

# Quarterly Performance Report

March 2017



# Financial Performance

() Unfavourable

## Financial Results (\$'000s)

	Year to Date March 2017			Last Year	Full Year 2016/17 SCI Budget
	Actual	Budget	Variance		
Operating revenue <sup>(1)</sup>	1,777,903	1,793,277	(15,373)	1,819,481	2,411,419
Direct operating expenses	638,285	633,927	(4,357)	624,983	904,433
Depreciation / amortisation	356,476	354,847	(1,629)	339,707	477,683
Earnings before interest & tax (EBIT)	783,142	804,502	(21,360)	854,792	1,029,303
less: Net interest expense <sup>(2)</sup>	189,726	200,016	10,290	189,390	274,386
add: Developers' contribution <sup>(3)</sup>	156,510	172,984	(16,475)	231,394	253,129
Operating surplus before tax	749,925	777,470	(27,545)	896,796	1,008,046
Income tax expense	224,860	232,811	7,951	268,875	301,856
Operating surplus after tax	525,065	544,659	(19,594)	627,921	706,190
Capital expenditure	457,040	471,200	14,160	401,800	781,813
Borrowings taken (repaid)	-	-	-	-	245,000
Net debt	5,508,142	5,506,625	(1,517)	5,446,983	6,046,322

## Financial Performance Measures

	Full Year June 2016/17			Last Year Actual
	Forecast	Target	Variance	
Return on assets (%)	5.9	6.0	(0.1)	5.8
Debt to total assets (%)	34.6	35.0	0.4	34.0
Return on equity (%)	6.3	6.8	(0.5)	7.2

## Net Accruals to Government (\$m)

Represented by:

Tax equivalents	301.3	311.8	(10.5)	342.0
Dividends provided <sup>(4)</sup>	493.3	546.2	(52.9)	567.0
Operating Subsidies				
Non-Commercial Country Services	315.7	340.0	24.3	390.0
Revenue Concessions	145.7	145.6	(0.1)	144.0
Metropolitan Operations	2.8	0.5	(2.3)	13.0
Total Operating Subsidies	<b>464.2</b>	<b>486.1</b>	<b>21.9</b>	<b>547.0</b>
Net Accrual to Government	<b>330.4</b>	<b>371.9</b>	<b>(41.5)</b>	<b>362.0</b>

## Comments

Year to date operating surplus after tax is \$19.6m lower than budget due to lower Operating Revenue combined with reduced revenue from Developers' Contributions offset by lower net interest and income tax expenses.

(1) Lower operating revenue results from reduced customer consumption due to milder temperatures across the State and lower operating subsidies, offset by additional special agreements (principally in the Goldfields and North West Regions) and revenue from other business activities.

(2) Lower net interest expense results from a combination of a lower interest rate environment, a higher level of interest able to be capitalised and flow-on impacts from lower borrowings in 2015/16.

(3) Lower revenue from developers' contributions is reflective of declining subdivision activity – primarily in Perth and the North West Regions – offset by higher non-developer asset handovers.

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

# Business Targets & Information

## Performance Indicators

	Full Year 2016/17		Status
	Forecast	Target	
<b>Our Customers and Stakeholders</b>			
Customer Performance Index	6.85	>= 6.85	On Target
Perth total per capita consumption (kL)	122	<= 129	Better Than Target
<b>Our Business</b>			
Total cost per property (\$) <sup>(1)</sup>	1,951	<= 1,964	Better Than Target
Net Accruals to Government (\$m)	330.4	>= 372.0	Worse Than Target
<b>People &amp; Culture</b>			
Safety Index	90	>= 90	On Target

## Business Information

	Year to Date March	
	2017	2016
Water Properties Connected - Residential	964,053	940,837
- Non-Residential <sup>(2)</sup>	128,726	133,095
Water Supplied - Metro (ML) <sup>(3)</sup>	186,683	200,315
Wastewater Treated - Metro (ML)	101,975	100,564

## Comments

1) Total cost per property has decreased, with the financial impact of initiatives associated with the Corporation's dry climate response being offset by savings in labour and other operating costs across the Corporation.

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

3) Water supplied has decreased as a result of milder temperatures leading to lower external household water usage.

# 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

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

## 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.