



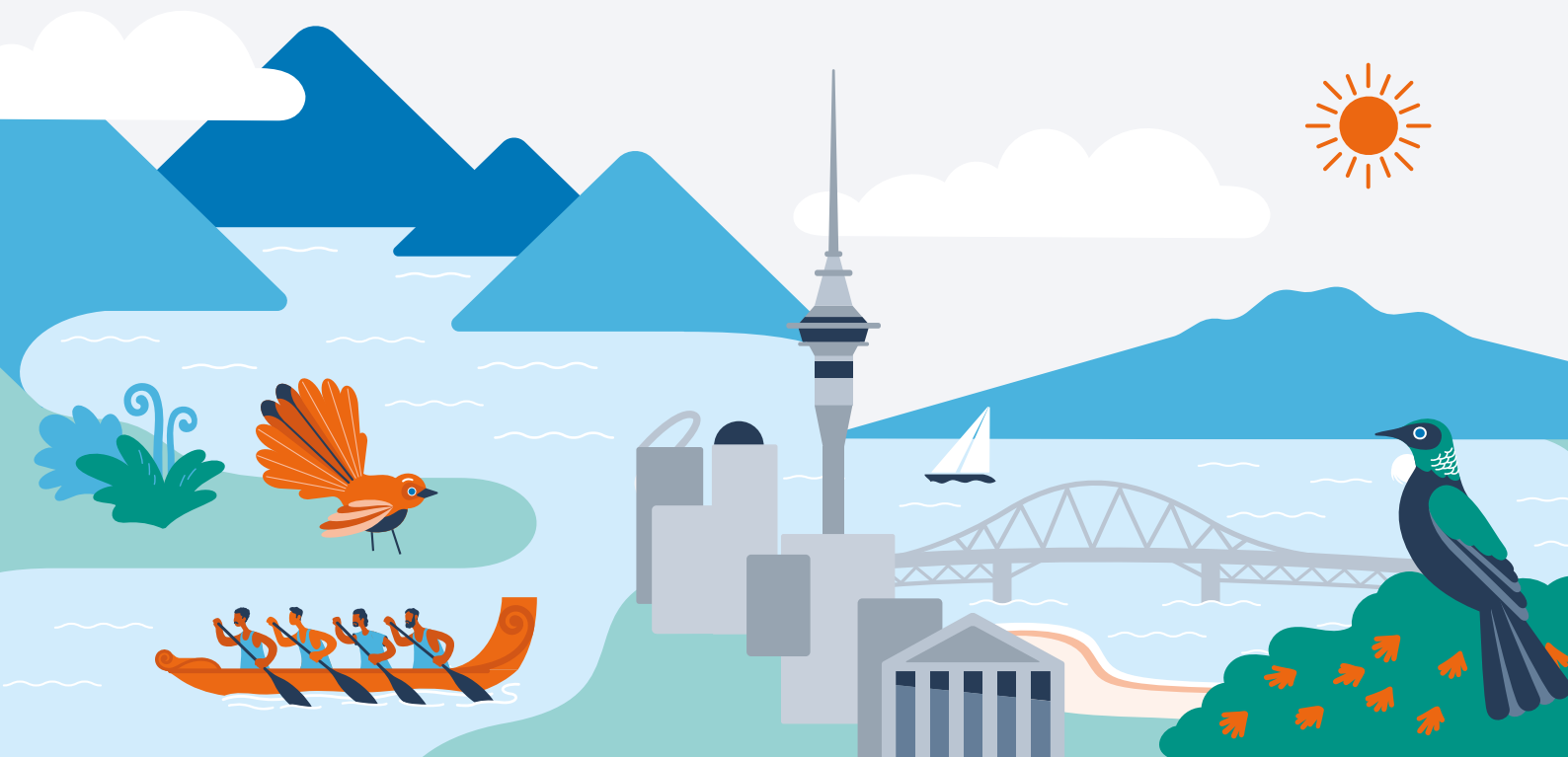
About us

Watercare Services is a lifeline utility providing water and wastewater services to 1.7 million people in Tāmaki Makaurau/Auckland. Our services are vital for life, keep people safe and help communities to flourish.

We supply reliable, high-quality drinking water to homes and businesses in the Auckland region and collect, treat and discharge their wastewater in environmentally responsible ways.

We manage water and wastewater assets worth \$16.04 billion and plan and build infrastructure to ensure we support growth today and into the future.

We are a council-controlled organisation, owned by Auckland Council. Our activities and programmes are funded through user charges and borrowings. We are required by law to be a minimum-cost, cost-efficient service provider and we do not pay a dividend to our shareholder.



Reporting scope

This report covers all operations managed by Watercare. The majority of our operations and people are located in Auckland, New Zealand. Watercare Services is 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 13 September 2024.

CONTENTS

Chair and chief executive's report	2
Our board of directors	8
Governance	10
FINANCIAL REPORT	13
Responsibility for the financial statements and statement of service performance	14
Independent Auditor's Report	15
Statement of comprehensive revenue and expense	18
Notes to the financial statements	22
Statutory information	57
2024 Statement of Service Performance	58



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.

The past year has been a truly transformational one for Watercare – we have had to change course in a fundamental way, be agile and proactive in securing our future against a backdrop of prolonged uncertainty and remain laser-focused on our core purpose: safe, reliable water and wastewater services for Auckland.

Thanks to the continued dedication and resilience of our people, we are now well-placed to continue to provide services to Auckland both in the short and longer term; we have a financial path forward that will enable us to fund, build and maintain critical infrastructure in an effective and equitable way and we have re-aligned our leadership and functions to deliver our services more cohesively and efficiently.

In this report, we reflect on the 2023/24 year and our performance. Our key performance indicators are set out in our Statement of Service Performance from page 58 onwards.

A dedicated and resilient team

The past few years have repeatedly tested the resilience of our teams and 2023/24 was no different. Whether it was preparing for legislative reform while delivering essential services 24/7 or responding to a significant asset failure, Ōrākei Main Sewer collapse, our people steadfastly and effectively demonstrated their commitment.

Our staff engagement score increased to 7.6 (November 2023) from 7.3 (June 2023), with a response rate of 82 per cent. Considering the change and uncertainty during that period, with a significant number of our people seconded to support the reform transition, this speaks to the enduring strength and commitment of our people to our core purpose.

This was also further reiterated during an independent review of our health, safety and wellbeing culture in December 2023; the review found that our people have a high intrinsic engagement in matters of health, safety and wellbeing. According to the report, worker engagement in health and safety



Margaret Devlin
Chair



Dave Chambers
Chief executive



matters is high, and at a local level, there is a feeling of empowerment to find and implement solutions. It also identified two areas for improvement: embedding more consistency in how critical risks are approached and managed across the work we do; and embedding psychological safety for our teams so they are empowered to speak up, challenge conventional thinking and come up with ways to carry out work more safely.

7.6

Staff engagement score (Nov 2023)

with a response rate of 82 per cent.

Safe and reliable services for our communities

Our core purpose is to provide lifeline services that protect public health and enable communities to flourish: the reliable supply of safe drinking water and the collection, treatment and disposal of wastewater.

As at 30 June 2024, our water supply storage was 77 per cent. While our water supply situation is stable, we are prepared for a dry winter 2024. We continue to balance our water resources carefully, utilising the Waikato River source appropriately to allow our dam storage levels to recharge over the winter.

We maintained full bacterial and protozoal compliance for drinking water for the year. We continued to maintain a consistent level of compliance against Taumata Arowai’s Drinking Water Quality Assurance Rules (DWQAR) for treatment plants and networks. See our SSP measure on page 61 for more details.

The safe and reliable operation of our wastewater network has a direct impact on our waterways and environment. As a public water utility, we have an obligation to look after the environment, mitigate the impacts of our operations and enhance it, wherever possible.

We do this through a combination of process upgrades and refinements as well as capital improvements to our wastewater assets.

Whilst undoubtedly one of the biggest challenges of the year, the collapse of the Ōrākei Main Sewer provided us with extremely valuable insights into the impact of climate change on the resilience of our assets.

Following the collapse of the sewer, our teams worked 24/7 to design and build a 400-metre bypass and a large temporary pump station to divert flows from the sewer and reduce overflows into the harbour. This work was completed within 20 days of the incident.

Working with a range of partners, we sought the advice of marine environmental experts, Ngāti Whātua Ōrākei and other mana whenua, and followed their recommendations with a monitoring programme to assess the impact of the overflows on the Waitematā Harbour as well as routine beach inspections to assess any noticeable wastewater debris on beaches.



A subsequent independent review into the cause of the Ōrākei Main Sewer collapse identified seven contributing factors and that the interplay of all seven led to the collapse. The factors broadly fit into the themes of the condition of the pipe; extreme rainfall events in 2023; and weakened concrete blocks at the failure location. The report provided valuable guidance and we are committed to implementing its recommendations. We are also committed to reporting on the progress against each of the recommendations.

We undertook and completed work to rehabilitate the Ōrākei Main Sewer around the site of the sinkhole by relining a 116-metre section between two nearby manholes. In the coming months, we will reinstate the carpark where the sinkhole formed and will remove the temporary bypass pumps and pipeline. We will then move on to stage two of a wider Ōrākei Main Sewer relining project, using part of Alberon Reserve as our construction base.

We are very grateful for the support from the local community, Ngāti Whātua Ōrākei and Auckland Council as we worked to address this significant operational challenge.

Water reform and a sustainable financial way forward

In July last year, we were preparing for the Affordable Water Reform transition and the creation of a new entity to provide three waters services to Auckland and Northland; however, with the change in government following elections in October 2023, the Affordable Water Reform was repealed and the new direction – Local Water Done Well – was announced.

For Watercare, this meant moving quickly to propose a plan and price path to ensure our investment in infrastructure continued while balancing Auckland Council group's debt requirements.

Originally, we were facing a 25.8 per cent tariff increase, in order to deliver our capital programme while adhering to council's debt-to-revenue borrowing cap.

\$1.04b

of infrastructure delivered this past financial year.

With half of this spend on growth-related projects.

Auckland Council and central government worked together, supported by us, to find a better solution. Auckland Council agreed to lift its debt-to-revenue cap for the 2024/25 financial year, while central government progresses Local Government Done Well legislation to allow us to raise our own debt by 1 July 2025.

The revised price path of 7.2 per cent increases for water and wastewater and 14.4 per cent for infrastructure growth charges, for the next three years will enable the delivery of an average capital programme of \$1 billion every year.

This way forward is a win-win approach that will resolve the challenge of being able to utilise our balance sheet fully and ensure a more equitable and affordable price path for Aucklanders.

Largest-ever capital programme

This past financial year, we delivered more than \$1 billion of infrastructure (\$1.04b) – this is a record as this is the first time we have exceeded the \$1b mark. About half of this investment is on growth-related projects and more than \$700m of the total spend was towards improvements on the wastewater network, which will ultimately benefit our waterways and the environment.

Below are some of the projects progressed or completed in 2023/24:

- Construction of the Central Interceptor wastewater tunnel is well underway, with over 12kms of the main tunnel completed, along with the two link sewers. The southern section of the tunnel is scheduled to be completed at the end of 2024. Once in service, this will significantly reduce overflows into the waterways.
- A new wastewater pump station for Mairangi Bay which will also significantly reduce overflows into the waterways.
- Completing the East Coast Bays wastewater pipeline.

- Our ongoing flood recovery programme which included building retaining walls to protect our raw watermains from landslips, clearing away landslips as well as building back many of the pipe bridges, culverts and retaining walls lost in the severe weather events to a more resilient standard.
- We completed a third water storage reservoir in Manukau, which holds 45 million litres of water and boosts Auckland’s wider water supply resilience.
- We are close to completing construction on a major watermain replacement of Huia 1, which delivers water from Titirangi to Epsom, feeding suburbs along the route. This is expected to be in service by April 2025.

For 2024/25, we expect to spend more than \$1.2b, about two-thirds of which will be on projects that improve our wastewater network and benefit the environment.

Replacing ageing infrastructure will be a key priority, with about 39 per cent of our capital programme for 2024/25 allocated to renewing and replacing aging assets.

Reducing greenhouse gas emissions

We have a target to reduce operational emissions (scope 1 and 2) by 50 per cent by 2030 and achieve net zero emissions by 2050. Process emissions are the largest contributor to our operational footprint, in particular nitrous oxide generated from our wastewater treatment processes.

We will continue to implement initiatives to reduce emissions and will update our decarbonisation roadmap in the coming year alongside a finalised process emissions strategy. These documents will articulate the key steps, investment and challenges associated with realising our emissions targets.

Find our greenhouse gas emissions results for FY24 on page 58.





Engagement and education

We serve and interact with a wide variety of stakeholders every day – customers, other infrastructure providers, suppliers, local and central government representatives, community groups and mana whenua. We need to understand their needs and concerns to be able to serve them in a meaningful way. We also need to promote the significance of water as a precious resource in the context of our activities so our stakeholders can understand and appreciate how we make decisions and deliver our services.

We inform and communicate with our stakeholders through a number of ways: email, text, newsletters, targeted updates, monthly and quarterly reporting, website, our social media channels and through mainstream media.

As part of our ongoing efforts to improve the way we share information and serve Aucklanders, we updated our website to make it more secure and easier for our customers to find what they need and manage their accounts online. Visitors can easily see the information they are after, whether they are a resident, business, landlord or property manager, solicitor or builder/developer. The new site embraces te reo Māori and also has a hub of important resources translated into Mandarin.

The Watercare mobile app has been downloaded by more than 80,000 customers – those with smart and mechanical meters are able to see their water use, pay their bills and log faults. For smart meter customers, the app provides real time water consumption insights; it is a critical enabler to advance the Auckland Water Strategy and embed water efficiency behaviours in our customers and community.

See pages 58-59 for our performance on customer satisfaction, complaints resolution, community trust and water efficiency.

Advancing Māori outcomes

Throughout the year, we continued to deliver outcomes for Māori within Tāmaki Makaurau. Although progress slowed in some areas of our Māori Outcomes Plan due to reform priorities, we focused our efforts on strategic initiatives that supported cultural competency, leadership development, and economic inclusion. These include:

- We launched our inaugural reo and tikanga Māori learning modules, Kōpatapata and Kōnehunehu, designed to enhance the cultural competencies of all Watercare kaimahi (staff). These modules will form an ongoing series that we will continue to implement over time.
- In line with our commitments to grow leadership capability, we celebrated the graduation of the first cohort of Watercare’s Koiora leadership programme for Māori kaimahi. This five-month programme included marae noho (marae stay) experiences and a tira hoe (traditional canoe rowing) on the Waikato River, aimed at developing leadership skills and deepening cultural understanding. Participants presented their projects to our senior leadership team.

- Our ongoing efforts to increase the participation of Māori businesses in our supply chain continued. Our procurement with Māori-owned businesses reached 2.47 per cent of our total supplier spend, against a target of 3 per cent, with \$30.63 million for FY24, a 34 per cent increase from the previous year. This progress reflects our commitment to supporting Māori economic development.
- Additionally, we launched Ngā Kakau Paraha (NKP), our Māori business network aimed at supporting Watercare's \$3.5b asset upgrade and renewal programme. Ngā Kakau Paraha comprises 15 Māori-owned businesses who will collaborate with Watercare through procurement processes, to identify avenues for Māori businesses to contribute to the programme's success.

Innovation to enable efficiency

As a public utility providing an essential service, we continued to focus on operating efficiently and investing wisely. We continue to encourage our teams to do things in a smarter way resulting in efficient and effective outcomes for the business such as: digitising pre-start site inspection process for our field teams which has replaced inefficient manual processes, reduced overheads and enhanced safety and compliance; building a containerised chlorine dosing plant for our Waiwera Reservoir that is powered by solar panels, saving on time and money spent on manual dosing and improving compliance; a better reporting system for our field crews that automates processes and tracks performance, and savings on rent by utilising our existing facilities.


As my time on the Watercare board comes to an end, I would like to take this opportunity to thank my board colleagues for their support and commitment as we navigated the next stage of the Watercare journey and management who have continued to deliver vital services to Auckland in what can only be described as a changing and challenging environment.

I would like to thank Dr Nicola Crauford and Frances Valentine, who finished their term on the board at the end of June 2024, for their advice and guidance to Watercare.

I would also like to acknowledge our shareholders Auckland Council for their continued support and challenge during this year. The outcome of the financial solution provides surety for the much-needed infrastructure investment for a growing region and ensures that Watercare is well placed to deliver those challenges.



Margaret Devlin
Chair



Dave Chambers
Chief executive





Our board of directors

From left to right: Graham Darlow, Frances Valentine, Margaret Devlin, Julian Smith, Nicola Crauford
Not pictured: Geoff Hunt

Geoff Hunt

MENG, FENGZ, MINSTD

Chair (appointed on 4 July, 2024)

Geoff's career has been mainly in construction, operation, and maintenance of critical infrastructure. Over a 27-year period he has been CEO of four successful New Zealand-based companies operating in these areas. He has worked in the UK and the USA and has been involved in project delivery and infrastructure maintenance services in Australia, the Pacific, Melanesia, and SE Asia.

Geoff has worked in and held governance roles in both the government and private sectors and in industry bodies. He is currently a New Zealand Infrastructure Commission board member and director of two privately owned business providing materials to the construction sector. Through Geoff Hunt Consulting Ltd he advises on business performance improvement, staff relations and development, construction project delivery, and construction sector dispute resolution.

General disclosure of interests: Principal, Geoff Hunt Consulting Ltd; Director, Preston 2 Trust Ltd; Director, J Scott and Company Ltd; Director, PSP Ltd; Advisor to the Board, Alta Consulting Ltd; Member, AUT Engineering Industry Advisory Committee; Member, Institution of Engineering and Technology; Member, Institute of Directors; Director, New Zealand Infrastructure Commission; and Trustee, Hunt Family Trust.

Margaret Devlin*

BA (HONS) BUSINESS STUDIES, FINANCE AND ECONOMICS, CFINSTD

Margaret is a professional director with extensive experience in governance and executive management primarily in the water and infrastructure sectors in New Zealand and the United Kingdom. She has served as a director for a range of entities with a particular focus on audit and risk.

Previously she was a board member of Waimea Water Limited; IT Partners Group; Advisory Board Women in Infrastructure Network; Hospice Waikato; and Dairy NZ Limited.

General disclosure of interests: Director, Waikato Regional Airport; and Director, Titanium Park (wholly owned subsidiary of Waikato Regional Airport).

Dr Nicola Crauford

BSC (HONS), PHD, DISTFENGZ, FAICD, CFINSTD

Chair of Audit and Risk Committee (from August 2023)

Nicola has extensive governance and senior management experience in energy, water and telecommunications utilities. As a director she brings a combination of technical, commercial and strategic skills. She has a degree in chemical engineering from the University of Newcastle upon Tyne, a doctorate in applied science from the University of Southampton, and has worked in the oil and gas, energy and banking sectors. As well as utilities, her governance portfolio has spanned science research and development, fire and emergency management, and environmental protection and regulation.

General disclosure of interests: Director and Shareholder, Riposte Consulting Limited; Director and Chair, Burgundy Holdco Limited (owner of StraitNZ Limited); and Director, Lyttleton Port Company Limited.

Graham Darlow

BE, FICE, DIST FENGZ

Chair of Asset Management Committee (from August 2023)

Graham is an independent director and advisor to the construction industry. He has extensive experience in the planning, consenting, design and construction of major infrastructure projects. His project governance experience includes the Waterview Tunnel, Te Papa Tongarewa, Māngere Wastewater Treatment Plant upgrade, Hobson Tunnel, Downtown Infrastructure Programme and many of New Zealand's water, wastewater, transport, energy and marine projects. Previously Graham was chief executive of Fletcher Construction, President of Engineering New Zealand, and Safeguard Safety Leader of the Year in 2016.

General disclosure of interests: Business Executive, Acciona Infrastructure NZ Limited; Director and Shareholder, Brockway Consulting Limited; Chair, Frequency NZ Limited; Director, Hick Bros. Civil Construction Limited; Director, Holmes Group Limited; Director, Hick Bros. Heavy Haulage Limited; Director, Hick Bros. Holdings Limited; Chair, The LEAD Alliance Board; Director, Holmes GP ANZ Ltd; Director, Hick Group Ltd; and Project Governance Group, Sludge Minimisation Project, Wellington City Council.

Julian Smith

LLB, BCOM, ADV ASB, CMINSTD

Chair of Capital Finance Committee (from July 2024)

Julian is an independent director with 13 years' governance experience. He retired from his executive career in late 2019 when he was chief customer officer for Meridian Energy and responsible for \$1.2b revenue and a team of 400. His career saw him hold several senior executive roles in the internet/digital, financial services, telecommunications sectors as well as central government.

Julian is a strategy, transformation and customer experience expert with extensive marketing and corporate affairs credentials and has worked in a range of international markets across Asia, Australasia, the Middle East and the United Kingdom.

General disclosure of interests: Advisory Board Member, Vadacom Limited; Board Trustee, Look Good Feel Better Trust; Director and Shareholder, JTB Enterprises Limited; Committee member, Institute of Directors – Auckland Committee; Chair, Institute of Directors Te Tai Tokerau, Northland Sub-Committee; Committee member, Body Corporate Chairs Group NZ – Auckland Committee; Body Corporate Committee member, The Connaught Residential Apartments, Auckland; MyCareerBrand, Group Manager – Northland Corporate Group

Andrew Clark**

B.COM, CA

Andrew has extensive leadership experience in infrastructure and supply chain, FMCG and agribusiness through senior executive roles in the port, aquaculture and dairy industries. He has more than 30 years' experience living and working in New Zealand, Australia, United States and Latin America, building strong collaborative relationships to empower people and deliver improved business performance, particularly in challenging environments. As Chief Financial Officer at Port of Auckland since late 2022 he has played a significant role in the recent transformation of the Port's performance and developing future plans for the Port. Andrew has completed the London Business School Senior Executive Program and the Advanced Management Program at INSEAD business school.

General disclosure of interests: Chief Financial Officer at Port of Auckland Limited; Trustee of Maritime Retirement Scheme (Fund for the Maritime Union of NZ); Trustee of the Maritime KiwiSaver Scheme (Fund for the Maritime Union of NZ); Chair of Bunker Shipz Ltd (wholly owned subsidiary of Port of Auckland Limited); Chair of Seafuels Ltd (wholly owned subsidiary of Port of Auckland Limited).

Frederik Cornu**

MENG (HONS) CIVIL & STRUCTURAL, DIPL.ING., MBA, CMINSTD

Frederik is a senior executive and director with 27 years of work experience in public and private organisations. He is passionate about sustainability and climate. He has been involved in the development and delivery of major water, buildings, and infrastructure projects in Europe, the Middle East, Asia, and since 2019, in New Zealand.

His career spans project management, business development, and general management roles with the French Government, Suez, Artelia, Bureau Veritas, KiwiRail, WSP and Schneider Electric.

Frederik has worked on 40 major water projects involving water intakes, process, drinking and wastewater treatment plants, and networks. These projects encompass feasibility studies, engineering, procurement, construction, commissioning, and operators' training.

He has 22 years of governance experience. Previous roles include serving as a member of the boards of the European Chamber of Commerce and the French Chamber of Commerce in China, as well as Chair of their Environment Committees.

Frederik is a civil and structural engineer with a Master's degree with Honours (UK), a 5-year engineering degree (France), an Executive MBA (China), and a Company Directors' Certificate (New Zealand).

General disclosure of interests: Sustainable Solutions Lead for Schneider Electric, Vice-President and Board Member, French New Zealand Chamber of Commerce (FNZCCI); Executive Committee Member, New Zealand China Trade Association (NZCTA); Director, Alliance Française Auckland; and New Zealand Planet Leader of Team for the Planet.

Frances Valentine***

CNZM, MEDMGT

Frances is dedicated to pushing Aotearoa ahead as a global leader in innovation to build a stronger, more resilient future for all New Zealanders. Over the past eight years across Tech Futures Lab and The Mind Lab, Frances has been instrumental in reskilling and educating 20,000 adult students in formal programmes, many thousands in short tech courses in software development, and over 250,000 school aged students.

With an eye always on future horizons, Frances has worked with and advised over 250 organisations across every sector in New Zealand – from agriculture to finance, retail to law – and has gained a reputation as an expert in leading digital transformation initiatives that bring positive impact.

A Companion of the New Zealand Order of Merit for her lifetime contribution to education and technology (2018), Frances has received numerous awards recognising her passion and commitment to supporting the young and more mature to seek opportunities and reach their potential. In 2020, Frances received the Outstanding Contribution to Technology and Business at the CIO Awards. Her past accolades include:

2017: the NZ Flying Kiwi Award, inducted into the New Zealand Hi-Tech Hall of Fame and named one of the top three NZ Innovators of the Year at the NZer of the Year awards.

2016: named one of the top 50 EdTech Educators in the World by EdTech International; awarded a Sir Peter Blake Leader Award.

2015: awarded the Westpac New Zealand Woman of Influence (Innovation) and the Next New Zealand Woman of the Year (Education).

She holds a Master of Education Management from the University of Melbourne.

General disclosure of interests: Director, The Mind Lab Limited; Director, Tech Futures Lab Limited; Director and Shareholder, Harcourt Jasper Limited; Director and Shareholder, Pointed Tangram Limited; Director and Shareholder, Harper Lilley Limited; Director and Shareholder, On Being Bold Limited; Director and Shareholder, Sandell Trustees Limited; Selection Advisor, Edmund Hillary Fellowship; Board of Trustee, University of Silicon Valley; Shareholder, Thought-Wired Limited; Director, Academy EX Limited; Director, Earth Futures Lab; Director, Edlab Limited.

Dave Chambers****

Dave joined Watercare as a board member in November 2019. Dave was on sabbatical from the Board for the period from 7 February 2023 to 9 April 2024 whilst acting chief executive of Watercare. Dave resigned from the Board on 9 April 2024 and accepted an offer of employment to be the chief executive of Watercare on a fixed-term contract until June 2025.

Dave is a highly experienced business leader with a background in large-scale customer centric organisations. He was Managing Director of Progressive Enterprises NZ and Director of Woolworths Supermarkets in Australia and has held various other leadership roles. Previously he was a board member of Woolworths Supermarket Australia, Paper Plus New Zealand Limited, Turners and Growers Fresh Limited, and the New Zealand Business and Parliament Trust.

General disclosure of interests: Director, GB & DD's Outfit Limited.

* Term as board chair ended on 30 June 2024.

** Appointed to the board in June 2024.

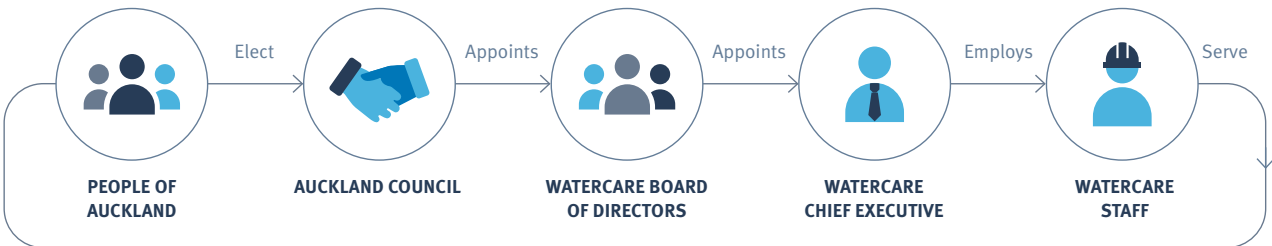
*** Term ended on 30 June 2024.

**** Resigned on 9 April 2024.

Hinerangi Raumati-Tu'ua and Brendon Green were also directors of Watercare until their resignation on 31 July 2023, following their appointment to the board of Wai Tāmaki ki Te Hiku.

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.

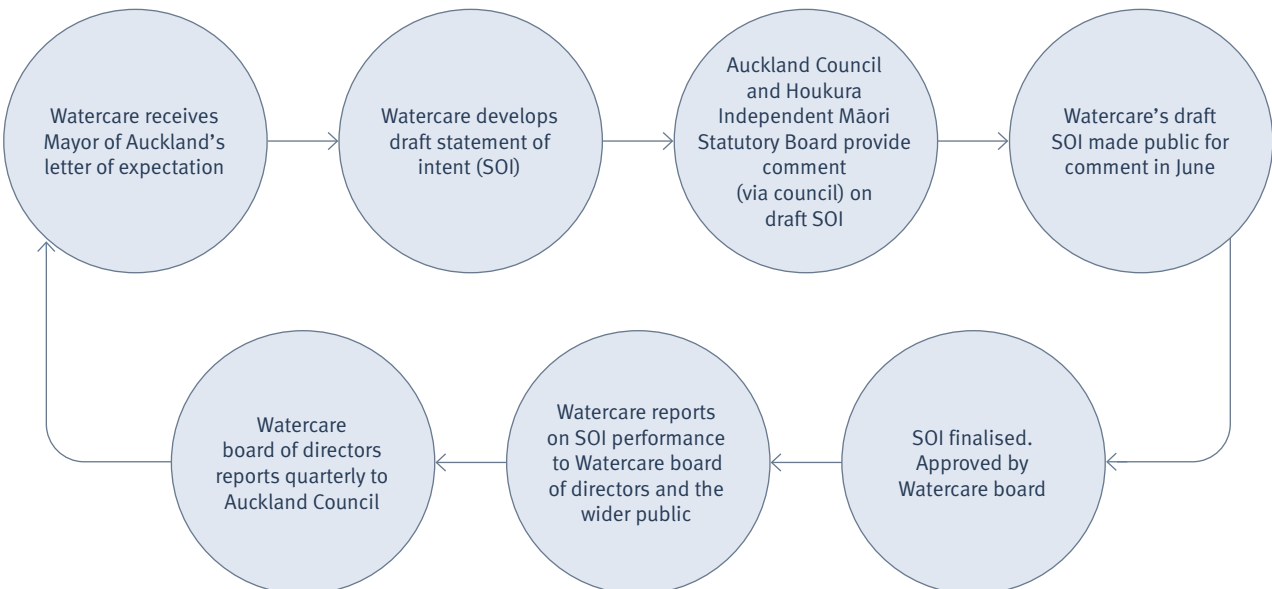


Our legislative framework

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 regulation that governs planning, health and environmental matters. The principal regulators include Auckland Council, 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, Watercare consults with its shareholder, Auckland Council, to develop a statement of intent (SOI) covering the next three years. The SOI identifies the relationship between Watercare’s 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 2024–2027 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 the shareholder's strategic direction, priorities and targets. This annual report records our performance against both non-financial and financial performance measures included in the SOI. Our Board undergoes Board performance reviews biannually, 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

Watercare subjects its 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.

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. 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.

Watercare is 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, Watercare is 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 FY24 was 15.82 days.

Governance (continued)

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 2024, the company has an Audit and Risk Committee and an Asset Management 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 2023/24, the ARC was chaired by Hinerangi Raumati Tu'ua (resigned on 31.07.2023) and Nicola Crauford and helped the board fulfil its financial reporting responsibilities and provided assurance regarding compliance with internal controls, policies and procedures. The committee also helps the board exercise due care, diligence and effective overview 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):** This committee was established in August 2023 and Graham Darlow was appointed as a chair of the AMC. The AMC helps 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.
- **Capital Finance Committee (CFC):** This committee was established in July 2024 and Julian Smith was appointed as a Chair of the CFC. The CFC assists the board in exercising due care, diligence and effective oversight in relation to capital structure requirements and debt separation from Auckland Council.

The details of directors' attendance at board and committee meetings during the financial year FY24 is as follows:

Board member attendance 2023/24	Board meetings	Audit and Risk Committee meetings	Asset Management Committee meetings
Number of meetings	15	6	6
Geoff Hunt (Board Chair) (appointed on 01/07/2024)	–	–	–
Margaret Devlin*	14	5	5
Nicola Crauford*	14	6	5
Graham Darlow	13	4	6
Julian Smith	15	6	4
Andrew Clark (appointed on 01/06/2024)	2	–	–
Frederik Cornu (appointed on 01/06/2024)	2	–	–
Frances Valintine (term ended on 30/06/2024)	14	–	–
Dave Chambers# (resigned on 09/04/2024)	–	–	–
Brendon Green (resigned on 31/07/2023)	1	–	–
Hinerangi Raumati-Tu'ua (resigned on 31/07/2023)	1	–	–

* Term ends at such time as the annual audit of Watercare has been completed for 2024 (estimated to be August/September 2024).

Dave Chambers was on sabbatical from the board for the period from 7 February 2023 to 9 April 2024 whilst acting chief executive of Watercare. Dave resigned from the board on 9 April 2024 and accepted an offer of employment to be the chief executive of Watercare on a fixed-term contract until June 2025.

■ Denotes committee membership

Financial report

Contents

Responsibility for the financial statements and statement of service performance	14	16. Trade and other receivables from exchange transactions	48
Independent Auditor's Report	15	17. Inventories	49
Statement of comprehensive revenue and expense	18	18. Trade and other payables for exchange transactions	49
Statement of financial position	19	19. Prepaid expenses	50
Statement of cash flows	20	20. Other financial assets	50
Statement of changes in equity	21	21. Accrued expenses	51
Notes to the financial statements	22	22. Provisions	52
1. Reporting entity and basis of preparation	22	23. Equity and related parties	53
2. Explanation of major variances to budget	25	24. Commitments	54
3. Business update	26	25. Contingent liabilities	54
4. Property, plant and equipment	28	26. Retirement benefit plans	55
5. Impairment of property, plant and equipment, and intangible assets including goodwill	33	27. Key management personnel	55
6. Revaluation reserves	34	28. Events occurring after balance date	56
7. Intangible assets	35	Statutory information	57
8. Borrowings	37	2024 Statement of Service Performance	58
9. Finance costs	37		
10. Financial instruments and risk management	38		
11. Revenue	42		
12. Operating expenses	44		
13. Reconciliation of operating cash flows	45		
14. Income tax expense	46		
15. Deferred tax liability	47		



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 2024 and its financial performance and cash flows 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 2024.

These financial statements and the statement of service performance for Watercare Services Limited for the year ended 30 June 2024 were approved and authorised for release on 13 September 2024.

For and on behalf of management:



D Chambers
Chief Executive



A Neeson
Chief Financial Officer

For and on behalf of the Board of Directors:



M P Devlin
Chair (As at June 30, 2024)



Dr N Crauford
Director; Chair of the Audit and Risk Committee

INDEPENDENT AUDITOR'S REPORT TO THE READERS OF WATERCARE SERVICES LIMITED GROUP'S FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2024

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 financial statements and the statement of service performance of the Group on his behalf.

Opinion

We have audited:

- the financial statements of the Group on pages 18 to 56 that comprise the statement of financial position as at 30 June 2024, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the Group on pages 58 to 63.

In our opinion:

- the financial statements of the Group on pages 18 to 56,
 - present fairly, in all material respects:
 - › its financial position as at 30 June 2024; and
 - › its financial performance and 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 on pages 58 to 63, presents fairly, in all material respects, the Group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Group's objectives for the year ended 30 June 2024.

Our audit was completed on 13 September 2024. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to other matters. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the statement of service performance, and we explain our independence.

Emphasis of matter – 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 within the Natural Environment section on page 58 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.

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 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 financial statements and the performance information

The Board of Directors is responsible on behalf of the Group for preparing 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 for the Group.

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

In preparing the financial statements and the statement of service performance, 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 company 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 financial statements and the statement of service performance

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, 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 financial statements and the statement of service performance.

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

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

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 financial statements and the statement of service performance, 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.
- 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 evaluate the appropriateness of the reported statement of service performance within the Group's framework for reporting its performance.
- 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 company'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 financial statements and the performance information 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 company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements and the statement of service performance of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance statement of service performance. We are responsible solely for the direction, supervision, and performance 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 in 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 the information included on pages 2 to 12 and page 57 in the Annual Report that accompanies the financial statements and the audit report.

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

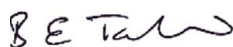
In connection with our audit of the financial statements and the statement of service performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the statement of service performance, 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 the fact. We have nothing to report in this regard.

Independence

We are independent of the Group in accordance with the independence requirements of 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) (PES 1), issued by New Zealand Auditing and Assurance Standards Board.

In addition to the audit, we have carried out engagements in the areas of non-assurance services provided to the Corporate Taxpayers Group of which Watercare is a member which are 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, the above assignments and trading activities, we have no relationship with, or interests in, the Group.



B E 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 2024

	Notes	2024 Actual \$000	2023 Actual \$000	2024 Budget \$000
Revenue	NOTE 11	1,085,078	968,258	1,104,700
Total revenue		1,085,078	968,258	1,104,700
Operating expenses				
Asset operating costs		(93,220)	(98,336)	(85,920)
Maintenance costs		(90,535)	(77,516)	(69,729)
Employee benefit expenses		(98,706)	(66,765)	(92,267)
Other expenses		(84,558)	(87,969)	(82,589)
Total operating expenses	NOTE 12	(367,019)	(330,586)	(330,505)
Depreciation and amortisation	NOTE 4 & 7	(394,669)	(317,194)	(290,090)
Finance costs	NOTE 9	(150,275)	(120,732)	(139,345)
Total expenses		(911,963)	(768,512)	(759,940)
Operating surplus from trading operations		173,115	199,746	344,761
Net loss on disposal of property, plant and equipment		(9,683)	(24,991)	(8,000)
Operating surplus before tax		163,433	174,755	336,761
Income tax expense	NOTE 14	(66,825)	(53,921)	(94,293)
Net surplus for the year from continuing operations		96,608	120,834	242,468
Discontinued operations				
Profit after tax for the year from discontinued operations	NOTE 3	–	(372)	–
Net surplus for the year		96,608	120,462	242,468
Other comprehensive revenue and expense net of tax				
(Loss)/ gain on revaluation of property, plant and equipment	NOTE 6	(25,792)	910,503	–
Total comprehensive revenue and expense for the year, net of tax		70,816	1,030,965	242,468
Attributable to:				
Owner of the parent, net of tax		70,816	1,031,203	242,468
Non-controlling interest, net of tax		–	(238)	–
		70,816	1,030,965	242,468

The financial statements should be read in conjunction with the notes on pages 22-56 inclusive.

Statement of financial position

As at 30 June 2024

	Notes	2024 Actual \$000	2023 Actual (Restated) \$000	2024 Budget \$000
Assets				
Current				
Cash and cash equivalents		23,611	4,115	10,923
Restricted cash	NOTE 10	24,678	–	–
Trade and other receivables from exchange transactions	NOTE 16	138,341	121,286	100,714
Inventories	NOTE 17	20,435	19,841	19,612
Prepaid expenses	NOTE 19	10,547	21,385	14,461
Other financial assets	NOTE 20	6,988	38,094	40,541
Total current assets		224,600	204,721	186,252
Non-current				
Property, plant and equipment	NOTE 4	16,046,002	15,371,131	16,014,617
Intangible assets and goodwill	NOTE 7	86,745	65,792	92,197
Inventories	NOTE 17	6,946	6,953	3,619
Prepaid expenses	NOTE 19	30,326	32,708	23,775
Other financial assets	NOTE 20	–	2,993	2,993
Total non-current assets		16,170,019	15,479,577	16,137,200
Total assets		16,394,619	15,684,298	16,323,452
Liabilities				
Current				
Trade and other payables for exchange transactions	NOTE 18	34,153	35,844	27,346
Accrued expenses	NOTE 21	159,613	200,300	154,863
Provisions	NOTE 22	12,931	14,708	20,821
Total current liabilities		206,697	250,852	203,030
Non-current				
Borrowings	NOTE 8	3,567,495	2,955,584	3,440,484
Deferred tax liability	NOTE 15	2,465,539	2,399,790	2,407,907
Trade and other payables for exchange transactions	NOTE 18	19,370	12,784	2,859
Accrued expenses	NOTE 21	9,736	10,271	14,213
Provisions	NOTE 22	12,085	12,137	18,731
Total non-current liabilities		6,074,225	5,390,565	5,884,192
Total liabilities		6,280,922	5,641,417	6,087,222
Equity				
Equity attributable to owners of the parent				
Retained earnings		4,718,797	4,601,570	4,817,650
Revaluation reserves	NOTE 6	5,134,207	5,180,618	5,157,887
Issued capital	NOTE 23	260,693	260,693	260,693
Total equity attributable to owners of the parent		10,113,697	10,042,881	10,236,230
Non-controlling interest		–	–	–
Total equity		10,113,697	10,042,881	10,236,230
Total equity and liabilities		16,394,619	15,684,298	16,323,452

The financial statements should be read in conjunction with the notes on pages 22-56 inclusive.

Statement of cash flows

For the year ended 30 June 2024

	Notes	2024 Actual \$000	2023 Actual \$000	2024 Budget \$000
Operating activities				
Cash was provided from:				
Receipts from customers		1,002,758	869,990	1,071,398
Dividends received	NOTE 11	155	121	–
Interest received	NOTE 11	2,345	52	–
		1,005,258	870,163	1,071,398
Cash was applied to:				
Employees and suppliers		(392,058)	(327,191)	(330,500)
		(392,058)	(327,191)	(330,500)
Net cash inflows – operating activities	NOTE 13	613,200	542,972	740,898
Investing activities				
Cash was provided from:				
Sale of property, plant and equipment, and intangibles		–	918	–
Proceeds on disposal of discontinued operations		–	2,792	–
Repayment of advances or loans to external parties		–	15,659	–
		–	19,369	–
Cash was applied to:				
Purchase and construction of property, plant and equipment, and intangibles		(1,032,248)	(815,830)	(1,086,461)
		(1,032,248)	(815,830)	(1,086,461)
Net cash outflows – investing activities		(1,032,248)	(796,461)	(1,086,461)
Financing activities				
Cash was provided from:				
Proceeds from Auckland Council loans – related party	NOTE 23	1,162,555	906,084	1,033,765
		1,162,555	906,084	1,033,765
Cash was applied to:				
Repay loans and interest from Auckland Council – related party	NOTE 23	(699,334)	(656,084)	(688,202)
		(699,334)	(656,084)	(688,202)
Net cash inflows / (outflows) – financing activities		463,222	250,000	345,563
Net change in cash flows		44,174	(3,489)	–
Cash and cash equivalents / (overdraft) at the beginning of the year		4,115	7,604	–
Cash and cash equivalents / (overdraft) at the end of the year		48,289	4,115	–
Cash and cash equivalents comprises:				
Bank balances / (overdraft)		23,611	4,115	10,923
Restricted cash		24,678	–	–
		48,289	4,115	10,923

The financial statements should be read in conjunction with the notes on pages 22-56 inclusive.

Statement of changes in equity

For the year ended 30 June 2024

	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

	Notes	Retained earnings (Restated) \$'000	Revaluation reserves (Restated) \$'000	Issued capital \$'000	Non-controlling Interest \$'000	Total \$'000
Balance at 1 July 2022		4,596,397	4,277,649	260,693	370	9,135,109
Capitalised interest restatement		(145,926)	22,731	–	–	(123,195)
Balance at 1 July 2022 (restated)		4,450,471	4,300,380	260,693	370	9,011,914
Comprehensive revenue and expense						
Net surplus for the year (restated)		120,834	–	–	(238)	120,596
Disposal of minority interest		–	–	–	(132)	(132)
Other comprehensive revenue and expense						
Gain on revaluation of property, plant and equipment	NOTE 6	–	910,503	–	–	910,503
Transfer between reserves on disposal of property, plant and equipment	NOTE 6	30,265	(30,265)	–	–	–
Balance at 30 June 2023		4,601,570	5,180,618	260,693	–	10,042,881

The financial statements should be read in conjunction with the notes on pages 22-56 inclusive.

Notes to the financial statements

For the year ended 30 June 2024

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 NZ Government is implementing its policy “Local Water Done Well” – a plan to deliver financially sustainable, affordable water services while retaining local control of water assets.

In February 2024, the Water Services Act Repeal Bill received the Royal assent, repealing the key legislation that underpinned the ‘Affordable Water Reform’ program. This returned responsibility for water services delivery to local authorities and disestablished the Northland and Auckland water services entity.

The second stage in the reform process is the enactment of the Water Services Preliminary Arrangements Bill which received Royal assent on 2 September 2024. This will come into effect on 1 July 2025, at which point Watercare will be financially independent from Auckland Council.

The primary impact of the second bill passing is that from 1 July 2025 Auckland Council will be legislatively prohibited from providing any financial support to Watercare which means that Watercare will be required to raise funding in its own name rather than through Auckland Council. To give effect to this new regime, Watercare will have a credit rating separate from Auckland Council and will need to establish the mechanisms and governance necessary to manage treasury requirements.

Discussions have commenced with funding entities and are expected to conclude before 1 July 2025. At the present time the levels of funding and associated costs are uncertain, however the board are confident that Watercare will be able raise sufficient funds before 1 July 2025.

Watercare is progressing a programme of work to implement the required funding arrangements in line with legislation.

A third bill, the Local Government Water Services Bill will establish the enduring settings for the new water services system, which includes economic regulation. A Crown Monitor has been appointed to Watercare as a transitional measure, before the full economic regulation system is implemented. A charter outlining the interim regulatory regime will be drafted by the Government in consultation with Auckland Council.

There is no change to Watercare as an entity as a result of this legislation. Watercare will continue to provide the same water and wastewater services, thus the financial statements have been prepared on a going concern basis. No changes have been made to the recognition and measurement basis, or presentation of assets and liabilities in these financial statements as a result of this legislation.

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.

Notes to the financial statements (continued)

For the year ended 30 June 2024

1. Reporting entity and basis of preparation (continued)

Change in accounting policy – borrowing costs for capitalised expenditure

Watercare changed its accounting policy for the treatment of borrowing costs related to its property, plant and equipment. Previously, Watercare capitalised eligible borrowing costs. All borrowing costs are now expensed as incurred.

Management has assessed that the change in accounting policy provides faithfully representative and more relevant information because it results in a more transparent treatment of finance costs. It is consistent with local government industry practice and aligns with its parent's (Auckland Council) policy on borrowing costs, making Watercare's financial statements more comparable. This is important in the context of users of the financial statements as the policy change also provides future funders and economic regulators more relevant information to understand the total finance costs of Watercare.

This change in accounting policy has been accounted for retrospectively, and the comparative statements for 2023 have been restated. The effect of the changes is provided in summary below:

Statement of comprehensive revenue and expense

	Notes	2023 Actual (Restated) S000	2023 Actual S000
Expenses			
Depreciation and Amortisation	NOTE 4 & 7	(317,194)	(317,395)
Finance costs	NOTE 9	(120,732)	(75,673)
Income tax expense		(53,921)	(66,481)

Statement of financial position

	Notes	2023 Actual (Restated) S000	2023 Actual S000
Non Current Asset			
Property, plant and equipment	NOTE 4	15,371,131	15,588,357
Non Current Liability			
Deferred tax liability	NOTE 15	2,399,790	2,460,504
Equity			
Retained earnings		4,601,570	4,779,792
Revaluation reserves	NOTE 6	5,180,618	5,157,887

Refer to individual Note 4 plant, property and equipment, Note 7 intangibles, Note 6 revaluation reserve, Note 13 reconciliation of operating cash flows, Note 14 Income Tax and Note 15 Deferred tax for impacts of the change.

Budget figures

The budget is based on the 2023-2027 SOI approved by the board in May 2023. In February 2024 prospective financial statements, were retrospectively issued, to meet the new requirement as per the accounting standards. On the 10th of July 2024, the Statement of Intent (SOI) for 2024-2027 was approved. The accompanying prospective financial statements included a restatement of FY23 and FY24 for the change in accounting policy to no longer capitalise interest costs and realigning of some accounts to ensure consistent accounting treatment between forecast and actuals. These are the budget numbers represented in the 2024 Annual Financial Statements. The budget figures were prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by Watercare in preparing these financial statements. The budget figures included in the financial statements are for the controlling entity (Watercare) and therefore exclude the budget for its subsidiaries. The budgets of the subsidiaries are 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

Notes to the financial statements (continued)

For the year ended 30 June 2024

1. Reporting entity and basis of preparation (continued)

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.

Non-controlling interests in the subsidiary are identified separately from the group's equity. Those interests of non-controlling shareholders are initially measured at the non-controlling interests' proportionate share of the carrying amount of the subsidiary's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

Watercare adopted the amended *PBE IPSAS 1 Disclosure of Fees for Audit Firms Services* from 1 July 2023.

All other 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 2024

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 expense – extract

	2024 Actual \$000	2024 Budget \$000	Variance \$000	Variance %
Revenue	1,085,078	1,104,700	(19,622)	(1.8%)
Asset operating costs	(93,220)	(85,920)	(7,300)	(8.5%)
Maintenance costs	(90,535)	(69,729)	(20,806)	(29.8%)
Employee benefit expenses	(98,706)	(92,267)	(6,439)	(7.0%)
Other expenses	(84,558)	(82,589)	(1,969)	(2.4%)
Depreciation and Amortisation	(394,669)	(290,090)	(104,580)	(36.1%)
Finance costs	(150,275)	(139,345)	(10,930)	(7.8%)
Net loss on disposal of property, plant and equipment	9,683	(8,000)	1,683	(21.0%)

1 Budgeted 2024 Maintenance costs disclosed in the Watercare Services Limited Statement of Intent 2024 to 2027 Prospective statement of comprehensive revenue and expense were overstated by \$6.1m with the offset coming from Employee Benefits. This has been corrected in the table above.

- Revenue was \$19.6m (1.8%) unfavourable to budget. The budget had anticipated interim insurance payments of \$77m for the January 2023 flood events, however no funds have been received yet. Consumption volumes were 3.3GL below budget contributing \$14.1m less than budgeted tariff revenues. This was offset by higher than anticipated Infrastructure growth charges of \$28.8m, with the rolling 12-month trend now showing growth for the first time since July 2022. Vested asset revenues were \$29.2m above budget, and other revenues exceeded budget by \$13.5m. The other revenues included contributions from Healthy Waters for the Point Erin extension and tax loss subvention payment from Auckland Council group.
- Asset operating costs were \$7.3m (8.5%) unfavourable to budget for the year. Ongoing over-pumping and temporary operating costs associated with the January 2023 flood events contributed to \$3.9m of the unfavourable result while the costs associated operating with the collapse of the Ōrākei Main Sewer in September 2023 equated to \$2.1m. Additional energy costs associated with the running of the Waikato water treatment plant to optimise opening water storage for the 2025 year were incurred.
- Maintenance costs were \$20.8m (29.8%) unfavourable to budget for the year primarily due to the ongoing costs associated with the January 2023 flood events (\$9.1m) and temporary works associated with the Ōrākei Main Sewer collapse in September 2023 (\$3.9m). There were also a number of high value pipeline and plant failure costs incurred along with third party damage costs (offset by revenue) during the year.
- Employee benefit expenses were \$6.4m (7.0%) unfavourable to budget. This was driven by a combination of additional labour costs incurred associated with Reform (\$2.9m) (offset by revenue), lower labour recoveries following the reprioritisation of the capital programme, labour costs associated with the ongoing flood and Ōrākei Main Sewer Incidents and higher levels of overtime.
- Depreciation and amortisation was \$104.5m (36.1%) unfavourable to budget due to the depreciation on the FY23 asset revaluation not in budget, accelerated depreciation for assets retired as part of the renewal program and changing of the depreciation estimate from the annual reassessment of expected asset lives.
- Financing costs were \$10.9m (21.0%) higher than budget reflecting higher borrowings in the year.

Notes to the financial statements (continued)

For the year ended 30 June 2024

2. Explanation of major variances to budget (continued)

Statement of financial position – extract

	2024 Actual \$000	2024 Budget \$000	Variance \$000	Variance %
Total current assets	224,600	186,252	38,349	20.6%
Total non-current assets	16,170,019	16,137,200	32,819	0.2%
Total current liabilities	206,697	203,030	3,667	1.8%
Total non-current liabilities	6,074,225	5,884,192	190,032	3.2%
Total equity	10,113,697	10,236,230	(122,533)	(1.2%)

- Current assets are \$38.3m (20.6%) 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 \$32.9m (0.2%) higher to budget mainly due to an increase in PP&E and intangibles.
- Current liabilities were \$3.6m (1.8%) higher than budget mainly due to higher trade payables. Non-current liabilities were \$190m higher than budget due to increased deferred tax liability with depreciation on buildings no longer deductible and \$130m increased borrowings from Auckland Council reflecting funding for the 2023 flood events, Central Interceptor hyperinflation and working capital requirements.
- Equity was \$122m (1.2%) lower than budget at year-end due to the change in accounting treatment for capitalised interest and the impact of the FY24 land and building revaluation.

Statement of cash flows – extract

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

	2024 Actual \$000	2024 Budget \$000	Variance \$000	Variance %
Net cash inflows – operating activities	613,200	740,898	(127,698)	(17.2%)
Net cash outflows – investing activities	(1,032,248)	(1,086,461)	54,213	(5.0%)
Net cash inflows / (outflows) – financing activities	463,222	345,563	117,659	34.0%

- Net operating cash inflows were \$127m (17.2%) lower than budget with lower revenue as insurance proceeds were not received and higher expenses predominantly due to the 2023 flood events and the Ōrākei Main sewer.
- The net cash outflow from investing activities was \$54m (5.0%) lower than budget due to lower capital expenditure during the year. This includes lower spend on flood repairs with the delay in receiving insurance proceeds, partly offset with higher spend on other projects including Central Interceptor escalation.
- The net cash inflows from financing activities were \$118m (34.0%) higher than budget, reflecting the increased borrowings from Council.

3. Business update

a) Impact of Significant weather event

Auckland experienced two significant weather events in January and February 2023. The impact of the damage to the group's water related infrastructure continued to be assessed across the year and permanent repair work commenced.

An insurance claim was lodged in May 2024 and is currently under review by the assessors. Work continues with the claim agent and the assessors on the below ground claim, with lodgement of an initial claim expected in the first half of this financial year. Insurance proceeds have not been recognised as yet, as there has not been confirmation of the reimbursement value.

The current estimate of impairment relating to identified impacted assets remains low. It is expected that with the extent of damage the assets predominantly be renewed as opposed to repaired.

In FY24 \$13.9m has been recognised in the Statement of Comprehensive Income for pumping, chemical, energy and cleaning costs relating to diversions implemented to keep the network operating.

In late September 2023 a sink hole formed above the Ōrākei main sewer on St Georges Bay Rd in Parnell causing the sewer to collapse. This occurred as a result of saturated ground conditions over a long period of time and caused a blockage of the sewer and severe overflows into the harbour. An additional \$7.8m was incurred in the Statement of Comprehensive Income for pumping, energy and cleaning costs.

Notes to the financial statements (continued)

For the year ended 30 June 2024

3. Business update (continued)

b) Discontinued activities

On 31 May 2023, Watercare sold its 67% holding in Lutra Limited, an engineering and cloud-based software company, for a total of \$3,316,500. Control of Lutra Limited passed to the acquirer on 31 May 2023.

The results of Lutra Limited are presented below.

	2024 30 June \$000	2023 31 May \$000
Revenue	–	8,316
Expenses	–	(9,020)
Operating (Loss) / Surplus before tax	–	(704)
Gain on sale of discontinued operations	–	349
Income Tax expense	–	(17)
Net (loss) / surplus for the year	–	(372)

The major classes of assets and liabilities for Lutra Limited were:

	As at 30 June 2024 \$000	As at 30 May 2023 \$000
Assets		
Cash and cash equivalents	–	82
Trade and other receivables from exchange transactions	–	1,439
Prepaid expenses	–	51
Inventories	–	–
Property, plant and equipment	–	278
Intangible assets	–	1,300
Total assets	–	3,150
Liabilities		
Trade and other payables and accruals	–	2,180
Provisions	–	343
Deferred tax liability	–	61
Total liabilities	–	2,584
Net assets directly associated with discontinued activities	–	566

The net cash flow incurred by Lutra Limited are, as follows:

	2024 30 June \$000	2023 31 May \$000
Operating	–	(29)
Investing	–	(549)
Financing	–	–
Net cash (outflow) / inflow	–	(578)

Notes to the financial statements (continued)

For the year ended 30 June 2024

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. As disclosed in Note 1 finance costs incurred during construction that are attributable to a project are no longer 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	
			2024	2023
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 2024

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 engaged experts where necessary to ensure all estimates and assumptions are reasonable.

WSL engaged Beca Projects NZ Limited (Beca) to carry out a comprehensive valuation for plant, property and equipment at 30 June 2023. The revaluation process involved physical inspection of selected assets at various sites to evaluate assets condition, utilisation, replacement timing, and asset optimisation to determine the assessed remaining useful life. The following valuation approach was taken per category:

- Land valuation was based on relevant market prices using market-based approach, comparable property sales analysis and analysed sales indices. Beca performed kerbside inspections in June 2023 for both land parcels above \$700k, and land parcels with pump stations and dams.
- Specialised buildings that do not have an active trading open market are valued based on Optimised Depreciated Replacement Cost approach (ODRC). The valuation was performed through a combination of primary inspections for seven (7) treatment plants, kerbside inspections for pump stations and buildings at dams, and indexation.
- Non-specialised buildings valuation was based on comparable property selling prices using a market comparison approach and indexation.
- Infrastructure assets are specialised assets where valuation was based on the replacement cost of a new modern equivalent asset using the Optimised Depreciated Replacement Cost (ODRC) approach. The valuation was performed through a combination of physical inspections for nine (9) treatment plants, six (6) pump stations, three (3) dams, three (3) reservoirs, various site improvements, and indexation.

Beca were engaged to update the valuation based on a desktop assessment of the Land and Buildings at 30 June 2024. The land desktop valuation was based on relevant market prices using market-based approach, comparable property sales analysis and analysed sales indices. The assumptions used in determining the indexed or the depreciated replacement cost for building assets were:

- Construction costs based on recent contract-based construction work and the unit rates reflect the costs of replacing the assets.
- The capital goods price index (CGPI) was used where valuation was performed through indexation.
- The useful lives of assets are calculated as the lesser of their physical lives or at the point where the assets are to be replaced for economic reasons. To further obtain confidence and minimise the estimation risk of assets' useful lives, Watercare continually assesses the condition of its specialised assets through physical inspections and integrity condition assessments.

The decrease in FY24 land and building valuation is primarily driven by the following:

- A decrease in land valuation on current year additions due to market conditions at balance date.
- Continuing suppression in investment and demand within the construction industry.

For Infrastructure assets WSL engaged Beca to carry out an estimate of market movements from the last revaluation to June 30, 2024. This estimate indicates a potential uplift of between 0.0% to 3.7%. It was determined that the current value of the asset base is within the range of the asset valuation, with no adjustment to carrying value required.

Transfers from/to other classes

The category reclasses in the year was driven by more comprehensive available information for the assets register.

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.

Buildings were revalued in FY24. Residual depreciation remains as some assets in the buildings class e.g. leasehold improvements are not included in the revaluation.

Notes to the financial statements (continued)

For the year ended 30 June 2024

4. Property, plant and equipment (continued)

	Land S000	Buildings S000	Pipelines S000	Tanks, tunnels, roads and reservoirs S000	Dams S000	Landfill S000	Machinery S000	Motor vehicles S000	Office equipment S000	Capital work in progress S000	Total S000
Balance at 30 June 2022											
Cost or valuation	608,179	144,065	8,805,409	677,826	298,013	158,894	1,768,851	26,576	55,323	1,397,144	13,940,280
Accumulated depreciation	-	(4,165)	-	-	-	(28,196)	-	(17,411)	(38,626)	-	(88,398)
Carrying amount	608,179	139,900	8,805,409	677,826	298,013	130,698	1,768,851	9,165	16,697	1,397,144	13,851,882
Adjustment Capitalised Interest	1	(1,621)	(46,046)	(6,348)	(3,365)	(4,697)	(20,425)	-	-	(87,104)	(169,605)
Carrying amount 1 July 2022 (Restated)	608,180	138,279	8,759,363	671,478	294,648	126,001	1,748,426	9,165	16,697	1,310,040	13,682,277
Year ended 30 June 2023											
Additions to work in progress	-	-	-	-	-	-	-	-	-	878,582	878,582
Additions to PPE	-	-	-	-	-	-	-	-	-	-	-
Transfers from work in progress	(346)	11,227	58,812	28,008	49,691	-	52,519	2,651	8,904	(211,466)	-
Transfers to intangibles	-	-	-	-	-	-	-	-	-	(4,657)	(4,657)
Disposals	(1,232)	(360)	(11,350)	(129)	-	(1,136)	(4,052)	(859)	(598)	-	(19,716)
Revaluation	312,945	8,583	171,961	68,707	513,548	-	75,571	-	-	-	1,151,315
Impairment	-	-	-	-	-	-	-	-	-	(7,638)	(7,638)
Transfers from / (to) other classes and other adjustments	-	(59,621)	1,876	(2,061)	417	(40,066)	98,885	570	-	-	-
Depreciation	(1)	(4,012)	(182,757)	(22,427)	(6,191)	(3,139)	(83,753)	(3,298)	(3,201)	-	(308,779)
Depreciation for discontinued operations	-	-	-	-	-	-	-	-	(253)	-	(253)
Closing carrying amount (Restated)	919,546	94,096	8,797,905	743,576	852,113	81,660	1,887,596	8,229	21,549	1,964,861	15,371,131
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)

Notes to the financial statements (continued)

For the year ended 30 June 2024

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
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)	(0)
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 30 June 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

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.

Notes to the financial statements (continued)

For the year ended 30 June 2024

4. Property, plant and equipment (continued)

	Pipelines \$000	Machinery \$000	Total \$000
Balance at 30 June 2022			
Cost or valuation	212,574	6,536	219,110
Accumulated depreciation	–	–	–
Carrying amount	212,574	6,536	219,110
Year ended 30 June 2023			
Additions to PPE	16,706	1,615	18,321
Disposals	(609)	–	(609)
Transfers	–	–	–
Revaluation	74,571	(320)	74,251
Depreciation	(3,273)	(132)	(3,405)
Closing carrying amount	299,969	7,699	307,668
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	309,111	7,699	316,810
Accumulated depreciation	(182)	–	(182)
Carrying amount	308,929	7,699	316,628

Capital work in progress

Work in progress relates to the following projects:	2024 \$000	2023 (Restated) \$000
Water treatment plant	18,871	61,996
Wastewater treatment plant	179,223	156,226
Wastewater pump station and sewer	1,420,646	1,034,480
Watermains, pump stations and reservoirs	227,146	334,646
Dams and raw water transmission pipelines	249,611	168,321
Other	59,538	209,192
Total work in progress	2,155,035	1,964,861

Notes to the financial statements (continued)

For the year ended 30 June 2024

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.

Notes to the financial statements (continued)

For the year ended 30 June 2024

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.

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 2022	456,570	24,490	2,976,133	284,002	156,549	379,906	4,277,649
Capitalised interest restatement		(528)	7,254	(3,031)	(2,764)	21,800	22,731
Balance at 1 July 2022 (restated)	456,570	23,962	2,983,387	280,970	153,785	401,706	4,300,380
Revaluation during the year – net of deferred tax	312,824	6,027	139,589	56,586	370,065	25,412	910,503
Transfers between equity components	–	–	–	–	–	–	–
Transfer (to) / from other classes	–	–	–	–	–	–	–
Transferred to retained earnings on disposal of property, plant and equipment (net of tax)	(315)	(223)	(9,547)	(1,477)	(25)	(18,678)	(30,265)
Balance at 30 June 2023	769,079	29,766	3,113,429	336,079	523,825	408,440	5,180,618

	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

Notes to the financial statements (continued)

For the year ended 30 June 2024

7. Intangible assets

Measurement

Intangible assets are initially recorded at cost.

Asset class	Subsequent measurement basis	Estimated remaining useful lives in years	
		2024	2023
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 2024

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	Total \$000
Balance at 30 June 2022						
Cost or valuation	5,599	107,583	47,065	1,427	2,300	163,974
Accumulated amortisation	(3,656)	(70,804)	(16,322)	–	–	(90,782)
Carrying amount	1,943	36,779	30,743	1,427	2,300	73,192
Year ended 30 June 2023						
Transferred from work in progress	2,250	2,407	–	–	–	4,657
Disposals	–	(2,362)	–	–	–	(2,362)
Disposal of a controlled entity	–	–	–	–	(2,300)	(2,300)
Transfer from / (to) other classes	582	30	(612)	–	–	–
Amortisation	(1,255)	(6,487)	(673)	–	–	(8,415)
Closing carrying amount	3,520	30,367	29,458	1,427	–	64,772
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
Impairment	(18)	–	(37)	–	–	(55)
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 2024

8. Borrowings

Borrowings are recorded at fair value, excluding transaction costs. Borrowings are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis. Fees and expenses for establishing new borrowings are amortised over the term of those borrowings using the effective interest method. Accrued interest is presented separately within accruals.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

From 1 July 2018 Watercare and its parent, Auckland Council, entered into a service level agreement (SLA) for the provision of treasury services and an intercompany loan agreement for existing loans at 30 June 2018. The terms of both agreements commenced 1 July 2018. Large scale repayments are not required as long as Watercare remains within the debt headroom position agreed with Auckland Council Treasury. Auckland Council treasury met all of their obligations under the terms of the SLA during the 2024 financial year.

The key objective of the centralised treasury function is to achieve cost savings and efficiencies. Under the agreement, Auckland Council now provides all of Watercare's financing needs to meet both the debt projections included in Watercare's latest annual statement of intent and the debt projections for Watercare included in the Council's Long-Term Plan 2025-2034, as modified by any subsequent Annual Plan. The treasury function also provides risk management of the weighted average interest rate; liquidity and funding risk management; treasury reporting; and foreign exchange transacting. The agreement relinquishes Watercare from maintaining its own treasury function for liquidity and financial risk management.

When the Water Services Preliminary Arrangements Bill is enacted, the current treasury services agreement will cease on 30th June 2025. A new Treasury services contract to be effective in line with legislation is progressing. This includes elements of centralised treasury and repayment of the June 2025 loan balance across a proposed five-year term.

	2024			2023		
	Face value \$000	Unamortised cost \$000	Carrying value \$000	Face value \$000	Unamortised cost \$000	Carrying value \$000
Current						
Related party term loan (unsecured)	–	–	–	–	–	–
Medium-term notes (unsecured)	–	–	–	–	–	–
Bank loan (unsecured)	–	–	–	–	–	–
Total current borrowings	–	–	–	–	–	–
Non-current						
Related party term loan (unsecured)	3,567,495	–	3,567,495	2,955,584	–	2,955,584
Total non-current borrowings	3,567,495	–	3,567,495	2,955,584	–	2,955,584
Total borrowings	3,567,495	–	3,567,495	2,955,584	–	2,955,584

The group had \$2.0m (2023: \$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.

	2024 \$000	2023 (Restated) \$000
Interest on bank overdraft and borrowings, paid and payable	150,275	120,732
Net finance costs	150,275	120,732

Notes to the financial statements (continued)

For the year ended 30 June 2024

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.

Risk	Exposure arising from	Measurement	Management
Market risk – interest rate	Long-term borrowings at variable rates	Sensitivity analysis	Fixed interest rate agreement with Auckland Council
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	To remain within the debt projections in the agreement with Auckland Council

The group's risk management is carried out by management in accordance with policies approved by the Board of Directors. Management identifies, evaluates and hedges financial risks in conjunction with the group's business units. The Board provides written principles for overall risk management as well as policies covering specific risk areas, such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the board on a regular basis. The group does not apply hedge accounting.

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. The group is exposed to interest rate risk when it borrows funds at floating interest rates.

The group is no longer exposed to any significant interest rate risk as this is now managed by Auckland Council. The group has a fixed interest rate agreement with Auckland Council. Also refer to note 8.

Interest rate sensitivity

At 30 June 2024 there is no significant interest rate risk as interest rates are fixed annually (2023: None).

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 (2023: NZ\$300,000), the group manages this risk with forward foreign exchange contracts or options.

The group had no forward foreign exchange contracts at 30 June 2024 and 30 June 2023.

Foreign exchange sensitivity

The group had no exposure to foreign exchange risk at 30 June 2024 and 30 June 2023.

Notes to the financial statements (continued)

For the year ended 30 June 2024

10. Financial instruments and risk management (continued)

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 the group's financing is made available through a guarantee letter from Auckland Council, which has credit ratings of AA from Standard & Poor's and Aa2 from Moody's. 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.

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:

	2024			2023		
	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	80,693	–	80,693	56,034	–	56,034
Past due 1 to 30 days	14,970	–	14,970	7,202	–	7,202
Past due 30 to 60 days	5,724	–	5,724	4,963	–	4,963
Past due more than 60 days	13,689	(5,729)	7,960	27,400	(5,092)	22,308
Total	115,076	(5,729)	109,347	95,599	(5,092)	90,507

	2024 \$000	2023 \$000
Movement in the provision for doubtful debts		
Balance at 1 July	5,092	3,477
Additions during the year	802	1,865
Bad debts written off	(165)	(250)
Unused provisions reversed during the year	–	–
Balance at 30 June	5,729	5,092

During year ended 30 June 2024, the group is also exposed to credit risk through a \$7m loan provided to the Central Interceptor contractor (2023: \$41m). The group has mitigated this risk by contractually securing the loan with bank bonds, which in the event of a default the group has the right to call on the bonds and have the loan repaid in full. 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.

From 1 July 2018 the group's objective is to remain within the terms of the agreement for the provision of treasury services by Auckland Council, ensuring that the group's financing needs stay within agreed forward limits as prescribed in the approved Council's Long-Term Plan 2021-2031, as modified by any subsequent Annual Plan. This is a key requirement of the guarantee letter from Auckland Council.

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 2024

10. Financial instruments and risk management (continued)

Gross contractual maturity analysis

2024	Current		Non-current		Gross nominal cash outflow \$000	Carrying amount \$000
	0-6 months \$000	7-12 months \$000	1-2 years \$000	2-3 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
Borrowings	151,462	-	3,586,865	-	3,738,327	3,738,327

2023	Current		Non-current		Gross nominal cash outflow \$000	Carrying amount \$000
	0-6 months \$000	7-12 months \$000	1-2 years \$000	2-3 years \$000		
Financial liabilities						
Bank overdraft					-	-
Trade and other payables for exchange transactions	35,844	-	12,784	-	48,628	48,628
Accrued expenses*	163,327	-	-	-	163,327	163,327
Borrowings	-	-	-	2,955,584	2,955,584	2,955,584
Total	199,171	-	12,784	2,955,584	3,167,539	3,167,539

* Excludes current and non-current revenue received in advance of \$52.0m (2023: \$47.2m) as it was not categorised as a financial liability; refer to note 21.

From 1 July 2018 the group remains within the terms of the agreement with Auckland Council.

Current year borrowings are classified as non-current and repayable within 1-2 years to reflect the terms of the treasury services agreement with Auckland Council that will cease on 30th June 2025. At the date of this report, the timing of repayments of the loan balance is not confirmed.

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.

The loan provided to the Central Interceptor contractor at nil market interest rate was initially recognised at the present value of the expected future cash flow, discounted at the current market rate of return for a similar financial instrument. After initial recognition, the loan is measured at amortised cost using the effective interest method. Refer to note 20.

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.

Notes to the financial statements (continued)

For the year ended 30 June 2024

10. Financial instruments and risk management (continued)

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 2024 there are no derivative financial instruments (2023: None).

Financial assets and liabilities

	2024		2023	
	Amount \$000	Fair value \$000	Amount \$000	Fair value \$000
Financial assets - current				
Amortised cost				
Cash and cash equivalents	23,611	23,611	4,115	4,115
Restricted cash	24,678	24,678		
Trade and other receivables from exchange transactions	138,341	138,341	123,186	121,286
Other financial assets	6,988	6,988	38,094	38,094
Fair value through surplus or deficit				
Financial assets - non-current				
Amortised cost				
Other financial assets	–	–	2,993	2,993
Total financial assets	193,618	193,618	166,488	166,488
Financial liabilities - current				
Amortised cost				
Trade and other payables for exchange transactions	34,153	34,153	35,843	35,843
Accrued expenses*	117,309	117,309	163,327	163,327
Financial liabilities - non-current				
Amortised cost				
Trade and other payables for exchange transactions	19,370	19,370	12,784	12,784
Related party term loan (unsecured)	3,567,495	3,567,495	2,955,584	2,955,584
Total financial liabilities	3,738,327	3,738,327	3,167,538	3,167,538

* Excludes current revenue received in advance of \$42.3 million (2023: \$36.9 million) and non-current revenue received in advance of \$9.7 million (2023: \$10.3 million) as it was not categorised as a financial liability; refer to note 21.

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 2024 and 30 June 2023.

Notes to the financial statements (continued)

For the year ended 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.

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.

Notes to the financial statements (continued)

For the year ended 30 June 2024

11. Revenue (continued)

	Notes	2024 \$000	2023 \$000
Revenue from exchange transactions			
Revenue from sale of goods			
Water revenue – gross		214,698	190,165
Water leak remission		(3,352)	(3,035)
Water revenue – net of leak remissions		211,346	187,130
Revenue from sale of services			
Wastewater revenue – gross		478,816	432,085
Wastewater leak remission		(7,360)	(6,627)
Wastewater revenue – net of leak remissions		471,456	425,458
Total water and wastewater revenue – net of leak remissions			
		682,802	612,588
New meters and service connections		35,165	34,955
Laboratory revenue		8,446	9,026
Total revenue from sale of goods and services		726,413	656,569
Infrastructure Growth Charge revenue		197,754	179,555
Dividend income		155	121
Subvention income	NOTE 14	6,093	2,947
Interest income		2,345	107
Other revenue		20,729	21,610
Total other revenue from exchange transactions		227,076	204,340
Total revenue from exchange transactions		953,489	860,909
Revenue from non-exchange transactions			
Government Grants		45,908	30,704
Vested assets revenue		85,681	76,645
Total revenue from non-exchange transactions		131,589	107,349
Total revenue		1,085,078	968,258

Notes to the financial statements (continued)

For the year ended 30 June 2024

12. Operating expenses

	Notes	2024 \$000	2023 \$000
Operating expenses include:			
Auditor's remuneration			
– annual audit and review of the financial statements - Deloitte Limited		919	955
– Other audit fees (OAG pass through costs and quality support charge)		68	64
– Trust fee and disbursements		32	29
– non-assurance services		17	42
Directors and trustees' fees	NOTE 27	375	496
Environmentally significant costs			
– chemicals		15,312	18,655
– energy		28,759	27,013
Cost of consumables and spare parts consumed	NOTE 17	20,627	26,260
Operating leases and rent		6,551	8,327
Increase in provision for doubtful debts	NOTE 10	802	1,865
Bad debts written off	NOTE 10	(165)	(250)
Salaries and wages			
– paid to employees		139,720	132,940
– capitalised on construction of property, plant and equipment		(41,014)	(66,175)
		98,706	66,765

Auditor's remuneration for other services relates to advisory services to the Corporate Taxpayers Group (CTG), of which Watercare, alongside a number of other organisations, are a member. All fees paid to the auditor were authorised in line with the Audit and Risk Committee Charter.

Notes to the financial statements (continued)

For the year ended 30 June 2024

13. Reconciliation of operating cash flows

	2024 \$000	2023 (Restated) \$000
Reconciliation of net surplus after tax to net cash flows from operating activities		
Net surplus for the year	96,608	120,462
Non-cash and non-operating items:		
Depreciation and amortisation*	394,669	317,194
Net loss on disposal of and provision for redundant property, plant and equipment*	9,682	25,102
Gain on disposal of discontinued operations	–	(349)
Vested assets revenue	(85,681)	(76,645)
Interest on borrowings	150,275	120,732
Deferred tax	66,825	53,921
Movements in working capital:		
(Increase) / decrease in assets:		
Inventories	(587)	(2,351)
Trade and other receivables from exchange transactions	(15,154)	(21,101)
Prepaid expenses	13,220	(22,169)
Increase / (decrease) in liabilities:		
Trade and other payables for exchange transactions	2,994	14,077
Accrued expenses	(16,544)	5,201
Provisions	(1,829)	(8,354)
Working Capital Movements related to Investing Activities	(1,277)	17,252
Net cash inflows from operating activities	613,200	542,972

*Includes discontinued operations.

Notes to the financial statements (continued)

For the year ended 30 June 2024

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 an 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 income year ended 30 June 2024, Watercare agreed to a maximum of tax losses to be sold to Auckland Council tax group of \$48.4m (2023: \$23.4m). Subvention income within other revenue (note 11) is \$6.1m (2023: \$2.9m). The impact of the reduction in tax losses and associated subvention income is recognised as a tax expense.

	2024 \$000	2023 (Restated) \$000
Operating surplus before tax	163,432	174,755
Operating activities before tax - Lutra	-	349
Income tax calculated at current tax rate of 28%	45,761	49,029
Increase / (decrease) in income tax due to:		
– Dividend and other income exempt from taxation	(1)	(1,091)
– Assessable income	-	-
– Non-deductible expenses	(22,080)	598
– Imputation credits on dividends received	-	3
– Prior year and other adjustments	1,198	(339)
– Subvention income and tax loss offset with Auckland Council tax group	11,834	5,723
– Removal of building depreciation	30,112	-
– Other	-	(2)
Tax effect of non-deductible items and prior period adjustments	21,064	4,892
Income tax expense	66,825	53,921
Represented by:		
Current tax	-	-
Deferred tax	66,825	53,921
Total income tax expense	66,825	53,921
	\$000	\$000
Total imputation credits	30,724	32,089

Imputation credits

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

Notes to the financial statements (continued)

For the year ended 30 June 2024

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.

(i) Recognised deferred tax assets and liabilities

	2024 Assets \$'000	2023 Assets \$'000	2024 Liabilities \$'000	2023 (Restated) Liabilities \$'000	2024 Net \$'000	2023 Net \$'000
Property, plant and equipment	–	–	(2,738,512)	(2,605,609)	(2,738,512)	(2,605,609)
Financial instruments	–	–	–	–	–	–
Employee benefits and other provisions	8,609	7,979	–	–	8,609	7,979
Tax losses	263,758	234,764	–	–	263,758	234,764
Other	–	–	606	(36,924)	606	(36,924)
Total	272,367	242,743	(2,737,906)	(2,642,533)	(2,465,539)	(2,399,790)

(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 2022	2,364,627	(4,516)	(260,063)	50,309	2,150,357
Impact of adjustment in capitalised Interest	(48,154)	–	–	–	(48,154)
Balance as at 30 June 2022 (Restated)	2,316,473	(4,516)	(260,063)	50,309	2,102,203
PPA Income Tax Return	413	(468)	(285)	–	(340)
Charged / (credited) to comprehensive revenue and expense	45,057	(2,995)	25,584	(13,385)	54,261
Charged to other comprehensive revenue and expense, resulting from revaluation	243,666	–	–	–	243,666
Balance as at 30 June 2023	2,605,609	(7,979)	(234,764)	36,924	2,399,790
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	(630)	(28,994)	(37,530)	66,825
Charged to other comprehensive revenue and expense, resulting from revaluation	(1,076)	–	–	–	(1,076)
Balance as at 30 June 2024	2,738,512	(8,609)	(263,758)	(606)	2,465,539

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

Notes to the financial statements (continued)

For the year ended 30 June 2024

15. Deferred tax liability (continued)

Adoption of new and revised Tax legislation

Amendments to the Taxation (Annual Rates for 2023–24, Multinational Tax, and Remedial Matters) Act 2024 – removed the depreciation deductions for commercial and industrial buildings for the 2024–25 and later income years. The effect of the change in legislation impacts the group being the tax depreciation on building will be at 0% and will apply from the first day of the 2024/25 income tax year (Watercare's tax years are the same as balance date i.e. 1 July to 30 June).

The effect of this change in legislation is an \$30.1 million adjustment to deferred tax to reflect the future deductibility of qualifying buildings for the year ended 30 June 2024.

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 (2023: 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

	2024 \$000	2023 \$000
Current		
Trade receivables	96,336	86,056
Trade receivables – related parties	18,797	9,543
Provision for doubtful debts	(5,729)	(5,092)
	109,404	90,507
Other receivables – related parties		
Unbilled revenue accrual	28,937	30,779
Trade and other receivables from exchange transactions	138,341	121,286

Notes to the financial statements (continued)

For the year ended 30 June 2024

17. Inventories

Consumables are recorded at the lower of weighted average cost and net realisable value.

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.

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

The cost of inventories recognised as an expense during the year was \$20.6m (2023: \$26.2m).

	2024 \$000	2023 \$000
Spare parts at cost	7,345	5,891
Consumables at cost	11,339	10,502
Treated water at cost	1,179	1,179
Project stock	7,518	9,222
Total	27,381	26,794
Represented as:		
Current inventory	20,435	19,841
Non-current inventory	6,946	6,953
Total	27,381	26,794

18. Trade and other payables for exchange transactions

Trade and other payables for exchange transactions are unsecured and usually paid within 30 days (2023: 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 2024, contract retentions of \$24.7m are held as restricted cash by WSL. (2023: contract retentions of \$17.3m were held as cash on hand by Auckland Council Treasury). The treatment as at 30 June 2024 is in line with the Construction Contracts (Retention Money) Amendment Act 2023 which was effective from October 2023.

	2024 \$000	2023 \$000
Current		
Trade creditors	23,329	29,289
Trade creditors – related parties	1,237	2,295
Contract retentions	5,591	4,534
Other payables	3,996	(274)
Total current trade and other payables for exchange transactions	34,153	35,844
Non-current		
Contract retentions	19,370	12,784
Total non-current trade and other payables for exchange transactions	19,370	12,784
Total trade and other payables for exchange transactions	53,523	48,627

Notes to the financial statements (continued)

For the year ended 30 June 2024

19. Prepaid expenses

	2024 \$000	2023 \$000
Current		
Puketutu Island lease	443	443
Other prepaid expenses	10,104	20,942
Total current prepaid expenses	10,547	21,385
Non-current		
Puketutu Island lease	18,194	18,637
Other prepaid expenses	12,132	14,071
Total non-current prepaid expenses	30,326	32,708
Total prepaid expenses	40,873	54,093

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.

20. Other financial assets

	2024 \$000	2023 \$000
Current		
Loan receivable	6,988	38,094
Non-current		
Loan receivable	–	2,993
Total other financial assets	6,988	41,087

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

Notes to the financial statements (continued)

For the year ended 30 June 2024

21. Accrued expenses

	2024 \$000	2023 \$000
Current		
Capital work in progress accruals	70,246	110,723
Interest payable	13,297	10,308
Revenue received in advance	42,304	36,974
Operating costs accruals	33,766	42,295
Total current accrued expenses	159,613	200,300
Non-current		
Revenue received in advance	9,736	10,271
Total non-current accrued expenses	9,736	10,271
Total accrued expenses	169,349	210,571

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

Revenue received in advance includes \$6m (2023: \$6.2m) relating to the amount received in accordance with the franchise fee agreement with the network operator Veolia Water Services (ANZ) Pty Limited. The \$13.1m fee received at the commencement of the agreement covers the right to use the assets for a 50-year period and is recognised as revenue evenly over the term of the agreement.

Notes to the financial statements (continued)

For the year ended 30 June 2024

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.

	2024 \$000	2023 \$000
Current		
Employee entitlements	11,975	11,133
Other provisions	956	3,575
Total current provisions	12,931	14,708
Non-current		
Employee entitlements	2,470	2,229
Decommissioning costs	9,615	9,908
Total non-current provisions	12,085	12,137
Total provisions	25,016	26,845

	Employee entitlements \$000	Decommissioning costs \$000	Other provisions \$000	Total \$000
Balance at 1 July 2023	13,362	9,908	3,575	26,845
Additions during the year	18,814	–	886	19,700
Reductions resulting from payments	(17,731)	–	(3,505)	(21,236)
Increase / (decrease) in provision due to change in discount rate	–	(293)	–	(293)
Balance at 30 June 2024	14,445	9,615	956	25,016

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 \$9.6m (2023: \$9.9m).

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

- An average inflation rate over the 25-year provision period of 2.29%
- A range of risk-free discount rates from 4.77% to 5.51% have been applied in calculating the net present value (2023: from 4.77% to 4.87%)
- 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.

Other provisions of \$1.0m relates to claims made by contractors in respect of capital projects (2023: \$3.6m).

Notes to the financial statements (continued)

For the year ended 30 June 2024

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 (2023: 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 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 (2023: 100%) by Watercare and is a non-trading company. WCS Limited was 100% owned (2023: 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:

	2024 \$000	2023 \$000
Loans from Auckland Council, balance at 30 June	3,567,495	2,955,584
Interest payable on loans from Auckland Council	13,297	10,308
Interest expense on loans from Auckland Council	151,678	120,732
Loans borrowed from Auckland Council during the year	1,162,555	906,084
Loans repaid to Auckland Council during the year	699,334	656,084

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.

	2024 \$000	2023 \$000
Sales to related parties	21,132	12,258
Trade receivables from exchange transactions - related parties	18,797	9,543
Project funding received from parent	15,000	3,500
Purchases from related parties	9,736	5,160
Land rates - Auckland Council	3,460	3,109
Trade payables for exchange transactions - related parties	–	1,732
Payables accruals - related parties	1,237	563

Notes to the financial statements (continued)

For the year ended 30 June 2024

24. Commitments

	2024 \$000	2023 \$000
Capital expenditure		
The capital expenditure committed to, but not recognised in these financial statements at balance date, was:		
Land & Buildings	3,052	30,084
Pipelines	206,778	428,195
Tanks, tunnels, roads and reservoirs	9,350	19,559
Intangibles	1,447	2,548
Other	144,580	131,423
Total capital expenditure commitments	365,207	611,809
Anticipated payment schedule		
Less than one year	306,012	469,608
One to two years	59,195	135,443
Two to five years	–	6,758
Beyond five years	–	
Total capital expenditure commitments	365,207	611,809

At 30 June 2024 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 (2023: \$0.4m) for the water catchment areas was included in these commitments at face value. Other leases include parks, reservoirs and office equipment.

	2024 \$000	2023 \$000
Operating leases		
Anticipated payments under non-cancellable operating leases:		
Less than one year	5,046	6,328
One to two years	5,133	6,288
Two to five years	14,651	18,655
Beyond five years	57,658	86,823
Total lease commitments	82,488	118,094

25. Contingent liabilities

On 30 August 2024 Watercare received notice that a developer has lodged a legal claim with the High Court, Watercare intends to defend the claim. No provision has been made in these financial statements as the outcome of the legal actions are uncertain and cannot be reliably estimated.

There are no other contingencies to report at balance date.

Notes to the financial statements (continued)

For the year ended 30 June 2024

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 2024 was \$3.9m (2023: \$3.6m).

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 9 FTE (2023: 8 FTE). The aggregate remuneration received by the directors, trustees and key management personnel is shown below:

	2024 \$000	2023 \$000
Employees' salaries and wages, directors' fees and trustees' fees	4,116	4,338
Post-employment benefits	–	–
Other long-term employee benefits	–	–
Termination benefits	–	–
Aggregate remuneration	4,116	4,338

Directors' fees	Appointed	2024 \$000	2023 \$000
Watercare Services Limited			
Margaret Devlin (Chair)	November 2016	108	108
Nicola Crauford	April 2014	61	54
Brendon Green (Resigned July 2023)	November 2016	5	54
Hinerangi Raumati-Tu'ua (Resigned July 2023)	August 2019	5	62
Frances Valintine	November 2019	54	54
Dave Chambers (Resigned April 2024)	November 2019	–	32
Julian Smith	January 2022	54	54
Graham Darlow	February 2021	54	54
Andrew Clark	June 2024	5	–
Frederik Cornu	June 2024	5	–
Lutra Limited			
Jason Colton (Retired August 2021)	January 2016	–	–
Rebecca Chenery (Resigned July 2022)	February 2020	–	–
Shane Morgan (Resigned August 2021)	February 2020	–	–
Maseina Ilo Koneferenisi (Resigned June 2023)	August 2021	–	–
Shayne Robert Cunis (Resigned June 2023)	September 2021	–	–
Jamie Sinclair (Resigned June 2023)	May 2022	–	–
Total		351	472

Notes to the financial statements (continued)

For the year ended 30 June 2024

27. Key management personnel (continued)

Trustees' fees	Appointed	2024 \$000	2023 \$000
Watercare Utility Consumer Assistance Trust			
Jeff Morrison (Chair) (Resigned June 2023)	December 2015	–	8
Phillip Merfield (Chair)	July 2023	9	–
Maureen Little	October 2011	4	6
Lauren Godsiff	October 2011	6	6
Lynne Webb	August 2022	5	4
Total		24	24
Total Directors and Trustees Fees		375	496

28. Events occurring after balance date

Refer to legislation update on Water Services Preliminary Arrangements Bill within Note 1.

Refer to legal claim received and detailed within Note 25.

There were no other significant events after balance date.

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 remuneration and other benefits of at least \$100,000 during the year.*


Employees' remuneration range (\$)	2024 Number of employees
100,000 – 110,000	141
110,000 – 120,000	104
120,000 – 130,000	107
130,000 – 140,000	71
140,000 – 150,000	56
150,000 – 160,000	60
160,000 – 170,000	46
170,000 – 180,000	35
180,000 – 190,000	20
190,000 – 200,000	13
200,000 – 210,000	10
210,000 – 220,000	5
220,000 – 230,000	4
230,000 – 240,000	10
240,000 – 250,000	6
250,000 – 260,000	3
260,000 – 270,000	1
270,000 – 280,000	1
280,000 – 290,000	3
290,000 – 300,000	2
300,000 – 310,000	1
330,000 – 340,000	2
340,000 – 350,000	1
360,000 – 370,000	1
390,000 – 400,000	1
430,000 – 440,000	1
450,000 – 460,000	1
500,000 – 510,000	1
560,000 – 570,000	1
660,000 – 670,000	1

* The above does not include severance payments


2024 Statement of Service Performance

(Non-financial performance measures)

KEY



Met SOI Target



Failed SOI Target


NATURAL ENVIRONMENT

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.

SOI Target 2023/24 a) ≤ 2, b) ≤ 2, c) ≤ 2, d) = 0
Achieved: a) = 0, b) = 0, c) = 0, d) = 0 
Previous year: a) = 0, b) = 0, c) = 0, d) = 0

Auckland Council did not issue any notices or take any formal enforcement in 2023/24.


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

SOI Target 2023/24 256.0 litres
Achieved: 252 litres 
Previous year: 241 litres

In 2023/24, the gross per capita consumption of water was 252 litres per person per day, meeting the target band of consumption. The previous year was lower due to the impacts of the extreme wet weather that suppressed demand.

Our target for 2023/24 was to maintain consumption within the 256 litres per person per day (+/- 2.5%) band, to meet the overall target of reducing demand by 15% by 2025, based on the Auckland Strategic Three Waters Plan (2008). We continue to educate our customers on water efficiency and continuing to focus on our leakage reduction programmes e.g. roll out of smart meters to understand live visibility of usage, promotion of water recycling and pressure management programmes.

3. 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 meet 50% reduction by 2030.

SOI Target 2023/24 <89,200 tonnes CO₂e **
Achieved: 66,539 tonnes CO₂e 
Previous year: 84,617 tonnes CO₂e*

By their nature, GHG emissions are subject to uncertainty. Watercare uses recognised frameworks for calculating our GHG inventory*. We continue to improve our reporting approach and respond to changes in both the science and methodology to GHG reporting. For the FY24 figures we have adopted the guidance from the IPCC AR6 report as well as emissions factors released by Ministry for Environment in June 2024. In FY24, more than half of the electricity Watercare purchased was certified 100% renewable electricity leading to a significant reduction in our overall GHG emissions and contributing largely to Watercare meeting the SOI target.

Our main Scope 1 emissions arise from the use of natural gas in our operations, treatment of wastewater and fugitive emissions from biosolids. Wastewater process emissions are dependent on biological processes and the GHG calculations rely on the best current understanding of the mechanisms by which GHG are produced and the associated levels of carbon dioxide equivalent volumes.

In FY24, wastewater volumes were significantly less than FY23 as we did not have the extreme weather events of FY23, with their much higher wastewater volumes. This led to a decrease in the key parameters that drive wastewater process emissions and electricity consumption. A change in energy production at the Māngere WWTP also resulted in reduced natural gas consumption which influenced the emissions. We are reviewing our co-generation operating philosophy and the high inflows into the wastewater treatment plants to better understand trade-offs between operating procedures, energy production, natural gas use, budget efficiency and meeting our long-term targets for GHG emissions.

During the year we progressed long-term actions in line with the Decarbonisation Roadmap and towards the target of 50% reduction by 2030. The main focus has been on reducing wastewater process emissions. The Watercare Process Emissions Specialist Panel, consisting of five international experts have set out a strategy to reduce our wastewater process emissions and highlighted key actions. Direct monitoring equipment for process emissions has also been purchased and will be installed in FY25 and will provide more insights into our wastewater process emissions.

* Reasonable assurance provided by Toitu Envirocare (Toitu) August 2023 in respect to Watercare’s Scope 1 and 2 emissions (including Puketutu). Toitu was not engaged to provide any assurance of GHG emissions inventory in FY24. An operational control approach was used to set the reporting boundary based on areas of direct influence for the organisation.


** The target set in the Statement of Intent excludes emissions from Puketutu Island as a result of difficulty of obtaining accurate data at the time of setting the target. Consequently, both the target and reported results exclude Puketutu Island.

2024 Statement of Service Performance (continued)

(Non-financial performance measures)

PEOPLE AND CULTURE

4. Total recordable injury frequency rate (TRIFR) per million hours worked (12-month rolling average)

SOI Target 2023/24	<10	
Achieved:	19.6	
Previous year:	21.9	

The TRIFR result for FY24 reduced slightly compared to FY23 but did not meet the target limit of <10.

From an approach perspective, it is widely acknowledged that LTIFR and TRIFR are no longer considered to be useful performance indicators. Industry leadership supports a general shift from lag indicators to lead indicators, reflecting a more proactive approach to health and safety performance and improvement. The Business Leaders H&S Forum recognised the inherent limitations with LTIFR/TRIFR and paused the benchmarking project this year to explore alternative approaches for tracking health and safety performance.


Understanding and learning from events has remained a key focus for Watercare, and the data from ACC injury claims for Watercare reflects a steady decline in the severity and complexity of our injury cases over the past 12 months. Particular initiatives that have supported a shift to using proactive leading indicators include: adopting Human and Organisational Performance principles and a Safety 2 philosophy, relentless leadership health and safety communication and frontline engagement with kaimahi, safety leadership training and improved collaboration with supply chain partners, increasing engagement of health and safety representatives and committees, heightened focus on critical risk management and critical control verification, a focus on understanding design of work and learning teams, investment in safety in design and engineering controls, and improved safety training through Watercare's training academy.

At the end of 2023, the Watercare board appointed HSE Global to undertake a health, safety and wellbeing culture review. The report identified that the key priorities for the company are: the need to agree on a HSW strategy; the need to define a suite of HSW metrics that can be used in combination to understand the company's performance; and improving psychological safety throughout the organisation. HSE Global also noted that TRIFR is no longer a reliable benchmark in the industry. Work to implement these recommendations is well underway.

Watercare is aligned with the broader industry in moving to applying lead indicators rather than relying solely on lag indicators. Given this, the TRIFR measure is being replaced with critical control verification in the form of critical risk permit audits as a lead indicator for FY25.

CUSTOMER AND STAKEHOLDER RELATIONSHIPS

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 i.e. in minutes (water, 12-month rolling average)

SOI Target 2023/24	≤ 60 mins	
Achieved:	43 min	
Previous year:	45 min	


The median response time for our maintenance crew to attend to urgent issues was 43 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) 12-month rolling average.

SOI Target 2023/24	≤5 hours	
Achieved:	3.9 hours	
Previous year:	3.7 hours	

The median response time for our maintenance crews to resolve urgent issues such as faults or interruptions was 3.9 hours, which is within the target of 5 or fewer.

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

SOI Target 2023/24	≤5 days	
Achieved:	0.8 days	
Previous year:	1.0 days	

The median response time for our maintenance crews to attend to non-urgent water issues was 0.83 days, which met the target of five days or fewer.


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) 12-month rolling average.

SOI Target 2023/24	≤6 days	
Achieved:	1.0 days	
Previous year:	1.7 days	

The median response time for our maintenance crews to resolve non-urgent issues was 1.07 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:

- drinking water clarity
- drinking water taste
- drinking water odour
- drinking water pressure or flow
- continuity of supply
- the local authority's response to any of these issues expressed per 1000 connections to the local authority's networked reticulation system. (12-month rolling average)


SOI Target 2023/24	≤10	
Achieved:	7.8	
Previous year:	7.5	

This measure relates to the volume of calls we received regarding water quality and supply issues for the year ended 30 June 2024. The number of complaints received per 1,000 connections was 7.8, which meets the target of 10 or fewer.

2024 Statement of Service Performance (continued)

(Non-financial performance measures)


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 (minutes) 12-month rolling average.**

SOI Target 2023/24 ≤60 mins
Achieved: 84 mins 
 Previous year: 78 mins

The median response time for our maintenance crews to attend to wastewater overflows or blockages was 84 minutes, which is above the target of 60 minutes or less.


The flow-on effects from weather events seen in 2022/23 have significantly impacted the result for this measure. Overflows are triaged as a P1 or P2 response. P1s have a one hour response target and P2s have a four hours response target. Accordingly, if we meet these response time targets, the weighted average of the P1s and P2s will not meet the 60 minute attendance set by this KPI. It is noted that the resolution of faults (KPI 11) has been achieved within the KPI timeframe.

11. **Attendance at sewerage overflows resulting from blockages or other faults: 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) 12-month rolling average.**

SOI Target 2023/24 ≤5 hours
Achieved: 3.4 hours 
 Previous year: 3.8 hours


The median response time for our maintenance crew to resolve wastewater overflows or blockages was 3.4 hours, which is within the target of five hours or fewer.

12. **The total number of complaints received by the territorial authority about any of the following:**
- sewerage odour
 - sewerage system faults
 - sewerage system blockages
 - Watercare's response to issues with its sewerage system expressed per 1000 connections to the territorial authority's sewerage system (12-month rolling average)

SOI Target 2023/24 ≤50
Achieved: 19.5 
 Previous year: 24.4

This measure relates to the volume of calls we received about wastewater odours, overflows, broken pipes and other network issues for the year ended 30 June 2024. The number of complaints received per 1,000 connections was 19.56, which is well within the target of 50 or fewer.

13. **Ratio of procurement sourced through Māori-owned businesses**

SOI Target 2023/24 3.0%
Achieved: 2.4% 
 Previous year: 2.2%


Our ratio of procurement sourced through Māori-owned businesses for FY24 was 2.47%.

While we did not meet the 3% target for procurement through Māori-owned businesses, total Māori-owned supplier spend for 2023/24 was \$30.63 million compared to \$22.84 million in 2022/23. This is a 34% increase in spend from the previous year however due to an 20% increase in total spend with all suppliers, the SOI target was not met.

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 115 active Māori-owned suppliers compared to 83 in FY23; Māori-owned suppliers now make up 5.66% of our total active suppliers. In December 2023, Watercare established Ngā Kakau Paraha, a network of 15 Māori-owned suppliers, which is available to work directly with Watercare or act as subcontractors to our construction partners. Through Ngā Kakau Paraha we anticipate our Māori-owned supplier spend will further increase in 2024/25.

14. **Percentage of customer complaints resolved within ten days of notification**

SOI Target 2023/24 ≥95.0%
Achieved: 99.3% 
 Previous year: 99.2%

In 2023/24, 1,504 complaints were received (1,288 for 2022/23), and of these complaints, 99.3% (1,493) were resolved within the stipulated 10-day period, meeting the target of 95% or more.


15. **Customer Net Satisfaction Score (Previously net promoter score)**

SOI Target 2023/24 ≥45
Achieved: 55 
 Previous year: 43

This year's score has seen a significant increase as we slowly recovered from the last year's flood and cyclone impacts, giving our customer service agents and our field crew the ability to take more time and focus on 'first contact resolution'.

We have observed significant improvement in our field crew knowledge and responsiveness. This can be attributed to the ongoing quality assurance process and continuous coaching of our new team members. Overall, customers appreciated the professionalism, knowledge, and helpfulness of the staff, as well as the speed and ease of reporting issues through various channels.

16. **Community trust score**


SOI Target 2023/24 ≥55%
Achieved: 60% 
 Previous year: 60%

Our trust score stayed stable in FY24. The score is 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? Over the course of 2023/24, we surveyed more than 5,000 people across Auckland who represent the make-up of Auckland's population. Our ability to solve problems, invest in Auckland and ensure sustainable outcomes were considered to be significant drivers of this result.

2024 Statement of Service Performance (continued)

(Non-financial performance measures)


17. Compliance with Taumata Arowai Quality Assurance Rules T3 – Bacterial Water Quality. The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules T3.

SOI Target 2023/24 **100%** 
 Achieved: **100%***
 Previous year: **Previous Target Superseded**

From 1 January 2023, new Drinking Water Quality Assurance Rules (DWQAR) introduced by Taumata Arowai took effect. These requirements measure compliance against the following criteria: bacterial, protozoal, chemicals and cyanotoxin for treatment plants and microbiological, residual disinfection, disinfection by-products and plumbosolvent metal rules for distribution networks. Compliance is monitored and reported through online monitoring along with a sampling regime, with minimum samples specified for various zones. We adhered to the minimum sampling requirements and in some zones, we exceeded the sampling requirements. Our compliance performance against each of the criteria is listed below.

Requirements	Target	Actuals	Commentary
1. Bacterial water quality T3	100%	100%	
2. Protozoal water quality T3	100%	100%	
3. Chemical water quality T3	100%	100%	
4. Cyanotoxins water quality T3	100%	100%	
5. Microbiological water quality D3	100%	100%	
6. Residual disinfection (chlorine) water quality	100%	99.82%	For the period 1 July 2023 – 30 June 2024: In the 12-month period, 40 out of the 40 zones did meet the 85% target of residual chlorine. Only 21 residual chlorine samples out of the 11,468 collected within the 12-month period across 40 distribution zones did not meet the minimum requirement of residual chlorine of greater than 0.1mg/L. The 21 results at or below 0.1mg/L over the year equates to only 0.18% of samples, with 99.82% of samples meeting residual chlorine values. * Where we recorded non-compliant samples, we took prompt action and there was no risk to public health, as confirmed by Wai Comply in their independent assessment.
7. Disinfection by products	100%	100%	
8. Plumbosolvent metals	100%	100%	

18. Compliance with Taumata Arowai Quality Assurance Rules T3 – Protozoal Water Quality. The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules D3.

SOI Target 2023/24 **100%** 
 Achieved: **100%***
 Previous year: **Previous Target Superseded**

From 1 January 2023, new Drinking Water Quality Assurance Rules (DWQAR) introduced by Taumata Arowai took effect. These requirements measure compliance against the following criteria: bacterial, protozoal, chemicals and cyanotoxin for treatment plants and microbiological, residual disinfection, disinfection by-products and plumbosolvent metal rules for distribution networks. Compliance is monitored and reported through online monitoring along with a sampling regime, with minimum samples specified for various zones. We adhered to the minimum sampling requirements and in some zones, we exceeded the sampling requirements. Our compliance performance against each of the criteria is listed below.


Requirements	Target	Actuals	Commentary
1. Bacterial water quality T3	100%	100%	
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7. Disinfection by products	100%	100%	
8. Plumbosolvent metals	100%	100%	

2024 Statement of Service Performance (continued)

(Non-financial performance measures)

ASSETS AND INFRASTRUCTURE

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

SOI Target 2023/24	≤13.0%	
Achieved:	12.4%	
Previous year:	11.6%	

Watercare calculates leakage based upon 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. In particular FY24 is the first year for a number of years that has had more 'normal' consumption, following years which have experienced flooding and restrictions relating to covid and drought.


Watercare continues to refine the leak reduction programme to focus on yielding positive results:

- 23,300 kms surveyed since the beginning of proactive leak deduction and 6000 km surveyed in FY24.
- 15,400 leaks found since we began proactive leak detection, with 3,800 leaks found in FY24.
- 28MLD of water savings estimated since we began proactive leak deduction, and 7 MLD of estimated savings through its district metering and pressure management programme in FY24.

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

We have also started work to build a leakage management system that uses data from the SCADA system to enable leakage calculations to be undertaken daily which will assist providing insights to help prioritise areas for leakage detection and reduce leak run-time.


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

SOI Target 2023/24	≤5	
Achieved:	0.5	
Previous year:	0.5	

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 0.56 dry-weather overflows per 1,000 connections, which is under the target of five or fewer.


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 continued to educate the public on what not to flush down the toilet, through our social media channels, customer newsletters, and the media.

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

SOI Target 2023/24	≤2 overflows per year	
Achieved:	0.4	
Previous year:	4.7	

The number of wet-weather overflows for the transmission network (bulk mains) per number of discharge locations was 0.44, which is less than the target of two or fewer overflows.

22. Leakage performance # – litres/connection/day (l/c/d)

SOI Target 2023/24	107.9 l/c/d (+5%)	
Achieved:	116 l/c/d	
Previous year:	111.2 l/c/d	

Watercare has set an aspirational target for economic level of leakage (ELL) at 107.9 l/c/d. The ELL is 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 watermains.

Similar to KPI 19, measuring year on year change is inherently difficult. The actions listed in KPI 19 should also have a positive impact on leakage performance.

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

SOI Target 2023/24	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:	Not reported	
Previous year:	New measure	


Watercare is assessing how best to report on this measure. Infrastructure capital projects, by their very nature, regularly undergo variations (for budget or time or both) as the project progresses. There will very often be valid strategic or operational reasons for delaying, amending or "upscaling" a project. Key to this is that the appropriate change control process has been followed, which in turn should reset the baseline reporting measures for the project.

The measure is blunt and may not consistently demonstrate how well we are delivering on the outcomes of our capital programme. It is also possible that focusing on this measure may deliver potentially sub-optimal outcomes where projects should be varied but are not, in order to meet this target.

Consequently, we will continue to consider how best to develop a long-term methodology that can be consistently applied over time. This will be worked on in early FY25.

In the meantime, the Asset Management Committee receives regular updates and dashboards on infrastructure project progress, including traffic light reports against budget and time.

24. Adherence to the Service Level Agreement with Council (10 working days) for Watercare to provide specialist input into resource consents (3 months rolling average)

SOI Target 2023/24	90%	
Achieved:	90%	
Previous year:	New Measure	


We measure our response time to requests for third-party specialist input into development consenting with Auckland Council. Watercare's response time to turn around our specialist inputs has remained within the SLA with Auckland Council.

2024 Statement of Service Performance (continued)

(Non-financial performance measures)


FINANCIAL CAPITAL AND RESOURCES

25. Watercare group's debt headroom (Set measure in conjunction with Council and establish baseline)

SOI Target 2023/24	≤3.35	
Achieved:	3.58	
Previous year:	3.30	


Debt headroom is the amount that Watercare can borrow in proportion to its revenue/assets. Our ratio for 2023/24 was 3.58%. The combination of delay in insurance proceeds for the anniversary floods, scale and acceleration of our capital project delivery and the lower-than-expected revenue impacted our working capital and reduced our debt headroom. However, Watercare kept Auckland Council informed of our debt position throughout the year. While we did not meet the measure, this was done with the full support and knowledge of Auckland Council.

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

SOI Target 2023/24	≤1.5%	
Achieved:	0.81%	
Previous year:	0.80%	

Despite inflationary pressures over the last 12 months, we maintained affordability of our services within our target range for Aucklanders in FY24. This was despite other costs related to essentials such as food, rents etc. rising in the first half of the financial year, which continued to put pressure on the average household expenditure.

27. Reactive maintenance spend vs proactive renewals spend

SOI Target 2023/24	Establish a methodology on how this should be measured to demonstrate resilience within the network.	
Achieved:	Met	
Previous year:	New measure	

Watercare assets are exposed to various external influences which can impact the operational efficiency, and resilience – and therefore incur unplanned costs as a result. A range of risk-based asset management initiatives are underway, including comprehensive modelling of local and transmission water pipelines and wastewater sewers (buried assets). This new measure was introduced to ensure an appropriate balance of both proactive (planned) and unplanned investment, which will lead to both short-term and future benefits. We met this target, by establishing a new methodology and setting targets for the next three years.

28. Controllable cost target

SOI Target 2023/24	\$395.5m	
Achieved:	YTD Actuals \$435.1m	
Previous year:	New measure	

Controllable costs for the year were \$39.6m unfavourable to plan largely due to one-off costs incurred. The ongoing accumulation of expenses relating to the FY23 weather events and failure of the Ōrākei Main Sewer in September 2023, accounted for \$21.7m of the unfavourable result for the year. In the first half of the FY, Watercare was supporting the Department of Internal Affairs (DIA) with Affordable Water Reforms, incurring an additional \$3.3m in costs. However, these costs were offset by revenue from the DIA as compensation. The costs incurred in delivering capital projects for the Waikato District Council contract were also \$9.6m higher than plan however these were also offset by additional revenues. The remaining variance to plan is attributed to lower than anticipated capital project labour recoveries which was due to a need to reprioritise the capital programme caused by a delay in receiving insurance funds, settlement of Central Interceptor escalation variations and additional unplanned maintenance costs incurred throughout the year. Without the one off costs/recoverable costs, we would have achieved the controllable cost target.

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