

WESTERN AUSTRALIAN
TREASURY CORPORATION

FINANCIAL SOLUTIONS FOR THE BENEFIT OF ALL WESTERN AUSTRALIANS

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

ANNUAL REPORT 2019

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About this Report

This annual report provides information about the services and performance of Western Australian Treasury Corporation and includes audited financial statements and performance indicators for the financial year ending 30 June 2019. A full copy of this annual report, along with previous years' annual reports, is available on Western Australian Treasury Corporation's website www.watc.wa.gov.au and is also available in alternative formats upon request.

WESTERN AUSTRALIAN TREASURY CORPORATION

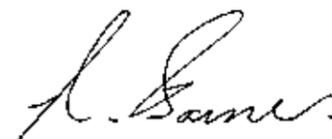
FINANCIAL SOLUTIONS FOR THE BENEFIT OF ALL WESTERN AUSTRALIANS

The Hon. Ben Wyatt

Treasurer; Minister for Finance; Aboriginal Affairs; Lands

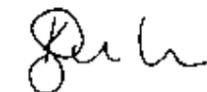
In accordance with Section 63 of the *Financial Management Act 2006*, we hereby submit for your information and presentation to Parliament, the Annual Report of the Western Australian Treasury Corporation for the financial year ended 30 June 2019.

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



M BARNES
CHAIRPERSON
WESTERN AUSTRALIAN
TREASURY CORPORATION

21 August 2019



K GULICH
CHIEF EXECUTIVE OFFICER
WESTERN AUSTRALIAN
TREASURY CORPORATION

21 August 2019

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VISION, OBJECTIVES, VALUES

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

Vision

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

Objectives

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

Values

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

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

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

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

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



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

HIGHLIGHTS

2018/19 saw the first reduction in client debt in more than 10 years.

Credit rating updates from S&P (AA+ negative to stable) and Moody's (Aa2 positive to Aa1 stable).

Our 2017/18 Annual Report was awarded gold in the GTE Sector category at the WS Lonnie Awards.

Sourced borrowings of \$8 billion for refinancing commitments, pre-funding and building liquidity.

More than 950 people have attended our FX educational seminars over the past six years.

Commenced the replacement of our treasury management system.

CHAIRPERSON AND CEO'S REPORT

2018/19 has been a strong year for Western Australian public sector finances, and for WATC as the State's central borrowing authority.

There have been clear signs of a turnaround in Western Australia's fiscal position, reflecting a lift in commodity prices, GST reform and continuing expenditure restraint. When combined, these factors have led to an operating surplus outcome in 2018/19, the first since 2013/14 and two years earlier than forecast in the May 2018 State Budget. This resulted in WATC's new money borrowing program, initially estimated at \$2.7 billion in May 2018, being zero for the year. Significantly, clients repaid \$485 million in 2018/19, the first reduction in client debt in more than 10 years.

These improvements in State finances, combined with an expected pick-up in economic activity from 2019/20 and disciplined management of expenditures, resulted in credit rating updates from Standard and Poor's in October 2018 (AA+ from 'negative' to 'stable' outlook) and Moody's Investors Service in June 2019 (from Aa2 with a positive outlook to Aa1 with a stable outlook).

However, despite these positive developments, Western Australia's economic and fiscal position remains vulnerable to global and national economic and geopolitical factors. Emerging weakness in the global economy drove most central banks from a focus on interest rate increases to an easing bias. The Reserve Bank of Australia signalled concerns with the national economy, and cut the cash rate by 25 basis points at its June 2019 meeting, with market expectations for further interest rate cuts to follow in the second half of 2019.

Reflecting these global trends, interest rates have reduced materially during the year, as illustrated by the 10-year Australian Treasury Bond yield almost halving from 2.63 per cent at the end of 2017/18 to 1.32 per cent by the end of 2018/19. WATC has also enjoyed an improvement in our interest rate differential to other Australian States as the forecast improvements in the State's economic and fiscal position were met and surpassed.

During 2018/19, WATC sourced borrowings of \$8 billion, to meet the year's refinancing commitments of \$5 billion, refinance \$2 billion of 2019/20 maturities, pre-fund 2019/20 client borrowings and build liquidity. The ongoing management of key balance sheet metrics saw debt maturing within 12 months of 18.7 per cent and liquid asset portfolio cover of 129.5 per cent. These were comfortably within WATC's Board targets (less than 20 per cent and above 100 per cent respectively).



Net profit before tax was \$41.7 million (up from \$34.8 million in 2017/18), with WATC to pay \$34.4 million in dividends and tax equivalent payments to the Consolidated Account.

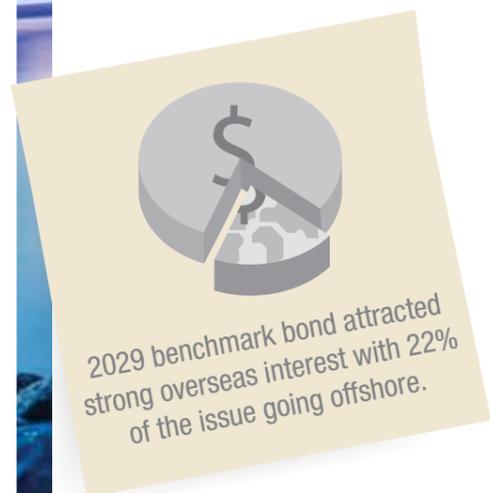
The team at WATC have been heavily engaged supporting our clients over the year, hosting a number of client forums, successfully completing over 70 advisory engagements, managing investment of over \$10 billion of the State's assets, and supporting the management of foreign exchange risk. Providing financial solutions for the benefit of Western Australia remains our focus.

Work has been progressing well on the replacement treasury management system, a core system to support our operations. After a successful procurement process supported by the Department of Finance, we are now well advanced in system configuration and design, with implementation planned for completion in early 2020.

Jenny Seabrook completed her three year term as a WATC Director and Audit Committee member in September 2018. We would like to thank Jenny for the commitment and experience she brought to the role. Sue Murphy AO, former CEO of Water Corporation, joined the Board and Audit Committee in January 2019, and we look forward to benefitting from Sue's considerable government and industry experience.

The other key departure during 2018/19 was John Collins, who retired in January 2019 after almost 10 years in the CEO role. John showed great leadership and dedication in successfully guiding WATC through the aftermath of the Global Financial Crisis, the large increase in our borrowing program and various credit rating downgrades. He always promoted WATC and Western Australia more generally with great passion and commitment, and has left the Corporation in a great position to meet the challenges and opportunities ahead.

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



Michael Barnes
Chairperson

21 August 2019

Kaylene Gulich
Chief Executive Officer

21 August 2019

PERFORMANCE AGAINST TARGETS

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

Estimated Interest Rate Savings

Target: Savings > 0.00%

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

Target achieved. WATC continued to deliver significant interest rate savings to clients in 2018/19. See [Key Performance Indicator](#) section for a more detailed explanation.

Assessment of Client Satisfaction

Target: 90% client satisfaction

Outcome: 100% client satisfaction

Target achieved. In feedback received at the completion of each advisory services engagement, 100 per cent of clients rated satisfied or better on the quality of advice provided, adding value to the client's project, and WATC's overall capability and service provided.

Administration Cost Ratio

Target: Administration Cost Ratio < 0.050%

Outcome: Administration Cost Ratio = 0.034%

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

Pre-Tax Profit

Target: Profit = \$34.1 million

Outcome: Profit = \$41.7 million

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



Staff Engagement Rating

Target: Employee Engagement Rating > 65%

Outcome: Employee Engagement Rating = 56%

Target not achieved. A range of initiatives were introduced during 2018/19 with a view to the continual improvement of employee engagement.

Five-Year KPI Summary

	2018/19	2017/18	2016/17	2015/16	2014/15
Estimated Interest Rate Savings > 0.00%	Yes	Yes	Yes	Yes	Yes
Assessment of Client Satisfaction	100%	99%	100%	100%	100%
Administration Cost Ratio	0.034%	0.034%	0.037%	0.039%	0.044%
Pre-Tax Profit	\$41.7m	\$34.8m	\$17.6m	\$16.0m	\$23.1m
Staff Engagement Rating*	56%	56%	46%	51%	40%

* Methodology used changed in 2017/18.

Five-Year Financial Summary

	2018/19 \$m	2017/18 \$m	2016/17 \$m	2015/16 \$m	2014/15 \$m
Financial Performance					
Profit Before Income Tax Equivalent Expense	41.7	34.8	17.6	16.0	23.1
Financial Position					
Total Assets	59,483.4	55,985.8	54,987.8	50,976.1	42,823.5
Percentage Change in Assets (%)	6.2	1.8	7.9	19.0	7.0
Total Liabilities	59,337.9	55,851.3	54,868.3	50,861.7	42,709.8
Equity	145.5	134.5	119.5	114.4	113.7

BOARD OF DIRECTORS

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

Michael Barnes, Chairperson

Mr Barnes assumed the role of Chairperson when he became Acting Under Treasurer in the Department of Treasury in February 2014. Mr Barnes was appointed Under Treasurer in April 2015. As Under Treasurer, Mr Barnes is the principal economic and financial policy adviser to the Government of Western Australia. He is also the Chairperson of WATC's People and Remuneration Committee. Prior to joining the Department of Treasury in 1997, Mr Barnes worked in the Commonwealth Treasury, where he commenced his career as a graduate in 1992. Mr Barnes holds a Bachelor of Business degree with Honours in Economics.

Michael Court, Deputy Chairperson

Mr Court was appointed to the Board as Deputy Chairperson in July 2017. Mr Court was permanently appointed Deputy Under Treasurer in September 2016, after having acted in the role since February 2014. This followed more than five years as the Executive Director of the Department of Treasury's Economic business unit. Mr Court joined the Department of Treasury in 1997, after working in the Department of Foreign Affairs and Trade, the Commonwealth Treasury and the London Underground Ltd. During 2018/19, Mr Court chaired the quarterly Public Sector Financial Management Committee and the Department of Treasury's Information and Communication Technology Committee, and was a member of the Government's Energy Transformation Taskforce.

Kaylene Gulich

Ms Gulich commenced as CEO of WATC in February 2019. Ms Gulich has extensive experience in public policy, knowledge of financial markets and expertise in the Western Australian economy. She has previously held senior roles within the Department of Treasury, most recently as the Executive Director of the Economic business unit. Prior to this role, Ms Gulich was the Executive Director for Infrastructure and Finance, where she was responsible for the provision of advice, systems and operations critical to the State's financial management. Since 2013, Ms Gulich has been responsible for the Commercial Advisory function within Treasury, with oversight at a whole-of-government level regarding the commercial and financial risk aspects of major government contracts and commercial transactions. As well as being a member of CPA Australia and the AICD, Ms Gulich has previously been a Director with Gold Corporation and a member of their Audit and Risk Committee. She has previously held the Deputy Chairperson position on WATC's board.

Susan Murphy AO

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 2009-2015, 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.

Catherine Nance

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

Grahame Searle

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

Board of Directors
(left to right):

Susan Murphy AO, Kaylene Gulich,
Michael Court, Catherine Nance,
Michael Barnes and Grahame Searle.



ABOUT WATC

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

Client Services

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

Financial Markets

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

Risk and Compliance

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

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

Corporate Support

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

Enabling Legislation

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

Responsible Minister

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

State Guarantee

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

Credit Ratings

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

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

Changes in Written Law

There were no changes to the Act during the 2018/19 financial year.

Ministerial Directives

No ministerial directives were received during the 2018/19 financial year.



PROVIDING VALUE TO CLIENTS

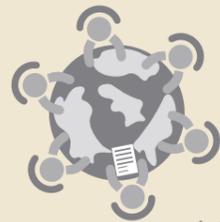
WATC plays an important role in the management of public sector finances by assisting agencies to make better financial decisions.

Value for the State is created through our activities, products and services, ensuring agencies have sufficient support and knowledge to make informed decisions and achieve their financial objectives.

Partnership

WATC works closely with each of our clients to understand their individual business requirements, assisting them to identify, quantify and manage financial risks and ensure they have the necessary information to make the best financial decision for their organisation. For instance, we reviewed requests for tender documentation on behalf of our clients to ensure that the respondent bids included the necessary information in order to assess the full impact of any foreign exchange exposure over the life of the contract. Additionally, we assisted in the preparation of a series of significant business cases, evaluated a range of options for the replacement of major assets and provided on-going expert resources to assist the State to understand and maximise the value of potential assets.

WATC also supports the development of local communities by providing low-cost debt finance and secure investments to Western Australian local governments. We actively promote and assist local governments in the appropriate use and effective management of debt finance and investments. Our advisory services offerings are also available to local governments, including providing lease versus own analysis to provide significant information to facilitate optimal financial decision-making by councils. Additionally, we have prepared a series of informative articles to assist local governments utilise and manage debt to improve financial, asset management and service delivery outcomes.



Partnering with dealer panel members, our investor marketing saw over 50 meetings held in 7 countries.

- In 2018/19, we represented the State as financial advisor for the refinancing of the Optus Stadium public private partnership. This was a complex transaction that required a high degree of expertise and due diligence and benefitted from our extensive knowledge in private financing arrangements and our role to ensure the State achieved the best possible financial and operational outcomes.

Knowledge Exchange

WATC continues to provide clients with the information, skills and resources so they can make informed financial decisions. During 2018/19, we held a number of events for clients that covered a range of topics, including the State and Federal budgets, the economy, green bonds, currencies and interest rates. We also continued to deliver our foreign exchange educational seminars, which promote awareness and understanding of foreign exchange risk management issues. Since their inception in 2013, more than 950 people from agencies across Western Australia's public sector have attended the seminars.

Additionally, it is important that the economic and fiscal positions of the State are understood by existing and potential investors. As such, we participated in a number of fixed income conferences, the Under Treasurer, Michael Barnes, and WATC's CEO, Kaylene Gulich, presented a mid-year economic and fiscal update for investors in January 2019, and the 2018/19 year ended with a post *WA State Budget 2019-20* investor presentation by the Treasurer, the Hon. Ben Wyatt.

Leadership

WATC has specialist knowledge of financial markets and a high level of skills in a variety of financial risk techniques and procedures, enabling us to provide expert, independent and professional advice and innovative solutions to the Western Australian public sector. Examples of our unique expertise benefitting the State include WATC taking the lead commercial role for the Westport Project where we assisted the Department of Transport by providing commercial analysis of the various options under consideration, a key input into the Multiple Criteria Analysis process; and, after conducting a detailed, independent review of a major whole-of-government strategic information and communication technologies initiative, we presented a series of recommendations for future actions that should lead to significant improvements in ICT implementation and effectiveness.

Looking ahead:

- Provide leadership to government to support the development of policies to enhance the management of the State's finances.
- Partner with the Department of Treasury for the Graduate Program 2020, where graduates will have the option to spend a rotation with WATC to gain exposure to our unique role and functions.

- During 2018/19, WATC undertook three tenders of existing benchmark bonds and syndicated a new July 2029 benchmark bond raising just over \$1.85 billion. The syndication received strong support from overseas investors with 22 per cent going to offshore holders.

SUCCESSFUL FINANCIAL MANAGEMENT

WATC funds the State's initiatives at the lowest possible cost through our access to domestic and international capital markets.

The 2018/19 financial year saw WATC lend \$7.1 billion to clients, issue \$8 billion in debt and manage over \$10.4 billion in investment funds.

Funding Clients' Needs

During 2018/19, WATC issued approximately \$8 billion in benchmark bonds and floating rate notes that were used to refinance \$5 billion of 2018/19 maturities, a further \$2 billion refinanced upcoming maturities in the 2019/20 year, \$0.5 billion was used to pre-fund client borrowing requirements in the 2019/20 year and approximately \$0.5 billion funded the purchases of liquid assets. In addition, we utilised our short term domestic and offshore Euro Commercial Paper programs to fund client and our own liquidity requirements. We contributed to State activities through the provision of \$7.1 billion in funding to clients, mainly in debt refinancing. The agencies whose borrowings grew used the funding to deliver upon expanded government objectives such as Keystart, supporting transitional finance solutions for affordable home ownership that also provides economic stimulus for the construction industry, and the Public Transport Authority, supporting projects like the METRONET Forrestfield Airport Link. Most importantly, client debt repayments exceeded the amount of new loans and refinancing activities. Going from a decade long annual average increase of \$3.8 billion, 2018/19 saw the total of outstanding client debt fall by \$485 million. This is a significant, and positive, outcome for the State.

Investment Management

WATC plays an important role in the management of public sector finances through the provision of a comprehensive range of treasury management services, including the management of investment portfolios. At 30 June 2019, WATC managed in excess of \$10.4 billion in investment funds in our own name and in that of our clients. This includes five investment portfolios managed on behalf of three clients, with an average annual investment balance in excess of \$4.8 billion. These investment portfolios achieved returns that outperformed established benchmarks.

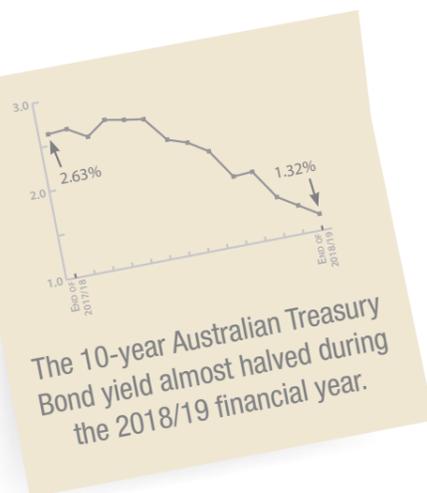
Reducing Costs

Over 2018/19, our clients experienced lower borrowing costs, as the general level of interest rates fell and relativities between WATC and our equivalently rated issuer peers narrowed significantly. This was a result of an improvement in the State's revenue combined with our successful administration of the State's borrowing program. Additional savings to the State were found through WATC providing public sector agencies access to foreign exchange markets at wholesale pricing. During 2018/19, we executed over \$160 million of foreign exchange transactions in 9 currencies on behalf of 20 clients.

Furthermore, as part of Standard & Poor's assessment supporting Western Australia's credit rating upgrade, in October 2018, they formally recognised the improved representation of the State's liquid assets. This was achieved through WATC's maintenance and expansion of our monthly data collection of agencies' liquid financial assets held outside of the Public Bank Account (PBA) arrangements. It also facilitated a reduction of \$1 billion to the targeted level of liquid financial assets held within the PBA. This reduced the State's borrowing requirement and enabled the realisation of savings (expected to be \$44 million in net interest costs over the budget out years) that were previously announced within the 2017/18 State Budget.

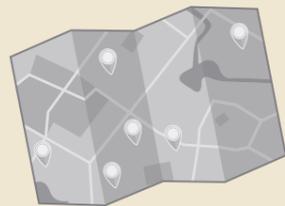
Looking ahead:

- The borrowing program for 2019/20 is estimated at \$7.4 billion, comprising \$1.1 billion of new money, \$6.4 billion of refinancing and a \$0.2 billion increase in WATC's liquidity portfolio.
- In 2019/20, WATC expects to issue a new floating rate note in the 4-5 year maturity band and will explore opportunities to extend the tenor of our fixed rate curve in 10-15 year maturities.
- In collaboration with the Department of Treasury, expand the scope of the monthly data collection of liquid financial asset holdings of public sector agencies outside of the PBA to facilitate assessment of whole-of-state financial counterparty exposure, as a next step towards better understanding the State's overall financial risk profile.
- Undertake an extensive review of the current model underpinning the client lending strategy.
- Work with the Department of Treasury to facilitate the review and restructure of the Future Fund into the Future Health Research and Innovation Fund.



OPTIMISING OUR PERFORMANCE

WATC's ability to provide the State with ready access to capital markets and a wide variety of financial offerings is supported by our considerable experience and expertise, together with our systems and processes.



Visited 29 regional local governments to demonstrate the Client Portal.

WATC continually looks to improve how we engage with clients, increase efficiencies in our systems and processes and invest in our people and capabilities.

Streamlining Agency Engagement

In June, WATC held a client forum about the State's finances, the economy, financial markets and client borrowing, and their interconnectedness. This included explaining how, once new borrowing limits are approved, WATC works closely with each client to assess their debt financing objectives, define their risk appetite and assist them to choose the most appropriate debt product that supports their debt management strategy.

To assist clients in the efficient management of short- to medium-term cash surpluses, a new over-arching Investment Facility was introduced in 2018/19, which gives clients access to all of our direct investment products. This includes the new Term Deposit Facility, a practical investment alternative focussed on aspects not well served by comparable banking products.

The rollout of our Client Portal continued in 2018/19, with over 90 per cent of state government and 75 per cent of local government clients now registered. A number of new features were also introduced, such as the provision of historical interest rate time series for common borrowing products. Additionally, a range of end of financial year self-help services are now available, which allow clients to access official audit reports on the Client Portal as well as grant temporary access for their audit firm.

Improving Systems and Building Capability

After a successful tender and due diligence process, WATC commenced a major initiative to implement a new treasury management system. Replacing existing technology, which has been in place for nearly 20 years, this system is core to our management of financial market activities and client loans, investments and foreign exchange. We have also taken the opportunity to review associated processes to see where internal efficiencies can be gained.

Investing in our people ensures WATC is best placed to achieve our vision and objectives, now and into the future. As such, a human resources strategic plan was developed to identify, facilitate and guide people related policies, processes, activities and practices.

- Leasing is an important activity for many entities, as it gives them access to assets and finance while reducing their exposure to the risks of asset ownership.
- Applying from 1 July 2019, AASB 16 Leases introduces a single lessee accounting model that sets out the principles for the recognition, measurement, presentation and disclosure of leases. Working with the Department of Treasury, WATC has assisted agencies with their implementation of the Standard by providing a suite of incremental borrowing rates databases. Housed on our website and updated monthly, agencies can efficiently estimate both their existing lease liabilities and future exposure in accordance with the new standard.

Managing and Monitoring Material Risks Effectively

WATC operates in a dynamic market which presents both opportunities and risks that could materially impact our ability to meet our responsibilities to our clients, investors, the State, our Board and other stakeholders. Our business is exposed to a range of strategic, operational, compliance and financial risks associated with operating in global financial markets. We have a Risk Management Framework that, together with corporate governance and organisational systems and processes, provides a sound framework for identifying, assessing, managing and the ongoing monitoring of material risks.

During 2018/19, the Board approved a revised *Operational Risk Management Policy*, which sets out how we measure and control operational risks that threaten to have an unacceptable impact upon our business. Through the regular monitoring and reporting of operational risks and their controls, our exposure to unacceptable risk-related events can be reduced and the impact of such events, should they occur, are mitigated.

Concurrent to this, a review of our foreign exchange risk management policies was conducted to ensure that they remain relevant and reflective of our business, objectives and the Board's risk appetite. This included the review of our hedging strategies to ensure that they continue to mitigate foreign exchange risk as intended.

WATC also met both of the Board's balance sheet debt metric targets for 30 June 2019: debt maturing within 12 months to be less than 20 per cent of total debt and maturing debt coverage ratio of at least 100 per cent.

Looking ahead:

- The new treasury management system is expected to be operational during the first half of 2020.
- Transition to infrastructure as a service where appropriate within GovNext capabilities.
- Continue development of cybersecurity capabilities and the ongoing evolution of business continuity and disaster recovery.
- Work collaboratively with clients on the continual development of the Client Portal to improve efficiencies and become a hub for client information.

ECONOMIC ENVIRONMENT

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

The Economy

Rising exports remains the major driver of growth for the Western Australian economy, with real gross state product expected to expand by an estimated 2.0 per cent in 2018/19. Contributing over 40 per cent of the value of Australia's merchandise goods exports in 2018/19, Western Australia remains an export powerhouse. Real gross state product growth is forecast to accelerate to 3.5 per cent in 2019/20 with further increases in export volumes again expected to play a leading role, as well as increasing business investment as spending on a new wave of resource sector projects gathers pace. The rise in investment is expected to improve labour market conditions, boosting confidence and household spending.

Despite these positives in the domestic Western Australian economy, significant national and global headwinds exist. The monetary policy outlook for the major global central banks has shifted from the expectation of interest rate increases to one where central banks are expected to cut rates in the second half of 2019. The change has been in response to deteriorating global economic conditions, as global growth began to slow in the second half of 2018 weighed down by higher interest rates in the United States and concern over the outlook for global trade as America moved to a more protectionist stance, highlighted by its trade war with China.

Impact on financial markets

Australian bond yields fell sharply over the course of 2018/19 as the outlook changed from one where the market expected the next move in the cash rate to be an increase to one where a rate cut was likely, with the Reserve Bank of Australia (RBA) cutting the cash rate by 25 basis points in June 2019 to a fresh record low of 1.25 per cent. The 3-year Australian Treasury Bond yield fell from 2.06 per cent at the end of 2017/18 to 0.96 per cent by the end of 2018/19 while the 10-year yield fell from 2.63 to 1.32 per cent. Money market interest rates also fell with the three-month BBSW rate falling from 2.11 to 1.20 per cent.

The sharper decline in Australian bond yields when compared to the United States yields has pulled the Australian dollar lower, with the AUD falling from USD0.7405 at the beginning of 2018/19 to USD0.7020 at the end of the financial year. The decline in the Australian dollar would likely have been greater if commodity prices had not remained elevated.

Regulatory Environment

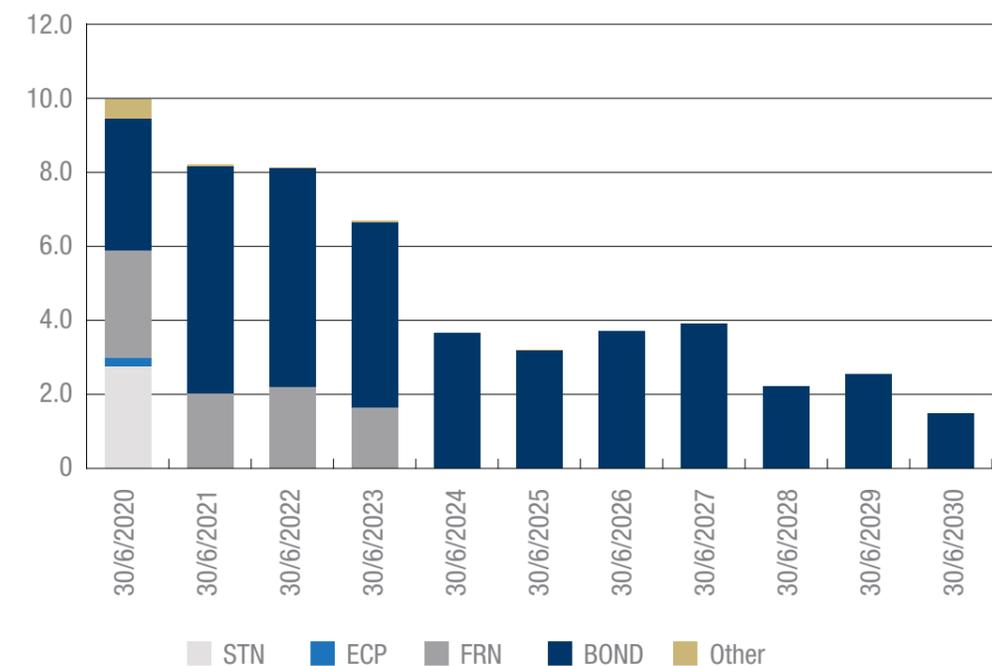
The RBA made two adjustments to the committed liquidity facility (CLF) in June 2019 with the aim that it better reflects the changing dynamics of the Australian Sovereign and semi-government bond markets. An increase in the percentage of the total sovereign and semi-government bond outstandings that banks could hold, from 25 to 30 per cent in 1 per cent increases per year starting in 2020, combined with an increase in the fee payable on the CLF, from 15 to 20 basis points, is expected to increase demand for sovereign and semi-government bonds.

Global momentum is gathering around moves to replace interbank offered rates (IBORs), as reference rate benchmarks, with alternative risk-free rate (RFR) benchmarks. At this stage, it is expected that the Australian BBSW will be able to be retained, as it is robust with sufficient liquidity in the transactions underlying its calculation. However, global moves in the direction of RFR benchmarks requires us to be mindful of those developments, the use of RFRs in the Australian context and have appropriate contractual fall-back language in place should BBSW cease to exist in the future.

While not directly impacted by the Royal Commission into the Misconduct of the Banking, Superannuation and Financial Services Industry, WATC will be closely monitoring the Government and Regulator response to its findings and recommendations.

Maturity Profile by Financial Year end, at 30 June 2019

(\$ billion)



BORROWING FOR 2019/20

In our role as the State's central borrowing authority, WATC is responsible for raising funds on behalf of the Western Australian public sector.

Estimated Borrowing Program for 2019/20

Continuing improvements in Western Australia's fiscal position, due to stronger commodity prices, GST flows and ongoing expenditure control, resulted in the new money requirement for 2018/19 (as forecast in the 2018/19 Budget) falling from \$2.7 billion to a small net reduction of approximately \$0.5 billion.

The new money program for 2019/20, currently estimated at \$1.1 billion, may also reduce, reflecting a continuation of improved revenues and subdued expenditure growth. Additionally, the funding requirement for 2019/20 may also be impacted by the proceeds generated from any assets sales or commercialisations.

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

Term Funding Requirement	\$b	\$b
New Money Program (est.)		1.1
Projected Maturities		
Bonds	3.5	
FRNs	2.9	
Less Prefunded FRN maturity	-0.3	
+/- Changes to HQLA portfolio	0.2	6.3
Total Term Funding Requirement		7.4

Borrowing Strategy for 2019/20

In order to meet the State's funding and debt management requirements for 2019/20, WATC plans to:

- explore opportunities to issue a new bond line with a maturity in the 10-15 year sector
- issue a new 4-5 year maturity floating rate note and continue to issue floating rate notes into outstanding lines in response to investor demand and to accommodate the term floating rate borrowing requirements of clients.



In addition, WATC will continue to:

- issue across the yield curve to fund lending to clients
- enhance the liquidity in existing lines of benchmark bonds by:
 - maintaining sufficient volumes on issue to retain benchmark bond status
 - support these securities in the market
 - issue through our Fixed Interest Market Making Panel, by tender, private placement or syndication
- maintain approximately \$2.5 billion to \$3.5 billion of short-term paper on issue through domestic Short-Term Inscribed Stock and the offshore Euro Commercial Paper program to meet short-term lending and liquidity funding requirements
- ensure that debt issuance undertaken through domestic and offshore borrowing programs is issued in a manner satisfying the requirements for exemption from interest withholding tax under Section 128F of the *Income Tax Assessment Act 1936*.

Budget for 2019/20

Based on the borrowing program, debt outstanding and investments, WATC is forecasting the following 2019/20 internal budget.

	\$m
Income	
Interest on Investments	61.5
Interest from Authorities	1,654.4
Fee Income	1.7
	1,717.6
Expenses	
Interest on Borrowings	1,661.5
Depreciation/Amortisation	1.1
Borrowing Related Expenses	4.2
Administration Expenses	19.3
	1,686.1
Profit before Income Tax Equivalent	31.5
Income Tax Equivalent Expense	9.5
Profit for the Period	22.0

RECORDKEEPING

WATC is committed to having a recordkeeping system that is reliable, systemic and well-managed within a framework for consistent and accountable implementation. As per Section 19 of the *State Records Act 2000*, WATC has an approved Recordkeeping Plan that is valid until December 2019.



Users can now create, edit, check-in and search records directly from applications without opening EDRMS.

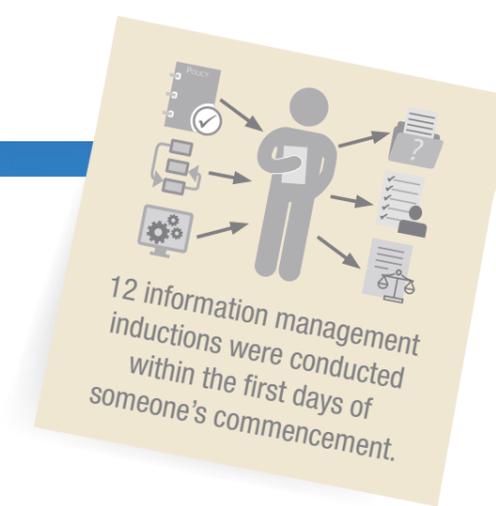
The following information is provided in accordance with the *State Records Act 2000* Section 61 and the State Records Commission Standard 2, Principle 6.

Information Management Systems

WATC recognises that information is a valuable corporate asset that is vital for ongoing operations as well as providing valuable evidence of business decisions, activities and transactions. As such, we are committed to establishing and maintaining information management practices that meet our business needs, compliance requirements and stakeholder expectations. The benefit of following best practice standards is having meaningful information that is well-described, stored in known locations and accessible when needed. Therefore, WATC has implemented fit-for-purpose information management practices and systems to ensure the creation, maintenance and protection of accurate, authentic and reliable information.

Ongoing monitoring, reviewing and evaluation ensures the efficiency and effectiveness of our information management. WATC does this through a variety of methods, including conducting internal surveys, actively reviewing industry standards and systems, and completing compliance audits. Additionally, work is currently underway on updating our Recordkeeping Plan, ready for implementation in December 2019. The plan outlines how records should be created, managed and maintained over time, and disposed of in accordance with relevant legislation to ensure all business information is captured into the appropriate business information systems.

At present, WATC runs a hybrid recordkeeping system managing both hardcopy and digital records. Our primary information management system is the electronic document and records management system (EDRMS). An upgrade to our EDRMS was completed in April 2019, which provided greater customisation, user preference options, and additional integration and functionality for creating, storing and searching our electronic records. Hardcopy (paper) records, whether received from an external source or created for internal business purposes, are captured and managed in EDRMS either through metadata profiles or with a digitised (scanned) copy of the record.



12 information management inductions were conducted within the first days of someone's commencement.

Responding to user feedback, Information Management is using the implementation of the new EDRMS to drive organisational efficiencies, while also reducing hardcopy records, through the creation of a new electronic only record type. Additionally, a new record type was introduced that allows business units to categorise their project records into the relevant project phase. This has led to increased user satisfaction, business unit efficiencies, convenience in record creation and speed of information retrieval. Further organisational efficiencies have been found through the implementation of user labels, record rendering, saved searches and document queues.

Induction and Training Programs

Inductions are important as they are concerned with ensuring a newly appointed person is acclimatised with WATC and our culture, while also providing them with the necessary information to commence the process of learning their new role, responsibilities and obligations. As part of our induction program, new employees are introduced to different business areas so they can gain an understanding of various activities within the organisation and how they contribute towards our vision. The Information Management team familiarises people with our recordkeeping policies, procedures and systems, which includes practical demonstrations and activities. Upon completion, new employees are competent in knowing what constitutes a record, how to create and retrieve a record, and what their roles and responsibilities are in order to be compliant with our recordkeeping plan and the *State Records Act 2000*.

Annual information management training is provided to all of WATC's people. The online module covers all aspects of recordkeeping awareness, reminds employees of their roles, responsibilities and obligations in regards to our Recordkeeping Plan and includes an assessment component. Information management training requirements are reviewed on an annual basis to ensure currency, effectiveness and adequacy of the material. Additionally, the Information Management team actively welcomes qualitative feedback from all training sessions. This feedback is reviewed and future training is amended accordingly. To complement our recordkeeping training program, information management policies, procedures and user guides are available to everyone via the Corporate Documents user label in the EDRMS.

Looking ahead:

- Implement the updated Recordkeeping Plan on 1 December 2019.
- Update information management strategy to support continual improvement in information management practices.
- Look to drive further organisational efficiencies through the use of content management workflows and additional record types.
- Create a central knowledge hub for people to access all information management policies, procedures and guides as well as news on system updates and a hints and tips section.

FEEDBACK AND REQUEST HANDLING

WATC is committed to providing an accessible, fair and efficient complaints handling process, as reflected in our Complaints Policy. For the 2018/19 financial year, WATC did not receive any complaints.

Complaints Policy

WATC recognises the importance of a robust complaints system as a method of accountability, and as a means to improve our services. WATC reviews the Policy at least every three years. The most recent review was completed in September 2017. A version of the updated Policy is accessible on WATC's website.

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

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

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

Freedom of Information

The *Freedom of Information Act 1992* (FOI Act) enables the public to apply for access to documents held by WATC. Guidance on how to apply and obtain requested documents is set out in WATC's Information Statement, which is available to the public via WATC's website. The Information Statement is prepared in accordance with the requirements of the FOI Act. WATC did not receive any FOI applications during the 2018/19 financial year.

LEGISLATION



Legislation Administered

Western Australian Treasury Corporation Act 1986.

Legislation Impacting on WATC's Activities

State Legislation Impacting on Activities

- *Auditor General Act 2006*
- *Corruption, Crime and Misconduct Act 2003*
- *Disability Services Act 1993*
- *Electoral Act 1907*
- *Electronic Transactions Act 2011*
- *Equal Opportunity Act 1984*
- *Fair Trading Act 1987*
- *Financial Management Act 2006*
- *Freedom of Information Act 1992*
- *Occupational Safety and Health Act 1984*
- *Pay-roll Tax Assessment Act 2002*
- *Public and Bank Holidays Act 1972*
- *Public Interest Disclosure Act 2003*
- *Public Sector Management Act 1994*
- *Stamp Act 1921*
- *State Records Act 2000*
- *State Superannuation Act 2000*
- *State Supply Commission Act 1991*
- *Statutory Corporations (Liability of Directors) Act 1996*
- *Workers Compensation and Injury Management Act 1981*

Commonwealth Legislation Impacting on Activities

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

OUR PEOPLE

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

People Development

WATC strongly supports the investment in our people. As a result, we have a high proportion of staff with tertiary qualifications and advanced technical skills. Recognition of this professional development is reflected in our high enablement score from this year's engagement survey. Our clients and stakeholders have also acknowledged the high level of professional experience and capability our people possess. We build upon this capability through providing our people with learning and development opportunities. During 2018/19, our people had the opportunity to attend a variety of courses, conferences and workshops. WATC is also currently supporting 10 people to complete postgraduate tertiary study by providing 100 per cent funding for their tuition fees.

Workforce

Recruitment is a key component of any organisation's operations. To achieve WATC's strategic objectives, we need recruitment practices that result in the right people, working in the most suitable roles, who are able to cultivate our values. This year saw initial work towards the establishment of a talent pool, which will increase the efficiency and proactiveness of recruitment. During 2018/19, 10 people started with WATC, stemming from ordinary turnover and to support operational priorities.

Staff Profile	2018/19	2017/18
Workforce	73	70
Full-time permanent	57	60
Full-time contract	10	4
Part-time measured on a FTE basis	3.29	2.275
On secondment	1	2



Platinum sponsor of the Women in Finance Network, an initiative of CFA Society Perth.

Industrial Relations

All WATC employees are engaged on individual, fixed term employment contracts, which can range in length from several months to five years. The contracts comply with the requirements of the *Fair Work Act 2009* (Cth) and all other relevant legislation. As part of their offer of employment, all new starters are provided with a full copy of the Fair Work Information Statement. An employee's contract also defines their remuneration package, consisting of fixed base salary and superannuation, as well as their standard working hours. Coming into effect on 8 February, there was a reduction in full-time working hours from 80 to 75 hours per fortnight to align with contemporary industry arrangements. Our Flexible Working Arrangements Policy provides access to various options that support a healthy balance between the working and personal lives of all of our people.

Annual Performance on Occupational Safety, Health and Injury Management

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

Measure	Actual Results		Results Against Target	
	2016/17 ¹	2018/19	Target	Comment on result
Number of fatalities	0	0	0	Achieved
Lost time injury and/or disease incidence rate	1.53	0	0	Achieved
Lost time injury and/or disease severity rate	0	0	0	Achieved
Percentage of injured workers returned to work:				
(i) within 13 weeks	100%	n/a	n/a	n/a
(ii) within 26 weeks	100%	n/a	n/a	n/a
Percentage of managers and supervisors trained in occupational safety, health and injury management responsibilities	100%	89%	≥ 80%	89% of our people completed online OSH training in 2018/19

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

SAFETY, HEALTH AND WELLBEING

WATC is committed to providing a safe and healthy working environment, promoting employee wellbeing and complying with the Occupational Safety and Health Act 1984, Worker's Compensation Act 1981 and other relevant legislation.

Occupational Safety, Health and Injury Management

Through a culture of continuous improvement in occupational safety, health and wellbeing, which is supported organisation-wide from the Board through to individuals, WATC aims to achieve and maintain a zero lost time injury rate, and maximise employee wellbeing. An initiative for 2018/19 saw a shift in focus from physical occupational safety and health (OSH) to employee wellbeing. Our commitment to OSH, injury management and employee wellbeing is demonstrated by:

- our Chief Executive Officer being responsible for promoting and supporting OSH through active involvement in OSH management, providing adequate resources and leading by example.
- implementing mechanisms for the consultation and cooperation on safety and health and employee wellbeing matters.
- ensuring appropriate policies, plans and procedures are established and reviewed regularly to improve safety and health performance.
- ensuring everyone working at WATC is aware of and held accountable for their OSH responsibilities through the provision of appropriate training and/or resources.
- establishing measurable targets and objectives aimed at improving OSH and promoting wellbeing.
- providing injury management support to any employee who sustains a work related injury or illness with the aim of a safe return to meaningful work.
- facilitating any further treatment by developing and then updating a return to work plan, as required, in consultation with the employee, the treating medical practitioner and WATC's insurance provider.
- offering professional and confidential counselling to employees.
- supporting mental health awareness by having accredited mental health first aid officers.
- providing ergonomic assessments conducted by professional occupational therapists for all new employees and upon request for existing employees.
- organising annual health checks, flu vaccinations and skin cancer checks, conducted by qualified medical professionals, for interested staff.
- encouraging participation in fun runs, walking groups, the Global Challenge, health seminars and other wellness initiatives.

Occupational Safety and Health Committee

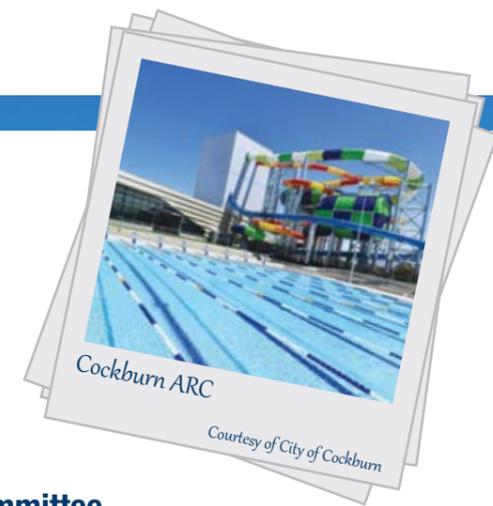
OSH is the responsibility of everyone working at WATC. This includes contractors, visitors and employees who are provided relevant OSH information during their inductions. Annual OSH compliance training is provided to all employees, which covers all aspects of employer and employee responsibilities and includes an assessment component. OSH training requirements are reviewed on an annual basis, with additional training provided as required. Furthermore, there are a number of ways that people can contribute to OSH at WATC, including becoming a senior first aid officer, mental health first aid officer, nominating to be a Safety Representative and participating in the OSH Committee.

Safety Representatives are employees who have nominated to represent employees and carry out specific functions relating to workplace safety and health, such as conducting monthly workplace safety inspections and promoting safe working practices. This year saw our Safety Representatives complete their two-year term. Calls for nominations were held which saw two incumbents and one new person being appointed. Safety Representatives are provided with appropriate training to help them understand and undertake their duties. Safety Representatives are also a contact point for people who have concerns about workplace safety, as they are able to raise and discuss safety and wellbeing issues on behalf of others at OSH Committee meetings.

The OSH Committee is responsible for facilitating consultation and cooperation in the workplace, maintaining the currency of all OSH and injury management documentation, and considering and making recommendations about issues that may affect the safety, health and wellbeing of people working at WATC. The OSH Committee met twice during 2018/19 and comprises three employee Safety Representatives, a wellness coordinator, a first aid coordinator, at least two management representatives and at least one executive member, currently WATC Chief Operating Officer, Ross Moulton. Having representation from across the organisation and management hierarchy facilitates the efficient initiation, development and implementation of measures designed to ensure the OSH of people at WATC. In fulfilling its responsibilities, the OSH Committee reports to the Chief Executive Officer on WATC's safety and health policies, management system, performance measures, injury management policy and OSH training requirements on an annual basis. Likewise, OSH Committee members report OSH matters and concerns back to their work areas. OSH matters and initiatives are also communicated to staff via email, the intranet and during monthly all employee meetings.

Occupational Safety and Health Management System

WATC has an OSH management system (OSHMS) that is comprehensive, consultative and allows for continuous improvement in working towards a safe workplace. Our OSHMS is an established framework that ensures OSH documentation is readily available and OSH roles, responsibilities, processes, procedures, compliance requirements and indicator measurements are clearly defined. The key principles of the OSHMS are: OSH commitment and policy, OSH planning, OSH implementation, OSH measurement and evaluation, and OSH management review. A review of the OSHMS is conducted every two years to identify areas for correction and improvement in safety and health management practices. Our OSHMS was audited during 2016/17 using the criteria set out in Australian Standard AS/NZS 4801:2001 *Occupational health and safety management systems*. The assessment recommended two minor improvements that were resolved during 2017/18.



BOARD OF DIRECTORS' GOVERNANCE

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

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

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

Board Composition

The membership of the Board is determined in accordance with Section 5B of the Western Australian Treasury Corporation Act 1986 (the Act) and comprises:

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

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

The directors of WATC at 30 June 2019 are shown in the table below.

Name	Position	First Appointed	Term Expires
Michael Barnes	Chairperson	Statutory	Statutory
Michael Court	Deputy Chairperson	1/07/2017	n/a
Kaylene Gulich ¹	Chief Executive Officer	Statutory	Statutory
Catherine Nance	Director	15/07/1998	31/12/2019
Susan Murphy	Director	01/01/2019	31/12/2021
Grahame Searle	Director	01/01/2009	31/12/2019

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

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

Board Responsibilities

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

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

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

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

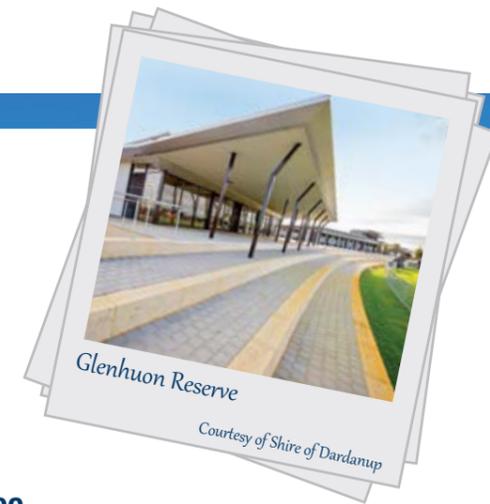
Performance Evaluation

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

Board Remuneration

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

Name	Type of remuneration	Period of membership	2018/19 \$
M Barnes	Not eligible	12 months	0
M Court	Not eligible	12 months	0
C Nance	Annual	12 months	47,648
S Murphy	Annual	6 months	20,552
J Seabrook	Annual	3 months	10,800
G Searle	Annual	12 months	16,886
K Gulich	Not eligible	5 months	0
J Collins V	Not eligible	7 months	0



BOARD COMMITTEES

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

Attendance at Meetings by Directors

Details of attendance at the Board and Board Committee meetings by each director during the year are shown in the table below.

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

¹ K Gulich and J Collins V were invited to attend Audit Committee meetings.

Audit Committee

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

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

The members of the Audit Committee at 30 June 2019 were:

Name	Position
Catherine Nance	Chairperson
Michael Court	Member
Susan Murphy	Member

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

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

People and Remuneration Committee

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

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

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

The members of the People and Remuneration Committee at 30 June 2019 were:

Name	Position
Michael Barnes	Chairperson
Kaylene Gulich	Member
Catherine Nance	Member
Grahame Searle	Member

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

Constitution and Proceedings of the Board

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

Statutory Corporations (Liability of Directors) Act 1996

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

CORPORATE GOVERNANCE

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

Ethical Standards and Codes of Conduct

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

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

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

Compliance

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

Auditors

External Audit

Section 21 of the Act states:

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

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

Internal Audit

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

Quarterly Report to the Treasurer

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

Professional Advice

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

Pricing Policy

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

Insurance Policy

An insurance policy has been taken out to indemnify members of the Board against liabilities under Sections 13 and 14 of the [Statutory Corporations \(Liability of Directors\) Act 1996](#). The amount of the insurance premium paid for 2018/19 was \$70,257.

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 2019, the only disclosable expenditure incurred was in relation to advertising, where a total amount of \$3,014 was paid to Beilby Corporation and Seek Limited.

Registry and Treasury Operations

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

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

WESTERN AUSTRALIAN TREASURY CORPORATION

FINANCIAL SOLUTIONS FOR THE BENEFIT OF ALL WESTERN AUSTRALIANS

FINANCIAL STATEMENTS

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FINANCIAL REPORT 2019

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Note	2019 \$m	2018 \$m
INCOME			
Revenue			
Interest on Investments		90.9	82.0
Interest from Authorities		1,532.2	1,486.2
Fee Income		1.9	1.6
Total Revenue		1,625.0	1,569.8
Total Other Income		0.0	0.0
Total Income		1,625.0	1,569.8
EXPENSES			
Expenses			
Interest on Borrowings		1,511.0	1,453.9
Borrowing Related Expenses		1.1	1.5
Depreciation		0.2	0.2
Amortisation of Intangible Assets		0.2	0.1
Administration Expenses	4	17.4	16.0
Net Fair Value Movement	6	53.4	63.3
Total Expenses		1,583.3	1,535.0
Profit before income tax equivalent expense		41.7	34.8
Income Tax Equivalent Expense	7	12.5	10.4
Profit for the period		29.2	24.4
Other Comprehensive Income		0.0	0.0
Total Comprehensive Income for the period		29.2	24.4

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	2019 \$m	2018 \$m
ASSETS			
Cash Assets	8	141.5	236.1
Investments	9	5,477.3	3,681.0
Receivables and Other Financial Assets	10	948.6	780.3
Loans to Authorities	11	52,912.9	51,286.8
Tax Assets	12	1.1	1.0
Plant and Equipment	13	0.4	0.4
Intangible Assets	14	1.6	0.2
Total Assets		59,483.4	55,985.8
LIABILITIES			
Payables and Other Financial Liabilities	16	1,651.3	1,174.4
Borrowings	17	57,670.5	54,663.4
Tax Liabilities	18	12.6	10.4
Provisions	19	3.5	3.1
Total Liabilities		59,337.9	55,851.3
NET ASSETS		145.5	134.5
EQUITY			
Retained Earnings		142.5	131.5
Reserves		3.0	3.0
Total Equity		145.5	134.5

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

	Reserves \$m	Retained Earnings \$m	Total Equity \$m
Balance at 1 July 2017	3.0	116.4	119.4
Profit for the period	0.0	24.4	24.4
Other comprehensive income	0.0	0.0	0.0
Total comprehensive income for the period	0.0	24.4	24.4
Transactions with owners in their capacity as owners:			
Capital appropriations	0.0	0.0	0.0
Distributions to owners	0.0	(9.3)	(9.3)
Total	0.0	(9.3)	(9.3)
Balance at 30 June 2018	3.0	131.5	134.5
Balance at 1 July 2018	3.0	131.5	134.5
Profit for the period	0.0	29.2	29.2
Other comprehensive income	0.0	0.0	0.0
Total comprehensive income for the period	0.0	29.2	29.2
Transactions with owners in their capacity as owners:			
Capital appropriations	0.0	0.0	0.0
Distributions to owners	0.0	(18.2)	(18.2)
Total	0.0	(18.2)	(18.2)
Balance at 30 June 2019	3.0	142.5	145.5

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 2019

	Note	2019 \$m	2018 \$m
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received on Loans to Authorities		1,525.9	1,455.2
Interest received on Investments		114.3	112.6
Proceeds from Sale and Maturity of Investments		4,360.9	4,340.2
Payment for Investments		(6,382.6)	(4,624.5)
Loans to Authorities		(8,300.9)	(14,058.6)
Loans repaid by Authorities		8,799.9	9,173.6
Other Payment on behalf of Authorities		(0.2)	(0.1)
Proceeds from Issuance of Borrowings		16,771.7	18,706.9
Repayment of Borrowings		(15,452.3)	(15,016.1)
Fee Income		1.9	1.7
Interest and other Cost of Finance paid		(1,762.8)	(1,686.1)
Administration and Borrowing Related Expenses		(18.8)	(17.5)
Payment of Taxation Equivalents		(10.4)	(5.2)
Net Cash used in Operating Activities	21b	(353.4)	(1,617.9)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for Plant and Equipment		(0.2)	(0.2)
Payment for Intangible Assets		(1.6)	(0.1)
Net Cash used in Investing Activities		(1.8)	(0.3)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of Dividend		(18.2)	(9.3)
Net Cash used in Financing Activities		(18.2)	(9.3)
Net decrease in Cash and cash equivalents		(373.4)	(1,627.5)
Cash and cash equivalents at the Beginning of the Financial Year		779.0	2,406.5
Cash and cash equivalents at the End of the Financial Year	21a	405.6	779.0
Included in the above are the following			
CASH FLOWS TO STATE GOVERNMENT			
Payment of Dividend		(18.2)	(9.3)
Payment of Taxation Equivalents		(10.4)	(5.2)
Net Cash provided to State Government		(28.6)	(14.5)

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 2019

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 2019 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 2019.

NOTE 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General Statement

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

NOTE 2 (CONTINUED)

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

(b) Basis of Preparation

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

WATC maintains Investments, Loans to Authorities and Borrowings to fulfil its functions and has elected to designate these financial assets and financial liabilities as fair value through profit or loss, consistent with the provisions of AASB 139 'Financial Instruments: Recognition and Measurement'. WATC satisfies the eligibility criteria for this election as it manages its business daily on a fair value basis. In accordance with AASB 139, all derivative financial instruments are also accounted for on a fair value basis through profit or loss. By nature, the market quoted rates used for valuation of financial assets and financial liabilities include an allowance for credit risk.

Critical accounting judgements and estimates

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

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

(c) Revenue

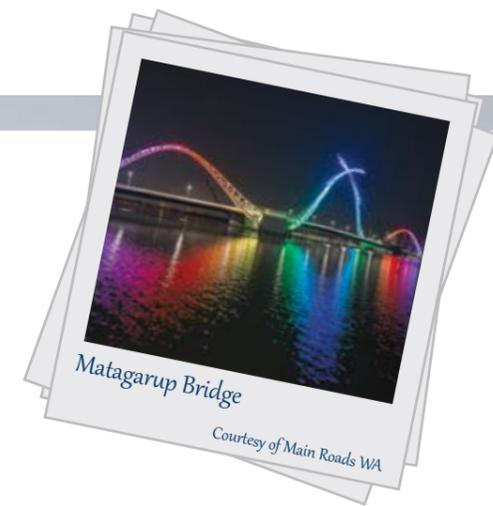
Revenue is recognised and measured at the fair value of consideration received or receivable. Revenue is recognised as shown below.

Fee Income

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

Interest

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



(d) Plant and Equipment

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

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

	2019	2018
Computer Equipment	3-5 years	3-5 years
Other Equipment	5-10 years	5-10 years

Impairment

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

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

Impairment losses are recognised in the Statement of Comprehensive Income.

(e) Intangible Assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

NOTE 2 (CONTINUED)

(f) Investments

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

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

(g) Loans to Authorities

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

(h) Borrowings

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

(i) Derivative Financial Instruments

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

(j) Foreign Currency Translation

Foreign currency transactions are brought to account in Australian dollars at trade date at the rate of exchange applying at that date. At the end of the reporting period, all monetary assets and liabilities are translated at the exchange rates existing at 30 June 2019. Exchange gains or losses are brought to account in the Statement of Comprehensive Income.

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

(k) Borrowing Costs

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

(l) Employee Benefits

(i) Sick Leave

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

(ii) Annual Leave

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

(iii) Long Service Leave

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

NOTE 2 (CONTINUED)

(iv) Superannuation

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

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

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

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

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

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

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

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

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

(m) Dividend Policy

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

(n) Income Tax

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

NOTE 2 (CONTINUED)

(o) Impairment of Assets

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

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

(p) Receivables

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

(q) Payables

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

(r) Cash and cash equivalents

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

(s) Accrued Salaries

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

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



(t) Swap Fair Value Reserve

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

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

NOTE 3

DISCLOSURE OF CHANGES IN ACCOUNTING POLICY

Initial application of an Australian Accounting Standard

WATC has adopted all Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2018. None have impacted financially on WATC.

Future impact of Australian Accounting Standards issued but not yet operative

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

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

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

AASB 2018-8 'Amendments to Australian Accounting Standards - Right-of-Use Assets of Not-for-Profit Entities'. WATC does not expect any material financial impact when the Standard is first applied in the year ending 30 June 2020.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

NOTE 3 (CONTINUED)

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

AASB Amendment	Affected Standards
AASB 17	'Insurance Contracts'
AASB 1058	'Income of Not-for-Profit Entities'
AASB 1059	'Service Concession Arrangements: Grantors'
AASB 2014-10	'Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'
AASB 2016-8	'Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-For-Profit Entities [AASB 1004 & 1058]'
AASB 2017-6	'Amendments to Australian Accounting Standards - Prepayment Features with Negative Compensation'
AASB 2017-7	'Amendments to Australian Accounting Standards - Long-term Interests in Associates and Joint Ventures'
AASB 2018-1	'Amendments to Australian Accounting Standards - Annual Improvements 2015-2017 Cycle'
AASB 2018-4	'Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Public Sector Licensors'
AASB 2018-7	'Amendments to Australian Accounting Standards - Definition of a Business'
AASB Int 23	'Uncertainty over Income Tax Treatments'

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

AASB Amendment	Affected Standards
AASB 2018-2	'Amendments to Australian Accounting Standards - Plan Amendment, Curtailment or Settlement'
AASB 2019-1	'Amendments to Australian Accounting Standards - Reference to the Conceptual Framework'

NOTE 4 ADMINISTRATION EXPENSES Employee Benefit Expenses

The following employee benefit expenses are included in Administration Expenses.

	2019 \$m	2018 \$m
Salaries	9.7	9.0
Workers Compensation costs	0.1	0.0
Superannuation expense	1.0	1.0
Long Service Leave Provision	0.1	0.0
	10.9	10.0
Administration Expenses		
Employee Benefit Expenses	10.9	10.0
Services and Contracts	2.2	2.1
Equipment Maintenance	1.8	1.5
Accommodation costs	0.8	0.8
Other costs	1.7	1.6
	17.4	16.0

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 2019, after taking account of exchange fluctuations, a gain of A\$1 thousand (2018, no gain or loss) had resulted on this balance.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

	2019 \$m	2018 \$m
NOTE 6 NET FAIR VALUE MOVEMENT		
Unrealised Gain/(Loss) - Investments	32.4	(2.0)
Unrealised Gain/(Loss) - Loans to Authorities	1,605.7	(54.9)
Unrealised (Loss)/Gain - Borrowings	(1,933.3)	38.5
Unrealised Gain/(Loss) - Derivatives	241.8	(44.9)
Net Fair Value Movement	(53.4)	(63.3)
Add Interest movements		
Interest on Investments	90.9	82.0
Interest from Authorities	1,532.2	1,486.2
Interest on Borrowings	(1,511.0)	(1,453.9)
	112.1	114.3
Net gain on financial assets and financial liabilities at fair value through profit and loss	58.7	51.0

WATC manages its operations on a portfolio basis to achieve its long term objective. Realised losses totalling A\$80.4 million (2018, A\$84.6 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:

	2019 \$m	2018 \$m
Accounting Profit	41.7	34.8
Income tax equivalent expense at 30% (2018, 30%)	12.5	10.4
Tax effect of expenses that are not deductible/assessable in determining taxable profit		
Sundry expenses	0.0	0.0
Income tax equivalent expense	12.5	10.4
Income tax equivalent expense comprises movements in:		
Current income tax equivalent expense	12.6	10.3
Deferred tax income relating to the origination and reversal of temporary differences	(0.1)	0.1
Total income tax equivalent expense	12.5	10.4
Deferred Tax Assets:		
Employee Provisions	1.1	1.0
Total (Note 12)	1.1	1.0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

	2019 \$m	2018 \$m
NOTE 8 CASH ASSETS		
Bank Deposits	141.5	236.1
Overseas Bank Accounts	0.0	0.0
	141.5	236.1
Average Balance	189.4	197.6
Interest Revenue	3.9	4.2
Average Interest Rate	2.04%	2.10%

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

NOTE 9 INVESTMENTS - AT FAIR VALUE

Investments - non derivative

Investments comprise the following:

Short Term Money Market Investments	2,998.5	2,650.2
Government Stock	2,478.8	1,030.8
Corporate Bonds	0.0	0.0
Total	5,477.3	3,681.0

Maturity Profile

At Call	40.0	0.0
Up to 3 Months	724.0	1,276.1
3 to 12 Months	2,976.5	1,423.9
1 to 5 Years	1,677.6	981.0
Over 5 Years	59.2	0.0
Total	5,477.3	3,681.0

	2019 \$m	2018 \$m
Repricing Profile		
At Call	40.0	0.0
Up to 3 Months	1,229.8	1,587.8
3 to 12 Months	2,976.4	1,273.3
1 to 5 Years	1,171.9	819.9
Over 5 Years	59.2	0.0
Total	5,477.3	3,681.0
Credit Exposure		
Rating	%	%
AAA	17.97	9.67
AA	69.78	78.39
A	12.25	11.94
BBB	0.00	0.00
	100.00	100.00
Average Balance	4,167.6	3,905.8
Interest Revenue	87.0	77.8
Average Interest Rate	2.09%	1.99%

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. Due to a correction in the classification of a class of investments from fixed rate to floating rate the previous year's Repricing Profile has been amended. The total is unchanged.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

	2019 \$m	2018 \$m
NOTE 10 RECEIVABLES AND OTHER FINANCIAL ASSETS		
Accrued Interest Receivable	302.2	302.8
Other Debtors	58.1	102.3
	360.3	405.1
Other Financial Assets (Notes 11b & 17b)	588.3	375.2
	948.6	780.3

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 2019 and due for settlement after 30 June 2019. Other financial assets are discussed in more detail in [Note 20](#).

NOTE 11 LOANS TO AUTHORITIES - AT FAIR VALUE

11a. Loans to Authorities - non derivative	52,912.9	51,286.8
Maturity Profile		
Up to 3 Months	1,482.2	1,533.5
3 to 12 Months	7,494.4	5,605.1
1 to 5 Years	25,623.6	28,000.7
Over 5 Years	18,312.7	16,147.5
Total	52,912.9	51,286.8
Repricing Profile		
Up to 3 Months	16,617.4	16,843.2
3 to 12 Months	5,888.1	5,976.2
1 to 5 Years	13,306.7	13,128.3
Over 5 Years	17,100.7	15,339.1
Total	52,912.9	51,286.8

	2019 \$m	2018 \$m
11b. Loans to Authorities - derivative	3.3	(2.1)
Maturity Profile		
Up to 3 Months	(0.1)	0.3
3 to 12 Months	0.0	0.1
1 to 5 Years	0.1	0.0
Over 5 Years	3.3	(2.5)
Total derivatives shown as receivables and other financial assets (Note 10)	3.3	(2.1)
Repricing Profile		
Up to 3 Months	(5.2)	(11.5)
3 to 12 Months	0.0	0.1
1 to 5 Years	0.1	0.0
Over 5 Years	8.4	9.3
Total derivatives shown as receivables and other financial assets (Note 10)	3.3	(2.1)
Average Balance	50,945.5	49,275.7
Interest Revenue	1,532.2	1,486.2
Average Interest Rate	3.01%	3.02%

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 (2018, 98.7%)) are guaranteed by the State whilst Local Government advances (1.2% of total (2018, 1.3%)) are secured by debenture and are charged in accordance with the provisions of the Local Government Act upon the general funds of the Local Government. Loans to Authorities are not readily traded on organised markets in standardised form. Further information on valuation methods is shown in [Note 20](#).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

	2019 \$m	2018 \$m
NOTE 12 TAX ASSETS		
Deferred Tax Asset	1.1	1.0
NOTE 13 PLANT AND EQUIPMENT		
Equipment (at cost)	3.2	3.0
Less Accumulated Depreciation	2.8	2.6
Total Plant and Equipment	0.4	0.4
Reconciliation		
Equipment		
Opening balance	0.4	0.4
Additions	0.2	0.2
Disposals/Write-Offs	0.0	0.0
Depreciation	(0.2)	(0.2)
Accumulated depreciation on disposal	0.0	0.0
Closing balance	0.4	0.4

NOTE 14 INTANGIBLE ASSETS

	2019 \$m	2018 \$m
Intangible Assets (at cost)	10.2	8.6
Less Accumulated Amortisation	8.6	8.4
Total Intangible Assets	1.6	0.2
Reconciliation		
Intangible Assets		
Opening balance	0.2	0.2
Additions	1.6	0.1
Disposals	0.0	0.0
Amortisation	(0.2)	(0.1)
Accumulated amortisation on disposal	0.0	0.0
Closing balance	1.6	0.2

NOTE 15 IMPAIRMENT OF ASSETS

There were no indications of impairment to Plant and Equipment and Intangible Assets at 30 June 2019.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

	2019 \$m	2018 \$m
NOTE 16 PAYABLES		
Interest Accrued (at amortised cost)	587.8	565.7
Other Creditors (at amortised cost)	1,063.5	608.7
	1,651.3	1,174.4

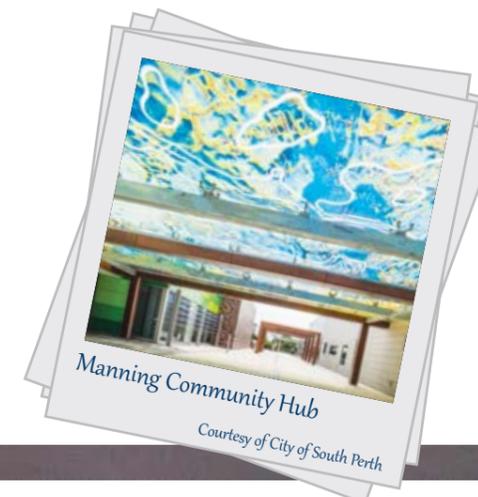
Payables comprises accrued interest and sundry creditors relating to debt instruments and unrepresented cheques. Interest Accrued is owed to financial institutions. Other financial liabilities are discussed in more detail in [Note 20](#). Other creditors includes financial instrument transactions undertaken prior to 30 June 2019 and due for settlement after 30 June 2019.

NOTE 17 BORROWINGS - AT FAIR VALUE

17a. Borrowings - non derivative	57,670.5	54,663.4
Maturity Profile		
Up to 3 Months	2,071.5	2,008.9
3 to 12 Months	8,023.4	6,096.8
1 to 5 Years	28,522.5	29,952.5
Over 5 Years	19,053.1	16,605.2
Total borrowings at fair value	57,670.5	54,663.4
Repricing Profile		
Up to 3 Months	10,826.0	10,920.9
3 to 12 Months	5,120.7	5,073.3
1 to 5 Years	22,670.7	22,197.8
Over 5 Years	19,053.1	16,471.4
Total borrowings at fair value	57,670.5	54,663.4

	2019 \$m	2018 \$m
17b. Borrowings - derivative	(585.0)	(377.3)
Maturity Profile		
Up to 3 Months	0.1	0.3
3 to 12 Months	(15.4)	6.1
1 to 5 Years	(453.3)	(377.3)
Over 5 Years	(116.4)	(6.4)
Total derivatives shown as receivables and other financial assets (Note 10)	(585.0)	(377.3)
Repricing Profile		
Up to 3 Months	538.0	967.5
3 to 12 Months	(84.1)	(188.2)
1 to 5 Years	(768.4)	(952.8)
Over 5 Years	(270.5)	(203.8)
Total derivatives shown as receivables and other financial assets (Note 10)	(585.0)	(377.3)
Average Balance	55,261.6	53,383.3
Interest Expense	1,511.0	1,453.9
Average Interest Rate	2.73%	2.72%

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



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

	2019 \$m	2018 \$m
NOTE 17 (CONTINUED) BORROWINGS - AT FACE VALUE		
Payable 12 months or less from 30 June		
– Domestic	9,801.4	8,096.1
– Overseas	237.9	0.0
	10,039.3	8,096.1
Payable more than 12 months from 30 June		
– Domestic	43,796.9	44,489.6
– Overseas	0.0	0.0
	43,796.9	44,489.6
Balance 30 June at face value	53,836.2	52,585.7

OVERSEAS BORROWINGS

Includes Australian currency and foreign currency loans. Foreign currency loans are translated using exchange rates applicable at balance date. At 30 June 2019 WATC did not have any foreign currency loans. At reporting date, any 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	12.6	10.4
Deferred Tax Liability	0.0	0.0
	12.6	10.4

NOTE 19 PROVISIONS

	2019 \$m	2018 \$m
Annual Leave	1.2	1.0
Long Service Leave	2.0	1.8
Superannuation - defined benefit plans	0.3	0.3
	3.5	3.1

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 2019

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:

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

Description of significant events

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

	2019 \$m	2018 \$m
Reconciliation of the Net Defined Benefit Liability/(Asset)		
Net Defined Benefit liability/(asset) at start of year	0.3	0.5
(+) 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	0.2
Net defined benefit liability/(asset)	0.3	0.3
Reconciliation of the Fair Value of Scheme Assets		
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	0.2
(+) Contributions by Scheme participants	0.0	0.0
(-) Benefits paid	0.0	0.2
(-) 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 2019

	2019 \$m	2018 \$m
NOTE 19 (CONTINUED)		
Reconciliation of the Defined Benefit Obligation (DBO)		
Present value of defined benefit obligations at beginning of year	0.3	0.5
(+) 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	0.2
(-) 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

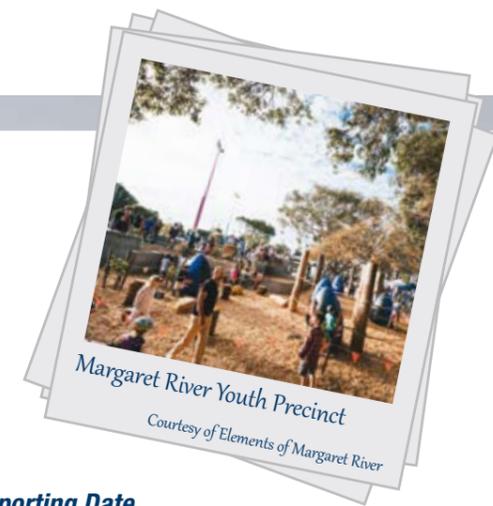
Reconciliation of the Effect of the Asset Ceiling

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

	2019	2018
Discount rate	2.60%	2.26%
Expected salary increase rate		
2017/18	-	1.50%
2018/19	1.50%	1.10%
2019/20	1.50%	1.00%
2020/21	1.50%	-
thereafter	4.20%	3.70%
CPI	2.50%	2.50%

Assumptions to Determine DBO at Valuation Date

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

The discount rate is based on the Government bond maturing in November 2027. The decrement rates used (eg mortality and retirement rates) are the same as those used for the actuarial review of the Scheme at 30 June 2018, as outlined in the report on the actuarial review dated 20 December 2018.

The salary increase assumption used at 30 June 2018 was 1.50% pa for the first three years and 4.20% pa thereafter.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

Sensitivity Analysis

The defined benefit obligation as at 30 June 2019 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	1.40% pa	0.90% pa	1.90% pa	1.40% pa	1.40% pa
Salary increase rate	4.20% pa	4.20% pa	4.20% pa	3.70% pa	4.70% pa
Defined benefit obligation (A\$'000s)	284	289	281	282	287

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

Funding arrangements

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

Expected contributions

	2020 \$m
Expected employer contributions	0.1

Maturity profile of defined benefit obligation

The weighted average duration of WATC's defined benefit obligation is 2.8 years.

NOTE 20 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

POLICY

Risk Management Governance

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

	2019 \$m	2018 \$m
NOTE 20 (CONTINUED)		
Unrealised Fair Value on Swap Portfolio Credit Sensitivity Analysis		
Unrealised fair value gain/(loss)	(23.9)	1.7
Basis Point Sensitivity	0.2	0.2
Increase of 80 basis points in credit spreads	17.5	18.6
Increase of 50 basis points in credit spreads	10.9	11.7
Increase of 30 basis points in credit spreads	6.6	7.0
Decrease of 80 basis points in credit spreads	(17.5)	(18.6)
Decrease of 50 basis points in credit spreads	(10.9)	(11.7)
Decrease of 30 basis points in credit spreads	(6.6)	(7.0)

Interest Rate Risk

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

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

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

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

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

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

	2019 \$m	2018 \$m
Value at Risk (VaR)		
Average Daily Balance for Year	0.9	1.2
Lowest for Year	0.6	0.9
Highest for Year	1.3	1.7
Closing Balance	0.9	1.0



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

NOTE 20 (CONTINUED)

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
2019								
Financial Assets:								
Cash and Cash Equivalents	2.04	141.5						141.5
Receivables – non derivative – derivative			(543.2)	84.1	768.5	278.9	360.3	360.3 588.3
Investments	2.09	40.0	1,229.8	2,976.4	1,171.9	59.2		5,477.3
Loans to Authorities	3.01		16,617.4	5,888.1	13,306.7	17,100.7		52,912.9
		181.5	17,304.0	8,948.6	15,247.1	17,438.8	360.3	59,480.3
Financial Liabilities:								
Payables							1,651.3	1,651.3
Borrowings	2.73		10,826.0	5,120.7	22,670.7	19,053.1		57,670.5
		0.0	10,826.0	5,120.7	22,670.7	19,053.1	1,651.3	59,321.8

2018								
Financial Assets:								
Cash and Cash Equivalents	2.10	236.1						236.1
Receivables – non derivative – derivative			(979.0)	188.3	952.8	213.1	405.1	405.1 375.2
Investments	1.99		1,587.8	1,273.3	819.9			3,681.0
Loans to Authorities	3.02		16,843.2	5,976.2	13,128.3	15,339.1		51,286.8
		236.1	17,452.0	7,437.8	14,901.0	15,552.2	405.1	55,984.2
Financial Liabilities:								
Payables							1,174.4	1,174.4
Borrowings	2.72		10,920.9	5,073.3	22,197.8	16,471.4		54,663.4
		0.0	10,920.9	5,073.3	22,197.8	16,471.4	1,174.4	55,837.8

Exchange Rate Risk

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

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

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

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

Credit Risk

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

	2019 %	2018 %
NOTE 20 (CONTINUED)		
Credit Exposure of Investments by Rating		
AAA	17.97	9.67
AA	69.78	78.39
A	12.25	11.94
BBB	0.00	0.00
	100.00	100.00
Credit Exposure of Derivatives by Rating		
AAA	0.00	0.00
AA	92.74	90.79
A	7.26	9.21
	100.00	100.00

Liquidity Risk

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

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

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

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

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
2019					
Financial Liabilities:					
Borrowings					
– non derivative	2,589.7	9,190.6	30,968.4	18,501.5	61,250.2
	2,589.7	9,190.6	30,968.4	18,501.5	61,250.2
Derivatives					
– derivative payable	13.9	59.3	76.2	1.8	151.2
– derivative receivable	78.6	204.2	431.4	33.7	747.9
Derivatives Net	(64.7)	(144.9)	(355.2)	(31.9)	(596.7)
Total	2,525.0	9,045.7	30,613.2	18,469.6	60,653.5
2018					
Financial Liabilities:					
Borrowings					
– non derivative	2,602.9	7,531.1	33,318.3	17,015.0	60,467.3
	2,602.9	7,531.1	33,318.3	17,015.0	60,467.3
Derivatives					
– derivative payable	28.7	61.7	120.2	16.1	226.7
– derivative receivable	83.5	203.8	319.1	3.9	610.3
Derivatives Net	(54.8)	(142.1)	(198.9)	12.2	(383.6)
Total	2,548.1	7,389.0	33,119.4	17,027.2	60,083.7

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

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 ALCO must operate in order to ensure funding risk is appropriately controlled.

Operational Risk

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

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

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

Capital Requirements

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

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

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

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

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



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

MANAGEMENT

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

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

The amounts to be exchanged on these contracts are calculated with reference to the notional amount and other terms of the derivatives. Credit exposure represents WATC's estimate of its exposure at reporting date in the event of non-performance by counterparties. WATC has adopted APRA's "Current Exposure Method" to determine the credit exposure arising from its derivative transactions. At 30 June 2019, WATC is confident that all its counterparties will meet their obligations.

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

	Notional Amount \$m	Net Fair Value \$m	Credit Exposure \$m
As at 30 June 2019			
Futures	53.0	(0.1)	0.0
Interest Rate Swaps	12,316.2	589.4	754.1
Forward Rate Agreements	345.0	(1.0)	0.0
As at 30 June 2018			
Futures	195.4	0.0	0.0
Interest Rate Swaps	12,997.3	374.8	581.0
Forward Rate Agreements	690.0	0.3	0.3

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

NOTE 20 (CONTINUED)

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 2019, WATC had lent funds amounting to A\$17,107.7 million (2018, A\$17,895.4 million) on this basis.

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

WATC borrows in foreign currencies when the all in cost after swapping back into Australian dollars is cheaper than the equivalent domestic borrowing. Whereas WATC manages interest rate risk on a portfolio basis, it manages the exchange rate risk on foreign currency borrowings as part of the borrowing transaction. At 30 June, WATC had no foreign currency swaps and forwards (2018, no foreign currency swaps and forwards). Additionally, WATC has arranged foreign exchange transactions for clients amounting to A\$58.8 million (2018, A\$81.5 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\$0.03 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 2019	Market Rate as at 30 June 2018
Overnight	-	1.25%	1.50%
90 days	-	1.20%	2.11%
180 days	-	1.22%	2.22%
15 October 2019	7.00%	-	2.06%
22 July 2020	2.50%	1.16%	2.23%
15 July 2021	7.00%	1.16%	2.32%
20 October 2022	2.75%	1.21%	2.52%
16 October 2023	6.00%	1.25%	2.59%
23 July 2024	2.50%	1.35%	2.75%
23 July 2025	5.00%	1.42%	2.82%
21 October 2026	3.00%	1.58%	3.01%
21 October 2027	3.00%	1.69%	3.09%
20 July 2028	3.25%	1.76%	3.14%
24 July 2029	2.75%	1.86%	-

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 2019.

	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
30 June 2019				
Financial assets designated at fair value through profit or loss				
Investments	2,147.7	3,329.6	0.0	5,477.3
Loans to Authorities	0.0	52,912.9	0.0	52,912.9
Derivative financial assets	0.0	3.3	0.0	3.3
Total Assets	2,147.7	56,245.8	0.0	58,393.5
Financial liabilities designated at fair value through profit or loss				
Borrowings	45,762.9	11,907.6	0.0	57,670.5
Derivative financial liabilities	0.0	(585.0)	0.0	(585.0)
Total Liabilities	45,762.9	11,322.6	0.0	57,085.5
30 June 2018				
Financial assets designated at fair value through profit or loss				
Investments	1,267.7	2,413.3	0.0	3,681.0
Loans to Authorities	0.0	51,286.8	0.0	51,286.8
Derivative financial assets	0.0	(2.1)	0.0	(2.1)
Total Assets	1,267.7	53,698.0	0.0	54,965.7
Financial liabilities designated at fair value through profit or loss				
Borrowings	43,146.8	11,516.6	0.0	54,663.4
Derivative financial liabilities	0.0	(377.3)	0.0	(377.3)
Total Liabilities	43,146.8	11,139.3	0.0	54,286.1

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

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 WATC zero coupon yield curves.

NOTE 21

NOTES TO THE STATEMENT OF CASH FLOWS

	2019 \$m	2018 \$m
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21a. Reconciliation of Cash

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

Bank Deposits (Note 8)	141.5	236.1
Short Term Money Market Investments	264.1	542.9
Overseas Bank Accounts (Note 8)	0.0	0.0
	405.6	779.0

	2019 \$m	2018 \$m
21b. Reconciliation of Net Cash used in Operating Activities to Total Comprehensive Income for the period		
Total Comprehensive Income for the period	29.2	24.4
Depreciation	0.2	0.2
Amortisation of Intangible Assets	0.2	0.1
Decrease/(Increase) in Receivables	0.6	(14.4)
Increase in Accrued Interest Payable	19.1	37.8
(Decrease)/Increase in Other Creditors	(0.7)	0.3
Current income tax equivalent expense	12.6	10.3
Other Payment on behalf of Client Authorities	(0.2)	(0.1)
(Increase)/Decrease in deferred tax asset	(0.1)	0.1
Tax Equivalent Payment	(10.4)	(5.2)
Increase/(Decrease) in Employee Benefits	0.4	(0.3)
Premium/discount amortisation	(254.4)	(255.9)
Fair Value Adjustment	53.4	63.3
Cash increase in Investments	(2,021.7)	(284.3)
Cash decrease/(increase) in Lending	499.0	(4,885.0)
Cash increase in Borrowings	1,319.4	3,690.8
Net Cash used in Operating Activities	(353.4)	(1,617.9)

21c. Financing Facilities

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

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 Barnes, Chairperson, M Court, Deputy Chairperson, K Gulich, Chief Executive Officer, G Searle, Director, S Murphy, Director and C Nance, Director are the current directors of WATC. All directors other than K 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:

\$	2019	2018
0	2	3
10,000 - 20,000	*2	-
20,001 - 30,000	**1	-
40,001 - 50,000	1	2
190,001 - 200,000	***1	-
360,001 - 370,000	****1	-
450,001 - 460,000	-	1

* Mr Searle retired from the public sector during the year and became eligible for remuneration and therefore this salary represents part year only.

* Ms Seabrook retired from the Board during the year.

** Ms Murphy replaced Ms Seabrook during the year and therefore this salary represents part year only.

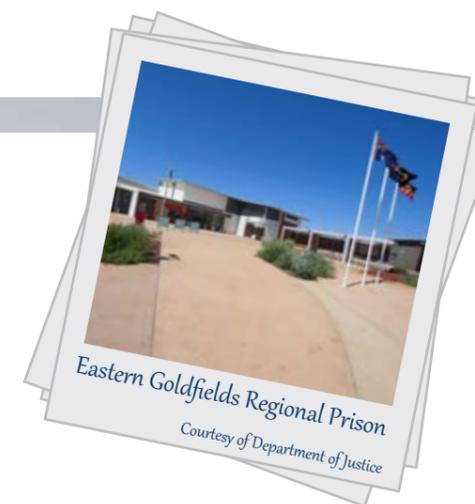
*** Ms Gulich replaced Mr Collins during the year and therefore this salary represents part year only.

**** Mr Collins retired during the year.

	2019	2018
	\$	\$
The total remuneration of the directors of WATC is:	655,034	543,456
Which comprises:		
Short Term Employment Benefits	592,753	479,296
Other Long Term Employment Benefits	16,078	18,627
Post Employment Benefits	46,203	45,533

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 Luff, Chief Financial Officer and Board Secretary, W McEwen, Chief Risk Officer, S Morhall, General Manager Client Services, R Moulton, Chief Operating Officer and R 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:

\$	2019	2018
90,001 - 100,000	-	*1
170,001 - 180,000	1	1
200,001 - 210,000	-	1
220,001 - 230,000	1	-
230,001 - 240,000	-	1
240,001 - 250,000	1	-
250,001 - 260,000	-	1
280,001 - 290,000	1	-
300,001 - 310,000	1	1
320,001 - 330,000	1	-
410,001 - 420,000	-	**1

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

** Mr Nunes retired during the year.

	2019	2018
	\$	\$
The total remuneration of other key management personnel is:	1,565,028	1,684,100
Which comprises:		
Short Term Employment Benefits	1,346,786	1,521,323
Other Long Term Employment Benefits	73,083	15,833
Post Employment Benefits	145,159	146,944

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

NOTE 22 (CONTINUED)

Other Key Management Personnel Remuneration

	2019 \$	2018 \$
The total remuneration of directors and key management personnel is:	2,220,062	2,227,556
Which comprises:		
Short Term Employment Benefits	1,939,539	2,000,619
Other Long Term Employment Benefits	89,161	34,460
Post Employment Benefits	191,362	192,477

NOTE 23

AUDITOR'S REMUNERATION

Amounts paid or due and payable to the Office of the Auditor General for auditing the financial statements and performance indicators.	179,401	176,750
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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 2019, 98.8% (2018, 98.7%) 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 2018/19

	Actual \$m	Budget \$m	Variance \$m	Comment
Revenue				
Interest on Investments	90.9	61.3	29.6	1
Interest from Authorities	1,532.2	1,640.3	(108.1)	2
Fee Income	1.9	1.8	0.1	
Total Income	1,625.0	1,703.4	(78.4)	
Expenses				
Interest on Borrowings	1,511.0	1,646.2	(135.2)	4
Borrowing Related Expenses	1.1	4.4	(3.3)	
Depreciation	0.2	0.4	(0.2)	
Amortisation of Intangible Assets	0.2	0.5	(0.3)	
Administration Expenses	17.4	17.8	(0.4)	
Net Fair Value Movement	53.4	0.0	53.4	3
	1,583.3	1,669.3	(86.0)	
Profit before income tax equivalent	41.7	34.1	7.6	
Income tax equivalent expense	12.5	10.2	2.3	
Profit for the period	29.2	23.9	5.3	
Other Comprehensive Income	0.0	0.0	0.0	
Total Comprehensive Income	29.2	23.9	5.3	

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 2019

NOTE 25 (CONTINUED)

25b. Comparison Between 2018/19 And The Previous Year

	2019 \$m	2018 \$m	Change \$m	Comment
Revenue				
Interest on Investments	90.9	82.0	8.9	1
Interest from Authorities	1,532.2	1,486.2	46.0	2
Fee Income	1.9	1.6	0.3	
Total Income	1,625.0	1,569.8	55.2	
Expenses				
Interest on Borrowings	1,511.0	1,453.9	57.1	4
Borrowing Related Expenses	1.1	1.5	(0.4)	
Depreciation	0.2	0.2	0.0	
Amortisation of Intangible Assets	0.2	0.1	0.1	
Administration Expenses	17.4	16.0	1.4	
Net Fair Value Movement	53.4	63.3	(9.9)	3
	1,583.3	1,535.0	48.3	
Profit before income tax equivalent	41.7	34.8	6.9	
Income tax equivalent expense	12.5	10.5	2.0	
Profit for the period	29.2	24.3	4.9	
Other Comprehensive Income	0.0	0.0	0.0	
Total Comprehensive Income	29.2	24.3	4.9	

- Interest on Investments has increased by \$8.9 million from the previous year mainly due to a higher balance invested.
- Interest from Authorities has increased by \$46.0 million from the previous year mainly due to the impact of increases in client debt levels in the previous year.
- Net Fair Value Movement has decreased by \$9.9 million from the previous year mainly due to changes in interest rates.
- Interest on Borrowings has increased by \$57.1 million from the previous year as a result of increased debt levels.

NOTE 26 COMMITMENTS

There are no expenditure commitments contracted for and payable at 30 June 2019 (2018, nil).

NOTE 27 SUBSEQUENT EVENTS

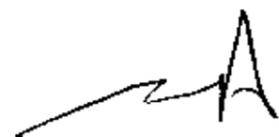
There have been no events subsequent to balance date which would have a material effect on WATC's financial statements at 30 June 2019.

CERTIFICATION OF FINANCIAL STATEMENTS

For the year ended 30 June 2019

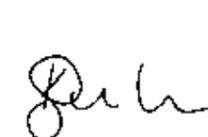
The accompanying financial statements of the Western Australian Treasury Corporation have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ended 30 June 2019 and the financial position as at 30 June 2019.

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.



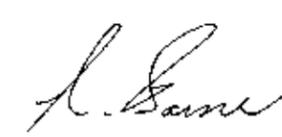
S L LUFF, B.BUS, CPA, GAICD
CHIEF FINANCIAL OFFICER
WESTERN AUSTRALIAN
TREASURY CORPORATION

21 August 2019



K P GULICH
CHIEF EXECUTIVE OFFICER
WESTERN AUSTRALIAN
TREASURY CORPORATION

21 August 2019



M A BARNES
CHAIRPERSON
WESTERN AUSTRALIAN
TREASURY CORPORATION

21 August 2019

KEY PERFORMANCE INDICATORS

VISION (2018/2019)

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

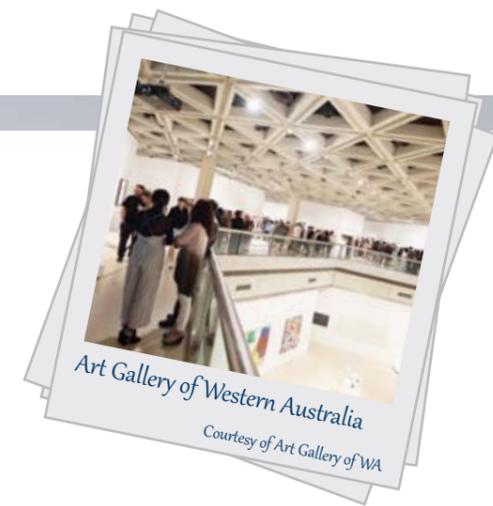
In order to gauge its effectiveness in providing competitively priced loan funds to clients, WATC monitors the Australian corporate bond market.

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 30/6/19 (Years)	AAA			AA+			AA			AA-		
	18/19 %	17/18 %	16/17 %	18/19 %	17/18 %	16/17 %	18/19 %	17/18 %	16/17 %	18/19 %	17/18 %	16/17 %
1 to 2		0.17	0.26	0.33	0.27	0.37	0.31	0.45	0.61	0.46	0.35	0.59
2 to 3	0.24		0.34	0.17	0.35	0.42		0.39	0.65	0.48	0.49	0.52
3 to 4	0.23	0.24		0.38	0.25	0.55			0.63	0.58	0.45	0.61
4 to 5	0.18	0.24	0.35	0.48	0.28	0.40			0.70	0.65	0.46	0.79
5 to 6		0.16	0.38		0.31	0.46		0.68			0.39	0.56
6 to 7	0.27		0.29	0.52		0.56	0.86		0.83	0.84		0.46
7 to 8	0.18	0.21		0.29	0.30			0.73		0.71	0.57	
8 to 9	0.13	0.14	0.29	0.40	0.21	0.47	0.43		0.74	0.74	0.54	0.63
9 to 10	0.10	0.06	0.26						0.63		0.52	0.62
10 to 11												
11 to 12												
12 to 13												
13 to 14												

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



By way of example, the saving of 0.24% identified in the second row of the AAA 18/19 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 2018 and have at least one year until maturity at 30 June 2019;
- not be guaranteed by the Commonwealth or other central governments; and
- not be subordinated debt.

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

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

KEY PERFORMANCE INDICATORS (CONTINUED)

KEY EFFICIENCY INDICATOR – ADMINISTRATION COST RATIO

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

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

Table 2 – WATC Administration Cost Ratio 2014/15 to 2018/19

Year	Net Administration Expense \$m	Average Loan Funds Outstanding \$m	Target Administration Cost Ratio %	Actual Administration Cost Ratio %
2014/15	14.806	33,692	<0.080	0.044
2015/16	14.860	37,897	<0.060	0.039
2016/17	15.768	42,828	<0.060	0.037
2017/18	16.189	47,361	<0.060	0.034
2018/19	17.032	49,570	<0.050	0.034

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

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

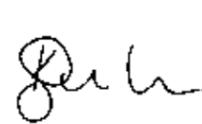
WATC's administration cost ratio will fluctuate from time to time due to changes in aggregate debt levels as well as direct management action. Changes in aggregate debt levels are impacted by government asset sales and debt management policy in general which is beyond the control of WATC.

Glossary of Terms

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

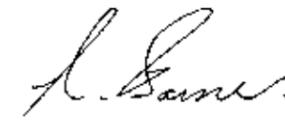
CERTIFICATION OF PERFORMANCE INDICATORS

We hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess Western Australian Treasury Corporation's performance and fairly represent the performance of Western Australian Treasury Corporation for the financial year ended 30 June 2019.



K P GULICH
CHIEF EXECUTIVE OFFICER
WESTERN AUSTRALIAN
TREASURY CORPORATION

21 August 2019



M A BARNES
CHAIRPERSON
WESTERN AUSTRALIAN
TREASURY CORPORATION

21 August 2019

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

WESTERN AUSTRALIAN TREASURY CORPORATION

Report on the Financial Statements

Opinion

I have audited the financial statements of the Western Australian Treasury Corporation which comprise the Statement of Financial Position as at 30 June 2019, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Western Australian Treasury Corporation for the year ended 30 June 2019 and the financial position at the end of that period. They are in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

Basis for Opinion

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

Responsibility of the Board for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

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

Report on Controls

Opinion

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

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

In my opinion, in all material respects, the controls exercised by the Western Australian Treasury Corporation are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2019.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Parliament of Western Australia

The Board's Responsibilities

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

Auditor General's Responsibilities

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

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

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

Limitations of Controls

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

Report on the Key Performance Indicators

Opinion

I have undertaken a reasonable assurance engagement on the key performance indicators of the Western Australian Treasury Corporation for the year ended 30 June 2019. The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, the key performance indicators of the Western Australian Treasury Corporation are relevant and appropriate to assist users to assess the Corporation's performance and fairly represent indicated performance for the year ended 30 June 2019.

The Board's Responsibility for the Key Performance Indicators

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

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

Auditor General's Responsibility

As required by the Auditor General Act 2006, my responsibility as an assurance practitioner is to express an opinion on the key performance indicators. The objectives of my engagement are to obtain reasonable assurance about whether the key performance indicators are relevant and appropriate to assist users to assess the agency's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion.

I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements relating to assurance engagements.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Parliament of Western Australia

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

This auditor's report relates to the financial statements and key performance indicators of the Western Australian Treasury Corporation for the year ended 30 June 2019 included on the Corporation's website. The Corporation's management is responsible for the integrity of the Corporation's website. This audit does not provide assurance on the integrity of the Corporation's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.



CAROLINE SPENCER

AUDITOR GENERAL
FOR WESTERN AUSTRALIA

Perth, Western Australia

27 August 2019

CLIENT AUTHORITIES

Face Value Net Debt Outstanding to WATC at 30 June 2019

Authority Name	Balance at 1 July 2018 \$'000	Net Advances During Year \$'000	Balance at 30 June 2019 \$'000
Albany City Council	13,503	1,110	14,613
Animal Resources Authority	534	(159)	375
Armadale City Council	29,140	16,496	45,636
Ashburton Shire Council	4,566	(753)	3,813
Augusta-Margaret River Shire Council	9,751	(354)	9,397
Bassendean Town Council	811	(132)	680
Bayswater City Council	20	(4)	16
Belmont City Council	15,338	(676)	14,662
Beverley Shire Council	1,801	(130)	1,671
Boddington Shire Council	2,285	(230)	2,055
Boyup Brook Shire Council	526	(53)	473
Bridgetown-Greenbushes Shire Council	2,240	(41)	2,199
Brookton Shire Council	1,478	(153)	1,325
Broome Shire Council	2,319	1,080	3,399
Broomehill-Tambellup Shire Council	1,220	(59)	1,160
Bruce Rock Shire Council	140	(69)	71
Bunbury City Council	12,954	(435)	12,518
Bunbury Water Corporation	334	(62)	272
Busselton City Council	35,234	(302)	34,931
Busselton Water Corporation	1,123	(281)	842
Cambridge Town Council	2,269	(1,162)	1,107
Canning City Council	6,746	1,871	8,617
Capel Shire Council	6,688	(657)	6,031
Carnamah Shire Council	232	(40)	192
Carnarvon Shire Council	495	(123)	372
Chapman Valley Shire Council	258	(99)	159
Chittering Shire Council	1,729	539	2,268
Claremont Town Council	11,751	(604)	11,148
Cockburn City Council	20,000	(2,500)	17,500
Collie Shire Council	1,212	14	1,226
Coolgardie Shire Council	693	2,787	3,480
Coorow Shire Council	120	134	254
Corrigin Shire Council	1,781	(124)	1,657
Cottesloe Town Council	4,219	(475)	3,744

CLIENT AUTHORITIES (CONTINUED)

Authority Name	Balance at 1 July 2018 \$'000	Net Advances During Year \$'000	Balance at 30 June 2019 \$'000
Country Housing Authority	28,924	(3,629)	25,296
Cranbrook Shire Council	395	(92)	303
Cuballing Shire Council	151	121	272
Cunderdin Shire Council	1,311	(74)	1,237
Curtin University	34,807	(4,125)	30,682
Dalwallinu Shire Council	877	2,583	3,460
Dandaragan Shire Council	435	(69)	366
Dardanup Shire Council	2,605	(362)	2,243
Denmark Shire Council	2,711	(274)	2,437
Derby-West Kimberley Shire Council	7,604	(147)	7,457
Donnybrook-Balingup Shire Council	236	(31)	205
Dowerin Shire Council	1,065	353	1,418
Dumbleyung Shire Council	863	180	1,044
Dundas Shire Council	433	(46)	387
East Pilbara Shire Council	5,748	(948)	4,800
Edith Cowan University	93,800	(21,686)	72,114
Electricity Generation and Retail Corporation	142,234	(115,200)	27,034
Electricity Networks Corporation	7,177,992	96,825	7,274,817
Esperance Shire Council	1,746	133	1,880
Exmouth Shire Council	2,263	(264)	1,999
FES Ministerial Body	38,996	(2,440)	36,556
Fremantle City Council	9,266	(1,719)	7,547
Fremantle Port Authority	184,702	(11,932)	172,770
Gingin Shire Council	2,383	(182)	2,201
Gnowangerup Shire Council	1,913	(1,164)	750
Gosnells City Council	12,145	(1,386)	10,759
Government Employees Superannuation Board	156,739	(48,778)	107,961
Greater Geraldton City Council	24,122	14,253	38,375
Halls Creek Shire Council	991	(78)	913
Harvey Shire Council	1,210	(276)	934
Housing Authority	4,646,034	106,623	4,752,657
Irwin Shire Council	2,496	772	3,269
Jerramungup Shire Council	992	(203)	789
Joondalup City Council	13,616	(3,202)	10,414
Kalamunda City Council	5,607	(653)	4,954

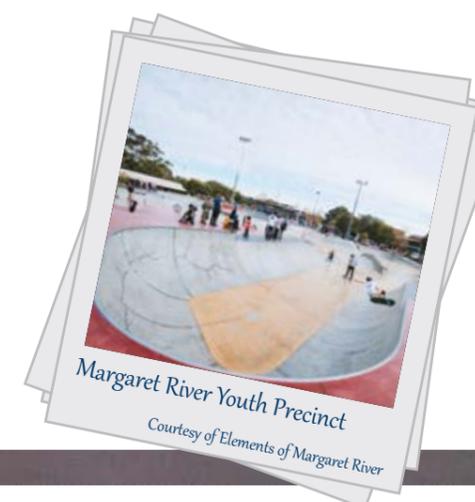
Authority Name	Balance at 1 July 2018 \$'000	Net Advances During Year \$'000	Balance at 30 June 2019 \$'000
Kalgoorlie-Boulder City Council	10,233	(386)	9,847
Karratha City Council	428	(81)	346
Katanning Shire Council	2,968	(184)	2,784
Kellerberrin Shire Council	1,597	517	2,114
Kent Shire Council	426	(84)	343
Kimberley Ports Authority	12,963	(1,266)	11,697
Kojonup Shire Council	395	67	461
Kondinin Shire Council	1,734	1,550	3,284
Kulin Shire Council	1,337	(85)	1,252
Kwinana City Council	22,071	(777)	21,294
Lake Grace Shire Council	1,330	(250)	1,080
Laverton Shire Council	748	625	1,374
Mandurah City Council	29,205	(29,205)	0
Manjimup Shire Council	4,741	(506)	4,235
Melville City Council	2,400	(317)	2,083
Merredin Shire Council	1,323	(231)	1,092
Metropolitan Redevelopment Authority	390,669	(142,711)	247,957
Mid West Ports Authority	12,684	(1,774)	10,910
Mingenew Shire Council	641	(115)	525
Minister for Education	334,587	14,941	349,527
Minister for Finance (utilising powers under the <i>State Supply Commission Act 1991</i> as amended)	24,355	(18,922)	5,433
Minister for Fisheries	20,814	(3,598)	17,217
Moora Shire Council	948	139	1,087
Morawa Shire Council	382	(75)	307
Mosman Park Town Council	5,957	(233)	5,724
Mount Magnet Shire Council	161	(45)	117
Mount Marshall Shire Council	1,202	(109)	1,093
Mukinbudin Shire Council	619	87	706
Mundaring Shire Council	11,791	(603)	11,188
Murchison Shire Council	19	1,548	1,568
Murdoch University	4,312	(385)	3,927
Murray Shire Council	3,664	(179)	3,485
Nannup Shire Council	51	307	358
Narembeen Shire Council	1,044	(93)	950

CLIENT AUTHORITIES (CONTINUED)

Authority Name	Balance at 1 July 2018 \$'000	Net Advances During Year \$'000	Balance at 30 June 2019 \$'000
Narrogin Shire Council	922	220	1,142
Nedlands City Council	9,999	(2,443)	7,556
Northam Shire Council	2,008	273	2,281
Northampton Shire Council	892	383	1,275
Nungarin Shire Council	578	(44)	534
Peppermint Grove Shire Council	814	(28)	786
Perenjori Shire Council	1,000	(252)	748
Perth City Council	23,132	(7,449)	15,683
Pilbara Ports Authority	154,721	(22,856)	131,864
Pingelly Shire Council	2,971	602	3,572
Plantagenet Shire Council	2,810	(841)	1,970
Port Hedland Town Council	21,403	(21,403)	0
Public Transport Authority	2,263,511	109,207	2,372,718
Quairading Shire Council	599	(79)	520
Ravensthorpe Shire Council	1,896	(202)	1,694
Regional Power Corporation	679,714	18,986	698,700
Rockingham City Council	11,618	(1,556)	10,062
Serpentine-Jarrahdale Shire Council	3,868	2,313	6,181
Shark Bay Shire Council	234	(71)	163
South Perth City Council	10,257	(1,505)	8,753
Southern Metropolitan Regional Council	19,052	(3,391)	15,661
Southern Ports Authority	26,313	(7,689)	18,624
Subiaco City Council	7,796	(485)	7,311
Swan City Council	43,434	(7,042)	36,392
Tammin Shire Council	321	(51)	271
The Minister for Agriculture and Food exercising power under Sec 6(1) of the <i>Loans (Co-operative Companies) Act 2004</i>	34,965	(5,647)	29,318
The Treasurer on behalf of the State of Western Australia	26,402,775	(436,732)	25,966,043
Three Springs Shire Council	207	(66)	141
Toodyay Shire Council	2,059	(235)	1,824
Trayning Shire Council	548	(54)	494
University of Western Australia	145,780	(3,150)	142,630
Upper Gascoyne Shire Council	901	(71)	830

Authority Name	Balance at 1 July 2018 \$'000	Net Advances During Year \$'000	Balance at 30 June 2019 \$'000
Victoria Park Town Council	6,596	(2,355)	4,241
Victoria Plains Shire Council	239	(45)	194
Vincent City Council	14,897	(948)	13,948
Wagin Shire Council	691	(52)	638
Wandering Shire Council	795	(321)	474
Wanneroo City Council	60,778	0	60,778
Waroona Shire Council	424	(59)	365
Water Corporation	5,910,000	70,000	5,980,000
West Arthur Shire Council	893	(86)	807
Western Australian Land Authority	219,000	6,500	225,500
Westonia Shire Council	156	(70)	85
Wickepin Shire Council	81	(29)	52
Williams Shire Council	908	(92)	816
Wiluna Shire Council	3,333	385	3,718
Wongan-Ballidu Shire Council	529	(172)	357
Wyalkatchem Shire Council	130	(19)	111
Wyndham-East Kimberley Shire Council	4,291	(912)	3,378
Yalgoo Shire Council	547	(91)	456
York Shire Council	2,327	(224)	2,103
TOTAL	49,812,434	(485,147)	49,327,287

Note: Due to rounding some figures do not add.



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Registry Information

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