

WESTERN AUSTRALIAN  
**TREASURY CORPORATION**

FINANCIAL SOLUTIONS FOR THE BENEFIT OF ALL WESTERN AUSTRALIANS

To be recognised as the best  
at providing financial solutions  
for the benefit of the Western  
Australian public sector

ANNUAL REPORT 2020

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### About this Report

This annual report provides information about the services and performance of Western Australian Treasury Corporation and includes audited financial statements and performance indicators for the financial year ending 30 June 2020. A full copy of this annual report, along with previous years' annual reports, is available on Western Australian Treasury Corporation's website [www.watc.wa.gov.au](http://www.watc.wa.gov.au) and is also available in alternative formats upon request.

Cover image by Tom Proudfoot.

## WESTERN AUSTRALIAN TREASURY CORPORATION

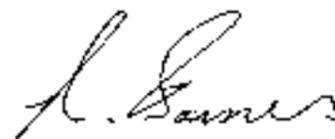
FINANCIAL SOLUTIONS FOR THE BENEFIT OF ALL WESTERN AUSTRALIANS

### The Hon. Ben Wyatt

#### Treasurer; Minister for Finance; Aboriginal Affairs; Lands

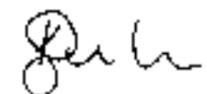
In accordance with Section 63 of the *Financial Management Act 2006*, we hereby submit for your information and presentation to Parliament, the Annual Report of the Western Australian Treasury Corporation for the financial year ended 30 June 2020.

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



**M BARNES** PSM  
CHAIRPERSON  
WESTERN AUSTRALIAN  
TREASURY CORPORATION

1 September 2020



**K GULICH**  
CHIEF EXECUTIVE OFFICER  
WESTERN AUSTRALIAN  
TREASURY CORPORATION

1 September 2020

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## VISION, OBJECTIVES, VALUES

**Western Australian Treasury Corporation (WATC) is the State's central financial services provider, working with our public sector clients to achieve sound financial outcomes.**

### Vision

To be recognised as the best at providing financial solutions for the benefit of the Western Australian public sector.

### Objectives

- Provision of high-quality, cost-effective products and services to the WA public sector.
- Maintain ready access to domestic and international capital markets to ensure funds are raised to finance client borrowing needs in a cost-effective manner.
- Optimise the performance of WATC in accordance with the WATC Act and the risk appetite of WATC's Board.

### Values

WATC adheres to transacting all business in accordance with our corporate values of:

**Excellence** – We challenge ourselves to think creatively and to continuously improve in the pursuit of excellence.

**Partnership** – We work respectfully, supportively and collaboratively with our clients and colleagues towards achieving successful outcomes.

**Integrity** – We are open, honest and accountable. We adhere to the highest professional and ethical standards. We honour our promises.

**Commitment** – Through hard work and determination, we will deliver the best outcomes for the State of Western Australia.

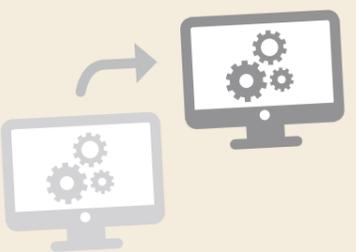
## HIGHLIGHTS



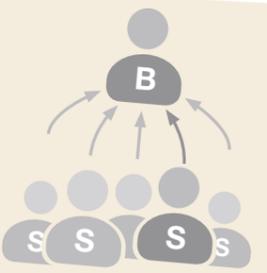
Created a new short-term lending facility to support eligible WA local government and public universities impacted by COVID-19.



Sourced a record \$11 billion in funds for refinancing, new funding and pre-funding a portion of the 2020/21 program.



Successfully implemented a new treasury management system.



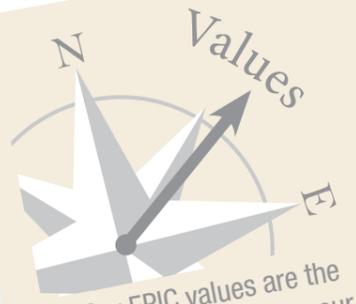
Undertook an inaugural buy-back tender as part of our management of maturities.



Maintained access to financial markets during the COVID-19 period of disruption.



Undertook 68 advisory engagements in partnership with our public sector and local government clients.



Our EPIC values are the guiding principles for our business and behaviours.

## CHAIRPERSON AND CEO'S REPORT

**What a roller coaster of a year for us all, where we have needed to adjust to the dual health and economic threats brought about by the COVID-19 pandemic.**

As a business, we have had to be agile and responsive to the circumstances, adjusting how we work, where we work, and how we undertake our core tasks. Throughout this, WATC has been able to continue to support the needs of the State, by ensuring good access to funds, quality management of the investment portfolio, and ongoing high-quality financial products and services to clients.

The year started off strongly, with improvements in the State's finances increasing the forecast 2019/20 operating surplus to \$2.6 billion during the Mid-year Review update, an invaluable position that assisted the State in navigating the fiscal challenges to come. While measures required to contain the spread of the virus took their toll on the economy, the underlying strength of the State's economy has supported a phased recovery, reflected in Real State Final Demand increasing by 1.1 per cent in 2019/20.

Notwithstanding this positive development, economic conditions remain challenging, with the most severe downturn in the global economy since WWII and Australia entering its first recession in almost 30 years. The borrowing task of the Commonwealth and all State Governments is expected to increase, although the full extent will not be known until budgets are released during October 2020.

Intervention by the RBA, through cuts to the cash rate, the introduction of yield curve control out to 3-years and a large purchasing program of sovereign and semi-government bonds, helped stabilise market conditions. The strong focus by the RBA in lowering the cash rate and the large bond and semi purchasing program has been successful in allowing markets to return to a degree of normality, allowing the Australian central bank to pause in its intervention in the semi-government market from early May.

During 2019/20, WATC sourced a record level of borrowings of \$11 billion, to meet the year's refinancing commitments of \$7.3 billion, refinance \$3.3 billion of 2020/21 maturities and meet new funding requirements for the State of \$400 million. The ongoing management of key balance sheet metrics saw debt maturing within 12 months of 16.6 per cent and, reflecting strong liquidity in the market, liquid asset portfolio cover of 181.6 per cent. These were comfortably within WATC's Board targets (less than 20 per cent and above 100 per cent respectively).

In raising these funds, we enjoyed good market access, providing a range of products that met investor needs. We continue to have a strong floating rate note program, with \$9 billion outstanding across five lines at 30 June, and we took the opportunity to lengthen our maturity profile with two longer dated bonds (2034 and 2041) during the year.

Australian Treasury Bond Yields v Cash Rate



Pleasingly, WATC was the first semi-government entity to raise funds through a syndicated primary issue following the period of market disruption over March and April, successfully issuing a new 2031 benchmark bond in May with strong domestic and offshore support.

We made a profit before tax of \$40.7 million, and will contribute \$33.6 million in dividends and tax equivalent payments to the Consolidated Account.

Our client teams continue to take a leadership role in supporting good financial outcomes for the State, with an increased focus on liquidity management across the public sector and developing new lending products to support the liquidity of the university and local government sectors in response to the impact of COVID-19 on the cashflows of those sectors. We have continued our strong focus on partnering with clients to provide strategic financial advice and solutions, including the management of foreign exchange exposures.

A huge achievement during the year was the change over to the Quantum treasury management system – a culmination of over two years of work. While we now move into Phase 2 work to maximise the new system's capabilities, the initial Phase has been a great success – on time and on budget.

During the year, Directors Cathy Nance and Grahame Searle retired from our Board after many years of service. We thank them both for their long-term commitment and stewardship of WATC and support of the State. At the beginning of 2020, we welcomed Pippa Hobson and David Brumby as Directors, and look forward to their contribution as we steer WATC through the coming years.

The year ahead will continue the roller coaster ride, as we operate in volatile markets, amplified by the current global uncertainty. Ongoing access to markets to support the objectives of the State Government will remain the key priority, as well as managing risk, supporting investments through the low return environment, and supporting clients through material and complex financial projects.

A big thank you to all of our people, whose hard work and dedication to achieving great outcomes has never been more important than in the last 12 months; to our clients, who have shown great flexibility and responsiveness as we have sought to meet their funding needs in trying conditions; to our financial market partners for their ongoing engagement, support and willingness to understand the 'WA Story'; and to our Board, auditors and other suppliers of goods and services to WATC who have contributed strongly to our successful year.

**Michael Barnes**  
Chairperson

1 September 2020

**Kaylene Gulich**  
Chief Executive Officer

1 September 2020



2031 benchmark bond attracted strong overseas interest with 25% of the issue going offshore.

## PERFORMANCE AGAINST TARGETS

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

### Estimated Interest Rate Savings

**Target:** Savings > 0.00%

**Outcome:** Estimated interest rate savings to clients by reference to bond credit rating and term to maturity were greater than 0.00%.

Target achieved. WATC continued to deliver significant interest rate savings to clients in 2019/20. See [Key Performance Indicator](#) section for a more detailed explanation.

### Assessment of Client Satisfaction

**Target:** 90% client satisfaction

**Outcome:** 100% client satisfaction

Target achieved. WATC continues to deliver valued financial solutions to clients. Feedback received from clients following the provision of financial advice by WATC was very positive, with 100 per cent of clients surveyed being satisfied to extremely satisfied with the quality of advice provided, value added to the client's project, and WATC's overall capability and service provided.

### Administration Cost Ratio

**Target:** Administration Cost Ratio < 0.050%

**Outcome:** Administration Cost Ratio = 0.038%

Target achieved. WATC continued to deliver scale benefits to the State by keeping net administration expenses in check. See [Key Performance Indicator](#) section for a more detailed explanation.

### Pre-Tax Profit

**Target:** Profit = \$28.6 million

**Outcome:** Profit = \$40.7 million

Target achieved. Unlike private sector financial institutions, it is not the primary objective of WATC to maximise pre-tax profit, but rather to maintain an adequate profit while providing cost-effective financial products and services to the State and Western Australian public sector agencies.



### Staff Engagement Rating

**Target:** Staff Engagement Rating > 65%

**Outcome:** n/a

In light of the disruptions caused by COVID-19, the deployment of the staff engagement survey was delayed until July 2020. While the timing of the survey is later than planned, the results will still feed into initiatives WATC can build on into 2020/21.

### Five-Year KPI Summary

	2019/20	2018/19	2017/18	2016/17	2015/16
Estimated Interest Rate Savings > 0.00%	Yes	Yes	Yes	Yes	Yes
Assessment of Client Satisfaction	100%	100%	99%	100%	100%
Administration Cost Ratio	0.038%	0.034%	0.034%	0.037%	0.039%
Pre-Tax Profit	\$40.7m	\$41.7m	\$34.8m	\$17.6m	\$16.0m
Staff Engagement Rating*	n/a	56%	56%	46%	51%

\*Methodology was changed in 2017/18.  
n/a: not applicable.

### Five-Year Financial Summary

	2019/20 \$m	2018/19 \$m	2017/18 \$m	2016/17 \$m	2015/16 \$m
<b>Financial Performance</b>					
Profit Before Income Tax Equivalent Expense	40.7	41.7	34.8	17.6	16.0
<b>Financial Position</b>					
Total Assets	64,658.5	59,483.4	55,985.8	54,987.8	50,976.1
Percentage Change in Assets (%)	8.7	6.2	1.8	7.9	19.0
Total Liabilities	64,506.4	59,337.9	55,851.3	54,868.3	50,861.7
Equity	152.1	145.5	134.5	119.5	114.4



- After many years of service, Directors Catherine Nance and Grahame Searle retired from the WATC Board in January 2020. Their long-term commitment is an invaluable contribution to the achievements and outcomes of our organisation.

## BOARD OF DIRECTORS

The Board sets the strategic direction of WATC (with the agreement of the Minister) and establishes the policies and principles under which WATC operates.



### Michael Barnes PSM, Chairperson

Mr Barnes assumed the role of Chairperson when he became Acting Under Treasurer in the Department of Treasury in 2014. Mr Barnes was appointed Under Treasurer in 2015. As Under Treasurer, he is the principal economic and financial policy adviser to the Government of Western Australia. He is also the

Chairperson of WATC's People and Remuneration Committee. Prior to joining the Department of Treasury in 1997, Mr Barnes worked in the Commonwealth Treasury, where he commenced his career as a graduate in 1992. Mr Barnes holds a Bachelor of Business degree with Honours in Economics, and was awarded a Public Service Medal in the June 2020 Queen's Birthday Honours for outstanding public service to State government finances in Western Australia.



### Michael Court, Deputy Chairperson

Mr Court was appointed to the Board as Deputy Chairperson in July 2017. Mr Court was appointed Deputy Under Treasurer in September 2016, which followed more than five years as the Executive Director of the Department of Treasury's Economic business unit. Mr Court joined the Department of Treasury in

1997, after working in the Department of Foreign Affairs and Trade, the Commonwealth Treasury and the London Underground Ltd. Mr Court is a member of the Government's Energy Transformation Taskforce, the Bankwest Curtin Economic Centre Advisory Board, and is a non-executive director of Horizon Power.



### David Brumby

Mr Brumby was appointed as a Director in February 2020. He has worked in wholesale finance for over thirty years across product and relationship areas, both in Australia and overseas. Between 1999 and 2011 Mr Brumby headed Westpac's Institutional Bank in Western Australia. In 2011 Mr Brumby moved to New

York to head Westpac's Corporate & Institutional Banking business, and between 2014 and 2017 he was the Portfolio Manager/Executive Director for Westpac's Natural Resources portfolio. Mr Brumby has degrees in mining engineering from the University of Sydney and the University of NSW, and an MBA (IMD). Mr Brumby now acts as an advisor in the natural resources sector, and runs a beef breeding farm with his wife.



### Kaylene Gulich

Ms Gulich commenced as CEO of WATC in February 2019. Ms Gulich has extensive experience in public policy, knowledge of financial markets and expertise in the Western Australian economy. She has previously held senior roles within the Department of Treasury, most recently as the Executive Director of the Economic business unit. Prior to this role, Ms Gulich was the Executive Director for Infrastructure and Finance, where she was responsible for the provision of advice,

systems and operations critical to the State's financial management. As well as being a member of CPA Australia and the AICD, Ms Gulich has previously been a Director with Gold Corporation and a member of their Audit and Risk Committee. She has previously held the Deputy Chairperson position on WATC's Board, and is currently a Director on VenuesWest's Board.



### Philippa Hobson

Ms Hobson was appointed to the Board as a Director in February 2020 and is the Chairperson of the Audit Committee and a member of the People and Remuneration Committee. She is a Risk Consulting Partner at RSM in Perth.

Ms Hobson has over 20 years of internal and external audit and risk consulting experience, as well as gaining commercial experience as Finance Manager of a large funds management organisation. Ms Hobson has worked extensively with

clients in the public and private sectors, providing audit, enterprise risk management and governance services, internal controls reviews and process redesign, regulatory and financial targeted reviews and Sarbanes-Oxley control reviews. Ms Hobson's industry experience covers government, utilities, not-for-profit, financial services and manufacturing. Ms Hobson is passionate about understanding how an organisation's culture impacts on its performance and conformance. Ms Hobson is on the council for the WA Chapter of the Institute of Internal Auditors and on the Arts Festival Committee at Newman College.



### Susan Murphy AO

Ms Murphy was appointed as a Director in January 2019. As CEO of Water Corporation from 2008 to 2018, Ms Murphy led the multi-faceted organisation that supplies drinking water and wastewater services to two million customers across 2.6 million square kilometres. Ms Murphy played a pivotal role in ensuring sustainable services were maintained during a time of declining rainfall, growing population and scarce water supplies. In each year from 2009 to 2015,

Ms Murphy was listed as one of the 100 most influential engineers in Australia by Engineers Australia. Ms Murphy was appointed an Officer of the Order of Australia in 2019 and is now a non-executive director of a number of listed and not-for-profit boards.

# ABOUT WATC

**WATC is able to successfully deliver on our vision through the roles and responsibilities of our four business areas.**

## Client Services

Client Services, in partnership with WATC's clients, seeks to provide a comprehensive suite of high-quality, cost-effective financial products and services in debt finance, investments, foreign exchange, treasury management, financial risk management and financial advisory services. These offerings are designed to promote, support and deliver sound financial risk management for WATC's clients. Working collaboratively with clients, WATC ensures that the most appropriate application of these products and/or services achieve each client's individual business requirements.

## Financial Markets

Financial Markets undertakes activities in domestic and overseas capital markets, asset and liability management, management of WATC's liquidity portfolio, investment management on behalf of clients, foreign exchange management transactions and economic and financial market analysis.

## Risk and Compliance

Risk Management measures and monitors market, credit, operational and liquidity risk to prevent adverse outcomes for WATC, provides guidance to the Executive and Board on all risk matters, and is responsible for developing a good risk culture within the organisation.

Legal and Compliance is responsible for administering compliance with legislation, policies and WATC's corporate governance practices, providing oversight of, and guidance in relation to, the origination and documentation of WATC's borrowings and other agreements, including financial market and client agreements.

## Corporate Support

Additional functions supporting WATC's operations include areas of accounting, administration, treasury operations, marketing and communications, project management, human resources, information management and communications technology.

## Enabling Legislation

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

## Responsible Minister

The Hon. Ben Wyatt, LLB MSc MLA; Treasurer; Minister for Finance; Aboriginal Affairs; Lands.

## State Guarantee

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

## Credit Ratings

In line with the State's credit rating, the debt of WATC is rated as follows:

Rating Agency	Long-term	Outlook	Short-term
Moody's Investors Service	Aa1	Stable	Prime-1
Standard & Poor's	AA+	Stable	A-1+

## Changes in Written Law

There were no changes to the Act during the 2019/20 financial year.

## Ministerial Directives

No ministerial directives were received during the 2019/20 financial year.



## PROVIDING VALUE TO CLIENTS

**WATC provides the State and government authorities a comprehensive range of high-quality, cost-effective financial products and services.**

WATC plays an important role in the management of public sector finances by assisting agencies to make informed decisions that are appropriate for their business and represent value for money for the State.

### Leadership

Using our accumulated experience, knowledge and specialist skills, we identify opportunities where our expertise in debt funding and investments, foreign exchange management and providing financial and commercial advisory services can add value to government agencies. Examples of our unique expertise driving outcomes for the State include:

- supporting VenuesWest through their introduction of an interest rate service payment adjustment within the Perth Stadium contract (resulting in material interest payment rebates for the State from February 2020);
- working with a number of agencies to identify, quantify and manage their FX exposures;
- assisting the Department of Health with the financial assessment as part of a major contract review, providing a thorough cost-benefit analysis of the various options that aided the WA Government in determining the best option for the State; and,
- directly supporting vital government infrastructure projects through the secondment of team members into agencies (such as Landgate and METRONET) who provided ongoing expert financial and commercial advice.

### Sustainability

WATC values the importance in undertaking initiatives regarding the sustainability of the State for future generations. In response to an increasing global concern over plastic pollution of oceans and the need to ensure waste exports do not cause harm to human health or the environment, the Council of Australian Governments (COAG) agreed that waste plastic, paper, glass and tyres that have not been processed into value-added recyclable commodities should be subject to an export ban. In anticipation of this commitment, the Department of Water and Environmental Regulation sought our help to assess the impact that such an export ban could have on two of the targeted unprocessed waste categories, paper and plastics. WATC developed a financial model to assess the potential financial impact that a selective waste export ban would have on the Western Australian economy, and evaluated opportunities and associated costs for the development of reprocessing infrastructure within the State. The COAG waste export ban is an important step in Australia taking responsibility for our own waste and using this resource to create jobs, spark innovation, and deliver strong environmental outcomes.

WATC continued to be the retained financial advisor to the Department of Transport on the Westport Project, a potential multi-billion dollar port and logistics project. WATC led the financial and economic analysis for the project including Multi-Criteria Analysis, Rapid Cost-Benefit Analysis, container growth rate review and funding strategies and options. The State Government has endorsed recommendations for the Westport Project and announced funding allocated to progress detailed planning and design and the development of a business case for consideration by Infrastructure Australia for the next stage of the project.

WATC supported the Department of Treasury with the passage of legislation to repurpose the Western Australian Future Fund to become the Future Health Research and Innovation Fund (FHRI Fund), which came into operation on 24 June 2020, and allows for the forecast investment income (as determined by a model developed by WATC) to be distributed into the FHRI Account. This milestone legislation will improve the financial sustainability of health and medical research and innovation in WA through a secure and ongoing source of funding. The increased certainty provided by the FHRI Fund is expected to help create health sector jobs, diversify the economy, improve patient care, and help Western Australia retain its brightest health researchers, innovators and clinicians, as well as attract global projects and partnerships.

### Adaptability

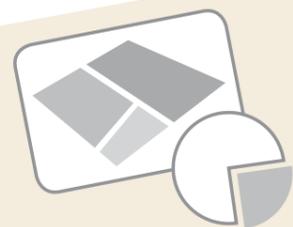
The pace of social and economic change over the last quarter of the financial year, as a result of the COVID-19 pandemic, challenged how all state and local government agencies conducted their business. During this time, as part of our responsibility of raising funds to meet the funding priorities of the Government, we worked closely with a range of stakeholders, from across the public sector, to increase flexibility around debt requirements to support the Government and our clients while ensuring ongoing access to critical funds.

For instance, in order to provide the Treasurer with more timely information on the State's evolving financial position, in response to the pandemic, the frequency of the collection of public sector agencies' liquid financial asset holdings was increased from monthly to weekly. The ability to be able to effectively increase the frequency of reporting is a direct reflection of the positive collaboration between WATC and our client agencies, and a demonstration of the strength and importance of our relationships within the public sector.

WATC also designed a short-term lending framework to aid local government and university clients impacted by reduced revenue due to the pandemic. Announced by the State Government on 7 May 2020, the new lending facility enabled local governments and universities access to short-term loans to support the liquidity of their operations. The operation of the facility was explained through a series of webinars as well as WATC Client Relationship Managers working with individual clients to determine their specific requirements.

### Looking ahead:

- Work with the Department of Treasury to review the Future Health Research and Innovation Fund to ensure it aligns to its purpose and supports the objective of the FHRI Fund Act being met.
- Continue to assist Westport as the project moves ahead to the next stage where we refine the cost-benefit analysis on the preferred selection of best possible port options, analyse potential funding arrangements, and support the business case development.
- Implement the COVID-19 short-term lending facility to eligible WA local government and public universities. WATC will closely monitor take-up of the initial \$100 million commitment, with the Treasurer having flagged the potential for this to be increased depending on the degree of support required by the local government and university sectors.



Supported the partial commercialisation of Landgate, which realised \$1.41 billion in upfront proceeds for the State.

# SUCCESSFUL FINANCIAL MANAGEMENT

**WATC continues to be flexible and adaptable in supporting the financial requirements of the State through the current challenging times.**

The 2019/20 financial year saw extreme highs and lows in the global economy and financial markets, from equity markets hitting record highs in February (on the back of the Phase One US/China Trade Deal) to the RBA slashing interest rates to record lows in March amid coronavirus-driven recession fears. Against this backdrop, WATC successfully delivered the State's borrowing program, issued a number of syndicated benchmark bonds and floating rate notes, and achieved results that outperformed established benchmarks for our investment portfolios.

## Economic and Market Conditions

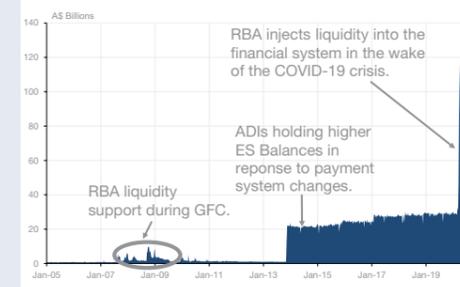
The global and Australian economies have experienced the most severe downturn in decades resulting from the COVID-19 pandemic and the measures taken to contain it. As the crisis escalated in early March, financial conditions tightened substantially, with periods of dysfunction in some markets. With unprecedented fiscal and monetary policy easing rolled out, financial market volatility has declined. Since the introduction of the yield curve control by the RBA in late March, 3-year Commonwealth bond yields have been in line with their target of around 0.25 per cent, while 10-year yields have been relatively stable at historically low levels. Success to date in containing the pandemic to globally low rates of infection is resulting in the impact of the crisis on the Australian and Western Australian economy being smaller than first feared. However, given the unprecedented nature of the crisis, there is still much uncertainty around the economic outlook.

## Investment Management

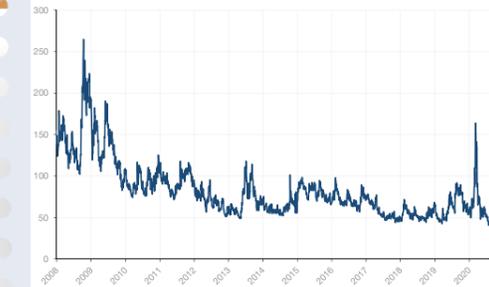
WATC is an experienced provider of innovative investment services, including a range of competitive investment products and an independent advisory service, which ensures an optimal financial solution for individual client's investment needs is achieved.

WATC manages five investment portfolios on behalf of three clients. These clients have chosen to outsource their investment management function in order to improve governance and enhance portfolio returns by accessing the experience, expertise, systems, pricing and oversight that comes with the scale of operations undertaken by WATC in both domestic and offshore markets. All client portfolio returns outperformed their benchmarks. At 30 June 2020, WATC managed in excess of \$13.6 billion in investment funds in our own name and in that of our clients.

Exchange Settlement Balances



Fixed Income Market Volatility (MOVE Index)



## Funding Activity

This financial year saw an increase in funding activities for WATC. We lent \$11 billion to clients (up from \$7.1 billion), the majority of which (approximately \$10.6 billion) was related to refinancing loans that matured throughout the financial year. It also included forward funding \$3.3 billion of client loans that were set to mature in July 2020. To achieve this, we issued approximately \$11 billion in benchmark bonds and floating rate notes (an increase of \$3 billion from last year), including one tender of the existing 2029 benchmark bond, one new syndicated 2031 benchmark bond (raising \$1.5 billion), two new syndicated non benchmark bond issues, raising \$0.7 billion across two long dated lines (2034 and 2041) and two new syndicated floating rate notes (raising \$2.2 billion). This funding was used to:

- refinance maturities and fund new money requirements in 2019/20;
- refinance the upcoming July 2020 bond maturity, including the use of a reverse tender process to buy-back \$850 million of the outstanding benchmark bond; and,
- pre-funding some of the 2020/21 new money program.

## Looking ahead:

- The borrowing program at 30 June 2020 for 2020/21 is estimated as follows:

Term Funding Requirement	\$b	\$b
New Money Program (estimated)*		1.1–3.0
<i>Less Pre-funded New Money</i>	-0.8	
<b>Net New Money</b>		<b>0.3–2.2</b>
<b>Projected Maturities</b>		
Benchmark Bond - (22/07/20)	2.3	
<i>Less Pre-funded Bond Maturity</i>	-2.3	
Floating Rate Note - (10/03/21)	2.0	
<b>Total Maturities</b>		<b>2.0</b>
<b>Estimated Term Funding Requirement</b>		<b>2.3–4.2</b>

\* To be revised post the WA State Budget, which will be handed down on 8 October 2020.

- In 2020/21, WATC expects to issue a new floating rate note with a five year maturity and will explore opportunities to fill gaps in its bond maturity curve.
- Subject to market conditions, we will continue to tap, tender and syndicate (when appropriate) current outstanding bond and floating rate note lines to support market liquidity and meet borrower needs.
- We will consider alternative approaches to investor engagement in light of national and international travel restrictions, which are likely to apply in the medium term due to measures to restrict the health impact of the COVID-19 pandemic.

Executed in excess of \$215 million of foreign exchange transactions in 10 currencies on behalf of 22 clients.

## OPTIMISING OUR PERFORMANCE

**WATC is committed to continually improving our high-quality systems, capabilities, processes and practises that support the achievement of our vision and objectives, now and into the future.**

WATC continually looks to improve efficiencies in our service delivery, systems and processes as well as invest in our people and capabilities.

### Facilitating Efficiency for Clients

WATC endeavours to improve our clients' efficiency through a range of initiatives. From 1 July 2019, the new leases standard (AASB 16) requires all public sector agencies to recognise most operating rental contracts on their balance sheet as assets and liabilities. To assist agencies with the introduction of this new standard, WATC embedded a self-service database on our website. The database is updated monthly and provides incremental borrowing rates to facilitate public sector agencies efficiently estimate their lease liabilities in accordance with the new standard, as required for annual reporting and budgeting purposes.

We continued to leverage efficiencies from our Client Portal through the introduction of end of financial year online reporting functions, including facilitating temporary access for clients' auditors to the Client Portal. We also undertook a comprehensive review of our long-term interest rate forecasting model, where we have implemented a number of changes to our interest cost projection system to reflect contemporary market conditions and enhance the accuracy of our forecast interest cost of the State and associated service to agencies.

### Improving Systems and Building Capability

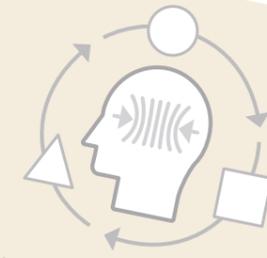
The culmination of over two years of work, 2019/20 saw the successful transition to the Quantum treasury management system (TMS) from the system that had been in place for nearly 20 years. This system is core to our management of financial market activities and client loans, investments and foreign exchange. We also took the opportunity to review associated processes to identify internal efficiencies.

As part of the internal efficiencies review, we mapped out new people opportunities including revising our organisational design and drafting a values-based capabilities framework. A number of acting roles were also undertaken during the TMS project, developing capabilities and aiding succession management. Our people also showed great resilience and adaptability during COVID-19, when it came to working from home, rotating through the office and increasing their use of remote access and digital communications technology.

### Optimising Our ICT Systems

WATC continues to take advantage of the efficiency opportunities that come from a whole-of-government approach to simplify ICT infrastructure systems. As such, we are progressing with the transition from our in-house infrastructure to the GovNext-ICT cloud and other cloud services. This provides improved efficiencies by leveraging shared government services. The transition is complete for a large portion of this IT infrastructure, which included updating the telephone system to VoIP and incorporating Microsoft Teams. This update allowed all staff ready communications and contact when working remotely during the COVID-19 lockdown period.

Cyber security remains a critical component of all WATC's business considerations. An ongoing program of monitoring, evaluating, remediating and improving security remains a priority.



*Our people demonstrated great resilience and adaptability during the COVID-19 lockdown period.*



*Our AASB 16 database has been accessed over 1,600 times since its launch.*

### Looking ahead:

- Further enhancements to the Client Portal's functionality, including the introduction of a client subscription service for report and transaction notifications.
- Leveraging off new TMS capabilities to implement further internal efficiencies and introduce an ongoing review cycle to continue to refine system controls and workflows.
- Finalising the values-based capabilities framework and incorporating it into our performance and development practices.
- Complete implementation of GovNext-ICT cloud services.
- Replacement of existing business continuity facilities with GovNext-ICT and software as a service facilities.
- Continue enhancing cybersecurity capabilities and the ongoing evolution of business continuity and disaster recovery.

## INFORMATION MANAGEMENT

**WATC operates in accordance with compliance requirements in regards to the storing and provision of information.**

### Record Keeping Plan

WATC is committed to having record keeping practices, policies and systems that meet our business needs, compliance requirements and stakeholder expectations. At present, WATC runs a hybrid recordkeeping system managing both hardcopy and digital records. Our primary information management system is Content Manager. In accordance with the [State Records Commission Standard 2, Principle 6](#), the efficiency and effectiveness of this system has been evaluated within the past five years, with the last major upgrade taking place in April 2019.

As per section 19 of the [State Records Act 2000](#), WATC has an approved record keeping plan that is valid until December 2020. New employees are made aware of their roles, responsibilities and obligations in regards to our plan as part of the information management module they complete during their induction. An abridged version of this module is completed by all staff biennially. Information management training requirements are reviewed on an annual basis to ensure currency, effectiveness and adequacy of the material.

### Freedom of Information

The [Freedom of Information Act 1992](#) (FOI Act) enables the public to apply for access to documents held by WATC. Guidance on how to apply and obtain requested documents is set out in WATC's [Information Statement](#), which is available to the public via WATC's website. The [Information Statement](#) is prepared in accordance with the requirements of the FOI Act. WATC received one FOI application during the 2019/20 financial year, which was dealt with in accordance with the FOI Act.

### Complaints Policy

WATC is committed to providing an accessible, fair and efficient complaints handling process. For the 2019/20 financial year, WATC received one complaint that was expeditiously dealt with in accordance with our [Complaints Policy](#) and to the complainant's satisfaction.



## OUR PEOPLE

  
Welcomed our first graduate through the Treasury Graduate Program. Graduates can spend a rotation with WATC to gain exposure to our unique role and functions.

### People Development

WATC supports the investment in developing the knowledge, attitudes and competencies of our people to enable us to increase our collective capabilities. During 2019/20, our people had the opportunity to attend a variety of learning and development opportunities covering both technical and interpersonal skills. This included Microsoft Teams telephony training, Understanding Mental Health in the Workplace seminars and a Women and Super information session. WATC is also currently supporting six people to complete postgraduate tertiary study by contributing to their tuition fees.

### Workforce

To achieve our strategic objectives we need recruitment practices that result in the right people working in the most suitable roles, who are also able to cultivate our values. This year saw an increase in our use of behavioural profiling and technical testing to recruit and build a high-performing and well-balanced team. During 2019/20, eight people started with WATC, stemming from ordinary turnover and to support operational priorities.

Staff Profile	2019/20	2018/19
Workforce	75	73
Full-time permanent	56	57
Full-time contract	12	10
Part-time measured on a FTE basis	3.77	3.29
On Secondment	2	1

### Annual Performance on Occupational Safety, Health and Injury Management

In accordance with the reporting requirements of [Treasurer's Instruction 903 \(13\)](#) there were no lost time injuries, as outlined in the table below. No workers' compensation claims were made.

Measure	Actual results		Results against target	
	2017/18 <sup>1</sup>	2019/20	Target	Comment on result
Number of fatalities	0	0	0	Achieved
Lost time injury and/or disease incidence rate	0	0	0	Achieved
Lost time injury and/or disease severity rate	0	0	0	Achieved
<b>Percentage of injured workers returned to work:</b>				
(i) within 13 weeks	n/a	n/a	n/a	n/a
(ii) within 26 weeks	n/a	n/a	n/a	n/a
Percentage of managers and supervisors trained in occupational safety, health and injury management responsibilities	100%	91%	≥ 80%	Achieved

<sup>1</sup> This indicator examines a three-year trend and, as such, the comparison base is two years prior to the current reporting year.  
n/a: not applicable.

## BOARD OF DIRECTORS' GOVERNANCE

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

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

The corporate governance processes established by the Board ensure that they are able to fulfil WATC's statutory obligations, guide the affairs of WATC and oversee WATC's performance. The Board relies on and holds to account the Chief Executive Officer for the operational management of WATC and implementation of the strategic direction.

### Board Composition

The membership of the Board is determined in accordance with Section 5B of the Western Australian Treasury Corporation Act 1986 (the Act). The directors of WATC at 30 June 2020 are as follows:

Name	Position	First Appointed	Term Expires
Michael Barnes	Chairperson	Statutory	Statutory
Michael Court	Deputy Chairperson	1/07/2017	n/a
Kaylene Gulich <sup>1</sup>	Chief Executive Officer	Statutory	Statutory
Philippa Hobson	Director	17/02/2020	31/12/2022
Susan Murphy	Director	01/01/2019	31/12/2021
David Brumby	Director	17/02/2020	31/12/2022

<sup>1</sup> The Chief Executive Officer is the only director with executive responsibilities.  
n/a: not applicable.

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

### Board Remuneration

The annual remuneration for WATC's Board is as follows:

Name	Type of remuneration	Period of membership	2019/20 \$
M Barnes	Not eligible	12 months	0
M Court	Not eligible	12 months	0
C Nance	Annual	6 months	24,207
S Murphy	Annual	12 months	41,743
G Searle	Annual	6 months	21,059
P Hobson	Annual	4 months	17,729
D Brumby	Annual	4 months	15,422
K Gulich	Not eligible	12 months	0

### Board Responsibilities

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

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

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

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

### Performance Evaluation

As part of good governance, the Board undertakes to evaluate their performance each year.

### Constitution and Proceedings of the Board

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

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

WATC's directors are bound by the provisions of the Statutory Corporations (Liability of Directors) Act 1996. Accordingly, directors are required to comply with the same fiduciary responsibilities and duties of loyalty and good faith owed by directors of companies incorporated under the Corporations Act 2001. In accordance with Clause 18 of Schedule 2 to the Western Australian Treasury Corporation Act 1986, directors are required to leave the room and not take part in deliberations of matters in which they have some material personal interest.



## BOARD COMMITTEES

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

### Attendance at Meetings by Directors

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

Director	Board		Audit Committee		People and Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
M Barnes	6	4			2	2
M Court	6	5	4	3		
K Gulich <sup>1</sup>	6	6	4	4	2	2
C Nance	3	2	1	1	2	2
S Murphy	6	5	4	4		
G Searle	3	3			2	2
P Hobson	3	3	3	3		
D Brumby	3	3				

<sup>1</sup> K Gulich was invited to attend Audit Committee meetings.

### Audit Committee

The role of the Audit Committee is to give the Board additional assurance regarding the quality, integrity, reliability and adequacy of WATC's accounting and internal control systems, financial reporting and compliance processes. At meetings of the Audit Committee, the external and internal auditors are invited to address the Audit Committee without management present.

The members of the Audit Committee at 30 June 2020 were Philippa Hobson (Chairperson), Michael Court and Susan Murphy. Members are non-executive directors. The Secretary to the Committee was Phillip Metaxas, Senior Compliance Officer.

### People and Remuneration Committee

The People and Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the employment terms and conditions for all of our people, including the Chief Executive Officer.

The members of the People and Remuneration Committee at 30 June 2020 were Michael Barnes (Chairperson), Michael Court, Kaylene Gulich, Philippa Hobson, Susan Murphy and David Brumby. The Secretary to the Committee was Rebecca Ridgway, Human Resources Manager.

## LEGISLATION



### Legislation Administered

*Western Australian Treasury Corporation Act 1986.*

### Legislation Impacting on WATC's Activities

#### State Legislation Impacting on Activities

- [Auditor General Act 2006](#)
- [Corruption, Crime and Misconduct Act 2003](#)
- [Disability Services Act 1993](#)
- [Electoral Act 1907](#)
- [Electronic Transactions Act 2011](#)
- [Equal Opportunity Act 1984](#)
- [Fair Trading Act 2010](#)
- [Financial Management Act 2006](#)
- [Freedom of Information Act 1992](#)
- [Occupational Safety and Health Act 1984](#)
- [Pay-roll Tax Assessment Act 2002](#)
- [Public and Bank Holidays Act 1972](#)
- [Public Interest Disclosure Act 2003](#)
- [Public Sector Management Act 1994](#)
- [Stamp Act 1921](#)
- [State Records Act 2000](#)
- [State Superannuation Act 2000](#)
- [State Supply Commission Act 1991](#)
- [Statutory Corporations \(Liability of Directors\) Act 1996](#)
- [Workers' Compensation and Injury Management Act 1981](#)

#### Commonwealth Legislation Impacting on Activities

- [A New Tax System \(Goods and Services Tax\) Act 1999](#)
- [Anti-Money Laundering and Counter-Terrorism Financing Act 2006](#)
- [Census and Statistics Act 1905](#)
- [Copyright Act 1968](#)
- [Disability Discrimination Act 1992](#)
- [Fair Work Act 2009](#)
- [Fringe Benefits Tax Act 1986](#)
- [Income Tax Assessment Act 1936](#)
- [Superannuation Guarantee \(Administration\) Act 1992](#)
- [Taxation Administration Act 1953](#)

## CORPORATE GOVERNANCE

**External and internal oversight of WATC outcomes and conduct ensures adherence to our core value of integrity.**

### Ethical Standards and Codes of Conduct

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

The staff Code of Conduct (the Code) reflects and supports WATC's values and provides our people with a clear, concise and relevant guide to standards of behaviour in the workplace. The Code also applies to directors unless there is an inconsistency, in which case the Directors' Code of Conduct will apply.

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

### Compliance

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

### Auditors

#### External Audit

Section 21 of the Act states:

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

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

#### Internal Audit

WATC's internal audit function is outsourced to KPMG. Appointment to this role by WATC is subject to the Common Use Arrangements authorised by the Department of Finance for accessing audit services and financial advice.

### Quarterly Report to the Treasurer

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

### Professional Advice

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

### Pricing Policy

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

### Insurance Policy

An insurance policy has been taken out to indemnify members of the Board against liabilities under Sections 13 and 14 of the [Statutory Corporations \(Liability of Directors\) Act 1996](#). The amount of the insurance premium paid for 2019/20 was \$82,522.

### Expenditure on Advertising

Under Section 175ZE of the [Electoral Act 1907](#), WATC is required to disclose any expenditure we make to:

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

For the year ended 30 June 2020, the only disclosable expenditure incurred was in relation to advertising, where a total amount of \$2,755 was paid to Seek Limited.

### Registry and Treasury Operations

Link Market Services Limited (Link) acts as agent for the provision of registry services on behalf of WATC. WATC uses the systems and services detailed in the table below to facilitate confirmation and settlement of financial transactions.

Provider	System	Purpose
Austraclear Limited	Austraclear	Australian dollar cash, short-term money market, fixed interest and foreign exchange transactions
Bank of America Merrill Lynch	CashPro Online	Foreign currency payments
Clearstream	CreationOnline	Repurchase of offshore issues
Citibank NA London Branch	CitiDirect for Securities	Issuance of Euro Commercial Paper and Euro Medium Term Notes



# WESTERN AUSTRALIAN TREASURY CORPORATION

FINANCIAL SOLUTIONS FOR THE BENEFIT OF ALL WESTERN AUSTRALIANS

## FINANCIAL STATEMENTS

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FINANCIAL REPORT 2020

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Note	2020 \$m	2019 \$m
<b>INCOME</b>			
<b>Revenue</b>			
Interest on Investments		79.0	90.9
Interest from Authorities		1,298.0	1,532.2
Fee Income		2.5	1.9
<b>Total Revenue</b>		<b>1,379.5</b>	1,625.0
<b>Total Income</b>		<b>1,379.5</b>	1,625.0
<b>EXPENSES</b>			
<b>Expenses</b>			
Interest on Borrowings		1,262.7	1,511.0
Borrowing Related Expenses		1.2	1.1
Depreciation		0.1	0.2
Amortisation of Intangible Assets		0.8	0.2
Administration Expenses	4	19.1	17.4
Net Fair Value Movement	6	54.9	53.4
<b>Total Expenses</b>		<b>1,338.8</b>	1,583.3
<b>Profit before income tax equivalent expense</b>		<b>40.7</b>	41.7
Income Tax Equivalent Expense	7	12.2	12.5
<b>Profit for the period</b>		<b>28.5</b>	29.2
Other Comprehensive Income		0.0	0.0
<b>Total Comprehensive Income for the period</b>		<b>28.5</b>	29.2

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

## STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	2020 \$m	2019 \$m
<b>ASSETS</b>			
Cash Assets	8	255.4	141.5
Investments	9	7,164.8	5,477.3
Receivables and Other Financial Assets	10	1,125.3	948.6
Loans to Authorities	11	56,109.5	52,912.9
Tax Assets	12	1.2	1.1
Plant and Equipment	13	0.3	0.4
Intangible Assets	14	2.0	1.6
<b>Total Assets</b>		<b>64,658.5</b>	59,483.4
<b>LIABILITIES</b>			
Payables and Other Financial Liabilities	16	3,976.0	1,651.3
Borrowings	17	60,501.5	57,670.5
Tax Liabilities	18	25.0	12.6
Provisions	19	3.9	3.5
<b>Total Liabilities</b>		<b>64,506.4</b>	59,337.9
<b>NET ASSETS</b>		<b>152.1</b>	145.5
<b>EQUITY</b>			
Retained Earnings		149.1	142.5
Reserves		3.0	3.0
<b>Total Equity</b>		<b>152.1</b>	145.5

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

## STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Reserves \$m	Retained Earnings \$m	Total Equity \$m
<b>Balance at 1 July 2018</b>	3.0	131.5	134.5
Profit for the period	0.0	29.2	29.2
Other comprehensive income	0.0	0.0	0.0
Total comprehensive income for the period	0.0	29.2	29.2
Transactions with owners in their capacity as owners:			
Capital appropriations	0.0	0.0	0.0
Distributions to owners	0.0	(18.2)	(18.2)
Total	0.0	(18.2)	(18.2)
<b>Balance at 30 June 2019</b>	3.0	142.5	145.5
<b>Balance at 1 July 2019</b>	<b>3.0</b>	<b>142.5</b>	<b>145.5</b>
Profit for the period	0.0	28.5	28.5
Other comprehensive income	0.0	0.0	0.0
Total comprehensive income for the period	0.0	28.5	28.5
Transactions with owners in their capacity as owners:			
Capital appropriations	0.0	0.0	0.0
Distributions to owners	0.0	(21.9)	(21.9)
Total	0.0	(21.9)	(21.9)
<b>Balance at 30 June 2020</b>	<b>3.0</b>	<b>149.1</b>	<b>152.1</b>

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

# STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Note	2020 \$m	2019 \$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received on Loans to Authorities		1,335.3	1,525.9
Interest received on Investments		120.0	114.3
Proceeds from Sale and Maturity of Investments		6,489.9	4,360.9
Payment for Investments		(7,697.3)	(6,382.6)
Loans to Authorities		(7,127.2)	(8,300.9)
Loans Repaid by Authorities		6,747.6	8,799.9
Other Payment on behalf of Authorities		0.2	(0.2)
Proceeds from Issuance of Borrowings		20,284.1	16,771.7
Repayment of Borrowings		(17,857.3)	(15,452.3)
Fee Income		2.4	1.9
Interest and other Cost of Finance paid		(1,578.0)	(1,762.8)
Administration and Borrowing Related Expenses		(19.1)	(18.8)
Payment of Taxation Equivalents		0.0	(10.4)
<b>Net Cash provided by/(used in) Operating Activities</b>	21b	<b>700.6</b>	(353.4)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for Plant and Equipment		0.0	(0.2)
Payment for Intangible Assets		(1.2)	(1.6)
<b>Net Cash used in Investing Activities</b>		<b>(1.2)</b>	(1.8)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of Dividend		(21.9)	(18.2)
<b>Net Cash used in Financing Activities</b>		<b>(21.9)</b>	(18.2)
Net increase/(decrease) in Cash and cash equivalents		677.5	(373.4)
Cash and cash equivalents at the beginning of the Financial Year		405.6	779.0
Cash and cash equivalents at the end of the Financial Year	21a	<b>1,083.1</b>	405.6
Included in the above are the following			
<b>CASH FLOWS TO STATE GOVERNMENT</b>			
Payment of Dividend		(21.9)	(18.2)
Payment of Taxation Equivalents		0.0	(10.4)
<b>Net Cash provided to State Government</b>		<b>(21.9)</b>	(28.6)

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

## NOTE 1

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

### General

WATC's financial statements for the year ended 30 June 2020 have been prepared in accordance with Australian Accounting Standards. The term "Australian Accounting Standards" includes Standards and Interpretations issued by the Australian Accounting Standards Board (AASB). The financial report also complies with International Financial Reporting Standards.

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

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

### Early adoption of standards

WATC cannot early adopt an Australian Accounting Standard or Interpretation unless specifically permitted by Treasurer's Instruction (TI) 1101 'Application of Australian Accounting Standards and Other Pronouncements'. There has been no early adoption of Australian Accounting Standards that have been issued or amended (but not operative) by WATC for the annual reporting period ended 30 June 2020.

## NOTE 2

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) General Statement

- (i) WATC is a not-for-profit reporting entity that prepares general purpose financial statements in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording.

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

### NOTE 2 (CONTINUED)

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

#### (b) Basis of Preparation

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

WATC maintains Investments, Loans to Authorities and Borrowings to fulfil its functions and has elected to designate these financial assets and financial liabilities as fair value through profit or loss, consistent with the provisions of AASB 9 'Financial Instruments'. WATC satisfies the eligibility criteria for this election as it manages its business daily on a fair value basis. In accordance with AASB 9, all derivative financial instruments are also accounted for on a fair value basis through profit or loss. By nature, the market quoted rates used for valuation of financial assets and financial liabilities include an allowance for credit risk.

#### *Critical accounting judgements and estimates*

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

Key assumptions made in the valuation of financial assets and financial liabilities are disclosed in [Note 20](#).

#### (c) Revenue

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

#### *Fee Income*

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

#### *Interest*

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



#### (d) Plant and Equipment

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

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

	2020	2019
Computer Equipment	3-5 years	3-5 years
Other Equipment	5-10 years	5-10 years

#### *Impairment*

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

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

Impairment losses are recognised in the Statement of Comprehensive Income.

#### (e) Intangible Assets

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

## NOTE 2 (CONTINUED)

### (f) Investments

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

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

### (g) Loans to Authorities

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

### (h) Borrowings

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

### (i) Derivative Financial Instruments

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



### (j) Foreign Currency Translation

Foreign currency transactions are brought to account in Australian dollars at trade date at the rate of exchange applying at that date. At the end of the reporting period, all monetary assets and liabilities are translated at the exchange rates existing at 30 June 2020. Exchange gains or losses are brought to account in the Statement of Comprehensive Income.

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

### (k) Borrowing Costs

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

### (l) Employee Benefits

#### (i) Sick Leave

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

#### (ii) Annual Leave

This benefit is recognised at the reporting date in respect of employees' services up to that date and is measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

#### (iii) Long Service Leave

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

### NOTE 2 (CONTINUED)

#### (iv) Superannuation

The Government Employees Superannuation Board (GESB) and other fund providers administer the superannuation schemes detailed hereunder in accordance with legislative requirements. Eligibility criteria for membership in particular schemes for employees varies according to commencement and implementation dates.

Eligible employees contribute to the Pension Scheme, a defined benefit pension scheme closed to new members since 1987, or the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme closed to new members since 1995. Employees commencing employment prior to 16 April 2007 who were not members of either of these schemes became non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). From 30 March 2012, existing members of the WSS or GESBS and new employees have been able to choose their preferred superannuation fund provider. WATC makes contributions to GESB or other fund providers on behalf of employees in compliance with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. Contributions to these accumulation schemes extinguish WATC's liability for superannuation charges in respect of employees who are not members of the Pension Scheme or GSS.

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

The GSS, the WSS and the GESBS, where the current service superannuation charge is paid by WATC to GESB, are defined contribution schemes. The liabilities for current service superannuation charges under the GSS, the WSS and the GESBS are extinguished by the concurrent payment of employer contributions to GESB.

The GSS is a defined benefit scheme for the purposes of employees and whole-of-government reporting. However, from an agency perspective, apart from the transfer benefits, it is a defined contribution plan under AASB 119.

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

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

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

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

#### (m) Dividend Policy

WATC's dividend policy has been formulated to ensure that WATC pays an appropriate dividend to the State which is consistent with sound commercial practice and has regard to the financial health of WATC. WATC's policy provides for dividends to be paid to the State Consolidated Account at a level of 75% of WATC's after tax equivalent profit subject to adjustments which have been agreed with the Treasurer. Dividends for the current financial year will be declared by the Board and paid in the subsequent financial year.

#### (n) Income Tax

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

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

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

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

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

Current and deferred tax balances attributable to amounts recognised in other comprehensive income are recognised in other comprehensive income, and directly in equity are recognised directly in equity.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

### NOTE 2 (CONTINUED)

#### (o) Impairment of Assets

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

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

#### (p) Receivables

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

#### (q) Payables

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

#### (r) Cash and cash equivalents

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

#### (s) Accrued Salaries

Accrued salaries represent the amount due to staff but unpaid at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year.

Accrued salaries are settled within a fortnight of the financial year end. WATC considers the carrying amount of accrued salaries to be equivalent to the fair value.



#### (t) Swap Fair Value Reserve

WATC enters into interest rate and currency swaps to mitigate interest rate and foreign exchange exposure on medium and long term debt raised to fund its clients' long term funding requirements.

In accordance with accounting standards, changes in swap fair values are brought to account in the Statement of Comprehensive Income. A discretionary capital reserve has been established which may be used to separately identify net profits created by this policy and which may, in the future, be transferred to retained earnings upon maturity of the transactions.

### NOTE 3

#### DISCLOSURE OF CHANGES IN ACCOUNTING POLICY

##### Initial application of an Australian Accounting Standard

WATC has adopted all Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2019. None have had a material financial impact on WATC.

##### Future impact of Australian Accounting Standards issued but not yet operative

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

AASB 2018-7 'Amendments to Australian Accounting Standards - Definition of Material'. WATC does not expect any material financial impact when the Standard is first applied in the year ending 30 June 2021.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

### NOTE 3 (CONTINUED)

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

AASB Amendment	Affected Standards
AASB 17	'Insurance Contracts'
AASB 1059	'Service Concession Arrangements: Grantors'
AASB 1060	'General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-For-Profit Tier 2 Entities'
AASB 2018-6	'Amendments to Australian Accounting Standards - Definition of a Business'
AASB 2019-2	'Amendments to Australian Accounting Standards - Implementation of AASB 1059'
AASB 2019-3	'Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform'
AASB 2019-5	'Amendments to Australian Accounting Standards - Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia'
AASB 2019-7	'Amendments to Australian Accounting Standards - Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP/GFS Reconciliations'
AASB 2020-1	'Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current'
AASB 2020-2	'Amendments to Australian Accounting Standards - Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities'
AASB 2020-3	'Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments'

The impact of the following new standards and amendments has not yet been fully determined:

AASB Amendment	Affected Standards
AASB 2019-1	'Amendments to Australian Accounting Standards - Reference to the Conceptual Framework'



### NOTE 4 ADMINISTRATION EXPENSES

#### Employee Benefit Expenses

The following employee benefit expenses are included in Administration Expenses.

	2020 \$m	2019 \$m
Salaries	10.8	9.7
Workers Compensation costs	0.0	0.1
Superannuation expense	1.1	1.0
Long Service Leave Provision	0.1	0.1
	<b>12.0</b>	10.9
<b>Administration Expenses</b>		
Employee Benefit Expenses	12.0	10.9
Services and Contracts	2.5	2.2
Equipment Maintenance	2.2	1.8
Accommodation costs	0.9	0.8
Other costs	1.5	1.7
	<b>19.1</b>	17.4

### NOTE 5 FOREIGN EXCHANGE GAIN/LOSS

WATC maintains balances in its foreign currency bank accounts for the payment of expenses incurred through its overseas borrowings. At 30 June 2020, after taking account of exchange fluctuations, no gain or loss (2019, no gain or loss) had resulted on this balance.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

	2020 \$m	2019 \$m
<b>NOTE 6 NET FAIR VALUE MOVEMENT</b>		
Unrealised Gain/(Loss) - Investments	6.1	32.4
Unrealised Gain/(Loss) - Loans to Authorities	483.7	1,605.7
Unrealised (Loss)/Gain - Borrowings	(602.5)	(1,933.3)
Unrealised Gain/(Loss) - Derivatives	57.8	241.8
Net Fair Value Movement	<b>(54.9)</b>	(53.4)
Add Interest movements		
Interest on Investments	79.0	90.9
Interest from Authorities	1,298.0	1,532.2
Interest on Borrowings	(1,262.7)	(1,511.0)
	<b>114.3</b>	112.1
Net gain on financial assets and financial liabilities at fair value through profit and loss	<b>59.4</b>	58.7

WATC manages its operations on a portfolio basis to achieve its long term objectives. Realised losses totalling A\$70.8 million (2019, A\$80.4 million) are reflected in interest revenue and expense. The Net Fair Value Movement represents unrealised fair value adjustments to be realised over the term of the underlying securities.



## NOTE 7 INCOME TAX EQUIVALENT EXPENSE

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

	2020 \$m	2019 \$m
Accounting Profit before income tax equivalent expense	<b>40.7</b>	41.7
Income tax equivalent expense at 30% (2019, 30%)	<b>12.2</b>	12.5
Tax effect of expenses that are not deductible/assessable in determining taxable profit		
Sundry expenses	<b>0.0</b>	0.0
Income tax equivalent expense	<b>12.2</b>	12.5
Income tax equivalent expense comprises movements in:		
Current income tax equivalent expense	<b>12.3</b>	12.6
Deferred tax income relating to the origination and reversal of temporary differences	<b>(0.1)</b>	0.1
Deferred tax expense relating to the origination and reversal of temporary differences	<b>0.0</b>	0.0
Total income tax equivalent expense	<b>12.2</b>	12.5
Deferred Tax Assets:		
Employee Provisions	<b>1.2</b>	1.1
Total (Note 12)	<b>1.2</b>	1.1

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

	2020 \$m	2019 \$m
<b>NOTE 8 CASH ASSETS</b>		
Bank Deposits	255.4	141.5
Overseas Bank Accounts	0.0	0.0
	<b>255.4</b>	<b>141.5</b>
Average Balance	279.3	189.4
Interest Revenue	2.1	3.9
Average Interest Rate	0.75%	2.04%

Cash Assets represent only those funds held in accounts with banks and does not include money market investments. To facilitate the maturity of WATC's benchmark bond lines, larger than normal cash balances are left in the bank account overnight prior to bond maturities.

### NOTE 9 INVESTMENTS - AT FAIR VALUE

#### Investments - non derivative

Investments comprise the following:

Short Term Money Market Investments	3,614.0	2,998.5
Government Stock	3,550.8	2,478.8
Corporate Bonds	0.0	0.0
Total	<b>7,164.8</b>	<b>5,477.3</b>

#### Maturity Profile

At Call	48.0	40.0
Up to 3 Months	4,984.4	724.0
3 to 12 Months	991.9	2,976.5
1 to 5 Years	1,140.5	1,677.6
Over 5 Years	0.0	59.2
Total	<b>7,164.8</b>	<b>5,477.3</b>

	2020 \$m	2019 \$m
<b>Repricing Profile</b>		
At Call	48.0	40.0
Up to 3 Months	5,490.7	1,229.8
3 to 12 Months	739.6	2,976.4
1 to 5 Years	886.5	1,171.9
Over 5 Years	0.0	59.2
Total	<b>7,164.8</b>	<b>5,477.3</b>
<b>Credit Exposure</b>		
Rating	%	%
AAA	27.85	17.97
AA	61.15	69.78
A	11.00	12.25
BBB	0.00	0.00
	<b>100.00</b>	<b>100.00</b>
Average Balance	5,860.3	4,167.6
Interest Revenue	76.9	87.0
Average Interest Rate	1.31%	2.09%

WATC invests its surplus funds in accordance with the *Western Australian Treasury Corporation Act*. Further information on valuation methods is shown in [Note 20](#). All Investments are classified as financial assets at fair value through profit and loss.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

	2020 \$m	2019 \$m
<b>NOTE 10 RECEIVABLES AND OTHER FINANCIAL ASSETS</b>		
Accrued Interest Receivable	255.5	302.2
Foreign Currency Receivable	1.1	0.0
Other Debtors	21.5	58.1
	<b>278.1</b>	360.3
Other Financial Assets (Notes <a href="#">11b</a> & <a href="#">17b</a> )	<b>847.2</b>	588.3
	<b>1,125.3</b>	948.6

Accrued Interest Receivable comprises accruals relating to advances made to clients and investments with financial institutions. Other debtors represent financial instrument transactions undertaken prior to 30 June 2020 and due for settlement after 30 June 2020. Other financial assets are discussed in more detail in [Note 20](#).

### NOTE 11 LOANS TO AUTHORITIES - AT FAIR VALUE

<b>11a. Loans to Authorities - non derivative</b>	<b>56,109.5</b>	52,912.9
<b>Maturity Profile</b>		
Up to 3 Months	<b>3,651.9</b>	1,482.2
3 to 12 Months	<b>4,477.8</b>	7,494.4
1 to 5 Years	<b>27,433.3</b>	25,623.6
Over 5 Years	<b>20,546.5</b>	18,312.7
Total	<b>56,109.5</b>	52,912.9
<b>Repricing Profile</b>		
Up to 3 Months	<b>18,376.3</b>	16,617.4
3 to 12 Months	<b>4,567.3</b>	5,888.1
1 to 5 Years	<b>13,897.0</b>	13,306.7
Over 5 Years	<b>19,268.9</b>	17,100.7
Total	<b>56,109.5</b>	52,912.9

	2020 \$m	2019 \$m
<b>11b. Loans to Authorities - derivative</b>	<b>6.9</b>	3.3
<b>Maturity Profile</b>		
Up to 3 Months	<b>0.2</b>	(0.1)
3 to 12 Months	<b>0.7</b>	0.0
1 to 5 Years	<b>3.4</b>	0.1
Over 5 Years	<b>2.6</b>	3.3
Total derivatives shown as receivables and other financial assets ( <a href="#">Note 10</a> )	<b>6.9</b>	3.3
<b>Repricing Profile</b>		
Up to 3 Months	<b>0.0</b>	(5.2)
3 to 12 Months	<b>0.7</b>	0.0
1 to 5 Years	<b>3.5</b>	0.1
Over 5 Years	<b>2.7</b>	8.4
Total derivatives shown as receivables and other financial assets ( <a href="#">Note 10</a> )	<b>6.9</b>	3.3
Average Balance	<b>51,874.8</b>	50,945.5
Interest Revenue	<b>1,298.0</b>	1,532.2
Average Interest Rate	<b>2.50%</b>	3.01%

WATC advances funds to State Government and Local Government authorities within Western Australia. In normal circumstances, most advances are either rolled over or refinanced. State Government advances (98.8% of total (2019, 98.8%)) are guaranteed by the State whilst Local Government advances (1.2% of total (2019, 1.2%)) are secured by debenture and are charged in accordance with the provisions of the Local Government Act upon the general funds of the Local Government. There were no indications of impairment to lendings to Local Government at 30 June 2020. Loans to Authorities are not readily traded on organised markets in standardised form. Further information on valuation methods is shown in [Note 20](#).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

	2020 \$m	2019 \$m
<b>NOTE 12 TAX ASSETS</b>		
Deferred Tax Asset	1.2	1.1
<b>NOTE 13 PLANT AND EQUIPMENT</b>		
Equipment (at cost)	3.1	3.2
Less Accumulated Depreciation	2.8	2.8
Total Plant and Equipment	0.3	0.4
<b>Reconciliation</b>		
Equipment		
Opening balance	0.4	0.4
Additions	0.0	0.2
Disposals/Write-Offs	(0.1)	0.0
Depreciation	(0.1)	(0.2)
Accumulated depreciation on disposal	0.1	0.0
Closing balance	0.3	0.4



## NOTE 14 INTANGIBLE ASSETS

	2020 \$m	2019 \$m
Intangible Assets (at cost)	11.4	10.2
Less Accumulated Amortisation	9.4	8.6
Total Intangible Assets	2.0	1.6
<b>Reconciliation</b>		
Intangible Assets		
Opening balance	1.6	0.2
Additions	1.2	1.6
Disposals	0.0	0.0
Amortisation	(0.8)	(0.2)
Accumulated amortisation on disposal	0.0	0.0
Closing balance	2.0	1.6

## NOTE 15 IMPAIRMENT OF ASSETS

There were no indications of impairment to Plant and Equipment and Intangible Assets at 30 June 2020.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

	2020 \$m	2019 \$m
<b>NOTE 16 PAYABLES</b>		
Interest Accrued (at amortised cost)	573.6	587.8
Other Creditors (at amortised cost)	3,402.4	1,063.5
	<b>3,976.0</b>	1,651.3

Payables comprises accrued interest and sundry creditors relating to debt instruments and unrepresented cheques. Interest Accrued is owed to financial institutions. Other creditors includes financial instrument transactions undertaken prior to 30 June 2020 and due for settlement after 30 June 2020.

### NOTE 17 BORROWINGS - AT FAIR VALUE

<b>17a. Borrowings - non derivative</b>	<b>60,501.5</b>	57,670.5
<b>Maturity Profile</b>		
Up to 3 Months	6,858.2	2,071.5
3 to 12 Months	2,398.2	8,023.4
1 to 5 Years	29,074.6	28,522.5
Over 5 Years	22,170.5	19,053.1
Total borrowings at fair value	<b>60,501.5</b>	57,670.5
<b>Repricing Profile</b>		
Up to 3 Months	15,847.5	10,826.0
3 to 12 Months	389.7	5,120.7
1 to 5 Years	22,093.8	22,670.7
Over 5 Years	22,170.5	19,053.1
Total borrowings at fair value	<b>60,501.5</b>	57,670.5

	2020 \$m	2019 \$m
<b>17b. Borrowings - derivative</b>	<b>(840.3)</b>	(585.0)
<b>Maturity Profile</b>		
Up to 3 Months	12.1	0.1
3 to 12 Months	0.9	(15.4)
1 to 5 Years	(654.1)	(453.3)
Over 5 Years	(199.2)	(116.4)
Total derivatives shown as receivables and other financial assets (Note 10)	<b>(840.3)</b>	(585.0)
<b>Repricing Profile</b>		
Up to 3 Months	103.9	538.0
3 to 12 Months	18.7	(84.1)
1 to 5 Years	(713.6)	(768.4)
Over 5 Years	(249.3)	(270.5)
Total derivatives shown as receivables and other financial assets (Note 10)	<b>(840.3)</b>	(585.0)
Average Balance	<b>58,055.4</b>	55,261.6
Interest Expense	<b>1,262.7</b>	1,511.0
Average Interest Rate	<b>2.17%</b>	2.73%

WATC raises its funds in the domestic and offshore capital markets. Under Section 13(1) of the *Western Australian Treasury Corporation Act*, the financial liabilities of WATC are guaranteed by the Treasurer on behalf of the State of Western Australia. WATC's borrowings are well diversified across markets and maturities. Further information on valuation methods is shown in [Note 20](#).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

	2020 \$m	2019 \$m
<b>NOTE 17 (CONTINUED)</b>		
<b>BORROWINGS - AT FACE VALUE</b>		
Payable 12 months or less from 30 June		
– Domestic	8,555.6	9,801.4
– Overseas	694.7	237.9
	<b>9,250.3</b>	10,039.3
Payable more than 12 months from 30 June		
– Domestic	46,593.3	43,796.9
– Overseas	0.0	0.0
	<b>46,593.3</b>	43,796.9
Balance 30 June at face value	<b>55,843.6</b>	53,836.2

### OVERSEAS BORROWINGS

Overseas Borrowings include Australian currency and foreign currency loans. Foreign currency loans have been translated using the exchange rates applicable at 30 June 2020 and are shown below:

	Exchange Rate Translation at 30/06/20	
	Payable 12 Months or Less from 30/06/20 A\$m	Payable More than 12 Months from 30/06/20 A\$m
<b>Foreign Currency Borrowing</b>		
USD 445.8 million	650.0	Nil

	Exchange Rate Translation at 30/06/19	
	Payable 12 Months or Less from 30/06/19 A\$m	Payable More than 12 Months from 30/06/19 A\$m
Foreign Currency Borrowing		
Nil	Nil	Nil

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

	2020 \$m	2019 \$m
<b>NOTE 18</b>		
<b>TAX LIABILITIES</b>		
Current Income Tax Equivalent Liability	25.0	12.6
<b>NOTE 19</b>		
<b>PROVISIONS</b>		
Annual Leave	1.5	1.2
Long Service Leave	2.1	2.0
Superannuation - Defined Benefit Plans	0.3	0.3
	<b>3.9</b>	3.5

### Gold State Superannuation Scheme

#### Accounting Policy

Actuarial gains and losses are recognised immediately in the Statement of Comprehensive Income in the year in which they occur.

#### Scheme Information

##### Nature of the benefits provided by the Scheme

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

##### Description of the regulatory framework

The Scheme operates under the State Superannuation Act 2000 (Western Australia) and the State Superannuation Regulations 2001 (Western Australia).

Although the scheme is not formally subject to the Superannuation Industry (Supervision) (SIS) legislation, the Western Australian government has undertaken (in a Heads of Government Agreement) to operate the scheme in accordance with the spirit of the SIS legislation.

As an exempt public sector superannuation scheme (as defined in the SIS legislation), the Scheme is not subject to any minimum funding requirements.

As a constitutionally protected superannuation fund (as defined in the Income Tax Assessment legislation), the Scheme is not required to pay tax.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

### NOTE 19 (CONTINUED)

#### Description of other entities' responsibilities for the governance of the Scheme

The Government Employees Superannuation Board (GESB) is the Scheme's Trustee and is responsible for the governance of the Scheme. As Trustee, GESB has a legal obligation to act solely in the best interests of Scheme beneficiaries. GESB has the following roles:

- Administration of the Scheme and payment to the beneficiaries when required in accordance with the Scheme rules;
- Management and investment of the Scheme assets (although the liabilities in this report are not supported by assets); and
- Compliance with the Heads of Government Agreement referred to above.

#### Description of risks

There are a number of risks to which the Scheme exposes WATC. The more significant risks relating to the defined benefits are:

- Salary risk - The risk that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and the associated employer contributions; and
- Inflation risk - The risk that inflation (which affects the indexation of deferred benefits) will be higher than assumed, increasing defined benefit amounts and the associated employer contributions; and
- Legislative risk - The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

#### Description of significant events

There were no Scheme amendments affecting the defined benefits payable, curtailments or settlements during the year.



	2020 \$m	2019 \$m
<b>Reconciliation of the Net Defined Benefit Liability/(Asset)</b>		
Net Defined Benefit liability/(asset) at start of year	0.3	0.3
(+) Current service cost	0.0	0.0
(+) Net interest	0.0	0.0
(+) Past service cost/curtailments	0.0	0.0
(+) (Gains)/losses on settlement	0.0	0.0
(-) Actual return on Scheme assets less Interest income	0.0	0.0
(+) Actual (gains)/losses arising from changes in demographic assumptions	0.0	0.0
(+) Actual (gains)/losses arising from changes in financial assumptions	0.0	0.0
(+) Actual (gains)/losses arising from liability experience	0.0	0.0
(+) Adjustment for effect of asset ceiling	0.0	0.0
(-) Employer contributions	0.0	0.0
Net defined benefit liability/(asset)	0.3	0.3
<b>Reconciliation of the Fair Value of Scheme Assets</b>		
Fair Value of Scheme assets at beginning of year	0.0	0.0
(+) Interest income	0.0	0.0
(+) Actual return on Scheme assets less Interest income	0.0	0.0
(+) Employer contributions	0.0	0.0
(+) Contributions by Scheme participants	0.0	0.0
(-) Benefits paid	0.0	0.0
(-) Taxes, premiums & expenses paid	0.0	0.0
(+) Transfers in	0.0	0.0
(+) Contributions to accumulation section	0.0	0.0
(+) Settlements	0.0	0.0
(+) Exchange rate changes	0.0	0.0
Fair value of Scheme assets at end of year	0.0	0.0

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

	2020 \$m	2019 \$m
<b>NOTE 19 (CONTINUED)</b>		
<b>Reconciliation of the Defined Benefit Obligation (DBO)</b>		
Present value of defined benefit obligations at beginning of year	0.3	0.3
(+) Current service cost	0.0	0.0
(+) Interest cost	0.0	0.0
(+) Contributions by Scheme participants	0.0	0.0
(+) Actuarial (gains)/losses arising from changes in demographic assumptions	0.0	0.0
(+) Actuarial (gains)/losses arising from changes in financial assumptions	0.0	0.0
(+) Actuarial (gains)/losses arising from liability experience	0.0	0.0
(-) Benefits paid	0.0	0.0
(-) Taxes, premiums & expenses paid	0.0	0.0
(+) Transfers in	0.0	0.0
(-) Contributions to accumulation section	0.0	0.0
(+) Past service cost/curtailments	0.0	0.0
(+) Gain/loss on settlements	0.0	0.0
(+) Settlements	0.0	0.0
(+) Exchange rate changes	0.0	0.0
Present value of defined benefit obligations at end of year	0.3	0.3

### Reconciliation of the Effect of the Asset Ceiling

The asset ceiling has no impact on the net defined benefit liability/(asset).

### Fair value of Scheme assets

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

- No fair value of Scheme assets;
- No asset allocation of Scheme assets;
- No financial instruments issued by the employer;
- No assets used by the employer; and
- No asset-liability matching strategies.

### Significant Actuarial Assumptions at the Reporting Date

Assumptions to Determine Start of Year DBO and Defined Benefit Cost for the Current Year

	2020	2019
Discount rate	1.40%	2.60%
Expected salary increase rate		
2018/19	-	1.50%
2019/20	1.50%	1.50%
2020/21	1.50%	1.50%
thereafter	4.20%	4.20%
CPI	2.50%	2.50%

Assumptions to Determine DBO at Valuation Date

	2020	2019
Discount rate	0.85%	1.40%
Expected salary increase rate		
2019/20	-	1.50%
2020/21	2.00%	1.50%
2021/22	2.00%	-
thereafter	3.50%	4.20%
CPI	2.00%	2.50%

The discount rate is based on the Government bond maturing in November 2029. The decrement rates used (eg mortality and retirement rates) are based on the actuarial review of the Scheme at 30 June 2019 updated by the Australian Government Actuary (ALT 2015-17) and Mercer public sector pensioner mortality tables (retiree and spouse pensioners).

The salary increase assumption used at 30 June 2020 is 2.00% pa for the first two years and 3.50% thereafter. The salary increase assumption used at 30 June 2019 was 1.50% pa for the first three years and 4.20% pa thereafter.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

### NOTE 19 (CONTINUED)

#### Sensitivity Analysis

The defined benefit obligation as at 30 June 2020 under several scenarios is presented below.

Scenario A and B relate to discount rate sensitivity. Scenario C and D relate to expected salary increase rate and indexation sensitivity.

Scenario A: 0.5% pa lower discount rate assumption

Scenario B: 0.5% pa higher discount rate assumption

Scenario C: 0.5% pa lower expected salary increase rate and indexation assumption

Scenario D: 0.5% pa higher expected salary increase rate and indexation assumption

	Base Case	Scenario A	Scenario B	Scenario C	Scenario D
		-0.5% pa discount	+0.5% pa discount	-0.5% pa salary	+0.5% pa salary
Discount rate	0.85% pa	0.35% pa	1.35% pa	0.85% pa	0.85% pa
Salary increase rate	3.50% pa	3.50% pa	3.50% pa	3.00% pa	4.00% pa
Defined benefit obligation (A\$m)	0.3	0.3	0.3	0.3	0.3

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other obligations.

The salary assumptions in the above table are long term salary assumptions. The short term assumptions have also been adjusted as described in Scenario C and D.

#### Funding arrangements

WATC contributes, as required, to meet the benefits paid.

#### Expected contributions

	2021 \$m
Expected employer contributions	0.1

#### Maturity profile of defined benefit obligation

The weighted average duration of WATC's defined benefit obligation is 3.0 years.

### NOTE 20

#### FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

##### POLICY

##### Risk Management Governance

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

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

WATC has established the Asset and Liability Management Committee (ALCO) which meets on a monthly basis and is responsible for the following functions with respect to risk management:

- providing advice on WATC's risk management processes and strategies;
- advising on matters relating to WATC keeping risk exposure levels within agreed levels;
- providing advice on developments in risk that may have an impact on WATC; and
- providing advice on recommendations flowing from the annual review of WATC's risk management policies.

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

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

WATC ensures that it maintains appropriate capital cover to mitigate these risks. In this regard, the Australian Prudential Regulation Authority (APRA) sets guidelines for the quantification of the market, credit and operational risk capital requirements of banks. WATC is guided by these standards and pronouncements under the Basel Accord in determining its capital and operational risk requirements.

WATC, as a matter of policy, does not take any material exchange rate risk and seeks to minimise all other financial risks.

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

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

## NOTE 20 (continued)

### Interest Rate Risk

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

WATC's interest rate risk capital requirement is determined using a risk multiplier of between 3 and 4 depending on back testing results for its Value-at-Risk (VaR) model which is based on a 99% confidence level and a 10-day liquidation period.

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

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

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

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

	2020 \$m	2019 \$m
<b>Value at Risk (VaR)</b>		
Average Daily Balance for Year	1.4	0.9
Lowest for Year	0.7	0.6
Highest for Year	3.5	1.3
Closing Balance	1.2	0.9

### Interest Rate Risk Exposure

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

	Weighted Average Effective Interest Rate %	At Call \$m	Up to 3 Months \$m	3 to 12 Months \$m	1 to 5 Years \$m	Over 5 Years \$m	Non Interest Bearing \$m	Total \$m
<b>2020</b>								
<b>Financial Assets:</b>								
Cash and Cash Equivalents	0.76	255.4						255.4
Receivables – non derivative							278.1	278.1
– derivative			(103.9)	(18.0)	717.1	252.0		847.2
Investments	1.31	48.0	5,490.7	739.7	886.4			7,164.8
Loans to Authorities	2.50		18,376.3	4,567.3	13,897.0	19,268.9		56,109.5
		303.4	23,763.1	5,289.0	15,500.5	19,520.9	278.1	64,655.0
<b>Financial Liabilities:</b>								
Payables							3,976.0	3,976.0
Borrowings	2.17		15,847.5	389.7	22,093.8	22,170.5		60,501.5
		0.0	15,847.5	389.7	22,093.8	22,170.5	3,976.0	64,477.5
<b>2019</b>								
<b>Financial Assets:</b>								
Cash and Cash Equivalents	2.04	141.5						141.5
Receivables – non derivative							360.3	360.3
– derivative			(543.2)	84.1	768.5	278.9		588.3
Investments	2.09	40.0	1,229.8	2,976.4	1,171.9	59.2		5,477.3
Loans to Authorities	3.01		16,617.4	5,888.1	13,306.7	17,100.7		52,912.9
		181.5	17,304.0	8,948.6	15,247.1	17,438.8	360.3	59,480.3
<b>Financial Liabilities:</b>								
Payables							1,651.3	1,651.3
Borrowings	2.73		10,826.0	5,120.7	22,670.7	19,053.1		57,670.5
		0.0	10,826.0	5,120.7	22,670.7	19,053.1	1,651.3	59,321.8

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

## NOTE 20 (CONTINUED)

### Exchange Rate Risk

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

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

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

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

### Credit Risk

Credit risk is the risk of financial loss due to a counterparty not meeting its financial obligations to WATC.

WATC's governing legislation only permits lending to Western Australian public sector agencies or to entities that have approval to borrow from WATC conferred by a written law. WATC does not set aside capital to cover its exposure to public sector agencies due to the nature of its relationship to such entities.

As a result, WATC's credit risk is primarily limited to investment, derivative and local government counterparties. WATC has a comprehensive Credit Risk Management Policy that is designed to reduce credit risk by ensuring diversification of WATC's credit exposures and by setting minimum standards for the credit quality of counterparties. WATC also reduces credit risk in relation to derivative instruments by using ISDA Master Agreements with netting provisions and Credit Support Annexes (CSAs).

The capital required to cover credit risk varies depending on the market value of the investment, the maturity of the investment and the credit standing of the counterparty. Capital is also set aside to cover the credit risk associated with WATC's derivative exposures.

	2020 %	2019 %
<b>Credit Exposure of Investments by Rating</b>		
AAA	<b>27.85</b>	17.97
AA	<b>61.15</b>	69.78
A	<b>11.00</b>	12.25
BBB	<b>0.00</b>	0.00
	<b>100.00</b>	100.00
<b>Credit Exposure of Derivatives by Rating</b>		
AAA	<b>0.00</b>	0.00
AA	<b>95.60</b>	92.74
A	<b>4.40</b>	7.26
	<b>100.00</b>	100.00

### Liquidity Risk

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

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

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

By maintaining a minimum level of liquid assets, WATC ensures that it has sufficient liquidity to meet unforeseen large net cash outflows or temporary market disruptions.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

### NOTE 20 (CONTINUED)

#### Liquidity Table

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

	Up to 3 Months \$m	3 to 12 Months \$m	1 to 5 Years \$m	Over 5 Years \$m	Total \$m
<b>2020</b>					
<b>Financial Liabilities:</b>					
Borrowings					
– non derivative	7,349.7	3,548.1	31,296.0	21,051.9	63,245.7
	7,349.7	3,548.1	31,296.0	21,051.9	63,245.7
Derivatives					
– derivative payable	736.8	5.7	144.6	32.5	919.6
– derivative receivable	818.3	230.1	649.3	70.4	1,768.1
Derivatives Net	(81.5)	(224.4)	(504.7)	(37.9)	(848.5)
<b>Total</b>	<b>7,268.2</b>	<b>3,323.7</b>	<b>30,791.3</b>	<b>21,014.0</b>	<b>62,397.2</b>

2019

Financial Liabilities:

Borrowings					
– non derivative	2,589.7	9,190.6	30,968.4	18,501.5	61,250.2
	2,589.7	9,190.6	30,968.4	18,501.5	61,250.2
Derivatives					
– derivative payable	13.9	59.3	76.2	1.8	151.2
– derivative receivable	78.6	204.2	431.4	33.7	747.9
Derivatives Net	(64.7)	(144.9)	(355.2)	(31.9)	(596.7)
<b>Total</b>	<b>2,525.0</b>	<b>9,045.7</b>	<b>30,613.2</b>	<b>18,469.6</b>	<b>60,653.5</b>

#### Funding Risk

Funding risk is the risk that funding may not always be available. This can arise where there is a lack of funding facility diversification or the funding requirement over a particular time period is excessive.

This risk is minimised by WATC through the diversification of funding activity across domestic and offshore markets and across the maturity spectrum and by maintaining a highly liquid investment portfolio.

The Board requires ALCO to ensure that appropriate facilities and funding sources are maintained. In addition, the Board sets minimum debt maturity and liquidity coverage targets within which ALCO must operate in order to ensure funding risk is appropriately controlled.

#### Operational Risk

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

WATC's Operational Risk Management Policy sets out the methodology by which its operational risks are identified, assessed, controlled and monitored. The key objectives of the policy are:

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

#### Capital Requirements

Under WATC's capital policy, a defined minimum amount of capital must be retained to cover its market, credit and operational risk exposures. WATC considers retained earnings and reserves as its capital.

The minimum market, credit and operational risk capital requirement calculation is guided by APRA's prudential standards and the Basel Accord. The calculation of WATC's total capital requirement is carried out on a daily basis and compared to WATC's available capital.

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

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

In accordance with WATC's Market Risk Management policy, VaR is calculated using a 10-day holding period and a 99% confidence interval. To determine WATC's market risk capital requirement, the calculated VaR statistic is multiplied by 3.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

### NOTE 20 (CONTINUED)

#### MANAGEMENT

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

In carrying out its mission, WATC is a net borrower from the capital markets. WATC's funding preferences in terms of term structure and product usage must be balanced against investor preferences in order to source funds at the lowest cost. In this regard, WATC accepts a degree of market risk by allowing the maturity profile of its funding portfolio to only approximate the maturity profile of its lending portfolio. Derivative instruments, including swaps, forward rate agreements and futures, are used to economically hedge and minimise the residual market risks incurred.

The amounts to be exchanged on these contracts are calculated with reference to the notional amount and other terms of the derivatives. Credit exposure represents WATC's estimate of its exposure at reporting date in the event of non-performance by counterparties. WATC has adopted APRA's "Current Exposure Method" to determine the credit exposure arising from its derivative transactions. At 30 June 2020, WATC is confident that all its counterparties will meet their obligations.

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

	Notional Amount \$m	Fair Value \$m	Credit Exposure \$m
<b>As at 30 June 2020</b>			
<b>Futures</b>	<b>662.6</b>	<b>(0.1)</b>	<b>0.0</b>
<b>Interest Rate Swaps</b>	<b>12,763.0</b>	<b>847.2</b>	<b>801.7</b>
<b>Forward Rate Agreements</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>As at 30 June 2019</b>			
Futures	53.0	(0.1)	0.0
Interest Rate Swaps	12,316.2	589.4	754.1
Forward Rate Agreements	345.0	(1.0)	0.0

Interest rate swaps are used from time to time to manage funding and interest rate risk by issuing fixed rate benchmark bonds and interest rate swaps to generate floating rate exposures. At times, floating to fixed swaps are used to change floating rate borrowings to fixed rate borrowings in order to

match WATC's lending to client authorities. With interest rate swaps, WATC agrees with counterparties to exchange, at predetermined intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to an agreed notional face value. Interest rate swaps are also used to provide term floating rate funds for client authorities. At 30 June 2020, WATC had lent funds amounting to A\$17,562.1 million (2019, A\$17,107.7 million) on this basis.

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

WATC borrows in foreign currencies when the all in cost after swapping back into Australian dollars is cheaper than the equivalent domestic borrowing. Whereas WATC manages interest rate risk on a portfolio basis, it manages the exchange rate risk on foreign currency borrowings as part of the borrowing transaction. At 30 June, WATC had foreign currency swaps and forwards amounting to A\$650.2 million with a fixed future obligation in Australian dollars of A\$649.1 million (2019, no foreign currency swaps and forwards). Additionally, WATC has arranged foreign exchange transactions for clients amounting to A\$74.6 million (2019, A\$58.8 million). These transactions are arranged with clients on a back to back basis and therefore WATC does not have any net exposure. The fair value of A\$1.0 million relating to these forward foreign exchange transactions receivable from authorities and payable to third parties is included in Notes 11(b) and 17(b) respectively.

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

	Coupon	Market Rate as at 30 June 2020	Market Rate as at 30 June 2019
Overnight	-	0.25%	1.25%
90 days	-	0.10%	1.20%
180 days	-	0.16%	1.22%
22 July 2020	2.50%	0.13%	1.16%
15 July 2021	7.00%	0.30%	1.16%
20 October 2022	2.75%	0.33%	1.21%
16 October 2023	6.00%	0.42%	1.25%
23 July 2024	2.50%	0.53%	1.35%
23 July 2025	5.00%	0.65%	1.42%
21 October 2026	3.00%	0.79%	1.58%
21 October 2027	3.00%	0.97%	1.69%
20 July 2028	3.25%	1.09%	1.76%
24 July 2029	2.75%	1.23%	1.86%
22 October 2031	1.75%	1.50%	-
24 October 2034	2.00%	1.88%	-
23 July 2041	2.25%	2.20%	-

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

### NOTE 20 (CONTINUED)

#### Fair Value Hierarchy

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

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

There were no transfers between levels during the year ended 30 June 2020.

	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>30 June 2020</b>				
Financial assets designated at fair value through profit or loss				
Investments	1,674.1	5,490.7	0.0	7,164.8
Loans to Authorities	54.7	56,054.8	0.0	56,109.5
Derivative financial assets	0.0	6.9	0.0	6.9
<b>Total Assets</b>	<b>1,728.8</b>	<b>61,552.4</b>	<b>0.0</b>	<b>63,281.2</b>
Financial liabilities designated at fair value through profit or loss				
Borrowings	47,326.9	13,174.6	0.0	60,501.5
Derivative financial liabilities	0.0	(840.3)	0.0	(840.3)
<b>Total Liabilities</b>	<b>47,326.9</b>	<b>12,334.3</b>	<b>0.0</b>	<b>59,661.2</b>
<b>30 June 2019</b>				
Financial assets designated at fair value through profit or loss				
Investments	2,147.7	3,329.6	0.0	5,477.3
Loans to Authorities	0.0	52,912.9	0.0	52,912.9
Derivative financial assets	0.0	3.3	0.0	3.3
<b>Total Assets</b>	<b>2,147.7</b>	<b>56,245.8</b>	<b>0.0</b>	<b>58,393.5</b>
Financial liabilities designated at fair value through profit or loss				
Borrowings	45,762.9	11,907.6	0.0	57,670.5
Derivative financial liabilities	0.0	(585.0)	0.0	(585.0)
<b>Total Liabilities</b>	<b>45,762.9</b>	<b>11,322.6</b>	<b>0.0</b>	<b>57,085.5</b>



The valuation technique used to determine the value of Level 2 assets or liabilities is the generation of a range of zero coupon yield curves using Level 1 inputs or the valuation of an asset or liability at a spread to a particular curve. Inputs include prices on WATC benchmark bond lines, bank bill swap rates, money market rates, exchange rates, observed spreads between issuers and benchmark rates and observed spreads between curves at particular points on the curve. These inputs are revised daily to improve estimation results against observable criteria.

Investments are valued utilising quoted prices in an active market for identical assets where available or on a discounted cash flow basis using appropriate zero coupon yield curves.

Loans to Authorities are valued on a discounted cash flow basis using WATC zero coupon yield curves.

Derivative financial assets and liabilities, which includes over the counter derivatives such as interest rate swaps, forward rate agreements and foreign currency swaps are valued on a discounted cash flow basis using WATC zero coupon yield curves.

Borrowings are valued utilising quoted prices in an active market for identical liabilities where available or on a discounted cash flow basis using swap zero coupon yield curves.

### NOTE 21 NOTES TO THE STATEMENT OF CASH FLOWS

	2020 \$m	2019 \$m
--	-------------	-------------

#### 21a. Reconciliation of Cash

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

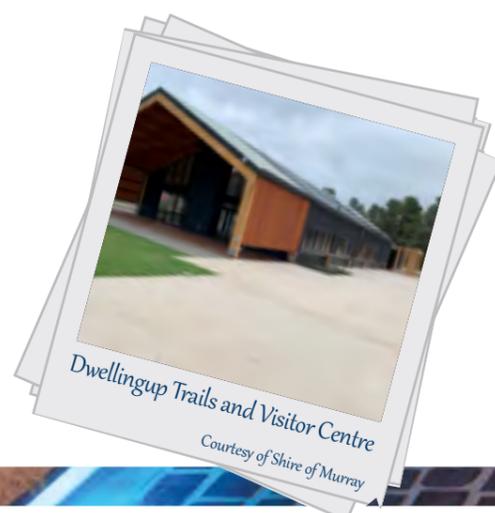
Bank Deposits (Note 8)	255.4	141.5
Short Term Money Market Investments	827.7	264.1
Overseas Bank Accounts (Note 8)	0.0	0.0
	<b>1,083.1</b>	<b>405.6</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

### NOTE 21 (CONTINUED)

	2020 \$m	2019 \$m
<b>21b. Reconciliation of Net Cash provided by/(used in) Operating Activities to Profit for the period</b>		
Profit for the period	28.5	29.2
Depreciation	0.1	0.2
Amortisation of Intangible Assets	0.8	0.2
Decrease in Receivables	49.6	0.6
Decrease/(Increase) in Accrued Interest Payable	(50.9)	19.1
Increase/(Decrease) in Other Creditors	0.8	(0.7)
Movement in tax liabilities	12.3	12.6
(Increase) in deferred tax asset	(0.1)	(0.1)
Increase in Employee Benefits	0.4	0.4
Premium/discount amortisation	(235.9)	(254.4)
Fair Value Adjustment	54.9	53.4
Tax Equivalent Payment	0.0	(10.4)
Other Receipt/(Payment) on behalf of Client Authorities	0.3	(0.2)
Cash (increase) in Investments	(1,207.4)	(2,021.7)
Cash (increase)/decrease in Lending	(379.6)	499.0
Cash increase in Borrowings	2,426.8	1,319.4
Net Cash provided by/(used) in Operating Activities	700.6	(353.4)



### NOTE 22

#### REMUNERATION OF DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

WATC has determined that key management personnel include Ministers, directors and senior officers of WATC. However, WATC is not obligated to compensate Ministers. Disclosures relating to Ministers' compensation is included in the Annual Report on State Finances.

#### Directors' Remuneration

M A Barnes, Chairperson, M J R Court, Deputy Chairperson, K P Gulich, Chief Executive Officer, D D Brumby, Director, P Hobson, Director and S L Murphy, Director are the current directors of WATC. All directors other than K P Gulich are non-executive. The number of directors whose total of fees, salaries, superannuation and other benefits for the financial year fall within the following bands are:

\$	2020	2019
0	2	2
10,000 - 20,000	*2	*2
20,001 - 30,000	**2	**1
40,001 - 50,000	1	1
190,001 - 200,000	-	***1
360,001 - 370,000	-	****1
450,001 - 460,000	1	-

#### 2020

\* Ms Hobson and Mr Brumby joined the Board during the year and therefore this salary represents part year only.  
\*\* Ms Nance and Mr Searle retired from the Board during the year.

#### 2019

\* Mr Searle retired from the public sector during the year and became eligible for remuneration and therefore this salary represents part year only.  
\* Ms Seabrook retired from the Board during the year.  
\*\* Ms Murphy replaced Ms Seabrook during the year and therefore this salary represents part year only.  
\*\*\* Ms Gulich replaced Mr Collins during the year and therefore this salary represents part year only.  
\*\*\*\* Mr Collins retired during the year.

	2020 \$	2019 \$
The total remuneration of the directors of WATC is:	571,839	655,034
Which comprises:		
Short Term Employment Benefits	510,801	592,753
Other Long Term Employment Benefits	12,889	16,078
Post Employment Benefits	48,149	46,203

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

No directors are members of the Pension Scheme.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

### NOTE 22 (CONTINUED)

#### Other Key Management Personnel Remuneration

Other Key Management Personnel are V Cinquina, Head of Financial Markets, S L Luff, Chief Financial Officer and Board Secretary, W L McEwen, Chief Risk Officer, S J B Morhall, General Manager Client Services, R A Moulton, Chief Operating Officer and R L Ridgway, Human Resource Manager. The number of other key management personnel, other than directors, whose total fees, salaries, superannuation and other benefits, including payout of entitlements, for the financial year, fall within the following bands are:

\$	2020	2019
170,001 - 180,000	-	1
180,001 - 190,000	1	-
220,001 - 230,000	-	1
230,001 - 240,000	-	-
240,001 - 250,000	1	1
250,001 - 260,000	1	-
260,001 - 270,000	1	-
280,001 - 290,000	-	1
300,001 - 310,000	2	1
320,001 - 330,000	-	1

	2020 \$	2019 \$
The total remuneration of other key management personnel is:	<b>1,565,796</b>	1,565,028
Which comprises:		
Short Term Employment Benefits	<b>1,396,037</b>	1,346,786
Other Long Term Employment Benefits	<b>22,475</b>	73,083
Post Employment Benefits	<b>147,284</b>	145,159

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

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

	2020	2019
The total remuneration of directors and key management personnel is:	<b>2,137,635</b>	2,220,062
Which comprises:		
Short Term Employment Benefits	<b>1,906,838</b>	1,939,539
Other Long Term Employment Benefits	<b>35,364</b>	89,161
Post Employment Benefits	<b>195,433</b>	191,362

### NOTE 23

#### AUDITOR'S REMUNERATION

	2020 \$	2019 \$
Amounts paid or due and payable to the Office of the Auditor General for auditing the financial statements and performance indicators.	<b>179,401</b>	179,401

### NOTE 24

#### RELATED PARTY TRANSACTIONS

WATC is wholly-owned and controlled by the State of Western Australia. Related parties of WATC include:

- all Ministers and their close family members, and their controlled or jointly controlled entities;
- all senior officers and their close family members, and their controlled or jointly controlled entities;
- other statutory authorities and State government departments, including their related bodies, that are included in the whole of government consolidated financial statements;
- associates and joint ventures of an entity that are included in the whole of government financial statements; and
- the Government Employees Superannuation Board (GESB).

#### Significant transactions with government related entities

In its role as the State's central borrowing authority, WATC advances funds, which are guaranteed by the State, to various State Government authorities. As at 30 June 2020, 98.8% (2019, 98.8%) of total loans to authorities were advanced to State Government authorities. The loans are provided at the cost of borrowing to WATC plus a margin to cover administration expenses and have various maturities. Details of maturity profile, interest earned and average interest earned are shown in [Note 11](#).

In addition, WATC receives services from various government departments and agencies in the normal course of business. These transactions take place on an arm's length basis and include superannuation payments to GESB and accommodation rental payments to the Department of Finance.

#### Material transactions with related parties

WATC had no material related party transactions with key management personnel or their close family members or their jointly controlled entities.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

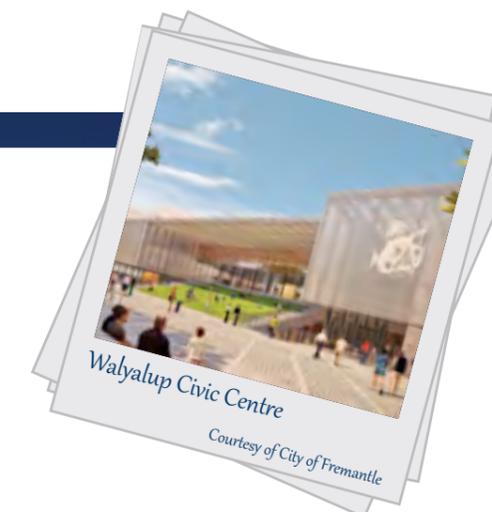
### NOTE 25 EXPLANATORY STATEMENT

#### 25a. Actual/Budget Comparison 2019/20

	Actual \$m	Budget \$m	Variance \$m	Comment
<b>Revenue</b>				
Interest on Investments	79.0	61.5	17.5	1
Interest from Authorities	1,298.0	1,472.3	(174.3)	2
Fee Income	2.5	1.7	0.8	
	<b>1,379.5</b>	<b>1,535.5</b>	<b>(156.0)</b>	
<b>Gains</b>				
Foreign Exchange Gain	0.0	0.0	0.0	
Gains from Sale of Plant and Equipment	0.0	0.0	0.0	
Total Income	<b>1,379.5</b>	<b>1,535.5</b>	<b>(156.0)</b>	
<b>Expenses</b>				
Interest on Borrowings	1,262.7	1,482.3	(219.6)	4
Borrowing Related Expenses	1.2	4.2	(3.0)	
Depreciation	0.1	0.2	(0.1)	
Amortisation of Intangible Assets	0.8	0.9	(0.1)	
Administration Expenses	19.1	19.3	(0.2)	
Net Fair Value Movement	54.9	0.0	54.9	3
	<b>1,338.8</b>	<b>1,506.9</b>	<b>(168.1)</b>	
Profit before income tax equivalent	40.7	28.6	12.1	
Income tax equivalent expense	12.2	8.6	3.6	
Profit for the period	28.5	20.0	8.5	
Other Comprehensive Income	0.0	0.0	0.0	
Total Comprehensive Income	28.5	20.0	8.5	

#### Comments - Reasons For Variations From Budgeted Amounts

- The increase in Interest on Investments compared to budget was due to a higher than anticipated balance invested.
- The decrease in Interest from Authorities compared to budget was due to lower than anticipated interest rates and a lower than anticipated client authority borrowing program.
- The relationship between net fair value movement and interest income and expense is discussed at [Note 6](#). The budget does not separately identify unrealised gains or losses.
- The decrease in Interest on Borrowings compared to budget was due to lower than anticipated interest rates and debt levels.



Walyalup Civic Centre  
Courtesy of City of Fremantle

#### 25b. Comparison Between 2019/20 And The Previous Year

	2020 \$m	2019 \$m	Change \$m	Comment
<b>Revenue</b>				
Interest on Investments	79.0	90.9	(11.9)	1
Interest from Authorities	1,298.0	1,532.2	(234.2)	2
Fee Income	2.5	1.9	0.6	
	<b>1,379.5</b>	<b>1,625.0</b>	<b>(245.5)</b>	
<b>Gains</b>				
Foreign Exchange Gain	0.0	0.0	0.0	
Gains from Sale of Plant and Equipment	0.0	0.0	0.0	
Total Income	<b>1,379.5</b>	<b>1,625.0</b>	<b>(245.5)</b>	
<b>Expenses</b>				
Interest on Borrowings	1,262.7	1,511.0	(248.3)	4
Borrowing Related Expenses	1.2	1.1	0.1	
Depreciation	0.1	0.2	(0.1)	
Amortisation of Intangible Assets	0.8	0.2	0.6	
Administration Expenses	19.1	17.4	1.7	
Net Fair Value Movement	54.9	53.4	1.5	3
	<b>1,338.8</b>	<b>1,583.3</b>	<b>(244.5)</b>	
Profit before income tax equivalent	40.7	41.7	(1.0)	
Income tax equivalent expense	12.2	12.5	(0.3)	
Profit for the period	28.5	29.2	(0.7)	
Other Comprehensive Income	0.0	0.0	0.0	
Total Comprehensive Income	28.5	29.2	(0.7)	

- Interest on Investments has decreased by \$11.9 million from the previous year mainly due to a decrease in interest rates.
- Interest from Authorities has decreased by \$234.2 million from the previous year mainly due to the impact of decreases in interest rates.
- Net Fair Value Movement has increased by \$1.5 million from the previous year mainly due to changes in interest rates.
- Interest on Borrowings has decreased by \$248.3 million from the previous year as a result of decreased interest rates.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

### NOTE 26 COMMITMENTS

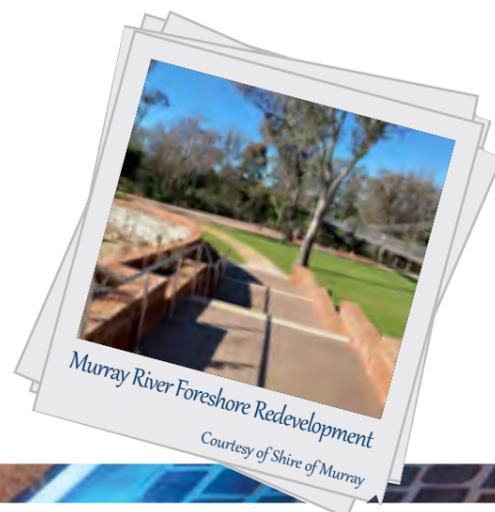
There are no expenditure commitments contracted for and payable at 30 June 2020 (2019, nil).

### NOTE 27 SUBSEQUENT EVENTS

There have been no events subsequent to balance date which would have a material effect on WATC's financial statements at 30 June 2020.

### NOTE 28 CONTINGENT LIABILITIES

There are no contingent liabilities at 30 June 2020 (2019, nil).



## CERTIFICATION OF FINANCIAL STATEMENTS

For the year ended 30 June 2020

The accompanying financial statements of the Western Australian Treasury Corporation have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ended 30 June 2020 and the financial position as at 30 June 2020.

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

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

1 September 2020

**K P GULICH**  
CHIEF EXECUTIVE OFFICER  
WESTERN AUSTRALIAN  
TREASURY CORPORATION

1 September 2020

**M A BARNES** PSM  
CHAIRPERSON  
WESTERN AUSTRALIAN  
TREASURY CORPORATION

1 September 2020

## KEY PERFORMANCE INDICATORS

### VISION (2019/2020)

To be recognised as the best at providing financial solutions for the benefit of the Western Australian public sector.

### KEY OUTCOME

The key outcome of this vision is that clients are able to borrow from WATC at a commercially competitive cost.

### KEY OUTPUT

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

### GLOSSARY OF TERMS

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

### KEY EFFECTIVENESS INDICATOR – ESTIMATED INTEREST RATE SAVINGS

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

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

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

Term to Maturity as at 30/6/20 (Years)	AAA			AA+			AA			AA-		
	19/20 %	18/19 %	17/18 %	19/20 %	18/19 %	17/18 %	19/20 %	18/19 %	17/18 %	19/20 %	18/19 %	17/18 %
1 to 2	<b>0.31</b>		0.17	<b>0.17</b>	0.33	0.27		0.31	0.45	<b>0.35</b>	0.46	0.35
2 to 3	<b>0.25</b>	0.24		<b>0.38</b>	0.17	0.35	<b>0.52</b>		0.39	<b>0.39</b>	0.48	0.49
3 to 4	<b>0.20</b>	0.23	0.24	<b>0.49</b>	0.38	0.25	<b>0.60</b>			<b>0.46</b>	0.58	0.45
4 to 5		0.18	0.24		0.48	0.28				<b>0.47</b>	0.65	0.46
5 to 6	<b>0.30</b>		0.16	<b>0.58</b>		0.31	<b>0.84</b>		0.68	<b>0.75</b>		0.39
6 to 7	<b>0.25</b>	0.27		<b>0.37</b>	0.52			0.86		<b>0.61</b>	0.84	
7 to 8	<b>0.20</b>	0.18	0.21	<b>0.42</b>	0.29	0.30	<b>0.48</b>		0.73	<b>0.61</b>	0.71	0.57
8 to 9	<b>0.13</b>	0.13	0.14	<b>0.21</b>	0.40	0.21	<b>0.43</b>	0.43			0.74	0.54
9 to 10		0.10	0.06									0.52
10 to 11												
11 to 12												
12 to 13												
13 to 14												

\* A blank entry in the table means there is no reference bond available in the corporate bond market for comparative purposes. Target Interest Rate Saving is an amount above 0.00%.

By way of example, the saving of 0.31% identified in the first row of the AAA 19/20 column represents the estimated interest rate saving to a client (able to borrow in the corporate bond market with an AAA credit rating) when borrowing from WATC.

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

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

#### Cost Estimation Methodology

A number of corporate bonds were selected for the purpose of comparison to WATC's Debt Portfolio Manager (DPM) lending program. To be selected, a bond had to satisfy the following conditions:

- be rated between AAA and AA-;
- be on issue at 30 June 2019 and have at least one year until maturity at 30 June 2020;
- not be guaranteed by the Commonwealth or other central governments; and
- not be subordinated debt.

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

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

## KEY PERFORMANCE INDICATORS (CONTINUED)

### KEY EFFICIENCY INDICATOR – ADMINISTRATION COST RATIO

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

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

Table 2 – WATC Administration Cost Ratio 2015/16 to 2019/20

Year	Net Administration Expense \$m	Average Loan Funds Outstanding \$m	Target Administration Cost Ratio %	Actual Administration Cost Ratio %
2015/16	14.860	37,897	<0.060	0.039
2016/17	15.768	42,828	<0.060	0.037
2017/18	16.189	47,361	<0.060	0.034
2018/19	17.032	49,570	<0.050	0.034
<b>2019/20</b>	<b>18.820</b>	<b>49,521</b>	<b>&lt;0.050</b>	<b>0.038</b>

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

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

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

### Glossary of Terms

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

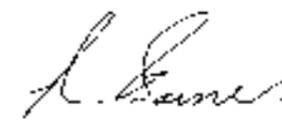
### CERTIFICATION OF PERFORMANCE INDICATORS

We hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess Western Australian Treasury Corporation's performance and fairly represent the performance of Western Australian Treasury Corporation for the financial year ended 30 June 2020.



**K P GULICH**  
CHIEF EXECUTIVE OFFICER  
WESTERN AUSTRALIAN  
TREASURY CORPORATION

1 September 2020



**M A BARNES PSM**  
CHAIRPERSON  
WESTERN AUSTRALIAN  
TREASURY CORPORATION

1 September 2020

# INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

## WESTERN AUSTRALIAN TREASURY CORPORATION

### Report on the Financial Statements

#### *Opinion*

I have audited the financial statements of the Western Australian Treasury Corporation which comprise the Statement of Financial Position as at 30 June 2020, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Western Australian Treasury Corporation for the year ended 30 June 2020 and the financial position at the end of that period. They are in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

#### *Basis for Opinion*

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibility for the Audit of the Financial Statements* section of my report. I am independent of the Corporation in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial statements. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### *Responsibility of the Board for the Financial Statements*

The Board is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of the Corporation.

#### *Auditor's Responsibility for the Audit of the Financial Statements*

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial statements. The objectives of my audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A further description of my responsibilities for the audit of the financial statements is located on the Auditing and Assurance Standards Board website at [https://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of my auditor's report.

### Report on Controls

#### *Opinion*

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Western Australian Treasury Corporation. The controls exercised by the Corporation are those policies and procedures established by the Board to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions (the overall control objectives).

My opinion has been formed on the basis of the matters outlined in this report.

In my opinion, in all material respects, the controls exercised by the Western Australian Treasury Corporation are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2020.

#### *The Board's Responsibilities*

The Board is responsible for designing, implementing and maintaining controls to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities are in accordance with the *Financial Management Act 2006*, the Treasurer's Instructions and other relevant written law.

#### *Auditor General's Responsibilities*

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the suitability of the design of the controls to achieve the overall control objectives and the implementation of the controls as designed. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3150 *Assurance Engagements on Controls* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements and plan and perform my procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the overall control objectives and were implemented as designed.

An assurance engagement to report on the design and implementation of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the overall control objectives and the implementation of those controls. The procedures selected depend on my judgement, including the assessment of the risks that controls are not suitably designed or implemented as designed. My procedures included testing the implementation of those controls that I consider necessary to achieve the overall control objectives.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

# INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Parliament of Western Australia

## *Limitations of Controls*

Because of the inherent limitations of any internal control structure, it is possible that, even if the controls are suitably designed and implemented as designed, once the controls are in operation, the overall control objectives may not be achieved so that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Any projection of the outcome of the evaluation of the suitability of the design of controls to future periods is subject to the risk that the controls may become unsuitable because of changes in conditions.

## **Report on the Key Performance Indicators**

### *Opinion*

I have undertaken a reasonable assurance engagement on the key performance indicators of the Western Australian Treasury Corporation for the year ended 30 June 2020. The key performance indicators are the Under Treasurer-approved key effectiveness indicators and key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, the key performance indicators of the Western Australian Treasury Corporation are relevant and appropriate to assist users to assess the Corporation's performance and fairly represent indicated performance for the year ended 30 June 2020.

### *The Board's Responsibility for the Key Performance Indicators*

The Board is responsible for the preparation and fair presentation of the key performance indicators in accordance with the *Financial Management Act 2006* and the Treasurer's Instructions and for such internal control as the Board determines necessary to enable the preparation of key performance indicators that are free from material misstatement, whether due to fraud or error.

In preparing the key performance indicators, the Board is responsible for identifying key performance indicators that are relevant and appropriate, having regard to their purpose in accordance with Treasurer's Instruction 904 *Key Performance Indicators*.

### *Auditor General's Responsibility*

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the key performance indicators. The objectives of my engagement are to obtain reasonable assurance about whether the key performance indicators are relevant and appropriate to assist users to assess the entity's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements relating to assurance engagements.

An assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the key performance indicators. It also involves evaluating the relevance and appropriateness of the key performance indicators against the criteria and guidance in Treasurer's

Instruction 904 for measuring the extent of outcome achievement and the efficiency of service delivery. The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments I obtain an understanding of internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## **My Independence and Quality Control Relating to the Reports on Controls and Key Performance Indicators**

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## **Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators**

This auditor's report relates to the financial statements and key performance indicators of the Western Australian Treasury Corporation for the year ended 30 June 2020 included on the Corporation's website. The Corporation's management is responsible for the integrity of the Corporation's website. This audit does not provide assurance on the integrity of the Corporation's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to contact the entity to confirm the information contained in the website version of the financial statements and key performance indicators.



**CAROLINE SPENCER**

AUDITOR GENERAL  
FOR WESTERN AUSTRALIA

Perth, Western Australia

4 September 2020

## CLIENT AUTHORITIES

### Face Value Net Debt Outstanding to WATC at 30 June 2020

Authority Name	Balance at 1 July 2019 \$'000	Net Advances During Year \$'000	Balance at 30 June 2020 \$'000
Albany City Council	14,613	(2,518)	12,096
Animal Resources Authority	375	(164)	211
Armadale City Council	45,636	(5,994)	39,641
Ashburton Shire Council	3,813	(766)	3,047
Augusta-Margaret River Shire Council	9,397	(925)	8,472
Bassendean Town Council	680	(130)	549
Bayswater City Council	16	(4)	11
Belmont City Council	14,662	(706)	13,957
Beverley Shire Council	1,671	(153)	1,517
Boddington Shire Council	2,055	759	2,814
Boyup Brook Shire Council	473	(39)	433
Bridgetown-Greenbushes Shire Council	2,199	(388)	1,810
Brookton Shire Council	1,325	(254)	1,071
Broome Shire Council	3,399	711	4,110
Broomehill-Tambellup Shire Council	1,160	905	2,065
Bruce Rock Shire Council	71	201	272
Bunbury City Council	12,518	(1,298)	11,220
Bunbury Water Corporation	272	7,088	7,360
Busselton City Council	34,931	(3,730)	31,201
Busselton Water Corporation	842	(294)	548
Cambridge Town Council	1,107	0	1,107
Canning City Council	8,617	(3,130)	5,487
Capel Shire Council	6,031	(638)	5,392
Carnamah Shire Council	192	(42)	150
Carnarvon Shire Council	372	(55)	317
Chapman Valley Shire Council	159	(71)	88
Chittering Shire Council	2,268	(315)	1,953
Claremont Town Council	11,148	(644)	10,503
Cockburn City Council	17,500	(2,500)	15,000
Collie Shire Council	1,226	223	1,449
Coolgardie Shire Council	3,480	(577)	2,903
Coorow Shire Council	254	(37)	217

Authority Name	Balance at 1 July 2019 \$'000	Net Advances During Year \$'000	Balance at 30 June 2020 \$'000
Corrigin Shire Council	1,657	(79)	1,578
Cottesloe Town Council	3,744	(293)	3,451
Country Housing Authority	25,296	(6,790)	18,505
Cranbrook Shire Council	303	(132)	171
Cuballing Shire Council	272	(55)	217
Cue Shire Council	0	935	935
Cunderdin Shire Council	1,237	(78)	1,158
Curtin University	30,682	(2,216)	28,465
Dalwallinu Shire Council	3,460	(130)	3,330
Dandaragan Shire Council	366	(96)	269
Dardanup Shire Council	2,243	(280)	1,963
Denmark Shire Council	2,437	(306)	2,131
Derby-West Kimberley Shire Council	7,457	(3,648)	3,809
Donnybrook-Balingup Shire Council	205	259	464
Dowerin Shire Council	1,418	(142)	1,276
Dumbleyung Shire Council	1,044	(734)	310
Dundas Shire Council	387	(47)	340
East Pilbara Shire Council	4,800	(1,003)	3,797
Edith Cowan University	72,114	(22,272)	49,842
Electricity Generation and Retail Corporation	27,034	201,166	228,200
Electricity Networks Corporation	7,274,817	144,255	7,419,072
Esperance Shire Council	1,880	304	2,183
Exmouth Shire Council	1,999	(224)	1,775
FES Ministerial Body	36,556	3,484	40,040
Fremantle City Council	7,547	18,310	25,858
Fremantle Port Authority	172,770	(3,491)	169,279
Gingin Shire Council	2,201	(211)	1,990
Gnowangerup Shire Council	750	240	990
Gosnells City Council	10,759	5,807	16,566
Government Employees Superannuation Board	107,961	(52,168)	55,794
Greater Geraldton City Council	38,375	(5,296)	33,079
Halls Creek Shire Council	913	3,503	4,416
Harvey Shire Council	934	593	1,527
Housing Authority	4,752,657	488,796	5,241,454

## CLIENT AUTHORITIES (CONTINUED)

Authority Name	Balance at 1 July 2019 \$'000	Net Advances During Year \$'000	Balance at 30 June 2020 \$'000
Irwin Shire Council	3,269	1,178	4,447
Jerramungup Shire Council	789	322	1,111
Joondalup City Council	10,414	(3,324)	7,090
Kalamunda City Council	4,954	3,035	7,989
Kalgoorlie-Boulder City Council	9,847	(1,174)	8,673
Karratha City Council	346	(83)	263
Katanning Shire Council	2,784	(258)	2,526
Kellerberrin Shire Council	2,114	(198)	1,916
Kent Shire Council	343	(88)	254
Kimberley Ports Authority	11,697	(537)	11,160
Kojonup Shire Council	461	2,426	2,887
Kondinin Shire Council	3,284	(182)	3,103
Kulin Shire Council	1,252	(88)	1,164
Kwinana City Council	21,294	(1,451)	19,843
Lake Grace Shire Council	1,080	356	1,436
Laverton Shire Council	1,374	(217)	1,156
Manjimup Shire Council	4,235	366	4,601
Melville City Council	2,083	55	2,139
Merredin Shire Council	1,092	(243)	849
Metropolitan Redevelopment Authority	247,957	(36,265)	211,692
Mid West Ports Authority	10,910	(1,431)	9,479
Mingenew Shire Council	525	(197)	328
Minister for Education	349,527	14,087	363,615
Minister for Finance (utilising powers under the State Supply Commission Act 1991 as amended)	5,433	(5,433)	0
Minister for Fisheries	17,217	(2,306)	14,910
Moora Shire Council	1,087	(135)	951
Morawa Shire Council	307	(14)	293
Mosman Park Town Council	5,724	(308)	5,416
Mount Magnet Shire Council	117	(47)	69
Mount Marshall Shire Council	1,093	(43)	1,050
Mukinbudin Shire Council	706	794	1,500
Mundaring Shire Council	11,188	(633)	10,556
Murchison Shire Council	1,568	(1,551)	17

Authority Name	Balance at 1 July 2019 \$'000	Net Advances During Year \$'000	Balance at 30 June 2020 \$'000
Murdoch University	3,927	(385)	3,543
Murray Shire Council	3,485	573	4,057
Nannup Shire Council	358	276	633
Narembeen Shire Council	950	(51)	899
Narrogin Shire Council	1,142	(167)	975
Nedlands City Council	7,556	(1,691)	5,865
Northam Shire Council	2,281	4,124	6,405
Northampton Shire Council	1,275	201	1,475
Nungarin Shire Council	534	(45)	488
Peppermint Grove Shire Council	786	(30)	757
Perenjori Shire Council	748	(223)	525
Perth City Council	15,683	(6,904)	8,779
Pilbara Ports Authority	131,864	(23,032)	108,832
Pingelly Shire Council	3,572	(168)	3,405
Plantagenet Shire Council	1,970	149	2,118
Public Transport Authority	2,372,718	180,834	2,553,552
Quairading Shire Council	520	62	582
Ravensthorpe Shire Council	1,694	(210)	1,485
Regional Power Corporation	698,700	(7,804)	690,896
Rockingham City Council	10,062	(1,071)	8,991
Serpentine-Jarrahdale Shire Council	6,181	1,004	7,185
Shark Bay Shire Council	163	749	913
South Perth City Council	8,753	(1,297)	7,456
Southern Metropolitan Regional Council	15,661	(3,948)	11,713
Southern Ports Authority	18,624	(7,090)	11,533
Subiaco City Council	7,311	(524)	6,787
Swan City Council	36,392	2,838	39,230
Tammin Shire Council	271	(10)	261
The Minister for Agriculture and Food exercising power under Sec 6(1) of the the Loans (Co- operative Companies) Act 2004	29,318	(3,247)	26,070
The Treasurer on behalf of the State of Western Australia	25,966,043	(540,347)	25,425,696
Three Springs Shire Council	141	(51)	89

## CLIENT AUTHORITIES (CONTINUED)

Authority Name	Balance at 1 July 2019 \$'000	Net Advances During Year \$'000	Balance at 30 June 2020 \$'000
Toodyay Shire Council	1,824	4,261	6,085
Trayning Shire Council	494	159	652
University of Western Australia	142,630	46,456	189,086
Upper Gascoyne Shire Council	830	(74)	756
Victoria Park Town Council	4,241	16,098	20,338
Victoria Plains Shire Council	194	(35)	159
Vincent City Council	13,948	(5,144)	8,804
Wagin Shire Council	638	(55)	584
Wandering Shire Council	474	(474)	0
Wanneroo City Council	60,778	4,556	65,334
Waroona Shire Council	365	(61)	304
Water Corporation	5,980,000	0	5,980,000
West Arthur Shire Council	807	(91)	716
Western Australian Land Authority	225,500	10,000	235,500
Westonia Shire Council	85	(75)	10
Wickepin Shire Council	52	(31)	21
Williams Shire Council	816	(113)	703
Wiluna Shire Council	3,718	(287)	3,431
Wongan-Ballidu Shire Council	357	1,888	2,244
Wyalkatchem Shire Council	111	(20)	91
Wyndham-East Kimberley Shire Council	3,378	(779)	2,599
Yalgoo Shire Council	456	(121)	335
York Shire Council	2,103	(234)	1,869
<b>TOTAL</b>	<b>49,327,287</b>	<b>387,222</b>	<b>49,714,509</b>

Note: Due to rounding some figures do not add.

## CONTACT DETAILS

### Western Australian Treasury Corporation

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### Registry Information

Link Market Services Limited is the agent for supplying registry services to Western Australian Treasury Corporation's stockholders. Please call Link Market Services Limited on Freecall 1800 098 828 for all stockholding enquiries.

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