



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 2018

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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 2018. 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 and is also available in alternative formats upon request.

WESTERN AUSTRALIAN TREASURY CORPORATION

FINANCIAL SOLUTIONS FOR THE BENEFIT OF ALL WESTERN AUSTRALIANS

The Hon. Ben Wyatt

Treasurer of Western Australia; Minister for Finance; Energy; Aboriginal Affairs

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 2018.

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



M A BARNES
CHAIRPERSON
WESTERN AUSTRALIAN
TREASURY CORPORATION

17 August 2018



J M COLLINS V
CHIEF EXECUTIVE OFFICER
WESTERN AUSTRALIAN
TREASURY CORPORATION

17 August 2018

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VISION, OBJECTIVES, VALUES

Western Australian Treasury Corporation (WATC) fulfils the role as the State's central financial services provider, working with our public sector clients to assist them to achieve sound financial risk management 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 at the lowest possible cost.
- 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.

EXCELLENCE
PARTNERSHIP
INTEGRITY
COMMITMENT

91% of clients surveyed agreed that WATC is living our values.

HIGHLIGHTS



Successfully delivered the State's \$10.2 billion borrowing requirement.



Over half of our client base are active on the Client Portal.



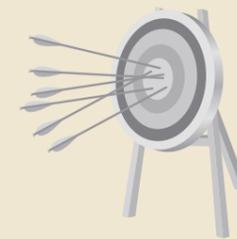
Provided FX workshops to 86 WA public sector employees.



80% of clients are using WATC as their preferred provider of interest cost forecasts.



Over 90% of surveyed clients were very or extremely satisfied with the quality of our advice.



All of our current performance targets were met.

CHAIRPERSON AND CEO'S REPORT

Using our EPIC values as a guide, WATC consistently delivered on our vision this financial year.

During 2017/18, WATC sourced new funding of \$4.9 billion (compared to the initially estimated \$5.7 billion requirement), along with the refinancing of \$5.3 billion in maturities, to total \$10.2 billion in funding.

Investor marketing continued to be emphasised this year, with good results. WATC's April 2018 issuance of a new \$1.3 billion 2028 benchmark bond attracted \$3.0 billion in bids. Offshore interest from eleven countries comprised 38% of the allocated volume. This compares with an estimated historic 20-25% offshore interest.

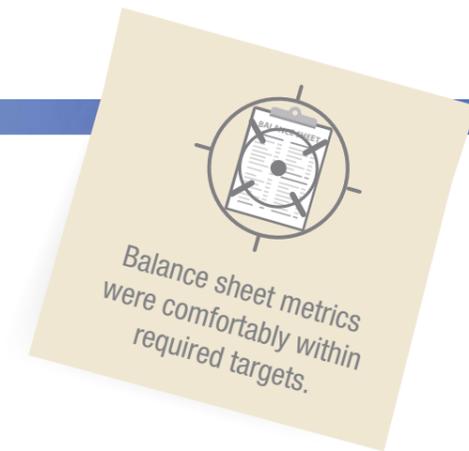
The spread in interest rate differentials between WATC and other Australian states continued to improve throughout the year, as the market's assessment of WA's economic and fiscal outlook became more positive.

Balance sheet metrics of debt maturing within 12 months of 15.4% and liquid asset portfolio cover of 123.3% (153.9% with additional State assets) were comfortably within WATC Board targets of less than 20% and above 100% respectively.

Net profit before tax was double the amount from last year, at \$34.8 million. Reported balance sheet growth was less this year, as \$1.0 billion in pre-funding occurred last year and a significant portion of the WATC component of the State's liquid asset portfolio was used to fund the maturity of the July 2017 benchmark bond.

WATC will contribute \$10.4 million in tax equivalent income to the State this year, and \$18.3 million in dividends next year, as a result of this year's performance – a total of \$28.7 million. This equates to \$410,000 for each of our 70 employees at year-end.

For the first time, all six of our current performance targets were achieved. The outlier had been the Staff Engagement Survey, which this year exceeded the 55% target by a small margin. The target for this element has now been increased to 65%, consistent with our desire for continuous improvement.



Headcount increased from 65 to 70 people during the year, including two people on extended leave, while two people (soon to be five) are on placements in other government agencies to work on key whole-of-government priority projects.

One key departure (retirement) was Deputy CEO Melvin Nunes, one of WATC's original members, who had also worked for the State Tax and Treasury departments during a career spanning 41-years. Although his contributions will be greatly missed, the many benefactors of his mentorship leave WATC in good stead.

Ross Moulton was welcomed to the WATC team as the Chief Operating Officer in March 2018. One of his first tasks is to lead a project to select and install an improved Treasury Management System (TMS). Our current system has served us well for almost twenty years but it is now time to consider process efficiencies that a system change can offer. The TMS project will probably take 18 months to enter the operational phase.

From a client standpoint, the rollout of our Client Portal continued, with over 60 clients now able to request transactions and access confirmations and reporting via the internet.

The work of WATC's specialist Advisory Services team continues to benefit clients across the WA public sector by allowing them to make more effective financial decisions in a range of interesting projects.

Thanks to all of our people, Board members, clients, auditors, investors, banks and other suppliers of goods and services to WATC who have contributed strongly to our successful year.

Michael Barnes
Chairperson

17 August 2018

John Collins V
Chief Executive Officer

17 August 2018



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 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 2017/18. See [Key Performance Indicator](#) section for a more detailed explanation.

Assessment of Client Satisfaction

Target: 90% client satisfaction

Outcome: 99% client satisfaction with the alignment of WATC's products and services to client needs.

98% client satisfaction with the overall quality of service provided.

Target achieved. The survey results also indicated that WATC continued to outperform financial industry benchmarks in terms of quality of service and understanding of clients' financial needs.

Administration Cost Ratio

Target: Administration Cost Ratio < 0.060%

Outcome: Administration Cost Ratio = 0.034%

Target achieved. WATC continued to deliver scale benefits to the State by keeping net administration expenses in check while average client debt funding requirements increased by 10.6% over the year. See [Key Performance Indicator](#) section for a more detailed explanation.

Pre-Tax Profit

Target: Profit = \$30.6 million

Outcome: Profit = \$34.8 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.



Return on Capital

Target: Return = 5.2%

Outcome: Return = 29.34%

Target achieved. WATC achieved well above its target minimum return on capital for 2017/18 through our effectiveness in constraining administrative and loan-raising expenses, as well as effective hedge management of portfolio exposures.

Staff Engagement Rating

Target: Employee Engagement Rating > 55%

Outcome: Employee Engagement Rating = 56%

Target achieved. Work continues on the strategic approach to improve employee engagement, encouraging and developing self-leadership, accountability and continuous improvement aligned to WATC's vision, objectives and values.

Five-Year KPI Summary

	2017/18	2016/17	2015/16	2014/15	2013/14
Estimated Interest Rate Savings > 0.00%	Yes	Yes	Yes	Yes	Yes
Assessment of Client Satisfaction*	99%	100%	100%	100%	98%
Administration Cost Ratio	0.034%	0.037%	0.039%	0.044%	0.047%
Pre-Tax Profit	\$34.8m	\$17.6m	\$16.0m	\$23.1m	\$20.5m
Return on Capital	29.34%	15.49%	14.30%	22.08%	19.98%
Staff Engagement Rating*	56%	46%	51%	40%	43%

* Different methodology used in prior years.

Five-Year Financial Summary

	2017/18 \$m	2016/17 \$m	2015/16 \$m	2014/15 \$m	2013/14 \$m
Financial Performance					
Profit Before Income Tax Equivalent Expense	34.8	17.6	16.0	23.1	20.5
Financial Position					
Total Assets	55,985.8	54,987.8	50,976.1	42,823.5	40,009.5
Percentage Change in Assets (%)	1.8	7.9	19.0	7.0	4.1
Total Liabilities	55,851.3	54,868.3	50,861.7	42,709.8	39,902.6
Equity	134.5	119.5	114.4	113.7	106.9

BOARD OF DIRECTORS

The Board sets the strategic direction of WATC and establishes the policies and principles under which WATC operates.

Michael A Barnes, Chairperson

Mr Barnes assumed the role of Chairperson when he became Acting Under Treasurer in the Department of Treasury in February 2014. Mr Barnes was appointed Under Treasurer in April 2015. As Under Treasurer, Mr Barnes 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.

Michael J R Court, Deputy Chairperson

Mr Court was appointed to the Board as Deputy Chairperson in July 2017. Mr Court was permanently appointed Deputy Under Treasurer in September 2016, after having acted in the role since February 2014. This 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 and the Commonwealth Treasury. During 2016/17, Mr Court chaired the quarterly Public Sector Financial Management Committee and the Department of Treasury's Information and Communication Technology Committee, and was a member of the Electricity Market Review Steering Committee.

Catherine A Nance

Ms Nance has been a Director of WATC since 1998 and is the Chairperson of the Audit Committee and a member of the People and Remuneration Committee. She is a Partner and Actuary of PricewaterhouseCoopers, with over 20 years' experience in the financial services industry advising governments and companies on finance-related matters including superannuation, investment and financial services. Ms Nance is a recognised authority and active contributor to policy development in both superannuation and financing the ageing. Ms Nance has a Bachelor of Science degree in Pure and Applied Mathematics and Physics and a Bachelor of Arts degree in Statistics. She is a Fellow of the Institute of Actuaries of Australia, an Affiliate of the Institute of Actuaries (London), a Fellow of the Financial Services Institute of Australasia, a member of the CFA Institute and a graduate of the Australian Institute of Company Directors (AICD). Ms Nance is a Director of the Government Employees Superannuation Board.

Jennifer A Seabrook

Ms Seabrook was appointed to the Board as a Director on 1 October 2015 and is a member of the Audit Committee. She has extensive financial and corporate executive expertise, having worked at senior levels in chartered accounting, capital markets and investment banking businesses, as well as previous experience on Western Australian government boards, federal government boards and in other non-executive board and panel roles. Ms Seabrook currently holds the positions of non-executive Director of Iluka Resources Limited, IRESS Limited, MMG Limited, and Australian Rail Track Corporation and is a senior advisor to Gresham Advisory Partners Limited.

Grahame J Searle

Mr Searle was appointed to the Board as a Director on 1 January 2009 and is a member of the People and Remuneration Committee. He is currently the Director General of the Department of Communities. Prior to this, Mr Searle held a number of executive positions, including Leader of the State's Regional Services Reform Unit, Director General for Department of Housing and Chief Executive Officer at Landgate, following a range of senior leadership and management roles in Victoria. Mr Searle holds a Bachelor of Business degree. He is a Fellow of both the Spatial Sciences Institute of Australia and the Institute of Public Administration Australia.

John M Collins V

Mr Collins is the Chief Executive Officer and a Director of the Western Australian Treasury Corporation, commencing 15 October 2009. He has over forty years' experience in international banking and finance, including ten years with Cargill, Inc., two years each with a US hedge fund and the State Bank of South Australia, then fourteen years with ANZ Bank, including over four years with ANZ Panin Bank in Indonesia. He has a BSBA from the Ohio State University and an MBA from the University of St Thomas in St Paul, Minnesota. Mr Collins remains accredited by AFMA (since 1998), and a graduate/member of the AICD Directors Course. He was a member of the Curtin Business School's Economics and Finance Advisory Board for three years, and a member of the Investment Advisory Committee for the WA Department of Housing for three years finishing in February 2017.



Board of Directors
(left to right):

Michael Court,
Grahame Searle,
Michael Barnes,
Catherine Nance,
John Collins V and
Jennifer Seabrook.

ABOUT WATC

WATC has four key functional areas, operated by highly motivated and skilled people, who work together to deliver on our vision.

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 borrowings in domestic and overseas markets, the asset and liability management function, the management of WATC's liquidity portfolio, the investment management function on behalf of clients, foreign exchange management transactions and economic and financial market analysis.

Risk and Compliance

Risk 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, MLA; Treasurer; Minister for Finance; Energy; Aboriginal Affairs.

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
Standard & Poor's	AA+	Negative	A-1+
Moody's Investors Service	Aa2	Stable	Prime-1

Changes in Written Law

There were no changes to the *Western Australian Treasury Corporation Act 1986* during the 2017/18 financial year.

Ministerial Directives

No ministerial directives were received during the 2017/18 financial year.

PROVIDING VALUE TO CLIENTS

Our clients consistently provide positive feedback, affirming the high quality of our comprehensive suite of cost-effective financial products and services that we offer to the State's public sector, local governments and public universities.

WATC works closely with each of our clients to ensure that their individual business requirements are achieved through the most appropriate application of our products and/or services. During 2017/18, WATC educated, supported and enabled sound financial risk management to clients.

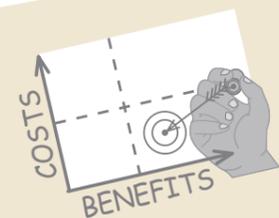
Educated

In what has been a year of uncertainty in global financial markets, WATC delivered high quality economic commentary and strategic financial advice to our clients. We believe in empowering our clients with the knowledge and resources they need to make informed decisions that are appropriate for their organisations and represent value-for-money for the State.

During 2017/18, 86 people from 14 agencies attended seven education seminars about foreign exchange (FX) risk management. Since the inception of this program, WATC has presented to more than 900 people across the WA public sector, supporting them in the early identification and management of FX exposures within agencies.

WATC also conducted educational workshops in financial modelling and model quality assurance to enhance our clients' ability to make intelligent financial decisions. Additionally, through the publication of debt finance articles and other resources, WATC expanded our role of assisting clients in making informed decisions.

Complementing our in-house economic expertise, WATC invited clients to attend presentations by leading financial markets economists, who provided their views on interest rates, currencies and the Australian economy.



In partnership with ANZSOG, WATC delivered a cost-benefit analysis workshop.



Successfully advised the State on two major refinancings of PPP projects.

Supported

WATC supported a number of agencies by providing advisory services to identify, quantify and manage FX exposures, develop comprehensive business cases, conduct extensive analysis work and build robust financial models. WATC also supported clients in the development of strategies to manage contract FX risks and provided competitive pricing in the execution of clients' FX transactions.

During the financial year, WATC sat on a range of tender and request for proposal evaluation panels, on behalf of our clients. As part of our supporting role, we provided agencies with financial modelling support and analysis of tender and expression of interest submissions, contract negotiation support, pricing analysis, selection processes, credit reviews on the credit standing of bidders, and suggested improvements to pricing structures and claw-back mechanisms.

Enabled

WATC provides a comprehensive range of financial products and services to assist our clients in achieving their financial objectives, both now and in the future. During 2017/18, WATC continued to promote our interest cost projection service, resulting in 80% of the target client base now choosing WATC as their preferred provider in this area. This service allows our state government and public university clients to realise efficiencies in preparing interest cost forecasts for their budgeting and other business planning purposes.

WATC also reviewed and approved loan fund requests from local governments. This service provides debt finance to local government projects that will benefit Western Australians.

Looking ahead:

- Pursuing amendments to the WATC Act to broaden the statutory powers in order to meet clients' emergent needs.
- Review of modelling to inform efficient debt portfolio allocations between fixed and floating rate debt within client portfolios.
- Providing ongoing support and input to large long-term capital projects.
- Roll-out of broader FX advisory services to new clients.
- Delivery of an in-house and on-premise education and advisory program for our clients as well as continuing to provide additional assistance as requested.

SUCCESSFUL FINANCIAL MANAGEMENT

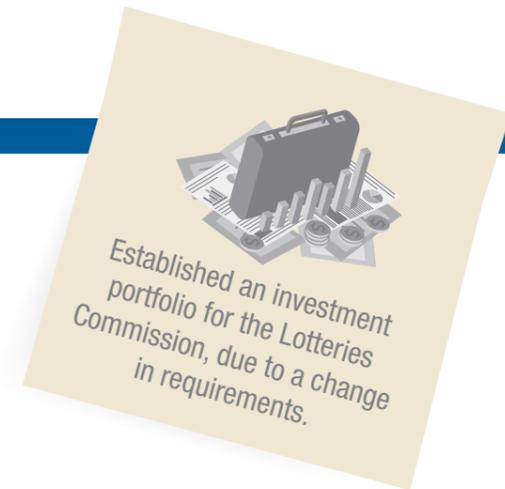
Having ready access to domestic and international capital markets is critical to our ability to complete the State's borrowing program requirement, while delivering competitive pricing for our clients.

Maintaining a liquid funding curve in domestic financial markets allows WATC to raise the required funds to finance our clients' borrowing needs, while providing savings to our clients and the State.

Maintaining Market Presence

Throughout 2017/18, WATC, in partnership with our Fixed Interest Dealer Panel, accessed domestic and offshore capital markets in the delivery of the funding and refinancing requirement of the State. This borrowing program was funded through a combination of issuance of our fixed rate benchmark bonds and floating rate note lines as well as short-term funding. This included the syndicated issue of a new 5-year floating rate note and a 10-year benchmark bond to extend the tenor of available funding options for clients. Additionally, WATC undertook a number of benchmark bond tenders. We also sought to further diversify our investor base by partnering with various members of our Fixed Interest Dealer Panel to deliver our offshore investor marketing program. Domestically, WATC participated in various fixed income conferences, one-on-one meetings with investors, and ended the year by hosting a 2018/19 post-budget investor presentation by the Treasurer of Western Australia.

WATC maintains a presence in international and domestic financial markets through our diversified funding facilities and by meeting legal, financial, corporate and statutory requirements. WATC complies with relevant legislation, regulatory requirements and policies and adheres to industry standards so that we maintain a good reputation, upon which our participation in financial markets is dependent.



Financing Clients' Borrowing Needs

During 2017/18, \$10.2 billion in fixed rate bonds and floating rate instruments was issued into capital markets to fund \$4.9 billion of new lending and to refinance \$5.3 billion of maturing debt. In conjunction with the lending activity, debt management strategies for a number of major clients, who represent over 75% of debt outstanding, were reviewed and updated to ensure alignment with client business objectives and improve governance oversight. WATC also executed over \$115 million of foreign exchange transactions in 10 currencies on behalf of 18 clients.

At 30 June 2018, WATC managed in excess of \$9.9 billion in investment funds in our own name and in that of our clients. This includes five investment portfolios managed on behalf of three clients, with an average annual investment balance in excess of \$5.2 billion.

Realising Savings for Clients

WATC is able to deliver pricing benefits to our clients by consolidating the State's borrowing requirement into large liquid bond maturities, which are backed by the State's credit rating and the explicit guarantee of the Treasurer of Western Australia.

WATC also works with clients to find savings for their organisation, as well as cost-benefits for the State. WATC worked with the Department of Treasury to review short-term investment holdings across State agencies, which identified additional investments that could be included in the State's liquid asset position. A resultant change in process enabled a reduction in the investment balance target and associated State borrowings, creating significant interest savings for the State.

Looking ahead:

- The borrowing program for 2018/19 is estimated at \$8 billion, comprised of \$2.7 billion of new money and \$5.3 billion of refinancing.
- For 2018/19, WATC expects to issue a new benchmark bond to extend the tenor of our bond curve and a new 5-year floating rate note.
- Explore further opportunities to realise additional savings in managing the interaction between borrowing and investing activities done on behalf of the Department of Treasury.
- Enhance the liquidity in existing lines of benchmark bonds by maintaining sufficient volumes on issue to retain benchmark bond status.

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 optimises our performance by improving efficiencies in service delivery, processes and practices. Investing in our people and systems also ensures continued organisational success, while building our capabilities for the future.

Optimising Efficiency for Clients

WATC endeavours to improve our clients' efficiency through initiatives such as the introduction of the Client Portal. Launched in November 2017, the online platform enables clients to easily submit transaction requests, receive confirmations and access all relevant reporting in a secure, consolidated and consistent framework. To ensure a successful transition, while minimising the impact on clients, we showcased the Client Portal and its features to individual clients. Almost half of our client base have transitioned onto the Client Portal.

Supplementary to the Client Portal, WATC consolidated our reporting for client investments and FX, condensing the former set of 18 individual documents to six cohesive and holistic reports, the benefits of which have been evident in the overwhelmingly positive feedback provided through the client-based testing conducted as part of the process.

Building Capabilities

WATC's people management strategy focusses on building skill to ensure we have a workforce and work environment capable of delivering our current business goals and developing our future strategic objectives. As a diverse workforce is better able to provide heterogeneous thinking and solutions, we have a continual focus on increasing diversity of prospective applications. WATC also builds capability through supporting our people with learning and development opportunities.



Facilitated State agencies to safely and efficiently invest excess funds.



WATC is one of the first agencies to transition onto the GovNext-ICT cloud.

Improving Processes, Practises and Systems

Through an openness to continually review and improve our processes and practises, gains in internal efficiency were achieved. By optimising processes, WATC met all documentation needs in an expedient manner, despite an increase in volume, whilst ensuring commercial certainty to the terms of transactions and relationships to protect the interests of our clients, WATC and the State as our guarantor. Additionally, in March 2018, WATC commenced online surveys to gain invaluable client feedback about client engagements, a process that was previously conducted by email correspondence.

WATC also commenced transitioning onto the GovNext-ICT cloud, a whole-of-government approach to simplify ICT infrastructure systems. Our development fleet is now fully operational on the cloud and the production fleet is scheduled to move before the end of 2018. Although much of our ICT functionality is being migrated to this cloud, it is still imperative that WATC has the ability to maintain critical operations following a business continuity event. As such, during the year, we continued our ongoing program of business continuity testing, identifying and implementing improvements in processes.

Enhancements were also made in our risk monitoring, including closely watching developing credit and market risks, to safeguard against disruptions or financial losses to the State. This involved introducing credit risk analytical tools to monitor potential default risk and refining valuation methodologies to more precisely track fluctuations in the value of billions of dollars of assets and liabilities managed by WATC.

Looking ahead:

- A review of our core Treasury Management System requirements for the future will result in a Request for Tender to examine current technological solutions available in the market.
- The Treasury Management System assessment will incorporate a review of business processes to ensure that they continue to provide ongoing efficiency and a strong control environment.
- WATC will take advantage of the efficiency opportunities available by embracing Digital WA and moving technology infrastructure into the GovNext-ICT cloud.
- Development and implementation of an improved performance management framework.

SIGNIFICANT ISSUES AND FUTURE OUTLOOK

WATC must remain flexible and adaptable to respond to the ever-changing economic environment to deliver the financial requirements of the State and our clients.

Western Australia's Economic Environment

Western Australian real gross state product expanded an estimated 2.5% in 2017/18, according to Department of Treasury budget estimates, with rising exports the major driver of growth. Western Australia remains an export powerhouse and was the source of over 40% of the value of Australia's merchandise goods exports in 2017/18.

Real gross state product growth is forecast to accelerate to 3.25% in 2018/19, with further increases in export volumes again expected to play a leading role. Rising household consumption and recovering dwelling investment are also expected to make positive contributions to growth in 2018/19.

Budget for 2018/19

	\$'000
Income	
Interest on Investments	61,250
Interest from Authorities	1,640,287
Fee Income	1,764
	1,703,301
Expenses	
Interest on Borrowings	1,646,204
Depreciation/Amortisation	824
Borrowing Related Expenses	4,413
Administration Expenses	17,787
	1,669,228
Profit before Income Tax Equivalent	34,073
Income Tax Equivalent Expense	10,222
Profit for the Period	23,851

Estimated Borrowing Program for 2018/19

The sourcing of WATC's funding is subject to conditions in the various markets and the market mix during the year may be amended as necessary to meet WATC's pricing, liquidity, lending and capital usage targets.

	\$b	\$b
Term Funding Requirement		
New Lending to Clients		2.7
Projected Maturities		
Bonds	4.3	
FRNs	1.0	5.3
Total Term Funding Requirement		8.0

Borrowing Strategy for 2018/19

In order to meet the State's funding and debt management requirements for 2018/19, WATC plans to:

- issue a new benchmark bond line with a maturity in the 10-12 year sector
- issue a new 5-year maturity floating rate note and continue to issue floating rate notes into outstanding lines in response to investor demand and to accommodate the term floating rate borrowing requirements of clients.

In addition, WATC will continue to:

- issue across the yield curve to fund lending to clients
- enhance the liquidity in existing lines of benchmark bonds by:
 - maintaining sufficient volumes on issue to retain benchmark bond status
 - supporting these securities in the market
 - issuing through our Fixed Interest Market Making Panel, by tender, private placement or syndication
- maintain approximately \$2.0 billion to \$3.0 billion of short-term paper on issue through domestic Short-Term Inscribed Stock and the offshore Euro Commercial Paper Program to meet short-term lending and liquidity funding requirements
- ensure that debt issuance undertaken through domestic and offshore borrowing programs is issued in a manner satisfying the requirements for exemption from interest withholding tax under Section 128F of the *Income Tax Assessment Act 1936*.

RECORD KEEPING

WATC is committed to implementing record keeping best practices and meeting compliance requirements. As per Section 19 of the *State Records Act 2000*, WATC has an approved Record Keeping Plan that is valid until December 2019.

The following information is provided in accordance with the *State Records Act 2000* Section 61 and the State Records Commission Standard 2, Principle 6.

Efficiency and Effectiveness of WATC's Record Keeping Systems

Ongoing monitoring, reviewing and evaluation ensures the efficiency and effectiveness of WATC's record keeping systems and practices. WATC does this through a variety of methods, including conducting internal surveys, actively reviewing industry standards and systems, and completing biennial compliance audits.

With the Record Keeping Plan due for reporting to the State Records Office in 2019, WATC took the opportunity to also assess and gauge our record keeping maturity levels. As a result, the 2017/18 record keeping compliance audit focussed on WATC's accordance with the State Records Commission standards. The recommendations of this audit review will feed into the updates for the Record Keeping Plan, as well as the 2018/19 Operational Plans for the Information Management team.

The upgrade to WATC's electronic document and records management system (EDRMS) is progressing, with implementation scheduled for September 2018. This will also see the final recommendations from the November 2016 EDRMS health check being implemented. Furthermore, by integrating with SharePoint Online, the upgraded EDRMS will have the additional benefit of facilitating the capturing of records that are created and received through the WATC Client Portal.

Additionally, the Information Management team conducted regular consultations with our people. These sessions not only distilled information about developments of the system upgrade, but also sought input on functionality and feedback about any issues, no matter how small, with the current system. This information was valuable for the Information Management team when deciding what features to include with the upgrade. The team also endeavoured to troubleshoot and resolve as many issues as they could within the current version of the EDRMS.



Training and Induction Program

By 30 March 2018, all of our people had completed the online record keeping awareness training module. Additionally, all nine new starters partook record keeping training within two weeks of commencing with WATC. The three-hour record keeping component of the induction program includes:

- record keeping responsibilities, processes and practices
- use and application of EDRMS
- completion of the online record keeping awareness training module.

Record keeping policies, procedures and EDRMS user guides are available to everyone via the corporate intranet. Provision of additional record keeping advice and training are also available to everyone when required. The Information Management team actively welcomes qualitative feedback from all training sessions. This feedback is reviewed and future training is amended accordingly.

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 and provides guidance in obtaining access to documents held by WATC.

WATC did not receive any FOI applications during the 2017/18 financial year.

Looking ahead:

- Maintain high standards of record keeping practices in accordance with best practices and compliance requirements.
- The upgraded EDRMS will be implemented, along with the final recommendations from the November 2016 EDRMS health check.
- Update induction, training and online training modules in line with the upgraded EDRMS.
- Continue to maintain FOI requests as per the FOI Act.

OUR PEOPLE

A key initiative for WATC is building capacity to ensure we have a workforce and work environment capable of delivering on current strategic and operational business goals, while also preparing for future developments.

People Development

Acknowledged by clients and stakeholders, WATC's people possess a high level of professional experience, technical skill and capability. We build upon this capability, through supporting our people with learning and development opportunities. WATC is currently supporting 13 people to complete postgraduate tertiary study by providing 100% funding for their tuition fees. Furthermore, continuation of the leadership development program, Leading Self, focussed on emotional intelligence, behavioural preferences and mindfulness, while Leading Others focussed on coaching others. People now have a common understanding of leadership and the competencies required to be a leader, with an increase in accountability and collaboration.

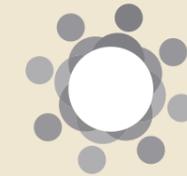
Recognition of this professional development support was reflected in the high enablement results of this year's engagement survey. Due to a change to Korn Ferry for provision of the engagement survey, WATC was able to measure both engagement and enablement scores this year. This also provided an opportunity to view employee engagement through a different lens to discover new ideas and focus areas, with the goal of increasing employee engagement and enhancing employee and organisational performance.

There was also a change to individual performance plans, with an adaptation of performance management processes to increase the focus on quality conversations. Quality conversations will enable more positive relationships between people and higher levels of clarity of behavioural and deliverable expectations.

Workforce

Recruitment procedures are reviewed before each process is undertaken to look for improvements in advertising. This resulted in an increase in diversity of applications, with more than 44% of new starters in 2017/18 being female.

Staff Profile	2017/18	2016/17
Workforce	70	65
Full-time permanent	60	58
Full-time contract	4	0
Part-time measured on a FTE basis	2.275	3.375
On secondment	2	0



Increase in employee engagement score by 11ppts.

Occupational Safety, Health and Injury Management

WATC continues to maintain our excellent Occupational Safety and Health (OSH) system and culture, with strong organisational-wide support and commitment from the Board through to individuals. This included a 100% completion of OSH training by our people in 2017/18.

The OSH Committee is WATC's formal mechanism for OSH consultation and comprises safety representatives, management representatives and at least one executive member, currently WATC Chief Operating Officer, Ross Moulton. The Committee met three times during 2017/18, with a focus on continuous improvement of WATC's OSH system and culture.

As the frequency of OSH audits has changed to be every two years, no audit was conducted this year. However, the two minor improvements that were recommended by the 2016/17 OSH audit were resolved.

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 other workers' compensation claims were made.

Measure	Actual Results		Results Against Target	
	2015/16 ¹	2017/18	Target	Comment on result
Number of fatalities	0	0	0	Achieved
Lost time injury and/or disease incidence rate	1.62	0	0	Achieved
Lost time injury and/or disease severity rate	0	0	0	Achieved
Percentage of injured workers returned to work:				
(i) within 13 weeks	100%	n/a	n/a	n/a
(ii) within 26 weeks	100%	n/a	n/a	n/a
Percentage of managers and supervisors trained in occupational safety, health and injury management responsibilities	100%	100%	≥ 80%	All of our people completed online OSH training in 2017/18

¹ This indicator examines a three-year trend and, as such, the comparison base is two years prior to the current reporting year.

COMPLAINTS POLICY

WATC is committed to providing an accessible, fair and efficient complaints handling process, as reflected in our Complaints Policy (Policy). For the 2017/18 financial year, WATC did not receive any complaints.

WATC recognises the importance of a robust complaints system as a method of accountability, and as a means to improve our services. WATC reviews our Policy at least every three years, with the most recent review completed in September 2017. A version of the updated Policy is accessible on WATC's website and clearly details how and where to make a complaint. In addition, everyone is aware of the Policy.

The Policy provides for the free, prompt and confidential handling of complaints. Upon receipt of a complaint, WATC will document and classify it and, if it cannot be resolved immediately, appoint someone to investigate. If an investigation is appropriate, WATC will, within three business days, confirm that someone is actioning the complaint, and advise the date by which the investigation should conclude. Throughout this process, WATC will ensure that the complainant is kept informed of how the complaint is progressing.

Importantly, WATC is committed to dealing with all complaints in accordance with the principles of fairness and natural justice. This is achieved by ensuring all parties have a right to be heard, that all relevant facts are taken into account and that the decision-maker is unbiased. Following assessment, WATC will record the outcome of the complaint and provide the reasoning behind the decision to the complainant. There is also an avenue for further review to the Ombudsman of WA should the complainant be dissatisfied with WATC's response or proposed remedy.

In addition to responding to any specific complaints, WATC will evaluate our Complaints Register to determine whether there are any systemic causes of complaints and to identify further remedial action that may be warranted. WATC also reports on the operation of our complaints handling process against documented performance standards.



WATC received zero complaints during the 2017/18 financial year.

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 1987*
- *Financial Management Act 2006*
- *Freedom of Information Act 1992*
- *Occupational Safety and Health Act 1984*
- *Pay-roll Tax Assessment Act 2002*
- *Public and Bank Holidays Act 1972*
- *Public Interest Disclosure Act 2003*
- *Public Sector Management Act 1994*
- *Stamp Act 1921*
- *State Records Act 2000*
- *State Superannuation Act 2000*
- *State Supply Commission Act 1991*
- *Statutory Corporations (Liability of Directors) Act 1996*
- *Workers Compensation 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*

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) and comprises:

- the Under Treasurer as Chairperson
- an officer of the Treasury nominated by the Under Treasurer from time to time as the Deputy Chairperson
- the Chief Executive Officer or Acting Chief Executive Officer of WATC
- up to three other persons with relevant commercial or financial experience appointed by the Minister. These are the appointed directors.

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

The directors of WATC at 30 June 2018 are shown in the table below.

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

Name	Position	First Appointed	Term Expires
Michael Anthony Barnes	Chairperson	Statutory	Statutory
Michael John Reginald Court	Deputy Chairperson	1/07/2017	n/a
John MacPherson Collins V ¹	Chief Executive Officer	Statutory	Statutory
Catherine Anne Nance	Director	15/07/1998	31/12/2018
Jennifer Anne Seabrook	Director	01/10/2015	30/09/2018
Grahame John Searle	Director	01/01/2009	31/12/2019

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

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.

Board and Senior Executive Remuneration

The annual remuneration for WATC's board and senior executive was as follows:

Board	2017/18 \$	2016/17 \$
M A Barnes	0*	0*
M J R Court	0*	-
C A Nance	47,648	47,739
J A Seabrook	41,452	41,532
G J Searle	0*	0*
J M Collins V	454,356	452,689
Senior Executive		
M A Nunes	412,821**	367,821
R A Moulton	96,823	0***
S J B Morhall	304,246	306,018

* Employee of the Western Australian State Government, therefore no compensation paid for this Board position.

** Retired in 2017/18.

*** Commenced in 2017/18.

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 shown in the table below.

Director	Board		Audit Committee		People and Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
M A Barnes	6	5			3	2
M J R Court	6	5	4	4		
J M Collins V ¹	6	6	4	4	3	3
C A Nance	6	5	4	4	3	3
J A Seabrook	6	6	4	4		
G J Searle	6	5			3	3

¹ J M Collins V was invited to attend Audit Committee Meetings.

Audit Committee

The role of the Audit Committee, as set out in the Terms of Reference approved by the Board, 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.

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

The members of the Audit Committee at 30 June 2018 were:

Name	Position
Catherine Anne Nance	Chairperson
Michael John Reginald Court	Member
Jennifer Anne Seabrook	Member

The Secretary to the Committee was Thomas W Branch, Compliance Officer.

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

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.

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

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

The members of the People and Remuneration Committee at 30 June 2018 were:

Name	Position
Michael Anthony Barnes	Chairperson
John MacPherson Collins V	Member
Catherine Anne Nance	Member
Grahame John Searle	Member

The Secretary to the Committee was Rebecca L Ridgway, Human Resources Manager.

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.



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 2017/18 was \$62,953.

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 2018, the only disclosable expenditure incurred was in relation to advertising, where a total amount of \$4,406 was paid to Beilby Corporation and 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

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FINANCIAL REPORT 2018

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
INCOME			
Revenue			
Interest on Investments		82,000	72,367
Interest from Authorities		1,486,182	1,442,733
Fee Income		1,639	1,642
Total Revenue		1,569,821	1,516,742
Gains			
Net Fair Value Movement	7	0	18,649
Gains from Sale of Plant and Equipment	4	0	1
Total Other Income		0	18,650
Total Income		1,569,821	1,535,392
EXPENSES			
Expenses			
Interest on Borrowings		1,453,923	1,500,352
Borrowing Related Expenses		1,536	1,422
Depreciation		197	191
Amortisation of Intangible Assets		109	92
Administration Expenses	5	15,977	15,712
Net Fair Value Movement	7	63,263	0
Total Expenses		1,535,005	1,517,769
Profit before income tax equivalent expense		34,816	17,623
Income Tax Equivalent Expense	8	10,452	5,297
Profit for the period		24,364	12,326
Other Comprehensive Income			
Remeasurements of Defined Benefit Liability		(8)	6
Total Comprehensive Income for the period		24,356	12,332

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	2018 \$'000	2017 \$'000
ASSETS			
Cash Assets	9	236,141	170,878
Investments	10	3,681,007	5,145,563
Receivables and Other Financial Assets	11	780,333	831,632
Loans to Authorities	12	51,286,763	48,838,044
Tax Assets	13	943	1,026
Plant and Equipment	14	431	415
Intangible Assets	15	220	213
Total Assets		55,985,838	54,987,771
LIABILITIES			
Payables and Other Financial Liabilities	17	1,174,348	3,571,974
Borrowings	18	54,663,418	51,287,667
Tax Liabilities	19	10,374	5,262
Provisions	20	3,144	3,421
Total Liabilities		55,851,284	54,868,324
NET ASSETS		134,554	119,447
EQUITY			
Retained Earnings		131,554	116,447
Reserves		3,000	3,000
Total Equity		134,554	119,447

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 2018

	Reserves \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance at 1 July 2016	3,000	111,413	114,413
Profit for the period	0	12,326	12,326
Other comprehensive income	0	6	6
Total comprehensive income for the period	0	12,332	12,332
Transactions with owners in their capacity as owners:			
Capital appropriations	0	0	0
Distributions to owners	0	(7,298)	(7,298)
Total	0	(7,298)	(7,298)
Balance at 30 June 2017	3,000	116,447	119,447
Balance at 1 July 2017	3,000	116,447	119,447
Profit for the period	0	24,364	24,364
Other comprehensive income	0	(8)	(8)
Total comprehensive income for the period	0	24,356	24,356
Transactions with owners in their capacity as owners:			
Capital appropriations	0	0	0
Distributions to owners	0	(9,249)	(9,249)
Total	0	(9,249)	(9,249)
Balance at 30 June 2018	3,000	131,554	134,554

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 2018

	Note	2018 \$'000	2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received on Loans to Authorities		1,455,181	1,417,631
Interest received on Investments		112,577	65,681
Proceeds from Sale and Maturity of Investments		4,340,162	3,003,676
Payment for Investments		(4,624,493)	(5,212,968)
Loans to Authorities		(14,058,568)	(13,099,555)
Loans repaid by Authorities		9,173,567	8,933,727
Other Receipt/(Payment) on behalf of Authorities		(77)	96
Proceeds from Issuance of Borrowings		18,706,921	20,460,802
Repayment of Borrowings		(15,016,043)	(14,834,548)
Fee Income		1,689	1,711
Interest and other Cost of Finance paid		(1,686,076)	(1,877,298)
Administration and Borrowing Related Expenses		(17,453)	(17,312)
Payment of Taxation Equivalents		(5,257)	(11,738)
Net Cash used in Operating Activities	22b	(1,617,870)	(1,170,095)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for Plant and Equipment		(213)	(54)
Payment for Intangible Assets		(116)	(266)
Proceeds from Sale of Plant and Equipment		0	1
Net Cash used in Investing Activities		(329)	(319)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of Dividend		(9,249)	(7,298)
Net Cash used in Financing Activities		(9,249)	(7,298)
Net decrease in Cash and cash equivalents		(1,627,448)	(1,177,712)
Cash and cash equivalents at the Beginning of the Financial Year		2,406,508	3,584,220
Unrealised foreign exchange gain		0	0
Cash and cash equivalents at the End of the Financial Year	22a	779,060	2,406,508
Included in the above are the following			
Cash Flows to State Government			
Payment of Dividend		(9,249)	(7,298)
Payment of Taxation Equivalents		(5,257)	(11,738)
Net Cash provided to State Government		(14,506)	(19,036)

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 2018

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 2018 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 2018.

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 2018

NOTE 2 (CONTINUED)

- (ii) The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars 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 139 'Financial Instruments: Recognition and Measurement'. WATC satisfies the eligibility criteria for this election as it manages its business daily on a fair value basis. In accordance with AASB 139, all derivative financial instruments are also accounted for on a fair value basis through profit or loss. By nature, the market quoted rates used for valuation of financial assets and financial liabilities include an allowance for credit risk.

Critical accounting judgements and estimates

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

Key assumptions made in the valuation of financial assets and financial liabilities are disclosed in [Note 21](#).

(c) Revenue

Revenue is 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 their estimated useful lives using the straight line method. The estimated useful lives for each class of depreciable asset are as follows:

	2018	2017
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 2018

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 2018. 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 2018

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 2018

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 2017. None have impacted financially 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 9 'Financial Instruments' supersedes AASB 139 'Financial Instruments: Recognition and Measurement', introducing a number of changes to accounting treatments. WATC does not expect any financial impact when the Standard is first applied in the year ending 30 June 2019.

AASB 15 'Revenue from Contracts with Customers' replaces all existing revenue requirements in Australian Accounting Standards and applies to all revenue arising from contracts with customers, unless within the scope of other standards (AASB 117 or AASB 16). WATC does not expect any financial impact when the Standard is first applied in the year ending 30 June 2019.

AASB 16 'Leases' requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 'Leases'. WATC does not expect any material financial impact when the Standard is first applied in the year ending 30 June 2020.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

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 1058	'Income of Not-for-Profit Entities'
AASB 1059	'Service Concession Arrangements: Grantors'
AASB 2014-10	'Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'
AASB 2016-1	'Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]'
AASB 2016-2	'Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107'
AASB 2016-4	'Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities [AASB 136]'
AASB 2016-5	'Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions [AASB 2]'
AASB 2016-6	'Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts'
AASB 2016-8	'Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-For-Profit Entities [AASB 1004 & 1058]'
AASB 2017-1	'Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments [AASB 1, 12, 128 & 140]'
AASB 2017-2	'Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 Cycle'
AASB 2017-3	'Amendments to Australian Accounting Standards - Clarifications to AASB 4'
AASB 2017-6	'Amendments to Australian Accounting Standards - Prepayment Features with Negative Compensation'
AASB 2017-7	'Amendments to Australian Accounting Standards - Long-term Interests in Associates and Joint Ventures'
AASB 2018-1	'Amendments to Australian Accounting Standards - Annual Improvements 2015-2017 Cycle'

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

AASB Amendment	Affected Standards
AASB 2018-2	'Amendments to Australian Accounting Standards - Plan Amendment, Curtailment or Settlement'

NOTE 4 GAIN FROM SALE OF PLANT AND EQUIPMENT

Computer Hardware

	2018 \$'000	2017 \$'000
Gross proceeds of disposed hardware	0	1
Book Value of disposed hardware	0	0
Gain on disposal of hardware	0	1

NOTE 5 ADMINISTRATION EXPENSES

The following employee benefit expenses are included in Administration Expenses.

	2018 \$'000	2017 \$'000
Salaries	9,008	8,956
Workers Compensation costs	22	31
Superannuation expense	964	988
Long Service Leave Provision	(37)	(109)
	9,957	9,866

NOTE 6 FOREIGN EXCHANGE GAIN/LOSS

WATC maintains balances in its foreign currency bank accounts for the payment of expenses incurred through its overseas borrowings. At 30 June 2018, after taking account of exchange fluctuations, no gain or loss (2017, no gain or loss) had resulted on this balance.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

	2018 \$'000	2017 \$'000
NOTE 7 NET FAIR VALUE MOVEMENT		
Unrealised (Loss)/Gain - Investments	(1,999)	2,450
Unrealised Loss - Loans to Authorities	(54,940)	(776,202)
Unrealised Gain - Borrowings	38,556	912,994
Unrealised Loss - Derivatives	(44,880)	(120,593)
Net Fair Value Movement	(63,263)	18,649
Add Interest movements		
Interest on Investments	82,000	72,367
Interest from Authorities	1,486,182	1,442,733
Interest on Borrowings	(1,453,923)	(1,500,352)
	114,259	14,748
Net gain on financial assets and financial liabilities at fair value through profit and loss	50,996	33,397

WATC manages its operations on a portfolio basis to achieve its long term objective. Realised losses totalling A\$84,588 thousand (2017, A\$178,623 thousand) 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.

	2018 \$'000	2017 \$'000
NOTE 8 INCOME TAX EQUIVALENT EXPENSE		
The prima facie income tax equivalent expense on accounting profit reconciles to the income tax equivalent expense in the accounts as follows:		
Accounting Profit	34,808	17,629
Income tax equivalent expense at 30% (2017, 30%)	10,442	5,289
Tax effect of expenses that are not deductible/assessable in determining taxable profit		
Sundry expenses	10	8
Income tax equivalent expense	10,452	5,297
Income tax equivalent expense comprises movements in:		
Current income tax equivalent expense	10,369	5,257
Deferred tax income relating to the origination and reversal of temporary differences	83	41
Deferred tax expense relating to the origination and reversal of temporary differences	0	(1)
Total income tax equivalent expense	10,452	5,297
Deferred Tax Assets:		
Employee Provisions	943	1,026
Total (Note 13)	943	1,026
Deferred Tax Liabilities:		
Payables	5	5
Foreign Currency Revaluation	0	0
Total (Note 19)	5	5

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

	2018 \$'000	2017 \$'000
NOTE 9 CASH ASSETS		
Bank Deposits	236,119	170,858
Overseas Bank Accounts	22	20
	236,141	170,878
Average Balance	197,556	214,805
Interest Revenue	4,156	3,961
Average Interest Rate	2.10%	1.84%

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 10 INVESTMENTS - AT FAIR VALUE

10a. Investments - non derivative

Investments comprise the following:

Short Term Money Market Investments	2,650,220	4,202,171
Government Stock	1,030,787	943,392
Corporate Bonds	0	0
Total	3,681,007	5,145,563

Maturity Profile

At Call	0	140,000
Up to 3 Months	1,276,075	3,619,559
3 to 12 Months	1,423,914	542,252
1 to 5 Years	981,018	843,752
Over 5 Years	0	0
Total	3,681,007	5,145,563

	2018 \$'000	2017 \$'000
Repricing Profile		
At Call	0	140,000
Up to 3 Months	1,276,075	3,619,559
3 to 12 Months	1,423,914	542,252
1 to 5 Years	981,018	843,752
Over 5 Years	0	0
Total	3,681,007	5,145,563

10b. Investments - derivative

Maturity Profile

Up to 3 Months	0	0
3 to 12 Months	0	0
1 to 5 Years	0	0
Over 5 Years	0	0
Total derivatives shown as receivables and other financial assets (Note 11)	0	0

Repricing Profile

Up to 3 Months	0	0
3 to 12 Months	0	0
1 to 5 Years	0	0
Over 5 Years	0	0
Total derivatives shown as receivables and other financial assets (Note 11)	0	0

Credit Exposure

Rating	%	%
AAA	9.67	8.24
AA	78.39	59.45
A	11.94	32.31
BBB	0.00	0.00
	100.00	100.00
Average Balance	3,905,823	3,447,526
Interest Revenue	77,844	68,406
Average Interest Rate	1.99%	1.98%

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

	2018 \$'000	2017 \$'000
NOTE 11 RECEIVABLES AND OTHER FINANCIAL ASSETS		
Accrued Interest Receivable	302,796	289,854
Foreign Currency Receivable	0	0
Other Debtors	102,339	25,495
	405,135	315,349
Other Financial Assets (Notes 10b , 12b & 18b)	375,198	516,283
	780,333	831,632

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 2018 and due for settlement after 30 June 2018. Other financial assets and foreign currency receivables are discussed in more detail in [Note 21](#).

NOTE 12 LOANS TO AUTHORITIES - AT FAIR VALUE

12a. Loans to Authorities - non derivative	51,286,763	48,838,044
Maturity Profile		
Up to 3 Months	1,533,519	2,888,318
3 to 12 Months	5,605,110	4,963,362
1 to 5 Years	28,000,673	25,921,755
Over 5 Years	16,147,461	15,064,609
Total	51,286,763	48,838,044
Repricing Profile		
Up to 3 Months	16,843,235	16,528,735
3 to 12 Months	5,976,235	5,418,195
1 to 5 Years	13,128,253	12,423,856
Over 5 Years	15,339,040	14,467,258
Total	51,286,763	48,838,044

	2018 \$'000	2017 \$'000
12b. Loans to Authorities - derivative	(2,135)	(2,361)
Maturity Profile		
Up to 3 Months	296	550
3 to 12 Months	67	361
1 to 5 Years	(5)	93
Over 5 Years	(2,493)	(3,365)
Total derivatives shown as receivables and other financial assets (Note 11)	(2,135)	(2,361)
Repricing Profile		
Up to 3 Months	(11,467)	550
3 to 12 Months	67	(12,335)
1 to 5 Years	(5)	93
Over 5 Years	9,270	9,331
Total derivatives shown as receivables and other financial assets (Note 11)	(2,135)	(2,361)
Average Balance	49,275,722	45,643,753
Interest Revenue	1,486,182	1,442,733
Average Interest Rate	3.02%	3.16%

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 (98.7% of total (2017, 98.4%)) are guaranteed by the State whilst Local Government advances (1.3% of total (2017, 1.6%)) are secured by debenture and are charged in accordance with the provisions of the Local Government Act upon the general funds of the Local Government. Loans to Authorities are not readily traded on organised markets in standardised form. Further information on valuation methods is shown in [Note 21](#).

NOTE 13 TAX ASSETS

Deferred Tax Asset	943	1,026
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

	2018 \$'000	2017 \$'000
NOTE 14 PLANT AND EQUIPMENT		
Equipment (at cost)	2,959	2,751
Less Accumulated Depreciation	2,528	2,336
Total Plant and Equipment	431	415
Reconciliation		
Equipment		
Opening balance	415	552
Additions	213	54
Disposals/Write-Offs	(5)	(21)
Depreciation	(197)	(191)
Accumulated depreciation on disposal	5	21
Closing balance	431	415
NOTE 15 INTANGIBLE ASSETS		
Intangible Assets (at cost)	8,626	8,510
Less Accumulated Amortisation	8,406	8,297
Total Intangible Assets	220	213
Reconciliation		
Intangible Assets		
Opening balance	213	39
Additions	116	266
Disposals	0	0
Amortisation	(109)	(92)
Accumulated amortisation on disposal	0	0
Closing balance	220	213

	2018 \$'000	2017 \$'000
NOTE 16 IMPAIRMENT OF ASSETS		
There were no indications of impairment to Plant and Equipment and Intangible Assets at 30 June 2018		
WATC held no goodwill or intangible assets with an indefinite useful life during the reporting period and at reporting date, there were no intangible assets not yet available for use.		
NOTE 17 PAYABLES		
Interest Accrued (at amortised cost)	565,670	568,582
Other Creditors (at amortised cost)	608,678	2,995,942
Foreign Currency Payable	0	7,450
	1,174,348	3,571,974
Other Financial Liabilities (at fair value)	0	0
	1,174,348	3,571,974

Payables comprises accrued interest and sundry creditors relating to debt instruments and unrepresented cheques. Interest Accrued is owed to financial institutions. Other financial liabilities and foreign currency payables are discussed in more detail in [Note 21](#). There are no foreign currency amounts included which are not effectively economically hedged. Other creditors includes financial instrument transactions undertaken prior to 30 June 2018 and due for settlement after 30 June 2018.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

	2018 \$'000	2017 \$'000
NOTE 18 BORROWINGS - AT FAIR VALUE		
18a. Borrowings - non derivative	54,663,418	51,287,667
Maturity Profile		
Up to 3 Months	2,008,868	4,211,274
3 to 12 Months	6,096,815	3,942,588
1 to 5 Years	29,952,569	27,623,296
Over 5 Years	16,605,166	15,510,509
Total borrowings at fair value	54,663,418	51,287,667
Repricing Profile		
Up to 3 Months	10,920,941	13,626,644
3 to 12 Months	5,073,309	673,625
1 to 5 Years	22,197,745	21,476,889
Over 5 Years	16,471,423	15,510,509
Total borrowings at fair value	54,663,418	51,287,667
18b. Borrowings - derivative	(377,333)	(518,644)
Maturity Profile		
Up to 3 Months	277	(38,658)
3 to 12 Months	6,041	381
1 to 5 Years	(377,272)	(463,407)
Over 5 Years	(6,379)	(16,960)
Total derivatives shown as receivables and other financial assets (Note 11)	(377,333)	(518,644)
Repricing Profile		
Up to 3 Months	967,423	750,640
3 to 12 Months	(188,203)	(112,954)
1 to 5 Years	(952,772)	(1,075,092)
Over 5 Years	(203,781)	(81,238)
Total derivatives shown as receivables and other financial assets (Note 11)	(377,333)	(518,644)

	2018 \$'000	2017 \$'000
Average Balance	53,383,308	49,226,386
Interest Expense	1,453,923	1,500,352
Average Interest Rate	2.72%	3.05%

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

BORROWINGS - AT FACE VALUE

Payable 12 months or less from 30 June		
– Domestic	8,096,138	7,797,775
– Overseas	0	356,542
	8,096,138	8,154,317
Payable more than 12 months from 30 June		
– Domestic	44,489,637	40,642,914
– Overseas	0	0
	44,489,637	40,642,914
Balance 30 June at face value	52,585,775	48,797,231

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

NOTE 18 (CONTINUED) OVERSEAS BORROWINGS

Includes Australian currency and foreign currency loans. Foreign currency loans have been translated using the exchange rates applicable at 30 June 2018 and are shown below:

	Exchange Rate Translation at 30/06/18	
	Payable 12 Months or Less from 30/06/18	Payable More than 12 Months from 30/06/18
	A\$'000	A\$'000
Foreign Currency Borrowing		
Nil	Nil	Nil

	Exchange Rate Translation at 30/06/17	
	Payable 12 Months or Less from 30/06/17	Payable More than 12 Months from 30/06/17
	A\$'000	A\$'000
Foreign Currency Borrowing		
USD 274,265,121	356,542	Nil

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

	2018 \$'000	2017 \$'000
NOTE 19 TAX LIABILITIES		
Current Income Tax Equivalent Liability	10,369	5,257
Deferred Tax Liability	5	5
	10,374	5,262

NOTE 20 PROVISIONS

Annual Leave
Long Service Leave
Superannuation - defined benefit plans

	2018 \$'000	2017 \$'000
Annual Leave	1,026	1,042
Long Service Leave	1,856	1,893
Superannuation - defined benefit plans	262	486
	3,144	3,421

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 2018

NOTE 20 (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:

- Inflation risk - The risk that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, and/or 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.

	2018 \$'000	2017 \$'000
Reconciliation of the Net Defined Benefit Liability/(Asset)		
Defined Benefit Obligation	262	486
(+) Fair value of Scheme assets	0	0
Deficit/(surplus)	262	486
(+) Adjustment for effect of asset ceiling	0	0
Net defined benefit liability/(asset)	262	486
Reconciliation of the Fair Value of Scheme Assets		
Fair Value of Scheme assets at beginning of year	0	0
(+) Interest income	0	0
(+) Actual return on Scheme assets less Interest income	0	0
(+) Employer contributions	242	0
(+) Contributions by Scheme participants	0	0
(-) Benefits paid	242	0
(-) Taxes, premiums & expenses paid	0	0
(+) Transfers in	0	0
(+) Contributions to accumulation section	0	0
(+) Settlements	0	0
(+) Exchange rate changes	0	0
Fair value of Scheme assets at end of year	0	0
Reconciliation of the Defined Benefit Obligation (DBO)		
Present value of defined benefit obligations at beginning of year	486	482
(+) Current service cost	0	0
(+) Interest cost	10	10
(+) Contributions by Scheme participants	0	0
(+) Actuarial (gains)/losses arising from changes in demographic assumptions	0	0
(+) Actuarial (gains)/losses arising from changes in financial assumptions	(1)	(20)
(+) Actuarial (gains)/losses arising from liability experience	9	14
(-) Benefits paid	242	0
(-) Taxes, premiums & expenses paid	0	0
(+) Transfers in	0	0
(-) Contributions to accumulation section	0	0
(+) Past service cost/curtailments	0	0
(+) Gain/loss on settlements	0	0
(+) Settlements	0	0
(+) Exchange rate changes	0	0
Present value of defined benefit obligations at end of year	262	486

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

NOTE 20 (CONTINUED)

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

		2018	2017
Discount rate		2.26%	2.26%
Expected salary increase rate	2017/18	1.50%	2.50%
	2018/19	1.10%	2.50%
	2019/20	1.00%	2.50%
	thereafter	3.70%	3.50%
Expected pension increase rate		2.50%	2.50%

Assumptions to Determine DBO at Valuation Date

		2018	2017
Discount rate		2.60%	2.26%
Expected salary increase rate	2017/18	1.50%	1.50%
	2018/19	1.50%	1.10%
	2019/20	1.50%	1.00%
	thereafter	4.20%	3.70%
Expected pension increase rate		2.50%	2.50%

The discount rate is based on the Government bond maturing in April 2026. The decrement rates used (eg mortality and retirement rates) are the same as those used for the actuarial review of the Scheme at 30 June 2017, as outlined in the report on the actuarial review dated 25 August 2017.

The salary increase assumption used at 30 June 2017 was 1.50% pa for 2017/18, 1.10% for 2018/19, 1.0% for 2019/20 and 3.70% pa thereafter.

Sensitivity Analysis

The defined benefit obligation as at 30 June 2018 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	2.60% pa	2.10% pa	3.10% pa	2.60% pa	2.60% pa
Salary increase rate	4.20% pa	4.20% pa	4.20% pa	3.70% pa	4.70% pa
Defined benefit obligation (A\$'000s)	262	266	258	259	265

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

Funding arrangements

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

Expected contributions

	2019 \$'000
Expected employer contributions	41

Maturity profile of defined benefit obligation

The weighted average duration of WATC's defined benefit obligation is 3.2 years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

NOTE 21

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

POLICY

Risk Management Governance

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

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

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

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

The Asset and Liability Management Committee meets on a monthly basis.

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's philosophy is to ensure that it maintains appropriate capital cover to mitigate these risks. In this regard, the Australian Prudential Regulation Authority (APRA) sets guidelines for the quantification of the interest rate, 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 key 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.

	2018 \$'000	2017 \$'000
Unrealised Fair Value on Swap Portfolio Credit Sensitivity Analysis		
Unrealised fair value gain/(loss)	1,739	(3,537)
Basis Point Sensitivity	233.055	284.002
Increase of 80 basis points in credit spreads	18,644	22,720
Increase of 50 basis points in credit spreads	11,653	14,200
Increase of 30 basis points in credit spreads	6,992	8,520
Decrease of 80 basis points in credit spreads	(18,644)	(22,720)
Decrease of 50 basis points in credit spreads	(11,653)	(14,200)
Decrease of 30 basis points in credit spreads	(6,992)	(8,520)

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 cannot 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

NOTE 21 (CONTINUED)

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

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

	2018 \$'000	2017 \$'000
Value at Risk (VaR) Credit Sensitivity Analysis		
Average Daily Balance for Year	1,177	1,501
Lowest for Year	890	866
Highest for Year	1,717	2,438
Closing Balance	992	914

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 \$'000	Up to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non Interest Bearing \$'000	Total \$'000
2018								
Financial Assets:								
Cash and Cash Equivalents	2.10	236,141						236,141
Receivables – non derivative							405,135	405,135
– derivative			(978,890)	188,270	952,767	213,051		375,198
Investments	1.99		1,276,075	1,423,914	981,018			3,681,007
Loans to Authorities	3.02		16,843,235	5,976,235	13,128,253	15,339,040		51,286,763
		236,141	17,140,420	7,588,419	15,062,038	15,552,091	405,135	55,984,244
Financial Liabilities:								
Payables							1,174,348	1,174,348
Borrowings	2.72		10,920,941	5,073,309	22,197,745	16,471,423		54,663,418
			0	10,920,941	5,073,309	22,197,745	16,471,423	1,174,348
			0	10,920,941	5,073,309	22,197,745	16,471,423	55,837,766
2017								
Financial Assets:								
Cash and Cash Equivalents	1.84	170,878						170,878
Receivables – non derivative							315,349	315,349
– derivative			(750,090)	100,619	1,075,185	90,569		516,283
Investments	1.98	140,000	3,619,559	542,252	843,752			5,145,563
Loans to Authorities	3.16		16,528,735	5,418,195	12,423,856	14,467,258		48,838,044
		310,878	19,398,204	6,061,066	14,342,793	14,557,827	315,349	54,986,117
Financial Liabilities:								
Payables							3,571,974	3,571,974
Borrowings	3.05		13,626,644	673,625	21,476,889	15,510,509		51,287,667
			0	13,626,644	673,625	21,476,889	15,510,509	3,571,974
			0	13,626,644	673,625	21,476,889	15,510,509	54,859,641

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

NOTE 21 (CONTINUED)

Exchange Rate Risk

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

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

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

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

Credit Risk

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

WATC's governing legislation only permits lending to Western Australian public sector agencies or to entities that have approval to borrow from WATC conferred by a written law. 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 derivative, investment 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 with the use of 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.

	2018 %	2017 %
Credit Exposure of Investments by Rating		
AAA	9.67	8.24
AA	78.39	59.45
A	11.94	32.31
BBB	0.00	0.00
	100.00	100.00
Credit Exposure of Derivatives by Rating		
AAA	0.00	0.00
AA	90.79	93.02
A	9.21	6.98
	100.00	100.00

Liquidity Risk

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

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

- ensuring that its holdings of liquid assets and/or standby facilities are equal to or above a minimum level 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 2018

NOTE 21 (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 \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Total \$'000
2018					
Financial Liabilities:					
Borrowings					
– non derivative	2,602,908	7,531,074	33,318,312	17,014,966	60,467,260
	2,602,908	7,531,074	33,318,312	17,014,966	60,467,260
Derivatives					
– derivative payable	28,740	61,728	120,145	16,101	226,714
– derivative receivable	83,538	203,770	319,121	3,882	610,311
Derivatives Net	(54,798)	(142,042)	(198,976)	12,219	(383,597)
Total	2,548,110	7,389,032	33,119,336	17,027,185	60,083,663

2017

Financial Liabilities:

Borrowings					
– non derivative	4,671,802	5,306,989	30,757,940	15,993,935	56,730,666
	4,671,802	5,306,989	30,757,940	15,993,935	56,730,666
Derivatives					
– derivative payable	436,493	20,151	152,573	1,349	610,566
– derivative receivable	506,018	211,595	409,580	6,610	1,133,803
Derivatives Net	(69,525)	(191,444)	(257,007)	(5,261)	(523,237)
Total	4,602,277	5,115,545	30,500,933	15,988,674	56,207,429

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

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

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 can vary significantly 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 liquidation period and a 99% confidence interval. To determine WATC's market risk capital requirement, the calculated VaR statistic is multiplied by 3.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

NOTE 21 (CONTINUED)

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

MANAGEMENT

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 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 2018, WATC is confident that all its counterparties will meet their obligations.

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

	Notional Amount \$'000	Net Fair Value \$'000	Credit Exposure \$'000
As at 30 June 2018			
Futures	195,400	28	0
Interest Rate Swaps	12,997,325	374,827	581,081
Forward Rate Agreements	690,000	343	343
As at 30 June 2017			
Futures	423,100	(23)	0
Interest Rate Swaps	13,661,795	516,607	735,537
Forward Rate Agreements	650,000	(301)	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 and 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 2018, WATC had lent funds amounting to A\$17,895,400 thousand (2017, A\$15,892,175 thousand) on this basis.

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

WATC borrows in foreign currencies when the all in cost after swapping back into Australian dollars is cheaper than the equivalent domestic borrowing. Whereas WATC manages interest rate risk on a portfolio basis, it manages the exchange rate risk on foreign currency borrowings as part of the borrowing transaction. At 30 June, WATC had no foreign currency swaps and forwards (2017, A\$356,516 thousand with a fixed future obligation in Australian dollars of A\$363,966 thousand). Additionally, WATC has arranged foreign exchange transactions for clients amounting to A\$81,479 thousand (2017, A\$114,903 thousand). These transactions are arranged with clients on a back to back basis and therefore WATC does not have any net exposure. The fair value of A\$358 thousand relating to these forward foreign exchange transactions receivable from authorities and payable to third parties is included in Notes [12\(b\)](#) and [18\(b\)](#) respectively.

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

	Coupon	Market Rate as at 30 June 2018	Market Rate as at 30 June 2017
Overnight	-	1.50%	1.50%
90 days	-	2.11%	1.71%
180 days	-	2.22%	1.85%
15 October 2019	7.00%	2.06%	2.02%
15 July 2021	7.00%	2.32%	2.37%
16 October 2023	6.00%	2.59%	2.72%
23 July 2025	5.00%	2.82%	3.02%
21 October 2027	3.00%	3.09%	3.34%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

NOTE 21 (CONTINUED)

Fair Value Hierarchy

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

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (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 2018.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
30 June 2018				
Financial assets designated at fair value through profit or loss				
Investments	1,267,673	2,413,334	0	3,681,007
Loans to Authorities	0	51,286,763	0	51,286,763
Derivative financial assets	0	(2,135)	0	(2,135)
Total Assets	1,267,673	53,697,962	0	54,965,635
Financial liabilities designated at fair value through profit or loss				
Borrowings	43,146,785	11,516,633	0	54,663,418
Derivative financial liabilities	0	(377,333)	0	(377,333)
Total Liabilities	46,146,785	11,139,300	0	54,286,085
30 June 2017				
Financial assets designated at fair value through profit or loss				
Investments	983,741	4,161,822	0	5,145,563
Loans to Authorities	0	48,838,044	0	48,838,044
Derivative financial assets	0	(2,361)	0	(2,361)
Total Assets	983,741	52,997,505	0	53,981,246
Financial liabilities designated at fair value through profit or loss				
Borrowings	39,445,253	11,842,414	0	51,287,667
Derivative financial liabilities	0	(512,758)	0	(512,758)
Total Liabilities	39,445,253	11,329,656	0	50,774,909

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 regularly 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 WATC 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 WATC zero coupon yield curves.

NOTE 22 NOTES TO THE STATEMENT OF CASH FLOWS

	2018 \$'000	2017 \$'000
22a. Reconciliation of Cash		
For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Bank Deposits (Note 9)	236,119	170,858
Short Term Money Market Investments	542,919	2,235,630
Overseas Bank Accounts (Note 9)	22	20
	779,060	2,406,508

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Overseas Bank Accounts (Note 9)	22	20
	779,060	2,406,508

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

NOTE 22 (CONTINUED)

	2018 \$'000	2017 \$'000
22b. Reconciliation of Net Cash used in Operating Activities to Total Comprehensive Income for the period		
Total Comprehensive Income for the period	24,356	12,332
Depreciation	197	191
Amortisation of Intangible Assets	109	92
Gain on Sale of Equipment	0	(1)
Increase in Receivables	(14,467)	(15,754)
Increase/(decrease) in Accrued Interest Payable	37,804	(43,720)
Increase/(decrease) in Other Creditors	344	(49)
Current income tax equivalent expense	10,369	5,257
Other (Payment)/Receipt on behalf of Client Authorities	(77)	96
Decrease in deferred tax asset	83	41
Decrease in deferred tax liability	0	(1)
Tax Equivalent Payment	(5,257)	(11,738)
Decrease in Employee Benefits	(277)	(136)
Premium/discount amortisation	(255,863)	(349,190)
Fair Value Adjustment	63,263	(18,649)
Cash Increase in Investments	(284,331)	(2,209,292)
Cash Increase in Lending	(4,885,001)	(4,165,828)
Cash increase in Borrowings	3,690,878	5,626,254
Net Cash used in Operating Activities	(1,617,870)	(1,170,095)

22c. Financing Facilities

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

NOTE 23

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

\$	2018	2017
0	3	3
30,001 - 40,000	-	-
40,001 - 50,000	2	2
440,001 - 450,000	-	-
450,001 - 460,000	1	1
	2018	2017
	\$	\$
The total remuneration of the directors of WATC is:	543,456	541,960
Which comprises:		
Short Term Employment Benefits	479,296	481,113
Other Long Term Employment Benefits	18,627	15,316
Post Employment Benefits	45,533	45,531

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 2018

NOTE 23 (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:

\$	2018	2017
90,001 - 100,000	*1	-
170,001 - 180,000	1	1
180,001 - 190,000	-	-
190,001 - 200,000	-	-
200,001 - 210,000	1	-
210,001 - 220,000	-	-
220,001 - 230,000	-	-
230,001 - 240,000	1	1
240,001 - 250,000	-	1
250,001 - 260,000	1	1
260,001 - 270,000	-	-
300,001 - 310,000	1	1
320,001 - 330,000	-	-
360,001 - 370,000	-	1
410,001 - 420,000	**1	-

* Mr Moulton replaced Mr Nunes during the year and therefore this salary represents part year only.

** Mr Nunes retired during the year.

	2018 \$	2017 \$
The total remuneration of other key management personnel is:	1,684,100	1,581,479
Which comprises:		
Short Term Employment Benefits	1,521,323	1,394,593
Other Long Term Employment Benefits	15,833	31,994
Post Employment Benefits	146,944	154,892

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.

	2018 \$	2017 \$
The total remuneration of directors and key management personnel is:	2,227,556	2,123,439
Which comprises:		
Short Term Employment Benefits	2,000,619	1,875,706
Other Long Term Employment Benefits	34,460	47,310
Post Employment Benefits	192,477	200,423

NOTE 24 AUDITOR'S REMUNERATION

Amounts paid or due and payable to the Office of the Auditor General for auditing the financial statements and performance indicators.	176,750	175,000
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NOTE 25 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 2018, 98.7% (2017, 98.4%) of total loans to authorities were advanced to State Government authorities. The loans are provided at the cost of borrowing to WATC plus a margin to cover administration expenses and have various maturities. Details of maturity profile, interest earned and average interest earned are shown in [Note 12](#).

In addition, WATC receives services from various government departments and agencies in the normal course of business. These transactions take place on an arm's length basis 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 2018

NOTE 26 EXPLANATORY STATEMENT

26a. Actual/Budget Comparison 2017/18

	Actual \$'000	Budget \$'000	Variance \$'000	Comment
Revenue				
Interest on Investments	82,000	52,500	29,500	1
Interest from Authorities	1,486,182	1,661,513	(175,331)	2
Fee Income	1,639	1,728	(89)	
	<u>1,569,821</u>	<u>1,715,741</u>	<u>(145,920)</u>	
Gains				
Gains from Sale of Plant and Equipment	0	0	0	
Net Fair Value Movement	0	0	0	3
Total Income	<u>1,569,821</u>	<u>1,715,741</u>	<u>(145,920)</u>	
Expenses				
Interest on Borrowings	1,453,923	1,662,529	(208,606)	4
Borrowing Related Expenses	1,536	4,303	(2,767)	
Depreciation	197	422	(225)	
Amortisation of Intangible Assets	109	548	(439)	
Administration Expenses	15,977	17,346	(1,369)	
Net Fair Value Movement	63,263	0	63,263	3
	<u>1,535,005</u>	<u>1,685,148</u>	<u>(150,143)</u>	
Profit before income tax equivalent	34,816	30,593	4,223	
Income tax equivalent expense	10,452	9,178	1,274	
Profit for the period	24,364	21,415	2,949	
Other Comprehensive Income	(8)	0	(8)	
Total Comprehensive Income	24,356	21,415	2,941	

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.
- The relationship between net fair value movement and interest income and expense is discussed at [Note 7](#). The budget does not separately identify unrealised gains or losses.
- The decrease in Interest on Borrowings compared to budget was due to lower than anticipated interest rates.

26b. Comparison Between 2017/18 And The Previous Year

	2018 \$'000	2017 \$'000	Change \$'000	Comment
Revenue				
Interest on Investments	82,000	72,367	9,633	1
Interest from Authorities	1,486,182	1,442,733	43,449	2
Fee Income	1,639	1,642	(3)	
	<u>1,569,821</u>	<u>1,516,742</u>	<u>53,079</u>	
Gains				
Gains from Sale of Plant and Equipment	0	1	(1)	
Net Fair Value Movement	0	18,649	(18,649)	3
Total Income	<u>1,569,821</u>	<u>1,535,392</u>	<u>34,429</u>	
Expenses				
Interest on Borrowings	1,453,923	1,500,352	(46,429)	4
Borrowing Related Expenses	1,536	1,422	114	
Depreciation	197	191	6	
Amortisation of Intangible Assets	109	92	17	
Administration Expenses	15,977	15,712	265	
Net Fair Value Movement	63,263	0	63,263	3
	<u>1,535,005</u>	<u>1,517,769</u>	<u>17,236</u>	
Profit before income tax equivalent	34,816	17,623	17,193	
Income tax equivalent expense	10,452	5,297	5,155	
Profit for the period	24,364	12,326	12,038	
Other Comprehensive Income	(8)	6	(14)	
Total Comprehensive Income	<u>24,356</u>	<u>12,332</u>	<u>12,024</u>	

- Interest on Investments has increased by \$9.633 million from the previous year mainly due to a higher balance invested.
- Interest from Authorities has increased by \$43.449 million from the previous year mainly due to increases in client debt levels.
- Net Fair Value Movement has decreased by \$81.912 million from the previous year mainly due to changes in interest rates.
- Interest on Borrowings has decreased by \$46.429 million from the previous year as a result of a decrease in interest rates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

NOTE 27 COMMITMENTS

There are no expenditure commitments contracted for and payable at 30 June 2018 (2017, nil).

NOTE 28 SUBSEQUENT EVENTS

There have been no events subsequent to balance date which would have a material effect on WATC's financial statements at 30 June 2018.

CERTIFICATION OF FINANCIAL STATEMENTS

For the year ended 30 June 2018

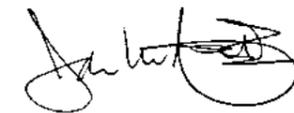
The accompanying financial statements of the Western Australian Treasury Corporation have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ended 30 June 2018 and the financial position as at 30 June 2018.

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

17 August 2018



J M COLLINS
CHIEF EXECUTIVE OFFICER
WESTERN AUSTRALIAN
TREASURY CORPORATION

17 August 2018



M A BARNES
CHAIRPERSON
WESTERN AUSTRALIAN
TREASURY CORPORATION

17 August 2018

KEY PERFORMANCE INDICATORS

VISION (2017/2018)

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 30/6/18 (Years)	AAA			AA+			AA			AA-		
	17/18 %	16/17 %	15/16 %	17/18 %	16/17 %	15/16 %	17/18 %	16/17 %	15/16 %	17/18 %	16/17 %	15/16 %
1 to 2	0.17	0.26	0.38	0.27	0.37	0.67	0.45	0.61	0.58	0.35	0.59	0.84
2 to 3		0.34	0.26	0.35	0.42	0.49	0.39	0.65	0.72	0.49	0.52	0.86
3 to 4	0.24		0.45	0.25	0.55	0.42		0.63	0.73	0.45	0.61	0.78
4 to 5	0.24	0.35		0.28	0.40	0.49		0.70	0.42	0.46	0.79	
5 to 6	0.16	0.38	0.31	0.31	0.46	0.58	0.68		0.77	0.39	0.56	0.94
6 to 7		0.29	0.31		0.56	0.55		0.83			0.46	
7 to 8	0.21		0.21	0.30			0.73		0.75	0.57		
8 to 9	0.14	0.29		0.21	0.47			0.74		0.54	0.63	
9 to 10	0.06	0.26	0.15			0.11		0.63		0.52	0.62	
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 0.17% identified in the first row of the AAA 17/18 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 2017 and have at least one year until maturity at 30 June 2018;
- 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 COST EFFECTIVENESS INDICATOR – ADMINISTRATION COST RATIO

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

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

Table 2 – WATC Administration Cost Ratio 2013/14 to 2017/18

Year	Net Administration Expense \$m	Average Loan Funds Outstanding \$m	Target Administration Cost Ratio %	Actual Administration Cost Ratio %
2013/14	14.786	31,783	<0.080	0.047
2014/15	14.806	33,692	<0.080	0.044
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

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.

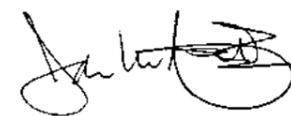
WATC's administration cost ratio will fluctuate from time to time due to changes in aggregate debt levels as well as direct management action. Changes in aggregate debt levels are impacted by government asset sales and debt management policy in general which is beyond the control of WATC.

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.

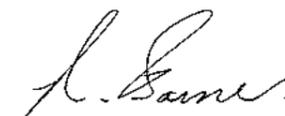
CERTIFICATION OF PERFORMANCE INDICATORS

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 2018.



J M COLLINS
CHIEF EXECUTIVE OFFICER
WESTERN AUSTRALIAN
TREASURY CORPORATION

17 August 2018



M A BARNES
CHAIRPERSON
WESTERN AUSTRALIAN
TREASURY CORPORATION

17 August 2018

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 2018, 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 2018 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 Responsibilities 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 agency'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.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- Conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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 2018.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Parliament of Western Australia

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 the controls, necessary to achieve the overall control objectives, 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.

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 noncompliance 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 2018. The key performance indicators are the key effectiveness indicators and the 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 2018.

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 agency'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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Parliament of Western Australia

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 2018 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 refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.



CAROLINE SPENCER

AUDITOR GENERAL
FOR WESTERN AUSTRALIA

Perth, Western Australia

21 August 2018

CLIENT AUTHORITIES

Face Value Net Debt Outstanding to WATC at 30 June 2018

Authority Name	Balance at 1 July 2017 \$'000	Net Advances During Year \$'000	Balance at 30 June 2018 \$'000
Albany City Council	15,593	(2,090)	13,503
Animal Resources Authority	689	(155)	534
Armadale City Council	30,056	(916)	29,140
Ashburton Shire Council	5,285	(719)	4,566
Augusta-Margaret River Shire Council	7,879	1,872	9,751
Bassendean Town Council	935	(124)	811
Bayswater City Council	26	(6)	20
Belmont City Council	1,429	13,908	15,338
Beverley Shire Council	1,070	731	1,801
Boddington Shire Council	2,505	(221)	2,285
Boyup Brook Shire Council	565	(39)	526
Bridgetown-Greenbushes Shire Council	2,269	(29)	2,240
Brookton Shire Council	1,608	(130)	1,478
Broome Shire Council	2,912	(593)	2,319
Broomehill-Tambellup Shire Council	1,302	(82)	1,220
Bruce Rock Shire Council	207	(67)	140
Bunbury City Council	13,114	(160)	12,954
Bunbury Water Corporation	393	(60)	334
Busselton City Council	30,127	5,107	35,234
Busselton Water Corporation	1,392	(269)	1,123
Cambridge Town Council	11,981	(9,712)	2,269
Canning City Council	8,955	(2,210)	6,746
Capel Shire Council	7,312	(624)	6,688
Carnamah Shire Council	270	(38)	232
Carnarvon Shire Council	724	(229)	495
Chapman Valley Shire Council	352	(94)	258
Chittering Shire Council	979	749	1,729
Claremont Town Council	8,867	2,884	11,751
Cockburn City Council	22,500	(2,500)	20,000
Collie Shire Council	1,258	(46)	1,212
Coolgardie Shire Council	1,030	(337)	693
Coorow Shire Council	257	(137)	120
Corrigin Shire Council	1,945	(165)	1,781
Cottesloe Town Council	4,669	(449)	4,219

CLIENT AUTHORITIES (CONTINUED)

Authority Name	Balance at 1 July 2017 \$'000	Net Advances During Year \$'000	Balance at 30 June 2018 \$'000
Country High School Hostels Authority	13,933	(13,933)	0
Country Housing Authority	35,701	(6,776)	28,924
Cranbrook Shire Council	453	(58)	395
Cuballing Shire Council	222	(71)	151
Cunderdin Shire Council	1,381	(70)	1,311
Curtin University of Technology	53,550	(18,743)	34,807
Dalwallinu Shire Council	987	(110)	877
Dandaragan Shire Council	525	(91)	435
Dardanup Shire Council	3,024	(419)	2,605
Denmark Shire Council	2,981	(270)	2,711
Derby-West Kimberley Shire Council	2,023	5,581	7,604
Donnybrook-Balingup Shire Council	308	(72)	236
Dowerin Shire Council	1,182	(118)	1,065
Dumbleyung Shire Council	393	470	863
Dundas Shire Council	478	(45)	433
East Pilbara Shire Council	5,560	189	5,748
Edith Cowan University	114,953	(21,153)	93,800
Electricity Generation and Retail Corporation	193,834	(51,600)	142,234
Electricity Networks Corporation	7,161,100	16,892	7,177,992
Esperance Shire Council	2,177	(430)	1,746
Exmouth Shire Council	2,517	(254)	2,263
FES Ministerial Body	48,386	(9,390)	38,996
Fremantle City Council	19,308	(10,042)	9,266
Fremantle Port Authority	196,578	(11,877)	184,702
Gingin Shire Council	2,409	(26)	2,383
Gnowangerup Shire Council	1,076	837	1,913
Gosnells City Council	20,891	(8,747)	12,145
Government Employees Superannuation Board	202,347	(45,608)	156,739
Greater Geraldton City Council	27,850	(3,728)	24,122
Halls Creek Shire Council	1,045	(53)	991
Harvey Shire Council	2,199	(989)	1,210
Housing Authority	4,051,787	594,248	4,646,034
Irwin Shire Council	2,587	(90)	2,496
Jerramungup Shire Council	1,187	(194)	992
Joondalup City Council	16,701	(3,085)	13,616

Authority Name	Balance at 1 July 2017 \$'000	Net Advances During Year \$'000	Balance at 30 June 2018 \$'000
Kalamunda Shire Council	6,371	(764)	5,607
Kalgoorlie-Boulder City Council	11,077	(845)	10,233
Karratha City Council	413	15	428
Katanning Shire Council	628	2,341	2,968
Kellerberrin Shire Council	1,738	(141)	1,597
Kent Shire Council	506	(80)	426
Kimberley Ports Authority	14,162	(1,199)	12,963
Kojonup Shire Council	325	70	395
Kondinin Shire Council	1,541	193	1,734
Kulin Shire Council	1,420	(83)	1,337
Kwinana City Council	22,689	(618)	22,071
Lake Grace Shire Council	1,566	(235)	1,330
Laverton Shire Council	882	(134)	748
Mandurah City Council	29,095	110	29,205
Manjimup Shire Council	5,179	(438)	4,741
Melville City Council	2,691	(291)	2,400
Merredin Shire Council	1,543	(219)	1,323
Metropolitan Redevelopment Authority	330,565	60,104	390,669
Mid West Ports Authority	14,744	(2,060)	12,684
Mingenew Shire Council	791	(151)	641
Minister for Education	314,799	19,788	334,587
Minister for Finance (utilising powers under the <i>State Supply Commission Act 1991</i> as amended)	47,471	(23,115)	24,355
Minister for Fisheries	25,605	(4,791)	20,814
Moora Shire Council	1,278	(330)	948
Morawa Shire Council	453	(71)	382
Mosman Park Town Council	6,127	(170)	5,957
Mount Magnet Shire Council	203	(42)	161
Mount Marshall Shire Council	1,308	(106)	1,202
Mukinbudin Shire Council	774	(155)	619
Mundaring Shire Council	12,366	(575)	11,791
Murchison Shire Council	0	19	19
Murdoch University	6,659	(2,347)	4,312
Murray Shire Council	4,733	(1,070)	3,664
Nannup Shire Council	67	(16)	51

CLIENT AUTHORITIES (CONTINUED)

Authority Name	Balance at 1 July 2017 \$'000	Net Advances During Year \$'000	Balance at 30 June 2018 \$'000
Narembeen Shire Council	1,129	(85)	1,044
Narrogin Shire Council	1,142	(220)	922
Nedlands City Council	6,248	3,751	9,999
Northam Shire Council	2,236	(228)	2,008
Northampton Shire Council	1,073	(181)	892
Nungarin Shire Council	620	(42)	578
Peppermint Grove Shire Council	840	(26)	814
Perenjori Shire Council	1,250	(250)	1,000
Perth City Council	29,555	(6,423)	23,132
Pilbara Ports Authority	177,412	(22,691)	154,721
Pingelly Shire Council	2,529	442	2,971
Plantagenet Shire Council	2,661	149	2,810
Port Hedland Town Council	22,642	(1,239)	21,403
Public Transport Authority	2,140,240	123,271	2,263,511
Quairading Shire Council	153	446	599
Ravensthorpe Shire Council	2,090	(194)	1,896
Regional Power Corporation	762,950	(83,236)	679,714
Rockingham City Council	13,692	(2,074)	11,618
Serpentine-Jarrahdale Shire Council	1,364	2,504	3,868
Shark Bay Shire Council	301	(67)	234
South Perth City Council	11,689	(1,432)	10,257
Southern Metropolitan Regional Council	21,323	(2,271)	19,052
Southern Ports Authority	33,727	(7,414)	26,313
Subiaco City Council	7,162	634	7,796
Swan City Council	46,985	(3,552)	43,434
Tammin Shire Council	353	(31)	321
The Minister for Agriculture and Food exercising power under Sec 6(1) of the <i>Loans (Co-operative Companies) Act 2004</i>	32,590	2,375	34,965
The Treasurer on behalf of the State of Western Australia	22,250,497	4,152,278	26,402,775
Three Springs Shire Council	270	(63)	207
Toodyay Shire Council	2,288	(229)	2,059
Trayning Shire Council	631	(83)	548
University of Western Australia	148,816	(3,036)	145,780

Authority Name	Balance at 1 July 2017 \$'000	Net Advances During Year \$'000	Balance at 30 June 2018 \$'000
Upper Gascoyne Shire Council	598	302	901
Victoria Park Town Council	8,837	(2,241)	6,596
Victoria Plains Shire Council	282	(43)	239
Vincent City Council	15,778	(881)	14,897
Wagin Shire Council	749	(58)	691
Wandering Shire Council	215	580	795
Wanneroo City Council	60,778	0	60,778
Waroona Shire Council	256	169	424
Water Corporation	5,646,000	264,000	5,910,000
West Arthur Shire Council	974	(82)	893
Western Australian Land Authority	185,000	34,000	219,000
Westonia Shire Council	246	(91)	156
Wickepin Shire Council	109	(28)	81
Williams Shire Council	753	156	908
Wiluna Shire Council	1,099	2,234	3,333
Wongan-Ballidu Shire Council	696	(166)	529
Wyalkatchem Shire Council	149	(19)	130
Wyndham-East Kimberley Shire Council	5,166	(875)	4,291
Yalgoo Shire Council	611	(63)	547
York Shire Council	2,542	(214)	2,327
TOTAL	44,909,149	4,903,285	49,812,434

Note: Due to rounding some figures do not add.

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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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