

# new solutions for a changing world

annual report 2004



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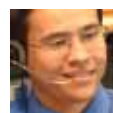
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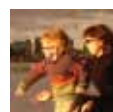
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## sustaining our future



## who are we?

The Water Corporation of Western Australia services almost two million people spread across 2.5 million square kilometres of one of the driest countries on Earth.

We are one of Australia's largest water-service providers with an asset base of about \$9.8 billion and we provide water, wastewater and drainage services to homes, businesses and farms throughout the State.

We directly employ about 2,000 people and our operations generate more than \$1.2 billion in revenue a year. The majority of profits are returned to the Western Australian Government as a dividend to contribute to the development of the State.

We delivered 338,168 megalitres of high-quality drinking water, while 129,367 megalitres of wastewater was received from customers and delivered to 98 statewide treatment plants.

We also supplied 423,823 megalitres of irrigation water and managed some 452,000 hectares in declared drainage areas across Perth and southern areas of the State.

These services were provided through:

- 246 water-treatment plants
- 113 dams and reservoirs
- 713 bores and 106 borefields
- 30,188 kilometres of water mains
- 13,023 kilometres of sewers
- 2,783 kilometres of drains.

# highlights

- There was rigorous environmental assessment into a proposal to build a 45-gigalitre-a-year seawater desalination plant at Kwinana. The project received State Government approval in July 2004.
- We maintained high standards of drinking-water quality, despite the drought in the southern half of the State. New chlorination facilities were installed at 28 country towns and aesthetic water-quality improvements were progressed.
- We completed the \$31-million Harding Dam water treatment plant to improve water quality in the West Pilbara and ensure year-round use of the dam.
- We made significant construction progress on the \$25-million Kwinana Water Reclamation Plant. It is scheduled to begin operation in late 2004.
- The Samson Brook and Wokalup Creek pipehead dams were commissioned in time for 2003 winter inflows, increasing system capacity by 18 gigalitres.
- With the support of our customers, we achieved a 37.5-gigalitre reduction in scheme water consumption over summer.
- Major capital works aimed at process upgrades and reducing the impact of odours from the Beenyup and Subiaco wastewater treatment plants were undertaken during the year.
- We achieved an after-tax profit of \$386 million.

## Recognition of our contribution to sustainability

- We won the Engineers Australia Greenhouse Challenge 2003 Gold Award as the outstanding greenhouse-performing company in Australia.
- We won the United Nations Association of Australia 2004 World Environment Day Award for Excellence in Marine and Coastal Management for our Busselton Environmental Improvement Initiative.
- Our Electronic Advice of Sale 2 won the Online Category in the Western Australian Information Technology and Telecommunications Awards.
- We won the Engineers Australia WA Division Engineering Excellence Awards, Environment Category and high commendation from the Australian Institute of Project Managers for our Bunbury Ocean Outfall project.
- Our BuilderNet initiative won both the E-Business and Customer Service categories of the national Managing Information Systems Innovation Awards.
- Our Leederville head office achieved a three-and-a-half-star accreditation in the Sustainable Energy Development Office Australian Building Greenhouse Rating System.

# chairman's report

The Water Corporation this year has produced its first fully electronic annual report. This report provides a comprehensive picture of the organisation's operations and covers performance in sustainability, environmental, social and economic activities.

The Corporation believes strongly in the sustainable development of the State's water future; and the values and principles it embodies are important to us as an organisation and for the community that we serve.

We play an important role in the management of the State's water cycle and our success as an organisation is closely linked to that of the Western Australian community. The community, stakeholders and Government rely on our capacity and capability to fulfil this role in a manner that provides long-term benefit. We understand that the environment has limits and that we, as a society, need to know those limits and live within them.

For the past two years we have been working closely with the State Government to implement the State Water Strategy to secure our water future. The Strategy defined 84 tasks to be undertaken by the various agencies and our Water Cycle Project team has been at the forefront of this important work. More than a quarter of these projects are now complete and significant progress is being made in almost all other areas.

It also important to demonstrate sustainable principles in our actions and decisions to maintain community and stakeholder confidence in our operations. We have been widely recognised for innovative and practical examples of sustainability in action. An achievement of particular note was winning the Engineers Australia Greenhouse Challenge 2003 Gold Award. We also won the United Nations Association of Australia 2004 World Environment Day Award for Excellence in Marine and Coastal Management for our Busselton Environmental Improvement Initiative.

The Board is strongly committed to sound corporate governance, which will ensure that our values and behaviours as well as policies and systems align with sustainability principles. We aim to be sustainable in the way we do business - responsibly taking water and returning treated wastewater and its by-products to the environment with minimum impact.

That we have been able to expand our operations to meet the needs of our State when the climate is drying shows that our work processes and our people are equal to the challenge. We understand that the best way to build real customer advantage is through our people. We know that creating a fulfilling work environment, responsible environmental stewardship and social responsibility are vital to increased productivity and creativity in the future.

Finally, I would like to thank the Board for its commitment and leadership over the past 12 months and I welcome Brendan Hammond and Brian Hewitt as new members. Many thanks to retiring Board members Ian Kuba and Peter Hopwood. Their efforts are greatly appreciated.



Tim Ungar  
Chairman

# chief executive officer's report

The 12 months under review have seen a major drive towards a new culture within the Water Corporation.

Our aim is to be recognised as the best performing water utility in Australia. Our campaign to achieve that ambition and develop a truly smarter organisation began with a thorough and rigorous evaluation of ourselves, what we do and how we do it.

This led to a framework for significant management and process changes to deliver long-term efficiency. The improvements are considerable, and will build on the many valuable and productive systems that we already have.

As with all major organisational initiatives, success depends on cultural change and I am confident that the foundations for a fresh way of conducting business – commitment to occupational safety and health, excellent customer service, efficient delivery of safe water services, and respect for our employees and communities – are strong in the Corporation.

These organisational values support our progress toward sustainability, and it is heartening to see critical guiding groups including the Board, Executive, management committees and employee groups working together to reinforce the sustainability ethic.

The drying climate continues to be the Corporation's major challenge, with run-off into our dams now about one-third of what it was just 30 years ago. Our well-planned response has been to ensure security of supply through diversity of sources. Strong progress is being made on several fronts including demand management; water recycling; water trading; catchment management; seawater desalination and new surface water and groundwater developments. The water management techniques range from the routine to the highly innovative, and together they have been very effective.

Community understanding of the need for two-days-a-week water restrictions remains strong. This support has strengthened the Corporation's ability to avoid total sprinkler bans and so maintain lifestyle and keep Perth green, unlike other parts of Australia.

The Corporation is ready to begin construction of a 45-gigalitre desalination plant, the Southern Hemisphere's largest. Our overarching commitment to sustainability means that this facility will be delivered with the minimum ecological footprint.

The Corporation will continue to contribute to Western Australia being a great place to live and invest, and I would like to acknowledge the excellent contribution made by our staff. Their dedication and willingness to embrace change and innovation gives great encouragement for the future.

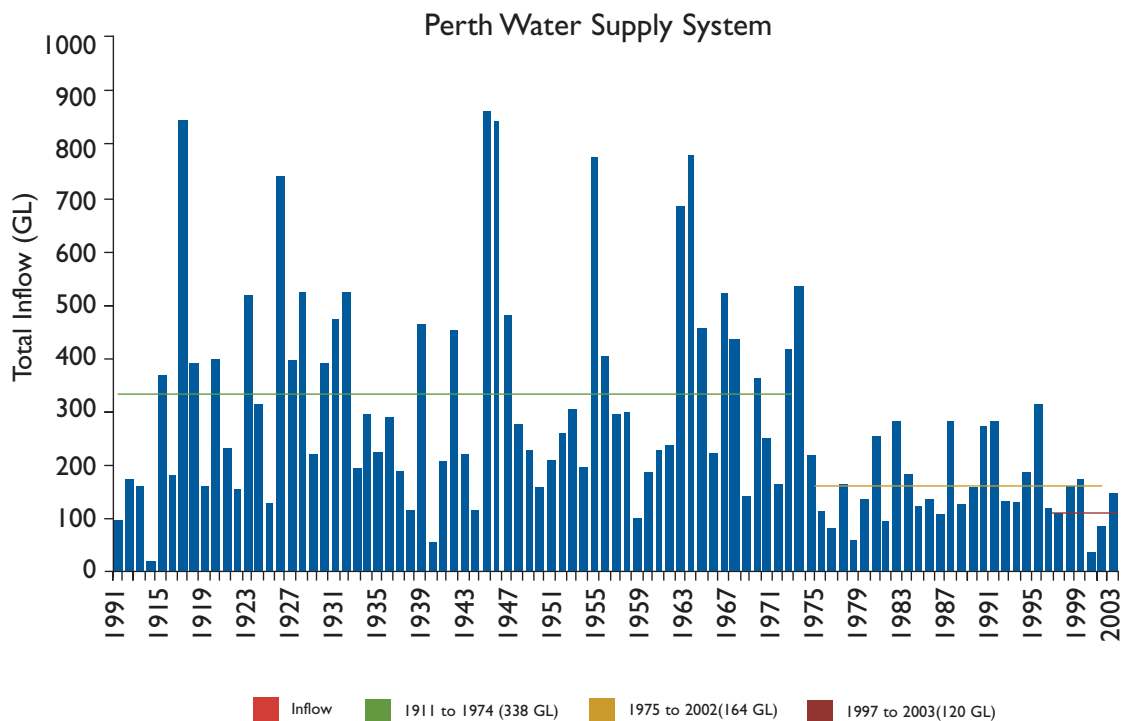
Thanks also to my fellow Board members for their contribution to the Corporation's development and direction.



Dr Jim Gill  
Chief Executive Officer

# new solutions for a changing world

Western Australia, as well as other parts of Australia and the World, is experiencing significant changes in climate. This is particularly important for the Water Corporation, where rainfall and run-off provide renewal for our water resources. Over the past 30 years, run-off into our hills' dam storages supplying the Integrated Water Supply Scheme (IWSS) has reduced by two-thirds and the past three summers were the worst for inflow on record. Climate shift is a serious threat and it is not known when the dramatic decline in stream flows will end - if it ends at all.



There are no simple solutions for the future water needs of the IWSS. However, the Corporation recognised the problem long ago and has responded – and continues to respond – enabling the IWSS to avoid total sprinkler bans, unlike other parts of Australia.

Intense research underpinned the announcement in July 2004, that we will build a 45-gigalitre-a-year, climate-independent, seawater desalination plant at Kwinana. The new desalination plant will take our investment on new water sources over the past decade to about \$1 billion, which will increase water source capacity by 120 per cent.

However, desalination is just one of the platforms in our conservative and practical 'security through diversity' strategy to secure the State's water future. Also important are new groundwater and surface water developments, water recycling, demand management, catchment management and water trading.

In 2003-04, 43 per cent of water supplied to the IWSS was derived from surface water; with the rest coming from groundwater supplies. Accelerated source development has significantly increased surface water supply over the past 10 years and new dams at Samson Brook and Wokalup Creek provided water into the IWSS for the first time this winter. We are focused on abstracting groundwater without negative effect on the environment and we continue to develop sources at Mirrabooka, Wanneroo, Pinjar, Neerabup, Whitfords and Lexia.

While water recycling has been undertaken in regional areas of Western Australia for many years, large-scale use of re-used water in the metropolitan area is limited. The State Water Strategy has set a 20 per cent wastewater re-use target by 2012 and we have developed a number of strategies to achieve this goal; and to increase community awareness and acceptance of this initiative.

The harvesting of stormwater run-off from urban catchments is a valuable water supply alternative for non-potable uses. Benefits include reduced scheme water consumption and minimising pollution of stormwater discharges to fragile receiving environments.

We are aiming to initiate behavioural changes through the provision of products and services designed to help our customers use water more efficiently. Despite one of the hottest starts to summer and one of the driest autumns on record, with community support we were able to deliver a 37.5-gigalitre water saving in the summer of 2003-04.

We are developing a pilot proposal in conjunction with our stakeholders for forest enhancement in the Wungong Catchment. The trial aims to start moving the forest structure from its current dense regrowth state back towards a mature forest, which will improve efficiency of existing water sources and benefit the aquatic ecosystem and other flora and fauna.

Irrigated agriculture accounts for 40 per cent of all water used in Western Australia and we are looking to manage this by leveraging off our strategic assets. We have entered into a temporary water trade agreement with Harvey Water based on efficiency gains. In 2003-04, Harvey Water traded 3 gigalitres of high grade water from Samson Brook Dam in return for the use of our integrated water scheme infrastructure.

The Corporation plays an important role in the management of the State's water cycle. The community, stakeholders and Government rely on our capacity and capability to fulfil this role in a manner that provides long-term benefit and we are tackling this issue on a number of fronts.

## our vision of sustainability

Sustainable management of water services to make Western Australia a great place to live and invest.

Sustainability by its very nature is central to the way the Water Corporation does business. We deliver our services using a renewable resource, effectively borrowing from the environment, renting to customers and returning to the environment. Our future challenge is to provide security of supply and to develop solutions that sustain the environment for the future.

## Our definition of sustainability

Sustainability is defined as "meeting the needs of current and future generations through an integration of environmental protection, social advancement and economic prosperity." State Sustainability Strategy, September 2003

As a Western Australian corporation, with the Minister for Government Enterprises representing the State Government as our shareholder, we have embraced the State's sustainability definition. This is a challenging definition that encourages us to embrace solutions that are beneficial for all stakeholders. Our immediate goal is to embed sustainability principles into our decision-making. Embedding sustainability into our decision-making means evaluating the most sustainable program-options to manage and balance demand and supply; and making transparent the risks, costs and benefits.

We support an integrated resource management approach to managing the State's water future.

## "Working definition" of sustainability

Our working definition of sustainability is represented by the following statements:

With the support of Western Australian communities, we will grow and share an understanding of the value of water and support the viability of regional communities through employment opportunities and the provision of water; transfer of employees' talents and knowledge; and deepening the respect of Indigenous culture.

We will sustain the natural environment to maintain and restore the productive capacity of ecosystems and the natural diversity of life forms by reducing the impact of our ecological footprint.

We will support our current and future employees during their careers to have a stimulating and rewarding place to work that provides opportunities to use their talents and gain knowledge; to have a safe and healthy place to work; to maintain a healthy balance between work and home life; and to make ethically unbiased decisions.

We will ensure that our customers and business partners can access safe drinking water and related services and receive a service that respects their diversity of needs. We will provide a service that contributes to their business value and assists the State's economic development. We will also ensure the organisation's commercial viability for adequate investment for services for the future.

We will maintain and build confidence within communities through our Operating Licence to ensure the right to participate in decision-making and create solutions to benefit natural, social, manufactured and financial capital.

## Our principles

In our activities we are committed to these principles:

**Economic:** Long-term financial viability and economic contribution to the community

**Environmental:** Conserve and restore ecological integrity

**Social:** Respect, nurture and develop people and communities

**Impact:** Decisions based on best technical and scientific information

**Governance:** Integrate into decision-making

**Balance:** Active preservation and improvement

**Engagement:** Stakeholder consultation and participation early in decision-making

**Transparency:** Access to information on issues of sustainability.

## steps toward sustainability

The journey to sustainability is a long one, but the Corporation has taken some positive steps. These include:

- Establishing sustainability as the foundation of our business framework
- Developing appropriate occupational safety and health policies
- Fulfilling Customer Charter and Operating Licence requirements
- Having an Environment Policy and environmental management systems
- Providing training and support for employees
- Demonstrating health and environmental compliance
- Having financial and non-financial corporate-performance measures.

As with all major organisational initiatives, the further effort required for sustainability to become embedded in our corporate consciousness should not be underestimated. For sustainability to work, it must be pervasive at all levels of the organisation and every employee should be able to recognise how it translates to their job.

## Reflections

Planned	What We Achieved	
We wanted to develop a sustainability framework and procedures to allow informed decision-making.	A definition of sustainability and its principles was developed by management and employees. Development of a sustainability decision-making framework will start toward the end of 2004.	
We wanted to develop sustainability indicators with stakeholder and interest groups.	Additional measures, such as net greenhouse emissions are being reported, but the formal process of identification will start in 2004-05.	
We undertook to publish a second Sustainability Report including sustainability indicators.	We have produced a combined annual and sustainability report this year.	

Legend:  – means complete or on schedule to complete

## Progress

### Independent review of progress

An independent review of the Corporation's sustainability credentials was conducted in September 2002. The review used the 2002 Global Reporting Initiative (GRI) sustainability report guidelines as the assessment tool. The review stated that:

*"Substantial commitment has been shown to date to progress sustainability objectives. Rapid progress will be achievable if significant change is embraced in some areas, along with fine tuning of existing programs."*

- Sustainable Outcomes, 20 September 2002

The report detailed areas for improvement and these are being used as a guide to develop the Corporation's sustainability focus for the next three years. These include:

- Addressing stakeholder needs, engagement and processes as core business drivers
- Treating service delivery strategies as core business
- Embracing 'best practice' governance and management from a sustainability perspective
- Introducing transparent reporting
- Pursuing eco-efficiency
- Taking a more global perspective on water issues.

## Measuring our progress

Our goal is to integrate sustainability principles into our decision-making by developing corporate and project assessment tools and measures.

Over the next year we will work with internal and external stakeholders to develop a set of corporate measures aligned to our sustainability principles. The new measures will complement compliance and performance-based measures and will attempt to assess the changes to social, environmental and financial capital as a result of our activities. We have included some new and additional indicators in this report, such as net greenhouse emissions.

## Sustainability Assessments

The Corporation's approach is to ensure security through diversity by adopting a multi-faceted strategy for supply and demand management. In progressing this strategy, the risks, costs and benefits of decision-making will be made using new tools and the outcomes will be transparent.

A triple-bottom-line assessment process was completed in November 2003 to review the options to achieve the State Water Strategy's 20 per cent water re-use target. We are developing a process to assess the proposal to access groundwater from the South-West Yarragadee aquifer.

## Sustainability and Regulation Governance

Our Sustainability and Regulation Committee meets monthly to monitor the progress of corporate sustainability initiatives. It also considers the strategic implications of major regulatory, industry and legislative issues from a sustainability perspective

## Report scope

In this annual report we promote transparency by reporting our performance against what were "future" activities and commitments in our 2003 Summary Sustainability Report and our 2003-04 Statement of Corporate Intent to our shareholder, the Minister for Government Enterprises representing the Western Australian Government.

This report covers all aspects of our performance within our Operating Licence service areas and our products and services. It also includes information on our plans for the future.

In preparing this report, we have used as a guide the 2002 Sustainability Reporting Guidelines released by the Global Reporting Initiative (GRI) at the Johannesburg World Summit. We are progressing towards compliance with the GRI.

## Looking ahead

- We plan to develop a sustainability framework and integrate it into our decision-making.
- We will develop a triple-bottom-line impact assessment for the proposal to access groundwater from the South-West Yarragadee groundwater aquifer and site locations for the Alkimos wastewater treatment plant.
- We will continue to implement plans to achieve our wastewater re-use and consumption targets for all schemes and major market sectors.
- We will develop policies to support sustainability challenges, such as energy use.
- We will implement a wastewater management framework integrating social and environmental considerations.
- Our Equity and Diversity Plan will be progressed.
- We will continue to develop programs to better identify, understand, communicate with and engage our stakeholders.



## serving customers and the community







With the support of Western Australian communities, we will grow and share an understanding of the value of water and support the viability of regional communities through employment opportunities and the provision of water; transfer of employees' talents and knowledge; and deepening the respect of Indigenous culture.

	3-year target	1-year target	2003-04	2002-03	2001-02	2000-01	1999-00
Residential customer satisfaction – value (%)	80	75	81	79.2	83	80.2	73
Business Industrial customer satisfaction value (%)	80	75	83.5	81	n/a	n/a	n/a
Residential commercial customer trust and credibility (%)	85	80	85.2	85.5	88	89	84.5
Business/Industrial customer trust and credibility (%)	85	80	88	n/a	n/a	n/a	n/a
Number of Waterwise schools certified <sup>1</sup>	n/a	n/a	11	57	37	23	15
Customers per employee	n/a	n/a	930	902	843	795	792

### NOTES:

1. Waterwise schools are reported on the number of schools certified in each calendar year. To date in 2004, 11 schools have been certified with a further 60 working towards recognition.
2. n/a means information not available or information not applicable.

## Reflections

Planned	What We Achieved	
We wanted to further develop relationships with customers and industry groups and customise products and services to meet their needs.	<ul style="list-style-type: none"> <li>The Waterwise Program was expanded to include Waterwise Display Villages, Waterwise Garden Centres and Waterwise Irrigators.</li> <li>Key customers were served by the Waterwise Business Program.</li> <li>Our water-rating program built partnerships with business consumers to work co-operatively towards sustainable water management improvements.</li> </ul>	
We aimed to recognise 200 Waterwise schools by the end of the 2004 calendar year.	By the end of June 2004, there were 176 Waterwise schools.	
We planned to develop E-business initiatives.	The BuilderNet and Electronic Advice of Sale internet initiatives improved customer service.	
We planned to introduce a formal stakeholder engagement program.	A draft framework is being reviewed prior to implementation.	
We planned to introduce mobile computing.	A mobile computing initiative is being implemented to improve customer service.	
We aimed to refocus sponsorship to meet business objectives.	A new sponsorship policy was approved in July 2003. All corporate sponsorships were reviewed and the Board has approved the 2004-05 sponsorship program.	

Legend:  – means complete or on schedule to complete

## Progress

### Customer service

We value our customers and strive for excellence in service delivery. Our service standards are influenced by our customers and industry best practice. These are documented in our Customer Charter and corporate policies.

A number of new customer initiatives were introduced during the year. These included:

#### BuilderNet

BuilderNet is an online approvals system for building plans and water service applications. It significantly speeds up the application process, which saves builders time and money. It won the E-Business and Customer Service categories at the national Managing Information Systems Innovation Awards.

#### Electronic advice of property sale

This service simplifies the 'advice of sale process' for settlement agents and considerably reduces the response-time for information requests. It won the Online category in the Western Australian Information and Telecommunication Awards.

#### Automated account balance enquiries for settlement agents

The automated telephone service enables settlement agents to get immediate, up-to-date account information over the telephone using Interactive Voice Response technology.

## Improved delivery of annual bills to property managers

Property managing agents now get their annual bills as early in July as possible to assist them in the complicated payment collection process.

## Customer satisfaction

The Customer Satisfaction Measure is a quarterly survey that reports on our residential and commercial customers' levels of satisfaction with our services. This is influenced by perceptions of water quality (taste), communication, price, customer service and image.

Overall customer satisfaction (value) was 85 per cent for 2003-04. This was the Corporation's best-ever result and exceeded our target of 75 per cent.

Our employees' strong commitment to customers was shown with a customer satisfaction rating of 95 per cent for our field operational crews.

We also measured the levels of satisfaction in our business and industrial sector – 88 per cent overall satisfaction was recorded in 2003-04. Perceptions of value in this sector remained steady at 83.5 per cent, significantly exceeding our 75 per cent target.

We benchmark our Call Centre performance against other Australian utilities through an independent quarterly survey and have consistently rated in the top third in the nation. We scored 90 per cent in average quality index over the 12-month period to March 2004 and we significantly outperform the industry average for call connect time with about 70 per cent of our calls answered within 30 seconds.

## Complaints handling

The Corporation values feedback from its customers and has had a formal customer complaints handling system in place since 1996.

Complaints can be lodged in writing, by telephone or in person. On receipt, the complaints are recorded and given a unique identifier to enable tracking. The Corporation aims to keep its customers informed of the progress made towards resolution. Complaints data is used to identify customer service improvement opportunities.

The Corporation strives to resolve all complaints within 21 calendar days. During 2003-04, we resolved 99 per cent of complaints within this time.

## Stakeholder participation

Following the International Association for Public Participation model, we are more actively involving our stakeholders in project planning and development. Public participation principles have been incorporated into our planning and project management work instructions.

A pilot stakeholder-engagement framework was finalised in June 2004 and it will deliver business benefits on broader implementation. The framework is research-based and reflects the expectations of major stakeholders and opinion-formers.

## Community education

### Waterwise Schools Program

This long-term communication program promotes water efficiency through the State's education system. By the end of June 2004, there were 176 Waterwise schools in Western Australia, with many more interested in joining the program. This represents more than 70,000 students (about 20 per cent of Western Australian school students) and a further 8,000 students have graduated since the introduction of this whole-of-school program.

## Community participation

The Corporation has a strong regional presence throughout Western Australia. We maintain offices in seven regional centres, as well as a dedicated customer centre in metropolitan Perth. We also have 18 district offices and 101 depots across the State.

We have a strong regional relationship with local authorities, regional development committees, local parliamentarians and customer and community groups.

Our people are an integral part of the communities in which we operate and many employees work as volunteers for local community groups and events.

Many of our activities and operations in the regions are influenced by Native Title and Aboriginal Heritage. We have developed an indigenous issues policy to guide our activities in this area.

We provide our own brand of bottled tap water – *Refreshing WA Water* – to various worthwhile community events. More than 350,000 bottles of water were donated to community and sporting groups and about \$300,000 was allocated for corporate sponsorship.

## Community consultation

Apart from discrete projects, a number of ongoing committees and reference groups have been established to involve the local community. We also maintain a key account management system for our major customers.

We have three community reference groups associated with our major Perth wastewater treatment plants, which continue to evolve and provide constructive input.

The Customer Advisory Council consists of a customer representative from each region and five industry groups. A range of issues are brought to the council's attention, but key debates have covered aesthetic water quality, account formats, customer interaction through the website and the Corporation's marketing strategies for image and reputation.

The Urban Development Advisory Committee addresses key issues such as drainage governance, water-saving opportunities in land development, electronic drawing lodgement, and a review of headworks contributions.

Stakeholder groups in Karratha for the West Pilbara and in Port Hedland for the East Pilbara provide advice and feedback on demand management initiatives.

Specific community consultation projects included planning for a second Broome wastewater treatment plant, construction of a septage plant at Woodman Point, the Coral Bay wastewater treatment plant, the Burrup Peninsula seawater supply project and the Kwinana Water Reclamation Plant.

## Looking ahead

We aim to improve the way we respond to customer concerns by better understanding their attitudes and positions on issues. We will review the way we obtain feedback from our customers and how we respond.

We will continue to improve the quality and consistency of information provided to our stakeholders.

We will embed our revised corporate stakeholder model within the Corporation. Over time, this will improve the timing and consistency of our engagement, the knowledge of our stakeholders' issues and positions and deliver more mutually beneficial outcomes.

We will improve customer self-service and E-billing opportunities through automation of:

- Application for special meter reads and change of postal address for major property management groups
- Validation of customer information on concessions by working with government agencies, serving customers and the community



## respecting our environment




We will sustain the natural environment to maintain and restore the productive capacity of ecosystems and the natural diversity of life forms by reducing the impact of our ecological footprint.

	3-year target	1-year target	2003-04	2002-03	2001-02	2000-01	1999-00
Number of overflows to the Swan – Canning Estuary from wastewater pump stations	n/a	n/a	3	1	1	1	1
Electricity consumption per unit of output for water (MWhML)	n/a	n/a	0.8	0.8	0.7	0.6	0.6
Electricity consumption per unit of output for wastewater (MWhML)	n/a	n/a	0.6	0.6	0.6	0.6	0.5
Net direct energy consumption (TJ)	n/a	n/a	1,571	1,523	–	–	–
Indirect energy consumption (TJ)	n/a	n/a	2,801	2,618	–	–	–
Greenhouse emissions							
- carbon dioxide (gross tonnes)	n/a	n/a	n/a <sup>1</sup>	419	396	383	n/a
- carbon dioxide (net tonnes)	n/a	n/a	n/a <sup>1</sup>	367	354	342	n/a
Biosolids re-use (%)(metropolitan)	n/a	n/a	93	98	86	70	71

### NOTES:

1. Total greenhouse emissions for 2003-04 were unavailable as at 30 June 2004.
2. n/a means information not available or information not applicable.
3. – means not calculated.

## Reflections

Planned	What We Achieved	
We aimed to establish appropriate greenhouse gas emission targets for the Water Corporation.	Work is in progress. The consultant's report on opportunities for carbon dioxide sequestration is complete. A draft Energy and Greenhouse Gas Strategy will be completed this year.	
We planned to work with the Department of Environment to develop and agree our Vegetation Management Plan.	Work is in progress. We have identified the categories of activity that affect native vegetation.	
We undertook to work with the Bush Forever Office to develop a Memorandum of Understanding.	Work is in progress. It is expected that the Corporation and the Bush Forever Office will develop precedents that will form the basis of a Memorandum of Understanding.	

Legend:  – means complete or on schedule to complete

## Progress

### Integrating environment into the business

#### Standards

In recent years many business units have implemented internal management systems and achieved and maintained certification to appropriate Australian and international standards including AS/NZ 14001 environmental management systems and AS/NZ 9000 quality management systems.

We are experiencing major changes to environmental legislation and administrative procedures. Internal changes to our business process model were made and we are reviewing and modifying our environmental management systems.

#### Training

Regular environmental training is undertaken by our staff and contractors to ensure that all personnel are fully aware of their responsibilities and the potential effects of their activities on the receiving environment and the community. We are experiencing significant changes in environmental regulation in Western Australia, with amendments to the Environmental Protection Act 1986 and the Contaminated Sites Act 2003, and the formation of an Enforcement Unit within the Department of Environment.

Our Environment Branch is continuing the new program of training begun in 2003 on the implications of these changes for our business. We also incorporated environmental training into our induction courses for new employees.

### Minimising environmental impacts

#### Environmental performance

As well as complying with the general requirements of environmental legislation, particularly the Environmental Protection Act 1986, we operate under the conditions of Department of Environment licences and works approvals; conditions imposed by the Minister for the Environment; and water abstraction licences.

We fully complied with all environmental legislation, with no successful action taken against us. However, there were some occurrences of variations to specifications within a licence or Ministerial Condition (of which there are about 1,000). We measure these monthly and there have been an average of 5.8 variations. These are typically burst treated wastewater pipes, leaks or overflows.

We are required under the *Environmental Protection Act 1986* to report any unplanned incidents that occur that have the potential to harm the environment. It is inevitable with our large number of assets across the State that unplanned incidents will occasionally occur, and that some of these may affect the receiving environment, public health and public amenity.

During 2003-04, there were 25 environmental incidents (22 in 2002-03) of which 16 (14 in 2002-03) were wastewater accidentally released into the environment and there were nine chlorine or other chemical releases (eight in 2002-03). We responded to these incidents to the satisfaction of our regulators and our monitoring showed no harm to the environment or to public health.

### Wastewater overflows

Our wastewater network in metropolitan Perth is ranked second-best among capital cities in Australia, and very highly in an international context, in terms of overflows per 100 kilometres of sewer. The amount of wastewater that has overflowed from our system over the past 12 years represents only 0.0012 per cent of the total volume of wastewater conveyed.

There were 1,000 wastewater overflows throughout the State, of which about 100 were greater than 2 kilolitres and were beyond our immediate control. This triggered Section 72 of the Environmental Protection Act 1986.

There were three wastewater overflows into the Swan-Canning Estuary in 2003-2004 (one in 2002-03).

The Corporation is being prosecuted for three counts of causing pollution contrary to the Environmental Protection Act 1986 as a result of wastewater overflows into the Swan River near Guildford. The Corporation is strongly defending the charges on the basis that we took reasonable precautions and exercised due diligence in the operation of the wastewater system.

Wastewater overflows are reported to the Department of Environment in accordance with legislative requirements and mutually-agreed reporting protocols.

### Sustainable extraction

We operate many ground and surface-water sources for water supply to homes, industry and agriculture across Western Australia. We are a significant user of water resources on behalf of the whole community, but there are many other users as well, including industry, agriculture and individuals owning private groundwater wells.

We attempt to ensure that the environment is protected by having objective scientific knowledge underpin our decisions and actions. Examples of such scientific work include the investigations of the Gnangara Mound and South-West Yarragadee groundwater aquifer to determine long-term safe yields, and the ocean outlet monitoring program known as PLOOM (Perth Long-term Ocean Outlet Monitoring).

We partly fund a Water Policy Officer for the Conservation Council of Western Australia to facilitate informed debate on water-related matters.

We also sponsor research into environmental flow requirements for surface-water storages throughout the State, including the Ord River in the Kimberley and the Harding River - Millstream aquifer system in the Pilbara.

During the year about 40 shallow groundwater bores were switched off in the Perth metropolitan region to protect wetlands and vegetation from falling aquifer levels in the current drought. Some of this lost capacity has been replaced with wells drilled into the deeper Leederville and Yarragadee aquifers, so that surface, groundwater-dependent, vegetation and wetlands are not damaged by our abstractions.

### Ocean monitoring

The Corporation is committed to the safe disposal of treated wastewater through our five ocean outlets. There is a significant history of world-class scientific investigation of the effects of treated wastewater discharged into Perth's coastal waters. This work is being extended to Bunbury in the South-West and to the Burrup Peninsula in the North-West, where we are building a seawater supply and effluent disposal system. Our studies indicate that no environmental harm is occurring and that public health and amenity are protected.

## Efficient resource use

### Biosolids management

About 80,000 tonnes of biosolids are produced each year by our wastewater treatment plants. In 2003-04, 93 per cent (98 per cent in 2002-03) of all biosolids were re-used. The decrease in re-use was due to a change in technologies and the establishment of alternative markets for the resulting new product.

### Wastewater re-use

### Energy use and greenhouse gas emissions

Climate change from human-induced increases in greenhouse gas emissions is a significant community concern. All areas of our business consume energy and therefore cause emissions of greenhouse gases. In fact, 89 per cent of our greenhouse gas emissions arise from electricity consumption. Our net greenhouse emissions have been increasing due to business growth and increasing regulatory standards, which has led to the use of advanced technologies and more energy-intensive solutions. Our energy consumption per unit of output also has increased for the above reasons, as well as extra pumping required during the drought.

A major effort is under way to improve our accounting of greenhouse gas emissions and offsets and to improve energy management. In 2003-04, we achieved major cost savings for electricity.

The Corporation was awarded the Engineers Australia Greenhouse Challenge 2003 Gold Award as the outstanding greenhouse performing company in Australia. The Corporation's net greenhouse gas emissions were 25 per cent below 'business as usual'.

We are the second highest user of 'green energy' in the State, with 7 per cent of our energy requirements coming from renewable sources. Contracts with independent power producers have replaced predominantly coal-sourced energy with natural gas and renewable landfill-gas-generated energy (equating to a reduction of about 48,000 tonnes of carbon dioxide in 2003-04). We also produce bio-energy from wastewater sludge digestion, which makes us the fourth largest producer of renewable energy in the State.

### Building management

Our Leederville head office achieved a three-and-a-half-star accreditation in the Australian Building Greenhouse Rating System. This was an outstanding achievement for a 25-year-old building, particularly as the 'best practice' industry standard is three stars for 'old' buildings.

Our Environmental Resource Awareness volunteer group actively promoted an office culture of sustainable behaviours and practices.

### The Greener Motoring Program

We are committed to the Greener Motoring Program, which reduced carbon dioxide emissions from the Corporation's vehicle fleet. In 2003, we achieved a 5 per cent reduction in emissions, which represents 95 tonnes of carbon dioxide and an economic benefit of \$622,000.

With the introduction of the Vehicle Standardisation Program, the Corporation is starting to see advantages in rationalisation of passenger and light commercial makes and models by excluding high fuel-consuming vehicles.

### Contaminated sites

We own or manage more than 6,600 parcels of land throughout the State, a small number of which are contaminated from past activities. Through the Contaminated Sites Act 2003, we are preparing a strategic agreement with the Department of Environment to ensure the identification and declaration of these sites.

Three former wastewater treatment plant sites were investigated by the Corporation. No serious contamination was discovered and the sites are undergoing final clearance.

## Conserving habitats and biodiversity

### Biodiversity management

Most catchment areas, water reserves and many wastewater treatment plants support important populations of native plants and animals. In general, surveys are carried out before any activity begins on a site, and appropriate mitigation measures are implemented.

## Looking Ahead

We will develop an integrated energy management strategy for forestry vegetation rehabilitation and sequestration in woodlots; renewable energy; and energy-efficient options.

For more consistent and improved environmental outcomes, we will review the environmental best practice procedures of the organisation and incorporate them into the Corporate Business Management System.

We will continue to develop our knowledge of potential source opportunities by conducting trials into aquifer storage and recovery at Jandakot, preparing a geochemical research report and completing groundwater modelling.

We will develop policies for native vegetation management, nutrient offsets and greenhouse emissions.

We will facilitate the development and promotion of the National Water and Climate Workshop in Perth.



## caring for our people

We will support our current and future employees during their careers to have a stimulating and rewarding place to work that provides opportunities to use their talents and gain knowledge; to have a safe and healthy place to work; to maintain a healthy balance between work and home life; and to make ethically unbiased decisions.

	3-year target	1-year target	2003-04	2002-03	2001-02	2000-01	1999-00
Significant injury frequency rate	9	10.3	11	17.4	18.7	19.4	26.2
Performance management quality index (%) <sup>1</sup>	67	65	n/a	66.5	52.3	49	–
Diversity (%)							
- female employees	n/a	25	22.3	25	23.6	23.8	23.8
- Indigenous people	n/a	2.4	0.6	0.6	0.5	0.5	0.7
Number of employees participating in Employee Assistance Program	n/a	n/a	70	94	78	53	56
Non-statutory benefits							
- employees packaging additional superannuation (%)	n/a	n/a	43	–	–	–	–
- employees taking advantage of other salary packaging (%)	n/a	n/a	76	–	–	–	–

### NOTES:

1. Performance management quality index survey process is under review and figures were unavailable at 30 June 2004.
2. n/a means information not available or information not applicable.
3. – means not calculated.

## Reflections

Planned	What We Achieved	
We aimed to develop a strategy to promote and maintain workforce skills and competencies to align with new technical and technological changes.	A centre of expertise for operational competency-based training was established.	
We planned to improve management of contractors' occupational safety and health performance.	A procedures and contractor handbook was published and a CD-Rom and video is in production. A seminar was conducted for contractors and key Corporation personnel.	
We undertook to continue the Team Leader Development Program.	More than 140 people have participated in the Team Leader Development Program.	
We aimed to build on leadership and relationship management competencies.	The UpLiFT! Program is under way to build capability in leadership and relationship management. Five programs have been completed and more are scheduled.	
We planned to enhance performance management skills.	Managers from a number of divisions attended performance and discipline management training.	
We undertook to complete an initial cycle of workforce planning and identify strategies to progress a 'Workforce of the Future'.	Issues arising from ageing of the workforce are being addressed through recruitment of trainees and design and selection of plant and equipment. A strategy for employees approaching retirement is being developed.	
We aimed to ensure equivalent standards of occupational safety and health are maintained for contractors as well as Corporation employees.	Redesign of contractor selection and management procedures improved the process. Support materials clearly stating occupation safety and health (OSH) requirements are now available to Corporation staff involved in selection and management as well as to contractors bidding for work. Training has commenced.	
We planned to achieve a 20 per cent reduction in significant injury frequency rate (SIFR).	SIFR was the key statistical indicator of OSH performance and a reduction of about 36 per cent was achieved.	
We aimed to ensure that OSH initiatives are based on risk assessment and incidents.	Initiatives were introduced across operating units to address high and moderate risks identified in risk assessments.	

Legend:  – means complete or on schedule to complete

## Progress

### Employment profile

We provide a flexible working environment and opportunities to attract and retain talented employees and assist them to develop stimulating careers.

At 30 June 2004, we had 2004 full-time employees. During 2003-04, we took on two new apprentices and 13 graduates.

We have a mature workforce, with about 41 per cent of staff having worked for the Water Corporation for more than 20 years. This has provided continuity of expertise and workforce stability, but many of these people are now approaching retirement. Also, as people age, they have a diminishing capacity to undertake heavy physical tasks. Workforce renewal programs have been implemented in all regional areas. The voluntary programs aim to accelerate succession plans for our wages employees.

### Occupational Safety and Health

The Corporation has embarked on a program to identify and conduct a risk assessment of occupational safety and health (OSH) hazards. Over the past two years all work groups have been subjected to a rigorous risk assessment process, with risk management strategies being developed and improved through the annual planning process.

Our significant injury frequency rate (SIFR) improved considerably from 17.4 in 2002-03 to 11 in 2003-04. This exceeded our challenging target of a 20 per cent annual reduction.

Holistic health programs continue to run throughout the Corporation and include awareness sessions on health issues.

### Diversity and opportunity

Workforce diversity is important and there is opportunity for improvement in this area. Although women represent almost 23 per cent of our workforce, their representation in senior management is disproportionate at 4 per cent.

We support youth employment through participation in a range of work-experience programs, which provide vocational work experience for secondary school and TAFE students.

### Training and development

We continued the Team Leader Development Program, which is aligned to the national Frontline Management competencies. More than 140 staff participated during the year.

A further five UpLIFT! programs were conducted this year involving 98 participants. Focusing on the core competencies of leadership and relationship management, this program has a participant satisfaction rating of around 90 per cent.

In progressing the operational Competency-Based Training agenda, we have established a centre of expertise for the provision of learning and assessment and continued to address the critical skill demands of the business. This year, 21 employees achieved a Certificate II qualification in Water Industry Operations.

All our graduates participated in the Graduate Leadership Program, which is run in conjunction with the Australian Institute of Management.

### Work and life balance

In 2003-04, we introduced into our Enterprise Agreement a range of initiatives to assist our people to balance work and other aspects of their lives. These initiatives provide our employees with flexible options to tailor work arrangements while ensuring business outcomes are achieved.

## Looking Ahead

We will continue to develop retention and succession strategies for staff in critical positions.

We will develop and implement employment arrangements that support employees and provide smooth transitions for staff nearing the ends of their careers.

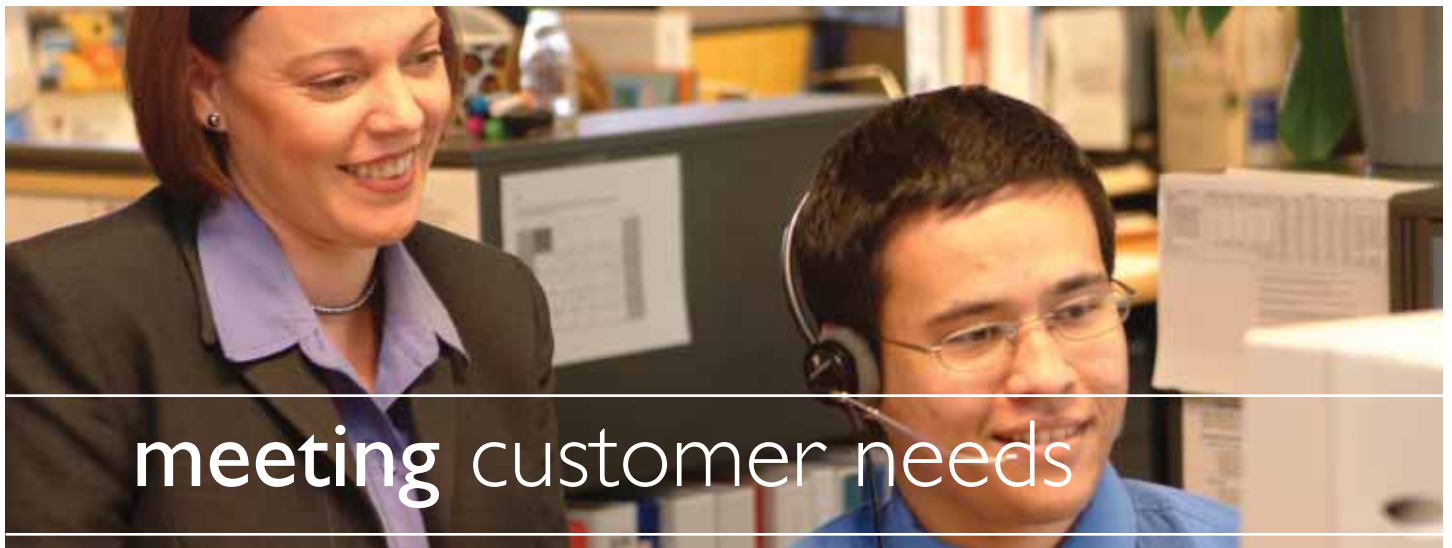
We will continue to support managers to enable staff to take advantage of flexible employment arrangements and achieve a better work-life balance.

Competency assessment and training for all operational and maintenance employees will receive increased attention and resources.

Employee health-risk profiling will be implemented during 2004-05.

A cultural assessment survey will be conducted in 2004-05 to gauge the effectiveness of measures taken to shape workforce characteristics and behaviours to align with our 'One Company' cultural renewal agenda.

We are introducing a Corporate Giving Scheme, which will allow employees to make donations to nominated charities directly from their pay and receive the appropriate tax treatment.



## delivering services

We will ensure that our customers and business partners can access safe drinking water and related services and receive a service that respects their diversity of needs. We will provide a service that contributes to their business value and assists the State's economic development. We will also ensure the organisation's commercial viability for adequate investment for services for the future.

	3-year target	1-year target	2003-04	2002-03	2001-02	2000-01	1999-00
Water consumption per capita for Perth metropolitan area (KL)	163 <sup>1</sup>	155	155	150	152	185	174.5
Water supply/demand (times)	1.5	1.2	1.1	0.9	0.8	1.4	n/a
Wastewater re-use (%)	15	13	10	10	9.8	8	n/a
Operating cost per property (\$)	477	463	423	404	400	389	368
Total cost per property (\$)	1,323	1,312	1,283	1,262	1,252	1,194	1,161
Completed condition assessment for assets due for review (%)	95	78	54	31	n/a	n/a	n/a
Metropolitan real operating cost per property for water supply services (\$)	n/a	n/a	154.66	147.84	152.63	151.87	156.35
Metropolitan real total cost per property for water supply services (\$)	n/a	n/a	452.62	452.68	456.64	456.29	464.73
Metropolitan real operating cost per property for wastewater services (\$)	n/a	n/a	159.90	146.19	142.75	144.07	156.26
Metropolitan real total cost per property for wastewater services (\$)	n/a	n/a	593.42	601.55	602.48	590.95	628.22
Number of odour complaints – Subiaco	n/a	n/a	7	25	65	70	142
Number of odour complaints – Woodman Point	n/a	n/a	32	1	1	3	4
Number of odour complaints – Beenyup	n/a	n/a	167	354	215	209	267

### NOTES:

1. The 2006-07 per capita consumption target reflects partial rebound of demand were the restrictions to be lifted.
2. n/a means information not available or information not applicable.

## Reflections

Planned	What We Achieved	
We aimed to maintain drinking water quality standards.	The Perth metropolitan area and all country localities met all the health-related targets for drinking water quality set by the Department of Health.	
We aimed to achieve a 45-gigalitre water saving for the Integrated Water Supply Scheme (IWSS) for the summer of 2003-04.	Despite one of the hottest starts to summer and one of the driest autumns on record, with community support we were able to deliver a 37.5-gigalitre saving.	
We planned to complete the Harding Dam water treatment plant in West Pilbara.	Improved water quality and year-round use of the Harding Dam were delivered with the completion of a \$31.5-million microfiltration plant in the West Pilbara.	
We aimed to complete plans to increase water storage capacity in Kalgoorlie - Boulder.	Work has started to almost double Kalgoorlie-Boulder's water storage capacity. The \$40-million reservoir complex is expected to begin operating in late 2006.	
We planned to focus on asset condition and associated risk.	An Asset Condition Assessment program remains on schedule for completion by December 2005.	
We undertook to secure and protect buffer areas around major assets.	The Corporation is working with relevant government agencies to develop an Environmental Protection Policy and a Statement of Planning Policy to ensure the security of buffer areas.	
We aimed to complete odour control upgrades at Beenyup and Subiaco wastewater treatment plants.	Work at the Subiaco plant was completed. Commissioning work at Beenyup is expected to be completed by the end of the year.	
We planned to complete odour control and facility upgrades at Broome and Geraldton wastewater treatment plants.	These projects are complete and have led to a significant decrease in odour emissions.	
We planned to develop new water supplies for the Burrup Peninsula industrial area.	A desalinated seawater supply scheme is scheduled for commencement in late 2004 to cater for the requirements of new gas-processing industries at the Burrup Peninsula in the North-West.	
We aimed to progress the Shenton Sustainability Park.	A proposal is under way to establish a sustainability precinct in Shenton Park. It will help to deliver the re-use targets of the State Water Strategy.	
We undertook to construct further water sources to increase security of supply.	<ul style="list-style-type: none"> <li>A \$665-million source development program over the past decade has doubled water supply capacity for the IWSS.</li> <li>A \$350-million seawater desalination plant will be built at Kwinana to supplement the IWSS.</li> </ul>	
We planned to complete water allocations investigation for the South-West Yarragadee groundwater aquifer.	Investigations have confirmed the size of the resource, but further environmental studies are required before a decision can be made on the proposal to deliver 45 gigalitres a year into the IWSS.	

WWe undertook to start construction of the Kwinana Water Reclamation Plant.

The \$25-million Kwinana Water Reclamation Plant will be fully operational later this year.



We aimed to improve water quality in selected country areas and implement operational enhancements in the metropolitan area.

The metropolitan area and all country localities met health-related targets for drinking water quality.



New chlorination facilities were installed at 28 country towns in 2003-04 and aesthetic water quality improvements were progressed.


A new low-water scouring technique to combat discoloured water was successfully trialled and will be more extensively used in the metropolitan area.

We planned to improve wastewater and water facilities at Coral Bay.

The new wastewater treatment plant began operating in July 2004 to protect marine and coastal environments and service local and tourist communities. An investigation is under way into a potable water service for the settlement.



Legend:  – means complete or on schedule to complete

 – means not complete or not on schedule to complete

## Progress

### Water cycle management

For the past two years we have been working closely with the State Government to implement the State Water Strategy to secure our water future. The Strategy defined 84 tasks, which are being undertaken by a number of various agencies. The Water Corporation has been at the forefront of this important work, leading 26 of these projects. More than a quarter of these projects are now complete and significant progress is being made in almost all other areas.

#### Security through diversity

The Corporation is adopting a diversified strategy to ensure the long-term security and sustainable management of our water resources. Through an integrated resource planning approach, we are evaluating the costs and benefits of all demand and supply options from a triple-bottom-line perspective. This portfolio approach includes opportunities in the areas of:

- Efficient water use
- Groundwater
- Surface water
- Desalination
- Catchment management
- Water trading
- Water recycling

#### Efficient water use

The community's response to the water-efficiency initiatives and two-days-a-week water restrictions over the past three summers has been excellent. It has helped us maintain our lifestyle and avoid total sprinkler bans in the Integrated Water Supply Scheme (IWSS), unlike some other parts of Australia.

With community support, we achieved a 37.5-gigalitre reduction in consumption over the 2003-04 summer for Perth and the IWSS. This was less than the 45-gigalitre reduction target, but was a solid result in testing circumstances. It was one of our hottest starts to summer and one of the driest autumns on record.

In the same period, there were 366 infringement notices issued to persons contravening water restrictions and 11,000 exemptions granted.

The State Water Strategy set a consumption target of 155 kilolitres per person a year for the IWSS by 2012, which is a consumption reduction of about 15 per cent. For schemes outside the metropolitan area, a reduction of 5 per cent has been proposed for the residential sector.

A number of demand management strategies were developed during the year to encourage water efficiency and assist in the achievement of consumption targets. These include:

- The Waterwise Plumber, Irrigator, Garden Centre and Display Village programs, developed in association with peak industry bodies
- An education campaign designed to give householders tailored information about their water consumption
- Participation in the development and implementation of a national water-efficiency labelling program for businesses and products.

## Water source development

Our demand management strategies complement a \$665-million source development program over the past decade that has doubled water supply for the IWSS.

The Samson Brook and Wokalup Creek pipehead dams were commissioned in time for 2003 winter inflows, increasing system capacity by 18 gigalitres.

Throughout the year under review, there was rigorous environmental assessment into a proposal to build a 45-gigalitre-a-year seawater desalination plant at Kwinana. The project received State Government approval in July 2004. When operational in 2006, it will be the largest desalination plant in the Southern Hemisphere and will boost water supply to the IWSS by 17 per cent.

The South-West Yarragadee groundwater aquifer remains a potential strategic water resource for Western Australia. Investigations have confirmed the size of this resource, however further environmental studies are required before a decision can be made on the proposal to use 45 gigalitres of this source for public water supply purposes

## Catchment management

Catchment management, including catchment thinning and converting exotic vegetation back to native species, is being developed by the Water Corporation with stakeholders. While there is scope for forest management in much of the high rainfall zone of Perth's State-forested catchments, there are uncertainties that require a staged approach using adaptive management.

We are developing a proposal in conjunction with our stakeholders for forest enhancement in the Wungong Catchment. The catchment will be moved back towards a forest with a structure similar to that of a mature forest, as it was before European intervention. The project will run for 12 years and a submission is being prepared for the Environmental Protection Authority.

## Water trading

We have entered into a temporary water trade agreement with Harvey Water based on efficiency gains. In 2003-04, Harvey Water traded 3 gigalitres of high grade water from its Samson Dam in return for the use of the integrated water scheme infrastructure. This volume of water trade is expected to be ongoing, and a proposal has been submitted by Harvey Water to yield 50 gigalitres in the medium-term to long-term.

## Water recycling

The State Water Strategy sets a target for re-use of treated wastewater at 20 per cent by 2012. A plan has been developed which indicates that the target is likely to be achieved through industrial use of recycled water and irrigation of parks and golf courses.

Regional Western Australia is leading the way with wastewater re-use up at around 40 per cent. However, wastewater re-use in the Perth metropolitan area is in its infancy at about 3 per cent, but there are some exciting projects that will lead to significant improvements. Chief among them are the McGillivray Oval reclaimed water irrigation trial under way in the City of Nedlands and the \$25-million Kwinana Water Reclamation Plant, which will be commissioned in late 2004.

However, the groundwater resources on the Swan Coastal Plain are being significantly depleted primarily by climate change and human abstraction. Therefore, consideration is being given to replenishing suitable aquifers on the Swan Coastal Plain with recycled water. There are significant environmental, health and public perception issues associated with aquifer replenishment. The Corporation has established working groups involving key stakeholders to explore these issues.

## Sustainability Park

To improve the knowledge around the use of treated wastewater, we are working with The University of Western Australia, CSIRO and Murdoch University to establish a sustainability precinct in Shenton Park. The proposed Sustainability Park will include a centre for excellence in municipal waste, resource recovery and re-use. It will be a multi-disciplinary facility aiming to resolve the technological, economic, social, cultural and environmental challenges of wide scale treated wastewater re-use.

## Urban water management

As part of the fit-for-purpose philosophy, the value of stormwater and shallow groundwater as a resource has been recognised.

A series of pilot projects have been established to further investigate this in 'greenfield' and 'brownfield' settings across metropolitan Perth. Local councils, community catchment groups, developers and regulators have been involved in these projects. We are involved in demonstration projects including, Mill Street main drain water quality issues, water quality issues at the 'greenfield' Southern River project, and development of an integrated water management plan for the western suburbs.

We are a significant player in drainage reform in collaboration with key stakeholders, such as local government. Institutional reform is supporting the change from purely drainage management to integrated urban water management. While the current focus is on urban water and the Swan and Canning rivers in particular, it is planned to extend this view to include rural activities.

## Safe drinking water

Supplying safe drinking water is among our highest priorities. During 2003-04, the Perth metropolitan area and all country localities met all targets for drinking water quality set by the Department of Health.

We have an extensive drinking water quality monitoring program to confirm the safety of the water we provide. Bacterial and other chemical analyses are carried out by independent Department of Health-approved laboratories.

We are strengthening barriers to contamination at all our water supply schemes. New chlorination facilities were installed at 28 country towns in 2003-04 and this program will continue over the next few years. We are also improving aesthetic water quality. A new reverse osmosis treatment plant was commissioned at Leonora and another eight plants are scheduled to be built in the Murchison and north-eastern Goldfields in the next two years.

## Wastewater

The three major metropolitan wastewater treatment plants (WWTP) at Beenyup, Subiaco and Woodman Point service about 682,000 properties. In total, we operate 98 WWTPs across the State, producing an average of 353 megalitres of treated wastewater a day.

We routinely monitor the quality of our treated wastewater before it passes into the environment. We also continue to assess the effects of wastewater discharges on the marine environment through the PLOOM (Perth Long-term Ocean Outlet Monitoring) program. These studies continue to show no adverse impacts of this method of disposal in terms of nutrient enrichment, toxicity, algal pathogen blooms or to detect any measurable impact on fish life, seagrass or limestone reef algal communities.

Although no significant effects have been identified, we are committed to further investigating alternative wastewater treatment and disposal options, particularly re-use options that recognise treated wastewater as a valuable resource.

### Improving services to Coral Bay

Coral Bay now has a deep sewerage scheme and a new potable water scheme is planned to help provide for sustainable tourism and a world-class Ningaloo Coast development.

The sewerage and water schemes will underpin existing and future eco-sensitive tourism developments and provide quality services for the community. These have been successfully fast-tracked through a range of interactions across Government, the private sector and interest groups.

### Treatment plant upgrades

Major capital works aimed at process upgrades and reducing the impact of odours from the Beenyup and Subiaco wastewater treatment plants were undertaken during the year. The works saw the odorous areas of the both plants fully enclosed. The work at Beenyup has yet to be completed. Work at the Subiaco plant reached practical completion in March this year and there has been a significant improvement in local amenity. Early planning is under way for the next stage of investment in odour reduction at the Woodman Point wastewater treatment plant.

The treatment of septage and grease-trap wastes was a new activity introduced at the Woodman Point wastewater treatment plant. This was a challenging exercise given the short timeframe with the closure of the Brookdale Liquid Waste Facility. However, significant community consultation and considerable planning saw the venture approved and implemented.

## Buffers

We continue to work with relevant State Government agencies to develop a long-term strategy to resolve ongoing land-use conflicts caused by urban encroachment into buffer zones around facilities like wastewater treatment plants. The preferred model is a combination of an Environmental Protection Policy under the Environmental Protection Act 1986 to provide a statutory basis to define and protect buffers around wastewater treatment plants; together with a Statement of Planning Policy under the Town Planning and Development Act 1928 to guide planning agencies on promoting compatible land uses and developments within the buffer zones.

## Infill Sewerage Program

The Infill Sewerage Program is replacing septic systems throughout Western Australia to protect the environment and public health. The program's target is 100,000 property connections by 2008-09.

A further 3,662 sewerage connections points were made available to properties in 2003-04 for an investment of \$26.4 million, bringing the total number of connections so far to 77,489. Also, a further 201 sewerage connection points were made available for \$1.9 million to properties under the Small Towns Sewerage Program.

## Irrigation

While remaining a bulkwater provider, we have transferred the water distribution side of our irrigation schemes to grower co-operatives, which was in line with national water industry reforms. We operate bulkwater supplies in the South-West, Carnarvon and the Kimberley.

## Looking Ahead

We will progress investigation of integrated resource management options for security of future supply; including a triple-bottom-line impact assessment of the proposal to extract groundwater from the South-West Yarragadee groundwater aquifer for presentation to the State Government.

We will continue to progress State Water Strategy recycling and demand management targets.

We will progress the Shenton Sustainability Park with a focus on the Centre of Excellence and Community Interpretive Centre.

We will continue to fulfil our obligations to provide our customers with safe drinking water including providing the public with an annual report on drinking water quality.

We will continue to invest in the provision of new water services to satisfy the needs of our growing State.



## creating economic value








We will ensure our that customers and business partners can access safe drinking water and related services and receive a service that respects their diversity of needs. We will provide a service that contributes to their business value and assists the State's economic development. We will also ensure the organisation's commercial viability for adequate investment for services for the future.

	3-year target	1-year target	2003-04	2002-03	2001-02	2000-01	1999-00
Return on assets (%)	4.3	3.9	4.1	4	3.8	4.3	4.2
Return on assets targeted (%) <sup>2</sup>	4.6	4.5	4.5	4.4	4.4	4.3	4.2
Earnings before interest and tax including developers' contributions (\$m)	541	545	600	529	473	489	485
Return on equity (%)	4.7	3.9	4.7	4	3.6	3.8	3.9
Debt to equity (%)	16.2	14.6	13	12	11.1	10.4	7.2
Interest cover (times)	6.4	6.2	7.5	5.8	6.3	7.9	8.1
Net accrual to Government (\$m)	194.6	137.8	195.6	134.2	151.4	168.6	135.3
Customer satisfaction land development (%)	75	75	91	90	94	83	94

### NOTES:

1. Targeted return on assets is based on the achievement of a 4 per cent return on pre-1996 assets (ie. those owned on Corporatisation) and a 6 per cent return required on all post-1996 assets.
2. n/a means informations not available or information not applicables.

## Reflections

Planned	What We Achieved	
We aimed to implement business efficiencies.	Through the Process Improvement Project a thorough review of the Corporation was completed. A number of initiatives are being implemented that will deliver cost savings and improve process integration.	
We planned to reduce unit costs and improve environmental outcomes through innovative energy solutions.	We achieved electricity unit cost increases less than the Consumer Price Index in a constrained electricity market, while pursuing potential long-term savings in the future deregulated market. We won the Engineers Australia Greenhouse Challenge 2003 Gold Award and significantly boosted the output of renewable energy from the Woodman Point wastewater treatment plant.	
We undertook to efficiently manage research and innovation.	We invested \$3.5 million on research and development in 2003-04, with 13 projects completed and five new projects started.	
We aimed to work closely with the new Economic Regulation Authority (ERA).	The ERA was set up in January 2004 and is responsible for issuing the Corporation's Operating Licence. We are working with the ERA to clarify relevant regulatory policy, procedures and approval processes so we can continue to provide efficient services to our customers.	
We undertook to meet State Government expectations for returns.	We exceeded the 2004 State Budget forecast for net returns to Government by \$60.1 million due to non-regulated growth and the strong property market.	
We aimed to develop a long-term pricing strategy.	We undertook a project to ensure that it could meet the requirements of an economic regulator and pricing reference submission. We also reviewed the options available to meet our target rate of return.	
We undertook to manage assets efficiently.	Our Asset Condition Assessment program remains on schedule for completion by December 2005.	

Legend:  – means complete or on schedule to complete

## Progress

### Return on Assets

The Corporation has a clear commercial objective under the Water Corporation Act 1995 to provide water services now, and for generations to come. Achieving a minimum rate of return is a key factor in providing adequate investment in the future. We aim to achieve a target return of 4 per cent on assets transferred from the Water Authority in 1996 and 6 per cent on new regulated investments.

Achieving a real rate of return is a central principle of the Council of Australian Government reforms designed to create a sustainable and competitive water industry. Sending appropriate price signals to customers helps to rationalise investment planning and improves effective use of our valuable natural resources.

The Corporation has not achieved its long-term target return on assets in any year since corporatisation. This is due to a number of factors including - approved price increases did not match inflation; the level of investment undertaken; water restrictions and demand management.

The significant level of capital investment necessary to maintain infrastructure for water-related services is a critical component in the pricing equation. Changes in service standards, including water quality and wastewater treatment, have increased the underlying cost of supplying core water services.

### Prices and tariffs

The State Government continues to support non-profitable water-related services in the form of Community Service Obligation (CSO) payments, especially in rural and remote areas. The contribution grew by 3.9 per cent to \$268 million.

In 2003-04, the Government endorsed an increase in residential charges for customers using more than 550 kilolitres a year to encourage efficient water-use among high-water users.

The general price increase for the forecast period has been maintained to be consistent with the Consumer Price Index (CPI), except for 2004-05 where Government has decided that the GPI will be 0 per cent for residential customers. Non-residential customers will be 2.4 per cent.

Water prices are set by the State Government. The Economic Regulation Authority (ERA), which was established on 1 January 2004, oversees our Operating Licence, performance monitoring and reporting. A pricing review for water and wastewater metropolitan prices is being progressed by the ERA.

### Country commercial fixtures charge

We played a key role in a Government Joint Working Party reform initiative that examined alternatives to sewerage pricing based on property values in the country. The general move away from such charges was in response to concerns by some businesses that their water and sewerage charges did not relate to the service they received.

Small business was particularly adversely affected if they were located in areas of high rental value. This resulted in paying thousands of dollars for the availability of water and water-related services.

These concerns have now been addressed as country non-residential sewerage charges are being aligned with the metropolitan tariff. This more equitably bases charges on the number of major fixtures and the discharge from the property. The reform is also expected to result in lower overall sewerage charges for country non-residential customers.

### Business efficiency

The Corporation is committed to meeting the new water conservation targets set by the Government's State Water Strategy. However, with no increases in prices for 2004-05 and continual pressures on costs, the Corporation is challenged to improve the rate of return to ensure the ability to service our assets into the future.

We commenced a Corporate-wide project called the Process Improvement Project to be the best performing utility in Australia. Implementing the process improvement initiatives will incorporate the positive aspects of our current culture and will help ensure that work is performed in a standard and consistent way.

## Financial results

We achieved an after-tax profit of \$386 million, up 17.8 per cent. This strong result reflects the Corporation's ongoing commitment to financial viability, while meeting stakeholder requirements of supply in yet another year of low rainfall and water restrictions.

The growth in the property market and associated lot development generated strong growth in revenues with a 34 per cent growth from last year to \$169.6 million. Growth in water and wastewater rates and are in line with the CPI and the increase in the consumer base.

The growth in expenses from ordinary activities is in line with growth in the CPI and additional expenditure associated with the growth in revenues. We delivered efficiency savings of \$8.3 million through improvement initiatives and strong financial management.

The reduction in finance costs reflects the benefits of the liability restructuring undertaken in 2003 and the strong cash inflows from operations.

Net cash inflows from operating activities grew by 19.8 per cent to \$622 million.

## Shareholder returns

The Board approved a dividend of \$291.5 million to the State Government, our sole shareholder. This is an increase of 14.2 per cent over 2002-03 and is due to the improved profitability of the organisation. Together with income tax and other statutory tax equivalent payments, the total return to the State Government for 2003-04 will be \$461.4 million (2002-03: \$398.1 million).

## Capital investment

The ongoing requirements of delivering potable water and wastewater management services required capital investment of \$440 million. This included expenditure on the following programs: distribution network (\$122.6 million), new water sources (\$33.8 million), odour control programs (\$31.2 million), wastewater treatment plants (\$35.4 million), drinking water quality (\$14.3 million) and drought response (\$32.8 million).

## Treasury and funds management

The Corporation funded the \$440-million capital investment program with an increase of only \$95 million in net debt.

Additional borrowings resulted in a marginal increase in the Corporation's debt-to-total assets ratio to 10.9 per cent (2002-03: 10.2 per cent). The interest cover ratio improved substantially to 7.5 times (2002-03: 5.8 times). This reflects the Corporation's strong financial position to service its levels of debt.

## Tax and dividends

The Minister for Government Enterprises representing the State Government is the Water Corporation's sole shareholder. The Water Corporation Board's dividend policy is to pay 85 per cent of after-tax profits (including developers' contributions) to the State Government.

The dividend policy returns value to our shareholder while ensuring there is sufficient cash to meet our business needs. Our dividend forms part of the State's Consolidated Revenue and is used to meet broader State commitments.

The National Tax Equivalent Regime administered by the Australian Taxation Office requires the Corporation to lodge an income tax return and pay tax equivalents to the State.

Our tax payments are relatively stable, while dividend payments are affected by the timing of developer contributions. The CSO contributions from Government, for services that are not commercially viable, partially offset the payments provided through dividends and tax payments. The separation of tax and dividends payments and CSO receipts provides transparency of payments to and from government.

## Land development

Land development activity in 2003-04 continued to exceed industry expectations with 20,272 lots cleared, a 26 per cent increase over 2002-03. Despite this significant increase in workload associated with this high level of activity, the Corporation's performance in its service to the land development activity has remained at a better than expected level. In addition, revenue from developers' contributions, and assets handed over were \$169 million (\$126 million in 2002-03).

Survey results conducted with the development community and relevant stakeholders indicated a 91 per cent customer satisfaction rating with our land development service.

## Customer debt management

Total customer debt has dramatically reduced from \$109.5 million in 1999 to \$24.2 million in 2004 as a result of active debt management.

However, because we provide an essential service we need to manage our customer debt to meet our social obligations while maintaining our commercial focus. We have a Debt Recovery Code of Practice to guide the actions undertaken when dealing with customers who are experiencing difficulties paying their account. The code was developed in 1999 in conjunction with the Western Australian Council of Social Services, the Financial Counsellors Association, the Financial Counsellors Resource Agency and our own Customer Advisory Council.

Our debt recovery process involves giving customers early warnings and encouraging them to contact us if they are having difficulties paying, before their overdue debt becomes unmanageable. We offer customers flexible payment options to suit their individual needs to reduce their financial pressures while still ensuring that they can meet their obligations.

## Looking Ahead

We will demonstrate capital efficiency over the next five years by implementing process improvement recommendations from capital planning and design to program and project management.

We aim to achieve savings in 2005-06 through streamlining procurement practices.

We plan to improve the timeliness of access to water resources across the State by developing a long-term plan in conjunction with our regional managers.

We will simplify, standardise and increase consistency of operational and financial reporting.



## corporate information

We will maintain and build confidence within communities through our Operating Licence to ensure the right to participate in decision-making and create solutions to benefit natural, social, manufactured and financial capital.

### Corporate Governance

This section outlines the principal corporate governance practices followed during the 2003-04 financial year. These practices are a framework to ensure that the business acts with high standards of corporate behaviour and in the best interests of our stakeholders.

#### The Board of Directors

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

The composition of the Board is diverse, with members having a variety of commercial backgrounds. There are six non-executive directors, including the Chairman and Deputy Chairman, and one executive director being the Chief Executive Officer. Board meetings are held once a month at the Water Corporation's head office in Perth.

#### Appointment of Directors

The Governor has appointed non-executive directors on the nomination of the Minister for Government Enterprises. This is after consultation with, or on the recommendation of, the Board. They hold office for up to three years and appointments are staggered to ensure that approximately one-third of directors retire each year. Non-executive directors are eligible for re-appointment and there is no limit on the time a director may serve on the Board. Their duties are not full time. The Governor, on the Minister's nomination, also appoints the Chairman and Deputy Chairman from the non-executive directors.

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

## Changes to the Board

Two new non-executive directors were appointed to the Board. Mr Brendan Hammond and Dr Brian Hewitt were appointed for three-year terms commencing 1 January 2004.

Directors Mr Ian Kuba (Deputy Chairman) and Dr Peter Hopwood vacated their positions on the Board following expiry of their terms of appointment.



Ms Tracey Horton was appointed Deputy Chairman.

## Independent advice and training

Directors can seek independent professional advice on Board matters at the Corporation's expense, with the approval of the Chairman. No such advice was sought during the year.

## Accountability and independence

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

Director	Experience	Committee Membership
<p>Mr Tim Ungar (Age 48) Chairman BEc, FAIM</p> 	<p>Chairman of Telco Services Australia Pty Ltd.</p> <p>Mr Ungar has an extensive background as a senior executive in the telecommunications and technology industries both in Australia and overseas.</p> <p>He is currently the Chairman of Telco Services Australia Pty Ltd, a national sales and marketing company with headquarters in WA.</p> <p>Mr Ungar is a councillor on the Technology and Industry Advisory Council of Western Australia, a Governor of the WA Museum Foundation and a member of the WA Olympic Business Committee.</p> <p>He has been a non-executive director of the Water Corporation since 2002 and was appointed Chairman in January 2003. His current term expires on 31 December 2004.</p>	<p>Organisation Development Committee</p>
<p>Ms Tracey Horton Age 40) Deputy Chairman BEc(Hons), MBA, MAICD</p> 	<p>Company Director:</p> <p>Ms Horton has an extensive background in management consulting and focuses on providing Board and senior management advice on strategy development, corporate structuring, organisational design and implementation.</p> <p>Ms Horton was most recently Director of Poynton and Partners and GEM consulting. She spent a number of years working overseas in an international management consulting firm and has worked as an economist at the Reserve Bank of Australia.</p> <p>Ms Horton is a Governor of the WA Museum Foundation and is a non-executive Director of Good Samaritan Industries.</p> <p>Appointed as a non-executive director from 1 January 2003, her current term expires on 31</p>	<p>Chair - Organisation Development Committee</p> <p>Audit and Compliance Committee</p>

Dr Jim Gill  
(Age 57)  
Chief Executive Officer  
BE(Hons), MPA, PhD, FTSE,  
FIE Aust, CP Eng, FAICD



Chief Executive Officer of the  
Water Corporation

Dr Gill was Chief Executive Officer of Western Australia's railway system from 1988 and became Managing Director of the Water Authority in 1995.

He is a Fellow of the Australian Institute of Company Directors and was recently president of the Western Australian Division of that body. Other positions he has held include Chairman of the Water Services Association of Australia, Chairman of the WA Division of Engineers Australia, Chairman of Railways of Australia and a member of the Senate of The University of Western Australia.

Appointed as Chief Executive Officer on 1 January 1996, his current term expires on 31 December 2005.

Finance Committee

Research and Development Committee

Dr Penelope Flett  
Age 57  
MBBS, DGM, FRACMA,  
AFCHSE, FAIM



Chief Executive Officer of the Brightwater Care Group (Inc.)

Dr Flett has extensive experience in the field of medicine and aged care. Her current role is leadership and management of a large organisation providing general and highly specialised residential and care services in the metropolitan area. She has served on a number of boards and committees associated with health and aged care.

Dr Flett is Chair of the WA Aged Care Advisory Council. She is a board member of the National Seniors Association, a member of the Australian Bravery Decorations Council, a board member of the Council of St George's College, and The University of Western Australia Institute of Advanced Studies Advisory Board.

Appointed as a non-executive director from 1 January 2003, her current term expires on 31 December 2005.

Organisation Development Committee

Research and Development Committee

Mr Brendan Hammond  
(Age 48)  
Diploma – Extractive Metallurgy



Company Director:

Mr Hammond has led large-scale change initiatives throughout his career. A special focus was regional sustainability with an emphasis on regional people, communities, businesses and the environment.

His appointment as Managing Director at Argyle followed extensive experience during 22 years with Rio Tinto, including engineering and metallurgy roles in Namibia and operational management at Argyle in the East Kimberley. The management of water remains a priority for the diamond mining company.

Mr Hammond had previously directed an aquifer recharge feasibility study at a Namibian mine and was a member of a government steering committee in that country that investigated the establishment of a desalination plant on the Namibian coast.

Appointed as a non-executive director from 1 January 2004, his current term expires on 31

Audit and Compliance Committee

Organisation Development Committee

Dr Brian Hewitt

(Age 59)

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



Company Director

Dr Hewitt has a background in operational engineering combined with high-level business management skills.

He retired last year as Chairman of Clough Engineering Limited. He was also Managing Director and Chief Executive of Clough Limited at the time of his retirement. He worked in several senior positions with the company for almost 18 years before being appointed Managing Director in 1995.

He began his career in 1966 as an engineer in the former Metropolitan Water Supply, Sewerage and Drainage Board, later working for the Public Works Department. Both government agencies were predecessors of the Water Corporation.

Dr Hewitt is vice president of the Chamber of Commerce and Industry (WA) and is a member of engineering advisory boards at The University of WA and Curtin University. He is a director of a number of private and public companies, serves on several advisory boards and is a member of the Council of Curtin University.

Appointed as a non-executive director from 1 January 2004, his current term expires on 31 December 2007.

Chair - Finance Committee

Chair - Finance Committee

Mr Patrick O'Connor

(Age 41)

BCom, MAICD



Managing Director of Churchill Capital

Mr O'Connor is involved in corporate consulting and is managing director of an independent specialist advisory firm, Churchill Capital.

Until recently Mr O'Connor was the Managing Director of Oceana Gold Limited, which is a listed Australasian gold production company.

He is Chairman of Boron Molecular Limited, is non-executive Chairman of Acuron Limited and is non-executive Director of Clearview Capital Limited.

Appointed as a non-executive director from 1 January 2003, his current term expires on 31 December 2005.

Chair - Audit and Compliance Committee

Finance Committee

Research and Development Committee

## Board Committees

Committees of the Board that operated during the year ended 30 June 2004 were:

- \* Audit and Compliance
- \* Finance
- \* Organisation Development
- \* Research and Development (until 31 December 2003).

### Audit and Compliance Committee

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

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

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

### Finance Committee

The Finance Committee reviews the Corporation's annual and long range budgetary process including the operating budget and capital investment planning process. The committee has a particular focus on the financial aspects of governance as they relate to the Board and Government.

### Organisation Development Committee

The Organisation Development Committee focuses on ensuring that the Corporation has in place the required strategies, resources and cultural drivers to build workforce capability and adaptive capacity to meet its current and future business needs. The three key areas of focus are composition of the workforce, capability and culture.

### Research and Development (R&D) Committee

The Research and Development Committee provided guidance and oversaw the development of an R&D strategy. It was influential in linking R&D and innovation to the strategic direction of the business. It ceased to operate from 31 December 2003.

The committee was assisted by General Manager Water Technologies Mr Keith Cadee and Manager of Technology and Research Management Ms Mary Papachristos.

## Directors' meetings

The number of meetings of the Board and committees of directors held, and the number of meetings attended by each director, during the 12 months ended 30 June 2004 are shown in the following table. Where directors held office for some but not all of the financial year, the number of meetings held while they were a director is shown in brackets, for example (6).

	Board Meetings	Meetings of Committees			
		Audit and Compliance	Finance	Organisation Development	Research and Development
Number of meetings held:	12	5	4	2	1
Number of meetings attended by:					
T Ungar	12	*	*	2	*
I Kuba <sup>1</sup>	5 (6)	3 (3)	*	*	*
J Gill	12	1 <sup>3</sup>	4	*	1
P Flett	9	*	*	2	1
B Hammond <sup>2</sup>	3 (6)	2 (2)	*	2	*
B Hewitt <sup>2</sup>	6 (6)	*	4	*	*
P Hopwood <sup>1</sup>	6 (6)	*	*	*	1
T Horton	12	4	*	2	*
P O'Connor	12	5	4	*	1

\* Not a member of the relevant committee.

1. Mr Kuba (Deputy Chairman) and Mr Hopwood retired as directors on 31 December 2003.

2. Mr Hammond and Dr Hewitt were appointed directors from 1 January 2004.

3. Mr Meinck attended as Acting Chief Executive Officer, at the committees' invitation.

## Managing significant business risk

The Water Corporation has a strong history of risk management especially at the operational level with well-established risk management policies and procedures.

Our risk management policy follows AS/NZS 4360:1995 Risk Management. This ensures that we have structures and processes to identify, evaluate and control major risks, which have the potential to threaten our assets, profitability, reputation or legal liability and our ability to provide services. All managers are responsible for the identification and assessment of risks within their areas and for the development of appropriate treatment plans where necessary.

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

## Managing financial exposures

The Corporation has a central Treasury function that manages the financial exposures through the Corporation's Treasury Policy. Regular reporting ensures the Board can monitor financial risk management of the business.

## Managing incidents

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

Incidents are generally declared when a scheme, process, or system has the potential to, or has, adversely affected our business to an unacceptable extent, or in terms of community perception.

Our incident management process is managed using the following approach:

- Respond strongly early to minimise impact
- Take actions in parallel rather than sequentially to minimise duration of response and recovery
- Focus on and guard the interests of all stakeholders
- Learn lessons from each incident to prevent recurrence and minimise impact
- Continually seek to do better
- Anticipate problems and prepare for them.

This process encompasses all of the actions required to implement the cycle of prevention and minimisation, preparedness, response, recovery and debriefing, which prevents controllable incidents and minimises the severity of those that do occur.

Incidents are reported in accordance with approved procedures and the requirements of Acts and Regulations. The Corporate Executive, Chief Executive Officer, Board and Minister are kept informed of major incidents and a monthly summary report is forwarded to the Board.

During 2003-04 we managed some 130 significant and major incidents.

## Security

The Corporation has closely monitored the development of a strategy for critical infrastructure protection by the National Counter-Terrorism Strategy and provided required information to the Premier's Taskforce on this matter.

As an owner and operator of critical infrastructure, the Corporation has responsibility for the security of its assets. A number of initiatives to enhance this security were progressed during the year.

## Disclosure of interest

The Water Corporation has an established procedure for identifying, preventing, or resolving conflicts of interest. These procedures are outlined in the Corporation's procurement manual.

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

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

## Regulatory framework

A number of organisations regulate or have a significant impact on the Water Corporation's operations. The principal organisations are:

**Economic Regulation Authority (ERA)** – Established on 1 January 2004, the ERA oversees our Operating Licence, performance monitoring and reporting. It also has inquiry functions, an example of which is the review of our pricing and tariffs. Our previous regulator, the Office of Water Regulation ceased on 31 December 2003 and its licensing regulation function was transferred to the ERA. Our Operating Licence sets out the terms and conditions under which we operate and provide services. It also defines the operating areas in which we can supply services, the Corporation being the major but not sole water-services provider in Western Australia. Also, as required in the Operating Licence, we have issued a Customer Charter that stipulates levels of service to be provided to our customers.

**Department of Environment (DoE)** – The DoE was formed from the merger of the Water and Rivers Commission (W&RC), the Department of Environmental Protection (DEP) and the Keep Australia Beautiful Council. The DoE is expected to be responsible for most of the functions previously operated by the W&RC and the DEP including resource management and policy, wastewater treatment and disposal, water allocations and trading, and Ministerial Conditions.

The Corporation holds more than 150 water allocation licences to use water from water sources operated in natural catchment areas proclaimed under the *Rights in Water and Irrigation Act 1914*. These licences contain conditions for the storage and diversion of water from rivers and groundwater for consumption by households, industry and rural activities.

The Corporation has been issued with licences to operate wastewater treatment plants and to dispose of treated wastewater and biosolids from these plants.

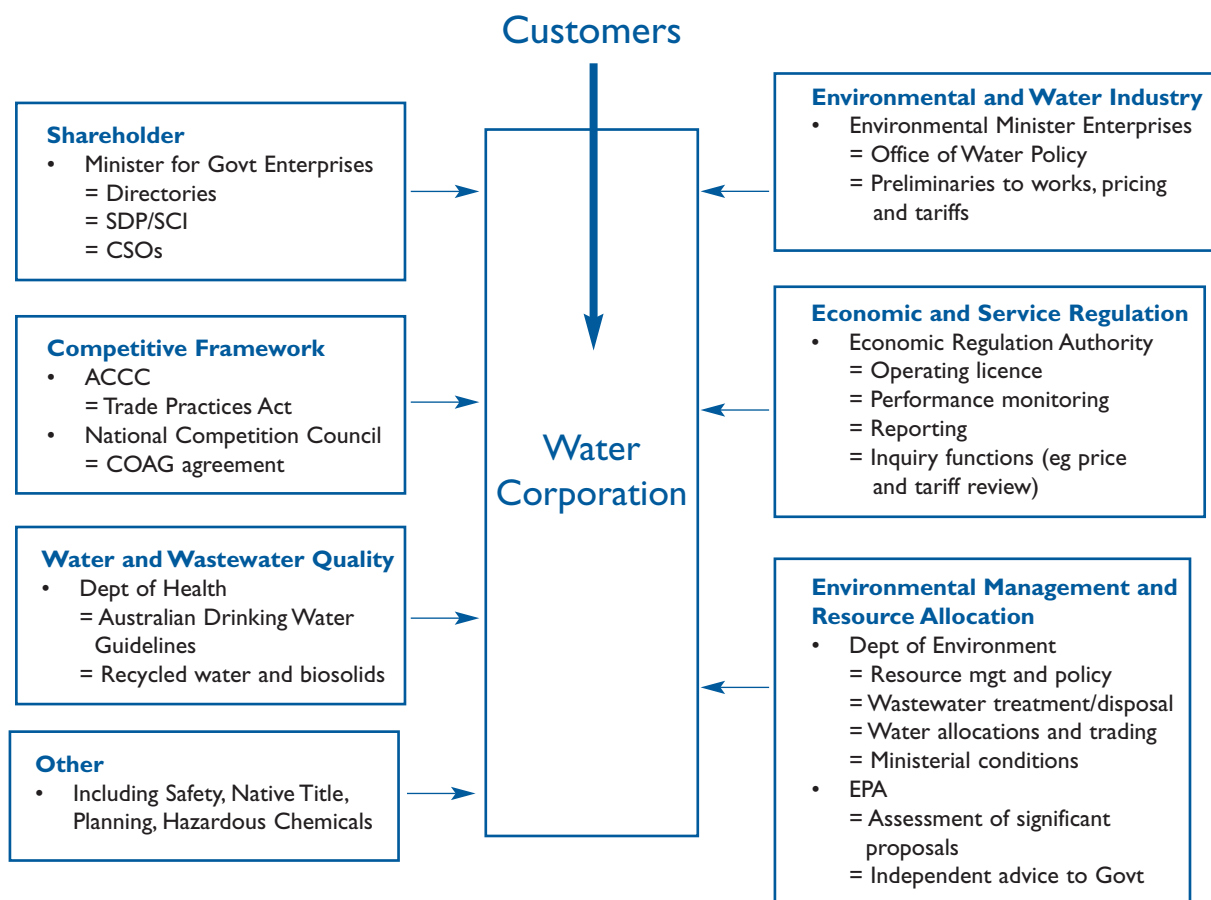
**Environmental Protection Authority (EPA)** – The EPA assesses significant project proposals and provides independent advice to the State Government.

**Department of Health (DoH)** – The DoH regulates drinking-water quality and administers the Australian Drinking Water Guidelines. We have a Memorandum of Understanding with the DoH that sets out the obligations of both agencies for management of drinking water quality. The DoH is also responsible for licensing the use of recycled water on public areas (e.g. irrigating recreational parks) and for the application of biosolids to land for agricultural or other purposes.

**Australian Competition and Consumer Commission (ACCC)** – The ACCC is an independent authority that administers the Trade Practices Act 1974 to promote fair trading and competition.

**National Competition Council (NCC)** – Throughout Australia, the NCC oversees water industry reforms that have been agreed by Australian Governments.

Various other agencies regulate on issues such as safety, Native Title, planning and hazardous chemicals.



## Strategic Development Plan and Statement of Corporate Intent (SCI)

The Corporation has in place a five-year Strategic Development Plan, reviewed every year, and an SCI covering 12 months. The SCI is a public document and is in the form of an agreement with the Minister for Government Enterprises. It contains an outline of the Corporation's objectives and performance targets for the year.

These plans were developed for the 2003-04 year and approved by the Minister.

## Performance monitoring and reporting

The Corporation provides written quarterly and annual reports to the Minister for Government Enterprises detailing its performance and progress made in fulfilling the SCI. Written quarterly reports are also provided to the Economic Regulation Authority on compliance with performance standards specified in the Operating Licence. In addition, the Board and Corporate Executive receive written monthly performance reports covering a diverse range of financial and non-financial matters.

## Ethical standards

The Water Corporation requires all directors, employees and contractors to exercise high standards of ethical behaviour in the performance of their duties, as set out in the Corporation's Code of Conduct Manual. All managers are required to monitor adherence to the standards outlined in the manual. Annually, a report on compliance is forwarded to the Commissioner for Public Sector Standards.

During 2003-04, there were no breaches of the code of conduct.

## Trade Practices Act Compliance Program

In accordance with the standards and guidelines recommended by the Australian Competition and Consumer Commission, the Corporation conducts a Trade Practices Act (TPA) Compliance Program, to manage the risk of the Corporation breaching the Act. To ensure that all employees are aware of their obligations, a statewide program is conducted that includes mandatory awareness seminars and educational workshops.

The program is co-ordinated by the Procurements Branch, which provides a central point for any queries or concerns. It also maintains a website to enhance communication with employees by providing the latest information on legislative requirements and the Corporation's TPA Policy and Procedures.

## Information Security Management System

The Corporation maintains a security management framework that is based on the Australian Standard for Information *Technology - Code of Practice for Information Security Management AS/NZS 17799.1:2002*.

## State Records Act

The Corporation has an approved Recordkeeping Plan in place that demonstrates its compliance with the *State Records Act 2000* and an ongoing commitment to the training of staff in recordkeeping principles.

## Advertising codes

We comply with the Advertising Federation of Australia Code of Ethics. In addition, our advertising agency has a full compliance policy with the Australian Competition and Consumer Commission.

There were no breaches or complaints recorded in the reporting year.

## Breaches of privacy complaints

No breaches of privacy complaints were recorded in the reporting year.

## Freedom of Information

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

Freedom of Information Co-ordinator  
Water Corporation

629 Newcastle Street  
LEEDERVILLE WA 6007

Telephone 08 9420 2514  
Facsimile 08 9420 3360

During 2003-04, the Corporation received 17 applications for information under the provisions of the Act. Three applications were carried over from the prior year. Of these 20 applications, eight were provided with full access, six with edited access, two applications were denied access, two were withdrawn and two were on hand at year-end. Internal and external reviews were requested for five and four applications respectively.

Fees and charges totalling \$270 were received for processing these applications. The average processing time was 34.5 days.

# corporate information

## Directors' Report

The directors of the Water Corporation present their report for the 12 months ended 30 June 2004.

### Directors

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

Mr Tim Ungar - Chairman since 1 January 2003  
Dr Jim Gill - Chief Executive Officer since January 1996  
Dr Penelope Flett - Director since 1 January 2003  
Mr Brendan Hammond - Director since 1 January 2004  
Dr Brian Hewitt - Director since 1 January 2004  
Ms Tracey Horton - Director since 1 January 2003  
Mr Patrick O'Connor - Director since 1 January 2003

Particulars of the qualifications, experience and special responsibilities of each director are set out in the preceding Corporate Governance section, as are details of attendance by directors at Board meetings and Board committee meetings.

### Principal activities

The Water Corporation was established as a body corporate under the provisions of the 4 and is the principal water utility in Western Australia. Water, wastewater, drainage and irrigation services are provided under this Act and other legislation and subsidiary legislation which controls the water industry.

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

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

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

## Operating results

The Water Corporation made a profit from ordinary activities before income tax of \$544.474 million (2003: \$469.015 million). On an after-tax basis, profit from ordinary activities was \$386.440 million (2003: \$328.044 million).

	2003-04 \$'000	2002-03 \$'000
Revenue from ordinary activities	1,231,249	1,130,977
Expenses from ordinary activities	(625,633)	(599,271)
Borrowing cost expense	(51,142)	(62,691)
Profit from ordinary activities before Income tax expense	544,474	469,015
Income tax expense	(168,034)	(140,971)
Net profit	386,440	328,044

## Dividends

The Board recommended that a dividend of \$291.545 million be paid for the 12 months ended 30 June 2004. An interim dividend of \$264.584 million was paid in June 2004 and a final dividend of \$26.961 million will be paid by 30 October 2004.

	2003-04 \$'000	2002-03 \$'000
Interim dividend paid	264,584	233,580
Provision for final dividend	26,961	21,713
Total dividend paid or provided for	291,545	255,293

## Directors' and senior executives' remuneration

The Minister, on advice, approves the remuneration of non-executive directors. The Board, with the Minister's concurrence, is responsible for the remuneration package of the Chief Executive Officer, with remuneration being reviewed annually. Non-executive directors receive no retirement benefits except for 9 per cent in superannuation.

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

Details of the nature and amount of each major element of the remuneration of each director and each of the five named executives receiving the highest remuneration are:

	Base Fee or Salary \$'000	Superannuation \$'000	Non-Cash Benefits <sup>1</sup> \$'000	Total \$'000
<b>Non-Executive Directors</b>				
T Ungar	97	9	-	106
T Horton	42	5	-	47
P Flett	42	4	-	46
B Hammond	20	2	-	22
B Hewitt	20	2	-	22
P O'Connor	42	5	-	47
I Kuba	21	2	-	23
P Hopwood	22	2	-	24
<b>Chief Executive Officer</b>				
J Gill	267	35	20	322
<b>Executive Officers (excluding directors)</b>				
G Meinck	204	37	24	265
J Brown	162	35	44	241
P Moore	188	33	21	242
M Peacock	187	27	-	214
K Cadee	169	19	-	188

1. Non-Cash Benefits include access to a fully maintained motor vehicle and fringe benefits tax.

## Review of operations

Established on 1 January 1996, the Corporation operates in a regulatory framework comprising the Economic Regulation Authority and Department of Environment. Clear commercial objectives and strict environmental targets and accountabilities have been established through a Statement of Corporate Intent and a system of licences through the various regulators.

The Corporation operates with infrastructure assets worth almost \$9.8 billion. Asset management plans have been developed for all assets to ensure they are managed in the most cost-effective manner.

During the year, the Corporation supplied 338,168 megalitres of water and treated 129,367 megalitres of wastewater.

## Environmental performance

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

- *Environment Protection and Biodiversity Conservation Act (Commonwealth) 1999*
- *Environmental Protection Act 1986*
- *Contaminated Sites Act 2003*
- *Aboriginal Heritage Act 1972*
- *Dangerous Goods Regulations 1982*
- *Poisons Act 1964*

A period of significant change in environmental regulation is being experienced in Western Australia, with amendments to the *Environmental Protection Act 1986*, enactment of the *Contaminated Sites Act 2003*, and the formation of an Enforcement Unit within the Department of Environment.

Under the *Environmental Protection Act 1986*, we are required to report any unplanned incidents that occur that have the potential to do harm to the environment. It is inevitable with our large number of assets across the State that unplanned incidents will occasionally occur, and that some of these will affect the receiving environment, public health and public amenity.

Compliance with environmental conditions is reported quarterly to the Corporation's Environmental Management and Sustainability Steering Committee and the Board.

An incident management process ensures a fast and effective response to any accidents or incidents.

## State of affairs

There were no significant changes during the year ended 30 June 2004 in the state of affairs of the Corporation not otherwise disclosed in this report, or the financial statements.

## Events subsequent to balance date

Since the end of the financial year on 30 June 2004 and the date of this report, the directors are not aware of any matter or circumstance not otherwise dealt with in this report or financial statements that has significantly, or may significantly, affect the Corporation's operations, the results of those operations, or the Corporation's state of affairs in subsequent financial periods.

## Likely developments

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

## Directors' interests and benefits

In the 12 months to 30 June 2004, no director received, or became entitled to receive, any benefit (other than a benefit included in the total amount of remuneration received or due and receivable by directors) by reason of a contract made by the Corporation with the director, or with a firm of which the director is a member, or with an entity in which the director has a substantial interest.

### Indemnification of directors and auditors


In the 12 months ended 30 June 2004, the Corporation has not indemnified against a liability, a person who is, or has been, a director or auditor of the Corporation.

During the period ended 30 June 2004, the Corporation paid insurance premiums in respect of directors' and officers' liability insurance for any past, present or future commissioner, director, board/committee member, secretary, executive officer or employee of the Water Corporation.

### Rounding of amounts

The Corporation satisfies the requirements of Clause 32 of Schedule 3 contained in the *Water Corporation Act 1995* and, accordingly, amounts in the financial statements and Directors' Report have been rounded off to the nearest thousand dollars unless specifically stated to be otherwise.

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



TM Ungar  
Chairman



JJ Gill  
Chief Executive Officer

PERTH, 27 August 2004

**Shareholder**



**Represented by Minister  
for Government Enterprises**

*Hon. Nick Griffiths, LLB MLC*

**Board Chairman**



**Tim Ungar**

**Chief Executive Officer**



**Dr Jim Gill**

- Executive Services
- Communications
- Management Review and Audit
- Ministerial Support

**Chief Operating Officer**

**Garry Meinck**

- Operations Leadership
- Operational Strategy
- Issues Management
- Water Cycle Project

**Chief Financial Officer**

**Malcolm Peacock**

- Financial Management and Reporting
- Business Planning, Pricing and Investment
- Treasury and Risk Management
- Regulatory Management
- Corporate Governance
- Legal Services

**General Manager  
Customer Services**

**Jim Brown**

Principal interface between the Corporation and its customers. Delivery of water, wastewater, drainage and irrigation and land development services statewide.

**General Manager  
Water Technologies**

**Keith Cadee**

Management and operation of water sources, water quality and treatment, system distribution and the treatment and disposal of wastewater and industrial waste. Management of research and innovation.

**General Manager  
Operations Services  
(Acting)\***

**Paul Ferguson**

Business support services that includes human resources; information services; corporate real estate; environmental management; engineering and construction services; and procurement.

**General Manager  
Planning and  
Infrastructure**

**Peter Moore**

Planning and delivery of capital investment; strategic asset management; infrastructure planning and design; and business development.

\* Sue Murphy – was appointed General Manager Operations Services in August 2004.

\*\* Catherine Ferrari was appointed General Manager Communicatons in August 2004.



**Garry Meinck** *CP Eng, FIE Aust, Assoc Civil Eng, GradDip Bus Mgmt, GAICD, Dip Struct. Eng, MAWA (Age 61)*

### Chief Operating Officer

Mr Meinck has been associated with the water industry for more than 30 years. He has been involved in senior management of the former Water Authority where he contributed to the areas of water resource planning, major infrastructure creation, corporate services and regional management.

He managed the project to restructure the water industry in Western Australia in 1995 and attended the Stanford Executive Program in 1998.

Mr Meinck also is a member of the Premier's water taskforce to oversee the implementation of the State Water Strategy.



**Jim Brown** *CP Eng, FIE Aust, GradDip Bus and Admin, GAICD, MAWA (Age 58)*

### General Manager, Customer Services

Mr Brown has had 37 years' experience in the water and marine industries, starting as a cadet engineer with the former Public Works Department in 1964.

He attended Harvard University's Advanced Management Program in 2000.

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

Mr Brown is Chairman of the Water Corporation's Customer Advisory Council and the two major metropolitan Alliance Contracts.

He is on the Board of the Engineers Australia Centre for Engineering Leadership and Management and is an active member of the Australian Special Air Services Association.



Keith Cadee *BE (Hons), ME, CP Eng, MIE Aust, MAWA, GAICD (Age 50)*

#### General Manager, Water Technologies

Mr Cadee has had more than 30 years' experience in the water industry. He has had a range of senior positions including those responsible for water and wastewater treatment and water production.

He is a member of the Water Services Association of Australia's Water, Health, Environment and Sustainability Committee, and has been a member of the Board of the Co-operative Research Centre for Water Quality and Treatment since 1995 and also chairs the Commercialisation Committee of that Board.



Malcolm Peacock *BA (Accountancy), CA, FAICD (Age 39)*

#### Chief Financial Officer

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

Mr Peacock is a chartered accountant, having started his career with Deloitte Touche Tohmatsu. He was Director of Finance and a board member for the Australian operations of an international defence electronics group and also has held senior financial executive positions for a number of other companies, both overseas and in Australia.

Mr Peacock is a director of the Water Corporation Superannuation Fund.



Peter Moore *CP Eng, FIE Aust, Assoc Civil Eng, Grad Dip Mgmt, MAWA, GAICD (Age 54)*

#### General Manager, Planning and Infrastructure

Mr Moore has a long history in the water industry commencing in 1970. He has been involved in many facets of the business through regional management, bulk water and water treatment roles and a number of high-profile project tasks before assuming his current role.

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



Paul Ferguson *Assoc Civil Eng (Age 55)*

#### General Manager (Acting), Operations Services

Mr Ferguson has an extensive background in the water industry totalling some 33 years.

He has been involved in many facets of the business including regional operations and construction activities, strategic planning, and a range of strategic projects relating to business improvement, information technology and corporatisation.

## simplified financial statements

Summary Statement of Financial Performance	Year ending 30 June 2004 \$'000	Year ending 30 June 2003 \$'000	Percentage movement (decrease) %
Most of our revenue was earned from our core water-related services:			
Revenue earned from annual service and usage charges	720,991	675,196	6.8
Revenue received from State Treasury for agreed community service obligations	268,393	258,403	3.9
Revenue received from developers, interest on our investments, miscellaneous fees and charges, rents, sale of assets, etc.	241,865	197,378	22.5
Revenue from operations	1,231,249	1,130,977	8.9
The total cost of operating our business comprised:			
Operations, maintenance and administrative costs associated with providing services	(309,122)	(285,043)	8.4
Support costs associated with information systems, telecommunications and property management	(33,850)	(32,899)	2.9
Cost of asset sales and write-offs, borrowing costs and other financial expenses	(91,184)	(106,133)	(14.1)
Depreciation of system assets, land and buildings and plant and equipment	(242,619)	(237,887)	2.0
Cost of operations	(676,775)	(661,962)	2.2
Revenue less costs left an operating profit before tax of	554,474	469,015	18.2
We made a provision for income tax of	(168,034)	(140,971)	19.2
Which left us a profit after income tax of	386,440	328,044	17.8
From this after-tax profit, provision for payment of a dividend to our shareholder, the Western Australian Government was	(291,545)	(255,293)	14.2
We then transferred the after-tax value of contributions received from property developers to a holding account	(43,446)	(27,699)	56.9
Adding in the accumulated profit from the previous year	156,759	105,620	48.4
We also added back to retained earnings, the value of funds previously appropriate to the insurance provision after the initial adoption of Accounting Standard AASB: 1044.	-	6,087	-
Leaving us with retained profits available to fund future growth	208,208	156,759	32.8

Summary Statement of Financial Position	As at 30 June 2004 \$'000	As at 30 June 2003 \$'000
Our total assets are divided between 'current' and 'non-current' as follows:		
Current assets are those we expect to use in the next 12 months and include monies owed to us, inventory, prepayments and cash on-hand	90,659	94,969
Non-current assets are those we do not intend to realise within 12 months, including:		
System assets such as pipelines, dams, pump stations and other structures	8,976,810	8,858,574
Land and buildings	246,955	243,655
Computers, vehicles, mobile plant, etc.	93,115	111,315
Works in progress	480,436	353,628
Annual service charges deferred by eligible pensioners and future income tax benefits	51,214	50,844
Non-current assets total	9,848,530	9,618,016
Current assets together with non-current assets gives us total assets of	9,939,189	9,712,985
Liabilities are also 'current' and 'non-current'		
Current liabilities are monies we owe for goods and services received, monies due to the Government in dividends and income tax, and to employees for entitlements	(304,679)	(206,153)
Non-current liabilities include:		
Long-term borrowings	(1,010,000)	(977,321)
Provisions for liabilities including deferred income tax, insurance, employee entitlements, etc.	(279,944)	(279,840)
Non-current liabilities total	(1,289,944)	(1,257,161)
Current liabilities, together with non-current liabilities gives us total liabilities of	(1,594,623)	(1,463,314)
Deducting total liabilities from total assets leaves us with net assets of	8,344,566	8,249,671
These have been funded by:		
The contributed equity, which is the value of net assets of the former Water Authority of Western Australia transferred to the Water Corporation on its formation on 1 January 1996	7,326,677	7,326,677
Monies set aside from the operations of current and prior years and appropriated to specific reserves	809,681	766,235
Profits earned in the current and prior years and retained in the business to fund future growth	208,208	156,759
Which represents total equity in the business of	8,344,566	8,249,671

## principal statistics

### Water Supply

#### Water Supply Region

Properties Served	Properties Connected	Water Supply Services	Length of Mains (Kilometres)	Water Supplied <sup>1</sup> (Megalitres)	Metered Water Consumption <sup>2</sup> (Megalitres)	
Perth	729,047	635,458	552,279	11,818	225,818	208,391
Agricultural	21,983	17,864	23,111	8,024	11,807	9,947
Goldfields <sup>3</sup>	22,843	20,084	18,914	934	14,534	13,275
Great Southern	34,567	29,053	29,402	3,637	12,808	9,866
Mid-West	40,783	33,431	29,965	2,193	17,526	16,311
North-West	28,812	24,836	20,770	1,244	32,187	30,062
South-West	78,800	65,944	61,029	2,335	23,488	21,137
<b>Total</b>	<b>956,835</b>	<b>826,670</b>	<b>735,470</b>	<b>30,188</b>	<b>338,168</b>	<b>308,989</b>

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

2. Metered water consumption is the total of consumers' meter readings which may differ slightly to the above, although for Perth, an adjustment has been made to more accurately align customer consumption to the supply period.

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

#### Metropolitan Sources of Supply Source

Area of Catchment (Square km)	Storage Capacity (Megalitres)	Storage at 30/6/2004 (Megalitres)	Percentage of Maximum Storage (%)	Output to 30/6/2004 (Megalitres)	
<b>Dams</b>					
South Dandalup	311	205,344	34,762	16.9	4,288
North Dandalup	153	74,849	15,936	21.3	14,471
Serpentine and Serpentine Pipehead	692	140,200	32,178	23.0	22,527
Canning	789	90,353	33,091	36.6	6,591
Wungong	134	59,795	18,508	31.0	14,331
Churchman	16	2,241	740	33.0	2,112
Victoria	37	9,463	3,208	33.9	4,018
Mundaring Weir	1,470	63,596	26,538	41.7	1,592
<b>Total</b>	<b>3,602</b>	<b>645,841</b>	<b>164,961</b>	<b>25.5</b>	<b>69,930</b>
<b>Other Hills Sources</b>					
Samson Pipehead	10				2,017
Stirling	251				27,919
<b>Total Hills Sources Output</b>					<b>99,866</b>
<b>Groundwater</b>					
Artesian Bores					38,317
Mirrabooka					21,473
Gwelup					17,740
Wanneroo					37,274
Jandakot					6,904
Neerabup					30,843
Lexia					4,094
Yanchep/Two Rocks					925
<b>Total Groundwater Output</b>					<b>157,570</b>
<b>Gross Output</b>					<b>257,436</b>
Less Internal Transfers (Mundaring Weir and Victoria Dam)					18,570
Less Output to South-West Region (including Mandurah)					10,448
Less System Losses (including riparian releases)					2,600
<b>Water Supplied to Metropolitan Area</b>					<b>225,818</b>

## Wastewater

Wastewater Region	Properties Served	Properties Connected	Total Length of Sewers (Kilometres)	Number of Pump Stations	Number of Treatment Plants	Average Quantity of Wastewater Treated Daily (Megalitres)
Perth	600,323	550,366	9,772	555	9	293.2
Agricultural	8,237	6,614	236	19	15	2.5
Goldfields	4,399	3,236	102	16	3	1.9
Great Southern	18,571	15,520	471	48	13	8.4
Mid-West	16,033	11,788	390	54	17	5.4
North-West	22,919	20,511	436	56	15	14.1
South-West	68,652	53,353	1,617	211	26	28.0
<b>Total</b>	<b>739,134</b>	<b>661,388</b>	<b>13,023</b>	<b>959</b>	<b>98</b>	<b>353.5</b>

Drainage Region	Properties Served	Length of Drains Controlled (Kilometres)	Declared Drainage Area (Hectares)
Perth	308,577	897	91,456
Great Southern	n/a	124	39,321
South-West	n/a	1,762	321,324
<b>Total</b>	<b>308,577</b>	<b>2,783</b>	<b>452,101</b>

Irrigation Region	Irrigation Accounts	Length of Channels & Drains (Kilometres)	Area Irrigated (Hectares)	Water Supplied (Megalitres)
South-West (Preston Valley) <sup>1</sup>	n/a	n/a	n/a	1,093
South-West (SWID) <sup>2</sup>	n/a	n/a	n/a	100,086
Mid-West <sup>3</sup>	n/a	n/a	n/a	4,964
North-West	107	418	13,840	317,680
<b>Total</b>	<b>107</b>	<b>418</b>	<b>13,840</b>	<b>423,823</b>

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

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

3. Mid-West Irrigation District was transferred to the Gascoyne Water Co-operative on 1 July 2003.

4. n/a means information not available or information not applicable.

### Employees (FTEs as at June 2004)

Metropolitan	1,377
Country	627
<b>Total</b>	<b>2,004</b>

## five-year statistical summary

	Units	2003-04	2002-03	2001-02	2000-01	1999-00
<b>FINANCIAL DATA</b>						
Total Revenue	\$'000	<b>1,231,249</b>	1,130,977	1,051,496	1,023,818	1,004,585
Community Service Obligations	\$'000	<b>268,393</b>	258,403	240,197	225,890	205,617
Operating Expenses (excluding abnormals)	\$'000	<b>383,014</b>	361,385	353,398	323,457	311,380
Depreciation (replacement cost)	\$'000	<b>242,619</b>	237,887	225,050	210,976	204,030
Net Interest Expense	\$'000	<b>45,089</b>	58,760	44,571	29,529	33,123
Income Tax Expense	\$'000	<b>168,034</b>	140,971	127,260	151,575	139,894
Operating Profit After Tax	\$'000	<b>386,440</b>	328,044	296,161	304,852	312,344
Transfer to / (from) Reserves	\$'000	<b>43,446</b>	27,699	22,676	21,614	75,620
Long-Term Debt	\$'000	<b>1,010,000</b>	977,321	862,329	807,749	576,121
New Works Investment (excluding developers take-over works)	\$'000	<b>440,600</b>	361,200	368,000	497,000	458,000
Short-Term Liquidity Facility	\$'000	<b>72,000</b>	10,000	47,000	35,000	-
New Borrowings	\$'000	<b>33,000</b>	115,000	64,000	232,195	115,000
<b>OPERATING DATA</b>						
<b>Water Supply Services</b>						
Annual Volume of Water Supplied	ML	<b>338,168</b>	329,078	323,477	374,434	339,190
Number of Properties Served at period end <sup>1</sup>	No.	<b>956,835</b>	933,967	817,469	802,964	787,351
Number of Properties Connected at period end <sup>1</sup>		<b>826,670</b>	805,988	786,965	na	na
Length of Mains <sup>2</sup>	km	<b>30,188</b>	30,538	29,733	28,862	28,876
<b>Wastewater Services</b>						
Average Volume of Wastewater Treated Daily	ML	<b>353</b>	334	336	331	330
Number of Properties Served at period end <sup>1</sup>	No.	<b>739,134</b>	714,385	659,210	637,070	613,936
Number of Properties Connected at period end <sup>1</sup>		<b>661,388</b>	639,791	612,813	na	na
Length of Sewers	km	<b>13,023</b>	12,579	12,340	11,928	11,525
<b>Drainage Services</b>						
Number of Properties Served at period end <sup>1,3</sup>	No.	<b>318,500</b>	302,602	280,377	274,763	267,160
Length of Drains	km	<b>2,783</b>	2,782	2,771	2,767	2,970
<b>Irrigation Services</b>						
Volume of Water Delivered	ML	<b>423,823</b>	587,061	440,489	319,246	258,160
<b>Employees</b>						
Total number of full-time equivalents (FTEs)	No.	<b>2,004</b>	2,000	2,084	2,158	2,106
Total number of FTEs (year-end average)	No.	<b>1,999</b>	1,983	2,118	2,152	2,111

All financial figures are expressed in dollars of the day.

1. For 2002-03, the significant increase in properties served is due to non-strata multi-residential and multi-non residential properties, eg units, flats, etc, now being individually counted. This is in accordance with a revised property definition issued by the national industry association, the Water Services Association of Australia (WSAA). Numbers for properties connected have been determined on a similar basis.

2. Water main length - For 2003-04, the main length figure excludes lengths associated with mains to meter connections and source works, such as borefields.

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

# publications, glossary of terms

## publications and promotional material

A full list of Water Corporation publications and promotional material is available via our website under 'Publications' at [www.watercorporation.com.au](http://www.watercorporation.com.au)

## glossary of terms

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

**Breaches** - A formal written warning from the regulator threatening further action using a coercive instrument (e.g. infringement notice, court appearance or fine) or the actual use of a coercive instrument.

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

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

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

**Department of Environment** - The Water and Rivers Commission, the Department of Environmental Protection and the Keep Australia Beautiful Council have merged to become the Department of Environment.

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

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

**GL** - Unit of measure, gegalitres - one thousand million litres or 1 million kilolitres.

**Greenhouse gas** - Atmospheric gases, particularly carbon dioxide, methane and chlorofluorocarbons that contribute to the greenhouse effect. That is, the heating of the Earth's atmosphere.

**Headworks contribution** - is the amount payable by anyone subdividing land, constructing new building developments, or expanding existing developments that will require a Water Corporation service.

**Indirect Energy Consumption** - Is the energy used to produce the electricity for the Water Corporation's demand.

**Integrated Water Supply Scheme** - Is the Water Corporation water supply scheme serving Perth, Mandurah, Pinjarra and the Goldfields.

**Infrastructure** - Means the structures, plant, equipment and excavations owned or operated by the Corporation that allow for the collection, treatment, transportation, delivery or disposal of water or wastewater.

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

**ISO 14001** - The EMS standard of the International Organisation for Standardisation.

**KL** - Unit of measure, kilolitres or one thousand litres.

**Main drainage** - Drainage infrastructure operated by the Water Corporation.

**MWh/ML** - Unit of measure, megawatt hours per megalitre.

**ML** - Unit of measure, megalitres – one million litres or one thousand kilolitres.

**Minister** - Minister for Government Enterprises.

**Net Direct Energy Consumption** - Is the energy consumed by both primary fuel sources (such as diesel, LPG) and intermediate sources (electricity).

**Septic tanks** - Underground tank used for treatment of wastewater through bacterial activity.

**Sewage** - The waste matter which passes through sewers containing water (99.5 per cent), solids, faecal micro-organisms, and some industrial waste.

**Sewerage system** - The network of pipes, pumping stations and treatment plants used to collect, transport, treat and discharge waste.

**Stormwater** - Rainwater which runs off the land, frequently containing contaminants. This untreated water is carried to stormwater channels (drains) and discharged to creeks, wetlands, rivers, and the ocean.

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

**TJ** - Unit of measure, terajoules - one million megajoules.

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

**Water services** - Means water supply, sewerage, irrigation or drainage services.

**Water supply services** - Includes the collection, treatment, transfer and delivery of treated water of drinking quality as well as water of other quality.

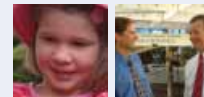


# financial report

for the year ended 30 June 2004

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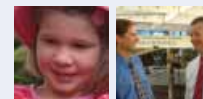


# statement of financial performance

for the year ended 30 June 2004

	Note	2004 \$'000	2003 \$'000
Revenue from Ordinary Activities	3	1,231,249	1,130,977
Expenses from Ordinary Activities	4	(625,633)	(599,271)
Borrowing Cost Expense	5	(51,142)	(62,691)
<b>Profit from Ordinary Activities before Income Tax Expense</b>	6	<b>554,474</b>	<b>469,015</b>
Income Tax Expense	7	(168,034)	(140,971)
<b>Net Profit</b>		<b>386,440</b>	<b>328,044</b>
<b>Changes in Equity</b>			
Net increase in retained earnings on initial adoption of AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	17	-	6,087
<b>Total Changes in Equity</b>		<b>386,440</b>	<b>334,131</b>

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

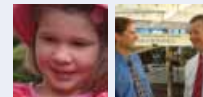


# statement of financial position

for the year ended 30 June 2004

	Note	2004 \$'000	2003 \$'000
<b>Current assets</b>			
Cash assets		15,101	20,781
Receivables	8	65,355	64,059
Inventories	9	6,570	6,980
Other	10	3,633	3,149
<b>Total current assets</b>		<b>90,659</b>	<b>94,969</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	9,797,316	9,567,172
Deferred tax assets	7	39,664	38,919
Receivables – Pensioners rate deferrals		11,550	11,925
<b>Total non-current assets</b>		<b>9,848,530</b>	<b>9,618,016</b>
<b>Total assets</b>		<b>9,939,189</b>	<b>9,712,985</b>
<b>Current liabilities</b>			
Payables		93,032	99,201
Interest-bearing liabilities	12, 21	72,000	10,008
Current tax liabilities	7	64,818	35,160
Provisions	13	63,372	53,287
Other	14	11,457	8,497
<b>Total current liabilities</b>		<b>304,679</b>	<b>206,153</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	12	1,010,000	977,321
Deferred tax liabilities	7	208,575	210,364
Provisions	13	57,405	54,726
Other	14	13,964	14,750
<b>Total non-current liabilities</b>		<b>1,289,944</b>	<b>1,257,161</b>
<b>Total liabilities</b>		<b>1,594,623</b>	<b>1,463,314</b>
<b>Net assets</b>		<b>8,344,566</b>	<b>8,249,671</b>
<b>Equity</b>			
Contributed equity	15	7,326,677	7,326,677
Reserves	16	809,681	766,235
Retained profits	17	208,208	156,759
<b>Total equity</b>		<b>8,344,566</b>	<b>8,249,671</b>

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

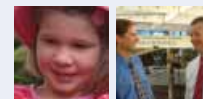


# statement of cash flows

for the year ended 30 June 2004

	Note	2004 \$'000	2003 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		721,546	681,025
Interest received		5,961	3,980
Interest and other costs of finance paid		(56,163)	(68,720)
Payments to suppliers and employees		(369,094)	(374,987)
Income taxes paid		(140,910)	(143,994)
Community Service Obligation (CSO) contributions		268,393	258,403
Developers' contributions		107,140	86,469
GST received		26,135	21,687
Other		59,149	55,193
<b>Net cash from operating activities</b>	20	<b>622,157</b>	<b>519,056</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(446,490)	(353,279)
Proceeds from sale of property, plant and equipment		8,505	12,792
Deposits		1,774	2,895
<b>Net cash used in investing activities</b>		<b>(436,211)</b>	<b>(337,592)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(10,329)	(61,027)
Proceeds from borrowings		105,000	139,000
Dividends paid		(286,297)	(249,282)
<b>Net cash used in financing activities</b>		<b>(191,626)</b>	<b>(171,309)</b>
<b>Net (decrease)/increase in cash held</b>		<b>(5,680)</b>	<b>10,155</b>
<b>Cash at the beginning of the year</b>		<b>20,781</b>	<b>10,626</b>
<b>Cash at the end of the year</b>	20	<b>15,101</b>	<b>20,781</b>

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



# notes to and forming part of the financial statements

for the year ended 30 June 2004

## Note 1 Summary of significant accounting policies

### 1.1 Basis of accounting

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

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

### 1.2 Changes in accounting policy

The accounting policies adopted are consistent with those of the previous year.

### 1.3 Revenue

#### 1.3.1 Revenue from operating activities

- (a) Revenue from annual service charges and volume charges is shown in the Statement of Financial Performance as the amounts levied and billed for the period, including interest on overdue amounts, less discounts allowed for prompt payment and rebates/concessions allowed to entitled customers. Revenue also includes an estimate for the value of water consumed but not billed at balance date.
- (b) Other fees and charges include design fees, building fees, industrial waste charges, plumbing inspection fees, sewerage testing fees, fire service charges and other miscellaneous revenue received.
- (c) Community Service Obligation (CSO) Contributions are received from the State Government for:
- costs in respect of country water, sewerage, drainage and irrigation services;
  - infill sewerage program; and

- revenue foregone, plus agreed administration costs, from rebates and concessions to Pensioners, Seniors and various exempt bodies on annual service charges, water consumption charges and other fees and charges.

#### 1.3.2 Other revenue

- (a) Gross proceeds on sale of assets are included as revenue at the date control passes to the buyer; usually when an unconditional contract of sale is signed.
- (b) Interest revenue is recognised as it accrues.
- (c) Developers' Contributions are recognised as revenue when received.

### 1.4 Property, plant and equipment

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

- (a) works carried out under the capital investment program, which are initially recorded at cost. Cost includes direct materials and labour together with a proportion of management and administration overheads, and an allowance for capitalised interest on major works with an estimated cost greater than \$5 million. Interest costs incurred on external borrowings specifically raised for the acquisition or construction of qualifying assets are capitalised in accordance with AASB 1036 "Borrowing Costs";
- (b) works carried out by or on behalf of developers, which are taken over by the Corporation free of charge and initially recorded at amounts, which represent cost to the developers. Where sufficient information on the cost is not available, engineering staff of the Corporation make an estimate of fair value;

- (c) works taken over as going concerns, which are initially valued at "fair value"; and
- (d) other property, plant and equipment, which are initially recorded at cost of acquisition plus incidental costs directly attributable to the acquisition.

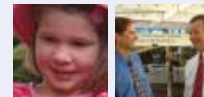
### 1.5 Recoverable amount of non-current assets valued on cost basis

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

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

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

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



# notes to and forming part of the financial statements

for the year ended 30 June 2004

## 1.6 Inventories

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

## 1.7 Provisions

### 1.7.1 Depreciation of property, plant and equipment

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

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

	<u>Life (years)</u>
Pipelines and fittings	87
Dams, reservoirs, bores and tanks	59
Ocean outfalls	65
Pump stations and treatment plants	56
Drains and channels	99
Other structures	42
Plant and equipment	22
Buildings	42
Computer equipment	5
Vehicles and mobile plant	5

### 1.7.2 Diminution of inventories

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

### 1.7.3 Doubtful debts

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

- (a) unsecured debts (serviced properties where the debt does not accrue to the land, sundry debts and licence fees) considered to be unrecoverable at balance date; and
- (b) a general provision based on the level of bad debts from previous years.

Bad debts are written off against the provision, during the period in which they are identified.

### 1.7.4 Insurance

The Corporation has in place the following insurance policies:

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

## 1.8 Employee entitlements

### 1.8.1 Long service leave

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

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

### 1.8.2 Annual leave

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

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

### 1.8.3 Sick leave

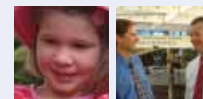
Sick leave is expensed in the year in which it is incurred in line with AASB 1028 "Employee Benefits" which requires a provision to be made only when it is probable that settlement will be required.

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

### 1.8.4 Superannuation

The Corporation sponsors the following superannuation arrangements:

- (a) the State Superannuation Pension Fund, which closed to contributory members on 15 August 1986;
- (b) the Gold State Superannuation Scheme (GSSS), a lump sum scheme which was opened to contributory members on 1 July 1987 and closed on 29 December 1995; and
- (c) the Water Corporation Superannuation Plan (WCSP) for former non-contributory members of the West State Superannuation Fund and those employees who are not members of GSSS.



# notes to and forming part of the financial statements

for the year ended 30 June 2004

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

When the State Superannuation Pension Fund closed, contributory members could elect to stay with this Fund, or transfer to the GSSS in which case, their past service liability was converted to a lump sum equivalent.

A detailed actuarial assessment is performed every year to determine the present value of the Corporation's superannuation liability (refer Note 13(a)). As a consequence, a full provision has been made to cover:

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

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

## 1.9 National taxation equivalent regime (NTER)

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

## 1.10 Tax effect accounting

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

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

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

## 1.11 Developers' contributions

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

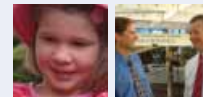
- (a) headworks contributions – developers are required to make standard contributions towards the cost of headworks necessary to provide reticulation services within a subdivision;
- (b) handover works – as a condition of subdivision, developers are required to provide water, and in most areas sewerage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

These contributions are treated as revenue.

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

## 1.12 Land held for sale

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



# notes to and forming part of the financial statements

for the year ended 30 June 2004

## 1.13 Pensioners rate deferrals

Pensioners rate deferrals are annual service charges deferred by eligible pensioners, which will be realised on sale of property or from the estate. Interest is not charged on the deferred amounts.

## 1.14 Research and development expenditure

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

## 1.15 Financial instruments

### 1.15.1 Included in equity

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

### 1.15.2 Included in liabilities

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

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

### 1.15.3 Included in assets

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

## 1.16 Foreign currency transactions

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

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

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

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

## 1.17 Borrowing costs

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

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

## 1.18 Joint ventures

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

## 1.19 Goods and services tax

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

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

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

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

## 1.20 Leased assets

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

## 1.21 Segment reporting

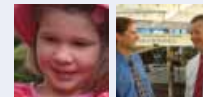
Individual business segments have been identified on the basis of grouping individual products or services subject to similar risks and returns. The business segments reported are water and wastewater.

## 1.22 Comparison

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

## 1.23 Rounding

Amounts have been rounded off to the nearest thousand dollars, unless otherwise stated.



# notes to and forming part of the financial statements

for the year ended 30 June 2004

## Note 2 International Financial Reporting Standards

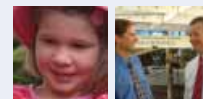
For reporting periods beginning on or after 1 January 2005, the Corporation must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

The transition to the Australian Equivalents to the IFRS is being treated as a priority within the Corporation. The impacts on reporting, existing accounting policies and procedures have been assessed, with the assistance of various stakeholders and external experts, to ensure that the Corporation is prepared for the impacts of the new AASB requirements. Discussion papers are submitted to the Corporation's Audit and Compliance Committee and Management to keep them informed of forthcoming changes as and when new AASB standards are released.

The Corporation is on track to be fully compliant with the requirements of the IFRSs for the first reporting period beginning after 1 January. For the Corporation this will be the half year period ending 31 December 2005.

The main issue to date that is expected to arise from the adoption of the Australian Equivalents to the IFRSs is AASB 112 – "Income Tax". The consequence of the new approach to the Water Corporation is that the new accounting policy will require the tax effect of prior period asset revaluations to be taken into account. The Asset Revaluation Reserve will be re-stated to a value net of the tax effect with a corresponding adjustment to Deferred Tax Liability.

Any changes in accounting policies will be incorporated into the Financial Report by restating the comparative financial statement figures.



# notes to and forming part of the financial statements

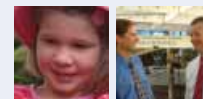
for the year ended 30 June 2004

<b>Note 3 Revenue from Ordinary Activities</b>	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue from ordinary activities for the period includes:		
<b>Revenue from operating activities</b>		
Annual service charges	497,825	470,707
Volume charges	223,166	204,489
Other fees and charges	53,988	50,620
Rent received	3,706	3,800
Community Service Obligation (CSO) contributions	268,393	258,403
<b>Total revenue from operating activities</b>	<b>1,047,078</b>	<b>988,019</b>
<b>Other revenue</b>		
Proceeds from sale of property, plant and equipment	8,505	12,792
Interest received/receivable	6,053	3,931
Developers' contributions received	169,613	126,235
<b>Total other revenue</b>	<b>184,171</b>	<b>142,958</b>
<b>Total revenue from ordinary activities</b>	<b>1,231,249</b>	<b>1,130,977</b>

## Note 4 Expenses from Ordinary Activities

Expenses from ordinary activities for the period includes:

Depreciation (note a)	242,619	237,887
Labour	129,888	114,498
Hired and contracted services	76,068	71,750
Energy	34,486	35,015
Information technology	24,835	21,712
Decommissioned assets	25,421	20,743
Equipment hire charges	14,207	15,258
Materials	15,409	15,222
Chemicals	12,809	13,123
Cost of assets sold	6,995	6,440
Corporate charges	23,360	21,230
Other expenses	19,536	26,393
<b>Total expenses from ordinary activities</b>	<b>625,633</b>	<b>599,271</b>



# notes to and forming part of the financial statements

for the year ended 30 June 2004

## Note 4 Expenses from Ordinary Activities (continued)

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

### System assets

Pipelines and fittings	123,858	120,752
Dams, reservoirs, bores and tanks	17,752	17,311
Ocean outfalls	2,396	2,395
Pump stations and treatment plants	15,661	15,376
Drains and channels	1,560	1,553
Other structures	1,956	1,925
Plant and equipment	43,575	42,051
	<b>206,758</b>	<b>201,363</b>

### Land and buildings

Buildings	5,187	4,975
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### Plant and equipment

Plant and equipment	4,272	4,303
Computer equipment	22,229	21,823
Vehicles and mobile plant	4,173	5,423

	<b>30,674</b>	<b>31,549</b>
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	<b>242,619</b>	<b>237,887</b>
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## Note 5 Borrowing Cost Expense

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

### Borrowing costs

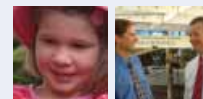
Interest charges paid/payable	58,468	58,934
Amount capitalised	(5,620)	(5,929)

### Net interest cost

Gain on General Loan Fund repayment	(1,710)	(1,710)
Premium on repayment of debt	4	11,396

### Borrowing cost expense

	<b>51,142</b>	<b>62,691</b>
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# notes to and forming part of the financial statements

for the year ended 30 June 2004

<b>Note 6 Profit from Ordinary Activities before Income Tax Expense</b>	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:		
<b>Gains</b>		
Profit on sale of property, plant and equipment	1,510	6,352
<b>Expenses</b>		
Cost of water sales (note a)	96,955	92,281
Research and development costs	3,484	3,902
Net bad debts written off	776	205
Net charge to provision for doubtful debts	96	1,322
Provision for diminution in the value of inventories	43	7
Provision for insurance	2,645	(361)
Provision for long service leave	5,375	5,004
Provision for annual leave	10,479	10,088
Provision for superannuation	18,683	16,444
Provision for workers' compensation	183	114
Operating lease rentals	952	898

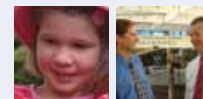
note a Cost of water sales represents direct costs incurred for water treatment, operation of bores, dams and other catchments and depreciation expense related to these processes, but excludes the cost of delivery of water through the Corporation's reticulation system.

## Note 7 Income Tax

### 7.1 Income Tax Expense

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

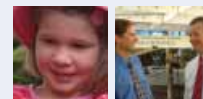
<b>Profit from ordinary activities before income tax expense</b>	<b>554,474</b>	<b>469,015</b>
Income tax on the profit from ordinary activities at 30%	166,342	140,705
Tax effect of permanent differences which reduce tax payable:		
Additional research and development deduction	(600)	(940)
Non-assessable profits on disposal of assets and sale of non-current assets	(492)	(1,071)
Gain on early repayment of General Loan Fund	(513)	(513)
Over-provision of tax in previous years	(72)	(349)
Tax effect of permanent differences which increase tax payable:		
Non-deductible depreciation	3,325	3,093
Other items	44	46
<b>Income tax expense</b>	<b>168,034</b>	<b>140,971</b>
<b>Income tax expense attributable to profit from ordinary activities comprises:</b>		
Provision for current income tax	169,389	135,376
Future income tax benefit	(355)	6,186
Provision for deferred income tax	(928)	(242)
Over-provision in prior year	(72)	(349)
	<b>168,034</b>	<b>140,971</b>



# notes to and forming part of the financial statements

for the year ended 30 June 2004

Note 7 Income Tax (continued)	2004 \$'000	2003 \$'000
<b>7.2 Current Tax Liabilities</b>		
<i>Provision for current income tax</i>		
Movements during the year:		
Balance at beginning of year	35,160	43,671
Income tax paid	(140,910)	(143,994)
	(105,750)	(100,323)
Current year's income tax expense on profit	169,389	135,376
Under provision in prior year	1,179	107
	<b>64,818</b>	<b>35,160</b>
<b>7.3 Deferred Tax Liabilities</b>		
<i>Provision for deferred income tax</i>		
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% on the following items:		
Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	184,682	184,054
Expenditure currently deductible for tax but deferred and amortised for accounting purposes	15,211	16,353
Revenue included in operating profit but not currently assessable for tax	6,883	7,411
Sundry items	1,799	2,546
	<b>208,575</b>	<b>210,364</b>
<b>7.4 Deferred Tax Assets</b>		
<i>Future income tax benefit</i>		
Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% on the following items:		
Provisions and accrued employee entitlements not currently deductible	38,438	37,858
Sundry items	1,226	1,061
	<b>39,664</b>	<b>38,919</b>
<b>Note 8 Receivables</b>		
Receivables at balance date were as follows:		
Receivables	69,326	68,710
Less provision for doubtful debts	(3,971)	(4,651)
	<b>65,355</b>	<b>64,059</b>



# notes to and forming part of the financial statements

for the year ended 30 June 2004

## Note 9 Inventories

The composition of inventories at balance date were as follows:

	2004 \$'000	2003 \$'000
Consumables and spares, at cost	6,794	7,163
Less provision for diminution of inventories	(224)	(183)
	6,570	6,980

## Note 10 Other Current Assets

Other current assets at balance date were as follows:

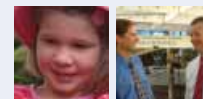
	2004 \$'000	2003 \$'000
Prepayments	2,950	2,811
Land held for sale	683	338
	3,633	3,149

## Note 11 Property, Plant and Equipment

Refer to Notes 1.4, 1.5 and 1.7.1.

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

	Gross Asset Value 2004 \$'000	Accumulated Depreciation 2004 \$'000	Net Asset Value 2004 \$'000
<b>System assets</b>			
Pipelines and fittings	7,885,058	1,007,199	6,877,859
Dams, reservoirs, bores and tanks	1,090,760	126,983	963,777
Ocean outfalls	95,482	20,433	75,049
Pump stations and treatment plants	566,479	95,698	470,781
Drains and channels	77,781	13,283	64,498
Other structures	63,803	15,465	48,338
Plant and equipment	708,323	231,815	476,508
<b>Total system assets</b>	10,487,686	1,510,876	8,976,810
<b>Land and buildings</b>			
Land (note a)	135,014	-	135,014
Buildings and associated works (note a)	151,559	39,618	111,941
<b>Total land and buildings</b>	286,573	39,618	246,955
<b>Plant and equipment</b>			
Plant and equipment	50,900	31,208	19,692
Computer equipment and software	177,930	133,674	44,256
Vehicles and mobile plant	45,407	16,240	29,167
<b>Total plant and equipment</b>	274,237	181,122	93,115
<b>Works in progress</b>	480,436	-	480,436
<b>Value of property, plant and equipment</b>	11,528,932	1,731,616	9,797,316



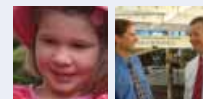
# notes to and forming part of the financial statements

for the year ended 30 June 2004

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

note a The Valuer General's Office of Western Australia (VGO) has provided a "current use" valuation for land and buildings owned by the Water Corporation of \$287.920 million, effective 1 July 2003. The VGO carried out the valuation in accordance with "Guidelines in Accounting Policy for Valuation of Government Trading Enterprises - using current valuation methods" issued in October 1994 by the Steering Committee on National Performance Monitoring of Government Trading Enterprises. As land and buildings are recorded at cost, the valuation has not been brought to account.

note b Capitalised Borrowing Costs	<b>2004</b>	2003
	<b>\$'000</b>	\$'000
Borrowing costs capitalised	<b>5,620</b>	5,929
Capitalisation rate	<b>5.61%</b>	5.92%



# notes to and forming part of the financial statements

for the year ended 30 June 2004

## Note 11 Property, Plant and Equipment (continued)

### Reconciliations

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

	System Assets \$'000	Land and Buildings \$'000	Plant and Equipment \$'000	Works in Progress \$'000	Total \$'000
Carrying amount at beginning of year	8,858,574	243,655	111,315	353,628	9,567,172
Additions	349,092	11,717	17,323	126,808	504,940
Disposals	(24,098)	(3,230)	(4,849)	-	(32,177)
Depreciation expense (note 4)	(206,758)	(5,187)	(30,674)	-	(242,619)
<b>Carrying amount at end of year</b>	<b>8,976,810</b>	<b>246,955</b>	<b>93,115</b>	<b>480,436</b>	<b>9,797,316</b>

Comparative figures for 2003 are as follows:

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

## Note 12 Interest-Bearing Liabilities

Interest-bearing liabilities at balance date were as follows:

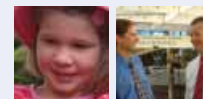
	2004 \$'000	2003 \$'000
<b>Current</b>		
Unsecured:		
Western Australian Treasury Corporation liquidity facility (See Note 21)	72,000	10,000
Local authority loans (note a)	-	8
	<b>72,000</b>	<b>10,008</b>
<b>Non-current</b>		
Unsecured:		
Public and private loans (note b)	1,010,000	977,000
Local authority loans (note a)	-	321
	<b>1,010,000</b>	<b>977,321</b>
	<b>1,082,000</b>	<b>987,329</b>

### note a Local authority loans

Loans have been arranged by local government authorities with private lenders, and the liability has passed to the Corporation so that funds would be available to finance water and sewerage capital works in the particular local authority area. The remainder of these loans were repaid during the year.

### note b Public and private loans

An amount of \$373.696 million (2003: \$340.844 million) has been included in non-current public and private loans despite being repayable during the year as an agreement is in place that it will be refinanced during the year (See Note 21).



# notes to and forming part of the financial statements

for the year ended 30 June 2004

## Note 13 Provisions

### Current

Dividends (See Note 18)

Insurance

Employee benefits:

Long service leave

Annual leave

Superannuation (note a)

Workers' compensation

2004  
\$'000

2003  
\$'000

26,961

21,713

2,330

1,381

17,278

14,485

11,290

10,619

5,000

4,700

513

389

63,372

53,287

### Non-current

Insurance

Employee benefits:

Long service leave

Superannuation (note a)

50

700

16,353

15,757

41,002

38,269

57,405

54,726

120,777

108,013

### note a Superannuation

The present value of the Corporation's superannuation liability is based on a detailed actuarial assessment conducted by PricewaterhouseCoopers. Based on that assessment, the Corporation's liability for superannuation benefits is as follows:

Past service benefits of pension fund contribution

Pre-transfer service benefits for lump sum contribution

Less assessed Department of Treasury and Finance liability

18,252

16,651

36,237

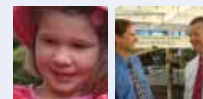
34,242

(8,487)

(7,924)

46,002

42,969



# notes to and forming part of the financial statements

for the year ended 30 June 2004

## Note 14 Other Liabilities

Other liabilities at balance date were as follows:

### Current

Developers' deferred liabilities	2,625	1,791
Deposits	7,122	4,996
Deferred gain on repayment of General Loan Fund (note a)	1,710	1,710

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<b>11,457</b>	<b>8,497</b>
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### Non-current

Developers' deferred liabilities	4,565	3,289
Deposits	2,559	2,911
Deferred gain on repayment of General Loan Fund (note a)	6,840	8,550

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<b>13,964</b>	<b>14,750</b>
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<b>25,421</b>	<b>23,247</b>
---------------	---------------

note a The gain on General Loan Fund repayment occurred in the year ended 30 June 1999 when the Corporation repaid \$23.401 million in settlement of non-interest-bearing debt of \$40.753 million. The gain on repayment of the debt is being amortised over a ten-year period commencing 1 July 1999, which is the period over which the benefits are anticipated to be realised.

## Note 15 Contributed Equity

Contributed equity at balance date was as follows:

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

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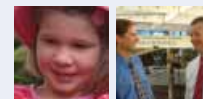
<b>7,326,677</b>	<b>7,326,677</b>
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### note a Share capital

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

### note b Owner's initial contribution

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



# notes to and forming part of the financial statements

for the year ended 30 June 2004

## Note 16 Reserves

The reserves at balance date were as follows:

General Reserve for Capital Works

Developers' Contribution Reserve

Asset Revaluation Reserve

### Total Reserves

	2004 \$'000	2003 \$'000
General Reserve for Capital Works	100,000	100,000
Developers' Contribution Reserve	386,875	343,429
Asset Revaluation Reserve	322,806	322,806
<b>Total Reserves</b>	<b>809,681</b>	<b>766,235</b>

## Movements

### 16.1 General Reserve for Capital Works

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

### 16.2 Developers' Contribution Reserve

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

Opening balance

Transfers in (note a)

Closing balance

Opening balance	343,429	315,730
Transfers in (note a)	43,446	27,699
<b>Closing balance</b>	<b>386,875</b>	<b>343,429</b>

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

### 16.3 Asset Revaluation Reserve

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

## Nature and Purpose of Reserves

### (a) General Reserve for Capital Works

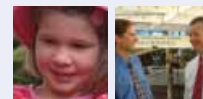
The General Reserve for Capital Works is used to set aside surplus funds to form part of the funding of the Corporation's capital works program.

### (b) Developers' Contribution Reserve

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

### (c) Asset Revaluation Reserve

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



# notes to and forming part of the financial statements

for the year ended 30 June 2004

<b>Note 17 Retained Profits</b>	2004 \$'000	2003 \$'000
Retained profits at the beginning of the financial year	156,759	105,620
Net profit for year	386,440	328,044
Net effect of initial adoption of AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	-	6,087
Transfer to Developers' Contribution Reserve	(43,446)	(27,699)
Dividends provided for or paid	(291,545)	(255,293)
<b>Retained profits at the end of the financial year</b>	<b>208,208</b>	<b>156,759</b>

## Note 18 Dividends

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

Interim dividend paid during the year	264,584	233,580
Provision for final dividend	26,961	21,713
<b>Total dividends</b>	<b>291,545</b>	<b>255,293</b>

## Note 19 Interest in Joint Venture Operation

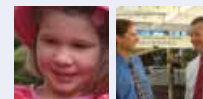
### 19.1 Biowise Joint Venture

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

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

<b>Current assets</b>		
Cash assets	103	39
Receivables	67	59
Inventories	31	35
<b>Total current asset</b>	<b>201</b>	<b>133</b>
<b>Non-current assets</b>		
Property, plant and equipment	636	716
<b>Total no-current assets</b>	<b>636</b>	<b>716</b>
<b>Share of assets employed</b>	<b>837</b>	<b>849</b>

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



# notes to and forming part of the financial statements

for the year ended 30 June 2004

## Note 19 Interest in Joint Venture Operation (continued)

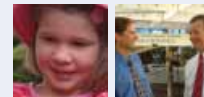
### 19.2 Albany Septage Joint Venture

The Corporation has entered into a joint venture operation called Albany Septage Waste Treatment Plant to develop, construct and operate a septage waste treatment facility. The Corporation has a 50% participating interest in this joint venture and is entitled to 50% of its output.

The Corporation's interests in the assets employed in the joint venture are included in the Statement of Financial Position under Property, plant and equipment. At 30 June 2004 the amount included in Property, plant and equipment is \$349,000 (30 June 2003: nil).

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

Note 20 Statement of Cash Flows	2004 \$'000	2003 \$'000
<b>20.1 Reconciliation of cash</b>		
For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks.		
Cash held at bank is earning interest at rates determined by the Department of Treasury and Finance. For the year ending 30 June 2004 the average rate was 5.0% (2003: 4.9%).		
<b>20.2 Reconciliation of net cash from operating activities to profit from ordinary activities after income tax</b>		
<b>Profit from ordinary activities after income tax</b>	<b>386,440</b>	328,044
Decrease in receivables	959	1,033
Gain on disposal of assets	(1,510)	(6,352)
Decommissioned assets	25,421	20,743
Developers' contributions	(62,473)	(39,766)
Capitalisation of interest expense	(5,620)	(5,929)
Provisions:		
Doubtful debts	(680)	1,118
Diminution of inventories	41	(8)
Superannuation – net	3,033	(2,380)
Long service leave – net	3,388	1,118
Annual leave – net	671	(1,070)
Workers' compensation – net	124	(5)
Insurance – net	299	(1,523)
Depreciation	242,619	237,887
Amortisation of GLF loan	(1,710)	(1,710)
Increase/(Decrease) in income tax	27,124	(3,023)
(Increase)/Decrease in other current assets	(484)	416
Decrease/(Increase) in inventories	369	(8)
Increase/(Decrease) in payables and other liabilities	4,146	(9,529)
<b>Net cash from operating activities</b>	<b>622,157</b>	519,056



# notes to and forming part of the financial statements

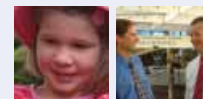
for the year ended 30 June 2004

## Note 21 Financing Facilities

The Corporation has in place arrangements for Western Australian Treasury Corporation (WATC) to provide finance, currently limited to \$1,200 million (2003: \$1,200 million) for the repayment of maturing debt and ongoing capital expenditure. At 30 June 2004, \$1,010 million was drawn under the facility (2003: \$977 million), and the remaining amount available under the facility was \$190 million (2003: \$223 million).

In addition, the Corporation has up to \$200 million (2003: \$200 million) available of a liquidity facility established with WATC to fund short-term liquidity needs. At 30 June 2004, \$72 million was drawn under the facility (2003: \$10 million), and the remaining amount available under the facility was \$128 million (2003: \$190 million).

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



# notes to and forming part of the financial statements

for the year ended 30 June 2004

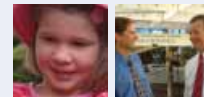
## Note 22 Segment Reporting

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

### Business Segments

	Water \$'000	Wastewater \$'000	Other \$'000	Unallocated \$'000	Total \$'000
<b>2004</b>					
Segment revenue	604,687	524,244	53,582	48,736	1,231,249
Segment result (note a)	235,283	287,442	31,808	(59)	554,474
Income tax expense					(168,034)
<b>Net profit</b>					<b>386,440</b>
Segment assets	5,166,844	4,231,387	399,085	141,873	9,939,189
Segment liabilities	125,329	56,242	5,277	1,407,775	1,594,623
Acquisition of property, plant and equipment	282,340	212,171	10,429	-	504,940
Depreciation	130,413	104,659	7,547	-	242,619
<b>2003</b>					
Segment revenue	567,345	474,021	54,843	34,768	1,130,977
Segment result (note a)	227,562	237,443	34,382	(30,372)	469,015
Income tax expense					(140,971)
<b>Net profit</b>					<b>328,044</b>
Segment assets	5,044,378	4,127,284	395,510	145,813	9,712,985
Segment liabilities	119,300	59,002	7,199	1,277,813	1,463,314
Acquisition of property, plant and equipment	255,824	134,770	7,094	-	397,688
Depreciation	126,420	104,064	7,403	-	237,887

note a Segment result includes unallocated non cash expenses of \$7.330m (2003: \$7.639m).



# notes to and forming part of the financial statements

for the year ended 30 June 2004

## Note 23 Remuneration

### 23.1 Directors' remuneration

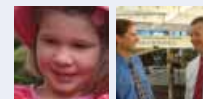
The remuneration of the non executive Directors of the Board is determined following independent advice from management remuneration consultants and the State Government's Salaries and Allowances Tribunal and is approved by the Minister. The remuneration is in the form of salary and superannuation contributions.

The Board, with concurrence of the Minister, is responsible for the remuneration of the Chief Executive Officer and remuneration is renewed annually.

Other than compulsory superannuation contributions, the Water Corporation does not pay any other post employment benefits to non executive Directors. Non-monetary benefits include access to a fully maintained motor vehicle and fringe benefits tax.

Details of remuneration provided to specified directors are as follows:

2004	Position	Primary Salary & Fees \$'000	Non-monetary \$'000	Post Employment Superannuation \$'000	Total \$'000
TM Ungar	Chairman (non-executive)	97	-	9	106
T Horton	Deputy Chairperson (non-executive)	42	-	5	47
P Flett	Director (non-executive)	42	-	4	46
B Hammond	Director (non-executive) elected 1 Jan 04	20	-	2	22
B Hewitt	Director (non-executive) elected 1 Jan 04	20	-	2	22
P O'Connor	Director (non-executive)	42	-	5	47
IC Kuba	Director (non-executive) retired 31 Dec 03	21	-	2	23
PF Hopwood	Director (non-executive) retired 31 Dec 03	22	-	2	24
Jl Gill	Chief Executive Officer	267	20	35	322
		573	20	66	659



# notes to and forming part of the financial statements

for the year ended 30 June 2004

## Note 23 Remuneration (continued)

### 23.2 Executives' remuneration

Executive remuneration is expressed as total reward that includes salary, non-monetary benefits and superannuation and is benchmarked against comparative industry groups in order to remain competitive in the labour market. In making recommendations, the Chief Executive Officer receives annual salary survey data and advice from independent remuneration consultants regarding compensation practices.

Non-monetary benefits include access to a fully maintained motor vehicle and fringe benefits tax.

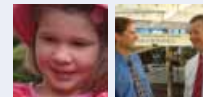
Details of remuneration provided to specified executives are as follows:

2004	Position	Primary Salary & Fees \$'000	Non-monetary \$'000	Post Employment Superannuation \$'000	Total \$'000
G Meinck	Chief Operating Officer	204	24	37	265
J Brown	General Manager; Customer Services	162	44	35	241
P Moore	General Manager; Capital	188	21	33	242
M Peacock	Chief Financial Officer	187	-	27	214
K Cadee	General Manager; Water Technologies	169	-	19	188
P Ferguson	General Manager; Operations Services Acting from 17 May 04	17	4	3	24
		927	93	154	1,174

### 23.3 Auditor's remuneration

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

	2004 \$'000	2003 \$'000
Fees applicable for the annual audit of the year involved	198	180
Fees applicable for the review of the half-yearly accounts	32	35
	230	215



# notes to and forming part of the financial statements

for the year ended 30 June 2004

<b>Note 24 Commitments for Expenditure</b>	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
Total capital and other expenditure contracted for at balance date but not provided for in the statements, is payable as follows:		
<b>Capital and other expenditure</b>		
Not later than one year	<b>107,809</b>	240,473
Later than one year but not later than five years	<b>169,205</b>	274,550
	<b>277,014</b>	515,023

## Note 25 Contingent Liabilities

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

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

The Corporation is not aware of any other circumstances or events that may give rise to a material contingent liability.

## Note 26 Related Party Disclosures

### Directors

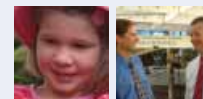
The following persons held the position of director during the financial year:

Mr T Ungar  
Ms T Horton  
Dr P Flett  
Mr B Hammond  
Dr B Hewitt  
Mr P O'Connor  
Mr IC Kuba  
Dr PF Hopwood  
Dr JI Gill

Mr IC Kuba and Dr PF Hopwood retired during the year.

Remuneration received or receivable by directors is disclosed in Note 23.

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



# notes to and forming part of the financial statements

for the year ended 30 June 2004

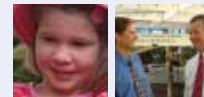
## Note 27 Financial Instruments

### 27.1 Interest rate risk exposures

The Corporation is exposed to interest rate risk through financial assets and financial liabilities. The following table summarises interest rate risk for the Corporation, together with effective interest rates as at balance date.

2004	Floating Interest Rate (a) \$'000	Fixed interest rate maturing in			Non- interest- bearing \$'000	Total \$'000	Average interest rate	
		1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000			Floating %	Fixed %
<b>Financial Liabilities</b>								
Payables	-	-	-	-	93,032	93,032		
Interest-bearing Liabilities:								
- WATC liquidity facility	-	72,000	-	-	-	72,000		5.4
- Public and private	-	373,696	282,800	353,504	-	1,010,000		5.8
- Local authority	-	-	-	-	-	-		
Employee benefits	-	-	-	-	44,921	44,921		
	-	445,696	282,800	353,504	137,953	1,219,953		
<b>Financial Assets</b>								
Cash assets	15,101	-	-	-	-	15,101	5.3 (a)	
Receivables	-	12,016	-	-	53,339	65,355		11.8
Pensioners rate deferrals	-	-	-	-	11,550	11,550		
	15,101	12,016	-	-	64,889	92,006		
2003	Floating Interest Rate (a) \$'000	Fixed interest rate maturing in			Non- interest- bearing \$'000	Total \$'000	Average interest rate	
		1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000			Floating %	Fixed %
<b>Financial Liabilities</b>								
Payables	-	-	-	-	99,201	99,201		
Interest-bearing Liabilities:								
- WATC liquidity facility	-	10,000	-	-	-	10,000		4.8
- Public and private	-	340,844	282,736	353,420	-	977,000		5.6
- Local authority	-	8	41	280	-	329		7.2
Employee benefits	-	-	-	-	40,861	40,861		
	-	350,852	282,777	353,700	140,062	1,127,391		
<b>Financial Assets</b>								
Cash assets	20,781	-	-	-	-	20,781	4.9 (a)	
Receivables	-	9,569	-	-	54,490	64,059		11.3
Pensioners rate deferrals	-	-	-	-	11,925	11,925		
	20,781	9,569	-	-	66,415	96,765		

(a) Floating interest rates represent the most recently determined rate applicable to the instrument at balance date.



# notes to and forming part of the financial statements

for the year ended 30 June 2004

## Note 27 Financial Instruments (continued)

### 27.2 Credit risk exposures

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

### 27.3 Foreign exchange

Contracts to buy foreign currency are entered into in order to minimise exposure to movements in exchange rates. At balance date two contracts were in place to purchase:

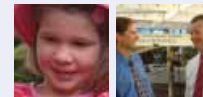
- EURO Dollars (EURO) 91,318 at AUD/EURO 0.5345 on 28 July 2004; and
- Singapore Dollars (SGD) 620,240 at AUD/SGD 1.1682 on 28 July 2004.

### 27.4 Net fair value of financial assets and liabilities

The net fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged, or liability settled in a current transaction between willing parties after allowing for transaction costs.

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

	Carrying Amount 2004 \$'000	Net Fair Value 2004 \$'000	Carrying Amount 2003 \$'000	Net Fair Value 2003 \$'000
<b>Financial Liabilities</b>				
Interest-bearing liabilities:				
– Public	1,010,000	1,025,752	977,000	1,019,166



# directors' declaration

In the opinion of the directors of the Water Corporation:

- (a) the Statement of Financial Performance and notes thereto give a true and fair view of the Corporation's profit for the year 1 July 2003 to 30 June 2004;
- (b) the Statement of Financial Position and notes thereto give a true and fair view of the Corporation's state of affairs as at 30 June 2004;
- (c) the Statement of Cash Flows and notes thereto are drawn up so as to give a true and fair view of the Corporation's cash flows for the year 1 July 2003 to 30 June 2004; and
- (d) at the date of this declaration, there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they fall due.

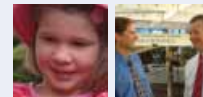
The financial statements and notes are drawn up in accordance with applicable Accounting Standards, Urgent Issues Group Consensus Views and the requirements of the *Water Corporation Act 1995*.

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

T.M. Ungar  
Chairman

J.I. Gill  
Chief Executive Officer

PERTH, 26 August 2004.



# auditor general's report



## AUDITOR GENERAL

### INDEPENDENT AUDIT REPORT ON WATER CORPORATION

To the Parliament of Western Australia

#### Audit Opinion

In my opinion, the financial report of the Water Corporation is in accordance with:

- (a) schedule 3 of the Water Corporation Act 1995, including:
  - (i) giving a true and fair view of the Corporation's financial position at June 30, 2004 and of its performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards in Australia; and
- (b) other mandatory professional reporting requirements in Australia.

#### Scope

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

The Board of Directors is responsible for the financial report.

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

##### *Summary of my Role*

As required by the Water Corporation Act 1995, I have independently audited the financial report to express an opinion on it. This was done by looking at a sample of the evidence.

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

D D R PEARSON  
AUDITOR GENERAL

26 August 2004