



WESTERN AUSTRALIAN
TREASURY CORPORATION

Financial Solutions for the benefit of all Western Australians

Annual Report 2010

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WESTERN AUSTRALIAN
TREASURY CORPORATION

FINANCIAL SOLUTIONS FOR THE BENEFIT OF ALL WESTERN AUSTRALIANS

THE HON. COLIN BARNETT
PREMIER; TREASURER OF WESTERN AUSTRALIA

In accordance with Section 61 of the *Financial Management Act 2006*, we hereby submit for your information and presentation to Parliament, the Annual Report of the Western Australian Treasury Corporation for the financial year ended 30 June 2010.

The Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006*.



T M MARNEY
CHAIRPERSON

WESTERN AUSTRALIAN
TREASURY CORPORATION

20 August 2010



J M COLLINS
CHIEF EXECUTIVE OFFICER

WESTERN AUSTRALIAN
TREASURY CORPORATION

20 August 2010

Head Office: Level 12, 225 St Georges Terrace, PERTH WA 6000
Postal Address: PO Box 7282, Perth Cloisters Square WA 6850
A.B.N. 22 300 359 323

Phone: (+61) 8 9235 9100
Facsimile: (+61) 8 9235 9199

Email: watc@watc.wa.gov.au
Website: www.watc.wa.gov.au

WESTERN AUSTRALIAN TREASURY CORPORATION

FINANCIAL SOLUTIONS FOR THE BENEFIT OF ALL WESTERN AUSTRALIANS

Western Australian Treasury Corporation assists in the provision of State infrastructure by providing debt and financial risk management services to the Western Australian public sector.



City of Perth Parking

City of Perth Parking's new Elder Street parking facility, located in the heart of the city's commercial and office areas, was designed to complement the surrounding streetscape and includes many environmentally-friendly features. Through the provision of competitive debt financing, WATC was able to assist City of Perth Parking to deliver this new state-of-the-art facility.



Horizon Power is building two new state-of-the-art, solar-diesel power stations in the inland Pilbara towns of Marble Bar and Nullagine. Through WATC support, Horizon Power is able to achieve its goal of providing more secure, reliable, clean, environmentally-friendly power to even the most remote towns and communities in the Pilbara region.



PERTH
THEATRE
TRUST



The London Philharmonic Orchestra performed two concerts at the Perth Concert Hall in October 2009. WATC was able to assist Perth Theatre Trust in the management of foreign currency exposure associated with bringing this world-renowned orchestra to Perth.



WESTERN AUSTRALIAN TREASURY CORPORATION

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An exciting round of the Red Bull Air Race World Championship was held in Perth in April 2010. WATC was able to assist Tourism Western Australia in the management of foreign currency exposure associated with bringing this iconic international event to Perth.



THE UNIVERSITY OF
WESTERN AUSTRALIA
Achieve International Excellence

The University of Western Australia's recently completed Business School building has been recognised locally and internationally for its outstanding architecture, while the new Science Library showcases contemporary thinking about academic library design. Debt finance from WATC assisted the University to provide these state-of-the-art facilities, providing students with contemporary and innovative learning environments.





The construction of a new multi-user berth and loading facilities at Utah Point by Port Hedland Port Authority will provide a number of emerging iron ore junior miners with access to bulk commodity export infrastructure.

WATC was able to support Port Hedland Port Authority in the construction of the new Utah Point Berth by providing assistance with financial modelling, foreign exchange management and transaction services, investments and through the provision of debt funding and associated risk management services.



Board of Directors



Seated from left to right: Catherine Nance and Timothy Marney.
Standing from left to right: John Collins, Anthony Kannis, Grahame Searle and Gaye McMath.

TIMOTHY M MARNEY

CHAIRPERSON

Mr Marney has been Chairperson of the Board since his appointment to the position of Under Treasurer of the State of Western Australia on 20 June 2005, before which he had been Acting Chairperson since July 2004. He is also Chairperson of the Remuneration Committee. Mr Marney holds an Honours degree in Economics and has almost twenty years experience in economics and finance, which includes working with the Reserve Bank of Australia prior to joining the Department of Treasury and Finance.

ANTHONY M KANNIS

DEPUTY CHAIRPERSON

Mr Kannis was appointed to the Board as Deputy Chairperson in March 2009. He is also a member of the Audit Committee. Mr Kannis holds the position of Executive Director, Infrastructure and Finance, in the Department of Treasury and Finance. In May 2008, he was appointed to the Board of Infrastructure Australia, advising the Commonwealth Government on the priority of 'nationally significant' proposals submitted as part of its infrastructure audit.

GRAHAME SEARLE

Mr Searle was appointed to the Board as a director on 1 January 2009. He is the Director General of the Department of Housing. Prior to this, Mr Searle held a number of executive positions, including Chief Executive Officer, at Landgate, following a range of senior leadership and management roles in Victoria. Mr Searle holds a Bachelor of Business degree. He is an honorary Fellow of the Spatial Sciences Institute of Australia, past President of the Institute of Public Administration (WA Division) and a member of the WA Planning Commission.

GAYE M MCMATH

Ms McMath has been a director of WATC since 1 January 2003 and is also a member of the Audit Committee and the Remuneration Committee. She is the Executive Director, Finance and Resources, with the University of Western Australia. Prior to this, Ms McMath was the Pro Vice Chancellor (Resource Management) at Murdoch University (Perth) after a twenty-three year career with BHP Billiton in a wide range of financial, strategic planning, treasury and commercial management positions. She holds a Bachelor of Commerce degree, a Master of Business Administration degree and completed the Advanced Management Program, Harvard Business School, in 2008. She is a Fellow of the Australian Institute of Company Directors and CPA Australia. Ms McMath is a director of Silver Chain Nursing Association (Incorporated), Gold Corporation and Verve Energy, and she is a member of the Commonwealth Government Solar Flagship Committee.

CATHERINE A NANCE

Ms Nance has been a director of WATC since 1998 and is also Chairperson of the Audit Committee and a member of the Remuneration Committee. She is an Actuary and Partner of PricewaterhouseCoopers with over twenty years experience in the financial services industry advising governments and companies on actuarial and finance-related matters. Ms Nance has a Bachelor of Science degree in Pure and Applied Mathematics and Physics and a Bachelor of Arts degree in Statistics. She is a Fellow of the Institute of Actuaries of Australia, an Affiliate of the Institute of Actuaries (London), a Fellow of the Financial Services Institute of Australasia and a member of the CFA Institute. Ms Nance is a director of Community CPS Australia Limited and chairs an Institute of Actuaries national taskforce on retirement-related issues.

JOHN M COLLINS

Mr Collins was appointed CEO of WATC and a director of the WATC Board effective 15 October 2009. He serves as a member of the Remuneration Committee. Mr Collins has previously worked in numerous senior banking and financial markets capacities in the US, Australia and Indonesia. This included almost ten years with Cargill Incorporated and nearly fifteen years with ANZ Bank, most recently as President Director of PT ANZ Panin Bank in Indonesia. Mr Collins has a Bachelor of Science in Business Administration degree with a major in Finance from the Ohio State University in Columbus, Ohio, and a Master of Business Administration degree with a specialisation in International Finance from the University of St Thomas in St Paul, Minnesota. He is currently AFMA accredited, is a graduate of the AICD Company Directors Course and has recently joined the School of Economics and Finance Advisory Board for the Curtin Business School.

Chairperson's and Chief Executive Officer's Review

OVERVIEW

The past two years were amongst the most challenging in the history of modern global financial markets. Volatility in interest rate, foreign exchange and credit markets was unprecedented. Debt outstanding in the financial markets has increased significantly in absolute terms and relative to the global economies' ability to service it, as measured as percentages of GDP. A predictable global response to this environment by financial authorities has been an inclination to re-regulate. This process adds to the uncertainty for investors, banks, debt issuers, etc., in trying to establish appropriate benchmarks to guide the pricing of investments. While Australia has fared relatively well, it is not immune to changing global market pressures originating in Europe and the US. Australia has benefited by closer economic interdependencies with China, Japan, Korea, India, Indonesia and the balance of Asia.

This past year has seen some reduction in volatility. WATC benefited, with domestic bank balance sheets seeking increased quantities of shorter term semi-government paper to help them comply with the evolving APS 210 regulation, which has yet to be finalised. Heightened perceived sovereign risk in Europe has also increased relative demand for WATC paper. In this environment, WATC funded and lent, at competitive interest rates, an additional \$5.9 billion in new loans for operations and infrastructure development in Western Australia.

As WATC enters its twenty-fifth year, it is appropriate to acknowledge the previous leadership of Mr Ray Hughes, Mr David Butler, Mr Michael Webb and, briefly, Mr Melvin Nunes who originated many of the ideas which have been enhanced and executed with increased vigour and focus with the passage of time. It was the leadership of these people that ensured WATC was well prepared to successfully navigate the recent environmental challenges.

IMPROVING THE KNOWLEDGE OF AND RELATIONSHIP WITH CLIENTS

During the past year, significant client engagement was undertaken. Numerous advisory assignments took place, with WATC's Quantitative Financial Services business unit conducting Weighted Average Cost of Capital calculations, interest rate and foreign exchange risk management projects, and other financial analyses for its clients. Additionally, the Asset and Project Financing team worked on an increasing number of infrastructure projects for the Western Australian public sector. The first client CPI loans were executed this year and utilisation of this product is expected to increase. During the year, WATC commissioned Peter Lee Associates to provide an enhanced client survey, conducted a new investment survey and continued to consult with clients on foreign exchange risk management, all with a focus on opportunities for improved service offerings. Again this year, two economic presentations by chief economists of major banks were arranged by WATC, each attended by over fifty clients.

DEEPENING AND BROADENING ACCESS TO FINANCIAL MARKETS

WATC raised a record amount of debt in 2010, establishing a new November 2012 benchmark bond to replace the maturing October 2009 issue. Substantial amounts of bonds were sold by reverse inquiry throughout the year into WATC's benchmark bond lines to support long-term debt issuance. A total of \$37 billion in short-term debt was placed in varying maturities, while over \$8.0 billion of long-term debt was sold – both annual records for WATC. During the second half of the year, a large amount of bonds was swapped into floating rate structures for clients at favourable rates.

WATC commenced a program of Australian Financial Markets Association (AFMA) accreditation for financial markets and client services staff. It is expected that WATC will have approximately 25 AFMA accredited staff at this time next year. Several changes to WATC dealer panels were effected in 2010. In the Euro Commercial Paper program, Union Bank of Switzerland, Bank of America and Credit Suisse were added to the panel. Several banks expressed interest in joining the Euro Medium Term Note panel. However, given inactivity over the past three to four years, the panel has remained unchanged until issuing conditions improve in that market.

REVIEWING AND REFINING THE BUSINESS MODEL

WATC continued to refine business planning processes in 2010, with a view to developing a stronger, systematically supported, continuous improvement process. Elements of this program include enhanced client and staff surveys, individual performance management processes which are more objective and better aligned to those of WATC's KPIs, and improvements in the strategic planning process.

Improved engagement, both qualitative and quantitative, between WATC staff and stakeholders will continue to evolve. More focused staff training and development, targeted at the greater achievement of client goals, will continue into the future. Towards that end, WATC will seek to reduce the number of external consulting engagements and build these skills in-house.

During the year, staff reviewed and revised WATC's Vision, Mission and Values and these were subsequently endorsed by the Board. The revised Values include Leadership, Integrity, Partnership, Accountability and Excellence.

BUILDING CAPACITY

A reduction in the number of strategic initiatives allowed WATC to focus on those areas most important to key stakeholders. Staff have been recruited to key support areas including Risk, ICT and Originations and Governance, as well as to advisory units at varying levels of seniority. The WATC balance sheet has grown by over 30 per cent in each of the past two years and it is important to retain and develop the capacity to embrace future growth efficiently. However, it is pleasing to note that WATC spent \$250,000 less in total administrative costs in 2010 than in 2009.

FINANCIAL PERFORMANCE

Financial performance was challenging relative to last year, which benefited from a \$30 million contribution from WATC portfolio activities, due, in part, to favourable year-end revaluations. As expected, some of this one-off revaluation effect was reversed in the current year. Portfolio activities were \$7.5 million below plan, which were offset by a \$3.3 million reduction in administrative expenses and a \$2.8 million increase in other income items. This left WATC's net result at \$6.8 million, or \$2.0 million below plan for pre-tax profit. Given the volatile circumstances throughout the past two years, this is, in WATC's view, an outstanding result.

All other financial KPIs were achieved this year, including the return on equity measure of 8.4 per cent against a target of 8.1 per cent. WATC's administrative cost ratio was 0.07 per cent of assets, well below its 0.13 per cent target. Similarly, WATC's interest rate savings again exceeded benchmarks established in previous years.

WATC is positioned sustainably to successfully meet challenges presented in the future and to enhance the positions of all stakeholders in a balanced and positive manner.

We thank our employees and Board for their hard work and dedication in achieving outcomes for the State of Western Australia of which we are very proud.



T M MARNEY
CHAIRPERSON

WESTERN AUSTRALIAN
TREASURY CORPORATION

20 August 2010



J M COLLINS
CHIEF EXECUTIVE OFFICER

WESTERN AUSTRALIAN
TREASURY CORPORATION

20 August 2010

Performance Against Targets for 2009/10

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

WATC's performance against its targets for 2009/10 is set out below.

1. Estimated Interest Rate Savings

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

For reference purposes, the dollar saving is represented as an equivalent weighted average interest rate saving on the average debt base for the year.

Target: Savings > 0.00%

Outcome: Refer to table below.

2009/10 Estimated Interest Rate Savings to Clients by Reference Bond Credit Rating and Term to Maturity*

Maturity Bucket (Years)	AAA	AA+	AA	AA-
1 to 2	0.62%	0.93%	0.76%	3.05%
2 to 3	0.48%	1.03%	0.84%	1.86%
3 to 4	0.74%	1.14%		
4 to 5	0.56%			
5 to 6	1.09%			
6 to 7	0.96%			
7 to 8				
8 to 9				
9 to 10	0.90%			
10 to 11				
11 to 12				
12 to 13				

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

2. Return on Capital

WATC operates to achieve a return on capital consistent with the risk carried within its business. The Capital Asset Pricing Model is used as the basis for the determination of this return target.

The formula used to calculate return on capital is as follows:

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

Adjusted Average Capital for the Year is opening equity adjusted to take into account the timing and amount of any dividends paid to government during the year.

Target: Return = 8.1%

Outcome: Return = 8.4%

3. Administration Cost Ratio

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

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

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

Target: Administration Cost Ratio < 0.13%

Outcome: Administration Cost Ratio = 0.07%

4. Assessment of Client Satisfaction

Peter Lee Associates, a research and consulting firm specialising in the financial services industry, was engaged to undertake a client survey of WATC's major lending clients, representing more than 90% of total client debt outstanding. The survey methodology employed was a significant departure from previous client surveys undertaken, with a focus on gaining a more holistic and intensive client insight across a range of contacts at different levels (including CEOs, CFOs, managers and operational staff) within client organisations.

Target: 100% client satisfaction level

Outcome: The results from the survey reflected:

- 92% positive satisfaction with the alignment of debt finance products to client needs.
- 92% positive satisfaction with the overall quality of service provided.

While the results cannot be compared directly with previous surveys, Peter Lee Associates indicated that the results, in terms of quality of service, relationship management and debt financing capability, were well above related industry benchmarks.

Overview of Western Australian Treasury Corporation

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

ENABLING LEGISLATION

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

RESPONSIBLE MINISTER

The Hon Colin Barnett, MEd, MLA; Premier; Treasurer; Minister for State Development.

PURPOSE

To provide efficient debt funding, effective financial solutions and leadership in financial risk management to the public sector for the benefit of all Western Australians.

VISION

To be respected in financial markets, valued by our clients and sought out by the Western Australian public sector for our expertise.

Realising this vision will mean that WATC:

- provides financial products and services that are competitively priced and meet client risk management requirements;
- understands the needs of its clients to assist them to meet their financial objectives within the framework of financial management policies established by Government;
- is sought out across the Western Australian public sector for its expertise in financial risk management; and
- assists the State of Western Australia in developing and implementing frameworks for aspects of financial risk management by the State and its agencies.

SERVICES PROVIDED TO THE PUBLIC SECTOR IN WESTERN AUSTRALIA

WATC provides a range of financial services to the public sector in Western Australia, principally:

- lending to clients through a range of debt funding structures;
- providing financial risk management services (primarily interest rate risk management and the management of foreign exchange risk);
- investing its clients' and the State's short to medium-term cash surpluses with the aim of maximising returns within a conservative risk management framework; and
- providing advice to its clients and the State.

CORPORATE VALUES

WATC's values are shown on the 'values wheel' below.



WATC's Value Statement is as follows:

“Value-adding

We will strive to add value to our stakeholders. We commit to providing the financial products, pricing and advice that can deliver measurable benefits to our stakeholders. We will seek ways to do business better and at a lower cost.

Accountability

We will take responsibility for the actions we take and the results we achieve. We will identify and manage the risks inherent in our business. We commit to transparency in our decision-making, accuracy in what we do and say, and responsibility for our actions. We will meet the obligations we set for ourselves in the performance of our duties and the satisfaction of stakeholder needs.

Leadership

We will display leadership at the personal and corporate levels. At the personal level, we will have the courage to challenge the status quo. We will challenge the way and why things are done and be confident to suggest different and better ways. We will also have the courage to be challenged, and see such challenges as genuine attempts to deliver better or more efficient outcomes to our stakeholders.

At the organisational level, we will have the courage to challenge the policy makers. We will be proactive and will not rest on our laurels, knowing that success, once achieved, is no guarantee of continuing success. We will act in order that WATC becomes a respected and significant contributor to the development of financial policy, as well as retaining the respect of the financial markets and the trust of our clients and the Western Australian public sector.

Understanding

We will make every attempt to understand the needs of others. We commit to further developing the relationship with our stakeholders so we may understand their needs and provide appropriate solutions. We will seek to understand the needs of those with whom we work in order to ensure a harmonious working environment.

Ethics

We will act with honesty and fairness. We commit to avoiding actual or perceived conflict of interest. We commit to acting in accordance with relevant legislation, Government directives and the various WATC policies and codes put in place. We will treat people fairly and accept individual differences.

Overview of Western Australian Treasury Corporation

(continued)

Sustainability

We will act in ways that provide economic, social and environmental benefits to the people we serve. We commit ourselves to long-term thinking – thinking beyond ourselves and our immediate needs to those of generations yet to come.

To demonstrate these values, we will:

- operate within the law at all times;
- comply with WATC policies and procedures;
- act with mutual respect towards each other and treat our stakeholders with courtesy and respect;
- conduct our business with professional integrity and with full accountability;
- aspire to maintain improvement in all aspects of WATC's operations through a commitment to the principles of quality and continuous improvement;
- be fair, honest and impartial in our representation of WATC in all its business relationships;
- avoid situations that may result in any conflict of interest or divided loyalty that brings disrepute to WATC;
- utilise WATC's assets in a responsible, efficient and effective manner that is in the best interests of WATC; and
- strive to maintain a safe working environment."

It should be noted that in early 2010, WATC commenced an exercise to review its Vision, Mission and Values. This was undertaken by the Executive Management Committee and a working group comprised of representatives from the various branches. The Board approved the new Vision, Mission and Values to take effect from the start of the 2010/11 financial year.

BOARD OF DIRECTORS

At 30 June 2010, WATC's Board comprised:

Timothy M Marney	Chairperson
Anthony M Kannis	Deputy Chairperson
John M Collins	Chief Executive Officer
Gaye M McMath	
Catherine A Nance	
Grahame Searle	

The Secretary to the Board was Steven L Luff, Chief Financial Officer.

STATE GUARANTEE

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

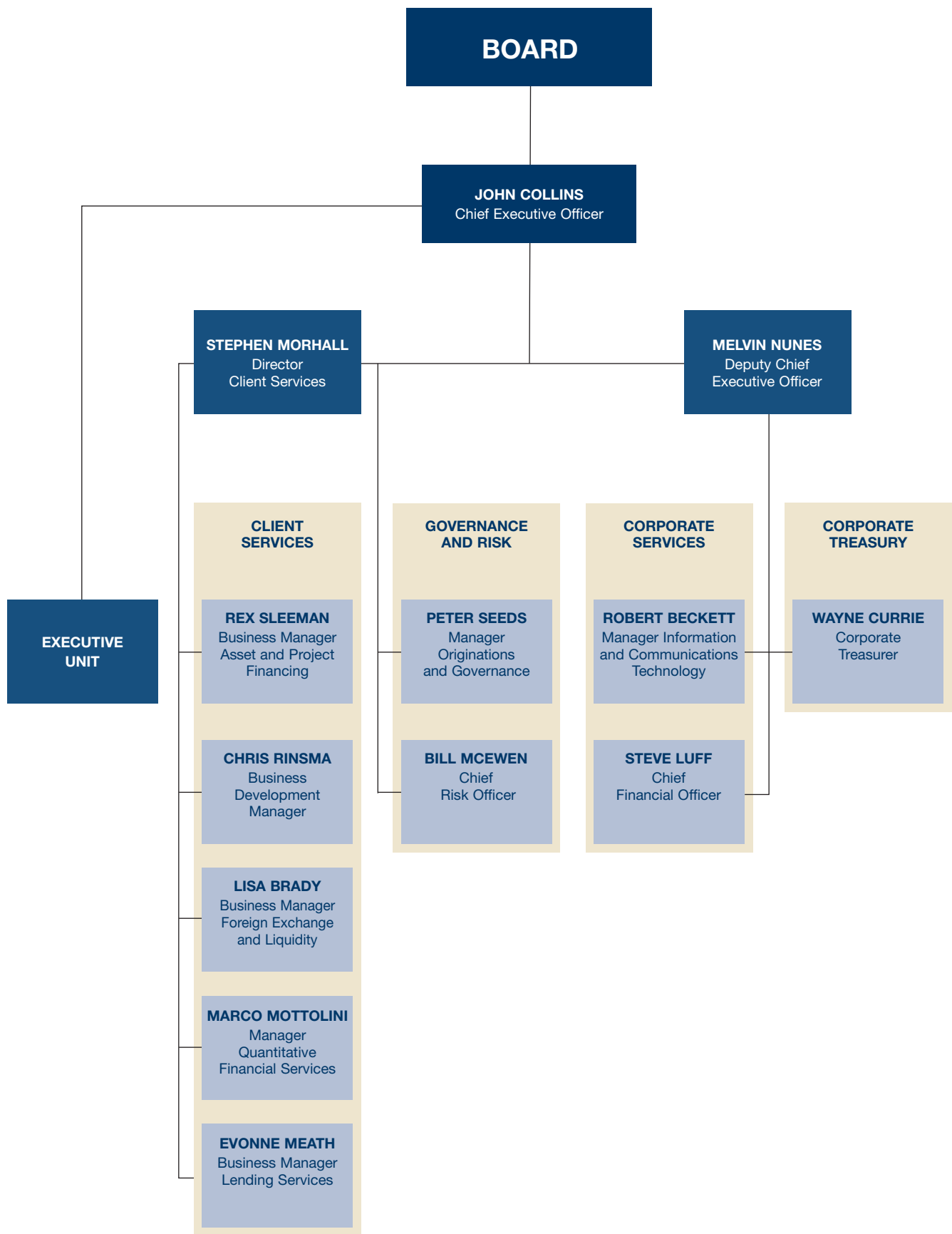
CREDIT RATINGS

The debt of WATC is rated as follows:

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

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

Organisational Chart



Economic and Financial Markets Overview and Outlook

THE WESTERN AUSTRALIAN ECONOMY

Overview

Western Australia is a leading producer and exporter of a wide variety of minerals, with the State accounting for 39 per cent of the total value of Australia's merchandise exports. The value of Western Australia's merchandise exports in the 2009 calendar year was \$76.9 billion, of which 85 per cent comprised minerals and petroleum exports.

Adverse global economic conditions saw growth in Western Australia's real Gross State Product (GSP) slow to just 0.7 per cent in 2008/09. However, improved economic conditions saw state economic growth rebound to an estimated 3.75 per cent in 2009/10. The domestic economy was the major driver of GSP growth during 2009/10, with state final demand increasing 3.5 per cent, led by an estimated 18.5 per cent increase in public sector investment. The external sector was also a solid contributor to GSP growth, with net exports (exports less imports) rising 5.5 per cent in 2009/10, driven by a 6.5 per cent increase in export volumes. Net exports are estimated to have contributed 1.4 percentage points of the estimated 3.75 per cent GSP growth in 2009/10, after subtracting 0.9 percentage points from growth in 2008/09.

Over the past five years, the Western Australian economy has been the fastest growing of all Australian states, averaging 4.3 per cent growth per annum compared with growth of 2.7 per cent nationally.

Significant Economic Outcomes During 2009/10

- GSP is estimated to have expanded 3.75 per cent in real terms during 2009/10, following growth of 0.7 per cent in 2008/09.
- Business investment growth slowed to an estimated 1.25 per cent in 2009/10, although business investment is expected to make a significant contribution to GSP growth over the next two years, with investment forecast to grow 11.5 per cent in 2010/11 and 12.25 per cent in 2011/12. Construction of LNG projects will be the major contributor to this growth, which will see Western Australia responsible for 32 per cent of expected national growth in business investment over this period.
- The State unemployment rate averaged 5.0 per cent on a seasonally adjusted basis in 2009/10. After reaching a high of 5.7 per cent in September 2009, the rate fell back to 4.0 per cent in June 2010.

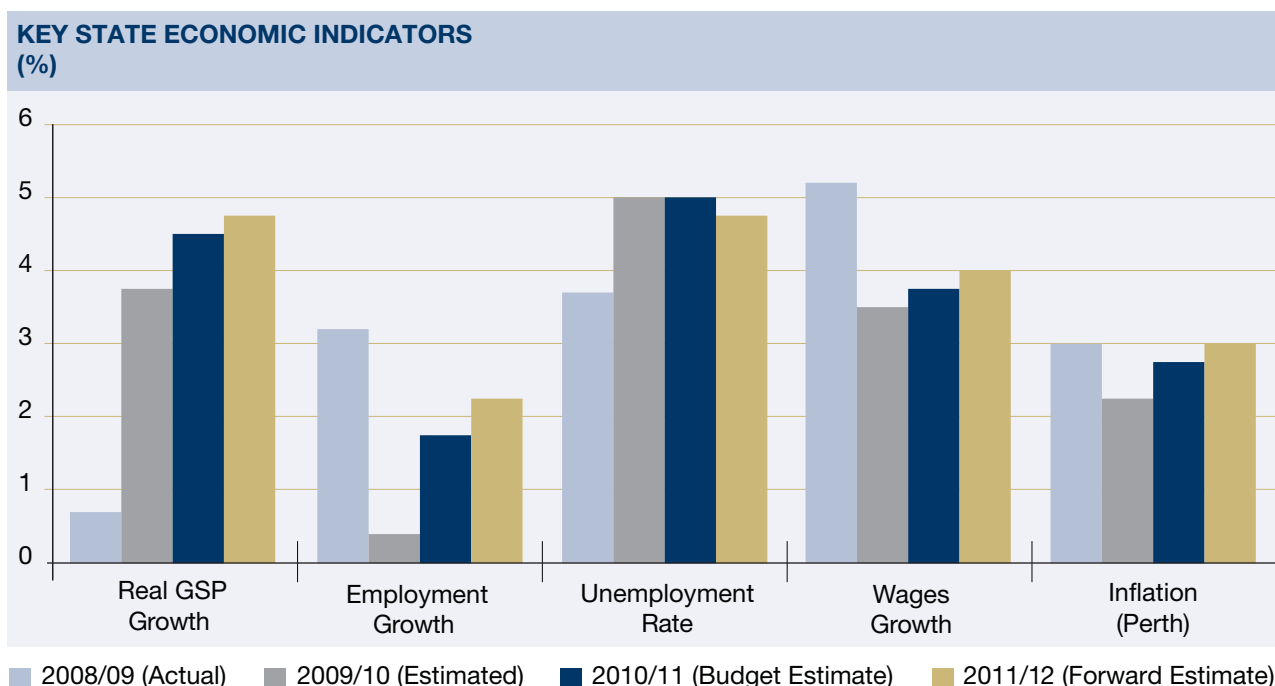
Major Projects Driving Business Investment

Some of the major resource projects currently under construction which will continue to drive the rebound in business investment include:

- Woodside's Pluto LNG Project (\$12.3 billion);
- Gorgon Joint Venture's Carnarvon Offshore Basin LNG Project (\$43 billion);
- CITIC Pacific Mining's Cape Preston Sino Iron Project (\$5.2 billion); and
- Woodside's Carnarvon Offshore Basin North Rankin Gas Field Redevelopment Project (\$5 billion).

Outlook

As a major exporter of resources, the Western Australian economy is constantly exposed to global economic developments. The rebound in global economic growth is expected to see GSP expand 4.5 per cent in 2010/11. State final demand is forecast to grow 6.0 per cent, largely due to an 11.5 per cent increase in business investment. Household consumption is expected to rise 4.0 per cent in 2010/11, up from an estimated 3.0 per cent in 2009/10, while dwelling investment is forecast to increase 7.25 per cent in 2010/11. External trade is expected to shave 0.3 percentage points from GSP growth in 2010/11, as a forecast rise of 5.0 per cent in export volumes is outweighed by a 13.75 per cent increase in imports, largely driven by an increase in capital goods imports due to the high level of mining investment.



Sources: 2010/11 Budget Economic and Fiscal Outlook; Australian Bureau of Statistics.

Significant Government Infrastructure Projects for 2010/11

In 2010/11, the Asset Investment Program is forecast at \$7.6 billion, including spending on key works such as:

- electricity infrastructure (\$1.1 billion);
- water, wastewater and drainage services (\$1 billion);
- school building and improvements (\$1 billion); and
- health-related infrastructure (\$890 million).

Government's Fiscal Strategy

The Government is committed to responsibly managing the State's finances through the efficient and effective delivery of services, encouraging economic activity and reducing regulatory burdens on the private sector.

Financial targets are a requirement of the *Government Financial Responsibility Act 2000*. The financial targets adopted by the Government for the 2010/11 Budget are to:

- maintain or increase the real net worth of the total public sector;
- achieve an operating surplus for the general government sector;
- maintain the ratio of total non-financial public sector net interest costs as a share of revenue at or below 4.5 per cent;
- ensure that real per-capita, own-purpose general government expenses do not increase; and
- provide a fair and efficient taxation system that is competitive with other Australian states.

Economic and Financial Markets Overview and Outlook

(continued)

Fiscal Outlook

The State Budget forecast a general government operating surplus of \$286 million for 2010/11, following an estimated surplus of \$290 million in 2009/10. The size of the surplus is projected to rise to \$652 million in 2011/12 and \$807 million in 2012/13. The improved budgetary outlook primarily reflects the impact of higher commodity prices on royalties and an increase in stamp duty revenue due to a rebound in the property market.

THE GLOBAL ECONOMY

Overview

While 2009/10 could be described as a year of recovery for the global economy, following its steepest decline in the post-World War II era in 2008/09, this recovery has been highlighted by two distinctive features. Firstly, the recovery has been particularly uneven, with emerging markets, particularly in Asia, returning to strong growth and in danger of overheating; while economic growth in most advanced economies continues to remain below pre-crisis levels, despite unprecedented monetary and fiscal stimulus, most of which still remains in place. Secondly, because it was associated with a global financial crisis which has compromised a number of key financial institutions, the recovery has been slower overall than initially expected, and punctuated by bouts of market volatility as structural cracks have appeared in the global macroeconomic framework.

The Greek sovereign debt crisis illustrated just how fragile the global financial system remains. Sparked by Standard & Poor's decision on 27 April 2010 to cut the Greek sovereign debt rating to BB+, markets went into a tailspin as contagion from Greece quickly spread across Europe and then globally, causing a major sell-off in equity and commodity markets. The panic also spilled over into interbank markets, reviving concerns about another post-Lehman's event when banks were cautious about lending to other banks and moves by investors to sell risk assets resulted in serious US dollar funding shortages. While policymakers acted swiftly to restore market confidence by June, it remains fragile and will be subject to further bouts of volatility.

The latest forecasts released by the International Monetary Fund (IMF) in early July 2010 show that the global economy is expected to grow by 4.6 per cent in 2010, falling slightly to 4.3 per cent in 2011. This would be a good outcome, but, at the same time, the IMF is warning that downside risks have risen sharply on renewed financial turbulence and that the forecasts depend, therefore, on the successful implementation of policies to rebuild confidence and stability, particularly in the Eurozone.

Commodity prices were mixed during 2009/10, with some solid rises recorded during the second half of 2009 giving way to a sell-off in most exchange-traded prices during the first half of 2010 as the outlook for the global economy deteriorated. Gold, however, went against the general trend given its status as a safe-haven asset, soaring to a new record high in 2009/10. The precious metal averaged US\$1,092 an ounce during the year, with a range of US\$905 – US\$1,265. The oil price, as measured by the price of a barrel of West Texas Intermediate crude, averaged US\$75.20 over the course of 2009/10, reaching a high of nearly \$US87 in early April 2010 before declining to US\$63 by late May 2010 at the height of concern over Greek debt. Base metal prices generally showed a similar trend, with the London Metal Exchange index rising from 2,453 at the start of the financial year to a high of 3,768 in April 2010, a gain of 53 per cent, before falling again to finish the financial year at 3,002. For Australia's two principal exports, coal and iron ore, prices are now set on a quarterly basis, which is a significant departure from the traditional annual price-setting system. For the June 2010 quarter, Japanese steel mills were reported to have agreed to a 56 per cent price rise for coking coal when compared to the previous annual contract price. For iron ore, the price rise for the June 2010 quarter was even more spectacular with a reported 90 per cent increase, reflecting the fact that spot iron ore prices had risen to record levels in early 2010.

THE AUSTRALIAN ECONOMY

Overview

While the global economy experienced its sharpest contraction in the post-World War II period during 2009, the downturn in Australia was only modest and economic activity gradually improved during 2009/10. This is best illustrated by the fact that the unemployment rate peaked during the year at 5.8 per cent, when most forecasters expected it to rise above 8.0 per cent during the downturn. The relatively better performance of the Australian economy reflects, in part, the impact of stimulatory monetary and fiscal policies, a solid growth recovery in Asia (particularly in China), the stability of the financial system, strong population growth and a depreciation of the Australian dollar. While underlying inflation moderated in year-end terms during 2009/10, the more modest downturn is expected to see the annual rate of underlying inflation fall only to the upper half of the Reserve Bank of Australia's (RBA) target zone of 2 per cent to 3 per cent.

Financial Markets

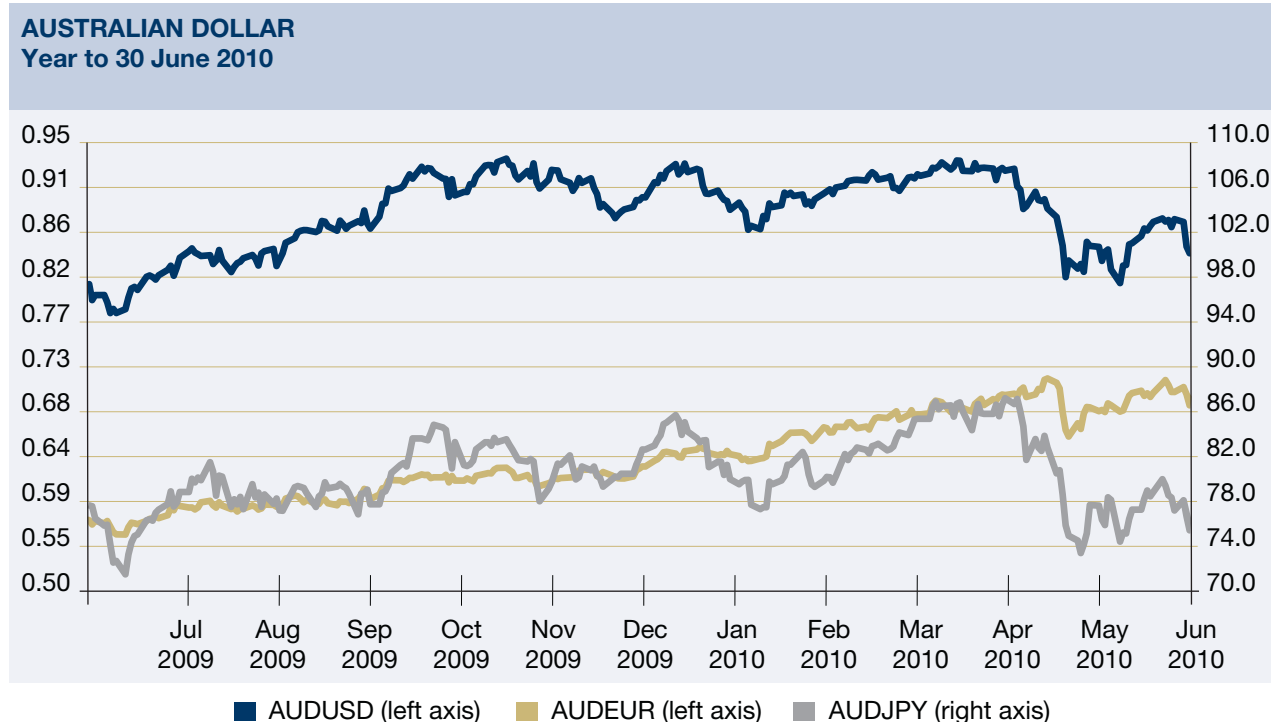
In response to the milder than expected downturn, the RBA has taken steps to remove its emergency cash rate setting that was in place at the start of 2009/10. The RBA increased its cash rate by a total of 150 basis points in six separate 25-point moves from October 2009 to May 2010, taking it to 4.50 per cent. Although at 4.50 per cent the cash rate remains below its medium-term average, variable lending rates for most households and businesses have moved back up to around average levels, as market developments have pushed up most rates relative to the cash rate.

The 10-year Commonwealth Government bond yield began the 2009/10 financial year at 5.50 per cent and traded in a relatively narrow 77 point range throughout the year from 5.09 per cent to 5.86 per cent, closing the year at a low of 5.09 per cent. The 3-year Commonwealth Government bond had a slightly wider trading range, reflecting the six adjustments to the cash rate. The 3-year yield opened the year at 4.50 per cent and traded in a 120 point range from 4.16 per cent to 5.36 per cent, before closing at 4.43 per cent.

Australian Dollar

The Australian dollar began the 2009/10 year buying US80.60c before rising sharply to a high of US94.06c in mid-November 2009. The currency then traded largely sideways in choppy fashion until May 2010 when the Greek sovereign debt crisis saw it plunge more than US12c in three weeks to reach a low of US80.60c in late May. By the end of June, it had recovered slightly and closed the year at US85.30c. The Australian dollar traded higher against the yen through most of 2009/10, although a sharp dip in May 2010 saw it close the year not far from where it started. After opening the year at ¥78.10, the currency rose to a high of ¥88.00 at the end of April 2010, then dipped to ¥71.90 in May before closing the year at ¥75.70. The Australian dollar rose significantly against the euro during 2009/10, despite a dip in May 2010, gaining 21.1 per cent after opening at €0.5730 and closing at €0.6940. Against the British pound sterling it was a similar story, with the Australian dollar gaining 15.9 per cent to finish the year at £0.5680, compared with an opening 2009/10 level of £0.4900.

The chart below shows the movement of the Australian dollar against key overseas currencies during 2009/10.



OVERVIEW

WATC's borrowing activities during 2009/10 centred primarily on:

- issuing across the yield curve to fund lending to its clients;
- maintaining sufficient volumes on issue and enhancing the liquidity in its existing lines of benchmark bonds maturing in 2011, 2013, 2015 and 2017;
- converting its off-the-run 7 per cent 15 October 2019 bonds to benchmark bond status;
- launching the new 5.5 per cent 17 July 2012 benchmark bond through a tender process;
- examining opportunities to issue through its Euro Medium Term Note Program and other offshore markets to generate term fixed and floating rate funding;
- issuing short-term paper, either through domestic inscribed stock or the Eurocommercial Paper Program for liquidity funding;
- transacting in interest rate swaps to meet WATC's asset and liability management requirements and to generate floating rate funding for its clients; and
- being responsive to investor demand for off-the-run stocks, which are fixed interest bonds issued into maturity dates longer than benchmark bond maturity dates.

The primary source of WATC's long-term borrowings is the domestic fixed interest market. Long-term funding, mainly through domestic benchmark bonds, comprises approximately 67 per cent of total borrowings.

WATC opportunistically issues off-the-run fixed interest bonds with a view to building future benchmark bonds.

Overseas, WATC's ongoing strategy is to tap markets on an opportunistic basis through bond issues, private loans and its range of continuous note issuance facilities, such as its Euro Medium Term Note Program. When borrowing overseas, WATC aims to:

- (i) save on the interest cost of borrowing, where it can obtain funding for the borrowing program at rates below equivalent domestic rates after hedging any foreign currency exposure;
- (ii) undertake issues in a range of currencies, with specific structures or of particular terms to meet any special portfolio or client requirements; and
- (iii) diversify its investor base.

LONG-TERM BORROWINGS

Domestic Fixed Interest

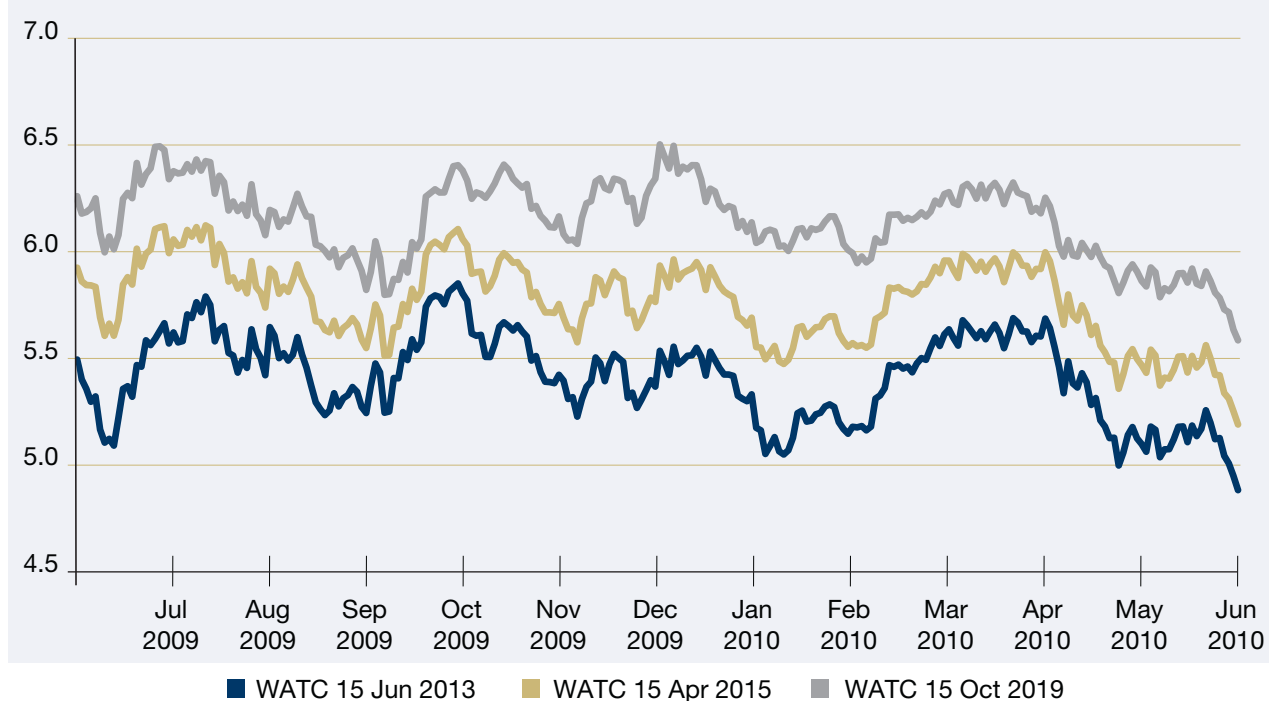
During 2009/10, volatility in the domestic bond market again provided the backdrop to WATC's market activities. Spreads between semi-government benchmark bonds and Commonwealth bonds went through periods of high volatility as global risk appetites fluctuated. During the year, the Commonwealth Government also announced the removal of guarantee measures introduced to assist in stabilising the financial system at the height of the global financial crisis. The guarantee arrangements for wholesale bank funding ceased in March 2010 and will cease for state and territory borrowing in December 2010. Western Australia did not take up the Commonwealth Government's guarantee offer.

WATC continued to build volume and liquidity into its benchmark bond lines during the year, pre-funding client funding requirements when investor demand was evident. Early in the year, the volume outstanding in the 7.0 per cent 15 October 2019 off-the-run bond pushed through \$500 million and, as a consequence, was announced to the market as WATC's longest benchmark bond line. At 30 June 2010, the outstanding in this line had grown to \$1.26 billion. A new intermediate maturity benchmark bond was also launched during the year. The 5.50 per cent 17 July 2012 benchmark bond line was established by tender for \$540 million, followed by a consolidation process for a further \$460 million. At 30 June 2010, the outstanding in this new benchmark line was \$2.53 billion.

During the course of the year, WATC's 15 October 2009 benchmark bond line matured with an outstanding volume of \$1.36 billion. Also during the year, official price making ceased on its 15 April 2011 benchmark bond line. By the end of the financial year, benchmark bonds outstanding had increased from \$10.40 billion in 2008/09 to \$15.40 billion in 2009/10. The net increase is the result of \$6.36 billion of new issuance and \$1.36 billion of maturing debt.

The yield on WATC's 15 October 2019 benchmark bond opened the 2009/10 year at 6.31 per cent and remained above 6.0 per cent through most of the financial year. However, yields declined sharply during May and June 2010 as financial market uncertainty again resurfaced, with the yield on the 2019 bond closing at 5.60 per cent, its lowest level since April 2009. The chart on page 21 shows the movement in yields for WATC's 2013, 2015 and 2019 benchmark bond lines.

WATC BENCHMARK BOND YIELDS (%)



Spreads between yields on semi-government benchmark bonds and Commonwealth bonds widened toward the end of 2009, but then narrowed over the first few months of 2010. A re-emergence of financial market uncertainty on concerns over the outlook for European sovereign government debt saw the spreads widen again over May and June 2010 for most of WATC's benchmark bond lines.

Capital Markets Activity

(continued)

For example, the spread between the yield on the 2013 WATC benchmark bond and the 2013 Commonwealth bond opened 2009/10 at 64 points, then narrowed before spiking again to a high of 52 points in December 2009. The spread narrowed through January and February 2010 to reach a low of 34 points before rising again over May and June 2010 to close at 46 points. The spread between the 2019 WATC bond and the 2019 Commonwealth bond spiked to as high as 91 points in December 2009 before narrowing over the first two months of 2010. The spread fell to 59 points by the beginning of March and from there traded in a relatively narrow range to close in June 2010 at 57 points. The chart below shows the movement in spreads for three of WATC's benchmark bond lines to the equivalent Commonwealth bonds.

WATC BENCHMARK BOND SPREAD TO AUSTRALIAN COMMONWEALTH GOVERNMENT BOND (Basis Points)



Fixed Interest Market Making Panel

WATC's Fixed Interest Market Making Panel plays an ongoing key role in price making and distribution of WATC's benchmark bonds.

The Market Making Panel and contacts at 30 June 2010 are shown below.

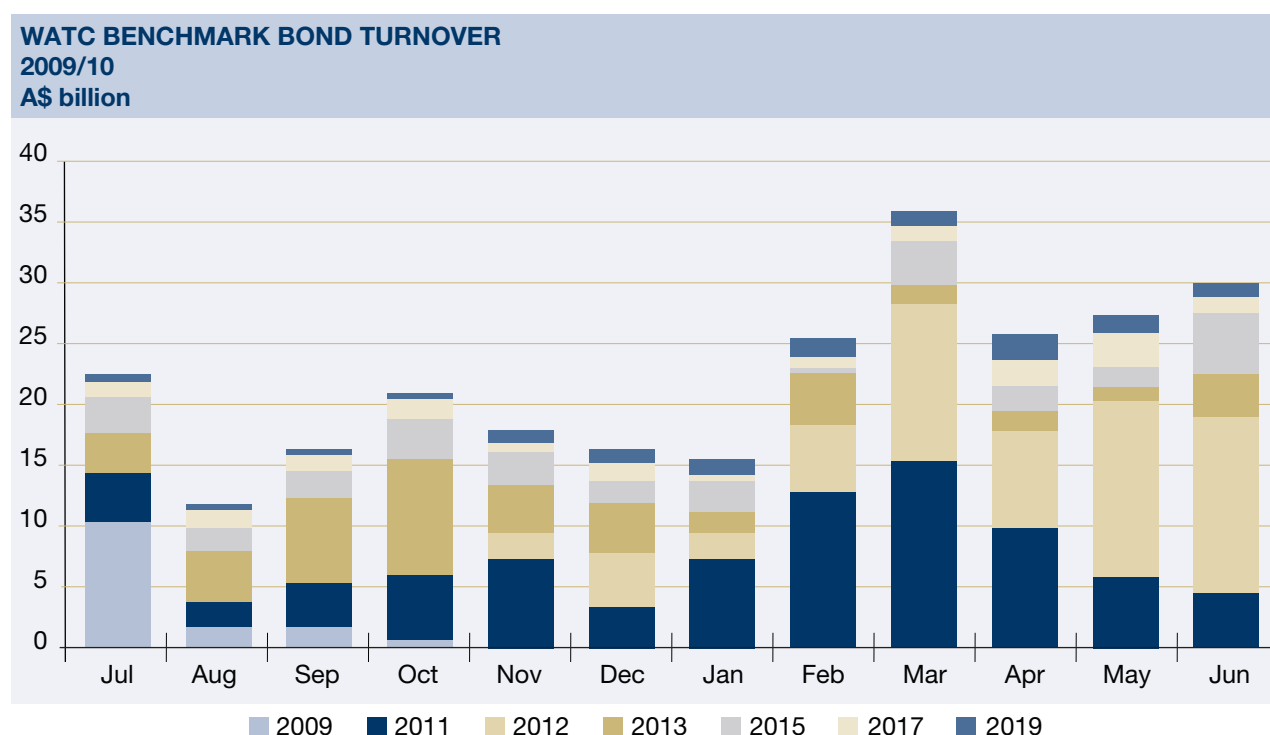
Panel Members	Contact	Telephone
ANZ Investment Bank	Mr Michael Walsh	03 9095 0016
Citigroup Global Markets Australia Pty Ltd	Mr Simon Walters	03 8643 9820
Commonwealth Bank of Australia	Mr Jack A'Hearn	03 9675 7498
Deutsche Capital Markets Australia Ltd	Mr John Inskip	02 8258 1444
J P Morgan Australia Limited	Mr Adrian Janschek	02 9220 1663
Macquarie Bank Limited	Mr David Castle	02 9391 3711
National Australia Bank Limited	Mr Kris Bernie	02 9295 1166
Royal Bank of Canada	Mr Richard Sheahan	02 9033 3222
RBS Group (Australia) Pty Limited	Mr Nick Kingsmill	02 8259 2200
Toronto Dominion Securities	Mr Simon Christie	1800 646 497
UBS AG, Australia Branch	Mr Tim Riley	02 9324 2222
Westpac Banking Corporation	Ms Emma Stephenson	02 8204 2740

Taking into account overall performance throughout the year, the leading institutions on WATC's Market Making Panel for 2009/10 were:

1. UBS AG, Australia Branch
2. ANZ Investment Bank
3. Westpac Banking Corporation
4. RBS Group (Australia) Pty Limited
5. Commonwealth Bank of Australia

Turnover

Turnover in WATC's benchmark bonds for the financial year ended 30 June 2010 was \$263.58 billion.



WATC's domestic benchmark bond volumes on issue at 30 June 2010 and the turnover volumes for the financial year were as follows:

Coupon % p.a.	Maturity Date	Volume on Issue	Turnover Volume
7.50	15/10/2009	Matured	\$14.334b
7.00	15/04/2011	\$4.135b	\$81.278b
5.50	17/07/2012	\$2.526b	\$63.365b
8.00	15/06/2013	\$2.971b	\$46.257b
7.00	15/04/2015	\$2.280b	\$30.124b
8.00	15/07/2017	\$2.246b	\$16.932b
7.00	15/10/2019	\$1.262b	\$11.290b

Capital Markets Activity

(continued)

Retail Borrowing

During 2009/10, WATC continued to invite retail investors to purchase State Bonds. Market yields were monitored continuously throughout the year to ensure competitive interest rates were offered to investors.

During the year, retail investors contributed approximately \$53.2 million to WATC's total borrowing requirement. Of this amount, \$28 million was borrowed from people migrating to Australia under the Business Skills category of migration administered by the Commonwealth Department of Immigration and Citizenship. The balance of the amount borrowed from retail investors was raised in the form of new investment funds and maturing principal reinvested by existing stockholders.

Euro Medium Term Note Program

Since the establishment of WATC's US\$2 billion Euro Medium Term Note Program in 1990, 35 issues have been made in Australian dollars and other currencies.

Issues under this Program can be made for terms from one month to 30 years either through the dealer panel or on a reverse inquiry basis.

The dealer panel for the Program comprises:

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

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

During the year, the volume of offshore funding sourced by Australian banks continued to impact on the foreign exchange basis swap pricing and meant that offshore funding was comparatively more expensive than equivalent domestic issuance. Opportunities in the Japanese retail market, and a possible US dollar bond issue in Europe, were assessed but considered to be outside WATC's pricing targets.

There were no Notes outstanding under the Program at 30 June 2010.

SHORT-TERM BORROWINGS

Domestically, short-term funds are raised through the issue of short-term notes in the form of inscribed stock. In overseas markets, WATC utilises its multicurrency Eurocommercial Paper Program.

Short-Term Inscribed Stock

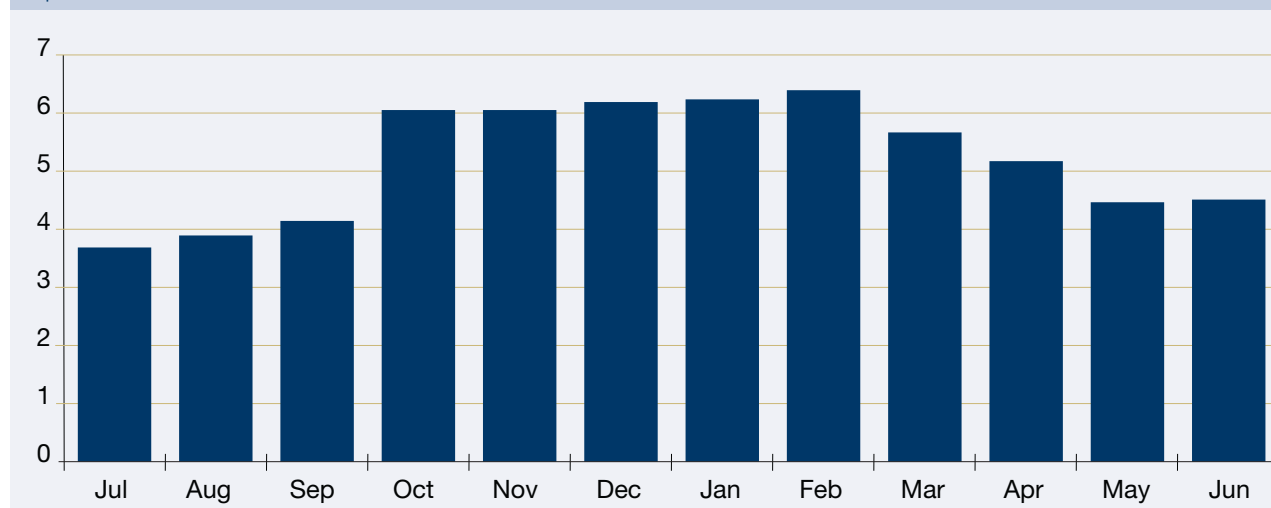
During 2009/10, WATC issued a total of \$18.5 billion of short-term inscribed stock with an average weighted maturity of 105 days. This continued to be a reliable source of domestic short-term funds for WATC. At 30 June 2010, \$4.505 billion was outstanding in short-term inscribed stock.

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

The leading institutions in terms of stock taken under WATC's Short-Term Inscribed Stock facility for 2009/10 were:

1. Commonwealth Bank of Australia
2. Deutsche Bank AG
3. Societe Generale
4. Bank of Scotland plc
5. ANZ Banking Group Limited

SHORT-TERM INSCRIBED STOCK
AMOUNT OUTSTANDING AT MONTH END 2009/10
A\$ billion



Capital Markets Activity

(continued)

Eurocommercial Paper Program

WATC maintains a multicurrency Eurocommercial Paper (ECP) Program. During the year, WATC issued ECP in a number of currencies including US dollars, Australian dollars, British pounds sterling and Singapore dollars.

In August 2009, the limit on the Program was increased from US\$3 billion to US\$6 billion.

The total amount of ECP issued over the year rose significantly, with outstandings peaking at an amount equivalent to US\$3.08 billion. Demand for WATC's ECP has remained strong as investors' preference for the security offered by high-rated debt paper has prevailed. At 30 June 2010, on a transaction settlement basis, US\$2.575 billion of US dollar denominated debt, £135 million of British pound denominated debt, SG\$20 million of Singapore dollar denominated debt and A\$12 million of Australian dollar denominated debt was outstanding on this Program.

Issues under this Program can be made for terms from seven to 364 days through the dealer panel.

During the year, WATC reviewed the ECP dealer panel resulting in a number of changes. The dealer panel for the Program now comprises:

- Banc of America Securities Limited
- Barclays Bank plc
- Citibank International plc
- Commonwealth Bank of Australia, Hong Kong Branch
- Credit Suisse Securities (Europe) Limited
- Deutsche Bank AG, London Branch
- National Australia Bank Limited, Hong Kong Branch
- UBS Limited
- Westpac Banking Corporation, Hong Kong Branch

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

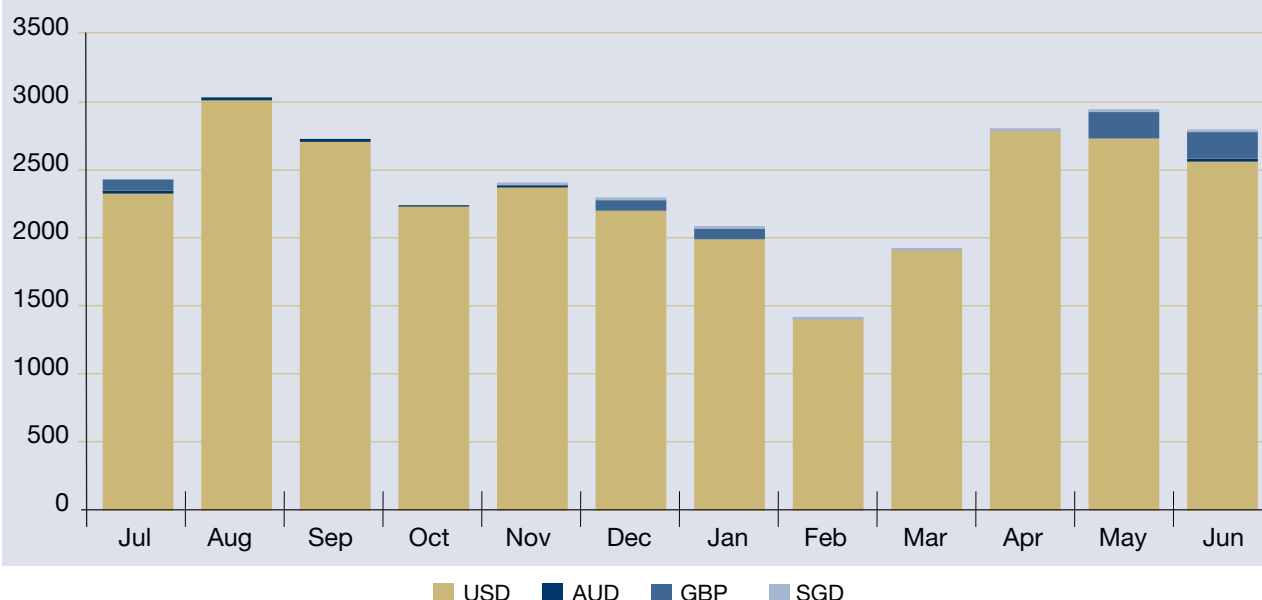
The leading institutions on WATC's ECP Dealer Panel for 2009/10 were:

1. Barclays Bank plc
2. Citibank International plc
3. Deutsche Bank AG, London Branch

Foreign Exchange Management

During the year, all non-Australian dollar funding raised through the ECP Program was swapped into Australian dollars through the foreign exchange market.

EUROCOMMERCIAL PAPER PROGRAM
AMOUNT OUTSTANDING AT MONTH END 2009/10
US\$ million



WATC is the primary provider of corporate treasury services to the Western Australian public sector. In fulfilling this function, WATC plays an integral role in supporting clients in the delivery of their strategic objectives. WATC provides a comprehensive range of financial products and services, including debt finance, investments, foreign exchange transactional services and associated specialist financial risk management advisory services to support clients. The Client Services Division is responsible for ensuring the efficient and effective delivery of appropriate financial solutions tailored to meet clients' individual requirements.

WATC is committed to strengthening client relationships to ensure that its product and service offerings are aligned to client needs, both now and in the future. To gain an improved understanding of strategic issues facing clients, WATC conducted:

- a Client Lending Survey focusing on the strategic issues being faced by clients across a broad range of levels. Information obtained from the survey will be invaluable in the future development of products and services that are aligned to client requirements.
- a Client Focus Group on foreign exchange risk to determine how quantitative modelling could aid risk management decision making. The focus group provided valuable input into a stochastic model being developed by WATC that will be used to support clients in quantifying and managing currency risk.
- an Investment Survey of Local Government Authorities as market research to determine local government investment requirements. The survey responses will be utilised to develop investment products and services that are aligned to local government needs.

The positive feedback from clients across all forums on the quality of service is pleasing and reflects WATC's commitment and focus on meeting client needs.

LENDING SERVICES

As Western Australia's central borrowing authority, WATC's primary purpose is to provide low-cost, risk-appropriate, debt funding to the Western Australian public sector. WATC's Lending Services business unit is responsible for ensuring debt finance and associated interest rate risk management is delivered to clients.

By providing a comprehensive and flexible range of lending products and by understanding each client's business and financing needs, tailored loan portfolios can be developed to meet each client's financing requirements.

During the 2009/10 financial year, there was a significant increase in demand for funding from clients as a result of the State's Asset Investment Program, resulting in a 37 per cent net increase in lending of \$5.921 billion and bringing the amount of loans to clients to a record level of \$21.75 billion.

At 30 June 2010, WATC's clients included 37 state government authorities and 124 local governments. The graph on page 29 shows the distribution of WATC's lending to its clients at 30 June 2010.

"DTF acknowledged the information you had prepared was exactly what was required for the submission."

Peter Watson
Commercial Manager
Port Hedland Port Authority (PHPA)

Client Services

(continued)

Loan Products

WATC offers its clients a comprehensive range of loan products that can be tailored to individual clients' requirements while still delivering access to low-cost funding.

The 2009/10 financial year saw the establishment and successful delivery of a new Capital Index Lending product developed to meet the specific requirements of a client. The introduction of this CPI-linked debt product was the result of collaboration with the client and involved significant financial modelling and gaining a sound understanding of the client's business and the environment in which it operates.

During the year, a number of clients used WATC's advanced quantitative financial modelling services to review their debt structure to ensure alignment with their organisation's specific business and financial risk management requirements.

The graph on page 29 shows the mix of WATC's loan products at 30 June 2010.

State Government

During 2009/10, WATC provided significant funding to the State of Western Australia to finance the State Government's Asset Investment Program, which included expenditure on:

- health-related infrastructure;
- law, order and public safety;
- office accommodation; and
- facilities for community and social services.

Semi-Government

WATC provided debt finance to state agencies and enterprises engaged to meet the increasing demand for infrastructure across Western Australia. Significant funds were provided to agencies involved in:

- electricity supply, transmission and distribution;
- housing;
- maintenance of the rail network; and
- maintenance of the State's water, wastewater and drainage services, including significant expenditure on construction of the Southern Seawater Desalination Plant at Binningup.

Additional financing was provided to respective authorities engaged in:

- construction and maintenance of roads;
- development of port infrastructure;
- construction of, and upgrades to, schools and other education and training facilities; and
- land development in conjunction with urban renewal programs.

At 30 June 2010, loans to the Western Australian public sector and universities amounted to \$21.205 billion. Of this amount, \$3.521 billion was provided to the State of Western Australia.

Local Government

WATC is a major supplier of loan funds to the State's local governments and is proud of its continued participation in meeting the financing needs of its local government clients. During 2009/10, funding to local governments increased by a record \$80.8 million.

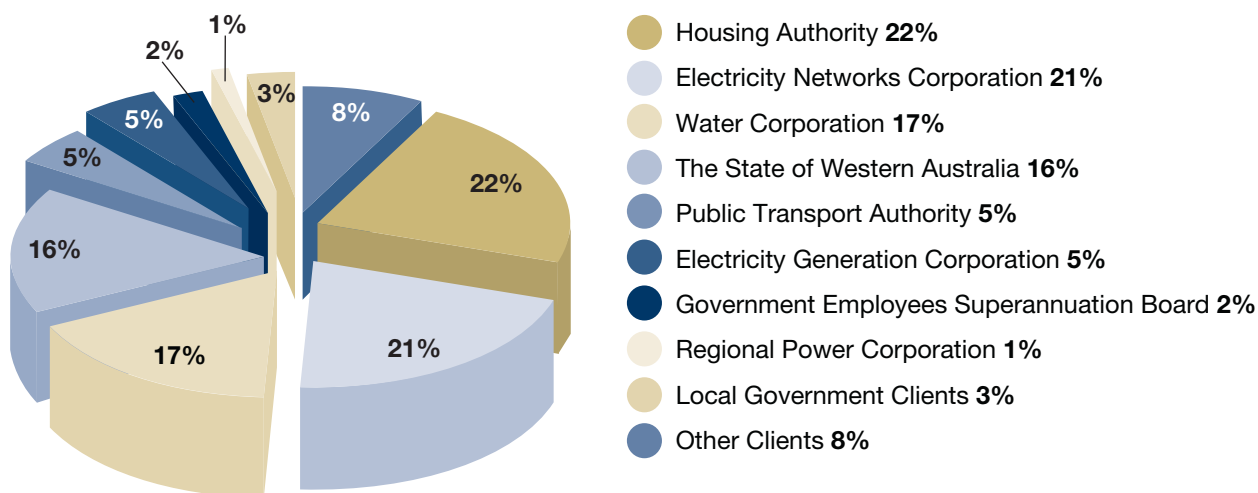
In the year under review, loan funds were provided for capital and community projects that included:

- construction of civic and administration facilities;
- libraries, recreation, sporting and aquatic facilities;
- marina and jetty improvements;
- underground power;
- car parking facilities;
- roadwork and footpaths; and
- drainage and sewerage projects.

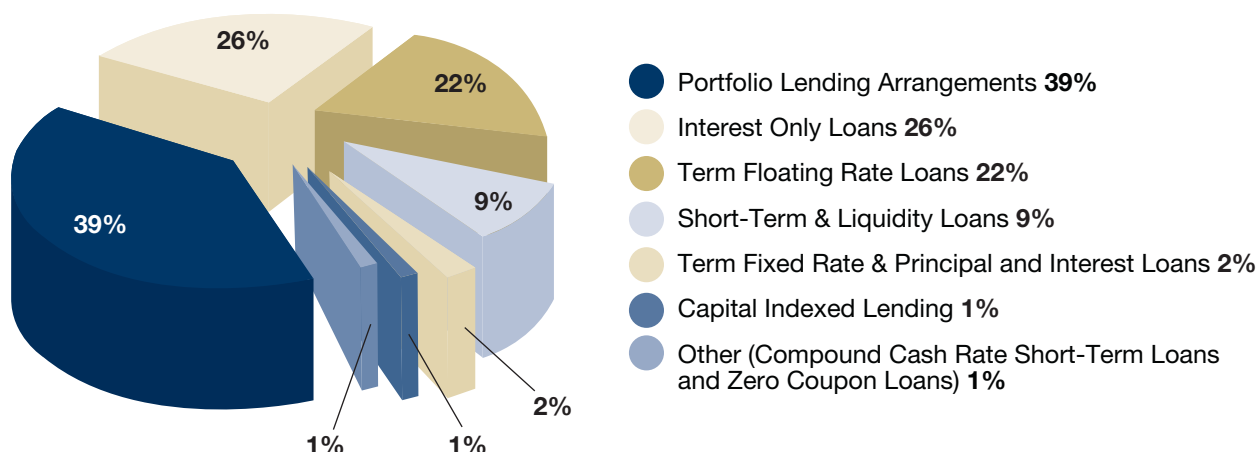
In addition, funds were provided to support residential and commercial land development in metropolitan and regional centres, the purchase and construction of housing and the provision of aged accommodation.

At 30 June 2010, total funds lent to WATC's 124 local government clients was in excess of \$545 million.

CLIENT AUTHORITIES % SHARE OF DEBT OUTSTANDING AT 30 JUNE 2010



DEBT OUTSTANDING BY PRODUCT TYPE AT 30 JUNE 2010 %



“Treasury Corporation clearly understood the DET requirements and provided significant leadership throughout the project. They ensured that the project moved forward in a timely manner to achieve timeframes. DET would welcome the opportunity to work in conjunction with Treasury Corporation on other projects in the future.”

Mal Parr

Director, Strategic Asset Planning
Department of Education (formally Department of Education and Training (DET))

Client Services

(continued)

FOREIGN EXCHANGE AND LIQUIDITY

The Foreign Exchange and Liquidity business unit facilitates sound financial risk management practices throughout the Western Australian public sector by providing clients with competitive investment alternatives and access to cost-effective foreign exchange advisory and transactional services.

Foreign Exchange Advisory and Transactional Services

WATC works in partnership with Western Australian public sector agencies to develop foreign exchange risk identification, quantification and exposure management strategies. WATC combines its expertise in risk management and knowledge of foreign exchange markets with clients' knowledge of their operating environment and risk tolerance to design currency management strategies to meet their strategic objectives.

As a preferred client in financial markets, WATC has direct access to wholesale foreign exchange markets, multi-currency funds settlements systems, dedicated capital markets information systems and treasury management systems. WATC provides rapid and efficient foreign exchange transaction services across all major currencies.

WATC currently supports transactions including:

- Spot Foreign Exchange;
- Forward Foreign Exchange Contracts;
- Non-deliverable Forwards;
- European Put and Call Options;
- American Put and Call Options; and
- Combination Options including zero cost collars.

In addition to transaction execution and settlement, WATC provides full ongoing support through the provision of cash flow projections, audit confirmations and regular market valuations of current transactions.

During the 2009/10 financial year, WATC assisted clients with the identification and management of foreign exchange exposures associated with a diverse range of projects including:

- Perth Theatre Trust's engagement of the London Philharmonic Orchestra to perform in Perth;
- the staging of the iconic Red Bull Air Race by Tourism Western Australia;
- the construction of the Southern Seawater Desalination Plant by Water Corporation;
- Polytechnic West's purchase of a Boeing 737 aircraft for use in its new aerospace training facility at Jandakot Airport;
- sales of sandalwood by Forest Products Commission;
- a new suction mooring system for Port Hedland Port Authority; and
- Public Transport Authority's ongoing program to replace its bus fleet.

Liquidity Services

The number of clients taking advantage of WATC's State Government Guaranteed, AAA Rated investment products increased significantly during 2009/10, with funds under management growing by over 32 per cent. WATC is committed to extending its investment products and has requested feedback from clients to enable it to align products with a broad range of client needs.

"Treasury Corporation added value and became an indispensable part of the team. Financial and business information was excellent. Queries were followed up quickly and answered. Treasury Corporation also supplied business models which informed the final business case."

Kevin Chennell

Executive Director, Livestock Industries
Department of Agriculture and Food
Western Australia (DAFWA)

Investment Products

WATC currently offers at-call and fixed term investments for its clients.

- **Overnight Cash Deposit Facility (OCDF)** – The OCDF has been developed specifically to meet the short-term investment needs of clients. It enables clients to invest funds on an overnight basis and provides the flexibility of interest being paid out monthly or added to the balance of the account and reinvested.
- **Fixed Term Investment** – WATC facilitates term investments for its clients through its short-term inscribed stock. This enables clients to invest funds to a maturity date of their choice for any term from seven days to 365 days at a fixed rate.

Treasury Services

WATC continued to fulfil a treasury services role for the Department of Treasury and Finance in relation to the investment of surplus funds standing to the credit of the Public Bank Account. The average daily balance of funds invested was \$3.615 billion during 2009/10.

QUANTITATIVE FINANCIAL SERVICES

Through its Quantitative Financial Services (QFS) business unit, WATC provides clients with specialist financial risk management advice (interest rate, foreign exchange, credit risk and commodities), analysis of corporate finance issues and research on financial risk management issues and trends in financial markets. WATC has developed a high level of skill and expertise in a variety of techniques, methodologies and procedures for the identification, valuation and management of financial risks.

WATC works closely with lending and investment clients analysing portfolio structures and providing advice on interest rate risk management strategies in regard to both debt and investment portfolios. In addition to analysing the behaviour of debt portfolios, WATC also analyses how debt servicing costs interact with revenues and other expenses (asset and liability management) to impact clients' overall profitability. While the combined modelling from both asset and liability perspectives requires substantially more time and effort, the insights gained provide a better picture of the potential risks and gains from different debt portfolio structures. To be effective, this type of modelling exercise necessarily requires working closely with clients to fully understand the major revenue and expense drivers of their business. This collaborative approach has provided significant benefits, with enhanced understanding of the issues and confidence that the work is of relevance to the client.

The range of advisory work undertaken by QFS during the past year is illustrated by the following:

- provision of interest rate risk management strategies and review of debt structures;
- advice on investment strategies and investment policies;
- modelling of inflation-linked debt portfolios;
- asset and liability management;
- foreign exchange risk management;
- advice on incorporating term floating rate debt into debt portfolios;
- review and analysis of industry beta estimates;
- Weighted Average Cost of Capital estimation;
- rates of return and discount rate advice; and
- management and termination of cross-border leases.

"The work that Treasury Corporation does is of the highest standard as far as I am concerned. Good communication, timeliness and they understand our business and needs."

Greg Dowsett
Chief Finance Officer
Forest Products Commission

Client Services

(continued)

A major highlight of the past year has been the extension of the sophisticated interest rate modelling expertise already developed by WATC into development of similar methodologies for managing foreign exchange risk. The development of these models will allow the quantification of exposures to exchange rate fluctuations and provide a better basis for the analysis and understanding of the risks faced by clients dealing with overseas transactions.

ASSET AND PROJECT FINANCING

WATC's Asset and Project Financing (APF) business unit provides financial modelling, analysis support and advice across all stages of project development and implementation.

WATC is uniquely positioned within the Western Australian public sector to provide objective financial analysis and advice to its clients. This is based on WATC's:

- knowledge and experience in risk analysis, valuation, discounted cash flow modelling and sensitivity analysis;
- knowledge and experience in financial markets and strong relationships with the finance sector;
- knowledge and understanding of state and national project evaluation policies, frameworks and guidelines; and
- a focus on delivering client outcomes rather than consulting revenue.

During the year, APF undertook a broad range of advisory engagements. These services included the following:

- assisting North Metropolitan Area Health Service to develop a Procurement Option Analysis for the Midland Health Campus, a 300-bed public hospital to provide a comprehensive

range of clinical services to Perth's eastern suburbs and Swan Valley region. WATC led the development of assessment criteria and the qualitative assessment of risks and benefits associated with each delivery option.

- supporting Port Hedland Port Authority evaluate an operating lease financing proposal for loading equipment on the new Utah Point bulk commodity export berth. Financial valuation and analysis of the operating lease was provided against a benchmark of traditional debt funding.
- assisting the Department of Agriculture and Food Western Australia to develop a business case for the implementation of the Regional Saleyard Strategy for Western Australia. Options were evaluated to deliver a viable and contemporary livestock saleyard network in Western Australia. WATC facilitated consultation with regional stakeholders and market soundings with service providers to assess private sector delivery capacity and the depth of market interest.
- assisting the Department of Education and Training to develop a Procurement Option Analysis for the delivery of 12 metropolitan primary schools. WATC subsequently provided quantitative modelling analysis of private sector, whole-of-life delivery costs against public sector delivery costs (Public Private Partnership Proxy and Public Sector Comparator models).

Client feedback further reinforces WATC's reputation as a highly competent, reliable and valued financial advisory service provider within the Western Australian public sector.

"Excellent service, excellent to work with, excellent to have providing ongoing support and advice on a complex project. All up an outstanding job."

Liz Macleod

Executive Director, Clinical Planning and Redevelopment
North Metropolitan Area Health Service (NMAHS)

WATC is exposed to various risks in pursuing its mandate. From a financial perspective, WATC is exposed to market, liquidity and credit risk as a result of its dealings in capital markets. WATC also faces operational risks which may arise as a result of inadequate or failed internal processes, internal fraud, health and safety issues, system failures or from external events. Failure to appropriately manage any of these risks can have a serious and adverse impact on WATC's reputation with its stakeholders and its ability to meet its obligations to clients.

In order to reduce the possibility of adverse events occurring, WATC has put in place risk management systems, policies and processes to ensure that its risks are appropriately managed and communicated in a timely manner. An important element of WATC's risk management framework is the adoption by the Board of a formal Risk Appetite Statement which provides guidelines for management to operate within but does not limit management's ability to react to threats or opportunities that may arise.

At the operational level, line managers are responsible for day-to-day risk management and ensuring that policies and controls are applied. In conjunction with this, the Risk Management Branch independently reviews and reports on WATC's risk exposures and compliance with policy requirements. The Board and senior management are also kept informed of risk exposures and issues on a regular basis to ensure that the risks facing WATC, including any new or emerging risks, are assessed and managed within agreed tolerance levels.

The key risks faced by WATC, including any changes in risk profile or the approach to the management of these risks, are described in the following sections.

Credit Risk

Credit risk is the risk that an entity is unable to meet its financial obligations when due. Over the past year, there have been no cases where an entity has failed to meet its obligations to WATC.

WATC's Credit Risk Management Policy sets maturity and counterparty limits based on credit rating. The policy also ensures the diversification of WATC's credit exposures. WATC's largest credit exposures flow from the need to maintain a significant investment portfolio in order to manage liquidity risk and to support the market in its debt paper. Credit risk exposure also arises in relation to the use of derivatives to manage the market and liquidity risk associated with WATC's funding activities. Throughout 2009/10, WATC continued to closely monitor its credit risk profile and, with the stabilisation in the credit environment and market conditions generally, relaxed some of the measures put in place in 2008/09 to reduce its credit risk profile in response to the Global Financial Crisis (GFC).

WATC's capital provisioning in relation to its credit exposure is based on the Australian Prudential Regulation Authority (APRA) standard APS 112. This standard requires capital to be held against the credit exposure on investment and derivative transactions based on market value, instrument type, counterparty and term to maturity. Over the year, WATC's credit risk capital requirement peaked at \$25.7 million and averaged \$19.6 million on a daily basis. This compares to a peak capital requirement of \$25.9 million and an average daily capital requirement of \$20.8 million in the previous year.

Risk Management

(continued)

Market Risk

Market risk is the risk of financial loss (realised or unrealised) as a result of changes in market factors such as interest and foreign exchange rates. WATC aims to manage, within agreed parameters, all market risks that threaten to have an adverse and unacceptable impact on its financial position. Market risk is monitored and reported daily using Value at Risk (VaR) techniques and is complemented with regular stress testing to ensure that the potential impact of extreme market events on WATC's portfolio exposures is communicated and fully understood.

The composition of WATC's balance sheet exposures changes from year to year as a result of changes in client funding requirements and strategic decisions taken by management in relation to portfolio funding and hedging. It is WATC's aim to minimise the market risk of its portfolio by adjusting its funding mix and derivative usage. WATC's policy is not to carry foreign exchange risk apart from the minor exposure created by the need to maintain small balances in foreign currency bank accounts.

WATC adopts APRA standard APS 116 with respect to market risk capital provisioning. This standard requires WATC to hold risk capital equal to a multiple of its VaR. During the year, VaR peaked at \$2.1 million and averaged \$1.2 million on a daily basis. This compares to a peak of \$1.5 million and an average daily VaR of \$0.8 million in the previous year. The average VaR level for the year continued to reflect the higher interest rate volatility experienced in markets as a result of the GFC, but is also reflective of the growth in WATC's balance sheet, with client lending growing by a net \$6.2 billion in market value terms in 2009/10.

Liquidity Risk

WATC defines liquidity risk as the risk of having insufficient funds available to meet its financial obligations, as and when they fall due, without having to incur excessive losses or funding costs. WATC's liquidity risk is managed through a combination of maintaining a diverse range of funding sources and a level of liquid assets that is adjusted in accordance with balance sheet size and cash flow projections.

WATC successfully funded a record new money borrowing program in 2009/10 and has done so whilst dealing with the lingering effects of the GFC and, more recently, the uncertainties introduced as a result of the sovereign debt crisis in Europe. In this regard, WATC has been able to tap domestic and overseas markets without having to incur excessive funding costs, with strong demand from investors continuing in 2009/10 through WATC's domestic short-term inscribed stock and offshore Eurocommercial Paper Program. Liquidity in WATC's long-term bonds also improved in 2009/10.

Operational Risk

All sections of WATC are exposed to operational risk to various degrees. In order to mitigate this risk, WATC has a range of controls in place that ensures the segregation of duties, appropriate reporting arrangements are in place, and procedures are documented and adhered to. These control arrangements are subject to regular review as part of the internal audit process.

In addition, the Risk Management Branch undertakes an annual review of WATC's operational risk profile, including workshops with all managers to identify and assess the operational risks that affect each branch, the associated impact and probability, and the effectiveness of the control environment. As a matter of principle, and to the extent possible, WATC seeks to be consistent with the operational risk guidelines and standards proposed by APRA in its response to the Basel Capital Accord.

As the sole provider of funding to most government agencies, WATC has a duty not only to carry out this function efficiently but also with a high level of reliability. Consequently, WATC regularly reviews its response strategies to ensure that key business operations can continue should a major disruption occur. In this regard, WATC has well developed and tested Business Continuity and Pandemic Management Plans which it believes position it to quickly return to full operational capability with minimum impact on its clients should a business continuity event arise. Ongoing development and review of business continuity documentation and testing of disaster recovery scenarios ensures that WATC remains at the forefront of business continuity management in the Western Australian public sector.

The Board of Directors (the Board) of WATC is responsible for the performance of the functions of WATC under the *Western Australian Treasury Corporation Act 1986* (the Act).

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

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

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

BOARD COMPOSITION

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

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

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

At 30 June 2010, the directors of WATC were:

Name	Position	First Appointed	Term Expires
Timothy Michael Marney	Chairperson	Statutory	Statutory
Anthony Michael Kannis	Deputy Chairperson	1 March 2009	n/a
John MacPherson Collins ¹	Chief Executive Officer	Statutory	Statutory
Gaye Marie McMath	Director	1 January 2003	31 December 2011
Catherine Anne Nance	Director	15 July 1998	31 December 2012
Grahame Searle	Director	1 January 2009	31 December 2010

1. The Chief Executive Officer is the only director with executive responsibilities. All other directors are independent directors.

Corporate Governance

(continued)

BOARD RESPONSIBILITIES

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

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

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

- reviewing and establishing (with the Minister's agreement) WATC's Strategic Development Plan and Statement of Corporate Intent each year;
- monitoring the performance of WATC; and
- ensuring that appropriate accounting, risk management, budgeting, compliance, information technology and internal control policies, systems and reporting processes are in place. These include its Risk Management Policy and Business Continuity Plan.

BOARD COMMITTEES

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

Audit Committee

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

The Audit Committee is responsible for contact with WATC's external and internal auditors to ensure that significant issues and information arising from the auditors' activities are brought to the attention of the Board. At meetings of the Audit Committee, the external and internal auditors are invited to address the Audit Committee without management present.

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

The members of the Audit Committee at 30 June 2010 were:

Name	Position
Catherine Anne Nance	Chairperson
Anthony Michael Kannis	Member
Gaye Marie McMath	Member

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

Remuneration Committee

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

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

The remuneration and allowances payable to appointed directors is determined by the Treasurer on the recommendation of the Minister for Public Sector Management. The terms and conditions of service for the Chief Executive Officer require the concurrence of the Minister.

The members of the Remuneration Committee at 30 June 2010 were:

Name	Position
Timothy Michael Marney	Chairperson
John MacPherson Collins	Member
Gaye Marie McMath	Member
Catherine Anne Nance	Member

Attendance at Meetings by Directors

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

Director	Board		Audit Committee	
	Held	Attended	Held	Attended
T M Marney	10	8		
A M Kannis	10	10	4	4
J M Collins	8	8		
G M McMath	10	9	4	4
C A Nance	10	10	4	4
G Searle	10	7		
M A Nunes (Acting) ¹	2	2		

1. M A Nunes was appointed Acting Chief Executive Officer until the appointment of J M Collins.

Corporate Governance

(continued)

CONSTITUTION AND PROCEEDINGS OF THE BOARD

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

STATUTORY CORPORATIONS (LIABILITY OF DIRECTORS) ACT 1996

WATC's directors are bound by the provisions of the *Statutory Corporations (Liability of Directors) Act 1996*. Accordingly, directors are required to comply with the same fiduciary responsibilities and duties of loyalty and good faith owed by directors of companies incorporated under the *Corporations Act 2001*.

In accordance with Clause 18 of Schedule 2 to the Act, directors are required to leave the room and not take part in deliberations of matters in which they have some material personal interest.

INSURANCE POLICY

An insurance policy has been taken out to indemnify members of the Board against liabilities under Sections 13 and 14 of the *Statutory Corporations (Liability of Directors) Act 1996*. The amount of the insurance premium paid for 2009/10 was \$65,110.

ETHICAL STANDARDS AND CODES OF CONDUCT

The Board acknowledges the need for, and the continued maintenance of, the highest standards of corporate governance practices and ethical conduct by WATC's directors and staff and has established codes of conduct for directors and staff respectively.

The staff Code of Conduct (the Code) includes a 'values wheel', which is a mnemonic to assist staff to focus on the agreed behaviours in the course of carrying out their daily activities. The 'values wheel', shown on page 13, comprises a wheel containing WATC's values of value-adding, accountability, leadership, understanding, ethics and sustainability. The stakeholder is at the hub.

In accordance with the Directors' Code of Conduct, the Code will apply to directors unless there is an inconsistency, in which case the Directors' Code of Conduct will apply.

WATC has also adopted the Western Australian Public Sector's Code of Ethics and endorsed, in principle, the code of conduct developed by the Australian Financial Markets Association.

PROFESSIONAL ADVICE

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

PERFORMANCE EVALUATION

The Board evaluates its performance each year.

COMPLIANCE

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

Auditors

External Audit

Section 21 of the Act states:

"The provisions of the Financial Management Act 2006 and the Auditor General Act 2006 regulating the financial administration, audit and reporting of statutory authorities apply to and in respect of the Corporation and its operations."

In accordance with the provisions of the *Financial Management Act 2006* and the *Auditor General Act 2006*, WATC's external auditor is the Auditor General for Western Australia. The Auditor General utilises the services of Ernst & Young to conduct the annual audit.

Internal Audit

WATC's internal audit function is outsourced to KPMG.

Appointment to this role by WATC is subject to the Common Use Arrangements authorised by the Department of Treasury and Finance for accessing audit services and financial advice. The appointment is for a term of three years with the option to extend the term for a further two one-year periods at WATC's sole discretion.

INFORMATION STATEMENT

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

LEGISLATION

LEGISLATION ADMINISTERED

Western Australian Treasury Corporation Act 1986

Legislation Impacting on WATC's Activities

STATE LEGISLATION IMPACTING ON ACTIVITIES

- *Auditor General Act 2006*
- *Corruption and Crime Commission Act 2003*
- *Disability Services Act 1993*
- *Electoral Act 1907*
- *Electronic Transactions Act 2003*
- *Equal Opportunity Act 1984*
- *Fair Trading Act 1987*
- *Financial Management Act 2006*
- *Freedom of Information Act 1992*
- *Occupational Safety and Health Act 1984*
- *Pay-roll Tax Assessment Act 2002*
- *Public and Bank Holidays Act 1972*
- *Public Interest Disclosure Act 2003*
- *Public Sector Management Act 1994*
- *Stamp Act 1921*
- *State Records Act 2000*
- *State Superannuation Act 2000*
- *State Supply Commission Act 1991*
- *Statutory Corporations (Liability of Directors) Act 1996*
- *Workers Compensation & Injury Management Act 1981*

COMMONWEALTH LEGISLATION IMPACTING ON ACTIVITIES

- *A New Tax System (Goods & Services Tax) Act 1999*
- *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*
- *Census and Statistics Act 1905*
- *Copyright Act 1968*
- *Fair Work Act 2009 (operational from 1 January 2010)*
- *Fringe Benefits Tax Act 1986*
- *Income Tax Assessment Act 1936*
- *Superannuation Guarantee (Administration) Act 1992*
- *Taxation Administration Act 1953*
- *Workplace Relations Act 1996 (operational to 1 January 2010)*

Changes in Written Law

There were no changes to the *Western Australian Treasury Corporation Act 1986* during the financial year.

Ministerial Directives

No ministerial directives were received during the financial year.

People and Performance

WORKFORCE PROFILE

WATC employed 63 staff at 30 June 2010; 21 female staff members and 42 male staff members. The size and composition of the workforce remained relatively stable during the year, with only a minimal increase in size of 1.6 per cent.

RECRUITMENT

WATC is committed to attracting skilled employees within a variable labour market in Western Australia. The key recruitment activity was the appointment of a new Chief Executive Officer in October 2009. The use of innovative and streamlined recruitment practices continued to produce effective and timely appointments to various roles.

PERFORMANCE MANAGEMENT

WATC measures individual performance through the 'Individual Performance Management Framework'. This is an evidence-based system which focuses upon both behavioural and technical competencies. All employees participate in this system and the third cycle was completed in June 2010.

WATC has developed a new performance management framework for the 2010/11 financial year. This includes a new 'Performance Appraisal System' which aims to provide a more objective, concise and effective method of managing individual performance within the organisation.

TRAINING AND DEVELOPMENT

WATC recognises the importance of maintaining and developing employee capabilities and skills in attracting and retaining a highly skilled workforce. It supports this through the provision of financial support for training courses focusing on both technical and professional development. It further supports this through the provision of financial support for tertiary studies (up to and including Masters level) and external accreditation (for example, Australian Financial Markets Association (AFMA) and Chartered Financial Analyst accreditation).

The key learning and development activities during the year included:

- participation in the AFMA Financial Markets Accreditation Program;
- completion of the Accountable and Ethical Decision-Making Program by all employees;
- completion of Lifestyle Inventory Surveys by all executive and branch managers; and
- continuation of the Individual Career Development Planning Program.

EMPLOYEE RELATIONS

WATC understands that effective employee relations are another critical component in its ability to attract and retain a highly skilled workforce.

The formal mechanism for employee consultation is the Joint Consultative Committee (JCC) which meets on a regular basis to review and discuss employment conditions and issues. The JCC is comprised of the members of the Executive Management Committee and elected staff representatives. Some of its notable achievements during the reporting period include examining the results of the annual employee survey and contributing to the review of the recruitment and selection policy.

COMPLIANCE WITH PUBLIC SECTOR STANDARDS AND ETHICAL CODES

WATC is committed to upholding and promoting public sector standards and ethical codes. This is evidenced through compliance with Public Sector Standards, Codes of Ethics and Codes of Conduct. It is also evidenced through internal activities, such as the maintenance of a Grievance Management Framework and delivery of Accountable and Ethical Decision-Making training to all employees.

In the reporting period of 2009/10, there were no breach claims lodged under the Public Sector Standards in Human Resource Management and no complaints lodged under any internal codes of ethics or codes of conduct.

EQUITY AND DIVERSITY MANAGEMENT

WATC recognises that equity and diversity management is a vital factor in helping realise the full potential of its employees and achieving purpose in its service delivery. It continues to provide a workplace that is free from bias and discrimination. Some notable achievements during 2009/10 include:

- establishment of Flexible Work Arrangements, including formalising part-time employment, job-share arrangements and home-based work arrangements; and
- delivery of recruitment and selection information sessions to employees interested in participating in selection panels.

OCCUPATIONAL SAFETY AND HEALTH

WATC is committed to an Occupational Safety and Health (OSH) management system that is comprehensive and consultative and allows for continuous improvement in working towards a safe and healthy workplace. The focus during the reporting period has been to review and enhance the OSH management system. These efforts were recognised through external accreditation by WorkSafe and the receipt of a 2010 WA Employer Award from CRS Australia.

The formal mechanism for consultation is the OSH Committee, which is comprised of representatives from management, employees and Safety and Health Representatives. They meet on a quarterly basis to review and discuss OSH issues in the workplace. The OSH Committee has played a vital role during the year in managing the ongoing maintenance and development of the OSH system.

The OSH system is supported through the delivery of training to employees. All new employees receive OSH training as part of the induction program. This is reinforced through annual information sessions which focus on specific areas, such as prevention and management of stress in the workplace. In the reporting period, a total of 76 per cent of the Executive and Management Group and 96 per cent of all individual contributors attended OSH information sessions. It should be noted that all employees have attended a minimum of one OSH information session within the past two reporting periods.

The OSH system was evaluated through an external audit based on the WorkSafe Plan. The audit assigned a 'Silver' rating to the OSH System. The key findings from the audit included:

- acknowledgement that WATC has a good OSH system that is in place and working well;
- a recommendation to increase the participation of the Executive in OSH management; and
- a recommendation to continue to focus on continual improvement in OSH procedures.

WATC has an Injury Management System, including relevant policies, procedures and guidelines. This includes an Injury Management Policy which RiskCover has endorsed as being compliant with the requirements of the *Workers Compensation and Injury Management Act 1981* (WA).

In the reporting period 2009/10, there were no fatalities or injuries in the workplace leading to lost time injury as outlined in the table below.

Indicator	Result
Number of fatalities	Zero
Lost time injury/diseases (LTI/D) incidence rate	Zero
Lost time injury severity rate	Zero
Injured workers that return to work within 28 weeks	n/a (no injuries during the reporting period)

INFORMATION AND COMMUNICATIONS TECHNOLOGY

During 2009/10, the Information and Communications Technology branch focused on improving business operations, providing better stakeholder interaction and building even more reliable and robust business continuity facilities.

From a stakeholder perspective, version 5.3 of the Summit treasury management system was maintained as the major platform for WATC's market activities. Work was undertaken to provide additional products to clients including:

- inflation-linked swaps and lending products;
- enhanced overnight cash deposit and term deposit products; and
- a large suite of reports for WATC's Lending Services business unit.

From an internal perspective, WATC's intranet was redeveloped using the Microsoft Office SharePoint Server 2007 platform to improve its internal business processes and the recording of information within its HP TRIM records management system. WATC's client information system was also redeveloped for intranet usage.

Significant effort was expended on finetuning the Storage Area Network (SAN) based on the experience and knowledge gained since its original implementation. This work formed the basis for providing better business continuity facilities. The reliability, responsiveness and integrity of the business continuity facilities remains a focus for the coming year and ongoing testing of their capabilities will form part of their improvement.

The branch organisational structure was reviewed and resulted in the establishment of a part-time position to provide additional systems administration support. This has enabled the existing support staff to focus on the following forthcoming developments:

- refinement and testing of business continuity facilities;
- upgrade to Windows Server 2008 and Windows 7;
- upgrade to Microsoft Exchange 2010; and
- upgrades to SharePoint and TRIM.

Existing staff were trained in current technologies and planned technologies, including Windows Server 2008, TRIM, SharePoint 2010 and Firewall management, in preparation for their implementation and/or enhancement in the coming year.

The provision of information and communications technology was reviewed and aligned with WATC's strategic business objectives in the Information Technology Strategic Plan.

REGISTRY AND TREASURY OPERATIONS

During 2009/10, WATC continued to engage Link Market Services Limited (Link) for provision of registry services to WATC's stockholders. Address details of the branch offices of Link are shown on the last page of this Report.

Systems and services provided by the following suppliers were used to confirm and settle financial transactions during the year:

ASX Austraclear Limited	for A\$ cash, short-term money market, fixed interest and foreign exchange transactions
Bank of America	for foreign currency payments
Clearstream Banking	for repurchases of offshore issues
Citibank NA	for transactions in Eurocommercial Paper and Euro Medium Term Notes

SUSTAINABILITY

WATC continues to show its commitment in examining the way it goes about its business and how it impacts on the environment, contributes to society and assists in the State's economic wellbeing. This commitment is outlined in such ways as:

- the Equity and Diversity Plan;
- the review of the First Aid Responder activities; and
- compliance with State Supply Commission's procurement policies and guidelines.

FREEDOM OF INFORMATION (FOI)

WATC has an FOI Coordinator to facilitate the handling of requests and to be the first point of contact for FOI enquiries and requests.

For the year ended 30 June 2010, WATC received no Freedom of Information access applications in accordance with the *Freedom of Information Act 1992*.

INFORMATION MANAGEMENT

Performance indicators have been established under the requirements of WATC's Recordkeeping Plan to measure the efficiency and effectiveness of WATC's recordkeeping systems. Ongoing monitoring of the systems is undertaken.

As part of WATC's Induction Program, all new employees receive advice and information relating to WATC's recordkeeping systems and procedures. Six new staff were given induction training in WATC's recordkeeping systems and procedures during the year.

Ongoing advice and assistance is provided to all staff in the use of WATC's recordkeeping systems. Recordkeeping training, including user training for the TRIM system, was provided internally for two staff.

QUARTERLY REPORT

With the exception of the June quarter, WATC submits a report on its operations during the preceding quarter to the Treasurer. This report is tabled in Parliament by the Treasurer.

PRICING POLICY

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

ELECTORAL ACT DISCLOSURES

Under the Electoral Act, WATC is required to disclose any expenditure it makes to:

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

For the year ended 30 June 2010, the only disclosable expenditure incurred was in relation to advertising, where an amount of \$34,265 was spent for advertising of staff vacancies.

Strategic Objectives and Outlook

ESTIMATED BORROWING PROGRAM – 2010/11

	\$ million	\$ million
NEW LENDING TO CLIENTS		4,496
BORROWING PROGRAM		
Long-Term:		
Projected Maturities		
Domestic – Benchmark Bonds	4,135	
Domestic – Retail Bonds	61	
Overseas	0	4,196
New Money Long-Term Borrowings		
New Lending to Clients		3,147
Other Long-Term Borrowings		
Refinancing of Short-Term Debt		1,000
Total Long-Term Borrowings		8,343
Short-Term:		
New Money Short-Term Borrowings		
New Lending to Clients		1,349

BORROWING STRATEGY

In order to meet its funding and debt management needs for 2010/11, WATC proposes to:

- issue across the yield curve to fund lending to clients;
- establish a 2014 (and possibly 2021) maturity benchmark bond and enhance the liquidity of its existing benchmark bond lines by supporting these securities in the marketplace and by issuing through the Fixed Interest Market Making Panel, either by tender or private placement;
- continue to be responsive to opportunities to issue stocks longer than ten years to hedge specific client lendings and target the maturities to comply with the program of future benchmark bonds;
- continue to issue short-term paper through domestic inscribed stock or the Eurocommercial Paper Program for liquidity funding;
- actively pursue opportunities to issue through its Euro Medium Term Note Program and other offshore markets to generate term fixed and floating rate funding; and
- transact in interest rate swaps to meet WATC's asset and liability management requirements and to generate floating rate funding for its clients.

Budget 2010/11

	\$'000
Income	
Interest on Investments	135,000
Interest from Authorities	1,333,086
Fee Income	500
	<hr/> 1,468,586
Expenses	
Interest on Borrowings	1,439,113
Depreciation/Amortisation	1,179
Borrowing Related Expenses	2,115
Administration Expenses	14,575
	<hr/> 1,456,982
Profit before income tax equivalent	11,604
Income Tax equivalent expense	3,481
Profit for the period	8,123

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Statement of Comprehensive Income

For the year ended 30 June 2010

	Note	2010 \$'000	2009 \$'000
INCOME			
Revenue			
Interest on Investments		108,369	144,674
Interest from Authorities		927,970	759,198
Fee Income		358	341
Total Revenue		1,036,697	904,213
Gains			
Foreign Exchange Gain	6	0	58
Net Fair Value Movement	7	0	20,960
Gains from Sale of Plant & Equipment	4	1	1
Total Other Income		1	21,019
Total Income		1,036,698	925,232
EXPENSES			
Expenses			
Interest on Borrowings		1,009,760	876,559
Borrowing Related Expenses		1,300	1,601
Depreciation		218	197
Amortisation of Intangible Assets		644	401
Administration Expenses	5	11,790	12,054
Foreign Exchange Loss	6	13	0
Net Fair Value Movement	7	6,197	0
Total Expenses		1,029,922	890,812
Profit before income tax equivalent expense		6,776	34,420
Income Tax Equivalent Expense	8	2,037	10,331
Profit for the period		4,739	24,089
Other Comprehensive Income		0	0
Total Comprehensive Income for the period		4,739	24,089

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 30 June 2010

	Note	2010 \$'000	2009 \$'000
ASSETS			
- Cash Assets	9	1,110	3,033
- Investments	10	2,586,736	2,702,237
- Receivables & other financial assets	11	901,239	516,570
- Loans to Authorities	12	22,078,015	15,886,946
- Tax Assets	13	845	845
- Plant and Equipment	14	433	384
- Intangible Assets	15	680	1,287
TOTAL ASSETS		25,569,058	19,111,302
LIABILITIES			
- Payables & other financial liabilities	17	311,007	439,615
- Borrowings	18	25,173,316	18,580,921
- Tax Liabilities	19	2,059	771
- Provisions	20	2,803	2,817
TOTAL LIABILITIES		25,489,185	19,024,124
NET ASSETS		79,873	87,178
EQUITY			
- Retained Profits		76,873	84,178
- Reserves		3,000	3,000
TOTAL EQUITY		79,873	87,178

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

Statement of Changes in Equity

For the year ended 30 June 2010

	Reserves \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance at 1 July 2008	0	65,332	65,332
Profit for the period	0	24,089	24,089
Other comprehensive income	0	0	0
Total comprehensive income for the period	0	24,089	24,089
Transactions with owners in their capacity as owners:			
Capital appropriations	3,000	(3,000)	0
Distributions to owners	0	(2,243)	(2,243)
Total	3,000	(5,243)	(2,243)
Balance at 30 June 2009	3,000	84,178	87,178
Balance at 1 July 2009	3,000	84,178	87,178
Profit for the period	0	4,739	4,739
Other comprehensive income	0	0	0
Total comprehensive income for the period	0	4,739	4,739
Transactions with owners in their capacity as owners:			
Capital appropriations	0	0	0
Distributions to owners	0	(12,044)	(12,044)
Total	0	(12,044)	(12,044)
Balance at 30 June 2010	3,000	76,873	79,873

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2010

	Note	2010 \$'000	2009 \$'000
Cash Flows from Operating Activities			
Interest received on Loans to Authorities		842,490	760,631
Interest received on Investments		105,327	157,745
Proceeds from Sale and Maturity of Investments		2,476,207	2,399,728
Payment for Investments		(1,776,083)	(2,404,286)
Loans to Authorities		(12,851,680)	(7,577,914)
Loans repaid by Authorities		6,931,300	3,399,391
Other Payment on behalf of Authorities		(475)	(263)
Proceeds from Issuance of Borrowings		38,339,841	22,172,727
Repayment of Borrowings		(32,631,473)	(18,131,925)
Fee Income		415	290
Interest and other Cost of Finance paid		(830,211)	(794,713)
Administration and Borrowing Related Expenses		(13,036)	(13,080)
Payment of Taxation Equivalents		(748)	(10,489)
Net Cash provided by/(used in) Operating Activities	22b	591,874	(42,158)
Cash Flows from Investing Activities			
Payment for Plant & Equipment		(267)	(239)
Payment for Intangible Assets		(68)	(1,451)
Proceeds from Sale of Plant & Equipment		1	1
Net Cash used in Investing Activities		(334)	(1,689)
Cash Flows from Financing Activities			
Payment of Dividend		(12,044)	(2,243)
Net Cash used in Financing Activities		(12,044)	(2,243)
Net Increase/(Decrease) in Cash and cash equivalents		579,496	(46,090)
Cash and cash equivalents at the Beginning of the Financial Year		1,354,516	1,400,548
Unrealised foreign exchange gain/(loss)		(13)	58
Cash and cash equivalents at the End of the Financial Year	22a	1,933,999	1,354,516
Included in the above are the following			
Cash Flows to State Government			
Payment of Dividend		(12,044)	(2,243)
Payment of Taxation Equivalents		(748)	(10,489)
Net Cash provided to State Government		(12,792)	(12,732)

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

Notes to and forming part of the Financial Statements

For the year ended 30 June 2010

NOTE 1

The Western Australian Treasury Corporation (WATC) was established on 1 July 1986 under the *Western Australian Treasury Corporation Act 1986* as the State's central borrowing authority. WATC is located at Level 12, 225 St Georges Terrace, Perth, Western Australia.

General

WATC's financial statements for the year ended 30 June 2010 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' refers to Standards and Interpretations issued by the Australian Accounting Standards Board (AASB). The financial report also complies with International Financial Reporting Standards.

In preparing these financial statements, WATC has adopted, where relevant to its operations, new and revised Standards and Interpretations from their operative dates as issued by the AASB.

The Australian Accounting Interpretations are adopted through AASB 1048 'Interpretation and Application of Standards' and are classified into those corresponding to International Accounting Standards Board (IASB) Interpretations and those only applicable in Australia.

Early adoption of standards

WATC cannot early adopt an Australian Accounting Standard or Interpretation unless specifically permitted by Treasurer's Instruction (TI) 1101 'Application of Australian Accounting Standards and Other Pronouncements'. No Australian Accounting Standards that have been issued or amended but are not operative have been early adopted by WATC for the annual reporting period ended 30 June 2010.

NOTE 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General Statement

- (i) The financial statements constitute general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording.

The *Financial Management Act* and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

Where modification is required and has a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

- (ii) The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated.
- (iii) The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.
- (iv) Comparative information has been adjusted to conform with current year presentation.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2010

(continued)

NOTE 2 (continued)

(b) Basis of Preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention except as noted below.

WATC maintains Investments, Loans to Authorities and Borrowings to fulfil its functions and has elected to designate these Financial Assets and Financial Liabilities as fair value through profit or loss, consistent with the provisions of AASB 139 'Financial Instruments: Recognition and Measurement'. WATC satisfies the eligibility criteria for this election as it manages its business daily on a fair value basis. In accordance with AASB 139, all derivative financial instruments are also accounted for on a fair value basis through profit or loss. By nature, the market quoted rates used for valuation of financial assets and financial liabilities include an allowance for credit risk. All other assets, including receivables and prepayments, and other liabilities, including creditors, accruals and provisions, are stated at amortised cost. Plant and Equipment is also stated at cost less accumulated depreciation.

Critical accounting judgements and estimates

The judgements that have been made in the process of applying accounting policies that have the most significant effect on the amounts recognised in the financial statements relate to the use of mid prices instead of bid-offer prices for the measurement of Investments, Loans to Authorities and Borrowings. WATC aims to minimise its exposure to risk in these financial assets and liabilities. To the extent that the risk positions in these items are offset, mid prices are used with bid-offer prices being applied to any net open position, if WATC had them.

Key assumptions made in the valuation of financial assets and financial liabilities are disclosed in Note 21.

(c) Revenue

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised as shown below.

Fee Income

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

Interest

Interest revenue is recognised as it accrues using the effective interest method and includes items of a similar nature realised in managing the relevant portfolios. Any realised gains or losses on financial assets are also recognised as interest.

(d) Plant and Equipment

Items of Plant and Equipment costing \$5,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of Plant and Equipment costing less than \$5,000 are expensed direct to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

All items of Plant and Equipment are initially recognised at cost. After initial recognition, Plant and Equipment are stated at cost less any accumulated depreciation and any impairment in value. Depreciation is calculated based on their estimated useful lives using the straight line method. The estimated useful lives for each class of depreciable asset are as follows:

	2010	2009
- Computer Equipment	3-5 years	3-5 years
- Other Equipment	5-10 years	5-10 years

Impairment

The carrying values of Plant and Equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of Plant and Equipment is the greater of fair value less costs to sell and the depreciated replacement cost.

Impairment losses are recognised in the Statement of Comprehensive Income.

(e) Intangible Assets

Computer software is the only Intangible Asset which WATC has in its financial statements. The cost of utilising the assets is expensed (amortised) over their useful life.

Intangible Assets acquired separately are capitalised at cost as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets. The useful lives of these assets are assessed to be finite. Intangible Assets are amortised over a period of three years.

Intangible assets are tested for impairment where an indicator of impairment exists. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

(f) Investments

WATC classifies its investments as financial assets at fair value through profit or loss. WATC does not hold any investments that are classified as held to maturity or available for sale.

Investments are initially recognised at fair value on trade date and subsequently measured at fair value applicable at reporting date. Unrealised gains or losses arising from this policy are brought to account in the Statement of Comprehensive Income. Fair values are derived using market quoted midpoint prices to the extent that investments are held in offsetting risk positions, otherwise bid prices are applied. Commonwealth and State Government investments are held for portfolio management purposes. Whilst these investments generally have maturity dates greater than twelve months, they are used in the ordinary course of business to economically hedge WATC's benchmark bonds and are therefore held in the expectation of being realised within twelve months.

(g) Loans to Authorities

Loans to Authorities are initially recognised at fair value on trade date and subsequently measured at fair value applicable at reporting date and are recorded as assets in the Statement of Financial Position. Unrealised gains or losses arising from this policy are brought to account in the Statement of Comprehensive Income. Fair values are derived using market quoted midpoint prices to the extent that loans to authorities are held in offsetting risk positions, otherwise bid prices are applied. In normal circumstances, upon maturity, Loans to Authorities are either rolled over or refinanced.

(h) Borrowings

Borrowings are initially recognised at fair value on trade date and subsequently measured at the fair value applicable at reporting date. Unrealised gains or losses arising from this policy are brought to account in the Statement of Comprehensive Income. Fair values are derived using market quoted midpoint prices to the extent that borrowings are held in offsetting risk positions, otherwise ask prices are applied. In normal circumstances, maturities of borrowings are either rolled over or refinanced. Borrowing related expenses are charged to the Statement of Comprehensive Income as incurred.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2010

(continued)

NOTE 2 (continued)

(i) Derivative Financial Instruments

Derivatives are used exclusively to provide an economic hedge of interest rate and foreign currency exposures. All derivatives are recognised in the Statement of Financial Position at fair value on trade date. All derivatives are classified as held for trading. The carrying value of a derivative is remeasured at fair value throughout the life of the contract. Unrealised gains or losses arising from this policy are brought to account in the Statement of Comprehensive Income.

(j) Foreign Currency Translation

Foreign currency transactions are brought to account in Australian dollars at trade date at the rate of exchange applying at that date. At the end of the reporting period, all monetary assets and liabilities are translated at the exchange rates existing at 30 June 2010. Exchange gains or losses are brought to account in the Statement of Comprehensive Income.

Both the functional and presentation currency of WATC is Australian dollars (AUD).

(k) Borrowing Costs

Borrowing Costs are recognised as an expense when incurred. Interest expense is recognised as it accrues and includes items of a similar nature realised in managing the relevant portfolios. Any realised gains or losses on financial liabilities are also recognised as interest.

(l) Employee Benefits

(i) Sick Leave

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

(ii) Annual Leave

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

(iii) Long Service Leave

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

(iv) Superannuation

The Government Employees Superannuation Board (GESB) administers the superannuation schemes detailed hereunder.

Employees may contribute to the Pension Scheme, a defined benefit pension scheme now closed to new members, or to the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme also closed to new members. Employees commencing employment prior to 16 April 2007 who are not members of either of these schemes became non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). Both of these schemes are accumulation schemes. WATC makes concurrent contributions to

GESB on behalf of employees in compliance with the Commonwealth Government's *Superannuation Guarantee (Administration) Act 1992*. These contributions extinguish the liability for superannuation charges in respect of the WSS and GESBS Schemes.

The liabilities for superannuation charges under the Gold State Superannuation Scheme, the West State Superannuation Scheme and the GESB Super Scheme are extinguished by payment of employer contributions to the Government Employees Superannuation Board and are therefore referred to as defined contribution schemes in accordance with AASB 119.

WATC also has an unfunded superannuation liability as a result of prior service of current staff who were previously within the public service. The liability for these future payments is provided for at reporting date in the Statement of Financial Position. The liability under this scheme has been calculated annually by Mercer Human Resource Consulting using the projected unit credit method. The expected future payments are discounted to present value using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The superannuation expense of the defined benefit plan is made up of the following elements:

- Current service cost;
- Interest cost (unwinding of the discount);
- Actuarial gains and losses; and
- Past service cost.

Actuarial gains and losses of the defined benefit plan are recognised immediately as income or expense in the Statement of Comprehensive Income.

The superannuation expense of the defined contribution plan is recognised as and when the contributions fall due.

(m) Dividend Policy

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

(n) Income Tax

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

As a consequence of participation in the TER, WATC is required to comply with Australian Accounting Standard AASB 112 'Income Taxes'.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rate expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction that, at the time of the transaction, did not affect either accounting profit or taxable profit or loss.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2010

(continued)

NOTE 2 (continued)

(n) Income Tax (continued)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

(o) Impairment of Assets

At each reporting date, WATC assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, WATC makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and depreciated replacement cost. The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of the asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

(p) Receivables

Receivables are recognised at cost. The carrying amount approximates fair value, as they are generally settled within thirty days. An allowance for uncollectible amounts is made when there are indications that an asset is impaired. There is no previous evidence of amounts being uncollected due to the nature of WATC's clients.

(q) Payables

Payables are recognised at the amounts payable when WATC becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount approximates fair value, as they are generally settled within thirty days.

(r) Cash and cash equivalents

Cash assets in the Statement of Financial Position comprise cash at bank and in hand. The carrying amount approximates fair value as these items are short-term in nature. For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash in hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

(s) Accrued Salaries

Accrued salaries represent the amount due to staff but unpaid at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. WATC considers the carrying amount of accrued salaries to be equivalent to the net fair value.

(t) Swap Fair Value Reserve

WATC enters into interest rate and currency swaps to mitigate interest rate and foreign exchange exposure on medium and long-term debt raised to fund its clients' long-term funding requirements. In accordance with accounting standards, changes in swap fair values are brought to account in the Statement of Comprehensive Income. A discretionary capital reserve has been established to separately identify net profits created by this policy which may, in the future, be transferred to retained earnings upon maturity of the transactions.

NOTE 3

DISCLOSURE OF CHANGES IN ACCOUNTING POLICY

Initial application of an Australian Accounting Standard

WATC has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2009 that impacted on WATC.

AASB 8 'Operating Segments'. This Standard replaced AASB 114 'Segment Reporting' upon its effective date and applies to listed entities only. The Standard is therefore not applicable to WATC and any reference to segment reporting is no longer required.

AASB 101 'Presentation of Financial Statements' (September 2007). This Standard has been revised and introduces a number of terminology changes as well as changes to the structure of the Statement of Changes in Equity and the Statement of Comprehensive Income. It is now a requirement that owner changes in equity be presented separately from non-owner changes in equity. There is no financial impact resulting from the application of this revised Standard.

AASB 2009-2 'Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]'. This Standard amends AASB 7 and will require enhanced disclosures about fair value measurements and liquidity risk with respect to financial instruments. There is no financial impact resulting from the application of this Standard.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2010

(continued)

NOTE 3 (continued)

DISCLOSURE OF CHANGES IN ACCOUNTING POLICY (continued)

Future impact of Australian Accounting Standards issued but not yet operative

WATC cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. Consequently, WATC has not applied early any of the following Australian Accounting Standards that have been issued that may impact WATC. Where applicable, WATC plans to apply these Australian Accounting Standards from their application date:

AASB 9 'Financial Instruments' includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 'Financial Instruments: Recognition and Measurement'. WATC does not expect any financial impact when the Standard is first applied in the year ended 30 June 2014.

AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]' Other than changes to disclosure, WATC does not expect any financial impact when the Standard is first applied in the year ended 30 June 2014.

The following amendments are not expected to have any impact on WATC:

AASB Amendment	Affected Standards
AASB 124	'Related Party Disclosures'
AASB 2009-5	'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]'
AASB 2009-8	'Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions [AASB 2]'
AASB 2009-9	'Amendments to Australian Accounting Standards - Additional Exemptions for First-time Adopters [AASB 2]'
AASB 2009-10	'Amendments to Australian Accounting Standards - Classification of Rights Issues [AASB 132]'
AASB 2009-12	'Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]'
AASB 2009-13	'Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB1]'
AASB 2009-14	'Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement [AASB Interpretation 14]'
AASB 2010-1	'Amendments to Australian Accounting Standards - Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters [AASB 1 & 7]'
Interpretation 19	'Extinguishing Financial Liabilities with Equity Instruments'

NOTE 4**2010**
\$'000**2009**
\$'000**GAIN/(LOSS) FROM SALE OF PLANT AND EQUIPMENT****Computer Hardware**

Gross proceeds of disposed hardware

1

1

Book Value of disposed hardware

0

0

Gain/(Loss) on disposal of hardware

1

1

NOTE 5**ADMINISTRATION EXPENSES**

The following employee benefit expenses are included in Administration Expenses.

Salaries

6,701

6,534

Workers Compensation costs

26

9

Superannuation expense

685

814

Long Service Leave Provision

(39)

122

7,373

7,479

NOTE 6**FOREIGN EXCHANGE GAIN/LOSS**

WATC maintains balances in its foreign currency bank accounts for the payment of expenses incurred through its overseas borrowings. At 30 June 2010, after taking account of exchange fluctuations, a loss of A\$13 thousand (2009, gain of A\$58 thousand) had resulted on this balance.

NOTE 7**NET FAIR VALUE MOVEMENT**

Fair Value Adjustment - Investments

1,071

1,022

Fair Value Adjustment - Loans to Authorities

252,407

304,017

Fair Value Adjustment - Borrowings

(219,002)

(432,978)

Fair Value Adjustment - Derivatives

(40,673)

148,899

Net Fair Value Movement

(6,197)

20,960

Add Interest movements

Interest on Investments

108,369

144,674

Interest from Authorities

927,970

759,198

Interest on Borrowings

(1,009,760)

(876,559)

26,579

27,313

Net gain on financial assets & financial liabilities at fair value through profit and loss

20,382

48,273

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

Notes to and forming part of the Financial Statements

For the year ended 30 June 2010

(continued)

NOTE 8	2010	2009
	\$'000	\$'000

INCOME TAX EQUIVALENT EXPENSE

The prima facie income tax equivalent expense on accounting profit reconciles to the income tax equivalent expense in the accounts as follows:

Accounting Profit	6,776	34,420
Income tax equivalent expense at 30% (2009, 30%)	2,033	10,326
Tax effect of expenses that are not deductible/assessable in determining taxable profit		
Sundry expenses	4	5
Income tax equivalent expense	2,037	10,331
Income tax equivalent expense comprises movements in:		
Current income tax equivalent expense	2,054	10,384
Deferred tax income relating to the origination and reversal of temporary differences	0	(70)
Deferred tax expense relating to the origination and reversal of temporary differences	(17)	17
Total income tax equivalent expense	2,037	10,331
Deferred Tax Assets:		
Employee Provisions	841	845
Foreign Currency Revaluation	4	0
Total (Note 13)	845	845
Deferred Tax Liabilities:		
Payables	5	5
Foreign Currency Revaluation	0	18
Total (Note 19)	5	23

NOTE 9

CASH ASSETS

Bank Deposits	1,004	2,780
Overseas Bank Accounts	106	253
	1,110	3,033
Average Balance	3,136	2,097
Interest Revenue	219	384
Average Interest Rate	6.98%	18.32%

Cash Assets represent only those funds held in accounts with banks and does not include money market investments. As in the previous year, to facilitate the maturity of one of WATC's benchmark bond lines, a larger than normal cash balance was left in the bank account overnight prior to the maturity. This resulted in higher interest revenue and a distortion of the average rate, which in normal circumstances would be in the range of 3% to 4%.

NOTE 10	2010 \$'000	2009 \$'000
INVESTMENTS - AT FAIR VALUE		
Investments comprise the following:		
Short-Term Money Market Investments	2,586,736	2,627,705
Government Stock	0	74,532
Total	2,586,736	2,702,237
Maturity Profile		
At Call	436,000	198,300
Up to 3 Months	1,782,503	1,544,634
3 to 12 Months	368,233	959,303
1 to 5 Years	0	0
Over 5 Years	0	0
Total	2,586,736	2,702,237
Repricing Profile		
At Call	436,000	198,300
Up to 3 Months	1,782,503	1,779,522
3 to 12 Months	368,233	724,415
1 to 5 Years	0	0
Over 5 Years	0	0
Total	2,586,736	2,702,237
Credit Exposure		
Rating	%	%
AAA	5.77	10.50
AA	48.04	61.71
A	46.19	27.79
	100.00	100.00
Average Balance	2,697,596	2,689,252
Interest Revenue	108,151	144,290
Average Interest Rate	4.01%	5.37%

WATC invests its surplus funds in accordance with the *Western Australian Treasury Corporation Act*. Further information on valuation methods is shown in Note 21. All Investments are classified as financial assets at fair value through profit and loss.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2010

(continued)

NOTE 11	2010 \$'000	2009 \$'000
RECEIVABLES		
Accrued Interest Receivable	262,769	168,457
Foreign Currency Receivable	49,886	0
Other Debtors	364,763	191,897
	677,418	360,354
Other Financial Assets (Note 12b and 18b)	223,821	156,216
	901,239	516,570

Accrued Interest Receivable comprises accruals relating to advances made to clients and investments with financial institutions. Other debtors represent financial instrument transactions undertaken prior to 30 June 2010 and due for settlement after 30 June 2010. Other financial assets and foreign currency receivables are discussed in more detail in Note 21.

NOTE 12

LOANS TO AUTHORITIES - AT FAIR VALUE

12a. Loans to Authorities - non derivative	22,078,015	15,886,946
Maturity Profile		
Up to 3 Months	3,789,345	4,103,735
3 to 12 Months	4,900,105	2,168,519
1 to 5 Years	7,695,537	5,301,800
Over 5 Years	5,693,028	4,312,892
Total Loans to Authorities at fair value	22,078,015	15,886,946
Repricing Profile		
Up to 3 Months	8,077,642	5,961,251
3 to 12 Months	3,159,548	1,693,659
1 to 5 Years	5,326,131	3,989,348
Over 5 Years	5,514,694	4,242,688
Total Loans to Authorities at fair value	22,078,015	15,886,946
12b. Loans to Authorities - derivative	8,058	(885)
Maturity Profile		
Up to 3 Months	6,507	418
3 to 12 Months	1,761	(283)
1 to 5 Years	107	(422)
Over 5 Years	(317)	(598)
Total derivatives shown as receivables (Note 11)/payables (Note 17)	8,058	(885)

	2010 \$'000	2009 \$'000
12b. Loans to Authorities - derivative (continued)		
Repricing Profile		
Up to 3 Months	6,507	418
3 to 12 Months	1,761	(283)
1 to 5 Years	107	(422)
Over 5 Years	(317)	(598)
Total derivatives shown as receivables (Note 11)/payables (Note 17)	8,058	(885)
Average Balance	18,601,398	13,482,843
Interest Revenue	927,970	759,198
Average Interest Rate	4.99%	5.63%

WATC advances funds to State Government and Local Government authorities within Western Australia. In normal circumstances, most advances are either rolled over or refinanced. State Government advances (97.3% of total (2009, 97.1%)) are guaranteed by the State whilst Local Government advances (2.7% of total (2009, 2.9%)) are secured by debenture and are charged in accordance with the provisions of the *Local Government Act* upon the general funds of the Local Government. Loans to Authorities are not readily traded on organised markets in standardised form. Further information on valuation methods is shown in Note 21.

NOTE 13

TAX ASSETS

Deferred Tax Asset	845	845
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NOTE 14

PLANT AND EQUIPMENT

Equipment (at cost)	1,797	1,530
Less Accumulated Depreciation	1,364	1,146
Total Plant and Equipment	433	384

Reconciliation

Equipment		
Opening balance	384	342
Additions	267	239
Disposals/Write-Offs	(126)	(112)
Depreciation	(218)	(197)
Accumulated depreciation on disposal	126	112
Closing balance	433	384

Notes to and forming part of the Financial Statements

For the year ended 30 June 2010

(continued)

NOTE 15	2010 \$'000	2009 \$'000
INTANGIBLE ASSETS		
Intangible Assets (at cost)	7,556	7,519
Less Accumulated Amortisation	6,876	6,232
Total Intangible Assets	680	1,287
Reconciliation		
Intangible Assets		
Opening balance	1,287	206
Additions	37	1,482
Disposals	0	0
Amortisation	(644)	(401)
Accumulated amortisation on disposal	0	0
Closing balance	680	1,287

NOTE 16

IMPAIRMENT OF ASSETS

There were no indications of impairment to Plant and Equipment and Intangible Assets at 30 June 2010.

WATC held no goodwill or intangible assets with an indefinite useful life during the reporting period and at reporting date, there were no intangible assets not yet available for use.

NOTE 17

PAYABLES

Interest Accrued (at amortised cost)	289,207	193,793
Other Creditors (at amortised cost)	21,800	31,816
Foreign Currency Payable	0	213,121
	311,007	438,730
Other Financial Liabilities (Note 12b)	0	885
	311,007	439,615

Payables comprises accrued interest and sundry creditors relating to debt instruments and unrepresented cheques. Interest Accrued is owed to financial institutions. Other financial liabilities and foreign currency payables are discussed in more detail in Note 21. There are no foreign currency amounts included which are not effectively economically hedged. Other creditors represent financial instrument transactions undertaken prior to 30 June 2010 and due for settlement after 30 June 2010.

NOTE 18	2010 \$'000	2009 \$'000
BORROWINGS - AT FAIR VALUE		
18a. Borrowings - non derivative	25,173,316	18,580,921
Maturity Profile		
Up to 3 Months	5,953,162	5,213,942
3 to 12 Months	6,514,109	3,404,988
1 to 5 Years	8,352,110	5,660,305
Over 5 Years	4,353,935	4,301,686
Total borrowings at fair value	25,173,316	18,580,921
Repricing Profile		
Up to 3 Months	5,953,162	5,277,547
3 to 12 Months	6,514,109	3,404,988
1 to 5 Years	8,352,110	5,611,020
Over 5 Years	4,353,935	4,287,366
Total borrowings at fair value	25,173,316	18,580,921
18b. Borrowings - derivative	(215,763)	(156,216)
Maturity Profile		
Up to 3 Months	6,296	292
3 to 12 Months	(66,044)	(32,971)
1 to 5 Years	(137,435)	(114,036)
Over 5 Years	(18,580)	(9,501)
Total derivatives shown as receivables (Note 11)	(215,763)	(156,216)
Repricing Profile		
Up to 3 Months	13,814	1,420
3 to 12 Months	(66,044)	(34,099)
1 to 5 Years	(140,488)	(114,036)
Over 5 Years	(23,045)	(9,501)
Total derivatives shown as receivables (Note 11)	(215,763)	(156,216)
Average Balance	21,157,554	16,024,151
Interest Expense	1,009,760	876,559
Average Interest Rate	4.77%	5.47%

WATC raises its funds in the domestic and offshore capital markets. Under Section 13(1) of the *Western Australian Treasury Corporation Act*, the financial liabilities of WATC are guaranteed by the Treasurer on behalf of the State of Western Australia. WATC's borrowings are well diversified across markets and maturities. Further information on valuation methods is shown in Note 21.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2010

(continued)

NOTE 18 (continued)	2010 \$'000	2009 \$'000
BORROWINGS - AT FACE VALUE		
Payable 12 months or less from 30 June		
- Domestic	8,795,374	5,496,619
- Overseas	3,647,850	3,117,308
	12,443,224	8,613,927
Payable more than 12 months from 30 June		
- Domestic	11,773,288	9,343,550
- Overseas	0	0
	11,773,288	9,343,550
Balance 30 June at face value	24,216,512	17,957,477

OVERSEAS BORROWINGS

Includes Australian currency and foreign currency loans. Foreign currency loans have been translated using the exchange rates applicable at 30 June 2010 and are shown below:

	Exchange Rate Translation at 30/06/10	
Foreign Currency Borrowing	Payable 12 Months or Less from 30/06/10 \$A'000	Payable More than 12 Months from 30/06/10 \$A'000
USD 2,882,993,727	3,381,823	Nil
GBP 134,640,806	237,577	Nil
SGD 19,990,645	16,739	Nil

	Exchange Rate Translation at 30/06/09	
Foreign Currency Borrowing	Payable 12 Months or Less from 30/06/09 \$A'000	Payable More than 12 Months from 30/06/09 \$A'000
USD 2,431,308,805	2,995,986	Nil
HKD 324,668,127	51,621	Nil

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

NOTE 19	2010 \$'000	2009 \$'000
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TAX LIABILITIES

Current Income Tax Equivalent Liability	2,054	748
Deferred Tax Liability	5	23
	2,059	771

NOTE 20

PROVISIONS

Annual Leave	884	848
Long Service Leave	1,210	1,249
Superannuation - defined benefit plans	709	720
	2,803	2,817

The movement in the provision for employee benefits during the year resulted in a credit of \$14 thousand to the Statement of Comprehensive Income (2009, a charge of \$250 thousand).

Gold State Superannuation Scheme

Accounting Policy

Actuarial gains and losses are recognised immediately in profit and loss in the year in which they occur.

Scheme Information

Some former Pension Scheme members have transferred to Gold State Super. In respect of their transferred benefit, the members receive a lump sum benefit at retirement, death or invalidity which is related to their salary during their employment and indexed during any deferral period after leaving public sector employment.

The following disclosures are in respect of the employer-financed benefits only.

Reconciliation of the Present Value of the Defined Benefit Obligation

Present Value at beginning of year	720	738
(+) Interest cost	37	47
(+) Actuarial (gains)/losses	(49)	136
(-) Benefits paid	0	201
Present Value at end of year	708	720

These defined benefit obligations are wholly unfunded, such that there are no assets. WATC contributes, as required, to meet the benefits paid.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2010

(continued)

NOTE 20 (continued)	2010 \$'000	2009 \$'000
Reconciliation of the Fair Value of Scheme Assets		
Fair Value at beginning of year	0	0
(+) Expected return on Scheme assets	0	0
(+) Actuarial (gains)/losses	0	0
(+) Employer contributions	0	201
(+) Contributions by Scheme participants	0	0
(-) Benefits paid	0	201
(+) Transfers in	0	0
(+) Contributions to accumulation section	0	0
(+) Settlements	0	0
(+) Exchange rate changes	0	0
Present Value at end of year	0	0
Reconciliation of the Assets and Liabilities Recognised in the Statement of Financial Position		
Defined Benefit Obligation	708	720
(-) Fair value of assets	0	0
Deficit/(surplus)	708	720
(-) Unrecognised past service cost	0	0
(-) Unrecognised net (gain)/loss	0	0
(+) Adjustment for limitation on net asset	0	0
Liability/(asset)	708	720
Expense Recognised in Statement of Comprehensive Income		
Interest cost	37	47
Actuarial (gains)/losses	(49)	136
Superannuation expense/(income)	(12)	183

Scheme Assets

There are no assets in Gold State Super for current employees to support the transferred benefits. Hence, there is

No fair value of Scheme assets;
No asset allocation of Scheme assets;
No assets used by the employer;
No expected return of Scheme assets; and
No actual return on Scheme assets.

Principal Actuarial Assumptions Used

	2010	2009
Discount rate (active members)	5.48%	5.34%
Discount rate (pensioners)	5.48%	5.34%
Expected salary increase rate	4.50%	4.50%
Expected pension increase rate	2.50%	2.50%

The discount rate is based on the 10-year Government bond rate. The decrement rates used (e.g. mortality and retirement rates) are based on those used at the last actuarial valuation for the Schemes.

	2010 \$'000	2009 \$'000
Historical Information		
Present value of defined benefit obligation	708	720
Fair value of Scheme assets	0	0
(Surplus)/Deficit in Scheme	708	720
Experience adjustments (gain)/loss - Scheme assets	0	0
Experience adjustments (gain)/loss - Scheme liabilities	(41)	69

The experience adjustment for Scheme liabilities represents the actuarial loss (gain) due to a change in the liabilities arising from the Scheme's experience (e.g. membership movements, unit entitlements) and excludes the effect of the changes in assumptions (e.g. movements in the bond rate).

	2010 \$'000
Expected Contributions	
Expected employer contributions	44

Funding arrangements for employer contributions

(a) Contribution recommendations

WATC is contributing as required to pay benefits, when they fall due.

(b) Funding method

The funding method used by WATC and other agencies, whose employees are members of Gold State Super, is the Pay-As-You-Go method. This method affects the timing of the cost to WATC.

Nature of asset/liability

WATC has recognised a liability in the Statement of Financial Position in respect of its defined benefit superannuation arrangements. GESB does not impose a legal liability on WATC to cover any deficit that exists in the Scheme.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2010

(continued)

NOTE 21

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

POLICY

WATC incurs risk in relation to the financial services it provides to its clients. These services include borrowing, lending, financial risk management and investment activities. The key risks that WATC manages are:

- Interest Rate Risk;
- Exchange Rate Risk;
- Credit Risk;
- Liquidity Risk;
- Funding Risk; and
- Operational Risk.

WATC's philosophy is to ensure that it maintains appropriate capital cover to mitigate these risks. In this regard, the Australian Prudential Regulation Authority (APRA) sets guidelines in Prudential Standards APS 116 – Capital Adequacy: Market Risk (APS 116) and APS 112 – Capital Adequacy: Standardised approach to Credit Risk (APS 112) for the quantification of the interest rate and credit capital requirements of banks. WATC applies those standards for the measurement of its capital requirements. WATC currently retains \$10 million in Capital to cover operational risk.

WATC, as a matter of policy, does not take any material exchange rate risk and seeks to minimise its liquidity and funding risk.

WATC enters into interest rate and currency swaps to mitigate foreign exchange and interest rate exposure on medium and long-term debt raised to fund its clients' long-term funding requirements. In accordance with accounting standards, changes in swap fair values are brought to account in the Statement of Comprehensive Income. Unrealised gains or losses do not represent cash profit or loss to WATC.

	2010 \$'000	2009 \$'000
Unrealised Fair Value on Swap Portfolio Credit Sensitivity Analysis		
Unrealised fair value gain/(loss)	(4,626)	8,716
Basis Point Sensitivity	65.091	64.709
Increase of 80 basis points in credit spreads	5,207	5,177
Increase of 50 basis points in credit spreads	3,255	3,235
Increase of 30 basis points in credit spreads	1,953	1,941
Decrease of 80 basis points in credit spreads	(5,207)	(5,177)
Decrease of 50 basis points in credit spreads	(3,255)	(3,235)
Decrease of 30 basis points in credit spreads	(1,953)	(1,941)

Interest Rate Risk

Interest rate risk is the risk that a movement in interest rates will cause a loss.

Consistent with APS 116, WATC's interest rate risk capital requirement is determined using a risk multiplier of 3 and a Value-at-Risk (VaR) model based on a 99% confidence level and a 10-day liquidation period.

VaR models are designed to measure market risk in a normal market environment. The models assume that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution. The distribution is calculated using exponentially weighted historical data. Due to the fact that VaR relies heavily on historical data to provide information and can not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the normal distribution assumption. VaR may also be under or over estimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level. In practice, actual results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR model, actual outcomes are monitored to test the validity of the assumptions and the parameters used in the VaR calculation.

WATC gives high regard to the minimisation of interest rate risk. As a matter of course, all of WATC's interest rate risk exposures resulting from lending and market support activities are economically hedged. The effectiveness of these hedging arrangements is reviewed on an ongoing basis in order to minimise WATC's VaR and capital requirements.

Market exposures using VaR and other interest rate sensitivity measures are assessed daily. Risk control is further enhanced by the use of stress testing which is performed on a monthly basis or more frequently if required. Stress testing gives an indication of the level of possible losses that can be incurred under extreme market conditions. It also highlights those areas on the curve where WATC is highly sensitive to interest rate movements.

WATC's VaR measure related to market risk is detailed below:

	2010 \$'000	2009 \$'000
Value at Risk (VaR)		
Average Daily Balance for Year	1,198	841
Lowest for Year	836	504
Highest for Year	2,076	1,497
Closing Balance	885	1,258

Notes to and forming part of the Financial Statements

For the year ended 30 June 2010

(continued)

NOTE 21 (continued)

Interest Rate Risk Exposure

The following table details WATC's exposure to interest rate risk as at the reporting date:

2010	Weighted Average Effective Interest Rate %	At Call \$'000	Up to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non Interest Bearing \$'000	Total \$'000
Financial Assets:								
Cash and Cash Equivalents	6.98	1,110						1,110
Receivables -non derivative							677,418	677,418
Investments	4.01	436,000	1,782,503	368,233				2,586,736
Loans to Authorities -non derivative	4.99		8,077,642	3,159,548	5,326,131	5,514,694		22,078,015
-derivative			6,507	1,761	107	(317)		8,058
		437,110	9,866,652	3,529,542	5,326,238	5,514,377	677,418	25,351,337
Financial Liabilities:								
Payables							311,007	311,007
Borrowings -non derivative	4.77		5,953,162	6,514,109	8,352,110	4,353,935		25,173,316
-derivative			13,814	(66,044)	(140,488)	(23,045)		(215,763)
		0	5,966,976	6,448,065	8,211,622	4,330,890	311,007	25,268,560

2009	Weighted Average Effective Interest Rate %	At Call \$'000	Up to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non Interest Bearing \$'000	Total \$'000
Financial Assets:								
Cash and Cash Equivalents	18.32	3,033						3,033
Receivables -non derivative							360,354	360,354
Investments	5.37	198,300	1,779,522	724,415				2,702,237
Loans to Authorities -non derivative	5.63		5,961,251	1,693,659	3,989,348	4,242,688		15,886,946
-derivative			418	(283)	(422)	(598)		(885)
		201,333	7,741,191	2,417,791	3,988,926	4,242,090	360,354	18,951,685
Financial Liabilities:								
Payables							438,730	438,730
Borrowings -non derivative	5.47		5,277,547	3,404,988	5,611,020	4,287,366		18,580,921
-derivative			1,420	(34,099)	(114,036)	(9,501)		(156,216)
		0	5,278,967	3,370,889	5,496,984	4,277,865	438,730	18,863,435

Notes to and forming part of the Financial Statements

For the year ended 30 June 2010

(continued)

NOTE 21 (continued)

Exchange Rate Risk

Foreign exchange risk is the risk of loss due to changes in foreign exchange rates. WATC's policy is not to take any foreign exchange risk apart from the minor exposure created by the need to maintain small balances in foreign bank accounts for operational purposes.

In practice, all of the foreign currency denominated liabilities of WATC are matched or backed off against foreign currency denominated assets in one or more of the following forms:

- a foreign currency denominated lending;
- a foreign currency denominated receivable under a cross currency swap;
- a foreign currency denominated receivable under a forward exchange rate contract; and/or
- a foreign currency denominated investment.

WATC undertakes foreign exchange transactions and currency options on behalf of clients in accordance with section 9(1)(g) of the *Western Australian Treasury Corporation Act*. Each market transaction is offset by a transaction with the client so that no exchange rate risk is borne by WATC.

Credit Risk

Credit risk is the risk of financial loss due to a counterparty not meeting its financial obligations to WATC. WATC's governing legislation only permits lending to Western Australian public sector agencies or to entities that have approval to borrow from WATC conferred by a written law. At present, all of WATC's clients are from the Western Australian public sector, which results in WATC's credit risk primarily being limited to derivative, investment and local government lending portfolio counterparties.

WATC has a comprehensive Credit Policy that is managed by its Credit Committee. The policy is designed to reduce credit risk by ensuring diversification of WATC's credit exposures and by setting minimum standards for the credit quality of counterparties.

The capital required to cover credit risk is based on APRA Prudential Standard APS 112 and varies depending on the market value of the investment, the maturity of the investment and the credit standing of the counterparty. The standard also requires capital to be set aside to cover the credit risk associated with WATC's derivative exposures.

Credit Exposure of Investments by Rating	2010 %	2009 %
AAA	5.77	10.50
AA	48.04	61.71
A	46.19	27.79
	100.00	100.00

Credit Exposure of Derivatives by Rating

AAA	0.00	0.00
AA	73.34	63.80
A	26.66	36.20
	100.00	100.00

Liquidity Risk

Liquidity risk relates to WATC's ability to have sufficient funds available to meet its financial obligations as and when they fall due, without having to incur excessive losses or funding costs.

WATC minimises this risk in a number of ways, including:

- ensuring that its holdings of liquid assets and/or standby facilities are equal to or above a minimum level in accordance with APRA's 'APS 210 - Liquidity', that is, 9% of liabilities;
- preparing a 50-day cash flow forecast on a daily basis and 10-day and 10-week cash flow forecasts on a weekly basis;
- carrying out scenario analysis for adverse market conditions;
- diversifying its funding activity across markets and across the maturity spectrum; and
- having access to an intra day overdraft facility in order to handle its intra day liquidity requirements.

By maintaining a minimum level of liquid assets, WATC ensures that it has sufficient liquidity to meet unforeseen large net cash outflows or temporary market disruptions. The policy mandated minimum level of liquid assets was maintained throughout the year.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2010

(continued)

NOTE 21 (continued)

Liquidity Table

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

2010	Up to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non Interest Bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Liabilities:						
Payables					21,800	21,800
Borrowings						
- non derivative	6,063,427	7,494,471	10,405,827	4,945,378		28,909,103
	6,063,427	7,494,471	10,405,827	4,945,378	21,800	28,930,903
Derivatives						
- derivative payable	3,090,622	559,657	2,121	820		3,653,220
- derivative receivable	3,107,615	725,463	130,937	21,738		3,985,753
Derivatives Net	(16,993)	(165,806)	(128,816)	(20,918)		(332,533)
Total	6,046,434	7,328,665	10,277,011	4,924,460	21,800	28,598,370

2009	Up to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non Interest Bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

Financial Liabilities:

Payables					31,816	31,816
Borrowings						
- non derivative	5,364,777	4,091,554	7,219,218	4,907,364		21,582,913
	5,364,777	4,091,554	7,219,218	4,907,364	31,816	21,614,729
Derivatives						
- derivative payable	2,915,584	369,308	836	532		3,286,260
- derivative receivable	2,742,515	429,171	65,364	2,647		3,239,697
Derivatives Net	173,069	(59,863)	(64,528)	(2,115)		46,563
Total	5,537,846	4,031,691	7,154,690	4,905,249	31,816	21,661,292

Funding Risk

Funding risk is the risk that funding may not always be available because it is sourced from too small or concentrated a range of facilities.

This risk is minimised through the diversification of WATC's funding activity across domestic and offshore markets and across the maturity spectrum.

The Board requires the Asset and Liability Management Committee to ensure that appropriate facilities and funding sources are maintained to minimise risk.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

WATC has adopted an Operational Risk Management Framework (ORMF) that sets out the methodology by which its operational risks are identified, assessed, controlled and monitored. The key objectives of the framework are:

- to promote a culture which allows operational risk to be managed in a consistent manner;
- to ensure staff have a clear understanding of their responsibilities with respect to operational risk management;
- to effectively identify and manage operational risks so that strategic and business objectives can be met; and
- to calculate the level of capital that is commensurate with WATC's operational risk exposures.

Risk Management Governance

WATC's Board of Directors (the Board) is responsible for the performance of the functions of WATC under the *Western Australian Treasury Corporation Act 1986*.

In carrying out these functions, the Board ensures that appropriate risk management policies, systems and reporting processes are in place. To assist in fulfilling its obligations in this regard, the Board has implemented risk management policies covering market (interest rate, exchange rate and funding), credit, liquidity and operational risks.

WATC has established the Asset and Liability Management Committee (ALCO) which is responsible for:

- the provision of risk management policy advice to the CEO;
- the formulation of strategy in managing WATC's assets and liabilities;
- the oversight of risk management activities (including other risk management committees) within WATC; and
- maintaining WATC's Risk Management Policies and reviewing them annually.

The ALCO meets on a monthly basis prior to each Board meeting.

WATC has also established a Credit Committee which is primarily responsible for credit policy oversight and advice and a Operational Risk Committee which is primarily responsible for Operational Risk Policy (including business continuity management policy) oversight and advice.

Capital Requirements

Under WATC's capital policy, a defined minimum amount of capital must be retained to cover its interest rate, credit and operational risk exposures. WATC considers retained earnings and reserves as its capital. The minimum interest rate and credit risk capital requirement is calculated in accordance with APRA's APS 112 and APS 116 prudential standards. In accordance with the Operational Risk Management Policy, an amount determined with reference to the ORMF is added to this amount for operational risk to derive WATC's total capital requirement. The calculation of WATC's total capital requirement is carried out on a daily basis and compared to WATC's available capital.

WATC's total capital requirements can vary significantly over time as a function of the level of client lending, the volume of market support activity and the availability of suitable funding/hedge instruments. Therefore, to prudently manage its capital retention levels, WATC makes forward projections (normally over a 3-year period) of its capital requirements. This information is used by the Board to determine the minimum amount of capital that must be retained to ensure sufficient capital is available to cover expected exposures over the projection period.

A review of WATC's capital requirements is carried out at least annually.

Consistent with WATC's adopted APRA standards, VaR is calculated using a 10-day liquidation period and a 99% confidence interval. To determine WATC's interest rate risk capital requirement, the calculated VaR statistic is multiplied by 3 or such other amount required under APRA standards.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2010

(continued)

NOTE 21 (continued)

Consistent with the APRA standards, WATC will monitor 'back testing' results and increase the risk multiplier to a level consistent with APRA's guidelines if back testing results indicate weaknesses in WATC's VaR model. The minimum multiplier allowed under the APRA standards is 3 and the maximum is 4.

MANAGEMENT

All financial assets and liabilities have been designated as fair value through profit and loss. Balances are recorded at fair value in the Statement of Financial Position and unrealised gains or losses are brought to account in the Statement of Comprehensive Income. Fair values are derived using market quoted midpoint prices to the extent that financial assets and liabilities are held in offsetting risk positions. Credit risk is not a significant determinant of fair value as WATC's liabilities are guaranteed by the Treasurer on behalf of the State and therefore changes in fair value are largely attributable to market related movements in prices and yields.

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

The amounts to be exchanged on these contracts are calculated with reference to the notional amount and other terms of the derivatives. Credit exposure represents WATC's estimate of its exposure at reporting date in the event of non-performance by counterparties. WATC has adopted the Australian Prudential Regulation Authority's 'Current Exposure Method' to determine the credit exposure arising from its derivative transactions. At 30 June 2010, WATC is confident that all its counterparties will meet their obligations.

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

	Notional Amount \$'000	Net Fair Value \$'000	Credit Exposure \$'000
As at 30 June 2010			
Futures	88,400	193	0
Interest Rate Swaps	5,482,950	223,548	248,709
Forward Rate Agreements	446,400	80	80
As at 30 June 2009			
Futures	196,200	126	0
Interest Rate Swaps	2,886,800	155,205	164,554

Interest rate swaps allow WATC to swap long-term fixed rate borrowings into floating rate borrowings with lower rates than if WATC had made the floating rate borrowings directly. At times, floating to fixed swaps are used to change floating rate borrowings to fixed rate borrowings in order to match WATC's lending to client authorities. With interest rate swaps, WATC agrees with counterparties to exchange, at predetermined intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to an agreed notional face value. Interest rate swaps are also used to provide term floating rate funds for client authorities. At 30 June 2010, WATC had lent funds amounting to \$A4,873,560 thousand (2009, \$A2,261,146 thousand) on this basis.

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

WATC borrows in foreign currencies when the all in cost after swapping back into Australian dollars is cheaper than the equivalent domestic borrowing. Whereas WATC manages interest rate risk on a portfolio basis, it manages the exchange rate risk on foreign currency borrowings as part of the borrowing transaction. At 30 June, WATC had foreign currency swaps and forwards amounting to \$A3,636,559 thousand (2009, \$A3,048,254 thousand) with a fixed future obligation in Australian dollars of \$A3,586,673 thousand (2009, \$A3,261,375 thousand). Additionally, WATC has arranged foreign exchange transactions for clients amounting to \$A181,011 thousand (2009, \$A152,692 thousand). These transactions are arranged with clients on a back-to-back basis and therefore WATC does not have any net exposure. The fair value of \$8,058 thousand relating to these forward foreign exchange transactions receivable from authorities and payable to third parties is included in Notes 12(b) and 18(b) respectively.

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

	Coupon	Market Rate as at 30 June 2010	Market Rate as at 30 June 2009
Overnight	-	4.50%	3.00%
90 days	-	4.92%	3.19%
180 days	-	5.00%	3.31%
15 October 2009	7.50%	-	3.15%
15 April 2011	7.00%	4.79%	4.31%
15 June 2013	8.00%	4.90%	5.59%
15 April 2015	7.00%	5.21%	5.98%
15 July 2017	8.00%	5.46%	6.18%
15 October 2019	7.00%	5.61%	-
15 July 2021	7.00%	5.74%	-

Notes to and forming part of the Financial Statements

For the year ended 30 June 2010

(continued)

NOTE 21 (continued)

Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie, as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

30 June 2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets designated at fair value through profit or loss	436,000	24,228,751	0	24,664,751
Derivative financial assets	0	8,058	0	8,058
Total Assets	436,000	24,236,809	0	24,672,809
Financial liabilities designated at fair value through profit or loss	16,877,643	8,295,673	0	25,173,316
Derivative financial liabilities	0	(296,703)	0	(296,703)
Total Liabilities	16,877,643	7,998,970	0	24,876,613
30 June 2009	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets designated at fair value through profit or loss	198,300	18,390,883	0	18,589,183
Derivative financial assets	0	(885)	0	(885)
Total Assets	198,300	18,389,998	0	18,588,298
Financial liabilities designated at fair value through profit or loss	11,896,361	6,684,560	0	18,580,921
Derivative financial liabilities	0	34,937	0	34,937
Total Liabilities	11,896,361	6,719,497	0	18,615,858

NOTE 22**2010**
\$'000**2009**
\$'000**NOTES TO THE STATEMENT OF CASH FLOWS****22a. Reconciliation of Cash**

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

Bank Deposits (Note 9)	1,004	2,780
Short-Term Money Market Investments	1,932,889	1,351,483
Overseas Bank Accounts (Note 9)	106	253
	1,933,999	1,354,516

22b. Reconciliation of Net Cash provided by Operating Activities to Profit for the period

Profit for the period	4,739	24,089
Depreciation	218	197
Amortisation of Intangible Assets	644	401
Decrease/(Increase) in Receivables	(85,226)	2,231
Increase in Accrued Interest Payables	82,166	11,956
Increase in Other Creditors	125	274
Current income tax equivalent expense	2,054	10,384
Other Payment on behalf of Client Authorities	(475)	(263)
(Increase) in deferred tax asset	0	(70)
Decrease/(Increase) in deferred tax liability	(17)	17
Tax Equivalent Payment	(748)	(10,489)
Unrealised Foreign Exchange (Gain)/Loss	13	(58)
Gain on Sale of Equipment	(1)	(1)
Increase/(Decrease) in Employee Benefits	(14)	250
Premium/discount amortisation	94,087	82,163
Fair Value Adjustment	6,197	(20,960)
Cash Decrease/(Increase) in Investments	700,124	(4,558)
Cash Increase in Lending	(5,920,380)	(4,178,523)
Cash Increase in Borrowings	5,708,368	4,040,802
Net Cash provided by/(used in) Operating Activities	591,874	(42,158)

22c. Financing/Lending Facilities

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

Notes to and forming part of the Financial Statements

For the year ended 30 June 2010

(continued)

NOTE 23	2010 \$	2009 \$
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REMUNERATION OF DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

Directors' Remuneration

T M Marney, Chairperson, A M Kannis, Deputy Chairperson, J M Collins, Chief Executive Officer, G Searle, Director, G M McMath, Director and C A Nance, Director, are the current directors of WATC. All directors, other than J M Collins, are non executive. The number of directors whose total of fees, salaries, superannuation and other benefits for the financial year fall within the following bands are:

\$		
1 - 10,000	-	1
20,001 - 30,000	-	1
30,001 - 40,000	1	1
40,001 - 50,000	2	1
80,001 - 90,000	1	-
250,001 - 260,000	1	-
290,001 - 300,000	-	1

The total remuneration of the directors of WATC is: **465,587** 401,166

Which comprises:

Short-Term Employment Benefits	415,865	333,309
Other Long-Term Employment Benefits	15,557	31,089
Post Employment Benefits	34,165	36,768

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

No directors are members of the Pension Scheme.

The above figures include amounts paid to M J Webb the former Chief Executive Officer who resigned during the year.

	2010 \$	2009 \$
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Other Key Management Personnel Remuneration

Other Key Management Personnel are T W Currie, Corporate Treasurer, S L Luff, Chief Financial Officer and Board Secretary, W L McEwen, Chief Risk Officer, S J B Morhall, Director Client Services, M A Nunes, Deputy Chief Executive Officer, and M T Udwadia, Human Resource Manager. The number of other key management personnel, other than directors, whose total fees, salaries, superannuation and other benefits, including payout of entitlements, for the financial year, fall within the following bands are:

\$		
50,001 - 60,000	1	-
80,001 - 90,000	-	1
110,001 - 120,000	1	-
170,001 - 180,000	1	-
180,001 - 190,000	2	2
190,001 - 200,000	-	1
210,001 - 220,000	1	1
260,001 - 270,000	1	1
270,001 - 280,000	-	-
The total remuneration of other key management personnel is:	1,201,276	1,130,982
Which comprises:		
Short-Term Employment Benefits	1,064,398	958,298
Other Long-Term Employment Benefits	14,332	59,694
Post Employment Benefits	122,546	112,990

The superannuation included here represents the superannuation expense incurred by WATC in respect of other key management personnel other than directors.

No other key management personnel are members of the Pension Scheme.

The above figures include amounts paid to C E Chapman who resigned during the year.

The total remuneration of directors and key management personnel is:	1,666,863	1,532,148
Which comprises:		
Short-Term Employment Benefits	1,480,263	1,291,607
Other Long-Term Employment Benefits	29,889	90,783
Post Employment Benefits	156,711	149,758

Notes to and forming part of the Financial Statements

For the year ended 30 June 2010

(continued)

NOTE 24	2010 \$	2009 \$
AUDITOR'S REMUNERATION		
Amounts paid or due and payable to the Office of the Auditor General for auditing the financial statements and performance indicators.	220,000	225,500

NOTE 25

RELATED PARTY TRANSACTIONS

In its role as the State's central borrowing authority, WATC advances funds, which are guaranteed by the State, to various State Government authorities. As at 30 June 2010, 97.3% (2009, 97.1%) of total loans to authorities were advanced to State Government authorities. The loans are provided at the cost of borrowing to WATC plus a margin to cover administration expenses and have various maturities. Details of maturity profile, interest earned and average interest earned are shown in Note 12.

In addition, WATC receives services from various government departments and agencies in the normal course of business. These transactions take place on an arm's length basis.

NOTE 26

EXPLANATORY STATEMENT

26a. ACTUAL/BUDGET COMPARISON 2009/10

	ACTUAL \$'000	BUDGET \$'000	VARIANCE \$'000	COMMENT
REVENUE				
Interest on Investments	108,369	102,000	6,369	
Interest from Authorities	927,970	886,764	41,206	1
Fee Income	358	358	0	
	1,036,697	989,122	47,575	
GAINS				
Gains from Sale of Plant & Equipment	1	0	1	
Total Income	1,036,698	989,122	47,576	
EXPENSES				
Interest on Borrowings	1,009,760	963,532	46,228	2
Borrowing Related Expenses	1,300	2,109	(809)	
Depreciation	218	279	(61)	
Amortisation of Intangible Assets	644	889	(245)	
Administration Expenses	11,790	13,556	(1,766)	
Foreign Exchange Loss	13	0	13	
Net Fair Value Movement	6,197	0	6,197	3
	1,029,922	980,365	49,557	
Profit before income tax equivalent	6,776	8,757	(1,981)	

COMMENTS - REASONS FOR VARIATIONS FROM BUDGETED AMOUNTS

1. The increase in Interest from Authorities compared to budget was due to higher than anticipated interest rates and an unanticipated increase in the client authority borrowing program.
2. The increase in Interest on Borrowings compared to budget was due to higher than anticipated debt levels. There was a corresponding increase in loans to authorities.
3. The relationship between net fair value movement and interest income and expense is discussed at Note 7. The budget does not separately identify unrealised gains or losses.

26b. COMPARISON BETWEEN 2009/10 AND THE PREVIOUS YEAR

	2010 \$'000	2009 \$'000	CHANGE \$'000	COMMENT
REVENUE				
Interest on Investments	108,369	144,674	(36,305)	1
Interest from Authorities	927,970	759,198	168,772	2
Fee Income	358	341	17	
	1,036,697	904,213	132,484	
GAINS				
Foreign Exchange Gain	0	58	(58)	
Gains from Sale of Plant & Equipment	1	1	0	
Net Fair Value Movement	0	20,960	(20,960)	
Total Income	1,036,698	925,232	111,466	
EXPENSES				
Interest on Borrowings	1,009,760	876,559	133,201	3
Borrowing Related Expenses	1,300	1,601	(301)	
Depreciation	218	197	21	
Amortisation of Intangible Assets	644	401	243	
Administration Expenses	11,790	12,054	(264)	
Foreign Exchange Loss	13	0	13	
Net Fair Value Movement	6,197	0	6,197	
	1,029,922	890,812	139,110	
Profit before income tax equivalent	6,776	34,420	(27,644)	

1. Interest on Investments has decreased by \$36.305 million from the previous year mainly due to a decrease in investments and interest rates.
2. Interest from Authorities has increased by \$168.772 million from the previous year mainly due to increased lendings during the year.
3. Interest on Borrowings has increased by \$133.201 million from the previous year as a result of increased borrowings during the year.

NOTE 27

COMMITMENTS

There are no expenditure commitments contracted for and payable at 30 June 2010 (2009, nil).

NOTE 28

SUBSEQUENT EVENTS

There have been no events subsequent to balance date which would have a material effect on WATC's financial statements at 30 June 2010.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2010

(continued)

CERTIFICATION OF FINANCIAL STATEMENTS

The accompanying financial statements of the Western Australian Treasury Corporation have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ending 30 June 2010 and the financial position as at 30 June 2010.

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



S L LUFF, B.BUS, CPA
CHIEF FINANCIAL OFFICER
WESTERN AUSTRALIAN
TREASURY CORPORATION

20 August 2010



J M COLLINS
CHIEF EXECUTIVE OFFICER
WESTERN AUSTRALIAN
TREASURY CORPORATION

20 August 2010



T M MARNEY
CHAIRPERSON
WESTERN AUSTRALIAN
TREASURY CORPORATION

20 August 2010

Key Performance Indicators

For Western Australian Treasury Corporation

Mission Statement (2009/2010)

To provide efficient debt funding, effective financial solutions and leadership in financial risk management to the public sector for the benefit of all Western Australians.

Key Outcome

To be respected in financial markets, valued by our clients and sought out by the WA public sector for our expertise.

Key Output

A key output flowing from the pursuit of this mission is providing service of the highest quality to our clients through understanding their needs, offering expert financial risk management advice and providing financial products and services that are competitively priced.

Glossary of Terms

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

Key Effectiveness Indicator – Estimated Interest Rate Savings

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

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

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

Term to Maturity as at 30/06/10 (Years)	AAA			AA+			AA			AA-		
	09/10	08/09	07/08	09/10	08/09	07/08	09/10	08/09	07/08	09/10	08/09	07/08
1 to 2	0.62%	0.73%	0.56%	0.93%	1.55%		0.76%	1.01%	0.88%	3.05%	3.07%	1.11%
2 to 3	0.48%	0.56%	0.44%	1.03%	0.44%	1.15%	0.84%	1.57%	1.08%	1.86%	3.47%	1.59%
3 to 4	0.74%	0.39%	0.73%	1.14%	1.86%	0.44%		1.82%	1.22%		2.51%	1.70%
4 to 5	0.56%	0.57%	0.70%		0.98%	1.35%		2.45%	1.21%		3.67%	1.37%
5 to 6	1.09%	0.26%	0.27%						1.51%			
6 to 7	0.96%	0.71%	0.65%					3.33%	2.51%		4.36%	
7 to 8		0.33%	0.54%					2.05%	1.81%		4.33%	1.84%
8 to 9			0.44%						1.10%			
9 to 10	0.90%											
10 to 11		0.53%										
11 to 12			1.56%									
12 to 13			0.68%									
13 to 14												

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

Key Performance Indicators

For Western Australian Treasury Corporation

(continued)

By way of example, the saving of 0.62 per cent identified in the first row of the AAA 09/10 column, represents the estimated interest rate saving to a client (able to borrow in the corporate bond market with an AAA credit rating) when borrowing from WATC.

The savings identified in Table 1 would be significantly greater than shown for all but the largest of WATC's clients due to the relatively small size of individual client borrowing requirements. In reality, most clients would be unable to borrow at the interest rates available in the corporate bond market due to this constraint. In general, the market imposes a liquidity risk premium because a small issue volume implies a small secondary market in the bond. The premium compensates for the increased difficulty of selling at fair market prices in a small secondary market. As a guide, in the current market environment, issue volumes need to be of the order of \$500 million – \$750 million to avoid the risk of incurring a significant liquidity risk premium.

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

Cost Estimation Methodology

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

- be rated between AAA and AA-;
- be on issue at 30 June 2009 and have at least one year until maturity at 30 June 2010;
- not be guaranteed by the Commonwealth or other central governments; and
- not be subordinated debt (i.e. debt issued by banks for capital adequacy purposes).

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

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

Key Efficiency Cost Effectiveness Indicator – Administration Cost Ratio

In order to monitor its efficiency and cost-effectiveness in funding client borrowing requirements over time, WATC monitors its administration cost ratio.

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

**Table 2 - WATC Administration Cost Ratio
2005/2006 to 2009/2010**

Year	Net Administration Expense \$m	Average Loan Funds Outstanding \$m	Administration Cost Ratio
2005/2006	9.081	10,188	0.09%
2006/2007	9.630	10,352	0.09%
2007/2008	10.982	10,908	0.10%
2008/2009	13.910	13,741	0.10%
2009/2010	13.593	18,790	0.07%

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

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

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

Glossary of Terms

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

CERTIFICATION OF PERFORMANCE INDICATORS

We hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess Western Australian Treasury Corporation's performance and fairly represent the performance of Western Australian Treasury Corporation for the year ended 30 June 2010.



J M COLLINS
CHIEF EXECUTIVE OFFICER
 WESTERN AUSTRALIAN
 TREASURY CORPORATION

20 August 2010



T M MARNEY
CHAIRPERSON
 WESTERN AUSTRALIAN
 TREASURY CORPORATION

20 August 2010

Independent Audit Opinion

To the Parliament of Western Australia

WESTERN AUSTRALIAN TREASURY CORPORATION FINANCIAL STATEMENTS AND KEY PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2010

I have audited the accounts, financial statements, controls and key performance indicators of the Western Australian Treasury Corporation.

The financial statements comprise the Statement of Financial Position as at 30 June 2010, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, a summary of significant accounting policies and other explanatory Notes.

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

Board's Responsibility for the Financial Statements and Key Performance Indicators

The Board is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the Treasurer's Instructions, and the key performance indicators. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and key performance indicators that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances; and complying with the Financial Management Act 2006 and other relevant written law.

Summary of my Role

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements, controls and key performance indicators 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. This document is available on the OAG website under 'How We Audit'.

An audit does not guarantee that every amount and disclosure in the financial statements and key performance indicators is error free. The term 'reasonable assurance' recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements and key performance indicators.

Western Australian Treasury Corporation

Financial Statements and Key Performance Indicators for the year ended 30 June 2010

Audit Opinion

In my opinion,

- (i) the financial statements are based on proper accounts and present fairly the financial position of the Western Australian Treasury Corporation at 30 June 2010 and its financial performance and cash flows for the year ended on that date. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions;
- (ii) the controls exercised by the Corporation provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (iii) the key performance indicators of the Corporation are relevant and appropriate to help users assess the Corporation's performance and fairly represent the indicated performance for the year ended 30 June 2010.



**COLIN MURPHY
AUDITOR GENERAL**

27 August 2010

Client Authorities

Face Value Net Debt Outstanding to WATC at 30 June 2010

AUTHORITY NAME	BALANCE AT 1 JULY 2009 \$'000	NET ADVANCES DURING YEAR \$'000	BALANCE AT 30 JUNE 2010 \$'000
Albany City Council	17,902	2,240	20,142
Albany Port Authority	3,200	(1,041)	2,159
Armadale City Council	3,948	8,062	12,010
Armadale Redevelopment Authority	700	0	700
Ashburton Shire Council	1,979	(147)	1,832
Augusta-Margaret River Shire Council	5,513	(802)	4,711
Bassendean Town Council	1,976	(107)	1,868
Bayswater City Council	3,641	(3,233)	409
Belmont City Council	2,398	986	3,384
Beverley Shire Council	348	(32)	316
Boddington Shire Council	741	496	1,238
Boyup Brook Shire Council	1,113	(598)	516
Bridgetown-Greenbushes Shire Council	617	(66)	551
Brookton Shire Council	2,369	(49)	2,321
Broome Port Authority	11,064	(504)	10,560
Broome Shire Council	5,095	(662)	4,433
Broomehill-Tambellup Shire Council	465	(92)	373
Bunbury City Council	5,155	372	5,527
Bunbury Port Authority	11,155	(538)	10,617
Busselton Shire Council	2,377	3,183	5,559
Cambridge Town Council	4,517	7,708	12,225
Canning City Council	141	(127)	14
Capel Shire Council	1,638	1,118	2,756
Carnamah Shire Council	759	(75)	684
Carnarvon Shire Council	534	88	622
Chapman Valley Shire Council	338	387	724
Chittering Shire Council	656	(87)	569
Claremont Town Council	6,455	(6,455)	0
Collie Shire Council	491	(42)	449
Commissioner of Main Roads	36,062	(5,296)	30,766
Coolgardie Shire Council	2,368	(216)	2,152
Coorow Shire Council	951	(191)	760
Corrigin Shire Council	1,308	(201)	1,106
Cottesloe Town Council	2,123	4,704	6,827
Country High School Hostels Authority	21,534	(904)	20,630
Country Housing Authority	30,562	4,199	34,760
Cranbrook Shire Council	121	(26)	95
Cuballing Shire Council	341	(45)	295
Cue Shire Council	113	(16)	97
Cunderdin Shire Council	1,239	(131)	1,108

Client Authorities

Face Value Net Debt Outstanding to WATC at 30 June 2010

(continued)

AUTHORITY NAME	BALANCE AT 1 JULY 2009 \$'000	NET ADVANCES DURING YEAR \$'000	BALANCE AT 30 JUNE 2010 \$'000
Curtin University of Technology	63,030	7,514	70,544
Dalwallinu Shire Council	1,754	(152)	1,602
Dampier Port Authority	70,189	(1,690)	68,499
Dandaragan Shire Council	1,069	(107)	962
Dardanup Shire Council	2,941	(315)	2,626
Denmark Shire Council	1,611	806	2,416
Derby-West Kimberley Shire Council	2,033	914	2,947
Donnybrook-Balingup Shire Council	2,129	(984)	1,145
Dumbleyung Shire Council	133	(13)	120
Dundas Shire Council	172	(38)	134
East Fremantle Town Council	731	(126)	605
East Pilbara Shire Council	8,721	(673)	8,048
Edith Cowan University	64,391	(800)	63,591
Electricity Generation Corporation	1,106,805	(13,673)	1,093,131
Electricity Networks Corporation	3,883,621	746,148	4,629,769
Esperance Port Authority	79,269	9,443	88,712
Esperance Shire Council	7,947	406	8,353
Exmouth Shire Council	870	(61)	809
Fire and Emergency Services Authority of Western Australia	27,729	(27,729)	0
Forest Products Commission	91,000	(3,454)	87,546
Fremantle City Council	11,450	(403)	11,047
Fremantle Port Authority	89,556	72,497	162,053
Geraldton-Greenough City Council	9,603	1,020	10,623
Geraldton Port Authority	155,773	(5,873)	149,900
Gingin Shire Council	4,645	(431)	4,214
Gnowangerup Shire Council	533	(91)	443
Gold Corporation	3,500	0	3,500
Goomalling Shire Council	25	(25)	0
Gosnells City Council	26,669	5,102	31,771
Government Employees Superannuation Board	475,217	(26,644)	448,572
Halls Creek Shire Council	706	890	1,596
Harvey Shire Council	2,301	(342)	1,959
Housing Authority	3,287,955	1,499,213	4,787,168
Independent Market Operator	4,284	(1,745)	2,539
Irwin Shire Council	5,260	(84)	5,177
Jerramungup Shire Council	148	436	584
Joondalup City Council	4,219	6,038	10,256
Kalamunda Shire Council	567	3,107	3,674
Kalgoorlie-Boulder City Council	4,328	1,782	6,110
Katanning Shire Council	908	(54)	853

AUTHORITY NAME	BALANCE AT 1 JULY 2009 \$'000	NET ADVANCES DURING YEAR \$'000	BALANCE AT 30 JUNE 2010 \$'000
Kellerberrin Shire Council	565	122	687
Kent Shire Council	838	(68)	770
Kojonup Shire Council	486	(188)	298
Kondinin Shire Council	302	(81)	221
Kulin Shire Council	159	(8)	151
Kwinana Town Council	3,199	4,305	7,503
Lake Grace Shire Council	1,377	135	1,512
Mandurah City Council	18,751	4,350	23,101
Manjimup Shire Council	5,359	(396)	4,963
Melville City Council	4,535	(224)	4,310
Menzies Shire Council	143	(25)	118
Merredin Shire Council	1,277	65	1,342
Midland Redevelopment Authority	38,773	12,159	50,932
Mingenew Shire Council	905	134	1,039
Minister for Agriculture and Food exercising power under the Loans (Co-operative Companies) Act 2004	13,680	(3,366)	10,314
Minister for Commerce; Science and Innovation	1,992	(1,391)	602
Minister for Education	225,320	2,887	228,207
Minister for Fisheries	0	3,652	3,652
Minister for Health	98,115	(98,115)	0
Moora Shire Council	3,197	(350)	2,847
Morawa Shire Council	999	(180)	819
Mosman Park Town Council	992	5,728	6,720
Mount Magnet Shire Council	121	(6)	115
Mount Marshall Shire Council	1,060	(134)	926
Mukinbudin Shire Council	803	(75)	727
Mullewa Shire Council	200	(97)	103
Mundaring Shire Council	5,379	(150)	5,229
Murdoch University	11,546	(697)	10,849
Murray Shire Council	2,149	1,133	3,282
Nannup Shire Council	41	(19)	22
Narembeen Shire Council	903	(48)	854
Narrogin Shire Council	528	(59)	469
Narrogin Town Council	790	(47)	744
Nedlands City Council	3,401	694	4,095
Northam Shire Council	2,541	766	3,307
Northampton Shire Council	1,164	(130)	1,034
Nungarin Shire Council	590	(22)	569
Peppermint Grove Shire Council	0	979	979
Perenjori Shire Council	675	888	1,563

Client Authorities

Face Value Net Debt Outstanding to WATC at 30 June 2010

(continued)

AUTHORITY NAME	BALANCE AT 1 JULY 2009 \$'000	NET ADVANCES DURING YEAR \$'000	BALANCE AT 30 JUNE 2010 \$'000
Perth City Council	16,956	12,773	29,728
Perth Market Authority	47,838	(1,000)	46,838
Pilbara College of TAFE	605	(71)	534
Pingelly Shire Council	348	(68)	280
Plantagenet Shire Council	4,837	(243)	4,594
Port Hedland Port Authority	15,000	123,700	138,700
Port Hedland Town Council	4,513	1,958	6,471
Public Transport Authority	1,073,527	84,701	1,158,229
Quairading Shire Council	30	289	320
Ravensthorpe Shire Council	2,346	(150)	2,196
Regional Power Corporation	241,475	67,024	308,499
Rockingham City Council	25,094	(87)	25,006
Roebourne Shire Council	19,283	(1,602)	17,680
Serpentine-Jarrahdale Shire Council	4,600	1,105	5,705
Shark Bay Shire Council	657	(80)	577
South Perth City Council	5,071	1,443	6,514
South West Development Commission	4,066	(4,066)	0
Southern Metropolitan Regional Council	50,570	2,560	53,130
Subiaco City Council	3,734	(90)	3,644
Subiaco Redevelopment Authority	6,176	(1,488)	4,688
Swan City Council	8,271	3,424	11,695
Tammin Shire Council	375	(60)	314
The Treasurer on behalf of the State of Western Australia	871,901	2,650,000	3,521,901
The Treasurer (utilising powers under the State Supply Commission Act 1991 as amended)	240,636	(26,027)	214,609
Three Springs Shire Council	140	294	434
Toodyay Shire Council	1,276	191	1,467
Trayning Shire Council	534	(66)	468
University of Western Australia	62,500	0	62,500
Upper Gascoyne Shire Council	12	(12)	0
Victoria Park Town Council	9,990	573	10,562
Victoria Plains Shire Council	252	(128)	124
Vincent Town Council	13,381	661	14,042
WA Local Government Association	316	(135)	181
Wagin Shire Council	414	(14)	400
Wanneroo City Council	39,858	6,860	46,718
Waroona Shire Council	293	(29)	263
Water Corporation	2,895,000	745,000	3,640,000

AUTHORITY NAME	BALANCE AT 1 JULY 2009 \$'000	NET ADVANCES DURING YEAR \$'000	BALANCE AT 30 JUNE 2010 \$'000
West Arthur Shire Council	198	506	703
Western Australian Land Authority	0	38,000	38,000
Westonia Shire Council	203	474	677
Wickepin Shire Council	451	120	571
Williams Shire Council	157	21	177
Wongan-Ballidu Shire Council	1,632	58	1,690
Wyalkatchem Shire Council	584	(78)	506
Wyndham-East Kimberley Shire Council	2,517	917	3,434
Yalgoo Shire Council	564	(24)	541
Yilgarn Shire Council	167	(38)	129
York Shire Council	66	(8)	58
TOTAL	15,829,066	5,920,873	21,749,938

Note: Due to rounding some figures do not add.

Western Australian Treasury Corporation

Addresses

Head Office

Level 12, St Georges Square
225 St Georges Terrace
PERTH WA 6000

Telephone: (+61) 8 9235 9100
Facsimile: (+61) 8 9235 9199
Email: watc@watc.wa.gov.au
Website: www.watc.wa.gov.au

Postal Address

PO Box 7282
Perth Cloisters Square
WA 6850

Registry Information

Link Market Services Limited is the agent for supplying registry services to WATC's stockholders.

Following are address details relating to offices of Link Market Services Limited:

Western Australia	Ground Floor 178 St Georges Terrace PERTH WA 6000
Victoria	Level 1 333 Collins Street MELBOURNE VIC 3000
New South Wales	Level 12 680 George Street SYDNEY NSW 2000
Queensland	Level 12 300 Queen Street BRISBANE QLD 4000

Stockholding Enquiries

Please ring Link Market Services Limited on Freecall 1800 098 828 for all stockholding enquiries.

