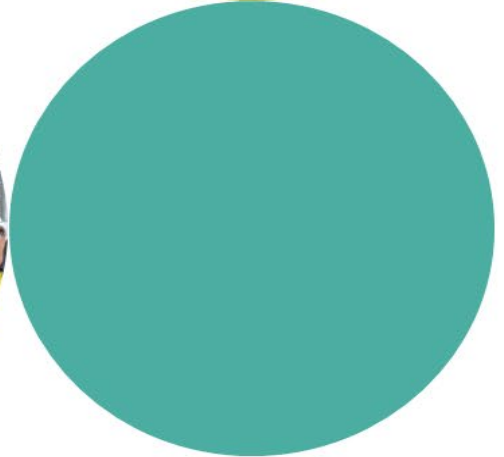
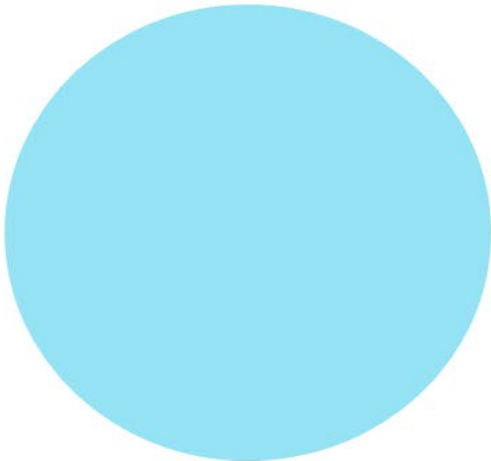


Quarterly Performance Report

March 2023



Owned by the People of WA



Financial Performance



Financial Results (\$'000s)	9 months to March 2023			Prior Comparative Period	Full Year 2022/23
	Actual	Budget	Variance	Last Year	Statement of Corporate Intent Budget
Operating revenue ⁽¹⁾	2,243,755	2,201,083	42,672	2,134,219	2,955,755
Direct operating expenses ⁽²⁾	840,808	789,994	(50,814)	755,729	1,088,990
Depreciation / amortisation	408,494	406,124	(2,370)	409,487	545,080
Earnings before interest & tax	994,453	1,004,965	(10,512)	969,003	1,321,686
less: Net interest expense ⁽³⁾	136,908	129,366	(7,541)	124,728	169,599
add: Developers' contributions ⁽⁴⁾	171,296	132,830	38,466	148,803	181,659
Net profit before tax	1,028,842	1,008,428	20,414	993,078	1,333,746
Income tax expense	308,676	302,121	(6,556)	303,809	399,584
Net profit after tax	720,166	706,308	13,858	689,269	934,161
Capital expenditure ⁽⁵⁾	511,100	449,500	(61,600)	437,401	663,123
Borrowings taken (repaid) ⁽⁶⁾	(291,525)	-	291,525	(291,525)	6,564
Net debt ⁽⁷⁾	4,493,785	4,600,710	106,924	5,254,421	4,897,258

Financial Performance Measures

	Full Year Forecast 22/23	Full Year Target 22/23	Variance	Last Year Actual
Return on assets (%) ⁽⁸⁾	6.4	7.4	(1.0)	7.0
Debt to total assets (%)	26.8	29.4	2.6	29.8
Return on equity (%) ⁽⁹⁾	7.1	7.4	(0.3)	7.2
Net Accruals to Government (\$m)				
Represented by:				
Tax equivalents	422.4	414.0	8.4	392.3
Dividends provided ⁽¹⁰⁾	-	728.0	(728.0)	-
Operating Subsidies ⁽¹¹⁾				
Country Water Pricing Subsidy	442.8	338.6	(104.3)	330.6
Revenue Concessions	179.7	185.3	5.6	186.1
Metropolitan Operations	1.6	2.1	0.5	2.5
Total Operating Subsidies	624.1	526.0	(98.2)	519.2
Net Accrual to Government ⁽¹²⁾	(201.7)	616.0	(819.0)	(126.9)

Comments

(1) Operating revenue is higher, primarily due to the increase in operating subsidy revenue. This is the result of the higher level of claims in relation to the 2021/22 Country Water Pricing Subsidy than was previously estimated.

(2) Direct operating expenses are higher as a result of continuing price pressure in the global supply chain for equipment and supplies, combined with an extremely competitive labour market for work undertaken by third party external service providers. Higher levels of corrective maintenance activities, primarily in the metropolitan area have also had a significant impact on operating expenses.

(3) Net interest expense is higher due to the increased cost of managing the Corporation's debt portfolio as a consequence of increased interest rates.

(4) Higher developers' contributions are due to continued strong development activity via subdivisions and asset hand-overs.

(5) Capital expenditure is higher largely due to increases in the regional and metropolitan water and wastewater programs and the acquisition of approved development rights for the Flat Rocks Wind Farm Stage 2.

(6) Borrowings reflect the repayment of a fixed portion of our debt portfolio. Three unbudgeted payments of \$97.2m were made in July and October 2022 and January 2023.

(7) Net Debt is lower primarily due to the repayment of borrowings related to the fixed portion of our debt portfolio.

(8) Return on assets is projected to be lower as a result of the higher than budgeted capital cost index (CCI) actuals from 2021/22. The higher CCI has significantly increased the value of the Corporation's asset base, which has thus lowered the return on assets ratio.

(9) Return of equity is projected to be lower as a result of the decision made to allow the Corporation to retain dividends that were forecast to be paid during 2022/23 (see below). This has increased the equity base compared to the budgeted position which did not take into account the dividend being retained.

(10) Reflects the State Government's decision in the 2022/23 Mid Year Review to allow the Water Corporation to retain dividends that were forecast to be paid during 2022/23.

(11) Operating subsidies has increased due to the higher level of claims in relation to the 2021/22 Country Water Pricing Subsidy and inflationary impacts on our asset base and operating costs, combined with the impact of a number of new projects approved by Government.

(12) Net Accrual to Government is projected to be significantly lower than budget due to the retention of dividends that were forecast to be paid in 2022/23.

Business Targets & Information



Performance Indicators

	Full Year 2022/23		Status
	Forecast	Target	
Outcome: Reducing total recurring expenditure to fund our key priorities and provide socially equitable outcomes for communities			
Reduction in real recurring total expenditure per service (%) ^(a)	1.4	>= 1.4	On Target
Outcome: Creating an inclusive workplace for a diverse workforce			
Employee Experience Survey – Inclusion and diversity (%) ^(b)		>=	Under Development
Outcome: Engaging and enabling our employees to perform at their best			
Employee Experience Survey – engagement (%) ^(b)		>=	Under Development
Outcome: Improving employee and public safety outcomes			
Total recordable injury frequency rate (TRIFR, per million hrs worked) ^(c)	3.2	< 3.0	Below Target
Outcome: Driving value for money and customer satisfaction across all regions and segments			
Individual measurement of value for money, across regions and segments (score out of 10)	6.5	>= 6.5	On Target
Outcome: Building trust among the communities we serve			
Individual measurement of community trust, across regions and segments (score out of 10)	6.9	>= 6.9	On Target
Outcome: Accelerating environmental sustainability of the water cycle as our climate changes			
Reported greenhouse gas emissions (CO2 equivalent kilotonnes) ^(d)	588	N/A	
Outcome: Driving waterwise outcomes and ramping up wastewater recycling			
Wastewater recycled (%)	21	>= 21	On Target

Comments

(a) We are currently in the process of identifying opportunities and developing methodologies that will simplify, streamline and reprioritise our work efforts across the business, with the aim of reducing our cost per service while reallocating funds to meet our key strategic priorities.

(b) These measures are under review/development. Once confirmed, results and projections will be made available.

(c) Total Recordable Injury Frequency (TRIFR) rate is measured over a rolling 12 month period. There has been an increase in the number of recordable injuries during the previous quarter (12 injuries), which has caused the increase from 3.50 to 3.86. This increase in injuries has meant that the previous target of below 3 will be missed. Water Corporation's new forecast is 3.2. TRIFR currently consists of 32 injuries, 12 Lost Time Injuries (LTIs), 12 Medical Treatment Injuries (MTIs) and 10 Restricted Work Injuries (RWIs).

(d) Greenhouse gas emissions continue to track lower than 2021/22 (648 kT CO₂-e) due to lower water production and associated emissions from electricity used for desalination.

Our current measure is consistent with the National Greenhouse and Energy Reporting Scopes 1 and 2 - this does not include offsets.

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	March 2023		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 98.2%)
Farmlands area water systems - pressure and flows are kept within the acceptable range	99.8%	>= 99.8%	-	Reported Annually (Last result 99.9%)

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.

