

# Quarterly Performance Report

December 2017



## Financial Performance

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

	Year to Date December 2017			Last Year	Full Year 2017/18 SCI Budget
	Actual	Budget	Variance		
Operating revenue <sup>(1)</sup>	1,175,288	1,251,407	(76,118)	1,165,002	2,536,944
Direct operating expenses	424,514	436,764	12,251	420,263	939,233
Depreciation / amortisation	243,281	245,267	1,986	237,755	493,118
Earnings before interest & tax (EBIT)	507,494	569,375	(61,882)	506,984	1,104,594
less: Net interest expense	124,413	128,074	3,661	129,233	259,885
add: Developers' contribution	91,482	104,239	(12,758)	106,635	226,900
Operating surplus before tax	474,563	545,541	(70,978)	484,386	1,071,609
Income tax expense	142,438	163,282	20,844	145,348	320,778
Operating surplus after tax	332,125	382,258	(50,134)	339,038	750,831
Capital expenditure	397,424	405,799	8,375	273,888	765,430
Borrowings taken (repaid) <sup>(2)</sup>	22,876	22,876	-	-	270,000
Net debt	5,898,228	5,720,599	(177,629)	5,523,755	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 (%)	6.4	7.1	(0.7)	6.2

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

Represented by:	Full Year June 2017/18			Last Year Actual
	Forecast	Target	Variance	
Tax equivalents	304.3	334.4	(30.2)	304.1
Dividends provided <sup>(3)</sup>	530.6	589.4	(58.8)	483.0
Operating Subsidies				
Non-Commercial Country Services	259.4	319.5	60.1	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>408.9</b>	<b>468.8</b>	<b>59.9</b>	<b>464.0</b>
Net Accrual to Government <sup>(5)</sup>	426.0	455.1	(29.1)	323.1

## Comments

Year to date operating surplus after tax is \$50.1m lower than budget mainly due to lower operating revenue and developers' contributions, offset by lower operating expense 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, September and December.

(2) Higher net debt is the result of temporary timing issues and it is expected that the full-year result will be closer to budget.

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

(4) Operating Subsidy payments are expected to fall by \$59.9m 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 lower than budget due to lower dividends and income tax.

# 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)	426.0	>=	455.1	Worse Than Target
<b>People &amp; Culture</b>				
Safety Index	90	>=	90	On Target

## Business Information

	Year to Date December	
	2017	2016
Water Properties Connected - Residential	978,029	959,770
- Non-Residential <sup>(2)</sup>	127,823	129,158
Water Supplied - Metro (ML)	115,395	114,252
Wastewater Treated - Metro (ML)	69,008	68,852

## Comments

1) In 2016/17, 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

#### Water Services

	December 2017			Notes
	Actual	Target	Variance	
Drought response (number of schemes on temporary restrictions)	0	n/a	-	
Services provided by agreement and farmlands - annual notification of conditions	-	≥ 95.0%	-	Reported Annually (Last result 95%)
Drainage - Design of new urban infrastructure	-	= 100.0%	-	Reported Annually (Last result 100%)
Farmlands area water systems - pressure and flows are kept within the acceptable range	-	= 99.8%	-	Reported Annually (Last result 99.98%)

### 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 four remaining shown above.