHIER WORKFORCE



"Getting my health assessed through the Water Corporation's voluntary health-risk profiling-survey was a life-changing experience for me. I found out that I had diabetes!

"Since that diagnosis, I've been back to my own doctor who put me on medication. I've also changed my diet for the better and started exercising more.

"The change has been dramatic. I feel like I have woken from a deep sleep with a whole new body and outlook on life. I'm brighter and more energetic. I'm a lot more productive at work and at home, where I am doing some renovations."

Candace Egerton-Warburton
Customer Service Representative

CHALLENGE

Cardiovascular disease (CVD) is Australia's greatest health problem and the impact of this potentially fatal ailment is particularly relevant to the Water Corporation because of the age profile of our employees.

The aging population is the largest factor in accelerating the rate of CVD and more than half of our employees are aged upward of 46 years.

What gives this statistic real meaning was the fact that in 2003, four of our employees suffered heart attacks during work hours and one of these people died. All four employees were aged between 48 and 52 years, which in some medical circles is considered to be 'premature' for a heart attack as it is not the direct result of age, but accelerated by external factors.

PROGRESS

Recognising the devastating impact CVD can have on our employees and their families, as well as the negative effect it can have on our business, our Occupational Safety and Health branch did something about it.

We aimed to reduce the incidence of heart attack and associated heart disease complications by providing relevant personal information on an individual's coronary health. A voluntary health-risk profiling-survey targeting CVD risk factors was introduced for employees in February 2004 and was offered until June 2005.

About half of our workforce (1,002 employees) took part in the program. Our employees were no worse off than the national statistics, but they were no better off either (see table below). This was a concern, as the Australian Institute of Health and Welfare (2004) reports that in 2000, 39 per cent of all deaths in the nation were attributable to CVD.

Australian vs. Water Corporation Statistics

	Australian National Statistics	Water Corporation Statistics
Overweight or Obese	60%	58%
Elevated Blood Pressure	30%	17%
Elevated Blood Lipids	51%	51%
Smokers	20%	13%
Diabetics	8%	2%
Physically Inactive	54%	41%

LOOKING AHEAD

Fortunately, the risk factors afflicting most of the program participants were all modifiable and there is considerable potential to make improvements in cardiovascular health.

With this in mind, an employee health program called 'Help Your Health' has been designed to target the top three coronary risk factors as identified by the program. Scheduled to start in late 2005, it will target weight management, physical activity and cholesterol, simultaneously, through theoretical and practical education.



Ciaran MacCarron
Manager, Occupational Safety and Health

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ACHIEVING CULTURAL CHANGE



"I took part in the UpLiFT Program (for developing leadership and relationship management competencies among managers and team leaders) and found that it was aptly named and very worthwhile..."

"The program stresses the value of self-awareness and developing or harnessing positive personal attributes, which are important qualities for good leadership."

Mira Plavsic
Team Leader, Customer Services

CHALLENGE

In mid-2003, we initiated an organisation-wide improvement program to deliver significant cost savings through the redesign of business processes. The focus was to reduce complexity and remove duplication.

However, it was quickly recognised that for these changes to be sustained over time, we must also address aspects of our culture that had encouraged duplication and the proliferation of different ways of doing things. In conjunction with the redesign of our business processes, we embarked on a program of cultural change in the workplace.

PROGRESS

The main focus for the cultural change program has been to create a workplace where people work together, irrespective of roles, functions or other perceived boundaries, to achieve common goals.

This is a big shift from a culture where people have been largely focused on their own branch, region or divisional goals. We needed to strengthen our focus on customers, particularly from an internal service perspective.

Our cultural change program has a number of key areas. Firstly, we defined the cultural shifts and behaviours we wanted.

Leadership is a key to change, so we focused on raising awareness and building commitment to the changes. We have been developing leadership capability and a new style of constructive leadership model.

Communication is important for change by raising awareness and understanding. The main focus has been on face-to-face communication through workshops, one on-one discussions and engaging people in thinking about the way they work.

Measuring progress is fundamental to any change program. We therefore established a base-line measure of our culture in 2004 through an employee survey. The results showed that our current culture is very similar to other utilities in Australia and New Zealand. We plan to remeasure in 2006.

We have a strong focus on performance management; recognition and reward processes; training and development activities; as well as some key business structures and systems that enable change to occur.

We are also implementing a new accountability framework. It supports employee empowerment and enables a stronger focus on performance by making accountabilities much clearer.

LOOKING AHEAD

Cultural change is very much a journey. While you can learn from others about what worked for them, organisation culture is unique and no two change journeys are ever the same.

Our cultural change program continues to evolve. Perhaps the single most important thing that we've learned is the need to develop a clear vision that can be communicated consistently throughout the business. Leadership flounders without this.



Kathy Peacock
Human Resources Consultant

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COMPLAINTS HANDLING

CHALLENGE

The Water Corporation values its customers and strives for excellence in service delivery, but we appreciate that from time-to-time there will be differences of opinion and, despite our best efforts, things occasionally will go wrong.

We want to hear from our customers when they have issues or complaints, so we have systems and standards in place so that this happens in a timely and effective way.

PROGRESS

Communication is one of the service commitments we make in our Customer Charter. We strive to resolve all customer complaints within 21 days and we were able to do this 99 per cent of the time in 2004-05. We also answered 97 per cent of written correspondence within 10 days.

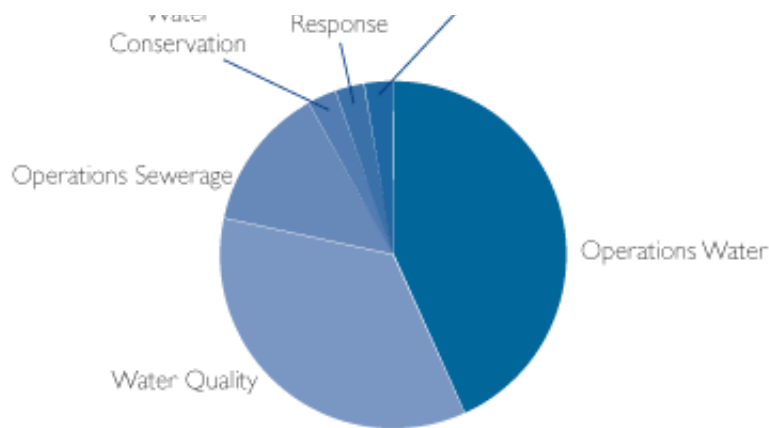
To assist customers with their enquiries and complaints, we have a dedicated Call Centre (which deals with accounts and technical enquiries) and an Operations Centre (which deals with faults and emergencies). In 2004-05, there were 565,000 customer calls received by the Call Centre and 155,000 by the Operations Centre.

Our Call Centre continues to excel against industry standards, and was judged 'Best Call Centre in Australia' in the 2005 Call Centre Networking Group awards. It was also judged 'Best of the Best' across all categories.

In 2004-05 we received about 36,000 complaints. The top five categories are listed below.

Top Five Customer Complaints By Category

Water Billing Other



We have had a formal complaints handling system in place since 1996, which for the past two years has been supported by a Correspondence and Complaint Co-ordinator. This role monitors the required response time for complaints and ensures the highest level of compliance.

To more effectively engage and interact with our customers we also created the specialist position of Manager Customer Policy to act as our complaints custodian; and to develop and maintain relevant policies in this area.

LOOKING AHEAD

Our Customer Advocacy Network represents our customers by promoting their views and comments as key considerations in a range of our business activities, such as policy, planning and innovation.

Through the Customer Advocacy Network and our specialist complaints handling staff, we will continue to engage with our customers and seek feedback on ways to improve our performance.



Andrew Leone
Correspondence and Complaint Co-ordinator

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SOCIAL PERFORMANCE

	3-year target	1-year target	2004-05	2003-04	2002-03	2001-02	2000-01
Residential customer satisfaction - value (%)	80	75	85	81	79.2	83	80.2
Business/Industrial customer satisfaction value (%)	80	75	81.5	83.5	81	n/a	n/a
Residential commercial customer trust and credibility (%)	85	80	80	85.2	85.5	88	89
Business/Industrial customer trust and credibility (%)	85	80	84.5	88	n/a	n/a	n/a
Customers per employee	n/a	n/a	901	930	902	843	795
Water consumption per capita for Perth metropolitan area (KL)	163	155	154	155	150	152	185
Wastewater re-use (%)	15	13	11	10	10	9.8	8
Number of Waterwise schools certified	n/a	n/a	220	175	112	75	38

Notes:

1. n/a means information not available or information not applicable
2. Waterwise schools are reported on the cumulative number of schools certified

PROGRESS

Flexible working arrangements

Like many organisations, one of the greatest issues facing us is our ability to sustain workforce capability in the context of Australia's shrinking labour market and our own ageing workforce. More than half of our workforce is aged upward of 46 years. A significant number of these people are undertaking physically demanding work.

Last year we introduced new flexibilities under our Enterprise Agreement that allow employees to tailor their work arrangements to accommodate their interests and priorities outside of work, like family commitments. So far, 15 people have taken advantage of these flexible working arrangements.



We are a major supporter of the Activ Foundation's City to Surf fun run and many of our employees take part in this fund-raising event for charity.

Leadership

Our managers and team leaders and their style of leadership are critically important to the work environment and the performance of our people. We have continued to focus on developing leaders through our in-house program – UpLiFT. A further seven programs were run in 2004-05. Since we began this program in 2003, a total of 266 of our leaders and potential leaders have attended.

Over the next 12 months we will establish a holistic leadership and management development framework.

This will include a new team leader development program that focuses on the critical competencies required by frontline managers.

Operational competency development

To help maintain a capable operations workforce, we offered 15 Water Industry Traineeship places and there are more awaiting registration. This initiative will enable accelerated development of new water industry employees to trade equivalence.

We are preparing to reinstate an apprentice program and establish an annual Water Industry Trainee intake.

Diversity and inclusiveness

In 2004-05 we appointed two female general managers to our previously all-male Executive team. This was a first. The number of females in our second management tier also increased.

Employment of indigenous people increased to 1.2 per cent of our workforce. There will be a strong future focus on improving opportunities for indigenous employment, particularly in regional areas.

Female Workforce Representation

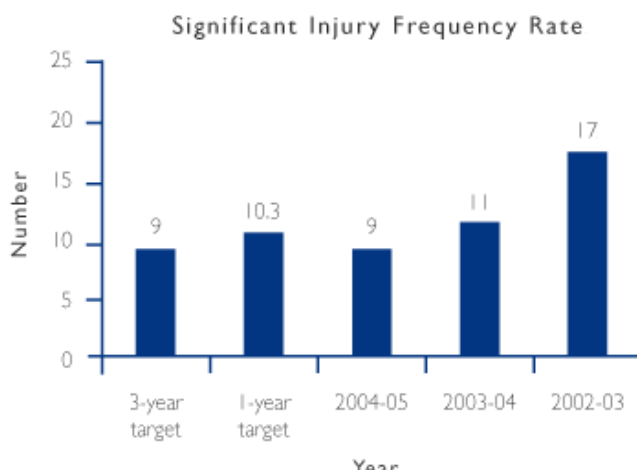
	Jun-01	Jun-03	Jun-05
Senior Mngt	3.7%	6.0%	12.2%
Level 7-8	2.8%	2.2%	3.6%
Level 4-6	15.1%	18%	20.9%
Level 1-3	59.6%	59.4%	63.2%
Graduates	47.8%	61.4%	43.8%
Trades	0.7%	1.5%	0.7%
Non-Trades	1.8%	2.8%	2.2%

Occupational Safety and Health

Our Significant Injury Frequency Rate (SIFR) decreased considerably from 11 in 2003-04 to 9 in 2004-05, which met our target.

Despite our good SIFR performance, an area of concern was a number of serious work-related traffic accidents by our employees and contractors.

Driver safety is now receiving greater attention. A Driver Safety Working Party has been established to co-ordinate driver training and it is looking at ways to reduce the amount of driving done by our employees and contractors.



Stakeholder participation

Involvement with local communities and key stakeholder groups is integral to our daily work. With almost all Western Australians falling into one of these groups, our community participation is handled by different operational areas. From customer liaison through to specific project issues, we believe that building solid trusting relationships is key to maintaining our social licence to operate and improve our corporate reputation.

Stakeholder engagement

A new stakeholder engagement framework was introduced to support enhanced decision-making, social risk and opportunity management. It is guiding a more strategic and inclusive approach in major stakeholder relationships.

The system is being further developed and extended to regional operations.

Corporate stakeholder engagement performance will be evaluated annually on the basis of key stakeholder perceptions.

Community consultation

Comprehensive consultation and community information programs were conducted in relation to major projects including the proposed Alkimos Wastewater Treatment Plant, the South West Yarragadee aquifer water supply development and the Perth Seawater Desalination Plant.

There also has been stakeholder involvement in other projects across the State – from the proposed Sustainability Park at Subiaco, to the Seawater Supply and Desalinated Plant project on the Burrup Peninsula in the North West, the Busselton Environmental Initiative and the provision of a new wastewater treatment plant for Broome.

Ongoing consultation is maintained with community stakeholders living next to existing Corporation facilities such as major wastewater treatment plants. This is mainly through community reference groups, which meet regularly with Corporation representatives.

Our Customer Advisory Council helps us to understand and keep pace with changing customer needs. It consists of a customer representative from each region of the State. In addition, five industry groups are represented.

Our Urban Development and Advisory Committee has a technical and commercial focus that relates to our land policies, administrative procedures and service delivery performance. It consists of associations, industry groups and developers.

LOOKING AHEAD

We will implement arrangements that provide for smooth transitions for staff nearing the ends of their careers.

We will maintain the momentum of our cultural renewal agenda.

We will implement self-service initiatives for employees on a range of Human Resource functions. We will implement competency-based training and assessment for our operational workforce.

We will establish a holistic leadership and management development framework.

Our Indigenous Employment Strategy will be progressed, which forms part of our overall approach to equity, diversity and inclusion.

We will complete the regional implementation of our stakeholder engagement framework.

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IMPROVING THE BUSINESS



"The new Mechanical and Electrical Services Branch is a central resource that supports a number of different operations across the Corporation. Prior to the Process Improvements Program, there were two engineering groups with some similarities in the work that they did. This was inefficient and did not provide adequate support for our mechanical and electrical assets.

"The new structure is working well. It provides a central point of expertise, which is more productive and efficient. It also provides the opportunity to gain a broader range of experience across the Corporation"

Steve Fisher
Electrical Engineer

CHALLENGE

The Process Improvements Program (PIP) aims to assist the Water Corporation to become the best performing utility in Australia. It is increasing our effectiveness by simplifying and standardising business processes and driving continual improvement. It is also strengthening our ability to deliver services required by customers and stakeholders; and to cater for organisational growth and meet increasingly high regulatory and industry standards.

PROGRESS

Process improvement savings of \$5.9 million (out of overall Corporation efficiencies of \$7.6 million) were delivered to the end of 2004-05. These savings are expected to grow to \$7.5 million in 2005-06.

The program included an organisational restructure along process lines and the implementation of 67 projects, all of which are either well advanced or completed.

An example of the change to a process orientation is in the newly created Planning and Infrastructure Division, where the planning and acquisition of infrastructure assets is now being managed as an end-to-end process, which is providing real benefits to the business.

Several new technical branches also are helping to boost efficiency. The Mechanical and Electrical Services Branch and Procurement Branch were created from the PIP process and they are proving to be a valuable internal resource by delivering prompt and expert advice to our operating business areas.

LOOKING AHEAD

The challenge now is to consolidate and co-ordinate the various PIP initiatives, to imbed the changes in the organisation and to continuously improve.



Peter Gamel
Project Manager, Process Improvement Program

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CUSTOMER DEBT MANAGEMENT

"Our debt management process is fair and takes into account the circumstances of every customer. We have repayment packages tailored to suit every individual..."

"Many customers have complimented our staff on their professionalism and integrity".

Monique Brajkovich
Team Leader, Customer Services



CHALLENGE

The Water Corporation provides an essential service and has few real competitors, so we are very mindful of managing our customer debt in a sensitive and personal way. However, we also must maintain a commercial focus. It's a balancing act, but we believe that we have the right systems and people in place to achieve a fair result.

PROGRESS

Our debt recovery process is open and flexible enough to meet the special needs of individual customer groups such as pensioners, tenants and commercial organisations. We also have a specialist team at our Customer Call Centre who are trained to deal in a caring way with customer calls on debt-related matters.

Our debt recovery process for owner-occupied properties involves sending reminder notices after 14 days to advise customers of the outstanding amount and asking them to contact us if they are having difficulty with payments. This is followed 14 days later by a letter advising that their water supply could be restricted if they don't make suitable arrangements to pay their account. After a further two weeks, an 'intention to restrict' notice follows.

The next step is a visit to the property by one of our field inspectors, who will talk to the customers about the various payment options that are available. This face-to-face contact is essential to reassure the customers of our commitment to help. Payment arrangements can then be adjusted to suit the individual circumstances of those customers in genuine financial hardship. The payment options include an equal repayment plan (which concentrates initially on current and future charges rather than on accumulated past debt) and a reduced interest rate policy.

If all these actions are taken without result and there is no further contact from the customer, then we restrict the water supply to their property. This is a last resort, but we prefer it to legal action which is costly to the customer and can affect their credit rating.

Restricting the water supply because of outstanding debt is a major inconvenience to the customer, but it does allow enough water for drinking, washing and flushing the toilet.

In most cases, the imposition of water restrictions quickly opens up the dialogue between the Corporation and the customers on payment arrangements. As a result, 62 per cent of properties have their water supply restored within 48 hours; and 71 per cent of properties have their supply restored within a week.

At the end of June 2005, the total overdue customer debt was \$21 million, which was a reduction of more than \$3 million from 2004.

LOOKING AHEAD

We all continue to develop our debt management policies with input from the Western Australian Council of Social Service, emergency relief agencies and financial counsellors. We meet regularly with these agencies through our Debt Management Advisory Council and have developed a Code of Practice and an inter-agency protocol.

Our Code of Practice outlines what we can do to help customers experiencing difficulties with their accounts and this will be continually refined in response to customer needs and input from relevant stakeholders.



Peter Andersen
Manager Receivables and Business Support

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ECONOMIC PERFORMANCE

	3-year target	1-year target	2004-05	2003-04	2002-03	2001-02	2000-01
Operating cost per property (\$)	477	463	461	423	404	400	389
Total cost per property (\$)	1,323	1,312	1,320	1,283	1,262	1,252	1,194
Completed condition assessment for assets due for review (%)	95	78	74	54	31	n/a	n/a
Metropolitan real operating cost per property for water supply services (\$)	n/a	n/a	173	161	152	157	157
Metropolitan real total cost per property for water supply services (\$)	n/a	n/a	461	465	467	471	471
Metropolitan real operating cost per property for wastewater services (\$)	n/a	n/a	172	167	151	147	149
Metropolitan real total cost per property for wastewater services (\$)	n/a	n/a	592	609	621	621	610
Return on assets (%)	4.3	3.9	4.3	4.1	4	3.8	4.3
Return on assets targeted (%) ²	4.6	4.5	4.5	4.5	4.4	4.4	4.3
Earnings before interest and tax including developers' contributions (\$m)	541	545	654	600	529	473	489
Return on equity (%)	4.7	3.9	5	4.7	4	3.6	3.8
Debt to equity (%)	16.2	14.6	12.7	13	12	11.1	10.4
Interest cover (times)	6.4	6.2	7.6	7.5	5.8	6.3	7.9
Net accrual to Government (\$m)	194.6	137.8	206.6	195.6	134.2	151.4	168.6

Notes:

1. n/a means information not available or information not applicable.
2. Targeted return on assets is based on the achievement of a four per cent return on pre - 1996 assets (i.e. Those owned on Corporatisation) and a six per cent return required on all post - 1996 assets

CHALLENGE

We continue to be commercially viable by generating a consistent rate of return to provide adequate services and infrastructure. A track record of strong economic performance enables us to meet customers' demands in an environment of changing community expectations and climate variability.

We aim to be among the best practice organisations with our reporting, compliance and governance procedures.

PROGRESS

To address these challenges, we have :

- Further improved business processes and operating efficiency;
- Moved towards best practice in capital efficiency planning, operations and maintenance of assets;
- Regularly benchmarked our performance with other water services providers in Australia and overseas;
- Engaged with our customers and the community on our plans and services;
- Developed and maintained workforce skills and competencies to align with our changing operating environment; and
- Met stringent regulatory requirements in an evolving regulatory environment.

Australian International Financial Reporting Standards

The Financial Reporting Council announced that Australia would adopt standards as issued by the International Accounting Standards Board.

We implemented the new Australian International Financial Reporting Standards (AIFRS) on 1 July 2005 and an audited opening balance sheet as at 1 July 2004 for comparative purposes. We will produce a full set of AIFRS accounts by 30 June 2006.

Corporate Law Economic Reform Program

In response to major corporate and accounting scandals involving several prominent companies, both here and internationally, Australian authorities have introduced tough new measures to help restore public trust in corporate accounting practices. These measures include guidance principles released by the Australian Stock Exchange for listed companies and corporate governance legislation applying to all reporting entities as enacted by the Commonwealth Government.

Although not required to comply with all of the new requirements, we have adopted a best-practice approach by establishing and improving the skills of an internal control review and implementation task force. This will enable us to offer the community greater confidence in our reporting ability and comparability to other corporate entities.

Financial results

We achieved an after-tax profit of \$421.5 million, up 9.1 per cent. This strong result reflects our ongoing commitment to financial viability, while meeting customer requirements of water supply in another year of low rainfall and water restrictions.

The growth in property development generated strong growth in revenues with a 15.5 per cent growth from last year to \$195.9 million. More than \$78 million in new assets were handed over to the Corporation. Price increases were limited to the Consumer Price Index (CPI).

The growth in expenses from ordinary activities is in line with growth in the CPI and additional expenditure associated with the growth in revenues. We delivered efficiency savings of \$7.6 million through improvement initiatives and strong financial management. The reduction in financing costs reflects the benefits of the liability restructuring undertaken in 2003 and the strong cash inflows from operations.

Net cash inflows from operating activities grew by 1.3 per cent to \$630 million.

Shareholder returns

The Board approved a dividend of \$311.5 million to the State Government, our sole shareholder. This is an increase of 6.8 per cent over 2003-04. Together with income tax and other statutory tax equivalent payments, the total return to the State Government for 2004-05 will be \$495.3 million (2003-04: \$461.4 million).

Capital investment

The ongoing requirements of delivering potable water and wastewater management services required capital investment of \$340 million. This included expenditure on the water treatment and distribution network (\$100.9 million), new water sources (\$63.9 million), the Infill Sewerage Program (\$34.7 million), wastewater treatment and conveyance (\$48.5 million) and drinking water quality (\$18.5 million).

Treasury and funds management

We funded the entire \$340-million capital investment program from net operating cash flows, and still delivered an overall decrease of \$9 million in net debt.

The reduction in borrowings resulted in a marginal decrease in our debt-to-total assets ratio to 10.6 per cent (2003-04: 10.9 per cent). The interest cover ratio improved marginally to 7.6 times (2003-04: 7.5 times).

Tax and dividends

Our Board's dividend policy is to pay 85 per cent of after-tax profits (excluding developers' take-over asset contributions) to the State Government. The dividend policy returns value to our shareholder while ensuring there is sufficient cash to meet

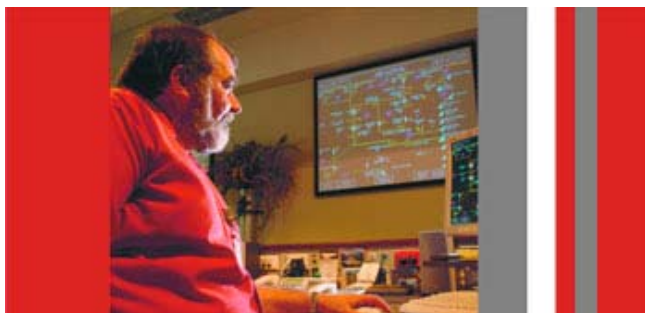
our business needs. Our dividend forms part of the State's Consolidated Revenue and is used to meet broader State commitments.

The National Tax Equivalent Regime administered by the Australian Taxation Office requires the Corporation to lodge an income tax return and pay tax equivalents to the State.

Our tax payments are relatively stable, while dividend payments are affected by the timing of developer contributions. The Community Service Obligation (CSO) contributions from Government, for services that are not commercially viable, partially offset the payments provided through dividends and tax payments. The separation of tax and dividends payments and CSO receipts provides transparency of payments to and from Government.

Land development

Land development activity in 2004-05 continued to exceed industry expectations with 20,377 lots cleared, a 0.5 per cent increase over 2003-04. Despite the workload associated with this high level of activity, our performance in servicing land development was better than expected level. In addition, revenue from developers' contributions, and assets handed over were \$196 million (\$169 million in 2003-04).



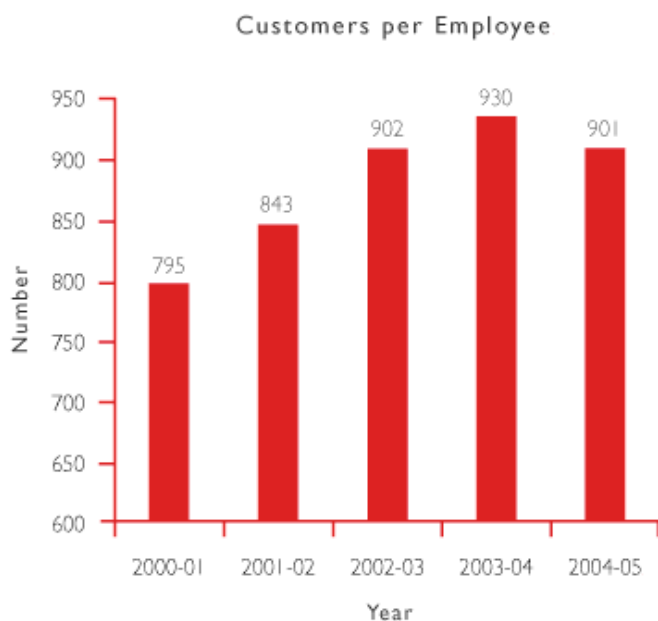
LOOKING AHEAD

We will demonstrate capital efficiency over the next five years by implementing process improvement recommendations from capital planning and design to program and project management.

We aim to achieve savings in 2005-06 through streamlining procurement practices.

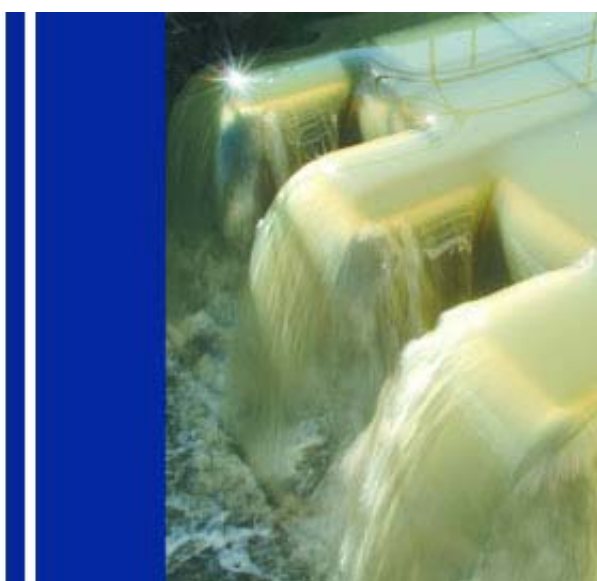
We plan to improve the timeliness of access to water resources across the State by developing a long-term plan in conjunction with our regional managers.

We will simplify, standardise and increase consistency of operational and financial reporting.





CORPORATE INFORMATION



We will continue to pursue excellence in our processes with a focus on optimising asset management, delivering effective and efficient services, and providing quality products to our customers.

This section outlines the principal corporate governance practices followed during the 2004-05 financial year. These practices are a framework to ensure that the business acts with high standards of corporate behaviour and in the best interests of our stakeholders.

The Board of Directors

The Board is the governing body of the Water Corporation. It has legislative authority to perform the functions, determine the policies and control the affairs of the Corporation. The Board is responsible for the overall Corporate Governance of the Corporation and approves its goals, strategic directions and budgets. It ensures

that legal compliance, ethical behaviour and proper risk management processes are in place and operate effectively. Comprehensive monthly reports are provided to the Board to enable it to monitor performance.

The composition of the Board is diverse, with members having a variety of commercial backgrounds. There are six non-executive directors, including the Chairman and Deputy Chairman, and one executive director being the Chief Executive Officer. Board meetings are held once a month at the Water Corporation's head office in Perth.

Appointment of Directors

The Governor has appointed non-executive directors on the nomination of the Minister Assisting the Minister for Water Resources. This is after consultation with, or on the recommendation of, the Board. They hold office for up to three years and appointments are staggered to ensure that approximately one-third of directors retire each year. Non-executive directors are eligible for re-appointment and there is no limit on the time a director may serve on the Board. Their duties are not full time. The Governor, on the Minister's nomination, also appoints the Chairman and Deputy Chairman from the non-executive directors.

The Minister appointed the inaugural Chief Executive Officer, with future appointments to be 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

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

Independent advice and training

Directors can seek independent professional advice on Board matters at the Corporation's expense, with the approval of the Chairman. No such advice was sought during the year.

Directors' and senior executives' remuneration

The Minister, on advice, approves the remuneration of non-executive directors. The Board, with the Minister's agreement, is responsible for the remuneration package of the Chief Executive Officer, with remuneration being reviewed annually. Non-executive directors receive no retirement benefits except for nine per cent in superannuation.

The Chief Executive Officer has the delegated power to determine the terms and conditions of service for the Corporation's staff.

Accountability and independence

As prescribed in the *Water Corporation Act 1995*, directors are to act honestly, exercise due care and diligence, and disclose all material personal interest in matters involving the Corporation raised in Board meetings. The Board has complete independence to determine the policies and control the affairs of the Corporation subject to restrictions imposed by the *Water Corporation Act 1995*. Ministerial approval is required for transactions that will have a material effect on the financial position of the Corporation.

DIRECTOR	EXPERIENCE	COMMITTEE MEMBERSHIP
Mr Tim Ungar	Chairman of Telco Services	Organisation

(Age 49)
Chairman
BEc, FAIM



[Australia Pty Ltd.](#)

Development Committee

Mr Ungar has an extensive background as a senior executive in the telecommunications and technology industries both in Australia and overseas.

He is currently the Chairman of Telco Services Australia Pty Ltd, a national sales and marketing company with headquarters in WA.

Mr Ungar is a councillor on the Technology and Industry Advisory Council of Western Australia, a Governor of the WA Museum Foundation and a member of the WA Olympic Business Committee.

He has been a non-executive director of the Water Corporation since 2002 and was appointed Chairman in January 2003. His current term expires on 31 December 2005.

[Ms Tracey Horton](#)
(Age 41)
Deputy Chairman
BEc(Hons), MBA,
MAICD



[Dean of The University of Western Australia Business School.](#)

Chair - Organisation
Development Committee

Audit and Compliance
Committee

Ms Horton is currently the Dean of The University of Western Australia's Business School. She is Chair of D'Orsogna, non-executive director of Good Samaritan Industries, and a Governor of the Foundation of the Western Australian Museum.

Following an early career as an economist with the Reserve Bank of Australia, Ms Horton worked in the United States with Bain and Company – an international management consulting firm – before returning to Perth in 2000 where she was a Director of Poynton and Partners and GEM Consulting.

Appointed as a non-executive director from 1 January 2003, her current term expires on 31 December 2005.

[Dr Jim Gill](#)
(Age 58)
Chief Executive
Officer
BE(Hons), PhD
(Cambridge), MPA

[Chief Executive Officer of the Water Corporation](#)

Finance Committee

Dr Gill was Chief Executive Officer of Western Australia's railway system from 1988 and

(Harvard), FTSE, FIE
Aust, CP Eng, FAICD

became Managing Director of
the Water Authority in 1995.



He is a Fellow of the Australian Institute of Company Directors and was recently president of the Western Australian Division of that body. Other positions he has held include Chairman of the Water Services Association of Australia, Chairman of the WA Division of Engineers Australia, Chairman of Railways of Australia and a member of the Senate of The University of Western Australia.

Appointed as Chief Executive Officer on 1 January 1996, his current term expires on 31 December 2005.

Dr Penelope Flett
(Age 58)
MBBS, DGM,
FRACMA, AFCHSE,
FAIM

Chief Executive Officer of the
Brightwater Care Group (Inc.)

Organisation
Development Committee



Dr Flett has extensive experience in the field of medicine and aged care. Her current role is leadership and management of a large organisation providing general and highly specialised residential and care services in the metropolitan area. She has served on a number of boards and committees associated with health and aged care.

Dr Flett is Chair of the WA Aged Care Advisory Council. She is a board member of the National Seniors Association, a member of the Australian Bravery Decorations Council, a board member of the Council of St George's College, and The University of Western Australia Institute of Advanced Studies Advisory Board.

Appointed as a non-executive director from 1 January 2003, her current term expires on 31 December 2005.

Mr Brendan
Hammond
(Age 49)
Diploma – Extractive
Metallurgy

Managing Director of Argyle
Diamonds

Audit and Compliance
Committee

Mr Hammond's appointment as Managing Director at Argyle followed extensive experience

Organisation
Development Committee



during 22 years with Rio Tinto, including engineering and metallurgy roles in Namibia and operational management at Argyle in the East Kimberley. The management of water remains a priority for the diamond mining company, including the open-pit operations at Argyle and the possibility of an underground operation; continued water use from Lake Argyle and the management of the Lower Ord flow for electricity and other uses.

Mr Hammond had previously directed an aquifer recharge feasibility study at a Namibian mine and was a member of a government steering committee in that country that investigated the establishment of a desalination plant on the Namibian coast.

Appointed as a non-executive director from 1 January 2004, his current term expires on 31 December 2007.

Dr Brian Hewitt

(Age 60)

BE(Hons), PhD, MBA,
FIE Aust, CPEng,
FAIM, FAICD



Company Director

Dr Hewitt has a depth of experience in the areas of corporate development, strategic planning, corporate governance, project management and property development.

He held senior management, executive and Board positions with the Clough Group of companies for over 25 years and served as Chief Executive Officer and Managing Director of Clough Limited from the time of its listing on the Australian Stock Exchange in 1998 until his retirement in 2003.

He is now Chairman of Acumen Capital Securities Limited, Chairman of the Advisory Board of the Georgiou Group, and is a non-executive director of the PCH Group.

Dr Hewitt is President of the Chamber of Commerce and Industry of Western Australia, a member of a number of State Government advisory committees, a Councillor of Curtin University and an

Chair - Finance
Committee

adjunct professor at The University of Western Australia.

Appointed as a non-executive director from 1 January 2004, his current term expires on 31 December 2007.

Mr Patrick O'Connor
(Age 42)
BCom, MAICD



Managing Director of Churchill Capital.

Mr O'Connor is involved in corporate consulting and is the Managing Director of an independent specialist corporate advisory firm, Churchill Capital. He is non-executive Chairman of Acuron Limited, as well as non-executive director of Xceed Biotechnology Limited, Oceana Gold Limited and Adelphi Energy Limited.

Appointed as a non-executive director from 1 January 2003, his current term expires on 31 December 2005.

Chair - Audit and Compliance Committee

Finance Committee

Board Committees

Committees of the Board that operated during the year ended 30 June 2005 were:

- Audit and Compliance
- Finance
- Organisation Development

Audit and Compliance Committee

The Audit and Compliance Committee assists the Board in fulfilling its fiduciary, corporate governance and legislative responsibilities.

The committee's primary task is to monitor the effectiveness of internal controls and management reporting relating to financial and compliance matters. It oversees the financial management reporting process and ensures that external reports are prepared in accordance with the relevant standards.

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

Finance Committee

The Finance Committee reviewed the Corporation's annual and long-range budgetary process including the operating budget and capital investment planning process. It had a particular focus on the financial aspects of governance as they relate to the Board and Government.

The committee completed its Terms of Reference in November 2004.

Organisation Development Committee

The Organisation Development Committee focuses on ensuring that the Corporation has in place the required strategies, resources and cultural drivers to build workforce capability and adaptive capacity to meet its current and future business needs. The three key areas of focus are composition of the workforce, capability and culture.

	Meetings of Committees			
	Board Meetings	Audit and Compliance	Finance	Organisation Development
Number of Meetings Held:	12	7	4	3
<hr/>				
Number of meetings attended by:				
T Ungar	12	*	*	3
J Gill	12	*	4	*
P Flett	9	*	*	3
B Hammond	8	4	*	2
B Hewitt	10	*	4	*
T Horton	12	7	*	3
P O'Connor	12	6	3	*

* Not a member of the relevant committee.

Directors' meetings

The number of meetings of the Board and committees of directors held, and the number of meetings attended by each director, during the 12 months ended 30 June 2005 are shown in the table above.

Managing significant business risk

The Water Corporation has well-established risk management policies and procedures.

Our risk management policy follows AS/NZS 4360 Risk Management. This ensures that we have structures and processes to identify, evaluate and control major risks, which have the potential to threaten our assets, profitability, reputation or legal liability and our ability to provide services.

All managers are responsible for the identification and assessment of risks within their areas and for the development of appropriate treatment plans where necessary.

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

Managing financial exposures

The Corporation has a central Treasury function that manages the financial exposures through our Treasury Policy. Regular reporting ensures the Board can monitor financial risk management of the business.

Managing incidents

Our incident management process is based on national guidelines that have been adopted by emergency services and utilities throughout Australia.

This process encompasses all of actions required to prevent controllable incidents and minimise the severity of those that do occur.

Incidents are reported in accordance with approved procedures and the

requirements of Acts and Regulations. During 2004-05, we managed some 120 significant and major incidents.

Security (Critical Infrastructure Protection)

Our Critical Infrastructure Protection risk-based program continues to evolve in a dynamic and sensitive external security environment.

We appointed a Security Program Manager and there was ongoing liaison between the Western Australian Police, federal agencies and the Department of Premier and Cabinet security team.

The Critical Infrastructure Owners and Operators Responsibilities guidelines were released in February 2005 by the Federal Attorney General. Our security program had been pre-positioned to fully align to these guidelines.

A security program benchmarking exercise confirmed that our security, safety, emergency and incident management framework was at the forefront of the national water sector.

Disclosure of interest

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

All Corporation personnel with duties related to the negotiation of a contract 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, management will assess the appropriateness of the situation and determine if the basis of that interest should be discontinued, or if the person should cease the duties involved, or if it is proper and ethical to continue the transaction.

Regulatory framework

A number of organisations regulate or have a significant impact on our operations. The principal organisations are:

Economic Regulation Authority (ERA) – Established on 1 January 2004, the ERA oversees our Operating Licence, performance monitoring and reporting. It also has inquiry functions, an example of which is the review of our metropolitan pricing and tariffs. Our Operating Licence sets out the terms and conditions under which we operate. It also defines the operating areas in which we can supply services, the Corporation being the major but not sole water services provider in Western Australia. Also, as required in the Operating Licence, we have a Customer Charter that stipulates levels of service to be provided to our customers.

Department of Environment (DoE) – The DoE is a merger of the Water and Rivers Commission (W&RC), the Department of Environmental Protection (DEP) and the Keep Australia Beautiful Council. The DoE is responsible for most of the functions of the previous W&RC and the DEP including resource management and policy, licensing of prescribed premises including wastewater treatment plants, controlled waste management, contaminated site management, native vegetation clearing permits, water allocations and trading, and Ministerial Conditions.

The Corporation holds more than 195 potable and non-potable water allocation licences to use water from water sources operated in natural catchment areas proclaimed under the Rights in Water and Irrigation Act 1914. These licences contain conditions for the storage and diversion of water from rivers and groundwater for consumption by households, industry and rural activities.

We have been issued with 69 licences to operate wastewater treatment plants and to dispose of treated wastewater and biosolids from these plants. We also hold a

licence for a solid waste facility and almost 250 registrations for wastewater treatment plants, wastewater pumping stations, water treatment facilities and abrasive blasters.

Environmental Protection Authority (EPA) – The EPA assesses significant project proposals and provides independent advice to Government.

Department of Health (DoH) – The DoH regulates drinking water quality and administers the Australian Drinking Water Guidelines. We have a Memorandum of Understanding with the DoH that sets out the obligations of both agencies for management of drinking water quality. The DoH along with others (DoE) are also responsible for licensing the use of recycled water on public areas (e.g. irrigating recreational parks) and for the application of biosolids to land for agricultural or other purposes.

Australian Competition and Consumer Commission (ACCC) – The ACCC is an independent authority that administers the Trade Practices Act 1974 to promote fair trading and competition.

National Competition Council (NCC) – The NCC oversees water industry reforms, agreed by Australian Governments, throughout Australia. Various other agencies regulate on issues such as Safety, Native Title, Planning and Hazardous Chemicals.

Strategic Development Plan (SDP) and Statement of Corporate Intent (SCI)

The Corporation has a five-year SDP, reviewed every year, and an SCI covering 12 months. The SCI is a public document and is in the form of an agreement with the Minister Assisting the Minister for Water Resources. It contains an outline of the Corporation's objectives and performance targets for the year.

These plans were developed for the 2004-05 year and were presented to the Minister.

Performance monitoring and reporting

The Corporation provides written quarterly and an Annual Report to the Minister Assisting the Minister for Water Resources detailing its performance and progress made in fulfilling the SCI. Written quarterly reports are also provided to the Economic Regulation Authority on compliance with performance standards specified in the Operating Licence. In addition, the Board and Corporate Executive receive written monthly performance reports covering a diverse range of financial and non-financial matters.

Ethical standards

The Water Corporation requires all directors, employees and contractors to exercise high standards of ethical behaviour in their duties. A code of conduct is published on our internal website and all managers are required to monitor adherence to the standards. Annually, a report on compliance is forwarded to the Commissioner for Public Sector Standards.

During 2004-05, there were no breaches of the Code of Conduct.

Trade Practices Act Compliance Program

In accordance with the standards and guidelines recommended by the Australian Competition and Consumer Commission, the Corporation conducts a Trade Practices Act Compliance Program to manage the risk of the Corporation breaching the Act. To ensure that all employees are aware of their obligations, a statewide program is conducted that includes mandatory educational seminars and workshops.

Information Security Management System

The Corporation maintains a security management framework that is based on the *Australian Standard for Information Technology – Code of Practice for Information Security Management AS/NZS 17799.1:2002*.

State Records Act

The Corporation has an approved Recordkeeping Plan in place that demonstrates its compliance with the *State Records Act 2000* and an ongoing commitment to the training of staff in recordkeeping principles.

Advertising codes

We comply with the Advertising Federation of Australia Code of Ethics. In addition, our advertising agency has a full compliance policy with the Australian Competition and Consumer Commission. 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:

The Brand Agency (advertising agency)	\$ 2,867,093
Market Equity Pty Ltd (market research)	\$ 389,384
Media Decisions (media advertising)	\$ 1,821,141

Freedom of Information

We met our obligations under the *Freedom of Information Act 1992*. Details are available on the Water Corporation website.

During 2004-05, the Corporation received 20 applications for information under the provisions of the Act. Two applications were carried over from the prior year. Of these 22 applications, 11 were provided with full access, five were provided with edited access, three applications were denied access, one was withdrawn and two were on hand at year-end. Internal and external reviews were requested for three and two applications respectively.

Fees and charges totalling \$1,036.60 were received for processing these applications with 34 days being the average processing time.

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DIRECTORS' REPORT

The directors of the Water Corporation present their report for the 12 months ended 30 June 2005.

Directors

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

Mr Tim Ungar	Chairman since 1 January 2003
Dr Jim Gill	Chief Executive Officer since January 1996
Dr Penelope Flett	Director since 1 January 2003
Mr Brendan Hammond	Director since 1 January 2004
Dr Brian Hewitt	Director since 1 January 2004
Ms Tracey Horton	Director since 1 January 2003
Mr Patrick O'Connor	Director since 1 January 2003

Principal activities

The Water Corporation was established as a body corporate under the provisions of the *Water Corporation 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 controls the water industry. The principal functions of the Corporation in the course of the financial year were:

- To acquire, store, treat, distribute, market and otherwise supply water for any purpose;

- To collect, store, treat, market and dispose of wastewater and surplus water;
- To undertake, maintain and operate any works, system, facilities, apparatus or equipment required for any of these purposes;
- To develop and turn to account any technology, software or other intellectual property that relates to any of these functions;
- To manufacture and market any product or by-product that relates to any of these functions; and
- To use expertise and resources to provide consultative, advisory or other services for profit.

There has been no significant change in the nature of these activities during the year.

Operating results

The Water Corporation made a profit from ordinary activities before income tax of \$605.034 million (2004: \$554.474 million). On an after-tax basis, profit from ordinary activities was \$421.503 million (2004: \$386.440 million).

	2004-05 \$'000	2003-04 \$'000
Revenue from ordinary activities	1,325,850	1,231,249
Expenses from ordinary activities	(664,729)	(625,633)
Borrowing cost expense	(56,087)	(51,142)
Profit from ordinary activities before Income tax expense	605,034	544,474
Income tax expense	(183,531)	(168,034)
Net profit	421,503	386,440

Dividends

The Board of the Corporation recommended that a dividend of \$311.477 million be paid for the 12 months ended 30 June 2005. An interim dividend of \$279.666 million was paid in June 2005 and a final dividend of \$31.811 million will be paid by 30 October 2005.

	2004-05 \$'000	2003-04 \$'000
Interim dividend paid	279,666	264,584
Provision for final dividend	31,811	26,961
Total dividend paid or provided for	311,477	291,545

Review of operations

Established on 1 January 1996, the Corporation operates in a regulatory framework comprising the Economic Regulation Authority and Department of Environment. Clear commercial objectives and strict environmental targets and accountabilities have been established through a Statement of Corporate Intent and a system of licences through the various regulators.

The Corporation operates with infrastructure assets worth more than \$10 billion.

Asset management plans have been developed for all of our assets to ensure that they are managed in the most cost-effective manner.

During the year, the Corporation supplied 342, 173 megalitres of water and treated 135,544 megalitres of wastewater.

Environmental performance

The Water Corporation is subject to particular and significant environmental regulations under both Commonwealth and State laws. These include:

- Environment Protection and Biodiversity Conservation Act (Commonwealth) 1999
- Environmental Protection Act 1986
- Contaminated Sites Act 2003
- Aboriginal Heritage Act 1972
- Dangerous Goods Regulations 1982
- Poisons Act 1964

Under the *Environmental Protection Act 1986*, we are required to report any unplanned incidents that occur that have the potential to do harm to the environment. It is inevitable with our large number of assets across the State that unplanned incidents will occasionally occur, and that some of these will affect the receiving environment, public health and public amenity.

Compliance with environmental conditions is reported quarterly to the Corporation's Environmental Management and Sustainability Steering Committee and the Board.

An incident management process ensures a fast and effective response to any accidents or incidents.

On 21 April 2004 a summons was filed in the Court of Petty Sessions alleging that the Corporation, and in a separate summons one of the Corporation's alliance partners, had committed three offences of causing pollution. The allegation is that the Corporation breached section 49(3) of the *Environmental Protection Act* on three separate occasions following a wastewater discharge to the Swan River.

State of affairs

There were no significant changes during the year ended 30 June 2005 in the state of affairs of the Corporation not otherwise disclosed in our Annual Report, or the financial statements.

Events subsequent to balance date

Since the end of the financial year on 30 June 2005 and the date of our Annual 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 the Corporation's operations, the results of those operations, or the Corporation's state of affairs in subsequent financial periods.

Likely developments

Likely developments in the operations of the Corporation are covered elsewhere in our Annual Report. Any further information regarding likely developments in the operations and expected results of those operations in subsequent financial years has not been included in the Annual Report because, in the opinion of the directors, it would prejudice the interests of the Corporation.

Directors' interests and benefits

In the 12 months to 30 June 2005, no director received, or became 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 and auditors

In the 12 months ended 30 June 2005, the Corporation has not indemnified against a liability, a person who is, or has been, a director or auditor of the Corporation.

During the period ended 30 June 2005, the Corporation paid insurance premiums in respect of directors' and officers' liability insurance for any past, present or future commissioner, director, board/committee member, secretary, executive officer or employee of the Water Corporation.

Rounding of amounts

The Corporation satisfies the requirements of Clause 32 of Schedule 3 contained in the Water Corporation Act 1995 and, accordingly, amounts in the financial statements and Directors' Report have been rounded off to the nearest thousand dollars unless specifically stated to be otherwise.

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



TM Ungar
Chairman

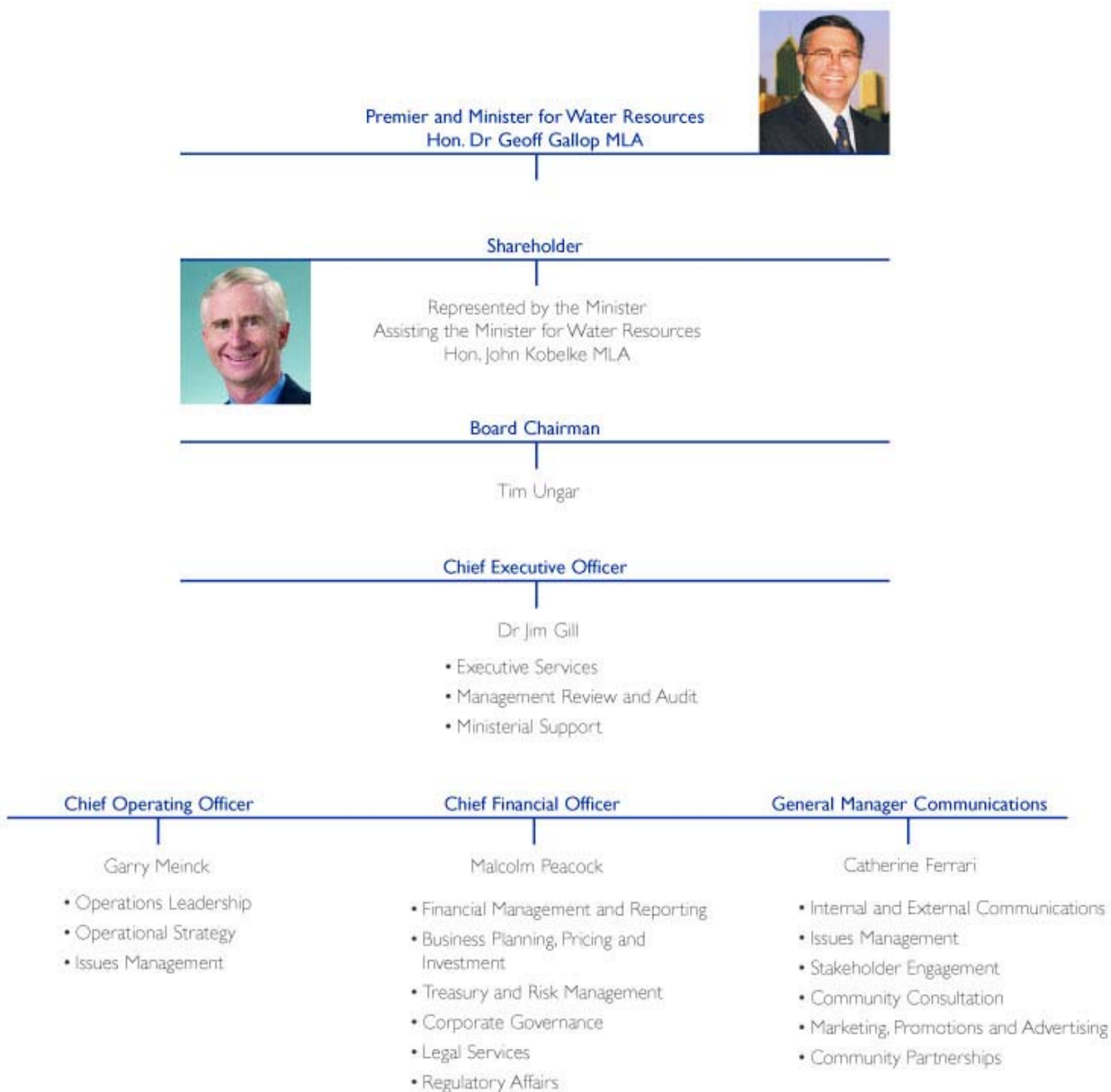


JI Gill
Chief Executive Officer
PERTH, 16 September 2005

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ORGANISATIONAL STRUCTURE





Garry Meinck *CP Eng, FIE Aust, Assoc Civil Eng, GradDip Bus Mgmt, GAICD, MAWA, Dip Struct. Eng, (Age 62)*

Chief Operating Officer

Mr Meinck has been associated with the water industry for more than 35 years. He has been involved in senior management of the former Water Authority where he contributed to the areas of water resource planning, major infrastructure creation, corporate services and regional management.

He attended the Stanford Senior Executive Program in 1998.

Mr Meinck is a member of the State Water Council, which is overseeing the implementation of the State Water Strategy.



Jim Brown *CP Eng, FIE Aust, GradDip Bus and Admin, GAICD, MAWA (Age 59)*

General Manager, Customer Services

Mr Brown has many years of experience in the water and marine industries, starting as a cadet engineer with the former Public Works Department in 1964.

Mr Brown is Chairman of the Water Corporation's Customer Advisory Council and the two major metropolitan Alliance Contracts. He attended Harvard University's Advanced Management Program in 2000.

He was a member of the Catholic Education Commission for a number of years chairing the School Resources Standing Committee. He is a member of the Commission's Review Committee to make recommendations on the conditions of employment of lay principals in Diocesan Accountable Schools in WA.

Mr Brown is Junior Vice-President of the WA Division of Engineers Australia and is an active member of the Australian Special Air Services Association.



Keith Cadee *BE (Hons), ME, CP Eng, MIE Aust, MAWA, GAICD (Age 51)*

General Manager, Water Technologies

Mr Cadee has had more than 30 years' experience in the water industry. He has had a range of senior positions including those responsible for water and wastewater treatment and water production.

He is a member of the Water Services Association of Australia's Water, Health, Environment and Sustainability Committee, and has been a board member of the Co-operative Research Centre for Water Quality and Treatment since 1995 and also chairs its Commercialisation Committee.



Malcolm Peacock *BA (Accountancy), CA, FAICD (Age 40)*

Chief Financial Officer

Mr Peacock joined the Water Corporation in 2000 from National Jet Systems where he was Chief Financial Officer and General Manager Finance.

Mr Peacock is a chartered accountant, having started his career with Deloitte Touche Tohmatsu. He was Director of Finance and a board member for the Australian operations of an international defence electronics group. He has held senior financial executive positions for a number of other companies, both overseas and in Australia.

Mr Peacock is a director of the Water Corporation Superannuation Fund.



Peter Moore *CP Eng, FIE Aust, Assoc Civil Eng, GradDip Mgmt, GAICD, MAWA (Age 55)*

General Manager, Planning and Infrastructure

Mr Moore has a long history in the water industry commencing in 1970. He has been involved in many facets of the business through regional management, bulk water and water treatment roles and a number of high-profile project tasks.

He attended Harvard University's Advanced Management Program in 1998.

Mr Moore is past State President of the Australian Water Association and a current association board member.



[Sue Murphy](#) *BEng (Hons), CP Eng, FIE Aust, GAICD (Age 47)*

[General Manager, Business Services](#)

Ms Murphy graduated as a civil engineer from The University of Western Australia in 1979. After winning a scholarship as an undergraduate, she joined Clough Engineering Ltd in 1980.

Twelve years in the field as a site engineer and project manager led to corporate roles with a focus on human resources, safety and engineering design management. In 1998, she was appointed the first female board member of Clough Engineering Ltd.

In 2004, Ms Murphy took her current role as General Manager Business Services with the Water Corporation.

She is a board member of the Rottnest Island Authority and the Engineers Australia Liaison Board.



[Catherine Ferrari](#) *BBus, PGradDipBus, MLM, FCPA, GAICD (Age 46)*

[General Manager, Communications](#)

Ms Ferrari was the Chief Executive Officer of the Western Australian Symphony Orchestra and prior to that was the Western Australian Director of the Australian Society of Certified Practising Accountants. Ms Ferrari has a strong record in the strategic positioning of organisations and of engagement with key stakeholders and the community.

In 2004, Ms Ferrari took her current role as General Manager Communications with the Water Corporation.

She is a board member of Diabetes Australia – WA, Screenwest and the Statewest Credit Society.

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SIMPLIFIED FINANCIAL STATEMENTS

Summary Statement of Financial Performance	Year ending 30 June 2005 \$'000	Year ending 30 June 2004 \$'000	Percentage movement (decrease) %
Most of our revenue was earned from our core water-related services:			
Revenue earned from annual service and usage charges	754,086	720,991	4.6
Revenue received from State Treasury for agreed community service obligations	288,253	268,393	7.4
Revenue received from developers, interest on our investments, miscellaneous fees and charges, rents, sale of assets, etc.	283,511	241,865	17.2
Revenue from operations	1,325,850	1,231,249	7.7
The total cost of operating our business comprised:			
Operations, maintenance and administrative costs associated with providing services	(352,059)	(309,122)	13.9
Support costs associated with information systems, telecommunications and property management	(34,542)	(33,850)	2.0
Cost of asset sales and write-offs, borrowing costs and other financial expenses	(78,723)	(91,184)	(13.7)
Depreciation of system assets, land and buildings and plant and equipment	(255,492)	(242,619)	5.3
Cost of operations	(720,816)	(676,775)	6.5
Revenue less costs left an operating profit before tax of	605,034	554,474	9.1
We made a provision for income tax of	(183,531)	(168,034)	9.2
Which left us a profit after income tax of	421,503	386,440	9.1
From this after-tax profit, provision for payment of a dividend to our shareholder, the Western Australian Government was	(311,477)	(291,545)	6.8
Government transferred the after-tax			

Summary Statement of Financial Position	As at 30 June 2005 \$'000	As at 30 June 2004 \$'000
Our total assets are divided between 'current' and 'non-current' as follows:		
Current assets are those we expect to use in the next 12 months and include monies owed to us, inventory, prepayments and cash on-hand		
	94,195	90,659
Non-current assets are those we do not intend to realise within 12 months, including:		
System assets such as pipelines, dams, pump stations and other structures	9,188,940	8,976,810
Land and buildings	246,846	246,955
Computers, vehicles, mobile plant, etc.	80,035	93,115
Works in progress	432,665	480,436
Annual service charges deferred by eligible pensioners and future income tax benefits	51,778	51,214
Non-current assets total	10,000,264	9,848,530
Current assets together with non-current assets gives us total assets of	10,094,459	9,939,189
Liabilities are also 'current' and 'non-current'		
Current liabilities are monies we owe for goods and services received, monies due to the government in dividends and income tax, and to employees for entitlements		
	(358,680)	(304,679)
Non-current liabilities include:		
Long-term borrowings	(1,010,425)	(1,010,000)
Provisions for liabilities including deferred income tax, insurance, employee entitlements, etc.	(270,762)	(279,944)
Non-current liabilities total	(1,281,187)	(1,289,944)
Current liabilities, together with non-current liabilities gives us total liabilities of	(1,639,867)	(1,594,623)
Deducting total liabilities from total assets leaves us with net assets of	8,454,592	8,344,566
These have been funded by:		
The contributed equity, which is the value of net assets of the former Water Authority of Western Australia transferred to the Water Corporation on its formation on 1 January 1996		
	7,326,677	7,326,677
Monies set aside from the operations of		

value of contributions received from property developers to a holding account	(55,060)	(43,446)	26.7
Adding in the accumulated profit from the previous year	208,208	156,759	32.8
Leaving us with retained profits available to fund future growth	263,174	208,208	26.4

monies set aside from the operations of current and prior years and appropriated to specific reserves	864,741	809,681
Profits earned in the current and prior years and retained in the business to fund future growth	263,174	208,208
Which represents total equity in the business of	8,454,592	8,344,566

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PRINCIPAL STATISTICS

Water Supply

Region	Properties Served	Properties Connected	Water Supply Services	Length of Mains (Kilometres)	Water Supplied ¹ (Megalitres)	Metered Water Consumption ² (Megalitres)	Water Consumption per Property Connected (Kilolitres)
Perth	746,420	649,001	565,145	12,045	228,638	206,992	319
Agricultural	22,012	18,041	23,313	8,244	11,074	10,365	575
Goldfields ³	24,561	21,753	20,367	936	15,903	13,612	626
Great Southern	34,846	29,516	29,859	3,677	13,745	10,586	359
Mid-West	41,383	34,022	30,572	2,217	17,368	16,815	494
North-West	29,360	25,391	21,062	1,260	31,219	26,167	1,031
South-West	82,910	69,143	63,802	2,397	24,226	21,826	316
Total	981,492	846,867	754,120	30,776	342,173	306,362	362

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

2. Metered water consumption is the total of consumers' meter readings for a period which may differ slightly to the above, although for Perth, an adjustment has been made to more accurately align customer consumption to the supply period.

3. Goldfields Region now includes property and service statistics for the mining town of Kambalda, taken over by the Water Corporation from Western Mining on 11 June 2005.

Metropolitan Sources of Supply

Source	Area of Catchment (Square km)	Storage Capacity (Megalitres)	Storage at 30/6/05 (Megalitres)	Percentage of Maximum Storage (%)	Output to 30/6/05 (Megalitres)
Dams					
Stirling	251	30,000	13,025	43.4	28,283
South Dandalup	311	205,344	39,146	19.1	13,122
North Dandalup	153	74,849	24,712	33.0	7,321
Serpentine and Serpentine Pipehead	692	140,200	29,171	20.8	22,801
Canning	789	90,353	31,080	34.4	15,623
Wungong	134	59,795	19,255	32.2	9,285
Churchman	16	2,241	12	0.5	0
Victoria	37	9,463	3,711	39.2	2,666
Mundaring Weir	1,470	63,596	28,300	44.5	1,562
Total	3,853	675,841	188,412	27.9	100,663
Other Hills Sources					
Samson Pipehead	10				6,718
Total Hills Sources Output					107,381
Groundwater					
Artesian Bores					32,663
Mirrabooka					20,425
Gwelup					15,937
Wanneroo					43,600
Jandakot					5,848
Neerabup					31,658
Lexia					4,206
Yanchep/Two Rocks					959
Total Groundwater Output					155,296

Gross Output	262,677
Less Internal Transfers (Mundaring Weir, Victoria Dam, Canning and Jandakot Aquifer Storage Recharge)	19,437
Less Output to South-West Region (including Mandurah)	11,445
Less System Losses (including riparian releases)	3,157
Water Supplied to Metropolitan Area	228,638

Wastewater Region	Properties Served	Properties Connected	Total Length of Sewers (Kilometres)	Number of Pumping Stations	Number of Treatment Plants	Average Quantity of Wastewater Treated Daily (Megalitres)
Perth	618,165	566,596	10,032	562	9	304
Agricultural	8,244	6,701	236	20	15	3
Goldfields ¹	6,007	4,851	103	17	4	1.9
Great Southern	18,973	15,977	480	48	13	9
Mid-West	17,618	12,666	419	56	18	5.8
North-West	23,560	21,203	442	54	15	17
South-West	73,336	57,080	1,705	216	25	30.7
Total	765,903	685,074	13,417	973	99	371.4

1. Goldfields Region now includes property and service statistics for the mining town of Kambalda, taken over by the Water Corporation from Western Mining on 11 June 2005.

Drainage Region	Properties Served	Length of Drains Controlled (Kilometres)	Declared Drainage Area (Hectares)
Perth	313,511	894	91,456
Great Southern	n/a	124	39,321
South-West	n/a	1,762	321,324
Total	313,511	2,780	452,101

Irrigation Region	Irrigation Accounts	Length of Channels & Drains (Kilometres)	Area Irrigated (Hectares)	Water Supplied (Megalitres)
South West (Preston Valley) ¹	n/a	n/a	n/a	1,093
South West (SWID) ²	n/a	n/a	n/a	92,473
Mid West (piped) ³	n/a	n/a	n/a	4,218
North West ^{4,5}	110	34	603	221,245
Total	110	34	603	319,029

1. Preston Valley District was transferred to a farmer-run co-operative in July 1998.

2. South-West Irrigation District was transferred to a farmer-run co-operative in August 1996.

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

4. Length of channels and drains has reduced due to transfer of assets to the Ord Irrigation Co-operative in April 2005.

5. Area irrigated is represented by the 110 irrigation accounts for which the Water Corporation has responsibility.

Employees (FTEs as at 30 June 2005)

Metropolitan	1,471
Country	645
Total	2,116

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FIVE-YEAR STATISTICAL SUMMARY

	Units	2004-05	2003-04	2002-03	2001-02	2000-01
FINANCIAL DATA						
Total Revenue	\$'000	1,325,850	1,231,249	1,130,977	1,051,496	1,023,818
Community Service Obligations	\$'000	288,253	268,393	258,403	240,197	225,890
Operating Expenses	\$'000	409,237	383,014	361,385	353,398	323,457
Depreciation (replacement cost)	\$'000	255,492	242,619	237,887	225,050	210,976
Net Interest Expense	\$'000	48,686	45,089	58,760	44,571	29,529
Income Tax Expense	\$'000	183,531	168,034	140,971	127,260	151,575
Operating Profit After-Tax	\$'000	421,503	386,440	328,044	296,161	304,852
Transfer to / (from) Reserves	\$'000	55,060	43,446	27,699	22,676	21,614
Long-Term Debt	\$'000	1,010,425	1,010,000	977,321	862,329	807,749
New Works Investment (excluding developers take-over works)	\$'000	340,300	440,600	361,200	368,000	497,000
Short-Term Liquidity Facility	\$'000	63,000	72,000	10,000	47,000	35,000
New Borrowings	\$'000	-	33,000	115,000	64,000	232,195
OPERATING DATA						
Water Supply Services						
Annual Volume of Water Supplied	ML	342,173	338,168	329,078	323,477	374,434
Number of Properties Served at period end ¹	No.	981,492	956,835	933,967	817,469	802,964
Number of Properties Connected at period end ¹		846,867	826,670	805,988	786,965	na
Length of Mains ²	km	30,776	30,188	30,538	29,733	28,862
Wastewater Services						
Average Volume of Wastewater Treated Daily	ML	371	353	334	336	331
Number of Properties Served at period end ¹	No.	765,903	739,134	714,385	659,210	637,070
Number of Properties Connected at period end ¹		685,074	661,388	639,791	612,813	na
Length of Sewers	km	13,417	13,023	12,579	12,340	11,928
Drainage Services						
Number of Properties Served at period end ^{1,3}	No.	313,511	308,577	302,602	280,377	274,763
Length of Drains	km	2,780	2,783	2,782	2,771	2,767
Irrigation Services						
Volume of Water Delivered	ML	319,029	423,823	587,061	440,489	319,246
Employees						
Total number of full-time equivalents (FTEs)	No.	2,116	2,004	2,000	2,084	2,158
Total number of FTEs (year-end average)	No.	2,047	1,999	1,983	2,118	2,152

All financial figures are expressed in dollars of the day.

1. For 2002-03, the significant increase in properties served is due to non-strata multi-residential and multi-non-residential properties, eg units, flats, etc, now being individually counted. This is in accordance with requirement from national industry association, the Water Services Association of Australia (WSAA). Numbers for properties connected have been determined on a similar basis.

2. Water main length - For 2003-04, the main length figure excludes lengths associated with mains to meter connections and source works, such as borefields.

3. Drainage properties served is a count of metropolitan properties only.

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PERFORMANCE INDICATORS

	Units	Target	2004-05	2003-04	2002-03	2001-02	2000-01
1. Customer Contacts							
Telephone calls to the '13' number answered within 20 seconds	%	≥ 70	76.6	75.3	76.2	74.6	73.9
Telephone calls to the '13' number abandoned after 5 seconds	%	≤ 5	2.7	2.7	2.3	3.1	3.4
Written customer complaints resolved within 21 days	%	≥ 90	99.6	99.4	97.1	98.5	97.6
2. Service Standard							
Customer perception of value	%	≥ 75	85.0	81	81	83	80.2
Residential customer perception image (responsible and reliable)	%	≥ 80	80.0	85	86.5	88	89
Customer perception of environmental performance	%	≥ 70	64.5	64.3	69.2	73	79.3
Satisfactory compliance with Operating Licence and Customer Charter	Satisfactory Compliance	Satisfactory Compliance	Satisfactory Compliance	Satisfactory Compliance	Satisfactory Compliance	Satisfactory Compliance	Satisfactory Compliance
Compliance with licences and conditions – DOE, DER, Ministerial	Full Compliance	Full Compliance	Full Compliance	Full Compliance	Full Compliance	Full Compliance	Full Compliance
3. Water Provision							
Water supply/demand (metropolitan)	No.	≥ 1.2	1.2	1.1	0.9	0.8	1.4
Schemes where water restrictions have been applied	No.	Improvement	7	3	12	12	1
Metropolitan analyses meeting requirement for total coliforms	%	≥ 90.25	99.9	99.8	99.9	99.5	98.5
Metropolitan analyses meeting requirement for thermo-tolerant coliforms	%	≥ 95	100	100	100	99.9	99.8
Metropolitan analyses meeting requirement for amoebae	%	≥ 95	100	100	99.7	100	100
Metropolitan analyses meeting requirement for health-related chemicals	%	100	100	100	100	99.8	99.8
Country localities meeting requirement for total coliforms	%	100	100	100	100	100	99.6
Country localities meeting requirement for thermo-tolerant coliforms	%	100	100	100	100	100	100
Country localities meeting requirement for amoebae	%	100	100	100	100	100	99.6
Country localities meeting requirement for health-related chemicals	%	100	97.3	99.4	97	97.7	90.4
Customers receiving drinking water of adequate pressure and flow	%	≥ 99.80	99.94	99.96	99.95	99.95	99.93
Customers not experiencing interruption to supply greater than one hour	%	≥ 75	89	87	86	88	90
Water supply services provided by agreement – customer notification	%	≥ 95	Compliance	Compliance	Compliance	Compliance	Compliance
Water supply services provided by agreement – documented	%	≥ 90	Compliance	Compliance	Compliance	Compliance	Compliance
Bursts per 100 kilometres of water main	No.	≥ 20	18	16.9	16.3	17.1	16.9
4. Wastewater Disposal							
Wastewater overflow - customer properties not affected	%	≥ 99.8	99.9	99.9	99.9	99.9	99.9
Blockages per 100 kilometres of sewer	No.	≤ 40	18.5	19.4	21.9	20.3	23.9
Wastewater re-use	%	≥ 13	10	10	10	9.8	8
Drainage systems operating in accordance with standards	%	100	100	100	100	100	100
5. People and Culture							
Significant injury frequency rate	No.	≤ 10.3	9	11	17.4	18.7	19.4
Performance management quality index	%	≥ 70	66.2	n/a	66.5	52.3	49
6. Financial							
Earnings before interest and tax - EBIT (including developers' contributions)	\$m	≥ 538	654	600	529	473	489
Return on fixed assets	%	> 3.95	4.2	4.1	4	3.7	4.2

RETURN ON FIXED ASSETS	2005	2004	2003	2002	2001	2000	1999
Operating cost per property	\$	≤ 463	461	423	404	400	389
Total cost per property	\$	≤ 1,312	1,320	1,283	1,262	1,252	1,194

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GRI INDEX TABLE 2005

GRI Indicator: Number and Description	Level of reporting (if not fully reported)	Comments	Section Reference
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SECTION 1: VISION AND STRATEGY

1.1	Statement of the organisation's vision and strategy regarding its contribution to sustainable development.		Achieving Balance. Chairman's Report. Chief Executive Officer's Report. Sustainability.
1.2	Statement of the organisation's vision and strategy regarding its contribution to sustainable development.		Chief Executive Officer's Report.

GRI Indicator: Number and Description	Level of reporting (if not fully reported)	Comments	Section Reference
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SECTION 2: PROFILE

2.1	Name of the reporting organisation.	Water Corporation of Western Australia.	What we do.
2.2	Major products and/or services.		What we do. Directors' Report: Principal Activities.
2.3	Operational structure of the organisation.		Organisational Structure.
2.4	Description of major divisions, operating companies, subsidiaries and joint ventures.	The Water Corporation has interests in only two joint ventures associated with Albany Septage and Biowise operations. It also outsources field operations for maintenance of reticulation infrastructure in the Perth metropolitan area. Beyond this, the Water Corporation operates as a single entity, with no separate operating companies or subsidiaries.	Organisational Structure. Notes to and forming part of the Financial Statements - Note 19.
2.5	Countries in which the organisation's operations are located.	Western Australia only.	
2.6	Nature of ownership - legal form.	Corporatised Government enterprise, with single a shareholder - The Minister Assisting the Minister for Water Resources.	Directors' Report: Principal Activities. Organisational Structure.
2.7	Nature of markets served		What we do.
2.8	Scale of the reporting organisation.		What we do. Principal Statistics.
2.9	List of stakeholders, key attributes of each, and relationship to reporting organisation.	Partially reported. Regulatory stakeholders are listed.	Corporate Information: Regulatory Framework.

Section 2: Report Scope

2.10	Contact person for the report including email and telephone contact.		Steven Mackenzie Communications Division (08) 9420 3057 Steven.Mackenzie@watercorporation.com.au	
2.11	Reporting period for information provided.		12 months ended 30 June 2005.	Simplified Financial Statements.
2.12	Date of most recent previous report.		12 months ended 30 June 2004. Published September 2004.	Simplified Financial Statements. Previous period report available at www.watercorporation.com.au/publications .
2.13	Boundaries of report (countries/regions, divisions/facilities/joint venture/subsidiaries) and any specific limitations on the scope.			Sustainability.
2.14	Significant changes in size, structure, ownership, or products/services that have occurred since the previous report.		No significant changes.	Directors Report: Principal Activities. Principal Statistics.
2.15	Basis for reporting on joint ventures, partially-owned subsidiaries, leased facilities, outsourced operations, and other situations that can significantly affect comparability from period to period and or between reporting operations.	Partially reported.	Activities internal to third party contractors and outsource alliance partners are not included in Water Corporation reporting. Involvements in Albany Septage and Biowise joint ventures are reported in the Financial Statements. Beyond this, the Water Corporation operates as a single entity, with no separate operating companies or subsidiaries.	Notes to and forming part of the Financial Statements - Note 19.
2.16	Explanation of the nature and effect of any restatements of information provided in earlier reports and the reason for such restatements.	Partially reported.	No significant changes.	Notes to and forming part of the Financial Statements - Note 2.

Section 2: Report Profile

2.17	Decisions not to apply Global Reporting Initiative (GRI) principles or protocols in the preparation of the report.		GRI principles and protocols are used as guidelines only. Comparison of the report against GRI elements is provided by this table.	Sustainability
2.18	Criteria/definitions used in any accounting for economic, environmental and social costs and benefits.	Partially reported.		Accounting Standards detailed in Notes to and forming part of the Financial Statements - Note 1. Performance Indicators.
2.19	Significant changes from previous years in the measurement methods applied to key economic, environmental and social information.		No significant changes.	Notes to and forming part of the Financial Statements - Note 2.
2.20	Policies and internal practices to enhance and provide assurance about the accuracy, completeness and reliability that can be placed on the sustainability report.	Partially reported.	Accounting policies are reported. Internal policies, audit and governance arrangements are in place, but not specifically reported.	Notes to and forming part of the Financial Statements - Note 1.
2.21	Policy and current practice with regard to providing independent assurance for the full report.	Partially reported.		Auditor General's Report.
2.22	Means by which report users can obtain additional information and reports about economic, environmental and social aspects of the organisation's activities, including facility - specific information.			Refer to the Water Corporation website.

GRI Indicator: Number and Description

Level of reporting (if not fully reported)

Comments

Section Reference

SECTION 3: GOVERNANCE STRUCTURE AND MANAGEMENT SYSTEMS

3.1	Governance structure of the organisation, including major committees under the Board of Directors that are responsible for setting strategy and oversight of the organisation.			Corporate Information.
3.2	Percentage of the Board of Directors that are independent, non-executive directors, state how the Board determines independence.			Corporate Information.
3.3	Process for determining the expertise Board members need to guide the strategic direction of the organisation, including issues related to environmental and social risks and opportunity.		Directors are appointed by the Governor on nomination by the Minister, after consultation with or recommendation from the Board. Directors can seek advice and training at the Corporation's expense at any time.	Corporate Information.

3.4	Board level processes for overseeing the organisation's identification and management of economic, environmental and social risks and opportunities.		The Water Corporation has well-established policies and procedures for management of significant risk, financial exposures, incidents and security.	Corporate Information.
3.5	Linkage between executive compensation and achievement of our organisation's financial and non-financial goals.	Not reported.		
3.6	Organisational structure and key individuals responsible for oversight, implementation and audit economic, environmental and social policies.	Partially reported.	Responsibilities for key elements of our economic, environmental and social policies are integrated throughout our business, with various contacts for different aspects of our operations. We have appointed a Sustainability Manager, reporting to the Chief Operating Officer, with responsibility to implement our Sustainability Strategy.	Sustainability.
3.7	Mission and values statements, internally developed codes of conduct or principles and policies relevant to economic, environmental and social performance and status of implementation.	Partially reported.	Significant elements of our Sustainability strategy are discussed.	Achieving Balance. Sustainability. Towards Carbon Neutrality.
3.8	Mechanisms for shareholders to provide recommendations or direction to Board of Directors.	Not applicable.	The Minister assisting the Minister for Water Resources, representing the Government is the Water Corporation's sole shareholder.	Corporate Information.

Section 3: Stakeholder engagement

3.9	Basis for identification and selection of major stakeholders.	Partially reported.		Social Responsibility.
3.10	Approaches to stakeholder consultation reported in terms of frequency of consultations by type and by stakeholder group.	Not reported.		
3.11	Type of information generated by stakeholder consultations.	Not reported.		
3.12	Use of information resulting from stakeholder engagement.	Not reported.		

Section 3: Overarching policies and management systems

3.13	Explanation of whether or how the precautionary approach or principle is addressed by the organisation.	Partially reported.	The precautionary principle, and the recognition of the limits of knowledge, are among the Sustainability principles being developed for our business.	Sustainability.
3.14	Externally developed, voluntary economic, environmental and social charters, sets of principles or other initiatives to which the organisation subscribes to which it endorses.	Not reported. Alternative source of information available.		Customer Charter and Service Commitment. Debt Recovery Code of Practice. Privacy Policy. Environment Policy.
3.15	Principal memberships in industry and business associations and/or national/international advocacy organisations.	Partially reported.	The Water Corporation is a member of a number of industry and advocacy organisations and associations, including the Water Services Association of Australia and Australian Water Association. The Water Corporation is also a signatory to a number of important industry initiatives, including the WA Sustainable Industry Group and the Australian Greenhouse Office Greenhouse Challenge.	
3.16	Policies and/or systems for managing upstream and downstream impacts.	Partially reported.	Our commitment to product stewardship is demonstrated through rigorous drinking water quality monitoring and improvement programs, and our significant investments in inflill sewerage and wastewater risk management programs. Minimising community impacts and concerns for customer satisfaction are an integral part of all of the Water Corporation's operations. A project to apply Sustainability principles to procurement processes is to be undertaken in the coming year.	Sustainability. Perth's Wastewater System - Protecting Health and Environment. Delivering Services. Complaints Handling.
3.17	Reporting organisation's approach to managing indirect economic, environmental and social impacts resulting from its activities.	Partially reported.		Sustainability.
3.18	Major decisions during the reporting period regarding the location of or changes in operation.		No significant changes.	Security through Diversity. Economic Performance: Improving the Business.
3.19	Programs and procedures pertaining to economic, environmental and social performance.	Partially reported.		Sustainability.
3.20	Status of certification pertaining to economic, environmental and social management systems.	Not reported.		

GRI Indicator: Number and Description		Level of reporting (if not fully reported)	Comments	Section Reference
SECTION 4:				
4.1	A table identifying location of each element of the Global Reporting Index content, by report section and indicator.			This table indexes our Annual Report against the GRI indicators, and where relevant provides comment or reference to alternative information sources.
Economic performance indicators				
EC1	Net sales.	Partially reported.		Simplified Financial Statements.
EC2	Geographic breakdown of markets.			Principal Statistics.
EC3	Cost of all goods, materials, and services purchased.	Partially reported.		Simplified Financial Statements.
EC4	Percentage of contracts that were paid in accordance with agreed terms, excluding agreed penalty arrangements.	Not reported.		
EC5	Total payroll and benefits (including wages, pension, other benefits and redundancy payments) broken down by country or region.	Partially reported.	A total of payments made to employees and suppliers are included in the statement of cash flows. This is further broken down to separate sub-totals for 'Labour' and 'Hired or contracted services' in the detailed financial statements and accompanying notes. All employee costs are incurred and expensed in Western Australia.	Financial Report: Statement of Cash Flows. Notes to and forming part of the Financial Statements - Note 4: Expenses from Ordinary Activities.
EC6	Distributions to providers of capital broken down by interest on debt and borrowings, and dividends on all classes of shares, with any areas of preferred dividends to be disclosed.	Partially reported.		Financial Report: Statement of Cash Flows.
EC7	Increase/decrease in retained earnings at end of period.			Simplified Financial Statements.
EC8	Total sum of taxes of all types paid broken down by country.		Company income tax only is reported, in the detailed financial statements and accompanying notes. All taxes are paid in Australia.	Notes to and forming part of the Financial Statements - Note 7: Income Tax.
EC9	Subsidies received broken down by country or region.		Summary Statement of Financial Performance: Revenue received from State Treasury for agreed community service obligations.	Simplified Financial Statements.
EC10	Donations to community, civil society, and other groups, broken down in terms of cash and in kind donations per type of group.	Not reported. Alternative sources of partial information available.		Sponsorships (Link).
EC11 (NON-CORE INDICATOR)	Supplier breakdown by organisation and country.	Not reported.		
EC12 (NON-CORE INDICATOR)	Total spent on non-core business infrastructure development. This is infrastructure built outside the main business activities of the reporting entity such as a school, or hospital for employees and their families.	Not reported.		
EC13 (NON-CORE INDICATOR)	The organisation's indirect economic impacts. Identify major externalities associated with the reporting organisations product and service.	Not reported.		

Environmental performance indicators

EN1	Total materials use other than water by type.	Not reported.		
EN2	Percentage of materials used that are wastes (processed or unprocessed) from sources external to the reporting organisation.	Not reported		
EN3	Direct energy use segmented by			Respecting Our Environment:

	primary source.			Summary of Key Measures.
EN4	Indirect energy use.			Respecting Our Environment: Summary of Key Measures.
EN5	Total water use.	Not reported.		
EN6	Location and size of land owned, leased, or managed in biodiversity rich habitats.	Not reported.		
EN7	Description of the major impacts on biodiversity associated with activities and/or products and services in terrestrial, fresh water and marine environments.		The Water Corporation works closely with the Department of Environment, Department of Conservation and Land Management, community groups and other stakeholders to ensure that the impacts of our activities are minimised, and maintained within environmental limits.	Environmental Performance.
EN8	Greenhouse gas emissions.			Respecting Our Environment: Towards Carbon Neutrality. Respecting Our Environment: Summary of Key Measures.
EN9	Use and emissions of ozone depleting substances.		The Water Corporation's activities do not generate any significant emissions of ozone depleting substances.	Respecting Our Environment: Summary of Key Measures.
EN10	NOx, SOx, and other significant air emissions by type.		The Water Corporation's activities do not generate any significant air emissions, other than greenhouse gas emissions associated with energy use, vehicle fleet, and biological wastewater treatment.	Respecting Our Environment: Summary of Key Measures.
EN11	Total amount of waste by type and destination.	Not reported.		
EN12	Significant discharges to water by type.		The Water Corporation has no significant discharges, other than discharges of treated wastewater as part of our delivery of urban wastewater services.	Delivering Services: Wastewater.
EN13	Significant spills of chemicals, oils and fuels in terms of total number and total volume.		The Water Corporation experienced no significant spills of chemical, fuels or other pollutants in the reporting period, other than accidental overflows from our urban wastewater systems.	Respecting our Environment: Summary of Key Measures. Respecting our Environment: Perth's Wastewater System - Protecting Health and the Environment.
EN14	Significant environmental impacts of principal products and services.			Mentioned throughout the Annual Report.
EN15	Percentage of the weight of products sold that is reclaimable at the end of the products useful life and percentage that is actually reclaimed.			Security through Diversity. Social Responsibility: Summary of Key Measures.
EN16	Incidents of and fines for non-compliance with all applicable international declaration/ conventions/treaties and national, sub-national, regional, and local regulations associated with environmental issues.		The Water Corporation complies with all relevant Federal and State laws and local regulations associated with environmental issues.	Directors' Report: Environmental Performance.
EN17 (NON-CORE INDICATOR)	Initiatives to use renewable energy sources and to increase energy efficiency.			Respecting our Environment: Towards Carbon Neutrality.
EN18 (NON-CORE INDICATOR)	Energy consumption footprint (that is, annualised lifetime energy requirements) of major products.			Respecting our Environment: Summary of Key Measures.
EN19 (NON-CORE INDICATOR)	Other indirect (upstream/ downstream) energy use and implications, such as organisational travel, product lifecycle management, and use of energy intensive materials.	Not reported.		
EN20 (NON-CORE INDICATOR)	Water sources and related ecosystem/habitats significantly affected by water use.	Partially reported.		Security through Diversity. Corporate Information (Regulatory Framework). Performance Indicators (Service Standards).
EN21 (NON-CORE INDICATOR)	Annual withdrawals of ground and surface water as a percentage of annual renewable quantity of water available from the sources.	Partially reported.	Volumes of withdrawals of ground and surface water are reported by source, all of which are within the limits of our allocations issued by the Water and Rivers Commission within the Department of Environment.	Principal Statistics (Water Supply).
EN22 (NON-CORE INDICATOR)	Total recycling and re-use of water.			Security through Diversity. Summary of Key Measures (Social Responsibility).
EN23	Total amount of land owned, leased (NON-CORE INDICATOR) or managed for production activities (NON-CORE INDICATOR) or extractive use.	Partially reported.		Principal Statistics (Water Supply).
EN24 (NON-CORE INDICATOR)	Amount of impermeable surface as a percentage of land purchased	Not reported.		

INDICATOR) or leased.

EN25
(NON-CORE
INDICATOR) Impacts of activities and operations on protected and sensitive areas.

Respecting our Environment:
Summary of Key Measures.
Respecting our Environment: Perth's Wastewater System - Protecting Health and the Environment.
Performance Indicators (Service Standards).

EN26
(NON-CORE
INDICATOR) Changes to natural habitats resulting from activities and operations and percentage of habitat protected or restored. Identify type of habitat affected and its status. Not reported.

EN27
(NON-CORE
INDICATOR) Objectives, programmes, and targets for protecting and restoring native ecosystems and species in degraded areas. Not reported.

EN28
(NON-CORE
INDICATOR) Number of INCN Red List species with habitats in areas affected by operations. Not reported.

EN29
(NON-CORE
INDICATOR) Business units currently operating or planning operations in or around protected or sensitive areas. Not reported.

EN30
(NON-CORE
INDICATOR) Other relevant indirect greenhouse gas emissions. (CO₂, CH₄, N₂O, HFCs, PFCs, SF₆) Refers to emissions that are a consequence of the activities of the reporting entity, but occur from sources owned or controlled by another entity. Report in tonnes of gas and tonnes of CO₂ equivalent. Not reported.

EN31
(NON-CORE
INDICATOR) All production, transport, import or export of any waste deemed "hazardous" under the terms of Basel Convention Annex I, II, III, VIII. Not reported.

EN32
(NON-CORE
INDICATOR) Water sources and related ecosystems/habitats significantly affected by discharges of water and run-off.

Our PLOOM (Perth Long Term Ocean Outlet Monitoring) program demonstrates no environmental harm from our marine disposal of treated wastewater. All wastewater treatment operations and discharges, including to inland waterways, are overseen by independent regulators such as the Department of Environment licensing branch and the Water and Rivers Commission. The Water Corporation complies fully with these requirements. A comprehensive wastewater risk management program is being undertaken.

Respecting our Environment: Perth's Wastewater System - Protecting Health and the Environment.
Respecting our Environment: Summary of Key Measures.
Corporate Information (Regulatory Framework).
Performance Indicators (Service Standards).

EN33
(NON-CORE
INDICATOR) Performance of suppliers relative to environmental components of programs and procedures described in response to Governance Structure and Management systems section (Section 3.16). Not reported.

EN34
(NON-CORE
INDICATOR) Significant environmental impacts of transportation used for logistical purposes. Not reported.

EN35
(NON-CORE
INDICATOR) Total environmental expenditures by type. Not reported.

Social performance indicators

Labour practices and decent work

LA1 Breakdown of workforce.

Five-Year Statistical Summary.
Principal Statistics.

LA2 Net employment creation and average turnover segmented by region/country. Partially reported.

Total number of full time employees (FTE) and FTE equivalents is reported for last five years to enable year on year comparison. However, average turnover and segmentation by region is not reported.

Five-Year Statistical Summary.

LA3 Percentage of employees represented by independent trade union organisations or other bona fide employee representatives broken down geographically OR percentage of employees covered by collective bargaining agreements broken down by region/country.

Union membership of individual employees is voluntary, and is not monitored by the Water Corporation. We have negotiated an Enterprise Agreement with these relevant trade unions and employee representatives, which is applied across the organisation for the benefit of all employees, regardless of union membership.

LA4	Policy and procedures involving information, consultation and negotiation with employees over changes in the reporting organisation's operations (for example, restructuring).	Partially reported.	Employee consultation and communication is addressed as a key element of any significant organisational change project being undertaken.	Social Responsibility: Achieving Cultural Change.
LA5	Notification of occupational accidents and diseases, and how they relate to the ILO Code of Practice and Notification of Occupational Accidents and Diseases.	Not reported.	The Water Corporation has comprehensive Occupational Safety and Health (OSH) policies and procedures in place, complying with all local laws and best practice standards. These processes are independently audited against WorkSafe WA benchmarks.	
LA6	Description of formal joint health and safety committees comprising management and worker representatives and proportion of workforce covered by any such committees.		Joint OSH committees comprising management and staff representatives are formed in any organisational unit where this is requested - either by staff or by management. When a request to initiate such a committee is made by staff, it is a legal requirement for such a committee to be formed.	
LA7	Standard injury, lost day, and absentee rates and number of work related fatalities (including subcontracted.	Partially reported.		Performance Indicators - Significant Injury Frequency Rate.
LA8	Description of policies or programs (for AIDS and beyond) on HIV/AIDS.	Not reported.		
LA9	Average hours of training per year per employee by category of employee.	Not reported.		
LA10	Description of equal opportunity policies or programs, as well as monitoring systems to ensure compliance and results of monitoring.		The Water Corporation has an established Equal Employment Opportunity (EEO) policy to ensure equity and diversity in the workplace, and complies with all Federal and State laws in relation to discrimination and harassment on the grounds of gender, marital status, pregnancy, impairment, race, ethnicity, religious beliefs, and sexuality. EEO principles are incorporated into procedures for recruitment, contractor selection and induction. A further policy regarding discrimination and harassment (including vilification) is also established, and there is a formal grievance resolution procedure in place.	
LA11	Composition of senior management and corporate governance bodies (including the Board of Directors), including female/male ratio and other indicators of diversity as culturally appropriate.	Partially reported.		Organisational Structure. Social Performance - Diversity and Inclusiveness.
LA12 (NON-CORE INDICATOR)	Employee benefits beyond those legally mandated.		The Enterprise Agreement (refer indicator LA3) includes many provisions and benefits which extend beyond the base level legally mandated by awards, including provisions for flexible working arrangements, parental leave, a period of paid maternity leave, long service leave provisions, and opportunity for employees to 'purchase' additional annual leave. Such provisions are intended to support diversity, and encourage an improved work-home balance.	
LA13 (NON-CORE INDICATOR)	Provision of formal worker representation in decision making or management, including corporate governance.	Not reported.		
LA14 (NON-CORE INDICATOR)	Evidence of substantial compliance with the ILO <i>Guidelines for Occupational Health Management Systems</i> .	Not reported.	Water Corporation complies with local laws and WorkSafe WA processes.	
LA15 (NON-CORE INDICATOR)	Description of formal agreements with trade unions or other bona fide employee representatives covering health and safety at work and proportion of the workplace covered by any such agreement.		Formal obligations and requirements specific to workplace health and safety are covered by legislation within Western Australia, and are thus not necessary for inclusion into our formal Enterprise Agreement with trade unions and employees. However, workplace health and safety is a standing item on meetings of the 'Workforce Management Consultative Committee' and 'Peak Consultative Forum', which are formal meetings on which trade union officials and employee union representatives participate with the Water Corporation. There are six trade unions represented in these arrangements, which together provide coverage of our full workforce. Any outcomes of these groups are applied	

			for the benefit of all relevant employees, regardless of union membership.	
LA16 (NON-CORE INDICATOR)	Description of programs to support the continued employability of employees and to manage career endings.	Not reported.		
LA17 (NON-CORE INDICATOR)	Specific policies and programs for skills management or lifelong learning.	Partially reported.	The Water Corporation uses performance management programs to identify training needs, and a range of internal and external training programs and courses are made available. The Water Corporation also has a number of professional development programs, for graduates and professional staff, and a commitment to retraining and redeployment of staff displaced by organisational restructuring.	Social Responsibility: Achieving Cultural Change.

Human Rights

HR1	Description of policies, guidelines, corporate structure, and procedures to deal with all aspects of human rights relevant to operations, including monitoring mechanisms and results.	Not reported.		
HR2	Evidence of consideration of human rights impacts as part of investment and procurement decisions, including selection of suppliers/contractors.			Sustainability.
HR3	Description of policies and procedures to evaluate and address human rights performance within the supply chain and contractors, including monitoring systems and results of monitoring.	Not reported.		
HR4	Description of global policy and procedures/programs preventing all forms of discrimination in operations, including monitoring systems and results of monitoring.		The Water Corporation complies with all relevant State and Federal laws, and its service obligations to customers are outlined under its Operating Licence.	
HR5	Description of freedom of association policy and extent to which this policy is universally applied independent of local laws, as well as description of procedures/programs to address this issue	Not reported.	The Water Corporation has no specific policies in relation to Freedom of Association, but complies fully with all relevant Federal and State laws.	
HR6	Description of policy excluding child labour as defined by the ILO Convention 138 and extent to which this policy is visibly stated and applied, as well as description of procedures/programs to address this issue, including monitoring systems and results of monitoring.	Not applicable.		
HR7	Description of policy to prevent forced and compulsory labour and extent to which this policy is visibly stated and applied as well as description of procedures/ programs to address this issue, including monitoring systems and results of monitoring.	Not applicable.		
HR8 (NON-CORE INDICATOR)	Employees training on policies and practices concerning all aspects of human rights relevant to operations. Include type of training, number of employees trained and average training duration.	Not reported.		
HR9 (NON-CORE INDICATOR)	Description of appeal practices, including but not limited to, human rights issues.	Partially reported.	The Water Corporation has an internal customer resolution process for affected customers and community members, and is subject to a number of external and independent routes of appeal under various Federal and State mechanisms.	Social Responsibility: Complaints Handling.
HR10 (NON-CORE INDICATOR)	Description of appeal practices, including, but not limited to human rights issues. Describe the representation and appeals process.	Not reported.		
HR11 (NON-CORE INDICATOR)	Human rights training for security personnel. Include type of training, number of persons trained and average training duration.	Not reported.		
HR12 (NON-CORE INDICATOR)	Descriptions of policies, guidelines and procedures to address the needs of indigenous people. This	Not reported.		

	includes indigenous people in the workforce and in communities where the organisation currently operates or intends to operate.		
HR13 (NON-CORE INDICATOR)	Description of jointly managed community grievance mechanisms/ authority.	Not reported.	
HR14 (NON-CORE INDICATOR)	Share of operating revenues from the area of operations that are redistributed to local communities.	Not reported.	

Society

SO1	Description of policies to manage impacts on communities in areas affected by activities, as well as description of procedures/ programs to address this issue, including monitoring systems and results of monitoring.	Partially reported.	Social performance: Community Consultation.
SO2	Description of the policy, procedures/management, systems and compliance mechanisms for organisations and employees addressing bribery and corruption.		An Employee Code of Conduct is distributed and published internally to all employees, which provides clear statements of policy regarding conflict of interest, acceptance of gifts or other benefits, fraud, bribery, corruption or other breaches of law.
SO3	Description of policy, procedures/ management systems, and compliance mechanisms for managing political lobbying and contributions.	Not applicable.	
SO4 (NON-CORE INDICATOR)	Awards received relevant to social, ethical, and environment performance.	Partially reported.	Highlights.
SO5 (NON-CORE INDICATOR)	Amount of money paid to political parties and institutions whose prime function is to fund political parties or their candidates.		No monies are gifted or in-kind donations made for political purposes.
SO6 (NON-CORE INDICATOR)	Court decisions regarding cases pertaining to anti-trust and monopoly regulations.	Not reported.	
SO7 (NON-CORE INDICATOR)	Description of policy, procedures / management systems, and compliance mechanisms for preventing Anti-competitive behaviour.	Not reported.	

Product Responsibility

PR1	Description of policy for preserving customer health and safety during use of products and services, and extent to which this policy is visible state and applied, as well as description of procedures or programs to address this issue, including monitoring systems and results of monitoring.	Partially reported.	Respecting our Environment: Perth's Wastewater System - Protecting Health and the Environment. Delivering Services: Water Quality.
PR2	Description of policy, procedures/ management systems, and compliance mechanisms related to product information and labelling.	Not applicable.	
PR3	Description of policy, procedures/ management systems, and compliance mechanisms for consumers' privacy.	Not reported.	privacy policy
PR4 (NON-CORE INDICATOR)	Number and type of instances of non-compliance with regulations concerning customer health and safety, including the penalties and fines assessed for these breaches.		Performance Indicators (Water Provision: Wastewater Disposal).
PR5 (NON-CORE INDICATOR)	Number of complaints upheld by regulatory or similar official bodies to oversee or regulate the health and safety, including the penalties and fines assessed for these breaches.	Not reported.	
PR6 (NON-CORE INDICATOR)	Voluntary code compliance, product labels or awards with respect to social and/or	Generally not applicable. Related information	There are no eco-labelling schemes applicable to urban water services in Australia, and this indicator is generally Drinking Water Quality Demand Management

	environmental responsibility that the reporter is qualified to use or has received.	available.	not applicable to our business.	
PR7 (NON-CORE INDICATOR)	Number and type of instances of non-compliance with regulations product information and labelling, including any penalties or fines assessed for these breaches.		There was no non-compliance of product labelling and information regulations within the reporting period.	
PR8 (NON-CORE INDICATOR)	Description of policy, procedures/ management systems, and compliance mechanisms related to customer satisfaction, including results of surveys measuring customer satisfaction. Identify geographic areas covered by policy.			Performance Indicators. Social Responsibility: Summary of Key Measures.
PR9 (NON-CORE INDICATOR)	Description of policies, procedures / management systems, and compliance mechanisms for adherence to standards and voluntary codes related to advertising. Identify geographic areas covered by policy.	Not reported.		
PR10 (NON-CORE INDICATOR)	Number and types of breaches of advertising and marketing regulations.		There were no breaches of advertising or marketing regulations during the reporting period.	
PR11 (NON-CORE INDICATOR)	Number of substantiated complaints regarding breaches of consumer privacy.		There were no complaints received regarding breaches of consumer policy during the reporting period.	

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REFLECTIONS

LEGEND:



- MEANS COMPLETE OR ON SCHEDULE TO COMPLETE.



- MEANS NOT COMPLETE OR NOT ON SCHEDULE TO COMPLETE.

SOCIAL REPSONSIBILITY




Planned	Status	Comments
We will continue to develop programs to better identify, understand, communicate with and engage our stakeholders.		We are implemented a base framework for ongoing stakeholder engagement.
We will engage with customers and community on our plans, services, standards and costs.		<p>We have strengthened the process for engaging with our Customer Advisory Council by using business scenarios to elicit more meaningful feedback. Other strategies to enhance engagement include:</p> <ul style="list-style-type: none"> • Establishing a Business Relationship Management team to manage key customers and some peak bodies; • Membership of the Urban Development Advisory Committee; and • Increasing our use of market research to better understand customer perceptions.
We will work with the new Economic Regulation Authority (ERA) and the new Office of Water Policy (OWP) to clarify respective roles and working principles to meet more stringent regulatory requirements.		<p>Our regulatory requirements are clear and are being met.</p> <ul style="list-style-type: none"> • There are ongoing discussions with ERA to clarify its regulatory processes. • Written advice was received from the former Director of OWP, that the Department of Environment's Water

We will maintain high customer satisfaction ratings during water restrictions.		Ratings of customer satisfaction have remained high. <ul style="list-style-type: none">• CSM Residential = 85%• CSM Business and Industrial = 84%• CSM Top 200 customers = 85%• Customers approval rating for water restrictions and the way they are applied = 91%
We plan to develop a sustainability framework and integrate it into our decision making, planning and business operations.		The project is under way.
We will develop a triple-bottom-line impact assessment for the proposal to access groundwater from the South-West Yarragadee aquifer and site locations for the Alkimos wastewater treatment plant.		The triple-bottom-line impact assessment for South West Yarragadee is complete and this methodology is being used to assess site locations for the Alkimos wastewater treatment plant.
We will progress the Shenton Sustainability Park with a focus on the Centre of Excellence and Community Interpretive Centre.		<ul style="list-style-type: none">• We progressed project with stakeholders and community reference groups; and external planning took place.• State funding was sought, but was unavailable. Federal funding is now being pursued.• The scope of the project is under review.
We will address the planning issues related to the drying climate.		Our Source Development Plan was updated in 2005.
We will make preparations for implementation of the next major water source.		Plans for new sources to address the water supply demand imbalance are proceeding. In the next five years we plan to add 107 gigalitres to the Integrated Water Supply Scheme.
We will improve customer self-service and E-billing opportunities through automation of: <ul style="list-style-type: none">• Application for special meter reads and change of postal address for major property management groups; and• Validation of customer information on concessions by working with government agencies, serving customers and the community	<div></div>	<p>The Corporation has developed a conceptual model of a web-based application that will enable property managers, local government agencies and major customers to carry out a range of electronic transactions for properties they own/manage. Development of this system (PMNet) will be done in 2005-06.</p> <p>In liaison with the Office of State Revenue and the WA Local Government Association, the Corporation has developed a conceptual model to automate the process for pensioners / seniors to receive their rebates and concessions. While the feasibility of this model has been confirmed by an independent consultant, the proposal cannot be progressed as it relies on the participation of Centrelink, and there are a number of issues that are restricting their participation.</p>
We will start operation of the Kwinana Water Reclamation Plant to supply major local industries.		The plant was commissioned in October 2004 and was available to supply reclaimed water to industries the following month.
We will continue to develop our knowledge of potential source opportunities by conducting trials into aquifer storage and recovery at Jandakot, preparing a geochemical research		These trials are ongoing.



report and completing groundwater modelling.

We will continue to fulfil our obligations to provide our customers with safe drinking water including providing the public with an annual report on drinking water quality.		We have achieved 100% compliance with the health-related requirements of our Operating Licence. The annual report will be included on our website.
We will continue to develop retention and succession strategies for staff in critical positions.		Our approach to succession planning and the management of talent has been further refined.
We will develop and implement employment arrangements that support employees and provide smooth transitions for staff nearing the ends of their careers.		Arrangements have been negotiated on an individual basis, but we will develop specific, targeted policies.
We will continue to support managers to enable staff to take advantage of flexible employment arrangements and achieve a better work-life balance.		Arrangements have been negotiated on an individual basis, but we will develop specific, targeted policies.
An employee health-risk profiling will be implemented during 2004-05.		About half of our employees volunteered to take part in a health-risk profiling survey.
A cultural assessment survey will be conducted in 2004-05 to gauge the effectiveness of measures taken to shape workforce characteristics and behaviours to align with our 'One Company' cultural renewal agenda.		A survey of employee perceptions of our culture was conducted in August 2004. It establishes a baseline to measure behavioural change and cultural shifts.
We will develop and maintain workforce skill and competencies to align with new technologies.		The increasing complexity of operational technologies (such as desalination and process automation) has shaped part of our operational training agenda. Progress has been made in many areas.
We will improve management of contractors' OSH performance.		Procedures were revised and training was implemented .

RESPECTING OUR ENVIRONMENT

Planned	Status	Comments
We will develop an integrated energy management strategy for forestry vegetation rehabilitation and sequestration in woodlots; renewable energy; and energy-efficient options.		We have a proactive strategy in place for ongoing reduction of greenhouse emissions.
We will work with Government, community and customers to implement plans to achieve our wastewater re-use and consumption targets for all schemes and major market sectors.		<p>We are developing of Waterwise Development Program and continue with our Waterwise Partners Program.</p> <p>We are assisting in development of a model to measure household water efficiency and are developing a trial to demonstrate managed aquifer recharge.</p> <p>We continue to develop country water recycling (currently 40 re-use schemes in place) and are implementing two demonstration projects for use of alternative sources of water.</p>
We will implement a Wastewater Risk Management Program.		A long term capital and operating program is under way.

ECONOMIC PERFORMANCE

Planned	Status	Comments
We will achieve successful Operating Licence Audit outcomes.		We achieved 100% Operating Licence compliance in our 2004 Operational Audit.
We will manage and deliver capital investment for the benefit of the State.		Our \$340.3 million 2004-05 capital investment program included investment in water source development and wastewater treatment. Major projects included the Samson Brook water treatment plant and pipehead dam, the Harding Dam water treatment plant, the Kwinana Water Reclamation Plant and odour control facilities at Beenyup, Subiaco and Woodman Point wastewater treatment plants.

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PUBLICATIONS AND PROMOTIONAL MATERIAL

<ITEMS TO BE INSERTED HERE >

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GLOSSARY OF TERMS

Act – Means the Water Corporation Act 1995 and includes any regulations made under it.

Biosolids – Are the stabilised nutrient-rich organic solid residues generated from wastewater treatment processing, which in most cases can be used beneficially.

Breaches – A formal written warning from the regulator threatening further action using a coercive instrument (e.g. infringement notice, court appearance or fine) or the actual use of a coercive instrument.

Carbon dioxide equivalents – A measure of the global warming potential of individual greenhouse gases on an equivalent-weight basis of carbon dioxide.

Carbon sequestration – Is the carbon captured by photosynthesis and stored by plants. It is released when the plant is burnt or decomposes.

Catchment – The area of land from which surface or groundwater drains to collect in creeks, rivers, lakes, swamps, reservoirs or aquifers.

Corporation – Means the Water Corporation of Western Australia, established under Section 4 of the Water Corporation Act 1995 and includes its directors, employees and agents.

Customer Advisory Council – Consists of a group of customer representatives who advise and make recommendations to the Water Corporation on issues affecting customers.

Department of Environment – The Water and Rivers Commission, the Department of Environmental Protection and the Keep Australia Beautiful Council have merged to become the Department of Environment.

Drainage services – Includes the collection, transportation, treatment and disposal of surplus water.

Financial \$ – All financial figures are expressed in Australian dollars unless otherwise stated.

GL – Unit of volume, gigalitres - one thousand million litres or 1 million kilolitres.

Greenhouse gas – Atmospheric gases, particularly carbon dioxide, methane and chlorofluorocarbons that contribute to the greenhouse effect. That is, the heating of the Earth's atmosphere.

Headworks contribution – Is the amount payable by anyone subdividing land, constructing new building developments, or expanding existing developments that will require a Water Corporation service.

Integrated Water Supply Scheme – Is the Water Corporation water supply scheme serving Perth, Mandurah, Pinjarra as well as towns to Kalgoorlie – Boulder along the Golden Pipeline route.

Infrastructure – Means the structures, plant, equipment and excavations owned or operated by the Corporation that allow for the collection, treatment, transportation, delivery or disposal of water, wastewater or sewerage.

Irrigation services – Includes the collection and delivery by pipework or open channel of water for irrigation.

KL – Unit of volume, kilolitres - one thousand litres.

Main drainage – Drainage infrastructure operated by the Water Corporation.

ML – Unit of volume, megalitres – one million litres or one thousand kilolitres.

Minister – Minister Assisting the Minister for Water Resources.

Septic tanks – Underground tank used for treatment of wastewater through bacterial activity.

Sewage – The waste matter which passes through sewers containing water (99.5 per cent), solids, faecal micro-organisms, and some industrial waste.

Sewerage system – The network of pipes, pumping stations and treatment plants used to collect, transport, treat and discharge waste.

Stormwater – Rainwater which runs off the land, frequently containing contaminants. This untreated water is carried to stormwater channels (drains) and discharged to creeks, wetlands, rivers and the ocean.

Thermo-tolerant coliforms – May indicate recent faecal contamination, although their presence does not necessarily mean that there is a health hazard.

Wastewater services – Includes the collection, transportation and treatment of wastewater and the disposal of the treated products contained therein.

Water services – Means water supply, sewerage, irrigation or drainage services.

Water supply services – Includes the collection, treatment, transfer and delivery of treated water of drinking quality as well as water of other quality.

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Financial Report

for the year ended 30 June 2005

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Statement of Financial Performance

for the year ended 30 June 2005

	Note	2005 \$'000	2004 \$'000
Revenue from Ordinary Activities	3	1,325,850	1,231,249
Expenses from Ordinary Activities	4	(664,729)	(625,633)
Borrowing Cost Expense	5	(56,087)	(51,142)
Profit from Ordinary Activities before Income Tax Expense	6	605,034	554,474
Income Tax Expense	7	(183,531)	(168,034)
Net Profit	17	421,503	386,440

The above Statement of Financial Performance should be read in conjunction with the accompanying notes.



Statement of Financial Position

as at 30 June 2005

	Note	2005 \$'000	2004 \$'000
Current assets			
Cash assets		11,789	15,101
Receivables	8	66,286	65,355
Inventories	9	8,454	6,570
Other	10	7,666	3,633
Total current assets		94,195	90,659
Non-current assets			
Property, plant and equipment	11	9,948,486	9,797,316
Deferred tax assets	7	40,524	39,664
Receivables - Pensioner rate deferrals		11,254	11,550
Total non-current assets		10,000,264	9,848,530
Total assets		10,094,459	9,939,189
Current liabilities			
Payables		108,637	93,032
Interest-bearing liabilities	12	64,186	72,000
Current tax liabilities	7	88,419	64,818
Provisions	13	84,838	63,372
Other	14	12,600	11,457
Total current liabilities		358,680	304,679
Non-current liabilities			
Interest-bearing liabilities	12	1,010,425	1,010,000
Deferred tax liabilities	7	211,870	208,575
Provisions	13	45,557	57,405
Other	14	13,335	13,964
Total non-current liabilities		1,281,187	1,289,944
Total liabilities		1,639,867	1,594,623
Net assets		8,454,592	8,344,566
Equity			
Contributed equity	15	7,326,677	7,326,677
Reserves	16	864,741	809,681
Retained profits	17	263,174	208,208
Total equity		8,454,592	8,344,566

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

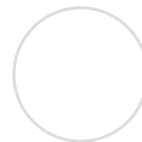
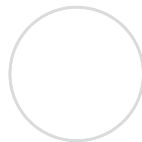
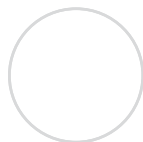
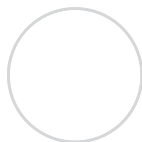
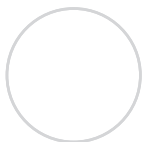
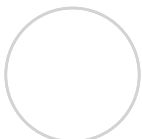


Statement of Cash Flows

for the year ended 30 June 2005

	Note	2005 \$'000	2004 \$'000
Cash flows from operating activities			
Receipts from customers		753,514	721,546
Interest received		7,132	5,961
Interest and other costs of finance paid		(60,735)	(56,163)
Payments to suppliers and employees		(411,611)	(369,094)
Income taxes paid		(157,495)	(140,910)
Community Service Obligation (CSO) contributions		288,253	268,393
Developers' contributions		118,228	107,140
GST received		24,113	26,135
Other		69,415	59,149
Net cash from operating activities	20	630,814	622,157
Cash flows from investing activities			
Payments for property, plant and equipment		(336,516)	(446,490)
Proceeds from sale of property, plant and equipment		13,305	8,505
Deposits		4,712	1,774
Net cash used in investing activities		(318,499)	(436,211)
Cash flows from financing activities			
Repayment of borrowings		(72,000)	(10,329)
Proceeds from borrowings		63,000	105,000
Dividends paid		(306,627)	(286,297)
Net cash used in financing activities		(315,627)	(191,626)
Net decrease in cash held		(3,312)	(5,680)
Cash at the beginning of the financial year		15,101	20,781
Cash at the end of the financial year		11,789	15,101

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



Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

Note 1 Summary of significant accounting policies

1.1 Basis of preparation

The financial report has been prepared on the accrual accounting basis and in accordance with the historical cost convention.

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the requirements of the *Water Corporation Act 1995*.

1.2 Changes in accounting policy

The accounting policies adopted are consistent with those of the previous year.

1.3 Revenue

1.3.1 Revenue from operating activities

- (a) Revenue from annual service charges and volume charges is shown in the Statement of Financial Performance as the amounts levied and billed for the period, including interest on overdue amounts, less discounts allowed for prompt payment and rebates/concessions allowed to entitled customers. Revenue also includes an estimate for the value of water consumed but not billed at balance date.
- (b) 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 received.
- (c) Community Service Obligation (CSO) Contributions are received from the State Government for:
 - costs in respect of country water, sewerage, drainage and irrigation services;
 - infill sewerage program; and

- revenue foregone, plus agreed administration costs, from rebates and concessions to Pensioners, Seniors and various exempt bodies on annual service charges, water consumption charges and other fees and charges.

1.3.2 Other revenue

- (a) Gross proceeds on sale of assets are included as revenue at the date control passes to the buyer, usually when an unconditional contract of sale is signed.
- (b) Interest revenue is recognised as it accrues.
- (c) Developers' Contributions are recognised as revenue when received.

1.4 Property, plant and equipment

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

- (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 and administration overheads, and an allowance for capitalised interest on major works with an estimated cost greater than \$5 million. Interest costs incurred on external borrowings specifically raised for the acquisition or construction of qualifying assets are capitalised in accordance with AASB 1036 "Borrowing Costs";
- (b) works carried out by or on behalf of developers, which are taken over by the Corporation free of charge and initially recorded at amounts, which represent cost to the developers. Where sufficient information on the cost is not available, engineering staff of the Corporation make an estimate of fair value;

- (c) works taken over as going concerns, which are initially valued at "fair value"; and
- (d) other property, plant and equipment, which are initially recorded at cost of acquisition plus incidental costs directly attributable to the acquisition.

1.5 Recoverable amount of non-current assets valued on cost basis

In accordance with the requirements of AASB 1041 "Revaluation of Non-Current Assets," Property, Plant and Equipment previously carried at valuation were reverted to a cost basis of measurement. For the purpose of transitioning to a cost basis, the existing revalued carrying amounts at 1 July 2000 were deemed to be their cost.

Land and buildings are independently valued every three years and where appropriate the directors may determine that the carrying amount is to be adjusted.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount (the recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal). The write-down is expensed in the reporting period in which it occurs. In determining the recoverable amount for all classes of assets, cash flows have not been discounted to their present values.

Where net cash inflows are derived from a group of assets working together, the recoverable amount is determined on the basis of the relevant group of assets.

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

1.6 Inventories

Inventories consist of consumable engineering supplies and spares required for maintenance and operation of systems and for general construction works. They are valued at the lower of cost and net realisable value with cost based on the weighted average purchase price (by means of continuous calculation) of the respective items.

1.7 Provisions

1.7.1 Depreciation of property, plant and equipment

In order to recognise the loss of service potential of fixed assets, depreciation is charged as an expense in the Statement of Financial Performance on a straight-line basis over the estimated useful life of an asset, making allowance where appropriate for residual values. The asset lives are reviewed from time to time, taking into account commercial and technical obsolescence, as well as normal wear and tear.

Property, plant and equipment, excluding freehold land, are depreciated over the following useful lives:

	Life (years)
Pipelines and fittings	30 – 110
Dams, reservoirs, bores and tanks	30 – 120
Ocean outfalls	40 – 100
Pump stations and treatment plants	25 – 80
Drains and channels	20 – 150
Other structures	7 – 80
Plant and equipment	3 – 25
Buildings and associated works	10 – 50
Computer equipment and software	3 – 10
Vehicles and mobile plant	3 – 15
Plant and equipment under lease	3

1.7.2 Diminution of inventories

A provision is maintained to allow for the diminution in the value of inventories due to obsolescence and items being surplus to requirements.

1.7.3 Doubtful debts

A provision for doubtful debts is maintained to provide for future bad debts and is based on:

- unsecured debts (serviced properties where the debt does not accrue to the land, sundry debts and licence fees) considered to be unrecoverable at balance date; and
- a general provision based on the level of bad debts from previous years.

Bad debts are written off against the provision, during the period in which they are identified.

1.7.4 Insurance

The Corporation has in place the following insurance policies:

- Property, insuring against significant loss of assets (other than pipelines and tunnels which are considered low risk due to their wide distribution);
- Public and Products Liability;
- Directors and Officers;
- Workers' Compensation;
- Motor vehicle, including road registered plant (partially self-insured);
- Corporate Travel;
- Principal Controlled Construction Insurance; and
- Professional Indemnity.

1.8 Employee benefits

1.8.1 Long service leave

A Long Service Leave Provision is maintained to provide for employee long service leave benefits which are assessed by reference to calculation of leave liabilities for employee service to balance date.

These liabilities include 100 per cent of the value of outstanding entitlements available to employees at balance date plus 98 per cent of the value of pro-rata long service leave liability accrued to balance date. Values are based on nominal amounts plus a percentage for on-costs.

1.8.2 Annual leave

A Provision for Annual Leave is maintained to provide for annual leave benefits which are assessed on the basis of calculated leave entitlements at balance date.

Values are based on nominal amounts plus a percentage for on-costs.

1.8.3 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 balance 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.

Values are based on nominal amounts plus a percentage for on-costs.

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

1.8.4 Sick leave

Sick leave is expensed in the year in which it is incurred in line with AASB 1028 "Employee Benefits" which requires a provision to be made only when it is probable that settlement will be required.

Non-vesting sick leave is provided to employees (leave accumulates but is only paid when a valid claim is received and it is foregone upon cessation of employment).

1.8.5 Superannuation

The Corporation sponsors the following superannuation arrangements:

- (a) the State Superannuation Pension Fund, which closed to contributory members on 15 August 1986;
- (b) the Gold State Superannuation Scheme (GSSS), a lump sum scheme which was opened to contributory members on 1 July 1987 and closed on 29 December 1995; and
- (c) the Water Corporation Superannuation Plan (WCSP) for former non-contributory members of the West State Superannuation Fund and those employees who are not members of GSSS.

The trustee company, Water Corporation Superannuation Pty Ltd, manages the WCSP which was established in November 1997. The company comprises six directors, three of whom are nominated by the Water Corporation and the other three are elected by the WCSP members.

When the State Superannuation Pension Fund closed, contributory members could elect to stay with this Fund, or transfer to the GSSS in which case, their past service liability was converted to a lump sum equivalent.

A detailed actuarial assessment is performed every year to determine the present value of the Corporation's superannuation liability (refer Note 13(a)). As a consequence, a full provision has been made to cover:

- the past service liability for those employees who remain contributory members of the former State Superannuation Pension Fund; and
- the past service liability, converted to a lump sum equivalent, of employees who transferred membership from the former State Superannuation Pension Fund to the GSSS.

In respect to the superannuation liability for those employees who were employed by the Country Areas Water Supply Section of the Public Works Department (PWD) prior to 1 July 1985, the Department of Treasury and Finance meets the present value of future cost of their pensions and these costs are not reflected in the financial statements.

1.9 National taxation equivalent regime (NTER)

The Corporation entered into the NTER environment on 1 July 2001 having previously operated under the state-based Taxation Equivalent Regime. While tax equivalent payments will continue to be remitted to the Department of Treasury and Finance, the Corporation's tax is subject to Australian Tax Office administration. The calculation of the liability in respect of these taxes is governed by the Income Tax Administration Acts and the NTER guidelines as agreed by the State Government.

1.10 Tax effect accounting

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. It uses the liability method of tax-effect accounting under AASB 1020 "Income Taxes". Under the liability method, the income tax expense shown in the Statement of Financial Performance is based on the pre-tax operating profit, adjusted for any permanent differences.

Timing differences are brought to account as either a Provision for Deferred Income Tax or as an asset described as Future Income Tax Benefit. The balances in these statements have been valued at the income tax rate to be applied to the reversal of these timing differences.

Future income tax benefits in relation to timing differences are brought to account when realisation of the asset is assured beyond reasonable doubt. Future tax benefits in relation to tax losses are brought to account when the benefit can be regarded as being virtually certain of realisation.

1.11 Developers' contributions

The Corporation currently receives capital contributions from external parties in the form of either assets or cash. These are commonly referred to as Developers' Contributions and consist of:

- (a) headworks contributions - developers are required to make standard contributions towards the cost of headworks necessary to provide reticulation services within a subdivision;

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

- (b) handover works - as a condition of subdivision, developers are required to provide water; and in most areas sewerage services, to individual blocks. These services are connected to the existing system and handed over to the Corporation free of charge;
- (c) work performed for developers - as an alternative to developers arranging for the installation of reticulation services, the Corporation may be requested to provide these with the developer paying the cost at an agreed quotation; and
- (d) notional capital surcharge - companies supplied water through special agreements are required to make additional capital payments if they exceed the quota of water they have paid for.

These contributions are treated as revenue.

The after-tax value of handover works is excluded from the base used to calculate dividend payments and is annually appropriated to a reserve.

1.12 Land held for sale

Land held for sale is valued at the lower of cost and net realisable value. Cost does not include rates and local government tax equivalents, which are expensed as incurred.

1.13 Pensioner rate deferrals

Pensioner rate deferrals are annual service charges deferred by eligible pensioners, which will be realised on sale of property or from the estate. Interest is not charged on the deferred amounts.

1.14 Research and development expenditure

Research and development costs are either charged to operating profit before income tax as incurred or deferred where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover those deferred costs. Costs that are to be deferred are included in the cost of assets.

1.15 Financial instruments

1.15.1 Included in equity

There are no special terms or conditions attached to share capital.

1.15.2 Included in liabilities

Payables are recorded at the value of goods and services received. Trade payables are normally settled within 30 days.

Borrowings are recognised at the amount of proceeds received. Interest is recognised as an expense.

1.15.3 Included in assets

Receivables are initially recorded at the amount of annual service charges and volume charges levied and billed. Receivables are normally settled within 30 days.

1.16 Foreign currency transactions

Foreign currency items are translated to Australian currency in accordance with AASB 1012 "Foreign Currency Translation" on the following bases:

- (a) transactions are converted at exchange rates approximating those in effect at the date of each transaction; and
- (b) amounts payable and receivable are translated at the rates of exchange ruling as at balance date and the resulting exchange differences are brought to account in determining the profit or loss for the year.

Exchange differences relating to monetary items are included in the Statement of Financial Performance, as exchange gains and losses, in the period when the exchange rates change, except where the exchange difference relates to a transaction intended to hedge the purchase or sale of goods or services, in which case the exchange difference is included in the measurement of the purchase or sale.

1.17 Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and finance lease charges.

Borrowing costs are expensed as incurred except where they relate to the financing of projects under construction where they are capitalised up to the date of commissioning or sale.



Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

1.18 Joint ventures

The Corporation's share of the assets, liabilities, revenue, and expenses of the joint venture operations have been included in the appropriate items of the financial statements.

1.19 Goods and services tax

Revenues, 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 Australian Taxation Office (ATO) is included as a current asset or 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.

1.20 Leased assets

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

1.20.1 Finance leases

A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed.

1.20.2 Operating leases

Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

1.21 Segment reporting

Individual business segments have been identified on the basis of grouping individual products or services subject to similar risks and returns. The business segments reported are water and wastewater.

1.22 Comparison

Certain reclassifications have been made to prior year's statements to enhance comparability with those of the current year.

1.23 Rounding

Amounts have been rounded off to the nearest thousand dollars, unless otherwise stated.



Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

Note 2 Impact of adopting Australian equivalents to International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the Corporation must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board (AASB).

Comparative financial statements are required to be restated to amounts reflecting the application of AIFRS. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained profits as at 1 July 2004.

This financial report has been prepared in accordance with Australian Generally Accepted Accounting Practices (AGAAP) applicable for reporting periods ended 30 June 2005.

Transition management

The transition to AIFRS is being treated as a priority within the Corporation. The impacts on reporting, existing accounting policies and procedures have been assessed, with the assistance of various stakeholders and external experts, to ensure that the Corporation is prepared for the impacts of the new AASB requirements. The Corporation's Audit and Compliance Committee and Management have been informed of forthcoming changes as and when new AASB standards are released.

The Corporation is on track to be fully compliant with the requirements of the AIFRS for the first reporting period beginning after 1 January 2005. For the Corporation this will be the half-year period ending 31 December 2005.

Impact of transition to AIFRS

The impact of transition to AIFRS is discussed below. Further disclosure and explanations may be required in the first complete AIFRS financial report for the half-year period ending 31 December 2005 as a result of changes arising from new or revised accounting standards issued by the AASB subsequent to the preparation of the 30 June 2005 financial report and changes to the Corporation's operations.

The main changes in accounting policies expected to be adopted in preparing the AIFRS reconciliations are set out below:

(a) *Property, plant and equipment*

A comprehensive external valuation was undertaken in 1996 to ensure that property, plant and equipment was recognised at fair value on corporatisation. For the two years following corporatisation, property, plant and equipment was revalued with gains taken to the asset revaluation reserve. Under AIFRS, as permitted by the election available under AASB 1, property, plant and equipment will be recognised at deemed cost, being a revalued amount prior to transition that approximates the fair value as at date of valuation. As a result of recognising assets at deemed cost, any reserves resulting from prior asset revaluations are no longer required. Therefore, the asset revaluation reserve balance of \$238.387 million (after tax) will be transferred to retained profits. Carrying amounts, depreciation rates and useful economic lives are not expected to change.

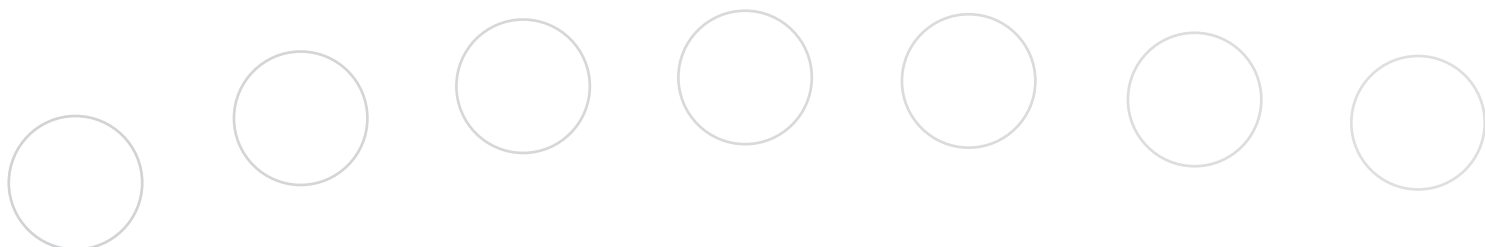
Under AIFRS, gains and losses on the disposal of property, plant and equipment will be recognised on a net basis, rather than recognising the gross receipts and cost of asset sales separately. As a result, an amount of \$10.578 million is expected to be reclassified from expenses to revenue for the financial year ended 30 June 2005. There is no impact on net profit.

(b) *Intangible Assets*

Computer software which is not integral to the hardware, such as SAP and Grange, will be reclassified from property, plant and equipment to intangible assets on transition to AIFRS. This will result in a reclassification of \$34.304 million as at 1 July 2004 and \$26.311 million as at 30 June 2005. These intangible assets will continue to be amortised on a straight-line basis.

(c) *Impairment*

Under AGAAP, the carrying amounts of non-current assets are subjected to impairment testing on an annual basis to approximate fair value. Under AIFRS, the impairment testing rules are potentially more stringent, however as the Corporation has been classified as a not-for-profit entity for the purposes of applying this standard, the impairment testing method allowable under AGAAP will continue. The impact will result in a situation where no impairment losses are recorded on transition. The Corporation will continue to monitor its operations and external environment for "impairment events" which may impact the outcome on a periodic basis.



Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

(d) Taxation

Under AIFRS, the balance sheet method of tax effect accounting will be adopted, rather than the liability method applied currently under AGAAP.

Under the balance sheet approach, income tax on the profit and loss for the year comprises current and deferred taxes. Current tax is the expected tax payable on the taxable income for the year. Deferred tax provides for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and for taxation purposes. A deferred tax asset will be recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

At 1 July 2004, this will result in an increase in deferred tax assets of \$4.407 million and an increase in deferred tax liabilities of \$94.857 million. The impact in equity will be a decrease in retained profits of \$6.031 million and a decrease in reserves of \$84.419 million (relating to the asset revaluation reserve). At 30 June 2005, this will result in an increase in deferred tax assets of \$3.684 million and an increase in deferred tax liabilities of \$90.482 million. The impact in equity will be a decrease in retained profits of \$2.379 million and a decrease in reserves of \$84.419 million (relating to the asset revaluation reserve).

(e) Provision for dividend

Under AIFRS, a provision is made for the amount of dividend declared on or before the end of the financial year; but not distributed at balance date. If dividends are declared after the end of the financial year; but before the financial report is authorised for issue, the dividends are not recognised as a liability and are disclosed in the notes in the financial report.

This will result in a reduction in provision for dividend of \$26.961 million at 1 July 2004 and \$31.811 million at 30 June 2005. The amounts will be transferred to retained profits.

(f) Discounting

Under AIFRS, when a financial asset or liability is measured by estimating the cash flows required to settle the obligation, the carrying amount must be the present value of those cash flows at the reporting date. The following financial assets and liabilities have an impact under AIFRS:

- (i) **Pensioner rate deferrals** – At 1 July 2004, this account will decrease by \$3.671 million and retained profits will decrease by \$3.671 million. At 30 June 2005, this account will decrease by \$3.671 million and retained profits will decrease by \$3.671 million.
- (ii) **Long service leave** – At 1 July 2004, this account will decrease by \$2.364 million and retained profits will increase by \$2.364 million. At 30 June 2005, this account will decrease by \$314,000 and retained profits will increase by \$314,000.

(g) Amortisation of General Loan Fund (GLF)

Under AIFRS, realised profits or losses on debt redemption must be shown in revenue. As a result, the balance at 1 July 2004 in amortisation of GLF of \$8.550 million will be transferred to retained profits. At 30 June 2005 the amount transferred will be \$6.840 million.

(h) Transfer of reserves

Under AIFRS, a reserve can only be held on Balance Sheet if there is a legal or other restriction to distribute such reserves. The following reserves do not satisfy the revised definitions under AIFRS on 1 July 2004:

- (i) **Asset revaluation reserve** – As discussed under the heading property, plant and equipment, the balance of \$238.387 million (after tax) will be derecognised at transition date and adjusted against retained profits. The remaining balance of \$84.419 million will be transferred to deferred tax liabilities.
- (ii) **Developers' contribution reserve** – The balance of \$173.183 million relating to cash developers' contributions will be transferred to retained profits. The balance relating to non cash developers' contribution will remain, as it is still relevant to current policy.
- (iii) **General reserve for capital works** – The balance of \$100 million will be transferred to retained profits.

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

Note 2 Impact of adopting Australian equivalents to International Financial Reporting Standards (continued)

Summary of transitional adjustments

Reconciliation of equity

The following table sets out the expected adjustments to the Statement of Financial Position at transition to AIFRS as at 1 July 2004.

	Note	AGAAP \$'000	Transition Impact \$'000	AIFRS \$'000
Current assets				
Cash assets		15,101	—	15,101
Receivables		65,355	—	65,355
Inventories		6,570	—	6,570
Other		3,633	—	3,633
Total current assets		90,659	—	90,659
Non-current assets				
Property, plant and equipment	b	9,797,316	(34,304)	9,763,012
Intangible assets	b	—	34,304	34,304
Deferred tax assets	d	39,664	4,407	44,071
Receivables - Pensioner rate deferrals	f	11,550	(3,671)	7,879
Total non-current assets		9,848,530	736	9,849,266
Total assets		9,939,189	736	9,939,925
Current liabilities				
Payables		93,032	—	93,032
Interest-bearing liabilities		72,000	—	72,000
Current tax liabilities		64,818	—	64,818
Provisions	e	63,372	(26,961)	36,411
Other	g	11,457	(1,710)	9,747
Total current liabilities		304,679	(28,671)	276,008
Non-current liabilities				
Interest-bearing liabilities		1,010,000	—	1,010,000
Deferred tax liabilities	d	208,575	94,857	303,432
Provisions	f	57,405	(2,364)	55,041
Other	g	13,964	(6,840)	7,124
Total non-current liabilities		1,289,944	85,653	1,375,597
Total liabilities		1,594,623	(56,982)	1,651,605
Net assets		8,344,566	(56,246)	8,288,320
Equity				
Contributed equity		7,326,677	—	7,326,677
Reserves	h	809,681	(595,989)	213,692
Retained profits		208,208	539,743	747,951
Total equity		8,344,566	(56,246)	8,288,320

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

Note 2 Impact of adopting Australian equivalents to International Financial Reporting Standards (continued)

The following table sets out the expected adjustments to the Statement of Financial Position for the AIFRS comparative period balance sheet as at 30 June 2005.

	Note	AGAAP \$'000	Transition Impact \$'000	AIFRS \$'000
Current assets				
Cash assets		11,789	—	11,789
Receivables		66,286	—	66,286
Inventories		8,454	—	8,454
Other		7,666	—	7,666
Total current assets		94,195	—	94,195
Non-current assets				
Property, plant and equipment	b	9,948,486	(26,311)	9,922,175
Intangible assets	b	—	26,311	26,311
Deferred tax assets	d	40,524	3,684	44,208
Receivables - Pensioner rate deferrals	f	11,254	(3,671)	7,583
Total non-current assets		10,000,264	13	10,000,277
Total assets		10,094,459	13	10,094,472
Current liabilities				
Payables		108,637	—	108,637
Interest-bearing liabilities		64,186	—	64,186
Current tax liabilities		88,419	—	88,419
Provisions	e	84,838	(31,811)	53,027
Other	g	12,600	(1,710)	10,890
Total current liabilities		358,680	(33,521)	325,159
Non-current liabilities				
Interest-bearing liabilities		1,010,425	—	1,010,425
Deferred tax liabilities	d	211,870	90,482	302,352
Provisions	f	45,557	(314)	45,243
Other	g	13,335	(5,130)	8,205
Total non-current liabilities		1,281,187	85,038	1,366,225
Total liabilities		1,639,867	51,517	1,691,384
Net assets		8,454,592	(51,504)	8,403,088
Equity				
Contributed equity		7,326,677	—	7,326,677
Reserves	h	864,741	(595,989)	268,752
Retained profits		263,174	544,485	807,659
Total equity		8,454,592	(51,504)	8,403,088

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

Note 2 Impact of adopting Australian equivalents to International Financial Reporting Standards (continued)

Reconciliation of profit for the financial year ended 30 June 2005

The following table sets out the expected adjustments to the statement of financial performance for the year ended 30 June 2005.

	Note	AGAAP \$'000	Transition Impact \$'000	AIFRS \$'000
Revenue from Ordinary Activities	a	1,325,850	(10,578)	1,315,272
Expenses from Ordinary Activities	a, f	(664,729)	8,528	(656,201)
Borrowing Cost Expense	g	(56,087)	(1,710)	(57,797)
Profit from Ordinary Activities before Income Tax Expense		605,034	(3,760)	601,274
Income Tax Expense	d	(183,531)	3,652	(179,879)
Net Profit		421,503	(108)	421,395

Summary of impact of transition to AIFRS on retained profits

The impact of the transition to AIFRS on retained profits as at 1 July 2004 is summarised below:

	Note	\$'000
Retained profits as at 1 July 2004 under AGAAP		208,208
AIFRS reconciliation:		
Transfer of reserves	h	511,570
Impact of taxation	d	(6,031)
Provision for dividend	e	26,961
Amortisation of GLF	g	8,550
Discounting	f	(1,307)
Retained profits as at 1 July 2004 under AIFRS		<u>747,951</u>



Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

Note 3 Revenue from Ordinary Activities

Revenue from ordinary activities for the period includes:

Revenue from operating activities

Annual service charges	514,093	497,825
Volume charges	239,993	223,166
Other fees and charges	62,714	53,988
Rent received	4,154	3,706
Community Service Obligation (CSO) contributions	288,253	268,393

Total revenue from operating activities

1,109,207	1,047,078
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Other revenue

Proceeds from sale of property, plant and equipment	13,305	8,505
Interest received/receivable	7,401	6,053
Developers' contributions received	195,937	169,613

Total other revenue

216,643	184,171
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Total revenue from ordinary activities

1,325,850	1,231,249
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Note 4 Expenses from Ordinary Activities

Expenses from ordinary activities for the period includes:

Depreciation (note a)	255,492	242,619
Labour	139,701	129,888
Hired and contracted services	89,734	76,068
Energy	35,639	34,486
Information technology	22,652	24,835
Decommissioned assets	7,713	25,421
Equipment hire charges	20,543	14,207
Materials	20,492	15,409
Chemicals	15,317	12,809
Cost of assets sold	10,578	6,995
Corporate charges	23,612	23,360
Other expenses	23,256	19,536

Total expenses from ordinary activities

664,729	625,633
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Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

Note 6 Profit from Ordinary Activities before Income Tax Expense	2005 \$'000	2004 \$'000
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:		
Gains		
Profit on sale of property, plant and equipment	2,727	1,510
Expenses		
Cost of water sales (note a)	106,240	96,955
Research and development costs	4,249	3,484
Net charge to provision for doubtful debts	(160)	96
Provision for diminution in the value of inventories	(24)	43
Provision for insurance	654	2,645
Provision for long service leave	6,616	5,375
Provision for annual leave	11,720	10,479
Provision for purchased leave	106	—
Provision for superannuation	17,160	18,683
Provision for workers' compensation	491	183
Operating lease rentals	1,111	952
note a	Cost of water sales represents direct costs incurred for water treatment, operation of bores, dams and other catchments and depreciation expense related to these processes, but excludes the cost of delivery of water through the Corporation's reticulation system.	

Note 7 Income Tax

7.1 Income Tax Expense

The prima facie tax on profit from ordinary activities is reconciled to the income tax expense in the Statement of Financial Performance as follows:

Profit from ordinary activities before income tax expense	605,034	554,474
Prima facie income tax on the profit from ordinary activities at 30 per cent	181,510	166,342
Tax effect of permanent differences which reduce tax payable:		
Additional research and development deduction	(320)	(600)
Non-assessable profits on disposal of assets and sale of non-current assets	(582)	(492)
Gain on early repayment of General Loan Fund	(513)	(513)
Over-provision of tax in previous years	114	(72)
Tax effect of permanent differences which increase tax payable:		
Non-deductible depreciation	3,253	3,325
Other items	69	44
Income tax expense	183,531	168,034
Income tax expense attributable to profit from ordinary activities comprises:		
Provision for current income tax	181,393	169,389
Future income tax benefit	(137)	(355)
Provision for deferred income tax	2,161	(928)
Over-provision in prior year	114	(72)
	183,531	168,034

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

Note 7 Income Tax (continued)		2005 \$'000	2004 \$'000
7.2 Current Tax Liabilities			
<i>Provision for current income tax</i>			
Movements during the year:			
Balance at beginning of year		64,818	35,160
Income tax paid		(157,495)	(140,910)
		(92,677)	(105,750)
Current year's income tax expense on profit		181,393	169,389
(Over)/under provision in prior year		(297)	1,179
		88,419	64,818
7.3 Deferred Tax Liabilities			
<i>Provision for deferred income tax</i>			
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30 per cent on the following items:			
Difference in depreciation of property, plant and equipment for accounting and income tax purposes		181,947	184,682
Expenditure currently deductible for tax but deferred and amortised for accounting purposes		20,373	15,211
Revenue included in operating profit but not currently assessable for tax		7,428	6,883
Sundry items		2,122	1,799
		211,870	208,575
7.4 Deferred Tax Assets			
<i>Future income tax benefit</i>			
Future income tax benefit comprises the estimated future benefit at the applicable rate of 30 per cent on the following items:			
Provisions and accrued employee entitlements not currently deductible		37,735	38,438
Sundry items		2,789	1,226
		40,524	39,664



Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

Note 8 Receivables

Receivables at balance date were as follows:

Receivables
Less provision for doubtful debts

2005 \$'000	2004 \$'000
69,210	69,326
(2,924)	(3,971)
66,286	65,355

Note 9 Inventories

The composition of inventories at balance date was as follows:

Consumables and spares, at cost
Less provision for diminution of inventories

8,641	6,794
(187)	(224)
8,454	6,570

Note 10 Other Current Assets

Other current assets at balance date were as follows:

Prepayments
Land held for sale

7,140	2,950
526	683
7,666	3,633



Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

	Gross Asset Value 2005 \$'000	Accumulated Depreciation 2005 \$'000	Net Asset Value 2005 \$'000
Note 11 Property, Plant and Equipment			
Refer to Notes 1.4, 1.5 and 1.7.1.			
The assets comprising property, plant and equipment are detailed as follows:			
System assets			
Pipelines and fittings	8,073,866	1,134,701	6,939,165
Dams, reservoirs, bores and tanks	1,112,122	144,545	967,577
Ocean outfalls	95,483	22,829	72,654
Pump stations and treatment plants	688,685	114,552	574,133
Drains and channels	81,911	14,870	67,041
Other structures	68,703	17,219	51,484
Plant and equipment	782,650	265,764	516,886
Total system assets	10,903,420	1,714,480	9,188,940
Land and buildings			
Land (note a)	133,091	—	133,091
Buildings and associated works (note a)	158,416	44,661	113,755
Total land and buildings	291,507	44,661	246,846
Plant and equipment			
Plant and equipment	55,792	34,825	20,967
Computer equipment and software	190,973	157,147	33,826
Vehicles and mobile plant	37,155	14,215	22,940
Plant and equipment under lease	3,617	1,315	2,302
Total plant and equipment	287,537	207,502	80,035
Works in progress	432,665	—	432,665
Value of property, plant and equipment	11,915,129	1,966,643	9,948,486



Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

	Gross Asset Value 2004 \$'000	Accumulated Depreciation 2004 \$'000	Net Asset Value 2004 \$'000
Note 11 Property, Plant and Equipment (continued)			
Comparative figures for 2004 are as follows:			
System assets			
Pipelines and fittings	7,885,058	1,007,199	6,877,859
Dams, reservoirs, bores and tanks	1,090,760	126,983	963,777
Ocean outfalls	95,482	20,433	75,049
Pump stations and treatment plants	566,479	95,698	470,781
Drains and channels	77,781	13,283	64,498
Other structures	63,803	15,465	48,338
Plant and equipment	708,323	231,815	476,508
Total system assets	10,487,686	1,510,876	8,976,810
Land and buildings			
Land (note a)	135,014	—	135,014
Buildings and associated works (note a)	151,559	39,618	111,941
Total land and buildings	286,573	39,618	246,955
Plant and equipment			
Plant and equipment	50,900	31,208	19,692
Computer equipment and software	177,930	133,674	44,256
Vehicles and mobile plant	45,407	16,240	29,167
Plant and equipment under lease	—	—	—
Total plant and equipment	274,237	181,122	93,115
Works in progress	480,436	—	480,436
Value of property, plant and equipment	11,528,932	1,731,616	9,797,316

note a The Valuer General's Office of Western Australia (VGO) has provided a "current use" valuation for land and buildings owned by the Water Corporation of \$287.920 million, effective 1 July 2003. The VGO carried out the valuation in accordance with "Guidelines in Accounting Policy for Valuation of Government Trading Enterprises - using current valuation methods" issued in October 1994 by the Steering Committee on National Performance Monitoring of Government Trading Enterprises. As land and buildings are recorded at cost, the valuation has not been brought to account.

note b Capitalised Borrowing Costs	2005 \$'000	2004 \$'000
Borrowing costs capitalised	4,040	5,620
Capitalisation rate	5.80%	5.61%



Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

Note 11 Property, Plant and Equipment (continued)

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 \$'000	Land and Buildings \$'000	Plant and Equipment \$'000	Works in Progress \$'000	Total \$'000
Carrying amount at beginning of year	8,976,810	246,955	93,115	480,436	9,797,316
Additions	437,333	10,266	24,711	(47,771)	424,539
Disposals	(7,267)	(4,960)	(5,650)	—	(17,877)
Depreciation expense (note 4)	(217,699)	(5,415)	(32,378)	—	(255,492)
Transfers between classes	(237)	—	237	—	—
Carrying amount at end of year	9,188,940	246,846	80,035	432,665	9,948,486

	System Assets \$'000	Land and Buildings \$'000	Plant and Equipment \$'000	Works in Progress \$'000	Total \$'000
Comparative figures for 2004 are as follows:					
Carrying amount at beginning of year	8,858,574	243,655	111,315	353,628	9,567,172
Additions	349,092	11,717	17,323	126,808	504,940
Disposals	(24,098)	(3,230)	(4,849)	—	(32,177)
Depreciation expense (note 4)	(206,758)	(5,187)	(30,674)	—	(242,619)
Transfers between classes	—	—	—	—	—
Carrying amount at end of year	8,976,810	246,955	93,115	480,436	9,797,316



Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

Note 12 Interest-Bearing Liabilities

Interest-bearing liabilities at balance date were as follows:

Current

Unsecured:

Western Australian Treasury Corporation liquidity facility (See Note 21)
Lease liabilities

Non-current

Unsecured:

Western Australian Treasury Corporation Portfolio Lending Arrangement (note a)
Lease liabilities

	2005 \$'000	2004 \$'000
	63,000	72,000
	1,186	—
	64,186	72,000
	1,010,000	1,010,000
	425	—
	1,010,425	1,010,000
	1,074,611	1,082,000

note a **Western Australian Treasury Corporation Portfolio Lending Arrangement**

An amount of \$373.700 million (2004: \$373.696 million) has been included in non-current despite being repayable during the 2005-06 year as an agreement is in place that it will be refinanced during the 2005-06 year (See Note 21).



Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

Note 13 Provisions

Current

Dividends (See Note 18)
Insurance (note b)
Employee benefits:
 Long service leave
 Annual leave
 Purchased leave
 Superannuation (note a)
 Workers' compensation

2005 \$'000	2004 \$'000
31,811	26,961
2,225	2,330
32,593	17,278
12,445	11,290
87	—
5,000	5,000
677	513
84,838	63,372

Non-current

Insurance (note b)
Employee benefits:
 Long service leave
 Superannuation (note a)

12	50
4,058	16,353
41,487	41,002
45,557	57,405
130,395	120,777

note a Superannuation

The present value of the Corporation's superannuation liability is based on a detailed actuarial assessment conducted by PricewaterhouseCoopers. Based on that assessment, the Corporation's liability for superannuation benefits is as follows:

Past service benefits of pension fund contribution
Pre-transfer service benefits for lump sum contribution
Less assessed Department of Treasury and Finance liability

21,354	18,252
35,178	36,237
(10,045)	(8,487)
46,487	46,002

note b Insurance

Reconciliation of the carrying amount of the Insurance provision is set out below:

Carrying amount at beginning of year
Provisions made during the year
Payments made during the year

2,380
654
(797)
2,237

Carrying amount at end of year



Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

Note 14 Other Liabilities

Other liabilities at balance date were as follows:

Current

	2005 \$'000	2004 \$'000
Developers' deferred liabilities	1,813	2,625
Deposits	9,077	7,122
Deferred gain on repayment of General Loan Fund (note a)	1,710	1,710
	12,600	11,457

Non-current

Developers' deferred liabilities	2,889	4,565
Deposits	5,316	2,559
Deferred gain on repayment of General Loan Fund (note a)	5,130	6,840
	13,335	13,964
	25,935	25,421

note a The gain on General Loan Fund repayment occurred in the year ended 30 June 1999 when the Corporation repaid \$23.401 million in settlement of non-interest-bearing debt of \$40.753 million. The gain on repayment of the debt is being amortised over a ten-year period commencing 1 July 1999, which is the period over which the benefits are anticipated to be realised.

Note 15 Contributed Equity

Contributed equity at balance date was as follows:

Share capital (note a)	1	1
Owner's initial contribution (note b)	7,326,676	7,326,676
	7,326,677	7,326,677

note a Share capital

Authorised capital of 1 ordinary share of \$1,000 has been issued to the Minister for Water Resources in accordance with Section 72 of the *Water Corporation Act 1995*. Consideration for the share was provided from Owner's initial contribution.

note b 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 was transferred from the Water Authority of Western Australia to the Water Corporation on 1 January 1996. During 1998, \$1,000 was transferred from Owner's initial contribution to share capital to reflect the value of 1 ordinary share issued.



Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

Note 16 Reserves

The reserves at balance date were as follows:

General Reserve for Capital Works
Developers' Contribution Reserve
Asset Revaluation Reserve

Total Reserves

Movements

16.1 General Reserve for Capital Works

During the year there was no movement in the General Reserve for Capital Works.

16.2 Developers' Contribution Reserve

Refer to Note 1.1.1. Movement in the Developers' Contribution Reserve for the year was as follows:

Opening balance
Transfers in (note a)

Closing balance

note a Transfers in comprises handover works net of income tax expense.

16.3 Asset Revaluation Reserve

During the year there was no movement in the Asset Revaluation Reserve.

Nature and Purpose of Reserves

(a) General Reserve for Capital Works

The General Reserve for Capital Works is used to set aside surplus funds to form part of the funding of the Corporation's capital works program.

(b) Developers' Contribution Reserve

The Developers' Contribution Reserve is used to record the net of tax developer contributions that form part of the funding of new assets acquired by the Corporation.

(c) Asset Revaluation Reserve

The Asset Revaluation Reserve is used to record increments and decrements on the revaluation of non-current assets.

	2005 \$'000	2004 \$'000
General Reserve for Capital Works	100,000	100,000
Developers' Contribution Reserve	441,935	386,875
Asset Revaluation Reserve	322,806	322,806
Total Reserves	864,741	809,681

Opening balance	386,875	343,429
Transfers in (note a)	55,060	43,446
Closing balance	441,935	386,875



Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

Note 17 Retained Profits

Retained profits at the beginning of the financial year
Net profit for year
Transfer to Developers' Contribution Reserve
Dividends provided for or paid

Retained profits at the end of the financial year

2005 \$'000	2004 \$'000
208,208	156,759
421,503	386,440
(55,060)	(43,446)
(311,477)	(291,545)
263,174	208,208

Note 18 Dividends

The Corporation may pay to the Treasurer of Western Australia, interim dividends on or before 30 June each year (where approved by the Board) and final dividends on or before 30 October each year.

Interim dividend paid during the year
Provision for final dividend

Total dividends

279,666	264,584
31,811	26,961
311,477	291,545

Note 19 Interest in Joint Venture Operations

19.1 Biowise Joint Venture

The Corporation has entered into a joint venture operation called BioWise to develop and conduct a biosolids composting business. The Corporation has a 50 per cent participating interest in this joint venture and is entitled to 50 per cent of its output.

The Corporation's interests in the assets employed in the joint venture are included in the Statement of Financial Position under the following classifications;

Current assets

Cash assets
Receivables
Inventories

78	103
113	67
37	31

Total current assets

228	201
-----	-----

Non-current assets

Property, plant and equipment

556	636
-----	-----

Total non-current assets

556	636
-----	-----

Share of assets employed

784	837
-----	-----

The joint venture has no contingent liabilities or capital expenditure commitments.

19.2 Albany Septage Joint Venture

The Corporation has entered into a joint venture operation called Albany Septage Waste Treatment Plant to develop, construct and operate a septage waste treatment facility. The Corporation has a 50 per cent participating interest in this joint venture and is entitled to 50 per cent of its output.

The Corporation's interests in the assets employed in the joint venture are included in the Statement of Financial Position under Property, Plant and Equipment. At 30 June 2005 the amount included in Property, Plant and Equipment is \$343,000 (30 June 2004: \$349,000).

The joint venture has no contingent liabilities or capital expenditure commitments.



Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

Note 20 Statement of Cash Flows

20.1 Reconciliation of cash

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

Cash held at bank is earning interest at rates determined by the Department of Treasury and Finance. For the year ended 30 June 2005 the average rate was 5.4 per cent (2004: 5.0 per cent).

20.2 Reconciliation of net cash from operating activities to profit from ordinary activities after income tax

	2005 \$'000	2004 \$'000
Profit from ordinary activities after income tax	421,503	386,440
(Increase)/Decrease in receivables	(485)	959
Gain on disposal of assets	(2,727)	(1,510)
Decommissioned assets	7,713	25,421
Developers' contributions	(77,709)	(62,473)
Capitalisation of interest expense	(4,040)	(5,620)
Provisions:		
Doubtful debts	(1,047)	(680)
Diminution of inventories	(37)	41
Superannuation - net	485	3,033
Long service leave - net	3,020	3,388
Annual leave - net	1,155	671
Purchased leave - net	87	—
Workers' compensation - net	164	124
Insurance - net	(143)	299
Depreciation	255,492	242,619
Amortisation of GLF loan	(1,710)	(1,710)
Increase in income tax	26,036	27,124
(Increase) in other current assets	(4,033)	(484)
(Increase)/Decrease in inventories	(1,874)	369
Increase in payables and other liabilities	8,937	4,146
Net cash from operating activities	630,814	622,157

Note 21 Financing Facilities

The Corporation has in place arrangements for Western Australian Treasury Corporation (WATC) to provide finance, currently limited to \$1,200 million (2004: \$1,200 million) for the repayment of maturing debt and ongoing capital expenditure. At 30 June 2005, \$1,010 million was drawn under the facility (2004: \$1,010 million), and the remaining amount available under the facility was \$190 million (2004: \$190 million).

In addition, the Corporation has up to \$200 million (2004: \$200 million) available of a liquidity facility established with WATC to fund short-term liquidity needs. At 30 June 2005, \$63 million was drawn under the facility (2004: \$72 million), and the remaining amount available under the facility was \$137 million (2004: \$128 million).

The type, currency and term of any new finance is determined at the time of draw-down between the Corporation and WATC.



Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

Note 22 Segment Reporting

The Corporation is an entity that operates predominantly in the water and wastewater business segments in the one geographical area of Western Australia.

Business Segments

	Water \$'000	Wastewater \$'000	Other \$'000	Unallocated \$'000	Total \$'000
2005					
Segment revenue	671,461	531,954	48,167	66,867	1,318,449
Segment result (note a)	300,761	288,524	28,393	36,042	653,720
Net Interest					(48,686)
Income tax expense					(183,531)
Net profit					421,503
Segment assets	5,267,783	4,284,725	395,978	145,973	10,094,459
Segment liabilities	136,104	66,876	5,427	1,431,460	1,639,867
Acquisition of property, plant and equipment	256,502	161,631	6,406	–	424,539
Depreciation	141,037	106,752	7,703	–	255,492
2004					
Segment revenue	609,154	508,685	45,742	61,615	1,225,196
Segment result	255,761	283,125	23,926	36,751	599,563
Net Interest					(45,089)
Income Tax Expense					(168,034)
Net profit					386,440
Segment assets	5,166,844	4,231,387	399,085	141,873	9,939,189
Segment liabilities	125,329	56,242	5,277	1,407,775	1,594,623
Acquisition of property, plant and equipment	282,340	212,171	10,429	–	504,940
Depreciation	130,375	104,697	7,547	–	242,619

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

Note 23 Remuneration

23.1 Directors' remuneration

The remuneration 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 and is approved by the Minister. The remuneration is in the form of salary and superannuation contributions.

The Board, with concurrence of the Minister, is responsible for the remuneration of the Chief Executive Officer and remuneration is reviewed annually.

Other than compulsory superannuation contributions, the Water Corporation does not pay any other post-employment benefits to non-executive Directors. Non-monetary benefits include access to a fully maintained motor vehicle and fringe benefits tax.

Details of remuneration provided to specified directors are as follows:

2005	Position	Primary	Post-Employment	Total	
		Salary & Fees \$'000	Non-monetary Benefits \$'000	Superannuation \$'000	\$'000
TM Ungar	Chairman (non-executive)	97	—	9	106
T Horton	Deputy Chairperson (non-executive)	42	—	4	46
P Flett	Director (non-executive)	42	—	3	45
B Hammond	Director (non-executive)	42	—	4	46
B Hewitt	Director (non-executive)	42	—	3	45
P O'Connor	Director (non-executive)	42	—	4	46
Jl Gill	Chief Executive Officer	302	21	38	361
		609	21	65	695



Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

Note 23 Remuneration (continued)

2004	Position	Primary		Post-Employment	Total
		Salary & Fees \$'000	Non-monetary Benefits \$'000	Superannuation \$'000	\$'000
TM Ungar	Chairman (non-executive)	97	—	9	106
T Horton	Deputy Chairperson (non-executive)	42	—	4	46
P Flett	Director (non-executive)	42	—	3	45
B Hammond	Director (non-executive) elected 1 Jan 04	20	—	2	22
B Hewitt	Director (non-executive) elected 1 Jan 04	20	—	2	22
P O'Connor	Director (non-executive)	42	—	4	46
IC Kuba	Director (non-executive) retired 31 Dec 03	21	—	2	23
PF Hopwood	Director (non-executive) retired 31 Dec 03	22	—	2	24
Jl Gill	Chief Executive Officer	292	21	37	350
		598	21	65	684

Note: Remuneration disclosures are to include amounts paid and payable. Disclosure last year did not include the impact of remuneration reviews not finalised at year-end. The 2003-04 disclosure note has been restated.

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

Note 23 Remuneration (continued)

23.2 Executives' remuneration

Executive remuneration is expressed as total reward that includes salary, non-monetary benefits and superannuation and is benchmarked against comparative industry groups in order to remain competitive in the labour market. In making recommendations, the Chief Executive Officer receives annual salary survey data and advice from independent remuneration consultants regarding compensation practices.

Non-monetary benefits include access to a fully maintained motor vehicle and fringe benefits tax.

Details of remuneration provided to specified executives are as follows:

2005	Position	Primary	Post-Employment	Total	
		Salary & Fees \$'000	Non-monetary Benefits \$'000	Superannuation \$'000	\$'000
G Meinck	Chief Operating Officer	245	20	31	296
J Brown	General Manager; Customer Services	207	19	27	253
P Moore	General Manager; Planning and Infrastructure	207	23	27	257
M Peacock	Chief Financial Officer	214	—	23	237
K Cadee	General Manager; Water Technologies	173	—	21	194
S Murphy	General Manager; Business Services (appointed 30 Aug 04)	173	—	18	191
C Ferrari	General Manager; Communications (appointed 16 Aug 04)	141	—	15	156
		1,384	62	162	1,584



Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

Note 23 Remuneration (continued)

2004	Position	Primary	Post-Employment	Total
		Salary & Fees \$'000	Non-monetary Benefits \$'000	Superannuation \$'000
				\$'000
G Meinck	Chief Operating Officer	218	23	28
J Brown	General Manager, Customer Services	198	18	26
P Moore	General Manager, Capital	198	21	26
M Peacock	Chief Financial Officer	195	—	21
K Cadee	General Manager, Water Technologies	169	—	20
P Ferguson	General Manager, Operations Services (acting from 17 May 04)	17	—	2
		995	62	123
				1,180

Note: Remuneration disclosures are to include amounts paid and payable. Disclosure last year did not include the impact of remuneration reviews not finalised at year-end. The 2003-04 disclosure note has been restated.

23.3 Auditor's remuneration

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

Fees applicable for the annual audit of the year involved
Fees applicable for the review of the half-yearly accounts
Fees applicable for the AIFRS review

2005 \$'000	2004 \$'000
165	198
53	32
52	—
270	230

Note 24 Commitments for Expenditure

Total capital and other expenditure contracted for at balance date but not provided for in the statements, is payable as follows:

Capital and other expenditure

Not later than one year
Later than one year but not later than five years

338,122	107,809
104,070	169,205
442,192	277,014

Total finance lease expenditure contracted for at balance date and provided for in the statements is as follows:

Finance lease expenditure

Not later than one year
Later than one year but not later than five years

1,242	—
437	—
1,679	—
(68)	—
1,611	—

Less: Future lease finance charges

Total lease liability

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

Note 25 Contingent Liabilities

A claim has been lodged against the Corporation by The University of Western Australia (UWA) seeking damages of \$95 million relating to land endowed to the University that adjoins the Corporation's Subiaco Wastewater Treatment Plant. An agreement has been reached that, subject to approval by Government of a new subdivision application by UWA, its claim will be withdrawn and this matter will be finalised without material financial consequence for the Corporation.

As a result of the recent pipe-burst incidents in South Perth and Victoria Park, there are unprocessed claims against the Corporation of approximately \$800,000. No provisions have been made as claim amounts are not reliably measurable.

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

The Corporation is not aware of any other circumstances or events that may give rise to a material contingent liability.

Note 26 Related Party Disclosures

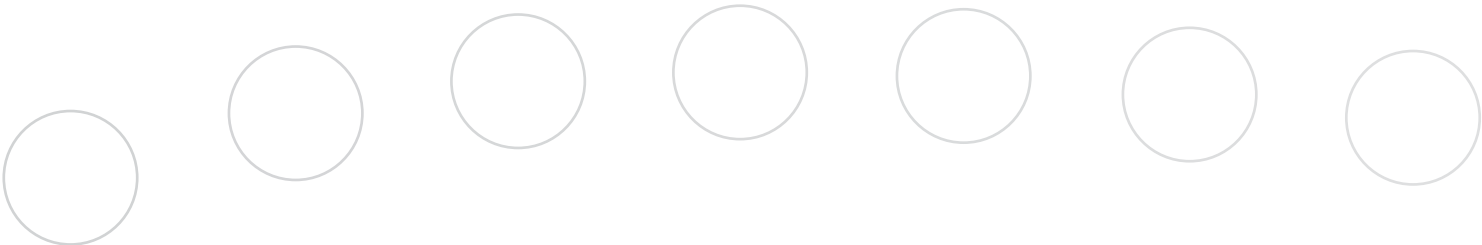
Directors

The following persons held the position of director during the financial year:

- Mr TM Ungar
- Ms T Horton
- Dr P Flett
- Mr B Hammond
- Dr B Hewitt
- Mr P O'Connor
- Dr JI Gill

Remuneration received or receivable by directors is disclosed in Note 23.

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



Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

Note 27 Financial Instruments

27.1 Interest rate risk exposures

The Corporation is exposed to interest rate risk through financial assets and financial liabilities. The following table summarises interest rate risk for the Corporation, together with effective interest rates as at balance date.

2005	Floating Interest Rate (a) \$'000	Fixed interest rate maturing in				Non-interest-bearing \$'000	Total \$'000	Average interest rate	
		1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Floating %			Fixed %	
Financial Liabilities									
Payables	—	—	—	—	108,637	108,637			
Interest-bearing Liabilities:									
- WATC liquidity facility	—	63,000	—	—	—	63,000			5.6
- WATC PLA	—	373,700	282,800	353,500	—	1,010,000			5.9
- Lease liabilities	—	1,186	425	—	—	1,611			6.0
Employee benefits	—	—	—	—	96,347	96,347			
	—	437,886	283,225	353,500	204,984	1,279,595			
Financial Assets									
Cash assets	11,789	—	—	—	—	11,789	5.4 (a)		
Receivables	—	12,183	—	—	54,103	66,286			12.1
Pensioners rate deferrals	—	—	—	—	11,254	11,254			
	11,789	12,183	—	—	65,357	89,329			
2004	Floating Interest Rate (a) \$'000	Fixed interest rate maturing in				Non-interest-bearing \$'000	Total \$'000	Average interest rate	
		1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Floating %			Fixed %	
Financial Liabilities									
Payables	—	—	—	—	93,032	93,032			
Interest-bearing Liabilities:									
- WATC liquidity facility	—	72,000	—	—	—	72,000			5.4
- WATC PLA	—	373,696	282,800	353,504	—	1,010,000			5.8
- Lease liabilities	—	—	—	—	—	—			
Employee benefits	—	—	—	—	91,436	91,436			
	—	445,696	282,800	353,504	184,468	1,266,468			
Financial Assets									
Cash assets	15,101	—	—	—	—	15,101	5.3 (a)		
Receivables	—	12,016	—	—	53,339	65,355			11.8
Pensioners rate deferrals	—	—	—	—	11,550	11,550			
	15,101	12,016	—	—	64,889	92,006			

(a) Floating interest rates represent the most recently determined rate applicable to the instrument at balance date.

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2005

Note 27 Financial Instruments (continued)

27.2 Credit risk exposures

The credit risk on financial assets, that has been recognised on the Statement of Financial Position, other than cash and other financial assets, is generally the carrying amount, net of any provision for doubtful debts. Most receivables relating to annual service charges and water charges are secured on the rated property. Other receivables are regularly reviewed and provision is made for debts deemed to be doubtful. The Corporation is not materially exposed to any individual customer.

27.3 Foreign exchange

Contracts to buy foreign currency are entered into to minimise exposure to movements in exchange rates. At balance date two contracts were in place to purchase:

- Euros (EURO) 39,627,000 at AUD/Euro 0.6204 on 6 January 2006; and
- US Dollars (USD) 19,400,000 at AUD/USD 0.7563 on 6 January 2006.

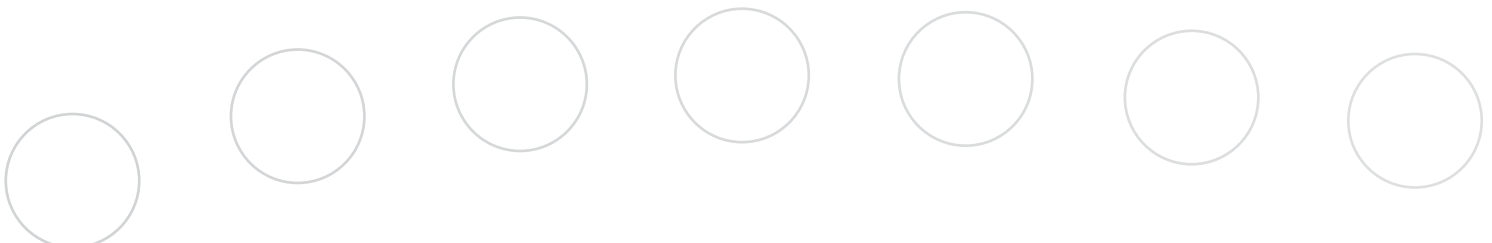
27.4 Net fair value of financial assets and liabilities

The net fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged, or liability settled in a current transaction between willing parties after allowing for transaction costs.

The valuation of financial instruments reflects the estimated amounts at which the Corporation expects to pay or receive to terminate the forward contracts or replace the contracts at their current market rates as at reporting date. This is based on independent market quotations and determined using standard valuation techniques. The net fair value of foreign currency hedges are recognised in the Statement of Financial Position.

The net fair value of financial assets and financial liabilities approximates their carrying value.

	Carrying Amount 2005 \$'000	Net Fair Value 2005 \$'000	Carrying Amount 2004 \$'000	Net Fair Value 2004 \$'000
Financial Liabilities				
Interest-bearing liabilities:				
– WATC PLA	1,010,000	1,045,503	1,010,000	1,025,752
– WATC liquidity facility	63,000	63,012	72,000	72,014
On balance sheet financial instruments				
Financial assets				
– US Dollars	328	328		
Financial liabilities				
– Euros	3,572	3,572		



Directors' Declaration

In the opinion of the directors of the Water Corporation:

- (a) the Statement of Financial Performance and notes thereto give a true and fair view of the Corporation's profit for the year 1 July 2004 to 30 June 2005;
- (b) the Statement of Financial Position and notes thereto give a true and fair view of the Corporation's state of affairs as at 30 June 2005;
- (c) the Statement of Cash Flows and notes thereto are drawn up so as to give a true and fair view of the Corporation's cash flows for the year 1 July 2004 to 30 June 2005; and
- (d) at the date of this declaration, there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they fall due.

The financial statements and notes are drawn up in accordance with applicable Accounting Standards, Urgent Issues Group Consensus Views and the requirements of the *Water Corporation Act 1995*.

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



T.M. Ungar
Chairman



J.I. Gill
Chief Executive Officer

PERTH, 16 September 2005.



Auditor General's Report

for the year ended 30 June 2005



AUDITOR GENERAL

INDEPENDENT AUDIT REPORT ON WATER CORPORATION

To the Parliament of Western Australia

Audit Opinion

In my opinion, the financial report of the Water Corporation is in accordance with:

- (a) schedule 3 of the *Water Corporation Act 1995*, including:
 - (i) giving a true and fair view of the Corporation's financial position at June 30, 2005 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards in Australia; and
- (b) other mandatory professional reporting requirements in Australia.

Scope

The Board's Role

The Board of Directors is responsible for the financial report.

The financial report consists of the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, accompanying Notes and Directors' Declaration.

Summary of my Role

As required by the *Water Corporation Act 1995*, I have independently audited the financial report to express an opinion on it. This was done by looking at a sample of the evidence.

An audit does not guarantee that every amount and disclosure in the financial report is error free, nor does it examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements.

D D R PEARSON
AUDITOR GENERAL

16 September 2005

