

financial information

financial statement
for the year ended 30 June 2003

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statement of financial performance

for the year ended 30 June 2003

	Note	2003 \$'000	2002 \$'000
Revenue from Ordinary Activities	2	1,130,977	1,051,496
Expenses from Ordinary Activities	3	(599,271)	(578,448)
Borrowing Cost Expense	4	(62,691)	(49,627)
Profit from Ordinary Activities before Income Tax Expense	5	469,015	423,421
Income Tax Expense	6	(140,971)	(127,260)
Net Profit		328,044	296,161
Changes in Equity			
Net increase in retained earnings on initial adoption of AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	16	6,087	–
Total Changes in Equity		334,131	296,161

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

statement of financial position

as at 30 June 2003

	Note	2003 \$'000	2002 \$'000
Current assets			
Cash assets		20,781	10,626
Receivables	7	64,059	64,722
Inventories	8	6,980	6,964
Other	9	3,149	3,565
Total current assets		94,969	85,877
Non-current assets			
Property, plant and equipment	10	9,567,172	9,434,223
Deferred tax assets	6	38,919	46,873
Receivables – Pensioners rate deferrals		11,925	11,800
Total non-current assets		9,618,016	9,492,896
Total assets		9,712,985	9,578,773
Current liabilities			
Payables		99,201	106,836
Interest-bearing liabilities	11, 20	10,008	47,027
Current tax liabilities	6	35,160	43,671
Provisions	12	53,287	48,497
Other	13	8,497	7,036
Total current liabilities		206,153	253,067
Non-current liabilities			
Interest-bearing liabilities	11	977,321	862,329
Deferred tax liabilities	6	210,364	210,864
Provisions	12	54,726	63,452
Other	13	14,750	18,228
Total non-current liabilities		1,257,161	1,154,873
Total liabilities		1,463,314	1,407,940
Net assets		8,249,671	8,170,833
Equity			
Contributed equity	14	7,326,677	7,326,677
Reserves	15	766,235	738,536
Retained profits	16	156,759	105,620
Total equity		8,249,671	8,170,833

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 2003

	Note	2003 \$'000	2002 \$'000
Cash flows from operating activities			
Receipts from customers		681,025	671,868
Interest received		3,980	4,886
Interest and other costs of finance paid		(68,720)	(65,741)
Payments to suppliers and employees		(374,987)	(325,555)
Income taxes paid		(143,994)	(134,361)
Community Service Obligation (CSO) contributions		258,403	240,197
Developers' contributions		86,469	63,861
GST received		21,687	19,657
Other		55,193	49,531
Net cash from operating activities	19	519,056	524,343
Cash flows from investing activities			
Payments for property, plant and equipment		(353,279)	(342,778)
Proceeds from sale of property, plant and equipment		12,792	10,605
Deposits		2,895	(1,464)
Net cash used in investing activities		(337,592)	(333,637)
Cash flows from financing activities			
Repayment of borrowings		(61,027)	(41,207)
Proceeds from borrowings		139,000	107,209
Proceeds from investments		–	5,169
Dividends paid		(249,282)	(263,695)
Net cash used in financing activities		(171,309)	(192,524)
Net increase/(decrease) in cash held		10,155	(1,818)
Cash at the beginning of the year		10,626	12,444
Cash at the end of the year	19	20,781	10,626

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 2003

Note 1 Summary of significant accounting policies

1.1 Basis of accounting

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

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

1.2 Changes in accounting policy

The accounting policies adopted are consistent with those of the previous year except for the accounting policy regarding provisions, contingent liabilities and contingent assets.

The entity has applied AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" (issued in October 2001) for the first time from 1 July 2002.

The standard provides guidelines on the value and circumstances under which provisions, contingent liabilities and contingent assets can be recognised. The following adjustments were made in accordance with the standard:

- \$8.053 million decrease in Provision for Insurance
- \$6.087 million increase in opening Retained Profits
- \$1.966 million decrease in Future Income Tax Benefit
- \$1.500 million previously provided under Payables has now been transferred to the Provision for Insurance.

There was no impact on profit or loss for the reporting period to 30 June 2003.

1.3 Revenue

1.3.1 Revenue from operating activities

(a) Revenue from annual service charges and volume charges is shown in the Statement of Financial Performance as the amounts levied and billed for the period, including interest on overdue amounts, less discounts allowed for prompt payment and rebates/concessions allowed to entitled customers. Revenue also includes an estimate for the value of water consumed but not billed at balance date.

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

(c) Community Service Obligation (CSO) Contributions are received from the State Government for:

- costs in respect of country water, sewerage, drainage and irrigation services;
- infill sewerage program; and
- revenue foregone, plus agreed administration costs, from rebates and concessions to Pensioners, Seniors and various exempt bodies on annual service charges, water consumption charges and other fees and charges.

1.3.2 Other revenue

(a) Gross proceeds on sale of assets are included as revenue at the date control passes to the buyer, usually when an unconditional contract of sale is signed.

(b) Interest revenue is recognised as it accrues.

(c) Developers' Contributions are recognised as revenue when received.

1.4 Property, plant and equipment

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

(a) works carried out under the capital investment program, which are initially recorded at cost. Cost includes direct materials and labour together with a proportion of management and administration overheads, and an allowance for capitalised interest on major works with an estimated cost greater than \$5 million. Interest costs incurred on external borrowings specifically raised for the acquisition or construction of qualifying assets are capitalised in accordance with AASB 1036 "Borrowing Costs";

(b) works carried out by or on behalf of developers, which are taken over by the Corporation free of charge and initially recorded at amounts, which represent cost to the developers. Where sufficient information on the cost is not available, engineering staff of the Corporation make an estimate of fair value;

(c) works taken over as going concerns, which are initially valued at "fair value"; and

(d) other property, plant and equipment, which are initially recorded at cost of acquisition plus incidental costs directly attributable to the acquisition.

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

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

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

notes to and forming part of the financial statements

for the year ended 30 June 2003

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

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

1.6 Inventories

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

1.7 Provisions

1.7.1 Depreciation of property, plant and equipment

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

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

	Life (years)
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	22
Buildings	42
Computer equipment	5
Vehicles and mobile plant	5

1.7.2 Diminution of inventories

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

1.7.3 Doubtful debts

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

- (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.

1.7.4 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.

1.8 Employee entitlements

1.8.1 Long service leave

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

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

1.8.2 Annual leave

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

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

1.8.3 Sick leave

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

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

1.8.4 Superannuation

The Corporation sponsors the following superannuation arrangements:

- (a) the State Superannuation Pension Fund, which closed to contributory members on 15 August 1986;

notes to and forming part of the financial statements

for the year ended 30 June 2003

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

The trustee company, Water Corporation Superannuation Pty Ltd, manages the WCSP which was established in November 1997. The company comprises 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 (refer Note 12(a)). As a consequence, a full provision has been made to cover:

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

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

1.9 National taxation equivalent regime (NTER)

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

1.10 Tax-effect accounting

The Corporation is exempt from the Commonwealth of Australia's *Income Tax Assessment Act 1936* but makes income tax equivalent payments to the Western Australian Government. It uses the liability method of tax-effect accounting under AASB 1020 "Income Taxes". Under the liability method, the income tax expense shown in the Statement of Financial Performance is based on the pre-tax operating profit, adjusted for any permanent differences.

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

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

1.11 Developers' contributions

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

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

These contributions are treated as revenue.

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

1.12 Land held for sale

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

notes to and forming part of the financial statements

for the year ended 30 June 2003

1.13 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. Interest is not charged on the deferred amounts.

1.14 Research and development expenditure

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

1.15 Financial instruments

1.15.1 Included in equity

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

1.15.2 Included in liabilities

Accounts payable is recorded at the value of goods and services received. Trade accounts payable are normally settled within 30 days.

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

1.15.3 Included in assets

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

1.16 Foreign currency transactions

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

- (a) transactions are converted at exchange rates approximating those in effect at the date of each transaction; and

- (b) amounts payable and receivable are translated at the rates of exchange ruling as at balance date and the resulting exchange differences are brought to account in determining the profit or loss for the year.

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

1.17 Borrowing costs

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

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

1.18 Joint ventures

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

1.19 Goods and services tax

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

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

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

1.20 Leased assets

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

1.21 Segment reporting

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

1.22 Comparison

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

notes to and forming part of the financial statements

for the year ended 30 June 2003

	2003 \$'000	2002 \$'000
Note 2 Revenue from Ordinary Activities		
Revenue from ordinary activities for the period includes:		
Revenue from operating activities		
Annual service charges	470,707	449,242
Volume charges	204,489	203,027
Other fees and charges	50,620	44,908
Rent received	3,800	3,375
Community Service Obligation (CSO) contributions	258,403	240,197
Total revenue from operating activities	988,019	940,749
Other revenue		
Proceeds from sale of property, plant and equipment	12,792	9,344
Interest received/receivable	3,931	5,056
Developers' contributions received	126,235	96,347
Total other revenue	142,958	110,747
Total revenue from ordinary activities	1,130,977	1,051,496
Note 3 Expenses from Ordinary Activities		
Expenses from ordinary activities for the period includes:		
Depreciation (note a)	237,887	225,050
Labour	114,498	114,124
Hired and contracted services	71,750	63,142
Energy	35,015	33,129
Information technology	21,712	20,554
Decommissioned assets	20,743	26,561
Equipment hire charges	15,258	15,738
Materials	15,222	11,939
Chemicals	13,123	13,211
Cost of assets sold	6,440	7,994
Corporate charges	21,230	21,387
Other expenses	26,393	25,619
Total expenses from ordinary activities	599,271	578,448

notes to and forming part of the financial statements

for the year ended 30 June 2003

Note 3 Expenses from Ordinary Activities (continued)

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

System assets

Pipelines and fittings	120,752	117,920
Dams, reservoirs, bores and tanks	17,311	15,312
Ocean outfalls	2,395	2,309
Pump stations and treatment plants	15,376	12,786
Drains and channels	1,553	1,513
Other structures	1,925	1,854
Plant and equipment	42,051	31,749

	201,363	183,443
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Land and buildings

Buildings	4,975	4,800
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Plant and equipment

Plant and equipment	4,303	4,866
Computer equipment	21,823	26,280
Vehicles and mobile plant	5,423	5,661

	31,549	36,807
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	237,887	225,050
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Note 4 Borrowing Cost Expense

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

Borrowing costs

Interest charges paid/payable	58,934	59,298
Amount capitalised	(5,929)	(14,033)

Net interest cost

	53,005	45,265
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Finance lease	–	3
Gain on General Loan Fund repayment	(1,710)	(1,710)
Premium on repayment of debt	11,396	6,069

Borrowing cost expense	62,691	49,627
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notes to and forming part of the financial statements

for the year ended 30 June 2003

Note 5 Profit from Ordinary Activities before Income Tax Expense	2003	2002
	\$'000	\$'000
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:		
Gains		
Profit on sale of property, plant and equipment	6,352	1,350
Expenses		
Cost of water sales (note a)	92,281	82,782
Research and development costs	3,902	3,968
Net bad debts written off	205	309
Net charge to provision for doubtful debts	1,322	94
Provision for diminution in the value of inventories	7	(209)
Provision for insurance	(361)	2,401
Provision for long service leave	5,004	9,123
Provision for annual leave	10,088	13,454
Provision for superannuation	16,444	13,072
Provision for workers' compensation	114	106
Operating lease rentals	898	812

note a Cost of water sales represents direct costs incurred for water treatment, operation of bores, dams and other catchments and depreciation expense related to these processes, but excludes the cost of delivery of water through the Corporation's reticulation system.

Note 6 Income Tax

6.1 Income Tax Expense

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

Profit from ordinary activities before income tax expense	469,015	423,421
Income tax on the profit from ordinary activities at 30%	140,705	127,026
Tax effect of permanent differences which reduce tax payable:		
Additional research and development deduction	(940)	(525)
Non-assessable profits on disposal of assets and sale of non-current assets	(1,071)	(369)
Gain on early repayment of General Loan Fund	(513)	(513)
Over-provision of tax in previous years	(349)	(1,797)
Tax effect of permanent differences which increase tax payable:		
Non-deductible depreciation	3,093	3,389
Other items	46	49
Income tax expense	140,971	127,260
Income tax expense attributable to profit from ordinary activities comprises:		
Provision for current income tax	135,376	127,799
Future income tax benefit	6,186	(1,666)
Provision for deferred income tax	(242)	2,924
Over-provision in prior year	(349)	(1,797)
	140,971	127,260

notes to and forming part of the financial statements

for the year ended 30 June 2003

Note 6 Income Tax (continued)	2003 \$'000	2002 \$'000
6.2 Current Tax Liabilities		
<i>Provision for current income tax</i>		
Movements during the year:		
Balance at beginning of year	43,671	48,039
Income tax paid	(143,994)	(134,361)
	(100,323)	(86,322)
Current year's income tax expense on profit	135,376	127,799
Under provision in prior year	107	2,194
	35,160	43,671
6.3 Deferred Tax Liabilities		
<i>Provision for deferred income tax</i>		
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% on the following items:		
Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	184,054	181,882
Expenditure currently deductible for tax but deferred and amortised for accounting purposes	16,353	18,421
Revenue included in operating profit but not currently assessable for tax	7,411	7,706
Sundry items	2,546	2,855
	210,364	210,864
6.4 Deferred Tax Assets		
<i>Future income tax benefit</i>		
Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% on the following items:		
Provisions and accrued employee entitlements not currently deductible	37,858	42,643
Sundry items	1,061	4,230
	38,919	46,873
Note 7 Receivables		
Receivables at balance date were as follows:		
Receivables	68,710	68,256
Less provision for doubtful debts	(4,651)	(3,534)
	64,059	64,722

notes to and forming part of the financial statements

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Note 8 Inventories

The composition of inventories at balance date were as follows:

	2003 \$'000	2002 \$'000
Consumables and spares, at cost	7,163	7,154
Less provision for diminution of inventories	(183)	(190)
	6,980	6,964

Note 9 Other Current Assets

Other current assets at balance date were as follows:

	2003 \$'000	2002 \$'000
Prepayments	2,811	2,205
Land held for sale	338	1,360
	3,149	3,565

Note 10 Property, Plant and Equipment

Refer to Notes 1.4, 1.5 and 1.7.1.

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

	Gross Asset Value 2003 \$'000	Accumulated Depreciation 2003 \$'000	Net Asset Value 2003 \$'000
System assets			
Pipelines and fittings	7,716,095	884,395	6,831,700
Dams, reservoirs, bores and tanks	1,046,932	112,282	934,650
Ocean outfalls	95,384	18,038	77,346
Pump stations and treatment plants	530,974	80,865	450,109
Drains and channels	77,333	11,724	65,609
Other structures	63,037	13,587	49,450
Plant and equipment	648,927	199,217	449,710
Total system assets	10,178,682	1,320,108	8,858,574
Land and buildings			
Land (note a)	135,852	–	135,852
Buildings and associated works (note a)	142,387	34,584	107,803
Total land and buildings	278,239	34,584	243,655
Plant and equipment			
Plant and equipment	48,003	26,981	21,022
Computer equipment and software	169,552	111,461	58,091
Vehicles and mobile plant	49,575	17,373	32,202
Total plant and equipment	267,130	155,815	111,315
Works in progress	353,628	–	353,628
Value of property, plant and equipment	11,077,679	1,510,507	9,567,172

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Note 10 Property, Plant and Equipment (continued)	Gross Asset Value 2002 \$'000	Accumulated Depreciation 2002 \$'000	Net Asset Value 2002 \$'000
Comparative figures for 2002 are as follows:			
System assets			
Pipelines and fittings	7,552,938	764,193	6,788,745
Dams, reservoirs, bores and tanks	932,106	96,126	835,980
Ocean outfalls	86,877	15,644	71,233
Pump stations and treatment plants	505,471	67,039	438,432
Drains and channels	75,942	10,171	65,771
Other structures	60,875	11,769	49,106
Plant and equipment	599,814	164,737	435,077
Total system assets	9,814,023	1,129,679	8,684,344
Land and buildings			
Land (note a)	133,917	–	133,917
Buildings and associated works (note a)	137,667	29,837	107,830
Total land and buildings	271,584	29,837	241,747
Plant and equipment			
Plant and equipment	46,252	22,997	23,255
Computer equipment and software	153,623	89,638	63,985
Vehicles and mobile plant	51,474	15,494	35,980
Total plant and equipment	251,349	128,129	123,220
Works in progress	384,912	–	384,912
Value of property, plant and equipment	10,721,868	1,287,645	9,434,223

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. As land and buildings are recorded at cost, the valuation has not been brought to account.

note b Capitalised Borrowing Costs

	2003 \$'000	2002 \$'000
Borrowing costs capitalised	5,929	14,033
Capitalisation rate	5.92%	5.87%

notes to and forming part of the financial statements

for the year ended 30 June 2003

Note 10 Property, Plant and Equipment (continued)

Reconciliations

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

	System Assets \$'000	Land and Buildings \$'000	Plant and Equipment \$'000	Works in Progress \$'000	Total \$'000
Carrying amount at beginning of year	8,684,344	241,747	123,220	384,912	9,434,223
Additions	397,044	8,302	23,626	(31,284)	397,688
Disposals	(21,451)	(1,419)	(3,982)	–	(26,852)
Depreciation expense (See Note 3)	(201,363)	(4,975)	(31,549)	–	(237,887)
Carrying amount at end of year	8,858,574	243,655	111,315	353,628	9,567,172

Comparative figures for 2002 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	8,239,596	227,345	126,483	695,342	9,288,766
Additions	651,474	22,101	41,629	(310,430)	404,774
Disposals	(25,716)	(2,919)	(5,632)	–	(34,267)
Depreciation expense (See Note 3)	(183,443)	(4,800)	(36,807)	–	(225,050)
Transfers between classes	2,433	20	(2,453)	–	–
Carrying amount at end of year	8,684,344	241,747	123,220	384,912	9,434,223

Note 11 Interest-Bearing Liabilities

Interest-bearing liabilities at balance date were as follows:

Current

Unsecured:

Western Australian Treasury Corporation liquidity facility (See Note 20)
Local authority loans (note a)

2003
\$'000

2002
\$'000

10,000
8

47,000
27

10,008

47,027

Non-current

Unsecured:

Public and private loans (note b)
Local authority loans (note a)

977,000
321

862,000
329

977,321

862,329

987,329

909,356

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 \$340.844 million (2002: \$224.610 million) has been included in non-current public and private loans despite being repayable during the year as an agreement is in place that it will be refinanced during the year (See Note 20).

notes to and forming part of the financial statements

for the year ended 30 June 2003

Note 12 Provisions

Current

Dividends (See Note 17)
Insurance
Employee benefits:
 Long service leave
 Annual leave
 Superannuation (note a)
 Workers' compensation

2003
\$'000

2002
\$'000

21,713
1,381
14,485
10,619
4,700
389

15,702
3,000
13,312
11,689
4,400
394

53,287

48,497

Non-current

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

700

6,691

15,757
38,269

15,812
40,949

54,726

63,452

108,013

111,949

note a Superannuation

At June 2003, a detailed actuarial assessment was conducted by PricewaterhouseCoopers to identify the present value of the Corporation's superannuation liability as at 30 June 2003. Based on that assessment, the Corporation's liability for superannuation benefits is as follows:

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

16,651
34,242
(7,924)

14,532
37,935
(7,118)

42,969

45,349

notes to and forming part of the financial statements

for the year ended 30 June 2003

Note 13 Other Liabilities	2003 \$'000	2002 \$'000
Other liabilities at balance date were as follows:		
Current		
Developers' deferred liabilities	1,791	1,906
Deposits	4,996	3,420
Deferred gain on repayment of General Loan Fund (note a)	1,710	1,710
	8,497	7,036
Non-current		
Developers' deferred liabilities	3,289	6,376
Deposits	2,911	1,592
Deferred gain on repayment of General Loan Fund (note a)	8,550	10,260
	14,750	18,228
	23,247	25,264

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 14 Contributed Equity

Contributed equity at balance date was as follows:

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

note a Share capital

Authorised capital of 1 ordinary share of \$1,000 has been issued to the Minister for Government Enterprises 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 2003

Note 15 Reserves

The reserves at balance date were as follows:

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

	2003 \$'000	2002 \$'000
General Reserve for Capital Works	100,000	100,000
Developers' Contribution Reserve	343,429	315,730
Asset Revaluation Reserve	322,806	322,806
Total Reserves	766,235	738,536

Movements

15.1 General Reserve for Capital Works

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

15.2 Developers' Contribution Reserve

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

Opening balance	315,730	293,054
Transfers in (note a)	27,699	22,676
Closing balance	343,429	315,730

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

15.3 Asset Revaluation Reserve

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

Nature and Purpose of Reserves

(a) General Reserve for Capital Works

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

(b) Developers' Contribution Reserve

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

(c) Asset Revaluation Reserve

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

notes to and forming part of the financial statements

for the year ended 30 June 2003

Note 16 Retained Profits	2003	2002
	\$'000	\$'000
Retained profits at the beginning of the financial year	105,620	91,946
Net profit for year	328,044	296,161
Net effect of initial adoption of AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	6,087	–
Transfer to Developers' Contribution Reserve	(27,699)	(22,676)
Dividends provided for or paid	(255,293)	(259,811)
Retained profits at the end of the financial year	156,759	105,620

Note 17 Dividends

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

Interim dividend paid during the year	233,580	244,109
Provision for final dividend	21,713	15,702
Total dividends	255,293	259,811

Note 18 Interest in Joint Venture Operation

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

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

Current assets		
Cash assets	39	40
Receivables	59	23
Inventories	35	87
Total current assets	133	150
Non-current assets		
Property, plant and equipment	716	829
Total non-current assets	716	829
Share of assets employed	849	979

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

notes to and forming part of the financial statements

for the year ended 30 June 2003

Note 19 Statement of Cash Flows	2003	2002
	\$'000	\$'000
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 Department of Treasury and Finance. For the year ending 30 June 2003 the average rate was 4.9% (2002: 4.8%).		
19.2 Reconciliation of net cash from operating activities to profit from ordinary activities after income tax		
Profit from ordinary activities after income tax	328,044	296,161
Decrease/(Increase) in receivables	(6,719)	17,568
Gain on disposal of assets	(6,352)	(1,350)
Decommissioned assets	20,743	26,561
Developers' contributions	(39,766)	(32,486)
Capitalisation of interest expense	(5,929)	(14,033)
Provisions:		
Doubtful debts	1,118	(215)
Diminution of inventories	8	(228)
Superannuation – net	2,380	(1,337)
Long service leave – net	(1,118)	5,487
Annual leave – net	1,070	784
Workers' compensation – net	5	(433)
Insurance – net	1,523	–
Depreciation	237,887	225,050
Amortisation of GLF loan	(1,710)	(1,710)
Income tax	(3,023)	(7,101)
Other current assets	416	1,192
Inventories	8	(1,283)
(Decrease)/Increase in payables and other liabilities	(9,529)	11,716
Net cash from operating activities	519,056	524,343

Note 20 Financing Facilities

The Corporation has in place arrangements for Western Australian Treasury Corporation (WATC) to provide finance, currently limited to \$1,200 million (2002: \$1,200 million) for the repayment of maturing debt and ongoing capital expenditure. At 30 June 2003, \$977 million was drawn under the facility (2002: \$862 million), and the remaining amount available under the facility was \$223 million (2002: \$338 million).

In addition, the Corporation has up to \$200 million (2002: \$200 million) available of a liquidity facility established with WATC to fund short-term liquidity needs. At 30 June 2003, \$10 million was drawn under the facility (2002: \$47 million), and the remaining amount available under the facility was \$190 million (2002: \$153 million).

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

notes to and forming part of the financial statements

for the year ended 30 June 2003

Note 21 Segment Reporting

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

Business Segments

	Water \$'000	Wastewater \$'000	Other \$'000	Unallocated \$'000	Total \$'000
2003					
Segment revenue	567,345	474,021	54,843	34,768	1,130,977
Segment result (note a)	227,562	237,443	34,382	(30,372)	469,015
Income tax expense					(140,971)
Net profit					328,044
Segment assets	5,044,378	4,127,284	395,510	145,813	9,712,985
Segment liabilities	119,300	59,002	7,199	1,277,813	1,463,314
Acquisition of property, plant and equipment	255,824	134,770	7,094	–	397,688
Depreciation	126,420	104,064	7,403	–	237,887
2002					
Segment revenue	544,898	426,228	46,351	34,019	1,051,496
Segment result (note a)	214,947	227,907	20,482	(39,915)	423,421
Income tax expense					(127,260)
Net profit					296,161
Segment assets	4,917,926	4,114,075	402,222	144,550	9,578,773
Segment liabilities	134,895	58,804	9,384	1,204,857	1,407,940
Acquisition of property, plant and equipment	195,261	204,255	5,258	–	404,774
Depreciation	121,693	94,061	9,296	–	225,050

note a Segment result includes unallocated non cash expenses of \$2.633m (2002: \$25.152m).

notes to and forming part of the financial statements

for the year ended 30 June 2003

Note 22 Remuneration

22.1 Directors' remuneration

Fees, salaries and other benefits received or due and receivable by directors for the financial year:

2003 \$'000	2002 \$'000
----------------	----------------

669	649
-----	-----

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:

2003 Number	2002 Number
----------------	----------------

\$20,000 to \$29,999

5	2
---	---

\$40,000 to \$49,999

2	4
---	---

\$50,000 to \$59,999

1	–
---	---

\$70,000 to \$79,999

1	–
---	---

\$100,000 to \$109,999

–	1
---	---

\$320,000 to \$329,999

–	1
---	---

\$330,000 to \$339,999

1	–
---	---

22.2 Executives' remuneration

Fees, salaries and other benefits received or due and receivable by executives for the financial year:

2003 \$'000	2002 \$'000
----------------	----------------

1,511	1,548
-------	-------

The number of executives, including executive directors, whose total fees, salaries and other benefits received or due and receivable for the financial year, fall within the following bands:

2003 Number	2002 Number
----------------	----------------

\$70,000 to \$79,999

1	–
---	---

\$170,000 to \$179,999

1	1
---	---

\$190,000 to \$199,999

–	2
---	---

\$200,000 to \$209,999

1	1
---	---

\$220,000 to \$229,999

1	1
---	---

\$230,000 to \$239,999

–	1
---	---

\$240,000 to \$249,999

2	–
---	---

\$320,000 to \$329,999

–	1
---	---

\$330,000 to \$339,999

1	–
---	---

22.3 Auditors' remuneration

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

2003 \$'000	2002 \$'000
----------------	----------------

Fees applicable for the annual audit of the year involved

180	180
-----	-----

Fees applicable for the review of the half-yearly accounts

35	25
----	----

215	205
-----	-----

notes to and forming part of the financial statements

for the year ended 30 June 2003

Note 23 Commitments for Expenditure

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

Capital and other expenditure

Not later than one year

Later than one year but not later than five years

	2003 \$'000	2002 \$'000
	240,473	60,515
	274,550	44,663
	515,023	105,178

Note 24 Contingent Liabilities

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

Mr TM Ungar
Mr IC Kuba
Dr PF Hopwood
Ms T Horton
Mr P O'Connor
Dr P Flett
Hon. PV Jones AM
Ms EDR Skira
Mr DF Young
Dr JI Gill

Hon PV Jones, Ms EDR Skira and Mr DF Young retired during the year.

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 arm's length in similar circumstances.

notes to and forming part of the financial statements

for the year ended 30 June 2003

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.

2003	Floating Interest Rate (a) \$'000	Fixed interest rate maturing in				Non- interest- bearing \$'000	Total \$'000	Average interest rate	
		1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Floating %			Fixed %	
Financial Liabilities									
Payables	–	–	–	–	99,201	99,201			
Interest-bearing Liabilities:									
- WATC liquidity facility	–	10,000	–	–	–	10,000			4.8
- Public and private	–	340,844	282,736	353,420	–	977,000			5.6
- Local authority	–	8	41	280	–	329			7.2
Employee benefits	–	–	–	–	40,861	40,861			
	–	350,852	282,777	353,700	140,062	1,127,391			
Financial Assets									
Cash assets	20,781	–	–	–	–	20,781	4.9(a)		
Receivables	–	9,569	–	–	54,490	64,059			11.3
Pensioners rate deferrals	–	–	–	–	11,925	11,925			
	20,781	9,569	–	–	66,415	96,765			
2002	Floating Interest Rate (a) \$'000	Fixed interest rate maturing in				Non- interest- bearing \$'000	Total \$'000	Average interest rate	
		1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Floating %			Fixed %	
Financial Liabilities									
Payables	–	–	–	–	106,836	106,836			
Interest-bearing Liabilities:									
- WATC liquidity facility	–	47,000	–	–	–	47,000			4.9
- Public and private	–	224,610	282,736	354,654	–	862,000			6.7
- Local authority	–	27	38	291	–	356			9.5
Employee benefits	–	–	–	–	40,813	40,813			
	–	271,637	282,774	354,945	147,649	1,057,005			
Financial Assets									
Cash assets	10,626	–	–	–	–	10,626	4.5(a)		
Receivables	–	9,828	–	–	54,894	64,722			10.6
Pensioners rate deferrals	–	–	–	–	11,800	11,800			
	10,626	9,828	–	–	66,694	87,148			

(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 2003

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

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 three contracts were in place to purchase:

- EURO Dollars (EURO) 17.075 at AUD/EURO 0.5476 on 28 July 2003;
- EURO Dollars (EURO) 55.200 at AUD/EURO 0.5453 on 28 October 2003; and
- EURO Dollars (EURO) 131.100 at AUD/EURO 0.5395 on 28 April 2004.

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 2003 \$'000	Net Fair Value 2003 \$'000	Carrying Amount 2002 \$'000	Net Fair Value 2002 \$'000
Financial Liabilities				
Interest-bearing liabilities:				
– Public	977,000	1,019,166	862,000	887,384

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 2002 to 30 June 2003;
- (b) the Statement of Financial Position gives a true and fair view of the Corporation's state of affairs as at 30 June 2003;
- (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 2002 to 30 June 2003; 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.



T.M. Ungar
Chairman



J.I. Gill
Managing Director

PERTH, 28 August 2003.

auditor general's report



AUDITOR GENERAL

INDEPENDENT AUDIT REPORT ON WATER CORPORATION

To the Parliament of Western Australia

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, 2003 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 to be dealt with in the financial statements;
- (b) in accordance with the provisions of the Water Corporation Act; and
- (c) in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia.

Scope

The Board's Role

The Board of Directors is responsible for the financial statements.

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

Summary of my Role

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

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

A handwritten signature in black ink, appearing to read 'K O'Neil'.

K O'NEIL
ACTING AUDITOR GENERAL

28 August 2003

performance indicators

	Units	Target	2002-03	2001-02	2000-01	1999-00	1998-99
1. Customer Contacts							
Telephone calls to the '13' number answered within 20 seconds	%	≥70	76.2	74.6	73.9	63.8	63.0
Telephone calls to the '13' number abandoned after 5 seconds	%	≤5	2.3	3.1	3.4	2.7	3.2
Written customer complaints resolved within 21 days	%	≥90	97.1	98.5	97.6	96.9	94.7
2. Service Standard							
Customer perception of value	%	≥75	81.0	83.0	80.2	73.0	77.2
Residential customer perception image (responsible and reliable)	%	≥80	86.5	88.0	89.0	na	na
Satisfactory compliance with Operating Licence and Customer Charter	Satisfactory Compliance	Satisfactory Compliance	Satisfactory Compliance	Satisfactory Compliance	Satisfactory Compliance	Satisfactory Compliance	Satisfactory Compliance
Compliance with licences and conditions – WRC, DEP, Ministerial	Full Compliance	Full Compliance	Full Compliance	Full Compliance	Full Compliance	Full Compliance	Full Compliance
Customer perception of environmental performance	%	≥70	69.2	73.0	79.3	69.5	72.2
3. Water Provision							
Water supply/demand (metropolitan)	Times	≥1.0	0.9	0.8	1.4	na	na
Schemes where water restrictions have been applied	No. Improvement	12	12	1	1	2	
Metropolitan analyses meeting requirement for total coliforms	%	≥90.25	99.9	99.5	98.5	97.7	98.2
Metropolitan analyses meeting requirement for thermo-tolerant coliforms	%	≥95	100	99.9	99.8	99.7	99.7
Metropolitan analyses meeting requirement for amoebae	%	≥95	99.7	100	100	100	100
Metropolitan analyses meeting requirement for health-related chemicals	%	100	100	99.8	99.8	100	100
Country localities meeting requirement for total coliforms	%	100	100	100	99.6	99.1	99.1
Country localities meeting requirement for thermo-tolerant coliforms	%	100	100	100	100	100	99.6
Country localities meeting requirement for amoebae	%	100	100	100	99.6	99.1	100
Country localities meeting requirement for health-related chemicals	%	100	97.0	97.7	90.4	94.2	99.6
Customers receiving drinking water of adequate pressure and flow	%	≥99.80	99.95	99.95	99.93	99.99	99.96
Customers not experiencing interruption to supply greater than one hour	%	≥75	86	88	90	92	93
Water supply services provided by agreement – customer notification	%	≥95	Compliance	Compliance	Compliance	Compliance	Compliance
Water supply services provided by agreement – documented	%	≥90	Compliance	Compliance	Compliance	Compliance	Compliance
Bursts per 100 kilometres of water main	No.	≤20	16.3	17.1	16.9	17.1	18.2
4. Wastewater Disposal							
Wastewater overflow - customer properties not affected	%	≥99.8	99.9	99.9	99.9	99.9	99.9
Blockages per 100 kilometres of sewer	No.	≤40	21.9	20.3	23.9	24.8	23.0
Effluent re-use	%	≥10	10.0	9.8	8.0	na	na
Drainage systems operating in accordance with standards	%	100	100	100	100	100	100
5. People and Culture							
Significant injury frequency rate	No.	≤15	17.4	18.7	19.4	26.2	28.2
Performance management quality index	%	≥60	66.5	52.3	49.0	na	na
6. Financial							
Earnings before interest and tax - EBIT (including developers' contributions)	\$m	≥490.4	529	473	489	485	452
Return on fixed assets	%	≥3.84	4.0	3.7	4.3	4.2	4.1
Operating cost per property	\$	≤433	404	400	389	368	na
Total cost per property	\$	≤1,271	1,262	1,252	1,194	1,161	na

five-year statistical summary

	Units	2002 2003	2001 2002	2000 2001	1999 2000	1998 1999
FINANCIAL DATA						
Total Revenue	\$'000	1,130,977	1,051,496	1,023,818	1,004,585	931,145
Community Service Obligations	\$'000	258,403	240,197	225,890	205,617	192,124
Operating Expenses (excluding abnormals)	\$'000	361,385	353,398	323,457	311,380	281,302
Depreciation (replacement cost)	\$'000	237,887	225,050	210,976	204,030	190,159
Net Interest Expense	\$'000	58,760	44,571	29,529	33,123	32,142
Income Tax Expense	\$'000	140,971	127,260	151,575	139,894	158,570
Operating Profit After Tax	\$'000	328,044	296,161	304,852	312,344	261,572
Transfer to / (from) Reserves	\$'000	27,699	22,676	21,614	75,620	65,461
Long-Term Debt	\$'000	977,321	862,329	807,749	576,121	461,835
New Works Investment (excluding developers take-over works)	\$'000	361,200	368,000	497,000	458,000	350,900
Short-Term Liquidity Facility	\$'000	10,000	47,000	35,000	-	80,000
New Borrowings	\$'000	115,000	64,000	232,195	115,000	100,000
OPERATING DATA						
Water Supply Services						
Annual Volume of Water Supplied	ML	329,078	323,477	374,434	339,190	325,600
Number of Properties Served at period end ¹	No.	933,967	817,469	802,964	787,351	774,386
Number of Properties Connected at period end ¹		805,988	786,965	na	na	na
Length of Mains ²	km	30,538	29,733	28,862	28,876	28,142
Wastewater Services						
Average Volume of Wastewater Treated Daily	ML	334	336	331	330	306
Number of Properties Served at period end ¹	No.	714,385	659,210	637,070	613,936	588,995
Number of Properties Connected at period end ¹		639,791	612,813	na	na	na
Length of Sewers	km	12,579	12,340	11,928	11,525	10,904
Drainage Services						
Number of Properties Served at period end ^{1,3}	No.	302,602	280,377	274,763	267,160	255,575
Length of Drains ⁴	km	2,782	2,771	2,767	2,970	2,968
Irrigation Services						
Volume of Water Delivered	ML	587,061	440,489	319,246	258,160	271,389
Employees						
Total number of full-time equivalents (FTEs)	No.	2,000	2,084	2,158	2,106	2,097
Total number of FTEs (year-end average)	No.	1,983	2,118	2,152	2,111	2,068

All financial figures are expressed in dollars of the day.

1. For 2002-03, the significant increase in properties served is due to non-strata multi-residential and multi-nonresidential properties, eg flats, units, etc, now being individually counted. This is in accordance with a revised property definition issued by the national industry association, the Water Services Association of Australia (WSAA). For comparative purposes, the number of properties served for 2002-03 without individually counting non-strata, multi-residential and multi-nonresidential properties would be 834,914 for water and 681,799 for wastewater. Numbers for properties connected have been determined on a similar basis and data is presented for the past two years.

2. Water main length - The correction of an anomaly in the source system during 2000-2001 and an ongoing review of data integrity is the reason behind the net reduction when compared to the prior year.

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

4. Year 2000-01 saw a change in the methodology for assessing the length of rural drainage channels.

Share Capital

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

Reportable Expenditure

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

The Brand Agency (advertising agency)	\$ 1,323,961
Market Equity Pty Ltd (market research)	\$ 522,616
Data Analysis Australia Pty Ltd (market research)	\$ 67,476
Media Decisions (media advertising)	\$ 2,896,084

principal statistics

Water Supply

Region	Properties Served ⁴	Properties Connected ⁴	Water Supply Services	Length of Mains (Kilometres)	Water Supplied ¹ (Megalitres)	Metered Water Consumption ² (Megalitres)	Water Consumption per Property Connected (Kilolitres)
Perth	711,556	620,832	539,055	11,829	215,315	187,452	302
Agricultural	21,949	17,661	22,921	7,978	12,555	9,805	555
Goldfields ³	22,702	19,952	18,780	1,001	15,194	13,549	679
Great Southern	34,095	28,505	28,973	3,646	12,156	10,031	352
Mid West	40,404	32,896	29,481	2,417	22,165	16,038	488
North West	28,486	24,417	20,353	1,409	31,122	27,951	1,145
South West	74,775	61,725	57,512	2,257	20,571	19,587	317
Total	933,967	805,988	717,075	30,538	329,078	284,413	353

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. The numbers presented for properties served and properties connected are aligned to a revised definition issued by the national industry association, the Water Services Association of Australia (WSAA).

Metropolitan Sources of Supply

Source	Area of Catchment (Square km)	Storage Capacity (Megalitres)	Storage at 30/6/03 (Megalitres)	Percentage of Maximum Storage (%)	Output to 30/6/03 (Megalitres)
Dams					
South Dandalup	311	205,344	21,336	10.4	10,408
North Dandalup	153	74,849	13,713	18.3	11,526
Serpentine and Serpentine Pipehead	692	140,200	28,888	20.6	10,484
Canning	789	90,353	15,335	17.0	15,671
Wungong	134	59,795	18,636	31.2	14,396
Churchman	16	2,241	834	37.2	1,483
Victoria	37	9,463	2,698	28.5	1,281
Mundaring Weir	1,470	63,596	20,252	31.8	1,686
Total	3,602	645,841	121,692	18.8	66,935
Other Hills Sources					
Conjurunup Pipehead	38				3,672
Stirling	251				22,277
Total Hills Sources Output					92,884
Groundwater					
Artesian Bores					29,832
Mirrabooka					23,138
Gwelup					16,444
Wanneroo					41,193
Jandakot					7,231
Neerabup					30,570
Lexia					7,048
Yanchep/Two Rocks					823
Total Groundwater Output					156,279
Gross Output					249,163
Less Internal Transfers (Mundaring Weir and Victoria Dam)					22,199
Less Output to South-West Region (including Mandurah)					8,578
Less System Losses (including riparian releases)					3,071
Water Supplied to Metropolitan Area					215,315

principal statistics

continued

Wastewater

Region	Properties Served ¹	Properties Connected ¹	Total Length of Sewers (Kilometres)	Number of Pump Stations	Number of Treatment Plants	Average Quantity of Wastewater Treated Daily (Megalitres)
Perth	581,483	533,956	9,488	553	9	278.6
Agricultural	8,210	6,531	232	19	14	2.6
Goldfields	4,342	3,132	95	16	3	1.9
Great Southern	18,021	15,172	459	43	13	7.9
Mid West	15,721	11,044	377	54	17	5.2
North West	22,551	20,089	429	55	15	13.7
South West	64,057	49,867	1,499	205	25	24.2
Total	714,385	639,791	12,579	945	96	334.2

¹ The numbers presented for properties served and property connected are aligned to a revised definition issued by the national industry association, the Water Services Association of Australia (WSAA).

Drainage

Region	Properties Served	Length of Drains Controlled (Kilometres)	Declared Drainage Area (Hectares)
Perth	302,602	896	91,456
Great Southern	n/a	124	39,321
South West	n/a	1,762	321,324
Total	302,602	2,782	452,101

Irrigation

Region	Irrigation Accounts	Length of Channels & Drains (Kilometres)	Area Irrigated (Hectares)	Water Supplied (Megalitres)
South West (Preston Valley) ¹	n/a	n/a	n/a	991
South West (SWID) ²	n/a	n/a	n/a	88,832
Mid West (piped)	186	43	2,059	5,490
North West	103	418	13,000	491,748
Total	289	461	15,059	587,061

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

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

Employees (FTEs as at June 2003)

Metropolitan	1,372
Country	628
Total	2,000

publications, glossary of terms

publications and promotional material...

A full list of Water Corporation publications and promotional material is available via our website under 'Publications' at www.watercorporation.com.au

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.

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

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

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

Department of Environment – The Department of Environmental Protection, the Water and Rivers Commission and the Keep Australia Beautiful Council have merged to form the Department of Environment. Although the Department of Environment is operating, legislation has yet to be passed to officially recognise the new entity.

DEP – Department of Environmental Protection. See Department of Environment.

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

EMS – Environmental management system.

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.

Minister – Minister for Government Enterprises.

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 for Environment and Heritage.

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 and the ocean.

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

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

Water services – Means water supply, potable water supply, non-potable 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.

WRC – Water and Rivers Commission. See Department of Environment.