

H₂cOrporation

sustainability through **balance**

annual report 2001



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sustainability through balance

We deliver value to our customers and our shareholder by considering the economic, social and environmental impacts of the decisions we make.

This guides us to:

- + Be consultative and involve the communities in which we operate;
- + Be market-driven and to pursue sustainable growth in domestic and utility markets;
- + Be a leader in environmental performance;
- + Be profitable and maximise our long-term value to the community.



who
we
are!



The Water Corporation delivers high-quality water and wastewater services to 1.8 million Western Australians spread over 2.5 million square kilometres.

This incorporates:

- + 685,981 residential services
- + 50,049 business accounts
- + 255 cities and towns

Through a balanced and sustainable approach we:

- + Generate 374 million kilolitres of high-quality drinking water
- + Safely treat 120 million kilolitres of wastewater
- + Provide drainage services over 452,081 hectares
- + Supply 319 million kilolitres of irrigation water
- + Maintain excellent standards in environmental management

our business



A long-term vision is vital to our decision-making. To provide water services to the people of Western Australia, both now and for future generations, we balance the principles of economic viability and social and environmental responsibility. We offer a reliable supply of safe water, as well as wastewater, drainage and irrigation services to more than 1.8 million people, businesses and farms.

In all of our operations, we strive to achieve a high level of customer service. This is reflected in our continued commitment to high levels of customer communication. We also have a strong focus on work safety and protection of the environment. From minor local works to large-scale projects, we keep customers' and environmental needs to the fore. The feedback we receive has a major influence on our planning and management.

Established on 1 January 1996 under the *Water Corporation Act 1995*, we operate under a 25-year licence issued by the Office of Water Regulation. We operate and maintain:

- 244 water treatment plants
- 103 dams and reservoirs
- 705 bores in 103 borefields
- 28,862 kilometres of water mains
- 96 wastewater treatment plants
- 11,928 kilometres of sewers
- 2,767 kilometres of drains

On behalf of our owner, we are continuing to develop new business in Western Australia. This includes providing water supplies and related services to the mining and primary industries. Our commitment to research and innovation enables us to use new technology and processes to improve a whole range of water services.

We apply our extensive experience and expertise to provide excellent custodianship of Western Australia's \$9 billion water industry asset base. Our total revenue for this year exceeded \$1 billion, and our capital expenditure was almost half that amount, making us a significant employer and contributor to development in Western Australia.

▶
future direction

Through a balanced approach, we remain focused on our key aims:

- to continually improve our efficiency and effectiveness;
- to deliver value to customers;
- to continue meeting compliance targets;
- to be profitable and maximise long-term value;
- to be recognised as a leader in environmental performance; and
- to strive towards a high performance culture.



HIGH LIGHTS

- + We achieved a profit after tax of almost \$305 million;
- + A record capital works program of \$497 million was undertaken;
- + We issued our first Community and Environment Report in March 2001;
- + We upgraded our website www.watercorporation.com.au to improve customer communication;
- + The significant injury frequency rate was reduced from 25.6 to 18.9 in 2001;
- + We were awarded for our efforts in Occupational Safety and Health, with the Bulk Water and Wastewater Division and the Woodman Point Alliance Project (WA21) achieving a Gold WorkSafe Award and all Regions achieving either Gold or Silver Awards. Two certifications to AS4801:2000 were also achieved;
- + We raised the profile of research and development within the Corporation, linking it directly to the strategic direction of the business;
- + Substantial progress was made on the \$275 million Stirling-Harvey Redevelopment Scheme, which can now boost Perth water supplies by up to 10 per cent. It was awarded Engineering Excellence Awards, as well as a National Case Earth Award;
- + We continued to find innovative ways to reuse wastewater; biosolids (a by-product of wastewater treatment) and address the salinity problem;
- + We achieved ISO 14001 Environmental Management System (EMS) certification for many of our business units;
- + We achieved a Best Practice Environmental Licence from the Department of Environmental Protection for our Woodman Point wastewater treatment plant; and
- + We successfully passed our second operational audit and met all of our statutory requirements.



Water Resources Minister Dr Judy Edwards opens the 106km Stirling Trunk Main from Stirling Dam to Rockingham, with Water Corporation Managing Director Dr Jim Gill

Results and Statistics at a Glance

	2000-2001	1999-2000	1998-1999	1997-1998
Total Revenue (\$m)	1,024	1,004	931	903
Return on Fixed Assets (%)	4.3	4.2	4.1	4.0
Return on Equity (%)	3.8	3.9	3.3	3.3
Profit after Tax (\$m)	305	312	261	254
Capital Investment (\$m)	497	458	351	296
Total Assets (\$m)	9,457	9,174	8,918	8,710
Number of properties served (water)	802,964	787,351	774,386	764,256
Water production (megalitres)	374,434	339,190	325,600	353,009
Number of wastewater services	637,070	613,936	593,726	567,158
Reliability - customers with no interruption to water supply greater than one hour (%)	90	92	93	90
Reliability - properties not affected by wastewater overflows (%)	99.9	99.9	99.9	99.8
Employees (FTEs)	2,158	2,106	2,097	2,032
Significant injury frequency rate	18.9	25.6	28.1	36.1
Lost-time injuries / million hours worked	4.3	8.6	7.0	8.0
Customers per employee	795	792	772	763



chairman's report

"In keeping with our focus on sustainability through balance, we have retained a significant emphasis on environmentally-driven projects"



While being able to report another successful year, the Water Corporation is continuing to meet the management and financial challenges associated with changing rainfall patterns, increasing environmental demands, often costly regulatory requirements, and many other issues which emerge from time to time. That we have been able to achieve another productive year comes from applying a balanced approach to ensure sustainable outcomes - environmentally, economically and socially.

Our customers are now starting to see the value of the Corporation's commitment to a major capital works program that is contributing to greater resource security for the Perth metropolitan area, and improving the standard of water and wastewater services across the rural and regional areas of the State.

Sustainable Outcomes

In keeping with our focus on sustainability through balance, we have retained a significant emphasis on environmentally-driven projects. This is reflected in the ongoing upgrade of the Woodman Point wastewater treatment plant - awarded a Best Practice Environmental Licence by the Department of Environmental Protection - one of only two in Western Australia.

Of major concern to all Western Australians is the continuing change in rainfall volume and pattern. This has brought great personal hardship to most rural areas of the State, and the Corporation's water storage reservoirs continue to be stressed. This has placed greater emphasis on our groundwater supplies, and good planning has seen the second stage of the Neerabup groundwater treatment plant near Wanneroo and the new Lexia plant at Ellenbrook begin operation. Together, they will provide some 15 per cent of Perth's water.

Despite the supply pressures, the Corporation continues to place great emphasis on water quality. Construction of the world's first MIEX plant began during the year, at the Wanneroo groundwater treatment plant. This new Australian-developed process will reduce organics in the water and should help alleviate any taste, odour and hardness problems associated with some of Perth's northern suburb supplies.

Focus on Research

There have been significant advances in the area of research and development. A new Head of Research and Innovation has been appointed, and the aligning of research and development with key issues in the corporate planning process will bring greater focus onto this critical area. One of the significant breakthroughs during the year was the commissioning of a lime crystallisation process for water softening at the Neerabup groundwater treatment plant - the first application of this technology in the Southern Hemisphere.

Innovation Brings Results

The Corporation is also fostering innovation internally, through a staff involvement program which has produced more than 400 business improvement initiatives. A Gold Chairman's Award went to the innovative team responsible for a pipeline refurbishment package which gives the Corporation the ability to competitively assess and refurbish large diameter pipelines. The initiative came about as a result of the increasing amount of work required on the 100-year-old Perth to Kalgoorlie pipeline. A range of sophisticated remote-control vehicles was developed to assess, refurbish and re-line large diameter pipes in-situ.

So far, more than 70 kilometres of the Goldfields pipeline have been refurbished using this technique, at less than half the cost of new replacement pipe. Ten Silver and 80 Bronze awards were also presented to employees for their innovative achievements.

I'm pleased to report another excellent year of financial performance. The Corporation is reporting an after tax profit of \$304.9 million. As a result of the year's operations, we will return some \$396 million to the State of Western Australia.

In its turn, the Government has returned \$225.9 million to the Corporation for Community Service Obligations - to subsidise non-profitable services we provide, especially in the rural, regional and remote areas of the State.

On behalf of the Corporation, I acknowledge the support and assistance we received from the two Ministers for Water Resources who represented our shareholder during the year under review, Hon Dr Kim Hames and Hon Dr Judy Edwards MLA. I also welcome the Minister for Government Enterprises, Hon Nick Griffiths MLC, who has assumed this responsibility on behalf of our owner, the Government of Western Australia.

I would also 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 Western Australia.

A handwritten signature in blue ink, reading "Peter Jones". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Peter Jones
Chairman

managing director's report

"It is an exciting time for the Corporation - a time for us to look to the future, while consolidating a high-performance present"



At the five-year mark following corporatisation, we began the year 2001 with an important exercise in review and redefinition. Building on our performance and experience to date, we looked to distil those things that define who we are and what we do, as well as to identify how best we can serve our customers, and Western Australia, into the future.

What became very clear during this process of review was the depth and significance of our roots in Western Australia. While a globalising water industry tempts with opportunities in other places, most of our growth, both past and potential, is with residential, rural and industrial customers in this State. By understanding and serving them exceptionally well, we maximise our own opportunity. Beyond that, our greatest scope comes from exploiting the innovation, research and development we apply in serving those customers.

Building on Trust

Another key theme to have emerged is the importance of maintaining the position of trust and credibility in which we are held by Western Australians, and of never taking these for granted. As chief water service provider across 2.5 million square kilometres, we face huge challenges - climatic extremes, growing demand, a fragile environment and relatively limited sources of good quality water - and our skills in planning, development, water quality management, and environmental care are extremely important.

A particular focus over coming years will be on meeting and financing ever-increasing standards, in light of the challenges presented by our environment, the constantly rising expectations of our customers, and increasing regulatory requirements. A key to meeting these challenges is constant innovation. This means solving unique problems sensitively

and intelligently, with out-of-the-box thinking by staff empowered always to look for a better way.

Equally vital, under the guidance of the Research and Development Committee of our Board, we conduct important research programs in areas of unique challenge for Western Australia. These include water quality and treatment, wastewater reuse, drainage and environmental sustainability. Research and development, intellectual property and innovation are now integrated into the business and recognised as mainstream activities of the Corporation.

Managing Quality

During the year, the Corporation passed its second operational audit with flying colours, reflecting well on our extensive quality management and compliance culture and systems.

An early action following corporatisation was to accelerate the first phase of a 50-year investment plan for water supply development in Western Australia. With the full impact of climate variability on the last quarter-century's streamflows signalling a potential water supply shortfall, the Corporation acted quickly to begin restoring the supply-demand balance.

Even with this \$520 million injection of funds into accelerated water source development projects, there is still no accounting for the weather. Completion of the Stirling-Harvey Redevelopment Scheme in mid 2002 will bring to a close a nine-year program that delivers a 76 per cent boost to Perth's integrated water supply scheme. Even so, low rainfall has reminded us all of the need to adopt waterwise behaviour and do what we can to conserve this precious resource.

The Water Corporation has had a successful year and I put that down to one key ingredient - our people. I recognise their top-class performance in 2000-2001.

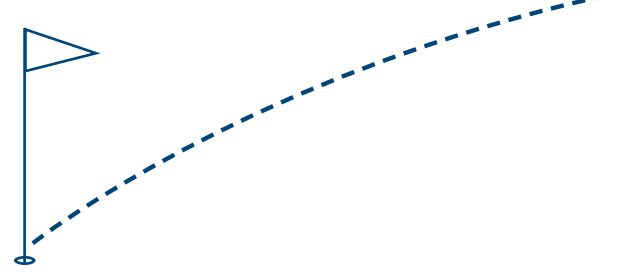
Our aim is to develop employees in a safe and healthy environment, and our achievements in the area of occupational safety and health have been gratifying, with Gold and Silver WorkSafe awards and a significant injury frequency rate down by 26 per cent on the previous year:

It is an exciting time for the Corporation - a time for us to look to the future, while consolidating a high-performance present. I would like to thank my colleagues within the business for their support and commitment. I would also like to recognise my fellow board members for their stewardship of a balanced and sustainable big picture for the Water Corporation and its customers.

A handwritten signature in blue ink that reads "Jim Gill". The signature is fluid and cursive, written in a professional style.

Jim Gill
Managing Director

key programs



	Customers and Community	Environment
Direction	To be a market-driven organisation that delivers value to customers.	To be recognised as a leader in environmental performance.
Objectives	<ul style="list-style-type: none"> To deliver services in an efficient, responsive manner. To be known as a "value for money" service provider. To provide water that is aesthetically pleasing. To provide a wastewater service that is responsive to demand. 	<ul style="list-style-type: none"> To facilitate sustainable development. To improve our environmental reputation. To apply environmental expertise in new markets.
Performance	<ul style="list-style-type: none"> Resolved 95 per cent of queries during customer's first call. Achieved telephone responsiveness targets throughout the year. In particular, the waiting period for customers during the peak billing period was shortened. 	<ul style="list-style-type: none"> The Stirling Alliance, comprising The Water Corporation, DM Civil and Brierty Contractors, received State and National awards for environmental management of its pipe and road construction work in the Stirling-Harvey Redevelopment Scheme. Eleven certifications to ISO14001 for Environmental Management Systems, including all operations within six regions across WA.
In Brief	<ul style="list-style-type: none"> We published our first Community and Environment Report. Our website was upgraded to improve communication with our customers. 	<ul style="list-style-type: none"> We achieved full regulatory compliance. We continued our major capital investment to improve treatment of wastewater in Perth and country areas. We published our first Community and Environment Report. Scientific results demonstrated minimal environmental effects associated with disposal of treated wastewater to Perth's offshore coastal waters.
Targets for the year ahead	<ul style="list-style-type: none"> Answer at least 70 per cent of customer telephone calls within 20 seconds. Respond to at least 95 per cent of water quality queries and complaints on-time. Achieve on-time installation of new water connections in at least 94 per cent of cases. Continue capital programs to improve the quality of water supplies throughout the State. 	<ul style="list-style-type: none"> Assess the impact of environmental water requirements on our water sources. Increase involvement in community activities. Further upgrade wastewater treatment plants to improve environmental performance. Sign-on to greenhouse challenge.



Financial Performance	People, Safety and Health	Business Development and Growth
<p>To be profitable and maximise long-term value.</p>	<p>To develop a high-performance culture.</p>	<p>To aggressively pursue sustainable growth in domestic markets.</p>
<ul style="list-style-type: none"> To earn a commercial rate of return. To maximise revenues. To optimise our capital structure. To ensure regulated prices are cost reflective. To maximise long-term capital and operating efficiencies. 	<ul style="list-style-type: none"> To motivate employees to achieve business goals. To align human resources framework and employee practices to business direction. To be the best OSH performer in the utility industry. To achieve market parity on total employment costs. To have organisational behaviours reflect corporate values. 	<ul style="list-style-type: none"> To increase diversified revenues in existing and new markets. To deliver market-based business plans. To develop strategic alliances. To develop resources to support domestic and industrial utility markets and commercialisation of technology. To develop competitive competencies and behaviours.
<ul style="list-style-type: none"> Aligned business reporting to our strategic direction and accountabilities. Aligned business and capital planning. Sourced capital funding at competitive interest rates. GST-compliance fully implemented. 	<ul style="list-style-type: none"> Developed and implemented a new performance management system. Performance Agreements in place for all key managers. 	<ul style="list-style-type: none"> Won contract for Christmas Island operations and maintenance services. Joint venture in place to develop innovative composting technology. Expansion of research and development program with 50 projects under way. Recent achievements include advanced solutions for aesthetic water quality, re-use of biosolids and better use of treated wastewater for tree farming.
<ul style="list-style-type: none"> After-tax profit of \$304.9 million, down 2.4 per cent. Total revenue up by 1.9 per cent to \$1,023.8 million. Cumulative productivity gains of 2.5 per cent per annum since corporatisation. Borrowings increased to support higher capital investment. Progressed tariff reform in relation to: <ul style="list-style-type: none"> - Vacant land - A cap for sewerage services in the country - Strata reforms to improve equity between customer groups. 	<ul style="list-style-type: none"> We achieved a reduction in the significant injury frequency rate from 25.6 to 18.9 per million hours worked. We achieved Gold or Silver Worksafe awards in all Regions, and a Gold award in the Bulk Water and Wastewater Division and the Woodman Point Alliance Project (WA21). We incorporated a strong focus on our values in recruitment, performance management and development strategies. 	<ul style="list-style-type: none"> Construction of the \$15 million MIEX plant was completed in June. The plant will be commissioned by December 2001. The profile of the research and development program was raised. Won contracts for BP Kwinana, the City of Kalgoorlie-Boulder and mine water testing. A Biowise plant was established. Our E-Commerce strategy was developed.
<ul style="list-style-type: none"> Achieve target rate of return on new investments. Deliver 2.5 per cent efficiency gain. Deliver budgeted profit and return to shareholder. Reduce energy costs and improve environmental performance through innovative energy solutions. Progress pay-for-use tariff reforms. 	<ul style="list-style-type: none"> Further reduce significant injury frequency rate to 13. Complete succession planning. Implement new elements of the Occupational Safety and Health System. Implement talent management strategy. 	<ul style="list-style-type: none"> Continue development of a market-driven research and development program. Ensure successful delivery of water solutions to Syntroleum project. Develop market-based water plan for Kalgoorlie region.

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customers and community



Direction

To be a market-driven organisation that delivers value to customers.



Targets

- To resolve 90 per cent of customer calls on first contact.
- To comply with our Operating Licence and Customer Charter.

In Brief

- We issued our first Community and Environment Report in March 2001.
- Our website was upgraded to improve communication with our customers.
- Performance against our target to respond to general correspondence within 10 days improved by 14.9 per cent.

	2000-2001	1999-2000	% Change
Number of residential accounts	685,981	672,228	2.0
Number of business accounts	50,049	48,740	2.7
Customer perception of value(%)	80.2	73.0	9.9
Telephone calls answered within 20 seconds(%)	73.9	63.8	15.8
Written complaints resolved within 21 days(%)	97.6	96.9	0.7
General correspondence answered within 10 days(%)	96.4	83.9	14.9
First Call Resolution	95.0	94.8	0.2

Performance

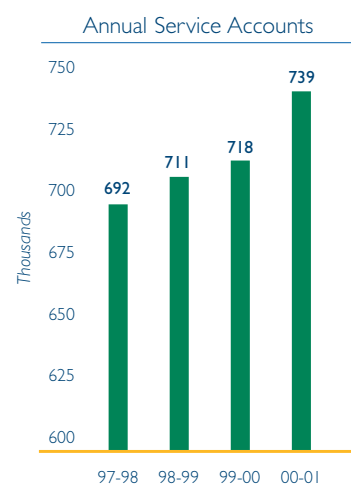
Regular surveys show consistently high levels of satisfaction with our performance. More than three-quarters of our customers perceived the value of our products and services to be excellent, very good or good.

We responded to 747,749 telephone enquiries, answering 73.9 per cent within 20 seconds (exceeding our target of 65 per cent). Our telephone operators were successful in resolving 95 per cent of customer enquiries.

We were able to respond to 96.4 per cent of the 17,500 items of general correspondence within 10 days, a considerable improvement on last year.

Customer Centre

During the year, our Customer Centre issued 3.2 million accounts. In July alone, 738,863 service accounts were generated. The Customer Centre also launched a program aimed at raising awareness of our services and improving the design of our accounts.





Lending a hand with planting at Geraldton's waterwise garden



Customer Input into New Charter

Our 15-member Customer Advisory Council welcomed six new members from around the State. The Council advises the Corporation on policies in relation to pricing and customer services, and makes suggestions on community involvement activities.

In 2000-2001, the Council helped us fine-tune our new Customer Charter, which sets out minimum standards of service. Other issues covered in the Charter include water quality, notices given for planned service interruptions, and regulator requirements. Copies were distributed with our 2001 annual service charges accounts.

Account Management

Good account management has provided us with a better understanding of the water service needs of our major commercial and industrial customers.

We met with individual companies and peak industry bodies to learn more about how our water is used, and to consult and advise on key issues including water quality and continuity of supply.

Community Contact and Awareness

We have continued a series of initiatives to keep our customers informed about our activities. Through special publications and the media, including our statewide 'Water Talk' newspaper columns, we report on current events, issues and projects. There were extensive community consultation and awareness activities surrounding our major projects, including the opening of new groundwater plants in Perth's northern suburbs.

Our website www.watercorporation.com.au was extensively upgraded and many extra facilities, including bill paying, have been built into the site which now attracts more than 18,000 visitors each month.

We issued our first Community and Environment Report in early 2001 to explain our involvement and consultation with the community, our stakeholders and customers. Similar reports will be issued every two to three years.

Education

Our Waterwise Schools Program aims to educate students and local communities about the need to protect and conserve scarce water resources. More than 140 schools and 50,000 students participate in the program, and the numbers increase every month.

We are committed to educating Western Australian school children about our operations and important water issues. We supply high quality resource material to teachers and students, conduct tours of our water and wastewater treatment plants, and provide classroom speakers on a range of topics.

Sponsorship

Our sponsorship program focused on promoting messages about water and its importance to good health. Our corporate sponsorships have concentrated on youth, health, education and environmental activities.

Among recipients were: the Australian Kidney Foundation; the Centre for Diabetes Research at the University of WA, Perth Zoo; the training ship, STS Leeuwin; the Scitech Roadshow science learning facility; the WA Symphony Orchestra; and, for the first time, WA Netball and the Little Athletics State Track and Field Championships in Perth. Large quantities of our special bottles of Refreshing WA Water were distributed at these and many other community events.

We continued to support the Keep Australia Beautiful Council's Best Beach Award, won in 2001 by Trigg Beach, to increase awareness of our excellent environmental management of wastewater disposal in the ocean.

We fund two AFS International Student Scholarships each year for our employees' children of secondary-school-age, and provide funding for three tertiary students with our Undergraduate Scholarship Scheme. We also operate a 12-week Vacation Employment Scheme for undergraduates.

Community Support

We are extensively involved in many of the communities where our projects are based. The training and employment program for local Aboriginal people that has flowed from the Stirling-Harvey Redevelopment Scheme is one example. Through that program, we formed partnerships with local indigenous organisations, about 30 of whose members have worked on road construction, land rehabilitation, weed control and landscaping associated with the project. We have also helped to establish and fund the first fully accredited Aboriginal-run plant nursery in Australia, at Collie.

In Harvey, an agreement to provide \$1.6 million to the local Shire under a Memorandum of Understanding relating to recreation facility management and maintenance, has been fulfilled. Land rehabilitation and fauna protection projects have also been launched, a heritage management plan is being implemented, and the second of five annual \$150,000 payments has been made to support the Harvey River Restoration Trust.

In the Mid West region, the Corporation consulted with the Yamatji Land and Sea Council on construction of a \$2-million water supply for 116 properties at Greenough Flats. The Council monitored construction activity in dune areas that were once part of traditional Aboriginal trade routes.

Through our Urban Development Advisory Council (UDAC), we maintain a valuable partnership with the land development industry. During 2000-2001, UDAC endorsed key policy changes in the standard headworks contribution allocation and minor works cost sharing.

Water for Farms

Many more farming communities enjoyed new, regular water supplies under the State Government's Rural Water Supply Improvement Program (RWSIP).

A project completed in September 2000 in the Kondinin, Hyden and North Karlgarin area of the Great Southern Region was the largest since the program began in 1997. It involved the laying of 120 kilometres of water pipeline to service 43 farms at a cost of almost \$4 million.

As with all RWSIP projects, farmers and local authorities provided voluntary labour and equipment. The Kondinin project brought to 25 the total number of projects under the program at a cost of almost \$24 million and involving more than 430 farms.

Volunteer and Community Involvement

In 2001, the International Year of Volunteers, we launched a program to encourage more employees to volunteer for community and environmental projects as well as general community service. This reflects one of our Corporate values: 'Investing in our Society.'

Flood and Fire

Wildfires in the Great Southern Region, and flooding in the Pilbara, presented significant threats early in 2001. Fortunately, our services were not disrupted, but local teams did a great job of monitoring them, and helping with the clean-ups that followed.

future direction ▶

We are committed to delivering quality water-related services to our customers throughout the State. We plan to:

- Implement priority actions from our aesthetic water quality strategy to achieve target improvements for taste and odour characteristics.
- Use new technology to optimise the effectiveness of our customer interactions, and complete our E-business customer strategy.
- Simplify tariff structures and extend billing options to meet customers' needs.
- Develop a Customer Relationship Management Strategy.



Water Corporation Customer Advisory Council

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envirOnment



environment



Direction

To be recognised as a leader in environmental performance.



Targets

- To achieve 100 per cent compliance with all regulatory requirements.
- To achieve agreement with stakeholders on the sustainability of marine disposal of treated wastewater.

In Brief

- We achieved 11 Environmental Management System certifications to ISO 14001.
- We achieved full regulatory compliance.
- We continued our major capital investment in improved treatment of wastewater in Perth and country areas.
- We published our first Community and Environment Report.
- Scientific results demonstrated minimal environmental effects associated with disposal of treated wastewater to Perth's offshore coastal waters.

	2000-2001	1999-2000	% Change
Regulatory compliance Ministerial conditions	100	100	-
Regulatory compliance DEP wastewater treatment plant licence conditions	100	100	-
Regulatory compliance WRC water allocation licence conditions	100	100	-
Residential customer perception of our environmental performance(%)	79.3	69.5	14.1

We have an enviable record of strategic environmental planning, based on the principle of ecologically-sustainable development. Management of the environmental effects of our business activities is well integrated into business processes across the Corporation.

Our environmental performance continues to be rated highly by key stakeholders, including our regulators. Quarterly measurement of the perceived level of satisfaction by our customers with this performance consistently shows high approval ratings. In addition, benchmarking of our performance shows that we are held in high regard compared with other businesses.

We conduct a vigorous environmental management program that runs across all of our operations. We continually review our Environmental Management System to develop innovative approaches to environmental protection and to meet all legislative, regulatory and other requirements placed upon us.

In 2000-2001 we achieved full compliance with our Ministerial and licence conditions*, and our ocean outlets for Perth's treated wastewater continued to perform with no detrimental impact on the marine environment. Further to this, we are working with the Environmental Protection Authority and our stakeholders to help develop environmental quality criteria for Perth's marine waters.

* Full compliance is where no enforcement action has been triggered. We do, however, acknowledge that technical deficiencies may still exist, and we continue to work with regulators across our wide range of operations to remedy them.

Environmental Management Certification

We have made significant progress towards achieving international certification of our environmental management systems, demonstrating that we are operating at world-best levels.

Our South West Region and the Woodman Point wastewater treatment plant in Perth were the first to achieve five green ticks - certification to the stringent ISO 14001 standard. In total, 11 business units achieved certification to ISO 14001, including our six regions and two other major metropolitan wastewater treatment plants at Subiaco and Beenyup.

The Woodman Point plant also received a Best Practice Environmental Licence from the Department of Environmental Protection - only the second such licence to be issued in WA.

Community and Stakeholder Involvement

We have a strong commitment to raising awareness of our environmental management activities and to obtaining feedback on them from the community and stakeholders.

We are systematically raising employee awareness of our Sustainability Policy and obligations including training, professional development and the incorporation of environmental performance targets in senior management contracts and workplace agreements. We also encourage employees to become involved as volunteers in community environmental projects.

We meet regularly with the Department of Environmental Protection, Environmental Protection Authority and Conservation Council to discuss strategic and technical issues. In February 2001, we provided support for the Conservation Council's conference on sustainability.



PLOOM - monitoring the impact of ocean outfall on the marine environment

Perth Long-Term Ocean Outlets Research (PLOOM)

Through the PLOOM program, we have invested significant resources over a long period to understand the effects of treated wastewater discharges on the marine environment. Data from the program is assuring both the community and our regulators of the sustainability of treated wastewater discharges.

Recognition for Excellence

Two of our major projects were recognised at the Institution of Engineers 2000 Engineering Excellence awards for their environmental management. An award went to the Riverwise Program that combined our SCADA (Supervisory Control and Data Acquisition) technology and other upgrades to more than 110 wastewater pumping stations near the Swan and Canning rivers, to prevent sewage spills.

Also awarded by the Institution of Engineers was the Stirling to Harvey Pipe and Roads Project, part of the Stirling-Harvey Redevelopment Scheme. This project also received national recognition in the Case Earth Awards - for innovation and best practice in environmental management. The Stirling Alliance, comprising the Water Corporation, DM Civil and Brierty Contractors, was awarded for successfully minimising the impact on the environment when 20 kilometres of pipeline were constructed and seven kilometres of road realigned. Environmental protection measures included the retention of habitat trees, protection of fauna and the rehabilitation of cleared areas.

Capital Projects

The 10-year Infill Sewerage program is in its seventh year. We are replacing septic tanks with reticulated sewerage services in environmentally-sensitive areas, greatly reducing the risk of contamination of groundwater and waterways by pathogens and nutrients. This year we spent \$86.9 million to provide connection points for almost 9,000 properties.

Wastewater Treatment

We continue to upgrade our wastewater treatment plants, with extensive works in the South West and at the Woodman Point plant in Perth.

The Woodman Point project, expected to be completed in March 2002, will increase the plant's capacity by 28 per cent and introduce an advanced secondary level of treatment. The higher quality wastewater will then be available for reuse by Kwinana industry. The project progressed strongly in 2000-2001, and included the start of construction on the world's biggest sequencing batch reactor that will deliver major power savings.

Wastewater Reuse

Reuse of treated wastewater to reduce outflows to the environment has increased, particularly in the South West. Treated wastewater is now used in more than 36 local schemes to irrigate tree plantations, golf courses, parks and sporting facilities.

The Albany Tree Farm has given us an opportunity to evaluate effluent irrigation for tree farming. Together with the University of WA, we have completed a major research and development study to assess the tree farm's performance. The results of the study provide a better understanding of the biological processes involved and new information to help with site management.

We are also evaluating alternatives for using treated wastewater. In Albany, we have worked closely with several agencies to develop alternatives to blue gum plantations as users of treated wastewater. The tea tree (*Agonis fragrans*) shows a lot of promise.

A new \$2.4-million scheme to reuse treated wastewater from South Hedland to irrigate the local golf course ended the discharge of wastewater to nearby tidal creeks. In the future, we anticipate greater reuse of treated wastewater by local authorities for public amenities. We are continually investigating opportunities.



Open Day at Australia's first Aboriginal-run plant nursery, an offshoot of the Stirling-Harvey Redevelopment Scheme



Artificial Wetlands

We have increased the use of artificial wetlands at wastewater treatment plants. Artificial wetlands supply a natural final 'polishing', or nutrient stripping, of the wastewater prior to discharge into the environment. They are also a valuable addition to local environments and provide new habitats for birds. The best examples are at Derby and Busselton. A 12-hectare constructed wetland at Busselton is a low-maintenance, self-sustaining ecosystem that is helping to protect Geographe Bay. A small artificial wetland is also part of a wastewater treatment system for the Mundaring business centre, and is a major breeding habitat for frogs.

Environmental Improvement

The unique Environmental Improvement Initiative at Busselton is part of a series of projects that will help to greatly reduce the flow of nutrients entering southern Geographe Bay. The first of its kind in the Australian water industry, the initiative aims to reduce nutrient flows from rural catchments. The first projects to be supported as part of the initiative have begun on dairy and beef properties, and focus on improved effluent management.

Water Requirements

We are leading the way in understanding environmental water requirements. We have committed just under \$1 million over three years to complete studies for all major surface water systems in Western Australia. These studies include estimating the water needs of the environment downstream from our dams, and identifying how much dam water needs to be released to maintain ecological values downstream.



Fighting Salinity

We contributed \$3 million in support of the State Salinity Strategy to combat land salinity, one of the State's largest environmental issues. In Merredin, we are involved in a project to pump highly saline groundwater in order to reduce water-table levels, and to trial desalination of the groundwater to supplement potable water supplies. If successful, this process could be applied in a large number of Wheatbelt towns that face an increasing salinity threat.

Smogbusters

We were proud to become a top smogbuster in early 2001. We received an award from Environment Australia for being the first organisation in the State - and one of the first in Australia - to develop a Green Transport Plan. The plan, which was initiated by our employees, seeks to reduce the use of cars, and is promoted under the Smogbusters Way to Work project. The Corporation is also conducting a program to greatly reduce air pollution and greenhouse gas emissions caused by our operations.

future direction ▶

- Support the Greenhouse Challenge by undertaking actions to reduce greenhouse emissions.
- Establish an Energy Management Unit.
- Embed sustainable development principles throughout our operations.

H₂O finance



financial review



Direction

To be profitable and maximise long-term value.



Targets

- To earn a commercial rate of return on investments.
- To optimise capital structure.
- To ensure regulated prices are cost reflective.
- To maximise long-term capital and operating efficiencies.

In Brief

- After-tax profit of \$304.9 million, down 2.4 per cent.
- Total revenue up 1.9 per cent to \$1,023.8 million compared with \$1,004.6 million last year.
- Cumulative productivity gains of 2.5 per cent per annum since corporatisation.
- Borrowings increased to support higher capital investment.
- Tariff reform progressing towards pay-for-use.

	2000-2001	1999-2000	% change
Total Revenue (\$m)	1,023.8	1,004.6	1.9
Earnings Before Interest and Tax (\$m)	404.6	367.2	10.2
Profit after Tax (\$m)	304.9	312.3	(2.4)
Return on Fixed Assets (ROA)(%)	4.3	4.2	2.4
Return on Equity (ROE)(%)	3.8	3.9	(2.6)
Interest Cover (times)	7.9	8.1	(2.5)

Results

The Water Corporation continued to deliver improvements in profitability. Earnings before interest and tax charges increased by 10.2 per cent to \$404.6 million due to an increase of 1.9 per cent in total revenue and initiatives to reduce operating costs.

On an after-tax basis, profit was 2.4 per cent lower than last year, although this was primarily the result of one-off adjustments to deferred tax balances (tax rate change) within last year's results.

Revenue from operating activities increased by 7.6 per cent from \$862.5 million to \$928.3 million. This was mainly the result of increased sales resulting from a prolonged dry winter and a two per cent increase in tariffs.

Increases in revenue concessions and further development of the Infill Sewerage program led to higher Community Service Obligation (CSO) revenue. Revenue from CSOs increased by 9.9 per cent from \$205.6 million in 1999-2000 to \$225.9 million in 2000-2001.

The level of developers' contributions* declined this year from \$118.2 million to \$81.3 million as the building industry suffered a sharp downturn following the pre-GST building rush. Recent Federal initiatives to encourage new building activity should see the decline level out during 2001-2002.

* Developers contribute to headworks required to service subdivisions and then hand over to the Corporation the water and wastewater services that are created.

Shareholder Returns

A dividend of \$241 million will be paid to the State Government for 2000-2001. In addition, the Corporation has contributed over \$160 million in income tax equivalents, payroll, land and other statutory taxes.

The Corporation continues to be a major economic driver, employing over 2,000 Western Australians and outlaying more than \$800 million in payments for goods and services sourced wholly from Western Australia.

Return on Assets improved to 4.3 per cent compared to last year's 4.2 per cent as a result of improving operating margins.

The improved returns have been achieved while meeting productivity targets, improving service levels and meeting increasing regulatory and environmental requirements.

growth

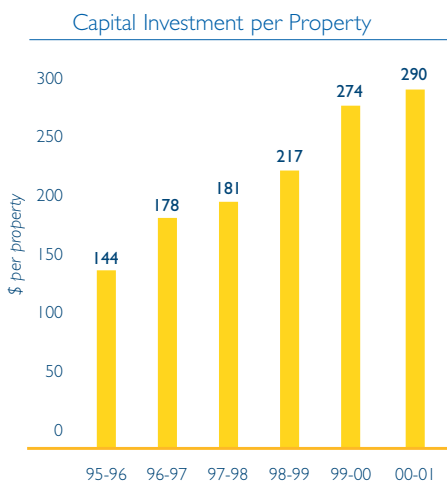
Capital Investment

The level of capital investment this year represented a substantial increase from 1999-2000. Investments in water source development and water treatment facilities will boost water supply capacity and prepare our treatment facilities to meet Western Australia's growing water demands beyond the next decade. Significant achievements included:

- Delivery of water to the metropolitan area from Stirling Dam in May 2001, as part of the Stirling-Harvey Redevelopment Scheme;
- Significant progress towards increasing the capacity and level of treatment at the Woodman Point Wastewater Treatment Plant; and
- further progress with the Infill Sewerage program.

Treasury and Funds Management

The increase to our capital program resulted in the requirement to source additional funds. Net debt at year-end is \$826 million, an increase of \$277 million over the previous financial year. Consistent with our portfolio approach to debt management, these new borrowings were drawn with maturity dates spread evenly out to 10 years. Of the total debt drawn during the year, 80 per cent was drawn in the second half of the financial year, allowing the Corporation to take advantage of the low interest rate environment. Interest cover has fallen from 8.1 to 7.9 times, reflecting the cost of servicing the higher debt, and debt to total assets ratio has increased from 6.3 per cent to 8.9 per cent.



Pricing and Tariffs

We seek to set charges that enable us to achieve a commercial rate of return on the capital investments required to provide services. These prices also reflect the ongoing operating efficiencies we are achieving.

The general price increase for 2000-2001 was two per cent. An increase of 3.5 per cent has been approved for 2001-2002.

The way we charge our customers is undergoing significant change. Over the past eight years, we have gradually replaced property valuation-based rates with charges based on the service provided and the volumes used.

The valuation-based system meant that customers receiving the same service could be paying very different amounts. Tariff reform has resulted in some customers paying less and some paying more than previously. The charges are being gradually phased-in to limit the year-to-year impact on customers' bills. The Corporation's progressive efficiency gains are also being used to fund some of the reduction in charges, limiting the need to increase other charges.

Up to 2000-2001, the reform program has reduced charges to business by \$62 million a year. There will be further reductions of \$4 million in 2001-2002.

future direction

The Corporation will reinforce its drive to deliver increased value and performance to our shareholder and all Western Australians. We plan to:

- Benchmark for performance improvement;
- Progress a range of management reporting initiatives aimed at improving bottom-line accountability; and
- Progress the Corporation's "Company One 2010" planning project which examines the impact of competition and customer expectations leading up to the year 2010.



Laying pipe along the 106km Stirling Trunk Main

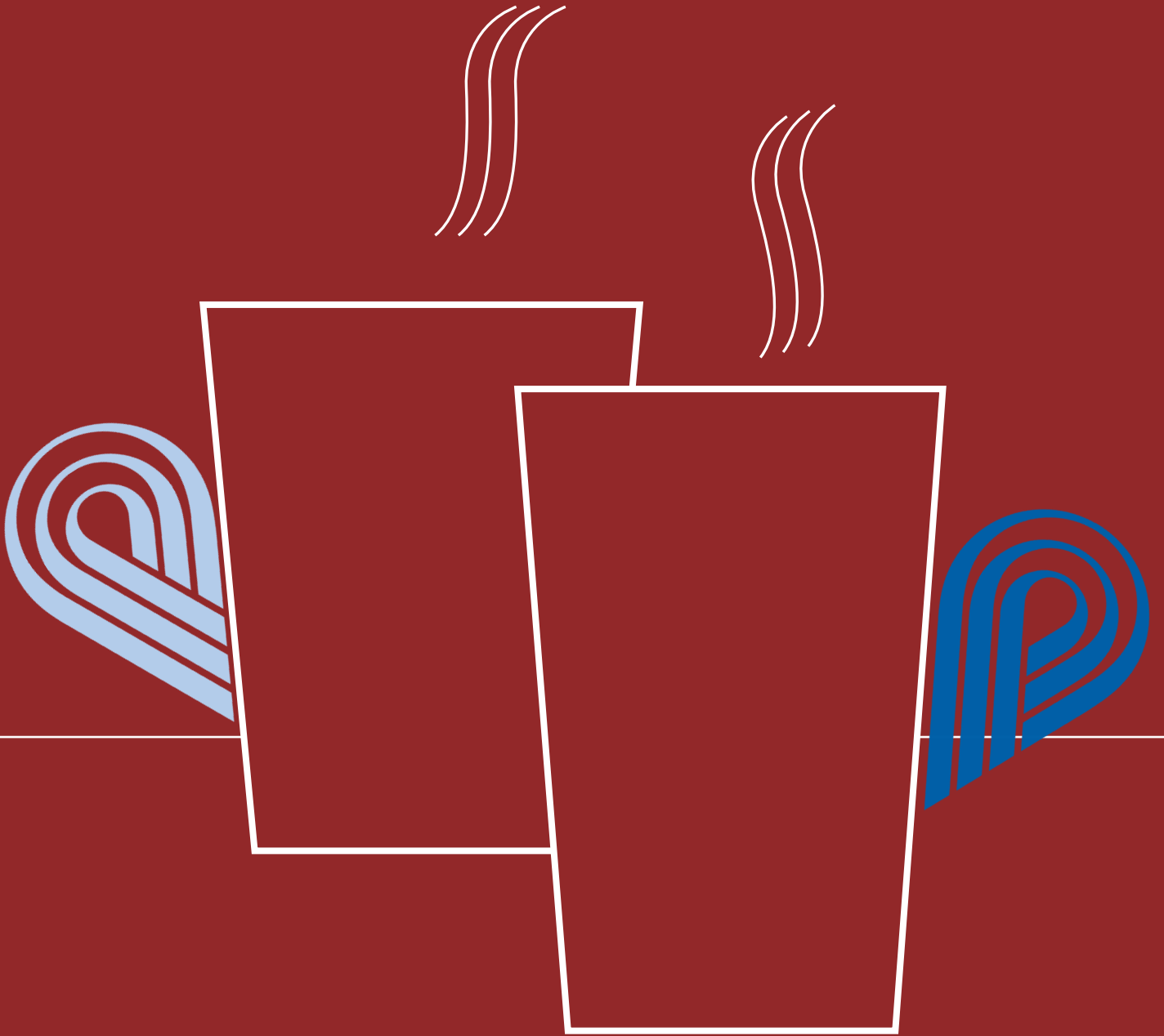
simplified financial statements



Summary Statement of Financial Performance	Year Ending 30 June 2001 \$'000	Year Ending 30 June 2000 \$'000	Percentage Movement (decrease)
Most of our revenue was earned from our core water-related services.			
Revenue earned from annual service and usage charges	659,997	619,395	6.6
Revenue received from State Treasury for agreed community service obligations	225,890	205,617	9.9
Revenue received from developers, interest on our investments, miscellaneous fees and charges, rents, sale of assets, etc.	137,931	179,573	(23.2)
Revenue from operations	1,023,818	1,004,585	1.9
The total cost of operating our business comprised:			
Operations, maintenance and administrative costs associated with providing services	(257,003)	(243,840)	5.4
Support costs associated with information systems, telecommunications and property management	(33,282)	(26,853)	23.9
Cost of asset sales and write-offs, borrowing costs and other financial expenses	(66,130)	(77,624)	(14.8)
Depreciation of system assets, land and buildings and plant and equipment	(210,976)	(204,030)	3.4
Cost of operations	(567,391)	(552,347)	2.7
Revenue less costs left an operating profit before tax of	456,427	452,238	0.9
We made a provision for income tax of	(151,575)	(139,894)	8.3
Which left us a profit after income tax of	304,852	312,344	(2.4)
From this after-tax profit, provision for payment of a dividend to our shareholder, the Western Australian Government was	(240,753)	(201,215)	19.6
We then transferred the after-tax value of contributions received from property developers to a holding account	(21,614)	(75,620)	(71.4)
Adding the accumulated profit from the previous year	49,461	13,952	-
Leaves us with retained profits available to fund future growth	91,946	49,461	85.9

Summary Statement of Financial Position	As at 30 June 2001 \$'000	As at 30 June 2000 \$'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, stock, prepayments and cash on hand.	111,362	128,273
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	8,239,521	8,031,863
Land and buildings	227,345	223,750
Computers, vehicles, mobile plant etc	126,558	136,871
Works in progress	695,342	598,630
Annual service charges deferred by eligible pensioners and future income tax benefits	56,919	54,488
Non-current assets total	9,345,685	9,045,602
Current assets, together with non-current assets, gives us total assets of	9,457,047	9,173,875
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	(217,687)	(268,305)
Non-current liabilities include:		
Long-term borrowings	(807,749)	(576,121)
Provisions for liabilities including deferred income tax, insurance, employee entitlements etc	(297,128)	(259,065)
Non-current liabilities total	(1,104,877)	(835,186)
Current liabilities, together with non-current liabilities, gives us total liabilities of	(1,322,564)	(1,103,491)
Deducting total liabilities from total assets leaves us with net assets of	8,134,483	8,070,384
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 current and prior years and appropriated to specific reserves	715,860	694,246
Profits earned in the current and prior years and retained in the business to fund future growth	91,946	49,461
Which represents total equity in the business of	8,134,483	8,070,384

H₂
peOple



people, safety and health



Direction

To develop a high performance culture.



Target

- To reduce the significant injury frequency rate to 19.
- To help our people develop in a learning environment.

In Brief

- We reduced our significant injury frequency rate to 18.9 per million hours worked - a decrease of 26.2 per cent.
- We achieved Gold or Silver WorkSafe awards in all regions, and a Gold Award in the Bulk Water and Wastewater Division and the Woodman Point Alliance Project (WA21).
- We incorporated a strong focus on our values in recruitment, performance management and development strategies.

	2000-2001	1999-2000	% Change
Number of employees	2,158	2,106	2.5
Significant injury frequency rate	18.9	25.6	(26.2)
Lost-time injury frequency rate	4.3	8.6	(50.0)
Customers per employee	795	792	0.4

The number of employees for 1999-2000 has been altered as a result of a change in the calculation methodology.

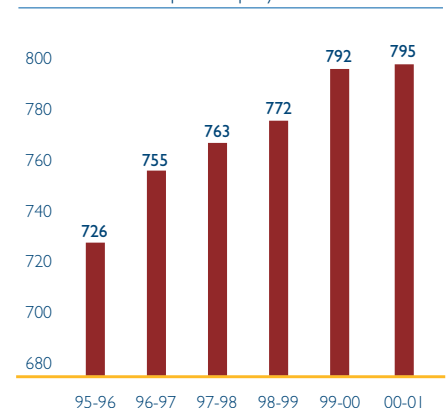
The reduction in the significant injury frequency rate from 25.6 to 18.9 is a reflection of the success of our initiatives to develop employees in a learning environment.

Development and Performance Management

Our people strategies for recruiting, performance management and development were driven by a commitment to build our talent and competency base.

- We established a performance management process that places a high priority on competency review and professional development. All managers and employees attended workshops, and information kits were produced;
- Managers were rotated across Divisions, to provide balanced exposure to different facets of the business;
- More than 100 staff participated in LiFT (Leading into the Future - Transformation) and core business competency development programs;
- A further 17 graduates joined the Graduate Development Program, and 23 undergraduates undertook work experience during the summer vacation;
- A systematic identification of critical positions was also undertaken, allowing an integrated approach to succession management.

Customers per Employee



Company One Values

In 1998-1999 the Corporation set out to change its culture and adopt a Company One philosophy.

Company One values are:

- Viewing customers' needs through their eyes
- People are our greatest strength
- Caring for the business
- Investing in our society; and
- Taking charge of our destiny

This year we have consolidated our values-based culture to build consistent, sustainable Company One behaviour into the way we do business, and to achieve a stronger commercial focus. An interactive website has been established to support staff in aligning business activities with Company One values.

These values were reinforced in the Corporation's Environment and Community Investment Program where, along with other community sponsorship, a Volunteer Program was instituted during 2001 - the International Year of Volunteers.

Company One values are now key to our people strategies, incorporating planning, recruitment, employment conditions, performance management and training and development programs.

Occupational Safety and Health

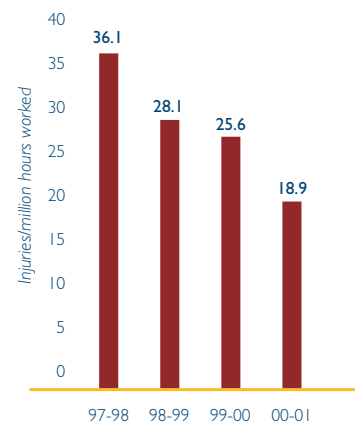
Major improvements to our Occupational Safety and Health (OSH) systems were implemented during the year.

The OSH Management System was reviewed against Australian Standard 4801:2000 and current best practice. It was made subject to a consultative review process, and is now auditable to a national standard. Two of our regions were certified as compliant.

Many WorkSafe Silver and Gold Awards were achieved. The Woodman Point Alliance Project (WA21) achieved a Gold Award and the Bulk Water and Wastewater Division gained the first divisional Gold Award. A strong emphasis on hazard identification and control enabled this division to operate for more than a year without a lost-time injury.

The Corporation moved from a key performance measure of 'lost-time injury frequency rate' to 'significant injury frequency rate' which provides better information on injuries and broadens the safety focus. The Corporation's rolling target of 19 or fewer injuries per million hours worked was achieved by the third quarter, closing the year with an excellent performance of 18.9.

Significant Injury Frequency Rate



We developed and introduced a SpaceSafe package for employees working in confined spaces. It was a finalist in the prestigious National Safety Council of Australia 2000 Awards in the category of Best Management of an OSH Specific Workplace Risk.

Nationally accredited OSH training for supervisors exceeded performance targets, with more than 40 per cent undertaking the training.

All safety-significant training was identified, and course outlines developed, with training providers identified to ensure consistency and demonstrate due diligence. Contractor management procedures were introduced that clarify OSH responsibilities for contractors, project managers and the Water Corporation.



Organisational Change

As the business continues to evolve, a number of employees have been displaced by organisational change. During the year, 36 employees found alternative employment or accepted voluntary severance. All employees impacted have had access to, and are supported by, our proactive Career Transition program. At 30 June 2001, we had seven employees seeking alternative placement.

Employee Innovation recognised

Our goal to be the 'company of first choice' was further strengthened by the launch of the Involve Scheme and the Chairman's Awards. The Involve Scheme enables employees to use their innovation and ingenuity to become actively involved in continuous business improvement.

This year, 90 awards were made, the highest going to an innovative pipeline refurbishment system.

Industrial Relations and Enterprise Agreement

Discussions began on the replacement of our 1997 Enterprise Agreement. A key element will be achieving the flexibility needed to sustain and motivate our diverse workforce in situations that vary across our range of operating circumstances and locations.

An interim four per cent pay increase for existing staff was agreed to in December 2000. Extensive consultation between management, staff and unions is continuing, with the objective of having a new agreement in place by January 2002.

future direction ▶

- A workplace in which staff can go about their work confident that their health and safety is considered critically important.
- Work arrangements that are both satisfying and motivating and facilitate the achievement of employee and business goals.
- A culture that is supported by behaviours that reflect our corporate values.

safəty

Confined space training at Northam



business development and growth



Direction

Aggressively pursue commercially sustainable growth in domestic markets.

Target

- To increase revenue from new, diversified (non-regulated) business.
- To develop strategic alliances.

In Brief

- Construction of the \$15-million MIEX plant was completed in June and it will be commissioned by December 2001.
- The profile of the research and development program was significantly raised.
- Contracts for Christmas Island, BP Kwinina refinery, the City of Kalgoorlie-Boulder and mine water testing, were won.
- A Biowise plant was established.
- Our E-Commerce strategy was developed.

	2000-2001	1999-2000	% Change
Properties served	802,964	787,351	2.0
Sales - regulated business (\$m)	961.1	949.5	1.2
Sales - diversified business (\$m)	62.7	55.1	13.8

Our business development activities gained momentum, with revenue increasing by 13.8 per cent to \$62.7 million for diversified business.

Refinery Wastewater

In May 2001, we began a groundbreaking contract to operate the wastewater treatment plant and associated processes at the BP Kwinana refinery. This will be undertaken in several stages, starting with the provision of expert personnel for operational support.

BP conducted a rigorous audit of our Bulk Water and Wastewater Division's environmental and safety management system before awarding the contract, our first of this kind for a key industrial plant. We are investigating an opportunity to add value to the operation by applying our expertise in reuse of biosolids - a by-product of wastewater treatment - for the manufacture of composting material. Negotiations are underway with two other large companies to provide similar services.

Compost Breakthrough

We achieved a breakthrough in the commercial reuse of biosolids. A composting plant was built at Kwinana, under the Biowise joint venture with Sita Organics. It is part of a major waste management business initiative in conjunction with Sembcorp of Singapore and Sita of France.

The plant will use biosolids, greenwaste and foodwaste to produce compost material to the highest Australian standards for unrestricted use - unique in the WA market. Primary markets will be horticulture, soil amendment distributors, urban landscaping, erosion control and viticulture. The project will reduce the risks and costs of biosolids disposal in WA, as well as reducing water and chemical fertiliser requirements for agriculture.

MIEX

Construction of our \$15 million MIEX plant - the biggest of its kind in the world - at the Wanneroo groundwater treatment plant was completed in June. The plant will be commissioned by December 2001. The new Australian-developed process, which has substantial commercial potential, will reduce organics in water supplies and contribute greatly to improved aesthetic water quality.

Commercial Interest in CALGON®* Process

The commercial potential of our recently developed CALGON®* process, to prevent scaling in borewater, increased, with interest coming from Aboriginal communities and the Northern Territory. We now operate 17 plants. A further five plants are operating commercially, including one at Launceston in Tasmania. The CALGON®* program began five years ago in a joint venture with Hydramet Pty Ltd. The plants use a sodium phosphate compound to keep calcium in solution in hard water supplies and prevent scaling in appliances.

*See Glossary

Island Business

In October 2000, we began a five-year contract to operate and maintain the water and wastewater services on Christmas Island. We supply 800 services that are mainly residential, with some small businesses and a phosphate mine. We operate a similar service contract on the Cocos (Keeling) Islands - population 620 - where we also operate the power supply.

Work continued on a water supply feasibility and design study for the Solomon Islands Water Authority. This project, interrupted by a military coup in June 2000, is part of ongoing AusAID-funded institutional strengthening for the islands.

Kalgoorlie Wastewater

We won a \$5-million contract and have begun work to design and construct an upgraded wastewater treatment plant for Kalgoorlie-Boulder. This will provide higher levels of treatment and meet expected demand growth. Improved effluent quality and a greater outflow will allow the expansion of an existing scheme - already one of the biggest in Australia - to reuse effluent for irrigation of parks and gardens. The Water Corporation will operate the new plant for the first 18 months.

New Training Contract on Track

The first stage of a new contract to provide competency-based assessment and training to the Northern Territory Power and Water Authority was completed. The two-year contract, in partnership with Pacific Power International of NSW, also involves the delivery of the required training.

Research and Innovation

We recognised the importance of research and development (R&D) in keeping us at the forefront of our industry with some significant strategic changes, including the appointment of a new head of Research and Innovation. Research and development has been aligned with key issues in our corporate planning process.

The Water Corporation Board established an R&D Committee, and a Technology and Research Management Branch has been created. We are also developing a knowledge management strategy. These changes will ensure R&D, intellectual property and innovation are integrated into the business and are recognised as mainstream activities of the Corporation.

We invested over \$4 million during 2000-2001 on a wide range of research projects in key areas such as water quality and treatment, wastewater and drainage, and environmental sustainability. Some projects promise exciting commercial possibilities.

One major R&D success was the introduction of Dutch-developed lime crystallisation water-softening technology at our new groundwater treatment plant at Neerabup, north of Perth. It is the first application of this technology in the Southern Hemisphere and enables the Neerabup scheme to harness the full potential of its groundwater.

Advising South Africa

We contributed to a project to improve the delivery and regulation of water services to 40 million people in South Africa, one-quarter of whom do not have a conventional water supply. South Africa is facing issues already confronted in Australia, where the water industry has gone through years of reform.

Desalination - a Viable Resource

Following a study into the viability of desalination in WA, a new report was released: 'A Strategic Review of Desalination Possibilities for Western Australia'. It provides the framework for our future role in desalination applications, which have the potential to change the way we think about providing water in some areas, and could unlock significant developments.

The report found that increasing demand for water supplies in remote parts of the State, particularly for the mining and tourism industries, increasing costs of developing remaining water sources, and shrinking costs of desalination processes, were combining to make desalination a more attractive prospect in many areas.

Desalination is already in use for potable water supplies at Rottnest Island, Denham and Ravensthorpe, the latter two we operate. It is also used for process supplies at the new Tectonic Resources nickel mine at Ravensthorpe, where a second similar project is being investigated. Planning is under way to provide seawater supply infrastructure and a desalination plant for the major gas-to-liquids plant and proposed ammonia plant on the Burrup Peninsula. A proposed petrochemical industry may mean further demand for water in this area.

Reverse Osmosis for Water Treatment

We have just signed a contract worth \$1.3 million with Swan Brewery for the provision and operation of a one megalitre per day reverse osmosis plant to treat scheme water to the specific standards required for the brewing process. The Water Corporation will operate the plant for the next 20 years.

A preferred supplier for the provision of membrane separation technology (reverse osmosis and nano filtration) has been selected. This will streamline our approach to providing water supply options for potential commercial customers.

Minesite Water Testing

Increasing numbers of minesites and Aboriginal communities in the Eastern Goldfields are taking advantage of our expertise in water quality testing to ensure their potable water supplies meet State health standards. We now conduct monthly tests of water supply systems at 13 minesites and three Aboriginal communities. We also monitor water quality and check for leaks in a tailings dam near Laverton, to ensure there is no threat to the environment.

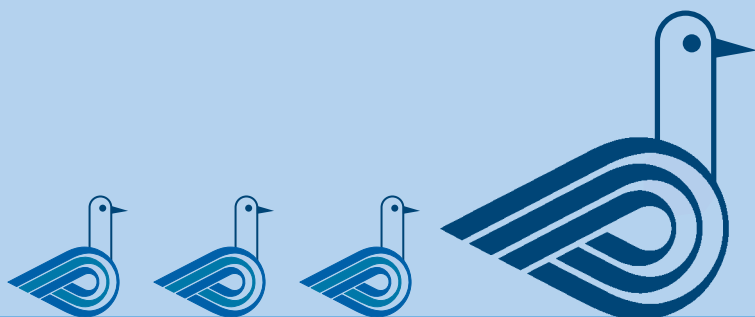
future direction ▶

- Having pursued business development strategies to achieve sustainable growth in domestic and international utility markets, we will now focus on the WWA water market and on commercialising technology that has been developed and used within the Corporation.



H₂ Operations summary

	Water	Wastewater	Drainage	Irrigation
Customer/ Stakeholder Expectation	<ul style="list-style-type: none"> • Good quality water • No unusual tastes • Flexibility in service provision • Reliability of supply 	<ul style="list-style-type: none"> • Increased level of wastewater treatment • That ocean disposal of treated wastewater be environmentally sustainable • Increased reuse of treated wastewater 	<ul style="list-style-type: none"> • Control of stormwater and groundwater levels • Removal of nutrients • Control of drain water quality 	<ul style="list-style-type: none"> • Greater responsibility for control of irrigation assets • Water of acceptable quality • Adequate supplies of water • Water when required
Resources	<ul style="list-style-type: none"> • Assets \$4,362 million • 103 dams and reservoirs • 705 bores • 244 water treatment plants • 433 water pumping stations • 28,862 kilometres of mains 	<ul style="list-style-type: none"> • Assets \$3,611 million • 96 wastewater treatment plants • 904 wastewater pumping stations • 11,928 kilometres of sewers 	<ul style="list-style-type: none"> • Assets \$330 million • 2,767 kilometres of drains and channels 	<ul style="list-style-type: none"> • Assets \$87 million • 11 dams
Customers	<ul style="list-style-type: none"> • 665,016 residential customers • 48,465 business customers • 255 cities and towns 	<ul style="list-style-type: none"> • 555,769 residential customers • 33,783 business customers • 8,018 industrial waste customers • 100 cities and towns 	<ul style="list-style-type: none"> • 241,112 metropolitan residential customers • 19,076 metropolitan business customers 	<ul style="list-style-type: none"> • 430 accounts associated with Ord and Camarvon irrigation schemes • Bulk supplier to the Preston Valley Irrigation Cooperative and the South West Irrigation Cooperative
Results	<ul style="list-style-type: none"> • Revenue of \$565 million • Continued high level of microbiological water quality compliance • More than 90 per cent of customers did not experience an interruption to supply in excess of one hour • Perth's water supply boosted following completion of the 106-kilometre pipeline from Stirling Dam 	<ul style="list-style-type: none"> • Revenue of \$414 million • Advanced secondary treatment being introduced as part of WoodmanPoint WWTP upgrade • Treated wastewater used in more than 36 local schemes to irrigate tree farms, parks and sporting facilities • Scientific results showed sustainability of treated wastewater disposal into offshore waters 	<ul style="list-style-type: none"> • Revenue of \$34 million • New flood mitigation measures for Busseton • Nutrient filtration technology trialled at Ellenbrook • Ongoing support for Yellow Fish Road Project launched to raise community awareness of drain water pollution 	<ul style="list-style-type: none"> • Revenue of \$11 million • Negotiation continuing to transfer ownership of Camarvon and Ord Irrigation Schemes • All water quality samples within guidelines • About 320,000 megalitres supplied to irrigators, an increase of 23 per cent on last year



development

water services

	2000 2001	1999 2000	% Change
Properties serviced (number)	802,964	787,351	2.0
Volume consumed (ML)	329,887	307,810	7.2
Revenue (\$m)	565	546	3.5
Assets (\$m)	4,362	4,145	5.2
Water quality samples meeting guidelines (%) *	99.8	99.7	0.1
Reliability of supply - leaks or bursts /100km of pipe (number)	16.9	17.1	(1.2)

* Perth metropolitan area - thermo-tolerant coliforms

Perth Supply Boosted

Perth's water supply received a boost in May 2001, following completion of a 106-kilometre pipeline from Stirling Dam east of Harvey to Tamworth Hill reservoir near Rockingham.

The trunk main is a major part of the three-year, \$275-million Stirling-Harvey Redevelopment Scheme (SHRS) currently in its second year. Also included in the scheme is a new 60-gigalitre dam at Harvey, a 15.5-kilometre pipeline between the Harris Dam and Stirling Dam catchment area, and new water treatment plants at Harvey and Tamworth Hill.

The SHRS is part of a \$520-million program of investment in water source development by the Water Corporation in the nine years from 1993-2002.

The Corporation's source development plans were accelerated five years ago, when the full impact of climate change on streamflows into our dams signalled a potential water supply shortfall.

The program of source development has also involved deep and shallow groundwater schemes. In late 2000, the second stage of the Neerabup groundwater treatment plant near Wanneroo, and the new Lexia plant at Ellenbrook, were officially opened. Between them, these two plants, costing \$78 million, will provide 15 per cent of Perth's water supply needs. Additional bores, including one of high yield, were brought into production in the South Whitfords borefield early in 2001.

The increasing draw on groundwater resources has been undertaken in consultation with the Water and Rivers Commission, which is responsible for the State's water allocation.

Water Quality

Our commitment to water quality is central to our Customer Charter. Regular analyses of water are carried out at surface and groundwater sources, and within supply systems (typically more than 50,000 per year). These tests look at microbiological and chemical levels, as well as aesthetic quality including the taste, colour and odour of the water.

During the year, 99.8 per cent of water quality samples for Perth passed tests for thermo-tolerant coliforms, well above the National Health and Medical Research Council guideline of 95 per cent. All 223 country localities assessed also met the guideline.

In relation to service interruptions, 90 per cent of our customers did not experience an interruption of more than one hour. This was well above our operating licence minimum of 75 per cent.

We are undertaking a major aesthetic water quality program to further improve the quality of water supplied throughout the State. It will develop strategies to improve non-health-related water quality (taste, colour and odour).

We are also undertaking a statewide program to ensure we meet the latest guidelines set by the National Health and Medical Research Council under its Australian Drinking Water Quality Compliance program.

Water Supply

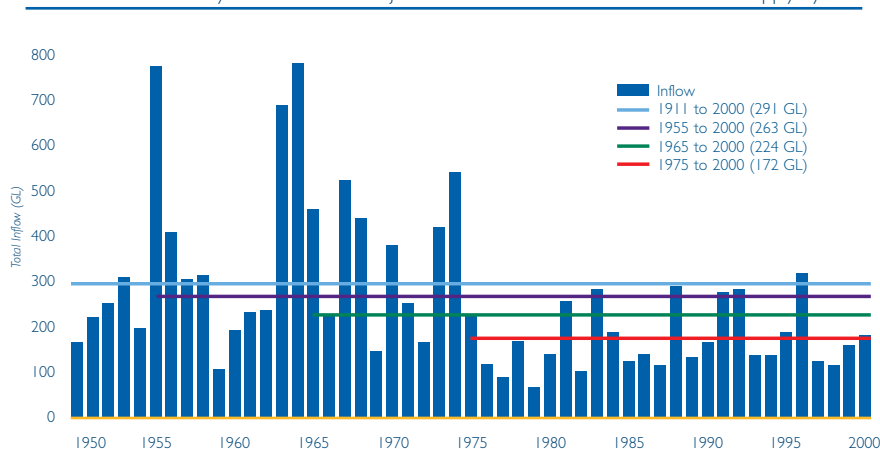
During the year, we supplied over 374 million kilolitres of water, and this volume is increasing steadily. Single-residential households in Perth consumed an average of 920 litres of water each day. Almost half of this was used to water the garden.

Due to the generally arid nature of the State, water conservation represents an important part of our activities. During 2000-2001 we promoted conservation messages through a significant summer campaign in the media, publications, advertising and displays. We also sponsored Garden Week in Perth, and continued to run the Waterwise Schools Program.

Source Protection

A comprehensive program is underway to keep the surface and groundwater catchments as clean and free of pollution as possible. In partnership with the Water and Rivers Commission, we monitor, assess and manage potential risks. During 2000, we joined the Department of Conservation and Land Management, other government agencies, local authorities and community groups to conduct campaigns to eliminate the dumping of rubbish in catchments - something which has increased in recent years.

Yearly Streamflow for Major Surface Water Sources - Perth Water Supply System



wastewater services

	2000 2001	1999 2000	% Change
Properties serviced (number)	637,070	613,936	3.8
Volume treated (ML)	120,662	120,353	.03
Revenue (\$m)	414	419	(1.2)
Assets (\$m)	3,611	3,487	3.6
Reliability of supply - customers not affected by overflows (%)	99.9	99.9	-
Blockages/100 km of sewer (number)	23.9	24.8	(3.6)

We operate 96 wastewater treatment plants across Western Australia, including three large plants in the Perth metropolitan area that serve more than 637,000 properties. Our systems comprise 11,928 kilometres of sewers and 904 pumping stations. In all of these operations, our priority is public health and environmental integrity. We continually upgrade our processes and technology to achieve this.

During 2000-2001, features of our wastewater operations were higher levels of treatment, increasing reuse of treated wastewater to irrigate tree lots and public amenities, and the use of biosolids - a by-product of treatment - to improve soils for agriculture and horticulture.

All of our treatment plants are licensed or registered by the Department of Environmental Protection (DEP) and are subject to regular comprehensive monitoring. They collected, treated and safely disposed of over 120 million kilolitres of wastewater during the year. There were no formal warnings or infringement notices issued.

During the year, 931 overflows from our sewers onto customers' properties were reported, up by four on the previous year. Of these, 99.9 per cent were responded to within our target time of two hours. We had 2,551 sewer blockages, representing a rate of 23.9 blockages per 100 kilometres of sewer, which was down by 3.6 per cent on last year's level.



Lt-Gen. John Sanderson, Governor of Western Australia, with Water Corporation Chairman Peter Jones and Managing Director Jim Gill, inspecting work on the Perth Main Sewer

Woodman Point

There was good progress in the major upgrading of the Woodman Point wastewater treatment plant, which services the metropolitan area south of the Swan River. The project, costing more than \$145 million, will increase the plant's capacity to 160 megalitres per day, keeping pace with growing demand. An advanced secondary level of treatment is also being introduced to enable the treated wastewater to be reused by Kwinana industry. The work includes a 160-metre diameter batch reactor that will have a capacity of 120 megalitres, making it the biggest of its kind in the world.

Work on the state-of-the-art Munster pump station at Woodman Point has progressed, with completion of the inlet structure and pipework, and mechanical fit-out under way. The overall project cost is estimated at \$34 million, with commissioning scheduled for April 2002.

Construction also proceeded on an associated 2.4-metre diameter sewer main, where it crosses Lake Coogee. In a unique project involving the local community and government agencies, the main is doubling as an observation bridge, providing an excellent public amenity across an important wetland.

Reuse of Treated Wastewater

Work proceeded on upgrading other wastewater treatment plants, mostly in the Perth area and the South West. During the year, about \$11 million was spent on projects at Albany, Collie, Kemerton, Margaret River, Bridgetown and Derby. Most of the projects involve schemes to reuse treated wastewater for tree lots or public amenities such as golf courses.

Work also progressed on an ocean outlet at Bunbury, and a further \$9 million was spent on major treatment upgrades at the Beenyup and Subiaco plants.

Biosolids

All of the biosolids from two of Perth's three major wastewater treatment plants are now being used as a soil improver for agriculture, tree farms or minesite rehabilitation. At the third plant, Subiaco, sludge stabilised with lime and pelletised biosolids is being used for landfill. The sludge is also used in an oil-from-sludge plant that is at the commissioning stage. We are also establishing long-term outlets to reuse biosolids from our larger regional treatment plants.

Odour Control

Over the next three years, we have committed to a \$70-million odour control strategy to encompass the three major Perth wastewater treatment plants - Beenyup, Subiaco and Woodman Point - as well as regional plants at Albany, Busselton, Mandurah, Geraldton and Broome.

We are currently working towards formal recognition of buffers within town planning schemes. We are also promoting compatible land uses within these buffers.

Infill Sewerage Program

A further 8,954 sewer connections were made available during the year at a cost of \$86.9 million under the State Government's 10-year Infill Sewerage program. The program aims to eliminate septic tanks to protect groundwater, waterways and public health.

drainage services

	2000 2001	1999 2000	% Change
Properties serviced (number - metropolitan)	274,763	267,160	2.8
Length of drains (km)	2,767	2,970	(6.8)
Revenue (\$m)	34	30	13.3
Assets (\$m)	330	323	2.2
Design of new urban drainage systems in accordance with standards (%)	100	100	-

We provide drainage services to 274,763 properties in the Perth metropolitan area and a further estimated 21,000 properties in six proclaimed areas in the south of the State. All other drainage services are managed by local authorities. The total length of our drains is almost 2,800 kilometres, covering an area of more than 450,000 hectares.

Drains play a very important part in protecting the environment, and greater attention is being paid to improving the quality of drain water that flows into waterways. For example, we continue to work with the local community and a government agency taskforce to improve the quality of water flowing from drains into the Dirk Brook and Serpentine River near Perth. This helps reduce contaminants that are carried to larger waterways and the fragile Peel-Harvey Estuary.

Flood Mitigation Planning

In December 2000, a new flood mitigation plan was launched in Busselton - an area prone to flooding, sometimes severely. We are working with the community and government agencies to construct up to nine detention basins in the upper drainage catchment over two years, at a total cost of about \$10 million. These will retard floodwaters in the upper Vasse and Sabina catchments. Negotiations are continuing with farmers over voluntary construction of basins on their properties.

Yellow Fish Road Project

In March 2001, we established five projects in metropolitan drainage catchments under the Yellow Fish Road project. Our aim is to raise community awareness of the need to prevent the pollution of drains, and consequently waterways, with fertilisers, litter and other materials. This was one of our major community-focused environmental activities during the year, and a number of employees, along with partners and children, helped to distribute information and stencil yellow fish on drain covers in the Gosnells-Canning Vale area.

New Schemes

Work progressed on the \$22-million Southern Lakes Drainage and Sewerage schemes, expected to be completed by the end of 2001. The drainage scheme is required as an environmental condition for urban development to the east of Thomson's Lake in the Perth southern metropolitan area. It will bring significant environmental benefits to Thomson's, Yangebup and Kogolup Lakes, their fringes and existing flora and fauna. Drainage water is being diverted away from the new urban areas, maintaining lake water levels and protecting two of the lakes from nutrient inflows. The lake fringes are an important breeding area for migratory birds from Russia and Asia.

At Jandakot and Ellenbrook in the Perth metropolitan area, we are investigating the value of constructed wetlands in controlling drain water quality. At Ellenbrook, in partnership with a private company, we are trialling a new filtration technology for nutrients and phosphorous. The results so far are encouraging.



Helping clean up the catchment at Victoria Dam

Drain to Catchment Strategies

By reducing the pollutants that enter our drains, we can provide greater protection to our waterways, where drains flow. In conjunction with other agencies, such as the Swan River Trust, the Water and Rivers Commission and the Department of Environmental Protection, greater focus is being given to reducing pollution from catchments, rather than in the drains themselves.

drainage



irrigation services

	2000 2001	1999 2000	% Change
Irrigation dams and weirs (number)	11	11	-
Volume of water supplied (ML)	319,246	258,160	23.7
Revenue (\$m)	11	9	22.2
Assets (\$m)	87	81	7.4
Quality of water - samples meeting requirements (%)	100	100	-

We are increasingly becoming a supplier of bulk water to irrigation schemes in Western Australia. These schemes are progressively being transferred to grower-owned cooperatives in response to calls for reform in the national water industry by the Council of Australian Governments and the National Competition Council. A main objective is to give users a greater degree of responsibility in the management of the irrigation assets they depend on.

Two cooperative schemes operate in the South West of WA, the Preston Valley Irrigation Cooperative and the South West Irrigation Cooperative. The Water Corporation sells bulk water to both bodies.



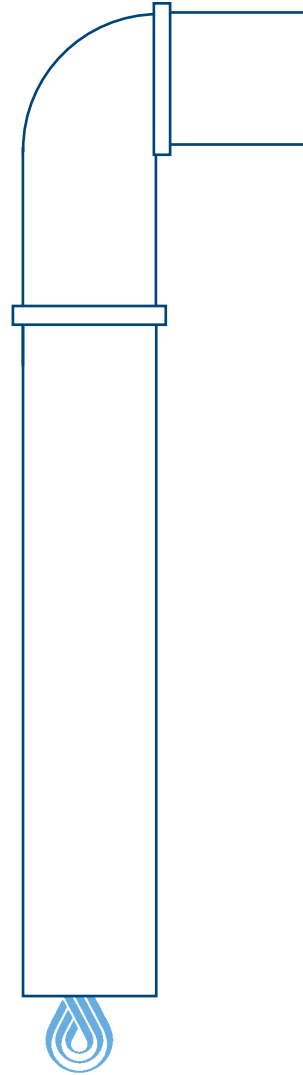
Supplying water for irrigation across the State

Ownership of the State's other major irrigation schemes - at Carnarvon, and the Ord scheme at Kununurra - are also being transferred. Memoranda of Understanding were signed for both projects in mid-2000. The Corporation will retain ownership of the headworks and continue to own and operate both the Kununurra and Carnarvon water supply and sewerage schemes.

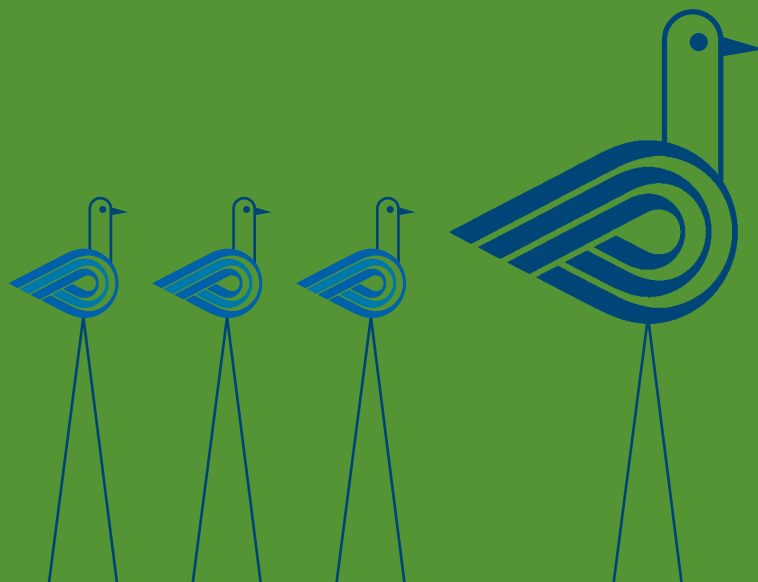
Negotiations with the Carnarvon Irrigation Steering Committee (CISC), for transfer of the Carnarvon scheme, are continuing. Completion is due in 2001-2002. In the interim, it has been proposed that the CISC establish an irrigation cooperative to enter into an operation and management contract with the Water Corporation for the piped distribution system. A similar arrangement has operated on the Ord scheme since 1996.

Ord Stage Two

The Water Corporation continued its involvement in the planning and development of the second stage of the Ord River Irrigation Scheme. Water Corporation input into the engineering aspects of the irrigation infrastructure and the environmental assessment processes for the project are now complete. Ministerial approval is being sought. Water allocation issues are now a focus for proponents of the Project.



H₂corpOrate information



corporate governance

This section outlines the principal corporate governance practices followed during the 2000-2001 financial year. These practices are a framework for ensuring the business acts with high standards of corporate behaviour and in the best interests of its 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 legal compliance, ethical behaviour and proper risk management processes are in place and operating 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 Managing Director. Regular Board meetings are held once a month at the head office in Perth.

Appointment of Directors

The Governor has appointed non-executive directors on the nomination of the Minister for Water Resources. In the future, this will be on the nomination of the Minister for Government Enterprises. 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 initial appointment of the Managing Director was made by the Minister, with future appointments to be made by the Board, subject to the Minister's concurrence. The Board can appoint a person to act in place of the Managing Director during a vacancy in that office.



Water Corporation Board, from left:
Don Young, Peter Hopwood, Ian Kuba, Peter Jones, Jim Gill, Eva Skira, Clayton Hyder

Changes to the Board

There were no changes to the membership 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.

Compensation and Remuneration

- **Directors** - The Minister, on advice, approves the remuneration of non-executive directors. Directors' fees are outlined in note 23 to the Financial Statements. The Board, with concurrence of the Minister, is responsible for the remuneration package of the Managing Director and remuneration is reviewed annually. Non-executive directors receive no retirement benefits except for eight per cent in superannuation.
- **Executives** - The Managing Director has the delegated power to determine the terms and conditions of service for the Corporation's staff, and performance is reviewed every six months. Executives' remuneration is outlined in note 22 to the Financial Statements.

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.

Management of Significant Business

The Water Corporation has well-established risk management policies and procedures across the corporation in areas such as occupational health and safety, the environment and contract management. The risk management systems are based on the Standard AS/NZS 4360:1999.

A key focus of the risk management process is to create and encourage a greater awareness, in all managers and employees, of the commercial and technical risks inherent in the operations, and to identify, analyse and evaluate risks. The Corporation's Risk transfers catastrophic financial risk through a suite of insurance policies placed on the commercial market.

During the financial year, the company paid a premium for an insurance policy insuring any past, present, or future director, secretary, executive officer or employee of the company or its subsidiaries against certain liabilities. In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liabilities insured against the amount of the premium.

Management of Financial Exposures

The Corporation has a central Treasury function that manages the financial exposures within Board-approved limits. Regular reporting ensures the Board can monitor financial risk management of the business.

In early 2000, the Audit and Compliance Committee of the Board requested an internal audit and review of the Treasury function. The review was completed in April 2001 and assessed the appropriateness of the existing structure, policies, procedures and both the current and future risk management strategy.

The review final report found that the Treasury function had "evolved in an appropriate manner to meet the current financial risk management strategies of the Corporation". Some improvements were recommended, which related to developing a more pro-active risk management role for the future.

Managing Incidents

An Incident Management process is in place to assist in managing the consequences of inherent risks and unforeseen events. It is based on national guidelines and adopted by emergency services and utilities throughout Australia.

Incidents are generally declared when a scheme, process, or system has reached a potential to, or has, adversely affected our business to an unacceptable extent in actual fact, or in terms of community perception. Incidents are also declared when a performance criterion fails to satisfy an Act or Regulation, a condition of a facility permit, or an operating licence.

Incidents are classified as minor, significant or major. Significant and major incidents are reported in accordance with approved procedures and the requirements of Acts and Regulations. The Corporate Executive, Managing Director, Board and Minister are kept informed of major incidents. A monthly summary report is forwarded to the Board. During the year, there were 120 significant or major incidents.

Audit and Compliance Committee

The Audit and Compliance Committee, comprising directors Mr DF Young (Chairman), Ms EDR Skira and Mr IC Kuba, 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 by:

- overseeing the financial management reporting process;
- ensuring that the annual and external reports are prepared in accordance with the relevant accounting standards and statutory requirements;
- considering the effectiveness of accounting and internal controls relating to corporate accounting and reporting;
- monitoring compliance with applicable legislation and regulations;
- considering the range of risks faced by the Corporation and providing reasonable assurance that these risks have been addressed;
- overseeing the internal audit function;
- reviewing external audit arrangements and liaising with the external auditor; and
- providing a forum for the directors, management, and internal and external auditors to discuss the issues outlined above.

Other significant activities carried out by the Audit and Compliance Committee during the period included review of:

- performance of 2000-2001 management review and audit program;
- the report of the Auditor General for the 2000 external audit and follow-up of issues arising from the audit;
- proposals for the 2001 external audit;
- proposals for 2001-2002 operating budget;
- proposal on dividend payout rates for 2001 and beyond; and
- proposal for 2001-2002 capital investment program.

In the 12 months ended 30 June 2001, the Audit and Compliance Committee met on six occasions.

Investment Committee

Established on 15 October 1998, this committee of the Board reviews and recommends the approval of the Corporation's investment program, including proposals for commercial initiatives. The committee comprises the Hon. PV Jones (Chairman), Dr JI Gill, Dr PF Hopwood, Ms EDR Skira and Mr DF Young.

The Investment Committee met on three occasions during the year.

Research and Development Committee

The Research and Development Committee comprises directors Dr PF Hopwood (Chairman), Mr CN Hyder, Dr JI Gill as well as Mr K Cadee (Chief, Research and Innovation) and Mr J Janssen (Manager of Technology and Research Management Branch). The committee's function is to:

- provide guidance and oversee the development of an R&D strategy;
- oversee the R&D planning process;
- consider the effectiveness of policies, processes and procedures relating to R&D investment; and
- consider the effectiveness of the program to deliver tangible benefits.

The committee has been influential in the way we link R&D and Innovation to the strategic direction of the business. The R&D Committee met on eight occasions during the year.



Performance Monitoring and Reporting

The Corporation provides written quarterly and annual reports to the Minister for Water Resources* detailing its performance and progress made in fulfilling the Statement of Corporate Intent (SCI). Written quarterly, reports are also provided to the Office of Water Regulation 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 the performance of their duties, as set out in the Corporation's Code of Conduct Manual. All managers are required to monitor adherence to the standards outlined in the manual. Every 12 months, general managers report on compliance and a consolidated report is then forwarded to the Commissioner for Public Sector Standards.

During 2000-2001, one breach of the code of conduct was found. The breach was reported and closed out.

Conflict of Interest

The Water Corporation has established procedures for identifying, preventing or resolving conflicts of interest. These procedures are outlined in the Corporation's Logistics Manual.

All Corporation personnel with duties related to the negotiation of a contract must disclose current or prospective interests to their immediate supervisor. They must also disclose the interests of members of their immediate family, if they are known. In such cases, either the basis of that interest should be discontinued, or the person should cease the duties involved, or obtain management permission to continue.



Regulatory Authorities

The Water Corporation provides services to customers in accordance with an Operating Licence issued by the Coordinator of Water Services through the Office of Water Regulation.

The Office of Water Regulation was established in 1996 to administer a licensing scheme for water service providers, and to advise the Minister for Water Resources* on policy. The Water and Rivers Commission, the Department of Environmental Protection and the Health Department also regulate and have a significant impact on the Water Corporation's operations.

In June 1999, the Coordinator of Water Services extended the term of the licence from five years to 25 years, as part of a package of understandings reached with the Corporation. The longer term provides the Corporation with greater certainty for investment decisions. The amended licence is valid to 2021.

Close interaction was maintained throughout the year with the new Plumbers' Licensing Board, which was established in June 2000 to take over responsibility for the licensing of plumbers. A Memorandum of Understanding was jointly developed to clarify the roles of the new Board and the Corporation during the transition period. Transfer of the regulatory licensing role has enabled the Corporation to focus on its role as a service provider in the water industry. We are adopting a simpler, non-regulatory approach to promote compliance with the conditions for connection to services.

Environmental Certification Achieved

The Corporation continued to improve its framework for environmental reporting with the publication of the first Community and Environment report in November 2000. This report summarised the Corporation's performance in key environmental areas.

By June 2001, 11 business units had achieved certification of their environmental management systems to the international EMS standard ISO 14001. Most of the Corporation's business units that manage significant environmental risks are now certified to ISO 14001.

During the reporting period there were no significant breaches of ministerial and licensing requirements.

More information on environmental performance is contained in the Environmental Performance section and the Directors' Report.

Strategic Development Plan and Statement of Corporate Intent

The Corporation has in place a five-year Strategic Development Plan, reviewed every year; and a Statement of Corporate Intent (SCI) covering 12 months. The SCI is a public document and is in the form of an agreement with 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 2000-2001 year and approved by the Minister.

Trade Practices Act

The Corporation has a Trade Practices Compliance Program, aligned with standards recommended by the Australian Competition and Consumer Commission, to manage risk within the organisation. It includes educational workshops conducted in metropolitan and regional areas to ensure employees are aware of their obligations. A website is also maintained to enhance communication with employees and provide the latest information on Legislative requirements and Corporation policy and procedures.

Freedom of Information

The Corporation has met its obligations under the *Freedom of Information Act 1992*. The Water Corporation Information Statement is issued as a separate document and can be obtained by contacting:

Freedom of Information Coordinator
Water Corporation
629 Newcastle Street
LEEDERVILLE WA 6007

Telephone 08 9420 2514
Facsimile 08 9420 3360

During 2000-2001, the Corporation received 17 applications for information under the provisions of the Act. Two applications were carried over from the prior year. Of these 19 applications, 9 were provided with full information, 7 were provided with edited information, 1 application was denied access, 1 was withdrawn and 1 was on hand at year-end. Internal and external reviews were requested for 9 applications (6 internal and 3 external).

Fees and charges totalling \$458.00 were received for processing these applications with the average processing time being 46 days.

* Minister for Government Enterprises from 1 July 2001.



directors' report

The directors present their report on the financial statements for the 12 months ended 30 June 2001.

Directors

The names of directors in office at the date of this report are:

Hon. Peter Jones AM FAICD (Age: 68)

Chairman
Company director

Previously Chairman of the Water Industry Restructure Implementation Group, which was responsible for re-organising the water industry in Western Australia, and its separation into resource management, utility and regulatory components.

Mr Jones is Chairman of AMMTEC Ltd and of ARC Energy N.L.

From 1974 to 1986, Mr Jones was a Member of the Western Australian Legislative Assembly, and held a number of senior ministerial portfolios from 1975 to 1983, including Resources Development, Mines, Fuel and Energy.

He is Chairman of the Board's Investment Committee.

Appointed as a non-executive director from 1 January 1996, his current term expires on 31 December 2002.

Mr Ian Kuba FCPA, FCIS, FAIM, FAICD (Age: 68)

Deputy Chairman
Company director

Mr Kuba is Executive Chairman of Sector Investments Pty Ltd and Offshore Securities Pty Ltd, a Director of Futuris Corporation Ltd, Chairman of Bristle Ltd and a Director of Building and Construction Industry Training Fund.

He is a member of the Board's Audit and Compliance Committee. He was a member of the Board of the Water Authority of Western Australia from 1 July 1995 to 31 December 1995 and a member of the Water Industry Restructure Implementation Group.

Appointed as a non-executive director from 1 January 1996, his current term expires on 31 December 2003.

Dr Jim Gill BE(Hons), MPA, PhD, FTSE, FIE Aust, CP Eng, FAIM, FAICD (Age: 54)

Managing Director of the Water Corporation

Dr Gill was Commissioner of Railways from 1988 to 1995 and previously held senior positions in Main Roads WA.

He was Managing Director of the Water Authority of Western Australia from 13 March 1995 to 31 December 1995.

He is the President of the WA Division of the Australian Institute of Company Directors and a member of the Senate of the University of Western Australia. He is a Board Member and former Chairman of the Water Services Association of Australia, a former Chairman of the Railways of Australia Committee and a former Chairman of the WA Division of the Institution of Engineers Australia.

Appointed as Managing Director on 1 January 1996, his current term expires on 31 December 2005.

Dr Peter Hopwood BE(Hons), PhD, FIE Aust, CP Eng, FAICD (Age: 54)

Principal with HBH Consultants

Dr Hopwood has over 30 years' experience in engineering and management. His company specialises in providing engineering and project management services, particularly to companies in the mining and minerals processing sectors of the resource industry. His experience includes senior roles with Woodside, Santos and the Tiwest Joint Venture, working in Australia, UK, USA and Indonesia.

He is Chairman of the International Centre for Application of Solar Energy and a past president of the WA Division of the Institution of Engineers Australia.

He is Chairman of the Board's Research and Development Committee and a member of the Investment Committee. He was previously a member of the Board of the Water Authority of Western Australia from 1 July 1995 to 31 December 1995.

Appointed as a non-executive director from 1 January 1996, his current term expires on 31 December 2003.

Mr Clayton Hyder (Age: 44)

Chief Executive Officer of Geographe Enterprises Group

Mr Hyder is Chairman of the Bunbury Port Authority, and a Board member of the Bunbury Wellington Economic Alliance. He is a director of Geographe Enterprises Pty Ltd, Geographe Energy Pty Ltd, K. Hitch (Australia) Pty Ltd, Hyder Investments Pty Ltd, Hyder Developments Pty Ltd, Irter Pty

Ltd, GSE Pty Ltd and Viron Pty Ltd. He has experience in business management, business development and metal trades.

He is a member of the Board's Research and Development Committee.

Appointed as a non-executive director from 1 January 1996, his current term expires on 31 December 2001.

Ms Eva Skira MBA(Geneve), BA(Hons), FAICD, FSIA (Age: 46)

Business and Strategy Adviser

Ms Skira, who has a commercial background in banking, stockbroking and the financial markets, operates her own consultancy in business and strategy advice. She is a member of the Governing Board of the St John of God Health Care Group. Previously she was Deputy Chairman of Metrobus (formerly Transperth), and a member of the Taxi Industry Board.

She is Deputy Chairman of the WA Division of the Securities Institute of Australia, and is a member of the national Graduate Advisory Committee for the Institute, having chaired the State's Education Committee for some time.

She is a member of the Board's Audit and Compliance and Investment Committees.

Appointed as a non-executive director from 1 January 1999, her current term expires on 31 December 2001.

Mr Donald Young BE(Hons), FIE Aust, CP Eng (Age: 68)

Before retirement in December 1993, Mr Young was Chairman and Manager, WA Operations, Clough Engineering Limited. He has an engineering background with over 30 years' experience in various major construction projects throughout Western Australia.

He is Chairman of the Board's Audit and Compliance Committee and a member of the Investment Committee. He was previously a member of the Board of the Water Authority of Western Australia from 1 July 1993 to 31 December 1995 and a member of the Water Industry Restructure Implementation Group.

Appointed as a non-executive director from 1 January 1996, his current term expires on 31 December 2002.

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 during the 12 months ended 30 June 2001 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 12 months ended 30 June 2001.

Directors' Meetings

The number of meetings of the Board and committees of directors held, and number of meetings attended by each director, during the 12 months ended 30 June 2001 are as follows:

	Meetings of Committees			
	Board ¹ Meetings	Audit and ¹ Compliance	Investment ¹	R&D ¹
Number of meetings held:	11	6	3	8
Number of meetings attended by:				
PV Jones	10	*	3	*
IC Kuba	11	6	*	*
JJ Gill	11	*	3	8
PF Hopwood	11	*	3	8
CN Hyder	10	*	*	7
EDR Skira	10	6	3	*
DF Young	9	6	3	*

* Not a member of the relevant committee.

¹ Refer to the Corporate Governance section for further information on the role and membership of the committees.

Remuneration

Details of remuneration provided to directors:

	Base Fees \$'000	Superannuation \$'000	Other \$'000	Total \$'000
Non-Executive Directors				
PV Jones	88	7	-	95
IC Kuba	37	3	1	41
PF Hopwood	37	3	1	41
CN Hyder	39	3	-	42
EDR Skira	38	3	-	41
DF Young	32	4	6	42
Managing Director				
JJ Gill	258	32	10	300

Details of remuneration provided to senior officers:

	Remuneration \$'000	Superannuation \$'000	Other \$'000	Total \$'000
G Meinck	192	22	5	219
J Brown	177	20	12	209
P Moore	173	20	2	195
M Henneveld	168	19	6	193
M Peacock	169	17	-	186

Operating Results

	2000-2001 \$'000	1999-2000 \$'000
Revenue from Ordinary Activities	1,023,818	1,004,585
Expenses from Ordinary Activities	(534,433)	(515,409)
Borrowing Cost Expense	(32,958)	(36,938)
Profit from Ordinary Activities before Income Tax Expense	456,427	452,238
Income Tax Expense*	(151,575)	(139,894)
Net Profit	304,852	312,344

* The Water Corporation operates within a tax equivalent regime. This tax is payable to the Western Australian Government in lieu of Commonwealth Income Tax for the 12 months ended 30 June, in accordance with Section 77 of the *Water Corporation Act 1995*.

Dividends Paid or Recommended

	2000-2001 \$'000	1999-2000 \$'000
Interim dividend paid	221,167	95,061
Provision for final dividend	19,586	106,154
Total dividend paid or provided for	240,753	201,215

The Board of the Corporation recommended that a dividend of \$240.753 million be paid for the 12 months ended 30 June 2001. An interim dividend of \$221.167 million was paid in June 2001 and the balance of \$19.586 million will be paid by 30 October 2001.

Review of Operations

Established on 1 January 1996, the Corporation operates in a regulatory framework comprising the Office of Water Regulation, Water and Rivers Commission and the Environmental Protection Authority. 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 almost \$9.5 billion. Asset management plans have been developed for all of our assets to ensure they are managed in the most cost-effective manner.

During the year, the Corporation supplied 374,434 megalitres of water and treated 120,662 megalitres of wastewater. Further details on the operations of the Corporation and the results of those operations for the year ended 30 June 2001 can be found in the Operations Summary on page 27 of this report.

Environmental Performance

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

Environment Protection and Biodiversity Conservation Act (Commonwealth) 1999

Environmental Protection Act 1986

Dangerous Goods Regulations 1982

Aboriginal Heritage Act 1972

Poisons Act 1964

Minor breaches of Ministerial Conditions for the new Harvey dam were recorded as a result of four airblast overpressure levels in February and March 2001. The contractor was instructed to use low velocity explosives when blasting oversize rocks on the surface to resolve this problem. The regulator was satisfied that these minor non-compliances were resolved and no further enforcement action ensued.

There were no significant breaches of Ministerial conditions, Department of Environmental Protection wastewater treatment plant licences or Water and Rivers Commission water allocation licence conditions during the year and no penalties were incurred. A breach is taken as 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.

The Corporation began a review of the original Environmental Policy, established in September 1997, with a focus on sustainable development. The Corporate Environmental Management System (CEMS) was re-developed to achieve improved integration between the business unit systems and the corporate level. The system provides a framework for the management of strategic environmental issues and continual improvement in environmental performance outcomes.

Compliance with environmental conditions is reported quarterly to senior management (the Environmental Management Steering Committee) and the Board.

The Corporation also has an incident management process in place to ensure a fast and effective response to any accidents or incidents.

The first Community and Environment Report was published in November 2000 and can be viewed on our website www.watercorporation.com.au.

Ministerial Directions

Under Section 64 (1) of the *Water Corporation Act 1995* the Minister for Water Resources* may give directions in writing to the Corporation, generally with respect to the performance of its functions and, subject to Section 65, the Corporation is to give effect to any such direction. During the period under review, no such direction was given by the Minister.

* Minister for Government Enterprises from 1 July 2001

State of Affairs

There were no significant changes during the year ended 30 June 2001 in the state of affairs of the Corporation not otherwise disclosed in this report, or the financial statements.

Events Subsequent to Balance Date

Since the financial year ended on 30 June 2001 and the date of this report, the directors are not aware of any matter or circumstance not otherwise dealt with in the report or financial statements that has significantly or may significantly affect 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 the 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 this 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 2001, 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 2001, 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 2001, 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.



PV Jones
CHAIRMAN



JI Gill
MANAGING DIRECTOR

PERTH, 30 August 2001

organisational structure

Shareholder

Represented by Ministers for Water Resources*

Hon Dr Kim Hames

Hon Dr Judy Edwards

Board Chairman

Hon Peter Jones

Managing Director

Dr Jim Gill

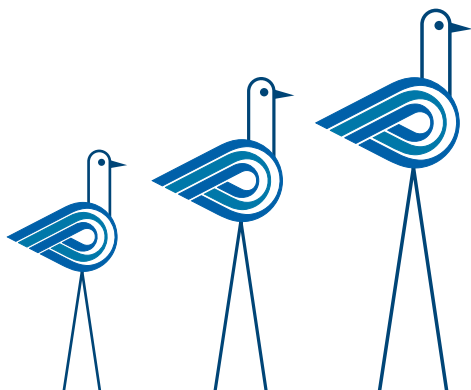
- Executive Services
- Corporate Affairs
- Management Review and Audit
- Research & Innovation

Bulk Water & Wastewater	Planning & Development	Customer Services	Commercial	Engineering & Contracts	Finance
<i>Keith Cadee</i>	<i>Garry Meinck</i>	<i>Jim Brown</i>	<i>Menno Henneveld</i>	<i>Peter Moore</i>	<i>Malcolm Peacock</i>
Management and operation of Perth water sources, water quality and treatment, system distribution and the treatment and disposal of wastewater and industrial waste.	Provide organisational leadership in the areas of infrastructure planning and development, land planning and environmental, human resource and information management.	Principal interface between the Corporation and its customers. Delivery of water, wastewater, drainage and irrigation services statewide.	Management of commercial activities and international business development.	Project management, construction and commissioning expertise, logistics, contracts, land and property management and specialist engineering support.	Management of business planning and corporate risk, management reporting and analysis, financial and statutory reporting, treasury operations, taxation, revenue policy and business finance support.

* Minister for Government Enterprises from 1 July 2001.

** This chart reflects the organisation at 30 June 2001. Changes have since been made to align the Corporation's structure with the future strategic direction.

organisational structure



Corporation Executive from left:
Garry Meinck, Malcolm Peacock, Keith Cadee, Jim Gill, Menno Henneveld, Jim Brown, Peter Moore.

Garry Meinck *CP Eng, FIE Aust, Assoc Civil Eng, Grad Dip Bus Mgmt, GAICD, MAWA (Age 58)*

General Manager, Planning and Development

Mr Meinck has been associated with the water industry for over 30 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 managed the project to restructure the water industry in Western Australia in 1995.

Malcolm Peacock *BA(Accountancy), CA, MAICD (Age 36)*

General Manager, Finance

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

Mr Peacock is a Chartered Accountant, having commenced 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 and has also held senior financial executive positions for a number of other companies, both overseas and in Australia.

Mr Peacock is the Chairman of CPA's WA Industry and Commerce Committee and a director of the Water Corporation Superannuation Fund.

Keith Cadee *BE (Hons), ME, CP Eng, MIE Aust, MAWA, GAICD (Age 47)*

General Manager, Bulk Water and Wastewater and Chief of Research and Innovation.

Mr Cadee has had more than 25 years' experience in the water industry since joining the former Metropolitan Water Supply Sewerage and Drainage Board as an engineering cadet in 1972. 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 Research Committee and its Technical Reference Group, and has been a member of the Board of the Co-operative Research Centre for Water Quality and Treatment since 1995.

Menno Henneveld *BE, FIE Aust, CP Eng, Grad. Dip. Bus. Admin., AAIM, GAICD, MAWA, PMP (Age 55)*

General Manager, Commercial

Appointed General Manager Commercial Division in February 2001, Mr Henneveld was previously General Manager Customer Services and General Manager Engineering and Contracts.

Mr Henneveld has more than 37 years of service with the Water Corporation and its predecessors. He has held the positions of District, Regional and Executive Engineer PWD; Principal Engineer, Metropolitan Water; Manager, Construction and Project Management; and Group Director, Major Developments.

He is the inaugural Chairman of the Australasian Society for Trenchless Technology and the Vice-President of the International Society for Trenchless Technology.

Jim Brown *CP Eng, FIE Aust, Grad Dip Bus and Admin, GAICD (Age 55)*

General Manager, Customer Services

Mr Brown has had a total of 35 years' experience in the water and marine industries, commencing as a cadet engineer with the former Public Works Department in 1964.

He has been a member of the Catholic Education Commission for a number of years chairing the School Resources Standing Committee for the Catholic school system.

Peter Moore *CP Eng, FIE Aust, Assoc Civil Eng, Grad Dip Mgmt, MAWA, GAICD (Age 51)*

General Manager, Engineering and Contracts

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 before assuming his current role.

Mr Moore is currently the State President of the Australian Water Association and is a Board member at Aquinas College.

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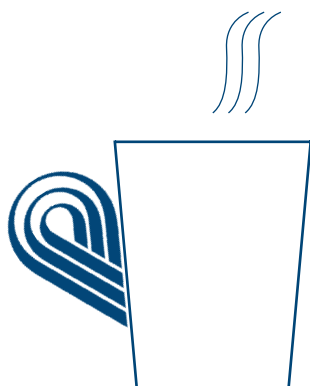


statement of financial performance

for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
Revenue from Ordinary Activities	2	1,023,818	1,004,585
Expenses from Ordinary Activities	3	(534,433)	(515,409)
Borrowing Cost Expense	4	(32,958)	(36,938)
Profit from Ordinary Activities before Income Tax Expense	5	456,427	452,238
Income Tax Expense	6	(151,575)	(139,894)
Net Profit		304,852	312,344

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



statement of financial position

as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
Current assets			
Cash assets		12,444	23,149
Receivables	7	83,578	91,677
Investments	8	4,990	4,664
Inventories	9	5,593	6,366
Other	10	4,757	2,417
Total current assets		111,362	128,273
Non-current assets			
Property, plant and equipment	11	9,288,766	8,991,114
Deferred tax assets		45,048	43,667
Receivables - Pensioners rate deferrals		11,871	10,821
Total non-current assets		9,345,685	9,045,602
Total assets		9,457,047	9,173,875
Current liabilities			
Payables		79,944	89,791
Interest-bearing liabilities	12, 20	35,567	714
Current tax liabilities		48,039	39,728
Provisions	13	46,120	131,888
Other	14	8,017	6,184
Total current liabilities		217,687	268,305
Non-current liabilities			
Interest-bearing liabilities	12	807,749	576,121
Deferred tax liabilities		211,772	175,551
Provisions	13	64,828	60,946
Other	14	20,528	22,568
Total non-current liabilities		1,104,877	835,186
Total liabilities		1,322,564	1,103,491
Net assets		8,134,483	8,070,384
Equity			
Contributed equity	15	7,326,677	7,326,677
Reserves	16	715,860	694,246
Retained profits	17	91,946	49,461
Total equity		8,134,483	8,070,384

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 2001

	Note	2001 \$'000	2000 \$'000
Cash flows from operating activities			
Receipts from customers		672,580	630,891
Interest received		3,478	3,748
Interest and other costs of finance paid		(49,582)	(42,381)
Payments to suppliers and employees		(321,618)	(266,172)
Income taxes paid		(108,424)	(99,843)
Community Service Obligation (CSO) contributions		225,890	205,617
Developers' contributions		49,860	71,888
GST received		8,131	-
Other		45,822	35,736
Net cash from operating activities	19	526,137	539,484
Cash flows from investing activities			
Payments for property, plant and equipment		(486,009)	(451,528)
Proceeds from sale of property, plant and equipment		9,082	20,088
Deposits		962	(250)
Net cash used in investing activities		(475,965)	(431,690)
Cash flows from financing activities			
Repayment of borrowings		(97,751)	(110,883)
Proceeds from borrowings		364,195	145,000
Dividends paid		(327,321)	(134,504)
Net cash used in financing activities		(60,877)	(100,387)
Net (decrease) /increase in cash held		(10,705)	7,407
Cash at the beginning of the year		23,149	15,742
Cash at the end of the year	19	12,444	23,149

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 2001

Note 1 Summary of significant accounting policies

1.1 Basis of accounting

The financial statements have been prepared on the accrual accounting basis and in accordance with the historical cost convention, except for certain non-current assets which are recorded at deemed cost (refer Notes 1.3 and 1.4).

Except where specifically noted, the accounting policies used are consistent with those adopted in the previous year.

The financial statements are a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and the requirements of the *Water Corporation Act 1995*.

The Board of the Corporation has elected to apply Accounting Standard AASB 1041 "Revaluation of Non-Current Assets" (amended July 2001) for the financial year ended 30 June 2001.

1.2 Revenue

1.2.1 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.

1.2.2 Other revenue

- (a) Gross proceeds on sale of assets are included.
- (b) Interest received / receivable is included.
- (c) Developers' Contributions are recognised as revenue.

1.3 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 in progress, when applicable. 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.

notes to and forming part of the financial statements

for the year ended 30 June 2001

1.4 Revaluation of property, plant and equipment

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). 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.

1.5 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.

1.6 Provisions

1.6.1 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 average lives:

	<u>Life (years)</u>
Pipelines and fittings	87
Dams, reservoirs, bores and tanks	59
Ocean outfalls	65
Pump stations and treatment plants	56
Drains and channels	99
Other structures	42
Plant and equipment	13
Buildings	42
Computer equipment	5
Vehicles and mobile plant	6

1.6.2 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.

1.6.3 Doubtful debts

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

- (a) 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
- (b) 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.

1.6.4 Insurance

The Corporation has in place the following insurance policies:

- (a) Property and Business Interruption insuring against significant loss of assets (other than pipelines and tunnels which are considered low risk due to their wide distribution);
- (b) Public and Products Liability;
- (c) Directors and Officers;
- (d) Workers' Compensation;
- (e) Comprehensive vehicle (including road registered plant);
- (f) Corporate Travel; and
- (g) Principal Controlled Construction Insurance.

notes to and forming part of the financial statements

for the year ended 30 June 2001

In addition, the Corporation self-insures, through the maintenance of an Insurance Provision, risks associated with:

- (a) pipes and tunnels, hired plant, transit loss and engineering failure;
- (b) increased cost of operations consequent upon a property loss associated with one of the above; and
- (c) environmental impairment.

1.7 Employee entitlements

1.7.1 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.

1.7.2 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.

1.7.3 Sick leave

Sick leave is expensed in the year in which it is incurred in line with AASB 1028 "Accounting for Employee Entitlements" 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).

1.7.4 Superannuation

The Corporation sponsors the following superannuation arrangements:

- (a) the State Superannuation Pension Fund, which closed to contributory members on 15 August 1986 (refer Note 13(a));
- (b) the Gold State Superannuation Scheme (GSSS), a lump sum scheme which was opened to contributory members on 1 July 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 of 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. As a consequence, a full provision has been made to cover:

- (a) the past service liability for those employees who remain contributory members of the former State Superannuation Pension Fund; and
- (b) 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, State Treasury meets the present value of future cost of their pensions and these costs are not reflected in the financial statements.

notes to and forming part of the financial statements

for the year ended 30 June 2001

1.8 Tax equivalent regime (TER)

The Corporation is subject to certain taxes, including Sales Tax and Income Tax, under the *State Enterprises (Commonwealth Tax Equivalents) Act 1996*. These taxes are expensed in the year in which they are incurred.

1.9 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 "Accounting for Income Tax (Tax-effect Accounting)". Under the liability method, the income tax expense shown in the Statement of Financial Performance is based on the pre-tax accounting 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.

1.10 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;
- (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.

1.11 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.

1.12 Pensioners rate deferrals

Pensioners rate deferrals are annual service charges deferred by eligible pensioners, which will be realised on sale of property or from the estate.

1.13 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.

notes to and forming part of the financial statements

for the year ended 30 June 2001

1.14 Financial instruments

1.14.1 Included in equity

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

1.14.2 Included in liabilities

Accounts payable is recorded at the value of goods and services received.

Borrowings are recognised at the amount of proceeds received. Sinking fund contributions made are used to reduce borrowings, where applicable. Interest is recognised as an expense.

1.14.3 Included in assets

Receivables are initially recorded at the amount of annual service charges and volume charges levied and billed.

Investments represent sinking fund contributions made, as a condition of raising certain loans. Contributions made are treated as part repayment of the principal outstanding on maturity. Interest received is recognised as revenue.

1.15 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.

1.16 Borrowing costs

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.

1.17 Operating licence

The Water Corporation holds an operating licence permitting it to provide water supply services, sewerage services, irrigation services and drainage services. The licence term expires on 28 June 2021.

1.18 Comparison

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



notes to and forming part of the financial statements

for the year ended 30 June 2001

Note 2 Revenue from Ordinary Activities

Revenue from ordinary activities for the period includes:

	2001 \$'000	2000 \$'000
Revenue from operating activities		
Annual service charges	433,289	420,902
Volume charges	226,708	198,493
Other fees and charges	38,875	34,776
Rent received	3,509	2,702
Community Service Obligation (CSO) contributions	225,890	205,617
Total revenue from operating activities	928,271	862,490
Other revenue		
Proceeds from sale of property, plant and equipment	10,786	20,123
Interest received/receivable	3,429	3,815
Developers' contributions received	81,332	118,157
Total other revenue	95,547	142,095
Total revenue from ordinary activities	1,023,818	1,004,585

Note 3 Expenses from Ordinary Activities

Expenses from ordinary activities for the period includes:

	2001 \$'000	2000 \$'000
Depreciation (note a)	210,976	204,030
Labour costs	101,421	96,513
External services	40,840	40,729
Operations and maintenance contracts	31,299	28,846
Energy	31,219	27,679
Materials (chemicals, consumables other)	20,469	21,701
Information technology	18,628	18,240
Plant and equipment	12,035	11,214
Cost of assets sold	9,049	19,311
Other expenses	58,497	47,146
Total expenses from ordinary activities	534,433	515,409

note a Depreciation expense relates to the following classes of assets:

notes to and forming part of the financial statements

for the year ended 30 June 2001

	2001 \$'000	2000 \$'000
System assets		
Pipelines and fittings	114,074	112,202
Dams, reservoirs, bores and tanks	14,474	14,125
Ocean outfalls	2,306	2,318
Pump stations and treatment plants	11,429	10,305
Drains and channels	1,533	1,367
Other structures	1,941	1,784
Plant and equipment	27,448	26,091
Land and buildings		
Buildings	4,444	4,446
Plant and equipment		
Plant and equipment	5,108	4,349
Computer equipment	22,110	21,110
Vehicles and mobile plant	6,109	5,933
	210,976	204,030

Note 4 Borrowing Cost Expense

Borrowing cost expense as shown on the Statement of Financial Performance consists of:

	2000 \$'000	2000 \$'000
Borrowing costs		
Interest charges paid/payable	51,679	45,858
Amount capitalised	(17,015)	(7,216)
Net interest cost	34,664	38,642
Finance lease	4	6
Gain on General Loan Fund repayment	(1,710)	(1,710)
Borrowing cost expense	32,958	36,938

notes to and forming part of the financial statements

for the year ended 30 June 2001

Note 5 Operating Profit

Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:

	2001 \$'000	2000 \$'000
Gains		
Profit on sale of property, plant and equipment	1,738	812
Expenses		
Write-off of property, plant and equipment (retirements)	15,103	13,075
Cost of water sales (note a)	70,297	61,309
Severance costs	2,620	3,206
Research and development costs	4,171	3,500
Net bad debts written off	265	957
Net charge to provision for doubtful debts	592	915
Provision for diminution in the value of inventories	252	39
Provision for insurance	2,029	2,682
Provision for long service leave	5,295	5,180
Provision for annual leave	10,430	9,974
Provision for superannuation	14,936	13,641
Provision for workers' compensation	319	971
Operating lease rentals	799	1,009

note a Cost of water sales represents costs incurred for water treatment, operation of bores, dams and other catchments and depreciation expense related to these processes.



notes to and forming part of the financial statements

for the year ended 30 June 2001

Note 6 Income Tax

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

	2001 \$'000	2000 \$'000
Operating profit before income tax	456,427	452,238
Income tax on the operating profit at 34% (2000 at 36%)	155,185	162,806
Tax effect of permanent differences which reduce tax payable:		
Additional research and development deduction	(1,000)	(360)
Non-assessable profits on disposal of assets and sale of non-current assets	(395)	(501)
Gain on early repayment of General Loan Fund	(581)	(616)
Over-provision of tax in previous years	(463)	-
Tax effect of permanent differences which increase tax payable:		
Non-deductible depreciation	4,720	4,694
Other items	47	35
Restatement of deferred tax balances due to income tax rate changes	(5,938)	(26,164)
Income tax expense	151,575	139,894
Income tax attributable to operating profit comprises:		
Provision for current income tax	112,330	88,133
Future income tax benefit	280	750
Provision for deferred income tax	45,366	77,175
Over-provision in prior year	(463)	-
Restatement of deferred tax balances due to income tax rate changes	(5,938)	(26,164)
	151,575	139,894

Note 7 Receivables

Receivables at balance date were as follows:

	2001 \$'000	2000 \$'000
Receivables	87,327	95,099
Less provision for doubtful debts	(3,749)	(3,422)
	83,578	91,677

notes to and forming part of the financial statements

for the year ended 30 June 2001

Note 8 Investments

As a condition of raising certain loans, funds of the Water Corporation are invested with WA Treasury Department in the form of sinking funds. On maturity of loans, sinking fund contributions made are offset against the principal outstanding.

Investments earn interest at rates determined by the WA Treasury Department. For the year ending 30 June 2001 the average rate was 6.2% (2000: 5.3%).

Note 9 Inventories

The composition of inventories at balance date were as follows:

	2001 \$'000	2000 \$'000
Consumables and spares, at cost	6,011	6,577
Less provision for diminution of inventories	(418)	(211)
	5,593	6,366

Note 10 Other Current Assets

Other current assets at balance date were as follows:

	2001 \$'000	2000 \$'000
Prepayments	3,012	1,752
Land held for sale (note a)	1,745	665
	4,757	2,417

note a Land held for sale is carried at cost. The Corporation has not incurred any costs in developing the land.

notes to and forming part of the financial statements

for the year ended 30 June 2001

Note 11 Property, Plant and Equipment

See notes 1.3, 1.4 and 1.6.1.

The assets comprising property, plant and equipment are detailed as follows:

	Gross Asset Value 2001 \$'000	Accumulated Depreciation 2001 \$'000	Net Asset Value 2001 \$'000
System assets			
Pipelines and fittings	7,168,325	647,122	6,521,203
Dams, reservoirs, bores and tanks	916,660	81,836	834,824
Ocean outfalls	86,753	13,334	73,419
Pump stations and treatment plants	406,436	55,858	350,578
Drains and channels	74,627	8,658	65,969
Other structures	59,333	10,001	49,332
Plant and equipment	482,201	138,005	344,196
Total system assets	9,194,335	954,814	8,239,521
Land and buildings			
Land (note a)	122,581	-	122,581
Buildings and associated works (note a)	130,378	25,614	104,764
Total land and buildings	252,959	25,614	227,345
Plant and equipment			
Plant and equipment	50,370	23,273	27,097
Computer equipment and software	123,360	63,827	59,533
Vehicles and mobile plant	53,450	13,597	39,853
Total plant and equipment	227,180	100,697	126,483
Plant and equipment under lease	81	6	75
Works in progress	695,342	-	695,342
Value of property, plant and equipment	10,369,897	1,081,131	9,288,766

notes to and forming part of the financial statements

for the year ended 30 June 2001

Note 11 Property, Plant and Equipment (continued)

Comparative figures for 2000 are as follows:

	Gross Asset Value 2000 \$'000	Accumulated Depreciation 2000 \$'000	Net Asset Value 2000 \$'000
System assets			
Pipelines and fittings	6,982,592	533,177	6,449,415
Dams, reservoirs, bores and tanks	847,946	67,909	780,037
Ocean outfalls	86,760	11,027	75,733
Pump stations and treatment plants	353,291	44,805	308,486
Drains and channels	73,078	7,212	65,866
Other structures	60,018	8,819	51,199
Plant and equipment	413,996	112,869	301,127
Total system assets	8,817,681	785,818	8,031,863
Land and buildings			
Land (note a)	121,150	-	121,150
Buildings and associated works (note a)	124,005	21,405	102,600
Total land and buildings	245,155	21,405	223,750
Plant and equipment			
Plant and equipment	44,478	18,361	26,117
Computer equipment and software	109,961	41,716	68,245
Vehicles and mobile plant	56,863	14,432	42,431
Total plant and equipment	211,302	74,509	136,793
Plant and equipment under lease	81	3	78
Works in progress	598,630	-	598,630
Value of property, plant and equipment	9,872,849	881,735	8,991,114

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 \$419.371 million, effective 1 July 2000. 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.

note b Capitalised Borrowing Costs

	2001 \$'000	2000 \$'000
Borrowing costs capitalised	17,015	7,216
Capitalisation Rate	6.36%	6.13%

notes to and forming part of the financial statements

for the year ended 30 June 2001

Reconciliations

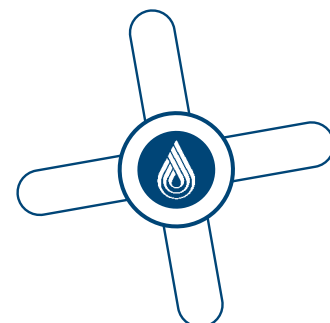
Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below.

	System Assets \$'000	Land and Buildings \$'000	Plant and Equipment \$'000	Works in Progress \$'000	Total \$'000
Carrying amount at beginning of year	8,031,941	223,750	136,793	598,630	8,991,114
Additions	392,203	11,095	32,822	96,712	532,832
Disposals	(11,343)	(3,056)	(9,805)	-	(24,204)
Depreciation expense (See note 3)	(173,205)	(4,444)	(33,327)	-	(210,976)
Carrying amount at end of year	8,239,596	227,345	126,483	695,342	9,288,766

Comparative figures for 2000 are as follows:

	System Assets \$'000	Land and Buildings \$'000	Plant and Equipment \$'000	Works in Progress \$'000	Total \$'000
Carrying amount at beginning of year	7,934,561	230,131	118,021	435,926	8,718,639
Additions	278,114	8,364	59,708	162,704	508,891
Disposals	(12,542)	(10,300)	(9,544)	-	(32,386)
Depreciation expense (See note 3)	(168,192)	(4,446)	(31,392)	-	(204,030)
Carrying amount at end of year	8,031,941	223,750	136,793	598,630	8,991,114

Note: Plant and equipment under lease is included in System Assets.



notes to and forming part of the financial statements

for the year ended 30 June 2001

Note 12 Interest-bearing Liabilities

12.1 Interest-bearing liabilities at balance date were as follows:

	2001 \$'000	2000 \$'000
Current		
Unsecured:		
WATC liquidity facility (See note 20)	35,000	-
Public and private loans	107	97
Commonwealth loans	-	54
Local authority loans (note a)	460	563
	35,567	714
Non-current		
Unsecured:		
Public and private loans (note b)	805,229	573,141
Local authority loans (note a)	2,520	2,980
	807,749	576,121
	843,316	576,835

note a **Local authority loans**

Loans have been arranged by local government authorities with private lenders, and the liability has passed to the Corporation so that funds would be available to finance water and sewerage capital works in the particular local authority area.

note b **Public and private loans**

An amount of \$207.186 million included in non-current public and private loans will be refinanced during the year and is therefore unlikely to create a liability within twelve months (See note 20).

12.2 Amounts payable in respect of current and non-current interest-bearing liabilities are as follows:

	2001 \$'000	2000 \$'000
Not later than one year	242,753	148,443
Later than one year but not later than two years	65,862	46,963
Later than two years but not later than five years	197,080	140,124
Later than five years	337,621	241,305
	843,316	576,835

The above current and non-current interest-bearing liabilities reflect amounts that will be repaid as well as amounts that will mature and be refinanced simultaneously.

notes to and forming part of the financial statements

for the year ended 30 June 2001

Note 13 Provisions

	2001 \$'000	2000 \$'000
Current		
Dividends (See note 18)	19,586	106,154
Insurance	500	500
Employee entitlements:		
Long service leave	10,429	8,787
Annual leave	10,905	11,047
Superannuation (note a)	4,100	5,000
Workers' compensation	600	400
	46,120	131,888
Non-current		
Insurance	9,191	9,191
Employee entitlements:		
Long service leave	13,208	11,711
Superannuation (note a)	42,202	38,956
Workers' compensation	227	1,088
	64,828	60,946
	110,948	192,834

note a **Superannuation**

At June 2001, a detailed actuarial assessment was conducted by PricewaterhouseCoopers to identify the present value of the Corporation's superannuation liability as at 30 June 2001. Based on that assessment, the Corporation's liability for superannuation benefits is as follows:

	2001 \$'000	2000 \$'000
Past service benefits of pension fund contribution	13,948	12,212
Pre-transfer service benefits for lump sum contribution	38,554	37,241
Less assessed WA Treasury Department liability	(6,200)	(5,497)
	46,302	43,956

notes to and forming part of the financial statements

for the year ended 30 June 2001

Note 14 Other Liabilities

Other liabilities at balance date were as follows:

	2001 \$'000	2000 \$'000
Current		
Developers' deferred liabilities	1,802	2,641
Deposits	4,505	1,833
Deferred gain on repayment of General Loan Fund (note a)	1,710	1,710
	8,017	6,184
Non-current		
Developers' deferred liabilities	6,587	7,029
Deposits	1,971	1,859
Deferred gain on repayment of General Loan Fund (note a)	11,970	13,680
	20,528	22,568
	28,545	28,752

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:

	2001 \$'000	2000 \$'000
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 2001

Note 16 Reserves

The reserves at balance date were as follows:

	2001 \$'000	2000 \$'000
General Reserve for Capital Works	100,000	100,000
Developers' Contribution Reserve	293,054	271,440
Asset Revaluation Reserve	322,806	322,806
Total Reserves	715,860	694,246

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

See note 1.10. Movement in the Developers' Contribution Reserve for the year was as follows:

	2001 \$'000	2000 \$'000
Opening balance	271,440	195,820
Transfers in (note a)	21,614	75,620
Closing balance	293,054	271,440

note a Transfers in, is made up of handover works net of income tax expense.

16.3 Asset Revaluation Reserve

During the year there was no movement in the Asset Revaluation Reserve due to the non-indexation of assets.

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.

notes to and forming part of the financial statements

for the year ended 30 June 2001

Note 17 Retained Profits

	2001 \$'000	2000 \$'000
Retained profits at the beginning of the financial year	49,461	13,952
Net profit for year	304,852	312,344
Transfer to Developers' Contribution Reserve	(21,614)	(75,620)
Dividends provided for or paid	(240,753)	(201,215)
Retained profits at the end of the financial year	91,946	49,461

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:

	2001 \$'000	2000 \$'000
Interim dividend paid during the year	221,167	95,061
Provision for final dividend	19,586	106,154
Total dividends	240,753	201,215



notes to and forming part of the financial statements

for the year ended 30 June 2001

Note 19 Statement of Cash Flows

19.1 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 WA Treasury Department. For the year ending 30 June 2001 the average rate was 6.2% (2000: 5.3%).

19.2 Reconciliation of net cash expended on operating activities to operating profit after income tax

	2001 \$'000	2000 \$'000
Operating profit after income tax	304,852	312,344
Decrease/(Increase) in receivables	5,964	9,686
(Gain)/Loss on disposal of assets	(1,738)	(812)
Loss on assets retired	15,103	13,075
Developers' contributions	(31,472)	(46,269)
Capitalisation of interest expense	(17,015)	(7,216)
Provisions:		
Doubtful debts	327	(884)
Diminution of inventories	207	39
Superannuation - net	2,732	1,030
Long service leave - net	3,138	3,028
Annual leave - net	(141)	822
Workers' compensation - net	(661)	(504)
Depreciation	210,976	204,030
Amortisation of GLF loan	(1,710)	(1,710)
Income tax	43,151	40,051
Other current assets	(2,339)	945
Inventories	565	3,534
(Decrease)/Increase in payables and other liabilities	(5,802)	8,295
Net cash received from operating activities	526,137	539,484

Note 20 Financing Facilities

The Corporation has in place arrangements for Western Australian Treasury Corporation (WATC) to provide finance for the repayment of maturing debt, ongoing capital expenditure and short-term liquidity needs. The type, currency and term of any new finance is determined at the time of draw-down between the Corporation and WATC.

The Corporation has up to \$120 million (2000: \$120 million) available of a liquidity facility established with the Western Australian Treasury Corporation to fund short-term liquidity needs. At 30 June 2001, \$35 million was drawn under the facility (2000: no drawings), and the remaining amount available under the facility was \$85 million (2000: \$120 million).

Note 21 Segment Reporting

The Corporation is an economic entity that operates predominantly in the water industry in the one geographical area of Western Australia.

notes to and forming part of the financial statements

for the year ended 30 June 2001

Note 22 Remuneration

22.1 Directors' remuneration

	2001 \$'000	2000 \$'000
Fees, salaries and other benefits received or due and receivable by directors for the financial year:	610	625
The number of directors whose total fees, salaries and other benefits received or due and receivable for the financial year, fall within the following bands:		
	2001 Number	2000 Number
\$40,000 to \$49,999	5	5
\$90,000 to \$99,999	1	1
\$280,000 to \$289,999	-	1
\$300,000 to \$309,999	1	-

22.2 Executives' remuneration

	2001 \$'000	2000 \$'000
Fees, salaries and other benefits received or due and receivable by executives for the financial year:	1,637	1,633
The number of executives whose total fees, salaries and other benefits received or due and receivable for the financial year, fall within the following bands:		
	2001 Number	2000 Number
\$150,000 to \$159,999	-	1
\$160,000 to \$169,999	2	2
\$180,000 to \$189,999	1	1
\$190,000 to \$199,999	2	1
\$200,000 to \$209,999	1	-
\$210,000 to \$219,999	1	-
\$220,000 to \$229,999	-	1
\$280,000 to \$289,999	-	1
\$300,000 to \$309,999	1	-

22.3 Auditors' remuneration

	2001 \$'000	2000 \$'000
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	146	143
Fees applicable for the review of the half-yearly accounts	25	-
	171	143

notes to and forming part of the financial statements

for the year ended 30 June 2001

Note 23 Commitments for Expenditure

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

	2001 \$'000	2000 \$'000
Capital and other expenditure		
Not later than one year	141,879	268,357
Later than one year but not later than two years	14,110	84,208
Later than two years but not later than five years	7	5,951
	155,996	358,516
Finance lease expenditure		
Not later than one year	16	15
Later than one year but not later than two years	17	16
Later than two years but not later than five years	14	31
	47	62

Note 24 Contingent Liabilities

A claim has been lodged against the Corporation by the University of Western Australia seeking damages relating to land owned by the University adjoining the Corporation's Subiaco wastewater treatment facility.

The Corporation is strongly disputing the claim and due to the uncertainty of the outcome, it is not practicable to provide an estimate of the amount of compensation, if any, that may become payable by the Corporation.

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 25 Related Party Disclosures

Directors

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

Hon PV Jones AM
Mr IC Kuba
Ms EDR Skira
Dr JI Gill
Dr PF Hopwood
Mr CN Hyder
Mr DF Young

Remuneration received or receivable by directors is disclosed in Note 22.

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 arms length in similar circumstances.

notes to and forming part of the financial statements

for the year ended 30 June 2001

Note 26 Financial Instruments

26.1 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.

2001	Fixed interest rate maturing in						Average interest rate	
	Floating Interest Rate (a) \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Non interest bearing \$'000	Total \$'000	Floating %	Fixed %
Financial Liabilities								
Payables	-	-	-	-	79,944	79,944		
Interest-bearing Liabilities:								
- WATC liquidity facility	-	35,000	-	-	-	35,000		5.0
- Public and private	-	207,293	262,018	336,025	-	805,336		7.3
- Local authority	-	460	924	1,596	-	2,980		9.4
	-	242,753	262,942	337,621	79,944	923,260		
Financial Assets								
Cash assets	12,444	-	-	-	-	12,444	5.7 (a)	
Receivables	-	-	-	-	95,449	95,449		
Investments	4,990	-	-	-	-	4,990	5.7 (a)	
	17,434	-	-	-	95,449	112,883		
2000	Fixed interest rate maturing in						Average interest rate	
	Floating Interest Rate (a) \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Non interest bearing \$'000	Total \$'000	Floating %	Fixed %
Financial Liabilities								
Payables	-	-	-	-	89,791	89,791		
Interest-bearing Liabilities:								
- Public and private	-	147,826	185,760	239,652	-	573,238		8.4
- Commonwealth	-	54	-	-	-	54		13.1
- Local authority	-	563	1,327	1,653	-	3,543		10.9
	-	148,443	187,087	241,305	89,791	666,626		
Financial Assets								
Cash assets	23,149	-	-	-	-	23,149	5.8 (a)	
Receivables	-	-	-	-	102,498	102,498		
Investments	4,664	-	-	-	-	4,664	5.8 (a)	
	27,813	-	-	-	102,498	130,311		

(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 2001

26.2 Credit risk exposures

The credit risk on financial assets that has been recognised on the Statement of Financial Position, other than cash and investments, 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.

26.3 Foreign exchange

Contracts to buy foreign currency are entered into in order to minimise exposure to movements in exchange rates. At balance date there were no contracts in place.

26.4 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 net fair value of financial assets and financial liabilities approximates their carrying value, except for the following interest bearing liabilities:

	Carrying Amount 2001 \$'000	Net Fair Value 2001 \$'000	Carrying Amount 2000 \$'000	Net Fair Value 2000 \$'000
Financial Liabilities				
Interest-bearing Liabilities:				
- Public	798,000	835,347	565,805	605,728



directors' declaration

In the opinion of the directors of the Water Corporation:

- (a) the Statement of Financial Performance gives a true and fair view of the Corporation's profit for the year 1 July 2000 to 30 June 2001;
- (b) the Statement of Financial Position gives a true and fair view of the Corporation's state of affairs as at 30 June 2001;
- (c) the Statement of Cash Flows is drawn up so as to give a true and fair view of the Corporation's cash flows for the year 1 July 2000 to 30 June 2001; 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 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.



P.V. Jones AM
Chairman



J.I. Gill
Managing Director

PERTH, 30 August 2001.

auditor general's report



Auditor General

Independent Audit Report on Water Corporation

To the Parliament of Western Australia

Scope

I have audited the financial statements of the Water Corporation for the year ended June 30, 2001 comprising the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, accompanying Notes and Directors' Declaration. The Corporation's Directors are responsible for the financial statements. I have conducted an independent audit of the financial statements in order to express an opinion on them as required by the *Water Corporation Act 1995*.

My audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial statements are free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with my understanding of the Corporation's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion, the financial statements of the Water Corporation are properly drawn up:

- (a) so as to give a true and fair view of:
 - (i) the Corporation's financial position at June 30, 2001 and of its performance for the financial year ended on that date; and
 - (ii) the other matters required by Schedule 3 of the *Water Corporation Act 1995* to be dealt with in the financial statements;
- (b) in accordance with the provisions of the *Water Corporation Act 1995*; and
- (c) in accordance with applicable Accounting Standards and other mandatory professional reporting requirements.

A handwritten signature in blue ink, appearing to read 'D.D.R. Pearson'.

D.D.R. Pearson
Auditor General
August 30, 2001.

performance indicators

	Units	Target	2000 2001	1999 2000	1998 1999	1997 1998	1996 1997
1. Customer Contacts							
Telephone calls to the '13' number answered within 20 seconds	%	≥65	73.9	63.8	63	na	na
Written customer complaints resolved within 21 days	%	≥90	97.6	96.9	94.7	94.1	97.3
2. Service Standard							
Customer perception of value	%	≥75	80.2	73.0	77.2	84.1	81.0
Satisfactory compliance with Operating Licence and Customer Charter	%	Satisfactory Compliance	Satisfactory Compliance	Satisfactory Compliance	Satisfactory Compliance	na	na
3. Water Provision							
Schemes where water restrictions have been applied	No.	Improvement	1	1	2	8	6
Metropolitan drinking water quality - total coliforms	%	≥90.25	98.5	97.7	98.2	98.0	na
Metropolitan drinking water quality - thermo-tolerant coliforms	%	≥95	99.8	99.7	99.7	99.7	99
Metropolitan drinking water quality - amoebae	%	≥95	100	100	100	100	100
Metropolitan drinking water quality - health-related chemical	%	na	99.8	100	100	100	99
Country localities meeting guideline for total coliforms	%	100	99.6	99.1	99.1	na	na
Country localities meeting guideline for thermo-tolerant coliforms	%	100	100	100	99.6	na	na
Country localities meeting guideline for amoebae	%	100	99.6	99.1	100.0	na	na
Country localities meeting guideline for health-related chemical	%	na	90.4	94.2	99.6	na	na
Customers receiving drinking water of adequate pressure and flow	%	≥99.80	99.93	99.99	99.96	99.92	99.90
Customers not experiencing interruption to supply greater than one hour	%	≥75	90	92	93	90	95
Water services provided by agreement - customer notification	%	≥95	Compliance	Compliance	Compliance	na	na
Water services provided by agreement - documented	%	≥90	Compliance	Compliance	Compliance	na	na
Bursts per 100 kilometres of water main	No.	≤20	16.9	17.1	18.2	18.0	17.4
Irrigation requests fulfilled on time	%	≥95	99.8	100	100	99.97	99
Irrigation scheme water supply samples suitable for industry purposes	%	100	100	100	100	100	100
4. Wastewater Disposal							
Wastewater overflow - customer properties not affected	%	≥99.8	99.9	99.9	99.9	99.8	99.9
Blockages per 100 kilometres of sewer	No.	≤40	23.9	24.8	23.0	25.5	26.2
Drainage systems operating in accordance with standards	%	100	100	100	100	100	100
5. Human Resource							
Lost-time injury frequency rate	No.	≤10	4.3	8.6	7.0	8.0	9.9
Significant injury frequency rate	No.	≤19	18.9	25.6	28.1	36.1	na
Employee availability	%	≥97	97.8	97.7	97.7	96.9	97.0
6. Environment							
Compliance with licences and conditions issued by WRC, DEP, Ministerial		Full Compliance	Full Compliance	Full Compliance	Full Compliance	Full Compliance	na
Customer satisfaction with the Corporation's environmental performance	%	≥70	79.3	69.5	72.2	70.5	na
7. Financial							
EBIT (including developers' contributions)	\$m	480	489	485	452	425	401
Return on fixed assets	%	4.13	4.3	4.2	4.1	4.0	3.7
Return on Equity	%	3.68	3.8	3.9	3.3	3.3	5.3

performance indicator notes

1. Customer Contacts

Performance targets were achieved for both customer contact indicators.

2. Service Standard

We continue to track customer reaction to our activities through quarterly surveys, which during the year showed a pleasing improvement in customer satisfaction from 73 per cent to over 80 per cent.

The extent to which we comply with the conditions of our operating licence is assessed through an independent bi-annual operational audit. The auditors for the most recent (1999-2000) operational audit PricewaterhouseCoopers reported that we had "demonstrated significant commitment to comply with the obligations of the operating licence as evidenced by the results of our audit". Where recommendations for improvement were raised during the audit, action plans were put in place to address those recommendations.

In the years between operational audits, compliance with the conditions of our operating licence and customer charter is self-determined in relation to a number of key performance indicators. Apart from water quality issues at two country locations, all performance targets were achieved.

3. Water Provision

Water restrictions are imposed at times of drought or where customer consumption rises beyond the capacity of available supplies. The Great Southern Region town of Vardy (21 services) was the only scheme where water restrictions were required during the year. Restrictions were imposed on 22 December 2000 and remained in force at year-end.

During the year, 99.8 per cent of water quality samples for Perth passed tests for thermo-tolerant coliforms, well above the National Health and Medical Research Council (NH&MRC) guideline of 95 per cent. All of the 223 country localities assessed also met the guideline.

The Health Department of Western Australia has reviewed all drinking water quality exceptions. Appropriate action has been taken or investigations initiated where water quality sampling has shown an irregularity. The health-related chemical exceptions are isolated events that do not pose any risk to public health.

4. Wastewater Disposal

All targets were met for the year.

5. Human Resource

All targets were met for the year.

6. Environment

There were no significant breaches of Ministerial conditions, Department of Environmental Protection wastewater treatment plant licences or Water and Rivers Commission water allocation licence conditions during the year and no penalties were incurred.

A breach is taken as 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.

Customer satisfaction with our environmental performance increased significantly to 79.3 per cent, well above target. Market research indicated that the community considers that we are good environmental performers relative to other companies.

7. Financial

All targets were met for the year.

five-year statistical summary

	Units	2000 2001	1999 2000	1998 1999	1997 1998	1996 1997
FINANCIAL DATA						
Total Revenue	\$'000	1,023,818	1,004,585	931,145	902,958	846,114
Community Service Obligations	\$'000	225,890	205,617	192,124	180,316	182,253
Operating Expenses (excluding abnormals)	\$'000	323,457	311,380	281,302	282,586	276,567
Depreciation (replacement cost)	\$'000	210,976	204,030	190,159	181,075	173,177
Net Interest Expense	\$'000	29,529	33,123	32,142	38,261	43,024
Income Tax Expense	\$'000	151,575	139,894	158,570	132,624	107,314
Operating Profit After Tax	\$'000	304,852	312,344	261,572	254,271	250,177
Transfer to / (from) Reserves	\$'000	21,614	75,620	65,461	86,489	49,155
Long-Term Debt	\$'000	807,749	576,121	461,835	403,434	556,247
New Works Investment (excluding developers take-over works)	\$'000	497,000	458,000	350,900	290,200	277,296
Short-Term Liquidity Facility	\$'000	35,000	-	80,000	40,884	-
New Borrowings	\$'000	232,195	115,000	100,000	-	-
OPERATING DATA						
Water Services						
Annual Volume of Water Supplied	ML	374,434	339,190	325,600	353,009	320,756
Number of Properties Serviced at period end ¹	No.	802,964	787,351	774,386	764,256	743,687
Length of Mains ²	km	28,862	28,876	28,142	28,172	27,514
Wastewater Services						
Average Volume of Wastewater Treated Daily ³	ML	331	330	306	293	289
Number of Properties Serviced at period end ¹	No.	637,070	613,936	588,995	567,158	542,289
Length of Sewers	km	11,928	11,525	10,904	10,238	10,050
Drainage Services						
Number of Properties Serviced at period end ^{1,4}	No.	274,763	267,160	255,575	251,864	246,944
Length of Drains ⁵	km	2,767	2,970	2,968	2,912	2,912
Irrigation Services						
Volume of Water Delivered	ML	319,246	258,160	271,389	481,118	275,960
Employees						
Total number of FTEs ⁶	No.	2,158	2,106	2,097	2,075	2,032
Total number of FTEs (year-end average) ⁶	No.	2,152	2,111	2,068	2,065	2,026
Number of lost-time injuries/million hours worked	No.	4.3	8.6	7.0	8.0	9.9

All financial figures are expressed in dollars of the day.

- Number of properties serviced changed for 1998-1999 to exclude cancelled assessments, incorrectly included in the count.
- Correction of an anomaly in the source system during 2000 and an ongoing review of data integrity has resulted in a net reduction in water main lengths over the previous year.
- Volume of wastewater treated daily for 1999-2000 has been corrected. The figure was understated by 4ML.
- Drainage properties serviced provides a count of metropolitan properties only.
- A change in the methodology for assessing length of rural drainage channels.
- Change in the calculation method for employee numbers (FTEs). Historical figures revised back to 1998-1999.

Share Capital

We issued one share to the Minister for Water Resources at a par value of \$1,000 in November 1997.

Reportable Expenditure

The *Electoral Act 1907 (s175ZE)* 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)	\$366,658
Market Equity (market research)	\$194,903
Data Analysis Australia (market research)	\$33,983
Media Decisions (media advertising)	\$799,055

principal statistics

WATER SUPPLY

Region	Properties Served	Water Services	Properties Connected	Length of Mains (Kilometres)	Water Supplied ¹ (Megalitres)	Metered Water Consumption ² (Megalitres)	Water Consumption per Service (Kilolitres)
Perth	603,196	519,832	513,496	11,468	260,261	225,894	435
Agricultural	21,476	23,451	17,092	7,608	14,957	11,128	475
Goldfields ³	20,894	18,963	18,136	974	15,188	14,868	784
Great Southern	32,116	28,991	26,450	3,445	11,343	11,359	392
Mid-West	36,086	29,182	28,131	2,125	19,926	16,596	569
North-West ⁴	23,231	20,239	19,247	1,268	29,482	28,097	1,388
South-West	65,965	53,775	52,586	1,975	23,277	21,945	408
Total	802,964	694,433	675,138	28,862	374,434	329,887	475

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.

3. Goldfields region excludes property and service statistics for the mining town of Kambalda.

4. North West region excludes property and service statistics for the mining towns of Dampier, Tom Price and Paraburdoo. Responsibility for these towns was assumed by Hamersley Iron from 1 May 2001.

METROPOLITAN SOURCES OF SUPPLY

Source	Area of Catchment (Square km)	Storage Capacity (Megalitres)	Storage at 30/6/2001 (Megalitres)	Percentage of Maximum Storage (%)	Output to 30/6/2001 (Megalitres)
Dams					
South Dandalup	311	205,344	22,753	11.1	21,613
North Dandalup	153	74,849	20,765	27.7	16,001
Serpentine and Serpentine Pipehead	692	140,200	42,482	30.3	32,055
Canning	789	90,353	24,888	27.5	39,936
Wungong	134	59,795	29,783	49.8	11,532
Churchman	16	2,241	633	28.2	4,158
Victoria	37	9,463	2,664	28.2	2,979
Mundaring Weir	1,470	63,596	18,971	29.8	2,412
Total	3,602	645,841	162,939	25.2	130,686
Other Hills Sources					
Conjurunup Pipehead	38				5,970
Stirling	251				3,056
Total Hills Sources Output					139,712
Groundwater					
Artesian Bores					20,408
Mirrabooka					18,221
Gwelup					15,511
Wanneroo					50,804
Jandakot					6,682
Neerabup					25,876
Lexia					2,322
Yanchep/Two Rocks					962
Total Groundwater Output					140,786
Gross Output					280,498
Less Internal Transfers (Mundaring Weir and Victoria Dam)					7,531
Less Output to South-West Region (Mandurah)					10,030
Less System Losses (including riparian releases)					2,676
Water Supplied to Metropolitan Area					260,261

principal statistics continued

WASTEWATER

Region	Number of Assessments #	Total Length of Sewers (Kilometres)	Number of Pumping Stations	Number of Treatment Plants	Average Quantity of Wastewater Treated Daily (Megalitres)
Perth	521,406	9,090	528	9	273.0
Agricultural	7,491	215	19	14	2.9
Goldfields	3,923	87	14	3	1.5
Great Southern	16,596	439	42	13	7.5
Mid-West	12,984	344	52	17	5.3
North-West #	19,116	421	56	15	15.5
South-Wes	55,554	1,332	193	25	24.9
Total	637,070	11,928	904	96	330.6

Responsibility for North-West region mining towns of Dampier, Tom Price and Paraburdoo assumed by Hamersley Iron from 1 May 2001.

DRAINAGE

Region	Number of Assessments	Length of Drains Controlled (Kilometres)	Declared Drainage Area (Hectares)
Perth	274,763	891	91,436
Great Southern	n/a	114	39,321
South-West	n/a	1,762	321,324
Total	274,763	2,767	452,081

IRRIGATION

Region	Number of Assessments	Length of Channels and Drains (Kilometres)	Area Irrigated (Hectares)	Water Supplied (Megalitres)
South-West (Preston Valley) ¹	n/a	n/a	n/a	1,340
South-West (SWID) ²	n/a	n/a	n/a	122,318
Mid-West (piped)	190	43	2,059	2,403
North-West	240	0	10,938	193,185
Total	430	43	12,997	319,246

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

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

EMPLOYEES (FTEs as at 30 June 2001)

Metropolitan	1,588
Country	570
Total	2,158

publications and promotional material

Water

- CALGON® - The Facts
- Canning Dam (Our dams)
- Controlling Perth's Water
- Corrosion control: guidelines (An introduction)
- Discoloured water / stained laundry
- Kwinana WaterLink: a future directions report
- Kwinana WaterLink project: Perth's industrial water efficiency and coastal protection program for the 21st Century (The)
- Mirrabooka Water Treatment Plant
- Monitor your water consumption and save money (chart)
- Mundaring Dam (Our dams)
- Neerabup Water Treatment Plant (Information sheet)
- North Dandalup Dam (Our dams)
- South Dandalup Dam (Our dams)
- Stirling-Harvey Redevelopment Scheme
- Selecting a Waterwise Coastal Garden
- Selecting a Waterwise Cottage Garden
- Selecting a Waterwise Mediterranean Garden
- Selecting a Waterwise Native Garden
- Selecting a Waterwise Tropical Garden
- Water meter can save you money (How your)
- Waterwise guide to gardens
- Waterwise guide to homes
- Waterwise guide to inside the home
- Waterwise guide to irrigation
- Waterwise guide to lawns
- Waterwise guide to new gardens
- Waterwise guide to new homes
- Waterwise guide to new lawns
- Waterwise guide to watering zones
- Waterwise school (How to become a)
- Wungong Dam (Our dams)

Wastewater

- Beenyup Wastewater Treatment Plant
- Biosolids (Bulletin)
- Busselton Wastewater Disposal Consultative Environmental Review 1998
- Control of Wastewater Odours (Bulletin)
- Land re-use and disposal of wastewater (Bulletin)
- Marine disposal of treated wastewater (Bulletin)
- Perth Metropolitan wastewater system (Bulletin)
- Protecting your sewer pipes
- Subiaco oil from sludge project (The)
- Wastewater Treatment (Bulletin)
- What is Wastewater? (Bulletin)
- Woodman Point Wastewater Treatment Plant

Drainage

- Respect Open Water - Be careful near drains

Other

- Annual Report 1999-2000
- Customer Charter
- Code of Conduct (1998)
- Code of Conduct manual
- Community and Environment Report
- Company One: we mean business
- Conditions for connection
- Corporate Profile
- Curriculum Framework document (Water Corporation)
- Building Near Sewers - things to think about
- Easyfind Index: Water Corporation Pocket Guide
- Grange: the customer service information system
- Land Development Branch - Facilitating the provision of Water Services for Land Development
- Land Development Branch (customer survey questionnaire): we appreciate your comments
- Mainstream (quarterly magazine)
- Minimum standards of people management
- OSH Policy
- Primary teacher resource file
- Promoting diversity for better business performance
- Scholarship 99: international [Water Corporation] student scholarship program 1999
- Spacesafe - working on confined spaces
- Strategic Directions 1999-2000
- Statement of Corporate Intent 1998-1999
- Working with the Water Corporation's customers - A guide for Contractors
- Your contribution to Water Corporation services for your building development
- Your contribution to Water Corporation services for your subdivision development

For information or to obtain a brochure contact:

General Information: Corporate Affairs
Ph: 9420 2407

Waterwise Program: Business Support Services
Ph: 9420 2575

Land Development: Ph: 9420 3003

There is no charge for the brochures, they are supplied as part of the Corporation's commitment to customer communication and environmental management.

glossary of terms

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

Biosolids - Solids from wastewater treatment that have been processed into products suitable for beneficial use for purposes such as agriculture.

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.

CALGON® - is a registered trademark of Albright & Wilson (Australia) Ltd.

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 - Means a customer or customers of the Corporation.

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

DEP - Department of Environmental Protection.

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

EMS - Environmental management system.

EPA - Environmental Protection Authority.

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

GL - Unit of measure. Gigalitres or one 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.

ha - Unit of measure. Hectare.

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.

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.

Interest Cover - Ratio of earnings before interest and tax to interest expense. It is an indicator of long-term solvency.

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

ISO14001 - The EMS standard of the International Organisation for Standardisation.

kL - Unit of measure. Kilolitres or one thousand litres.

Main drainage - Drainage infrastructure operated by the Water Corporation.

ML - Unit of measure. Megalitres or one million litres.

OWR - Office of Water Regulation. The organisation that regulates existing and new entrants to the water industry, advises on pricing and customer service standards and provides policy and planning advice to the Minister.

PLOOM - Perth Long-term Ocean Outlet Monitoring program.

ROA - Return on Assets. Ratio of earnings before interest and tax to the average value of fixed assets. It is an important profitability ratio for assessing management's performance in using assets to generate earnings.

ROE - Return on Equity. Ratio of operating profit after tax divided by the average annual equity.

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, estuaries and the ocean.

Thermo-tolerant coliforms - Generally 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.

WA21, Woodman Point Alliance - Clough Engineering Ltd and Brown & Root Services Asia Pacific Pty Ltd (formerly Kinhill Pty Ltd) have joined with the Water Corporation to form the Woodman Alliance (WA21). The alliance consists of the project to design, construct, commission and operate (for the first year), a new Wastewater Treatment Plant at Woodman Point.

WRC - Water and Rivers Commission. The organisation that manages the water resources and waterways of Western Australia.

WWTP - Wastewater treatment plant.



- 1 Moochalabra Dam, supplying water to Wyndham
- 2 Treated wastewater is used at Broome Golf Course
- 3 Planting at Geraldton's waterwise garden
- 4 Supplying bottled water for West Coast Footy Clinic
- 5 PLOOM - monitoring the impact of ocean outfall on marine life
- 6 Clean-up work at Victoria Catchment
- 7 Construction of the world's first MIEX plant at Wanneroo
- 8 Confined space training in the Agricultural Region
- 9 The Stirling-Harvey Redevelopment Scheme received awards for environmental management
- 10 Busselton artificial wetlands provide a habitat for wildlife
- 11 Treated wastewater sustains tea trees at Albany
- 12 Water Corporation volunteers in the Great Southern

H₂ cOntact details

Service Faults & Emergencies

Telephone: 13 13 75
(24 Hours)

General & Customer Account Enquiries

Telephone: 13 13 85
(8am - 5pm)

Technical Enquiries

Telephone: 13 13 95
(8am - 5pm)

Head Office (Leederville)

Telephone: (08) 9420 2420

Postal Address

Water Corporation
PO Box 100
Leederville WA 6902

Internet Address

www.watercorporation.com.au

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