

# Quarterly Performance Report

September 2017



## Financial Performance

### Financial Results (\$'000s)

	Year to Date September 2017			Last Year	Full Year 2017/18 SCI Budget
	Actual	Budget	Variance		
Operating revenue <sup>(1)</sup>	542,094	589,861	(47,767)	550,375	2,536,944
Direct operating expenses	211,498	216,655	5,157	205,834	939,233
Depreciation / amortisation	120,556	121,780	1,224	117,436	493,118
Earnings before interest & tax (EBIT)	210,040	251,426	(41,386)	227,105	1,104,594
less: Net interest expense	61,921	64,223	2,302	65,210	259,885
add: Developers' contribution	45,288	43,708	1,580	59,875	226,900
Operating surplus before tax	193,407	230,911	(37,504)	221,770	1,071,609
Income tax expense	58,008	69,122	11,114	66,557	320,778
Operating surplus after tax	135,399	161,789	(26,390)	155,213	750,831
Capital expenditure <sup>(2)</sup>	217,856	194,210	(23,646)	125,403	765,430
Borrowings taken (repaid)	149,484	150,000	516	62,894	270,000
Net debt	6,025,517	5,934,653	(90,864)	5,748,637	6,140,109

### Financial Performance Measures

	Full Year June 2017/18			Last Year Actual
	Forecast	Target	Variance	
Return on assets (%)	6.1	6.5	(0.4)	5.8
Debt to total assets (%)	35.3	35.0	(0.3)	34.3
Return on equity (%)	6.7	7.1	(0.4)	6.2

### Net Accruals to Government (\$m)

Represented by:				
	Forecast	Target	Variance	Last Year Actual
Tax equivalents	317.8	334.4	(16.6)	304.1
Dividends provided <sup>(3)</sup>	557.6	589.4	(31.8)	483.0
Operating Subsidies				
Non-Commercial Country Services	259.5	319.5	59.9	316.0
Revenue Concessions	147.6	146.6	(1.0)	145.0
Metropolitan Operations	1.9	2.7	0.8	3.0
Total Operating Subsidies <sup>(4)</sup>	<b>409.1</b>	<b>468.8</b>	<b>59.7</b>	<b>464.0</b>
Net Accrual to Government <sup>(5)</sup>	466.4	455.1	11.3	323.1

## Comments

Year to date operating surplus after tax is \$26.4m lower than budget due to lower operating revenue offset by lower operating expense, net interest and income tax.

(1) Lower operating revenue results from reduced operating subsidies combined with lower customer consumption due to milder temperatures and high rainfall during August and September.

(2) Higher capital expenditure results from land purchase associated with the possible expansion of the Perth Seawater Desalination Plant.

(3) Dividends are forecast to be lower based on lower projected profitability.

(4) Operating Subsidies are expected to fall by \$59.7m as a result of a lower level of claims for 2016/17 and the flow-on impacts into 2017/18.

(5) Net Accrual to Government is expected to be slightly higher than budget mainly due to lower interest expense and lower operating subsidies.

# Business Targets & Information

## Performance Indicators

	Full Year 2017/18			Status
	Forecast		Target	
<b>Our Customers and Stakeholders</b>				
Customer Performance Index	7.07	>=	7.07	On Target
Perth total per capita consumption (kL) <sup>(1)</sup>	126	<=	126	On Target
<b>Our Business</b>				
Total cost per property (\$)	1,973	<=	1,973	On Target
Net Accruals to Government (\$m)	466.4	>=	455.1	Better Than Target
<b>People &amp; Culture</b>				
Safety Index	90	>=	90	On Target

## Business Information

	Year to Date September	
	2017	2016
Water Properties Connected - Residential	974,037	954,676
- Non-Residential <sup>(2)</sup>	127,537	129,250
Water Supplied - Metro (ML)	46,954	46,708
Wastewater Treated - Metro (ML)	35,347	35,104

## Comments

1) In 2016-2017, per capita water use in Perth was 122 kilolitres. Water Corporation will continue to help the Perth community reduce its water use as part of its work as a Water Sensitive City.

2) Water Properties Connected – A portion of Non-Residential connections each year convert to Residential through the rezoning/development of land. With the subdued economy, lower levels of land development activity have not replenished the classification of Non-Residential connections in the land development pipeline.

## Water Services Licence Compliance

The Water Corporation is required to comply with performance standards specified in our Water Services Licence.

The table below summarises our current performance against key Water Services Licence requirements.

### Water Services Licence Measures

	September 2017			Notes
	Actual	Target	Variance	
<b>Water Services</b>				
Drought response (number of schemes on temporary restrictions)	0	n/a	-	
Services provided by agreement and farmlands - annual notification of conditions	-	≥ 95%	-	Reported Annually (Last result 95%)
Drainage - Design of new urban infrastructure	-	= 100%	-	Reported Annually (Last result 100%)

### Comments

The new Water Services Licence (formerly known as Operating Licence until 30 June 2016) removed the majority of the performance indicators previously reported with only the three remaining shown above.