



09 | annual report



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About this report

Water Corporation Annual Report 2009 is a review of our operations for the financial year ending 30 June 2009.

This Report is produced in accordance with the provisions of the *Water Corporation Act 1995* and other relevant legislation which governs our operations. It is provided to the Minister for Water as our sole shareholder and is tabled in State Parliament.

The structure of our report highlights our progress towards sustainable operations as well as key events and initiatives.

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

Previous reports can be found in the publications section of our website: www.watercorporation.com.au

For customer enquiries or feedback about Water Corporation services, email cust_centre@watercorporation.com.au

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01 | our organisation

Each day, we reliably supply safe drinking water to almost two million Western Australians.

We are also primarily responsible for the provision of wastewater and drainage services to homes, farms and businesses across our State and for supplying bulk water for irrigation.

We are owned by the Western Australian Government. Our sole shareholder is the [Minister for Water](#), to whom we are accountable for the delivery of almost all of the State's water and wastewater services in a commercial manner. The majority of the profits we earn from these activities are returned to the Government as a dividend, which contributes to the development of Western Australia.

We directly employ more than 2,800 people and a further 425 as part of our Operations and Maintenance Alliances, to develop, manage and maintain water supply, sewerage and drainage infrastructure worth in excess of \$12.3 billion.

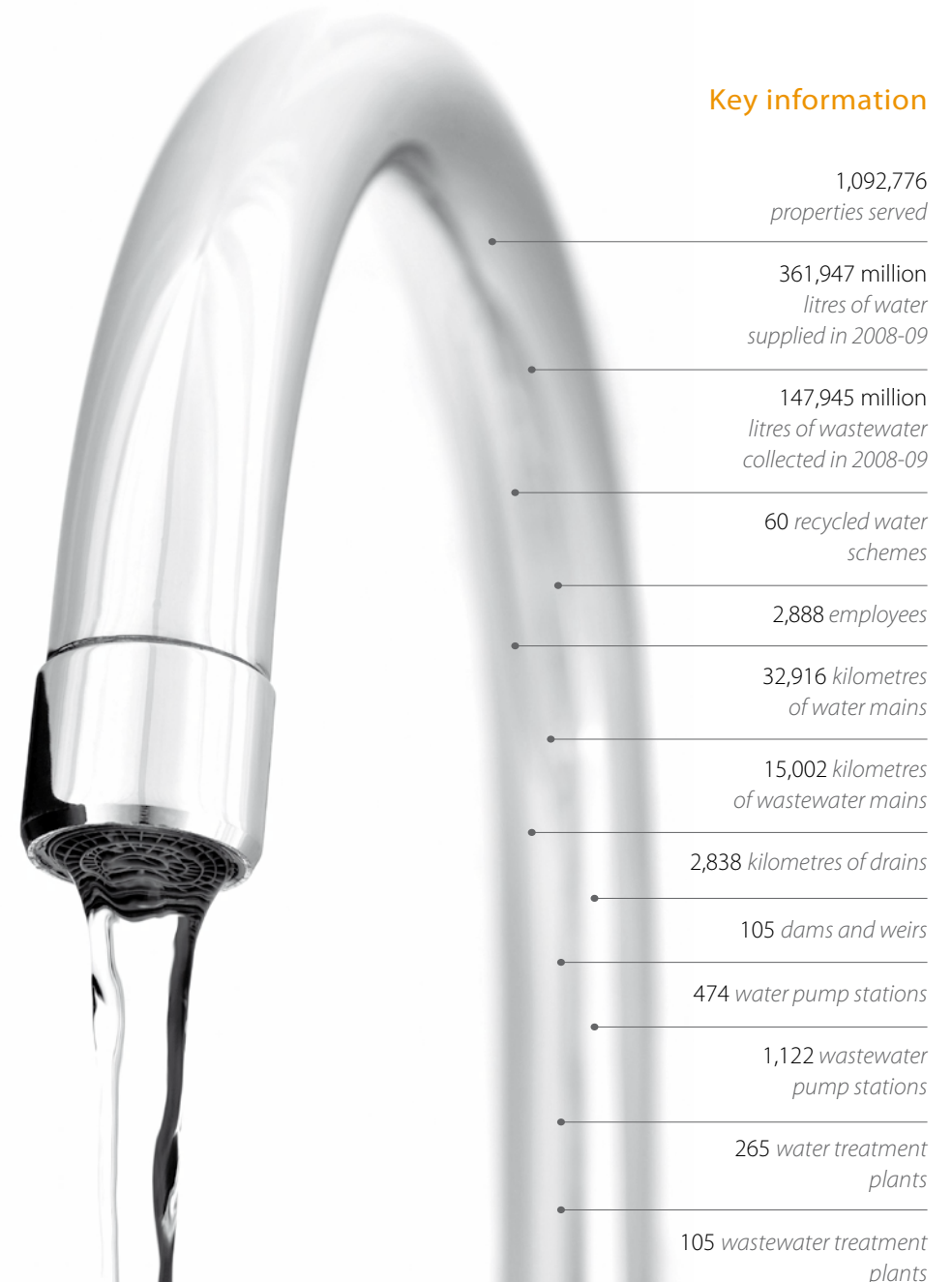
As well as our headquarters and Customer Centre in Perth, we have regional offices across Western Australia to ensure we understand the diverse needs of all our communities, and meet these with high levels of service.

We pride ourselves on our strong history of excellence in our performance, responsible environmental management and commercial and technical expertise.

We also strive to maintain our status as a respected member of the Western Australian community not only by delivering services effectively and efficiently, but also by participating in many community partnerships.

Importantly, we also maintain a significant commitment to information, education and dialogue as we plan collaboratively to meet the continuing challenges of climate change and a growing population by building more climate-resilient communities.

Key information



Our purpose

Our purpose is “Sustainable management of water services to make Western Australia a great place to live and invest.”

Sustainability is paramount in all aspects of our planning and operations. We are committed to ensuring that we manage our water sources, services and infrastructure to meet current and anticipated needs. We do so without compromising those of future generations and by minimising impact to the environment.

Water services and infrastructure are essential to investment in every new residential area, public facility, commercial and industrial enterprise.

We are proud of our place in the vibrant Western Australian community and see ourselves as an integral part of our State’s continuing growth and development.

We are part of almost every Western Australian community, and as a ‘good neighbour’ we believe it is our responsibility to play our part in contributing to each of these communities across our cities, towns and regional areas.

To help achieve this goal, we engage in ongoing dialogue to better appreciate community attitudes and aspirations.

Adding value to business is also an important focus, and we work closely with industry and private enterprise to understand how their businesses function, what their needs and plans are, and how we can best work with them to achieve sustainable outcomes.

We also make a significant direct contribution to the State economy by engaging in an extensive range of partnerships and alliances with private enterprise organisations in the development and ongoing delivery of water services and infrastructure.

Our values

We work continually to enhance a constructive culture which will help move effectively towards achieving our purpose of sustainable management of water services for the Western Australian community.

Our values are a key component of our culture. They are the standards or principles that guide the way we work, drive our behaviour and help achieve our goals.

Above all, high standards in safety and health are set, and this year, we have introduced new initiatives, systems and training with the goal of achieving Zero Harm in the workplace. The safety of every employee is of paramount importance and underpins everything we do.

Our community

We are part of almost every local community in Western Australia. We are dedicated to excellence in customer service, including playing our part in supporting local communities and engaging them in our decision-making processes.

Community involvement is particularly critical as we plan our long-term water future and work collaboratively to build more climate resilient communities in the face of the challenges of climate change and population growth.

Our responsibilities

We are committed to taking our responsibilities seriously and take pride in fulfilling the commitments we make.

It is important that our organisation is seen as reliable and trustworthy. This means that, in many cases, we do not simply do what is accepted as the minimum required of us, but strive to deliver outcomes above and beyond expectations.

The future

Sustainability is a key principle that guides all aspects of our organisation. Our decisions consider water needs and services, the economy and the community. Additionally, all decisions are made with thorough examination of all potential environmental consequences.

Delivering quality

Quality is a further fundamental principle that guides our organisation and operations. We do everything to the best of our ability and with a long-term view in mind.

Supporting people

We strive to help our people grow personally and professionally along with our organisation. We promote their achievement and a healthy work/life balance. We respect each of them as an individual.

We encourage initiative and ideas, provide access to ongoing training and development, and reward performance.

Our desired state

- Our customers are our advocates
- We are the point of excellence in Western Australia on all matters related to water services
- We are leaders in sustainability

Our strategies

The following strategies will help get us to our desired state:

Genuinely engage with our stakeholders

We will focus our energies on delivering excellent customer service and building genuine relationships with all our stakeholders through timely and meaningful engagement.

Change the way we think and work

We will position ourselves for the future through continuously improving our business processes, standardising and simplifying what we do and building sustainability principles into all our decisions.

Core business – rock solid

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

Security through diversity

In cooperation with the State Government we will seek to secure Western Australia’s water future through a diverse portfolio of supply and demand programs.

Creating a great place to work

We will create a great place to work where we feel safe, inspired and empowered to achieve and where we will sustain and grow our capability for the future.

A snap shot 2008-09 achievements



Genuinely engage with our stakeholders

- Established a [Financial Hardship Policy](#) and implemented the Hardship Utilities Grant Scheme.
- Achieved an 87 per cent value rating in the Customer Satisfaction Index. Our target was 85 per cent. The Index measures the level of customer satisfaction with our performance and perception of the value we provide, as evaluated through a survey of our customers.
- Completed the community engagement phase of [Water Forever](#) (Perth and surrounding areas) which culminated in the publication of *Reflections* in September.
- Received the Australian Water Association's Water Communications Award for 2009 for the Water Forever (Perth and surrounding areas) community engagement process.
- Secured commitment from the Binningup and Myalup communities to work together to manage the impacts and opportunities of the new [Southern Seawater Desalination Plant](#).
- Worked with community and Government to identify and gain acceptance of new water sources and water efficiency initiatives for Albany, Walpole and Denmark.



Change the way we think and work

- Progressed identification and scoping of opportunities for private sector participation, embedded staff into key alliances and developed a portfolio of Private Public Partnership options.
- Completed a series of 'Kaizen Blitz' business improvement workshops. These were focused on improving the efficiency and effectiveness of our business.
- Improved our water planning approach to embed water efficiency opportunities as a way to balance water supply and demand.
- Implemented a cross-government agency sustainability program in conjunction with the Department of Planning and Infrastructure (now Department of Planning) which included gas, energy and reducing water wastage as major focuses.
- Assembled a team to facilitate the identification of energy efficiency opportunities throughout the business.



Core business – rock solid

- Commissioned the Coral Bay Reverse Osmosis Treatment Plant and water supply.
- Commissioned a membrane filtration plant at Wyndham.
- Implemented new water treatment plants at Margaret River, Wiluna, Pemberton and Hyden.
- Continued optimisation of the Integrated Water Supply Scheme driven from our Operations Centre with remote operation of country schemes, including the addition of Esperance, Exmouth and Kalbarri.
- Implemented 30 Water Safety Plans helping to ensure the quality of drinking water.
- Developed a spatial dashboard management system, showing multiple customer water quality complaints in an area. This will lead to improved response to water quality issues in our distribution system.
- Reviewed the Western Australian guidelines for Biosolids Reuse. Best practice guidelines are being developed.
- Completed the *Water Loss Management Framework* and commenced development of the strategy.



Security through diversity

- Continued the development of a 50 year plan to provide sustainable water services to Perth and surrounding areas. Our draft plan [Water Forever: Directions for Our Water Future](#) outlined how we plan to achieve the goal of climate resilience by working with the community to reduce water use by 15 per cent, increase water recycling in the metropolitan area to 30 per cent and develop up to 100 gigalitres of new water sources by 2030.
- Signed a contract with the preferred bidder for the [Southern Seawater Desalination Plant](#) with Federal and State environmental approvals obtained.
- Commenced construction of the [Groundwater Replenishment Trial](#) facilities to establish the feasibility of a full-scale water recycling scheme as a potential new water source for Perth.
- Implemented a water and energy demand management program in Denmark in conjunction with Western Power – the first joint-utility sustainability initiative in Western Australia.
- Recognised Sawyers Valley Primary School as Western Australia's 400th [Waterwise School](#), with the program at 420 schools at the end of June 2009.
- Developed the first Waterwise village at Dalyellup.
- Secured a 96 per cent participation rate for the [WATERSMART](#) program – the State's first full behavioural change and retrofit program to assist households and businesses in the towns of Margaret River, Prevelly, Gnarabup and Cowaramup to reduce water use, with the aim of decreasing residential use by at least 10 per cent.



Creating a great place to work

- Ushered in a new era of safety management with the *Zero Harm* safety and health vision, giving individuals greater responsibility for the safety of themselves and their workmates, with the ultimate aim of eliminating injuries.
- Implemented a 3-year rolling Occupational Safety and Health Compliance and Improvement Program.
- Won the ExxonMobil Award for Australia's safest workplace at the Sunset Coast Alliance.
- Developed and delivered the Certificate II in Wastewater and Applied Water Treatment Training.
- Successfully completed the first year of a 2-year Engineering Associate Traineeship – one of the State's first higher level vocational education qualification pilot programs to be successfully delivered in the workplace. It will see up to 11 trainees complete a Diploma in Civil and Structural Engineering.
- Developed an in-house centralised recruitment team and support system to improve the efficiency and effectiveness of our recruitment process.
- Implemented a formal knowledge transition process to identify and capture knowledge of key staff who are retiring or taking periods of extended leave.
- Negotiated the 2008 Enterprise Agreement which encompasses greater recognition of employee performance and provides for performance-based salary increases.

chairman's overview

Our core responsibility is to deliver safe drinking water and remove and treat wastewater across Western Australia. We achieved that while also delivering a capital works program for future growth that exceeded \$1 billion.



The importance to the ongoing development of Western Australia provided through the successful completion each year of the Water Corporation's Capital Works Program was once again emphasised through the delivery this year of our biggest program yet.

Our core responsibility is to deliver safe drinking water and remove and treat wastewater across Western Australia. We achieved that while also delivering a Capital Works Program for future growth that exceeded \$1 billion.

The delivery of a program of this magnitude reflects well on the knowledge, capability and experience of a diverse group of people. The Board acknowledges all who were involved in this outstanding effort.

In its May 2009 budget, the WA Government announced that because of the current well documented issues affecting both the local and international economic environment it required the Corporation to reduce the four-year capital budget by \$560 million. This reduction in planned works has inevitably meant the deferral of some projects. However, it has presented an additional imperative of focusing on value for money in the four-year program to ensure the existing capital budget goes further.

Shortly before the end of the year we announced that all approvals were in place for the construction of the [Southern Seawater Desalination Plant](#) in the South West. Largely because the bulk of the capital required for the project will be spent in the 2009-10 financial year and because of the parallel construction of a major [wastewater treatment plant at Alkimos](#) in Perth's far north, we will again set a record next year for our capital program of \$1.2 billion. Then we will reduce to a total expenditure of \$3.6 billion through the four years to 2012-13.

The Board believes the main challenge in delivering this still-significant program of works will be to maintain private sector capacity to deliver our program into the future and to maintain internal Corporation capability to manage that work.

This year the Board looked closely at the opportunities for Private Public Partnerships (PPPs) following encouragement from Government and growing interest from business. The WA Government's position on the framework required to encourage private sector participation is still to be finalised.

However, the Water Corporation intends to continue with its leadership of private sector engagement and involvement through the development of a portfolio of project opportunities that will seek PPP proposals, with a view to maximise benefits for all our stakeholders.

Work continued on our flagship Water Forever project, our 50-year-plan to deliver an integrated strategy for water, wastewater, drainage and recycling initiatives. A similar planning process began during the year in our Great Southern Region.

Good corporate governance is a fundamental part of the Water Corporation's culture and business practices. This year the Board reviewed again our performance and efficiency using the Board Enhancement Report prepared in 2008 as our guide to ensure that all actions identified for implementation had occurred.

It was pleasing also that our Chief Financial Officer, Ross Hughes, was the winner of the Institute of Chartered Accountants of Australia Chief Financial Officer of the Year Award, as part of the 2008 W.S. Lonnie Awards, organised by the Institute of Public Administration Australia. The award recognises excellence in financial reporting and the significant role played in guiding strategic direction of a company and governance procedures and processes.

Our first Chief Executive, Jim Gill, left us at the end of December and was replaced by Sue Murphy. We wish Jim well in the future and know that in Mrs Murphy, who joined us on the Board, the Corporation is in sure hands.

On behalf of the Board, I thank management and staff for their continuing support during a very challenging year indeed.

A handwritten signature in dark ink, appearing to read 'P. O'Connor'.

Patrick O'Connor – Chairman

the year in review with CEO, Sue Murphy

Our stance is that there is no place for water to be wasted as we move deeper into a challenging future climate.



You were CEO for the final eight months of the 2008-09 year. What were your impressions?

Our job is to provide water, wastewater and drainage services to homes and businesses across WA. We have committed to deliver these services in a sustainable way to make sure we play our part in making WA a great place to live and invest.

My major impression of our 2008-09 year was that despite the global financial crisis, change of WA Government, change of Chief Executive, a downturn in the building industry and real global economic issues – to mention a few impacts – we kept supplying those water, wastewater and drainage services, around the clock to almost 2 million people in an efficient and seamless manner. That is our core responsibility and as a 2,800-strong team, we delivered with legal compliance, ethical behaviour and proper risk management processes.

It was satisfying that our diverse capital works team working across several of our divisions was able to deliver the biggest capital works program in our history. Of course, with that under our belt we now face the challenge of delivering an even bigger capital program in the 2009-10 year. Based on what we achieved this year, I am confident we will step up again next year.

I was pleased with the progress we made on our Water Forever initiative, in particular the release in February of the [Water Forever: Directions for our Water Future](#) draft plan which I strongly believe provides us with a solid basis for our 50-year journey to secure our water future. This future will include major water recycling, and the progress made during this year in getting everything ready for the physical launch of our three-year groundwater replenishment trial from January or February next year was very exciting.

In the last week of June 2009 we signed contracts with the two Spanish companies and their Australian partners to join us in building, and later operating, our new seawater desalination plant. It took an enormous amount of work by many people to get us to this point. Now, we have to deliver the plant and produce the much-needed 50 billion litres a year of new water.

I firmly believe that wasting water is totally unacceptable as we move deeper into a challenging future climate. Therefore, we welcomed the Government's initiative in introducing a trial winter sprinkler ban. A majority of the community appear to

agree that this is a common sense initiative and that it gives everyone involved a chance to lock in some basic sensible waterwise behaviours.

What is your key priority for the next period?

My key priority is to do everything I can to make sure working safely becomes as natural as breathing to all of us who work for the Water Corporation or who are associated with us in any way. We definitely had our share of challenges in 2008-09 with the tragic loss of one of our colleagues in an on site accident on 11 May 2009. It must be my role to ensure that everything possible is being done to make certain safety is at the top of the list of our priorities in everything that we do. There is nothing that is more important than the safety of our people.

What are the main challenges facing the Water Corporation next year?

Making sure that everyone understands that there are risks across our business and considers these before doing any task is at the top of the list. We have demonstrated that we can be relied upon to deliver our core water-related services across WA. As the population grows new challenges will emerge and these will have to be managed properly. We have also proven that we can deliver a very large capital works program. However the size of the 2009-10 program means that we will need to have our contracting strategies and relationships with the private sector in the best shape possible, not only for delivery of next year's program but also for the still-large programs in the following three years.

Specifically, we will need to build our [new desalination plant](#) within the 2011 commissioning deadline, not only because a major new water source is needed for ongoing development, but because of the role it will play in helping us reduce our groundwater abstraction from the Gngara groundwater system.

I have no doubts we have the team to meet all of the future challenges and I acknowledge their efforts over the past year.

A handwritten signature in black ink, appearing to read 'Sue Murphy'.

Sue Murphy – Chief Executive Officer

glossary

Aquifer

An underground layer of water-bearing permeable rock or consolidated materials (clay, sand, silt or gravel) from which groundwater can be extracted.

[Australian Drinking Water Guidelines \(ADWG\)](#)

The ADWG is developed by the National Health and Medical Research Council (NHMRC) in collaboration with the Natural Resource Management Ministerial Council (NRMMC). These guidelines provide the Australian community and the water supply industry with guidance on what constitutes good quality drinking water.

Biosolids

Biosolids are the stabilised, nutrient rich, organic solid residues generated from the wastewater treatment process.

Catchment

The areas of land which collect rainfall and contribute to surface water or to groundwater.

Desalination

The process that removes salt from saline water to produce fresh water.

Drinking water

Water that is safe to use for drinking.

Gigalitre (GL)

A metric unit of volume or capacity equal to one billion (a thousand million) litres of water. This volume would fill 500 Olympic-sized swimming pools.

Greenhouse gases

Atmospheric gases that absorb and re-radiate the sun's energy, rather than letting it escape back into space. Water vapour, carbon dioxide, nitrous oxide, methane and ozone are the primary greenhouse gases. Human activities have increased the levels of these gases in the atmosphere, leading to more energy being trapped and so raising Earth's temperatures.

Groundwater

Water in the soil below the surface of the ground, typically found in an aquifer.

Groundwater replenishment

A process that enhances the natural replenishment of groundwater by artificially supplying aquifers with additional water.

Hectare

Measure of area equal to ten thousand square metres.

Infrastructure

Services and equipment needed to support urban communities.

[Integrated Water Supply Scheme \(IWSS\)](#)

Supplies water to 1.5 million of the 1.9 million people living in Western Australia, serving towns in the South West, metropolitan Perth and from Mundaring Weir to towns and farmlands in the Central Wheatbelt out to Kalgoorlie-Boulder.

Kilolitre (kL)

A metric unit of volume or capacity equal to 1,000 litres.

Megalitre (ML)

A metric unit of volume or capacity equal to one million litres.

Micro filtration

A filtration process which removes contaminants from a liquid by passage through a micro porous membrane.

Revegetation

The process of replanting and rebuilding the soil of disturbed land.

Reverse osmosis

Salty water is placed under pressure causing freshwater to pass through a semi-permeable membrane leaving salt and other impurities behind.

Turbidity

The degree to which water loses its transparency due to the presence of suspended solids that are generally invisible to the naked eye.

Surface water

All water naturally open to the atmosphere (rivers, lakes, dams, streams, oceans, etc).

Sustainability

Meeting the needs of current and future generations through integration of environmental protection, social advancement and economic prosperity.

Wastewater

Any water that has been affected in quality. It may contain liquid waste that has been discharged from households, commercial industry, and/or agriculture.



02 | operational
developments

Planning for the future

Availability of safe and reliable water supplies underpins our quality of life and the health of our environment. We continue to work closely with the Western Australian community to ensure we are taking the necessary steps to make our water supplies more climate-resilient. From projects we have already committed to, such as the Southern Seawater Desalination Plant, to the evaluation and investigation of future options, we continue to work towards climate resilience.

Towards climate resilience

This year, work continued on [Water Forever](#), our 50-year plan for Perth and surrounding areas that integrates water, wastewater and drainage services with land planning.

After extensive engagement with the community and a sustainability assessment of 35 water efficiency and source options, we released a draft plan; [Water Forever: Directions for Our Water Future](#).

This outlines how we intend to achieve the goal of climate resilience by working with the community to use less water, increase water recycling and develop a range of future water source options.

The final plan will be released during National Water Week in October, 2009.

Groundwater Replenishment Trial – a potential new water source

Construction of the facilities required for the [Groundwater Replenishment Trial](#) is almost complete and the investigation of this highly promising potential future water source is on schedule to commence in January 2010. Background monitoring of groundwater in the trial area is already well advanced.

As part of the community engagement process to take place throughout the three-year Trial, the Water Corporation has established a Community Advisory Panel, comprising members from environment groups, health, business and the local

community. It is expected the Community Advisory Panel will pay particular attention to the engagement programme, in addition to providing feedback on common questions and concerns.

Groundwater replenishment, highlighted as a potential option via the Water Forever planning and community engagement project, takes treated water from a wastewater treatment plant and subjects it to several further advanced water treatment processes before it is recharged to groundwater aquifers.

The Water Corporation will trial the approach to assess the effectiveness of the advanced water treatment processes and determine whether groundwater replenishment is a safe and sustainable water source option. To ensure the safety of the public and the environment, the water used in this Trial will be treated to drinking water quality before it is added to a deep confined aquifer in an area well away from any drinking water bores.

Independent organisations including the [CSIRO](#), the [University of Western Australia](#) and [Curtin University](#), as well as respected international experts, will assist in the Trial and conduct related research. The ongoing testing and monitoring results from the Trial will be shared and discussed with the community, whose support for the approach will be gauged during the course of the Trial.

If this Trial is successful and the community is supportive, water recycling through groundwater replenishment could become a future means to boost Perth's metropolitan groundwater resource.

The Trial will be overseen by the departments of [Health; Water; and Environment and Conservation](#). It is part funded by the Federal Government, through the [Department of Environment, Heritage, Water and the Arts](#).





head:

WATER

for all,
ever.

WATER
for people

Connect

water forever

Water Forever

Challenge

To best address the ongoing impact of a drying climate on our water supplies and the growing demand for water because of our booming population.

We have worked with the community to help reduce per person water use by more than 20 per cent and introduced new water sources, including desalination. These measures have increased our water security and allowed us to maintain relatively moderate sprinkler restrictions over the past 10 years.

However, talking with our customers helped us understand that simply meeting our short-term water needs was not enough. What the community wanted was a long-term plan for our water future.

Solution

The Water Forever project was launched in 2007 to develop an integrated water, wastewater and drainage plan through to 2060 for Perth, Mandurah and surrounding areas. The project also considered demand in the Goldfields and Agricultural areas, serviced from the metropolitan area.

A range of options were evaluated on environmental, social and economic criteria and were presented to the community for comment. A draft plan was developed based on community values.

Results

The _____ draft plan was released for public comment in February 2009. It outlines how we will work with the community and businesses to become more climate resilient. Key targets proposed to achieve this goal include reducing water use by 15 per cent, increasing water recycling to 30 per cent and the development of new water sources providing up to 100 gegalitres a year by 2030.



Increased climate resilience can be achieved by creating a portfolio of water options which include reducing water use, increasing water recycling and developing new resources.

Water source options with the capacity to deliver a total of 700 gegalitres were identified for future consideration to meet the projected increase in demand over the next 50 years. Importantly, around 85 per cent of these options are independent of rainfall.

Looking Forward

Water Forever, with strong community input, has established a framework for the delivery of water efficiency initiatives and new water infrastructure to secure our water future. Community feedback indicates a high level of support with 92 per cent of those surveyed in favour of the draft plan and 89 per cent confidence in the plan's success.

The project is now moving into the next phase to include the Great Southern Region.

When the final plan *Water Forever: Towards Climate Resilience* is released in late 2009, it will have the ability to adapt to a changing environment, and include immediate targeted actions.

We believe that by continuing to work in partnership with the community we can become more climate-resilient across WA to enable present and future generations to thrive – even in a drying climate. ■



Major water supply works

We continue to work in towns and communities throughout Western Australia to provide clean, safe drinking water. In 2008-09 we spent \$390 million ensuring our water sources allow for growth across the State, and accommodating the changes occurring in our climate.

The [Integrated Water Supply Scheme \(IWSS\)](#) is our network of major water supply and provides fresh, clean drinking water to more than 1.5 million people across the south of Western Australia – in the Perth, South West, Wheatbelt and Goldfields and Agricultural regions.

Southern Seawater Desalination Project

In late June, State, Federal and other approvals were granted to proceed with the construction of the [Southern Seawater Desalination Plant](#) near Binningup, approximately 150 kilometres south of Perth. Construction will begin early in the 2009-10 financial year. The new Plant and associated infrastructure will cost \$955 million. It will deliver 50 gigalitres of water to the Integrated Scheme and will be commissioned in 2011.

A sustainable water future for Margaret River

In February, Minister for Water, Dr Graham Jacobs, announced that more than \$100 million would be spent on new infrastructure to secure water and wastewater services for Margaret River and surrounding communities.

Works planned include a major upgrade of the [Margaret River Regional Water Supply Scheme](#), including a new water source to complement the existing Ten Mile Brook Dam, storage tank, pipelines and water treatment plant.

Additionally, we have joined with the Augusta-Margaret River Shire and the local community in one of the most innovative and comprehensive water efficiency programs yet undertaken in Western Australia.

This [\\$800,000 program](#) includes individual water use audits for local consumers, installation of new water-efficient appliances in many homes and a range of education programs to make it easy for residents and businesses to use water wisely.

The extensive program of capital works outlined will cater for local growth and tourism while the water efficiency program builds on the behavioural change in water use already well under way in the area.

Other key water supply projects around the State include:

South West

A new one million litre storage tank and connecting pipelines was completed in [Boyup Brook](#) at a cost of \$2 million.

A third and final [compensating retention basin](#) was completed in Busselton. This \$20 million project began in the late 1990s as a response to flooding problems in the area.

Goldfields and Agricultural

A 30 million litre steel water tank just west of Northam will help improve the hydraulic efficiency of the [Goldfields and Agricultural Water Supply Scheme](#) and improve security of water supply for communities west of Northam.

The project was completed in late 2008 and included improvements to the Great Eastern Highway and access roads.

A \$21 million pipeline now links the new Binduli Reservoir with the Kalgoorlie-Boulder Water Supply Scheme, doubling its previous storage capacity to meet future demand, especially during peak summer periods.

Mid West

A new [\\$12 million water treatment plant](#) began operating in Coral Bay in early 2009, providing a safe and reliable public drinking water supply that will help ensure a viable future for the settlement and its world-renowned Ningaloo Marine Park.

The reverse osmosis desalination Plant treats cooled groundwater from a new artesian bore. It provides up to 200 kilolitres of water a day and can be upgraded to 400 kilolitres if demand increases.

An Electrodialysis Reversal Plant began providing a more reliable water source for the Wiluna community in March. This plant is one of the latest of a series of new, more efficient water treatment technologies being trialled.

Its successful construction and operation will lead to other similar water treatment plants throughout the Mid West and Agricultural regions improving drinking water quality for residents.

North West

New bores, a pump station and pressure main under construction in Broome will ensure a more secure water supply for this rapidly growing community.

A new \$15 million water treatment plant in Wyndham has ensured high drinking water quality all year round by treating high turbidity during cyclones and heavy rain when mud and silt are washed into the East Kimberley town's Moochalabra Dam.

The project included a new micro filtration and ultraviolet disinfection plant, new pumps at the dam pump station and a new pipeline to the town storage tank.

Great Southern

A \$1.2 million state-of-the-art ultrafiltration water treatment plant at Wave Rock near Hyden, is now providing the local community with greater security and quality of water supply.

The plant's very fine membranes remove even the tiniest particles, including bacteria or viruses, and can treat up to 500 kilolitres of water each day.



Wastewater

Reliable wastewater treatment infrastructure is an essential foundation of our modern society. Each year we allocate a large part of our capital budget to wastewater infrastructure, including \$480.3 million in 2008-09.

Wastewater management is one of our core functions, and our aim is to deliver this vital service in a manner that is efficient and unobtrusive, to the point that it goes virtually unnoticed by our customers.

New wastewater treatment plants

Perth's growth will be underpinned by new wastewater treatment plants on the coastal fringes of the metropolitan area.

New plants will be strategically located within the wastewater catchments they serve and are co-located with compatible landuses.

To the north, the [Alkimos Wastewater Treatment Plant](#) is rapidly taking shape and scheduled to be operational by late 2010. The Alkimos Water Alliance completed the 5.2 kilometre extension of the Quinns Main Sewer and site excavations during the year, and it is now working on a 3.7 kilometre ocean outlet. The plant will initially have a capacity of 20 megalitres and a future capacity of up to 160 million litres of wastewater a day.

We purchased a 31 hectare site in an industrial precinct approved for the East Rockingham Wastewater Treatment Plant south of Perth. Environmental approvals and community consultation began in 2008-09.

The plant will be commissioned in 2015 enabling the Point Peron Wastewater Treatment Plant to be decommissioned, and will improve the quality of effluent discharged to the ocean or made available for recycling.

The [Narngulu Wastewater Treatment Plant](#) near Geraldton began operating in late 2008, taking pressure off the town's existing wastewater system. The plant is Western Australia's first High Performance Aerated Lagoon system, and is a prototype for future plants in larger country towns.

Construction of a second wastewater treatment plant for Broome will begin in 2009 with work on associated infrastructure underway.

A new wastewater treatment plant was opened at [Hopetoun](#) in the Great Southern. The scheme was to support expected population growth from the planned expansion of a local nickel mine. Although the mine was subsequently closed, the new wastewater scheme is a valuable town asset.

Wastewater treatment plant upgrades continue

The W2W Alliance continued major upgrades of Woodman Point and Beenyup wastewater treatment plants.

A significant reduction in odours has been achieved by new odour control facilities at Woodman Point. At least 12 months of monitoring is now required to quantify the odour reductions but the target is for a 50 per cent reduction. An increase in the plant's treatment capacity to 160 megalitres of wastewater a day is also underway and scheduled for completion by late 2009.

At Beenyup, work to increase the plant's treatment capacity from 120 megalitres of wastewater to 135 megalitres a day is continuing and this is expected to be completed in 2009.

Studies are being conducted to increase the Subiaco plant's capacity to about 75 megalitres of wastewater a day to meet predicted future urban infill growth.

A \$15 million upgrade to double the capacity of the Bunbury Wastewater Treatment Plant was nearing completion at the end of 2008-09. The upgraded plant will cater for local growth through to 2020, reduce odour and improve efficiency.

In the Goldfields, work began on upgrades to the Esperance wastewater system. A \$5.7 million, 10-year program will initially see the building of a new pump station and almost 4 kilometres of new pipeline.

The Dongara Wastewater Treatment Plant is undergoing a \$7 million upgrade due for completion in late 2009. The possibility of irrigating the Dongara Golf Course with recycled water is being explored.



Ravensthorpe Shire president Brenda Tilbrook, Kathryn Jacobs, Minister for Water Dr Graham Jacobs and Water Corporation Great Southern Regional Business Manager David Hughes-Owen pictured at the official opening of the Hopetoun Wastewater Treatment Plant in May.





Alkimos Water Alliance

Challenge

The Alkimos Water Alliance is building a [major wastewater treatment plant](#) to cater for further major development in Perth's far northern suburbs.

A key element was the construction of 5 kilometres of sewer pipe, mainly through the new residential suburb of Butler.

The well established tunnelling method was used but even so there were a number of potential impacts for the local community.

Community safety was a particular issue as one of the work compounds and access points for the tunnelling equipment was located at Butler Primary School and another within a local park and playground.

Solution

A comprehensive community engagement plan was developed and implemented to manage potential issues such as safety, noise, vibration, visual impact, traffic management and location of the work compounds.

The project Stakeholder Manager and Communications Officer regularly met with local residents to discuss their concerns. They also provided a steady flow of project information to the public, and held an open day at the treatment plant site, attended by more than 200 people.

A number of issues were resolved through careful planning of flexible working hours at the sites, site rehabilitation, sensitivity towards property claims and the coordination of initiatives to benefit the community.

Result

A number of complaints were received which was not surprising given the size and complexity of the project.

All were resolved without any major delays to the project or detriment to local residents. We received letters of praise for effective community engagement from local residents and Butler Primary School, and no member of the public was injured during the works.

Looking Forward

Lessons in community management learnt will assist in the planning of similar projects. ■



Drainage

The aim of our drainage services is to manage flooding to optimise land usage, to ensure impacts on property are minimised, and to protect the natural environment.

We manage more than 450 kilometres of main drains in the Perth metropolitan area and within the networks linked through local government drains to approximately 325,000 homes and businesses.

In regional areas our rural drainage services benefit agricultural land covering 320,000 hectares in Mundijong, Waroona, Harvey, Roelands, Busselton and Albany.

As part of our drainage management program, we encourage water efficiency and support water sensitive urban design initiatives. We achieve this through working with other stakeholders such as the Department of Water, the Department of Planning and Infrastructure (now Department of Planning), local government and the Swan River Trust.

This year, we were the principal sponsor of the [6th International Water Sensitive Urban Design Conference](#) held in Perth in May. A key feature of the Conference was the principle of optimising the use of water resources, including examples of innovative designs in drainage water quality management and water conservation contributing to the preservation and re-establishment of ecosystems.

To contribute to a shared understanding of long-term water quality variations in natural streams and urban main drains, we continued a research and development program that includes examining cost-effective management practices that may be useful in managing drain water quality.



Gauging stations, maximum height recorders and rain gauges monitor continuous flow, peak flow and rainfall data retrospectively, to calibrate our engineering models and assess requirements for flood protection.

Awards and commendations

Behind the scenes we continuously improve the processes we use to monitor and manage our operations across the State. This year, we were awarded on several occasions for our efforts. Some of the notable awards are outlined in the table below.

Year	Award by	Awarded for	Outcome
2009	Australian Teleservices Association (ATA)	Teleprofessional of the Year – Clare Fielding	Winner (WA Chapter)
2009	Disability Services Commission	Count Us In Awards – Access and Inclusion Policy	Finalist
2009	Lonnie Awards (for 2008 Report)	Institute of Chartered Accountants of Australia for CFO of the Year – Ross Hughes	Winner
2009	Australasian Reporting Awards	2008 Report – General Report category	Silver Award
2008	National Safety Council of Australia	ExxonMobil Award for Excellence in OHS (Sunset Coast Alliance)	Winner
2008	National Safety Council of Australia	Boeing Award for Best Implementation of a Specific OHS Management System (Sunset Coast Alliance)	Winner
2008	Australian Water Association Water Communications Award	Water Forever	Winner
2008	Australian Teleservice Association (ATA)	Call Centre of the Year (under 50 employees category)	Winner



03 | our contributions
and impacts

03 | our contributions and impacts

Using water wisely

The demand for water has increased in recent years while the availability of our valuable natural resource has decreased. However this has resulted in both the Water Corporation and the community being made more aware of the importance of [saving water in our day-to-day lives](#).

We are committed to helping Western Australians to continue to reduce the amount of water they use.

Per capita use in 2008-09 down to 149 kilolitres from 185 in 2000-01

Metropolitan Perth usage accounts for about 75 per cent of all scheme water use across WA.

Since 2001, we have achieved a 20 per cent reduction in Perth's total per capita scheme water consumption – saving an average 61 gigalitres of water a year – which is more than the output of the Perth Seawater Desalination Plant.

As part of Water Forever, we have committed to achieving a further 15 per cent reduction in per capita consumption by 2030, which would see the 149 current kilolitres per person reduce to 125 kilolitres per year.





Waterwise Garden Centre, 'A Garden Affair', South Perth.

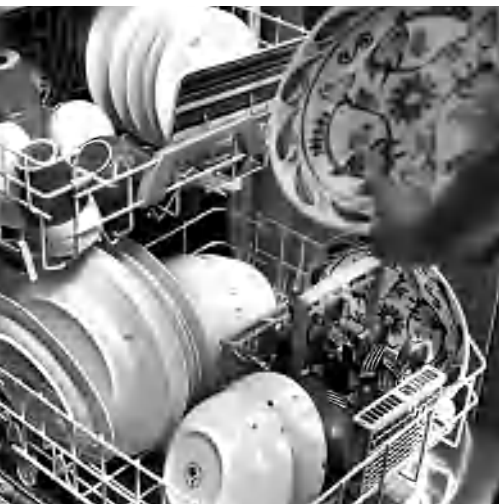
Waterwise Specialist Program

In partnership with business and industry, agreed targeted programs aim to achieve water savings inside and outside the home and bring us closer to achieving our Water Forever targets, by [providing specialist products and services](#).

Waterwise Specialist Program Number of participants statewide	
Garden Centres	25
Garden Irrigators	72
Garden Landscapers	35
Irrigation Design Shops	7
Lawnmowers	64
Plumbers	263
Land Developments	3
Display Villages	7
Garden Assessors	41
Water Auditors	7
Councils	2
Partners	4
Associates	11

As of June 2009.





Waterwise across the State

Regional water use accounts for approximately 25 per cent of Western Australia's scheme consumption.

Denmark/Walpole project

This year we partnered with Western Power in Denmark and Walpole to undertake the first joint-utility retrofit and appliance audit.

The program was completed with 900 water saving products, including 558 tap aerators and 342 flow controllers installed in 340 homes. Energy and water audits were undertaken in 328 homes and 50 businesses.

Findings are currently being investigated, including the water savings as a result of the installation of water efficient appliances.

WATERSMART Margaret River project

The [WATERSMART](#) Margaret River project, launched during the year, aims to reduce scheme water demand and wastewater flows by an average of 10 per cent per year from 2009-2014. The objective is to defer the expected completion dates of expensive new water and wastewater treatment plants.

In February, Minister for Water, Dr Graham Jacobs, announced that \$800,000 would be allocated to behaviour change and retrofit programs for Margaret River homes and businesses to improve water efficiency.

Non-drinking water

Alternative water supplies

A technical working group was established to develop our service, pricing and start-up policies for non-drinking water schemes. The opportunity is for alternative sources or recycling to supply water for domestic non-drinking garden and household purposes, reducing the total use of drinking water. The *Third Pipe* demonstration projects at the Brighton and Evermore Estates have been the catalyst for the development of policy and governance arrangements.

The projects seek to reduce water use in and around the home, and public open space. Water use will be monitored and compared with adjacent suburbs. Both projects use shallow ground water for garden and public open space watering. At Evermore, rainwater tanks have been installed for in house toilet flushing.

Assisting the development industry

We developed a [H2Options](#) range of tools to assist land developers and industry determine the most appropriate alternative non-drinking water source in their situation. The tools cover the location of sources and assess availability and processes to secure the alternative water source. Potential non-drinking water sources include drainage water, shallow groundwater, wastewater and rainwater tanks.

H2Options also contains information on legislation, planning approvals, health risks, an interactive water balance model and a costing decision model.

This resource was designed to encourage reduction of scheme water use, to better manage local water and to assist in achieving a water-sensitive community.

It encourages developers to introduce water efficiency as a mandatory component of their developments. We expect that when it is used at a regional scale by planners and developers, it will assist in delaying the development of new drinking water sources.



Water efficiency measures for business and government

One of the Water Efficiency Measures (WEMs) implemented in late 2007 was the introduction of mandatory participation by business customers using more than 20,000 kilolitres a year. 302 business customers were targeted, and the total scheme water use was 39 gigalitres per year.

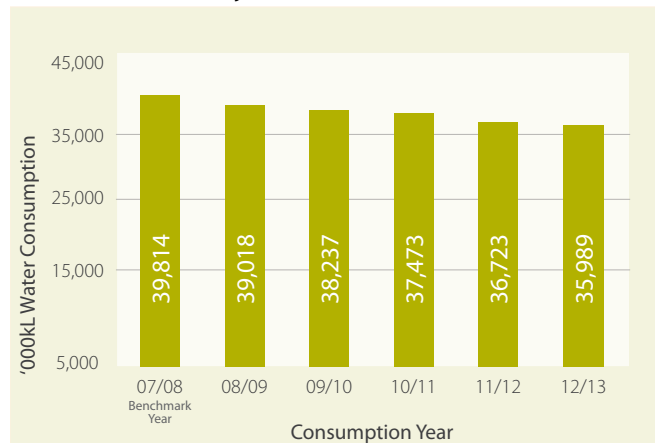
[A Water Efficiency Management Plan \(WEMP\) template](#) and guideline was made available on our website to help all businesses identify potential water management improvements.

Engagement with businesses to facilitate the WEM requirements began in January 2008. A total of 301 completed WEMPs were received by 30 June, 2009.

Business customers will be required to submit annual reports showing progress against targets and actions identified in their WEMP. All new customers that exceed the 20,000 kilolitre threshold will be required to comply with the WEM requirements.

The aim is for business to achieve a target of a 10 per cent reduction in water use by 2013 to build on the significant water management improvements that have already been made.

WEMP Customers Projected Water Use



State Government agencies were also required to prepare WEMPs and as at 30 June, all targeted agencies had submitted their plans.

The WEMs for businesses address community expectations, as identified through the Water Forever public consultation process. Consultation showed that the general community felt that industry and businesses should be targeted for further water savings.

Waterwise schools

Educating our young people

The [Waterwise Schools Program](#) is a 'whole of school' approach to water education. Among its aims are to educate students about water use and help instill water efficient behaviours in their daily lives.

More than 420 primary and secondary schools across Western Australia are recognised through the program and more than 70 additional schools are aiming for recognition. This represents the participation of more than 120,000 students in the program annually.

Our target is to expand the Waterwise Schools Program to the point where all primary schools in the State are accredited by 2015.

School water efficiency measures

One of our water efficiency measures is to conduct water assessments and recommend areas for improved efficiency in schools identified as high water users, as well as Waterwise schools.

During 2008, 215 schools were prioritised for assessments, which were conducted by accredited Waterwise Auditors.

As a result, it is estimated that total annual savings of 600 megalitres of scheme water can be achieved by 107 of the 215 schools assessed.

Target water consumption reduction by customers participating in the Water Efficiency Management Program.



Students from Woodvale Primary School – participants in the Waterwise Schools Program



WATERSMART:

Working with the community to reduce water consumption

Challenge

Perth's water sources are being severely impacted by climate change. As well as securing new water supplies such as desalination, innovative methods of managing household water demand needed to be explored.

Solution

Two pilot behavioural change programs were conducted in the Perth metropolitan area with the aim of reducing water use through dialogue with customers. We encourage them to set water reduction targets and provide them with information and services that will assist them to achieve those targets.

Following the success of the two pilots, it was decided to conduct a full-scale trial involving 2,575 households in the suburb of Duncraig. Another 300 households in the adjoining suburb of Kingsley were randomly selected as a control group.

Households participating in the trial were provided with regular individualised water consumption information, and set targets for reduced water use.

Discount vouchers were also provided for water-efficient products purchased at Waterwise Specialist outlets.

Results

The two pilot programs were successful, with the second achieving a reduction in household water consumption of 12 per cent.

The reduction was maintained at 10 per cent one year after the completion of the program and customer feedback from the process was positive.

Of the households contacted to participate in the third large-scale trial in Duncraig, 89 per cent were interested and received a WATERSMART information package. Ultimately, 68 per cent of households contacted agreed to take part.

The program was conducted over eight months and at its conclusion 63 per cent of the participating households were still actively involved.

On average, each household in the target group reduced its water consumption by 21 per cent.

Looking Forward

The encouraging results achieved through the [WATERSMART](#) program resulted in the decision to undertake a similar program in Margaret River. Expansion of the program to a wider area of the Perth metropolitan area is now under consideration. ■





Environment

Environmental management system

To manage the 2,500 environmental compliance obligations and 40 pieces of environmental legislation we are required to abide by, we developed an organisation-wide [environmental management system](#).

We elected to have this system certified against the international standard [ISO 14001](#).

In February 2009, we were granted certification for our business units with the greatest environmental risks – the Water Technologies and Customer Services Divisions and Environment Branch. We are now working towards ISO 14001 certification for the rest of the Corporation.

Reducing our greenhouse gas emissions

We have recognised the link between greenhouse gas emissions and climate change, and have taken steps to manage our own emissions carefully.

We are developing a strategy that involves developing and/or purchasing renewable energy, improving the efficiency of our pumping operations and reducing emissions from wastewater treatment.

We have also introduced shadow pricing of greenhouse gas emissions in our project planning stages, so that the long-term greenhouse gas implications of each project are thoroughly considered.

As part of the overall strategy, we have treelots that take carbon dioxide out of the air to offset emissions produced elsewhere in the business.

Environmental compliance

This year, special audits of 13 licensed wastewater treatment plants in the North West found 92 per cent compliance, with all but one plant achieving full compliance.

Compliance with 15 Ministerial Condition sets was audited and 29 areas of concern were identified. These issues are being managed through our Corporate Improvement System.

Environmental training

We reviewed our environmental training across the organisation, leading to the development of three topic-specific online environmental training courses.

The first module has been successfully completed by more than 80 per cent of staff. The two additional courses will be rolled out during 2009.



Water quality

Clean, safe drinking water for all

We manage 245 water supply schemes across Western Australia to ensure the water is always safe to drink. We follow strict requirements set by the Department of Health based on the [Australian Drinking Water Guidelines](#) developed by National Health and Medical Research Council.

We work closely with the Department of Water to help protect all of our drinking water sources and are proactive in surveillance, monitoring and management of important groundwater and surface water catchment areas.

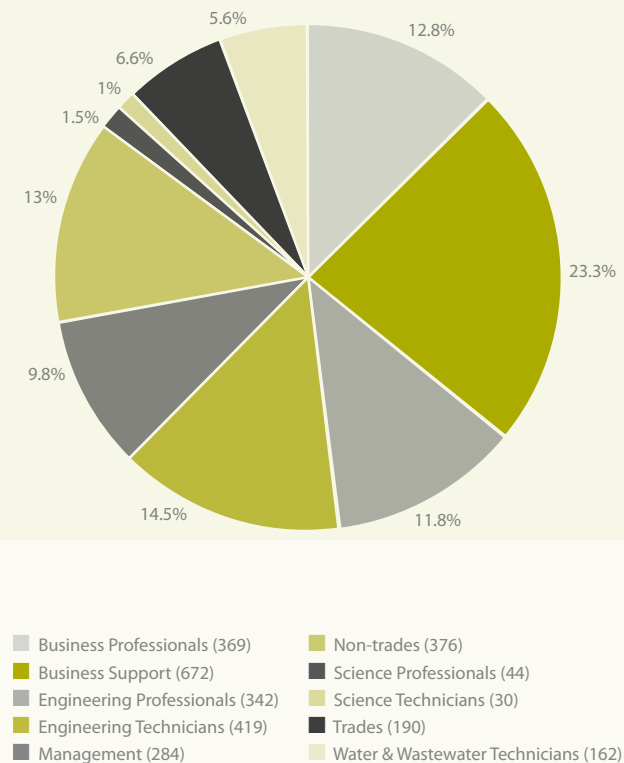
Our microbiological performance this year resulted in 100 per cent of metropolitan and country localities meeting the extremely high standard set by the Department of Health. For chemical health, including analysis for pesticide and metals, a similar high level of performance was achieved.

Contaminated runoff from urban, agricultural and industrial areas has the potential to compromise the quality of water sources. The use of multiple barriers against contamination helps ensure the safety of our drinking water.

Barriers against contamination include catchment protection (minimising the need for extensive treatment), and water treatment and disinfection before distribution to customers.

The Australian Drinking Water Guidelines recognise that prevention of contamination provides greater reliability than removal of contaminants by treatment. The most effective barrier is the protection of the source water.

Employees by Job Family



Employees

We are dedicated to creating a great place to work that sustains and improves our culture and workforce capability for the future.

More than 2,800 employees across Western Australia

Our employees cover a wide range of occupations. Additionally we utilise the skills of more than 400 employees in our Perth Operations and Maintenance Alliances.

Building our workforce for the future

Our success is built largely on the skills, energy and commitment of our people. Our *People Management Plan* provides a strategic approach to people management and highlights four key areas of focus:

Leadership development

Building strong leadership and people management capabilities among our staff remains a priority.

During the past year we ran three Management Essentials and five Frontline Management programs.

Employee engagement

We take pride in building a highly motivated, engaged and satisfied workforce.

Over the past 12 months we reviewed our performance management system placing a stronger emphasis on employee engagement, our values and behaviours.

Employee attraction

The attraction and retention of high quality staff is essential. To facilitate this we have established a recruitment centre of excellence, complemented by a new online recruitment system.

Our *2008-2011 Enterprise Agreement* includes a performance-based pay structure and increased flexibility of working arrangements and conditions.

During the past year we also continued to review and build on the broad range of benefits we offer our employees.

Employee development

We are committed to the ongoing development of our people through providing a workplace that builds careers and encourages the achievement of job satisfaction.

This year, we established an online learning directory and calendar to help ensure our employees are informed of all relevant courses and development opportunities. We also invested in our future capability by adding further to our existing career-entry programs.

Creating a balance

We endeavour to provide a workplace that helps our people achieve balance between work and family life.

In addition to the range of working arrangements, conditions and benefits that we make available to help achieve this balance, we also encourage our people to participate in volunteer programs, community engagement activities, and the Outward Bound Family Program.

This program aims to strengthen relationships between parents and their children through camping and activities. We cover the costs associated with the program and offer employees five days leave to participate.

Representation (per cent)	Community Representation	2006 Actual	2007 Actual	2008 Actual	2009 Target***	2009 Actual
Women in executive management*	n/a	28.6	28.6	28.6	28.6	22.2
Women in senior management**	n/a	6.8	9.3	10.0	17.0	12.8
People from culturally diverse backgrounds****	14.8	9.3	12.6	10.2	17.5	11.5
Indigenous Australians	3.0	1.2	1.3	1.5	2.4	1.4
People with Disabilities	3.5	1.6	1.6	1.6	3.4	1.5
Youth (15-24)*****	14.1	4.3	5.2	6.1	5.5	6.5

* Executive management refers to all employees at Reporting Level 1 & 2. In 2009, this figure has been adjusted to include CEO and COO.

** Senior management refers to all employees at Reporting Level 3, Branch, and Regional Business Managers.

*** The 2009 Targets were obtained from the Equity and Diversity table in the 2007-08 Annual Report.

**** Figure was calculated based on percentage of people with both parents born in non-English-speaking countries.

***** Youth previously included employees 17-24 years of age. This figure has been adjusted to include younger employees and align with the ABS groupings of 15-19 and 20-24.

Note 1: Community representation groups obtained from the ABS 2006 Census data figures for Western Australia.

Note 2: Employees who were acting were counted in their acting position only.

Outward Bound Family Program





Our development programs cater for students from varied fields

Investing in our future workforce

Challenge

We are experiencing high levels of turnover in critical occupation groups with one of the causal factors being an ageing workforce, however, we are also committed to investing in the future capability of our workforce.

Solution

The objective is to strike a balance between the retention of current employees and attraction of the younger generation. As well as offering benefits to our staff, such as flexible working hours, purchased leave and financial assistance for related study, we encourage experienced staff to play a key role in the development of new employees by transferring knowledge from one generation to the next. To address employment trends, such as an ageing workforce, we offer a suite of development programs.

Structured career-entry programs have been introduced to develop a pool of potential successors to meet our current and future needs. These programs offer people, ranging from school leavers to university graduates, hands-on training and a range of personal and professional development opportunities. The programs we currently offer include:

- Graduate Development Program
- Undergraduate Vacation Employment Program
- Engineering Associate Trainee Program
- Apprenticeships
- Water Industry Traineeships
- National Indigenous Cadetship Program
- Work experience placements for high school students

Results

Our career-entry programs deliver significant benefits for both our business and the participants. Their success can be attributed to our commitment to the programs across the organisation and the content that is offered within them.

Program participants have the opportunity to work on a range of challenging projects, including a current graduate working on the Southern Seawater Desalination Project, another involved in modelling the cost of a new wastewater treatment plant, and a third associated with a Geraldton-based project encompassing the extraction, analysis and presentation of scheme capacity data.

Looking Forward

We will continue to gather feedback from managers and the program participants themselves to assist in the ongoing design and continuous improvement of all programs under this banner. This an integral part of building a sustainable workforce for the future. ■

Occupational safety and health

A new era of safety

Safety is the Water Corporation's most important priority. In July 2008 a new era of safety at work was launched. Zero Harm, through which individuals take greater responsibility for the safety of themselves and their colleagues, aims to ultimately bring about the elimination of injuries.

Safety underpins every decision and action taken at work. Zero Harm calls for the full commitment of every employee as well as contractors, alliance partners and their employees. Setting the standard in this year was our Sunset Coast Water Alliance that was recognised as Australia's safest workplace when it won the prestigious national 2008 ExxonMobil Award of Excellence in Occupational Health and Safety for a highly successful risk management system.

Significant Injury Frequency Rate under target

Our Significant Injury Frequency Rate for 2008-09 was 7.93*, below the target of 8. We implemented a suite of positive performance indicators to better track our safety performance and saw some significant improvements in OSH inductions, workplace inspections and hazard close-outs. The number of hazards and incidents reported in our SiteSafe corporate reporting system for 2008-09 is 3,868, compared to 2,185 in 2007-08.

Australind Fatality

On 11 May 2009 an employee was fatally injured in a fall from an elevated work platform at the Australind Water Treatment Plant. The platform was six metres from the ground. The circumstances of the fatality are being investigated by WorkSafe.

Chief Executive Officer, Sue Murphy, addressed employees immediately following the tragedy refocusing people across the organisation on safety and reinforcing the importance of identifying hazards. The key message was safety is our priority and under no circumstance is work to be undertaken if it is unsafe. A Safety Action Day was held on Friday 15 May 2009 during which all work sites were inspected.

Occupational Safety and Health Accreditation

We hold a WorkSafe Plan Gold certificate of achievement for completion of whole of corporation accreditation. The gold accreditation extends until September 2009. The results of our preliminary assessment were: management commitment 84 per cent, planning 83 per cent, consultation 90 per cent, hazard management 76 per cent and training 85 per cent.

Formal mechanism for consultation with employees on OSH matters

Each division has one or more OSH Committees (set up in compliance with the *OSH Act 1984*), comprising elected Safety and Health representatives and management representatives.

These committees provide opportunity for formal consultation on OSH matters and are the conduit for OSH input to Divisional Management meetings and into the Executive OSH Committee.

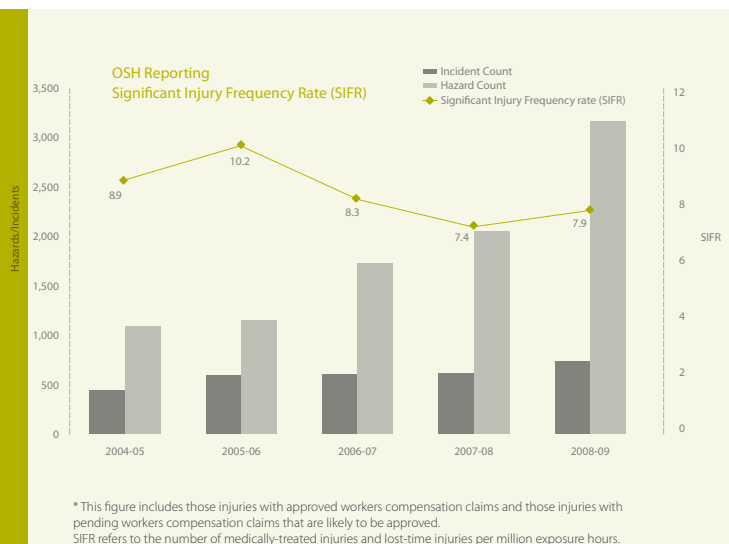
Improving the health of our people

This year's health program focused on providing individuals with tools to improve their personal health and fitness and to foster an environment where employees are encouraged and motivated to achieve good health at work and at home.

The 10,000 Steps Walk Challenge involved more than 750 employees receiving pedometers and embarking on a 2,417 kilometre virtual walk from Perth to Broome. This aimed to increase physical activity levels and awareness of the health benefits it brings.

We continued our focus on preventative health, including cancer awareness. We delivered bowel cancer education sessions to employees and offered screening kits to increase awareness of the importance of early detection.

Flu vaccinations were provided for interested employees.



OSH Performance 2008-09	Target	Actual
Number of fatalities	0	1
Lost time injury/disease (LTI/D) incidence rate	0 or 10 per cent on previous year	0.98
Lost time injury severity rate	0 or 10 per cent on previous year	7.41
Significant injury frequency rate (SIFR)	8	7.93
Percentage of injured workers returned to work within 28 weeks	No target specified	96.55 per cent
Percentage of managers trained in occupational safety, health and injury management	Greater than or equal to 50 per cent	93 per cent

Lost time injury/disease (LTI/D) incidence rate

The number of lost time injuries/diseases where one day/shift or more was lost, in this financial year per 100 employees.

Lost time injury/disease severity rate

The number of severe injuries (actual or estimated 60 days/shifts or more lost from work), in this financial year per 100 employees. The LTI/D severity rate is a measure of incident/accident prevention and the effectiveness of injury management.

Significant injury frequency rate (SIFR)

The number of medically treated injuries and lost-time injuries per million exposure hours.

Percentage of injured workers returned to work within 28 weeks

The number of injured workers with a LTI/D claim, where time lost commenced during the 12 month specified period; and The number of the injured workers reported in (i) who returned to work to full hours and full duties (of a real job) on or before 28 weeks.

Percentage of managers trained in OSH and injury management

Percentage of managers (anyone who supervises staff), who have received training in their responsibilities for occupational safety and health and injury management in the past three years.

Our focus is on maintaining employees at work, or facilitating their earliest possible safe return to work in accordance with the requirements of the *Workers Compensation and Injury Management Act 1981*.

Continuous improvement of work processes

Through 2008-09 we worked on addressing our key areas of risk and building greater compliance with OSH systems to help achieve our vision of Zero Harm.

A new Fatigue Management Standard was endorsed. Rosters have been altered to comply with the new standard for working hours and call-outs, and incidents are being managed within the parameters set in the Standard. Robust systems have been developed to better monitor employees' working hours to further improve our management of business demands.

Training in identifying asbestos risk and maintaining records was undertaken in regional areas, with trained representatives updating the asbestos register and labelling all assets containing asbestos, in line with the requirements of the *Code of Practice (Management and Control of Asbestos in the Workplace)*. This allows us to comply with a WorkSafe Improvement Notice issued in September 2008.

Prevention of Falls (POF) in the workplace has been a significant focus. Training in general [POF awareness](#), design awareness when planning for design and retrofit of assets, and fall injury prevention systems for those working at heights has been implemented. We are in the process of supplying all infrastructure is designed to meet our POF Standard. We have also established a Rescue Planning Program aimed at equipping our staff with the skills to create rescue plans for areas or facilities that are difficult to access in an emergency. Training is being undertaken in high-risk business areas.

We have progressed in our prevention of electrical risk. Our operators and contractors are frequently in contact with electrical hazards, resulting in significant efforts being made to reduce electrical risk across the business.

Progress has been made in the usage of cable avoidance tools, bridging cables, access to more timely information on the location of underground power and gas services, better electrical personal protective equipment and switchboard safety.

Our internal compliance checking program is being implemented targeting key safety procedures and standards.

We support all areas of our organisation in working towards comprehensive compliance with OSH procedures and standards. Coaching and assistance will continue to be provided to supervisors and managers to encourage and enable them to assess safety compliance within their own business areas.



Prevention of Falls training.



Customer service

We aim to provide excellent customer service by responding promptly to enquiries and complaints and providing timely advice of necessary works that may disrupt services to segments of the community.

Our Performance

This year, our Call Centre and Operations Centre received 721,000 calls from customers, and a further 19,659 customers contacted us in writing or in person.

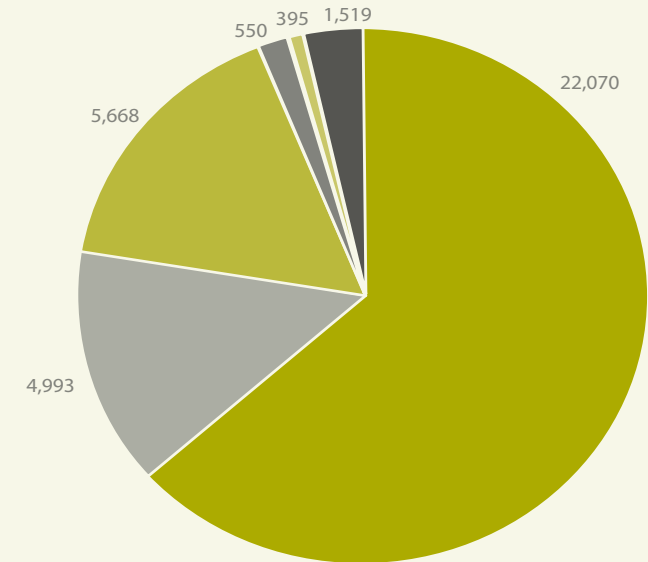
Approximately 35,195 of the contacts made by customers were complaints. Our formal complaints handling process is managed through a dedicated Correspondence and Complaints Coordinator with responsibility for monitoring response times and ensuring the highest level of compliance with our [Customer Charter](#).

We aim to resolve all complaints within 21 calendar days. This year we achieved this in 99.5 per cent of cases. We also responded to 94.8 per cent of correspondence within ten business days.

Our Customer Service Record

Action/Commitment	2008-09	2007-08
Calls received by Operations Centre	176,000	169,000
Calls received by Call Centre	545,000	570,000
Complaints received	35,195	33,749
Complaints resolved within 21 calendar days (per cent)	99.5	99.7
Complaints resolved within 2 business days (per cent)	94.6	94.6
Written correspondence answered within 10 business days (per cent)	94.8	96.3

Customer Complaints by Category



- Operations Water
- Operations Sewerage
- Water Quality
- Billing Response
- Water Conservation
- Other (consists of a further 17 categories)

Customer Advisory Council

The [Customer Advisory Council](#) is a key link between the Corporation and our customers. It consists of 10 community representatives from across WA, as well as four industry representatives. The council continues to help us better understand community attitudes towards our planning, development and delivery of products and services.

This year, the Council provided advice on groundwater replenishment, customer expectations for telephone responsiveness, proposed billing reforms, management of customers in financial hardship, and our Waterwise Schools Program.

Making services and information more accessible

Our [Disability Access and Inclusion Plan \(DAIP\)](#) ensures that facilities, events and information are easily accessible to all customers.

This year we completed DAIP training of all employees and contractors. Through this process we identified 75 opportunities for improvement, which have since been introduced.

Our achievements were recognised through our selection as a finalist in the 2008 Count Us In Awards, conducted by the Disability Services Commission and peak advocacy group, People With Disabilities WA (Inc).

Australian Teleservices Association (ATA) Award

In 2008, our Call Centre was recognised as the best contact centre (less than 50 seats) in Western Australia.

The ATA awards are judged against a number of criteria, including customer satisfaction, training and development, culture and working environment.

Our 2008 award reflects the sustained excellence of our Call Centre, which has previously won ATA awards at both State and national levels.

Online survey group

In line with our strong commitment to better understanding our customers' views, we have recruited customers to establish an online survey group. We invite them to respond via email to one question each month about our business.

Questions asked of this group to date include; their preference for billing (how many bills would they prefer to receive each year), their ability to determine the source of problems with the water supply at their property (pressure and flow), and how they would distinguish between an enquiry and a complaint.

Telephone excellence

We engaged a consultant during this year to help us better understand our customers' expectations for telephone responsiveness. Through a combination of in-depth interviews and a generic telephone survey, the research confirmed that our customers have a strong, positive impression of our Call Centre services, that our call wait times are less than customers expected, and service attributes such as staff knowledge and understanding were rated higher than many other organisations.



Community and stakeholders

Southern Seawater Desalination Project (SSDP)

Following the 2007 announcement that a [new desalination plant](#) would be built near the town of Binningup, we have worked to genuinely engage the communities near the proposed plant site to share information about the project.

Community engagement focused predominantly on the State and Federal environmental approvals which are required for the project. Throughout an extensive approvals process, we held numerous community forums and open days to help the local and wider communities understand both the approvals process and the complex reports that form part of it.

In August 2008, we completed the third of a series of telephone surveys examining community attitudes toward the SSDP. Together with the community consultation these surveys have assisted us to better understand major community concerns such as beach closures, noise, visual impacts and marine and land environmental issues.

As a consequence, when the preferred alliance to design, build and operate the plant was announced in November 2008, we were able to demonstrate how these major community concerns had been recognised and addressed in the project design.

As the project moves into the construction phase, the focus of our community consultation will shift towards the mitigation, minimisation and monitoring of any potential social impacts. A Community Reference Group was formed in August 2008. Together with this group and social impact consultants, we have developed a Social Impact Management Plan that will allow us to monitor social impacts throughout the plant's construction and operation.

We will maintain our high level of engagement with local communities through the 25 year lifetime of the Southern Seawater Desalination Plant to ensure the best outcomes for Western Australia's water needs, Binningup and its residents and neighbours.

Naturescape for Western Australian kids

[Naturescape](#) at Kings Park was launched in April 2009. Currently in the design phase, this new facility will enable children to get out and experience nature. They will be able to play among trees, examine seeds and leaves and explore their surroundings in a safe environment.

Along with Rio Tinto, we are a funding partner of this facility, which proactively encourages an appreciation of the natural environment and all its elements from a young age. There are also plans to incorporate a Water Corporation Wetland within Naturescape to enable children to visit a wetland environment and learn about the conservation of precious resources and the importance they play in Western Australia's ecology and biodiversity.



Indigenous engagement

We are committed to Indigenous issues across our State in a variety of areas ranging from native title and Indigenous heritage management to employment opportunities and enhanced community relations. These issues are addressed in our Indigenous Engagement Strategy.

Clontarf Foundation

We are working in partnership with the Clontarf Foundation to establish an employment process for potential applicants from Clontarf Academies throughout the State targeting Year 12 graduates from 2009.

The Clontarf Foundation helps to improve the discipline, life skills and self esteem of young Indigenous men to enable them to participate more meaningfully in society.

Working closely with Clontarf provides us with the opportunity to encourage and develop graduates for placement opportunities and assists Indigenous people to compete effectively for employment within the Water Corporation.

Reconciliation Action Plan

Our [Reconciliation Action Plan 2008-09](#) was endorsed by Reconciliation Australia and its progress is reported to Executive on a quarterly basis. The plan outlines our ambition to close the unacceptable 17-year life expectancy gap between Indigenous and non-Indigenous Australians. We recognise the special place and culture of Aboriginal and Torres Strait Islander people as the First Australians, value their participation and endeavour to provide equal life chances for all.

Cultural Awareness Training

We have initiated the delivery of cultural awareness programs to employees, contractors and partnerships. The programs focus on communication across cultures and working in partnership with Aboriginal people. Participants are provided with an in-depth look at Aboriginal culture and protocols as well as historical and contemporary issues.





Damaged tressels and piping after Pilbara flooding

Joint response to Pilbara flooding maintained water supplies

Challenge

In February 2009 there was extensive flooding of the West Pilbara in the wake of a cyclone. A substantial, coordinated incident response was needed by the Water Corporation, several contractors and the local community to maintain water supply to local towns.

A pipeline supplying the West Pilbara region required urgent repairs after it was damaged by heavy rainfall – more than 200 millimetres in a 12-hour period.

The damaged pipeline delivered water from the Millstream groundwater source to the West Pilbara Water Supply Scheme. Millstream had been supplying the Scheme since November 2008 when Harding Dam was switched off ironically because of low water levels.

When the switch to Millstream occurred, a maintenance program on the Harding Dam microfiltration plant began. However, February's flooding and damage to the pipeline meant that the dam needed to be quickly brought back online to maintain continuity of water supply.



Solution

The microfiltration plant was recommissioned within two days.

All repair work was managed in-house by North West-based project managers with our Construction Branch and Northam Workshop crews as principal contractors. Key external support contractors included Leighton, Carr Civil, Goldplay, Brandrill, 2K Plastics and Geopractica. Assistance was also received from Woodside, Rio Tinto, Bristow Helicopters and Helicopters Australia.

As part of our contingency plans, and in case of any further damage to water sources during the cyclone season, several mobile water tanks, mobile microfiltration units, reverse osmosis units and more than 40 pallets of bottled water were transported to Karratha.

Results

A collaborative effort by Water Corporation, Government agencies and community representatives urging local residents to assist us by reducing their water consumption during the flooding period resulted in a 50 per cent reduction in demand.

Looking Forward

We are planning to sink the Millstream pipeline below the riverbed at Horseshoe Gorge once all relevant approvals are in place to avoid the pipeline sustaining similar damage again. ■

Western Australia's economy

We make a significant contribution to the Western Australian economy, stimulating and supporting the State's continued growth.

Continued positive financial results

Despite the slowdown in land development and building activity, we achieved a better than expected after-tax profit of \$512.4 million in 2008-09, but 2.7 per cent lower than the previous year.

Total revenue grew by 4.6 per cent to \$1,784 million, due mainly to increased general growth and price increases, and Community Service Obligations (CSO) contributions, but partly offset by lower developers' contributions. CSOs are contributions from the State Government that subsidise water services provided by the Corporation for community benefits that do not raise sufficient revenue to fund the costs.

The average total price increase approved for the year totalled 6.4 per cent. This included a general (inflation linked) price increase of 3.4 per cent, as well as 2.9 per cent additional specific price increases for our water, wastewater and drainage business to provide for our significant ongoing capital investment.

Operating expenditure also increased, by 9.6 per cent to \$900 million, reflecting growth in the number of properties serviced, external cost pressures including costs associated with the operation and maintenance of our increasing capital infrastructure, and the Perth Seawater Desalination Plant.



Returns to the State

The Board approved dividend payments totalling \$371 million to the State Government.

Our dividend policy is to pay 85 per cent of after-tax profits (excluding developers' take-over asset contributions) to the State Government. This policy returns value to our shareholder while ensuring there is sufficient cash to meet our business needs. Our dividend forms part of the State's Consolidated Revenue and is used to meet broader State commitments.

We are also required by the Australian Taxation Office to lodge an income tax return and pay tax equivalents to the State, in addition to any dividends.

We received a CSO payment from the Government of \$444 million for the provision of non-profitable services, mostly in rural and remote areas of WA. The CSO contributions received from Government partially offset the dividends and tax payments we provide.

The separation of tax and dividends payments and CSO receipts provides transparency of payments to and from Government.

Investing in infrastructure

The major infrastructure investments we make directly benefit the community and a wide range of local private industry partners who assist us in their construction, maintenance and operations. In so doing, we employ, both directly and indirectly, a significant number of Western Australians. We were able to deliver a record \$1.0 billion capital investment program for 2008-09, including investment of \$389 million in our water business and \$480 million in our wastewater business.

Debt and borrowings

The record capital investment program over recent years has resulted in a significant increase in our level of debt. As a consequence net debt increased by \$699 million to \$2.9 billion.

The additional borrowings resulted in an increase in the Corporation's debt to total assets ratio to 23 per cent, from 18.9 per cent in 2008. As a result, interest cover weakened from 5.2 times to 4.5 times. However this remains at a level where the Corporation is able to comfortably service its debt.

Supporting the State's growth

We have more than 800 employees living and working in regional Western Australia, providing water services to our regional customers. In 2008-09 our regional asset value was \$4 billion. During the year we spent more than \$170 million delivering services and invested \$319 million in new assets for regional Western Australia.

Land development and building activity has slowed during the year in Western Australia, with 14,980 lots cleared generating total developer contributions revenue of \$184 million (33 per cent lower than 2007-08 results of 22,220, and \$234 million in contributions).

Key partner delivery projects

Project Bundle	Partners	Timeframe
Risk Overflows and Sewer Relining	Parsons Brinkerhoff	2006-2009
Alkimos Wastewater Scheme	Multiplex, McMahon, Zublin	2007-2010
Large Steel Tanks	GHD	2005-2009
SCADA Integration Services	ABB Australia	2006-2009
SCADA Systems Integrator Services	Serck Controls	2003-2009
South Metropolitan Wastewater Treatment Plants	Sunset Coast Alliance (John Holland, Worley Parsons, KBR)	2006-2009
Pipelines and Pump Stations	PPS Partnership (Transfield Services, SKM)	2006-2011
Metropolitan Wastewater Treatment Plants	W2W Alliance (Black & Veatch, Thies, SKM)	2006-2011
Metropolitan Groundwater Treatment Plants – Automation and Centralisation	A+Ction Alliance (Leicon Notley, GHD, Serck Controls)	2005-2013
Bunbury Wastewater Treatment Plant Amplification	Bunbury WWTP Amplification Alliance (Tenix)	2005-2009
Southern Seawater Desalination Plant	Southern SeaWater Alliance (Tecnicas Reunidas, Valoriza Agua, AJ Lucas, Worley Parsons)	2009-2011



04 | corporate
information

board of directors

Mr Patrick O'Connor Age 46

Chairman, BCom, FAICD, SEP Stanford

Mr O'Connor is a professional Company Director and has been a director of the Water Corporation since 2003.

Director of St George Capital Pty Ltd. Non-Executive Deputy Chairman of Perilya Limited and Non-Executive Director of SAS Telecom Pty Ltd.

Appointed January 2003, term expires 31 December 2011.

Human Resources and Remuneration Committee member

Dr Brian Hewitt Age 65

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

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

Chairman of the Advisory Board of the Georgiou Group Pty Limited. Director of Engineering Education Australia Pty Limited. Director and Councillor of the Chamber of Commerce and Industry, Western Australia. Adjunct professor at the University of Western Australia.

Appointed January 2004, term expires 31 December 2009.

Audit and Compliance Committee member

Mrs Sue Murphy Age 51

Chief Executive Officer, BEng (Hons), CP Eng, FIE Aust, GAICD

Mrs Murphy was appointed Chief Executive Officer of the Water Corporation in November 2008.

Deputy Chairman, Rottneest Island Authority. Board member, Water Services Association of Australia; Member of the General Council Chamber of Commerce and Industry.

Mrs Karen Field Age 61

BEc

Mrs Field has spent over three decades in the mining industry and has a strong background in human resources and project management.

Non-executive director of Sipa Resources Limited, and the Cooperative Research Centre for Sustainable Resource Processing. Voluntary directorship, Amana Living (formerly Anglican Homes Inc).

Appointed January 2006, term expires 31 December 2010.

Chair: Human Resources and Remuneration Committee

Mr Andrew Bantock Age 43

B.Com ACA

Mr Bantock is a Chartered Accountant with extensive professional, corporate and commercial experience in the resources, resource contracting and infrastructure sectors.

Manager Corporate Strike Oil Limited.

Appointed June 2006, term expires 31 December 2010.

Chair: Audit and Compliance Committee

Ms Zelinda Bafle Age 53

LLB, FAICD, FCIS, SF Fin

Ms Bafle has practised as a lawyer for over 30 years, and has over 20 years commercial experience and governance expertise in the banking and finance industry.

Chairman of the John Curtin Gallery, Friends of the Perth International Arts Festival and the John Curtin Kalgoorlie Campus. Director of the Forest Products Commission, Corporations and Markets Advisory Committee, Curtin University, Community First International Ltd and Podiatrists Registration Board.

Appointed July 2007, term expires 31 December 2010.

Audit and Compliance Committee member

Professor Robert Harvey Age 60

BE (Hons), MBA

Professor Harvey is Executive Dean, Faculty of Business and Law and Pro-Vice-Chancellor (Engagement) at Edith Cowan University.

Appointed July 2007, term expires 31 December 2011.

Human Resources and Remuneration Committee member



**Dr Brian Hewitt
Deputy Chair**

"Having a life-long interest in water, I have gained the view that the sustainability of water is vital to so many of the other industries I am involved in as well."

Andrew Bantock

"Being on the Board provides a window to the long-term horizon for infrastructure planning and development across our state. With three young kids I enjoy the focus on the future Western Australia they'll be living in."

Professor Robert Harvey

"I've always had an interest in water and in the water industry. After having left the Water Authority in 1991, joining the Water Corporation Board for me was a lot like coming home to my first love."

Karen Field

"As a Western Australian, I am concerned about long term sustainability issues and water takes central stage in such deliberations. As a board member I have been impressed with the Water Corporation's preparation for a drying climate and also their recognition that continued development of long-term, cost-effective strategies are fundamental if we are to maintain the State's water security into the future."

Zelinda Bafle

"The Water Corporation's ability to consider the unknown, and evolve as opportunities present themselves, gives me a sense that it understands resilience and will be able to absorb change with confidence and flourish in turbulent environments."

**Patrick O'Connor
Chairman**

"Water has a great history and is very important to the state of Western Australia."

**Sue Murphy
CEO**

"I believe that if we continue to work together in partnership, we can build more climate-resilient communities to enable present and future generations to meet the challenge of securing our water future."

organisational structure





“What is your role at the Corporation?”

“Can you give us an example or anecdote of ‘resilience’ in your life or work?”



Peter Moore Age: 59

Assoc Civil Eng, GradDip Mgmt, CP Eng, FIE Aust, GAICD, MAWA
Chief Operating Officer

What makes water an interesting business is the fact that unlike other enormously complex subjects, it is one that the common person has a great interest in and likes to have a say and be involved in. I think that probably relates to it being the greatest fundamental in life.

When I started becoming involved in the water industry I was still a student at school. My summer job was testing the performance of Perth's trunk management system, which meant working the night shift. I am now the Chief Operating Officer, responsible for running the operation of the entire business.

After 38 years, the Water Corporation is an enormous part of my life that has produced many rewarding experiences. As COO, I am able to overview all facets of the business. This gives me the opportunity to use my experience to assist the organisation in achieving its vision of providing excellent service to its customers, which I must say, is very satisfying.



Catherine Ferrari Age: 50

BBus, PGradDipBus, MLM, FCPA, GAICD
General Manager, Communications

Resilience for me is about being able to deal with a whole range of things, both in personal and work life and still be able to balance it and come out the other side a better person.

I've been fortunate to have had a number of really interesting and different roles in my career. Having come to the Water Corporation with no background in the industry, the challenge of my role has been finding out information and what's important to the industry. I see coming in without any preconceived ideas about that as an advantage.

One of the attractions of my role is that Communications can't be Communications in isolation. I've learnt that the people who work at the Water Corporation are very passionate about what they do and really believe in what they do, and they're doing it for the benefit of the community at large.



Paul Ferguson Age: 60

Assoc Civil Eng
General Manager, Planning & Infrastructure

An interest in being able to build things and see a finished product led me to study engineering after high school, but it was probably more just that there was a job available at the time that led me to the water industry. 38 years later, I've got responsibility for the Corporation's capital program.

I've been at the Water Corporation all my working life, and my earlier years were spent moving around the state with my family. I've had a variety of roles over that time, and had a leading role in the state's water industry restructure in the 1990s.

The opportunity to make decisions and the capability to make those decisions turn into action is what keeps me interested these days. I'm now responsible for the provision of new assets across the state, approximately \$1 billion a year in planning, design and acquisition of new assets for the Corporation. It's a long way from my initial role as an engineering associate.



David Luketina Age: 47

BE(Hons), GradDip H.Ed, MBA, PhD, MAWA
General Manager, Business Services

Water has fascinated me from an early age. When it came time to get a degree, I knew I wanted to study something that would combine my passions of water and the environment. After opting for Civil Engineering over Marine Biology I landed a job at the Water Corporation as an Environmental Officer. I learned quickly that for something so simple, water is very complicated and everyone has an opinion.

I left for foreign shores in 1989 where I continued my work in the water industry, most recently based in Bangkok as the head of a team working on water resources in developing countries around the world. I came back to Perth and the Water Corporation in 2003. My job is to look after our support services, which span safety to I.T. and lots of things in between. When I'm not at work, I enjoy water sports and competitive sailing, both as a coach and competitor.

“How did you come to work in the water industry?”

“What was your first job at the Corporation?”



Graham Cargeeg Age: 58

Assoc Applied Geology, Assoc Civil Eng, MBA, CP Eng, MIE Aust, MAWA

General Manager, Asset Management

I guess it's easy to start off with a naive view that the world's pretty simple – rain falls out of the sky, runs down a hill – but it's only when you get involved in the subtleties and the nuances of the subject that you really begin to appreciate how much you don't know and how much there is to learn.

In the time I've been here, I've had a number of quite distinctly different roles, and each one comes with its own challenges and opportunities. I now enjoy the challenge of making sure that the Water Corporation's got the physical infrastructure assets it needs to deliver the required level of service to our customers.



Keith Cadee Age: 55

BE (Hons), ME, CP Eng, MIE Aust, GAICD, MAWA

General Manager, Water Technologies

I first joined the water industry in 1974, at a time when Perth was beginning to increase use of its shallow groundwater resources for water supply. I applied for a job with the then Metropolitan Water Supply Sewerage and Drainage Board as an engineering assistant and was lucky enough to be appointed.

I'm also a director of Water Quality Research Australia, which means I am fortunate to have the opportunity to travel to different states and see what's happening first hand in other parts of the Australian water industry.

One of the reasons I like working for the Water Corporation is that as a corporation, we make a difference in terms of the lives and the health of the communities in which we work. Water has a positive influence on the quality of life in the communities we work in and I enjoy making that sort of contribution.



Ross Hughes Age: 48

BBus, FCPA, FAICD

Chief Financial Officer

When I found myself looking for a new job after 25 years in the banking industry, I really wanted to go to somewhere that contributed to the community in a meaningful way. I describe my job as the Corporation's bean counter, but the good thing about being the CFO here is that I don't just do numbers. I also have a role in strategy, risk, business case evaluations, insurance and legal.

I think it's important to make a difference when you have the opportunity to do so, which is why I initiated a joint venture between the Water Corporation and SIM Ethiopia to help a community establish its irrigation scheme. It's a way we can use the fantastic knowledge and expertise we have here at the Water Corporation to assist those in need.

There's a lot to be said for hanging in there, as individuals or as a corporation, and you could argue that is what resilience is. There's a relation between resilience and commitment and dedication, and I think most of us at the Water Corporation see ourselves as being long term committed people.



Ashley Vincent Age: 34

BE(Env), GradCert BusMgmt, MBA

General Manager, Customer Services

It's difficult to say when I first began working in the water industry. I had a Dad who was a plumber so every holiday I spent as a labourer, where I did a lot of the hands on work that our plumbers do in the field today. These days I've got a 4 year old son of my own who thinks that every water pipe or water tank is Daddy's, which I think is pretty cool!

In actuality, my job is to oversee the delivery of services to customers. The essence of my role is to make sure we are doing that effectively, making sure our customers are comfortable about the way we go about providing the services.

One of the really good things about our customers is that they really value water. That means they value the service we provide them, and they're interested in what we do and the way we go about it. They're supportive of us as an organisation because of that, and I think that's a positive thing.

Corporate governance

Good corporate governance is a fundamental part of the culture and business practices of the Corporation.

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

This section of the report includes a description of our main corporate governance practices during 2008-09. These form a framework to ensure that we act with high standards of corporate behaviour and in the best interests of our stakeholder.

The Board of Directors

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

- the Board must comprise at least six and not more than seven directors (one of whom is the Chief Executive Officer);
- the Chief Executive Officer is the only executive director;
- the directors are appointed for terms of up to three years and are eligible for re-appointment;
- the Governor, on the Minister's nomination, appoints the Chairman and Deputy Chairman from the non-executive directors;
- the Board should comprise directors with a broad range of skills and experience; and
- Board meetings are generally held once a month at the Water Corporation's head office in Perth.

Governance framework

The Board has the legislative authority to perform the functions and determine the policies that control our activities. The Board is responsible for our overall corporate governance and approves strategic directions and budgets and ensures that legal compliance, ethical behaviour and proper risk management processes are in place and operate effectively. Comprehensive monthly reports are provided to the Board to enable it to monitor performance.

Key activities

The Board, in consultation with Management, develops strategic direction for the Corporation for the immediate and long term horizons. The immediate horizon is considered in the Statement of Corporate Intent which covers the following financial year, and the Strategic Development Plan which covers the following five financial years.

Strategic direction for the long term horizon is considered specifically at the annual Strategic Planning Day, and regularly at strategic discussion sessions during the monthly Board meetings.

Through its Audit and Compliance Committee and its Human Resources and Remuneration Committee, the Board fulfils its fiduciary duties and its responsibilities in reviewing the Corporation's human resources and remuneration policies and practices.

At its regular meetings, the Board considers:

- Strategy and risk issues
- The capital program – current performance and proposed budget
- The award of capital program projects
- Financial matters.
- Safety performance

Appointment of Directors

The Governor has appointed non-executive directors on the nomination of the Minister for Water Resources. This is after consultation with, or on the recommendation of, the Board. Appointments are staggered to ensure that approximately one-third of the directors retire each year. Subject to reappointment, there is no limit on the time a director may serve on the Board. Their duties are not full-time.

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

During 2008-09, Dr Gill resigned as Chief Executive Officer of the Corporation and Executive Director on the Board. Mrs Sue Murphy was appointed as his successor.

Meetings

The Board held 11 meetings during 2008-09. Details of Directors' attendance at these meeting are set out in the table below:

Current Members	Committee meetings attended	Eligible to attend
Mr Patrick O'Connor (Chair)	11	11
Dr Brian Hewitt (Deputy Chair)	9	11
Ms Zelinda Bafle	10	11
Mr Andrew Bantock	10	11
Mrs Karen Field	11	11
Prof Robert Harvey	10	11
*Mrs Sue Murphy (Executive Director)	8	8
**Dr Jim Gill (Executive Director)	2	2
***Peter Moore (A/CEO)	1	1

* Mrs Murphy was appointed Chief Executive Officer with effect from 6 November 2008

**Dr Gill resigned as Chief Executive Officer with effect from close of business 5 November 2008.

***Mr Moore was acting Chief Executive Officer in July 2009.

The Board also held Special Board meetings on 25 May and 29 June 2009, which were attended by all Directors except Ms Bafle on 25 May 2009.

Directors' and senior executives' remuneration

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

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

Accountability and independence

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

Internal control

The Board, through the Audit and Compliance Committee has overall responsibility for the Corporation's system of internal control and risk management. The Water Corporation maintains an effective internal control structure. It consists, in part, of organisational arrangements with clearly defined lines of responsibility and delegation of authority, and comprehensive systems and control procedures.

Management have the responsibility for establishing and maintaining the system of internal control that supports the achievement of the Water Corporation's objectives. This system of internal control is designed to manage and mitigate rather than eliminate the risks of failure to achieve business objectives. The system of internal control can only provide reasonable and not absolute assurance of the effectiveness of the systems of internal control implemented by management. An important element of the control environment is an ongoing internal audit program, managed by our Risk and Assurance Branch.

Risk management

Risk management is a key element of our governance framework.

We have an established risk management framework that provides a common understanding of risk and a set of processes for managing risk in accordance with Australian Standard AS/NZS 4360 Risk Management. The Framework ensures a formalised, structured and corporate-wide approach to the identification, evaluation and control of risks which have the potential to threaten the achievement of our objectives and our ability to provide services.

All managers are responsible for the identification and management of risks that will impact upon their business processes. The management of risk within the business is supported by process risk profiles. The process profiles consist of a register of process risks, key risks and associated action plans to ensure that risks are managed to an acceptable level.

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

Board effectiveness

The Board undertakes an annual review of its effectiveness through Directors' interviews and questionnaires. Areas for improvement are identified and implemented for future Board meetings.

Incoming Directors receive an informal induction, provided by the Chief Executive Officer, which includes familiarisation tours of some of the Corporation's facilities such as the Perth Seawater Desalination Plant and the Woodman Point Wastewater Treatment Plant.

Board committees

Committees of the Board that operated during the year ended 30 June 2009 were:

- Audit and Compliance Committee
- Human Resources and Remuneration Committee

Audit and Compliance Committee

The Committee is chaired by Mr Andrew Bantock and includes Directors Dr Brian Hewitt and Ms Zelinda Bafle. Each member has lengthy corporate and/or financial experience in private enterprise and the necessary skills to undertake the Committee's responsibilities to oversee the Corporation's financial reporting principles and policies, controls and procedures and its auditing and risk activities.

Attendance at meetings

During 2008-09, the Committee met on 5 occasions. The Committee is assisted by the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Office and the Manager Risk and Assurance. Other senior management attend as requested by the Committee to enable it to discharge its duties.

External attendees at various meetings during the year include staff of the Office of the Auditor General (OAG) and the external auditors appointed by the OAG to undertake the annual audit of the Corporation.

Current Members	Committee meetings attended	Eligible to attend
Mr Andrew Bantock	5	5
Dr Brian Hewitt	5	5
Ms Zelinda Bafle	5	5

Principal activities and duties

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

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

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

A particular focus this year has been on the development of a Board Charter, a review of the Committee's terms of reference and a review of the Directors' Deed of Indemnity.

Management Review and Audit

The Corporation's internal audit function is managed by the Risk and Assurance Branch's Management Review and Audit section, which has the mandate to examine any matters referred to it by the Audit & Compliance Committee, the Board of Directors or the Chief Executive Officer. The group supports the Audit and Compliance Committee, Senior Executives and General Managers by reviewing independently and objectively the effectiveness of the Corporation's internal control system.

The scope of the group's work is to:

- Provide assurance that the systems of internal control are adequate, are able to perform efficiently and economically, and function effectively to achieve the desired goals and objectives.
- Evaluate compliance with applicable laws, legislation, corporate policy and procedures.
- Evaluate the reliability and integrity of financial and operational information and associated information management systems.
- Assess the adequacy of the means employed to safeguard assets.
- Undertake special projects as required.
- Provide reasonable assurance that the Corporation is ethical in its business dealings and is maintaining effective controls against conflict of interest, fraud, theft and corruption.

External auditors

In accordance with the *Water Corporation Act 1995*, the Corporation must have the financial report for a financial year audited by the Auditor General.

The Auditor General has outsourced the audit to KPMG for a three year period. Total auditor remuneration is shown in Note 16 to the Financial Statements on page 89.

Human Resources and Remuneration Committee

The Committee is chaired by Mrs Karen Field and includes Directors Mr Patrick O'Connor and Prof Robert Harvey. Each member has extensive experience in the corporate sector at a senior level and brings the human resource management skills necessary for the Committee to undertake its role. The Committee covers strategic directions and governance of human resources and occupational safety and health.

Attendance at meetings

During 2008-09, the Committee met on 5 occasions. The Committee is assisted in its duties by the Chief Executive Officer, the Chief Operating Officer, the General Manager Business Services, the Manager Human Resources and the Manager Occupational Safety and Health. Other senior management attend as requested by the Committee.

Current Members	Committee meetings attended	Eligible to attend
Mrs Karen Field (Chair)	5	5
Mr Patrick O'Connor	4	5
Prof Robert Harvey	5	5

Principal activities and duties

The key areas of focus include strategic decisions and policies with significant safety and/or human resources implications, selection of new Board members, and Board and Committee performance evaluation.

This year, the Committee has focussed on measurement and reporting of improving people and safety performance and the cultural changes needed to improve performance.

Regulatory framework

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

- Economic Regulation Authority
- Department of Water
- Department of Environment and Conservation
- Environmental Protection Authority
- Department of Health
- Australian Competition and Consumer Commission (ACCC)
- National Water Commission

Strategic Development Plan and Statement of Corporate Intent

We have a five-year Strategic Development Plan (SDP), reviewed every year, and a Statement of Corporate Intent (SCI) covering 12 months. The SCI is a public document and is in the form of an agreement with the Minister for Water. It contains an outline of the Corporation's objectives and performance targets for the year.

These plans were developed for the 2008-09 year and presented to the Minister.

Performance monitoring and reporting

We provide written quarterly reports and this Annual Report to the Minister for Water detailing our performance, and progress made in fulfilling the SCI. Written quarterly reports on compliance with performance standards specified in the Operating Licence are also provided to the ERA. In addition, the Board and Corporate Executive receive written monthly performance reports covering a diverse range of financial and non-financial matters.

Ethical standards

We require all directors, employees and contractors to exercise high standards of ethical behaviour in carrying out their duties. A code of conduct is published on our internal website and all managers are required to monitor adherence to the standards. A report on compliance is forwarded to the Office of the Public Sector Standards Commissioner.

Security & Public Safety (Critical Infrastructure Protection)

Critical Infrastructure Protection and the ongoing development of the strategic and operational "resilience" continue as a priority integration activity for the Corporation. The Corporation's multidisciplinary, risk based program, focuses on the core areas of "People, our Information and our Infrastructure," with active participation in national and international critical infrastructure security projects and exercises. The Corporation is represented Federally under the national security arrangements within the Trusted Information Sharing Network (TISN) on the Water Services Infrastructure Assurance Advisory Group (WSIAAG) and "systems security" committees.

The Corporation's Security and Public Safety program embraces the national and international "all hazards" approach, with a risk based approach, based upon legislative and standards compliance, and is integrated with the incident management, emergency management and business continuity programs.

National Water Sector benchmarking in 2008 assessed the program development at the forefront of the national water sector, and this has been recognised with the Water Services Association of Australia (WSAA) integrating the Corporation infrastructure protection risk and design processes into the revised national Water Code.

Supporting the program is an ongoing stakeholder liaison program across the full spectrum of Federal and State based regulatory, emergency management and security agencies. This engagement program was enhanced in 2008-09 with an active internal and external multiagency exercise program consisting of both Water Corporation led exercises and participation in State and Federal exercises.

2009-10 will see the evolving review of Policy and the further integration of the core safety and security elements of the program, into the baseline operational aspects of the business; the ongoing development of the business continuity and contingency planning framework. H1N1 and Avian flu pandemic contingency plans will continue to evolve with the increased awareness from the 2009 H1N1 Pandemic and the current planning status will be reviewed with participation in a national water sector "pandemic" exercise.

Managing incidents

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

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

Incidents are reported in accordance with approved procedures and the requirements of Acts and Regulations. During 2008-09, we managed some 140 significant and major incidents.

Managing financial exposures

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

Information security management system

We maintain an enterprise information security management framework that is based on the Australian Standard for Information Technology — Security Techniques — Code of Practice for Information Security Management AS/ NZS ISO/IEC 17799:2006.

State Records Act 2000

In accordance with Section 61 of the *State Records Act 2000* and the State Records Commission Standards (Standard 2 — Principle 6), the Corporation Recordkeeping Plan was approved in June 2004. In June 2009 the Corporation submitted an updated plan for Ministerial approval that describes how records are created, maintained, managed and disposed of in accordance with the Corporation's current Standards and Principles and an approved Retention and Disposal schedule RD2004278.

In February 2009, a project to deploy a corporate wide electronic record and document management system was successfully completed. The project delivered classroom based system and records management training to all staff throughout the state and developed an on-line training package. Regular classroom based training is delivered in the metropolitan area which includes attendee feedback and evaluation of the training, whilst regional staff training is delivered on-line with local expert user support.

The project delivered updated training materials, standards, guidelines and quick reference sheets. An intranet site provides access to information relating to the corporate record and document management system and recordkeeping best practice.

The Corporation induction process for all new staff includes information on employees' roles and responsibilities with regard to compliance with the approved Recordkeeping Plan, and includes "information on record keeping and information management compliance for the Water Corporation" and "information security awareness".

The deployment project and updating of the Recordkeeping Plan provided an opportunity to review the effectiveness and efficiency of recordkeeping process and systems. Areas requiring improvement were identified and rectified where possible. Document and Records staff have received additional training to implement and support new practices and processes. The revised Recordkeeping Plan includes timelines for future improvements and a new project is planned to upgrade and deliver additional functionality to the corporate record and document management system.

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

Public interest disclosures

The *Public Interest Disclosures Act 2003* has been enacted to protect the privacy and confidentiality of both the individual making a public interest disclosure and the subject of that disclosure.

Public Interest Disclosure Officers for the Corporation have been appointed. Internal procedures relating to the Corporation's obligations under the Act have been developed and implemented in accordance with the guidelines provided by the Office of the Public Sector Standards Commissioner.

There were no public interest disclosures in the period under review.

Conflicts of interest

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

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

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

Advertising codes

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

Reportable expenditure

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

Advertising agency		
(The Brand Agency)	–	\$3,879
(303 Advertising)	–	\$1,597,869 [#]
(AdCorp)	–	\$23,909
Media advertising		
(Media Decisions)	–	\$2,872,523 [#]
Market research		
(Synovate)	–	\$525,462
(Data Analysis Australia)	–	\$58,241

[#] These amounts include costs incurred for the State Government Trial Winter Sprinkler Ban.

Freedom of information

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

During 2008-09 we received 20 applications with two remaining on hand from the previous year.

Four were provided full access, eight were provided with edited access, four were denied access, two were withdrawn and four were on hand at the end of the year.

Three internal reviews were requested and all decisions were upheld. Three external reviews were requested and remain on hand at the Office of the Information Commissioner at the end of the year.

Fees and charges totalling \$600 were received for processing these applications with 24 days being the average processing time.

Director's report

The directors of the Water Corporation present their report for the 12 months ended 30 June 2009.

Directors

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

Mr Patrick O'Connor, Director since 1 January 2003 (Chairman)
Mrs Sue Murphy, Chief Executive Officer since 6 November 2008
Mr Andrew Bantock, Director since 1 June 2006
Mrs Karen Field, Director since 1 January 2006
Dr Brian Hewitt, Director since 1 January 2004
Ms Zelinda Bafle, Director since 1 July 2007
Professor Robert Harvey, Director since 1 July 2007

Directors' biographies are shown on pages 47 to 48.
Directors' meetings and attendance are shown on page 53.
Directors' compensation details are shown on page 90.

Principal activities

The Water Corporation was established as a body corporate under the provisions of the *Water Corporation Act 1995* and is the principal water utility in Western Australia. Water, wastewater, drainage and irrigation services are provided under this Act and other legislation and subsidiary legislation, which controls the water industry.

The principal functions of the Corporation in the course of the financial year were to:

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

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

Operating results

We made a profit before income tax of \$731 million (2008: \$755 million). On an after-tax basis, profit was \$512 million (2008: \$527 million).

Dividends

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

Declared and paid during the year 2008-09		
	Total Amount \$M	Date of payment
Final 2007-08	37	31 Oct 2008
Interim 2008-09	334	30 June 2009
Total Amount	371	

Declared after end of year

After the balance sheet date, the directors have proposed a final dividend of \$45 million for the 2008-09 year, payable on or before 31 October 2009. The dividend has not been provided and there are no income tax consequences. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2009 and will be recognised in subsequent financial reports.

Review of operations

The Water Corporation operates in a regulatory framework comprising the ERA, the DoW and the DEC. Clear commercial objectives and strict environmental targets and accountabilities have been established through the SCI and a system of licences through the various regulators.

During the year, the Corporation supplied 361,947 megalitres of water and treated 147,945 megalitres of wastewater.

Environmental performance

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

- *Environment Protection and Biodiversity Conservation Act (Cwlth) 1999*
- *Environmental Protection Act 1986*

Additionally, we comply with 31 other pieces of environmental legislation, and track our compliance with various non-legal compliance obligations.

Under the *Environmental Protection Act 1986*, we are required to report any unplanned incidents that have the potential to do harm to the environment.

It is inevitable with significant infrastructure across the State that unplanned incidents will occasionally occur and that some of these will affect the environment, public health and public amenity. Our incident management process ensures a fast and effective response to such accidents or incidents.

Our environmental performance is underpinned by our Environmental Policy and Environmental Management System which enable systematic identification of environmental risks, setting of targets and development of environment improvement plans to reduce risks and ensure our activities are sustainable. This system is based on implementing best practice, meeting our legal requirements and rigorous monitoring and reviewing of our performance. (See also page 29).

Ministerial directions

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

State of affairs

There were no significant changes during the year ended 30 June 2009 in the state of affairs of the Water Corporation not otherwise disclosed in this report, or the financial statements.

Events subsequent to balance date

Since the end of the financial year on 30 June 2009 and the date of the release of this report, the directors are not aware of any matter or circumstance not otherwise dealt with in the report or financial statements that has significantly, or may significantly, affect the Corporation's operations, the results of those operations, or the Corporation's state of affairs in subsequent financial periods.

Likely developments

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

Directors' interests and benefits

In the 12 months to 30 June 2009, no director received, or became entitled to receive, any benefit (other than a benefit included in the total amount of remuneration received or due and receivable by directors) by reason of a contract made by the Water Corporation with the director, or with a firm of which the director is a member, or with an entity in which the director has a substantial interest.

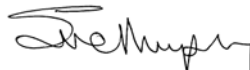
Indemnification of directors and auditors

In the 12 months ended 30 June 2009, the Water Corporation has not indemnified against a liability, a person who is, or has been, a director or auditor of the Corporation. During the period ended 30 June 2009, we paid insurance premiums in respect of directors' and officers' liability insurance for any past, present or future commissioner, director, board/committee member, secretary, executive officer or employee of the Water Corporation.

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



P. O'Connor
Chairman



S.L. Murphy
Chief Executive Officer
PERTH, 18 August 2009

Performance Summary

Performance against key indicators

	Units	2009					
		Target	Actual	2008	2007	2006	2005
Social Performance							
<i>Employment and Workforce</i>							
Employee initiated turnover	No.	7.5	7.2	9.5	7.3	7.2	
Women in senior management – tier 2	%	28.6	22.2	28.6	28.6	28.6	28.6
Women in senior management – tier 3	%	12.8	17.0	10.0	9.3	6.8	9.1
People from culturally diverse backgrounds	%	17.5	11.5	10.2	12.6	9.3	17.5
Indigenous Australians	%	2.4	1.4	1.5	1.3	1.2	1.2
People with disabilities	%	3.4	1.5	1.6	1.6	1.6	2.9
Youth (15–24)	%	5.5	6.5	6.1	5.2	4.3	3.8
Significant Injury Frequency Rate	No.	8.0	7.9	7.2	7.5	9.0	9.0
<i>Public Amenity</i>							
Wastewater Odour Complaints – Major Metro WWTPs	No.	na	56	117	61	96	151
<i>Public Health – Safe Drinking Water</i>							
Metropolitan localities meeting requirements for thermotolerant coliforms	%	100	100	100	100	100	100
Metropolitan localities meeting requirements for amoebae (Thermophilic Naegleria)	%	100	100	100	100	100	100
Metropolitan localities meeting requirements for health-related chemical quality	%	100	100	100	100	100	100
Metropolitan localities meeting requirements for radiological performance	%	100	100	100	100		
Country localities meeting requirements for thermotolerant coliforms	%	100	100	100	100	100	100
Country localities meeting requirements for amoebae (Thermophilic Naegleria)	%	100	100	100	100	100	100
Country localities meeting requirements for health-related chemical quality	%	100	100	98.4	99.5	99.5	97.3
Country localities meeting requirements for radiological performance	%	100	100	100	98.9		
<i>Essential Service Provision</i>							
Continuity – properties not affected by interruption > 1 hr	%	75	89.2	88.7	88.6	86.6	88.9
Water pressure and flow standards	%	99.80	99.96	99.96	99.95	99.95	99.94
Water quality faults responsiveness	%	95	96.2	96.0	96.6	96.8	
Installation of new water connections	%	94	96.7	95.7	97.2	96.6	
Water service faults per 1000 connections	%	62	43.6	45.2	45.1	46.4	
Properties without wastewater overflow	%	99.8	99.9	99.9	99.8	99.8	99.9
<i>Demand – Supply Balance</i>							
Water trading	GL	16.0	11.8	16.0	13.8	10.0	
Number of waterwise schools	No.	415	423	369	309	270	
Drought response (number of schemes on restrictions)	No.	Improve	1	1	8	8	7
Environmental Performance							
<i>Ecosystem Protection</i>							
Overflows to Swan-Canning – conveyance system	No.	0	2	4	6	5	6
Overflows to Swan-Canning – pump stations only	No.	0	4	1	0	0	0

	Units	2009					
		Target	Actual	2008	2007	2006	2005
<i>Energy and Greenhouse Gases</i>							
Electricity consumption per unit of output for water	MWh/ML	na	1.20	1.20	1.00	0.79	0.80
Electricity consumption per unit of output for wastewater	MWh/ML	na	0.65	0.66	0.64	0.61	0.60
Total energy consumption	TJ	na	2,205	2,232	1,920	1,507	1,530
Reported greenhouse gas emissions (CO2 equivalent)#	kT	na	560	448	414	393	384
<i>Materials Use Efficiency</i>							
Biosolids re-use (Perth metro)	%	100	100	95.9	100	99.9	96.4
<i>Demand – Supply Balance</i>							
Water consumption per capita (Perth metro)	kL	150	149.1	147	154.2	151.4	154
Economic Performance							
<i>Financial Efficiency</i>							
Operating cost per property	\$	634	624	573	535	479	461
Total cost per property	\$	1,653	1,657	1,537	1,438	1,329	1,320
Operating profit before income tax	\$m	716	730	754	731	676	601
Return on assets	%	3.9	4.0	4.3	4.3	4.5	4.3
Return on assets targeted	%	4.6	4.6	4.5	4.5	4.5	4.5
Return on equity	%	5.7	5.8	6.0	6.0	5.6	5.0
Debt to equity	%	34.1	32.3	25.1	20.9	17.4	12.7
Interest cover	Times	4.0	4.5	5.2	5.8	7.9	7.6
<i>Asset Performance</i>							
Blockages per 100km of sewer	No.	40	18.3	19.9	20.8	17.6	18.5
Leaks and bursts per 100km of main	No.	20	18.0	17.7	18.1	16.9	18.0
Drainage systems operating in accordance with guidelines	%	100	100	100	100	100	100
Stakeholder Performance							
<i>Customer Service</i>							
Customer complaints – total	No.	na	35,195	33,749	36,000	35,000	36,000
Written customer complaints (responsiveness) < 21 days	%	90	99.5	99.7	99.5	99.7	99.1
Written correspondence answered within 10 days	%	90	94.8	96.3	97.0	98.0	97.0
Telephone calls to '13' numbers answered within 20 seconds	%	70	73.7	75.7	74.8	74.8	76.6
Telephone calls to '13' numbers abandoned after 5 seconds	%	5	3.1	2.7	2.9	2.8	2.7
Telephone calls to '13' numbers first call resolution	%	90	97.2	96.8	96.5	95.6	
Water supply services provided by agreement – customer notification	%	95			-- Compliance --		
Water supply services provided by agreement – documented	%	90			-- Compliance --		
Effectiveness of water supply management	No.	Improve	3.4	3.3	3.1	3	
Customer satisfaction index	%	85	87	88	90	86	85
<i>Shareholder Accountability</i>							
Responsiveness to priority one enquiries	%	85	96.2	96.0	93.0	87.3	
Ethical & Governance Performance							
<i>Compliance</i>							
Country water allocation licence compliance	%	100	99.3	99.3	99.2	100	
Number of enforcement actions from ERA for non-compliance with operating licence	No.	0	0	0	0	0	
Number of environmental non-compliances reported by DEC	No.	0	3	2	3	0	
Number of legal sanctions for environmental breaches	No.	0	0	0	0	0	

This is the first year figures have been reported using the methodology outlined under the National Greenhouse and Energy Reporting System Technical Guidelines.

Principal Statistics

Water supply

Region	Properties Served	Properties Connected	Water Supply Services	Length of Mains (Kilometres)	Water Supplied ¹ (Megalitres)	Metered Water Consumption ² (Megalitres)	Water Consumption per Property Connected (Kilolitres)
Perth	820,915	707,492	615,069	12,861	245,460	217,409	307
Agricultural	23,151	18,906	23,978	8,500	11,600	9,818	519
Goldfields	26,459	23,366	21,333	1,021	14,678	13,483	577
Great Southern	38,027	31,823	31,891	3,790	12,359	9,655	303
Mid-West	47,896	37,065	33,292	2,673	20,107	16,583	447
North-West	35,741	30,732	23,438	1,401	29,962	28,843	939
South-West	100,587	81,225	73,704	2,670	27,781	24,543	302
Total	1,092,776	930,609	822,705	32,916	361,947	320,333	344

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

2. Metered water consumption is the total of consumers' meter readings for a period which may differ slightly to the above.

Wastewater

Region	Properties Served	Properties Connected	Total Length of Sewers (Kilometres)	Number of Pumping Stations	Number of Treatment Plants	Average Quantity of Wastewater Treated Daily (Megalitres)
Perth	695,704	640,171	10,886	674	9	334.9
Agricultural	8,701	7,126	245	21	15	3.0
Goldfields	7,227	6,049	148	18	4	2.9
Great Southern	22,284	18,222	567	57	17	8.2
Mid-West	24,071	16,554	565	65	20	7.0
North-West	29,483	26,682	491	57	15	13.3
South-West	96,685	75,099	2,100	230	25	35.9
Total	884,155	789,903	15,002	1,122	105	405.3

Metropolitan Sources of Supply

Source	Area of Catchment (Square km)	Storage Capacity (Megalitres)	Storage at 30/06/09 (Megalitres)	Percentage of Maximum Storage (%)	Output to 30/06/09 (Megalitres)
Dams					
Stirling	251	36,500	13,869	38.0	28,341
Samson WTP	0	6,000	535	8.9	6,169
South Dandalup	311	138,011	20,219	14.7	16,166
North Dandalup	153	74,849	20,206	27.0	8,040
Serpentine and Serpentine Pipehead	692	140,200	51,649	36.8	28,660
Canning	789	90,353	24,544	27.2	23,686
Wungong	134	59,795	22,658	37.9	3,448
Churchman	16	2,241	993	44.3	1,396
Victoria	37	9,463	3,356	35.5	3,680
Mundaring Weir	1,470	63,596	25,454	40.0	1,775
Total	3,853	621,008	183,483	29.5	121,361
Total Hills Sources Output					121,361
Groundwater					
Artesian Bores					31,777
Mirrabooka					18,536
Gwelup					15,773
Wanneroo					32,096
Jandakot					10,582
Neerabup					30,682
Lexia					4,879
Yanchep/Two Rocks					1,292
Total Groundwater Output					145,617
Desalination					
Perth Seawater Desalination Plant					43,402
Total Desalination Output					43,402
Gross Output					310,380
Less Internal Transfers (Mundaring Weir, Victoria Dam, Canning Dam, Serpentine P/H and Jandakot ASR)					47,209
Less Output to South-West Region (including Mandurah)					14,596
Less System Losses (including riparian releases)					3,115
Water Supplied to Metropolitan Area					245,460

Drainage

Region	Properties Served	Length of Drains Controlled (Kilometres)	Declared Drainage Area (Hectares)
Perth	339,127	952	91,456
Great Southern	n/a	124	39,321
South-West	n/a	1,762	321,324
Total	339,127	2,838	452,101

Irrigation

Region	Irrigation Accounts	Length of Channels & Drains (Kilometres)	Area Irrigated (Hectares)	Water Supplied (Megalitres)
South-West (Preston Valley) 1	n/a	n/a	n/a	906
South-West (SWID) 2	n/a	n/a	n/a	99,943
Mid-West 3	n/a	n/a	n/a	5,964
North-West 4	111	34	603	133,292
Total	111	34	603	240,105

1. Preston Valley District was transferred to a farmer-run co-operative in July 1998.
2. South-West Irrigation District (SWID) was transferred to a farmer-run co-operative in August 1996.
3. Mid-West irrigation district was transferred to the Gascoyne Water Co-operative on 1 July 2003.
4. North-West irrigation is managed by the Ord Irrigation Co-operative (established in 2002). However, the Water Corporation maintains responsibility for a number of customers.

Employees (FTEs as at 30 June 2009)

Metropolitan	1,925
Country	824
Total	2,749

Five-year statistical summary

	Units	2008 2009	2007 2008	2006 2007	2005 2006	2004 2005
Financial data						
Total Revenue	\$'000	1,748,220	1,671,549	1,562,377	1,416,940	1,305,144
Community Service Obligations	\$'000	443,521	399,363	359,953	339,821	288,253
Operating Expenses	\$'000	598,551	538,788	495,825	434,918	398,659
Depreciation / Amortisation	\$'000	301,298	282,258	259,837	251,642	255,492
Net Interest Expense	\$'000	117,791	96,468	75,834	55,657	52,446
Income Tax Expense	\$'000	218,144	227,771	217,718	202,160	179,879
Operating Profit After Tax	\$'000	512,436	26,663	513,488	73,831	421,395
Transfer to / (from) Reserves	\$'000	63,860	76,801	67,685	57,144	55,060
Long-Term Debt	\$'000	2,845,000	2,160,044	1,775,306	1,443,473	1,010,425
New Works Investment (excluding developers take-over works)	\$'000	1,041,600	809,800	674,300	648,000	340,300
Short-Term Liquidity Facility	\$'000	50,000	55,000	35,000	35,000	63,000
New Borrowings	\$'000	685,000	405,000	332,000	433,000	–
Operating data						
<i>Water Supply Services</i>						
Annual Volume of Water Supplied	ML	361,947	352,355	355,468	342,886	342,173
Number of Properties Served	No.	1,092,776	1,066,964	1,038,336	1,008,553	981,492
Number of Properties Connected		930,609	910,530	890,285	868,983	846,867
Length of Mains	km	32,916	32,635	32,269	31,760	30,776
<i>Wastewater Services</i>						
Average Volume of Wastewater Treated Daily	ML	405	405	385	386	371
Number of Properties Served	No.	884,155	859,628	829,225	793,697	765,903
Number of Properties Connected		789,903	763,677	737,195	710,885	685,074
Length of Sewers	km	15,002	14,684	14,261	13,865	13,417
<i>Drainage Services</i>						
Number of Properties Served (Metropolitan)	No.	339,127	332,371	325,182	319,900	313,511
Length of Drains	km	2,838	2,826	2,826	2,814	2,780
<i>Irrigation Services</i>						
Volume of Water Delivered	ML	240,105	352,440	373,696	357,277	319,029
Employees						
Total number of employees	No.	2,888	2,617	2,496	2,333	2,184
Total number of full-time equivalents (FTEs)	No.	2,749	2,507	2,406	2,287	2,116
Total number of FTEs (year-end average)	No.	2,648	2,461	2,349	2,147	2,047

All financial figures are expressed in dollars of the day.



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Income Statement

for the year ended 30 June 2009

	Note	2009 \$M	2008 \$M
Revenue	2	1,748	1,672
Expenses	3	(900)	(821)
Results from operating activities		848	851
Financial income		5	7
Financial expenses		(123)	(103)
Net financing costs	4	(118)	(96)
Profit before income tax		730	755
Income tax expense	5	(218)	(228)
Profit for the year		512	527

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





Balance Sheet

as at 30 June 2009

	Note	2009 \$M	2008 \$M
Current assets			
Cash and cash equivalents		24	44
Trade and other receivables	6	138	126
Inventories		11	9
Assets classified as held for sale		1	—
Total current assets		174	179
Non-current assets			
Trade and other receivables	6	12	12
Property, plant and equipment	7	12,319	11,476
Intangible assets	8	119	102
Total non-current assets		12,450	11,590
Total assets		12,624	11,769
Current liabilities			
Trade and other payables		260	200
Interest-bearing loans and borrowings	9	150	55
Income tax payable		50	99
Provisions	11	1	1
Employee benefits	12	80	67
Other liabilities	13	20	23
Total current liabilities		561	445
Non-current liabilities			
Interest-bearing loans and borrowings	9	2,745	2,160
Deferred tax liabilities	10	303	288
Provisions	11	3	3
Employee benefits	12	52	47
Other liabilities	13	10	17
Total non-current liabilities		3,113	2,515
Total liabilities		3,674	2,960
Net assets		8,950	8,809
Equity			
Contributed equity	14	7,327	7,327
Reserves		534	471
Retained earnings		1,089	1,011
Total equity		8,950	8,809

The above balance sheet is to be read in conjunction with the accompanying notes

Statement Of Changes In Equity

for the year ended 30 June 2009

	Contributed Equity	Retained Earnings	Developers' Contribution Reserve	Total
	\$M	\$M	\$M	\$M
Opening balance at 1 July 2008	7,327	1,011	471	8,809
Profit for the year	—	512	—	512
Total recognised income and expense for the year	—	512	—	512
Dividends paid	—	(371)	—	(371)
Transfer to developers' contribution reserve (net of tax)	—	(63)	63	—
Closing balance at 30 June 2009	7,327	1,089	534	8,950

for the year ended 30 June 2008

	Contributed Equity	Retained Earnings	Developers' Contribution Reserve	Total
	\$M	\$M	\$M	\$M
Opening balance at 1 July 2007	7,327	952	394	8,673
Profit for the year	—	527	—	527
Total recognised income and expense for the year	—	527	—	527
Dividends paid	—	(391)	—	(391)
Transfer to developers' contribution reserve (net of tax)	—	(77)	77	—
Closing balance at 30 June 2008	7,327	1,011	471	8,809

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

Cash Flow Statement

for the year ended 30 June 2009

	Note	2009 \$M	2008 \$M
Cash flows from operating activities			
Cash receipts from customers		1,005	944
Interest received		5	7
Interest paid		(149)	(112)
Cash paid to suppliers and employees		(633)	(557)
Income taxes paid		(253)	(175)
Government grants		13	10
Community Service Obligation (CSO) contributions		444	399
Developers' contributions		95	123
GST received		116	99
Other fees and charges		88	81
Net cash from operating activities	15	731	819
Cash flows from investing activities			
Acquisition of property, plant and equipment		(1,029)	(781)
Acquisition of intangible assets		(34)	(48)
Reduction of loan to Harvey Water		15	7
Proceeds from sale of property, plant and equipment		1	3
Deposits		(13)	2
Net cash used in investing activities		(1,060)	(817)
Cash flows from financing activities			
Repayment of borrowings		(275)	(105)
Proceeds from borrowings		955	510
Dividends paid		(371)	(391)
Payment of finance lease liabilities		—	(1)
Net cash from financing activities		309	13
Net (decrease)/increase in cash and cash equivalents		(20)	15
Cash and cash equivalents at 1 July		44	29
Cash and cash equivalents at 30 June		24	44

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

NOTES TO THE FINANCIAL REPORT

Note 1 Summary of significant accounting policies

1.1 Reporting entity

Water Corporation (the "Corporation") is a corporation domiciled in Australia. The address of the Corporation's registered office is 629 Newcastle St Leederville WA 6007. The Corporation is primarily involved in the provision of water and wastewater services.

1.2 Basis of preparation

1.2.1 Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Water Corporation Act 1995*. The financial report complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 18 August 2009.

1.2.2 Basis of measurement

The financial report is prepared on the accrual accounting basis and in accordance with the historical cost convention, except for certain financial assets and financial liabilities which are stated at their fair value. The methods used to measure fair values are discussed further in Note 1.29.

1.2.3 Functional and presentation currency

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

All financial information presented in Australian dollars has been rounded to the nearest million unless otherwise stated.

1.2.4 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described below:

1.2.4.1 Unbilled revenue

The Corporation calculates unbilled water revenue using a combination of actual and estimated monthly water usage and revenue. Estimated monthly water usage is based on historical usage patterns adjusted to account for abnormal weather conditions. The average price increase relating to volumetric water usage is applied to the estimated water volumes.

1.2.4.2 Impairment of intangible asset with indefinite useful life

The Corporation assesses whether the intangible asset with an indefinite useful life is impaired at least annually in accordance with the accounting policy in Note 1.17. These calculations involve an estimation of the recoverable amount of the intangible asset with an indefinite useful life.

1.2.4.3 Provision for long service leave

The method used in calculating the Provision for Long Service Leave is discussed in Note 1.22.1.

1.2.4.4 Defined benefit superannuation fund obligations

Various actuarial assumptions are utilised in the determination of the Corporation's defined benefit superannuation fund obligations. These assumptions are discussed in Note 1.22.6.2.

1.2.4.5 Valuation of financial instruments

The methods used in determining the fair values of financial instruments are discussed in note 1.29.

1.3 Significant accounting policies

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

1.4 Revenue

- (a) Revenue from annual service charges and volume charges is shown in the income statement as the amounts levied and billed for the period, including interest on overdue amounts, less discounts allowed for prompt payment and rebates/concessions allowed to entitled customers. Revenue also includes an estimate for the value of water consumed but not billed at balance sheet date.
- (b) Other fees and charges include design fees, building fees, industrial waste charges, plumbing inspection fees, sewerage testing fees, fire service charges and other miscellaneous revenue received.
- (c) Government grants are recognised as revenue when evidence exists to support the passing of control of the benefit and there is reasonable assurance that they will be received.

(d) Rental income is recognised in the income statement on a straight-line basis over the term of the lease.

(e) Community Service Obligation (CSO) contributions and subsidies are recognised as revenue when there is reasonable assurance that they will be received and the Corporation has complied with the conditions attached to them. CSOs are received from the State Government for:

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

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

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

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

1.5 Net gain on disposal of property, plant and equipment

Net gain on disposal of property, plant and equipment is included at the date control passes to the buyer, usually when an unconditional contract of sale is signed.

1.6 Leases

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

1.6.1 Finance leases

Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

1.6.2 Operating leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

1.7 Net financing costs

1.7.1 Financial income

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

1.7.2 Financial expenses

Financial expenses comprise interest expense on borrowings calculated using the effective interest method and net losses on re-measurement of cash flow hedges at fair value (see Note 1.25.1). The interest expense component of finance lease payments is recognised in the income statement using the effective interest method.

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

Foreign currency gains and losses are reported on a net basis.

1.8 National Taxation Equivalent Regime (NTER)

The Corporation is exempt from the *Commonwealth of Australia's Income Tax Assessment Act 1936* but makes income tax equivalent payments to the Western Australian Government. The Corporation entered into the NTER environment on 1 July 2001 having previously operated under the state-based Taxation Equivalent Regime. While tax equivalent payments are remitted to the Department of Treasury and Finance, the Corporation's tax is subject to Australian Tax Office (ATO) administration. The calculation of the liability in respect of these taxes is governed by the Income Tax Administration Acts and the NTER guidelines as agreed by the State Government.

1.9 Income tax

The Corporation uses the balance sheet approach of tax-effect accounting under AASB 112 *Income Taxes*. Under the balance sheet approach, income tax on the profit or loss for the year comprises current and deferred tax.

Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by balance sheet date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.10 Dividends

Dividends are recognised as a liability in the period in which they are declared.

1.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and in banks.

1.12 Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses (see Note 1.17) and are normally settled within 30 days.

1.13 Inventories

Inventories consist of consumable engineering supplies and spares required for maintenance and operation of systems and general construction works. Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

1.13.1 Diminution of inventories

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

1.14 Land held for sale

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

1.15 Property, plant and equipment

1.15.1 Recognition and measurement

1.15.1.1 Owned assets

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

- (a) works carried out under the capital investment program, which are initially recorded at cost. Cost includes direct materials and labour together with a proportion of management expenses directly related to bringing the asset to its working condition, and capitalisation of interest directly attributable to major works with an estimated cost greater than \$5 million. Interest costs incurred on external borrowings specifically raised for the acquisition or construction of qualifying assets are capitalised;
- (b) works carried out by developers or going concerns, which are taken over by the Corporation free of charge are recorded at cost, being the fair value at the date of acquisition; and
- (c) other property, plant and equipment, which are initially recorded at cost of acquisition plus incidental costs directly attributable to the acquisition.

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see Note 1.15.3) and impairment losses (see Note 1.17).

1.15.1.2 Leased assets

Property, plant and equipment acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see Note 1.15.3) and impairment losses (see Note 1.17).

1.15.2 Subsequent costs

The Corporation recognises in the carrying amount of an item of property, plant and equipment the following:

- (a) the cost of replacement parts of an item is included when that cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the Corporation and the cost of the item can be measured reliably. The carrying amounts of those parts that are replaced are derecognised.

(b) the cost of regular major inspection if it is probable that the future economic benefits embodied within the item will flow to the Corporation and the cost of the item can be measured reliably. Any remaining carrying amount of the cost of the previous inspection is derecognised.

All other costs are recognised in the income statement as an expense when incurred.

1.15.3 Depreciation

In order to recognise the loss of service potential of property, plant and equipment, depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, making allowance where appropriate for residual values. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The asset lives are reviewed annually, taking into account commercial and technical obsolescence, as well as normal wear and tear.

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

	Life (years)
Pipelines and fittings	2 – 151
Dams, reservoirs, bores and tanks	3 – 200
Ocean outfalls	25 – 100
Pump stations and treatment plants	3 – 120
Drains and channels	10 – 150
Other structures	5 – 120
Plant and equipment	1 – 85
Buildings and associated works	3 – 150
Computer equipment	2 – 15
Vehicles and mobile plant	3 – 55
Plant and equipment under lease	3

1.16 Intangible assets

1.16.1 Computer software

Computer software consists of software which is not integral to the hardware, such as SAP and Grange. Computer software is stated at cost less accumulated amortisation (see Note 1.16.6) and accumulated impairment losses (see Note 1.17).

1.16.2 Intellectual property

Expenditure on internally generated intellectual property is recognised at cost less accumulated amortisation (see Note 1.16.6) and accumulated impairment losses (see Note 1.17).

1.16.3 Water entitlement

Water entitlements have been purchased by the Corporation and have been recognised initially at the cost of acquiring the entitlements plus incidental costs directly attributable to the acquisition. As the water resources pertaining to the entitlements are considered to be indefinite, these entitlements are considered to have an indefinite useful life and are tested annually for impairment (see Note 1.17).

1.16.4 Renewable energy certificates

Expenditure on renewable energy certificates is recognised at market valuation when earned (this occurs on registration) less accumulated impairment losses (see Note 1.17).

1.16.5 Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the income statement when incurred.

1.16.6 Amortisation

Amortisation of computer software and intellectual property is recognised in the income statement on a straight-line basis over the estimated useful lives of intangible assets, unless such lives are indefinite. Intangible assets with indefinite useful lives are systematically tested for impairment at each balance sheet date.

Intangible assets, excluding water entitlements, are amortised over the following useful lives:

	Life (years)
Computer software	2 – 15
Intellectual property	10

1.16.7 Research and development expenditure

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Corporation intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in the income statement when incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation (see Note 1.16.6) and accumulated impairment losses (see Note 1.17).

1.17 Impairment

1.17.1 Financial assets

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the income statement.

1.17.2 Non-financial assets

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

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

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is determined using the depreciated replacement cost of the asset.

Impairment losses recognised in prior periods are assessed at each balance sheet date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.18 Pensioner rate deferrals

Pensioner rate deferrals are annual service charges deferred by eligible pensioners, which will be realised on sale of property or from the estate. Interest at market rates is not charged to customers on the deferred amounts, but is recouped from the State Government in the form of CSOs.

1.19 Trade and other payables

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

1.20 Interest-bearing borrowings

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

1.21 Provisions

A provision is recognised if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

1.21.1 Insurance

A provision for insurance is recognised when an incident occurs and a claim is received from an external party. The amount provided for is up to the agreed deductible level which is determined with the Corporation's insurer.

1.21.2 Workers' compensation

The Corporation self-insures for risks associated with workers' compensation for claims relating to pre 1 July 1997 events. Outstanding claims are recognised when an incident occurs that may give rise to a claim and are measured at the cost that the Corporation expects to incur in settling the claims, discounted using a government bond rate with a maturity date approximating the terms of the Corporation's obligation.

1.22 Employee benefits

1.22.1 Long service leave

A Provision for Long Service Leave is maintained to provide for employee long service leave benefits which are assessed on the basis of calculated leave liabilities for employee service to balance sheet date.

These liabilities include 100 per cent of the value of outstanding entitlements available to employees at balance sheet date plus 95 per cent of the value of pro-rata long service leave liability accrued to balance sheet date. Values are calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and are discounted using the rates attached to the Commonwealth Government bonds at balance sheet date which have maturity dates approximating the terms of the Corporation's obligations.

1.22.2 Annual leave

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

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

1.22.3 Purchased leave

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

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

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

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

1.22.4 Termination benefits

Termination benefits are recognised as an expense when the Corporation is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Corporation has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

1.22.5 Non-monetary benefits

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Corporation as the benefits are taken by the employees.

1.22.6 Superannuation

1.22.6.1 Defined contribution plans

The Corporation sponsors the following defined contribution plan:

- Water Corporation Superannuation Plan (WCSP) for former non-contributory members of the West State Superannuation Fund and those employees who are not members of the Gold State Superannuation Scheme (GSSS).

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

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution plans are recognised as a labour expense in the income statement when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

1.22.6.2 Defined benefit plans

The Corporation sponsors the following defined benefit plans:

- (a) State Superannuation Pension Fund (Pension Scheme), which closed to contributory members on 15 August 1986; and
- (b) GSSS, a lump sum scheme which was opened to contributory members on 1 July 1987 and closed on 29 December 1995.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The Corporation's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and any unrecognised past service costs and the fair value of any fund assets are deducted.

The discount rate is the yield at the balance sheet date on government bonds that have maturity dates approximating the terms of the Corporation's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Corporation, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the fund or reductions in future contributions to the fund.

When the benefits of a fund are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

1.23 Reserves

1.23.1 Hedge reserve

The hedge reserve is used to record the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

1.23.2 Developers' contribution reserve

The developers' contribution reserve is used to record the non-cash developer contributions, net of tax, that form part of the funding of new assets acquired by the Corporation.

1.24 Foreign currency transactions

Transactions in foreign currencies are translated to Australian Dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at balance sheet date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

1.25 Derivative financial instruments

The Corporation uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational activities. In accordance with the treasury policy, the Corporation does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivatives are recognised initially at fair value and attributable transaction costs are recognised in the income statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

1.25.1 Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to the income statement in the same period that the hedged item affects the income statement.

1.26 Jointly controlled operations and assets

The interests of the Corporation in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

1.27 Goods and services tax

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the balance sheet.

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

1.28 New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Corporation in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing this financial report:

- Revised AASB 101 *Presentation of Financial Statements (2007)* introduces the term “total comprehensive income”, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or in an income statement and a separate statement of comprehensive income. The revised AASB 101 becomes mandatory for the Corporation’s 30 June 2010 financial statements. The Corporation has not yet determined the potential effect of the revised standard on the Corporation’s disclosures.
- AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Process* and 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Corporation’s 30 June 2010 financial statements, are not expected to have any impact on the financial statements.
- AI 18 *Transfers of Assets from Customers* provides guidance on the accounting for contributions from customers in the form of transfers of property, plant and equipment (or cash to acquire or construct it). AI 18 will become mandatory for the Corporation’s 30 June 2010 financial statements. The Corporation has determined that there will be no impact on the financial statements.

1.29 Determination of fair values

A number of the Corporation’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

1.29.1 Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

1.29.2 Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

1.29.3 Finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements. The estimated fair values reflect change in interest rates.

1.29.4 Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. The fair value of all other receivables/payables is estimated as the present value of future cash flows, discounted at the market rate of interest at balance sheet date.

Note 2 Revenue

	2009	2008
	\$M	\$M
Annual service charges	678	628
Volume charges	343	324
Other fees and charges	81	72
Government grants	13	10
Rental income	5	5
Community Service Obligation (CSO) contributions	444	399
Developers' contributions	184	234
Total revenue	1,748	1,672

Note 3 Expenses

	2009	2008
	\$M	\$M
Depreciation (note a)	285	270
Amortisation	16	12
Labour (note b)	224	186
Hired and contracted services	143	122
Energy	52	50
Discontinued capital projects	12	6
Information technology	31	29
Equipment hire charges	29	28
Corporate charges	27	26
Materials	24	20
Chemicals	22	20
Decommissioned assets	6	10
Other expenses	29	42
Total expenses	900	821

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

	2009	2008
	\$M	\$M
System assets		
Pipelines and fittings	138	134
Dams, reservoirs, bores and tanks	20	19
Ocean outfalls	2	2
Pump stations and treatment plants	30	27
Drains and channels	1	1
Other structures	2	2
Plant and equipment	70	64
	263	249
Land and buildings		
Buildings and associated works	6	6
Plant and equipment		
Plant and equipment	5	5
Computer equipment and software	6	5
Vehicles and mobile plant	4	4
Plant and equipment under lease	1	1
	16	15
	285	270

note b Labour includes the following contributions to defined contribution plans:

	2009	2008
	\$M	\$M
Water Corporation Superannuation Plan	16	13

Note 4 Net Financing Costs

	2009 \$M	2008 \$M
Financial income		
Interest income	(5)	(7)
Financial expenses		
Interest expense	151	121
Capitalised interest (note a)	(28)	(18)
Total financial expenses	123	103
Net financing costs	118	96

note a The average capitalisation rate on interest is as follows:

	2009	2008
Capitalisation rate	5.99%	6.43%

Note 5 Income Tax Expense

5.1 Recognised in the income statement

	2009 \$M	2008 \$M
Current tax expense		
Current year	204	223
Adjustments for prior years	—	—
	204	223
Deferred tax expense		
Origination and reversal of temporary differences	14	3
Adjustments for prior years	—	2
	14	5
Total income tax expense	218	228

5.2 Numerical reconciliation between income tax expense and profit before income tax

	2009 \$M	2008 \$M
Profit for the year	512	527
Total income tax expense	218	228
Profit before income tax	730	755
Income tax using the corporation tax rate of 30% (2008: 30%)	218	226
Under/(over) provided in prior years	—	2
Total income tax expense	218	228



Note 6 Trade and Other Receivables

	2009	2008
	\$M	\$M
Current		
Trade and other receivables	134	122
Less impairment loss for doubtful debts	(2)	(2)
Prepayments	6	6
	138	126
Non Current		
Pensioner rate deferrals	12	12
	12	12
Total trade and other receivables	150	138

The Corporation's exposure to credit risk and impairment losses related to trade and other receivables are disclosed in Note 23.

Note 7 Property, Plant and Equipment

	Gross Asset Value	Accumulated Depreciation	Net Asset Value
	2009	2009	2009
	\$M	\$M	\$M
System assets			
Pipelines and fittings	9,041	1,657	7,384
Dams, reservoirs, bores and tanks	1,245	215	1,030
Ocean outfalls	95	32	63
Pump stations and treatment plants	971	215	756
Drains and channels	83	19	64
Other structures	71	25	46
Plant and equipment	1,328	462	866
Total system assets	12,834	2,625	10,209
Land and buildings			
Land	214	—	214
Buildings and associated works	195	67	128
Total land and buildings	409	67	342
Plant and equipment			
Plant and equipment	76	49	27
Computer equipment	83	68	15
Vehicles and mobile plant	47	21	26
Plant and equipment under lease	6	6	—
Total plant and equipment	212	144	68
Works in progress	1,700	—	1,700
Value of property, plant and equipment	15,155	2,836	12,319



Comparative figures for 2008 are as follows:

	Gross Asset Value 2008 \$M	Accumulated Depreciation 2008 \$M	Net Asset Value 2008 \$M
System assets			
Pipelines and fittings	8,769	1,522	7,247
Dams, reservoirs, bores and tanks	1,220	197	1,023
Ocean outfalls	96	30	66
Pump stations and treatment plants	874	188	686
Drains and channels	83	18	65
Other structures	71	23	48
Plant and equipment	1,175	400	775
Total system assets	12,288	2,378	9,910
Land and buildings			
Land	157	—	157
Buildings and associated works	186	61	125
Total land and buildings	343	61	282
Plant and equipment			
Plant and equipment	73	44	29
Computer equipment	77	62	15
Vehicles and mobile plant	44	18	26
Plant and equipment under lease	6	5	1
Total plant and equipment	200	129	71
Works in progress	1,213	—	1,213
Value of property, plant and equipment	14,044	2,568	11,476

Reconciliations

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

	System Assets 2009 \$M	Land and Buildings 2009 \$M	Plant and Equipment 2009 \$M	Works in Progress 2009 \$M	Total 2009 \$M
Balance at 1 July	9,910	282	71	1,213	11,476
Additions	567	66	14	1,033	1,680
Disposals	(5)	—	(1)	—	(6)
Depreciation expense (Note 3)	(263)	(6)	(16)	—	(285)
Transfers between classes	—	—	—	(546)	(546)
Balance at 30 June	10,209	342	68	1,700	12,319

Comparative figures for 2008 are as follows:

	System Assets 2008 \$M	Land and Buildings 2008 \$M	Plant and Equipment 2008 \$M	Works in Progress 2008 \$M	Total 2008 \$M
Balance at 1 July	9,798	275	63	723	10,859
Additions	371	15	24	769	1,179
Disposals	(10)	(2)	(1)	—	(13)
Depreciation expense (Note 3)	(249)	(6)	(15)	—	(270)
Transfers between classes	—	—	—	(279)	(279)
Balance at 30 June	9,910	282	71	1,213	11,476

Note 8 Intangible Assets

	Gross Asset Value 2009 \$M	Accumulated Amortisation 2009 \$M	Net Asset Value 2009 \$M
Computer software	147	101	46
Intellectual property	2	1	1
Water entitlement	70	—	70
Renewable energy certificates	2	—	2
Total intangible assets	221	102	119

Comparative figures for 2008 are as follows:

	Gross Asset Value 2008 \$M	Accumulated Amortisation 2008 \$M	Net Asset Value 2008 \$M
Computer software	129	85	44
Intellectual property	1	—	1
Water entitlement	55	—	55
Renewable energy certificates	2	—	2
Total intangible assets	187	85	102

Reconciliations

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

	Computer Software 2009 \$M	Intellectual Property 2009 \$M	Water Entitlement 2009 \$M	Renewable Energy Certificates 2009 \$M	Total 2009 \$M
Balance at 1 July	44	1	55	2	102
Additions	18	—	15	—	33
Disposals	—	—	—	—	—
Amortisation expense (Note 3)	(16)	—	—	—	(16)
Transfers between classes	—	—	—	—	—
Balance at 30 June	46	1	70	2	119

Comparative figures for 2008 are as follows:

	Computer Software 2008 \$M	Intellectual Property 2008 \$M	Water Entitlement 2008 \$M	Renewable Energy Certificates 2008 \$M	Total 2008 \$M
Balance at 1 July	28	2	29	1	60
Additions	27	—	26	1	54
Disposals	—	—	—	—	—
Amortisation expense (Note 3)	(11)	(1)	—	—	(12)
Transfers between classes	—	—	—	—	—
Balance at 30 June	44	1	55	2	102

Impairment test for water entitlement

The Corporation has recognised its water entitlement to purchase water into perpetuity at cost. The water entitlement is considered to have an indefinite life and is therefore not amortised but tested annually for impairment by comparing its carrying value with its recoverable amount. The recoverable amount has been determined by assessing the replacement cost of the asset as outlined below.

The cost to replace the water entitlement would be determined against the other current potential water sources, such as bore extraction, desalination or water catchment.

Of the above three alternatives, the most cost effective alternative is bore extraction. The cost to source water from bore extraction is greater than the carrying value of the water entitlement.

Note 9 Interest-bearing Loans and Borrowings

	2009	2008
	\$M	\$M
Current		
Unsecured:		
Western Australian Treasury Corporation liquidity facility	50	55
Western Australian Treasury Corporation Term Floating Rate (TFR)	100	—
	150	55
Non-current		
Unsecured:		
Western Australian Treasury Corporation Portfolio Lending Arrangement (note a)	2,745	2,160
	2,745	2,160
Total interest-bearing loans and borrowings	2,895	2,215

note a **Western Australian Treasury Corporation Portfolio Lending Arrangement (PLA)**

The non current amount of \$2,745 million (2008: \$2,160 million) includes an amount of \$951 million (2008: \$795 million) that will become due and payable during the 2009-10 year. This amount will be refinanced rather than repaid and therefore is not recognised as current borrowings. An agreement is in place where the Corporation's borrowings are refinanced at regular intervals between 2009 and 2019.

Note 10 Deferred Tax Liabilities

10.1 Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2009 \$M	Liabilities 2009 \$M	Net 2009 \$M
Property, plant and equipment	—	328	328
Provisions	(41)	—	(41)
Receivables	—	16	16
Other items	(2)	2	—
Deferred tax (assets) / liabilities	(43)	346	303
Set off of tax	43	(43)	—
Net deferred tax liabilities	—	303	303

Comparative figures for June 2008 are as follows:

	Assets 2008 \$M	Liabilities 2008 \$M	Net 2008 \$M
Property, plant and equipment	—	316	316
Provisions	(35)	—	(35)
Receivables	—	12	12
Other items	(7)	2	(5)
Deferred tax (assets) / liabilities	(42)	330	288
Set off of tax	42	(42)	—
Net deferred tax liabilities	—	288	288

10.2 Movement in temporary differences during the year

	Balance 1 July 08 \$M	Recognised in income \$M	Balance 30 June 09 \$M
Property, plant and equipment	316	12	328
Provisions	(35)	(6)	(41)
Receivables	12	4	16
Other items	(5)	5	—
	288	15	303

Comparative figures for June 2008 are as follows:

	Balance 1 July 07 \$M	Recognised in income \$M	Balance 30 June 08 \$M
Property, plant and equipment	312	4	316
Provisions	(37)	2	(35)
Receivables	11	1	12
Other items	(3)	(2)	(5)
	283	5	288

Note 11 Provisions

	2009 \$M	2008 \$M
Current		
Insurance (note a)		1
Workers' compensation (note b)		—
	1	1
Non-current		
Insurance (note a)		—
Workers' compensation (note b)		3
	3	3
Total provisions		4

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

	2009 \$M
Carrying amount at beginning of year	1
Provisions used during the year	—
Provisions reversed during the year	—
Carrying amount at end of year	1

note b **Workers' compensation**
Reconciliation of the carrying amount of the Workers' compensation provision is set out below:

	2009 \$M
Carrying amount at beginning of year	3
Provisions used during the year	—
Provisions reversed during the year	—
Carrying amount at end of year	3

Note 12 Employee Benefits

	2009 \$M	2008 \$M
Current		
Long service leave	45	39
Annual leave	22	18
Purchased leave	1	—
Superannuation (note a)	12	10
	80	67
Non-current		
Long service leave	7	6
Superannuation (note a)	45	41
	52	47
Total employee benefits	132	114

note a **Superannuation**
The present value of the Corporation's superannuation liability is based on a detailed actuarial assessment using the projected unit credit method. Based on that assessment, the Corporation's liability for superannuation benefits is as follows:

	2009 \$M	2008 \$M
Pension Scheme	20	17
Gold State Superannuation Scheme	37	34
	57	51

Movement in the present value of the defined benefit obligations

	2009 \$M	2008 \$M
Defined benefit obligations at 1 July	51	51
Interest cost	3	3
Actuarial losses and (gains) on liabilities	7	1
Benefits paid by the plan	(4)	(4)
Defined benefit obligations at 30 June	57	51

Expense recognised in the income statement

	2009	2008
	\$M	\$M
Interest cost	3	3
Actuarial losses and (gains) recognised throughout the year	7	1
	<u>10</u>	<u>4</u>

The expense is recognised in labour expenses.

Actuarial assumptions

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2009	2008
Discount rate at 30 June	5.5%	6.5%
Expected future salary increases	4.5%	4.5%
Expected future pension increases	3.0%	3.0%

Assumptions regarding future mortality are based on published statistics and mortality tables. The current longevities underlying the values of the liabilities in the defined benefit plans are as follows:

	2009	2008
Longevity at age 65 for current pensioners		
Males	19.8	19.7
Females	23.2	23.1

Fair value of plan assets is nil (2008: nil)

Historical information

	2009	2008
	\$M	\$M
Present value of the defined benefit obligation	57	51
Experience adjustments arising on plan liabilities	2	1

Note 13 Other Liabilities

	2009	2008
	\$M	\$M
Current		
Developers' deferred liabilities	13	10
Deposits	7	13
	<u>20</u>	<u>23</u>
Non-current		
Developers' deferred liabilities	7	6
Deposits	3	11
	<u>10</u>	<u>17</u>
Total other liabilities	<u>30</u>	<u>40</u>

Note 14 Contributed Equity

	2009	2008
	\$M	\$M
Share capital (note a)	—	—
Owner's initial contribution (note b)	7,327	7,327
	<u>7,327</u>	<u>7,327</u>

note a **Share capital**

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

note b **Owner's initial contribution**

Owner's initial contribution is the portion of the residual interest in the Water Authority of Western Australia's assets, after deducting the liabilities that were transferred from the Water Authority of Western Australia to the Water Corporation on 1 January 1996. During 1998, \$1,000 was transferred from Owner's initial contribution to share capital to reflect the value of 1 ordinary share issued.

Note 15 Reconciliation of Cash Flows from Operating Activities

15.1 Cash and cash equivalents

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

Cash held at bank is earning interest at rates determined by the Department of Treasury and Finance. For the year ended 30 June 2009 the average interest rate was 6.3% (2008: 6.8%).

The Corporation's exposure to interest rate risk for financial assets and liabilities is disclosed in Note 23.

15.2 Reconciliation of cash flows from operating activities

	2009	2008
	\$M	\$M
Profit for the year	512	527
Decommissioned assets	6	10
Developers' contributions	(89)	(111)
Capitalisation of interest expense	(28)	(18)
Impairment loss on receivables	—	(1)
Employee benefits:		
Superannuation – net	6	—
Long service leave – net	7	3
Annual leave – net	4	2
Provisions:		
Workers' compensation – net	—	3
Insurance – net	—	1
Depreciation	285	270
Amortisation	16	12
GST paid for property, plant and equipment	73	49
(Increase)/Decrease in trade and other receivables	(27)	22
(Decrease)/Increase in income tax	(34)	53
(Increase)/Decrease in inventories	(2)	6
Increase/(Decrease) in trade and other payables and other liabilities	2	(9)
Net cash from operating activities	731	819

Note 16 Auditors' Remuneration

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

	2009	2008
	\$'000	\$'000
Fees applicable for the annual audit of the year involved	240	236
Fees applicable for the review of the half-yearly accounts	68	64
	308	300

Note 17 Key Management Personnel Disclosures

Remuneration of key management personnel is referred to as compensation as defined in AASB 124 *Related Party Disclosures* and includes directors and executives.

The compensation of the non-executive Directors of the Board is determined following independent advice from management remuneration consultants and the State Government's Salaries and Allowances Tribunal and is approved by the Minister. The compensation is in the form of salary and superannuation contributions. Other than compulsory superannuation contributions, the Water Corporation does not pay any other post-employment benefits to non-executive Directors.

The Board, with the concurrence of the Minister, is responsible for the compensation of the Chief Executive Officer and her compensation is reviewed annually. The compensation is in the form of salary, non-monetary benefits and superannuation contributions. Non-monetary benefits include access to a fully maintained motor vehicle and fringe benefits tax. Other long term benefits include long service leave.

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

Executive compensation is expressed as a total reward that includes salary, non-monetary benefits and superannuation and is benchmarked against comparative industry groups in order to remain competitive in the labour market. In making recommendations, the Chief Executive Officer receives annual salary survey data and advice from independent remuneration consultants regarding compensation practices. Non-monetary benefits include access to a fully maintained motor vehicle and fringe benefits tax. Other long term benefits include long service leave.

Senior Management of the Corporation are employed on common law contracts which include a variable component paid as a lump sum if pre-determined key indicators of corporate and individual performance are met. This Target Based Rewards (TBR) scheme was developed in 2007–08, with measures defined in Occupational Health and Safety, Culture, Customer Service, Operations and Finance for initial implementation in the 2008–09 financial year. The tragic accidental death of an employee in May 2009 was deemed of such significance as to cancel the TBR for that year and no payment was made to any staff. Targets have been re-set for the 2009–10 financial year. The Corporation does not provide any long term incentives, loans, grant options, rights or shares to key management personnel.

There were no termination benefits paid to key management personnel during the year.

Details of compensation provided to key management personnel are as follows:

Position		Salary & Fees	Short-Term	Incentive	Post-Employment	Other Long	Total
		2009 \$'000	Non-monetary Benefits 2009 \$'000	Payments 2009 \$'000	Superannuation 2009 \$'000	Term Benefits 2009 \$'000	2009 \$'000
Directors							
P O'Connor	Chairman (non-executive)	103	—	—	15	—	118
BE Hewitt	Deputy Chairman (non-executive)	—	—	—	58	—	58
Z Bafle	Director (non-executive)	—	—	—	58	—	58
AR Bantock	Director (non-executive)	53	—	—	5	—	58
KL Field	Director (non-executive)	53	—	—	5	—	58
RA Harvey	Director (non-executive)	53	—	—	5	—	58
SL Murphy	Chief Executive Officer (appointed 6 Nov 08) (note a)	327	4	—	84	13	428
Jl Gill	Chief Executive Officer (resigned 5 Nov 08)	26	—	—	134	5	165
		615	4	—	364	18	1,001
Executives							
JM Brown	General Manager, Customer Services (resigned 31 Dec 08)	36	16	—	116	5	173
K Cadee	General Manager, Water Technologies	252	—	—	30	9	291
GC Cargeeg	General Manager, Asset Management	204	—	—	46	8	258
PA Ferguson	General Manager, Planning and Infrastructure	226	—	—	40	9	275
CM Ferrari	General Manager, Communications	120	—	—	98	7	225
RM Hughes	Chief Financial Officer	286	—	—	57	11	354
DA Luketina	General Manager, Business Services (appointed 5 Jan 09) (note b)	104	—	—	15	4	123
PD Moore	Chief Operating Officer	262	24	—	132	13	431
Al Vincent	General Manager, Customer Services (appointed 15 Jul 08) (note b)	204	—	—	29	8	241
		1,694	40	—	563	74	2,371
Total compensation		2,309	44	—	927	92	3,372

note a SL Murphy's compensation includes amounts relating to her role of General Manager Planning and Infrastructure from 1 July 2008 to 5 November 2008.

note b DA Luketina and AL Vincent's compensation relates to the period since their appointment as General Managers.

Comparative figures for June 2008 are as follows:

Position		Salary & Fees	Short-Term	Incentive	Post-Employment	Other Long	Total
		2008	Non-monetary	Payments	Superannuation	Term Benefits	2008
		\$'000	Benefits	2008	2008	2008	2008
			2008	\$'000	\$'000	\$'000	\$'000
			\$'000	\$'000			
Directors							
P O'Connor	Chairman (non-executive)	103	—	—	15	—	118
BE Hewitt	Deputy Chairman (non-executive)	9	—	—	49	—	58
Z Bafle	Director (non-executive)	17	—	—	41	—	58
AR Bantock	Director (non-executive)	53	—	—	5	—	58
KL Field	Director (non-executive)	45	—	—	13	—	58
RA Harvey	Director (non-executive)	53	—	—	5	—	58
JI Gill	Chief Executive Officer	273	26	—	161	14	474
		553	26	—	289	14	882
Executives							
JM Brown	General Manager, Customer Services	122	18	—	168	9	317
K Cadee	General Manager, Water Technologies	226	—	—	27	8	261
GC Cargeeg	General Manager, Asset Management	144	—	—	90	7	241
PA Ferguson	General Manager, Business Services	195	—	—	32	7	234
CM Ferrari	General Manager, Communications	158	—	—	49	7	214
RM Hughes	Chief Financial Officer	254	—	—	49	10	313
PD Moore	Chief Operating Officer	272	24	—	84	11	391
SL Murphy	General Manager, Planning and Infrastructure	237	—	—	66	10	313
		1,608	42	—	565	69	2,284
Total compensation		2,161	68	—	854	83	3,166

Amounts receivable from key management personnel at balance sheet date arising from these transactions were as follows:

	2009	2008
	\$'000	\$'000
Trade and other receivables:		
Prepayments	113	104

Note 18 Non-Key Management Personnel Disclosures

The Corporation operates in an economic regime currently dominated by entities directly or indirectly controlled by the Western Australian State Government ("state-controlled entities") through its government authorities, agencies, affiliations and other organisations.

Transactions with other state-controlled entities include, but are not limited to, the following: depositing and borrowing money, sales and purchases of goods, property and other assets and use of utilities.

These transactions are conducted in the ordinary course of the Corporation's business on terms comparable to those with other entities that are not state controlled. The Corporation has established its buying, pricing strategy and approval process for purchases and sales of products and services. Such buying, pricing strategy and approval processes do not depend on whether the counterparties are state-controlled entities or not.

Having considered the potential for transactions to be impacted by related party relationships, the Corporation's pricing strategy, buying and approval processes, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements, the Directors are of the opinion that there are no transactions that require disclosure as related party transactions as all are on arms-length terms.

Note 19 Operating Leases

19.1 Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2009 \$M	2008 \$M
Less than one year	15	13
Between one and five years	55	48
More than five years	8	6
	78	67

The Corporation leases property and motor vehicles under non-cancellable operating leases.

During the financial year ended 30 June 2009, \$18 million was recognised as an expense in the income statement in respect of non-cancellable operating leases (2008: \$17 million).

19.2 Leases as lessor

The future minimum lease payments under non-cancellable leases are as follows:

	2009 \$M	2008 \$M
Less than one year	4	3
Between one and five years	7	7
More than five years	1	1
	12	11

The Corporation leases out property under operating leases.

During the financial year ended 30 June 2009, \$5 million was recognised as rental income in the income statement (2008: \$5 million).

Note 20 Capital and Other Commitments

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

	2009 \$M	2008 \$M
Capital and other expenditure		
Not later than one year	695	419
Later than one year but not later than five years	549	170
	1,244	589

Note 21 Contingencies

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

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Note 22 Subsequent Events

There have been no events subsequent to balance date which would have a material effect on the Corporation's financial statements at 30 June 2009.

Note 23 Financial Instruments

23.1 Overview

The Corporation has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Corporation's exposure to each of the above risks, objectives, policies and processes for measuring and managing risk, as well as quantitative disclosures.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Corporation's activities. The Corporation has a disciplined and constructive control environment in which all employees are clearly advised of their roles and obligations.

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

23.2 Credit risk

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

Management has a credit policy in place and the exposure to credit risk is monitored on a regular basis. The credit risk on financial assets, which have been recognised on the balance sheet, other than cash and other financial assets is generally the carrying amount, net of any impairment loss for doubtful debts. Most receivables relating to annual service charges and water charges are secured on the rated property. Other receivables are regularly reviewed and allowance is made for debts deemed to be doubtful.

The Corporation has established an allowance for impairment that represents its estimate of incurred losses in respect to trade and other receivables and comprises individually significant exposures.

At balance sheet date, there were no significant concentrations of credit risk

Exposure to credit risk

The carrying amount of the Corporation's financial assets represents the maximum credit exposure. The Corporation's maximum exposure to credit risk at balance sheet date was:

	2009	2008
	\$M	\$M
Cash and cash equivalents	24	44
Trade and other receivables (Note 6)	150	138
	174	182

The Corporation is not materially exposed to any individual customer.

Impairment losses

The aging of the Corporation's trade and other receivables at balance sheet date was:

	Gross Impairment		Gross Impairment	
	2009	2009	2008	2008
	\$M	\$M	\$M	\$M
Not past due	131	—	121	—
Past due 0–30 days	10	—	10	—
Past due 31–60 days	3	—	3	—
Past due 61–90 days	1	—	1	—
More than 90 days	7	2	5	2
	152	2	140	2

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	2009	2008
	\$M	\$M
Balance 1 July	2	2
Impairment loss recognised	—	—
Balance 30 June	2	2

Impairment losses are recognised when recovery of the debt is considered to be unlikely or of high risk due to circumstances such as the value of any security held is or becomes less than the value of the debt, the cost of recovery is approximate to or becomes greater than the value of the debt, the customer's financial position is unfavourable or the customer is deceased or whereabouts is unknown.

Based on historical default rates, the Corporation believes that no impairment allowance is necessary in respect of trade and other receivables not past due or past due by up to 90 days; 99 percent of the balance relates to customers that have a good credit history with the Corporation.

During the year ended 30 June 2009, the Corporation renegotiated the terms of trade and other receivables of \$8 million (2008: \$8 million) from customers. If it had not been for these renegotiations, the receivables would have been overdue by more than 90 days. No impairment loss was recognised (2008: nil).

The allowance account, in respect of trade and other receivables, is used to record impairment losses unless the Corporation is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the financial asset directly. At 30 June 2009, the Corporation does not have any collective impairments on its trade and other receivables (2008: nil).

23.3 Liquidity risk

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

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

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

At 30 June 2009 the current liabilities of the Corporation exceeded its current assets by \$387 million (2008: \$266 million). The Corporation will meet its current liability obligations, as and when they fall due for payment, by drawing down on its unused lines of credit. The lines of credit are detailed below.

The Corporation has in place arrangements for Western Australian Treasury Corporation (WATC) to provide finance, currently limited to \$4,500 million (2008: \$3,000 million) for the repayment of maturing debt and ongoing capital expenditure. At 30 June 2009, \$2,875 million was drawn under the facility (2008: \$2,160 million), and the remaining amount available under the facility was \$1,625 million (2008: \$840 million).

In addition, the Corporation has up to \$500 million (2008: \$200 million) available of a liquidity facility established with WATC that can be drawn down to meet short-term financing needs. At 30 June 2009, \$50 million was drawn under the facility (2008: \$55 million), and the remaining amount available under the facility was \$450 million (2008: \$145 million).

Outstanding lines of credit are regularly discussed and agreed with WATC. The type, currency and term of any new finance are determined at the time of draw-down between the Corporation and WATC.

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements:

30 June 2009	Contractual Carrying amount \$M	cash flows \$M	6 mths or less \$M	6–12 mths \$M	1–2 years \$M	2–5 years \$M	More than 5 years \$M
Non-derivative financial liabilities							
Trade and other payables*	260	(260)	(260)	—	—	—	—
Interest-bearing loans and borrowings:							
– WATC liquidity facility	50	(50)	(50)	—	—	—	—
– WATC TFR	100	(101)	(101)	—	—	—	—
– WATC PLA	2,745	(3,348)	(915)	(154)	(301)	(832)	(1,146)
Derivative financial liabilities							
Forward exchange contracts used for hedging							
– Outflow	—	(7)	(3)	(3)	(1)	—	—
– Inflow	—	7	3	3	1	—	—
	3,155	(3,759)	(1,326)	(154)	(301)	(832)	(1,146)
30 June 2008							
	Contractual Carrying amount \$M	cash flows \$M	6 mths or less \$M	6–12 mths \$M	1–2 years \$M	2–5 years \$M	More than 5 years \$M
Non-derivative financial liabilities							
Trade and other payables*	200	(200)	(200)	—	—	—	—
Interest-bearing loans and borrowings:							
– WATC liquidity facility	55	(55)	(55)	—	—	—	—
– WATC TFR	—	—	—	—	—	—	—
– WATC PLA	2,160	(2,650)	(780)	(120)	(232)	(639)	(879)
Derivative financial liabilities							
Forward exchange contracts used for hedging							
– Outflow	—	(3)	—	(3)	—	—	—
– Inflow	—	3	—	3	—	—	—
	2,415	(2,905)	(1,035)	(120)	(232)	(639)	(879)

* Excludes derivatives (shown separately)

23.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

The Corporation enters into derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out in line with risk management policies. Generally, the Corporation seeks to apply hedge accounting in order to manage volatility in profit or loss.

23.4.1 Currency risk

The Corporation is exposed to currency risk on purchases that are denominated in a currency other than Australian dollars. The currency in which these transactions primarily are denominated is Euro.

Where possible, the Corporation fully hedges identified foreign currency exposures into Australian dollars, subject to foreign exchange exposure limits. The Corporation uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from balance sheet date. When necessary, forward exchange contracts are rolled over at maturity.

In accordance with risk management policies, non-material exposures to an aggregate value of \$200,000 for any one project may be left unhedged. At any one time, unhedged exposures in a specific foreign currency cannot exceed an aggregate value of \$500,000 and unhedged exposures in all foreign currencies cannot exceed an aggregate value of \$1,000,000.

In relation to Alliances that the Corporation enters into with the private sector to deliver water and wastewater projects, foreign currency exposures arise when materials are sourced and/or labour costs are incurred outside of Australia for these projects. A target out-turn cost, which includes a discrete contingency amount for adverse exchange rate movements on uncertain items which cannot be hedged upfront, is agreed at the beginning of a project. The Corporation is responsible for managing foreign currency exposures with the co-operation of the Alliance participants and reserves the right to pass on to the participants any losses or take any gains arising from failure of the participants to identify material foreign currency exposures.

The Corporation has no material exposure to foreign currency risk.

23.4.2 Interest rate risk

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

Profile

At balance sheet date the interest rate profile of the Corporation's interest bearing financial instruments was:

	2009 \$M	2008 \$M
Fixed rate instruments		
Financial assets	174	182
Financial liabilities	(2,895)	(2,215)
	(2,721)	(2,033)

Fair value sensitivity analysis for fixed rate instruments

The Corporation does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Corporation does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at balance sheet date would not affect profit or loss or equity.

23.5 Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	2009	2009	2008	2008
	\$M	\$M	\$M	\$M
Financial assets				
Cash and cash equivalents	24	24	44	44
Trade and other receivables	150	150	138	138
Financial liabilities				
Interest-bearing loans and borrowings:				
– WATC liquidity facility	50	50	55	55
– WATC TFR	100	100	—	—
– WATC PLA	2,745	2,797	2,160	2,149

The basis for determining fair values is disclosed in Note 1.29.

Interest rates used for determining fair value

The average interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve at balance sheet date plus an adequate credit spread, and were as follows:

	2009	2008
Loans and borrowings	5.2%	6.8%

DIRECTORS' DECLARATION

In the opinion of the Directors of the Water Corporation (the "Corporation"):

- (a) the financial statements and notes are in accordance with the *Water Corporation Act 1995*, including:
 - (i) giving a true and fair view of the Corporation's financial position as at 30 June 2009 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.2.1.
- (c) there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



P. O'Connor
Chairman



S.L. Murphy
Chief Executive Officer

PERTH, 18 August 2009.



AUDITOR GENERAL

Independent Audit Report on Water Corporation

To the Parliament of Western Australia

I have audited the financial report of the Water Corporation, which comprises the Balance Sheet as at 30 June 2009, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year ended on that date, a summary of significant accounting policies, other explanatory Notes and the Directors' Declaration.

Directors' Responsibility for the Financial Report

The directors of the Water Corporation are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Water Corporation Act 1995. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Summary of my Role

As required by the Water Corporation Act 1995, my responsibility is to express an opinion on the financial report based on my audit. This was done by testing selected samples of the audit evidence. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. Further information on my audit approach is provided in my audit practice statement. Refer www.audit.wa.gov.au/pubs/AuditPracStatement_Feb09.pdf.

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

Audit Opinion

In my opinion, the financial report of the Water Corporation is in accordance with schedule 3 of the Water Corporation Act 1995, including:

- (a) giving a true and fair view of the Corporation's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

A handwritten signature in black ink, appearing to read 'C. Murphy'.

COLIN MURPHY

AUDITOR GENERAL

18 August 2009

4th Floor Dumas House 2 Havelock Street West Perth 6005 Western Australia
Tel: 08 9222 7500 Fax: 08 9322 5664

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General and Customer Account Enquiries

Telephone: 13 13 85 (8am – 5pm weekdays)

Building Services and Subdivision Enquiries

Telephone: 13 13 95 (8am – 5pm weekdays)

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