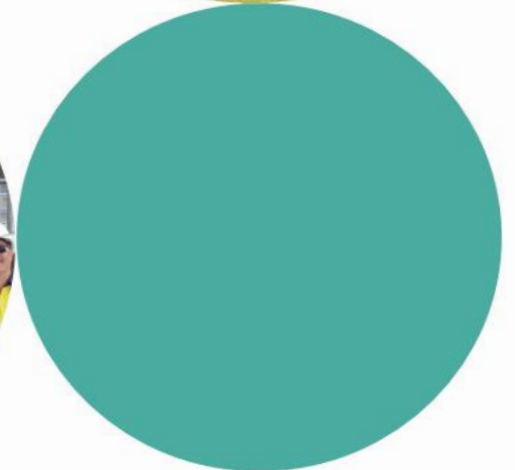
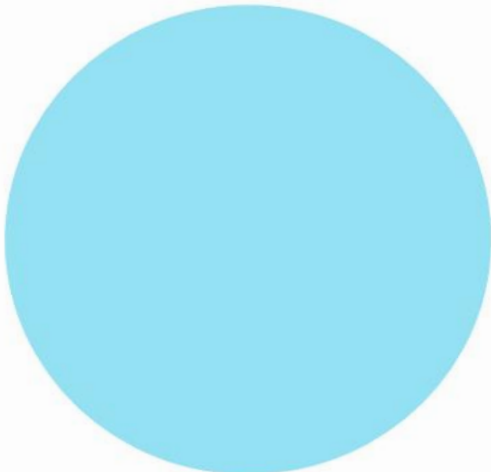




# Quarterly Performance Report

September 2018



# Financial Performance



## Financial Results (\$'000s)

	3 months to September 2018			*PCP Last Year	Full Year 2018/19 SCI Budget
	Actual	Budget	Variance		
Operating revenue	603,687	607,543	(3,856)	542,094	2,660,295
Direct operating expenses	208,683	221,992	13,309	211,498	956,891
Depreciation / amortisation	121,289	126,440	5,151	120,556	510,133
<b>Earnings before interest &amp; tax (EBIT) <sup>(1)</sup></b>	<b>273,715</b>	<b>259,111</b>	<b>14,604</b>	<b>210,040</b>	<b>1,193,271</b>
less: Net interest expense	62,424	65,340	2,916	61,921	259,390
add: Developers' contribution	41,386	46,486	(5,100)	45,288	242,400
Operating surplus before tax	252,677	240,257	12,420	193,407	1,176,281
Income tax expense	75,811	71,984	(3,827)	58,008	352,430
<b>Operating surplus after tax <sup>(2)</sup></b>	<b>176,866</b>	<b>168,273</b>	<b>8,593</b>	<b>135,399</b>	<b>823,851</b>
Capital expenditure	153,922	166,391	12,469	217,856	738,279
Borrowings taken (repaid)	1,124	55,000	53,876	149,484	50,000
Net debt	6,132,783	6,187,852	55,068	6,025,517	6,213,985

## Financial Performance Measures

	Full Year June 2018/19			Last Year Actual
	Forecast	Target	Variance	
Return on assets (%)	7.0	7.0	-	6.0
Debt to total assets (%)	35.0	34.9	(0.1)	35.1
Return on equity (%)	7.5	7.7	(0.2)	6.2

## Net Accruals to Government (\$m)

	Full Year June 2018/19			Last Year Actual
	Forecast	Target	Variance	
Represented by:				
Tax equivalents	362.7	367.4	(4.7)	288.4
Dividends provided	597.9	618.5	(20.6)	528.2
Operating Subsidies				
Non-Commercial Country Services	312.4	312.4	-	259.0
Revenue Concessions	149.2	149.2	-	148.0
Metropolitan Operations	2.7	2.7	-	2.0
Total Operating Subsidies	464.3	464.3	-	409.0
<b>Net Accrual to Government <sup>(3)</sup></b>	<b>496.2</b>	<b>521.6</b>	<b>(25.4)</b>	<b>407.6</b>

## Comments

Operating surplus after tax is \$8.6m favourable to target for the first quarter.

(1) The milder temperatures and higher than average rainfall during July and August has resulted in customer consumption being lower than expected, resulting in the reduction in revenue. This has been offset by the lower operating expenditure and depreciation as timing of spend is being optimised.

(2) The lower developers' contribution attributed to the lower subdivisional activities in the market combined with the favourable EBIT results are causing the increase in income tax expense.

(3) Net Accrual to Government is expected to be lower due to a forecast lower profitability for the full year, resulting in decreased dividends and income tax payable.

\* PCP - Prior Comparative Period.

# Business Targets & Information



## Performance Indicators

	Forecast	Full Year 2018/19		Status
			Target	
<b>Our Customers and Stakeholders</b>				
Customer Performance Index <sup>(1)</sup>	7.30	>=	7.30	On Target
Perth total per capita consumption (kL) <sup>(2)</sup>	125	<=	125	On Target
<b>Our Business</b>				
Total cost per property (\$)	1,981	<=	1,981	On Target
Net Accruals to Government (\$m) <sup>(3)</sup>	496.2	>=	521.6	Worse Than Target
<b>People &amp; Culture</b>				
Safety Index	92.5	>=	92.5	On Target

## Business Information

	Year to Date September	
	2018	2017
Water Properties Connected - Residential	988,625	974,037
- Non-Residential <sup>(4)</sup>	126,139	126,950
Water Supplied - Metro (ML)	48,507	46,971
Wastewater Treated - Metro (ML)	36,330	35,349

## Comments

- 1) The Quarter 1 index has dropped significantly, and will be reviewed with a revised position reported at Quarter 2.
- 2) Perth total per capita consumption is forecast to achieve our corporate full year target, which is a reduction from last financial year (126kL).
- 3) Net Accrual to Government is expected to be lower due to a forecast lower profitability for the full year, resulting in decreased dividends and income tax payable.
- 4) A portion of Non-Residential connections each year convert to Residential through the rezoning / development of land.

# Water Services Licence Compliance



The Water Corporation is required to comply with performance standards in our Water Services Licence. The table below summarises our expected performance against key Water Services Licence requirements.

Water Services Licence Measures	September 2018			Notes
	Forecast	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	95.0%	≥ 95.0%	-	Reported Annually (Last result 95.8%)
Drainage - Design of new urban infrastructure	100.0%	= 100.0%	-	Reported Annually (Last result 100.0%)
Farmlands area water systems - pressure and flows are kept within the acceptable range	99.8%	= 99.8%	-	Reported Annually (Last result 100.0%)

## Comments

The Water Corporation is committed to a high level of compliance in accordance with the Water Services Licence, maintaining a strong compliance culture and par-taking in three-yearly external Operational Audits of licence obligations.

There are no indications that these annual licence measures would not be achieved.

