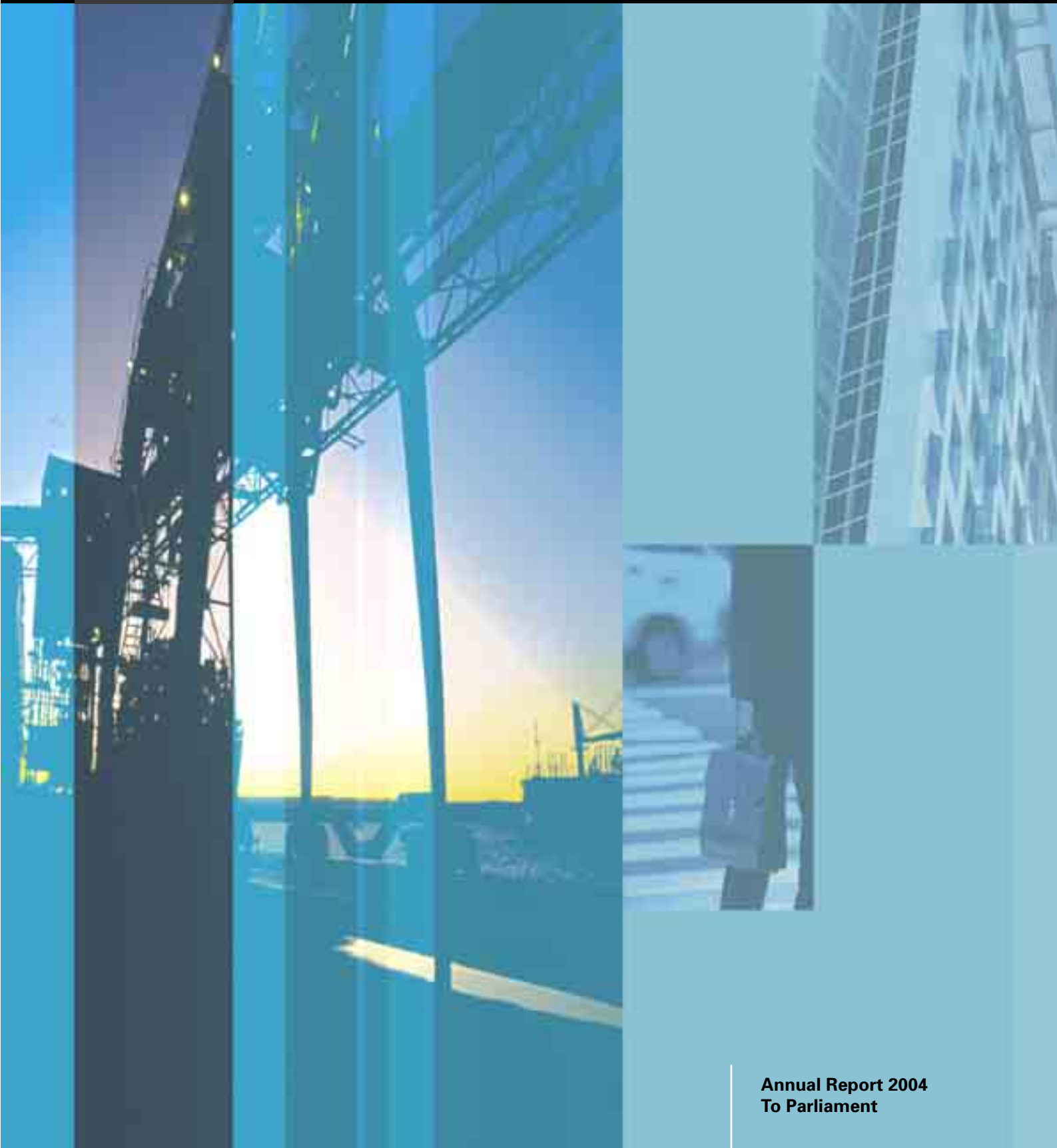


WESTERN AUSTRALIAN

# TREASURY CORPORATION

Financing WA's growth



Annual Report 2004  
To Parliament

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WESTERN AUSTRALIAN


# TREASURY CORPORATION

1

**THE HON. ERIC RIPPER, MLA**  
**TREASURER OF WESTERN AUSTRALIA**

In accordance with section 66 of the Financial Administration and Audit Act 1985, we hereby submit for your information and presentation to Parliament the Annual Report of the Western Australian Treasury Corporation for the year ended 30 June 2004.

The Report has been prepared in accordance with the provisions of the Financial Administration and Audit Act 1985.



**T M MARNEY**  
**CHAIRPERSON**  
WESTERN AUSTRALIAN  
TREASURY CORPORATION

27 August 2004



**D V BUTLER**  
**CHIEF EXECUTIVE OFFICER**  
WESTERN AUSTRALIAN  
TREASURY CORPORATION

27 August 2004



## Board of Directors

### John L Langoulant, Chairperson

Mr Langoulant has been Chairperson of the Board since 1996. He is also Chairperson of the Remuneration Committee. Mr Langoulant is the Under Treasurer of the State of Western Australia. He holds an Honours degree in Economics and has thirty years experience in Commonwealth and State Treasuries, including extensive experience in public financing and capital market issues. Mr Langoulant is a Director of Gold Corporation and a member of the Financial Reporting Council.

*Mr Langoulant resigned as Under Treasurer on 16 July 2004 to take up a position in the private sector. Mr Marney succeeded Mr Langoulant as the Corporation's Chairperson with effect from 19 July 2004.*

### Timothy M Marney, Deputy Chairperson

Mr Marney joined the Corporation's Board on 5 October 2003. He is also a member of the Audit Committee. Mr Marney is the Executive Director, Agency Resources with the Department of Treasury and Finance ("DTF"). He holds an Honours degree in Economics and has fourteen years experience in economics and finance which includes working with the Reserve Bank of Australia prior to joining DTF.

### Catherine A Nance

Ms Nance has been a Director of the Corporation since 1998 and is also Chairperson of the Audit Committee and a member of the Remuneration Committee. She is an Actuary and Partner of PricewaterhouseCoopers with over fifteen years experience in the financial services industry advising governments and companies on actuarial and finance related matters. Ms Nance has a Bachelor of Science degree in pure and applied mathematics and physics, a Bachelor of Arts degree in statistics and a Master of Science degree in statistics. She is a Fellow of the Institute of Actuaries of Australia, an Affiliate of the Institute of Actuaries (London), an Associate Member of the Securities Institute of Australia and a Member of the International Association of Investment Management Research. Ms Nance is a Director of United Credit Union Limited and a member of the West Australian Regional Council of Securities Institute of Australia and chairs an Institute of Actuaries national taskforce on retirement related issues.



### **Gaye M McMath**

Ms McMath has been a Director of the Corporation since 1 January 2003 and is also a member of the Audit Committee. She is the Executive Director, Finance and Resources, with the University of Western Australia. Prior to this, Ms McMath was the Pro Vice Chancellor (Resource Management) at Murdoch University (Perth) after a twenty-three year career with BHP Billiton in a wide range of financial, strategic planning, treasury and commercial management positions. She holds a Bachelor of Commerce degree and a Master of Business Administration degree and is a Fellow of the Australian Institute of Company Directors and CPA Australia. Ms McMath is a Director of Silver Chain Nursing Association (Incorporated) and Home Building Society Limited.

### **David V Butler, Chief Executive Officer**

Mr Butler became a Director in July 2003 upon his appointment as Chief Executive Officer. He is also a member of the Remuneration Committee. Mr Butler joined the Corporation in 1988 and has over thirty years experience in the finance industry, including capital markets, funds management and treasury. He is a Fellow of both the Securities Institute of Australia and The Finance and Treasury Association Limited. Mr Butler is a Director of Keystart Loans Limited, which provides finance for home purchase to Western Australians.

### **Gregory L Joyce**

Mr Joyce has been a Director of the Corporation since 1 January 2003 and is also a member of the Remuneration Committee. He is the Director General of the Department of Housing and Works. Mr Joyce holds a Bachelor of Arts degree and is qualified to practise as a Barrister and Solicitor in Western Australia. He is a Director of the Keystart Group of Companies and a Commissioner of the State Housing Commission.

## **Chairperson's and Chief Executive Officer's Review**

### **The Economic Backdrop**

The Australian economy continued on its strong economic growth path during 2003/04, recording GDP growth above the OECD average in the year to 31 March 2004 (the latest data available). Over the first half of the financial year, the Reserve Bank of Australia ("RBA") became increasingly concerned at the pace of credit expansion, in particular in the housing sector, as well as the concurrent rapid pace of housing price inflation in the larger capital cities. This resulted in the RBA lifting its cash rate target by 25 basis points in both November and December 2003, taking it from 4.75% to 5.25%. As a result, short-term money market yields finished the year significantly higher than where they started.

Global economic conditions improved significantly during 2003/04, with the International Monetary Fund predicting that world output in 2004 will grow by 4.60%, the second fastest rate in the past fifteen years. However, similar to conditions in Australia, strong growth has brought with it the threat of higher inflation and most key central banks have now started the process of returning interest rates to more normal levels to reduce some of the policy stimulus.

### **Satisfying our Clients**

The Corporation performed strongly in all areas of its business this year. It continued to provide funds at a significantly lower cost than clients could achieve themselves if they borrowed individually from the market, and did so whilst meeting client risk management requirements.

During the year, an independent survey of clients was undertaken. The results were very positive and confirmed that the products and services provided by the Corporation met their debt and risk management needs and service delivery expectations.

These objectives can only be met if the Corporation itself can borrow at very competitive rates. This is achieved by ensuring that large debt issues in the domestic market are highly liquid, for which institutional investors are prepared to pay a premium. To make the most of this, the Corporation remains committed to maintaining its large, highly liquid fixed interest stocks with maturities ranging from July 2005 to June 2013 (referred to as "hot stocks").

Satisfying our clients also requires highly sophisticated risk management skills as they have different maturity preferences to those of the investors. A key task of the Corporation is to manage the mismatches caused by these differing requirements. The Corporation hedges the risk incurred by movements in interest rates and spread risk which arises when, for example, the Corporation borrows fixed rate and swaps to floating rate. In this regard, we use the discipline of full "mark to market" valuations of all financial assets and liabilities. This provides a consistent basis for decision making and evaluating the Corporation's financial performance.

### **Market Strategies**

During the year, interest rate swap spreads widened and this provided us with the opportunity to swap tranches of "hot stocks" into cheaper floating rate borrowings. However, there is a limit to the volume of swaps we can carry as the market valuation of these transactions may be adversely impacted if these spreads widen further than the levels at which the transactions were executed.

To overcome this constraint, the Corporation introduced a new floating rate note product during the year, which is funded by using fixed rate stocks and swaps. This product has enabled the Corporation to continue to tap the swap market in order to provide low cost term floating rate funds to its clients without exacerbating the volatility in its earnings.

## Containment of Costs

While borrowing costs have been contained at very competitive levels, we have also minimised the cost of delivering those funds to clients, with the administration cost ratio falling slightly from 0.11% of average loan funds last year to 0.10% this year.

With these factors combined, we achieved a healthy profit for the year of \$8.143 million. The Corporation endeavours to minimise the level of capital held, such that it is sufficient only to cover the risks (primarily interest rate, credit and operational) involved in carrying out our functions. This also enables us to maintain lending margins at the lowest possible level. The Corporation uses the Prudential Standards prescribed by the Australian Prudential Regulation Authority for banks and other authorised deposit taking institutions to determine the level of capital it should maintain. A review at the beginning of 2003/04 indicated that the level of capital required for market risk could be reduced and, accordingly, a special dividend of \$9 million was paid to the State.

## Investing in our Business

During the year, we committed to implementing the new Basel Capital Accord provisions relating to operational risk as part of our policy to maintain best practice in risk management. It is envisaged that, while this will not require any additional capital to be allocated to operational risk, it will enhance the Corporation's ability to manage this risk.

Over the past four years, the Corporation has been working to integrate its various information systems. Implementation of the Summit treasury management system's front and middle office modules was completed by the end of June 2002. Amongst other things, this has facilitated better risk benchmarking through improved hedge modelling tools. Implementation of the Summit back office, credit and accounting modules is now almost complete and will result in the introduction of Straight-Through-Processing of all financial market transactions in the new financial year. These new systems, together with the Corporation's established practice of marking all of its transactions to market, will have it well prepared for the introduction of International Financial Reporting Standards in 2005.

Also during the year, the Board reviewed its corporate governance policies and practices to ensure that they complied with the "Principles of Corporate Governance and Best Practice Recommendations" advocated by the Australian Stock Exchange's Corporate Governance Council. We are pleased to report that the Corporation's corporate governance meets best practice standards with the exception of the recommendations which relate specifically to listing and reporting by public companies, and following some minor changes to its current policies and practices. Even in the area of reporting and disclosure required of publicly listed companies, the Western Australian Treasury Corporation Act 1986 and the Financial Administration and Audit Act 1985 require the Corporation to make similar reports to its shareholder (the State), through its Minister and to Parliament.

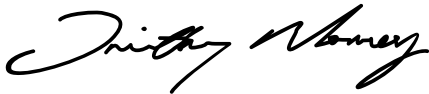
## WATC's People and the Board

There were two changes to the composition of the Corporation's Board during the year. As reported last year, Mr Ray Hughes retired as Chief Executive Officer in July 2003 and was succeeded by Mr David Butler. In October 2003, Ms Anne Nolan stepped down as Deputy Chairperson as she ceased to be a Treasury Officer following her promotion to the position of Coordinator, Office of Energy. We would like to thank her for her contribution over the previous four years. Ms Nolan was succeeded as Deputy Chairperson by Mr Timothy Marney who is Executive Director, Agency Resources, Department of Treasury and Finance.

## **Chairperson's and Chief Executive Officer's Review** (continued)

At the beginning of the 2004/05 financial year, Mr John Langoulant resigned as Under Treasurer and therefore relinquished his position as Chairperson of the Corporation. He is succeeded by Mr Marney as Chairperson on his appointment as Acting Under Treasurer. We would like to record our appreciation of Mr Langoulant's significant contribution over his nine years as Chairperson. Under his leadership, the Corporation has progressed from having an advisory board, with the Under Treasurer as the corporate sole, to a corporatised entity with a Board comprising both public and private sector members. We would like to wish Mr Langoulant well in his new role as Chief Executive of the Chamber of Commerce and Industry of Western Australia. We would also like to thank the other Board members for their support and contribution during the year.

Finally, we would like to acknowledge the contribution of the staff as the workload has been particularly heavy this year with the Summit treasury management system implementation. The introduction of new systems brings many challenges and the staff have successfully addressed this with skill and dedication.



**T M MARNEY**

Chairperson



**D V BUTLER**

Chief Executive Officer



## Performance Against Targets for 2003/04

The Board sets annual performance targets for the Corporation. These targets form part of the Statement of Corporate Intent which is published at the start of each financial year in accordance with Section 16I(1) of the Western Australian Treasury Corporation Act 1986.

The Corporation's performance against its targets for 2003/04 is set out below.

### 1. Estimated Interest Rate Savings

In order to gauge its effectiveness in providing competitively priced loan funds to clients, the Corporation calculates the estimated interest rate savings to clients borrowing from the Corporation compared to the estimated cost to clients of borrowing in the corporate bond market. The following table shows the average of the estimated month end savings for the year. The results are summarised by the credit rating of the corporate bonds used in the calculation. It should be noted that the cost of borrowing from the Corporation does not include any guarantee fees collected by the Corporation on behalf of the State.

**Target:** Savings > 0.00%  
**Outcome:** Refer to table below.

**2003/04 Estimated Interest Rate Savings to Clients  
by Reference Bond Credit Rating and Term to Maturity\***

Maturity Bucket (Years)	AAA	AA+	AA	AA-
1 to 2	0.23%	0.39%	0.33%	0.22%
2 to 3	0.25%		0.26%	0.26%
3 to 4	0.19%	0.42%	0.49%	0.28%
4 to 5	0.46%			0.41%
5 to 6	0.49%			0.47%
6 to 7	0.50%			
8 to 9				0.55%
10 to 11	0.30%			
15 to 16	0.32%			

\* A blank entry in the table means there is no reference bond available in the corporate bond market for comparative purposes.

## Performance Against Targets for 2003/04 (continued)

### 2. Assessment of Satisfaction of Client Needs

The Corporation appointed Patterson Market Research ("PMR") to undertake a survey of client satisfaction with existing products and services and the Corporation's service delivery.

**Target:** 100% satisfaction level.

**Outcome:** The PMR research has found that client satisfaction levels are high overall, but are particularly positive among Government clients. This is evidenced by the high overall satisfaction result, where no respondents indicated they were dissatisfied.

The results from the survey with regard to this Key Performance Indicator reflected a positive 95% client satisfaction rating with the Corporation's products and services, and 99% client satisfaction rating with the Corporation's service delivery.

### 3. Administration Ratio

The Corporation monitors its administrative efficiency by measuring its Administration Ratio. The Administration Ratio is a measure of the average administrative on-cost that must be borne by the Corporation's clients.

$$\text{Administration Ratio (\%)} = \frac{\text{Net Administration Expense}}{\text{Average Lending Assets}} \times \frac{100}{1}$$

Net Administration Expense is defined as total administration expenses less non-interest revenue. Average Lending Assets is defined as the average of the opening and closing book value of loans to clients for the year.

**Target:** Administration Ratio < 0.12%

**Outcome:** Administration Ratio = 0.10%

### 4. Capital Ratio

In view of the Corporation's activities as a participant in financial markets, it is essential that it has sufficient capital to efficiently manage its portfolio within prescribed risk parameters. Hence, the Corporation's capital ratio is monitored on a daily basis.

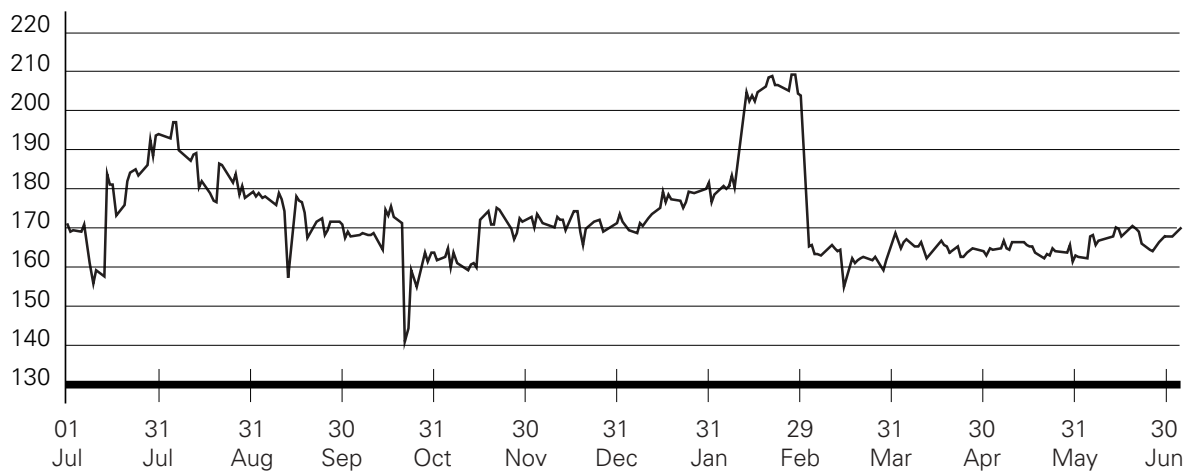
$$\text{Capital Ratio (\%)} = \frac{\text{Available Capital}}{\text{Regulatory Capital}} \times \frac{100}{1}$$

Available Capital is defined as the previous year-end equity plus unaudited year to date profits less dividend payments made during the current year. Regulatory Capital is defined as the minimum capital required under the Corporation's Board approved capital policy. This policy is based on the Australian Prudential Regulation Authority's standards and guidelines.

**Target:** Capital Ratio ≥ 100% on a daily basis.

**Outcome:** The capital ratio exceeded the target of 100% on each day of the reporting period as shown in the graph on the following page.

### Capital Ratio (%) - Available Capital/Regulatory Capital 2003/2004



## 5. Return on Capital

In line with market practice, the target return on capital for the Corporation is adjusted for risk on the basis of the Capital Asset Pricing Model.

$$\text{Return (\%)} = \frac{\text{Pre-Tax Profit}}{\text{Adjusted Average Capital for the Year}} \times \frac{100}{1}$$

Adjusted Average Capital for the Year takes into account changing capital levels during the year as a result of additional dividends made to government or additional capital given to the Corporation by government and the timing of these payments.

**Target:** Return = 9.9% - being the risk adjusted pre-tax return on capital required under the Board approved capital policy of the Corporation.

**Outcome:** Return = 15.3%

## 6. Market Share

The Corporation calculates its market share as set out in the following formula.

$$\text{Market Share (\%)} = \frac{\text{Book value of WATC client debt}}{\text{Book value of total eligible public sector debt}} \times \frac{100}{1}$$

Eligible public sector debt includes debt in the form of borrowings by the State of Western Australia but excludes finance leases, debt to the Commonwealth and borrowings by Keystart.

**Target:** Market Share  $\geq$  95%

**Outcome:** Market Share = 95.5% (as at 30/6/2003)

It should be noted that the result is lagged due to the timing of the release of relevant source data in relation to the State's debt.

## Overview of the Corporation

The Western Australian Treasury Corporation fulfils the role of the State's corporate treasury services provider, working with its public sector clients to assist them in achieving sound financial risk management. Within this broader role, the Corporation's principal activities involve debt and interest rate risk management, the investment of the State's surplus funds, assisting clients in the management of foreign exchange risk and the provision of financial advisory services.

### Enabling Legislation

The Corporation was established on 1 July 1986 under the Western Australian Treasury Corporation Act 1986 (the "Act") as the State's central borrowing authority. Amendments to the Act during 1998 expanded the Corporation's role to include the provision of financial management services to the Western Australian public sector.

### Vision

To be the provider of choice for loan funds and financial services to the Western Australian public sector.

### Mission

To work with our clients to satisfy their financing needs.

### Corporate Objectives

The objectives of the Corporation are to:

- Lend at a commercially competitive cost to our clients;
- Provide lending structures and maturities to satisfy our clients' needs;
- Identify and provide information to the public sector on financial risks and strategies to manage these risks;
- Satisfy our clients' needs for financial and risk management services;
- Conduct our operations in an efficient and cost effective manner;
- Efficiently manage our portfolio within prescribed risk parameters;

- Be the primary lender to the Western Australian public sector; and
- Achieve our target return on capital.

### Corporate Values

The Corporation is focused on providing efficient and cost effective financial products and services for the management of the Western Australian public sector's financial assets and liabilities.

The Corporation's values are as follows:

- Customer satisfaction is the top priority of the Corporation's employees and the ultimate aim of every activity. Cost-effective, ongoing achievement of customer satisfaction is the foundation of its business.
- Every employee is an important and valued member of a team which strives to provide the highest standard of service to the Corporation's clients.
- The Corporation encourages its employees to be resourceful and creative in the resolution of problems and in the conduct of its business.
- The pursuit of excellence with integrity is promoted throughout the organisation and expected in the quality of work done in every function.
- Clear communication of the corporate strategies and objectives to all employees is a priority. Feedback is valued as an integral part of this process.
- Willing co-operation between employees to fulfil commitments to the Corporation's clients and in support of its strategies and objectives is valued and commended.
- The Corporation undertakes to ensure that all its employees have the skills necessary to perform their functions, including taking advantage of new technologies and adjusting well to the changes and dynamics of its business.
- That the Corporation's employment and management practices are free from bias or discrimination.
- The Corporation undertakes to employ modern and appropriate technologies to effectively carry out its Mission.

These values provide the foundation for the Corporation achieving its objectives.

### Board of Directors

The responsibility for the performance of the Corporation's functions is vested in a board of directors appointed under Section 5B of the Act.

At 30 June 2004, the Corporation's Board comprised:

- Mr John Leslie Langoulant, Under Treasurer for the State of Western Australia (Chairperson);
- Mr Timothy Michael Marney, Executive Director, Agency Resources, Department of Treasury and Finance (Deputy Chairperson);
- Ms Gaye Marie McMath, Executive Director, Finance and Resources, University of Western Australia;
- Mr Gregory Louis Joyce, Director General, Department of Housing and Works;
- Ms Catherine Anne Nance, Partner, PricewaterhouseCoopers;
- Mr David Victor Butler, Chief Executive Officer.

Mr Langoulant's role as Chairperson ceased on 16 July 2004 as a result of his resignation from the role of Under Treasurer to take up a position in the private sector. Mr Marney assumed the role of Chairperson upon his appointment as Acting Under Treasurer.

### State Guarantee

Under Section 13(1) of the Act, the financial liabilities incurred or assumed by the Corporation are guaranteed by the Treasurer on behalf of the State. This guarantee is secured upon the Consolidated Fund of the State.

### Credit Ratings

The debt of the Corporation is rated as follows:

Rating Agency	Long-Term	Short-Term
Standard & Poor's	AAA	A-1+
Moody's Investors Service	Aaa	Prime-1

All long-term credit ratings currently have a "stable" rating outlook.

### Information Statement

In accordance with Part 5 of the Freedom of Information Act 1992, the Corporation has prepared an Information Statement. This document is available for inspection at the Corporation's office at Level 12, St. George's Square, 225 St. George's Terrace, Perth.

## Economic Overview and Outlook

### Western Australian Economy

#### Significant Economic Outcomes During 2003/04

- Gross State Product ("GSP") estimated to have grown by 6.75%. This is the highest rate of growth since 1994/95.
- Business Investment estimated to have grown at a record pace of 25%, following growth of 21.5% in the previous year. This is expected to consolidate at existing high levels in 2004/05.
- The State unemployment rate averaged 5.7%, falling from 6.0%. Currently, this unemployment rate is the lowest in Australia. This is expected to remain relatively stable, with employment growth matched by additions to the labour force.

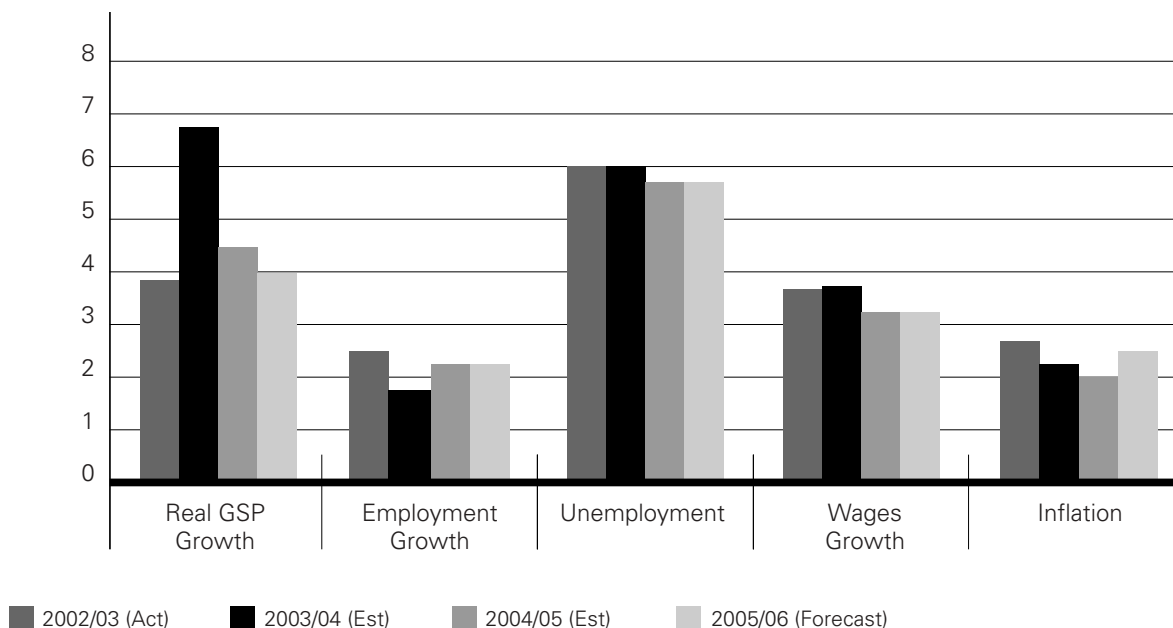
#### Major Projects Driving Business Investment

- \$2.4 billion Liquefied Natural Gas train expansion on the North-West Shelf.
- \$1 billion iron ore mine at Mining Area C, northwest of Newman in the Pilbara region.
- \$630 million ammonia plant on the Burrup Peninsula.

### Significant Government Infrastructure Projects

- "New MetroRail" development from Perth to Mandurah, including the construction of a rail tunnel through the Perth CBD and an underground station.
- Significant infrastructure development in the State's ports, including dredging, wharf extensions and bulk handling facilities.
- The Water Corporation investing over \$80 million in a seawater desalination plant and a seawater supply scheme on the Burrup Peninsula which will provide the foundation for ongoing industrial development of the region.

#### Key State Economic Indicators (%)



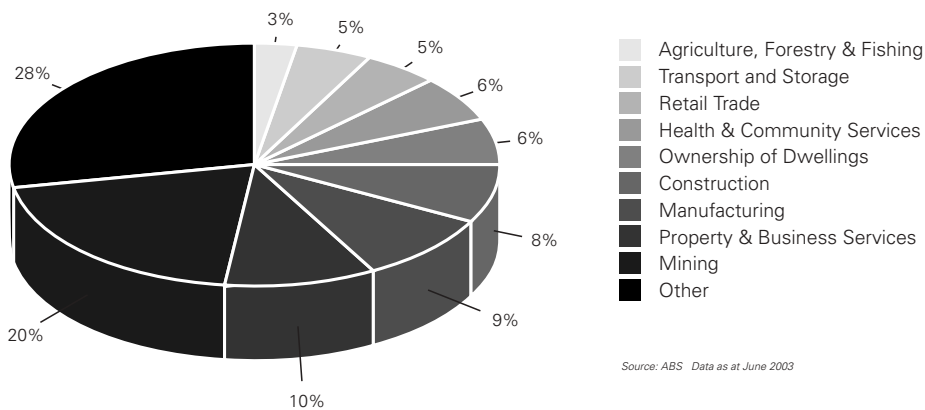
**Overview**

Since the 1960s, Western Australia has emerged as a leading producer and exporter of a variety of minerals. The State accounts for around 44% of the value of Australia's mining production and is the world's leading iron ore exporter. It is also the second largest iron ore producer in the world, accounting for around 16% of current world iron ore production. In recent years, China has emerged as the fastest growing market for iron ore, supporting growth in the Western Australian economy.

Over the past decade, the Western Australian economy has been one of the fastest growing of all Australian states, averaging a rate of 4.1% growth per annum compared with growth of 3.8% nationally. During 2003/04, the Western Australian economy is expected to record above average growth of 6.75%, underpinned by very strong domestic activity driven by a record level of business investment. This level of growth would represent the largest annual increase since 1994/95 and equates to an estimated real gross product per capita of around A\$43,800, compared to around A\$37,800 nationally.

The break-up of the State economy on the basis of total factor income by industrial sector, the closest measure available of GSP by industry, is detailed in the chart below.

**Factor Income by Industry**



**Outlook**

Although economic growth is forecast to slow in 2004/05, it remains solid at 4.5%. The addition of new export capacity from the current wave of resource projects under construction is expected to see exports taking the lead on growth.

Business investment in 2004/05 is expected to ease (by just 0.5%) after reaching a record level in 2003/04. However, investment spending on recently committed projects such as the \$1.5 billion Enfield oil development and the \$1.4 billion Ravensthorpe nickel mine should sustain business investment at close to 2003/04 levels.

Forecast growth in household consumption of 3.25% in 2004/05 is more modest than in preceding years. The moderation reflects an anticipated decline in dwelling activity detracting from demand in the household goods sector and the prospect that higher interest rates may lead households to rebuild equity in their homes.

Employment growth is expected to strengthen in 2004/05, with growth of 2.25% forecast. The unemployment rate is forecast to remain steady over the period (at around 5.75%) as the labour required to underpin the higher employment growth forecast is expected to be met by additions to the labour force.

Source: ABS Data as at June 2003

## Economic Overview and Outlook (continued)

### Government's Financial Strategy

The State Government's Financial Strategy Statement commits to sound financial management principles and maintains the financial targets adopted upon coming to office (and as expressed in the Government's first budget in 2001/02). These targets are to:

- Maintain or increase total public sector net worth;
- Achieve accrual operating surpluses for the general government sector;
- Maintain tax competitiveness; and
- Retain the State's AAA credit rating, represented by the following two specific targets:
  - o Maintain net debt to revenue for the total non-financial public sector at or below 47%; and
  - o No increase in real per capita expenses for general government.

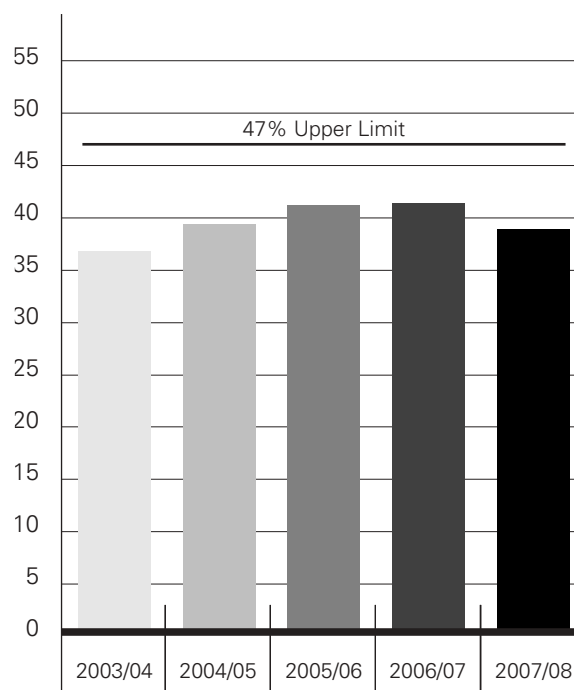
Each of these targets is expected to be met from 2004/05.

### Fiscal Outlook

The Western Australian State Budget provided for a General Government net operating surplus of \$243 million in the fiscal year 2004/05, up from an estimated actual surplus of \$207 million in the 2003/04 fiscal year. This strong financial position is forecast to continue across the current projection period to 2007/08, underpinned by average annual revenue growth of 3.4% and average expense growth of 3.3% per annum.

### Net Debt as a Share of Revenue (%)

Total Non-Financial Public Sector





## The Australian Economy

The Australian economy continued on its strong economic growth path during the 2003/04 financial year, recording GDP growth above the OECD average in the year to 31 March 2004 (the latest data available). This was achieved while maintaining an inflation rate under 3%, employment growth of 2.2% for the year and a twenty-three year low unemployment rate of 5.5% in May of 2004.

Monetary policy remained relatively stable throughout the year, with the Reserve Bank of Australia ("RBA") raising its target overnight cash rate only twice, in November and December 2003, by a total of 50 basis points to 5.25%. Prior to the November tightening, the cash rate had been on hold for seventeen months at 4.75%. Over the first half of the financial year, the RBA became increasingly concerned at the pace of credit expansion, in particular in the housing sector, as well as the concurrent rapid pace of housing price inflation in the larger capital cities.

The decision to tighten monetary policy in late 2003 coincided with the peak in housing investment. Housing credit growth, building approvals and price pressures all appeared to moderate in the third quarter of the financial year. This moderation, along with an easing in the inflation rate from 3.4% in the March quarter of 2003 to 2.0% in the equivalent quarter of 2004, allowed the RBA to leave policy unchanged throughout the second half of the year.

In recent months, housing credit growth has shown signs of stabilising at levels identified by the RBA as being unsustainably high. With strong and accelerating growth prospects for most of Australia's major trading partners in the coming year, and monetary tightening underway in many of these economies, further increases in domestic short-term interest rates remain a prospect over the coming year.

<b>Key Budget Aggregates</b> Western Australia	2002/03 Actual	2003/04 Estimated Actual	<b>2004/05 Budget Estimate</b>	2005/06 Forward Estimate	2006/07 Forward Estimate	2007/08 Forward Estimate
<b>General Government</b>						
Net Operating Balance (\$m)	254	207	<b>243</b>	224	198	321
Revenue (\$m)	11,771	12,266	<b>12,719</b>	13,056	13,481	14,042
Revenue Growth (%)	6.7	4.2	<b>3.7</b>	2.6	3.3	4.2
Expenses (\$m)	11,518	12,060	<b>12,477</b>	12,832	13,283	13,721
Expense Growth (%)	6.3	4.7	<b>3.5</b>	2.8	3.5	3.3
<b>Total Non-Financial Public Sector</b>						
Net Debt to Revenue Ratio (%)	32.5	35.5	<b>39.6</b>	41.3	41.7	39.1
<b>Total Public Sector</b>						
Net Debt at 30 June (\$m)	4,497	5,086	<b>5,930</b>	6,323	6,577	6,339

## Financing WA's Growth

### Meeting Clients' Needs

The Corporation is focused on building strategic partnerships and providing customised financial solutions to its clients. The Corporation strives to achieve the cheapest cost of funds for clients in debt structures that minimise risk and streamline administration.

### Emphasis on Outcomes

The Corporation aims to provide debt funding to Western Australian State agencies and local governments at the lowest possible cost. In the 2003/04 financial year, debt outstanding to the Corporation's clients increased by \$290 million. At 30 June 2004, the Corporation had a total of \$9,348 million in face value of debt outstanding to 44 State Government trading enterprises, authorities and agencies and 130 local governments.

This financial year, the Corporation continued to finance Western Australia's growth by providing funds to State agencies for ongoing infrastructure requirements. This entailed working with clients to achieve diverse outcomes such as the upgrading and construction of schools, the construction and purchase of housing, the provision of emergency vehicles and new fire stations, new and existing infrastructure to support the supply of water, wastewater and drainage services and the maintenance of a reliable supply of energy.

The year also saw increased infrastructure activity at ports around the State, with significant funding provided to the Geraldton Port Authority for the Port Enhancement Project and the Dampier Port Authority for channel dredging and wharf extensions associated with further development on the Burrup Peninsular. The Corporation had ongoing involvement in Perth's significant integrated urban rail network project "New MetroRail", financing construction works for the Perth to Mandurah railway.

The Corporation also assisted local government clients across Western Australia throughout the year. The Corporation was pleased to participate in the funding of a number of community projects including the construction and upgrade of recreation and leisure centres, aquatic centres, refurbishment of town halls and libraries, the replacement of reticulation for a golf course and various streetscape and townscape projects.

### Flexible Lending

With the diversity of services provided by State and local government entities, each of the Corporation's clients has unique financing and liquidity needs. The Corporation strives to meet these varied requirements by maintaining a comprehensive range of flexible lending products that deliver low cost funding.

Lending products available to the Corporation's clients include:

- Portfolio Lending Arrangements ("PLA")
- Interest only loans
- Fixed-rate principal and interest loans
- Zero-coupon loans
- Short-term loans and liquidity facilities
- Structured loans tailored to suit individual client needs

The Corporation's PLA product essentially applies the principles of diversification to debt management by structuring borrowings into a variety of maturity dates and interest rates. On other loans provided by the Corporation, the interest rate can be fixed for terms from one day to twenty years and longer.

The Corporation's ongoing commitment to satisfy client requirements and improve its product range led to the introduction of a floating rate lending product and a compounded cash rate lending product in direct response to the specific needs of clients.

In addition to the provision of funds, the Corporation is able to assist clients to restructure and refinance existing loans.

### Client Survey

During the year, the Corporation commissioned an independent client survey as part of its ongoing commitment to improving its service to clients. The survey explored the adequacy of the Corporation's range and delivery of current products and services. The survey also identified unmet and future needs of clients, with a number of the findings being incorporated in the planning and development of new client products and services. Overall, the feedback received was very positive, with almost all clients expressing high levels of satisfaction with the Corporation's products and services in meeting both their debt risk management and service delivery needs.

A significant restructure of staff resources occurred during the year to strengthen communication and service delivery to clients. These were both aspects of customer service identified in the survey as being of considerable importance to clients. The creation of the position of Business Development Manager provided a dedicated resource to work with clients to identify their financing goals and objectives. The Business Development Manager will liaise with the Corporation's Client Account Managers and the new Quantitative Financial Services team to deliver the best solution for each client.

### Client Advisory Services

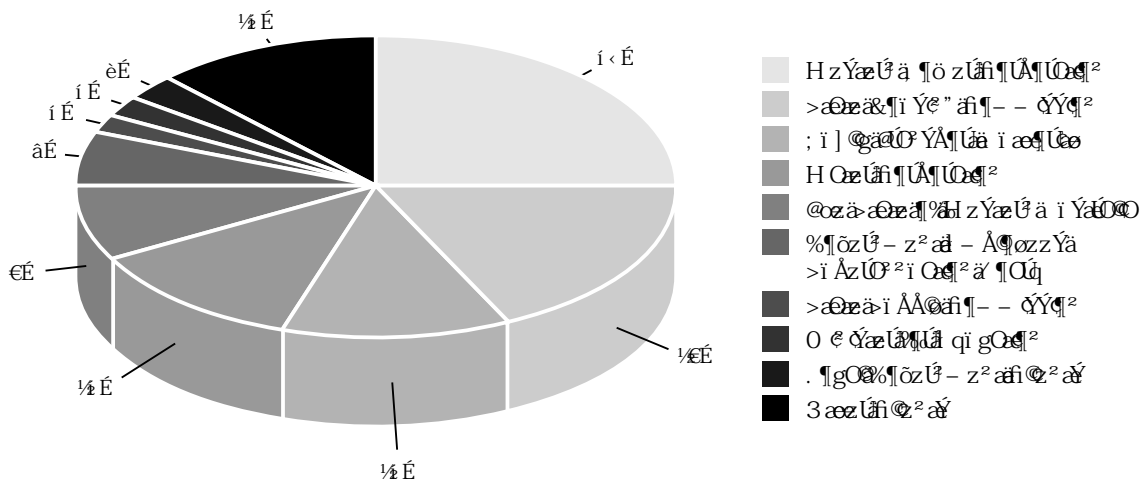
The Corporation achieves client outcomes through close partnerships with clients and its experience and expertise in economic and financial markets. Working with the Corporation, clients have access to:

- Specialised quantitative skills for risk analysis and project evaluation
- Sophisticated systems and modelling tools for financial analysis
- Expertise and long standing relationships in financial markets
- Objective advice

### Cashflow-at-Risk ("CFaR")

CFaR is a framework for risk analysis focused on the identification, measurement and management of market risk within a non-financial institution. Risk is evaluated against a client's specific strategic and business objectives in order to deliver outcomes that maximise return within risk parameters acceptable to the client. According to individual requirements, a diverse range of risk computation techniques may be utilised, from client-defined scenario analysis to parametric interest rate and pricing models.

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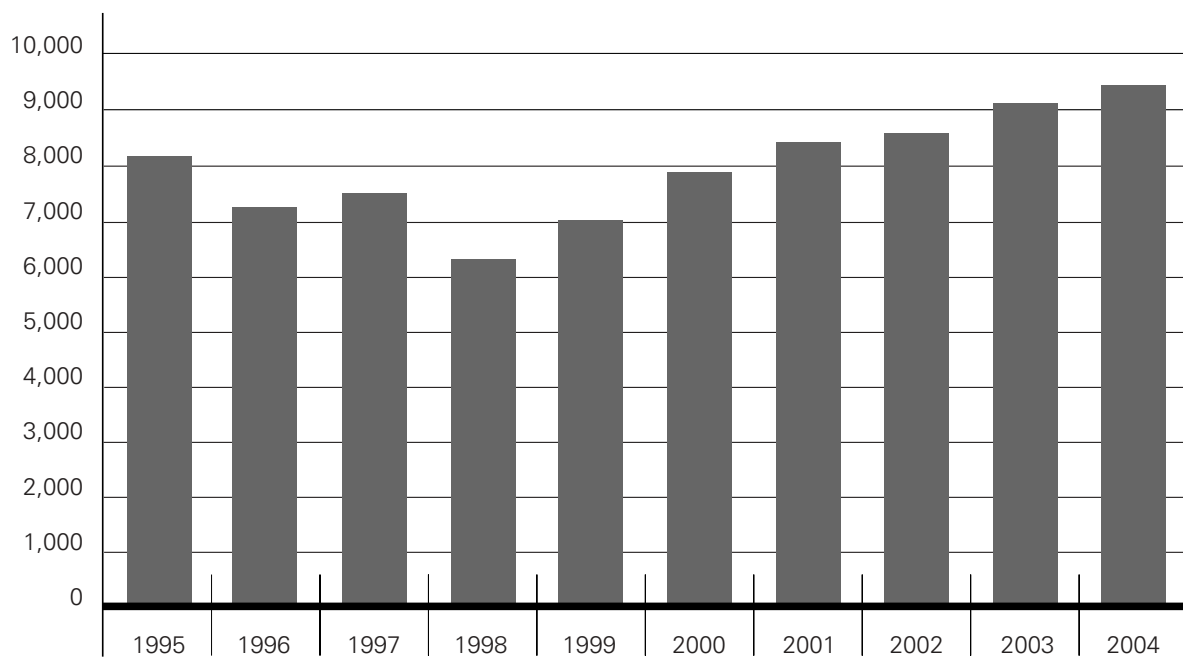


## Financing WA's Growth (continued)

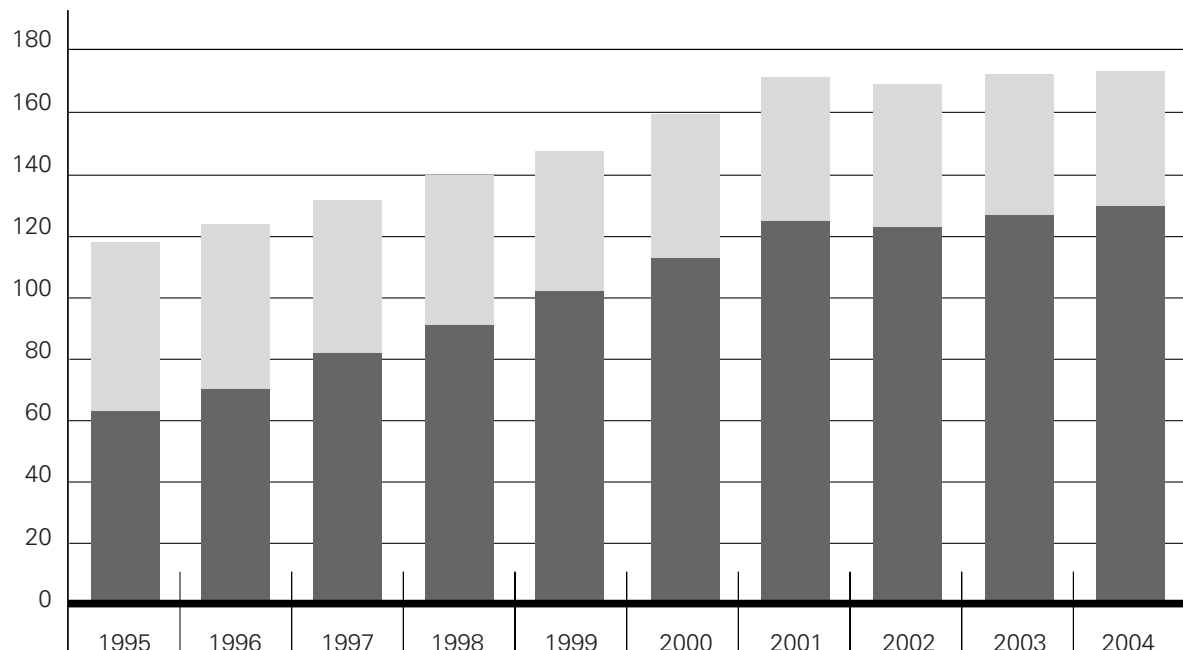
### Client Authorities

Debt Outstanding 30 June 1995 to 30 June 2004

A\$ million



### Number of WATC Clients by Sector



■ Local    ■ Semi

### **Debt and Capital Structure**

With extensive experience in asset and liability management, the Corporation is well placed to assist clients in analysing optimal funding and risk management products for their business. In constantly evolving markets, the Corporation has dedicated resources to the research and development of new and customised solutions that may benefit its clients. The Corporation also offers capital management advisory services, including the development, evaluation and operation of risk capital benchmarks.

### **Project and Structured Finance**

The Corporation's expertise is available to its clients for the evaluation of project financing and leasing arrangements for key infrastructure projects and to assist in the financial evaluation component of Public Private Partnership projects. The Corporation provides its clients with independent advice and rigorous analysis of privately funded projects.

### **Economic Analysis and Advice**

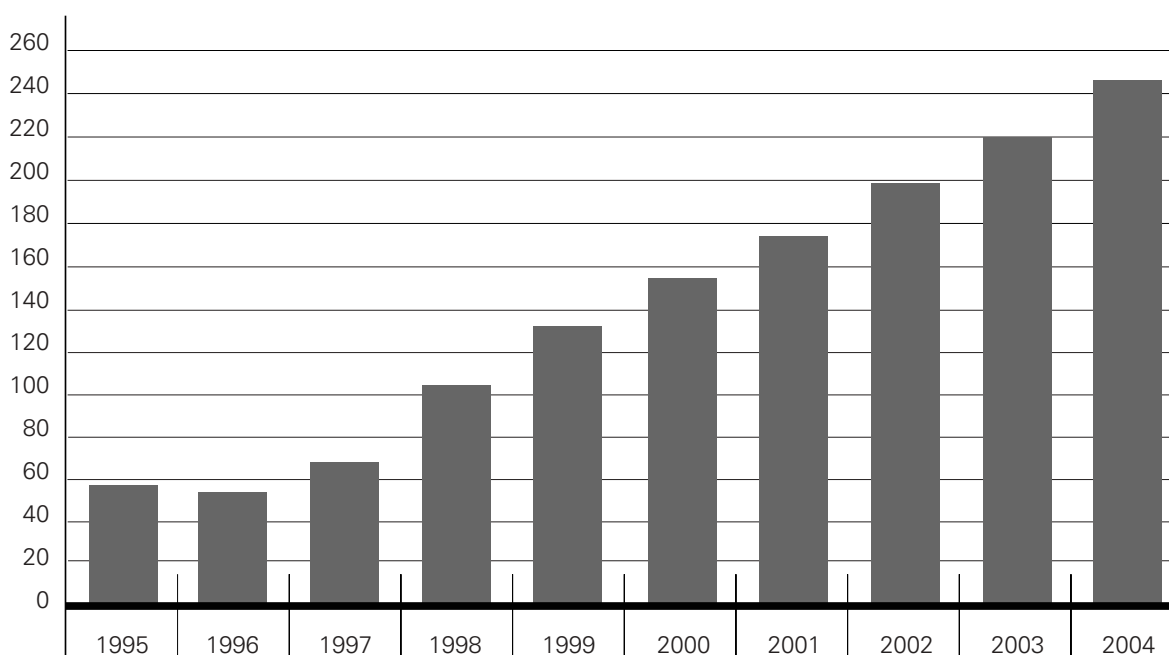
The Corporation's experienced economics team regularly publish analysis and reports on the latest national and global economic data releases, financial conditions and monetary outlooks. The Corporation's economists also deliver presentations to individual clients on general economic conditions or economic trends of specific interest to a client.

### **FX Hedging**

The Corporation offers client authorities assistance with all aspects of foreign exchange management. This can take the form of simply satisfying a client's foreign currency transaction requirements through to developing and implementing complex hedging strategies. Specifically, the Corporation provides assistance to clients to identify and quantify foreign currency exposures, following which it develops and presents to the client a range of possible hedging strategies, and then implements the strategy selected by the client when required.

### **Local Government Clients**

Debt Outstanding 30 June 1995 to 30 June 2004  
A\$ million



## Accessing Capital Markets

### Domestic Borrowing Overview

The Corporation's domestic borrowing activities during 2003/04 centred primarily on:

- maintaining sufficient volumes on issue and enhancing the liquidity in its "hot stock" lines maturing in 2005, 2007, 2009, 2011 and 2013;
- pursuing opportunities to issue stocks longer than ten years to hedge specific client requirements;
- issuing short-term inscribed stock to meet floating rate funding requirements; and
- transacting in interest rate swaps to facilitate asset and liability management.

### Fixed Interest

The domestic bond market had a volatile year, taking its cue from the US Treasury market, which was in turn buffeted by the capricious performance of the US economy. At times, the US economy exhibited surprising strength while at other times, demonstrated sufficient weakness to suggest that a further cut in US official interest rates was possible. Predicting interest rate movements was further complicated by the conflict in Iraq and consequent fluctuations in the price of oil. In terms of domestic influences, the RBA appeared focused on a highly resilient housing market and strong private sector credit data.

The spread between semi-government bonds and interest rate swaps was influenced by a number of factors, including the volume of Uridashi and Kangaroo issues, changing interest rate expectations, a very tight "Repo" market in selected short maturity bonds and changes by the RBA to its daily open market operations. The changes to RBA open market operations had a heavy impact, effecting a narrowing in the spread between semi-government bonds and interest rate swaps of between 5 and 10 points across the curve. These factors aside, the Corporation did take advantage of this volatility and dealt in swap markets for portfolio management purposes to generate sub-BBSW floating rate funding.

Fixed interest activities during the year were reflective of a period of consolidation, with an ongoing commitment to the maintenance of liquid "hot stock" lines and a concentration on core business activities. During the course of the year, the Corporation's 15 July 2003 "hot stock" matured.

### Market Making Panel

The Market Making Panel and contacts at 30 June 2004 are shown below.

Panel Members	Contact	Telephone
ABN AMRO Bank NV	Mr Michael Cheetham	03 9612 1342
Citigroup Global Markets Australia Pty Ltd	Mr Simon Walters	03 8643 9820
Commonwealth Bank of Australia	Mr Kevin Brinsmead	02 9235 0122
Credit Suisse First Boston	Mr Simon Wilson	02 9394 4444
Deutsche Capital Markets Australia Ltd	Mr Matt Yencken	03 9270 4333
Macquarie Bank Limited	Mr Mike Walsh	03 9635 9041
National Australia Bank Ltd	Ms Kim Grunert	02 9295 1166
RBC – DS Global Markets	Mr Richard Sheahan	02 9033 3222
UBS AG Australia Branch	Mr David Harris	03 9242 6800
Westpac Banking Corporation	Mr Sean Kelly	02 9283 4100

Taking into account overall performance, the more prominent institutions on the Corporation's Market Making Panel for the financial year ended 30 June 2004 were:

- National Australia Bank Ltd
- Westpac Banking Corporation
- ABN AMRO Bank NV
- Commonwealth Bank of Australia
- Deutsche Capital Markets Australia Ltd

### Stocklending and Repurchases

The volume of stocklending of the Corporation's "hot stocks" increased in 2003/04 to \$180.1 million, compared to the \$91.7 million transacted in 2002/03. Despite the increase, the overall volume of stocklending remains at historically low levels. The Corporation upheld its policy of being a lender of last resort to its Market Making Panel for "hot stocks" and did not actively compete against market participants in the lending of Corporation stocks.

The Corporation maintained a minor presence in the "Repo" market involving other central borrowing authorities' "hot stocks" held from time to time

as part of its debt management function. This "Repo" activity enables the Corporation to more effectively manage these holdings to enhance overall debt management performance. Although the Corporation maintained a minimal holding of this asset class throughout the financial year, "Repo" turnover for 2003/04 increased to \$1,416.6 million, compared to \$124.0 million for 2002/03.

### Turnover

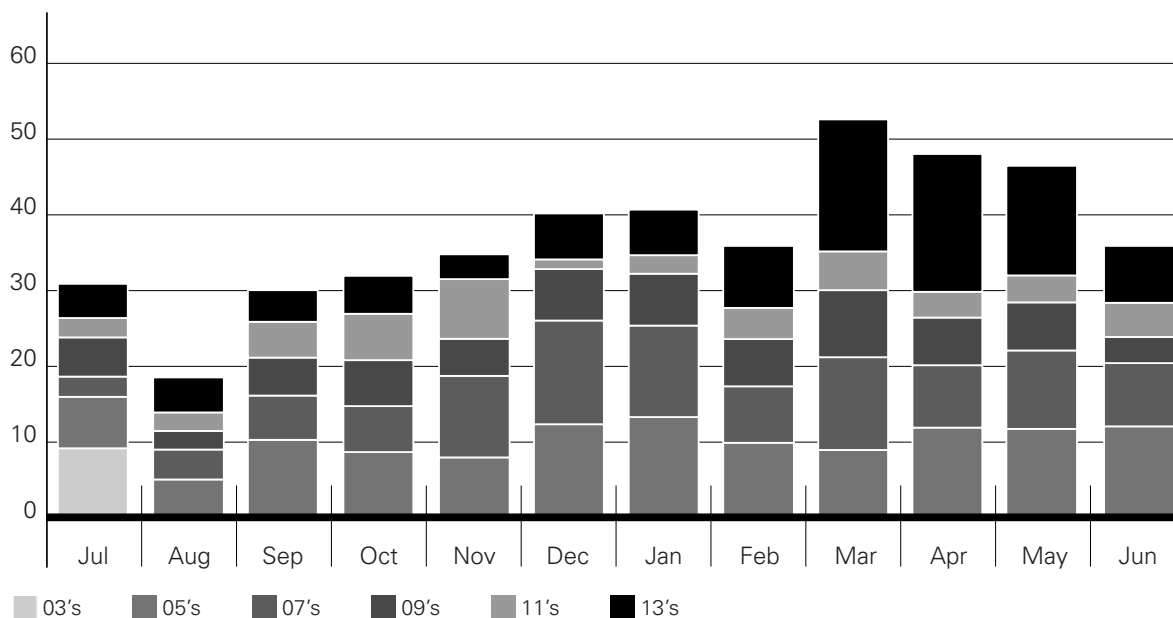
Turnover in the Corporation's "hot stocks" for the financial year ended 30 June 2004 was \$443,754 million. The Corporation's domestic "hot stock" volumes on issue at 30 June 2004 and the turnover volumes for the financial year were as follows:

Coupon % p.a.	Maturity Date	Volume On Issue	Turnover Volume
10.00	15/07/2005	\$ 2,003m	\$ 119,144m
8.00	15/10/2007	\$ 1,170m	\$ 97,521m
7.50	15/10/2009	\$ 1,070m	\$ 69,817m
7.00	15/04/2011	\$ 903m	\$ 46,566m
8.00	15/06/2013	\$ 839m	\$ 101,616m

### WATC "Hot Stock" Turnover

2003/2004

A\$ billion



## Accessing Capital Markets *(continued)*

### Short-Term Inscribed Stock

During 2003/04, the Corporation issued a total of \$18,685 million of short-term inscribed stock with an average maturity of 84 days, resulting in an average daily amount outstanding of \$4,342 million. This continued to be a reliable source of domestic short-term funds for the Corporation. At 30 June 2004, \$3,963 million was outstanding in short-term inscribed stock.

End of month outstandings of short-term inscribed stock are shown in the graph below.

### Retail Borrowing

During 2003/04, the Corporation continued to make State Bonds available to retail investors who were seeking the security offered by a government guaranteed investment.

The Corporation monitors yields on a daily basis to ensure that market interest rates are always available to retail investors.

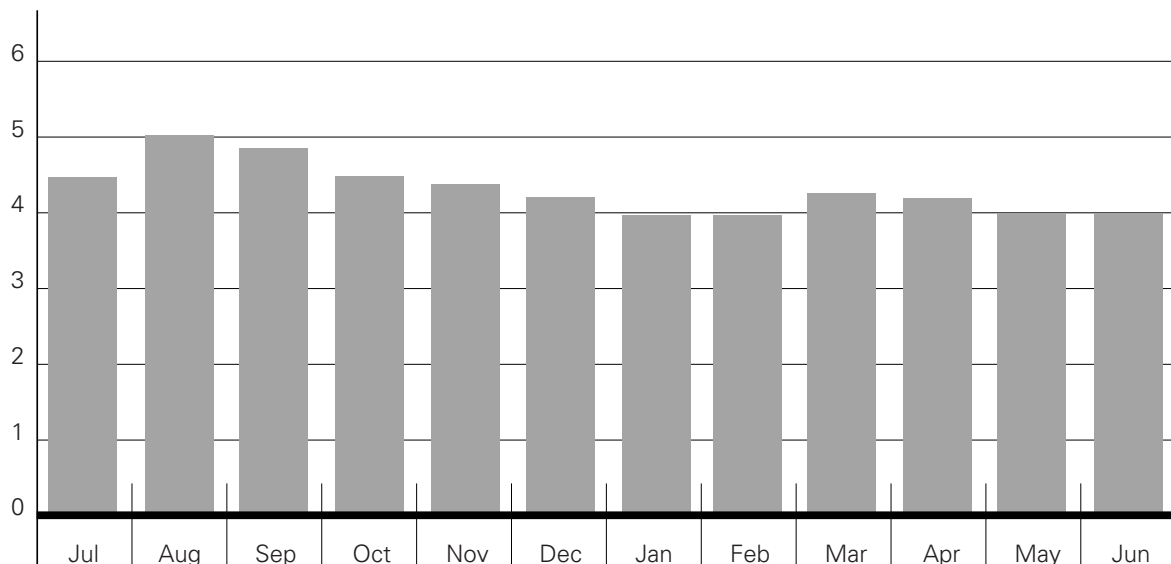
State Bonds continued to be advertised during 2003/04. In this regard, advertisements for State Bonds appeared in the West Australian newspaper, the Personal Investor magazine and certain editions of local community newspapers during the year.

The aggregate face value amount of State Bonds issued to retail investors during 2003/04 was \$154.2 million. This amount comprised new investment funds and maturing principal reinvested by existing stockholders. Of the amount raised through new investments, \$106.6 million was raised through the issuance of State Bonds as a designated investment under the Business Skills and General Skills Migration schemes administered by the Commonwealth Department of Immigration and Multicultural and Indigenous Affairs.

### Short-Term Inscribed Stock

Month End Balances for 2003/2004

*A\$ billion*





## Offshore Borrowing Overview

Through its access to international markets, the Corporation is able to:

- (i) save on the interest cost of borrowing, where it can obtain funding for the borrowing program at rates below equivalent domestic rates after hedging any foreign currency exposure;

- (ii) undertake issues in a range of currencies, with specific structures or of particular terms to meet any special portfolio or client requirements; and

- (iii) diversify its investor base.

The Corporation's ongoing strategy is to tap overseas markets on an opportunistic basis through bond issues, private loans and its range of continuous note issuance facilities. These facilities include:

Program	Size (\$m)	Maturities	Currencies	Placement
US Commercial Paper	US\$1,000	1 – 270 days	US\$	Through Dealer Panel
Eurocommercial Paper	US\$1,500	7 – 365 days	Multicurrency	Through Dealer Panel
Euro Medium Term Note	US\$2,000	1 month – 30 years	Multicurrency	Through Dealer Panel and Reverse Enquiry

## Euro Medium Term Note Program

Since the establishment of the Euro Medium Term Note Program in 1990, 34 issues have been made in Australian dollars and other currencies.

Although the level of demand for Australian dollar securities in the Japanese retail market reduced during the year, the Corporation made two issues into that market as follows:

	EMTN 33	EMTN 34
Dealer	Mizuho International plc	Mizuho International plc
Japanese Selling Agent	Mizuho Investors Securities Co., Ltd	Mizuho Investors Securities Co., Ltd
Issue Size	A\$56m	A\$40m
Coupon	5.20% p.a.	5.15% p.a.
Term	3 years	3 years

The face value amount of Notes outstanding under the Program at 30 June 2004 was A\$506 million (the equivalent of US\$301 million).

The dealer panel for the Program comprises:

- Citigroup Global Markets Limited
- Commonwealth Bank of Australia
- Credit Suisse First Boston (Europe) Limited
- Daiwa Securities SMBC Europe Limited
- Deutsche Bank AG, London
- Merrill Lynch International
- Mizuho International plc
- National Australia Bank Limited
- Nomura International plc
- Royal Bank of Canada Europe Limited
- UBS Limited

Citibank, N.A., London, is the Fiscal Agent, Registrar and Transfer Agent for the Program. BNP Paribas Luxembourg is the Paying Agent.

Where listing is required, Notes will be listed on the London Stock Exchange.

## Accessing Capital Markets (continued)

### Eurocommercial Paper Program

Total issues of Eurocommercial Paper ("ECP") during the year have been significantly lower than those achieved in previous years. The Corporation has been able to borrow domestically at more favourable rates. At 30 June 2004, the equivalent of A\$48 million face value was outstanding under this program.

The dealer panel for the Program comprises:

- Barclays Bank plc
- Citibank International plc
- Commonwealth Bank of Australia,  
Hong Kong Branch
- Deutsche Bank AG, London
- Macquarie Asia Limited
- National Australia Bank Limited,  
Hong Kong Branch
- Westpac Banking Corporation,  
Hong Kong Branch

Citibank, N.A., London, is the Issuing and Paying Agent for the Program.

### United States Commercial Paper Program

The Corporation did not issue during the year under the United States Commercial Paper Program. The Corporation has been able to borrow from alternative sources at significantly lower rates.

The dealer panel for the Program comprises:

- Goldman Sachs & Co
- Credit Suisse First Boston Corporation

Citibank, N.A. is the Issuing and Paying Agent for the Program.

A Revolving Credit Facility with Citibank N.A. in support of the United States Commercial Paper Program has been established. This Facility comprises a committed portion of US\$60 million providing same day funds and a further uncommitted portion of up to US\$40 million. These bank lines are additional to the Corporation's overdraft facilities and other sources of funding in the international and Australian capital markets.

### Foreign Exchange Management

During the year, all funds raised through the ECP Program were swapped into Australian dollars through the foreign exchange market. Foreign exchange transactions were also dealt with client authorities to accommodate their hedging and transactional requirements.

## Risk Management

In 1995, the Corporation made the decision to bring onto its balance sheet the risk associated with its core lending function. This strategic initiative was motivated by the Corporation's desire to provide its clients with transparency in the pricing and delivery of funding services whilst simultaneously granting each client strategic control over the management of its debt.

To facilitate this initiative, the Corporation committed itself to continuously seeking out and implementing industry best practice in financial risk management. Not only does this ensure ongoing client satisfaction, but it is critical in maintaining investor confidence and meeting stakeholder objectives.

### Mark to Market of all Financial Assets and Liabilities

Central to the Corporation's risk management framework is the discipline of undertaking full mark to market valuations of all financial assets and liabilities. The Corporation believes that this practice provides a consistent basis for decision making and evaluating its financial performance.

Within this mark to market framework, the Corporation manages three main risks.

#### **Market Risk**

Market risk describes the potential adverse financial impact of changes in financial market rates or prices. Since 1999, the Corporation has elected to adopt the Australian Prudential Regulation Authority's ("APRA") Prudential Standard APS 113. This standard requires the Corporation to hold risk capital equal to a multiple of its Value at Risk ("VaR"). Since 2001, the Corporation has modelled its VaR using a multi-currency Monte Carlo simulation approach involving the revaluation of all financial assets and liabilities against 5,000 independent scenarios.

#### **Credit Risk**

Credit risk describes the potential adverse financial impact due to a counterparty not meeting its financial obligations to the Corporation. The Corporation seeks to reduce this risk through establishing and maintaining a Credit Policy. The Credit Policy sets minimum standards for the credit quality of counterparties and ensures diversification of credit exposures. In 2004, the Corporation implemented a fully integrated credit risk management policy based on APRA's APS 112. This standard requires the Corporation to hold risk capital against the credit exposures on investments, derivatives and forward settling transactions based on market value, instrument type, counterparty and term to maturity.

#### **Operational Risk**

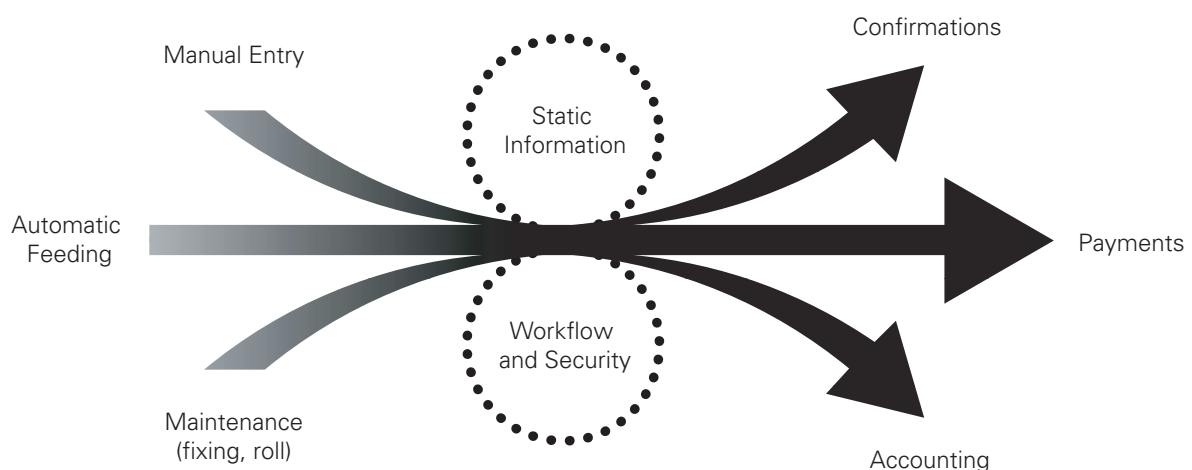
Operational risk describes the potential adverse financial impact resulting from inadequate or failed internal processes, people and systems or from external events. APRA does not currently identify minimum capital level provisions for financing operational risk. In the absence of any standards in this area, the Corporation has elected to retain \$10 million of capital to cover operational risk and has adopted a number of qualitative risk management standards. In 2004, the Corporation committed itself to implementing the new Basel Capital Accord provisions relating to operational risk. The Corporation has formed an Operational Risk Committee to oversee the implementation of this policy framework over the period of 2004 to 2006.

## Technology

This year has been a milestone in the development of the Corporation's information technology. The Corporation has progressively moved towards its object of integrating separate systems and achieving Straight-Through-Processing ("STP"). The objective of STP is to enter a transaction in the front office and have it progress through the Corporation's business processes with minimum manual intervention to final settlement and accounting reconciliation.

The integration of systems is a significant move as the number of supported systems with disparate software and hardware platforms will coalesce into a common platform. This will improve data integrity, reliability and recoverability. The use of a common platform will allow better achievement of business objectives through the concentration of information technology knowledge, skills and abilities.

Integration is being achieved through further implementation of the Summit treasury management system and the interface of that system to the AXSOne accounting system. The implementation of the Summit back office module, which is nearing completion, is an important step towards achieving STP. The credit module has been successfully implemented, with the Corporation using this increased functionality to manage and report on its risk levels.



## Corporate Governance

The Board of Directors (the "Board") of the Corporation is responsible for the performance of the functions of the Corporation under the Act.

In order to ensure that the Corporation carries out its functions in the best interests of the State, its clients and other stakeholders, the Board sets the strategic direction of the Corporation (with the agreement of the Minister for Government Enterprises and the Treasurer) and establishes the policies and principles under which the Corporation operates.

The corporate governance processes established by the Board ensure that it is able to fulfil its statutory obligations, guide the affairs of the Corporation and oversee its performance.

The Board relies on, and holds to account, the Chief Executive Officer for the operational management of the Corporation and implementing the strategic direction.

### Board Composition

The membership of the Board is determined in accordance with Section 5B of the Act and comprises:

- (i) the Under Treasurer as Chairperson;
- (ii) a Treasury Officer nominated by the Under Treasurer from time to time as the Deputy Chairperson;
- (iii) the Chief Executive Officer or Acting Chief Executive Officer; and
- (iv) up to three other persons with relevant commercial or financial experience appointed by the Treasurer ("appointed directors").

An appointed director may hold office for a term, not exceeding three years, as is specified in the instrument of appointment, but may be reappointed from time to time.

At 30 June 2004, the directors of the Corporation were:

Name	Position	First Appointed	Term Expires
John Leslie Langoulant <sup>1</sup>	Chairperson	Statutory	Statutory
Timothy Michael Marney <sup>2</sup>	Deputy Chairperson	5 October 2003	Not Applicable
David Victor Butler <sup>3</sup>	Chief Executive Officer	21 July 2003	Statutory
Gregory Louis Joyce	Director	1 January 2003	31 December 2005
Gaye Marie McMath	Director	1 January 2003	31 December 2005
Catherine Anne Nance	Director	15 July 1998	31 December 2004

<sup>1</sup> Mr Langoulant's role as Chairperson ceased with effect from 16 July 2004 as a result of his resignation as Under Treasurer to take up a role in the private sector.

<sup>2</sup> Mr Marney assumed the role of Chairperson as a result of his appointment as Acting Under Treasurer with effect from 19 July 2004.

<sup>3</sup> Mr Butler is the only Director with executive responsibilities. All other directors are independent directors.

## Corporate Governance *(continued)*

### Board Responsibilities

The Board is responsible for the performance of the functions of the Corporation under the Act. These functions include, to:

- borrow moneys and lend moneys to the Western Australian public sector;
- develop and implement borrowing programs for the purposes of the Act;
- manage the financial rights and obligations of the Corporation;
- advise on financial matters including debt management, asset management and project and structured financing;
- manage the investments for the Treasury and other government agencies;
- assist authorities with managing their financial exposures; and
- assist the State with the management of any debt raised prior to the establishment of the Corporation.

In fulfilling this role, the Board guides and monitors the affairs of the Corporation. This includes:

- reviewing and establishing (with the Treasurer's agreement) the Corporation's strategic development plan and statement of corporate intent each year;
- monitoring the performance of the Corporation; and
- ensuring that appropriate accounting, risk management, budgeting, compliance, information technology and internal control policies, systems and reporting processes are in place. These include its risk management policy and business continuity plan.

### Board Committees

To assist in the execution of its responsibilities, the Board has established an Audit Committee and a Remuneration Committee.

#### ***Audit Committee***

The role of the Audit Committee as set out in the Terms of Reference approved by the Board is essentially to give the Board additional assurance regarding the quality, integrity, reliability and the adequacy of the Corporation's accounting and internal control systems, financial reporting and compliance processes.

The Audit Committee is responsible for contact with the Corporation's external and internal auditors to ensure that significant issues and information arising from the auditors' activities are brought to the attention of the Board.

The Chairperson reports to the Board after each meeting, including any findings and recommendations of the Committee.

The members of the Audit Committee at 30 June 2004 were:

<b>Name</b>	<b>Position</b>
Catherine Anne Nance	Chairperson
Gaye Marie McMath	Member
Timothy Michael Marney	Member

All members of the Audit Committee are non-executive directors.

### Remuneration Committee

The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the employment terms and conditions of all members of the Corporation's staff, including the Chief Executive Officer, and the directors themselves.

With the approval of the Board, the Remuneration Committee uses the services of external remuneration experts to advise it on appropriate levels of remuneration and other terms and conditions of employment for Corporation staff including the Chief Executive Officer.

The remuneration and allowances payable to appointed directors is determined by the Treasurer on the recommendation of the Minister for Public Sector Management.

The members of the Remuneration Committee at 30 June 2004 were:

Name	Position
John Leslie Langoulant	Chairperson
Gregory Louis Joyce	Member
Catherine Anne Nance	Member
David Victor Butler	Member

### Attendance at Meetings by Directors

Details of attendance at the Board and Board Committee meetings by each director during the year are as follows:

Director	Board		Audit Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
J L Langoulant	11	10			1	1
T M Marney <sup>1,3</sup>	8	7	2	2		
A L Nolan <sup>1</sup>	3	3				
D V Butler <sup>2,3</sup>	10	10	4	4	1	1
R N Hughes <sup>4</sup>	1	1				
G L Joyce	11	10			1	1
G M McMath	11	10	6	6		
C A Nance	11	9	6	6	1	1

<sup>1</sup> Mr Marney replaced Ms Nolan as the nominated Treasury Officer on the Board with effect from 5 October 2003 following Ms Nolan's promotion to another government agency.

<sup>2</sup> Mr Butler joined the Board with effect from 21 July 2003 upon his appointment as Chief Executive Officer.

<sup>3</sup> In accordance with corporate governance best practice principles, the Board decided at its meeting on 16 April 2004 that the Audit Committee should only comprise independent directors. Accordingly, Mr Butler stepped down from the Audit Committee on that date and was replaced by Mr Marney.

<sup>4</sup> Mr Hughes retired as Chief Executive Officer on 18 July 2003.

## Corporate Governance (continued)

### Constitution and Proceedings of the Board

The Constitution and Proceedings of the Board are provided for in Schedule 2 to the Act.

### Statutory Corporations (Liability of Directors) Act 1996

The Corporation's directors are bound by the provisions of the Statutory Corporations (Liability of Directors) Act 1996. Accordingly, directors are required to comply with the same fiduciary responsibilities and duties of loyalty and good faith owed by directors of companies incorporated under the Corporations Law.

### Ethical Standards and Codes of Conduct

The Board acknowledges the need for, and the continued maintenance of, the highest standards of corporate governance practices and ethical conduct by the Corporation's directors and staff and has established codes of conduct for directors and staff respectively. These codes of conduct endorse, in principle, the code of conduct developed by the Australian Financial Markets Association.

The Corporation has adopted the Western Australian Public Sector's Code of Ethics.

### Professional Advice

Directors are entitled, with the prior approval of the Chief Executive Officer, to obtain such resources and information from the Corporation, including direct access to management and professional advisers as they may require, in order to carry out their duties as directors. Directors are also entitled, with the prior approval of the Chairperson, to seek independent professional advice at the expense of the Corporation to assist them to carry out their duties as directors.

### Performance Evaluation

The Board evaluates its performance each year. For 2003/04, this process was undertaken in September 2003.

### Compliance

The role of the Corporation's compliance function is to ensure that the Corporation maintains its high prudential standards and has the appropriate procedures in place to comply with the Act and other relevant legislation, its policies and industry standards.

### Auditors

#### External Audit

Section 21 of the Act states:

*"The provisions of the Financial Administration and Audit Act 1985 regulating the financial administration, audit and reporting of statutory authorities apply to and in respect of the Corporation and its operations."*

In accordance with the provisions of the Financial Administration and Audit Act 1985, the Corporation's external auditor is the Auditor General for Western Australia. The Auditor General utilises the services of Ernst & Young to conduct the annual audit.

#### Internal Audit

The Corporation's internal audit function is outsourced to KPMG.

Appointment to this role by the Corporation is subject to tender. The appointment is for a term of three years with an option to extend the term for a further two years at the Corporation's sole discretion.



## Corporate Administration

### Staff

At 30 June 2004, the Corporation employed 48 staff – 15 female and 33 male. Details of the staffing structure are set out on page 68.

There were several significant staff changes during the year. In July 2003, Mr David Butler was appointed Chief Executive Officer following the retirement of Mr Ray Hughes. Mr Michael Webb was appointed General Manager Financial Markets and Risk Management and he oversaw the restructuring of several branches in order to provide an improved focus on customer service and to better align the skill sets of individual staff members to meet client needs. As part of this restructure, the position of Business Development Manager was also created and filled.

### Employee Relations

The Corporation has a Joint Consultative Committee ("JCC") to provide a forum to raise and discuss issues surrounding employment conditions. The JCC is composed of representatives of management and elected representatives from throughout the Corporation and meets at periodic intervals. During the year, various human resources policies were developed and adopted in consultation with the JCC.

There were no disputes during the year.

### Compliance with Public Sector Standards and Ethical Codes

The Corporation has complied with all public sector standards, codes of ethics and codes of conduct. Three trained contact officers are available to deal with any concerns in the areas of discrimination, harassment and grievance and the JCC oversees the amendment to human resources policies and the development of new policies. The Human Resources Manager regularly assesses human resource related activities against the public sector standards, codes of ethics and codes of conduct.

During the year, there were no breach claims lodged under the Public Sector Standards in Human Resource Management and no complaints lodged against any code of ethics or conduct adopted by the Corporation.

### Employee Development

The Corporation supports the development and education of its employees through the provision of a training and development budget. Staff are assisted in a range of areas from upgrading management, communication and technology skills to the undertaking of tertiary studies.

Most staff took advantage of the training and development budget during the year, including two who undertook undergraduate studies and six studying at a postgraduate level. Over 38% of the training budget was expended on supporting these tertiary studies. Training and development events promoted by professional bodies were also heavily supported during the year.

Corporation staff are also active in teaching, with several lecturing at tertiary level. Two officers hold the Certificate IV in Assessment and Workplace Training, allowing training in nationally recognised courses to be undertaken in-house.

### Equal Opportunity and Diversity

The Corporation is an equal opportunity employer. Staff received training in discrimination and harassment issues during the year and trained staff are available as contact officers for any concerns in this area.

An Equity and Diversity Management Plan for 2004-2007 was adopted by the Corporation to ensure:

- the Corporation values and has clear management accountability for equal opportunity and diversity, and that it provides an inclusive work environment that is free from sexual and racial harassment and harassment due to any of the grounds covered by equal opportunity legislation;
- workplace policies and practices support the achievement of equity and diversity objectives and are free from bias and unlawful discrimination against employees or potential employees;

## Corporate Administration (continued)

- the Corporation has an equitable and diverse workforce profile suited to its business and client imperatives, consistent with equity and diversity principles and government and legislative frameworks. Employment programs recognise and include strategies to achieve workforce diversity.

During the year, the Corporation acquired licences for on-line training packages in Workplace Discrimination - Legal Compliance, Cultural Awareness and Cultural Diversity. Each trainee is assessed as they progress through the package and a certificate of completion is generated only when the minimum course requirements are met. Progress is monitored to ensure all staff successfully complete the training by the scheduled date.

### Occupational Health and Safety

The Corporation provides a safe environment for its staff and visitors. There were no workers' compensation claims for the year and no staff undergoing rehabilitation at 30 June 2004.

### Disability Services

The Corporation acts to ensure that a safe environment exists for all persons who enter its offices. During the year, there were no requests for services to be modified to meet the needs of persons with special needs.

### Customer Relations

The maintenance of high standards of service to the Corporation's stakeholders remains a priority. During the year, a Customer Relationship Management Committee was formed to ensure the current high standards were further improved. The restructure of several branches and the appointment of a Business Development Manager was also aimed at providing better service.

### Energy Smart

Under the Government's Energy Smart policy, all general sector government agencies with twenty-five or more FTEs are required to achieve a staged reduction in stationary (i.e. non-transport) energy consumption of at least 12% by 2006/07.

The Corporation will relocate to new offices in August 2004. While the Corporation is not required to comply with the Energy Smart policy, it has taken steps to reduce stationary energy consumption as part of the design of its new office fitout. Initially, savings will be found in the areas of lighting and water heating but further likely savings have been identified and will be considered once the relocation has taken place.

### Waste Recycling

The Corporation makes full use of the recycling facilities provided by the building manager and endeavours to both limit the usage of paper and maximise the recycling of paper, plastic and metal containers.

### Information Management

In December 2003, the Corporation's Recordkeeping Plan was approved by the State Records Commission as being compliant with the State Records Act 2000. The Corporation's records management policy, procedures manual, retention and disposal schedule and disaster recovery plan also received State Records Commission approval. The efficiency and effectiveness of the Corporation's recordkeeping systems must be reviewed by 2008. Until then, quarterly reviews of performance and compliance with the recordkeeping plan will be undertaken.

An on-line recordkeeping training package has been networked throughout the Corporation and it is mandated that all staff must successfully complete the training. Each trainee is assessed as they progress through the package and a certificate of completion is generated only when the minimum course requirements are met. Progress is monitored to ensure that all staff successfully complete the training by the scheduled date.

The Corporation is currently implementing a system upgrade to TRIM Context and has commenced the conversion to an electronic document management system. It has also included records management into its induction program.

## Strategic Planning

The Corporation's strategic planning is carried out on a rolling three year basis and is reviewed annually.

During 2003/04, the Corporation implemented a new strategic development plan which sets its objectives and operational strategies for the next three years. The Corporation's Strategic Development Plan for 2004 to 2007 has been agreed to by the Treasurer and the Minister for Government Enterprises.

A Statement of Corporate Intent, in which the Corporation reports on its progress towards meeting its functions and objectives, its dividend and accounting policies and performance targets for the 2004/05 financial year, was completed and submitted to Parliament through the Treasurer and the Minister for Government Enterprises.

## Quarterly Report

With the exception of the June quarter, the Corporation submits a report on its operations during the preceding quarter to the Minister for Government Enterprises and the Treasurer. This report is tabled in Parliament by the Treasurer.

## Pricing Policy

The Corporation operates in a dynamic market where the price of its lending to the public sector is primarily driven by the cost of its borrowings. This cost fluctuates according to the prevailing level of interest rates. The Corporation sets its lending rates at a competitive level after taking into account the cost of funds, market risk, administration costs and the return on capital.

The pricing for financial advice and funds management is determined on a cost recovery basis.

## Registry and Treasury Operations

The Corporation is committed to providing its stockholders with a high quality registry service. The Corporation's agent for the supply of registry services is Computershare Investor Services Pty Limited ("Computershare"). Address details of the branch offices of Computershare are shown on the last page of this Report.

The Corporation uses an electronic clearing and settlement system provided by SFE Austraclear Services to conduct the settlement of Australian dollar financial market transactions. An electronic payment system provided by Bank of America is used for settlement of transactions in other currencies. An electronic clearing and settlement system provided by Clearstream Banking, Luxembourg is used for settlement of repurchases of the Corporation's offshore issues.

## Electoral Act Disclosures

Under the Electoral Act, the Corporation is required to disclose any expenditures it makes to:

- advertising agencies;
- market research organisations;
- polling organisations;
- direct mail organisations; and
- media advertising organisations.

For the year ended 30 June 2004, the only disclosable expenditure incurred was in relation to advertising and market research, where an amount of \$49,925 was spent comprising:

- \$39,348 for the advertising of State Bonds;
- \$1,403 for the advertising of staff vacancies; and
- \$9,174 for a client satisfaction survey.

# Financial Statements

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# Statement of Financial Performance

For the year ended 30 June 2004

<b>REVENUE</b>	Note	<b>2004 \$'000</b>	2003 \$'000
<b>Revenue from ordinary activities</b>			
Interest on Investments		<b>146,474</b>	120,476
Interest from Authorities		<b>559,239</b>	543,867
Proceeds from Sale of Plant & Equipment	2	<b>7</b>	5
Foreign Exchange Gain	3	<b>19</b>	0
Fee Income		<b>290</b>	260
Net Market Value Movement	4	<b>98,529</b>	77,031
		<b>804,558</b>	741,639
<b>EXPENSES</b>			
<b>Expenses from ordinary activities</b>			
Interest on Borrowings		<b>786,475</b>	723,881
Depreciation		<b>1,025</b>	1,266
Administration Expenses		<b>7,304</b>	6,818
Loan Raising Expenses		<b>1,611</b>	1,687
Foreign Exchange Loss	3	<b>0</b>	101
		<b>796,415</b>	733,753
<b>Profit from ordinary activities before income tax equivalent</b>		<b>8,143</b>	7,886
Income Tax Equivalent Expense	5	<b>2,314</b>	2,367
<b>Net Profit</b>		<b>5,829</b>	5,519

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

# Statement of Financial Position

As at 30 June 2004

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<b>ASSETS</b>	Note	<b>2004</b> <b>\$'000</b>	2003 \$'000
- Cash Assets	6	<b>3,676</b>	1,608
- Investments	7	<b>2,774,968</b>	2,697,473
- Receivables	8	<b>142,598</b>	139,166
- Loans to Authorities	9	<b>9,461,352</b>	9,426,563
- Deferred Tax Assets	10	<b>237</b>	211
- Plant and Equipment	11	<b>1,262</b>	1,517
<b>TOTAL ASSETS</b>		<b>12,384,093</b>	12,266,538
<b>LIABILITIES</b>			
- Payables	12	<b>245,331</b>	211,515
- Borrowings	13	<b>12,084,340</b>	11,994,013
- Tax Liabilities	14	<b>984</b>	844
- Provisions	15	<b>2,463</b>	2,709
<b>TOTAL LIABILITIES</b>		<b>12,333,118</b>	12,209,081
<b>NET ASSETS</b>		<b>50,975</b>	57,457
<b>EQUITY</b>			
- Retained Profits	16	<b>50,975</b>	57,457
<b>TOTAL EQUITY</b>		<b>50,975</b>	57,457

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

## Statement of Cash Flows

For the year ended 30 June 2004

<b>Cash Flows From Operating Activities</b>	Note	<b>2004 \$'000</b>	2003 \$'000
Interest received on Loans to Authorities		<b>551,214</b>	543,291
Interest received on Investments		<b>148,049</b>	109,959
Fee Income		<b>290</b>	260
Interest and other Cost of Finance paid		<b>(780,387)</b>	(722,381)
Administration and Loan Raising Expenses		<b>(8,785)</b>	(8,229)
<b>Net Cash used in Operating Activities</b>	18b	<b>(89,619)</b>	(77,100)
<b>Cash Flows From Investing Activities</b>			
Proceeds from Sale and Maturity of Investments		<b>1,927,429</b>	527,469
Payment for Investment Securities		<b>(1,870,453)</b>	(611,880)
Loans to Client Authorities		<b>(8,884,842)</b>	(5,290,884)
Loans repaid by Client Authorities		<b>8,595,222</b>	4,754,021
Payment for Plant & Equipment		<b>(770)</b>	(836)
Proceeds from Sale of Plant & Equipment		<b>7</b>	5
<b>Net Cash used in Investing Activities</b>		<b>(233,407)</b>	(622,105)
<b>Cash Flows From Financing Activities</b>			
Proceeds from Issuance of Borrowings		<b>21,918,181</b>	16,397,782
Repayment of Borrowings		<b>(21,481,185)</b>	(15,328,886)
Payment on behalf of Client Authorities		<b>43,538</b>	842
<b>Net Cash provided by Financing Activities</b>		<b>480,534</b>	1,069,738
<b>Cash Flows To Government</b>			
Payment of Dividend		<b>(12,311)</b>	(4,701)
Payment of Taxation Equivalents		<b>(2,200)</b>	(3,402)
<b>Net Cash provided to Government</b>		<b>(14,511)</b>	(8,103)
Net Increase/(Decrease) in Cash Held		<b>142,997</b>	362,430
Cash at the Beginning of the Financial Year		<b>2,444,156</b>	2,081,827
Exchange Rate Adjustments to Opening Cash		<b>19</b>	(101)
Cash at the End of the Financial Year	18a	<b>2,587,172</b>	2,444,156

The 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 2004

### NOTE 1

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#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been adopted in the preparation of the financial statements. Unless otherwise stated, these policies are consistent with those adopted in the preceding year.

##### (a) General Statement

- (i) The accrual basis of accounting is adopted.
- (ii) The financial statements constitute a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board, and Urgent Issues Group ("UIG") Consensus Views as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording. The Financial Administration and Audit Act and the Treasurer's Instructions are legislative provisions governing preparation of financial statements and take precedence over Australian Accounting Standards and UIG Consensus Views. The modifications are intended to fulfil the requirements of general application to the public sector, together with the need for greater disclosure and also to satisfy accountability requirements. If any such modification has a material or significant financial effect upon the reported results, details of that modification and where practicable the resulting financial effect are disclosed in individual notes to these financial statements.
- (iii) All amounts in these financial statements are rounded to the nearest thousand dollars.

##### (b) Market Value Accounting

The Corporation maintains investments, loans to authorities and borrowings for trading and accordingly, values these at market value. All other assets, including receivables and prepayments, and other liabilities, including creditors, accruals and provisions, are stated at cost. Plant and equipment is also stated at cost. The Corporation manages its business daily on a market value basis as it believes it provides a better basis for making decisions and evaluating its portfolios. The external reporting of these market values was seen as a natural extension of providing more meaningful information. This basis of measurement has also been common practice amongst state central borrowing authorities in Australia. AAS 32 "Specific Disclosures by Financial Institutions" and AAS 33 "Presentation and Disclosure of Financial Instruments" are applicable to the Corporation.

##### (c) Fee Income

Fee Income in respect of services provided is recognised in the period in which the service is provided.

##### (d) Interest

Interest revenue and expense is recognised as it accrues and includes items of a similar nature realised in managing the relevant portfolios.



**(e) Plant and Equipment**

Plant and Equipment, which are stated at cost, are depreciated over their estimated useful lives using the straight line method. The depreciation rates used for each class of asset are as follows:

	<b>2004</b>	2003
- Computer Equipment	<b>33.3%</b>	33.3%
- Other Equipment	<b>10 - 17%</b>	10 - 17%

**(f) Investments**

Investments are valued at the market value applicable at reporting date. Unrealised gains or losses arising from this policy are brought to account in the Statement of Financial Performance. Commonwealth and State Government investments are held for portfolio management purposes. Whilst these investments generally have maturity dates greater than twelve months, they are used in the ordinary course of business to provide liquidity for the Corporation's "hot stocks" and are therefore held in the expectation of being realised within twelve months.

**(g) Loans to Authorities**

Loans to Authorities are valued at the market value applicable at reporting date and are recorded as assets in the Statement of Financial Position. Unrealised gains or losses arising from this policy are brought to account in the Statement of Financial Performance. In normal circumstances, maturities of loans to authorities are either rolled over or refinanced.

**(h) Borrowings**

Borrowings are valued at the market value applicable at reporting date. Unrealised gains or losses arising from this policy are brought to account in the Statement of Financial Performance. In normal circumstances, maturities of borrowings are either rolled over or refinanced.

**(i) Derivative Financial Instruments**

Derivatives are used exclusively to hedge interest rate and foreign currency exposures. Accordingly, the contracts are accounted for in a manner consistent with the accounting treatment of the underlying physical exposures, which are marked to market daily. Changes in net fair value during the year are recognised as revenues or expenses in the Statement of Financial Performance.

**(j) Foreign Currency Translation**

Foreign currency transactions are brought to account in Australian dollars at settlement date at the rate of exchange applying at that date. At reporting date, foreign currency transactions are translated at the exchange rates existing at 30 June 2004. Exchange gains or losses are brought to account in the Statement of Financial Performance.

# Notes To and Forming Part of the Financial Statements

For the year ended 30 June 2004 (continued)

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## (k) Employee Benefits

### (i) Sick Leave

No provision is made for sick leave benefits as they are non-vesting and the sick leave taken in a financial year is not expected to exceed the benefit accruing in a year.

### (ii) Annual Leave

This benefit is recognised at the reporting date in respect of employees' services up to that date and is measured at the nominal amounts expected to be paid when the liabilities are settled.

### (iii) Long Service Leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provisions for employee benefits, and is measured at the nominal amounts expected to be paid when the liability is settled. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provisions for employee benefits and is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given, when assessing expected future payments, to expected future salary levels including relevant on-costs, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

### (iv) Superannuation

Staff may contribute to the Gold State Superannuation Scheme, a defined benefit lump sum scheme now closed to new members. All staff who do not contribute to this scheme become non-contributory members of the West State Superannuation Scheme.

The liabilities for superannuation charges under the Gold State Superannuation Scheme and the West State Superannuation Scheme are extinguished by payment of employer contributions to the Government Employees Superannuation Board. The Corporation also has a superannuation liability as a result of prior service of current staff who were previously within the public service. This is recorded as a liability in the Statement of Financial Position.

The note disclosure required by paragraph 6.10 of AASB 1028 (being the employer's share of the difference between employees' accrued superannuation benefits and the attributable net market value of plan assets) has not been provided. State scheme deficiencies are recognised by the State in its whole of government reporting. The Government Employees Superannuation Board's records are not structured to provide the information for the Corporation. Accordingly, deriving this information for the Corporation is impractical under current arrangements and thus any benefits thereof would be exceeded by the cost of obtaining the information.

### (v) Employee Benefit On-Costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and expenses when the employee benefits to which they relate are recognised as liabilities and expenses.

**(l) Dividend Policy**

The Corporation's dividend policy has been formulated to ensure that the Corporation pays an appropriate dividend to the State which is consistent with sound commercial practice and has regard to the financial health of the Corporation. The Corporation's policy provides for dividends to be paid to the Consolidated Fund at a level of 60% of the Corporation's after tax equivalent profit subject to adjustments which have been agreed with the Treasurer. Dividends for the current financial year will be declared by the Board and provided and paid in the subsequent financial year.

**(m) Income Tax-Effect Accounting**

The Corporation operates within a tax equivalent regime ("TER") whereby an equivalent amount in respect of income tax is payable to the State Department of Treasury and Finance. The calculation of the liability in respect of income tax is governed by TER guidelines and directions approved by Government.

As a consequence of participation in the TER, the Corporation is required to comply with Australian Accounting Standard AAS 3 "Accounting for Income Tax (Tax-Effect Accounting)". Under Tax-Effect Accounting, the income tax expense is shown in the Statement of Financial Performance and is based on the pre-tax accounting profit adjusted for income and expenses that are not assessable nor deductible for income taxation purposes ("permanent differences").

Timing differences which arise due to income and expense items being recognised in different accounting periods for accounting and taxation purposes are brought to account as either a provision for deferred income tax (liability) or as a future income tax benefit (asset) at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits in relation to timing differences are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future tax benefits in relation to tax losses are not brought to account unless the benefit can be regarded as being virtually certain of realisation.

**(n) Segments**

The Corporation is an individual reporting entity which operates within the Capital Markets as the central financing authority within Western Australia. The Corporation operates entirely within this sector.

**(o) Recoverable Amount**

Assets are not carried at an amount above their undiscounted recoverable amount. Where carrying values exceed the recoverable amount, assets are written down.

**(p) Comparative Amounts**

Where necessary, comparative amounts have been adjusted in accordance with changes in presentation made in the current year.

**(q) Payables**

Payables are recognised as amounts to be paid in the future for goods and services received, whether or not billed.

## Notes To and Forming Part of the Financial Statements

For the year ended 30 June 2004 (continued)

<b>NOTE 2</b>	<b>2004</b>	2003
	<b>\$'000</b>	\$'000
<b>PROCEEDS FROM SALE OF PLANT AND EQUIPMENT</b>		
<b>Computer Hardware</b>		
Gross proceeds of disposed hardware	7	5
Book Value of disposed hardware	0	0
Profit on disposal of hardware	7	5
Profit on disposal of Plant and Equipment	7	5

### NOTE 3

#### FOREIGN EXCHANGE GAIN/LOSS

The Corporation maintains balances in its foreign currency bank accounts for the payment of expenses incurred through its overseas borrowings. At 30 June 2004, after taking account of exchange fluctuations, a gain of A\$19 thousand (2003, loss of A\$101 thousand) had resulted on this balance.

### NOTE 4

#### NET MARKET VALUE MOVEMENT

Market Value Adjustment - Investments	<b>(6,477)</b>	6,008
Market Value Adjustment - Loans to Authorities	<b>(250,845)</b>	261,681
Market Value Adjustment - Borrowings	<b>355,851</b>	(190,658)
	<b>98,529</b>	77,031

The Corporation manages its operations on a portfolio basis to achieve its long term objective. Realised gains and losses are reflected in interest revenue and expense. The net market value movement represents unrealised market value adjustments to be realised over the term of the underlying securities.

<b>NOTE 5</b>	<b>2004</b>	2003
	<b>\$'000</b>	\$'000
<b>INCOME TAX EQUIVALENT</b>		
The prima facie income tax equivalent expense on pre-tax accounting profit reconciles to the income tax equivalent expense in the accounts as follows:		
Profit from ordinary activities before income tax equivalent	<b>8,143</b>	7,886
Income tax equivalent expense at 30% (2003, 30%)	<b>2,443</b>	2,366
Tax effect of permanent differences		
Add non deductible expenses	<b>2</b>	1
Deduct Pre ITER provision	<b>(131)</b>	0
Income tax equivalent expense attributable to profit from ordinary activities	<b>2,314</b>	2,367
Income tax equivalent expense comprises movements in:		
Provision for income tax equivalent expense	<b>2,335</b>	2,410
Future income tax equivalent benefit	<b>(26)</b>	(45)
Provision for deferred income tax equivalent	<b>5</b>	2
Total income tax equivalent expense	<b>2,314</b>	2,367

**NOTE 6****CASH ASSETS**

Bank Deposits	<b>3,421</b>	1,397
Overseas Bank Accounts	<b>255</b>	211
	<b>3,676</b>	1,608
Average Balance	<b>2,360</b>	1,979
Interest Revenue	<b>84</b>	80
Average Interest Rate	<b>3.56%</b>	4.04%

Cash Assets represent only those funds held in accounts with banks and does not include money market investments.

# Notes To and Forming Part of the Financial Statements

For the year ended 30 June 2004 (continued)

<b>NOTE 7</b>	<b>2004</b>	2003
	<b>\$'000</b>	\$'000
<b>INVESTMENTS</b>		
Investments comprise the following:		
Short Term Money Market Investments	<b>2,583,183</b>	2,442,168
Government Stock	<b>191,785</b>	255,305
<b>Total</b>	<b>2,774,968</b>	2,697,473
<b>Maturity Profile</b>		
At Call	<b>179,200</b>	64,400
Up to 3 Months	<b>2,337,014</b>	1,973,253
3 to 12 Months	<b>65,372</b>	382,399
1 to 5 Years	<b>158,376</b>	137,069
Over 5 Years	<b>35,006</b>	140,352
<b>Total</b>	<b>2,774,968</b>	2,697,473
<b>Repricing Profile</b>		
At Call	<b>179,200</b>	64,400
Up to 3 Months	<b>2,402,386</b>	2,038,592
3 to 12 Months	<b>0</b>	382,399
1 to 5 Years	<b>158,376</b>	71,730
Over 5 Years	<b>35,006</b>	140,352
<b>Total</b>	<b>2,774,968</b>	2,697,473
<b>Credit Exposure</b>		
Rating	<b>%</b>	<b>%</b>
AAA	<b>24.65</b>	28.88
AA	<b>57.63</b>	56.52
A	<b>17.72</b>	14.60
	<b>100.00</b>	100.00
Average Balance	<b>2,784,560</b>	2,339,387
Interest Revenue	<b>146,390</b>	120,395
Average Interest Rate	<b>5.26%</b>	5.15%

The Corporation invests its surplus funds in accordance with the Western Australian Treasury Corporation Act. Further information on valuation methods is shown in Note 17.

<b>NOTE 8</b>	<b>2004</b>	2003
	<b>\$'000</b>	\$'000
<b>RECEIVABLES</b>		
Accrued Interest Receivable	<b>142,598</b>	139,166
<p>Accrued Interest Receivable comprises accruals relating to advances made to clients and investment sundry debtors due from financial institutions. Foreign currency receivables are discussed in more detail in Note 17. There are no foreign currency amounts included which are not effectively hedged.</p>		
<b>NOTE 9</b>		
<b>LOANS TO AUTHORITIES</b>		
Loans to Authorities	<b>9,461,352</b>	9,426,563
Maturity Profile		
Up to 3 Months	<b>1,892,337</b>	1,786,940
3 to 12 Months	<b>1,500,547</b>	1,457,383
1 to 5 Years	<b>3,203,519</b>	2,863,852
Over 5 Years	<b>2,864,949</b>	3,318,388
Total	<b>9,461,352</b>	9,426,563
Repricing Profile		
Up to 3 Months	<b>2,343,291</b>	1,786,940
3 to 12 Months	<b>1,450,247</b>	1,457,383
1 to 5 Years	<b>2,802,865</b>	2,863,852
Over 5 Years	<b>2,864,949</b>	3,318,388
Total	<b>9,461,352</b>	9,426,563
Average Balance	<b>9,279,886</b>	8,908,970
Interest Revenue	<b>559,239</b>	543,867
Average Interest Rate	<b>6.03%</b>	6.10%

The Corporation advances funds to State Government and Local Government authorities within Western Australia. In normal circumstances, these advances are either rolled over or refinanced. State Government advances (97.3% of total (2003, 97.6%)) are guaranteed by the State whilst Local Government advances (2.7% of total (2003, 2.4%)) are secured by debenture and are charged in accordance with the provisions of the Local Government Act upon the general funds of the local government. Loans to Authorities are not readily traded on organised markets in standardised form. Further information on valuation methods is shown in Note 17.

## Notes To and Forming Part of the Financial Statements

For the year ended 30 June 2004 (continued)

<b>NOTE 10</b>	<b>2004</b>	2003
	<b>\$'000</b>	\$'000
<b>DEFERRED TAX ASSETS</b>		
Future Income Tax Equivalent Benefit	<b>237</b>	211

### NOTE 11

#### PLANT AND EQUIPMENT

Equipment (at cost)	<b>6,724</b>	6,072
Less Accumulated Depreciation	<b>5,462</b>	4,555
Total Plant and Equipment	<b>1,262</b>	1,517

#### Reconciliation

##### Equipment

Opening balance	<b>1,517</b>	1,947
Additions	<b>770</b>	836
Disposals	<b>(119)</b>	(82)
Depreciation	<b>(1,025)</b>	(1,266)
Accumulated depreciation on disposal	<b>119</b>	82
Closing balance	<b>1,262</b>	1,517

### NOTE 12

#### PAYABLES

Interest Accrued	<b>189,023</b>	181,420
Interest Prepayments by Lenders	<b>8,563</b>	10,078
Foreign Currency Payable	<b>968</b>	17,154
Prepayments by Client Authorities	<b>42,573</b>	0
Other Creditors	<b>4,204</b>	2,863
	<b>245,331</b>	211,515

Payables comprises accrued interest and sundry creditors relating to debt instruments and unrepresented cheques. Interest Accrued and Interest Prepayments by Lenders are owing to financial institutions. Foreign currency payables are discussed in more detail in Note 17. There are no foreign currency amounts included which are not effectively hedged.



<b>NOTE 13</b>	<b>2004</b>	2003
	<b>\$'000</b>	\$'000
<b>BORROWINGS</b>		
<b>ANALYSIS OF DEBT OUTSTANDING AT 30 JUNE 2004</b>		
Payable 12 months or less from 30 June		
- Domestic	<b>4,091,967</b>	5,057,912
- Overseas	<b>194,188</b>	373,114
	<b>4,286,155</b>	5,431,026
Payable more than 12 months from 30 June		
- Domestic	<b>6,951,471</b>	5,460,720
- Overseas	<b>426,000</b>	472,508
	<b>7,377,471</b>	5,933,228
Balance 30 June at face value	<b>11,663,626</b>	11,364,254
Balance 30 June at market value	<b>12,084,340</b>	11,994,013
Maturity Profile		
Up to 3 Months	<b>3,380,650</b>	3,589,391
3 to 12 Months	<b>729,441</b>	1,635,198
1 to 5 Years	<b>4,199,246</b>	3,333,661
Over 5 Years	<b>3,775,003</b>	3,435,763
Total	<b>12,084,340</b>	11,994,013
Repricing Profile		
Up to 3 Months	<b>3,550,149</b>	3,774,715
3 to 12 Months	<b>742,697</b>	1,647,443
1 to 5 Years	<b>4,020,942</b>	3,144,790
Over 5 Years	<b>3,770,552</b>	3,427,065
Total	<b>12,084,340</b>	11,994,013
Average Balance	<b>11,919,832</b>	11,127,985
Interest Expense	<b>786,475</b>	723,881
Average Interest Rate	<b>6.60%</b>	6.51%

The Corporation raises its funds in the domestic and offshore capital markets. Under Section 13(1) of the Western Australian Treasury Corporation Act, the financial liabilities of the Corporation are guaranteed by the Treasurer on behalf of the State of Western Australia. The Corporation's borrowings are well diversified across markets, instruments and maturities. Further information on valuation methods is shown in Note 17.

# Notes To and Forming Part of the Financial Statements

## For the year ended 30 June 2004 (continued)

### NOTE 13 (continued)

#### OVERSEAS BORROWINGS

Includes Australian currency and foreign currency loans. Foreign currency loans have been translated using the exchange rates applicable at 30 June 2004 and are shown below:

Foreign Currency Borrowing	Exchange Rate Translation at 30/06/04	
	Payable 12 Months or Less from 30/06/04 \$A'000	Payable More than 12 Months from 30/06/04 \$A'000
USD 14,954,223	21,707	Nil
JPY 5,000,000,000	66,827	Nil

Foreign Currency Borrowing	Exchange Rate Translation at 30/06/03	
	Payable 12 Months or Less from 30/06/03 \$A'000	Payable More than 12 Months from 30/06/03 \$A'000
USD 89,780,810	134,523	Nil
JPY 10,000,000,000	62,508	62,508
EUR 59,577,792	102,017	Nil
GBP 29,908,047	74,066	Nil

At reporting date, all foreign currency loans have either been hedged, swapped or covered forward specifically, invested in the foreign currency or the foreign currency proceeds lent to authorities participating in the central borrowing arrangements on a back to back basis. Consequently, any gain or loss on the translation of the overseas borrowing is matched by a corresponding loss or gain made on the foreign currency contract, the overseas investment or the back to back lending and the net exchange gain or loss is therefore zero.

NOTE 14	2004 \$'000	2003 \$'000
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#### TAX LIABILITIES

Provision for Income Tax Equivalent Expense	972	837
Provision for Deferred Income Tax Equivalent	12	7
	<b>984</b>	<b>844</b>

<b>NOTE 15</b>	<b>2004</b>	2003
	<b>\$'000</b>	\$'000
<b>PROVISIONS</b>		
Annual Leave	<b>583</b>	605
Long Service Leave	<b>965</b>	1,032
Superannuation	<b>915</b>	1,072
	<b>2,463</b>	2,709

The charge to the operating profit for the movement in the provision for employee benefits during the year was -\$246 thousand (2003, \$48 thousand).

#### **NOTE 16**

##### **RETAINED PROFITS**

Opening Balance	<b>57,457</b>	56,639
Dividend Paid	<b>(12,311)</b>	(4,701)
Net Profit	<b>5,829</b>	5,519
Closing Balance	<b>50,975</b>	57,457

The dividend paid represents 60% of the 2002/03 after tax profit (\$3.311 million) plus \$9.0 million.

#### **NOTE 17**

##### **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

In carrying out its mission, the Corporation is a borrower from the capital markets. This necessarily involves the management of market risk because as a borrower, the Corporation's objective is the opposite to that of investors. In order to obtain funds at the lowest cost, it seeks to satisfy the needs of investors and therefore must, for example, accept maturities which are unlikely to match the terms of the Corporation's lending portfolio. Derivative instruments, including swaps, forward rate agreements and futures, are used to hedge, or minimise, the risks incurred.

The amounts to be exchanged on these contracts are calculated with reference to the notional amount and other terms of the derivatives. Credit exposure represents the Corporation's estimate of its exposure at reporting date in the event of non-performance by counterparties. The Corporation has adopted the Australian Prudential Regulation Authority's "Current Exposure Method" to determine the credit exposure arising from its derivative transactions. At 30 June 2004, the Corporation is confident that all its counterparties will meet their obligations.

Details of the notional amount, net fair value and credit exposure of the derivative instruments used for managing interest rate risk are shown below together with the credit rating quality of these exposures.

## Notes To and Forming Part of the Financial Statements

For the year ended 30 June 2004 (continued)

### NOTE 17 (continued)

As at 30 June 2004	Notional Amount \$'000	Net Fair Value \$'000	Credit Exposure \$'000
Futures	(40,200)	7	0
Interest Rate Swaps	3,130,720	19,301	86,667
Credit Exposure by Rating			%
AAA			0.00
AA			100.00
A			0.00
			100.00

As at 30 June 2003	Notional Amount \$'000	Net Fair Value \$'000	Credit Exposure \$'000
Futures	25,500	2	0
Interest Rate Swaps	3,418,250	(5,557)	63,513
Credit Exposure by Rating			%
AAA			0.00
AA			100.00
A			0.00
			100.00

Interest rate swaps allow the Corporation to swap long term fixed rate borrowings into floating rate borrowings with lower rates than if the Corporation had made the floating rate borrowings directly. At times, floating to fixed swaps are used to change floating rate borrowings to fixed rate borrowings in order to match the Corporation's lending to client authorities. With interest rate swaps, the Corporation agrees with counterparties to exchange at predetermined intervals the difference between fixed rate and floating rate interest amounts calculated by reference to an agreed notional face value.

Forward rate agreements are used by the Corporation to secure a guaranteed return or cost on known cash flows as and when they fall due. These agreements establish an interest rate on a notional principal over a specified period. Futures contracts are used essentially for the same purpose as forward rate agreements. The contracts used by the Corporation are the bank bill, 3 year and 10 year bond contracts.

The interest rate risk for investments, loans to authorities and borrowings at balance date have been disclosed at Note 7, 9 and 13 respectively. For receivables and payables, no interest rate risk exists at balance date.

Liquidity risk involves the Corporation's ability to meet all financial commitments as they fall due. The Corporation maintains a minimum prudent level of highly liquid quality assets at all times to ensure that it will always meet its commitments. The risk to the Corporation of not being able to fund itself is minimised through the diversification of its funding activity across domestic and offshore markets and across the maturity spectrum.

With regard to foreign exchange risk, the policy is not to take any foreign exchange risk apart from the minor exposure created by the need to maintain small balances in foreign currency bank accounts. The Corporation borrows in foreign currencies when the all in cost after swapping back into Australian dollars is cheaper than the equivalent domestic borrowing. Whereas the Corporation manages interest rate risk on a portfolio basis, it manages the exchange rate risk on foreign currency borrowings as part of the borrowing transaction. In instances where the Corporation advances funds to clients in a currency other than Australian dollars, the exchange rate risk is borne by the individual client authority. At 30 June, the Corporation had not advanced any funds to its clients in a foreign currency. Foreign currency swaps and forwards amounting to \$A88,534 thousand (2003, \$A435,622 thousand) at 30 June 2004 have a fixed future obligation in Australian dollars of \$A89,502 thousand (2003, \$A452,776 thousand). Additionally, the Corporation has arranged forward foreign exchange transactions for clients amounting to \$A72,245 thousand (2003, \$A16,401 thousand). These transactions are arranged with clients on a back to back basis and therefore the Corporation does not have any exposure.

The Corporation regards the minimisation of these risks as a high priority. Accordingly, the Corporation has in place policies and management structures to monitor and manage these risks. A Liability Management Committee comprising the Chief Executive Officer and other senior management provides policy advice to the Board in respect of the Corporation's financial risk management activities and a comprehensive report on the Corporation's activities is prepared monthly for the Board.

All financial assets and liabilities have been recognised at the balance date at their net fair value. For valuation purposes, the Corporation uses quoted market rates wherever possible to discount cash flows to present values. Those stocks without quoted market rates are valued using the Corporation's Zero Coupon Yield curves. As at 30 June, the market interest rates used by the Corporation for valuation purposes were:

	Coupon	<b>Market Rate as at 30 June 2004</b>	Market Rate as at 30 June 2003
Overnight	-	<b>5.25%</b>	4.75%
90 days	-	<b>5.48%</b>	4.68%
180 days	-	<b>5.55%</b>	4.56%
15 July 2005	10.00%	<b>5.48%</b>	4.54%
15 October 2007	8.00%	<b>5.74%</b>	4.82%
15 October 2009	7.50%	<b>5.91%</b>	5.02%
15 April 2011	7.00%	<b>6.01%</b>	5.16%
15 June 2013	8.00%	<b>6.10%</b>	5.26%

## Notes To and Forming Part of the Financial Statements

For the year ended 30 June 2004 (continued)

<b>NOTE 18</b>	<b>2004</b>	2003
	<b>\$'000</b>	\$'000

### NOTES TO THE STATEMENT OF CASH FLOWS

#### 18a. Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Bank Deposits (Note 6)	<b>3,421</b>	1,397
Short Term Money Market Investments	<b>2,583,496</b>	2,442,548
Overseas Bank Accounts (Note 6)	<b>255</b>	211
	<b>2,587,172</b>	2,444,156

#### 18b. Reconciliation of Net Cash used in Operating Activities to Net Profit

Net Profit	<b>5,829</b>	5,519
Depreciation	<b>1,025</b>	1,266
Increase in Receivables	<b>(6,450)</b>	(11,093)
Increase in Accrued Interest Payables	<b>6,088</b>	1,500
Increase in Other Creditors	<b>376</b>	228
Provision for income tax equivalent expense	<b>2,335</b>	2,410
Future income tax equivalent benefit	<b>(26)</b>	(45)
Provision for deferred income tax equivalent	<b>5</b>	2
Unrealised Foreign Exchange (Gain)/Loss	<b>(19)</b>	101
Profit From Sale of Equipment	<b>(7)</b>	(5)
Increase (Decrease) in Employee Benefits	<b>(246)</b>	48
Market Value Adjustment	<b>(98,529)</b>	(77,031)
Net Cash used in Operating Activities	<b>(89,619)</b>	(77,100)

#### 18c. Financing/Lending Facilities

The Corporation holds a substantial portfolio of liquid assets that can be readily converted into cash. These assets comprise highly liquid money market investments and longer term state government and Commonwealth Government securities.

The Corporation provides a committed lending facility of \$750 million (nil drawn down as at 30 June 2004) (2003, \$750 million (nil drawn down as at 30 June 2003)) to Homeswest, a state government authority. The facility provides Homeswest with a flexible and readily accessible term-funding facility through which it can borrow Australian dollars on either a floating rate or fixed interest basis.

The Corporation also provides a committed lending facility of US\$99.0 million (nil drawn down as at 30 June 2004) (2003, US\$103.4 million (nil drawn down as at 30 June 2003)) to Public Transport Authority, a state government authority. The facility is to meet contingent obligations under a lease agreement that may eventuate during the life of the lease.

<b>NOTE 19</b>	<b>2004</b>	2003
	<b>\$'000</b>	\$'000

## REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

### Directors' Remuneration

The number of directors whose total of fees, salaries, superannuation and other benefits for the financial year fall within the following bands are:

\$		
10,001 - 20,000	-	4
30,001 - 40,000	<b>3</b>	1
250,001 - 260,000	<b>1</b>	-
260,001 - 270,000	-	1
270,001 - 280,000	<b>1</b>	-

The total remuneration of the directors of the Corporation is: **638**      370

The superannuation included here represents the superannuation expense incurred by the Corporation in respect of the directors.

No directors are members of the Pension Scheme.

### Senior Officers' Remuneration

The number of senior officers, other than directors, whose total fees, salaries, superannuation and other benefits for the financial year, fall within the following bands are:

\$		
150,001 - 160,000	<b>1</b>	-
170,001 - 180,000	-	1
180,001 - 190,000	<b>1</b>	-
190,001 - 200,000	<b>1</b>	-
210,001 - 220,000	-	2

The total remuneration of senior officers is: **535**      613

The superannuation included here represents the superannuation expense incurred by the Corporation in respect of senior officers other than senior officers reported as directors.

No senior officers are members of the Pension Scheme.

# Notes To and Forming Part of the Financial Statements

For the year ended 30 June 2004 (continued)

<b>NOTE 20</b>	<b>2004 \$'000</b>	2003 \$'000
<b>AUDITOR'S REMUNERATION</b>	<b>124</b>	94

Amounts paid or due and payable to the Office of the Auditor General for auditing the financial statements and performance indicators.

## NOTE 21

### EXPLANATORY STATEMENT

#### 21a. ACTUAL/BUDGET COMPARISON 2003/04

	ACTUAL \$'000	BUDGET \$'000	VARIANCE \$'000	COMMENT
<b>REVENUE</b>				
Interest on Investments	146,474	98,000	48,474	1
Interest from Authorities	559,239	613,473	(54,234)	2
Proceeds from Sale of Plant & Equipment	7	0	7	
Fee Income	290	290	0	
Foreign Exchange Gain	19	0	19	
Net Market Value Movement	98,529	0	98,529	3
	<b>804,558</b>	<b>711,763</b>	<b>92,795</b>	
<b>EXPENSES</b>				
Interest on Borrowings	786,475	693,531	92,944	4
Depreciation	1,025	1,150	(125)	
Administration Expenses	7,304	7,569	(265)	
Loan Raising Expenses	1,611	1,849	(238)	
	<b>796,415</b>	<b>704,099</b>	<b>92,316</b>	
Profit from ordinary activities before income tax equivalent	8,143	7,664	479	

### COMMENTS - REASONS FOR VARIATIONS FROM BUDGETED AMOUNTS

1. The increase in Interest on Investments compared to budget was due to higher than anticipated interest rates and a higher than anticipated level of investments.
2. The decrease in Interest from Authorities compared to budget was due to the unanticipated reduction in the client authority borrowing program.
3. The relationship between net market value movement and interest income and expense is discussed at Note 4. The budget does not separately identify unrealised gains or losses.
4. The increase in Interest on Borrowings compared to budget was due to an increase in debt. There was a corresponding increase in investments.



**NOTE 21 (continued)****21b. COMPARISON BETWEEN 2003/04 AND THE PREVIOUS YEAR**

	2004 \$'000	2003 \$'000	CHANGE \$'000	COMMENT
<b>REVENUE</b>				
Interest on Investments	146,474	120,476	25,998	1
Interest from Authorities	559,239	543,867	15,372	2
Proceeds from Sale of Plant & Equipment	7	5	2	
Fee Income	290	260	30	
Foreign Exchange Gain	19	0	19	
Net Market Value Movement	98,529	77,031	21,498	
	804,558	741,639	62,919	
<b>EXPENSES</b>				
Interest on Borrowings	786,475	723,881	62,594	3
Depreciation	1,025	1,266	(241)	
Administration Expenses	7,304	6,818	486	
Loan Raising Expenses	1,611	1,687	(76)	
Foreign Exchange Loss	0	101	(101)	
	796,415	733,753	62,662	
Profit from ordinary activities before income tax equivalent	8,143	7,886	257	

1. Interest on Investments has increased by \$25.998 million from the previous year due to increased levels of investment funds.
2. Interest from Authorities has increased by \$15.372 million from the previous year as a result of higher interest rates on lendings during the year.
3. Interest on Borrowings has increased by \$62.594 million from the previous year as a result of an increase in debt.

<b>NOTE 22</b>	<b>2004 \$'000</b>	2003 \$'000
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**COMMITMENTS**

Computer Software Contracted but not provided for and payable within one year.	<b>0</b>	288
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# Notes To and Forming Part of the Financial Statements

For the year ended 30 June 2004 (continued)

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## NOTE 23

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### IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Corporation is adopting international accounting standards in compliance with AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards (IFRS)" and has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of IFRS. Internal resources have been allocated to determine the impact of adoption of IFRS and to achieve transition to IFRS.

The Corporation's IFRS Project is being monitored by the Board's Audit Committee and consists of three phases - planning, design and implementation.

The planning phase includes:

- identification of the key differences in accounting policies, disclosures and presentation and the impacts and risks to the organisation;
- assessment of the changes required to financial management information systems and processes;
- identification of the necessary staff skills and training requirements; and
- preparation of a plan to convert accounting policies, financial management information systems and processes.

The project is on schedule with the planning phase complete in most aspects as at 30 June 2004.

The design phase incorporates:

- formulating revised accounting policies and procedures for compliance with IFRS;
- identifying potential financial impacts as at the transition date and for subsequent reporting periods prior to adoption of IFRS;
- developing revised IFRS disclosures;
- designing processes to support IFRS reporting obligations;
- identifying and planning required changes to financial reporting systems; and
- developing training programs for staff.

The design phase is expected to be completed during the upcoming financial year.

The implementation phase will include implementation of identified changes to processes, procedures and systems and operational training for staff. This will enable the Corporation to generate the required disclosures of AASB 1 as it progresses through its transition to IFRS.

The Corporation expects that its financial statements for the reporting period commencing 1 July 2005 will be IFRS compliant.

### **Potential Implications**

The Corporation currently marks to market all its financial instruments and the impact of the introduction of AASB 139 "Financial Instruments: Recognition and Measurement" is therefore expected to be minimal, unless hedge accounting is adopted. The Corporation manages its business on a portfolio basis and hedge accounting will only be adopted in limited circumstances if it is perceived to be beneficial. If hedge accounting is adopted, the strict requirements of AASB 139 will need to be met.

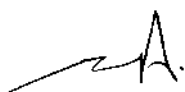
Under AASB 138 "Intangible Assets", computer software, which is currently defined as plant and equipment, will need to be classified as an intangible asset. This will result in a change in the Corporation's current accounting policy. On transition, there will be no adjustment against opening retained earnings as this change impacts the balance sheet only.

AASB 112 "Income Taxes" requires the adoption of the balance sheet approach to tax determination, which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the Statement of Financial Position and their associated tax bases. This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method and items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss. The impact that this will have is likely to result in fewer permanent differences and less distortion of effective tax rates.

### **CERTIFICATION OF FINANCIAL STATEMENTS**

The accompanying financial statements of the Western Australian Treasury Corporation have been prepared in compliance with the provisions of the Financial Administration and Audit Act 1985 from proper accounts and records to present fairly the financial transactions for the year ending 30 June 2004 and the financial position as at 30 June 2004.

At the date of signing we are not aware of any circumstances which would render any particulars included in the financial statements misleading or inaccurate.




**S L LUFF, B.BUS, CPA**  
**PRINCIPAL ACCOUNTING OFFICER**  
 WESTERN AUSTRALIAN  
 TREASURY CORPORATION

13 August 2004



**D V BUTLER**  
**CHIEF EXECUTIVE OFFICER**  
 WESTERN AUSTRALIAN  
 TREASURY CORPORATION

13 August 2004



**T M MARNEY**  
**CHAIRPERSON**  
 WESTERN AUSTRALIAN  
 TREASURY CORPORATION

13 August 2004

# **Auditor General's Opinion of Financial Statements**

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## **To the Parliament of Western Australia**

WESTERN AUSTRALIAN TREASURY CORPORATION  
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2004

### **Audit Opinion**

In my opinion,

- (i) the controls exercised by the Western Australian Treasury Corporation provide reasonable assurance that the receipt, expenditure and investment of moneys, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (ii) the financial statements are based on proper accounts and present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions, the financial position of the Corporation at June 30, 2004 and its financial performance and cash flows for the year ended on that date.

### **Scope**

#### ***The Board's Role***

The Board is responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing the financial statements, and complying with the Financial Administration and Audit Act 1985 (the Act) and other relevant written law.

The financial statements consist of the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and the Notes to the Financial Statements.

#### ***Summary of my Role***

As required by the Act, I have independently audited the accounts and financial statements to express an opinion on the controls and financial statements. 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. The term "reasonable assurance" recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements.



**D D R PEARSON  
AUDITOR GENERAL**

August 27, 2004

## Key Performance Indicators For the Western Australian Treasury Corporation

### Mission Statement (2003/2004)

To work with our clients to satisfy their financing needs.

### Key Outcome

The key outcome of this mission is that clients are able to borrow from the Corporation at a commercially competitive cost.

### Key Output

The key output flowing from the pursuit of this mission is the delivery of loan funds to clients.

### Glossary of Terms

A glossary of terms is provided at the end of this report to assist with the interpretation of the performance indicators.

### Key Effectiveness Indicator – Estimated Interest Rate Savings

In order to gauge its effectiveness in providing competitively priced loan funds to clients, the Corporation monitors the Australian corporate bond market.

The following table shows the estimated savings to clients borrowing from the Corporation compared to the estimated cost to clients of borrowing in the corporate bond market for the past three years. A direct cost comparison is impossible because none of the Corporation's clients currently issue bonds in their own name.

**Table 1 - Estimated Interest Rate Savings to Clients by Reference Bond Credit Rating and Term to Maturity\***

Term to Maturity as at 30/6/04 (Years)	AAA			AA+			AA			AA-		
	03/04	02/03	01/02	03/04	02/03	01/02	03/04	02/03	01/02	03/04	02/03	01/02
1 to 2	0.23%	0.17%	0.23%	0.39%	0.63%		0.33%	0.18%	0.15%	0.22%	0.22%	0.14%
2 to 3	0.25%	0.35%	0.15%		0.63%		0.26%	0.60%		0.26%	0.22%	0.13%
3 to 4	0.19%	0.20%	0.17%	0.42%		0.46%	0.49%	0.20%		0.28%	0.30%	0.28%
4 to 5	0.46%	0.21%	0.27%		0.80%			0.97%		0.41%		
5 to 6	0.49%	0.56%	0.14%							0.47%	0.50%	
6 to 7	0.50%	0.64%									0.63%	
7 to 8		0.58%										
8 to 9			0.50%							0.55%		
10 to 11	0.30%										0.74%	
11 to 12		0.18%										
12 to 13			0.41%									
15 to 16	0.32%											
16 to 17		0.28%										
17 to 18			0.47%									

\* A blank entry in the table means there is no reference bond available in the corporate bond market for comparative purposes.

By way of example, the saving of 0.23% identified in the first row of the AAA 03/04 column represents the estimated interest rate saving to a client (able to borrow in the corporate bond market with a AAA credit rating) when borrowing from the Corporation.

## Key Performance Indicators For the Western Australian Treasury Corporation (continued)

The savings identified in Table 1 would be significantly greater than shown for all but the largest of the Corporation's clients due to the relatively small size of individual client borrowing requirements. In reality, most clients would be unable to borrow at the interest rates available in the corporate bond market due to this constraint. In general, the market imposes a liquidity risk premium because a small issue volume implies a small secondary market in the bond. The premium compensates for the increased difficulty of selling at fair market prices in a small secondary market. As a guide, in the current market environment, issue volumes need to be of the order of \$250 million to avoid the risk of incurring a significant liquidity risk premium.

In this regard, the Corporation's effectiveness is further demonstrated by its ability to make available competitively priced loan funds to clients, with borrowing terms from 1 day to greater than 10 years, regardless of the size of client borrowing programs. By way of contrast, only the largest of corporate bond market participants are able to issue bonds with different terms to maturity. Having multiple bond issues helps to reduce the initial interest cost of bond issues by improving the secondary market and hence liquidity of a borrower's bonds.

### Cost Estimation Methodology

A number of corporate bonds were selected for the purpose of comparison to the Corporation's Portfolio Lending Arrangement ("PLA") interest rates. To be selected, a bond had to satisfy the following:

- be rated between AAA and AA-;
- be on issue at 30 June 2003 and have at least one year until maturity at 30 June 2004.
- not be guaranteed by the Commonwealth or other central governments; and
- not be subordinated debt (ie debt issued by banks for capital adequacy purposes).

The month end traded interest rates for the selected corporate bonds were tracked over the year. The rate for each bond was compared to the rate for an equivalent term PLA bond net of the Corporation's on-cost margin. This margin was removed because it represents the loan issue and administration costs that clients would reasonably be expected to incur in arranging their own borrowing programs.

The estimated saving to the client for a given observation is defined as the observed corporate bond rate minus the net PLA rate. The savings shown in Table 1 are defined as the average of the monthly observations. Where more than one bond falls into a particular maturity category, the results are also averaged.

### Key Efficiency Indicator – Administration Cost Ratio

In order to monitor its efficiency in funding client borrowing requirements over time, the Corporation monitors its administration cost ratio.

The administration cost ratio is defined as the ratio of net administration expense to average loan funds outstanding expressed as a percentage. Net administration expense is defined as administration expenses (including loan raising expenses) less non-interest revenue while average loan funds outstanding is defined as the average of the opening and closing book value of loans to clients for the relevant year. The Corporation's administration cost ratio for the previous five years is shown in Table 2.

**Table 2 - WATC Administration Cost Ratio  
1999/2000 to 2003/2004**

Year	Net Administration Expense \$m	Average Loan Funds Outstanding \$m	Administration Cost Ratio
1999/2000	7.170	7,387	0.10%
2000/2001	8.543	8,102	0.11%
2001/2002	9.180	8,440	0.11%
2002/2003	9.506	8,782	0.11%
2003/2004	9.644	9,203	0.10%

Clients are able to benefit from the economies of scale that result from the centralised or pooled borrowing arrangements of the Corporation. Through this pooling, the Corporation is able to reduce the administration cost per dollar of lending to the client.

The economies of scale achieved by the Corporation generate savings to the client that would not be available to individual clients attempting to fund their borrowing requirements directly from the market. In general, the level of specialisation and expertise provided by the Corporation would not be cost effective for an individual client to maintain.

The Corporation's administration cost ratio will fluctuate from time to time due to changes in aggregate debt levels as well as direct management action. Changes in aggregate debt levels are impacted by government asset sales and debt management policy in general which is beyond the control of the Corporation.

### **Glossary of Terms**

<b>Term</b>	<b>Explanation</b>
Liquidity Risk	The risk that a bond owner, wanting to sell a bond in the secondary market, is not able to find a buyer willing to pay a fair price for the bond having regard to currently observed market rates and the initial liquidity risk premium.
Liquidity Risk Premium	The increase in the interest rate required by the buyer of a bond to compensate for liquidity risk.
Maturity Date	The date on which the final bond payment is to be made.
Term to Maturity	The amount of time until the final bond payment is due.
Issue Volume	The face value amount at issue date. This is the amount that a bond issuer must repay on the maturity date of the bond.
Corporate Bond Market	The market in which bonds issued in the name of individual corporate entities are bought and sold.
Reference Bond	A corporate bond selected for comparison to the Corporation's lending rates.

### **CERTIFICATION OF PERFORMANCE INDICATORS**

I hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the performance and fairly represent the performance of the Western Australian Treasury Corporation for the year ended 30 June 2004.



**D V BUTLER**  
**CHIEF EXECUTIVE OFFICER**  
 WESTERN AUSTRALIAN  
 TREASURY CORPORATION

13 August 2004



**T M MARNEY**  
**CHAIRPERSON**  
 WESTERN AUSTRALIAN  
 TREASURY CORPORATION

13 August 2004

# **Auditor General's Opinion of Performance Indicators**

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## **To the Parliament of Western Australia**

WESTERN AUSTRALIAN TREASURY CORPORATION  
PERFORMANCE INDICATORS FOR THE YEAR ENDED JUNE 30, 2004

### **Audit Opinion**

In my opinion, the key effectiveness and efficiency performance indicators of the Western Australian Treasury Corporation are relevant and appropriate to help users assess the Corporation's performance and fairly represent the indicated performance for the year ended June 30, 2004.

### **Scope**

#### ***The Board's Role***

The Board is responsible for developing and maintaining proper records and systems for preparing performance indicators.

The performance indicators consist of key indicators of effectiveness and efficiency.

#### ***Summary of my Role***

As required by the Financial Administration and Audit Act 1985, I have independently audited the performance indicators 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 performance indicators 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 performance indicators.



**D D R PEARSON  
AUDITOR GENERAL**

August 27, 2004



## Client Authorities

Face Value Net Debt Outstanding to the Corporation at 30 June 2004

Authority Name	Balance At 1 July 2003 \$'000	Net Advances During Year \$'000	Balance At 30 June 2004 \$'000
Albany City Council	8,865	204	9,069
Albany Port Authority	14,648	(2,128)	12,520
Armadale City Council	508	710	1,218
Ashburton Shire Council	2,412	(191)	2,221
Augusta-Margaret River Shire Council	4,335	2,623	6,958
Bassendean Town Council	561	739	1,299
Bayswater City Council	541	(84)	457
Belmont City Council	1,800	(236)	1,563
Beverley Shire Council	271	(46)	225
Boddington Shire Council	460	(77)	383
Boyup Brook Shire Council	414	(26)	388
Brookton Shire Council	160	169	329
Broome Shire Council	2,684	524	3,208
Broomehill Shire Council	238	(38)	200
Bunbury City Council	4,109	(262)	3,847
Bunbury Port Authority	14,120	(572)	13,548
Busselton Shire Council	3,136	1,752	4,888
Cambridge Town Council	0	2,800	2,800
Canning City Council	1,313	(166)	1,146
Carnamah Shire Council	8	(2)	6
Carnarvon Shire Council	1,823	(321)	1,501
Chapman Valley Shire Council	115	(9)	106
Chittering Shire Council	568	(70)	497
Collie Shire Council	251	42	292
Commissioner of Main Roads	218,943	(36,380)	182,562
Coolgardie Shire Council	640	119	759
Coorow Shire Council	1,139	136	1,275
Corrigin Shire Council	590	700	1,290
Cottesloe Town Council	341	(56)	285
Country High School Hostels Authority	7,361	5,576	12,937
Country Housing Authority	11,276	1,772	13,048
Cranbrook Shire Council	62	192	254
Cuballing Shire Council	150	(16)	134
Cue Shire Council	235	(235)	0
Cunderdin Shire Council	1,696	364	2,060
Curriculum Council	135	(9)	126
Curtin University of Technology	27,910	(805)	27,105
Dalwallinu Shire Council	740	(16)	724
Dampier Port Authority	0	15,642	15,642
Dandaragan Shire Council	2,191	(132)	2,059
Dardanup Shire Council	3,423	13	3,436
Denmark Shire Council	1,600	(180)	1,421
Departmental Hospitals*	17,527	(739)	16,788
Derby-West Kimberley Shire Council	3,469	205	3,674
Disability Services Commission	7,306	(490)	6,816
Donnybrook-Balingup Shire Council	419	(61)	358
Dowerin Shire Council	22	(11)	11
Dumbleyung Shire Council	397	(22)	375
Dundas Shire Council	73	285	358

## Client Authorities

Face Value Net Debt Outstanding to the Corporation at 30 June 2004 (continued)

Authority Name	Balance At 1 July 2003 \$'000	Net Advances During Year \$'000	Balance At 30 June 2004 \$'000
East Fremantle Town Council	1,612	(236)	1,376
East Pilbara Shire Council	572	(158)	414
Eastern Goldfields Transport Board	479	263	742
Eastern Metropolitan Regional Council	1,427	(251)	1,176
Eastern Pilbara College of TAFE	782	(782)	0
Edith Cowan University	14,407	2,839	17,246
Esperance Port Authority	56,130	(2,004)	54,125
Esperance Shire Council	837	(175)	662
Exmouth Shire Council	248	7	255
Fire & Emergency Services Authority of Western Australia	42,114	11	42,125
Forest Products Commission	73,596	9,046	82,642
Fremantle Cemetery Board	2,051	(2,051)	0
Fremantle City Council	10,017	(684)	9,333
Fremantle Hospital Board	2,062	(83)	1,980
Fremantle Port Authority	19,122	2,348	21,470
Geraldton City Council	2,651	(124)	2,527
Geraldton Port Authority	93,793	23,528	117,321
Gingin Shire Council	818	481	1,300
Gnowangerup Shire Council	725	105	830
Gold Corporation	3,500	0	3,500
Goomalling Shire Council	32	(3)	30
Government Employees' Housing Authority	123,615	(7,204)	116,411
Government Employees Superannuation Board	602,416	(17,805)	584,611
Greenough Shire Council	1,741	(12)	1,729
Halls Creek Shire Council	448	548	997
Harvey Shire Council	2,445	181	2,626
Irwin Shire Council	197	406	603
Jerramungup Shire Council	526	(1)	526
Kalamunda Shire Council	794	11	805
Kalgoorlie-Boulder City Council	9,722	(869)	8,853
Katanning Shire Council	1,311	(156)	1,154
Kellerberrin Shire Council	285	510	795
Kent Shire Council	571	688	1,259
King Edward Memorial and Princess Margaret Hospitals Board	13,537	(544)	12,994
Kojonup Shire Council	951	204	1,155
Kondinin Shire Council	676	(77)	599
Kulin Shire Council	210	(15)	195
Kwinana Town Council	374	(30)	345
Lake Grace Shire Council	765	122	887
Laverton Shire Council	241	(105)	137
Library Board of Western Australia	22,690	(1,308)	21,382
Mandurah City Council	19,401	(59)	19,343
Manjimup Shire Council	3,003	220	3,223
Meekatharra Shire Council	14	(3)	11
Melville City Council	5,457	(460)	4,997
Menzies Shire Council	0	250	250
Merredin Shire Council	843	168	1,011
Metropolitan Health Service Board	61,316	(2,154)	59,162
Midland Redevelopment Authority	20,272	7,653	27,925
Mingenew Shire Council	248	78	326
Minister for Agriculture, Forestry and Fisheries	1,382	(1,382)	0

<b>Authority Name</b>	<b>Balance At 1 July 2003 \$'000</b>	<b>Net Advances During Year \$'000</b>	<b>Balance At 30 June 2004 \$'000</b>
Minister for Education	171,661	16,567	188,228
Minister for State Development	6,630	(357)	6,274
Moora Shire Council	1,040	408	1,448
Morawa Shire Council	301	523	824
Mosman Park Town Council	93	1,911	2,003
Mount Magnet Shire Council	148	(4)	144
Mount Marshall Shire Council	617	(187)	430
Mukinbudin Shire Council	423	(65)	358
Mullewa Shire Council	504	(115)	389
Mundaring Shire Council	148	(54)	94
Murchison Shire Council	47	(17)	30
Murdoch University	10,060	(5,509)	4,550
Murray Shire Council	1,891	(285)	1,606
Nannup Shire Council	309	(66)	243
Narambeen Shire Council	655	(54)	601
Narrogin Shire Council	222	(31)	190
Narrogin Town Council	4,563	(286)	4,277
Nedlands City Council	0	2,886	2,886
Nickol Bay Hospital	3,163	(127)	3,036
Northam Shire Council	55	(16)	39
Northam Town Council	3,340	(22)	3,317
Northampton Shire Council	420	(81)	339
Nungarin Shire Council	258	(16)	243
Peppermint Grove Shire Council	44	(27)	17
Perenjori Shire Council	289	165	453
Perth City Council	10,542	(1,540)	9,002
Perth Dental Hospital Board	1,959	(79)	1,881
Perth Market Authority	47,464	(2,376)	45,088
Pilbara College of TAFE	0	914	914
Pingelly Shire Council	422	151	573
Plantagenet Shire Council	1,739	(135)	1,604
Port Hedland Town Council	4,234	554	4,787
Public Transport Authority	0	1,106,054	1,106,054
Quairading Shire Council	210	(45)	165
Ravensthorpe Shire Council	2,657	(100)	2,556
Rockingham City Council	12,569	277	12,845
Roebourne Shire Council	808	(121)	687
Rottne Island Authority	4,691	0	4,691
Royal Perth Hospital Board	23,500	(944)	22,556
Serpentine-Jarrahdale Shire Council	1,187	(611)	576
Shark Bay Shire Council	657	148	804
Shire of Bridgetown-Greenbushes	96	0	96
Sir Charles Gairdner Hospital Board	6,291	(253)	6,038
South Perth City Council	116	1,766	1,882
South West Development Commission	9,237	(792)	8,445
Southern Metropolitan Regional Council	35,926	(984)	34,942
State Housing Commission	1,495,896	151,875	1,647,771
State Supply Commission	198,284	(576)	197,708
Subiaco City Council	1,550	169	1,719
Subiaco Redevelopment Authority	979	(979)	0
Swan City Council	3,863	3,972	7,835

## Client Authorities

Face Value Net Debt Outstanding to the Corporation at 30 June 2004 (continued)

Authority Name	Balance At 1 July 2003 \$'000	Net Advances During Year \$'000	Balance At 30 June 2004 \$'000
Swan River Trust	161	(8)	152
Tambellup Shire Council	579	(58)	521
Tammin Shire Council	59	344	403
The Board of the Art Gallery of Western Australia	6,126	(290)	5,836
The State of Western Australia (liability transferred from WA Meat Commission)	7,449	(448)	7,002
The State of Western Australia through the Consolidated Fund	461,979	0	461,979
The State of Western Australia through the Loan (Financial Agreement) Act 1991	320,418	(11,940)	308,478
Three Springs Shire Council	7	(2)	5
Toodyay Shire Council	649	(32)	617
Transport Co-ordination Ministerial Body	275,115	(262,941)	12,175
Trayning Shire Council	39	(15)	24
Upper Gascoyne Shire Council	66	(8)	59
Victoria Park Town Council	1,350	(313)	1,037
Victoria Plains Shire Council	902	237	1,139
Vincent Town Council	0	7,990	7,990
WA Building Management Authority	152,767	(8,877)	143,891
WA Coastal Shipping Commission	26,672	(2,048)	24,624
WA Government Railways Commission	710,558	(710,558)	0
WA Greyhound Racing Association	361	(184)	177
Wagin Shire Council	54	(2)	51
Wanneroo City Council	300	0	300
Waroona Shire Council	66	323	388
Water and Rivers Commission	1,236	(200)	1,036
Water Corporation	987,000	95,000	1,082,000
West Arthur Shire Council	326	(60)	266
West Pilbara College of TAFE	206	(206)	0
Western Australian Local Government Association	960	(90)	869
Western Power Corporation	2,416,341	(90,486)	2,325,855
Westonia Shire Council	74	40	114
Wickepin Shire Council	435	41	476
Williams Shire Council	191	(159)	32
Wongan-Ballidu Shire Council	320	(73)	247
Wyalkatchem Shire Council	63	(10)	53
Wyndham-East Kimberley Shire Council	374	1,262	1,637
Yalgoo Shire Council	218	630	848
Yilgarn Shire Council	116	(66)	50
York Shire Council	531	(85)	446
Zoological Parks Authority	18,469	(167)	18,302
<b>TOTAL</b>	<b>9,057,700</b>	<b>290,152</b>	<b>9,347,853</b>

\* The authority name "Departmental Hospitals" represents the Board of:

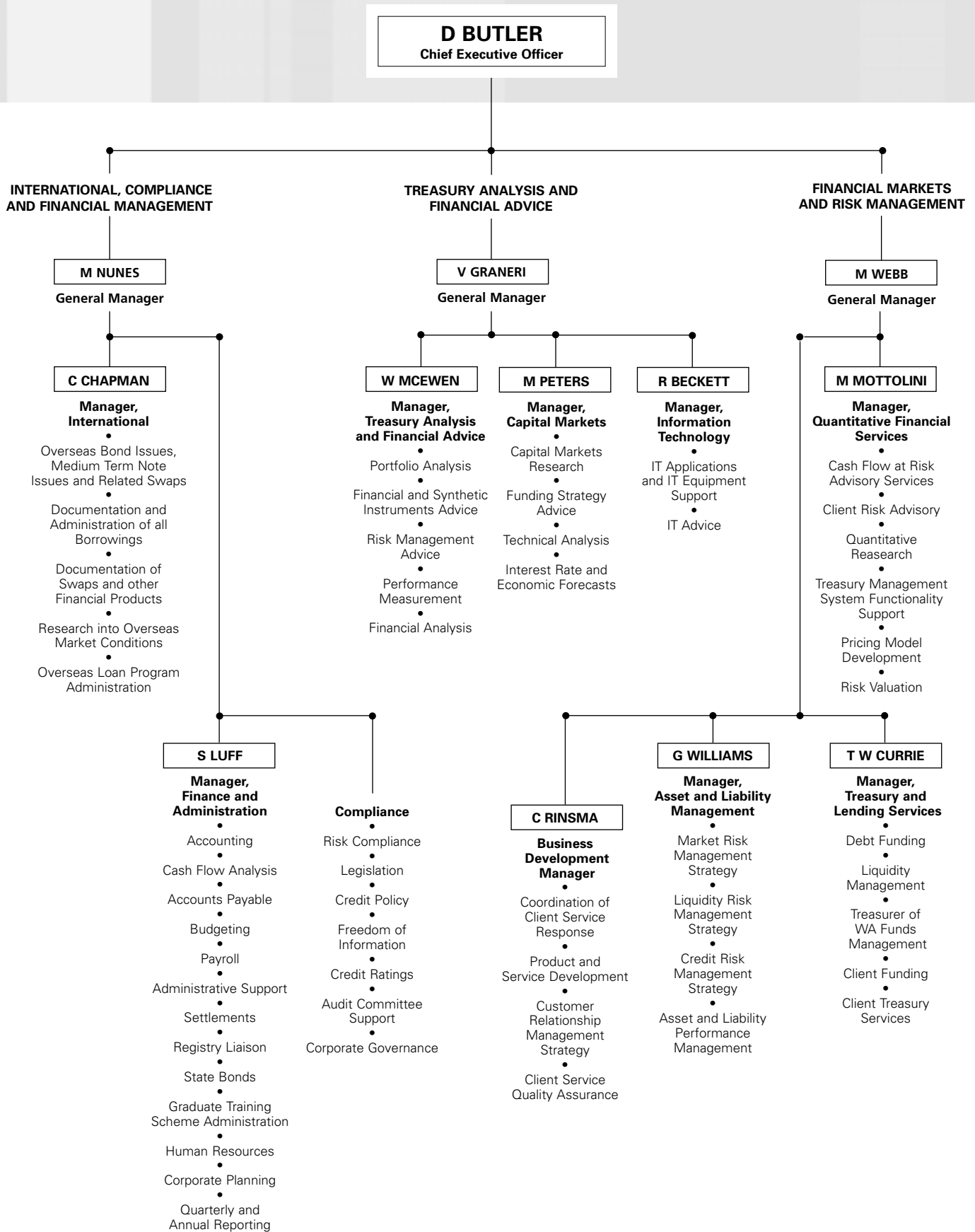
Albany Regional Hospital  
 Armadale-Kelmscott District Memorial Hospital  
 Augusta District Hospital  
 Bentley Hospital  
 Broome District Hospital  
 Esperance District Hospital

Kalgoorlie Regional Hospital  
 Merredin District Hospital  
 Mt Henry Hospital  
 Osborne Park Hospital  
 Port Hedland Regional Hospital  
 Swan Districts Hospital

Note : Due to rounding some figures do not add.

	<b>Estimate</b> <b>\$'000</b>
<hr/>	
<b>REVENUE</b>	
<b>Revenue from ordinary activities</b>	
Interest on Investments	140,000
Interest from Authorities	659,073
Fee Income	290
	<hr/> 799,363 <hr/>
<b>EXPENSES</b>	
<b>Expenses from ordinary activities</b>	
Interest on Borrowings	782,489
Depreciation	780
Loan Raising Expenses	1,808
Administration Expenses	7,749
	<hr/> 792,826 <hr/>
<b>Profit from ordinary activities before tax equivalent expense</b>	6,537
Income Tax equivalent expense	1,961
<b>Net Profit</b>	4,576

# Organisational Chart



# Western Australian Treasury Corporation

## Addresses

### Head Office

Level 12, St. George's Square  
225 St George's Terrace  
PERTH WA 6000

Telephone: (+61) 8 9235 9100

Facsimilie: (+61) 8 9235 9199

### Postal Address

PO Box 7282  
Perth Cloisters Square  
WA 6850

Email: [watc@watc.wa.gov.au](mailto:watc@watc.wa.gov.au)

Website: [www.watc.wa.gov.au](http://www.watc.wa.gov.au)

### Registry Information

Following are address details relating to offices of Computershare Investor Services Pty Limited:

Western Australia

Level 2, Reserve Bank Building  
45 St George's Terrace  
PERTH WA 6000

Victoria

Yarra Falls  
452 Johnston Street  
ABBOTSFORD VIC 3067

New South Wales

Level 3  
60 Carrington Street  
SYDNEY NSW 2000

Queensland

Central Plaza One, Level 27  
345 Queen Street  
BRISBANE QLD 4000

South Australia

Level 5  
115 Grenfell Street  
ADELAIDE SA 5000

### Stockholding Enquiries

Please ring Computershare Investor Services Pty Limited on Freecall 1800 098 828 for all stockholding enquiries.

