

# Annual Report

2021



WESTERN AUSTRALIAN  
**TREASURY CORPORATION**

Financial Solutions  
for the Benefit of All  
Western Australians

# Contents

## Overview

Statement of Compliance	1
Vision, Objectives and Values	2
Highlights of 2020–21	3
Chairperson and CEO's Report	4
Performance Against Targets	6
Board of Directors	10
About WATC	12

## Agency Performance

Providing Value to Clients	14
Successful Financial Management	20
Optimising Our Performance	25

## Disclosures and Legal Compliance

Information Management	28
Our People	30
Board of Directors' Governance	33
Board Committees	35
Legislation	36
Corporate Governance	37

## Financial Statements

Statement of Comprehensive Income	40
Statement of Financial Position	41
Statement of Changes in Equity	42
Statement of Cash Flows	43
Notes to the Financial Statements	44
Certification of Financial Statements	86
Key Performance Indicators	87
Independent Auditor's Report	91
Client Authorities	96

## Contact Details

Western Australian Treasury Corporation	101
Registry Information	101

### 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 2021. A full copy of this annual report, along with previous years' annual reports, is available in pdf and other formats on Western Australian Treasury Corporation's website [www.watc.wa.gov.au](http://www.watc.wa.gov.au).

**To the Honourable Mark McGowan BA LLB MLA**

**Premier; Treasurer; Minister for Public Sector Management; Federal–State Relations**

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 ending 30 June 2021.

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

Yours sincerely,



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

27 August 2021



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

27 August 2021

P: (+61) 8 9235 9100  
F: (+61) 8 9235 9199  
E: [watc@watc.wa.gov.au](mailto:watc@watc.wa.gov.au)

Head Office: Level 12, 225 St Georges Terrace, Perth WA 6000  
Postal Address: PO Box 7282, Perth Cloisters Square WA 6850  
[www.watc.wa.gov.au](http://www.watc.wa.gov.au)

## Vision, Objectives and Values

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

### Vision



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

### Objectives

In fulfilling WATC's role as the central financial services provider for the State, our strategic focus for 2020–21 centres on the following core objectives:



Provide high-quality, cost-effective products and services to the Western Australian public sector.



Maintain ready access to domestic and international capital markets to ensure funds are raised to finance client borrowing needs in a cost-effective manner.



Optimise the performance of WATC in accordance with the WATC Act and the risk appetite of WATC's Board.

### Values

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



#### Integrity

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



#### Partnership

We work collaboratively with our clients and colleagues towards achieving successful outcomes.



#### Adaptability

We challenge ourselves to think creatively and to continuously improve.



#### Achievement

We are engaged and focused on delivering valued outcomes for Western Australia.



#### Leadership

We use our knowledge and experience to contribute to the long-term benefit of Western Australia.

## Highlights of 2020–21



Successfully issued \$7.9 billion in benchmark bonds and floating rate notes to deliver on our client debt requirements during a year of heightened market volatility.

See [page 21](#) »



Provided leadership in an intra-government initiative to articulate the State Government's environmental, social and governance credentials.

See [page 23](#) »



Our staff showed their dedication, resilience and adaptability enabling WATC to continue to successfully deliver its objectives during a year of disruption.

See [page 30](#) »

Worked collaboratively with clients on a range of key infrastructure projects, improving outcomes for both them and the State.

See [page 15](#) »



Our clients affirmed that we continue to deliver high-quality, cost-effective financial solutions that satisfy the needs of the State's public sector.

See [page 18](#) »



Continued to enhance our systems and processes to maximise security, improve functionality and increase capacity and capability, supporting our business objectives now and into the future.

See [page 27](#) »



Continued to improve client understanding of financial risk management through education and training programs on foreign exchange risk management, financing large-scale investments and public private partnerships.

See [page 19](#) »

Supported Western Australian local government and university clients impacted by COVID-19 with a new \$100 million low interest short-term lending facility.

See [page 15](#) »



## Chairperson and CEO's Report

The challenges of the second half of 2019–20 continued into 2020–21, with heightened uncertainty from the COVID-19 pandemic weighing on all aspects of our business.

Like so much of the world, we have had to continue to be agile and responsive to the circumstances, adjusting how we work, where we work and how we undertake our core tasks. Throughout this, it is pleasing to note that WATC has been able to continue to support the needs of the State by ensuring good access to funds, quality management of the investment portfolio and the ongoing provision of high-quality financial products and services to our clients.

Unprecedented monetary and fiscal support by governments and central banks around the world continued to determine global financial market conditions. Intervention by the Reserve Bank of Australia (RBA), through cuts to the cash rate, the introduction of yield curve control out to three years and a large purchasing program of sovereign and semi-government bonds, helped stabilise local market conditions throughout most of 2020–21, and has seen the RBA become one of the largest holders of semi-government debt.

The underlying strength and resilience of the Western Australian economy over this period has seen the State continue to deliver operating surpluses, with a record general government operating surplus delivered in 2020–21. As a result, the original funding task for the State was revised downwards over the course of the year, with new funding of \$264 million delivered to 30 June 2021 being substantially less than the \$2.3 billion estimated at the start of the year. During 2020–21, WATC issued approximately \$7.9 billion in benchmark bonds and floating rate notes, which included prefunding for the July 2021 benchmark maturity.

The ongoing management of key balance sheet metrics saw the proportion of our debt maturing within 12 months standing at just 17.3 per cent at 30 June 2021. Reflecting strong liquidity in the public sector, our liquid asset portfolio cover was a healthy 182.5 per cent. Both of these outcomes were comfortably within WATC's Board targets (less than 20 per cent and above 100 per cent, respectively).

COVID-19 travel restrictions led to the suspension of all offshore marketing travel. Consequently, WATC partnered with members of our Fixed Interest Dealer Panel to deliver updates virtually to a number of offshore investors. Domestic marketing was also undertaken virtually and included participation in fixed income conferences and delivering an online post budget economic and fiscal update presented by the Treasurer of Western Australia to investors and market intermediaries in October 2020. We continue to look for opportunities to engage with our investors and financial market partners in the virtual world through economic updates, investor presentations, our website and conference calls, to name a few.

Client funds under management totalled \$2.9 billion at 30 June 2021. During the year, we supported changes to the Future Health Research and Innovation Fund. This involved the repurposing of the Future Fund whereby the capital of the fund remains preserved in perpetuity and managed by WATC, and the annual investment income will be accessed by the Department of Health to drive health and medical research, innovation and commercialisation.

The low interest rate environment reduced our own investment returns and resulted in an annual pre-tax profit of \$31.7 million, slightly behind previous years. We will contribute \$26.3 million in dividends and tax equivalent payments to the Consolidated Account.

On an operational front, WATC staff have been exceptionally busy. A focus for the year has been the consolidation of the new treasury management system, ongoing upgrades to our information and communications technology (ICT) hardware and software, completing an office refurbishment with purpose-built collaboration and flexible working spaces, and improving our associated ICT capabilities to support efficient working from any location.

Our client teams continued to build on and share our knowledge and experience to support good financial outcomes for the State, including facilitating a number of training and development opportunities for our clients to build knowledge more broadly. A key focus of the year was developing and implementing new lending products to support the liquidity of the university and local government sectors in response to the impacts of COVID-19.

The year ahead will likely continue the roller-coaster ride, with volatile markets and global uncertainty expected to remain key features of our operating environment. Ongoing access to markets to support the objectives of the State Government will remain our key priority, as well as managing risk, supporting investments through the current low return environment, and supporting clients through material and complex financial projects.

A big thank you to all of our people, whose hard work and dedication to achieving great outcomes has never been more important than in the last 12 months; to our clients, who have shown great flexibility and responsiveness as we have sought to meet their funding needs in, at times, uncertain conditions; to our financial market partners for their ongoing engagement, support and willingness to understand the 'WA Story'; and to our Board, auditors and other suppliers of goods and services to WATC who have contributed strongly in what has been our 35th year providing high-quality products and services to Western Australia.



**M A BARNES** PSM  
CHAIRPERSON

27 August 2021



**K P GULICH** PSM  
CHIEF EXECUTIVE OFFICER

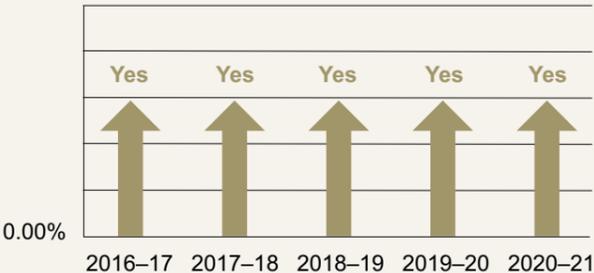
27 August 2021

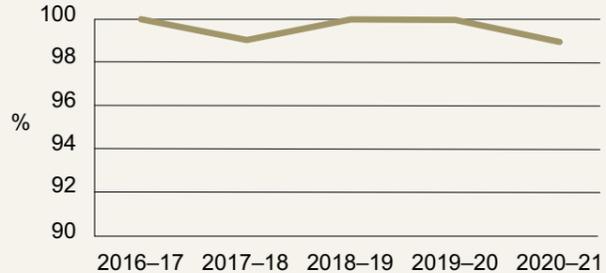
# Performance Against Targets

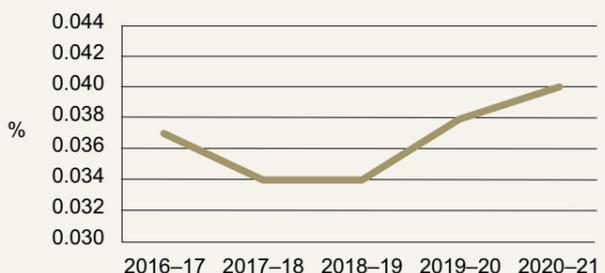
The WATC Board sets our annual performance targets. These targets form part of the *Statement of Corporate Intent*, which is submitted to the Treasurer at the start of each financial year in accordance with Section 16I(1) of the *Western Australian Treasury Corporation Act 1986*.

WATC's Key Performance Indicators are developed in line with the State Government's goal of "Strong and sustainable finances – responsible, achievable, affordable service delivery".

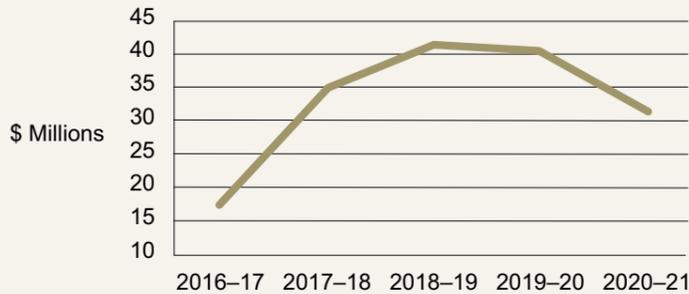
## Key Performance Indicators

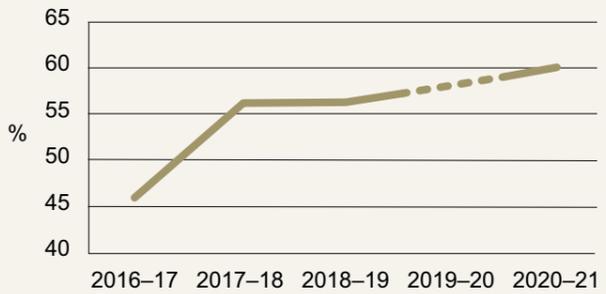
 <b>Estimated Interest Rate Savings</b>													
<b>Target</b>	Savings > 0.00% Estimate of the benefits derived from centralising the State's debt portfolio management and borrowing program within WATC.												
<b>Result</b>	Estimated interest rate savings to clients by reference to bond credit rating and term to maturity were greater than 0.00%.												
<b>Comment</b>	<b>Target achieved.</b> WATC continued to deliver significant interest rate savings to clients in 2020–21. See Key Performance Indicator section on <a href="#">page 87</a> for a more detailed explanation.												
<b>Five-Year Trend</b>	 <table border="1"> <thead> <tr> <th>Year</th> <th>Result</th> </tr> </thead> <tbody> <tr> <td>2016–17</td> <td>Yes</td> </tr> <tr> <td>2017–18</td> <td>Yes</td> </tr> <tr> <td>2018–19</td> <td>Yes</td> </tr> <tr> <td>2019–20</td> <td>Yes</td> </tr> <tr> <td>2020–21</td> <td>Yes</td> </tr> </tbody> </table>	Year	Result	2016–17	Yes	2017–18	Yes	2018–19	Yes	2019–20	Yes	2020–21	Yes
Year	Result												
2016–17	Yes												
2017–18	Yes												
2018–19	Yes												
2019–20	Yes												
2020–21	Yes												

 <b>Assessment of Client Satisfaction</b>													
<b>Target</b>	90% client satisfaction WATC continues to target an aspirational client satisfaction level of 100%.												
<b>Result</b>	99% client satisfaction (alignment of products and services to client needs).												
<b>Comment</b>	<b>Target achieved.</b> WATC uses a range of mechanisms to actively monitor and assess client satisfaction. This year we commissioned an independent survey of WATC's State Government clients. The survey results also indicated that WATC continued to outperform financial industry benchmarks in terms of quality of service and understanding clients' financial needs.												
<b>Five-Year Trend</b>	 <table border="1"> <thead> <tr> <th>Year</th> <th>Client Satisfaction (%)</th> </tr> </thead> <tbody> <tr> <td>2016–17</td> <td>99</td> </tr> <tr> <td>2017–18</td> <td>98</td> </tr> <tr> <td>2018–19</td> <td>99</td> </tr> <tr> <td>2019–20</td> <td>99</td> </tr> <tr> <td>2020–21</td> <td>99</td> </tr> </tbody> </table>	Year	Client Satisfaction (%)	2016–17	99	2017–18	98	2018–19	99	2019–20	99	2020–21	99
Year	Client Satisfaction (%)												
2016–17	99												
2017–18	98												
2018–19	99												
2019–20	99												
2020–21	99												

 <b>Administration Cost Ratio</b>													
<b>Target</b>	Administration Cost Ratio < 0.050% Measures administrative efficiency and the cost effectiveness in funding client borrowing requirements.												
<b>Result</b>	Administration Cost Ratio = 0.040%												
<b>Comment</b>	<b>Target achieved.</b> WATC continued to deliver scale benefits to the State by keeping net administration expenses in check. See Key Performance Indicator section on <a href="#">page 89</a> for a more detailed explanation.												
<b>Five-Year Trend</b>	 <table border="1"> <thead> <tr> <th>Year</th> <th>Administration Cost Ratio (%)</th> </tr> </thead> <tbody> <tr> <td>2016–17</td> <td>0.037</td> </tr> <tr> <td>2017–18</td> <td>0.034</td> </tr> <tr> <td>2018–19</td> <td>0.034</td> </tr> <tr> <td>2019–20</td> <td>0.038</td> </tr> <tr> <td>2020–21</td> <td>0.040</td> </tr> </tbody> </table>	Year	Administration Cost Ratio (%)	2016–17	0.037	2017–18	0.034	2018–19	0.034	2019–20	0.038	2020–21	0.040
Year	Administration Cost Ratio (%)												
2016–17	0.037												
2017–18	0.034												
2018–19	0.034												
2019–20	0.038												
2020–21	0.040												

## Performance Against Targets (continued)

 <b>Pre-Tax Profit</b>	
<b>Target</b>	Profit = \$34.1 million
<b>Result</b>	Profit = \$31.7 million
<b>Comment</b>	<b>Target not achieved.</b> Lower than anticipated new borrowings reduced admin margin collected, and the lower interest rate environment reduced interest earned on investments. While reducing WATC's profit, these reflect good outcomes for the State and Western Australian public sector agencies.
<b>Five-Year Trend</b>	

 <b>Staff Engagement Rating</b>	
<b>Target</b>	Staff Engagement Rating > 65%
<b>Result</b>	Staff Engagement Rating = 60%
<b>Comment</b>	<b>Target not achieved.</b> Staff engagement has been steadily improving from previous years' results as work continues on the strategic approach to improve employee engagement by encouraging and developing self-leadership, leading others and leading the organisation through values based competencies and continuous improvement aligned to delivering WATC's vision and objectives.
<b>Five-Year Trend</b>	 <p>Note: There was no survey in 2019-20.</p>

### Five-Year KPI Summary

	2020-21	2019-20	2018-19	2017-18	2016-17
Estimated Interest Rate Savings > 0.00%	Yes	Yes	Yes	Yes	Yes
Assessment of Client Satisfaction	99%	100%	100%	99%	100%
Administration Cost Ratio	0.040%	0.038%	0.034%	0.034%	0.037%
Pre-Tax Profit	\$31.7m	\$40.7m	\$41.7m	\$34.8m	\$17.6m
Staff Engagement Rating*	60%	n/a	56%	56%	46%

\* Methodology used changed in 2017-18.

n/a: not applicable

### Five-Year Financial Summary

	2020-21 \$m	2019-20 \$m	2018-19 \$m	2017-18 \$m	2016-17 \$m
<b>Financial Performance</b>					
Profit Before Income Tax Equivalent Expense	31.7	40.7	41.7	34.8	17.6
<b>Financial Position</b>					
Total Assets	61,892.2	64,658.5	59,483.4	55,985.8	54,987.8
Percentage Change in Assets (%)	-4.3	8.7	6.2	1.8	7.9
Total Liabilities	61,739.3	64,506.4	59,337.9	55,851.3	54,868.3
Equity	152.9	152.1	145.5	134.5	119.5

## Board of Directors

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



**Michael Barnes PSM**  
**Chairperson**

Mr Barnes assumed the role of Chairperson when he became Acting Under Treasurer in the Department of Treasury in 2014. Mr Barnes was appointed Under Treasurer in 2015. As Under Treasurer, he is the principal economic and financial policy adviser to the Government of Western Australia. He is also the Chairperson of WATC's People and Remuneration Committee. Prior to joining the Department of Treasury in 1997, Mr Barnes worked in the Commonwealth Treasury, where he commenced his career as a graduate in 1992. Mr Barnes holds a Bachelor of Business degree with Honours in Economics, and was awarded a Public Service Medal in the June 2020 Queen's Birthday Honours for outstanding public service to State government finances in Western Australia.



**Michael Court**  
**Deputy Chairperson**

Mr Court was appointed to the Board as Deputy Chairperson in July 2017. Mr Court was appointed Deputy Under Treasurer in September 2016, which followed more than five years as the Executive Director of the Department of Treasury's Economic business unit. Mr Court joined the Department of Treasury in 1997, after working in the Department of Foreign Affairs and Trade, the Commonwealth Treasury and the London Underground Ltd. Mr Court is a member of the Government's Energy Transformation Taskforce and the Bankwest Curtin Economic Centre Advisory Board, and is a non-executive director of Horizon Power.



**Kaylene Gulich PSM**  
**Chief Executive Officer**

Ms Gulich commenced as CEO of WATC in February 2019. Ms Gulich has extensive experience in public policy, knowledge of financial markets and expertise in the Western Australian economy. Ms Gulich has previously held senior roles within the Department of Treasury, as both the Executive Director of the Economic business unit and the Executive Director for Infrastructure and Finance. As well as being a member of CPA Australia and the Australian Institute of Company Directors, Ms Gulich has previously been a Director with Gold Corporation and is currently a Director on VenuesWest's Board. Ms Gulich recently assumed the position as Treasurer for IPAA WA. Ms Gulich was awarded a Public Service Medal in the June 2021 Queen's Birthday Honours for outstanding public service to Western Australia through a range of roles.



**David Brumby**  
**Director**

Mr Brumby was appointed as a Director in February 2020. He has worked in wholesale finance for over 30 years across product and relationship areas, both in Australia and overseas. Between 1999 and 2011, Mr Brumby headed Westpac's Institutional Bank in Western Australia. In 2011, Mr Brumby moved to New York to head Westpac's Corporate & Institutional Banking business, and between 2014 and 2017, he was the Portfolio Manager/Executive Director for Westpac's Natural Resources portfolio. Mr Brumby has degrees in mining engineering from the University of Sydney and the University of NSW, and an MBA (IMD). Mr Brumby now acts as an advisor in the natural resources sector and runs a beef-breeding farm with his wife.



**Philippa Hobson**  
**Director**

Ms Hobson was appointed as a Director in February 2020 and is the Chairperson of the Audit Committee and a member of the People and Remuneration Committee. Ms Hobson is a Risk Consulting Partner at RSM in Perth. Ms Hobson has over 20 years of internal and external audit and risk consulting experience, as well as gaining commercial experience as Finance Manager of a large funds management organisation. Ms Hobson has worked extensively with clients in the public and private sectors, providing audit, enterprise risk management and governance services, internal controls reviews and process redesign, regulatory and financial targeted reviews, and Sarbanes-Oxley control reviews. Ms Hobson's industry experience covers government, utilities, not-for-profit, financial services and manufacturing. Ms Hobson is passionate about understanding how an organisation's culture impacts on its performance and conformance. Ms Hobson is on the council for the WA Chapter of the Institute of Internal Auditors and on the Arts Festival Committee at Newman College.



**Susan Murphy AO**  
**Director**

Ms Murphy was appointed as a Director in January 2019. As CEO of Water Corporation from 2008–2018, Ms Murphy led the multi-faceted organisation that supplies drinking water to two million customers and wastewater services across 2.6 million square kilometres. Ms Murphy played a pivotal role in ensuring sustainable services were maintained during a time of declining rainfall, growing population and scarce water supplies. In each year from 2009 to 2015, Ms Murphy was listed as one of the 100 most influential engineers in Australia by Engineers Australia. Ms Murphy was appointed an Officer of the Order of Australia in 2019 for distinguished service to the natural resources sector in Western Australia, and to engineering.

## About WATC

WATC's principal activities involve funding and debt management, asset and investment management, financial advisory services, financial risk management, and treasury management services and systems.

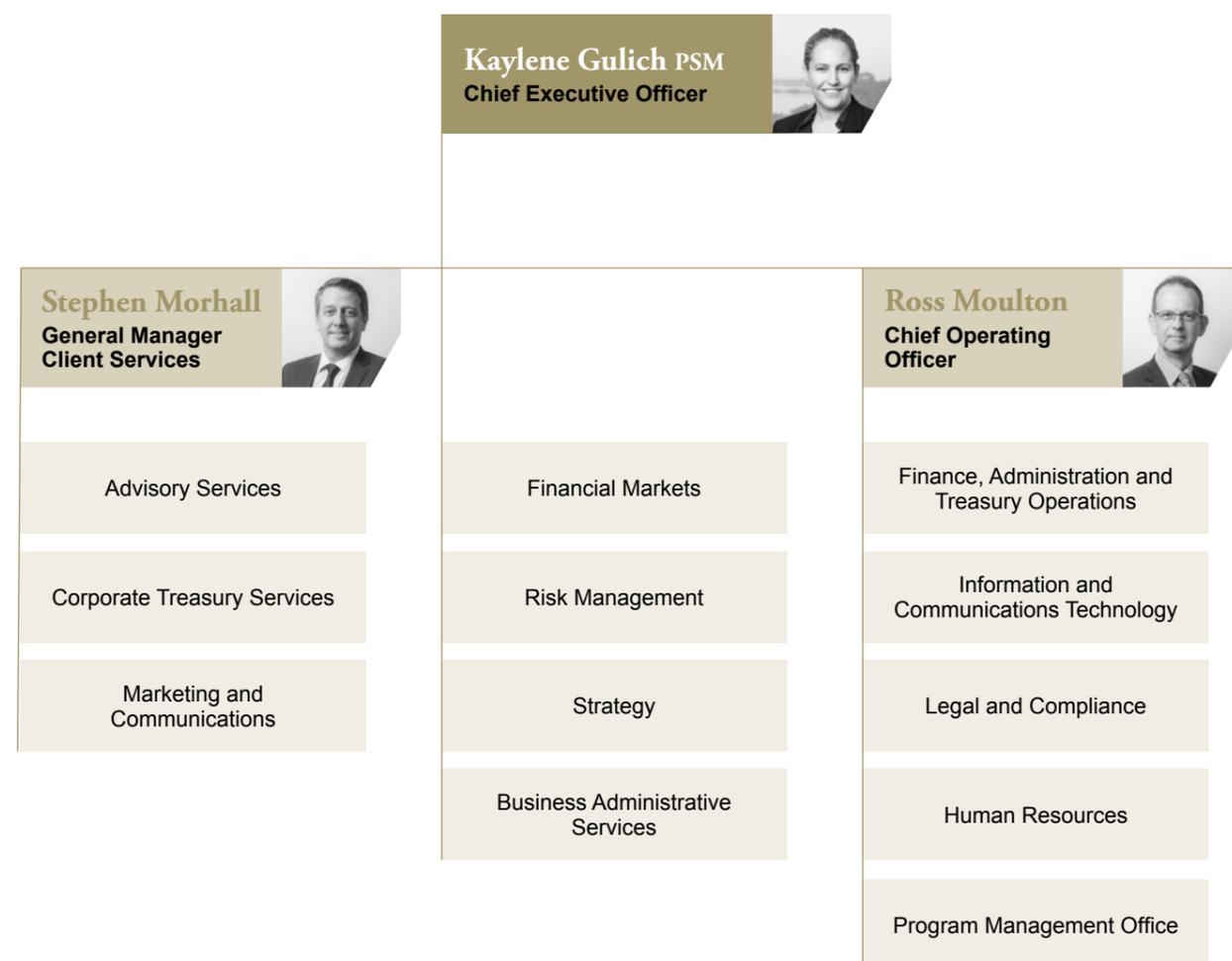
### Enabling Legislation

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 Western Australian public sector.

### Responsible Minister

The Honourable Mark McGowan BA LLB MLA: Premier; Treasurer; Minister for Public Sector Management; Federal–State Relations.

### Organisational Structure



WATC delivers services through the following functional areas:

- **Client Services:** In partnership with WATC's clients, Client Services provides 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 products and services are designed to promote and enhance improved financial outcomes 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:** Undertakes debt-funding activities in global capital markets, asset and liability management, management of WATC's liquidity portfolio, investment management on behalf of clients, foreign exchange management transactions, and economic and financial markets analysis.
- **Strategy:** Formed in 2020–21 to develop and progress strategic initiatives that seek to improve financial outcomes from a whole of State perspective, in relation to WATC's Financial Markets and Client Services activities.
- **Risk and Compliance:** Risk Management measures and monitors market, credit, operational and liquidity risk to prevent adverse outcomes for WATC, provides guidance to the Executive and Board on all risk matters, and is responsible for developing a good risk culture within the organisation.

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

- **Corporate Support:** Key functions supporting WATC's operations include areas of business administrative services, finance, administration and treasury operations, human resources, information and communications technology, marketing and communications, and program management office.

### 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 ratings at 30 June 2021, the debt of WATC is rated as follows:

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

### Changes in Written Law

There were no changes to the Act during the 2020–21 financial year.

### Ministerial Directives

No ministerial directives were received during the 2020–21 financial year.

# Providing Value to Clients

WATC provides Western Australian government authorities a comprehensive range of high-quality, cost-effective financial products and services.

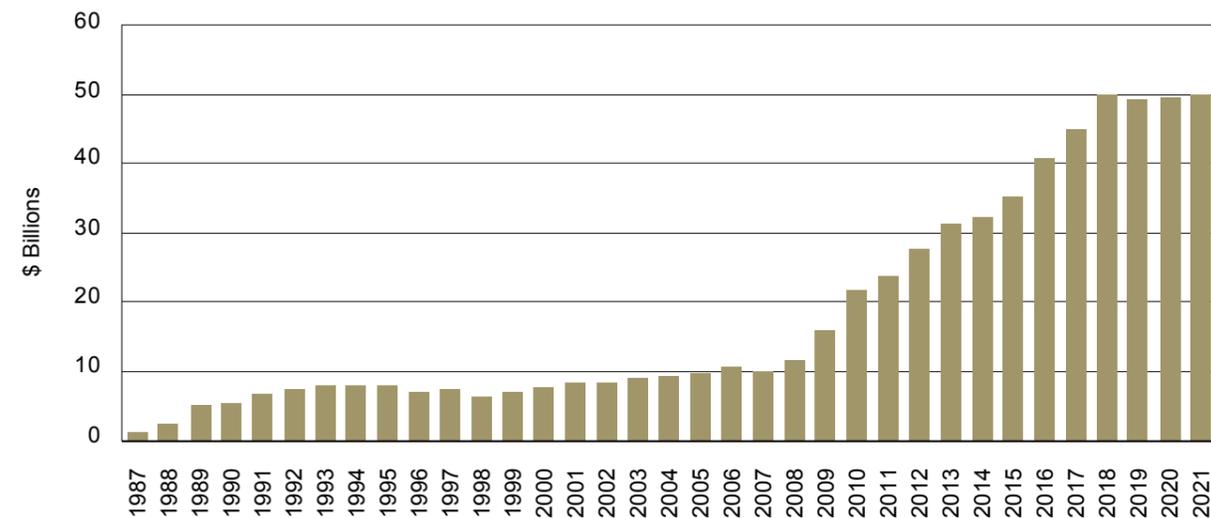
## Debt Products and Services

WATC provides debt finance to public sector clients in Western Australia to meet their financing requirements. This includes funding for new works, refinancing existing debt and financing for liquidity purposes. A range of flexible debt products are available, covering a wide maturity spectrum and range of structures. We work in collaboration with our clients to ensure each debt product is applied appropriately to achieve each client's individual debt and debt management needs.

With the State's borrowing program announced at the start of the 2020–21 financial year, we anticipated and planned for a \$2.3 billion annual increase in client borrowings. However, with the evolving nature of government initiatives and priorities – coupled with the strength of the Western Australian economy – client borrowings only increased by \$264.3 million over the course of the year. **Total client debt outstanding at 30 June 2021 was \$50.0 billion.**

As at 30 June 2021, the total debt outstanding with WATC by Western Australian local governments was \$581.9 million, a decrease of \$38.3 million during the year. Seventy-two new loans totalling \$62.3 million were approved for our local government clients.

## WATC Client Debt 1986 to 2021



**100% Extremely Satisfied or Very Satisfied**

Financial Advisory Services client feedback, 2020–21

## Supporting Clients During COVID-19

Determining how we can best support our clients during the COVID-19 crisis has been a priority for WATC.

On 7 May 2020, the State Government announced the establishment of a new \$100 million lending facility through WATC to support local governments and universities in Western Australia that were impacted by reduced revenue due to the pandemic.

Our new **Short-Term Lending Facility** provided clients with access to low interest short-term loans to support operational liquidity during the financial year. Six local governments established such a facility, altogether totalling \$23.5 million. These facilities offered clients the assurance of a financial safety net of available funds, should it be needed. In the end, no funds were required under the facility.

Alongside this short-term facility, we developed a cash flow forecasting model to help local governments identify any potential cash flow shortfalls resulting from the pandemic.

## Financial Advisory Services

WATC provides the Western Australian public sector with a range of corporate and financial risk management advisory services to facilitate **informed financial decision-making**. Our goal is to work collaboratively with clients to enhance the corporate and financial risk management analyses undertaken on public sector projects. Through integrating our expertise and experience with the unique business knowledge of our clients – and our understanding of the State's public sector – we endeavour to deliver superior outcomes for clients and Western Australia as a whole.

Examples of client advisory engagements to drive better outcomes for our clients and the State include:

- Working with the Public Transport Authority and Main Roads Western Australia, to **develop and enhance business cases** to support requests for Commonwealth funding for high priority infrastructure projects. These projects exceed \$3.5 billion in value. Through accessing Federal co-funding, we can reduce the impact on State borrowings.
- Assisting various clients with the **tendering and retendering process** for contracted services. This involved reviewing pricing mechanisms, evaluating financial responses to tenders and pricing proposals, and providing financial models to calculate contract payments, delivering substantial cost savings to the State.
- Supporting Energy Policy WA to **review and validate financial modelling** underpinning the determination of an opening regulatory asset base for Horizon Power's North West Interconnected System (NWIS) electricity network in the Pilbara.

At WATC, we seek client feedback on our financial advisory services after completing each engagement. Feedback received for the 2020–21 financial year was extremely positive across all areas. Clients were asked to rate the quality of advice provided, the value added and our team's overall capability and level of service, with 100 per cent of clients surveyed saying they were **highly satisfied with our services**, 75 per cent of those being extremely satisfied.

## Providing Value to Clients (continued)

### Financial Advisor for Western Australia's Future Container Port

WATC is the State's financial advisor to Westport, a complex infrastructure project that is planning for a new port in Kwinana with supporting logistics and associated integrated road and rail transport corridors. In August 2020, the State Government endorsed the independent Westport Taskforce's recommended location for a future container port at Kwinana to meet Western Australia's long-term freight needs.

WATC has advised Westport on numerous matters over the previous two years. The Westport Taskforce's final recommendations are underpinned by the following **key pieces of financial analysis** provided by WATC:

- Economic and commercial assessments of each option considered in the two detailed multi-criteria analyses, which were used to shortlist the project's options.
- A rapid cost-benefit analysis model to calculate the benefit-cost ratios of the shortlisted options.
- Container growth rate review and recommendations.

The Department of Transport has retained WATC as the financial advisor to Westport to support the next stage of the program, which involves developing a business case and other considerations to inform a future investment decision by the State Government.



### Success Stories in Managing Foreign Exchange

Examples of projects where we assisted clients to successfully identify and manage foreign exchange risk and/or delivered value in cost-effective foreign exchange transactions, include:

- **Western Australia Police Force:** helicopter procurement, Emergency Services Radio Network and forward-looking infrared thermal imaging cameras
- **Department of Fire and Emergency Services:** Emergency Rescue Helicopter Service
- **Public Transport Authority:** Project Alliance arrangements, road coaches and train equipment
- **Synergy:** turbine maintenance.

### Improving Client Processes, Practices and Awareness

In light of the risks associated with foreign exchange in procurement, we also assisted the Department of Finance with **redrafting the State's procurement processes, practices and templates** to better identify and manage these risks.

We adapted our **education seminars on foreign exchange** this year to an online presentation format due to social distancing requirements. Feedback received from seminar participants continues to be very positive.

### Foreign Exchange Services

WATC provides a broad range of foreign exchange solutions for our Western Australian public sector clients. This includes assisting clients with managing foreign exchange risk in accordance with *Treasurer's Instruction 826* and providing education seminars on foreign exchange products and foreign exchange risk management. We also assist clients with identifying and quantifying foreign currency exposures, and work in partnership with them to design and execute foreign exchange risk management strategies.

During the financial year, WATC executed in excess of **\$221 million in foreign exchange** transactions in 10 currencies on behalf of 20 clients.

### Asset and Investment Management Services

WATC plays an important role in managing public sector finances by providing the State and government authorities with a range of investment products and treasury management services. These products and services help clients to achieve sound financial risk management, including managing credit risk. Through these services, clients have access to our considerable experience and expertise, together with the systems, pricing and oversight that come with our scale of operations.

We manage the investment of funds on behalf of the Public Bank Account and the Future Health Research and Innovation Fund, as well as for Landgate and Lotterywest. Total client funds under management at 30 June 2021 was **\$2.9 billion – across five investment portfolios**.

At 30 June 2021, we held \$69.7 million from clients utilising our overnight cash deposit and term deposit facilities.

During the year, WATC commenced providing back-office trade capture and reporting treasury management services for Synergy.



Photo courtesy of the Public Transport Authority of Western Australia

WATC assisted the Public Transport Authority with managing the foreign exchange risk on the purchase of new coaches for Transwa, which service Western Australia's regional communities.

## Providing Value to Clients (continued)

### Delivering on Client Requirements

Continuous development and improvement are important to us at WATC. We regularly seek feedback through various channels to ensure our products and services are fully aligned to our clients' requirements.

This year, we engaged with Peter Lee Associates, a research and consulting firm that specialises in the financial services sector. Peter Lee Associates undertook a comprehensive and independent survey across WATC's state government clients. The survey results were very positive, with clients rating very **high levels of satisfaction** across all products and services offered by WATC on a range of measures, including:

- alignment of products and services to client needs
- overall quality of service
- transaction efficiency
- adding value
- cost-effectiveness
- understanding client needs.

Feedback received from clients provides positive reinforcement that we continue to successfully deliver high-quality, cost-effective financial solutions that meet the needs of the Western Australian public sector.



Photo courtesy of Synergy

In 2021, Bright Energy Investments, of which Synergy is an investment partner, opened Warradarge Wind Farm that has the capacity to meet the average annual electricity needs of 148,500 households in Western Australia. WATC supports Synergy with debt funding and treasury management services.

### WATC Hosts National Forum on PPP Investments

In December 2020, WATC hosted an online forum to promote **learning and sharing of experiences** relating to Public Private Partnerships (PPPs). The 2020 National PPP Contract Managers Forum, which brought together contract managers from government departments across Australia and New Zealand, took the form of a virtual event due to travel restrictions imposed by COVID-19.

The forum focused on managing PPPs during unprecedented times as a result of the pandemic. Consisting of 8 presentations by 13 different presenters across Australia and New Zealand, 190 people from over 100 different government agencies attended the online forum.

The presentations were very relevant to current times and included case studies (based on first-hand experience), research, panel discussions and insight sessions.

Feedback from attendees was very positive. We are assisting our counterparts in New Zealand who will be hosting the 2021 forum.



### Increasing Knowledge on Financing Large-Scale Investments

In November 2020 – and in partnership with Macquarie University – we facilitated a training program on financing large-scale investments, for WATC staff and our clients.

The process of financing large-scale investments is quite different to standard corporate finance. The program covered the **techniques and principles to structure, value and finance** large-scale infrastructure and industrial projects. It also examined the different ways in which project finance allocates the risks and responsibilities typically found in complex projects and renders them financeable.

Originally planned as a two-day in-person program, due to COVID-19 the program was delivered online over four half days. Feedback from all participants was very positive.



### Looking Forward

- Reviewing opportunities to enhance client debt products to improve administrative efficiency and optimise client debt portfolios.

# Successful Financial Management

WATC continues to be flexible and adaptable in supporting the financial requirements of the State.

In sourcing funds to meet client debt financing requirements, WATC borrows from both domestic and international capital markets. The evolving COVID-19 pandemic experienced during 2020–21 significantly impacted financial markets and the global economy. For WATC, these impacts are felt principally via increased volatility in financial markets. This uncertain market environment has required WATC to be more flexible in delivering the borrowing program.

## Economic and Market Conditions

Following the short but very deep COVID-19 recession in the first half of 2020, both global and Australian economies saw a sharp rebound in 2020–21 on the back of unprecedented fiscal and monetary support. Domestically, the Reserve Bank of Australia (RBA) implemented a quantitative easing program, which consisted of weekly purchases of Commonwealth Government (\$4 billion) and state government (\$1 billion) bonds, at its November 2020 board meeting. Among other measures, the RBA also cut its cash rate and three-year yield targets to a new record low of 0.10 per cent.



Photo courtesy of Western Power

WATC is a key provider of debt funding to Western Power, which partners in renewable energy projects like the privately owned Yandin Wind Farm in Dandaragan. Opened in May 2021, Western Power provided critical infrastructure and building works. A new terminal station and 10 km of transmission line help to deliver cleaner energy for approximately 200,000 Western Australian homes.

## Reserve Bank of Australia Becomes a Major Investor

Between the RBA's November 2020 announcement and 30 June 2021, the RBA purchased \$154 billion of Commonwealth and state government bonds under its quantitative easing program. Of this, \$4.2 billion were WATC bonds, making the RBA a significant investor in WATC.

The RBA's monetary easing has been complimented by an unprecedented peacetime fiscal stimulus, with the Commonwealth Government deficit amounting to a substantial 7.8 per cent of gross domestic product in 2020–21. Monetary and fiscal policy will continue to support the economy in the coming years, with the RBA continuing to indicate that the cash rate is unlikely to be increased before 2024 and, although Commonwealth Government budget deficits are forecast to ease, they will remain significant over the forward estimates.

The rapid economic recovery has pushed the Australian unemployment rate to a decade low of 4.9 per cent in June 2021. This remains above the RBA's estimate of unemployment which it believes needs to be achieved to push inflation sustainably back to its target band. The RBA has said that it will not raise the cash rate until its inflation target has been met, and it does not expect this to occur before 2024.

While the economy has made a faster than expected recovery, the unprecedented nature of the COVID-19 crisis means there is still much uncertainty around the economic outlook.

## Financial Market Activities

WATC successfully managed and delivered on our client borrowing and refinancing requirements during the financial year. Due to the unpredictable economic environment, the State's budget position evolved considerably. Actual client **new borrowings were \$264.3 million** for 2020–21, which is substantially less than the \$2.3 billion estimated at the start of the year.

Funding for liquidity and short-term requirements was met through the Domestic Short-Term Note Program and offshore Euro Commercial Paper Program. Long-term fixed rate funding was generated through the domestic Benchmark Bond Program, with term floating rate funding generated through a combination of floating rate note and swapped benchmark bond issuance.

During the financial year, WATC **issued approximately \$7.9 billion** in benchmark bonds and floating rate notes. Funds generated were used to fulfil new client borrowing requirements and refinance maturities in 2020–21 and the upcoming July 2021 bond maturity. WATC also undertook one tender of existing benchmark bonds and syndicated one new bond issue. The syndicated issue consisted of a **new benchmark bond maturing in October 2030** and raised \$1 billion at issue.



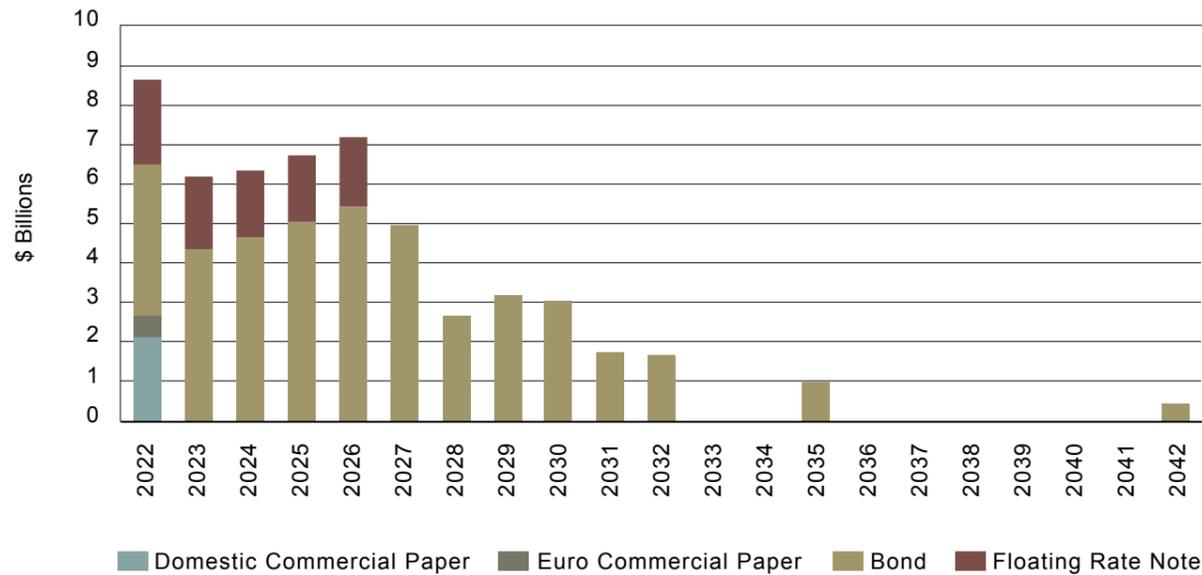
### Investors in 2030 Benchmark Bond by Origin

Australia **61.7%**  
Asia **28.1%**  
Europe, the Middle East and Africa **7.4%**  
North and South America **2.8%**

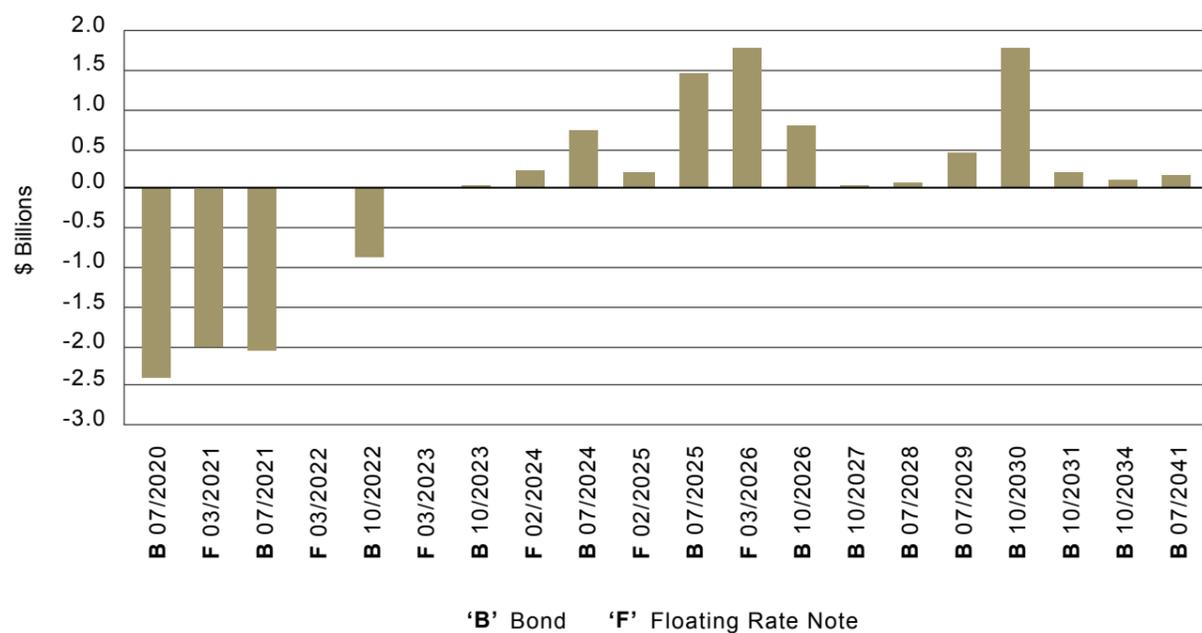
# Successful Financial Management (continued)

In meeting our clients' floating rate requirements, WATC also undertook the syndicated launch of a new floating rate note. In December 2020, a **new 10 March 2026 floating rate note** was issued, raising \$1.5 billion.

## WATC Maturity Profile by Financial Year End



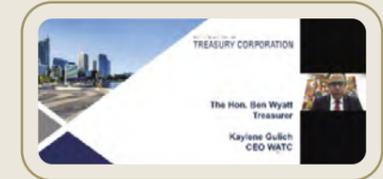
## Term Debt Year-on-Year Change by Bond and Floating Rate Note Line



## Adapting Investor Marketing During COVID-19

With all offshore marketing suspended due to COVID-19 travel restrictions, WATC partnered with members of our Fixed Interest Dealer Panel to deliver updates virtually to a number of offshore investors.

Travel restrictions also impacted our marketing for onshore investors. Communications were delivered virtually, including our participation in fixed income conferences. In October 2020, we arranged an online post-budget economic and fiscal update, which was presented by the then State Treasurer to investors and market intermediaries.



## Articulating the State's Sustainability Credentials

An intra-government initiative was launched to develop an information pack detailing Western Australia's environmental, social and governance (ESG) credentials for potential investors in the State's bonds. Working in partnership with the departments of the Premier and Cabinet, Water and Environmental Regulation, and Treasury, WATC is consolidating and articulating how the State Government's ESG objectives also align with the United Nations' Sustainable Development Goals (SDGs) framework.

The initiative is a precursor to WATC coordinating participation across Western Australian government agencies to establish a Sustainability Bond Framework. In accordance with internationally established protocols, this framework will allow the State Government to consider using sustainability bonds to finance eligible projects with clear environmental and/or social outcome objectives.

### The United Nations' 17 Goals for Sustainable Development



## Successful Financial Management (continued)

### Delivering on Client Borrowing Requirements During COVID-19

Against a background of a challenging economic environment and volatile financial market conditions, we were able to **continue to meet client borrowing and refinancing requirements** in a cost-effective manner. Our two key performance indicators – measuring our cost effectiveness and estimated savings to the State – were successfully achieved well within targets.

#### Looking Forward

- The borrowing program for 2021–22 is estimated at \$5.0 billion. It comprises \$2.1 billion of new money and approximately \$2.9 billion of refinancing (consisting of floating rate notes and short-term funding refinanced to long term).

Term Funding Requirement	\$b	\$b
New Money Program		2.1
<b>Projected Maturities</b>		
Bond (15/07/2021)	3.8	
<b>Less</b> Pre-Funded Bond Maturity	-3.8	
Floating Rate Note (03/03/2022)	2.2	
<b>Total Maturities</b>		2.2
<b>Other</b>		
Refinancing: Commercial Paper to Term Debt		0.7
<b>Total Term Funding</b>		5.0

- In 2021–22, we expect to issue a new floating rate note with an approximate five-year maturity. We may also explore opportunities to fill gaps in our bond maturity curve.
- We will continue to tap, tender and syndicate, when appropriate, our current outstanding bond and floating rate note lines to support market liquidity and to meet our clients' needs.
- We will provide investors with consolidated information on the State's ESG credentials.
- We will continue to monitor developments in changes to international interbank offered rates (IBORs) – including the London Interbank Offered Rate (LIBOR) – and risk free rates (RFRs).

## Optimising Our Performance

WATC is committed to continually improving our high-quality systems, capabilities, processes and practises to optimise performance and achieve our vision and objectives – today and into the future.

WATC operates in a dynamic external environment, which produces a range of risks and opportunities. In optimising WATC's performance, our Board provides an approved risk management and compliance framework with a clear governance structure for our operations.

### Supporting the State's Creditworthiness

Our two key debt metric goals for balance sheet management to be achieved each year are:

- less than 20 per cent of our debt portfolio maturing within 12 months; and
- maintaining a minimum liquidity coverage ratio of 100 per cent for debt maturing within 12 months.

The achievement of these goals remains an important part of our contribution to the State's creditworthiness. We regularly review and assess the costs and benefits of our asset and liability management strategy along with the State's liquidity holdings, working in conjunction with the Department of Treasury who manage the other components of the State's credit ratings criteria.



#### Debt Portfolio Achievements

At 30 June 2021

**17.3%** debt maturing within 12 months

**182.5%** liquid asset portfolio cover



With a loan from WATC, the Shire of Katanning purchased a new grader as part of its fleet to maintain road infrastructure across the region.

## Optimising Our Performance (continued)

### Improving Management of the State's Balance Sheet

WATC understands the benefit of prioritising and continuously improving management of the State's balance sheet, particularly in light of our assessment of how market demand dynamics are impacting financial markets and our issuance of Western Australian government bonds.

During 2020–21, we carried out a **detailed review and empirical evaluation** of various strategies to diversify the State's debt portfolio. This included assessing costs and benefits of flexible portfolio management with varying:

- floating rates
- term fixed rate exposures
- maturity profile structures.

We will be using this in-depth data to develop a suite of compatible portfolio structures and issuance strategies that we can then evaluate against current practice in balance sheet management.

### Risk Management

We completed a **comprehensive dynamic risk assessment** to identify the key strategic-level risks faced by WATC. This assessment considered the consequence, likelihood, connectivity and velocity of each of these risks. As a topical and contemporary view of the risks we face, it will be used to inform the continual evolution of our risk management strategies.

### Re-Evaluating Strategies In Light of COVID-19

Following a detailed review assessing key components of the financial risks associated with our current asset and liability management strategy, we identified an increased risk associated with the annual term debt refinancing requirements that are typically undertaken within a narrow timeframe.

The risk had increased significantly due to the growing size of the State's balance sheet, and was further exacerbated by potential exposure to financial market shocks such as those experienced during the 2007–08 global financial crisis and the early stages of the COVID-19 pandemic.

We are now considering a series of options to smooth our refinancing requirements over longer timeframes and evolve the management of the State's liquid assets to improve the financial outcomes for the Government of Western Australia.

### Maintaining Operations During COVID-19

Our business continuity plan continued to be tested during COVID-related lockdowns. With no material disruptions, we **successfully maintained our operations** throughout. We are continuing to evaluate, refine and evolve our business continuity plan based on our experiences.

### Structural Improvements

A **new Program Management Office** was created to bring together disparate functions to interchange ideas, thoughts, information and tacit knowledge, and help enrich our capabilities. While maintaining a holistic view, the new office will assist us in making improvements to business processes, how projects and initiatives are coordinated and delivered, and managing the impact of change.

We also restructured our client services teams to improve how we deliver our products and services to support our clients. The **newly formed Corporate Treasury Services branch** combined our Client Debt Finance and Investments, and Client Foreign Exchange and Treasury Services branches. The new branch provides a single point of contact for our clients to access all WATC's corporate treasury products and services.

### Optimising Our ICT Systems

Information and communication technology (ICT) remains critical to support our operations, and is even more imperative to be working well 24/7 to facilitate continuity during periods of disruption, as we have experienced over the past 12 months. A **new secure remote working facility**, improving security and staff remote access to our systems, helped to enable all our people to work from home during COVID-19 lockdowns and while in temporary office accommodation during our office refurbishment.

We continued to upgrade our software and hardware – for security, for maintaining contemporary functionality, and to **update capacity and capability**. Upgrades to our Quantum treasury management system and client portal commenced during the year. We improved our high-speed communication link with cloud providers, while also adding an alternative communication link pathway to improve back-up and redundancy capabilities.

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

### Information Management Road Map

We developed a high-level strategy and prioritised roadmap to facilitate improvements in how we manage information as we shift towards a modern digital workplace and workforce.

Aligned with the requirements of the State Records Office of Western Australia, the roadmap will help us develop a more contemporary and compliant digital information management landscape that ensures visibility and access to all information, alongside improving usability and accessibility.



### Looking Forward

- Continue to enhance our cybersecurity capabilities, together with evolving our business continuity and disaster recovery strategies.
- Maturing and evolving our approach to risk management.
- Upgrading our Microsoft Office suite and Quantum core treasury management system to incorporate updated technology and make software and system enhancements. We will also leverage our Quantum system to support ongoing improvements to our processes.
- Improving the security of our client portal by switching to a new platform.
- Updating our ICT desktop hardware to improve reliability and performance.
- Designing and implementing new information architecture for internal communications and recordkeeping, as part of our *Digital Information Strategy*.

# Information Management

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

## Records Management

Records Management is an essential part of WATC's business activities. Records are captured, secured, retained and able to be accessed when required. WATC has an approved recordkeeping plan in accordance with Section 19 of the *State Records Act 2000* (State Records Act) and meets the requirements of Standard 2, Principle 6. We manage our records under *Recordkeeping Plan (RKP) 20200032*, which was approved by the State Records Office on 26 March 2021 and is valid until March 2026.

We are currently progressing our way through an **innovative two-year information management strategy project**, which will enable us to have greater visibility and management of information resources whilst streamlining staff recordkeeping responsibilities and activities. As part of this project, we are updating and reviewing policies, procedures and systems, and implementing new tools to assist staff in meeting their recordkeeping responsibilities whilst balancing business needs and stakeholder expectations.



Photo courtesy of the City of Swan

With debt funding from WATC, Stage 1 of the City of Swan's New Junction Project has revitalised Midland Park with new open spaces and community facilities.

## Recordkeeping Training

All six new employees completed our recordkeeping training program within one month of commencement. This program includes an induction to our electronic document and records management system (EDRMS) and records awareness training, and focuses on employee responsibilities in relation to effective recordkeeping practices and the State Records Act. In February 2021, we reviewed and updated our records awareness training staff refresher program, which is now provided online. In accordance with our policy, all staff will be required to undertake their records awareness refresher training within the next 12 months.

## 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 our *Information Statement*, which is available to the public through our website. The statement is prepared in accordance with the requirements of the FOI Act and is regularly reviewed and updated on our website.

We received one FOI application during the financial year, which was processed in accordance with the FOI Act and our FOI Policy within the required timeframes to its successful conclusion.

## Complaints

We are committed to providing an accessible, fair and efficient complaints management process. Our *Complaints Management Policy* is informed by guidance issued by the Ombudsman Western Australia and includes the appointment of a dedicated Complaints Officer who is responsible for impartially assessing complaints and notifying the CEO about all complaints received and their progress towards resolution. The policy stipulates strict timeframes for responding to and resolving complaints. We regularly review the complaints policy and this year created an online form to help streamline the process. A complaint can be lodged through our website, by mail or email, or in person.

Complaints, though rare, are viewed as an opportunity to improve our business operations and staff development. **We received no complaints** in the 2020–21 financial year.



Photo courtesy of Horizon Power

WATC is a key provider of debt funding to Horizon Power, which develops renewable energy projects such as the generation solar farm constructed for the town of Onslow.

# Our People

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

## Resilience and Adaptability During COVID-19

In dealing with COVID-19 lockdowns, and during our office refurbishment, our people showed resilience and adaptability in being able to successfully transition between working from home, temporary office accommodation, and back into our office. This meant everyone embracing new technology to enable remote collaboration and managers adjusting their approach to accommodate people working remotely. During this time, we increased our focus on employee wellbeing and mental health, regularly checking in with each other and providing tips, information and support to assist staff in dealing with the changes and challenges, and to keep everyone connected.

## Improving Engagement

Our 2020–21 staff engagement survey pointed to **steady improvements in staff engagement**, with an employee engagement score of 60 per cent, up 4 per cent from 2018–19 and moving closer to our target of 65 per cent. Work continues on applying a strategic approach to further improve employee engagement.

At the start of the year, we reviewed and refined our values to create a values based capability framework. This framework assists and guides understanding of our corporate expectations and required behavioural standards. A key focus has been **encouraging and developing leadership** – of self, others and the organisation – in delivering our vision and objectives through our values based competencies and continuous improvement.



Photo courtesy of the Shire of Broome

With the assistance of debt funding from WATC, the Shire of Broome is revitalising its Chinatown precinct.

## Workforce

During the year, we increased our staff numbers from 75 to 79. Staff turnover for 2020–21 remained low at 3.9 per cent. In conjunction with the Department of Treasury graduate program, two graduates spent six months with us to gain exposure to our unique roles and functions.

We also implemented new employment contracts that better align with our employment and business practices and with current workplace conventions and terminology. A number of staff that were previously classified as ‘full-time temporary’ were offered permanent contracts, increasing the number of our ‘full-time permanent’ staff.

Staff Profile	2020–21	2019–20
Number of Staff at 30 June	79	75
Full-Time Permanent	68	56
Full-Time Temporary	2	12
Part-Time Measured on a Full-Time Equivalent (FTE) basis	5.74	3.77
On Secondment	2	2

A major project this year was implementing a new framework to compare WATC remuneration with award pay and conditions with new requirements in the *Banking, Finance and Insurance Award*, introduced by the Fair Work Commission. The new framework provides assurance that our people are remunerated fairly when compared against the award.

## Celebrating 35 Years of WATC

Having been created by an Act of Parliament, WATC came into existence on 1 July 1986. To celebrate our 35-year anniversary, past and present directors and staff gathered together at WATC’s office to reconnect over afternoon tea and reflect on our 35-year journey.



## Our People (continued)

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

We held four Occupational Safety and Health (OSH) committee meetings during 2020–21, attended by our staff safety representatives and management representatives. Regular monthly workplace inspections were performed, with identified issues reported and managed. Our new OSH policy has been approved by the Board (previously it was approved by the CEO). We complied with all OSH, workers' compensation and injury management legislation.

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

Measures	Actual Results			Targets	Comments on Result
	2018–19 <sup>1</sup> (Base Year)	2019–20 (Prior Year)	2020–21 (Current Year)		
Number of Fatalities	0	0	0	0	Achieved
Lost Time Injury and/or Disease (LTI/D) Incidence Rate	0	0	0	0	Achieved
Lost Time Injury and/or Disease (LTI/D) Severity Rate	0	0	0	0	Achieved
Percentage of Injured Workers Returning to Work Within 13 Weeks	n/a	n/a	n/a	≥ 80%	n/a
Percentage of Injured Workers Returning to Work Within 26 Weeks	n/a	n/a	n/a	≥ 80%	n/a
Percentage of Managers and Supervisors Trained in Occupational Safety, Health and Injury Management Responsibilities	89%	91%	91%	≥ 80%	Achieved

<sup>1</sup> The performance reporting examines a three-year trend and, as such, the comparison base year is to be two years prior to the current reporting year.

n/a: not applicable

### Looking Forward

- As part of our succession planning, we will be focusing on targeted knowledge transfer and providing associated development and learning opportunities for staff.
- We will continue building on the values based capability framework and developing a technical capability framework to enhance our performance planning and review processes.
- We will be looking to enhance our diversity and inclusion initiatives.

## Board of Directors' Governance

WATC's Board of Directors 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, our clients and other stakeholders, the Board of Directors (the Board) of WATC sets the strategic direction of WATC, with the agreement of the Treasurer, and establishes the policies and principles under which WATC operates.

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

### Board Composition

The membership of the Board is determined in accordance with Section 5B of the *Western Australian Treasury Corporation Act 1986* (the Act). The directors of WATC at 30 June 2021 are as follows:

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

<sup>1</sup> The Chief Executive Officer is the only director with executive responsibilities.

n/a: not applicable

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

### Board Remuneration

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

Name	Type of Remuneration	Period of Membership	2020–21 \$
M Barnes	Not eligible	12 months	0
M Court	Not eligible	12 months	0
K Gulich	Not eligible	12 months	0
D Brumby	Annual	12 months	41,598
P Hobson	Annual	12 months	47,815
S Murphy	Annual	12 months	41,598

## Board of Directors' Governance (continued)

### Board Responsibilities

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

- To borrow moneys and lend moneys to the Western Australian public sector.
- 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 authorities.
- To assist government authorities with managing their financial exposures.

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

- Reviewing and establishing, with the Treasurer'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*.

### Constitution and Proceedings of the Board

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



Photo courtesy of City of Armadale

The new Bedforddale Fire Station in the City of Armadale was built with the assistance of debt funding from WATC.

## Board Committees

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

### Attendance at Meetings by Directors

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

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

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

### Audit Committee

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

The members of the Audit Committee at 30 June 2021 were Philippa Hobson (Chairperson), Michael Court and Susan Murphy. Members are non-executive directors. The Secretary to the Committee was Phillip Metaxas, Senior Compliance Officer.

### People and Remuneration Committee

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

The members of the People and Remuneration Committee at 30 June 2021 were Michael Barnes (Chairperson), Michael Court, Kaylene Gulich, Philippa Hobson, Susan Murphy and David Brumby. The Secretary to the Committee was Rebecca Ridgway, Human Resources Manager.

# Legislation

## Legislation Administered

Western Australian Treasury Corporation Act 1986

## Legislation Impacting on WATC's Activities

### State Legislation Impacting on Activities

- Auditor General Act 2006
- Corruption, Crime and Misconduct Act 2003
- Disability Services Act 1993
- Electoral Act 1907
- Electronic Transactions Act 2011
- Equal Opportunity Act 1984
- Fair Trading Act 2010
- Financial Management Act 2006
- Freedom of Information Act 1992
- Occupational Safety and Health Act 1984
- Pay-roll Tax Assessment Act 2002
- Procurement Act 2020
- Public and Bank Holidays Act 1972
- Public Interest Disclosure Act 2003
- Public Sector Management Act 1994
- Stamp Act 1921
- State Records Act 2000
- State Superannuation Act 2000
- State Supply Commission Act 1991
- Statutory Corporations (Liability of Directors) Act 1996
- Workers' Compensation and Injury Management Act 1981

### Commonwealth Legislation Impacting on Activities

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

# Corporate Governance

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

## Ethical Standards and Codes of Conduct

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

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

WATC has also adopted the *Western Australian Public Sector 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 Western Australian Treasury Corporation Act 1986 and other relevant legislation, our policies and industry standards.

## Auditors

### External Audit

Section 21 of the Western Australian Treasury Corporation Act 1986 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 for 2020–21 was outsourced to KPMG. Commencing 1 July 2021, as part of our policy of rotation, PricewaterhouseCoopers has been engaged to perform the internal audit function. 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.

## Corporate Governance (continued)

### 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 2020–21 was \$94,980.

### 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 2021, the only disclosable expenditure incurred was in relation to advertising, where the following amounts were paid:

- \$22,440 paid to BondNews Ltd, trading as KangaNews
- \$5,500 paid to Derwent Executive Perth Pty Ltd
- \$2,250 paid to Seek Ltd.

### Unauthorised Use of Credit Cards

Our staff hold corporate credit cards where their role warrants usage. There were no instances of personal expenditure on a corporate card.

### Registry and Treasury Operations

Link Market Services Ltd (trading as Link) acts as agent for providing 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 Ltd	Austraclear	Australian dollar cash, short-term money market, fixed interest and foreign exchange transactions
Bank of America	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

## Financial Report 2021

### Financial Statements

Statement of Comprehensive Income	40
Statement of Financial Position	41
Statement of Changes in Equity	42
Statement of Cash Flows	43
Notes to the Financial Statements	44
Certification of Financial Statements	86
Key Performance Indicators	87
Independent Auditor's Report	91
Client Authorities	96

## Statement of Comprehensive Income

For the year ended 30 June 2021

	Note	2021 \$m	2020 \$m
<b>INCOME</b>			
<b>Revenue</b>			
Interest on Investments		32.4	79.0
Interest from Authorities		1,078.8	1,298.0
Fee Income		2.5	2.5
<b>Total Revenue</b>		<b>1,113.7</b>	<b>1,379.5</b>
<b>Total Income</b>		<b>1,113.7</b>	<b>1,379.5</b>
<b>EXPENSES</b>			
<b>Expenses</b>			
Interest on Borrowings		1,043.1	1,262.7
Borrowing Related Expenses		1.9	1.2
Depreciation		0.2	0.1
Amortisation of Intangible Assets		1.0	0.8
Administration Expenses	4	19.3	19.1
Net Fair Value Movement	6	16.5	54.9
<b>Total Expenses</b>		<b>1,082.0</b>	<b>1,338.8</b>
<b>Profit before income tax equivalent expense</b>		<b>31.7</b>	<b>40.7</b>
Income Tax Equivalent Expense	7	9.5	12.2
<b>Profit for the period</b>		<b>22.2</b>	<b>28.5</b>
Other Comprehensive Income		0.0	0.0
<b>Total Comprehensive Income for the period</b>		<b>22.2</b>	<b>28.5</b>

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

## Statement of Financial Position

As at 30 June 2021

	Note	2021 \$m	2020 \$m
<b>ASSETS</b>			
Cash Assets	8	118.7	255.4
Investments	9	5,909.1	7,164.8
Receivables and Other Financial Assets	10	1,092.8	1,125.3
Loans to Authorities	11	54,768.9	56,109.5
Tax Assets	12	1.2	1.2
Plant and Equipment	13	0.5	0.3
Intangible Assets	14	1.0	2.0
<b>Total Assets</b>		<b>61,892.2</b>	<b>64,658.5</b>
<b>LIABILITIES</b>			
Payables and Other Financial Liabilities	16	3,081.7	3,976.0
Borrowings	17	58,649.8	60,501.5
Tax Liabilities	18	3.7	25.0
Provisions	19	4.1	3.9
<b>Total Liabilities</b>		<b>61,739.3</b>	<b>64,506.4</b>
<b>NET ASSETS</b>		<b>152.9</b>	<b>152.1</b>
<b>EQUITY</b>			
Retained Earnings		149.9	149.1
Reserves		3.0	3.0
<b>Total Equity</b>		<b>152.9</b>	<b>152.1</b>

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 2021

	Reserves \$m	Retained Earnings \$m	Total Equity \$m
<b>Balance at 1 July 2019</b>	3.0	142.5	145.5
Profit for the period	0.0	28.5	28.5
Other Comprehensive Income	0.0	0.0	0.0
Total Comprehensive Income for the period	0.0	28.5	28.5
Transactions with owners in their capacity as owners:			
Capital Appropriations	0.0	0.0	0.0
Distributions to Owners	0.0	(21.9)	(21.9)
Total	0.0	(21.9)	(21.9)
<b>Balance at 30 June 2020</b>	3.0	149.1	152.1
<b>Balance at 1 July 2020</b>	3.0	149.1	152.1
Profit for the period	0.0	22.2	22.2
Other Comprehensive Income	0.0	0.0	0.0
Total Comprehensive Income for the period	0.0	22.2	22.2
Transactions with owners in their capacity as owners:			
Capital Appropriations	0.0	0.0	0.0
Distributions to Owners	0.0	(21.4)	(21.4)
Total	0.0	(21.4)	(21.4)
<b>Balance at 30 June 2021</b>	3.0	149.9	152.9

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 2021

	Note	2021 \$m	2020 \$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received on Loans to Authorities		1,106.2	1,335.3
Interest received on Investments		71.4	120.0
Proceeds from Sale and Maturity of Investments		8,104.2	6,489.9
Payment for Investments		(6,395.8)	(7,697.3)
Loans to Authorities		(13,868.4)	(7,127.2)
Loans Repaid by Authorities		13,606.1	6,747.6
Other Payment on behalf of Authorities		0.0	0.2
Proceeds from Issuance of Borrowings		18,940.5	20,284.1
Repayment of Borrowings		(19,713.1)	(17,857.3)
Fee Income		2.3	2.4
Interest and other Cost of Finance paid		(1,394.4)	(1,578.0)
Administration and Borrowing Related Expenses		(20.9)	(19.1)
Payment of Taxation Equivalents		(30.8)	0.0
<b>Net Cash provided by Operating Activities</b>	21b	407.3	700.6
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for Plant and Equipment		(0.5)	0.0
Payment for Intangible Assets		0.0	(1.2)
<b>Net Cash used in Investing Activities</b>		(0.5)	(1.2)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of Dividend		(21.4)	(21.9)
<b>Net Cash used in Financing Activities</b>		(21.4)	(21.9)
Net increase in Cash and cash equivalents		385.4	677.5
Cash and cash equivalents at the beginning of the Financial Year		1,083.1	405.6
Cash and cash equivalents at the end of the Financial Year	21a	1,468.5	1,083.1
Included in the above are the following			
<b>CASH FLOWS TO STATE GOVERNMENT</b>			
Payment of Dividend		(21.4)	(21.9)
Payment of Taxation Equivalents		(30.8)	0.0
<b>Net Cash provided to State Government</b>		(52.2)	(21.9)

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 2021

## 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 2021 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 2021.

## 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. There are no modifications in the financial statements.

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

#### (b) Basis of Preparation

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

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

WATC presents its statement of financial position in order of liquidity based on its intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item.

#### *Critical accounting judgements and estimates*

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

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

#### (c) Revenue

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

#### *Fee Income*

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

#### *Interest*

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

#### (d) Plant and Equipment

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

# Notes to the Financial Statements (continued)

For the year ended 30 June 2021

## NOTE 2 (continued)

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

	2021	2020
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.

### (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 2021. 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.

# Notes to the Financial Statements (continued)

For the year ended 30 June 2021

## NOTE 2 (continued)

### (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.

#### (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.

# Notes to the Financial Statements (continued)

For the year ended 30 June 2021

## NOTE 2 (continued)

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

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.

### (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 2020. None have had a material financial impact on WATC.

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

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

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### 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 1060	'General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-For-Profit Tier 2 Entities'
AASB 2020-1	'Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current'
AASB 2020-2	'Amendments to Australian Accounting Standards - Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities'
AASB 2020-3	'Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments'
AASB 2020-5	'Amendments to Australian Accounting Standards - Insurance Contracts'
AASB 2020-6	'Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current - Deferral of Effective Date'
AASB 2020-8	'Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform Phase 2'

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

#### AASB Amendment Affected Standards

AASB 2021-2	'Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates'
-------------	--

### NOTE 4

#### ADMINISTRATION EXPENSES

##### Employee Benefit Expenses

The following employee benefit expenses are included in Administration Expenses.

	2021 \$m	2020 \$m
Salaries	11.1	10.8
Workers Compensation costs	0.0	0.0
Superannuation expense	1.1	1.1
Long Service Leave Provision	0.1	0.1
	<b>12.3</b>	12.0
<b>Administration Expenses</b>		
Employee Benefit Expenses	12.3	12.0
Services and Contracts	2.8	2.5
Equipment Maintenance	1.7	2.2
Accommodation costs	1.1	0.9
Other costs	1.4	1.5
	<b>19.3</b>	19.1

### NOTE 5

#### FOREIGN EXCHANGE GAIN/LOSS

WATC maintains balances in its foreign currency bank accounts for the payment of expenses incurred through its overseas borrowings. At 30 June 2021, after taking account of exchange fluctuations, no gain or loss (2020, no gain or loss) had resulted on this balance.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

	2021 \$m	2020 \$m
<b>NOTE 6</b>		
<b>NET FAIR VALUE MOVEMENT</b>		
Unrealised (Loss)/Gain - Investments	(25.8)	6.1
Unrealised (Loss)/Gain - Loans to Authorities	(821.0)	483.7
Unrealised Gain/(Loss) - Borrowings	1,014.9	(602.5)
Unrealised (Loss)/Gain - Derivatives	(184.6)	57.8
Net Fair Value Movement	(16.5)	(54.9)
Add Interest movements		
Interest on Investments	32.4	79.0
Interest from Authorities	1,078.8	1,298.0
Interest on Borrowings	(1,043.1)	(1,262.7)
	68.1	114.3
Net gain on financial assets and financial liabilities at fair value through profit and loss	51.6	59.4

WATC manages its operations on a portfolio basis to achieve its long term objectives. Realised losses totalling A\$78.9 million (2020, A\$70.8 million) are reflected in interest revenue and expense. The Net Fair Value Movement represents unrealised fair value adjustments to be realised over the term of the underlying securities.

## NOTE 7 INCOME TAX EQUIVALENT EXPENSE

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

	2021 \$m	2020 \$m
Accounting Profit before income tax equivalent expense	31.7	40.7
Income tax equivalent expense at 30% (2020, 30%)	9.5	12.2
Income tax equivalent expense	9.5	12.2
Income tax equivalent expense comprises movements in:		
Current income tax equivalent expense	9.5	12.3
Deferred tax income relating to the origination and reversal of temporary differences	0.0	(0.1)
Total income tax equivalent expense	9.5	12.2
Deferred Tax Assets:		
Employee Provisions	1.2	1.2
Total (Note 12)	1.2	1.2

## NOTE 8 CASH ASSETS

	2021 \$m	2020 \$m
Bank Deposits	118.7	255.4
Overseas Bank Accounts	0.0	0.0
	118.7	255.4
Average Balance	186.7	279.3
Interest Revenue	0.9	2.1
Average Interest Rate	0.46%	0.76%

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.

# Notes to the Financial Statements (continued)

For the year ended 30 June 2021

	2021 \$m	2020 \$m
<b>NOTE 9</b>		
<b>INVESTMENTS - AT FAIR VALUE</b>		
<b>Investments - non derivative</b>		
Investments comprise the following:		
Short Term Money Market Investments	2,444.4	3,614.0
Government Stock	3,464.7	3,550.8
Corporate Bonds	0.0	0.0
<b>Total</b>	<b>5,909.1</b>	<b>7,164.8</b>
<b>Maturity Profile</b>		
At Call	0.0	48.0
Up to 3 Months	4,327.9	4,984.4
3 to 12 Months	277.4	991.9
1 to 5 Years	1,303.8	1,140.5
Over 5 Years	0.0	0.0
<b>Total</b>	<b>5,909.1</b>	<b>7,164.8</b>
<b>Repricing Profile</b>		
At Call	0.0	48.0
Up to 3 Months	4,579.3	5,490.7
3 to 12 Months	26.0	739.6
1 to 5 Years	1,303.8	886.5
Over 5 Years	0.0	0.0
<b>Total</b>	<b>5,909.1</b>	<b>7,164.8</b>
<b>Credit Exposure</b>		
Rating	%	%
AAA	3.31	27.85
AA	96.69	61.15
A	0.00	11.00
BBB	0.00	0.00
	<b>100.00</b>	<b>100.00</b>
Average Balance	5,093.1	5,860.3
Interest Revenue	31.6	76.9
Average Interest Rate	0.62%	1.31%

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

	2021 \$m	2020 \$m
<b>NOTE 10</b>		
<b>RECEIVABLES AND OTHER FINANCIAL ASSETS</b>		
Accrued Interest Receivable	227.0	255.5
Foreign Currency Receivable	17.0	1.1
Other Debtors	0.4	21.5
	<b>244.4</b>	<b>278.1</b>
Other Financial Assets (Notes 11b & 17b)	848.4	847.2
	<b>1,092.8</b>	<b>1,125.3</b>
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 2021 and due for settlement after 30 June 2021. Other financial assets are discussed in more detail in Note 20.		
<b>NOTE 11</b>		
<b>LOANS TO AUTHORITIES - AT FAIR VALUE</b>		
<b>11a. Loans to Authorities - non derivative</b>	<b>54,768.9</b>	56,109.5
<b>Maturity Profile</b>		
Up to 3 Months	3,109.0	3,651.9
3 to 12 Months	4,098.8	4,477.8
1 to 5 Years	27,975.6	27,433.3
Over 5 Years	19,585.5	20,546.5
<b>Total</b>	<b>54,768.9</b>	<b>56,109.5</b>
<b>Repricing Profile</b>		
Up to 3 Months	19,237.2	18,376.3
3 to 12 Months	4,233.9	4,567.3
1 to 5 Years	13,955.8	13,897.0
Over 5 Years	17,342.0	19,268.9
<b>Total</b>	<b>54,768.9</b>	<b>56,109.5</b>

# Notes to the Financial Statements (continued)

For the year ended 30 June 2021

	2021 \$m	2020 \$m
<b>NOTE 11 (continued)</b>		
<b>11b. Loans to Authorities - derivative</b>	<b>5.6</b>	6.9
<b>Maturity Profile</b>		
Up to 3 Months	0.4	0.2
3 to 12 Months	0.2	0.7
1 to 5 Years	5.0	3.4
Over 5 Years	0.0	2.6
Total derivatives shown as receivables and other financial assets (Note 10)	<b>5.6</b>	6.9
<b>Repricing Profile</b>		
Up to 3 Months	0.0	0.0
3 to 12 Months	0.2	0.7
1 to 5 Years	5.4	3.5
Over 5 Years	0.0	2.7
Total derivatives shown as receivables and other financial assets (Note 10)	<b>5.6</b>	6.9
Average Balance	<b>52,737.6</b>	51,874.8
Interest Revenue	<b>1,078.8</b>	1,298.0
Average Interest Rate	<b>2.05%</b>	2.50%

WATC advances funds to State Government and Local Government authorities within Western Australia. In normal circumstances, most advances are either rolled over or refinanced. State Government advances (98.8% of total (2020, 98.8%)) are guaranteed by the State whilst Local Government advances (1.2% of total (2020, 1.2%)) are secured by debenture and are charged in accordance with the provisions of the Local Government Act upon the general funds of the Local Government. There were no indications of impairment to lendings to Local Government at 30 June 2021. Loans to Authorities are not readily traded on organised markets in standardised form. Further information on valuation methods is shown in Note 20.

	2021 \$m	2020 \$m
<b>NOTE 12</b>		
<b>TAX ASSETS</b>		
Deferred Tax Asset	<b>1.2</b>	1.2
<b>NOTE 13</b>		
<b>PLANT AND EQUIPMENT</b>		
Equipment (at cost)	<b>2.8</b>	3.1
Less Accumulated Depreciation	<b>2.3</b>	2.8
Total Plant and Equipment	<b>0.5</b>	0.3
<b>Reconciliation</b>		
Equipment		
Opening balance	<b>0.3</b>	0.4
Additions	<b>0.4</b>	0.0
Disposals/Write-Offs	<b>(0.7)</b>	(0.1)
Depreciation	<b>(0.2)</b>	(0.1)
Accumulated depreciation on disposal	<b>0.7</b>	0.1
Closing balance	<b>0.5</b>	0.3
<b>NOTE 14</b>		
<b>INTANGIBLE ASSETS</b>		
Intangible Assets (at cost)	<b>11.3</b>	11.4
Less Accumulated Amortisation	<b>10.3</b>	9.4
Total Intangible Assets	<b>1.0</b>	2.0
<b>Reconciliation</b>		
Intangible Assets		
Opening balance	<b>2.0</b>	1.6
Additions	<b>0.0</b>	1.2
Disposals	<b>(0.1)</b>	0.0
Amortisation	<b>(1.0)</b>	(0.8)
Accumulated amortisation on disposal	<b>0.1</b>	0.0
Closing balance	<b>1.0</b>	2.0

# Notes to the Financial Statements (continued)

For the year ended 30 June 2021

## NOTE 15 IMPAIRMENT OF ASSETS

There were no indications of impairment to Plant and Equipment and Intangible Assets at 30 June 2021.

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.

	2021 \$m	2020 \$m
<b>NOTE 16 PAYABLES</b>		
Interest Accrued (at amortised cost)	530.4	573.6
Other Creditors (at amortised cost)	2,551.3	3,402.4
	<b>3,081.7</b>	<b>3,976.0</b>

Payables comprises accrued interest and sundry creditors relating to debt instruments and unrepresented cheques. Interest Accrued is owed to financial institutions. Other creditors includes financial instrument transactions undertaken prior to 30 June 2021 and due for settlement after 30 June 2021.

## NOTE 17 BORROWINGS - AT FAIR VALUE

### 17a. Borrowings - non derivative

#### Maturity Profile

	2021 \$m	2020 \$m
Up to 3 Months	6,584.1	6,858.2
3 to 12 Months	2,981.3	2,398.2
1 to 5 Years	28,769.6	29,074.6
Over 5 Years	20,314.8	22,170.5
Total borrowings at fair value	<b>58,649.8</b>	<b>60,501.5</b>

#### Repricing Profile

	2021 \$m	2020 \$m
Up to 3 Months	15,784.2	15,847.5
3 to 12 Months	783.2	389.7
1 to 5 Years	21,767.6	22,093.8
Over 5 Years	20,314.8	22,170.5
Total borrowings at fair value	<b>58,649.8</b>	<b>60,501.5</b>

	2021 \$m	2020 \$m
<b>17b. Borrowings - derivative</b>	<b>(842.8)</b>	<b>(840.3)</b>
<b>Maturity Profile</b>		
Up to 3 Months	(43.5)	12.1
3 to 12 Months	(0.8)	0.9
1 to 5 Years	(640.3)	(654.1)
Over 5 Years	(158.2)	(199.2)
Total derivatives shown as receivables and other financial assets (Note 10)	<b>(842.8)</b>	<b>(840.3)</b>
<b>Repricing Profile</b>		
Up to 3 Months	55.8	103.9
3 to 12 Months	16.1	18.7
1 to 5 Years	(692.1)	(713.6)
Over 5 Years	(222.6)	(249.3)
Total derivatives shown as receivables and other financial assets (Note 10)	<b>(842.8)</b>	<b>(840.3)</b>
Average Balance	<b>58,253.6</b>	58,055.4
Interest Expense	<b>1,043.1</b>	1,262.7
Average Interest Rate	<b>1.79%</b>	2.17%

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

## BORROWINGS - AT FACE VALUE

Payable 12 months or less from 30 June		
– Domestic	8,954.1	8,555.6
– Overseas	598.0	694.7
	<b>9,552.1</b>	<b>9,250.3</b>
Payable more than 12 months from 30 June		
– Domestic	45,519.7	46,593.3
– Overseas	0.0	0.0
	<b>45,519.7</b>	<b>46,593.3</b>
Balance 30 June at face value	<b>55,071.8</b>	<b>55,843.6</b>

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### NOTE 17 (continued) OVERSEAS BORROWINGS

Overseas Borrowings include Australian currency and foreign currency loans. Foreign currency loans have been translated using the exchange rates applicable at 30 June 2021 and are shown below.

	Exchange Rate Translation at 30/06/21	
	Payable 12 Months or Less from 30/06/21 A\$m	Payable More than 12 Months from 30/06/21 A\$m
<b>Foreign Currency Borrowing</b>		
USD 449.7 million	598.0	Nil

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

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

### NOTE 18 TAX LIABILITIES

Current Income Tax Equivalent Liability

	2021 \$m	2020 \$m
	3.7	25.0
	3.7	25.0

### NOTE 19 PROVISIONS

Annual Leave  
Long Service Leave  
Superannuation - Defined Benefit Plans

	2021 \$m	2020 \$m
Annual Leave	1.6	1.5
Long Service Leave	2.2	2.1
Superannuation - Defined Benefit Plans	0.3	0.3
	4.1	3.9

### 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 2021

### NOTE 19 (continued)

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

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

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

#### *Description of risks*

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

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

#### *Description of significant events*

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

	2021 \$m	2020 \$m
<i>Reconciliation of the Net Defined Benefit Liability/(Asset)</i>		
Net Defined Benefit liability/(asset) at start of year	0.3	0.3
(+) Current service cost	0.0	0.0
(+) Net interest	0.0	0.0
(+) Past service cost/curtailments	0.0	0.0
(+) (Gains)/losses on settlement	0.0	0.0
(-) Actual return on Scheme assets less Interest income	0.0	0.0
(+) Actual (gains)/losses arising from changes in demographic assumptions	0.0	0.0
(+) Actual (gains)/losses arising from changes in financial assumptions	0.0	0.0
(+) Actual (gains)/losses arising from liability experience	0.0	0.0
(+) Adjustment for effect of asset ceiling	0.0	0.0
(-) Employer contributions	0.0	0.0
Net defined benefit liability/(asset)	0.3	0.3
<i>Reconciliation of the Fair Value of Scheme Assets</i>		
Fair Value of Scheme assets at beginning of year	0.0	0.0
(+) Interest income	0.0	0.0
(+) Actual return on Scheme assets less Interest income	0.0	0.0
(+) Employer contributions	0.0	0.0
(+) Contributions by Scheme participants	0.0	0.0
(-) Benefits paid	0.0	0.0
(-) Taxes, premiums & expenses paid	0.0	0.0
(+) Transfers in	0.0	0.0
(+) Contributions to accumulation section	0.0	0.0
(+) Settlements	0.0	0.0
(+) Exchange rate changes	0.0	0.0
Fair value of Scheme assets at end of year	0.0	0.0

# Notes to the Financial Statements (continued)

For the year ended 30 June 2021

	2021 \$m	2020 \$m
<b>NOTE 19 (continued)</b>		
<b>Reconciliation of the Defined Benefit Obligation (DBO)</b>		
Present value of defined benefit obligations at beginning of year	0.3	0.3
(+) Current service cost	0.0	0.0
(+) Interest cost	0.0	0.0
(+) Contributions by Scheme participants	0.0	0.0
(+) Actuarial (gains)/losses arising from changes in demographic assumptions	0.0	0.0
(+) Actuarial (gains)/losses arising from changes in financial assumptions	0.0	0.0
(+) Actuarial (gains)/losses arising from liability experience	0.0	0.0
(-) Benefits paid	0.0	0.0
(-) Taxes, premiums & expenses paid	0.0	0.0
(+) Transfers in	0.0	0.0
(-) Contributions to accumulation section	0.0	0.0
(+) Past service cost/curtailments	0.0	0.0
(+) Gain/loss on settlements	0.0	0.0
(+) Settlements	0.0	0.0
(+) Exchange rate changes	0.0	0.0
Present value of defined benefit obligations at end of year	0.3	0.3

### Reconciliation of the Effect of the Asset Ceiling

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

### Fair value of Scheme assets

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

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

### Significant Actuarial Assumptions at the Reporting Date

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

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

### Assumptions to Determine DBO at Valuation Date

		2021	2020
Discount rate		1.50%	0.85%
Expected salary increase rate	2020/21	-	2.00%
	2021/22	2.00%	2.00%
	2022/23	2.00%	-
	thereafter	3.00%	3.50%
CPI	2021/22	1.75%	-
	2022/23	1.75%	-
	thereafter	2.00%	2.00%

The discount rate is based on the Government bond maturing in May 2030. The decrement rates used (eg mortality and retirement rates) are based on the actuarial review of the Scheme at 30 June 2020 updated by the Australian Government Actuary (ALT 2015-17) and Mercer public sector pensioner mortality tables (retiree and spouse pensioners).

The salary increase assumption used at 30 June 2021 is 2.00% pa for the first two years and 3.00% thereafter. The salary increase assumption used at 30 June 2020 was 2.00% pa for the first two years and 3.50% pa thereafter.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### NOTE 19 (continued)

#### Sensitivity Analysis

The defined benefit obligation as at 30 June 2021 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	1.50% pa	1.00% pa	2.00% pa	1.50% pa	1.50% pa
Salary increase rate	3.00% pa	3.00% pa	3.00% pa	2.50% pa	3.50% pa
Defined benefit obligation (A\$m)	0.3	0.3	0.3	0.3	0.3

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

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

#### Funding arrangements

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

#### Expected contributions

	2022 \$m
Expected employer contributions	0.1

#### Maturity profile of defined benefit obligation

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

### NOTE 20

#### FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### POLICY

#### Risk Management Governance

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

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

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

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

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

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

WATC ensures that it maintains appropriate capital cover to mitigate these risks as described in the Capital Requirement section below.

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

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

# Notes to the Financial Statements (continued)

For the year ended 30 June 2021

## NOTE 20 (continued)

### Interest Rate Risk

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

WATC's interest rate risk is primarily controlled through Value-at-Risk (VaR) limits set by the Board. VaR quantifies the amount that the value of a portfolio could fall over a set period of time given a fixed probability.

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.

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

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

	2021 \$m	2020 \$m
<b>Value at Risk (VaR)</b>		
Average Daily Balance for Year	1.3	1.4
Lowest for Year	0.6	0.7
Highest for Year	4.5	3.5
Closing Balance	0.8	1.2

### Interest Rate Risk Exposure

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

	Weighted Average Effective Interest Rate %	At Call \$m	Up to 3 Months \$m	3 to 12 Months \$m	1 to 5 Years \$m	Over 5 Years \$m	Non Interest Bearing \$m	Total \$m
<b>2021</b>								
<b>Financial Assets:</b>								
Cash and Cash Equivalents	0.46	118.7						118.7
Receivables – non derivative							244.4	244.4
– derivative			(55.8)	(15.9)	697.5	222.6		848.4
Investments	0.62		4,579.3	26.0	1,303.8			5,909.1
Loans to Authorities	2.05		19,237.2	4,233.9	13,955.8	17,342.0		54,768.9
		118.7	23,760.7	4,244.0	15,957.1	17,564.6	244.4	61,889.5
<b>Financial Liabilities:</b>								
Payables							3,081.7	3,081.7
Borrowings	1.79		15,784.2	783.2	21,767.6	20,314.8		58,649.8
		0.0	15,784.2	783.2	21,767.6	20,314.8	3,081.7	61,731.5
<b>2020</b>								
<b>Financial Assets:</b>								
Cash and Cash Equivalents	0.76	255.4						255.4
Receivables – non derivative							278.1	278.1
– derivative			(103.9)	(18.0)	717.1	252.0		847.2
Investments	1.31	48.0	5,490.7	739.7	886.4			7,164.8
Loans to Authorities	2.50		18,376.3	4,567.3	13,897.0	19,268.9		56,109.5
		303.4	23,763.1	5,289.0	15,500.5	19,520.9	278.1	64,655.0
<b>Financial Liabilities:</b>								
Payables							3,976.0	3,976.0
Borrowings	2.17		15,847.5	389.7	22,093.8	22,170.5		60,501.5
		0.0	15,847.5	389.7	22,093.8	22,170.5	3,976.0	64,477.5

# Notes to the Financial Statements (continued)

For the year ended 30 June 2021

## NOTE 20 (continued)

### Exchange Rate Risk

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

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

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

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

### Credit Risk

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

WATC's governing legislation only permits lending to Western Australian public sector agencies or to entities that have approval to borrow from WATC conferred by a written law. WATC does not set aside capital to cover its exposure to public sector agencies due to the nature of its relationship to such entities. As a result, WATC's management of credit risk is primarily focused on its investment, derivative and local government counterparties.

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

	2021 %	2020 %
<b>Credit Exposure of Investments by Rating</b>		
AAA	3.31	27.85
AA	96.69	61.15
A	0.00	11.00
BBB	0.00	0.00
	<b>100.00</b>	<b>100.00</b>
<b>Credit Exposure of Derivatives by Rating</b>		
AAA	0.00	0.00
AA	84.33	95.60
A	15.67	4.40
	<b>100.00</b>	<b>100.00</b>

### 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;
- preparing cash flow forecasts on a daily 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.

### Liquidity Table

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

	Up to 3 Months \$m	3 to 12 Months \$m	1 to 5 Years \$m	Over 5 Years \$m	Total \$m
<b>2021</b>					
<b>Financial Liabilities:</b>					
<b>Borrowings</b>					
– non derivative	7,013.0	4,005.6	30,620.0	20,192.1	61,830.7
	<b>7,013.0</b>	<b>4,005.6</b>	<b>30,620.0</b>	<b>20,192.1</b>	<b>61,830.7</b>
<b>Derivatives</b>					
– derivative payable	630.2	37.1	249.9	106.7	1,023.9
– derivative receivable	753.2	262.2	778.8	94.9	1,889.1
<b>Derivatives Net</b>	<b>(123.0)</b>	<b>(225.1)</b>	<b>(528.9)</b>	<b>11.8</b>	<b>(865.2)</b>
<b>Total</b>	<b>6,890.0</b>	<b>3,780.5</b>	<b>30,091.1</b>	<b>20,203.9</b>	<b>60,965.5</b>
<b>2020</b>					
<b>Financial Liabilities:</b>					
<b>Borrowings</b>					
– non derivative	7,349.7	3,548.1	31,296.0	21,051.9	63,245.7
	<b>7,349.7</b>	<b>3,548.1</b>	<b>31,296.0</b>	<b>21,051.9</b>	<b>63,245.7</b>
<b>Derivatives</b>					
– derivative payable	736.8	5.7	144.6	32.5	919.6
– derivative receivable	818.3	230.1	649.3	70.4	1,768.1
<b>Derivatives Net</b>	<b>(81.5)</b>	<b>(224.4)</b>	<b>(504.7)</b>	<b>(37.9)</b>	<b>(848.5)</b>
<b>Total</b>	<b>7,268.2</b>	<b>3,323.7</b>	<b>30,791.3</b>	<b>21,014.0</b>	<b>62,397.2</b>

# Notes to the Financial Statements (continued)

For the year ended 30 June 2021

## NOTE 20 (continued)

### Funding Risk

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

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

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

### Operational Risk

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

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

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

### Capital Requirements

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

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

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

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

The amounts to be exchanged on these contracts are calculated with reference to the notional amount and other terms of the derivatives. Credit exposure represents WATC's estimate of its exposure at reporting date in the event of non-performance by counterparties. WATC has adopted APRA's "Current Exposure Method" to determine the credit exposure arising from its derivative transactions. At 30 June 2021, WATC is confident that all its counterparties will meet their obligations.

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

	Notional Amount \$m	Fair Value \$m	Credit Exposure \$m
<b>As at 30 June 2021</b>			
<b>Futures</b>	<b>124.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Interest Rate Swaps</b>	<b>14,070.0</b>	<b>848.4</b>	<b>844.4</b>
<b>Forward Rate Agreements</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>As at 30 June 2020</b>			
Futures	662.6	(0.1)	0.0
Interest Rate Swaps	12,763.0	847.2	801.7
Forward Rate Agreements	0.0	0.0	0.0

Interest rate swaps are used from time to time to manage funding and interest rate risk by issuing fixed rate benchmark bonds and interest rate swaps to generate floating rate exposures. At times, floating to fixed swaps are used to change floating rate borrowings to fixed rate borrowings in order to match WATC's lending to client authorities. With interest rate swaps, WATC agrees with counterparties to exchange, at predetermined intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to an agreed notional face value. Interest rate swaps are also used to provide term floating rate funds for client authorities. At 30 June 2021, WATC had lent funds amounting to A\$18,257.7 million (2020, A\$17,562.1 million) on this basis.

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

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### NOTE 20 (continued)

WATC borrows in foreign currencies when the all in cost after swapping back into Australian dollars is cheaper than the equivalent domestic borrowing. Whereas WATC manages interest rate risk on a portfolio basis, it manages the exchange rate risk on foreign currency borrowings as part of the borrowing transaction. At 30 June, WATC had foreign currency swaps and forwards amounting to A\$598.0 million with a fixed future obligation in Australian dollars of A\$581.1 million (2020, foreign currency swaps and forwards amounting to A\$650.2 million with a fixed future obligation in Australian dollars of A\$649.1 million). Additionally, WATC has arranged foreign exchange transactions for clients amounting to A\$98.9 million (2020, A\$74.6 million). These transactions are arranged with clients on a back to back basis and therefore WATC does not have any net exposure. The fair value of A\$1.6 million relating to these forward foreign exchange transactions receivable from authorities and payable to third parties is included in Notes 11(b) and 17(b) respectively.

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

	Coupon	Market Rate as at 30 June 2021	Market Rate as at 30 June 2020
Overnight	-	0.10%	0.25%
90 days	-	0.03%	0.10%
180 days	-	0.07%	0.16%
22 July 2020	2.50%	-	0.13%
15 July 2021	7.00%	0.00%	0.30%
20 October 2022	2.75%	0.02%	0.33%
16 October 2023	6.00%	0.16%	0.42%
23 July 2024	2.50%	0.44%	0.53%
23 July 2025	5.00%	0.72%	0.65%
21 October 2026	3.00%	0.99%	0.79%
21 October 2027	3.00%	1.18%	0.97%
20 July 2028	3.25%	1.30%	1.09%
24 July 2029	2.75%	1.46%	1.23%
22 October 2030	1.50%	1.64%	-
22 October 2031	1.75%	1.76%	1.50%
24 October 2034	2.00%	2.05%	1.88%
23 July 2041	2.25%	2.51%	2.20%

### 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 2021.

	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>30 June 2021</b>				
<b>Financial assets designated at fair value through profit or loss</b>				
Investments	1,581.2	4,327.9	-	5,909.1
Loans to Authorities	42.5	54,726.4	-	54,768.9
Derivative financial assets	0.0	5.6	-	5.6
<b>Total Assets</b>	<b>1,623.7</b>	<b>59,059.9</b>	<b>-</b>	<b>60,683.6</b>
<b>Financial liabilities designated at fair value through profit or loss</b>				
Borrowings	46,582.9	12,066.9	-	58,649.8
Derivative financial liabilities	0.0	(842.8)	-	(842.8)
<b>Total Liabilities</b>	<b>46,582.9</b>	<b>11,224.1</b>	<b>-</b>	<b>57,807.0</b>
<b>30 June 2020</b>				
<b>Financial assets designated at fair value through profit or loss</b>				
Investments	1,674.1	5,490.7	-	7,164.8
Loans to Authorities	54.7	56,054.8	-	56,109.5
Derivative financial assets	0.0	6.9	-	6.9
<b>Total Assets</b>	<b>1,728.8</b>	<b>61,552.4</b>	<b>-</b>	<b>63,281.2</b>
<b>Financial liabilities designated at fair value through profit or loss</b>				
Borrowings	47,326.9	13,174.6	-	60,501.5
Derivative financial liabilities	0.0	(840.3)	-	(840.3)
<b>Total Liabilities</b>	<b>47,326.9</b>	<b>12,334.3</b>	<b>-</b>	<b>59,661.2</b>

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### NOTE 20 (continued)

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

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

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

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

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

### NOTE 21

#### NOTES TO THE STATEMENT OF CASH FLOWS

	2021 \$m	2020 \$m
<b>21a. Reconciliation of Cash</b>		
For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Bank Deposits (Note 8)	118.7	255.4
Short Term Money Market Investments	1,349.8	827.7
Overseas Bank Accounts (Note 8)	0.0	0.0
	<b>1,468.5</b>	<b>1,083.1</b>

	2021 \$m	2020 \$m
<b>21b. Reconciliation of Net Cash provided by Operating Activities to Profit for the period</b>		
Profit for the period	22.2	28.5
Depreciation	0.2	0.1
Amortisation of Intangible Assets	1.0	0.8
Decrease in Receivables	25.2	49.6
Decrease in Accrued Interest Payable	(63.5)	(50.9)
Increase in Other Creditors	0.1	0.8
Increase/(Decrease) in tax liabilities	9.5	12.3
Increase in Deferred Tax Asset	0.0	(0.1)
Increase in Employee Benefits	0.2	0.4
Premium/Discount Amortisation	(246.8)	(235.9)
Fair Value Adjustment	16.5	54.9
Tax Equivalent Payment	(30.8)	0.0
Other Receipt on behalf of Client Authorities	0.0	0.3
Decrease/(Increase) in Investments	1,708.4	(1,207.4)
Decrease in Lending	(262.3)	(379.6)
(Decrease)/Increase in Borrowings	(772.6)	2,426.8
Net Cash provided by in Operating Activities	<b>407.3</b>	<b>700.6</b>

# Notes to the Financial Statements (continued)

For the year ended 30 June 2021

## NOTE 22

### REMUNERATION OF DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

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

#### Directors' Remuneration

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

\$	2021	2020
0	2	2
10,000 - 20,000	-	*2
20,001 - 30,000	-	**2
40,001 - 50,000	3	1
190,001 - 200,000	-	-
440,001 - 450,000	1	-
450,001 - 460,000	-	1

2020

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

\*\* Ms Nance and Mr Searle retired from the Board during the year.

	2021	2020
	\$	\$
The total remuneration of the directors of WATC is:	577,211	571,839
Which comprises:		
Short Term Employment Benefits	521,685	510,801
Other Long Term Employment Benefits	8,941	12,889
Post Employment Benefits	46,585	48,149

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

No directors are members of the Pension Scheme.

#### 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, K S Middleton, 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:

\$	2021	2020
50,001 - 60,000	*1	-
170,001 - 180,000	**1	-
180,001 - 190,000	1	1
240,001 - 250,000	-	1
250,001 - 260,000	-	1
260,001 - 270,000	1	1
280,001 - 290,000	-	-
300,001 - 310,000	1	2
310,001 - 320,000	1	-
320,001 - 330,000	1	-

2021

\* Mr Middleton joined WATC during the year and therefore this salary represents part year only.

\*\* Mr McEwen transferred to another position within WATC during the year.

	2021	2020
	\$	\$
The total remuneration of other key management personnel is:	1,615,830	1,565,796
Which comprises:		
Short Term Employment Benefits	1,426,599	1,396,037
Other Long Term Employment Benefits	42,190	22,475
Post Employment Benefits	147,041	147,284

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.

	2021	2020
The total remuneration of directors and key management personnel is:	2,193,041	2,137,635
Which comprises:		
Short Term Employment Benefits	1,948,284	1,906,838
Other Long Term Employment Benefits	51,131	35,364
Post Employment Benefits	193,626	195,433

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### NOTE 23

#### AUDITOR'S REMUNERATION

	2021 \$	2020 \$
Amounts paid or due and payable to the Office of the Auditor General for auditing the financial statements and performance indicators.	183,000	179,401

### NOTE 24

#### RELATED PARTY TRANSACTIONS

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

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

#### Significant transactions with government related entities

In its role as the State's central borrowing authority, WATC advances funds, which are guaranteed by the State, to various State Government authorities. As at 30 June 2021, 98.8% (2020, 98.8%) of total loans to authorities were advanced to State Government authorities. The loans are provided at the cost of borrowing to WATC plus a margin to cover administration expenses and have various maturities. Details of maturity profile, interest earned and average interest earned are shown in Note 11.

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

#### Material transactions with related parties

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

### NOTE 25

#### EXPLANATORY STATEMENT

##### 25a. Actual/Budget Comparison 2020/21

	Actual \$m	Budget \$m	Variance \$m	Comment
<b>Revenue</b>				
Interest on Investments	32.4	27.7	4.7	1
Interest from Authorities	1,078.8	1,144.7	(65.9)	2
Fee Income	2.5	2.0	0.5	
	<u>1,113.7</u>	<u>1,174.4</u>	<u>(60.7)</u>	
<b>Gains</b>				
Foreign Exchange Gain	0.0	0.0	0.0	
Gains from Sale of Plant and Equipment	0.0	0.0	0.0	
Total Income	<u>1,113.7</u>	<u>1,174.4</u>	<u>(60.7)</u>	
<b>Expenses</b>				
Interest on Borrowings	1,043.1	1,114.8	(71.7)	4
Borrowing Related Expenses	1.9	4.3	(2.4)	
Depreciation	0.2	0.2	0.0	
Amortisation of Intangible Assets	1.0	1.1	(0.1)	
Administration Expenses	19.3	19.9	(0.6)	
Net Fair Value Movement	16.5	0.0	16.5	3
	<u>1,082.0</u>	<u>1,140.3</u>	<u>(58.3)</u>	
Profit before income tax equivalent	31.7	34.1	(2.4)	
Income tax equivalent expense	9.5	10.2	(0.7)	
Profit for the period	22.2	23.9	(1.7)	
Other Comprehensive Income	0.0	0.0	0.0	
Total Comprehensive Income	22.2	23.9	(1.7)	

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

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

## Notes to the Financial Statements (continued)

For the year ended 30 June 2021

### NOTE 25 (continued)

#### 25b. Comparison Between 2020/21 And The Previous Year

	2021 \$m	2020 \$m	Change \$m	Comment
<b>Revenue</b>				
Interest on Investments	32.4	79.0	(46.6)	1
Interest from Authorities	1,078.8	1,298.0	(219.2)	2
Fee Income	2.5	2.5	0.0	
	<b>1,113.7</b>	<b>1,379.5</b>	<b>(265.8)</b>	
<b>Gains</b>				
Foreign Exchange Gain	0.0	0.0	0.0	
Gains from Sale of Plant and Equipment	0.0	0.0	0.0	
Total Income	<b>1,113.7</b>	<b>1,379.5</b>	<b>(265.8)</b>	
<b>Expenses</b>				
Interest on Borrowings	1,043.1	1,262.7	(219.6)	4
Borrowing Related Expenses	1.9	1.2	0.7	
Depreciation	0.2	0.1	0.1	
Amortisation of Intangible Assets	1.0	0.8	0.2	
Administration Expenses	19.3	19.1	0.2	
Net Fair Value Movement	16.5	54.9	(38.4)	3
	<b>1,082.0</b>	<b>1,338.8</b>	<b>(256.8)</b>	
Profit before income tax equivalent	31.7	40.7	(9.0)	
Income tax equivalent expense	9.5	12.2	(2.7)	
Profit for the period	22.2	28.5	(6.3)	
Other Comprehensive Income	0.0	0.0	0.0	
Total Comprehensive Income	<b>22.2</b>	<b>28.5</b>	<b>(6.3)</b>	

- Interest on Investments has decreased by \$46.6 million from the previous year mainly due to a decrease in interest rates.
- Interest from Authorities has decreased by \$219.2 million from the previous year mainly due to the impact of decreases in interest rates.
- Net Fair Value Movement has changed by \$38.4 million from the previous year mainly due to changes in interest rates.
- Interest on Borrowings has decreased by \$219.6 million from the previous year as a result of decreased interest rates.

### NOTE 26

#### COMMITMENTS

There are no expenditure commitments contracted for and payable at 30 June 2021 (2020, nil).

### NOTE 27

#### SUBSEQUENT EVENTS

There have been no events subsequent to balance date which would have a material effect on WATC's financial statements at 30 June 2021.

### NOTE 28

#### CONTINGENT LIABILITIES

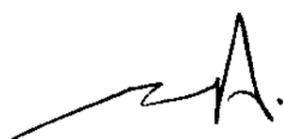
There are no contingent liabilities at 30 June 2021 (2020, nil).

## Certification of Financial Statements

For the year ended 30 June 2021

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 2021 and the financial position as at 30 June 2021.

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

27 August 2021



**K P GULICH** PSM  
CHIEF EXECUTIVE OFFICER

WESTERN AUSTRALIAN  
TREASURY CORPORATION

27 August 2021



**M A BARNES** PSM  
CHAIRPERSON

WESTERN AUSTRALIAN  
TREASURY CORPORATION

27 August 2021

## Key Performance Indicators

### VISION (2020/2021)

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 30/6/21 (Years)	AAA			AA+			AA			AA-		
	20/21 %	19/20 %	18/19 %	20/21 %	19/20 %	18/19 %	20/21 %	19/20 %	18/19 %	20/21 %	19/20 %	18/19 %
1 to 2	0.15	0.31		0.15	0.17	0.33	0.25		0.31	0.18	0.35	0.46
2 to 3	0.16	0.25	0.24	0.32	0.38	0.17	0.35	0.52		0.21	0.39	0.48
3 to 4		0.20	0.23		0.49	0.38		0.60		0.29	0.46	0.58
4 to 5	0.16		0.18	0.42		0.48	0.51			0.39	0.47	0.65
5 to 6	0.23	0.30		0.47	0.58			0.84		0.31	0.75	
6 to 7	0.24	0.25	0.27	0.65	0.37	0.52	0.91		0.86	0.44	0.61	0.84
7 to 8	0.16	0.20	0.18		0.42	0.29	0.54	0.48			0.61	0.71
8 to 9		0.13	0.13		0.21	0.40	0.75	0.43	0.43			0.74
9 to 10			0.10									
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%.

## Key Performance Indicators (continued)

By way of example, the saving of 0.15% identified in the first row of the AAA 20/21 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 2020 and have at least one year until maturity at 30 June 2021;
- 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 EFFICIENCY INDICATOR – ADMINISTRATION COST RATIO

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

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

Table 2 – WATC Administration Cost Ratio 2016/17 to 2020/21

Year	Net Administration Expense \$m	Average Loan Funds Outstanding \$m	Target Administration Cost Ratio %	Actual Administration Cost Ratio %
2016/17	15.768	42,828	<0.060	0.037
2017/18	16.189	47,361	<0.060	0.034
2018/19	17.032	49,570	<0.050	0.034
2019/20	18.820	49,521	<0.050	0.038
<b>2020/21</b>	<b>19.810</b>	<b>49,847</b>	<b>&lt;0.050</b>	<b>0.040</b>

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

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

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

## Key Performance Indicators (continued)

### 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 2021.



**K P GULICH** PSM  
CHIEF EXECUTIVE OFFICER

WESTERN AUSTRALIAN  
TREASURY CORPORATION  
27 August 2021



**M A BARNES** PSM  
CHAIRPERSON

WESTERN AUSTRALIAN  
TREASURY CORPORATION  
27 August 2021

## Independent Auditor's Report



### Auditor General

**INDEPENDENT AUDITOR'S OPINION  
2021  
Western Australian Treasury Corporation**

To the Parliament of Western Australia

### Report on the audit of the financial statements

#### Opinion

I have audited the financial statements of the Western Australian Treasury Corporation (Corporation) which comprise:

- the Statement of Financial Position at 30 June 2021, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended
- 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 2021 and the financial position at the end of that period
- 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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.

# Independent Auditor's Report (continued)

## Responsibilities of the Board for the financial statements

The Board is responsible for:

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

In preparing the financial statements, the Board is responsible for:

- assessing the entity's ability to continue as a going concern
- disclosing, as applicable, matters related to going concern
- 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 responsibilities 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. 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.

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

## Report on the audit of 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 2021.

## The Board's responsibilities

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

## Auditor General's responsibilities

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

An assurance engagement involves performing procedures to obtain evidence about the suitability of the controls design to achieve the overall control objectives and the implementation of those controls. The procedures selected depend on my judgement, including an 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 in operation, the overall control objectives may not be achieved so that fraud, error or non-compliance with laws and regulations may occur and not be detected. Any projection of the outcome of the evaluation of the suitability of the design of controls to future periods is subject to the risk that the controls may become unsuitable because of changes in conditions.

## Report on the audit of 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 2021. The key performance indicators are the Under Treasurer-approved key effectiveness indicators and key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, the key performance indicators of the Western Australian Treasury Corporation are relevant and appropriate to assist users to assess the Corporation's performance and fairly represent indicated performance for the year ended 30 June 2021.

## Independent Auditor's Report (continued)

### The Board's responsibilities 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 it 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 responsibilities

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

An assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the key performance indicators. It also involves evaluating the relevance and appropriateness of the key performance indicators against the criteria and guidance in Treasurer's Instruction 904 for measuring the extent of outcome achievement and the efficiency of service delivery. The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments I obtain an understanding of internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances.

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

### My independence and quality control relating to the reports on controls and key performance indicators

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

### Other information

The Board is responsible for the other information. The other information is the information in the entity's annual report for the year ended 30 June 2021, but not the financial statements, key performance indicators and my auditor's report.

My opinions do not cover the other information and, accordingly, I do not express any form of assurance conclusion thereon.

### Matters relating to the electronic publication of the audited financial statements and key performance indicators

This auditor's report relates to the financial statements, controls and key performance indicators of the Western Australian Treasury Corporation for the year ended 30 June 2021 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, controls 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, controls or key performance indicators. If users of the financial statements, controls and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to contact the entity to confirm the information contained in the website version of the financial statements, controls and key performance indicators.



Caroline Spencer  
Auditor General for Western Australia  
Perth, Western Australia  
30 August 2021

## Client Authorities

### Face Value Net Debt Outstanding to WATC at 30 June 2021

Authority Name	Balance at 1 July 2020 \$'000	Net Advances During Year \$'000	Balance at 30 June 2021 \$'000
Albany City Council	12,096	(2,466)	<b>9,630</b>
Animal Resources Authority	211	(168)	<b>43</b>
Armadale City Council	39,641	(2,782)	<b>36,859</b>
Ashburton Shire Council	3,047	(780)	<b>2,267</b>
Augusta-Margaret River Shire Council	8,472	65	<b>8,537</b>
Bassendean Town Council	549	(97)	<b>452</b>
Bayswater City Council	11	(5)	<b>6</b>
Belmont City Council	13,957	(552)	<b>13,405</b>
Beverley Shire Council	1,517	(138)	<b>1,379</b>
Boddington Shire Council	2,814	(344)	<b>2,470</b>
Boyup Brook Shire Council	433	(319)	<b>114</b>
Bridgetown-Greenbushes Shire Council	1,810	52	<b>1,862</b>
Brookton Shire Council	1,071	(125)	<b>945</b>
Broome Shire Council	4,110	2,181	<b>6,291</b>
Broomehill-Tambellup Shire Council	2,065	(124)	<b>1,942</b>
Bruce Rock Shire Council	272	(25)	<b>247</b>
Bunbury City Council	11,220	(1,905)	<b>9,315</b>
Bunbury Water Corporation	7,360	(770)	<b>6,590</b>
Busselton City Council	31,201	(2,933)	<b>28,268</b>
Busselton Water Corporation	548	(308)	<b>240</b>
Cambridge Town Council	1,107	0	<b>1,107</b>
Canning City Council	5,487	8,306	<b>13,793</b>
Capel Shire Council	5,392	(505)	<b>4,887</b>
Carnamah Shire Council	150	(36)	<b>114</b>
Carnarvon Shire Council	317	(53)	<b>264</b>
Chapman Valley Shire Council	88	(46)	<b>42</b>
Chittering Shire Council	1,953	1,961	<b>3,914</b>
Claremont Town Council	10,503	(1,895)	<b>8,608</b>
Cockburn City Council	15,000	(2,500)	<b>12,500</b>
Collie Shire Council	1,449	294	<b>1,743</b>
Coolgardie Shire Council	2,903	(293)	<b>2,610</b>
Coorow Shire Council	217	(23)	<b>194</b>
Corrigin Shire Council	1,578	(82)	<b>1,496</b>

Authority Name	Balance at 1 July 2020 \$'000	Net Advances During Year \$'000	Balance at 30 June 2021 \$'000
Cottesloe Town Council	3,451	(311)	<b>3,141</b>
Country Housing Authority	18,505	(6,955)	<b>11,550</b>
Cranbrook Shire Council	171	(68)	<b>104</b>
Cuballing Shire Council	217	(57)	<b>160</b>
Cue Shire Council	935	(91)	<b>844</b>
Cunderdin Shire Council	1,158	(83)	<b>1,075</b>
Curtin University	28,465	(2,367)	<b>26,098</b>
Dalwallinu Shire Council	3,330	587	<b>3,916</b>
Dandaragan Shire Council	269	(67)	<b>202</b>
Dardanup Shire Council	1,963	500	<b>2,463</b>
Denmark Shire Council	2,131	(256)	<b>1,875</b>
Derby-West Kimberley Shire Council	3,809	(373)	<b>3,435</b>
Donnybrook-Balingup Shire Council	464	(61)	<b>403</b>
Dowerin Shire Council	1,276	167	<b>1,443</b>
Dumbleyung Shire Council	310	(53)	<b>257</b>
Dundas Shire Council	340	(49)	<b>292</b>
East Pilbara Shire Council	3,797	(938)	<b>2,859</b>
Edith Cowan University	49,842	(12,210)	<b>37,632</b>
Electricity Generation and Retail Corporation	228,200	(9,964)	<b>218,236</b>
Electricity Networks Corporation	7,419,072	176,960	<b>7,596,032</b>
Esperance Shire Council	2,183	(191)	<b>1,992</b>
Exmouth Shire Council	1,775	308	<b>2,084</b>
FES Ministerial Body	40,040	(2,946)	<b>37,094</b>
Fremantle City Council	25,858	(1,831)	<b>24,026</b>
Fremantle Port Authority	169,279	(11,054)	<b>158,225</b>
Gingin Shire Council	1,990	113	<b>2,103</b>
Gnowangerup Shire Council	990	131	<b>1,122</b>
Gosnells City Council	16,566	1,166	<b>17,732</b>
Government Employees Superannuation Board	55,794	(55,794)	<b>0</b>
Greater Geraldton City Council	33,079	(4,614)	<b>28,465</b>
Halls Creek Shire Council	4,416	(876)	<b>3,540</b>
Harvey Shire Council	1,527	(185)	<b>1,342</b>

## Client Authorities (continued)

Authority Name	Balance at 1 July 2020 \$'000	Net Advances During Year \$'000	Balance at 30 June 2021 \$'000
Housing Authority	5,241,454	147,571	<b>5,389,025</b>
Irwin Shire Council	4,447	713	<b>5,160</b>
Jerramungup Shire Council	1,111	(197)	<b>914</b>
Joondalup City Council	7,090	(2,446)	<b>4,644</b>
Kalamunda City Council	7,989	2,025	<b>10,014</b>
Kalgoorlie-Boulder City Council	8,673	(1,017)	<b>7,656</b>
Karratha City Council	263	(230)	<b>33</b>
Katanning Shire Council	2,526	898	<b>3,423</b>
Kellerberrin Shire Council	1,916	(169)	<b>1,747</b>
Kent Shire Council	254	(63)	<b>191</b>
Kimberley Ports Authority	11,160	(1,569)	<b>9,591</b>
Kojonup Shire Council	2,887	31	<b>2,918</b>
Kondinin Shire Council	3,103	(189)	<b>2,914</b>
Kulin Shire Council	1,164	(91)	<b>1,074</b>
Kwinana City Council	19,843	(1,889)	<b>17,954</b>
Lake Grace Shire Council	1,436	278	<b>1,714</b>
Laverton Shire Council	1,156	1,012	<b>2,168</b>
Manjimup Shire Council	4,601	1,685	<b>6,286</b>
Melville City Council	2,139	(399)	<b>1,740</b>
Merredin Shire Council	849	(171)	<b>677</b>
Metropolitan Redevelopment Authority	211,692	(211,692)	<b>0</b>
Mid West Ports Authority	9,479	(1,421)	<b>8,058</b>
Mingenew Shire Council	328	(162)	<b>166</b>
Minister for Education	363,615	17,081	<b>380,696</b>
Minister for Fisheries	14,910	(6,061)	<b>8,849</b>
Moorabool Shire Council	951	(124)	<b>827</b>
Morawa Shire Council	293	180	<b>473</b>
Mosman Park Town Council	5,416	(268)	<b>5,148</b>
Mount Magnet Shire Council	69	(50)	<b>19</b>
Mount Marshall Shire Council	1,050	(45)	<b>1,005</b>
Mukinbudin Shire Council	1,500	(83)	<b>1,417</b>
Mundaring Shire Council	10,556	(664)	<b>9,892</b>
Murchison Shire Council	17	(1)	<b>16</b>

Authority Name	Balance at 1 July 2020 \$'000	Net Advances During Year \$'000	Balance at 30 June 2021 \$'000
Murdoch University	3,543	(411)	<b>3,131</b>
Murray Shire Council	4,057	(409)	<b>3,648</b>
Nannup Shire Council	633	(77)	<b>556</b>
Narembeen Shire Council	899	5	<b>904</b>
Narrogin Shire Council	975	6	<b>981</b>
Nedlands City Council	5,865	(1,750)	<b>4,114</b>
Northam Shire Council	6,405	(346)	<b>6,059</b>
Northampton Shire Council	1,475	(171)	<b>1,304</b>
Nungarin Shire Council	488	(47)	<b>442</b>
Peppermint Grove Shire Council	757	(32)	<b>725</b>
Perenjori Shire Council	525	(175)	<b>350</b>
Perth City Council	8,779	(4,233)	<b>4,546</b>
Pilbara Ports Authority	108,832	(3,218)	<b>105,614</b>
Pingelly Shire Council	3,405	(169)	<b>3,235</b>
Plantagenet Shire Council	2,118	(261)	<b>1,857</b>
Public Transport Authority	2,553,552	332,174	<b>2,885,726</b>
Quairading Shire Council	582	(98)	<b>483</b>
Ravensthorpe Shire Council	1,485	(218)	<b>1,266</b>
Regional Power Corporation	690,896	61,092	<b>751,988</b>
Rockingham City Council	8,991	(1,146)	<b>7,845</b>
Serpentine-Jarrahdale Shire Council	7,185	(943)	<b>6,242</b>
Shark Bay Shire Council	913	(75)	<b>838</b>
South Perth City Council	7,456	(972)	<b>6,484</b>
Southern Metropolitan Regional Council	11,713	(3,284)	<b>8,429</b>
Southern Ports Authority	11,533	(4,029)	<b>7,505</b>
Subiaco City Council	6,787	(422)	<b>6,365</b>
Swan City Council	39,230	(5,599)	<b>33,631</b>
Tammin Shire Council	261	(69)	<b>192</b>
The Minister for Agriculture and Food exercising power under Sec 6(1) of the the Loans (Co-operative Companies) Act 2004	26,070	(4,392)	<b>21,679</b>
The Treasurer on behalf of the State of Western Australia	25,425,696	150,000	<b>25,575,696</b>
Three Springs Shire Council	89	(21)	<b>68</b>

## Client Authorities (continued)

Authority Name	Balance at 1 July 2020 \$'000	Net Advances During Year \$'000	Balance at 30 June 2021 \$'000
Toodyay Shire Council	6,085	(188)	<b>5,897</b>
Trayning Shire Council	652	(61)	<b>591</b>
University of Western Australia	189,086	(5,479)	<b>183,607</b>
Upper Gascoyne Shire Council	756	352	<b>1,108</b>
Victoria Park Town Council	20,338	(3,553)	<b>16,786</b>
Victoria Plains Shire Council	159	(37)	<b>122</b>
Vincent City Council	8,804	(887)	<b>7,917</b>
Wagin Shire Council	584	(57)	<b>526</b>
Wanneroo City Council	65,334	0	<b>65,334</b>
Waroona Shire Council	304	582	<b>886</b>
Water Corporation	5,980,000	(194,350)	<b>5,785,650</b>
West Arthur Shire Council	716	(96)	<b>620</b>
Western Australian Land Authority	235,500	(47,100)	<b>188,400</b>
Westonia Shire Council	10	(10)	<b>0</b>
Wickepin Shire Council	21	382	<b>402</b>
Williams Shire Council	703	(2)	<b>700</b>
Wiluna Shire Council	3,431	(298)	<b>3,133</b>
Wongan-Ballidu Shire Council	2,244	(73)	<b>2,172</b>
Wyalkatchem Shire Council	91	(21)	<b>69</b>
Wyndham-East Kimberley Shire Council	2,599	(687)	<b>1,911</b>
Yalgoo Shire Council	335	(101)	<b>234</b>
Yilgarn Shire Council	0	953	<b>953</b>
York Shire Council	1,869	(245)	<b>1,625</b>
<b>TOTAL</b>	<b>49,714,509</b>	<b>264,328</b>	<b>49,978,837</b>

## Contact Details

### Western Australian Treasury Corporation

**Head Office** Level 12  
225 St Georges Terrace  
PERTH WA 6000

**Postal Address** PO Box 7282  
PERTH CLOISTERS SQUARE WA 6850

Telephone (+61) 8 9235 9100  
Email [watc@watc.wa.gov.au](mailto:watc@watc.wa.gov.au)  
Website [www.watc.wa.gov.au](http://www.watc.wa.gov.au)

### 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.

Link Market Services Limited office addresses:

**Western Australia** Level 12, QV1 Building  
250 St Georges Terrace  
PERTH WA 6000

**Victoria** Level 13, Tower 4  
727 Collins Street  
MELBOURNE VIC 3008

**New South Wales** Level 12  
680 George Street  
SYDNEY NSW 2000

**Queensland** Level 21  
10 Eagle Street  
BRISBANE QLD 4000

WESTERN AUSTRALIAN  
**TREASURY CORPORATION**

Level 12  
225 St Georges Terrace  
Perth WA 6000

P: (+61) 8 9235 9100

E: [watc@watc.wa.gov.au](mailto:watc@watc.wa.gov.au)

[www.watc.wa.gov.au](http://www.watc.wa.gov.au)

