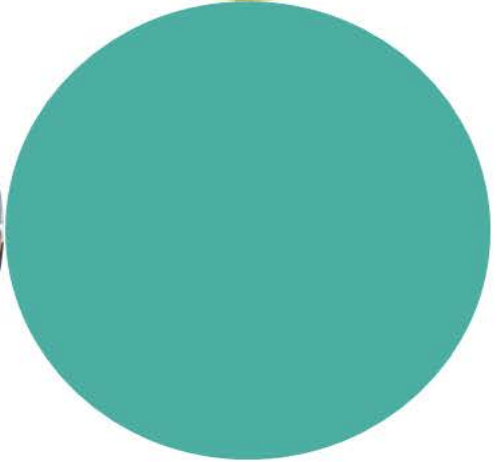
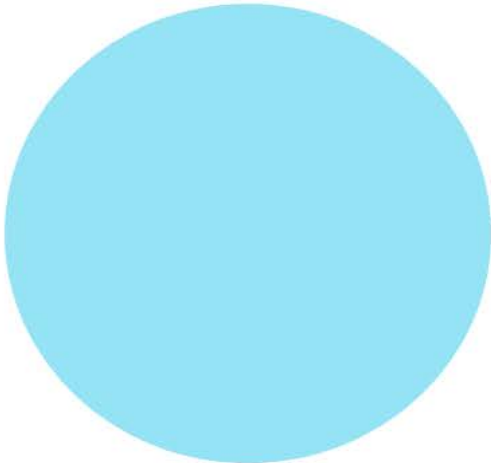


Quarterly Performance Report

December 2020



Financial Performance



Financial Results (\$'000s)

	6 months to December 2020			*PCP	Full Year 2020/21
	Actual	Budget	Variance	Last Year	SCI Budget ⁽⁵⁾
Operating revenue	1,347,754	1,327,209	20,544	1,318,743	2,715,587
Direct operating expenses	457,130	460,537	3,407	449,474	979,993
Depreciation / amortisation	266,337	265,341	(996)	254,434	535,853
Earnings before interest & tax (EBIT) ⁽¹⁾	624,287	601,331	22,956	614,835	1,199,741
less: Net interest expense	91,800	98,107	6,307	110,476	203,918
add: Developers' contribution	110,298	62,169	48,129	75,744	129,000
Operating surplus before tax	642,785	565,393	77,392	580,103	1,124,823
Income tax expense	189,117	169,416	(19,701)	173,641	337,045
Operating surplus after tax ⁽²⁾	453,668	395,977	57,691	406,462	787,778
Capital expenditure	345,972	345,909	(63)	267,030	708,507
Borrowings taken (repaid)	-	-	-	-	113,734
Net debt ⁽³⁾	5,922,416	5,935,452	13,037	6,042,157	6,353,454

Financial Performance Measures

	Full Year Forecast 20/21	Full Year June 2020/21 Target	Variance	Last Year Actual
Return on assets (%)	7.0	7.0	-	7.1
Debt to total assets (%)	35.0	34.7	(0.3)	33.5
Return on equity (%)	7.1	7.0	0.1	7.2
Net Accruals to Government (\$m)				
Represented by:				
Tax equivalents	354.7	349.1	5.6	372.5
Dividends provided	1,277.1	1,258.3	18.8	3.8
Operating Subsidies				
Non-Commercial Country Services	297.0	298.3	1.3	272.2
Revenue Concessions	170.0	167.0	(3.0)	156.8
Metropolitan Operations	1.6	1.6	(0.0)	2.0
Total Operating Subsidies	468.6	466.9	(1.7)	431.0
Net Accrual to Government ⁽⁴⁾	1,163.3	1,141.0	22.3	(54.7)

Comments

Year to date Operating surplus after tax is \$57.7m higher than budget for the 6 months to 31 December 2020.

(1) EBIT is higher than budget as a result of greater operating revenue from higher water consumption across the State, primarily in the metropolitan area and Goldfields and Agricultural Region, due to warm and drier conditions, combined with net proceeds from the sale of a parcel of land.

(2) Higher developers' contributions attributed to increased subdivisional and development activity resulting from the Federal Government's Housing Stimulus Package combined with lower net interest, has returned an Operating Surplus After Tax position of \$57.7m more favourable than budget.

(3) Net Debt is lower due to higher cash reserves resulting from greater revenues.

(4) Net Accruals to Government (NATG) increased due to the greater dividend payment (from 2019/20 deferral) combined with higher developers contributions as a result of increased activity in the lot development industry and lower interest expense with the flow-on impact of lowering interest rates.

(5) Respective figures are the endorsed Full Year 2020/21 SCI Budget financials.

* PCP - Prior Comparative Period

Business Targets & Information



Performance Indicators^(a)

	Full Year 2020/21			Status
	Forecast		Target	
Safe				
Number of public drinking water quality advisories	0	<=	0	On Target
Number of people with fatality or total permanent disability	0	<=	0	On Target
Total Recordable Injury Frequency Rate (TRIFR) ^(a)	2.9	<=	2.9	On Target
Number of public with fatality or total permanent disability	0	<=	0	On Target
Wellbeing Measure	5	>=	5	On Target
Reliable				
Number of schemes at risk of temporary water restrictions ^(b)	1	<=	2	Better Than Target
Number of properties affected by unplanned interruptions (Water) ^(c)	364,000	<=	325,000	Below Target
Number of properties affected by unplanned interruptions (Wastewater) ^(d)	1,393	<=	1,100	Below Target
Reputation				
Customer perception of water quality (score out of 10) ^(e)	6.81	>=	7.00	Below Target
Customer perception of communications (score out of 10) ^(f)	6.65	>=	7.10	Below Target
Community trust in Water Corporation (score out of 10)	7.26	>=	7.03	Better Than Target
Brand perception (score out of 10)	7.52	>=	7.33	Better Than Target

Business Information

	Year to Date December	
	2020	2019
Water Properties Connected - Residential	1,014,091	1,003,746
- Non-Residential	130,757	125,960
Water Supplied - Metro (ML)	118,377	122,597 ^(g)
Wastewater Treated - Metro (ML)	70,791	68,480 ^(h)

Comments

(a) Due to a high number of TRIFR related incident in September 2020, the target could be challenging to achieve. However, a renewed focus on safety behaviours across the business is expected to see improved incident performance in the second half.

(b) Moora - Mid West Region is at risk with a filter at high likelihood of structural failure. Project work to install a new filter is underway.

(c) Corrosion and aging assets continue to be a major contributor, constituting approximately 32% of all causes for interruptions, followed by ring / gasket failures at approximately 14%. These types of failures are most prevalent in the Perth, Mid West and Goldfield & Agricultural regions. Continued use of outage management and ongoing support after training conducted earlier in the year, has led to increased accuracy of figures being reported.

(d) The majority of Wastewater interruptions for the current financial year to date have been caused by blockages associated with tree roots, fats and foreign objects in the pipes. There has been a slight increase compared to previous years. This is likely due to toilet paper alternatives being disposed of down the toilet.

(e) Water quality perception scores exceed the target in Metro areas and the Goldfields & Agricultural region, but are currently behind target in other regions. Initiatives have been completed to improve the quality of specific regional water sources in some towns (e.g. Wiluna - Mid West, Leonora - Goldfields & Agricultural) and others are underway (e.g. Meekatharra and Mount Magnet - Mid West) while more are under consideration.

(f) Perceptions of communications have remained stable over time and several initiatives are underway to deliver long term improvements in our key customer communications, including bills, outage notifications, reinstatements and our website.

(g) Water Supplied - Metro (ML) is adjusted downwards as a result of the Annual Principal Statistics review.

(h) Wastewater Treated - Metro (ML) is adjusted upwards as a result of recalculation of flow data due to availability of new information.

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

	Forecast	December 2020		Notes
		Target	Variance	
Water Services				
Drought response (number of schemes on temporary restrictions)	0	n/a	-	No schemes on temporary restrictions
Services provided by agreement and farmlands - annual notification of conditions	95.0%	≥ 95.0%	-	Reported Annually (Last result 98.6%)
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. There are no indications that these annual licence measures would not be achieved.

