

**Annual Report
2025**



Delivering for Auckland.



Delivering infrastructure.



Delivering efficiently.



Delivering reliability.



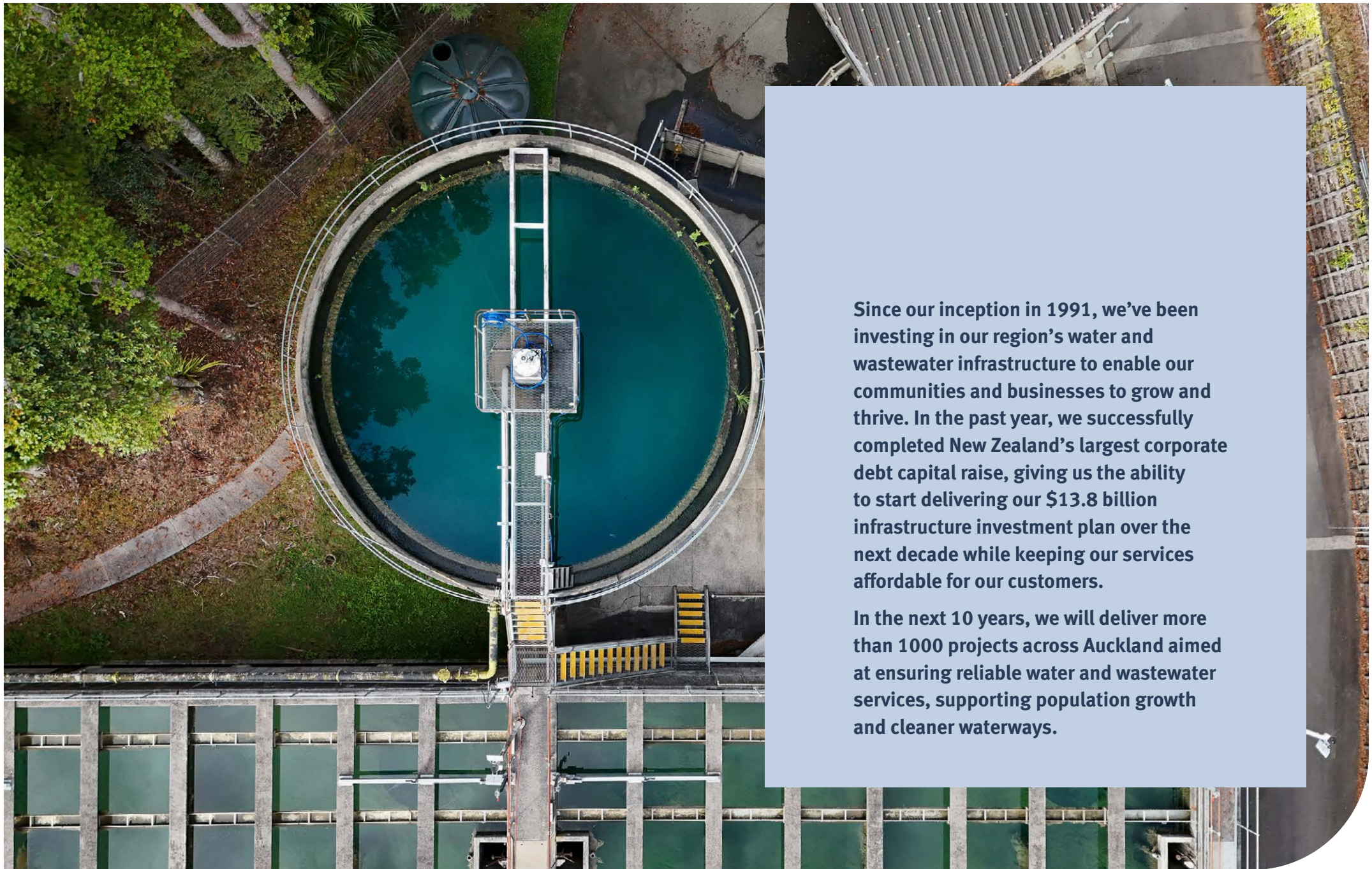
Delivering sustainably.

A new era for water services in New Zealand

It is well recognised that for the country to flourish, it needs high-quality and resilient water services that can adapt to climate change and accommodate growth. Watercare is at the forefront of this vital mission, given our position as New Zealand's largest provider of water and wastewater services.

In Auckland, the country's economic hub, 1.7 million people depend on us for their daily water and wastewater services. Delivering safe, reliable and affordable services 24/7 is not just our job — it's also our point of pride.





Since our inception in 1991, we've been investing in our region's water and wastewater infrastructure to enable our communities and businesses to grow and thrive. In the past year, we successfully completed New Zealand's largest corporate debt capital raise, giving us the ability to start delivering our \$13.8 billion infrastructure investment plan over the next decade while keeping our services affordable for our customers.

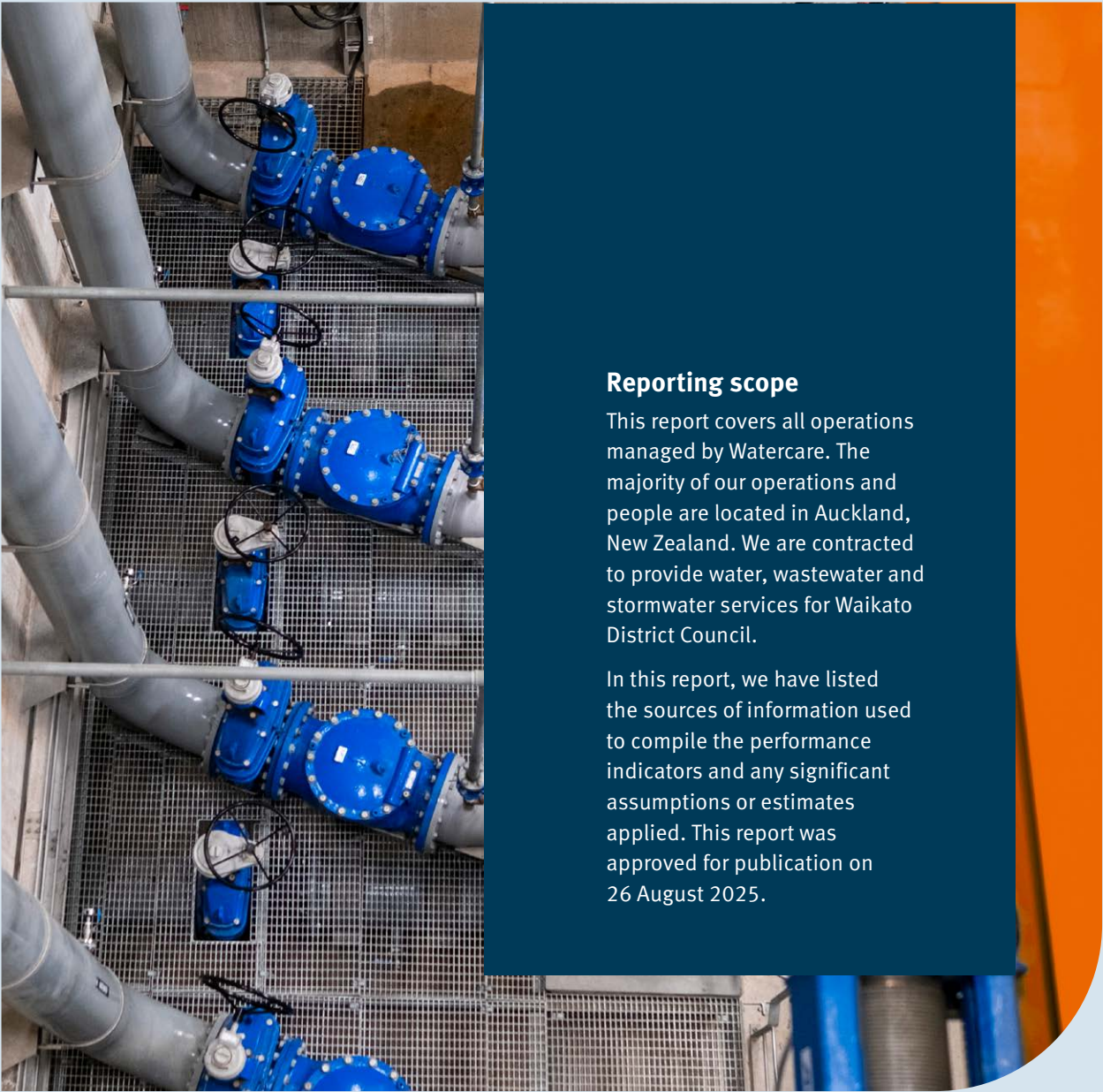
In the next 10 years, we will deliver more than 1000 projects across Auckland aimed at ensuring reliable water and wastewater services, supporting population growth and cleaner waterways.



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Reporting scope

This report covers all operations managed by Watercare. The majority of our operations and people are located in Auckland, New Zealand. We are contracted to provide water, wastewater and stormwater services for Waikato District Council.

In this report, we have listed the sources of information used to compile the performance indicators and any significant assumptions or estimates applied. This report was approved for publication on 26 August 2025.



Our purpose

Ki te ora te wai, ka ora te whenua, ka ora te tangata.
When the water is healthy, the land and the people are healthy.

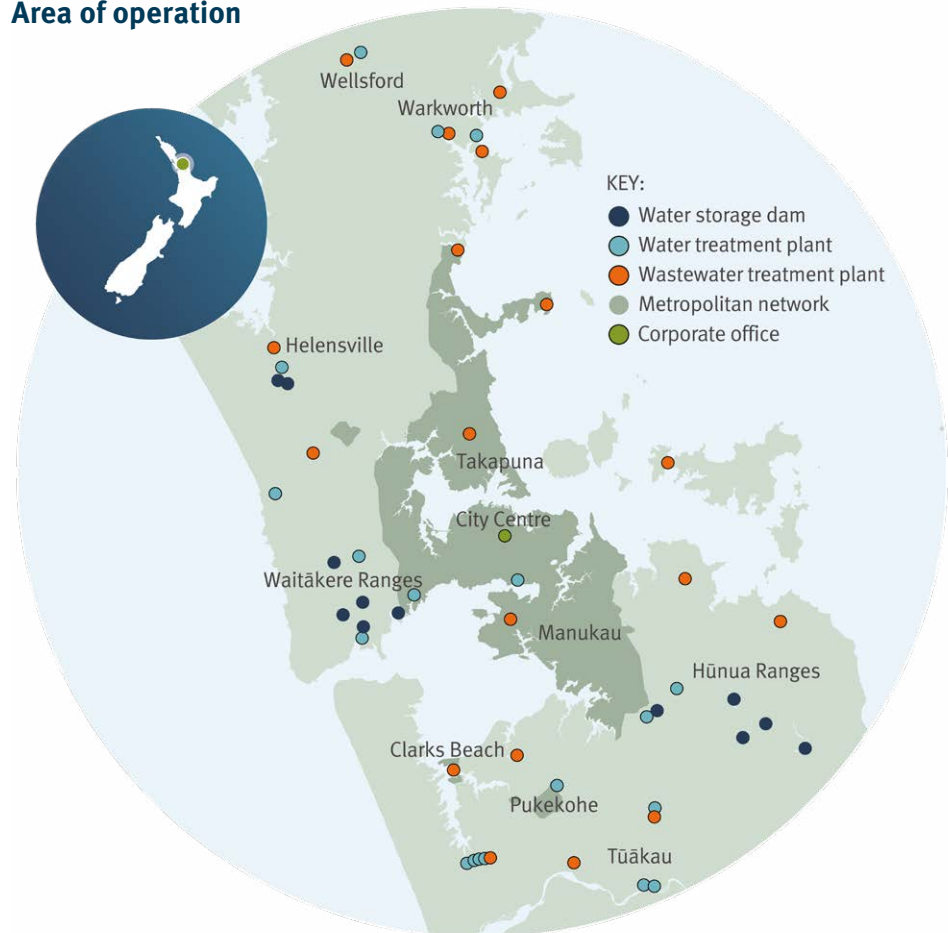
Watercare is a lifeline utility that provides water and wastewater services to 1.7 million people in Auckland, New Zealand. Our purpose – embodied in the Māori whakataukī (proverb) above – reflects the connection between our services and the wellbeing of our community and the local environment.

We supply safe drinking water to 491,914 homes and businesses each day. We also collect, treat and discharge wastewater each day in an environmentally responsible way. With an asset base valued at \$18.03 billion (2025), we plan and build infrastructure to ensure we maintain appropriate levels of service and increase network capacity for a growing population.

Our primary area of operation is the Auckland region. In the suburb of Papakura, we deliver wholesale services to Veolia Water, which is contracted to operate, maintain and develop the local networks. In the northern Waikato region, we deliver wholesale water and wastewater services to Tūākau and Pōkeno under an enduring contract with Waikato District Council. Separately, we operate, maintain and develop the water, wastewater and stormwater networks on behalf of Waikato District Council. This contract term ends June 2028.

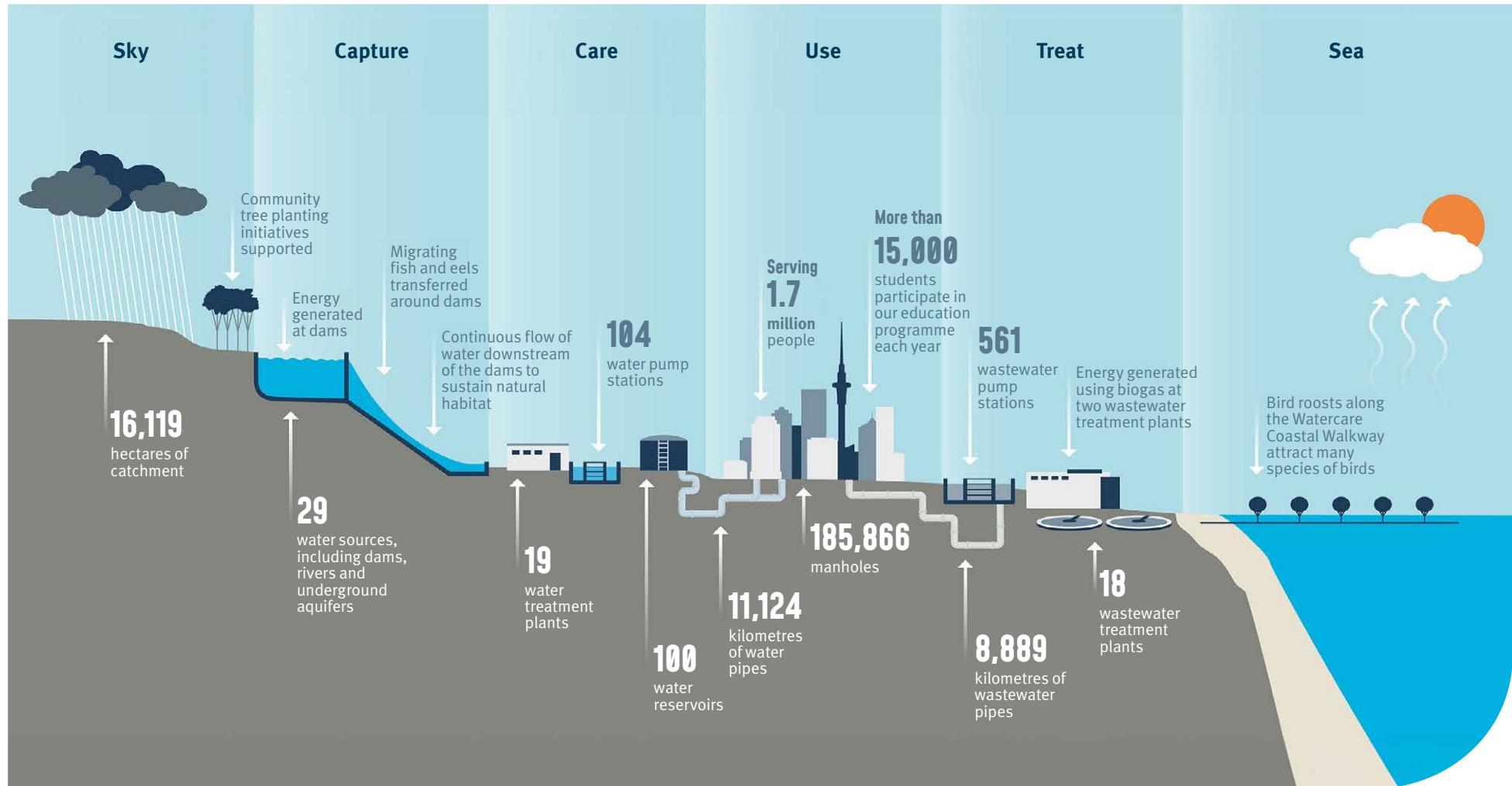
We are a council-controlled organisation, wholly owned by Auckland Council (our shareholder). We are also a limited liability company registered under the Companies Act 1993, and a local government organisation under the Local Government Act 2002.

Area of operation





Our operations go from sky to sea





Chair and chief executive's report

Ki te ora te wai, ka ora te whenua, ka ora te tangata.
When the water is healthy, the land and the people are healthy.

On 1 July 2025, we marked the beginning of a new era of financial independence for Watercare. This was the culmination of a huge amount of work over the past financial year, including securing our own strong credit rating (Moody's Aa3), and establishing competitively priced funding arrangements that are independent of Auckland Council. Financial independence means we can now commit to an ambitious infrastructure programme of \$13.8b for the next 10 years while continuing to deliver safe drinking water and wastewater services to 1.7 million Aucklanders. This can be achieved without compromising our commitment to maintain an affordable price path for our customers.

The legislation establishing financial independence for Watercare also introduces an interim form of economic regulation and oversight by a Crown Monitor. For the next three years,

Watercare will be subject to the requirements of the Watercare Charter which specifies revenue levels, outlines our service commitments, and details various performance improvement and reporting obligations. The Commerce Commission has been appointed as our Crown Monitor to provide oversight of performance against the Charter.

Aucklanders can take comfort in knowing there is a high level of scrutiny and transparency, ensuring they receive improved outcomes over time. We remain focused on delivering value for money in the provision of quality water and wastewater services.

Over the next few pages, we reflect on the 2024/25 year, our performance highlights and challenges, and outlook for the next financial year. Our key performance indicators are set out in our Statement of Service Performance from [page 86](#) onwards.

Safe and reliable water supply despite extreme weather

Auckland experienced both extremes in weather during the year, with an extended dry summer and autumn — March 2025 was the driest for our water supply catchments in 15 years — to heavy rain events in May and June.

The prolonged dry weather saw Auckland's dam levels dropping below 60 per cent in March. We activated our Drought Management Plan immediately and stepped up our water conservation messaging when dam levels dropped below the 'preparing for drought' trigger point. We were able to rely on the additional supply from the reinstated Pukekohe Water Treatment Plant (see case study on [page 14](#)) and our Waikato 50 Water Treatment Plant.



Geoff Hunt
Chair



Jamie Sinclair
Chief Executive



As a result of our proactive operational and communications response, we maintained stable supply and managed demand effectively during the dry months. The region's water supply dams began to recover following April's rainfall.

Delivering strategic infrastructure for Auckland

The past year also saw us achieving significant milestones in the delivery of our infrastructure programme. We delivered \$1billion worth of infrastructure (see [page 16](#) for a list of key projects delivered in FY25), including two strategic water and wastewater assets:

- We completed two major milestones on our transformational Central Interceptor project. The southern half of the 16.5km wastewater tunnel went into service in February 2025 and in March we completed construction of the full tunnel, which finishes at Point Erin Reserve.

Activating the southern tunnel means improved resilience for our wastewater network as it captures flows that previously overwhelmed aging infrastructure and discharged into rivers and the harbour.



We completed building the Central Interceptor wastewater tunnel.



The full environmental benefits of cleaner waterways will be realised when the tunnel's northern section is commissioned, along with the associated enabling infrastructure.

- We completed the new 15.5km-long Huia 1 Watermain, which replaces an ageing transmission pipeline. This improves security of supply for central and western suburbs. This project was also delivered \$30m under budget.

Looking ahead, we know we need to improve the way we plan, design and deliver our infrastructure. We are developing an asset management and capital delivery improvement plan which will identify priorities that will drive meaningful change. A key focus for us is to embed an outcomes-focussed programmatic approach to delivery — considering all the components necessary to achieve the desired outcome and ensuring their proper sequencing. This will improve efficiency and accountability.

Enabling responsible growth

Providing expanded water and wastewater services for a growing city is an ongoing challenge that we are committed to managing proactively and transparently.

In November 2024, we shared an important update regarding our network capacity by publishing a map that shows where our networks have capacity to support new housing, and where there are limitations in our networks or treatment plants.

We released an update to this map in June 2025, taking onboard feedback from developers and other stakeholders. The updated map is more user-friendly and transparent to provide greater clarity to developers as early as possible in their investment process.

While changing population forecasts, planning approaches and out-of-sequence growth present significant challenges, we are committed to accelerating the delivery of our projects and engaging more consistently, clearly and proactively with the development community.

Listening and learning

As a regulated, council-controlled water utility, we have an extremely complex stakeholder mix. We serve 1.7 million Aucklanders, have several regulators (water quality, environmental, economic), coordinate closely with central and local government, engage with hundreds of

suppliers and infrastructure partners, and many communities across the region in delivering our services and infrastructure programme.

As we move forward, it's more important than ever that we listen to our communities, stakeholders and mana whenua to ensure we don't work in isolation and bring our stakeholders with us. In the past year, this has meant a relook at two of our infrastructure programmes: in Auckland's south-west, we went back to the drawing board for a long-term wastewater servicing solution that aligns with the community's feedback. In Warkworth, this has seen us accelerate our network improvement programme to reduce overflows into the Mahurangi River, ahead of schedule. Overflows into this river environment create significant issues for oyster farmers in the region, who have stock based in the impacted areas of the Mahurangi harbour.

The nature of our operations and infrastructure programme means we impact communities and the environment. Our focus is on open engagement and on delivering outcomes faster and in a more coordinated way than before. This will be a key element of our programmatic approach to delivery.



Upgrading wastewater treatment plant at Clarks Beach.



Progressing our core strategic outcomes

Looking after our people, our communities and the environment is integral to our core purpose. We have a highly engaged and knowledgeable workforce with a deep commitment to the water industry. We are committed to further developing our people by building their technical capability and leadership skills so they can competently and confidently deliver on our mission now and into the future. See [page 24](#) for more information on our employee engagement scores, health and safety performance and [page 25](#) for how we are enabling a skilled and diverse workforce.

We have made good progress in responding to, and adapting for the likelihood of extreme weather events similar to the 2023 anniversary floods and Cyclone Gabrielle by designing and building our assets differently. Tackling our emissions remains an ongoing challenge (see [page 86](#) for our detailed GHG report). We have started to directly measure nitrous oxide emissions at our wastewater treatment plants as they are the biggest contributors to greenhouse gas emissions. We hope that by more accurately measuring these emissions

instead of relying on estimates, we can put in controls to optimise our treatment processes that improve plant performance and environmental impact. Our pathway to achieve a 50% reduction in operational emissions by 2030 remains challenging and in the next financial year we will review and confirm our targets and approach.

Our operations are intrinsically linked to the environment, therefore we recognise the role which mana whenua, as kaitiaki of the taiao (natural environment) play, going well beyond simple project consultation. At Watercare we have moved away from engaging with mana whenua as a collective, to a more direct rangatira ki te rangatira (chief to chief) approach where our leadership meets face to face with the leaders of the 19 iwi with connections to Tāmaki Makaurau as well as iwi along the Waikato Awa. These engagements help form enduring relationships, built on mutual respect, openness, and a willingness to advance our shared ambition for Auckland and the environment. See [page 25](#) for more information on how we have advanced initiatives for iwi as part of Auckland Council's Kia Ora Tāmaki Makaurau framework.

Lastly, we thank our kaimahi (employees) for their continued dedication to serving Auckland with pride, our board of directors for their support and commitment during our financial independence journey, and our former chief executive Dave Chambers for his steady leadership during a period of significant change.

We now have a clear 10-year plan and the means to deliver on it. Expectations are high, and the water industry is looking to us to lead under Local Water Done Well. We are excited for the future and the changes we will make to improve and continue delivering great outcomes for Auckland.





Our board and executive

Read more about our board of directors and executive team on our [website](#).

Our board of directors from left to right:
Frederik Cornu, Julian Smith, Rukumoana Schaaflhausen, Andrew Clark, Geoff Hunt, Graham Darlow, John Crawford.
Not pictured: Karen Sherry

Our executive team from left to right:
Richard Waiwai, Angela Neeson, Priyan Perera, Jamie Sinclair, Meg Wiltshire, Sarah Phillips and Mark Bourne





01

Delivering safe and reliable water and wastewater services to Aucklanders 24/7

As a public water utility, our core purpose is two-pronged: ensure the reliable supply of safe drinking water and the safe collection, treatment and disposal of wastewater.

We collect and treat water from purpose-built storage dams, rivers and groundwater sources and supply communities and businesses across Auckland through a vast integrated distribution network.

The other side of our mission is to carefully collect, treat and dispose of the region's wastewater in a way that protects the environment and waterways.

Our water and wastewater operations are stringently monitored against a range of drinking water quality rules and standards as well as environmental regulations and discharge consents; these are regularly reported to our board, our shareholder Auckland Council and the Department of Internal Affairs.

PERFORMANCE SNAPSHOT

Water quality

We continued to maintain a high level of compliance with Taumata Arowai's Drinking Water Quality Assurance Rules (DWQAR) for treatment plants and networks across eight criteria:

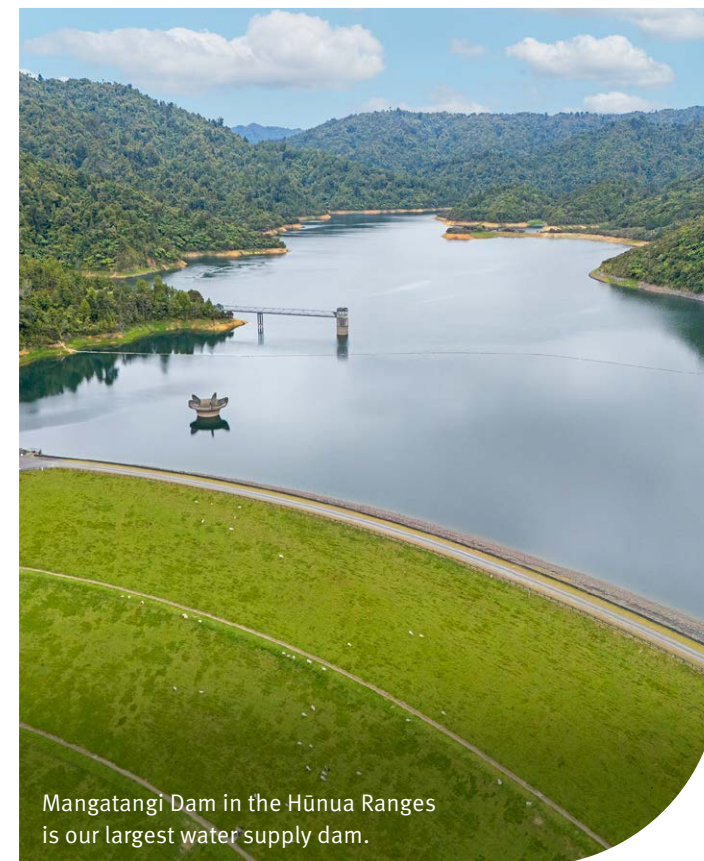
For treatment plants

- Bacterial (100% compliant)
- Protozoal (100% compliant)
- Chemicals (100% compliant)
- Cyanotoxin (100% compliant)

For distribution networks

- Microbiological (100% compliant)
- Residual disinfection (97% compliant)
- Disinfection by-products (100% compliant)
- Plumbosolvent metal rules (100% compliant)

We also continued to maintain 100% compliance with Drinking Water Standards New Zealand (DWSNZ).



Mangatangi Dam in the Hūnua Ranges is our largest water supply dam.



PERFORMANCE SNAPSHOT

Wet-weather/dry-weather overflows

We met our targets for keeping both dry-weather and wet-weather overflows to a minimum:

- Recorded **0.60 dry-weather overflows** against a target of ≤ 5 overflows
- Recorded **0.20 wet-weather overflows** against a target of ≤ 2 overflows.

Responsiveness to and resolution of faults and issues

We met five out of six targets for attendance and resolution of faults and issues on the water and wastewater network:

Urgent faults on the water network	Median time taken by our crews to attend to the call-outs	40 minutes against a target of ≤ 60 mins
	Median time taken by our crews to resolve the fault	3.1 hours against a target of ≤ 5 hours
Non-urgent faults on the water network	Median time taken by our crews to attend to the call-outs	0.78 days against a target of ≤ 5 days
	Median time taken by our crews to resolve the fault	0.98 days against a target of ≤ 6 days
Faults on the wastewater network	Median time taken by our crews to attend to the overflows caused by blockages or other faults	77 minutes against a target of ≤ 75 mins
	Median time taken by our crews to resolve the overflows caused by blockages or other faults	3.1 hours against a target of ≤ 5 hours

Effectively managing demand

The Auckland Strategic Three Waters Plan (2008) requires us to manage demand for water efficiently, with the overall aim of reducing demand by 15% by 2025 (compared to 2008 levels).

We have delivered on this plan by meeting our target for 2024/25: the gross per capita consumption of water was 257 litres per person per day, against a target of 253 litres per person per day (+/- 2.5%) band.

From FY26, this measure will align to consumption targets specified in Auckland Council's Auckland Water Strategy 2022-2050.

Effectively managing leaks

We maintained the volume of water loss through network leaks at 12.8%, staying within our target of less than 13%.

- We have surveyed 32,700km of network pipes since the beginning of our proactive leak detection programme and surveyed 9,700km in FY25.
- 16,800 leaks found since we began proactive leak detection, with 1,375 leaks found in FY25.
- 43MLD of water savings estimated since we began proactive leak detection, and 11MLD of estimated savings through the district metering and pressure management programme since FY23.

43MLD

estimated water savings since our proactive leak detection began



CASE STUDY

Restoring the flood-damaged Pukekohe Water Treatment Plant

We commissioned our Pukekohe Water Treatment Plant back into service after it suffered significant damage during the 2023 Auckland Anniversary floods.

The flood destroyed most of the plant's critical infrastructure, from the chemical dosing systems and drives for the pumps to the electrical equipment in the control room.

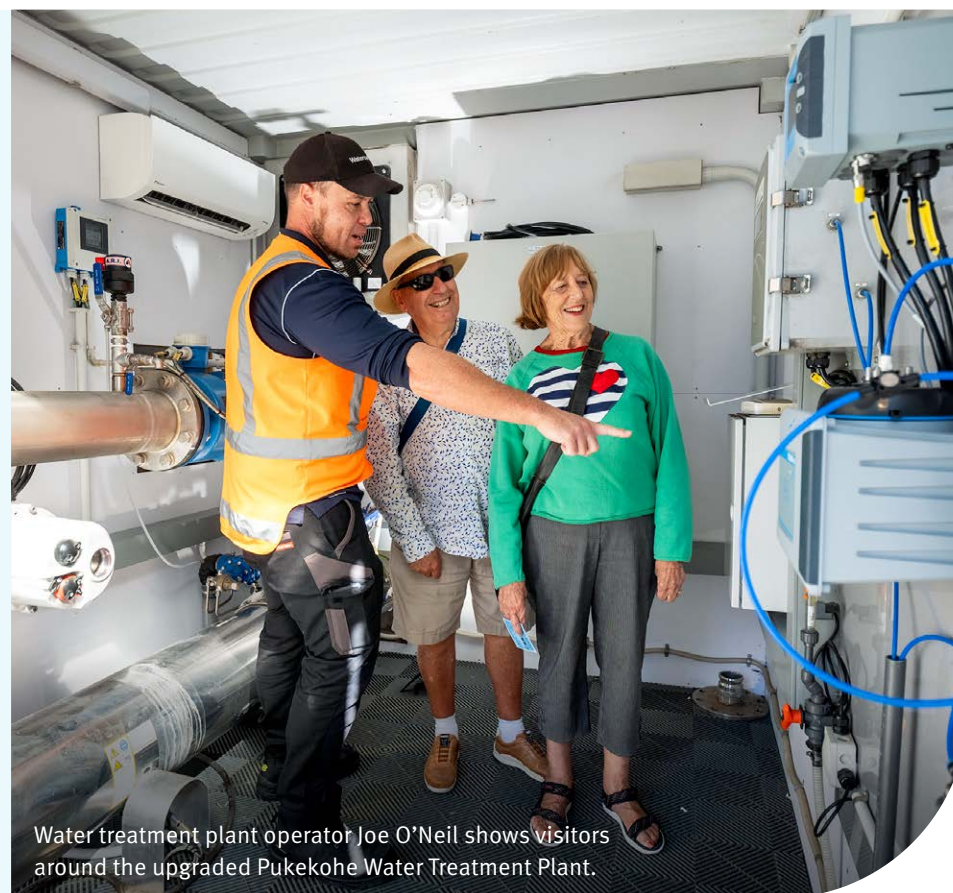
Since the floods, most of Pukekohe's water supply has come from the Waikato River – treated at the Waikato Water Treatment Plant and then distributed to the Pukekohe community.

Instead of rebuilding the treatment plant as a mirror image of its former self, we invested in reconfiguring and upgrading the plant to reduce flood risk.

The redesign included:

- Relocating critical components and control room to higher ground
- Better protection for major electricity cables
- Upgraded chemical dosing system for more precise dosing.

Having the treatment plant operating again in time for the summer months and the increased demand was a top priority for us. The plant provides up to five million litres a day to our customers in Pukekohe and Buckland, which eases demand on the wider metropolitan water network that serves Auckland.



Water treatment plant operator Joe O'Neil shows visitors around the upgraded Pukekohe Water Treatment Plant.



02 Building and renewing the necessary water and wastewater infrastructure to improve resilience and maintain service levels for our customers

Our customers expect safe and reliable services every day. To deliver on this expectation, we need to invest at the right levels so our water and wastewater networks can: withstand disruptions and meet growth; operate with minimal impact on our customers and the environment; and be resilient to changing conditions and climate change impacts.

To align with our shareholder Auckland Council's Long Term Plan framework, our Asset Management Plan provides a long-term view (across 10 years) of our asset management objectives, and infrastructure investments in our water and wastewater programmes.

A significant proportion of our network and treatment plant assets were built many decades ago and some of these assets are approaching the end of their useful lives. These assets need replacing or substantial ongoing maintenance to ensure their safety and reliability. Our ongoing challenge is to balance our investment in renewing and maintaining our infrastructure when we are under pressure to cater for out-of-sequence growth.



Project team observes ultraviolet train in action for relining wastewater pipes in Beachlands.



PERFORMANCE SNAPSHOT

Projects delivered in FY25

We delivered \$1billion worth of infrastructure in FY25.

Key projects include:

- Completed construction of the main Central Interceptor (CI) wastewater tunnel to Pt Erin
- Commissioning of the southern section of the CI tunnel
- Commissioning of the new Huia 1 transmission watermain
- Completion of the wastewater transfer pipeline from Warkworth to Snells Beach
- Completion of the East Coast Bays Link Sewer
- Commissioning of the Kahika wastewater pipeline
- Completion of stage 1 of the Ōrākei Main Sewer relining
- Completion of reactive watermain renewals in Remuera
- Completion of a three-stage solution for wastewater upgrades in Judges Bay
- Commissioning of two new watermain for Glenbrook
- Commissioning of two new pump stations in Tāmaki
- Commissioning of the upgraded Pukekohe Water Treatment Plant.

\$1B

worth of
infrastructure
delivered in FY25

Investment in planned renewals compared to unplanned/reactive maintenance

Proactive renewal of our ageing assets is considered a more effective and cost-efficient approach in the long term than reactive maintenance when assets fail.

In FY25, our investment in the planned renewals programme was 4.6 times higher than the expenditure on unplanned and reactive maintenance, reflecting our commitment to proactive asset management.

4.6 times

higher
investment in
planned renewals

Kilometres of planned pipe renewals delivered

We delivered 23km of planned pipe renewals against a target of 26km (-/+5%).

23km

of planned
pipe renewals
delivered



CASE STUDY

Improving security of supply to central and west Auckland

We successfully completed the new 15.5km-long Huia 1 Watermain. This 914mm-diameter pipeline begins at the Titirangi reservoirs and carries water all the way to Gillies Avenue in Epsom, supplying the communities along its route.

The final piece of this critical pipe was slotted into place in Blockhouse Bay at the end of April 2025 – after a six-year construction effort spanning seven central and western suburbs.

For the community, this new pipeline replaces an ageing transmission pipe so it means better security of supply; the old pipeline was built in the 1940s and was nearing the end of its life.

Huia 1 has also been sized to provide capacity for future growth. Best of all, it has been delivered under budget, saving \$30m by optimising planning and design in the later stages of the project and reducing traffic management costs.



A final section of the Huia 1 replacement pipeline is lowered.



03 Delivering our services and infrastructure projects efficiently, keeping a strong focus on operating costs, so we can minimise water charges

As a public utility providing an essential service, we have an obligation to deliver value for money and operate efficiently. With the government and Auckland Council confirming a pathway for financial separation in May last year, we were able to plan for a future where we could deliver both reliability and affordability without compromising on either.

By becoming financially independent of Auckland Council, we can borrow more to fund our infrastructure investment programme, spreading the cost of upgrading assets more evenly across their lifespans and ensuring a stable and smoother price path for customers.

Our strong credit rating (Aa3) has helped us secure cost-effective funding and will enable us to provide essential assets without compromising on service quality or affordability.

As a business, we are committed to exploring smarter ways of working so we can continue to deliver efficient and effective outcomes for our customers and communities.



We installed an advanced pressure control system to help optimise water pressure in our network and prevent leaks.



PERFORMANCE SNAPSHOT

- Per cent of income spent on water bills
- Controllable cost
- Debt to revenue ratio

Affordability

We kept charges at an affordable level to ensure the average Auckland household spent less than 1.5% of its household income on water services – our result for FY25 was 0.89%.

<1.5%

of household
income spent on
water services

Controllable cost

Controllable costs for FY25 were on target, at \$440.8m (against a target of <\$441m). While maintenance costs and energy and chemical costs exceeded the plan, these costs were offset by savings in other areas such as reduced costs for professional services and reprioritisation of digital enhancement projects.

\$440.8m

controllable
costs for FY25

Debt headroom

Our debt headroom represents the amount we can borrow relative to our revenue and assets. For FY25, the ratio was 3.71 times, remaining comfortably within the target limit of 4 times or less.

3.71 times

FY25 debt
headroom



CASE STUDY

Treating more wastewater flows with inDENSE

We are trialling new technology at the Māngere Wastewater Treatment Plant to help us treat more wastewater without building more infrastructure.

This technology, called inDENSE, uses hydrocyclones to spin the wastewater sludge in the reactor/clarifiers so that the heavier particles go to the bottom, helping to settle the solids faster and allowing more wastewater flows to go through the reactor/clarifiers in the treatment process.

inDENSE is being trialled on one of the nine reactor/clarifiers at the treatment plant and has increased that tank's treatment capacity by 35 per cent.

Being able to treat more wastewater flows will be vital once the mammoth Central Interceptor wastewater tunnel is fully commissioned in 2026 and trials

like these could be the way to enhance the performance of our assets within their current footprint, saving money and carbon emissions by not building new infrastructure.

This trial also won the best paper award in the practitioner category at the International Water Association Nutrient Removal and Recovery Specialist Conference in November 2024.



The inDENSE technology is housed in two units on the side of the reactor/clarifier.



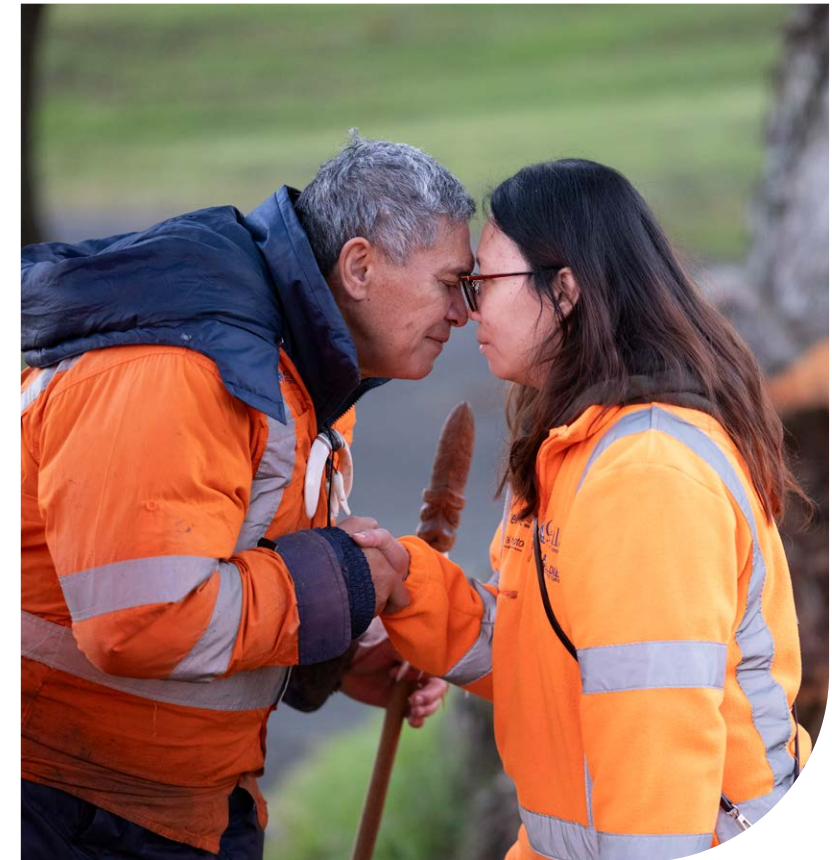
04 Strengthening our relationships with customers, developers, community stakeholders, and our Māori partners

We serve and interact with a wide variety of stakeholders every day – customers, developers, other infrastructure providers, suppliers, local and central government representatives, community groups and mana whenua.

We need to understand their varied needs and concerns to be able to serve them in a meaningful way and to facilitate this, we need a robust framework and processes that enable consistent, transparent and effective engagement at all times, not just during times of major change.

Our three-tiered, always-on Voice of Customer, Voice of Community and Voice of City feedback system ensures we have a clear picture of customer satisfaction, public sentiment and specific concerns of local communities where we have ongoing works. We also have dedicated avenues for engagement with mana whenua, elected representatives and community groups.

The development community remains an important stakeholder group. While delivering water and wastewater services for a growing city is challenging, catering for growth in a timely and responsible way is a key focus of our 10-year business plan and it is crucial that we engage consistently and transparently with developers on the capacity of our system and our growth-enabling programme of works.





PERFORMANCE SNAPSHOT

Customer satisfaction

Customer satisfaction remained stable throughout the year, with a Customer Net Satisfaction (CNS) score of +55, exceeding the target of +45.

Feedback from Voice of Customer surveys highlighted the prompt and helpful responses/resolution they received, both over the phone and in person during interactions with our field crew.

Our teams were described as friendly, informed and able to address concerns quickly and effectively.

+55

Customer Net
Satisfaction
(CNS) score

Complaints resolution

In FY25 we received 1,517 complaints and 1,503 of these (about 99%) were resolved within 10 working days. Our target for complaints resolution is $\geq 95\%$.

99%

of complaints
resolved in 10
working days

Community trust

Our trust score dropped to 52 from 60 in FY25 (target is 55). This score represents the percentage of survey respondents who agree that they trust us by scoring us seven or higher out of 10 to the question:

Thinking about everything you know about the company, how much do you trust Watercare?

The score was derived from responses from more than 5,000 people across Auckland. It is perception-based and can be influenced by external and internal factors.

The drop in FY25 can be attributed to negative perceptions of underinvestment in infrastructure and uncertainty around our price path.



CASE STUDY

Shaping Auckland's water future with our communities

We are working on a servicing strategy for the Auckland metropolitan water and wastewater network. This strategy will span the next 70 years, covering two consenting cycles.

It will outline our approach to managing Auckland's water needs into this future, enabling and guiding the decisions we make today that will shape the future of our land, waterways and people.

When planning for future generations, it is vital to engage with our diverse communities about the water and wastewater challenges we face and bring them into the conversation.

These challenges include finding new, sustainable water sources, looking at wastewater management as the population grows, and finding

solutions for dealing with biosolids that balance practicality and community expectations.

We ran 18 community engagement opportunities across Auckland in April and May — including drop-in sessions, pop-up stalls, workshops, webinars and surveys — to ensure we reached a diverse and representative group. At the end of our consultation, we received a phenomenal 3,870 responses.

All of the feedback we have received will be compiled into a report which will help shape the servicing strategy and our focus areas over the next 70 years.



A member of the public shares her views at a servicing strategy workshop.



05 Improving our organisational performance in relation to our core strategic outcomes

As a lifeline service provider of water and wastewater services, our operations have a direct and indirect impact on the environment and our communities. We are committed not only to operate efficiently but also:

- to be a good employer that develops its people and ensures they go home safe
- to recognise the impacts of climate change and mitigate and adapt to them
- to give effect to Kia Ora Tāmaki Makaurau, Auckland Council group's Māori Outcomes Performance Measurement Framework and advance initiatives for iwi that are aligned to this framework.

The impacts of climate change are often seen and felt first in the water industry and as Auckland's water utility, we are committed to delivering on the actions and direction set out in Auckland's climate plan, Te Tāruke-ā-Tāwhiri, incorporating climate change considerations, whole-of-life greenhouse gas emissions and resilience, into our work programmes and decisions, based on realistic assessments.

PERFORMANCE SNAPSHOT

Employee engagement, health, safety and wellbeing

- Our employee engagement score increased from 7.6 in the previous reporting year to 7.9 in FY25. This score also places us 0.1 above industry benchmark. Participation in the engagement survey remained strong at 83%. Key themes of feedback: our people feel empowered to share their views, intend to stay with us, and are invested in the work we do.
- Our key focus in FY25 was embedding more consistency in how critical risks are approached and managed across the work we do. We rolled out permit-to-work audits, through which we verified the presence and effectiveness of critical risk controls for any activity that exposes our workers to high-potential harm.
- Our target was to conduct 36 permit audits each month, and we exceeded this target for nearly all months except December when many project sites were shut down for the holiday period.





PERFORMANCE SNAPSHOT

Greenhouse gas emissions

A detailed emissions summary, along with the challenges and considerations for measuring and mitigating emissions, is provided on **page 86**, under our Statement of Service Performance.

Both Scope 1 and Scope 2 emissions for FY25 were within our targeted limits:

- Recorded 80,000 tonnes CO₂e against a target of <89,900 tonnes CO₂e (excluding emissions from Te Motu a Hiaroa Puketutu Island)
- Recorded 106,000 tonnes CO₂e against a target of <139,170 tonnes CO₂e (including emissions from Te Motu a Hiaroa Puketutu Island)

Māori outcomes

In FY25, we sourced \$38.6m worth of services from Māori-owned businesses, making up 3.23% of total spend on suppliers against a target of 5%. While we did not achieve the target, spend for FY25 was \$38.6m compared to \$30.6m in FY24 and \$22.8m in FY23. This is a 26% increase on FY24 and a 41% increase on FY23. Our supply chain function continues to work with our Te Rua Whetū team, internal stakeholders, and supply partners to encourage spend with Māori-owned sub-contractors where possible and appropriate to meet business needs.

We have a number of young Māori employed across different business units, as part of our graduate programme and summer internships. In December 2024, the New Zealand Association of Graduate Employers recognised Watercare for best diversity and inclusion strategy, specifically acknowledging our graduate

development programme's success in improving the representation of Māori and Pasifika people in our workforce.

Engagement with mana whenua o Tāmaki Makaurau continued across all Watercare projects, including the Central Interceptor and the Metropolitan Servicing Strategy.

+26%

spend on Māori-owned businesses
in FY25 vs FY24



CASE STUDY

Making sampling work safer at our laboratory

Our laboratory sampling team developed and introduced a new online training module to empower all team members to take ownership of their health, safety and wellbeing.

The team does crucial work in varied environments – from network sampling on roadsides, in water and wastewater treatment plants, dams and environmental monitoring from rivers and streams. They also often work alone and perform manual handling tasks.

Health and safety representatives from the sampling team identified the need for consistent training on how to work safely in the field and engaged everyone in their 20-member team to develop the content and resources.

The Introduction to Field Sampling Safety module covers general field safety, hazards, hazardous substances, types of field sampling and injury management. It is part of a wider project to review and improve the laboratory's new starter and induction processes.

This module supports our new sampling technicians with guidance not only on what to do but also how to do it safely. It provides an overview of the activities our sampling team undertakes, bringing together the different health and safety training and knowledge into one intuitive and visual resource.



Sampling technician Ma Marriner at work.



Governance

Watercare, a council-controlled organisation (CCO), is a wholly-owned subsidiary of Auckland Council (the shareholder). The board of directors (the board) and management are committed to ensuring that we apply best-practice governance policies and procedures. The board is ultimately responsible for all decision-making by the company.

Our legislative framework

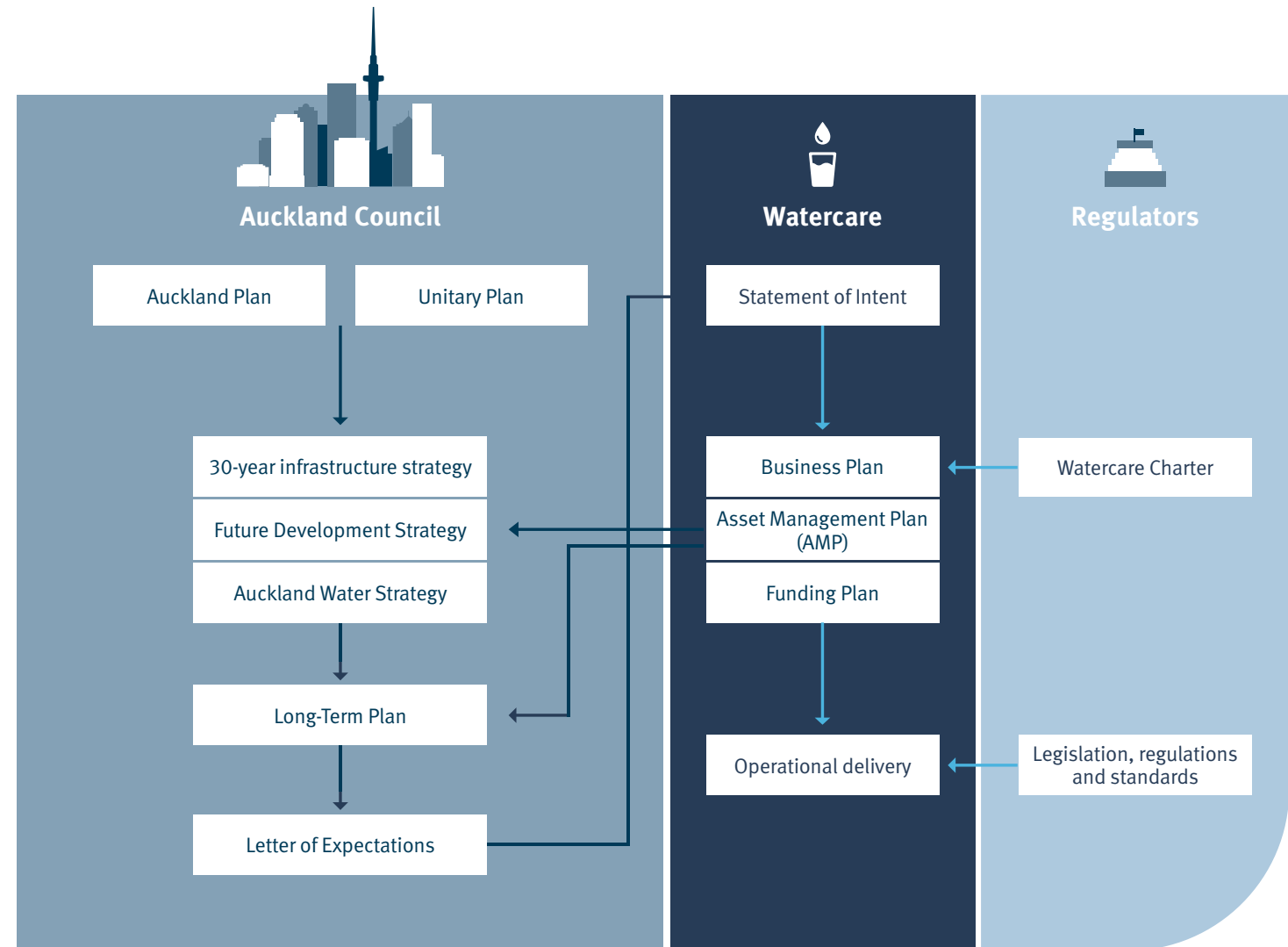
Watercare is a limited liability company registered under the Companies Act 1993, and a local government organisation under the Local Government Act 2002. We are subject to public health, environmental and economic regulation. Our principal regulators include Auckland Council, the Commerce Commission, Waikato Regional Council, the Ministry of Health and Taumata Arowai. We also provide these and other regulatory bodies with information on the potential for existing and proposed policies and regulations to affect our activities. Full details of the legislative framework we operate under can be found on our [website](#).





Our governance framework

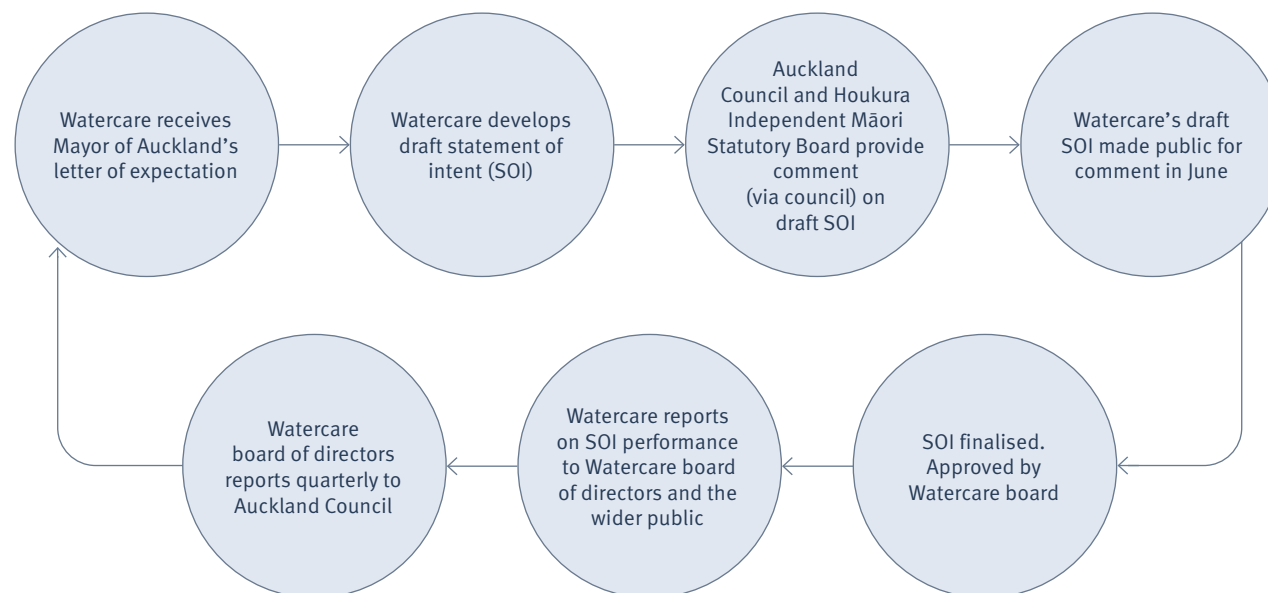
Every year, we consult with our shareholder, Auckland Council, to develop a statement of intent (SOI) covering the next three years. The SOI identifies the relationship between our activity and the delivery of those outcomes sought by the Mayor of Auckland and those specified within the Auckland Plan. Auckland Council, Houkura – the Independent Māori Statutory Board and the general public are invited to comment on the final draft, before it is adopted by the board. The 2025-2028 SOI is available on our [website](#).





Performance

We have an agreed set of performance measures and targets which form the basis of our accountability for delivering on our shareholder's strategic direction, priorities and targets. This annual report records our performance against both non-financial and financial performance measures. The measures include those set out in the Watercare Charter, the mandated non-financial measures of the Department of Internal Affairs, Taumata Arowai, and those that were agreed with council as part of the LTP 2024-2034. Our board undergoes board performance reviews, in line with the council-adopted process.



Setting standards of conduct for employees

We demand the highest standards of behaviour from our employees. Policies governing the conduct of employees are published on our intranet including the Good Employer Policy, the Discrimination, Bullying and Harassment Policy, Sensitive Expenditure Policy, Gifts and Inducement Policy and Conflicts of Interest Policy.

Our projects are subject to internal probity reviews, and external probity auditors are appointed to provide additional assurance on selected projects.

Regular independent reviews

We subject our planning, operations and reporting to regular independent review. We are committed to a culture of continuous improvement and seek independent feedback from specialist advisors to achieve this objective.

Board structure and functions

The board meets at regular intervals throughout the year. The public is welcome to attend all public sessions of board meetings. As of 30 June 2025,

the company has an Audit and Risk Committee, an Asset Management Committee and an Economic Regulation Committee. All directors are welcome to attend any committee meetings, but only committee members have voting rights. The committees provide advice and oversight and do not have delegated authority.

- **Audit and Risk Committee (ARC):** During 2024/25, the ARC was chaired by Andrew Clark and Nicola Crauford (term ended on 18 September 2024)

and helped the board fulfil its financial reporting responsibilities and provided assurance regarding compliance with internal controls, policies and procedures. The ARC also helps the board exercise due care, diligence and effective oversight of risk management and external reporting. Health, safety and wellbeing matters are the responsibility of the full board and are excluded from the duties of the ARC.



• **Asset Management Committee (AMC):**

During 2024/25, the AMC was chaired by Graham Darlow and helped the board exercise due care, diligence and effective oversight of all matters relating to the delivery of the capital programme, Asset Management Plan and major projects.

- **Economic Regulation Committee (ERC):** The ERC was established in June 2025 and Julian Smith was appointed as a chair of the ERC. The ERC helps the board exercise due care, diligence, and effective oversight in relation to economic regulation and key deliverables under the Watercare Charter.

During 2024/25, the Board also had a Capital Finance Committee (CFC). The CFC was established in July 2024 and Julian Smith chaired the CFC. The CFC assisted the board to exercise due care, diligence and effective oversight in relation to capital structure requirements and debt separation from Auckland Council. The CFC achieved its purpose and was formally disestablished by the Board in May 2025.

The committee membership during the FY25 was as follows:

● Committee member

Director	Audit and Risk Committee	Asset Management Committee	Economic Regulation Committee ¹	Capital Finance Committee ²
Geoff Hunt (Board Chair)		●	●	●
Graham Darlow		Committee Chair		
Andrew Clark	Committee Chair			●
Julian Smith	●		Committee Chair	Committee Chair
Frederik Cornu		●		
Karen Sherry	●			
John Crawford			●	●
Rukumoana Schaafhausen			●	
Margaret Devlin (Board Chair) ³	●	●		
Nicola Crauford ⁴	Committee Chair	●		

1. The Economic Regulation Committee was established at the 27 May 2025 Board meeting.

2. The Capital Finance Committee was disestablished at the 27 May 2025 Board meeting.

3. Term ended on 18 September 2024.

4. Term ended on 18 September 2024.



Corporate governance charter

This charter defines the duties and obligations of the board and board members covering fiduciary duty, duty of care, diligence, legal and statutory duties, and conflicts of interest. It incorporates the principles of the Institute of Directors of New Zealand's Code of Practice for directors, relevant sections of New Zealand Exchange Limited's Corporate Governance Best Practice Code, and the Financial Market Authority's guide to corporate governance.

Whistleblowing

We have a specific policy to receive and deal with information about any serious wrongdoing within the company, as required by the Protected Disclosures (Protection of Whistleblowers) Act 2022. PwC provides a Whistleblowing Disclosure Service so employees and others may confidentially and anonymously report matters of serious misconduct.

Complaints disclosure

Any complaints against the company are recorded. Targets have been set for the response to and resolution of complaints.

The details of directors' attendance at Board and Committee meetings during the financial year FY25 is as follows:

■ Denotes committee membership

Board member attendance 2024/25	Board meetings	Audit and Risk Committee meetings	Asset Management Committee meetings	Economic Regulation Committee meetings ⁵	Capital Finance Committee meetings ⁶
Number of meetings	14	5	6	1	15
Geoff Hunt (Board Chair)	13	2	5	1	13
Graham Darlow	11		6		4
Andrew Clark	13	5			15
Julian Smith	12	4			15
Frederik Cornu	14	2	6		3
Karen Sherry (appointed on 1 February 2025)	7	2			
John Crawford (appointed on 1 February 2025)	6			1	4
Rukumoana Schaafhausen (appointed on 1 June 2025)	2				
Margaret Devlin (Board Chair) (term ended on 18/09/2024)	4	2	2		1
Nicola Crauford (term ended on 18/09/2024)	3	2	2		1

5. The Economic Regulation Committee was established at the 27 May 2025 Board meeting.

6. The Capital Finance Committee was disestablished at the 27 May 2025 Board meeting.



Our level of service is reported in the annual report, to the shareholder quarterly, to the board monthly, and to the public at board meetings, as well as via our website.

Disclosures of interest

A register of directors' and senior management's interests is maintained by Watercare and is updated as and when necessary. Directors' and management's interests are a standard agenda item at every board meeting. Any disclosure of interest is recorded in the meeting minutes and the relevant participant refrains from taking part in the discussion or voting on any related resolution.

Transparency and accountability

Our financial statements and the statement of service performance (SSP) must be audited by the Auditor-General, or by an auditor acting on behalf of the Auditor-General. The Auditor-General has appointed Brett Tomkins, using the staff and resources of Deloitte Limited, to undertake the external audit work on behalf of the Auditor-General, in accordance with the Auditor-General's Audit Standards, which incorporate New Zealand Auditing Standards.

Deloitte Limited must satisfy the independence requirements of the Auditor General and External Reporting Board.

We are committed to transparent performance reporting. Recognising this, we publish:

- An annual statement of intent (SOI)
- A long-term asset management plan (AMP)
- An annual report that reports performance against the SOI
- An overview of current water storage levels and other information (published weekly on our website)
- Special reports and project newsletters for interested parties.

As a council-controlled organisation, we are subject to the Local Government Official Information and Meetings Act 1987, which provides to the public official information held by local authorities. The average response time in FY25 was 16.67 days.



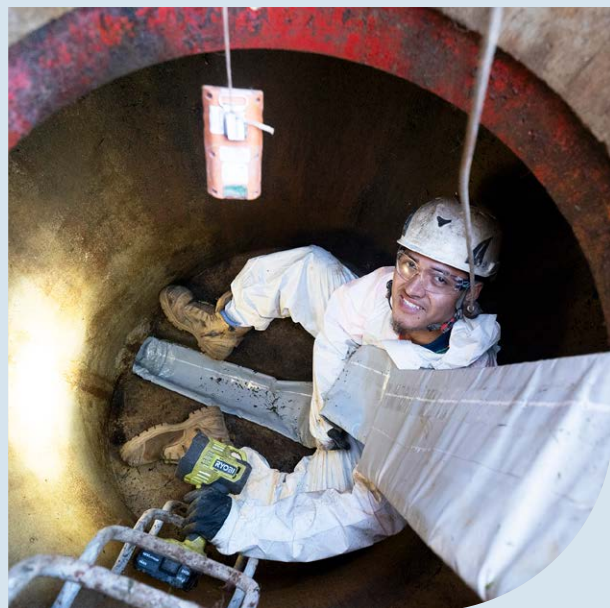
Preparing for tunnelling in
midtown for wastewater upgrades.



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Responsibility for the financial statements and statement of service performance

Financial statements

We have ensured that the financial statements fairly reflect the financial position of the company as at 30 June 2025 and its financial performance and cashflows for the year ended on that date.

We have ensured that the accounting policies used by the company comply with the applicable public benefit entity (PBE) accounting standards.

We believe that proper accounting records have been kept, enabling the financial position of the company to be determined, and that the financial statements comply fully with the Financial Reporting Act 2013 and the Companies Act 1993.

We consider adequate steps have been taken to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Statement of Service Performance

We are responsible for establishing a statement of intent, which sets targets and other measures by which the company's performance can be judged in relation to its objectives.

We consider the results reported in the statement of service performance fairly reflect the achievements for the year ended 30 June 2025.

These financial statements and the statement of service performance for Watercare Services Limited for the year ended 30 June 2025 were approved and authorised for release on 26 August 2025.

For and on behalf of management:

J Sinclair
Chief Executive

A Neeson
Chief Financial Officer

For and on behalf of the Board of Directors:

G Hunt
Chair

A Clark
Director; Chair of the Audit and Risk Committee



Independent Auditor's Report

Deloitte.

To the readers of Watercare Services Limited's Group Consolidated Financial Statements and the Statement of Service Performance of the Group for the year ended 30 June 2025

The Auditor-General is the auditor of Watercare Services Limited and its controlled entities (collectively referred to as 'the Group'). The Auditor-General has appointed me, B E Tomkins, using the staff and resources of Deloitte Limited, to carry out the audit of the consolidated financial statements and the statement of service performance of the Group on his behalf.

We have audited:

- the consolidated financial statements of the Group on [pages 39 to 84](#), that comprise the consolidated statement of financial position as at 30 June 2025, the consolidated statement of comprehensive revenue and expense, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date and the notes to the consolidated financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the Group for the year ended 30 June 2025 on [pages 86 to 95](#).

Opinion

In our opinion:

- the consolidated financial statements of the Group:
 - present fairly, in all material respects:
 - › its consolidated financial position as at 30 June 2025; and
 - › its consolidated financial performance and consolidated cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards; and

- the statement of service performance of the Group
 - accurately reports, in all material respects, the Group's actual performance compared against the performance targets and other measures by which Group's performance can be judged in relation to the Group's objectives in its statement of intent for the year ended 30 June 2025; and
 - has been prepared, in all material respects, in accordance with section 68 of the Local Government Act 2002 (the Act).

Our audit was completed on 26 August 2025. This is the date at which our opinion is expressed.

Emphasis of matter

Without modifying our opinion, we draw attention to the following matters:

Impact of Local Water Done Well

Note 1 on [page 46](#) outlines that on 26 August 2025 the Local Government (Water Services) Act 2025 was enacted. This legislation makes Watercare an income tax exempt entity.

Watercare anticipate being able to retain historic tax losses for use within the Auckland Council tax group. The financial impact of the changes on the Group remains uncertain until Watercare has completed its final tax return, and the total quantum and value of available tax losses are determined. There have been no changes to the values of the Group's tax position in the year to 30 June 2025 as a result of the legislation.

Inherent uncertainties in the measurement of greenhouse gas emissions

The Group has chosen to include a measure of its greenhouse gas (GHG) emissions in its statement of service performance. Without modifying our opinion and considering the public interest in climate change related information, we draw your attention to Note 3 on [page 86](#) of the statement of service performance, which outlines the inherent uncertainty in the reported GHG emissions. Quantifying GHG emissions is subject to inherent uncertainty because the scientific knowledge and methodologies to determine the emissions factors and processes to calculate or estimate quantities of GHG sources are still evolving, as are GHG reporting and assurance standards.



Independent Auditor's Report (continued)



Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor for the audit of the consolidated financial statements and the statement of service performance of the Group section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the consolidated financial statements and the statement of service performance of the Group

The Board of Directors is responsible on behalf of the Group for preparing consolidated financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the statement of service performance of the Group in accordance with the Act.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare consolidated financial statements and the statement of service performance of the Group that are free from misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the statement of service performance of the Group, the Board of Directors is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the consolidated financial statements and the statement of service performance of the Group

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the statement of service performance of the Group, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these consolidated financial statements and the statement of service performance of the Group.

For the budget information reported in the consolidated financial statements and in the statement of service performance of the Group, our procedures were limited to checking that the information agreed to the Group's statement of intent.

We did not evaluate the security and controls over the electronic publication of the consolidated financial statements and the statement of service performance of the Group.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the consolidated financial statements and the statement of service performance of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



Independent Auditor's Report (continued)



- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the statement of service performance of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We evaluate the overall presentation, structure and content of the statement of service performance of the Group, including the disclosures, and assess whether the statement of service performance of the Group achieves its statutory purpose of enabling the Group's readers to judge the actual performance of the Group against its objectives in the Group's statement of intent.

- We plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information and the service performance information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements and the statement of service performance of the Group. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and the statement of service performance of the Group, and our auditor's report thereon.

Our opinion on the consolidated financial statements and the statement of service performance of the Group does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the statement of service performance of the Group, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the consolidated financial statements and the statement of service performance of the Group or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Independent Auditor's Report (continued)

Deloitte.

Independence

We are independent of the Group in accordance with the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit, we have carried out an engagement in the area of an assurance review of the Group's fraud investigation report, which is compatible with those independence requirements. In addition to these assignments, partners, principals, and employees of our firm deal with the Group on normal terms within the ordinary course of trading activities of the Group. These assignments and trading activities have not impaired our independence as auditor of the Group. Other than the audit and this engagement, we have no relationship with, or interests in, the Group.

Brett Tomkins

for Deloitte Limited

On behalf of the Auditor-General

Auckland, New Zealand



Statement of comprehensive revenue and expense

For the year ended 30 June 2025

	Notes	2025 Actual \$000	2024 Actual \$000	2025 Budget \$000
Revenue	Note 11	1,158,323	1,085,078	1,142,326
Total revenue		1,158,323	1,085,078	1,142,326
Operating expenses				
Asset operating costs		(107,483)	(88,390)	(100,152)
Maintenance costs		(83,164)	(90,535)	(84,656)
Employee benefit expenses		(110,857)	(105,541)	(114,045)
Other expenses		(79,788)	(82,553)	(75,893)
Total operating expenses	Note 12	(381,292)	(367,019)	(374,746)
Depreciation and amortisation	Note 4 & 7	(460,727)	(394,669)	(392,031)
Finance costs	Note 9	(172,321)	(150,275)	(181,426)
Total expenses		(1,014,340)	(911,963)	(948,203)
Operating surplus from trading operations		143,983	173,115	194,123
Net gain/(loss) on disposal of property, plant and equipment		522	(9,682)	(8,000)
Operating surplus before tax		144,505	163,433	186,123
Income tax expense	Note 14	(61,520)	(66,825)	(52,114)
Net surplus for the year		82,985	96,608	134,009
Other comprehensive revenue and expense net of tax				
Gain/(Loss) on revaluation of property, plant and equipment	Note 6	998,458	(25,792)	–
Total comprehensive revenue and expense for the year, net of tax		1,081,443	70,816	134,009
Attributable to:				
Owner of the parent, net of tax		1,081,443	70,816	134,009

Comparative figures have been re-presented to align with current year presentation.

The financial statements should be read in conjunction with the notes on pages 45 to 84 inclusive.



Statement of financial position

As at 30 June 2025

	Notes	2025 Actual \$000	2024 Actual \$000	2025 Budget \$000
Assets				
Current				
Cash and cash equivalents	Note 10	22,175	23,611	10,923
Restricted cash	Note 10	30,714	24,678	–
Trade and other receivables from exchange transactions	Note 16	153,986	138,341	104,938
Inventories	Note 17	19,927	20,435	19,613
Prepaid expenses	Note 19	10,167	10,547	14,461
Other financial assets	Note 20	–	6,988	40,541
Total current assets		236,969	224,600	190,476
Non-current				
Property, plant and equipment	Note 4	18,034,834	16,046,002	17,066,312
Intangible assets and goodwill	Note 7	133,957	86,745	92,197
Inventories	Note 17	6,864	6,946	3,619
Prepaid expenses	Note 19	29,211	30,326	41,775
Other financial assets	Note 20	–	–	2,992
Total non-current assets		18,204,866	16,170,019	17,206,894
Total assets		18,441,835	16,394,619	17,397,371
Liabilities				
Current				
Trade and other payables for exchange transactions	Note 18	71,766	34,153	48,802
Accrued expenses	Note 21	157,396	159,613	154,863
Provisions	Note 22	11,953	12,931	20,821
Borrowings	Note 8	200,000	–	–
Total current liabilities		441,115	206,697	224,486



Statement of financial position (continued)

As at 30 June 2025

	Notes	2025 Actual \$000	2024 Actual \$000	2025 Budget \$000
Non-current				
Borrowings	Note 8	3,832,230	3,567,495	4,271,332
Deferred tax liability	Note 15	2,915,348	2,465,539	2,495,510
Trade and other payables for exchange transactions	Note 18	26,520	19,370	2,859
Accrued expenses	Note 21	18,832	9,736	14,213
Provisions	Note 22	12,651	12,085	18,732
Total non-current liabilities		6,805,581	6,074,225	6,802,646
Total liabilities		7,246,696	6,280,922	7,027,132
Equity				
Equity attributable to owners of the parent				
Retained earnings		4,802,828	4,718,797	4,951,659
Revaluation reserves	Note 6	6,131,618	5,134,207	5,157,887
Issued capital	Note 23	260,693	260,693	260,693
Total equity attributable to owners of the parent		11,195,139	10,113,697	10,370,239
Non-controlling interest		–	–	–
Total equity		11,195,139	10,113,697	10,370,239
Total equity and liabilities		18,441,835	16,394,619	17,397,371

The financial statements should be read in conjunction with the notes on pages 45 to 84 inclusive.



Statement of cash flows

For the year ended 30 June 2025

	Notes	2025 Actual \$000	2024 Actual \$000	2025 Budget \$000
Operating activities				
Cash was provided from:				
Receipts from customers		1,123,664	1,002,758	1,072,904
Dividends received	Note 11	161	155	–
Interest received	Note 11	2,450	2,345	–
		1,126,275	1,005,258	1,072,904
Cash was applied to:				
Employees and suppliers		(355,015)	(392,058)	(371,447)
		(355,015)	(392,058)	(371,447)
Net cash inflows – operating activities	Note 13	771,260	613,200	701,457
Investing activities				
Cash was applied to:				
Purchase and construction of property, plant and equipment, and intangibles		(1,045,991)	(1,032,248)	(1,210,508)
		(1,045,991)	(1,032,248)	(1,210,508)
Net cash outflows – investing activities		(1,045,991)	(1,032,248)	(1,210,508)



Statement of cash flows (continued)

For the year ended 30 June 2025

	Notes	2025 Actual \$000	2024 Actual \$000	2025 Budget \$000
Financing activities				
Cash was provided from:				
Proceeds from Auckland Council loans – related party	Note 23	1,072,500	1,162,555	1,188,829
		1,072,500	1,162,555	1,188,829
Cash was applied to:				
Repay loans and interest from Auckland Council – related party	Note 23	(793,170)	(699,334)	(679,778)
		(793,170)	(699,334)	(679,778)
Net cash inflows – financing activities		279,330	463,222	509,051
Net change in cash flows		4,600	44,174	–
Cash and cash equivalents/(overdraft) at the beginning of the year		48,289	4,115	10,923
Cash and cash equivalents/(overdraft) at the end of the year		52,889	48,289	10,923
Cash and cash equivalents comprises:				
Bank balances/(overdraft)		22,175	23,611	10,923
Restricted cash		30,714	24,678	-
		52,889	48,289	10,923

The financial statements should be read in conjunction with the notes on pages 45 to 84 inclusive.



Statement of changes in equity

For the year ended 30 June 2025

	Notes	Retained earnings \$000	Revaluation reserves \$000	Issued capital \$000	Non-controlling Interest \$000	Total \$000
Balance at 1 July 2024		4,718,797	5,134,207	260,693	–	10,113,697
Comprehensive revenue and expense						
Net surplus for the year		82,985	–	–	–	82,985
Other comprehensive revenue and expense						
Gain/(loss) on revaluation of property, plant and equipment (net of tax)	Note 6	–	998,458	–	–	998,458
Transfer between reserves on disposal of property, plant and equipment	Note 6	1,047	(1,047)	–	–	–
Balance at 30 June 2025		4,802,828	6,131,618	260,693	–	11,195,139

	Notes	Retained earnings \$000	Revaluation reserves \$000	Issued capital \$000	Non-controlling Interest \$000	Total \$000
Balance at 1 July 2023		4,601,570	5,180,618	260,693	–	10,042,881
Comprehensive revenue and expense						
Net surplus for the year		96,608	–	–	–	96,608
Other comprehensive revenue and expense						
Gain/(loss) on revaluation of property, plant and equipment (net of tax)	Note 6	–	(25,792)	–	–	(25,792)
Transfer between reserves on disposal of property, plant and equipment	Note 6	20,619	(20,619)	–	–	–
Balance at 30 June 2024		4,718,797	5,134,207	260,693	–	10,113,697

The financial statements should be read in conjunction with the notes on pages 45 to 84 inclusive.



Notes to the financial statements

For the year ended 30 June 2025

1. Reporting entity and basis of preparation

Reporting entity

These financial statements are for Watercare Services Limited (“Watercare”). Watercare is incorporated and domiciled in New Zealand and is a council-controlled organisation (CCO), wholly owned by Auckland Council, as defined in the Local Government Act 2002. The consolidated financial statements of the group (hereafter referred to as the financial statements) are for the economic entity of Watercare and its subsidiaries. The group’s registered office is located at 73 Remuera Road, Auckland, New Zealand.

Watercare’s objective is governed by section 57 of the Local Government (Auckland Council) Act 2009, which states that Watercare must:

- manage its operations efficiently with a view to keeping the overall costs of water supply and waste-water services to its customers (collectively) at the minimum levels consistent with the effective conduct of its undertakings and the maintenance of the long-term integrity of its assets; and
- not pay any dividend or distribute any surplus in any way, directly or indirectly, to any owner or shareholder.

Any financial return is reinvested back into the business or used to repay debt.

Watercare’s operations are also governed by the Local Government Act 2002 and it is audited under the Public Audit Act 2001. Watercare is a public-sector public benefit entity (PBE) as defined under the External Reporting Board (XRB) Standard A1.

Basis of preparation

Watercare is a company registered under the Companies Act 1993. The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013, the Local Government Acts 1974 and 2002, the Local Government (Auckland Council) Act 2009 and the Companies Act 1993.

These financial statements have been prepared on a historical cost basis, except for land and buildings, certain infrastructural assets and financial instruments, which are measured at fair value, as disclosed in the notes to the financial statements. These

financial statements are presented in New Zealand dollars. All values are rounded to the nearest thousand dollars (\$000), unless otherwise stated. All items in the financial statements are stated exclusive of Goods and Services Tax (GST), except for receivables and payables, which include GST. The net amount of GST recoverable from or payable to Inland Revenue is included as part of receivables or payables in the statement of financial position.

These financial statements have been prepared on a going concern basis where applicable and the accounting policies have been applied consistently throughout the period. When an entity within the group ceases to be a going concern, its individual financial statements are prepared on a net realisable value basis. The accounting policies that materially affect the measurement of comprehensive revenue and expense, financial position and cash flows are stated within the respective notes in these financial statements.

Water services reform programme – “Local Water Done Well”

The central government is addressing New Zealand’s water infrastructure challenges through the Government’s Local Water Done Well programme, a three-stage process to improve water quality and update aging infrastructure. The first bill repealed the previous Government’s water services legislation. The second bill established the preliminary arrangements for the new water services system. The third bill establishes the enduring settings for the water services system.

Implications of the Local Government (Water Services) Bill 2024

The Local Government (Water Services) Bill (“The Bill”), introduced in December 2024, is the third and final step in the Government’s “Local Water Done Well” reform programme. The Bill marks a significant shift in the governance, delivery, and regulation of water services. It establishes enduring settings that promote transparency, accountability, and financial sustainability for water services entities.



Notes to the financial statements (continued)

For the year ended 30 June 2025

1. Reporting entity and basis of preparation (continued)

This Bill provides for:

- arrangements for the new water services delivery system
- a new economic regulation and consumer protection regime for water services
- changes to the regulatory framework for water quality and to the water services regulator.

Auckland Council remains the sole shareholder of Watercare.

However, Watercare:

- continues to be prohibited from paying dividends or any surplus to Auckland Council
- is excluded from the charging provisions under the Bill and continues to rely on its contractual charging method.
- is unable to use the development contributions regime in the Bill.

Progress on Local Government (Water Services Preliminary Arrangements) Act 2024 obligations

Under section 77 of the Local Government (Water Services Preliminary Arrangements) Act 2024, the central government approved the Watercare Charter on 12 December 2024 and it came into force on 1 April 2025. The Watercare Charter sets service quality standards and financial performance objectives, which are applicable for the three years through to 30 June 2028

The Commerce Commission (as Crown monitor) is monitoring Watercare's performance against the Watercare Charter, with full economic regulation commencing in 2028.

In the past, Auckland Council secured borrowings for water infrastructure and on-lent them to Watercare under an intercompany loan. Watercare's financial separation from Auckland Council was formally achieved on 1 July 2025. Under the new financial model Watercare now borrows funds in its own name for investment in water infrastructure and will repay its debt to Auckland Council over a 5-year period.

Watercare received an Aa3 credit rating from Moody's Investor Services, supporting its ability to raise borrowings. The intercompany loan between Auckland Council and Watercare will be replaced with a new loan arrangement to support financial separation.

There are no changes to Watercare's financial reporting, which will continue to be consolidated with the Auckland Council group.

Future Tax Status

On 26 August 2025, the Local Government (Water Services) Act 2025, which forms part of the Government's Local Water Done Well reform programme, was enacted. Under this legislation, Watercare becomes an income tax exempt entity. Because the legislation was not substantively enacted at 30 June 2025, the impact has not been reflected in these financial statements. Refer to **Note 15** for details of the tax position as at 30 June 2025.

A summary of the impacts of the law change is outlined below.

- Watercare is no longer required to pay tax on income and does not receive tax deductions for expenditure. As a result, all deferred tax liabilities will be derecognised.
- Historic tax losses are anticipated to remain available for use within the wider Auckland Council group. As a result, in the year to 30 June 2026 Watercare will consider the value of tax losses to continue to be recognised, and will recognise income for the tax effect of any losses transferred to other group entities.
- The current and deferred tax consequences of a change in tax status will be recognised in the income tax expense or credit in the statement of comprehensive revenue and expense, unless they relate to transactions recognised directly in other comprehensive revenue and expense.

The financial impact of the law change will remain uncertain until Watercare's final tax return is completed and the total quantum and value of available tax losses are determined.



Notes to the financial statements (continued)

For the year ended 30 June 2025

1. Reporting entity and basis of preparation (continued)

Statement of compliance

The group applies New Zealand PBE accounting standards (PBE standards). The financial statements and accounting policies comply with the specific recognition, measurement and disclosure requirements of the PBE standards and New Zealand Generally Accepted Accounting Practice (NZ GAAP) and Authoritative Notices that apply to entities applying PBE standards.

Budget figures

The budget reflects figures presented in the 2024–2027 Statement of Intent (SOI), approved by the Board in July 2024. These figures have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), applying accounting policies consistent with those adopted in the preparation of these financial statements. The budget figures pertain solely to the controlling entity (Watercare) and exclude those of its subsidiaries, which are considered immaterial to the consolidated group.

Critical accounting estimates and judgments

The group is required to make judgments, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and judgments are based on historical experience and other relevant factors. Actual results may differ from the estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to estimates are recognised in the period in which the estimate is revised or in the current and/or future period(s) which the revisions affect. Refer to the notes below for a discussion of estimates and judgments in applying the accounting policies.

- Revaluation of property, plant and equipment, [note 6](#)
- Unbilled revenue estimate, [note 11](#)
- Provisions, [note 22](#)
- Uncertain tax position IFRIC 23, [note 1](#)

Basis of consolidation

Consolidation of a subsidiary begins when Watercare obtains control over the subsidiary and ceases when Watercare loses control of the subsidiary. The group controls an entity when it has the power to govern the financial and operating policies of the entity so as to benefit from its activities. The results of the subsidiary acquired or disposed of during the year are included in the statement of comprehensive revenue and expense from the date Watercare gains control until the date when Watercare ceases to control the subsidiary.

A list of all subsidiaries is shown in [note 23](#).

Where necessary, adjustments are made to the financial statements of the subsidiary to bring the accounting policies used in line with the group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the group are eliminated on consolidation.

Adoption of new and revised PBE accounting standards, interpretations and amendments

All standards, interpretations and amendments approved but not yet effective in the current year are either not applicable to the group or are not expected to have a material impact on the financial statements and, therefore, have not been disclosed.



Notes to the financial statements (continued)

For the year ended 30 June 2025

2. Explanation of major variances to budget

Commentary is provided for variances to budget greater than \$5.0m or 10%, or where relevant.

Statement of comprehensive revenue and expenses – extract

	2025 Actual \$000	2025 Budget \$000	Variance \$000	Variance %
Revenue	1,158,323	1,142,326	15,997	1.4%
Asset operating costs	(107,483)	(100,152)	(7,331)	(7.3%)
Maintenance costs	(83,164)	(84,656)	1,492	1.8%
Employee benefit expenses	(110,857)	(114,045)	3,188	2.8%
Other expenses	(79,788)	(75,893)	(3,895)	(5.1%)
Depreciation and amortisation	(460,727)	(392,031)	(68,696)	(17.5%)
Finance costs	(172,321)	(181,426)	9,105	5.0%
Net gain on disposal of property, plant and equipment	522	(8,000)	8,522	106.5%

- Revenue is \$16.0m (1.4%) favourable to budget. This is driven by higher than anticipated Infrastructure growth charges of \$18.3m, vested asset revenues \$26.0m, new developments revenue \$5.2m, tax loss subvention payment \$11.6m and Research and Development Tax Incentive (RDTI) of \$1.2m. This is partially offset by lower tariff revenues \$37.7m due to lower consumption volumes and customer mix, and \$20.1m insurance recoveries not realised in FY25.
- Asset operating costs are \$7.3m (-7.3%) unfavourable to budget for the year. Energy costs are higher due to our reliance on the Waikato treatment plant over the summer period to conserve dam levels, additional wastewater pumping due to wet weather through May and June and increase in time of use energy charges. Chemical cost are also higher due to the geosmin and arsenic outbreaks experienced through the year. Land maintenance costs are higher than anticipated with tree felling required at Rosedale site. There has also been an increased focus on meter reads driving greater accuracy in revenue and customer billing.
- Depreciation and amortisation was \$68.6m (17.5%) unfavourable to budget due to higher level of assets identified for retirement and associated accelerated depreciation which has been exacerbated with completion of Central Interceptor and flood assets being replaced.
- Financing costs were \$9.1m (5.0%) favourable to budget reflecting a lower than planned interest rate and borrowings.
- Net gain on disposables of PPE was \$8.5m favourable to plan, driven by gain on sale of land.



Notes to the financial statements (continued)

For the year ended 30 June 2025

2. Explanation of major variances to budget (continued)

Statement of financial position - extract

	2025 Actual \$000	2025 Budget \$000	Variance \$000	Variance %
Total current assets	236,969	190,476	46,493	24.4%
Total non-current assets	18,204,866	17,206,894	997,972	5.8%
Total current liabilities	441,115	224,486	216,629	96.5%
Total non-current liabilities	6,805,581	6,802,645	2,936	0.0%
Total equity	11,195,139	10,370,239	824,900	8.0%

- Current assets are \$46.4m (24.4%) higher than budget, with increased cash held for contract retention and higher receivables relating to the Healthy Water Point Erin contribution and Auckland Council group subvention tax purchase.
- Non-current assets are \$997.9m (5.8%) higher to budget primarily from revaluation of pipelines (\$998m), and a net increase in PP&E and intangibles.
- Current liabilities were \$216.6 million (96.5%) above budget, primarily due to the reclassification of \$200 million Auckland Council loan from non-current to current. This reclassification reflects the loan's contracted minimum repayment within the next financial year. Additionally, the variance was further impacted by higher trade payables recorded at year-end, contributing to the overall increase.
- Equity was \$827.4m (8.0%) higher than budget predominantly reflecting the pipeline revaluation in FY25.

Statement of cash flows - extract

All the group's cash flow from operations was available for either capital expenditure or debt repayment.

	2025 Actual \$000	2025 Budget \$000	Variance \$000	Variance %
Net cash inflows - operating activities	771,260	701,457	69,803	10.0%
Net cash outflows - investing activities	(1,045,991)	(1,210,508)	164,517	(13.6%)
Net cash inflows/(outflows) - financing activities	279,330	509,051	(229,721)	(45.1%)

- Net operating cash inflows were \$69.8m (10.0%) higher than budget mainly driven by higher infrastructure growth charges, new developments revenue, government grants and subvention income.
- The net cash outflows from investing activities were \$164.5m (13.6%) lower than budget due to lower capital expenditure.
- The net cash inflows from financing activities were \$229.7m (45.1%) lower than budget, reflecting the increased revenue and reduced capital expenditure.



Notes to the financial statements (continued)

For the year ended 30 June 2025

3. Business update

a) Significant weather impacts

Following the significant weather events in January and February 2023, we have continued to assess and remediate damage to water-related infrastructure throughout FY25. Majority of the repairs are complete although several complex repairs such as Judges Bay and Murrays Bay remain as capital works to be continued into FY26.

An insurance claim lodged in May 2024 is still currently under review by the assessors. Work continues with the claim agent and the assessors on the above and below ground claim. Insurance proceeds of \$3.3m have been recognised in FY25.

In FY25 \$3.6m has been recognised in the Statement of Comprehensive Revenue and Expense for pumping, chemical, energy and cleaning costs relating to diversions implemented to keep the network operating. \$21m capital expenditure was incurred in FY25.

In September 2023, Watercare was alerted to a sinkhole collapse on the Orakei main sewer on St Georges Bay Rd in Parnell. The remediation works are on track for completion early FY26.



Notes to the financial statements (continued)

For the year ended 30 June 2025

4. Property, plant and equipment

Property, plant and equipment (PPE) is initially measured at cost. The cost of PPE may include the initial purchase price plus directly attributable material, labour, finance costs, and other overheads incurred for bringing the assets to the location and condition necessary for their intended use. Assets under construction are recorded as capital work in progress and include operational and intangible assets under construction. Finance costs incurred during construction are expensed as incurred and are not capitalised. The cost of assets purchased with foreign currencies is initially recorded using the exchange rate on the date of the transaction. Any foreign exchange gain or loss arising from the differences in exchange rates between the transaction date and the settlement date is recognised as revenue or expense in the period in which they arise.

Asset class	Category	Subsequent measurement basis	Estimated remaining useful lives in years	
			2025	2024
Land	Operational asset	Land at fair value that reflects current market value and forestry assets at fair value less costs to sell	-	-
Buildings	Operational asset	Highly specialised buildings at fair value which is deemed to be depreciated replacement cost, less accumulated depreciation Other buildings at fair value that reflects current market value, less accumulated depreciation	up to 100	up to 100
Pipelines	Infrastructure asset	Fair value which is deemed to be depreciated replacement cost, less accumulated depreciation	up to 167	up to 167
Tanks, tunnels, roads and reservoirs	Infrastructure asset	Fair value which is deemed to be depreciated replacement cost, less accumulated depreciation	up to 200	up to 200
Dams	Infrastructure asset	Fair value which is deemed to be depreciated replacement cost, less accumulated depreciation	up to 200	up to 200
Landfill	Infrastructure asset	Cost less accumulated depreciation and impairment losses	up to 21	up to 21
Machinery	Infrastructure asset	Fair value which is deemed to be depreciated replacement cost, less accumulated depreciation	up to 200	up to 200
Motor vehicles	Operational asset	Cost less accumulated depreciation and impairment losses	up to 25	up to 25
Office equipment	Operational asset	Cost less accumulated depreciation and impairment losses	up to 30	up to 30
Capital work in progress	Infrastructure assets mainly	Cost less accumulated impairment losses	-	-

Forestry assets owned by Watercare are included within the land asset class. Changes in fair value less costs to sell relating to forestry assets and gains and losses on disposal of PPE are recognised in the statement of comprehensive revenue and expense for the period in which they arise.

Any PPE relating to the revalued asset classes that has been acquired after the most recent valuation is carried at cost less accumulated depreciation until the next revaluation.



Notes to the financial statements (continued)

For the year ended 30 June 2025

4. Property, plant and equipment (continued)

Revaluation

All PPE, except for landfill, motor vehicles, office equipment and capital work in progress, are revalued after initial recognition. Also refer to **Note 6 Revaluation Reserves**.

Revaluations are carried out on a class-of-asset basis at least every three years. Land and Buildings are also revalued in line with Auckland Council's five-year cycle. During the off-cycle years for revaluation, the carrying values of previously revalued assets are assessed to ensure that they do not differ materially from fair value. If there is evidence supporting a material difference, then the off-cycle asset classes are revalued.

Revaluation assumptions

The group has taken all practical steps and engages expert valuers where necessary to ensure estimates and assumptions used in asset revaluations are reasonable and supportable.

Prior Year (FY24) Valuation

In FY24, Watercare engaged Beca Projects NZ Limited (Beca) to perform a revaluation of Land and Buildings as at 30 June 2024. The revaluation for land was based on relevant market prices using a market-based approach including comparable sales analysis and market indices. For buildings, valuation assumptions included construction costs derived from recent contracts and the application of the capital goods price index (CGPI). Useful lives were assessed as the lesser of physical life or planned economic replacement, with ongoing condition assessments informing these estimates.

Current Year (FY25) Valuation

In accordance with Watercare's policy to perform asset class revaluations at least every three years or when market movements indicate material differences, a detailed market movement analysis was performed by Beca across all asset classes for FY25. This analysis identified that only the Pipeline asset class exhibited market movements exceeding acceptable valuation limits, warranting a full revaluation. Conversely,

other asset classes, including Land, Buildings, and remaining Infrastructure assets, demonstrated valuation movements within the range of the asset valuation and did not require revaluation. This targeted approach ensures efficient allocation of resources while maintaining compliance with relevant accounting standards and preserving the accuracy of asset valuations.

Beca was subsequently engaged to perform a full revaluation of the Pipeline asset class as at 30 June 2025. The FY25 pipeline revaluation incorporated physical inspections where possible, review of asset management plans, updated unit rates, and market data. This revaluation resulted in a \$1,386.8m uplift, representing a 9.1% increase in fair value, consistent with procurement experience and prior forecasts. The valuation methodology applied was the Optimised Depreciated Replacement Cost (ODRC) approach, consistent with prior years.

For all other asset classes including Land, Buildings, and remaining Infrastructure assets, Beca conducted a market movement desktop review to June 2025. The review indicated potential valuation movements ranging from -2% to +2% for land and buildings, and 0% to 4.7% for other infrastructure classes. As these were within the asset valuation ranges, no revaluation adjustments were made for these classes in FY25.

Throughout the valuation process, assumptions and methodologies remained consistent with prior years. This includes use of CGPI for indexation, construction unit rates based on recent contracts, and asset useful lives assessed through physical inspections and integrity condition assessments.

Depreciation

Depreciation is provided on a straight-line basis on all PPE, other than for landfills, freehold land and work in progress, at rates calculated to allocate their cost or revalued amounts over their estimated useful lives. PPE are depreciated to a nil residual value. Landfill assets are amortised on a usage basis over the expected life of the landfill.



Notes to the financial statements (continued)

For the year ended 30 June 2025

4. Property, plant and equipment (continued)

	Land \$000	Buildings \$000	Pipelines \$000	Tanks, tunnels, roads and reservoirs \$000	Dams \$000	Landfill \$000	Machinery \$000	Motor vehicles \$000	Office equipment \$000	Capital work in progress \$000	Total \$000
Balance at 1 July 2023											
Restated Cost or valuation	919,546	94,096	8,797,906	743,576	852,113	113,373	1,887,596	28,914	61,346	1,964,861	15,463,326
Accumulated depreciation	–	–	–	–	–	(31,713)	–	(20,685)	(39,797)	–	(92,195)
Carrying amount	919,546	94,096	8,797,906	743,576	852,113	81,660	1,887,596	8,229	21,549	1,964,861	15,371,131
Year ended 30 June 2024											
Additions to work in progress	–	–	–	–	–	–	–	–	–	1,126,481	1,126,481
Additions to PPE	110,476	21,398	518,895	38,074	4,385	–	176,935	2,472	27,086	(899,721)	–
Transfers from work in progress/ (to intangibles)	–	–	–	–	–	–	–	–	–	(36,586)	(36,586)
Disposals	(8,323)	(90)	–	–	–	–	–	(234)	–	–	(8,647)
Revaluation	(23,362)	(3,506)	–	–	–	–	–	–	–	–	(26,868)
Impairment	–	–	(2,941)	–	–	–	(1,209)	(17)	(17)	–	(4,184)
Transfers from/(to) other classes and other adjustments	–	(240)	8,252	(2,931)	63	(3,547)	3,719	(357)	(173)	–	4,787
Depreciation	–	(4,124)	(218,486)	(27,813)	(8,885)	(8,678)	(97,956)	(2,355)	(11,814)	–	(380,111)
Closing carrying amount	998,337	107,534	9,103,626	750,906	847,675	69,435	1,969,085	7,738	36,631	2,155,035	16,046,002
Balance at 1 July 2024											
Cost or valuation	998,337	111,555	9,305,863	777,900	856,470	106,965	2,059,687	30,012	84,625	2,155,035	16,486,449
Accumulated depreciation	–	(4,021)	(202,237)	(26,994)	(8,795)	(37,530)	(90,602)	(22,274)	(47,994)	–	(440,447)
Carrying amount	998,337	107,534	9,103,626	750,906	847,675	69,435	1,969,085	7,738	36,631	2,155,035	16,046,002



Notes to the financial statements (continued)

For the year ended 30 June 2025

4. Property, plant and equipment (continued)

	Land \$000	Buildings \$000	Pipelines \$000	Tanks, tunnels, roads and reservoirs \$000	Dams \$000	Landfill \$000	Machinery \$000	Motor vehicles \$000	Office equipment \$000	Capital work in progress \$000	Total \$000
Year ended 30 June 2025											
Additions to work in progress	–	–	–	–	–	–	–	–	–	1,015,336	1,015,336
Additions to PPE	41,824	49,602	1,127,630	65,359	4,240	22,957	328,855	5,715	27,020	(1,565,286)	107,916
Transfers to Intangibles	–	–	–	–	–	–	–	–	–	(57,815)	(57,815)
Disposals	(5,201)	–	–	–	–	–	(172)	(118)	–	–	(5,491)
Revaluation	–	–	1,386,747	–	–	–	–	–	–	–	1,386,747
Impairment	(454)	–	–	–	–	–	–	–	–	(6,366)	(6,820)
Transfers from/(to) other classes and other adjustments	2,212	64,646	825	217,868	(68,216)	(6,363)	(212,918)	134	2,028	(1,132)	(916)
Depreciation	–	(8,292)	(251,809)	(41,859)	(8,763)	(7,146)	(114,436)	(3,032)	(14,787)	–	(450,124)
Closing carrying amount	1,036,718	213,490	11,367,019	992,274	774,936	78,883	1,970,414	10,437	50,892	1,539,771	18,034,834
Balance at 30 June 2025											
Cost or valuation	1,036,718	225,991	11,367,019	1,065,994	793,115	116,406	2,164,254	34,268	103,339	1,539,771	18,446,875
Accumulated depreciation	–	(12,501)	–	(73,720)	(18,179)	(37,523)	(193,840)	(23,831)	(52,447)	–	(412,041)
Carrying amount	1,036,718	213,490	11,367,019	992,274	774,936	78,883	1,970,414	10,437	50,892	1,539,771	18,034,834



Notes to the financial statements (continued)

For the year ended 30 June 2025

4. Property, plant and equipment (continued)

Service concession assets – included in the above

Service concession assets are infrastructure assets owned by Watercare and operated by Veolia Water Services (ANZ) Pty Limited (Veolia) for the provision of water and wastewater services in the Papakura district. The franchise agreement stipulates the services Veolia must provide, to whom it must provide them and regulates the price. Veolia is responsible for upgrading and maintaining the network in Papakura so that at the end of the contract period (initial term of 30 years ending on 30 June 2027 with a 20-year right of renewal), the network shall be in a better overall condition than that which existed at the time the contract was commenced in 1997. At the commencement of the contract, a franchise fee was paid in exchange for the rights to operate the assets as detailed in note 21. Watercare retains ownership of the infrastructure assets franchised to Veolia.

Where Watercare recognises an asset for the upgrades made by Veolia to the existing service concession assets, where material Watercare also recognises a liability at the same amount as the asset. The liability so recognised is reduced over the remaining period of the service concession arrangement.

	Pipelines \$000	Machinery \$000	Total \$000
Balance at 30 June 2023			
Cost or valuation	299,969	7,699	307,668
Accumulated depreciation	–	–	–
Carrying amount	299,969	7,699	307,668
Year ended 30 June 2024			
Additions to PPE	9,142	–	9,142
Disposals	–	–	–
Transfers	–	–	–
Revaluation	–	–	–
Depreciation	(182)	–	(182)
Closing carrying amount	308,929	7,699	316,628
Balance at 30 June 2024			
Cost or valuation	308,929	7,699	316,628
Accumulated depreciation	–	–	–
Carrying amount	308,929	7,699	316,628
Year ended 30 June 2025			
Additions to PPE	1,093	–	1,093
Disposals	(64)	–	(64)
Transfers	6,124	(6,124)	–
Revaluation	75,087	–	75,087
Depreciation	(5,124)	(16)	(5,140)
Closing carrying amount	386,045	1,559	387,604
Balance at 30 June 2025			
Cost or valuation	386,045	1,615	387,660
Accumulated depreciation	–	(56)	(56)
Carrying amount	386,045	1,559	387,604



Notes to the financial statements (continued)

For the year ended 30 June 2025

4. Property, plant and equipment (continued)

Capital work in progress

Work in progress relates to the following projects:	2025 \$000	2024 \$000
Water treatment plant	54,262	18,871
Wastewater treatment plant	330,563	179,223
Wastewater pump station and sewer	898,163	1,420,646
Watermains, pump stations and reservoirs	262,334	227,146
Dams and raw water transmission pipelines	7,064	249,611
Other	28,280	59,538
Total work in progress	1,580,666	2,155,035

5. Impairment of property, plant and equipment, and intangible assets including goodwill

Non-financial assets other than revalued assets, primarily consisting of landfill, motor vehicles, office equipment, work in progress and intangibles (including goodwill), are separated into cash-generating and non-cash-generating assets and are annually assessed for impairment.

Cash-generating assets

Assets are considered cash generating where their primary objective is to generate a commercial return. At each reporting date, the group assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of the cash-generating unit's (CGU) fair value less costs to sell and its value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to

the CGU. Where the carrying amount of the CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets. At each reporting date, the group assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the group estimates the asset's recoverable service amount. An asset's recoverable service amount is the higher of the non-cash-generating asset's fair value less costs to sell and its value in use. Where the carrying amount of the non-cash-generating asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Value in use is determined using an approach based on either a depreciated replacement cost approach, a restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

The total impairment loss for both cash-generating and non-cash-generating assets is recognised in the surplus or deficit. Any reversal of an impairment loss is recognised in the surplus or deficit.

6. Revaluation reserves

The group maintains a revaluation reserve for each class of asset. Each class of asset contains a number of assets which could have a revaluation gain or loss in the current year. The changes in the value of each class of asset as a result of revaluations is assessed collectively and are recorded in other comprehensive revenue and expense and accumulated in a revaluation reserve. Any revaluation increase is credited to the asset class revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset class previously charged as an expense in determining the surplus or deficit for the year.



Notes to the financial statements (continued)

For the year ended 30 June 2025

6. Revaluation reserves (continued)

Any accumulated depreciation at the date of the revaluation is transferred to the gross carrying amount of the asset. When revalued assets are disposed of, the related amounts included in other reserves are transferred to retained earnings. As the impact to revaluation reserve is calculated on a class of asset level, the disposal of individual assets with a negative other reserve balance within a net positive other reserve balance results in an increase to other reserves and a decrease to retained earnings.

	Land \$000	Buildings \$000	Pipelines \$000	Tanks, tunnels, roads and reservoirs \$000	Dams \$000	Machinery \$000	Total \$000
Balance at 1 July 2023	769,079	29,766	3,113,429	336,079	523,825	408,440	5,180,618
Revaluation during the year – net of deferred tax	(23,362)	(2,430)	–	–	–	–	(25,792)
Transfers between equity components	–	–	–	–	–	–	–
Transfer (to)/from other classes	–	–	–	–	–	–	–
Transferred to retained earnings on disposal of property, plant and equipment (net of tax)	4,109	(92)	(15,803)	(459)	–	(8,374)	(20,619)
Balance at 30 June 2024	749,826	27,244	3,097,626	335,621	523,825	400,065	5,134,207

	Land \$000	Buildings \$000	Pipelines \$000	Tanks, tunnels, roads and reservoirs \$000	Dams \$000	Machinery \$000	Total \$000
Balance at 1 July 2024	749,826	27,244	3,097,626	335,621	523,825	400,065	5,134,207
Revaluation during the year – net of deferred tax			998,458				998,458
Transfers between equity components	–	–	–	–	–	–	–
Transfer (to)/from other classes	–	–	(52)	–	(3)	55	–
Transferred to retained earnings on disposal of property, plant and equipment (net of tax)	3,657	82	(7,631)	(2,315)	2,442	2,718	(1,047)
Balance at 30 June 2025	753,483	27,326	4,088,401	333,306	526,264	402,838	6,131,618



Notes to the financial statements (continued)

For the year ended 30 June 2025

7. Intangible assets

Measurement

Intangible assets are initially recorded at cost.

Asset class	Subsequent measurement basis	Estimated remaining useful lives in years	
		2025	2024
Network models	Cost less accumulated amortisation and impairment losses	up to 7	up to 7
Computer software	Cost less accumulated amortisation and impairment losses	up to 7	up to 7
Resource consents	Cost less accumulated amortisation and impairment losses	up to 35	up to 35
Easement	Cost less impairment losses	Indefinite	Indefinite
Goodwill	Cost less impairment losses	Indefinite	Indefinite

Goodwill

Goodwill is initially recognised and measured as the excess of the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree, over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is not amortised but is reviewed for impairment at least annually.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.



Notes to the financial statements (continued)

For the year ended 30 June 2025

7. Intangible assets (continued)

Amortisation

Amortisation is provided on a straight-line basis on all intangibles, other than easements and goodwill, at rates calculated to allocate their cost over their estimated useful lives. Intangibles, other than easements and goodwill, are amortised to a nil residual value. Easements and goodwill have an indefinite useful life and are not amortised but are, instead, tested for impairment annually.

	Network models \$000	Computer software \$000	Resource consents \$000	Easements \$000	Goodwill \$000	Capital work in progress \$000	Total \$000
Balance at 30 June 2023							
Cost or valuation	7,849	108,307	47,064	1,427	–	–	164,647
Accumulated amortisation	(4,329)	(77,940)	(17,606)	–	–	–	(99,875)
Carrying amount	3,520	30,367	29,458	1,427	–	–	64,772
Year ended 30 June 2024							
Transferred from work in progress	2,979	24,498	9,109	–	–	–	36,586
Acquisitions of a controlled entity	–	–	–	–	–	–	–
Impairment	(18)	–	(37)	–	–	–	(55)
Disposals	–	–	–	–	–	–	–
Disposal of a controlled entity	–	–	–	–	–	–	–
Additions to Intangibles	–	–	–	–	–	–	–
Transfer from/(to) other classes	–	–	–	–	–	–	–
Amortisation	(1,556)	(10,742)	(2,246)	(14)	–	–	(14,558)
Closing carrying amount	4,925	44,123	36,284	1,413	–	–	86,745
Balance at 30 June 2024							
Cost or valuation	10,810	132,805	56,136	1,427	–	–	201,178
Accumulated amortisation	(5,885)	(88,682)	(19,852)	(14)	–	–	(114,433)
Carrying amount	4,925	44,123	36,284	1,413	–	–	86,745



Notes to the financial statements (continued)

For the year ended 30 June 2025

7. Intangible assets (continued)

	Network models \$000	Computer software \$000	Resource consents \$000	Easements \$000	Goodwill \$000	Capital work in progress \$000	Total \$000
Year ended 30 June 2025							
Transferred from work in progress	13,511	4,159	382	–	–	(18,052)	–
Transfers from PPE	–	–	–	–	–	57,815	57,815
Impairment	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–
Disposal of a controlled entity	–	–	–	–	–	–	–
Additions to Intangibles	–	–	–	–	–	–	–
Transfer from/(to) other classes	5,963	(7,193)	96	1	–	1,132	–
Amortisation	(5,462)	(3,398)	(1,743)	–	–	–	(10,603)
Closing carrying amount	18,937	37,691	35,020	1,414	–	40,895	133,957
Balance at 30 June 2025							
Cost or valuation	28,018	112,711	56,517	1,428	–	40,895	239,569
Accumulated amortisation	(9,081)	(75,020)	(21,497)	(14)	–	–	(105,612)
Carrying amount	18,937	37,691	35,020	1,414	–	40,895	133,957



Notes to the financial statements (continued)

For the year ended 30 June 2025

8. Borrowings

Borrowings are initially recorded at fair value, excluding transaction costs, and subsequently measured at amortised cost using the effective interest method. For FY25, accrued interest was added to the balance of the Council loan. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date. Watercare and Auckland Council's 2018 service level agreement (SLA) for treasury services, and the related intercompany loan agreement, ended on 30 June 2025. During this period, large-scale repayments were not required while Watercare remained within the agreed debt headroom, and Auckland Council Treasury met all obligations. Following the enactment of the Water Services Preliminary Arrangements Bill in September 2024, Watercare became financially separated from Auckland Council. A new treasury services contract commenced on 1 July 2025, supported by a Transitional Debt Facility Agreement (TDFA) requiring repayment of the June 2025 loan balance over five years.

The Water Services Preliminary Arrangements Bill was enacted in September 2024, requiring Watercare to become financially separated from Auckland Council, with the current treasury services agreement ceasing on 30th June 2025. A new Treasury services contract with Auckland Council came into effect from 1st July 2025, ensuring continuity of expertise and efficiency. A Transitional Debt Facility Agreement (TDFA) has been established with Auckland Council which requires repayment of the June 2025 loan balance across a five-year term.

	2025 Face value \$000	2024 Face value \$000
Current		
Related party term loan (unsecured)	200,000	–
Total current borrowings	200,000	–
Non-current		
Related party term loan (unsecured)	3,832,230	3,567,495
Total non-current borrowings	3,832,230	3,567,495
Total borrowings	4,032,230	3,567,495

The group had \$5.0m (2024: \$2.0m) of undrawn bank overdraft committed facilities.

9. Finance costs

Finance costs consist of interest and other costs that are incurred in connection with the borrowing of funds. All finance costs are expensed in the period in which they occur.

	2025 \$000	2024 \$000
Net Interest on bank overdraft and borrowings	172,321	150,275
Net finance costs	172,321	150,275



Notes to the financial statements (continued)

For the year ended 30 June 2025

10. Financial instruments and risk management

Risk management objectives and policies

The group's management monitors and manages financial risks relating to the operations of the group through internal risk reports, which analyse exposures by the degree and magnitude of risks. The main types of risk are market risk, credit risk and liquidity risk.

The following table outlines the Group's forward-looking risk exposures and management strategies:

Risk	Exposure arising from	Measurement	Management
Market risk – interest rate	Future borrowings raised independently by Watercare at variable rates	Sensitivity analysis	Use of interest rate swaps and fixed-rate instruments to manage exposure
Market risk – foreign exchange	Future commercial transactions denominated in foreign currency	Sensitivity analysis	Forward foreign exchange contracts and foreign exchange options
Credit risk	Cash and cash equivalents, trade receivables from exchange transactions and derivatives	Credit ratings	Credit limits, performance guarantees and third-party bonds
Liquidity risk	Maturing liabilities and timing mismatches between revenue and expenses	Rolling cash flow forecasts	Maintenance of committed credit facilities and diversified funding sources

With financial separation it is important that Watercare enhances its existing internal framework to manage financial risk. A new Board approved Treasury Policy is in place, a Treasury Management Committee (TMC) with external advisors established to provide additional oversight and the Contract for Services with Auckland Council Treasury ensures continuity of service and expertise. Management, in consultation with the Committee, will identify, evaluate, and manage financial risks, including foreign exchange, interest rate, credit risk, and investment of excess liquidity. Compliance with these policies and exposure limits will be regularly monitored and reported to the Board. Watercare does not apply hedge accounting.



Notes to the financial statements (continued)

For the year ended 30 June 2025

10. Financial instruments and risk management (continued)

Market risk

The group is exposed to market risks such as interest rate risk, foreign exchange risk and certain other price risks. The group manages its market risk by regularly assessing the impact of changes in market interest rates and foreign currency rates on the group's portfolio.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

As at 30 June 2025, all borrowings remained with Auckland Council and were subject to fixed annual interest rates, resulting in no significant exposure to interest rate risk. From 1 July 2025, following financial separation, Watercare is required to raise debt in its own name. Although future borrowings will be sourced from a range of external lenders, interest rates are expected to remain competitive, supported by Watercare's strong Aa3 credit rating. Also refer to [Note 8](#).

Interest rate sensitivity

At 30 June 2025, there is no significant interest rate risk as all borrowings are fixed annually through Auckland Council (2024: None). Watercare expects future borrowings to be priced on competitive terms, reflecting market conditions and its strong credit profile.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. Most of the group's transactions are carried out in New Zealand dollars.

From time to time the group is exposed to foreign exchange risk on foreign currency transactions related to the purchase of equipment, parts and chemicals. Where amounts exceed NZ\$300,000 (2024: NZ\$300,000), the group considers managing this risk with forward foreign exchange contracts or options.

The group had no forward foreign exchange contracts at 30 June 2025 and 30 June 2024.

Foreign exchange sensitivity

The group had no exposure to foreign exchange risk at 30 June 2025 and 30 June 2024.

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the group. Financial instruments that potentially subject the group to credit risk consist mainly of cash and cash equivalents, derivative assets held for risk management, and trade and other receivables.

From 1 July 2018 until the 30 June 2025 the group's financing has been made available through a guarantee letter from Auckland Council, which has credit ratings of AA from Standard & Poor's and Aa2 from Moody's. For details on the Group's credit rating position for bank borrowings from 1 July 2025 onwards, refer to [Note 1](#). The group's cash and cash equivalents are placed with a major trading bank with an AA- long-term credit rating assigned by Standard & Poor's and A1 from Moody's.



Notes to the financial statements (continued)

For the year ended 30 June 2025

10. Financial instruments and risk management (continued)

Debtors and other receivables arise from the group's statutory functions. Therefore, there are no procedures in place to monitor the creditworthiness of debtors and other receivables with regard to credit evaluations or external credit rating. However, there is no concentration of credit risk in respect of receivables, as the company has a large number of customers. The ageing of trade receivables from exchange transactions at balance date was as follows:

	2025			2024		
	Carrying amount \$000	Provision for doubtful debts \$000	Net carrying amount \$000	Carrying amount \$000	Provision for doubtful debts \$000	Net carrying amount \$000
Not past due	94,643	–	94,643	80,693	–	80,693
Past due 1 to 30 days	14,623	–	14,623	14,970	–	14,970
Past due 30 to 60 days	6,526	–	6,526	5,724	–	5,724
Past due more than 60 days	20,415	(6,286)	14,129	13,689	(5,729)	7,960
Total	136,207	(6,286)	129,921	115,076	(5,729)	109,347

	2025 \$000	2024 \$000
Movement in the provision for doubtful debts		
Balance at 1 July	5,729	5,092
Additions during the year	1,212	802
Bad debts written off	(655)	(165)
Unused provisions reversed during the year	–	–
Balance at 30 June	6,286	5,729

During year ended 30 June 2025, the group was not exposed to any other credit risk (2024: \$7m). Refer to **Note 20** for further information.

Liquidity risk

Liquidity risk is the risk that the group is unable to meet its financial obligations.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has an appropriate liquidity risk-management framework for the management of the group's short-, medium- and long-term funding and liquidity-management requirements. The group manages liquidity risk by maintaining adequate reserves and banking facilities, monitoring forecast and actual cash flows, and by matching these with the maturity profile of financial liabilities.

The following tables detail the gross undiscounted cash flows of the financial liabilities on the basis of their earliest possible contractual maturity (including interest payments where applicable). Cash flows for financial liabilities without fixed amounts or timing restrictions are based on the conditions existing at balance date.



Notes to the financial statements (continued)

For the year ended 30 June 2025

10. Financial instruments and risk management (continued)

Contractual maturity analysis

2025	Current		Non-current		Gross nominal cash outflow \$000	Carrying amount \$000
	0–12 months \$000	1–2 years \$000	2–3 years \$000	3–5 years \$000		
Financial liabilities						
Bank overdraft	–	–	–	–	–	–
Trade and other payables for exchange transactions	71,766	26,520	–	–	98,286	98,286
Accrued expenses*	112,158	–	–	–	112,158	112,158
Borrowings	380,644	764,964	935,844	2,589,678	4,671,130	4,032,230
Total	564,568	791,484	935,844	2,589,678	4,881,574	4,242,674

2024	Current		Non-current		Gross nominal cash outflow \$000	Carrying amount \$000
	0–12 months \$000	1–2 years \$000	2–3 years \$000	3–5 years \$000		
Financial liabilities						
Bank overdraft	–	–	–	–	–	–
Trade and other payables for exchange transactions	34,153	19,370	–	–	53,523	53,523
Accrued expenses*	117,309	–	–	–	117,309	117,309
Borrowings	–	–	–	3,567,495	3,567,495	3,567,495
Total	151,462	19,370	–	3,567,495	3,738,327	3,738,327

* Excludes current and non-current revenue received in advance of \$64.1m (2024: \$51.8m) refer to note 21.



Notes to the financial statements (continued)

For the year ended 30 June 2025

10. Financial instruments and risk management (continued)

From 1 July 2018 until its termination on 30 June 2025, Watercare operated under a treasury services agreement with Auckland Council. Effective 1 July 2025, Watercare transitioned to a Transitional Debt Facility Agreement (TFDA) with Auckland Council.

The TFDA includes a minimum loan repayment that falls due within the 2026 financial year. As a result, Watercare's borrowings at 30 June 2025 are classified between current and non-current in line with the repayment schedule set under the new agreement. Refer to [note 8](#) and [note 28](#).

Fair values

The calculation of fair value for each category of financial assets and liabilities is explained below.

Financial assets at amortised cost

As a result of the short-term nature of trade receivables, their carrying amount was considered a reasonable approximation of fair value less provision for impairment.

Financial liabilities at amortised cost

Because of the short-term nature of trade payables and accrued expenses, their carrying amounts were considered a reasonable approximation of fair value.

The fair value of loans and borrowings was calculated based on the present value of contractual principal and interest cash flows, discounted at the market rate of interest in the reporting period.

Fair value through profit and loss

From 1 July 2018 the group does not have any financial assets or liabilities which fall under this category.

Fair value hierarchy

The fair value hierarchy classifies financial assets and liabilities into three levels, as explained below, based on the significance of inputs used in measuring the fair value of the financial assets and liabilities.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in which the financial asset or liability has been classified was determined based on the lowest level of significant input to the fair value measurement.

From 1 July 2018 the group did not have any financial assets or liabilities that were measured at fair value in the statement of financial position. At 30 June 2025 there are no derivative financial instruments (2024: None).



Notes to the financial statements (continued)

For the year ended 30 June 2025

10. Financial instruments and risk management (continued)

Financial assets and liabilities

	2025		2024	
	Amount \$000	Fair value \$000	Amount \$000	Fair value \$000
Financial assets – current				
Amortised cost				
Cash and cash equivalents	22,175	22,175	23,611	23,611
Restricted cash (retention)	30,714	30,714	24,678	24,678
Trade and other receivables from exchange transactions	153,986	153,986	138,341	138,341
Other financial assets	–	–	6,988	6,988
Fair value through surplus or deficit				
Financial assets – non-current				
Amortised cost				
Other financial assets	–	–	–	–
Total financial assets	206,875	206,875	193,618	193,618
Financial liabilities – current				
Amortised cost				
Trade and other payables for exchange transactions	71,766	71,766	34,153	34,153
Accrued expenses*	112,158	112,158	117,309	117,309
Related party term loan (unsecured)	200,000	200,000	–	–
Financial liabilities – non-current				
Amortised cost				
Trade and other payables for exchange transactions	26,520	26,520	19,370	19,370
Related party term loan (unsecured)	3,832,230	3,832,230	3,567,495	3,567,495
Total financial liabilities	4,242,674	4,242,674	3,738,327	3,738,327

* Excludes current revenue received in advance of \$45.2m (2024: \$42.3m) and non-current revenue received in advance of \$18.8m (2024: \$9.7m) as it was not categorised as a financial liability; refer to note 21.



Notes to the financial statements (continued)

For the year ended 30 June 2025

10. Financial instruments and risk management (continued)

Capital management

The capital structure of the group consists of equity attributable to the owners of the parent, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity, and debt including borrowings as disclosed in note 8.

The group's policy is to maintain a strong capital base so as to maintain debt investor, creditor and market confidence and to sustain the future development of the business. In ensuring that the group has sufficient solvency to satisfy all its operational needs, management closely monitors the ratio between the funds it receives from operations and its finance costs.

The group continues to focus on the maintenance of the long-term integrity of its assets while keeping the overall costs to its customers at minimum levels. There has been no change in the group's overall strategy for capital management during the years ended 30 June 2025 and 30 June 2024.

11. Revenue

Revenue is classified as exchange or non-exchange revenue based on whether it arises from an exchange or a non-exchange transaction. In an exchange transaction, assets or services are received, or liabilities are extinguished, directly in exchange for an approximately equal value. In a non-exchange transaction, value is either received or given from/to another entity without directly exchanging an approximately equal value. The group's significant items of revenue are as follows:

Revenue from exchange transactions

Water and wastewater revenue

Water revenue comprises the amounts received and receivable at balance date for water supplied to customers in the ordinary course of business. Wastewater revenue is a combination of a fixed charge and a volumetric charge for a percentage of water used. Water and wastewater revenue includes estimated unbilled amounts for unread meters at balance date. As meter reading is cyclical, management must apply judgment when estimating the daily average water consumption of customers between meter readings. Unbilled revenues from the last billed reading date to the end of the month are recognised as revenue during the month water and wastewater services are provided.

Revenue from rendering of services

Revenue from rendering of services is recognised at the fair value of the amounts received or receivable as the services are delivered, or to reflect the percentage completion of the related services, where delivered over time.

Interest income

Interest income is recognised using the effective interest method.

Dividend income

Dividend income is recognised on the date when the group's right to receive payment is established.



Notes to the financial statements (continued)

For the year ended 30 June 2025

11. Revenue (continued)

Infrastructure Growth Charge revenue

Infrastructure Growth Charge revenue received is recognised when payment is received for approved connections.

Revenue from non-exchange transactions

Vested assets revenue

Vested assets revenue arises when developers are required under consent conditions to build infrastructure assets in the development area and vest them to Watercare upon completion of construction. Vested assets revenue is recognised at the fair value of the assets received, being the values provided by the developers, at the date of transfer to Watercare. Vested assets received are recorded as additions to property, plant and equipment and are not classified as capital expenditure.

Government grants

Government grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

	Note	2025 \$000	2024 \$000
Revenue from exchange transactions			
Revenue from sale of goods			
Water revenue – gross		230,230	214,698
Water leak remission		(3,938)	(3,352)
Water revenue – net of leak remissions		226,292	211,346
Revenue from sale of services			
Wastewater revenue – gross		516,618	478,816
Wastewater leak remission		(9,594)	(7,360)
Wastewater revenue – net of leak remissions		507,024	471,456
Total water and wastewater revenue – net of leak remissions		733,316	682,802
New meters and service connections		41,158	35,165
Laboratory revenue		8,333	8,446
Total revenue from sale of goods and services		782,807	726,413
Infrastructure Growth Charge revenue		218,478	197,754
Dividend income		161	155
Subvention income	Note 14	11,600	6,093
Interest income		2,450	2,345
Other revenue		23,019	20,729
Total other revenue from exchange transactions		255,708	227,076
Total revenue from exchange transactions		1,038,515	953,489
Revenue from non-exchange transactions			
Government Grants		27,371	45,908
Vested assets revenue		92,437	85,681
Total revenue from non-exchange transactions		119,808	131,589
Total revenue		1,158,323	1,085,078



Notes to the financial statements (continued)

For the year ended 30 June 2025

12. Operating expenses

	Notes	2025 \$000	2024 \$000
Operating expenses include:			
Environmentally significant costs			
– chemicals		18,108	15,312
– energy		39,993	28,759
Cost of consumables and spare parts consumed	Note 17	4,220	4,219
Other asset operating costs		45,162	40,100
Total asset operating costs		107,483	88,390
Operating leases and rent		5,976	6,551
Other maintenance costs*		77,188	83,984
Total maintenance costs		83,164	90,535
Salary and wages paid to employees		159,820	146,555
Capitalised on construction of property, plant and equipment		(48,963)	(41,014)
Total employee benefit expenses		110,857	105,541
Auditor's remuneration			
– Annual audit and review of the financial statements – Deloitte Limited		1,150	1,019
Total		1,150	1,019
Other Assurance Services			
– Review of fraud investigation report		10	–
Total		10	–

	Notes	2025 \$000	2024 \$000
Other Services			
– Advisory services provided to the Corporate Taxpayers Group		–	17
Total		–	17
Total fees incurred for services provided by the audit firm		1,160	1,036
Directors and trustees' fees	Note 27	451	375
Redundancy costs		200	1,041
Increase in provision for doubtful debts	Note 10	1,212	802
Bad debts written off	Note 10	655	165
Other expenses**		76,110	79,134
Total other expenses		79,788	82,553
		381,292	367,019

* Other expenses includes capex recoveries for contractor labour previously these were classified under employee benefits.

** Maintenance cost does not include internal labour cost allocation of \$17.8m (2024: \$17.8m).

Comparative figures have been re-presented to align with current year presentation.

In FY25, auditor's remuneration for other assurance services relates solely to an assurance review of the Group's fraud investigation report. In FY24, this also included an advisory services payment to the Corporate Taxpayers Group (CTG), of which Watercare was a member at the time. Watercare is no longer a member. All fees were authorised in accordance with the Audit and Risk Committee Charter.



Notes to the financial statements (continued)

For the year ended 30 June 2025

13. Reconciliation of operating cash flows

	2025 \$000	2024 \$000
Reconciliation of net surplus after tax to net cash flows from operating activities		
Net surplus for the year	82,985	96,608
Non-cash and non-operating items:		
Depreciation and amortisation	460,727	394,669
Net gain on disposal of and provision for redundant property, plant and equipment	(522)	9,682
Vested assets revenue	(92,437)	(85,681)
Interest on borrowings	172,321	150,275
Income tax expense	61,520	66,825
Movements in working capital:		
(Increase)/decrease in assets:		
Inventories	590	(587)
Trade and other receivables from exchange transactions	(15,645)	(15,154)
Prepaid expenses	1,495	13,220
Increase/(decrease) in liabilities:		
Trade and other payables for exchange transactions	44,763	2,994
Accrued expenses	6,879	(16,544)
Provisions	(412)	(1,829)
Other non-cash and non-operating adjustments	48,996	(1,277)
Net cash inflows from operating activities	771,26	613,200

14. Income tax expense

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the year. Current and deferred tax relating to items in other comprehensive revenue and expense is recognised against the respective items in other comprehensive revenue and expense. Current tax for current and prior years is recognised as a liability (or asset) to the extent it is unpaid (or refundable).

Sale of tax losses

Watercare and Auckland Council tax group, a related party, enter into an arrangement each year for tax loss offset and subvention. The agreement outlines the estimated maximum of tax losses to be sold by Watercare to Auckland Council tax group for that income year. Actual amounts of tax loss offset and subvention are determined post balance date when the respective income tax calculations are completed by the parties. Under the agreement, subvention income of 45 cents per dollar of the tax impact of the losses sold is receivable by Watercare from Auckland Council tax group.

Tax loss offset

For the year ended 30 June 2025, Watercare agreed to sell an estimated \$92.1m of tax losses to the Auckland Council tax group (2024: \$48.4m). Subvention income recognised within other revenue (**Note 11**) was \$11.6m (2024: \$6.1m). The reduction in tax losses is recognised as a tax expense.



Notes to the financial statements (continued)

For the year ended 30 June 2025

14. Income tax expense (continued)

	2025 \$000	2024 \$000
Operating surplus before tax	144,505	163,433
Income tax calculated at current tax rate of 28%	40,461	45,761
Increase/(decrease) in income tax due to:		
– Dividend and other income exempt from taxation	4	(1)
– Non-deductible expenses	(30,716)	(22,080)
– Prior year and other adjustments	25,304	1,198
– Tax loss (Subvention income) offset with Auckland Council tax group	25,778	11,834
– Removal of building depreciation	–	30,112
– Other	689	–
Tax effect of non-deductible items and prior period adjustments	21,059	21,064
Income tax expense	61,520	66,825
Represented by:		
Deferred tax	61,520	66,825
Total income tax expense	61,520	66,825
Total imputation credits	30,724	30,724

Imputation credits

The imputation credit account is a memorandum account and does not form part of the statement of financial position.

15. Deferred tax liability

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

The temporary differences for property, plant and equipment arise because the carrying value of property, plant and equipment is higher for accounting purposes than it is for taxation purposes, for example, due to:

- the revaluation of certain assets
- the group's accounting depreciation rates being lower than those permitted by tax legislation.

These provisions and accrued expenses temporary differences relate to expenses that were recognised for accounting purposes but cannot be deducted for tax purposes until the amounts have become payable.

Current and deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) which have been enacted or substantively enacted at the reporting date (refer to [note 1](#)).



Notes to the financial statements (continued)

For the year ended 30 June 2025

15. Deferred tax liability (continued)

(i) Recognised deferred tax assets and liabilities

	2025 Assets \$000	2024 Assets \$000	2025 Liabilities \$000	2024 Liabilities \$000	2025 Net \$000	2024 Net \$000
Property, plant and equipment	–	–	(3,124,949)	(2,738,512)	(3,124,949)	(2,738,512)
Financial instruments	–	–	–	–	–	–
Employee benefits and other provisions	8,650	8,609	–	–	8,650	8,609
Tax losses	200,995	263,758	–	–	200,995	263,758
Other	–	–	(44)	606	(44)	606
Total	209,645	272,367	(3,124,993)	(2,737,906)	(2,915,348)	(2,465,539)



Notes to the financial statements (continued)

For the year ended 30 June 2025

15. Deferred tax liability (continued)

(ii) Movement in deferred tax

	Property, plant and equipment (Restated) \$000	Employee entitlements and other provisions \$000	Tax losses \$000	Other \$000	Total (Restated) \$000
Balance as at 30 June 2023	2,605,609	(7,979)	(234,764)	36,924	2,399,790
Impact of adjustment in capitalised Interest	–	–	–	–	–
Balance as at 30 June 2023	2,605,609	(7,979)	(234,764)	36,924	2,399,790
PPA Income Tax Return	–	–	–	–	–
Charged/(credited) to comprehensive revenue and expense	133,979	(631)	(28,994)	(37,530)	66,824
Charged to other comprehensive revenue and expense, resulting from revaluation	(1,076)	–	–	–	(1,076)
Balance as at 30 June 2024	2,738,512	(8,610)	(263,758)	(606)	2,465,538
Balance as at 30 June 2024	2,738,512	(8,610)	(263,758)	(606)	2,465,538
PPA Income Tax Return	(23,755)	–	49,059	–	25,304
Charged/(credited) to comprehensive revenue and expense	21,902	(40)	13,704	650	36,216
Charged to other comprehensive revenue and expense, resulting from revaluation	388,290	–	–	–	388,290
Balance as at 30 June 2025	3,124,949	(8,650)	(200,995)	44	2,915,348

Deferred tax movement mainly represents the recognition of deferred tax on revaluation of Building and Infrastructure assets.

Impact of Prior Year Tax Legislation Changes

During the year ended 30 June 2024, amendments to the Taxation (Annual Rates for 2023–24, Multinational Tax, and Remedial Matters) Act 2024 removed depreciation deductions for commercial and industrial buildings effective from the 2024–25 income year. This resulted in a \$30.11m adjustment to deferred tax balances recognised in the 2024 financial statements.

The effects of this legislative change continue to be reflected in the deferred tax balances as at 30 June 2025.



Notes to the financial statements (continued)

For the year ended 30 June 2025

16. Trade and other receivables from exchange transactions

Trade and other receivables from exchange transactions are initially recognised at fair value. These are generally due for settlement within 21 days (2024: 21 days). Debts which are known to be uncollectable are written off by reducing the carrying amount directly.

The expected credit loss provision for receivables was calculated using the PBE IFRS 9 model, which is based on forward-looking information, as well as current and historic information. The group has applied the simplified approach to all receivables which requires the recognition of lifetime expected credit losses at all times.

Subsequent recoveries of amounts previously written off are recorded within other revenue.

	2025 \$000	2024 \$000
Current		
Trade receivables	111,854	96,336
Trade receivables – related parties	24,353	18,797
Provision for doubtful debts	(6,286)	(5,729)
	129,921	109,404
Unbilled revenue accrual	24,065	28,937
Trade and other receivables from exchange transactions	153,986	138,341

17. Inventories

Spare parts and consumables are recorded at cost less an adjustment for the reduction in economic benefits due to obsolescence. The cost of spare parts is recorded as an expense when used for repairs and maintenance on existing plant and equipment or is recorded as part of the cost of the new asset if used in the construction of new property, plant and equipment. Consumables are recorded at the lower of weighted average cost and net realisable value.

Treated water in the network and reservoirs is recorded at the lower of cost and net realisable value.

Project stock is recorded at cost and relates to items purchased for a capital project which have yet to be transferred to the project site.

	2025 \$000	2024 \$000
Spare parts at cost	7,577	7,345
Consumables at cost	10,916	11,339
Treated water at cost	1,179	1,179
Project stock	255	7,518
Total	19,927	27,381
Represented as:		
Current inventory	19,927	20,435
Non-current inventory	6,864	6,946
Total	26,791	27,381



Notes to the financial statements (continued)

For the year ended 30 June 2025

18. Trade and other payables for exchange transactions

Trade and other payables for exchange transactions are unsecured and usually paid within 30 days (2024: 30 days) of recognition. Certain construction contracts entitle the group to retain specified amounts to ensure the performance of contract obligations. These retentions are recorded as a liability, and either used to remedy contract performance or paid to the contractor at the end of the retention period. At 30 June 2025, contract retentions of \$30.7m are held as restricted cash. (2024: contract retentions of \$24.7m were held as cash on hand by Auckland Council Treasury). The treatment as at 30 June 2025 is in line with the Construction Contracts (Retention Money) Amendment Act 2023 which was effective from October 2023.

	2025 \$000	2024 \$000
Current		
Trade creditors	58,246	23,330
Trade creditors – related parties	408	1,237
Contract retentions	4,194	5,591
Other payables	8,918	3,996
Total current trade and other payables for exchange transactions	71,766	34,153
Non-current		
Contract retentions	26,520	19,370
Total non-current trade and other payables for exchange transactions	26,520	19,370
Total trade and other payables for exchange transactions	98,286	53,523

19. Prepaid expenses

	2025 \$000	2024 \$000
Current		
Puketutu Island lease	443	443
Other prepaid expenses	9,724	10,104
Total current prepaid expenses	10,167	10,547
Non-current		
Puketutu Island lease	17,751	18,194
Other prepaid expenses	11,459	12,132
Total non-current prepaid expenses	29,211	30,326
Total prepaid expenses	39,377	40,873

Prepayments include an amount paid to Kelliher Charitable Trust towards the lease of land at Puketutu Island for disposal of biosolids by Watercare. The amount is amortised on a straight-line basis over the lease period, which is 55 years with one right of renewal of 15 years, which is longer than the resource consent period of 35 years as the land will be used beyond the consent period for aftercare.

Other prepaid expenses include prepaid access rights, capital projects, prepaid employee insurance, a biosolids levy and software licensing fees.



Notes to the financial statements (continued)

For the year ended 30 June 2025

20. Other financial assets

	2025 \$000	2024 \$000
Current		
Loan receivable	–	6,988
Non-current		
Loan receivable	–	–
Total other financial assets	–	6,988

The loan receivable was provided to the contractor as part of the Central Interceptor Main Works Contract and was secured against bank bonds. The loan was subsequently recorded at amortised cost. The loan was fully repaid in 2025.

21. Accrued expenses

	2025 \$000	2024 \$000
Current		
Capital work in progress accruals	77,746	70,246
Interest payable	–	13,297
Revenue received in advance	45,238	42,304
Operating costs accruals	34,412	33,766
Total current accrued expenses	157,396	159,613
Non-current		
Revenue received in advance	18,832	9,736
Total non-current accrued expenses	18,832	9,736
Total accrued expenses	176,228	169,349

Capital work in progress accruals include multiple large projects that are in progress and yet to be invoiced.

Revenue received in advance includes \$5.5m (2024: \$6.0m) relating to the franchise fee agreement with Veolia Water Services (ANZ) Pty Limited. The total fee of \$13.1m received at the commencement of the agreement provides the right to use specified assets over a 50-year period and is recognised as revenue on a straight-line basis over the term of the agreement. Watercare has also received \$10.0m in funding from Auckland Council Healthy Waters for the Pt Erin extension project. This funding will be recognised as revenue on a straight-line basis over the expected 50-year operational life of the assets, which is anticipated to commence in December 2026.



Notes to the financial statements (continued)

For the year ended 30 June 2025

22. Provisions

The group provides for the cost of employees' entitlements under the terms of their employment contracts. The liability is calculated as the present value of the expected future payments after allowing for wage and salary increases, the rate of staff turnover and terms of service with the group. These amounts, except for the long service leave entitlement, are expected to be settled within one year and are, therefore, recorded in current provisions. The amount recorded in non-current provisions represents the portion of long-service leave which is due for payment beyond one year from the reporting date. The amount recorded as a provision is the best estimate of the consideration required to settle the obligation at the end of each year.

Decommissioning provisions relate to future costs for site restoration and removal work that must be completed by Watercare in accordance with resource consent conditions. Decommissioning provisions are recognised as part of the cost of the relevant asset. Current decommissioning provisions are those which are expected to be utilised within 12 months after balance date.

Other provisions are recognised when the group has a present obligation as a result of a past event, it is probable that there will be a future outflow of resources, and that the amount of the provision can be reliably measured.

	2025 \$000	2024 \$000
Current		
Employee entitlements	11,948	11,975
Other provisions	5	956
Total current provisions	11,953	12,931
Non-current		
Employee entitlements	2,824	2,470
Decommissioning costs	9,827	9,615
Total non-current provisions	12,651	12,085
Total provisions	24,604	25,016



Notes to the financial statements (continued)

For the year ended 30 June 2025

22. Provisions (continued)

	Employee entitlements \$000	Decommissioning costs \$000	Other provisions \$000	Total \$000
Balance at 1 July 2024	14,445	9,615	956	25,016
Additions during the year	18,570	–	–	18,570
Reductions resulting from payments	(18,243)	–	(952)	(19,195)
Increase/(decrease) in provision due to change in discount rate	–	213	–	213
Balance at 30 June 2025	14,772	9,828	4	24,604

Watercare is currently depositing biosolids on Puketutu Island in Māngere, Auckland. A non-current provision is recognised for the present value of costs to be incurred for the restoration of this site in line with consent conditions. It is expected that \$22.2m will be required evenly over the 10-year period covering the 2036 to 2045 financial years, with a net present value at balance date of \$9.8m (2024: \$9.6m).

The major assumptions used in the estimation of this provision are:

- An average inflation rate over the 25-year provision period of 1.97%
- A range of risk-free discount rates from 4.83% to 5.38% have been applied in calculating the net present value (2024: from 4.77% to 5.51%)
- An expected biosolids completion date of 20 years from 2015 (the date biosolid activity commenced)
- Aftercare activities will be required for a period spanning 10 years from completion
- The exact extent of work required to restore the site, along with quantities of materials and supplies, is unknown; therefore, an estimate has been made based on the information available at balance date.



Notes to the financial statements (continued)

For the year ended 30 June 2025

23. Equity and related parties

Equity

Watercare is 100% owned by Auckland Council. The total number of authorised and issued shares at balance date was 260,693,164 (2024: 260,693,164) ordinary shares of \$1 each. Every ordinary issued share was fully paid and carries equal voting rights to:

- one vote on a poll at a meeting of the company on any resolution
- an equal share in the distribution of the surplus assets of the company.

Under Section 57(1)(b) of the Local Government (Auckland Council) Act 2009, the company must not pay any dividend or distribute any surplus in any way, directly or indirectly, to its shareholder. The capital management policy of the group is detailed in note 10.

The contribution value for the net assets of \$3.8 billion, transferred to Watercare when the retail water and wastewater businesses in the Auckland region were integrated into the company on 1 November 2010, was recorded within retained earnings.

Subsidiaries

The financial statements comprise the financial statements of the controlling entity Watercare Services Limited and the two controlled entities noted below. Consolidation involves adding together like items of assets, liabilities, equity, revenue and expenses on a line-by-line basis. All significant intra-group balances, transactions, revenues and expenses are eliminated on consolidation.

The company provides funding to its Trust subsidiaries in the form of grants; this is treated as expenditure in the company's books and as revenue in the Trust subsidiaries' books. On consolidation, this expenditure is offset by the revenue in the subsidiaries' books while the actual expenditure is recognised in the group's accounts when the subsidiaries incur the expenditure.

Water Utility Consumer Assistance Trust

Water Utility Consumer Assistance Trust (WUCAT) was formed in October 2011 and is a charitable trust governed by the Charitable Trusts Act 1957 and registered under the Charities Act 2005. The primary activity of this trust is described in the Customer and Stakeholder Relationships section of the annual report. Watercare has the power to appoint two out of five of the trustees on the trust board. Watercare exercises control over the trust as it fully funds the trust's running costs and the trust caters only to the customers of Watercare.

Auckland City Water Limited and WCS Limited

Auckland City Water Limited is 100% owned (2024: 100%) by Watercare and is a non-trading company. WCS Limited was 100% owned (2024: 100%) by Watercare and was a non-trading company. WCS Limited was deregistered on 27 September 2023.

Transactions with related parties

Watercare entered into borrowing arrangements with Auckland Council on the terms set out in Note 8.

The balances outstanding and transactions relating to the borrowings from Auckland Council during the year were as follows:

	2025 \$000	2024 \$000
Loans from Auckland Council, balance at 30 June	4,032,230	3,567,495
Interest payable on loans from Auckland Council	–	13,297
Interest expense on loans from Auckland Council	172,321	150,275
Loans borrowed from Auckland Council during the year	1,072,500	1,162,555
Loans repaid to Auckland Council during the year	793,170	699,334



Notes to the financial statements (continued)

For the year ended 30 June 2025

23. Equity and related parties (continued)

At 30 June 2025, accrued interest for the year is included within the loan balance payable to Auckland Council. In the prior year, interest was separately recognised as a liability. This change in treatment reflects Watercare's updated funding arrangements in anticipation of its transition to financial independence under the Local Water Done Well reform effective 1 July 2025.

Periodically the group enters into land sale and purchase agreements with the Auckland Council group. As these transactions are always carried out on an arm's-length basis they are not separately disclosed.

The group provides retail water and wastewater services to Auckland Council and its controlled, jointly controlled and significantly influenced entities as well as to key management personnel of the company and its parent. These sales take place in the normal course of its business. The group also entered into sale and purchase transactions with related parties in the normal course of its business, such as the payment of rates. These were not collectively significant.

	2025 \$000	2024 \$000
Sales to related parties	30,256	21,132
Trade receivables from exchange transactions - related parties	24,353	18,797
Project funding received from parent	10,000	15,000
Purchases from related parties	15,501	9,736
Land rates - Auckland Council	3,633	3,460
Payables accruals - related parties	408	1,237



Notes to the financial statements (continued)

For the year ended 30 June 2025

24. Commitments

	2025 \$000	2024 \$000
Capital expenditure		
The capital expenditure committed to, but not recognised in these financial statements at balance date, was:		
Land & Buildings	3,517	3,052
Pipelines	194,015	206,778
Tanks, tunnels, roads and reservoirs	52,186	9,350
Intangibles	1,142	1,447
Other	95,972	144,580
Total capital expenditure commitments	346,832	365,206
Anticipated payment schedule		
Less than one year	314,835	306,011
One to two years	31,997	59,195
Two to five years	–	–
Beyond five years	–	–
Total capital expenditure commitments	346,832	365,206

At 30 June 2025 the Central Interceptor Main Works Contract is included within these capital commitments. Above commitments includes capital commitments contracted and approved.

The group leases certain property, plant and equipment where the lessor effectively retains substantially all the risks and benefits of ownership. Amounts payable under the lease terms are recognised as an expense on a straight-line basis over the lease term. Lease incentives received are initially recorded as a liability and are recognised as a reduction of the lease expense on a straight-line basis over the lease term.

The major lease commitments relate to the long-term lease of the office premises in Newmarket, which expires in November 2034, and the long-term lease from Auckland Council of the land forming the water catchment areas, which expires in July 2092. The annual rental of \$0.4m (2024: \$0.4m) for the water catchment areas was included in these commitments at face value. Other leases include parks, reservoirs and office equipment.

	2025 \$000	2024 \$000
Operating leases		
Anticipated payments under non-cancellable operating leases:		
Less than one year	5,030	5,046
One to two years	5,301	5,133
Two to five years	15,381	14,651
Beyond five years	51,019	57,658
Total lease commitments	76,731	82,488



Notes to the financial statements (continued)

For the year ended 30 June 2025

25. Contingencies

As at balance date, the group has no contingent assets or liabilities to disclose.

26. Retirement benefit plans

Each of the employees of the group can elect to join the KiwiSaver scheme. This is a work-based savings scheme run through a selection of private providers. The obligation of the group is to contribute a specified percentage of payroll costs to the KiwiSaver scheme in line with employee contributions and the only obligation of the group to the KiwiSaver scheme was to make the specified contributions. The total defined contribution expense recognised in the surplus or deficit for 2025 was \$4.3m (2024: \$3.9m).

27. Key management personnel

The key management personnel of the group are the directors, the chief executive, the senior management team of Watercare, and the trustees of the subsidiaries, who together constitute the governing body of the group. The number of individuals, on a full-time equivalent (FTE) basis, receiving remuneration from the group as key management personnel is 8 FTE (2024: 9 FTE). The aggregate remuneration received by the directors, trustees and key management personnel is shown below:

	2025 \$000	2024 \$000
Employees' salaries and wages, directors' fees and trustees' fees	4,940	4,116
Post-employment benefits	–	–
Other long-term employee benefits	–	–
Termination benefits	–	–
Aggregate remuneration	4,940	4,116



Notes to the financial statements (continued)

For the year ended 30 June 2025

27. Key management personnel (continued)

Directors' fees	Appointed	2025 \$000	2024 \$000
Watercare Services Limited			
Geoff Hunt (Chair)	October 2024	102	–
Julian Smith	January 2022	64	54
Graham Darlow	February 2021	63	54
Andrew Clark	June 2024	62	5
Frederik Cornu	June 2024	56	5
Rukumoana Schaafhausen	June 2025	5	–
John Crawford	February 2025	19	–
Karen Sherry	February 2025	23	–
Margaret Devlin (Resigned September 2024)	November 2016	14	108
Nicola Crauford (Resigned September 2024)	April 2014	16	61
Frances Valintine (Resigned June 2024)	November 2019	–	54
Brendon Green (Resigned July 2023)	November 2016	–	5
Hinerangi Raumati-Tu'ua (Resigned July 2023)	August 2019	–	5
Total		424	351

Trustees' fees	Appointed	2025 \$000	2024 \$000
Watercare Utility Consumer Assistance Trust			
Phillip Merfield (Chair)	July 2023	9	9
Maureen Little	October 2011	6	4
Lauren Godsiff	October 2011	6	6
Lynne Webb	August 2022	6	5
Total		27	24
Total Directors and Trustees Fees		451	375

28. Events occurring after balance date

Refer to updates on Water Services Preliminary Arrangements Bill and the Local Government (Water Services) Bill 2024 within Note 1.

On 1 July 2025, Watercare advised Council of its intention to make a repayment of \$500m on the Transitional Debt Facility. The repayment includes the \$200m repayment due in the next 12 months as disclosed in Note 8. This event occurred after the reporting date and does not provide evidence of conditions that existed at 30 June 2025. Accordingly, it is classified as a non-adjusting event under PBE IPSAS 14. The financial statements as at 30 June 2025 do not reflect the impact of this repayment.

Watercare has issued two commercial papers in FY26 to support its funding requirements. There were no other significant events after balance.



Statutory information

Employees' remuneration range

The table below shows the number of employees and former employees of the group who, in their capacity as employees, received total remuneration and other benefits of at least \$100,000 during the year. These payments may include benefits, final payment of salary, holiday pay on termination, incentive payments, overtime or superannuation contributions.*

Employees' Remuneration Range (\$)	2025 Number of employees	Employees' Remuneration Range (\$)	2025 Number of employees
100,000–109,999	134	250,000–259,999	5
110,000–119,999	109	260,000–269,999	4
120,000–129,999	109	280,000–289,999	4
130,000–139,999	116	300,000–309,999	1
140,000–149,999	77	310,000–319,999	1
150,000–159,999	59	320,000–329,999	1
160,000–169,999	56	330,000–339,999	1
170,000–179,999	39	350,000–359,999	1
180,000–189,999	33	360,000–369,999	1
190,000–199,999	16	380,000–389,999	1
200,000–209,999	12	390,000–399,999	1
210,000–219,999	8	440,000–449,999	1
220,000–229,999	8	580,000–589,999	1
230,000–239,999	3	840,000–849,999	1
240,000–249,999	4	960,000–969,999	1

* The above does not include severance payments



2025 Statement of Service Performance

1. Compliance with the territorial authority’s resource consents for discharge from its sewerage system measured by the number of:

- a) abatement notices
- b) infringement notices
- c) enforcement orders
- d) convictions

received by the territorial authority in relation to those resource consents.

Note the assumption is that abatement notices received relates to new notices issued in the financial year.

Financial Year	FY25 (Current year)
SOI Target	a) ≤ 2, b) ≤ 2, c) ≤ 2, d) = 0
Achieved	a) = 0, b) = 0, c) = 0, d) = 0

Auckland Council did not issue any notices or take any formal enforcement in 2024/25.

2. The average consumption of drinking water per day per resident within the territorial authority district (*litres plus/minus 2.5%) (rolling 12-month average).

Financial Year	FY25 (Current year)
SOI Target	247–259 litres per person per day (2024 target:250–262 litres per person per day)
Achieved	257 litres per person per day (2024 restate with the new Stats NZ population numbers: 264)

Average consumption per person per day has reduced to 257 litres from last year’s restated result of 264 litres per person per day and is within the target range, reflecting an overall improvement in water efficiency and demand from our commercial customers.

The FY24 restatement reflects the use of the latest Stats NZ population numbers which are lower than forecast when the targets were initially set.

We are working closely with Auckland Council to revise per capita consumption (PCC) targets and establish a realistic pathway towards our long-term goal of 225 litres per person per day by 2050.

3. Emissions reduction targets

We will implement mitigation measures in line with our emissions reduction targets. We will report annual greenhouse gas (“GHG”) emissions from Scope 1 and Scope 2 emissions (operational mitigation) in line with our emission reduction pathway to achieve 50% reduction by 2030.

Financial Year	FY25 (Current year)
SOI Target	<89,900 tonnes CO ₂ e (excluding emissions from Te Motu a Hiaroa (Puketutu Island))
	<139,170 tonnes CO ₂ e (including emissions from Puketutu Island)
Achieved	80,000 tonnes CO ₂ e (excluding emissions from Puketutu Island)
	106,000 tonnes CO ₂ e (including emissions from Puketutu Island)

Reporting greenhouse gas (GHG) emissions involves a combination of estimation, measurement, and judgement. These processes are inherently subject to limitations and uncertainty.

Our emissions measurement approach aligns with the latest guidelines and domestic standards, supported by IANZ-accredited laboratory analyses. Key frameworks applied include:

- IPCC AR6 (Intergovernmental Panel on Climate Change, Sixth Assessment Report)
- Water New Zealand’s Carbon Accounting Guidelines for Wastewater Treatment: CH₄ and N₂O (2021)
- Ministry for the Environment’s Measuring Emissions Guide (2025)
- Water New Zealand’s landfill emissions methodology



2025 Statement of Service Performance (continued)

Wastewater emissions

The largest source of our emissions is from wastewater treatment and discharge activities, totalling 61,700 tCO₂e in FY25. Emissions are calculated using Water New Zealand’s methodology, based on:

- Measured wastewater volumes via online flow meters, known pump rates or weirs
- Water quality parameters from accredited laboratory testing

Biosolids placement – Puketutu Island

FY25 includes, for the first time, emissions from biosolids placement at Puketutu Island, contributing an additional 26,200 tCO₂e. These emissions are driven by the mass of dry solids produced at the Māngere Wastewater Treatment Plant, which varies annually based on influent flow, solids content, and digestion levels.

Emissions are calculated using weighbridge data and Water New Zealand’s landfill guidelines, with bespoke amendments developed by industry experts. These adjustments reflect site-specific data, including:

- Laboratory testing of dry solids
- Laboratory testing and literature values used to determine degradable organic carbon (DOC)
- Modelling to determine the decomposable fraction (DOCf)

We adopted independent third-party estimates for DOC and DOCf, using values of 0.25 and 0.16, respectively—lower than the Water New Zealand defaults of 0.3 and 0.5. This resulted in a material reduction in reported emissions, better reflecting the characteristics of digested biosolids rather than mixed municipal waste assumed in the default factors.

Nitrous oxide (N₂O)

Nitrous oxide is the single largest GHG captured under our wastewater emissions profile. It is released during forced aeration of effluent and is influenced by nitrogen and ammonia levels in customer discharges.

We continue to collaborate with global experts to reduce N₂O emissions through process optimisation and plant upgrades. In FY25, additional monitoring equipment was installed across multiple treatment plants to improve measurement accuracy and establish baselines for future reductions.

Energy use and electricity emissions

Natural gas used in wastewater treatment contributes to our emissions. Efforts are ongoing to offset this by increasing the use of biogas generated on-site to power energy turbines.

In FY25, 77% of our electricity was purchased from Ecotricity, providing 100% renewable energy for that portion. Despite similar total electricity consumption to prior years, this shift resulted in additional emissions savings.

We used an independent third-party estimate for the residual mix emissions factor of 0.113 kg CO₂e/kWh, which is higher than the default location based emissions factor but is an estimate to reflect total emissions more accurately. Using the default emissions factor instead would reduce the total emissions reported by 446 tonnes CO₂e

4. Health and safety: Every month, a minimum of one permit audit is conducted per site (i.e. all 15 major operational sites, and 21 major construction project sites).

New measure from FY25, replacing TRIFR

Financial Year	FY25 (Current year)
SOI Target	Monthly: One per site (36)
Achieved	The target was met for 11 of 12 months.

The intent of this measure was to increase the focus on critical risk management. The evidence of that focus is the number of permit to work audits completed as a measure of critical risk control verification. That was measured as a target of 36 audits per month during the year; and the average completion rate was 51 per month. The only outlier was the month of December when the measure of 36 was not achieved, and this was attributed to the Christmas holiday shutdown period.



2025 Statement of Service Performance (continued)

Overall, the target was exceeded during the year. The total target for the year was 432 permit to work audits, with a total of 620 completed.

We are committed to the health, safety, and wellbeing of everyone involved in our work. In line with good industry practice, we are evolving our safety performance metrics and shifting from relying on injury rates to utilising more leading indicators. This shift underscores our focus on managing critical risks and ensuring the effectiveness of critical controls. A key element of this is the emphasis on Permit to Work audits in FY25, which measures the verification of critical risk controls in place for any activities that expose our workers to high-potential harm. The audit of permits to work confirms that critical controls are in place and safety procedures are being followed, ensuring both worker safety and operational efficiency. This changes the focus from merely tracking past incidents to actively preventing them.

Permit audits are primarily the responsibility of permit issuers and people leaders within their specific business units. They oversee the ‘Permit to Work’ and ‘Control of Work’ processes, while project managers and engineers utilise these audits to verify contractor compliance with Permit to Work systems.

Our focus remains on managing critical risks by partnering with our workers and contractors, with a strong emphasis on the regular verification and assurance of critical controls through targeted critical risk reviews with our key stakeholders. The design of our new HSW management system is grounded in these principles and aims to ensure learnings from incidents and near misses are systematically applied, driving continuous improvement and deepening worker involvement.

5. Median response time for attendance for urgent call-outs (water): from the time that the local authority receives notification to the time that service personnel reach the site (minutes) (rolling 12-month median).

Financial Year	FY25 (Current year)
SOI Target	≤ 60 mins
Achieved	40 min

The median response time for our maintenance crew to attend to urgent issues was 40 minutes, meeting the target of 60 minutes or fewer.

6. Median water response time for resolution of urgent callouts: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption (hours) (rolling 12-month median).

Financial Year	FY25 (Current year)
SOI Target	≤5 hours
Achieved	3.1 hours

The median response time for our maintenance crews to resolve urgent issues such as faults or interruptions was 3.1 hours, which is within the target of five or fewer.

7. Median response time for attendance for non-urgent water call-outs (water): from the time that the local authority receives notification to the time that service personnel reach the site (rolling 12-month median).

Financial Year	FY25 (Current year)
SOI Target	≤5 days
Achieved	0.78 days

The median response time for our maintenance crews to attend to non-urgent water issues was 0.78 days, which met the target of five days or fewer.



2025 Statement of Service Performance (continued)

- 8. Median response time for resolution of non-urgent water call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption (days) (rolling 12-month median).**

Financial Year FY25 (Current year)

SOI Target ≤6 days

Achieved **0.98 days**

The median response time for our maintenance crews to resolve non-urgent issues was 0.98 days, which is well within the target of six days or fewer.

- 9. The total number of complaints received by the local authority about any of the following:**

a) drinking water clarity

b) drinking water taste

c) drinking water odour

d) drinking water pressure or flow

e) continuity of supply

f) the local authority's response to any of these issues

expressed per 1000 connections to the local authority's networked reticulation system (rolling 12-month)

Financial Year FY25 (Current year)

SOI Target ≤10

Achieved **7.9**

This measure relates to the volume of service requests created for water quality and supply issues for the year ended 30 June 2025. The number service requests received per 1,000 connections was 7.9, which meets the target of 10 or fewer.

- 10. Attendance at sewerage overflows resulting from blockages or other faults: median response time for attendance – from the time that the territorial authority receives notification to the time that service personnel reach the site (rolling 12-month median).**

Financial Year FY25 (Current year)

SOI Target ≤75 mins

Achieved **77 mins**

The median response time for our maintenance crews to attend to wastewater overflows or blockages was 77 minutes, which is slightly above the target of 75 minutes or less.

Auckland traffic and large-scale weather events pushed the result slightly beyond the target this year. It is important to note that the target for response time to resolve these overflows was met.

- 11. Attendance at sewerage overflows resulting from blockages or other faults (Wastewater): median response time for resolution – from the time that the territorial authority receives notification to the time that service personnel confirm resolution of the blockage or other fault (hours) (rolling 12-month median)**

Financial Year FY25 (Current year)

SOI Target ≤5 hours

Achieved **3.1 hours**

The median response time for our maintenance crew to resolve wastewater overflows or blockages was 3.1 hours, which is within the target of five hours or fewer.



2025 Statement of Service Performance (continued)

12. The total number of complaints received by the territorial authority about any of the following:

- a) sewerage odour
- b) sewerage system faults
- c) sewerage system blockages
- d) Watercare’s response to issues with its sewerage system expressed per 1000 connections to the territorial authority’s sewerage system (rolling 12-month).

Financial Year	FY25 (Current year)
SOI Target	≤50
Achieved	16.09

This measure relates to the number of service requests we received about wastewater odours, overflows, broken pipes and other network issues. The number service requests received per 1,000 connections was 16.09, which is well within the target of 50 or fewer.

13. Ratio of procurement sourced through Māori-owned businesses

Financial Year	FY25 (Current year)
SOI Target	5.00%
Achieved	3.23%

In line with council expectations to actively seek to maximise opportunities for Māori businesses to participate in procurement, our ratio of procurement sourced through Māori-owned businesses for FY25 was 3.23%.

While we did not meet the 5% target for procurement through Māori-owned businesses, total Māori-owned supplier spend for FY25 was \$38.6m compared to \$30.6m in FY24 and \$22.8m in FY23. This is a 26% increase on FY24 and a 41% increase on FY23. Capacity of Māori suppliers, the size and complexity of work required and the nature of large infrastructure projects are an ongoing constraint to achieving this target.

Our supply chain function continues to work with our Te Rua Whetū team, internal stakeholders, and supply partner suppliers to encourage spend with Māori-owned suppliers where possible and appropriate to meet business needs.

We have 135 active Māori-owned suppliers compared to 115 in FY24 and 83 in FY23; Māori-owned suppliers make up 5.82% of our total active suppliers. We also encourage our contractors to work with Ngā Kakau Paraha, a network of 16 Māori-owned suppliers, which we set up to work directly with us or act as subcontractors to our construction partners.

In December 2023, Watercare established Ngā Kakau Paraha, which is available to work directly with us or act as subcontractors to our construction partners. Through Ngā Kakau Paraha we spent \$3.9m in FY25.



2025 Statement of Service Performance (continued)

14. Percentage of customer complaints resolved within 10 days of notification

Financial Year	FY25 (Current year)
SOI Target	≥95%
Achieved	99.1%

In FY25 we received 1,517 complaints and 1,503 were resolved within 10 working days, meeting the target of <95% resolved within the stipulated 10-day period.

15. Customer Net Satisfaction Score (previously net promoter score)

Financial Year	FY25 (Current year)
SOI Target	≥45
Achieved	55

Customer satisfaction remained stable throughout the year, with a rolling Customer Net Satisfaction (CNS) score of +55. Faults performance improved year-on-year, supported by proactive communication and faster resolution. Retail and developer services teams performed steadily despite issues with smart meters and billing transparency, as well as capacity constraints issues which drove poor customer experience.

Many customers praised the prompt and helpful responses/resolution they received, both over the phone and in person during interactions with our field crew. Our teams were described as friendly, informative, and able to address customer concerns quickly and effectively.

16. Community trust score

Financial Year	FY25 (Current year)
SOI Target	≥55%
Achieved	52%

Trust is a measure based on a representative sample of 400 Aucklanders a month who score seven or higher out of 10 to the question: *Thinking about everything you know about the company, how much do you trust Watercare?* Hence it is perception-based and can be influenced by internal factors, which we can control, and external factors, which we cannot. Also relevant is the fact that approximately 40% of Auckland is tenanted and therefore will not always have a direct relationship with us and as a result have low awareness of us.

Our trust score suffered a drop in the first two quarters of FY25 due to a number of factors including unfavourable media headlines around under-investment, service issues, and a potential steep price rise. A closer focus on the drivers of trust has seen an improvement from 50% in the first half of the FY25 to 54% in the second half. This was supported by clearer communication on infrastructure progress, incident response, and the launch of our 10-year business plan to demonstrate investment. Despite these gains, trust remains sensitive to perceptions about under-investment in infrastructure, capacity constraints, and price increases.



2025 Statement of Service Performance (continued)

17. Compliance with Taumata Arowai Quality Assurance Rules

Requirements	Target	Achieved	Commentary
1. Bacterial water quality T3	100%	100%	We met this target. We also continued to demonstrate 100% compliance with Drinking Water Standards New Zealand (DWSNZ) Bacterial Compliance Criteria.
2. Protozoal water quality T3	100%	100%	We met this target. We also continued to demonstrate 100% compliance with DWSNZ Protozoal Compliance Criteria.
3. Chemical water quality T3	100%	100%	We met this target. Note: One elevated arsenic sample was returned from Waikato WTP in November 2024. The Waikato Regional Council investigation found this was most likely due to natural geothermal activity in the catchment that changed the form of arsenic present. This meant the efficiency of treatment plants in removing arsenic was reduced. All councils along the Waikato River were affected. We responded promptly with adjustments to treatment processes. No further exceedances were detected. Result is 100% compliant with this measure as it relates to Drinking Water Quality Assurance Rules (DWQAR).
4. Cyanotoxins water quality T3	100%	100%	We met this target. We also continued to demonstrate 100% compliance with DWSNZ.
5. Microbiological water quality D3	100%	100%	We met this target. Note: On 22 Nov 2024, 5 E-coli per 100ml were detected in water sampled at Balmoral Rd, Maungawhau, Auckland zone. On 17 Feb 2025, 1 E-coli per 100ml was detected in water sampled at Walker Service Reservoir (Northern network). Investigations proved with a high degree of confidence that these two detections were most likely caused by environmental contamination of samples and were not representative of water quality in the supply.
6. Residual disinfection (Chlorine) water quality	100%	97%	We did not fully meet this target. Residual disinfection compliance was not fully achieved due to some samples having FAC ≤ 0.1 mg/L chlorine or in some zones less than 85% of the samples were ≥ 0.2 mg/L. Some of the 40 distribution zones were at times not compliant with this measure each month for the period 1st July 2024 to 30th June 2025. 97% is the average monthly performance of all distribution zones. We are confident that at no time was the water unsafe to drink.
7. Disinfection by products	100%	100%	We met this target. We also continued to demonstrate 100% compliance with DWSNZ.
8. Plumbosolvent Metals	100%	100%	We met this target. We also continued to demonstrate 100% compliance with DWSNZ.



2025 Statement of Service Performance (continued)

18. The percentage of real water loss from the territorial authority’s networked reticulation system (rolling 12-month average)

Financial Year	FY25 (Current year)
SOI Target	≤13%
Achieved	12.8%

We calculate leakage using the International Water Association water loss calculation. The calculation is based on metered volumes with estimates for unread meters. Comparing year-on-year change is inherently difficult for a variety of reasons. FY25 has been a challenging year as a large part of the year had lower than average rainfall which leads to an increase in pipe breaks.

Since FY22 we have been breaking down our network into smaller areas and installing pressure management to aid in locating leaks and reduce leakage outbreaks. The leakage management system has led to improved targeting of the proactive leakage detection programme by highlighting areas of concern sooner, which is reducing leak run-times. We continue to refine the leak reduction programme to proactively manage water loss and reduce leaks:

- The proactive leakage detection teams have surveyed 9,700 km of watermains in FY25 with 1,375 leaks found
- 43MLD of water savings estimated since we began proactive leak deduction
- 11 MLD of estimated savings through the district metering and pressure management programme since FY23.

During the year, the number of reported water leaks and burst watermains remained at low levels, with contractors completing the work within the allocated timeframes and reporting a low backlog of jobs.

19. The number of dry-weather overflows from the territorial authority’s sewerage system, expressed per 1000 sewerage connections to that sewerage system (rolling 12-month)

Financial Year	FY25 (Current year)
SOI Target	≤5
Achieved	0.60

The number of wastewater overflows from our network during dry weather is a measure of the network’s capability to meet current demand. The result for the year was 0.60 dry-weather overflows per 1,000 connections, which is under the target of five or fewer.

This measure includes overflows that occur during dry weather from any part of the wastewater network that enters a waterway (directly or indirectly through the stormwater network). Dry-weather overflows are generally caused by incorrect disposal of fats, oils, and grease. Wet-wipes flushed down the wastewater network also lead to blockages in the pipes resulting in wastewater overflows. We continue to educate the public on what not to flush down the toilet, through our social media channels, customer newsletters, and the media.

20. Average number of wet-weather overflows per engineered overflow point per discharge location (rolling 12-month average)

Financial Year	FY25 (Current year)
SOI Target	≤2 overflows per year
Achieved	0.20

The average number of wet-weather overflows per engineered overflow point for the network (local and transmission) was 0.20, well below the SOI target of two or fewer per year. This reflects ongoing efforts to manage wet weather capacity and system resilience.



2025 Statement of Service Performance (continued)

21. Leakage performance # - litres/connection/day (l/c/d).

Financial Year	FY25 (Current year)
SOI Target	98.2 l/c/d (+/-5%)
Achieved	119.2 l/c/d

The Economic Level of Leakage (ELL) represents the point at which the cost of producing water is equivalent to the cost of the efforts to keep leakage at those levels through a combination of leakage repairs, managing water pressure and renewal of water mains. With the long lead time between network improvements and realising the associated benefit the objective is to keep moving towards the ELL over time. The ELL is therefore a useful management tool, rather than a target as such.

22. Deliver capital programme in line with the asset management plan baseline approved by the board.

Financial Year	FY25 (Current year)
SOI Target	80% of projects are delivered within the approved budget and 80% of projects are in service within the approved time. (Year to date data)
Achieved	74% of projects are delivered on budget 58% of projects are delivered on time

Fourteen of the 19 projects forecasted to complete in 2025 have been commissioned, and the benefits delivered. All 14 of these were delivered within budget. Three of these 14 projects experienced delays due to minor commissioning issues and additional scope ensuring that benefits were delivered.

Five projects are still to be delivered. These have been delayed for a number of reasons including; additional scope to deliver better outcomes, refinement of design and construction methodology, delays in commissioning due to drought

conditions and needing to maintain resilience of water supply. Of these five projects, three are progressing well and are expected to be completed before the end of November 2025, while the scope of the remaining two is to be further refined and potentially merged as one project to ensure an effective and efficient outcome at our Rosedale Wastewater Treatment Plant.

23. Adherence to the Service Level Agreement with council (10 working days) for Watercare to provide specialist input into resource consents (three-month rolling average).

Financial Year	FY25 (Current year)
SOI Target	90%
Achieved	94%

We measure our response time for requests from Auckland Council for third-party specialist input into development consenting. Our response time to provide specialist inputs to developer resource consent applications has remained within the SLA with Auckland Council.

24. Planned network pipe renewal measure – actual kilometres delivered/ planned kilometres.

Financial Year	FY25 (Current year)
SOI Target	26km (+/- 5%) (i.e. 24.7km to 27.3km) of network planned for year ending 30 June 2025
Achieved	23km

There was strong delivery related to existing renewal projects. The new planned pipeline renewal programme had a series of initial operational constraints that meant the target was not quite achieved.



2025 Statement of Service Performance (continued)

25. Our debt headroom (set measure in conjunction with council and establish baseline).

Financial Year	FY25 (Current year)
SOI Target	≤ 4.00
Achieved	3.71

Debt headroom represents the amount we can borrow relative to our revenue and assets. For 2024/25, the ratio was 3.71times, remaining comfortably within the target of less than 4.00 times.

Net revenue was slightly above budget, supported by Infrastructure Growth Charge (IGC) revenues, new development charges, subvention income, and other sundry sources. Operational expenditure was on plan.

Capital expenditure of \$1b was below budget of \$1.2b. While significant work was delivered, challenges were evident including a slow start while long term funding was confirmed.

26. Percentage of household expenditure on water supply services relative to the average household income.

Financial Year	FY25 (Current year)
SOI Target	<1.5%
Achieved	0.89%

The new legislation introduced by central government provided a more sustainable financial model for Watercare, enabling us to continue to maintain affordability of our services within our target range for Aucklanders in FY25.

27. Reactive maintenance spend vs proactive renewals spend.

Financial Year	FY25 (Current year)
SOI Target	Planned maintenance and capex renewal spend to be three times greater than the value of unplanned and reactive maintenance spend. (75% planned and renewal/25% unplanned and reactive)
Achieved	Met

Planned maintenance and capital renewal expenditure was 4.6 times more than the value of unplanned maintenance for the FY25 year. Spend on planned and proactive renewals was 82% compared to 18% on unplanned and reactive maintenance. This trend is expected to continue in FY26 with a substantial capex renewal programme now underway.

28. Controllable cost target.

Financial year	FY25 (Current year)
SOI Target	\$441.0m
Achieved	YTD actuals \$440.8m

Controllable costs for FY25 were on target for the year.

While maintenance costs and energy and chemical costs exceeded the plan, these costs were offset by savings in other areas such as reduced professional services costs and reprioritisation of digital enhancement projects.

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