

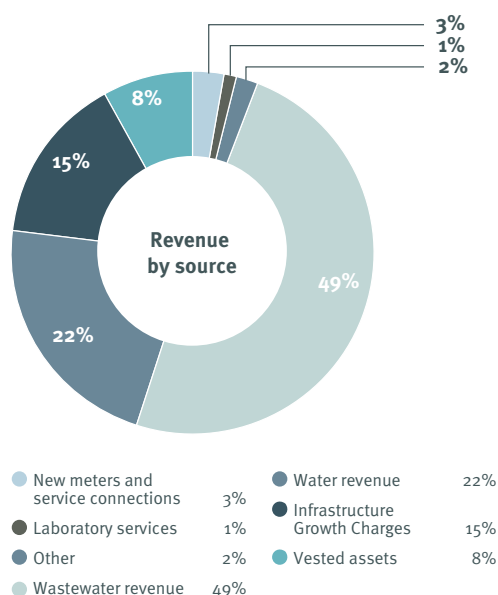
Delivering our strategy

Financial capital and resources performance report

Financial responsibility

1. Revenue

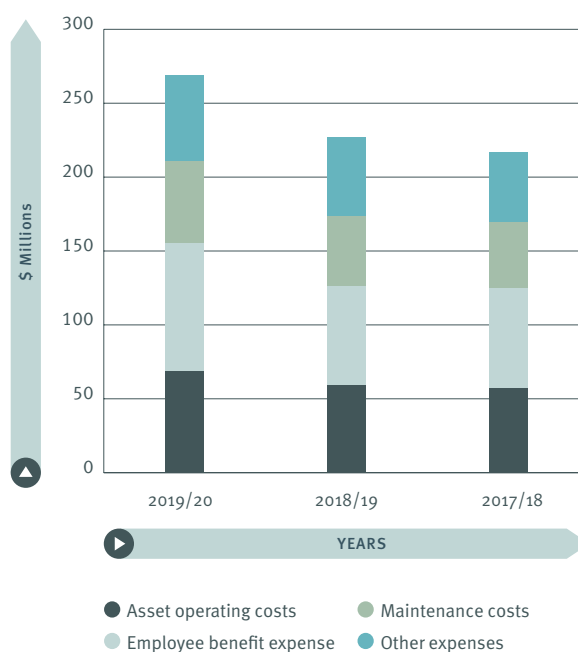
Total revenue at \$752.3 million in 2019/20 compared favourably with \$715.2 million in 2018/19. Water and wastewater revenues of \$534.0 million were \$18.5 million ahead of 2018/19 (a 3.6% increase) with \$4.2 million of the increase due to the 2.5% price increase on 1 July 2019 and \$14.1 million largely as a result of the overall increase in demand because of the prolonged hot and dry weather. Revenue from Infrastructure Growth Charges totalled \$109.8 million compared with \$103.8 million in 2018/19, still only recovering 33% of the \$332 million capital expenditure on growth projects for the year. Other key elements of revenue included \$64.5 million for the cost of physical assets funded by external parties and vested to Watercare.



2. Operating expenses

Operating expenses of \$268.6 million were \$40.2 million higher than budget for the year. This was primarily due to higher than budgeted asset operating costs and maintenance expenses associated with the drought.

Operating expenses increased 18.6% in 2019/20 compared with 2018/19 and have grown an average of 6.6% per annum over the past four years. The increase in maintenance costs is largely due to unplanned maintenance.



3. Finance costs

Total finance costs of \$81.7 million were incurred during the year of which \$25.5 million was treated as a capital cost on large scale, long-term capital projects. The remainder of \$56.2 million was expensed to the Statement of Comprehensive Revenue and Expense.

The overall average interest rate was 4.42% compared with 5.36% in 2018/19.

4. Operating surplus from trading operations

An operating surplus from trading operations of \$170.7 million was achieved in 2019/20, with revenue \$54.9 million ahead of budget, and total expenses \$30.7 million higher than budget.

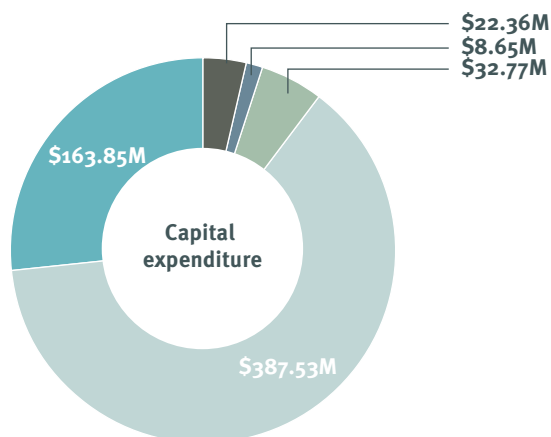
5. Net surplus for the year

The reported operating surplus from trading operations was prior to a non-cash adjustment for the loss on disposal of property, plant and equipment and restructuring costs.

The loss on disposal below the operating surplus from trading operations line items delivered a net surplus after tax of \$73.8 million for the year ending 30 June 2020.

6. Net new debt

In 2019/20 \$245.6 million of net new debt was entered into by Watercare. Consistent with our agreement with Auckland Council's centralised treasury, all new debt is provided by Auckland Council to maximise efficiency from group borrowings.



● New meters and service connections	\$22.36M
● Other projects	\$8.65M
● Corporate	\$32.77M
● Wastewater projects	\$387.53M
● Water projects	\$163.85M

Debt is used to fund capital expenditure that is directed at improving the quality of services provided by Watercare as well as to service the effects of population and construction growth in Auckland.

7. Total assets

Total Watercare assets grew from \$10.39 billion to \$10.84 billion in 2019/20. This increase related to the cost of new infrastructure spending being capitalised during the year.

8. Customer debt

Our primary performance measure for the management of debtors is the value of payments outstanding for 31 days or more from due date. This year, the outstanding customer debt was \$10,440,330, an increase of 39% compared with 2018/19.

The average amount of outstanding debt was \$491 this year compared with \$383 in 2018/19.

		% of total
Debit balances 31+ days (end of June 2020)	\$10,440,330	22.3%
Number of accounts with 31+ days' debt	21,244	7.7%
Average debt (31+ days)	\$491	

* Excluding council group and Infrastructure Growth Charges

9. Supply chain and savings

Watercare's supply chain team has focused on the development and implementation of a supplier code of conduct. This has been widely acknowledged by our suppliers. During 2019/20 opex savings of \$890,000 was achieved from procurement of polymer, new meter connections and our security systems upgrade. We also facilitated an estimated capex/opex cost avoidance of \$3.16 million through the procurement of concrete-lined steel pipe, switchboards and engineering professional services.

Top 15 suppliers

No.	Supplier	Value \$
1	Fulton Hogan Limited	92,212,254
2	The Fletcher Construction Company Limited	79,776,928
3	Ghella Abergeldie JV	64,682,455
4	McConnell Dowell – HEB Joint Venture	40,526,850
5	McConnell Dowell Constructors Limited	40,415,150
6	Downer New Zealand Limited	33,564,074
7	New Zealand Transport Agency	29,260,622
8	City Care Limited	26,649,877
9	Pipeline and Civil Limited	17,969,898
10	Fulton Hogan Land Development Limited	17,406,560
11	March Cato Limited	12,710,952
12	Genesis Energy Limited	9,678,848
13	Steelpipe Limited	9,464,504
14	Beca Limited	8,536,166
15	Jacobs New Zealand Limited	8,497,262
TOTAL		491,352,402

Procurement expenditure by category

