Watercare

A new era, delivering smarter *together.*

Annual Report 2026

A new era is under way for Watercare –

a step change

in expectations and capability.
Financial independence strengthens our ability to deliver at scale with greater certainty, while staying focused on supplying safe, reliable water and wastewater services people trust.

The **past year** was about becoming

delivery-ready,

strengthening our governance, building regulation readiness, and embedding a sustainable financial model for **long-term infrastructure investment.**

Now we're

shifting gears,

delivering smarter, **together as one team.**

Our front-line and support teams, planners, engineers, operators and contractors are all on the same waka, all playing their part.

today and for *generations* to come

Because what we deliver now shapes what Auckland can count on next: services that support growth, stand up to extreme weather and protect our environment – **building confidence for customers, regulators and debt investors**.

Contents

Reporting scope

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

In this report, we have listed the sources of information used to compile the performance indicators and any significant assumptions or estimates applied. This report was approved for publication on 27 August 2026.

Our purpose

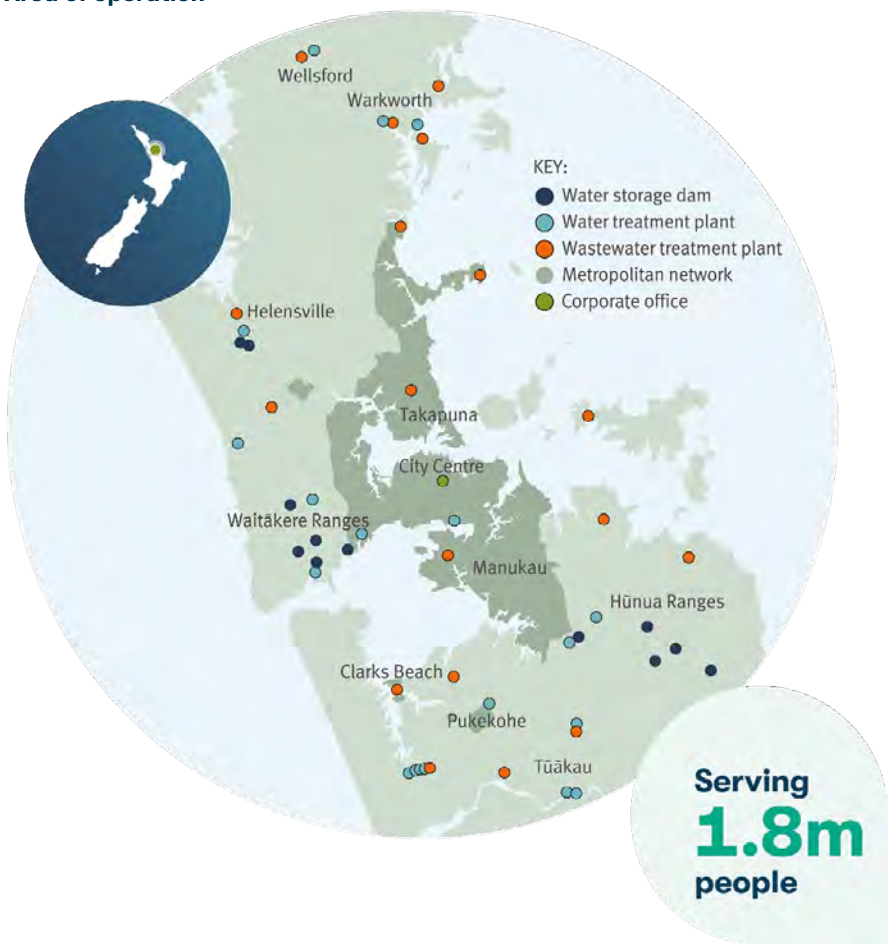
Watercare is a *lifeline utility* that provides water and wastewater services to 1.8 million people in Auckland, New Zealand.

Our purpose reflects the connection between our services and the wellbeing of our community and the local environment.

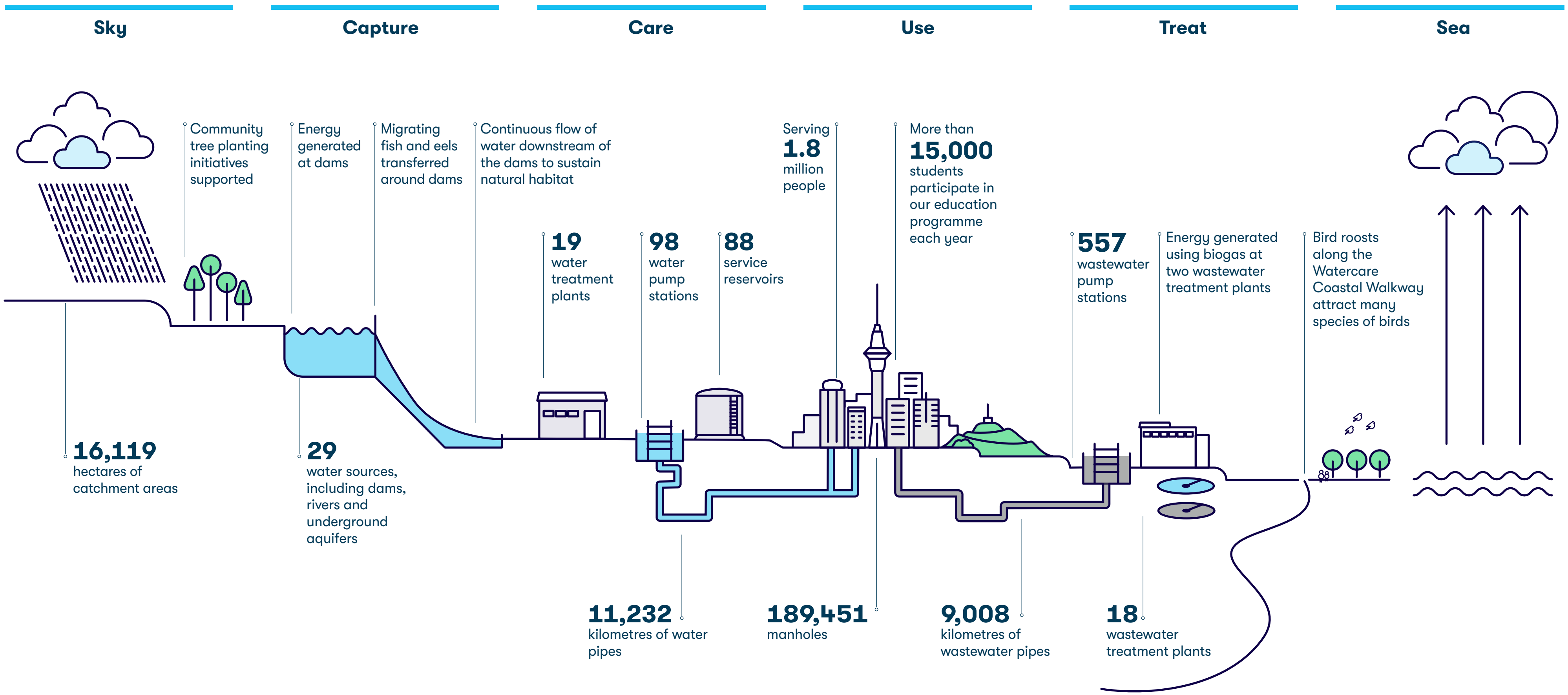
We supply safe drinking water to half a million homes and businesses each day. We also collect, treat and discharge wastewater every day in an environmentally responsible way. With an asset base valued at $18.76 billion, we plan and build infrastructure to ensure we maintain appropriate levels of service and cater for a growing population. Our primary area of operation is the Auckland region. In the suburb of Papakura, we deliver wholesale services to Veolia Water, which is contracted to operate, maintain and develop the local networks. In the northern Waikato region, we deliver wholesale water and wastewater services to Tūākau and Pōkeno under an enduring contract with Waikato District Council. Separately, we operate, maintain and develop the water, wastewater and stormwater networks on behalf of Waikato District Council. This contract term ends June 2028.

We are a council-controlled organisation, wholly owned by Auckland Council (our shareholder). We are a limited liability company registered under the Companies Act 1993, and a local government organisation under the Local Government Act 2002. We're subject to public health, environmental and economic regulation. Our principal regulators include Auckland Council, the Commerce Commission, Waikato Regional Council, the Ministry of Health and Water Services Authority – Taumata Arowai.

Area of operation



Our operations go from sky to sea



Geoff Hunt
Chair

Jamie Sinclair
Chief Executive

Chair and chief executive report

The 2025/26 financial year marked the beginning of a new era for Watercare and one of the most significant years in our history.

On 1 July 2025, Watercare became financially independent from Auckland Council as part of the Government's Local Water Done Well reforms. We entered a new economic regulatory environment, established ourselves as a stand-alone borrower and began implementing our new enterprise strategy, *Delivering Smarter. Together.*

Delivering Smarter. Together.

For an organisation managing $18.76 billion of infrastructure assets, these changes are significant. They provide stronger foundations: to deliver the essential services Aucklanders rely on every day, and to invest responsibly for future generations.

Financial independence has changed the way we fund our activities, but not our ownership or the importance of our relationship with our shareholder. Watercare remains wholly owned by Auckland Council and we have a shared commitment to delivering the best possible outcomes for Auckland.

Building stronger financial foundations

We delivered a strong financial result in 2025/26 and begin the new financial year with a solid financial platform to support Auckland's future growth and resilience. The strength of our financial foundations is also reflected in our stable Aa3 credit rating from Moody's.

Revenue increased to $1,289.7 million (FY25: $1,158.3 million), including water and wastewater revenue of $802.0 million and Infrastructure Growth Charge revenue of $276.0 million (FY25: $218.5 million).

Operating expenditure was $406.4 million (FY25: $381.3 million), reflecting investment in maintaining and operating Auckland's growing network, responding to weather-related events, and delivering performance improvement initiatives that strengthened organisational capability, efficiency and service delivery as the business continued to mature as an economically regulated utility.

We invested $960 million in our assets during the year, progressing new infrastructure and renewals as well as building a strong capital programme pipeline for the year ahead.

During FY26, we successfully established independent funding arrangements, raising more than $1.5 billion of external debt across domestic and international markets while repaying over $1.0 billion of Auckland Council debt. Access to international markets gives Watercare deeper and more diverse sources of capital and allows us to seek competitive long-term funding. This is particularly important for an infrastructure organisation investing in assets with lives measured in decades.

Why does this matter for Aucklanders? Because the cost of borrowing ultimately forms part of the cost of providing water and wastewater services. In 2025/26, our funding strategy delivered estimated interest savings of more than $23 million against budget.

$960m asset investment

We continued working closely with the Commerce Commission as we transitioned into New Zealand's first economically regulated water utility. We welcome the scrutiny, transparency and accountability that economic regulation brings and remain focused on investing prudently and efficiently while maintaining the financial strength required to meet Auckland's long-term needs.

Delivering for future generations

Despite the scale of change, our focus on delivering for Auckland did not waver.

We progressed one of the largest renewal programmes in Watercare's history alongside major new infrastructure. Renewing ageing assets may be less visible than major new projects, but it is fundamental to improving reliability and resilience for decades to come.

By 30 June, the Central Interceptor – New Zealand's largest-ever wastewater infrastructure project – was fully operational. Around 4,000 people have worked on this once-in-a-generation installation, creating employment, and building skills and capability across the infrastructure sector. Its enduring legacy will be significantly fewer wet-weather wastewater overflows, healthier waterways and beaches, and greater resilience and capacity in Auckland's wastewater network.

Other milestones included opening the new Snells Beach Wastewater Treatment Plant, bringing the upgraded Clarks Beach Wastewater Treatment Plant into service, progressing significant upgrades within Auckland's networks and signing the construction contract for the Herne Bay Collector (see **page 17** for more details).

These investments are about more than infrastructure. They protect our environment, improve resilience, enable the development of new homes and communities, create jobs and economic activity, and build capability across New Zealand's infrastructure sector.

Watercare's infrastructure does not operate as a collection of stand-alone projects. It is one integrated water and wastewater system, where investment in one part of the network can affect capacity, resilience and growth elsewhere. Many of our major projects also take years to plan, consent, procure and build. That means we must take a long-term view – planning and investing today for infrastructure Auckland will depend on well into the future.

Environmental sustainability remained a priority as well. We engaged Aucklanders on the future management of biosolids and progressed thermal hydrolysis technology at the Rosedale Wastewater Treatment Plant to reduce waste, improve efficiency and create opportunities for beneficial reuse.

Delivering Smarter. Together.

Our enterprise strategy, *Delivering Smarter. Together.*, reflects how we intend to build on these stronger foundations.

Smarter means improving how we plan, decide and deliver – planning earlier, working more consistently and using better information, data and technology to improve productivity and gain greater value from every dollar we invest.

Together starts with our own people – working as one Watercare team and bringing together our skills and experience to deliver for Auckland. It also recognises that we cannot do this alone. It means working closely with Auckland Council, mana whenua and iwi, customers and communities, developers, central government, our regulator, and the contractors and suppliers who deliver alongside us.

Our relationships with mana whenua and iwi continued to strengthen with the launch of Tāmaki Ora – Achieving Māori Outcomes Plan. We value the knowledge and perspectives they bring and are committed to building enduring partnerships based on trust, respect and better outcomes for Auckland (read more about this on **page 27**).

We also strengthened engagement with Auckland's development community, improving transparency around infrastructure planning, servicing requirements and growth so developers can plan with greater confidence and we can better align investment with Auckland's future needs.

Aligning investment with Auckland's future needs

Safe, reliable services people trust

Providing safe and reliable water and wastewater services remains at the heart of what we do. For our customers, reliability is ultimately about confidence that these essential services will be there when they need them.

In FY26, we met all our service delivery performance targets, delivering a strong operational performance (more details are on **page 98**). Auckland's water supply remained stable throughout the year and we continued investing in smart network initiatives to better predict, prevent and respond to issues. During the year, we maintained strong compliance with drinking water quality requirements (our suite of water-quality performance measures are set out on **page 105**) while continuing to invest in the resilience and performance of our networks. We also remained focused on affordability and making it easier for customers to engage with us and have access to the support they need.

Responding to challenges

Like any large and complex organisation, we will face challenges along the way. This year was no exception.

Precautionary boil water notices were issued in Herald Island and parts of central Auckland following isolated E. coli results during routine sampling. Subsequent investigations confirmed that the drinking water remained safe and the notices were lifted quickly.

Following the October 2025 wastewater overflow into the Mahurangi River, which affected oyster farms in the Mahurangi Harbour, we provided immediate financial support and completed the compensation process in March 2026, informed by independent expert advice.

These experiences reinforced that what matters is how we respond when things do not go to plan – being open and accountable, learning from what happens and acting speedily to put things right.

We also face broader, longer-term challenges. Auckland continues to grow, significant parts of our infrastructure need renewal, climate change is placing increasing demands on our networks and water resources, and we must continue investing at scale but keep services affordable.

Powered by our people

Our teams have navigated financial independence, economic regulation, a new enterprise strategy and significant organisational change while continuing to operate and build one of New Zealand's largest infrastructure networks.

Their safety and wellbeing remain our number one priority. We strengthened our focus on critical risks, effective controls and safety leadership, with improvements across our lead safety indicators and injury management.

We are immensely proud of the professionalism, resilience and commitment our people have demonstrated. The progress made this year is their achievement.

Looking ahead

We ended 2025/26 with stronger financial and organisational foundations. The next challenge is to convert them into better outcomes.

Since the end of the financial year, we have set out the scale and shape of the investment ahead, providing the infrastructure sector with greater visibility of the programmes required to renew ageing assets, strengthen resilience and enable Auckland's growth.

That greater visibility provides the market with increased certainty to plan ahead. It allows contractors, suppliers and delivery partners to invest in the people, skills, equipment and capability needed to deliver alongside us. Strong, long-term partnerships with the infrastructure sector will be critical to successful delivery.

We thank our board for its governance and leadership, Auckland Council for its continued support as our shareholder, our mana whenua and iwi partners, customers, communities and delivery partners, and most of all our people for their extraordinary contribution during a transformational year.

There is much to be proud of from our achievements in 2025/26, and much still to do. Together, we are building a more resilient Watercare and delivering smarter for Auckland today and tomorrow.

Smarter for
Auckland
today and tomorrow

Our board and executive

Read more about our board of directors and executive team on our **website**.

Our board of directors from left to right: Andrew Clark, Julian Smith, Karen Sherry, Geoff Hunt, Graham Darlow, Rukumoana Schaafhausen

Not pictured: John Crawford, Derrick Adams (appointed to the Watercare Board of Directors in August 2026)

Our executive team from left to right: Richie Waiwai, Sarah Phillips, Brent Evans, Jamie Sinclair, Mark Crowle, Angela Neeson, Mark Bourne, Priyan Perera

Our *performance*

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

As a public water utility, our core purpose is two-pronged: ensure the reliable supply of safe drinking water and the safe collection, treatment and disposal of wastewater. We collect and treat water from purpose-built storage dams, rivers and groundwater sources and supply communities and businesses across Auckland through a vast integrated distribution network.

The other aspect of our mission is to carefully collect, treat and dispose of the region's wastewater in a way that protects the environment and waterways. Our water and wastewater operations are stringently monitored against a range of drinking water quality rules and standards as well as environmental regulations and discharge consents; these are regularly reported to our board, our shareholder Auckland Council, the Commerce Commission, the Ministry of Health and the Water Services Authority – Taumata Arowai.

01

PERFORMANCE SNAPSHOT

Water quality

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

For treatment plants

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

For distribution networks

- Microbiological (100% compliant)
- Residual disinfection (97.9% compliant)
- Disinfection by-products (100% compliant)
- Plumbosolvent metal rules (100% compliant)

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

PERFORMANCE SNAPSHOT

Dry-weather/wet-weather overflows

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

- Recorded **0.79 wastewater overflows** per 1000 wastewater connections against a target of ≤5
- Recorded **0.30 wet-weather overflows** against a target of ≤2.

Responsiveness to and resolution of faults and issues

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

Urgent faults on the water network	Median time taken by our crews to attend to the call-outs	40 minutes against a target of ≤60 mins
	Median time taken by our crews to resolve the fault	2.9 hours against a target of ≤5 hours
Non-urgent faults on the water network	Median time taken by our crews to attend to the call-outs	0.8 days against a target of ≤5 days
	Median time taken by our crews to resolve the fault	0.96 days against a target of ≤6 days
Faults on the wastewater network	Median time taken by our crews to attend to the overflows caused by blockages or other faults	61 minutes against a target of ≤90 mins
	Median time taken by our crews to resolve the overflows caused by blockages or other faults	2.6 hours against a target of ≤5 hours

Managing demand effectively

Auckland Council's Auckland Water Strategy 2022-2050 requires us to manage demand for water efficiently, achieving consumption targets specified in our SOI.

We met our targets for 2025/26:

- The gross per-capita consumption (commercial + residential use) of water was 253 litres per person per day (l/p/d), against a target of 257 l/p/d (+/- 2.5%).
- The gross per-capita consumption (residential use only) of water was 162.5 l/p/d, against a target of 165 l/p/d (+/- 2.5%).

Per-capita water consumption
253 litres
per day

Managing leaks effectively

We met our targets to keep the volume of water lost through network leaks at a minimum, recording:

- 11.26% as the percentage of water lost through leaks against a target of less than 13%
- 100.08 l/p/d litres per connection against a target of less than 140 litres per connection per day.

We have surveyed 41,718 kilometres of network pipes since the beginning of our proactive leak detection programme and surveyed 9,018 in FY26.

- 19,158 leaks found since we began proactive leak detection, with 2,358 leaks found in FY25
- 56.0 million litres per day (MLD) of water savings estimated since we began proactive leak detection, and 14.6MLD of estimated savings through the district metering and pressure management programme since FY23.

CASE STUDY

Enabling a *cleaner future* for Auckland's waterways

In 2025/26 we reached a major milestone with the completion and full commissioning of the Central Interceptor, New Zealand's largest wastewater infrastructure project and the largest investment ever made in the country's wastewater network.

With this $1.66 billion project, we delivered a 16.2-kilometre wastewater tunnel running from Point Erin in Herne Bay to the Māngere Wastewater Treatment Plant, creating a critical backbone for Auckland's wastewater system. Designed to capture and transfer wastewater and stormwater flows during wet weather, the tunnel significantly reduces overflows into local streams and waterways while catering for Auckland's future growth.

Following the commissioning of the southern section in early 2025, an estimated 741,000 cubic metres of wastewater and stormwater overflows were prevented from entering the environment as of 1 July 2026. This is equivalent to almost 300 Olympic-sized swimming pools.

This tunnel enhances network resilience, improves system performance and provides capacity for future connections, including the Herne Bay Collector and other planned wastewater upgrades.

As Auckland continues to grow, the Central Interceptor will help ensure safe, reliable and more resilient wastewater services for generations to come.

741,000m³
of wastewater and stormwater overflows prevented

02

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

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

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

Our $15.2 billion programme over the next decade includes more than 1,000 projects, balancing new growth servicing infrastructure with the renewal and upgrade of existing assets – to expand capacity, strengthen resilience and maintain the network Aucklanders rely on.

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

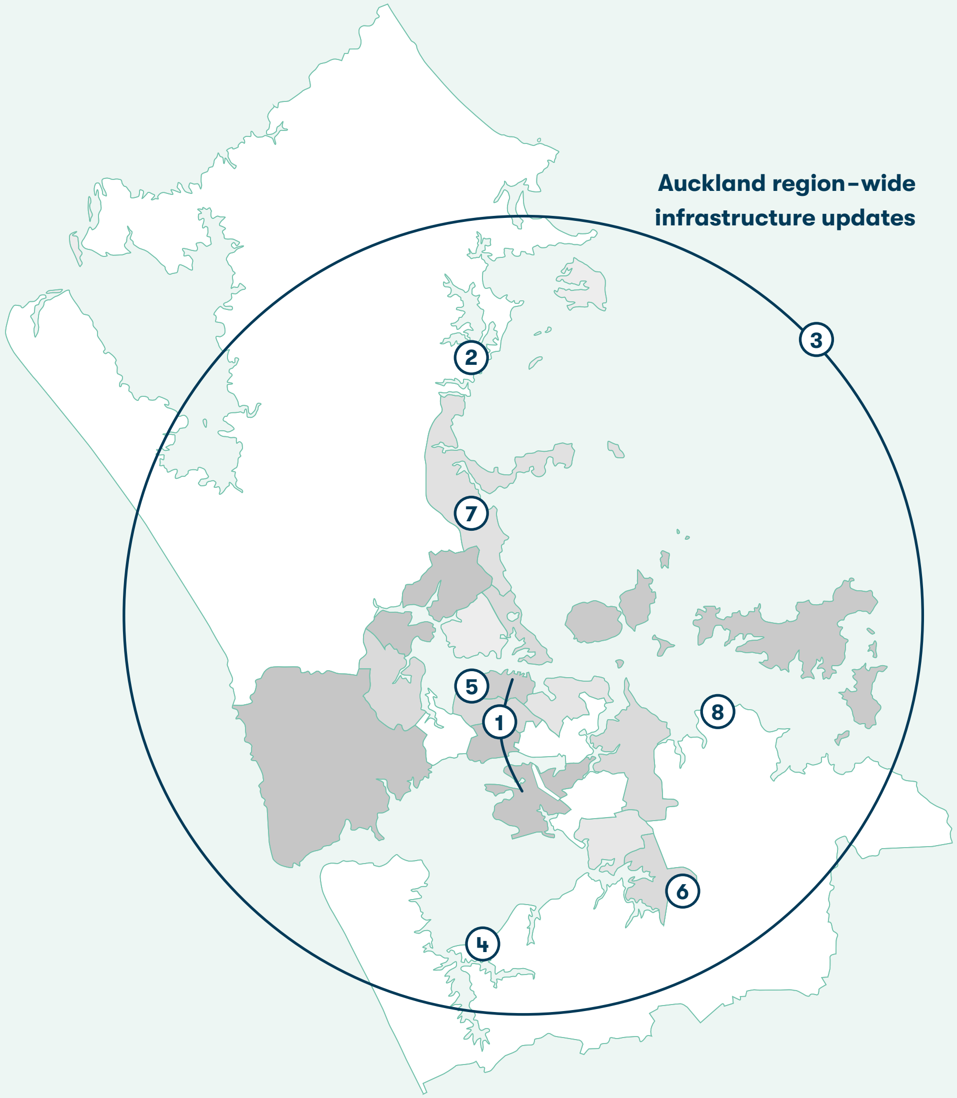
PERFORMANCE SNAPSHOT

Projects delivered in FY26

We delivered $959.5 million worth of infrastructure in FY26.

Key projects included:

1. Commissioning the full Central Interceptor wastewater tunnel that runs from Point Erin to the Māngere Wastewater Treatment Plant. (See case study on **page 17**.)
2. Commissioning a new wastewater treatment plant at Snells Beach as part of the north-west wastewater programme
3. Completing the $75 million Auckland-wide flood recovery programme, delivering 222 major infrastructure repairs following the 2023 Auckland Anniversary floods and Cyclone Gabrielle
4. Completing a new outfall together with technology upgrades at the Clarks Beach Wastewater Treatment Plant to cater for growth in south-west Auckland
5. Completing a major new connection into the Mt Albert reservoir, boosting water security and network resilience for Mt Albert, Ōwairaka and Wesley
6. Connecting a new wastewater main into the Eastern Interceptor, as part of the $64 million Archboyd wastewater upgrades in south Auckland, which will support housing growth and reduce overflows
7. Completing a large concrete pour on the Rosedale wastewater upgrades programme to construct the new confluence chamber at the Rosedale Wastewater Treatment Plant. When the Northern Interceptor is commissioned in late 2026, this chamber will redirect wastewater from Hobsonville, which currently flows to Māngere for treatment, to the Rosedale Wastewater Treatment Plant. This will help rebalance our wastewater network and free up capacity at the Māngere Wastewater Treatment Plant.
8. Completing critical wastewater renewals in Beachlands and Maraetai, enabling a more reliable wastewater network by relining 6.2 kilometres of local pipes. (See case study on **page 20**.)



CASE STUDY

Strengthening the wastewater network in *Beachlands* and *Maraetai*

In February 2026 we completed a major wastewater renewal project in Beachlands and Maraetai, strengthening network performance in an area with a history of inflow and infiltration issues.

The project involved relining 6.2 kilometres of wastewater pipes, rehabilitating 85 manholes and renewing 198 household connections.

Using CCTV inspections, we identified extensive pipe deterioration, including cracks and defects that allowed groundwater, seawater and stormwater to enter the wastewater network. These additional flows can overwhelm the system during wet weather, increasing the risk of wastewater overflows and placing unnecessary pressure on treatment infrastructure.

Originally scoped at 1.9 kilometres, the project expanded significantly after investigations revealed a greater level of deterioration than initially anticipated. The work was completed using a trenchless cured-in-place pipe relining method, which restored pipe integrity while minimising excavation, community disruption and construction costs.

These works have improved the reliability and resilience of the local wastewater network by reducing inflow and infiltration pathways and helping ensure wastewater is transported for treatment effectively.

This project is part of Watercare's targeted wastewater renewals programme to extend the life of critical assets, reducing network risks and maintaining service levels for Auckland's growing communities.

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

As a public utility providing an essential service, we have an obligation to deliver value for money and operate efficiently. Watercare's new regulated funding framework, introduced following our financial separation from Auckland Council in July 2025, provides greater certainty for long-term investment while providing more stable prices for customers over time.

Our funding framework means we can borrow at the right levels to fund our infrastructure investment programme, spreading the cost of upgrading assets more evenly across their lifespans and ensuring a stable and smoother price path for customers.

As a business, we are committed to exploring smarter ways of working, with better systems, better data and insights, and more effective planning and coordination, so we can continue to deliver efficient and effective outcomes for our customers and communities.

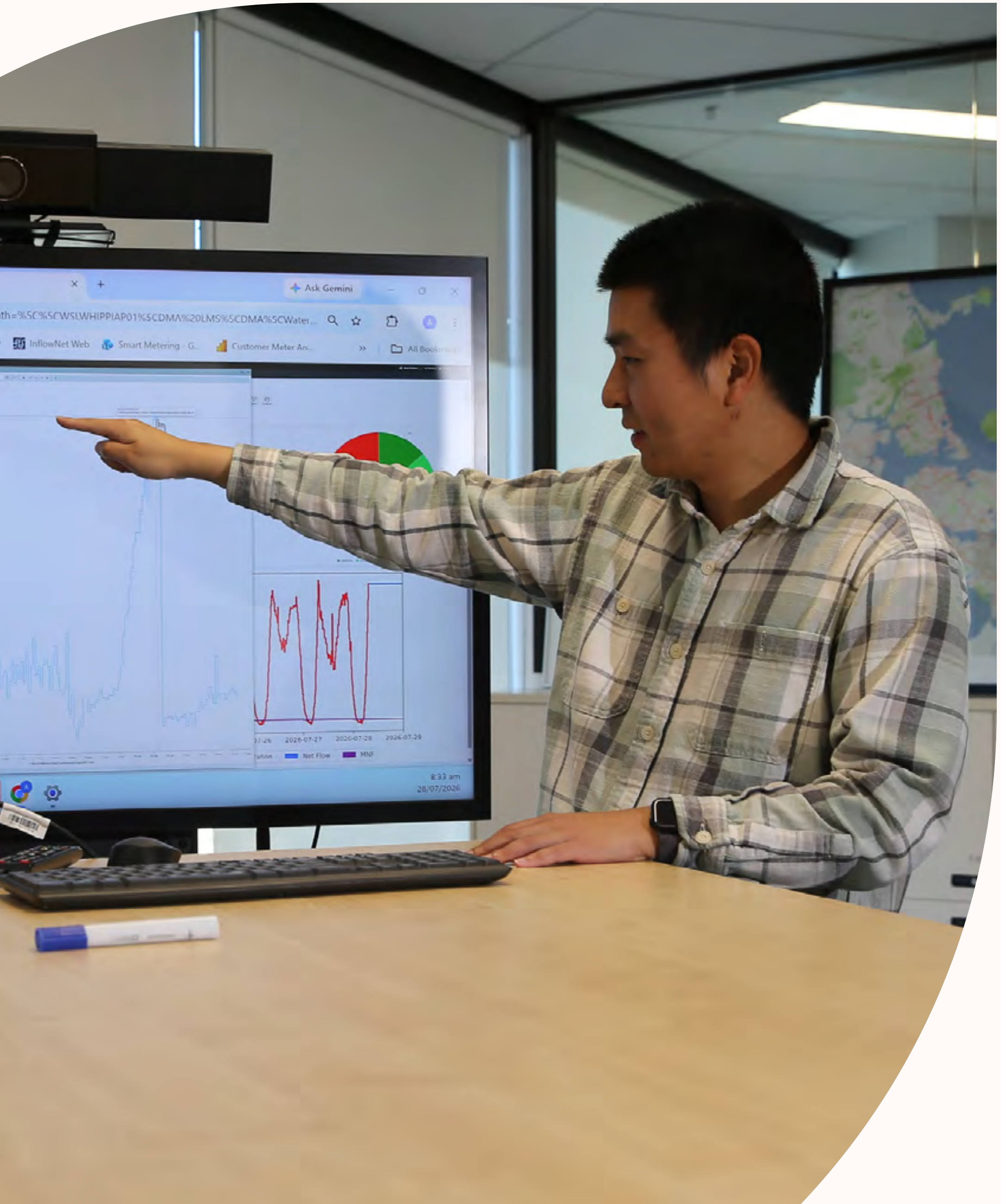
PERFORMANCE SNAPSHOT

Affordability: Percentage of income spent on water bills

We kept charges at an affordable level to ensure the average Auckland household spent less than 1.5% of its household income on water services – our result for FY26 was 0.94%.

0.94%
of income spent on water bills

CASE STUDY



Reaping the benefits of smart leak and pressure management systems

In June 2026, Watercare's leakage management system detected an unusual increase in minimum night flow within the Bucklands Beach water supply zone, which covers Bucklands Beach, Highland Park and West Howick. While there were no customer reports and no visible signs of a leak, our network data indicated a significant, sustained and real increase in network flow rather than a metering anomaly.

Over the next few weeks, our leak detection crews surveyed 119 kilometres of watermains in the area. This initially focused on hydrants and valves before expanding the search to customer connections, stormwater channels and wastewater manholes, listening for any sign of the leaking flows discharging into the wider drainage network.

A key breakthrough came from the newly installed infrastructure already in place through our District Metered Area (DMA) and pressure management programme, where we systematically split large water supply zones into smaller DMAs with their own flow meters. DMAs provide a more concentrated view of water flow and likely water loss, and help pinpoint the locations of leaks.

Our team expedited this approach in the Bucklands Beach supply zone, dividing the network into four smaller metered areas. This reduced the search area from 119 kilometres to just 31 kilometres, allowing resources to be deployed more efficiently.

Soon after, our crews noticed a significant and sustained flow discharging through the stormwater network onto the beach at the Esplanade. A chlorine test on the water came back positive, confirming it was from the water network. Tracing it back through the stormwater manholes, they located a split in a 150-millimetre PVC (plastic) watermain on Bucklands Beach Road. The pipe was isolated and repaired the same day.

This is a good example of how targeted investment in smart network monitoring, zone metering and digital infrastructure is enabling earlier and faster leak detection, more efficient operations and lower water losses.

04

Strengthening *our relationships* with customers, developers, community stakeholders, and our iwi partners

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

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

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

The development community remains an important stakeholder group.

While delivering water and wastewater services for a growing city is challenging, catering for growth in a timely and sustainable way is a key focus of our 10-year infrastructure investment plan.

We remain committed to engaging consistently and transparently with developers on the capacity of our system and our growth-enabling programme of works. As part of this, we have published an updated Growth Servicing Policy on our **website**. The policy brings together our approach to growth servicing in one place, providing clear and transparent guidance on how we support sustainable growth across Auckland. It provides clear pathways for developers on a range of growth scenarios and greater transparency around how growth servicing decisions are made.

PERFORMANCE SNAPSHOT

Customer satisfaction

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

Feedback from Voice of Customer surveys highlighted effective faults resolution and timely responses to network issues, reflecting strong performance of field operations. Our billing teams maintained strong satisfaction scores, supported by improved meter reading accuracy; our developer services team maintained consistent satisfaction scores too, despite processing a record high volume of applications.

Customer Net Satisfaction score:
+55

Complaints resolution

In FY26 we received 1,440 complaints and 1420 of these (about 98.6%) were resolved within 10 working days. Our target for complaints resolution is ≥95%.

98.6%
of complaints resolved within 10 working days

Community trust

Our trust score increased to 54 from 52 in FY25, against a target of 55. This score represents the percentage of survey respondents who agree that they trust us by scoring us seven or higher out of 10 to the question:

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

The score was derived from responses from more than 5,000 people across Auckland. It is perception based and can be influenced by external and internal factors. While ongoing cost-of-living pressures continued to influence customer perceptions, the responses also show that targeted engagement initiatives, such as our Wonder Wai education programme and newsletters, have helped increase trust and positive perceptions. Benchmarking against water utilities in Australia and the United Kingdom indicates that Watercare continues to perform above the industry average for customer trust.

Trust score:
54

CASE STUDY

Building *public understanding* of Auckland's biosolids challenge

Planning for Auckland's long-term biosolids management is one of Watercare's most significant infrastructure challenges, and a key opportunity to strengthen relationships with the communities we serve. **In late 2025 we undertook early public engagement to better understand what matters most to Aucklanders as we plan for a future biosolids solution.**

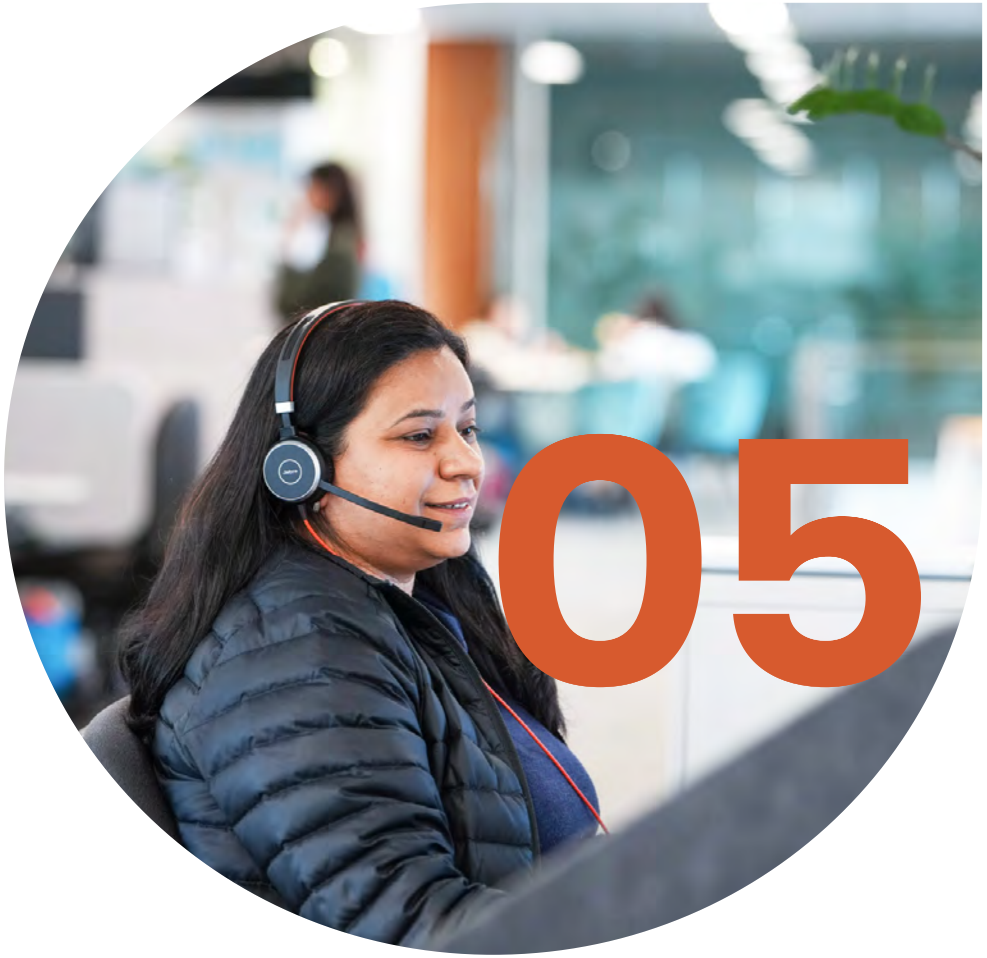
Biosolids are a by-product of wastewater treatment. Currently, biosolids from Māngere Wastewater Treatment Plant are used to rehabilitate Te Motu a Hiaroa (Puketutu Island), but this solution will reach capacity by 2035. To prepare for Auckland's future needs, we have launched a 10-year programme to identify, design and deliver a new facility capable of managing more than 175,000 tonnes of biosolids each year.

Recognising that biosolids management affects all Aucklanders, we sought feedback from customers, community stakeholders and mana whenua before evaluating long-term options. Engagement focused on building understanding of the challenge, exploring views on two feasible pathways – landfill and incineration – and identifying the values and concerns that should inform future decision-making.

The feedback received has helped shape the programme's next steps and reinforced the importance of transparency, environmental stewardship and meaningful partnership. As technical assessments, design, consenting and funding work progress over the coming decade, we remain committed to deepening engagement with our communities and Māori partners, ensuring their perspectives help guide Auckland's biosolids future.

175,000 tonnes
of biosolids to be managed each year by new facility

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



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

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

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

PERFORMANCE SNAPSHOT

Employee engagement, health, safety and wellbeing

- Our employee engagement score remained relatively steady this year at 7.8 (7.9 in FY25) and participation in the engagement survey remained healthy at 80%. Our engagement score is on par with the benchmark for the utilities sector, with our employees mainly connecting to Watercare's core purpose and valuing the development opportunities available within the organisation.
- During FY26, we strengthened our proactive approach to health, safety and wellbeing through increased leadership engagement, worker participation and critical risk management. Despite increased operational activity, serious injury trends remained stable, highlighting a growing safety culture focused on preventing harm through continuous improvement. (See **page 28** for the detailed case study.)

Greenhouse gas emissions

A detailed emissions summary, along with the challenges and considerations for measuring and mitigating emissions, is provided on **page 99**, under our 2026 Statement of Service Performance.

Both Scope 1 and Scope 2 emissions for FY26 exceeded our target limits, primarily due to increased wastewater flows and treatment caused by an increase in wet-weather events and the operation of the first half of the Central Interceptor wastewater tunnel in the reporting year.

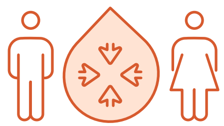
- Recorded 93,320 tonnes carbon dioxide equivalent (CO_2e) against a target of <85,000 tonnes CO_2e (excluding emissions from Te Motu a Hiaroa Puketutu Island)
- Recorded 117,870 tonnes CO_2e against a target of <108,000 tonnes CO_2e (including emissions from Te Motu a Hiaroa Puketutu Island).

Tāmaki Ora – Achieving Māori Outcomes

This period marked a clear shift from planning to disciplined delivery of Tāmaki Ora across our organisation. Stronger mana whenua relationships, Rangatira ki te Rangatira (leader to leader) engagement and clearer governance are enabling Māori outcomes to be embedded in how we plan, invest and deliver safe, reliable and affordable water and wastewater services.

Delivery of Māori outcomes is focused on four interconnected areas: supporting marae, protecting and restoring the environment, enabling Māori business and economic participation, and lifting cultural capability. This ensures that mana whenua aspirations and Te Tiriti obligations inform decisions that strengthen service resilience, environmental outcomes, infrastructure delivery and value for customers.

Priority projects such as finding a pathway for managing Auckland's future biosolids are demonstrating earlier integration of Māori outcomes and stronger consideration of mana whenua aspirations, improving decision quality and supporting infrastructure that is fit for growth, climate challenges and future generations. The organisation-wide Māori competency survey received 372 responses and identified Te Tiriti o Waitangi, te reo me ōna tikanga, and mana whenua engagement as the principal capability gaps. Addressing these gaps is a business enabler: it will strengthen regulatory and Treaty-aligned practice, improve engagement and delivery certainty, and support better environmental and customer outcomes. Continued leadership sponsorship is critical to embed measurable Tāmaki Ora outcomes in business planning, investment decisions, project governance and leadership accountability.



Employee engagement score: 7.8

CASE STUDY

205%

increase in critical risk inspections since FY25, reflecting our renewed focus

Embedding a proactive safety culture

During the past year, we continued to mature our health, safety and wellbeing (HSW) approach by sharpening our focus on lead indicators that proactively measure the conditions for safety success and moving away from solely focusing on traditional lag indicators, such as incidents and injury rates.

This shift was driven by increased worker participation, critical risk management and strong leadership engagement. Leadership walks and site inspections remained consistently high, while health and safety representatives were actively involved in learning, improvement and critical risk reviews. Our people completed 3,129 leadership walks or safety conversations, up from 1,762 in FY25. They also continued to report hazards and close calls, with 199 new hazards identified, demonstrating a positive reporting culture where people felt confident identifying and managing risks before harm occurred.

We completed a comprehensive Critical Risk Review programme during FY26. Using the Learning Teams approach, our HSW team worked with front-line kaimahi (staff) and contractors to define critical controls and performance standards for high-risk work. Critical risk inspections, permit audits and control verification activities are now considered important measures of safety performance and assurance. This year our teams completed 449 critical risk inspections (up from 147 in FY25) and 732 permit audits (up from 634 in FY25). This is a reflection of our renewed focus on critical risk controls and systems assurance.

We also strengthened our contractor engagement with the introduction of a shared Leadership Commitment Charter and collaborative development of common HSW performance measures with 25 other organisations. This enabled greater consistency and safe project delivery across our massive work programme.

While operational activity increased significantly during 2026, serious injury trends remained stable and most reported events were of low or medium severity. Together with continued improvements in injury management and return-to-work outcomes, these results demonstrate a growing safety culture at Watercare that is focused on consistency, prevention and learning rather than solely measuring harm after it occurs.

06

Embedding a *sustainable* financial model

This year marked a significant milestone in Watercare's journey towards financial independence and long-term financial sustainability. From 1 July 2025, we began borrowing in our own name, giving us direct responsibility for raising the capital needed to fund essential operations, maintain critical infrastructure and invest in the assets and networks Auckland relies on every day. This new financial structure supports the delivery of our 10-year infrastructure investment plan while ensuring we meet our obligations under the new funding and repayment arrangements established with Auckland Council.

At the same time, we stepped into a new regulatory environment designed to strengthen transparency, accountability and financial discipline across the water sector. The Watercare Charter, which came into effect on 1 April 2025 and remains in place until 30 June 2028, sets out the interim economic regulation framework that guides our performance. Under the Charter, we are required to meet minimum service quality standards, maintain an investment-grade credit rating and operate within defined revenue limits, while continuing to provide clear and consistent reporting to Auckland Council and the Crown monitor (the Commerce Commission).

These requirements create a balanced framework that supports investment in essential infrastructure as well as protecting customers through greater oversight of prices and service outcomes. They also provide flexibility in how we structure tariffs and recover costs, helping to ensure that funding is aligned with the demands of a growing region.

Alongside this interim regulation, we are preparing for the implementation of the Government's new enduring regulatory framework for water services. Together, these reforms are reshaping how water services are funded, regulated and delivered. For Watercare, they represent an important step towards embedding a financially sustainable model that enables us to invest for the future, deliver value for customers and continue providing safe, reliable and affordable services for generations to come.

PERFORMANCE SNAPSHOT

Maximum allowable revenue from water and wastewater services provided

The Watercare Charter requires us to ensure that the revenue from water and wastewater service charges does not exceed the annual price increases set for the same period. We met this target, with total revenue from prices for water and wastewater below the target limit of <$845.1 million (FY26 revenue was $817.1 million).

Minimum price increase for Infrastructure Growth Charges (IGCs)

IGCs are one-off fees paid when new developments connect to, or increase demand on, Watercare's water and wastewater networks. They help fund the bulk infrastructure needed to support growth, ensuring the cost of expanding capacity is funded by growth rather than existing customers or future generations.

The Watercare Charter requires us to ensure that growth pays for growth by setting minimum baselines (15.5%) for annual IGC price increases. We met this target, with IGCs in FY26 increasing by 15.5% for all zones (allowing for price lag periods and any pre-existing contractual obligations).

Maintain an investment-grade (or higher) credit rating

We maintained an investment-grade credit rating of Aa3 stable outlook (confirmed by Moody's) in FY26. Our strong credit rating has helped us secure cost-effective funding and will enable us to deliver critical infrastructure without compromising on service quality or affordability.

Maximum allowable revenue target met

Our credit rating: Aa3

CASE STUDY

Diversifying funding to support Auckland's water future

Since becoming financially independent from Auckland Council on 1 July 2025, we have established ourselves as a regular issuer across domestic and offshore debt markets, raising approximately NZ$1.5 billion to support our investment programme. This includes successful bond issuances in New Zealand, Australia and Europe, alongside $3.4 billion in committed bank debt facilities secured at the time of financial separation.

Our most recent fundraising involved successfully raising CHF250 million (approximately NZ$542 million) through the Swiss bond market. The issuance, comprising three-year and nine-year bond tranches, further strengthened our funding programme and demonstrated growing international investor confidence in Watercare.

Our debt capital raise strategy is built around having diversified funding sources and maturities. By accessing a broader range of investors and extending the maturity profile of our debt, we are creating a more resilient and sustainable funding model while maintaining strong liquidity and financial discipline.

Strong demand from investors and fast execution of the capital markets programme has enabled us to leverage the market environment, securing competitive pricing with interest savings of more than $23 million during the year against budget. Funding raised through our debt capital markets programme has supported delivery of Auckland's water and wastewater infrastructure, reduced financing costs and accelerated repayment of our transitional loan to Auckland Council, with more than $1 billion repaid since July 2025.

This diversified funding approach provides greater certainty for long-term investment, helping us deliver essential infrastructure while managing costs for customers as Auckland continues to grow.

NZ$1.5b
debt raised in FY26

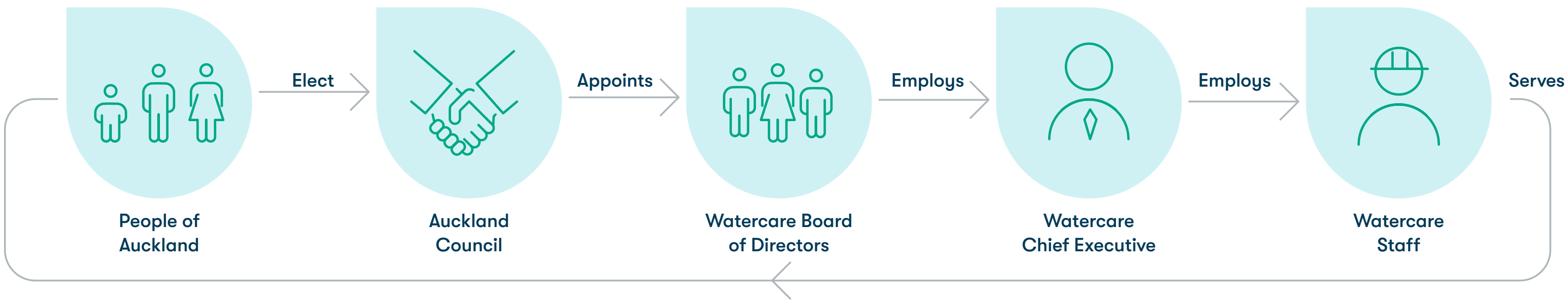
Our *regulatory* framework

Governance

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

Our legislative framework

Watercare is a limited liability company registered under the Companies Act 1993, and a local government organisation under the Local Government Act 2002. We are subject to public health, environmental and economic regulation. Our principal regulators include Auckland Council, the Commerce Commission, Waikato Regional Council, the Ministry of Health and Water Services Authority – 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 works with its shareholder, Auckland Council, to develop a statement of intent (SOI) covering a three-year period. 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 updated 2025-2028 SOI is available on our **website**. From 1 July 2027, the Water Services Strategy will replace the SOI as Watercare's primary accountability document to Auckland Council and the public.

Performance

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

Setting standards of conduct for employees

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

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

Regular independent reviews

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.

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 2026, the company has an Audit and Risk Committee, an Asset Management Committee and an Economic Regulation Committee. All directors are welcome to attend any committee meetings, but only committee members have voting rights.

- **Audit and Risk Committee (ARC):** During 2025/26, the ARC was chaired by Andrew Clark and helped the board fulfil its financial reporting responsibilities and provided assurance regarding compliance with internal controls, policies and procedures. The ARC also helps the board exercise due care, diligence and effective 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):** During 2025/26, the AMC was chaired by Graham Darlow and helped the board exercise due care, diligence and effective oversight of all matters relating to the Strategic Asset Management Plan, the Asset Management Plan, the Investment and Delivery Plan, and the Infrastructure Delivery and Asset Management Improvement Plan.
- **Economic Regulation Committee (ERC):** During 2025/26, the ERC was chaired by Julian Smith and helped the board exercise due care, diligence and effective oversight in relation to economic regulation, key deliverables under the Watercare Charter, and the transition to permanent economic regulation.

The committee membership during FY26 was as follows:

Director	Audit and Risk Committee	Asset Management Committee	Economic Regulation Committee
Geoff Hunt (Board Chair)		✓	✓
Graham Darlow		Committee Chair	
Andrew Clark	Committee Chair		
Julian Smith	✓		Committee Chair
Karen Sherry	✓	✓[1]	
John Crawford			✓
Rukumoana Schaafhausen			✓
Frederik Cornu [2]		✓	

1 Joined the Asset Management Committee from 25 November 2025.

2 Resigned on 7 November 2025.

The details of directors' attendance at board and committee meetings during FY26 are as follows:

Board member attendance 2025/26	Board meetings	Audit and Risk Committee meetings	Asset Management Committee meetings	Economic Regulation Committee meetings
Number of meetings	**14**	**5**	**8**	**10**
Geoff Hunt (Board Chair)	14		8	9
Graham Darlow	12		8	2
Andrew Clark	14	5	2	1
Julian Smith	13	5	3	10
Karen Sherry	12	5	3	1
John Crawford	13			9
Rukumoana Schaafhausen	12			3
Frederik Cornu (resigned on 7 November 2025)	4		3	

Denotes committee membership

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, quarterly performance reports, 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 consolidated 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 Bryce Henderson, 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. To support this, we publish:

- An annual statement of intent (SOI)
- An annual report that reports performance against the SOI
- A weekly overview of current water storage levels and other information, published on our **website**
- Economic regulation reporting
- 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 FY26 was 17.88 days.

Financial report

Financial report

Responsibility for the consolidated financial statements and statement of service performance

Financial statements

We have ensured that the consolidated financial statements fairly reflect the financial position of the group as at 30 June 2026 and its financial performance and cashflows for the year ended on that date.

We have ensured that the accounting policies used by the group 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 group to be determined, and that the consolidated 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 group 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 2026.

These consolidated financial statements and the statement of service performance for Watercare Services Limited for the year ended 30 June 2026 were approved and authorised for release on 27 August 2026.

For and on behalf of management:

J Sinclair
Chief Executive

A Neeson
Chief Financial Officer

For and on behalf of the Board of Directors:

G Hunt
Chair

A Clark
Director; Chair of the Audit and Risk Committee

The Audit Office
Te Mana Arotake

Independent Auditor's Report

To the readers of Watercare Services Limited's group consolidated financial statements and the statement of service performance for the year ended 30 June 2026

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, Bryce Henderson, using the staff and resources of Deloitte Limited, to carry out the audit of the consolidated financial statements and the statement of service performance on his behalf.

Opinion

We have audited:

- the consolidated financial statements of the Group on **pages 44 to 96**, that comprise the consolidated statement of financial position as at 30 June 2026, the consolidated statement of comprehensive revenue and expense, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date and the notes to the consolidated financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the Group for the year ended 30 June 2026 on **pages 98 to 108**.

In our opinion:

- the consolidated financial statements of the Group present fairly, in all material respects its consolidated financial position as at 30 June 2026, and its consolidated financial performance and consolidated cash flows for the year then ended, in accordance with Public Benefit Entity Standards; and
- the statement of service performance of the Group accurately reports, in all material respects, the Group's actual performance compared against the performance targets and other measures by which the Group's performance can be judged in relation to the Group's objectives in its statement of intent for the year ended 30 June 2026; and has been prepared, in all material respects, in accordance with section 68 of the Local Government Act 2002 (the Act).

Emphasis of matter

Without modifying our opinion, we draw attention to the following 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 Target 3 on **page 99 to 100** 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

Independent Auditor's Report (continued)

are further described in the *Responsibilities of the auditor for the audit of the consolidated financial statements and the statement of service performance* section of our report.

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

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

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

The Board of Directors is responsible on behalf of the Group for preparing consolidated financial statements that are fairly presented and comply with Public Benefit Entity Standards. The Board of Directors is also responsible for preparing the statement of service performance of the Group in accordance with the Act.

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

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

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

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

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

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

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

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

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

- We identify and assess the risks of material misstatement of the consolidated financial statements and the statement of service performance, 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.

Independent Auditor's Report (continued)

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the statement of service performance or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We evaluate the overall presentation, structure and content of the statement of service performance, including the disclosures, and assess whether the statement of service performance achieves its statutory purpose of enabling the Group's readers to judge the actual performance of the Group against its objectives in its statement of intent.
- We plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information and the service performance information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements and the statement of service performance. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

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

Our opinion on the consolidated 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 consolidated 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 consolidated 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 that fact. We have nothing to report in this regard.

Independence

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

Independent Auditor's Report (continued)

In addition to the audit we have carried out an engagement in the area of a comfort letter associated with the Group's EMTN debt programme, which is compatible with those independence requirements. In addition to these assignments, partners, principals, and employees of our firm deal with the Group on normal terms within the ordinary course of trading activities of the Group. These assignments and trading activities have not impaired our independence as auditor of the Group.

Other than the audit and this engagement, we have no relationship with, or interests in, the Group.

Bryce Henderson

for Deloitte Limited

On behalf of the Auditor-General

Auckland, New Zealand

27 August 2026

Consolidated statement of comprehensive revenue and expense

For the year ended 30 June 2026

	Notes	2026 Actual $000	2025 Actual $000	2026 Budget $000
Revenue	Note 1	1,289,670	1,158,323	1,177,561
Total revenue		**1,289,670**	**1,158,323**	**1,177,561**
Operating expenses				
Asset operating costs		(133,393)	(107,483)	(127,883)
Maintenance costs		(86,642)	(77,188)	(86,625)
Employee benefit expenses		(101,625)	(111,057)	(105,484)
Other expenses		(84,757)	(85,564)	(75,439)
Total operating expenses	Note 2	**(406,417)**	**(381,292)**	**(395,431)**
Depreciation and amortisation	Notes 3 & 4	(665,189)	(460,727)	(428,805)
Finance costs	Note 6	(198,376)	(172,321)	(221,781)
Total expenses		**(1,269,982)**	**(1,014,340)**	**(1,046,017)**
Operating surplus from trading operations		**19,688**	**143,983**	**131,544**
Net other gains/(losses)	Note 7	(4,628)	522	(13,000)
Operating surplus before tax		**15,060**	**144,505**	**118,544**
Income tax (expense)/benefit	Note 8	913,377	(61,520)	(18,152)
Net surplus for the year		**928,437**	**82,985**	**100,392**
Other comprehensive revenue and expense net of tax				
Gain/(Loss) on revaluation of property, plant and equipment	Note 9	342,707	998,458	–
Derecognition of deferred tax on revalued property, plant and equipment	Notes 9 & 19	2,091,498	–	–
Total comprehensive revenue and expense for the year, net of tax		**3,362,642**	**1,081,443**	**100,392**
Attributable to:				
Owner of the parent, net of tax		**3,362,642**	**1,081,443**	**100,392**

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

The financial statements should be read in conjunction with the notes on **pages 50 to 96** inclusive.

Consolidated statement of financial position

As at 30 June 2026

	Notes	2026 Actual $000	2025 Actual $000	2026 Budget $000
Assets				
Current				
Cash and cash equivalents	Note 10	294,576	22,175	5,115
Restricted cash	Note 10	30,556	30,714	32,675
Trade and other receivables from exchange transactions	Note 11	153,581	153,986	159,280
Inventories	Note 12	22,418	19,927	32,029
Prepaid expenses	Note 13	20,286	10,167	9,988
Derivative financial instruments	Note 14	542	–	–
Total current assets		**521,959**	**236,969**	**239,087**
Non-current				
Property, plant and equipment	Note 3	18,754,533	18,034,834	18,515,907
Intangible assets and goodwill	Note 4	145,776	133,957	91,974
Inventories	Note 12	6,864	6,864	6,946
Prepaid expenses	Note 13	30,812	29,211	27,648
Derivative financial instruments	Note 14	21,002	–	–
Deferred tax asset	Note 19	89,526	–	–
Total non-current assets		**19,048,513**	**18,204,866**	**18,642,475**
Total assets		**19,570,472**	**18,441,835**	**18,881,562**
Liabilities				
Current				
Trade and other payables for exchange transactions	Note 15	43,961	71,766	37,692
Accrued expenses	Note 16	165,640	157,396	146,861
Provisions	Note 17	12,740	11,953	15,673
Borrowings	Note 18	149,504	200,000	–
Derivative financial instruments	Note 14	81	–	–
Total current liabilities		**371,926**	**441,115**	**200,226**

Consolidated statement of financial position (continued)

As at 30 June 2026

	Notes	2026 Actual $000	2025 Actual $000	2026 Budget $000
Non-current				
Trade and other payables for exchange transactions	Note 15	29,379	26,520	25,582
Accrued expenses	Note 16	38,572	18,832	9,480
Provisions	Note 17	13,705	12,651	12,626
Borrowings	Note 18	4,550,324	3,832,230	4,733,544
Deferred tax liability	Note 19	–	2,915,348	2,506,603
Derivative financial instruments	Note 14	8,785	–	–
Total non-current liabilities		**4,640,765**	**6,805,581**	**7,287,835**
Total liabilities		**5,012,691**	**7,246,696**	**7,488,061**
Equity				
Equity attributable to owners of the parent				
Retained earnings		5,799,134	4,802,828	4,962,376
Revaluation reserves	Note 9	8,497,954	6,131,618	6,170,432
Issued capital	Note 20	260,693	260,693	260,693
Total equity		**14,557,781**	**11,195,139**	**11,393,501**
Total equity and liabilities		**19,570,472**	**18,441,835**	**18,881,562**

The financial statements should be read in conjunction with the notes on **pages 50 to 96** inclusive.

Consolidated statement of cash flows

For the year ended 30 June 2026

	Notes	2026 Actual $000	2025 Actual $000	2026 Budget $000
Operating activities				
Cash was provided from:				
Receipts from customers		1,255,641	1,117,193	1,084,347
Dividends received		168	161	–
Interest received	Note 1	4,482	2,450	1,078
Subvention cash receipt		12,383	6,471	12,000
		1,272,674	**1,126,275**	**1,097,425**
Cash was applied to:				
Employees and suppliers		(481,593)	(355,014)	(396,967)
		(481,593)	**(355,014)**	**(396,967)**
Net cash inflows – operating activities	Note 21	**791,081**	**771,261**	**700,458**
Investing activities				
Cash was applied to:				
Purchase and construction of property, plant and equipment, and intangibles		(965,389)	(1,045,991)	(1,052,184)
		(965,389)	**(1,045,991)**	**(1,052,184)**
Net cash outflows – investing activities		**(965,389)**	**(1,045,991)**	**(1,052,184)**

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

Consolidated statement of cash flows (continued)

For the year ended 30 June 2026

	Notes	2026 Actual $000	2025 Actual $000	2026 Budget $000
Financing activities				
Cash was provided from:				
Proceeds from Auckland Council loans – related party	Note 20	–	1,072,500	–
Proceeds from external party borrowings		1,678,196	–	1,042,809
		1,678,196	**1,072,500**	**1,042,809**
Cash was applied to:				
Repay commercial paper (net)		(496)	–	–
Repay loans from Auckland Council – related party	Note 20	(1,032,230)	(793,170)	(653,158)
Interest paid on borrowings		(198,919)	–	(34,908)
		(1,231,645)	**(793,170)**	**(688,066)**
Net cash inflows – financing activities		**446,551**	**279,330**	**354,743**
Net change in cash flows		**272,243**	**4,600**	**3,017**
Cash and cash equivalents/(overdraft) at the beginning of the year		52,889	48,289	34,773
Cash and cash equivalents/(overdraft) at the end of the year		**325,132**	**52,889**	**37,790**
Cash and cash equivalents comprises:				
Bank balances/(overdraft)		294,576	22,175	5,115
Restricted cash		30,556	30,714	32,675
		325,132	**52,889**	**37,790**

The financial statements should be read in conjunction with the notes on **pages 50 to 96** inclusive.

Consolidated statement of changes in equity

For the year ended 30 June 2026

	Notes	Retained earnings $000	Revaluation reserves $000	Issued capital $000	Total $000
Balance at 1 July 2025		4,802,828	6,131,618	260,693	11,195,139
Comprehensive revenue and expense					
Net surplus for the year		928,437	–	–	928,437
Other comprehensive revenue and expense					
Gain/(loss) on revaluation of property, plant and equipment	Note 9	–	342,707	–	342,707
Transfer between reserves on disposal of property, plant and equipment	Note 9	67,869	(67,869)	–	–
Unwind of deferred tax liability	Note 19	–	2,091,498		2,091,498
Balance at 30 June 2026		**5,799,134**	**8,497,954**	**260,693**	**14,557,781**

	Notes	Retained earnings $000	Revaluation reserves $000	Issued capital $000	Total $000
Balance at 1 July 2024		4,718,796	5,134,207	260,693	10,113,696
Comprehensive revenue and expense					
Net surplus for the year		82,985	–	–	82,985
Other comprehensive revenue and expense					
Gain/(loss) on revaluation of property, plant and equipment (net of tax)	Note 9	–	998,458	–	998,458
Transfer between reserves on disposal of property, plant and equipment	Note 9	1,047	(1,047)	–	–
Balance at 30 June 2025		**4,802,828**	**6,131,618**	**260,693**	**11,195,139**

The financial statements should be read in conjunction with the notes on **pages 50 to 96** inclusive.

Notes to the consolidated financial statements

For the year ended 30 June 2026

Basis of preparation

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 wastewater 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 primarily on a historical cost basis, with certain assets and financial instruments 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 Government's Local Water Done Well programme addresses New Zealand's water infrastructure challenges through a staged reform process to improve water quality, strengthen governance, and support sustainable investment in water infrastructure. The enduring legislative framework for water services was established during the year through new legislation enacted in August 2025. This framework introduces significant structural, financial and regulatory changes for the delivery of water services, including a strengthened economic regulation and consumer protection regime. These reforms have materially changed Watercare's funding model, taxation status and regulatory environment, all of which are reflected in the measurement and disclosures within these financial statements.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

Basis of preparation (continued)

Watercare Charter and economic regulation

Under earlier enabling legislation, a Watercare Charter was brought into force on 1 April 2025. The Charter establishes service quality standards, financial performance objectives, and reporting requirements for the period through to 30 June 2028. The Commerce Commission has been appointed as Crown monitor and is responsible for monitoring Watercare's performance against the Charter. Full economic regulation is expected to commence from 2028, replacing the interim Charter framework.

Financial separation from Auckland Council

Watercare became financially separate from Auckland Council on 1 July 2025. From that date Watercare funds its capital programme through its own treasury arrangements, including external borrowing programmes established in Watercare's own name and a Transitional Debt Facility Agreement with Auckland Council. As part of this transition:

- Watercare raises debt in its own name to fund investment in water infrastructure.
- Auckland Council is prohibited from providing financial support or capital to Watercare.
- the intercompany loan balance owed to Auckland Council at 30 June 2025 is being repaid under the Transitional Debt Facility Agreement over a defined transition period.
- Watercare remains wholly owned by Auckland Council and continues to be consolidated into the Auckland Council group.
- The change in funding model is reflected in the borrowings and financial instruments disclosures. Refer to Notes 18 and 10.

Tax status

On 26 August 2025, the Local Government (Water Services) Act 2025 and the Local Government (Water Services) (Repeals and Amendments) Act 2025 were enacted. Under this legislation Watercare is an income tax exempt entity from 1 July 2025. FY26 is the first year in which Watercare has been an income tax exempt entity. From that date Watercare is no longer required to pay income tax on its earnings and does not receive tax deductions for expenditure.

The change in tax status has driven material one-off movements in the current year, including:

- derecognition of deferred tax liabilities previously recognised on the revaluation of infrastructure assets, with the portion attributable to prior revaluations credited to the property, plant and equipment revaluation reserve, and the remainder recognised in income tax expense.
- remeasurement of the deferred tax asset relating to historic tax losses to the amount expected to be recovered through subvention arrangements with the Auckland Council tax group.

Refer to Notes 8, 9, 19 and 20 for further detail.

Following Watercare's transition to income tax exempt status, amounts received or receivable under tax loss offset and subvention arrangements are no longer recognised as subvention income. Instead, the credit previously recognised as subvention income is recognised as a credit to income tax expense. This credit offsets the income tax expense recognised when the related deferred tax asset is utilised, resulting in a nil tax position that better reflects Watercare's income tax exempt status.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

Basis of preparation (continued)

Statement of compliance

The group applies New Zealand PBE accounting standards (PBE standards). The group is a Tier 1 public benefit entity and, in preparing these financial statements, has applied PBE Standards based on International Public Sector Accounting Standards. The financial statements and accounting policies comply with the specific recognition, measurement and disclosure requirements of PBE standards and New Zealand Generally Accepted Accounting Practice (NZ GAAP).

Budget figures

The budget reflects figures presented in the 2025–2028 Statement of Intent (SOI), approved by the Board. These figures have been prepared in accordance with NZ GAAP, applying accounting policies consistent with those adopted in the preparation of these financial statements. The budget figures pertain solely to the controlling entity (Watercare) and exclude those of its subsidiaries, which are considered immaterial to the consolidated group.

Critical accounting estimates and judgments

The group is required to make judgments, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and judgments are based on historical experience and other relevant factors. Actual results may differ from the estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimate is revised or in the current and/or future period(s) which the revisions affect.

Refer to the notes below for a discussion of estimates and judgments in applying the accounting policies.

- Unbilled revenue estimate, note 1
- Revaluation of property, plant and equipment, note 9
- Provisions, note 17
- Recoverability of the deferred tax asset for historic tax losses, note 19

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Watercare and its subsidiaries. Control is achieved when Watercare is exposed, or has rights, to variable benefits from its involvement with an entity and has the ability to affect those benefits through its power over the entity. Consolidation of a subsidiary begins when Watercare obtains control over the subsidiary and ceases when Watercare loses control of the subsidiary. The results of subsidiaries 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 control ceases. A list of all subsidiaries is shown in note 20. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated on consolidation.

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

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

Explanation of major variances to budget

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

FY26 result was supported by higher growth-related revenue from development activity, including Infrastructure Growth Charges, developer contributions and vested assets. This was partially offset by lower tariff revenue and increased depreciation associated with investment in infrastructure, asset revaluations and the commissioning of major projects. Lower financing costs and gains on asset disposals also contributed positively to the year's performance.

Statement of comprehensive revenue and expenses – extract

	2026 Actual $000	2026 Budget $000	Variance $000	Variance %
Revenue	1,289,670	1,177,561	112,109	9.5%
Asset operating costs	(133,393)	(127,883)	(5,510)	(4.3%)
Maintenance costs	(86,642)	(86,625)	(17)	(0.0%)
Employee benefit expenses	(101,625)	(105,484)	3,859	3.7%
Other expenses	(84,757)	(75,439)	(9,318)	(12.4%)
Depreciation and amortisation	(665,189)	(428,805)	(236,384)	(55.1%)
Finance costs	(198,376)	(221,781)	23,405	10.6%
Net other gains/(losses)	(4,628)	(13,000)	8,372	64.4%

Revenue was $112.1m (9.5%) favourable to budget, driven by higher than anticipated Infrastructure Growth Charges ($96.0m), vested asset revenue ($22.1m), new developments revenue ($5.0m), developer contributions ($17.5m), smart meter settlement ($7.5m), and the Research and Development Tax Incentive (RDTI) ($0.8m). This was partially offset by lower tariff revenue ($25.7m) due to lower consumption volumes and customer mix, and the non-recognition of $20.0m of Point Erin funding, reflecting the application of the relevant accounting treatment whereby the funding is recognised as deferred income and recognised in profit or loss over the life of the related asset once commissioned.

Asset operating costs were $5.5m (4.3%) unfavourable to budget, due to internal capital works recovery charges being recorded within asset operating costs, partially offset by favourable chemicals and energy costs.

Other expenses were $9.3m (12.4%) unfavourable to budget, due to a higher provision for expected credit losses, together with internal capital works recovery charges reclassified to asset operating costs.

Depreciation and amortisation was $236.4m (-55.1%) unfavourable to budget due to a combination of infrastructure revaluations, the commissioning of major capital projects, accelerated depreciation on assets identified for retirement, and continued growth in the underlying asset base.

Financing costs were $23.4m (10.6%) favourable to budget, driven by lower interest costs and accelerated repayment of related party debt following the transition to external funding. This was partially offset by the release of Revolving Credit Facility (RCF) establishment costs following the refinancing of the facility effective 30 June 2026.

Net other gains/(losses) were $8.4m (64.4%) favourable to plan, reflecting higher gains on asset disposals, partially offsetting net loss on accounting revaluations arising from fair value movements in foreign exchange and interest rates during the year.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

Explanation of major variances to budget (continued)

Statement of financial position – extract

	2026 Actual $000	2026 Budget $000	Variance $000	Variance %
Total current assets	521,959	239,087	282,872	118.3%
Total non-current assets	19,048,513	18,642,475	406,038	2.2%
Total current liabilities	371,926	200,226	171,700	85.7%
Total non-current liabilities	4,640,765	7,287,835	(2,647,070)	(36.3%)
Total equity	14,557,781	11,393,501	3,164,280	27.8%

Current assets were $282.9m (118.3%) above budget, primarily due to higher cash holdings following the March 2026 CHF 250m (NZD $542m) bond issuance. The favourable variance was further supported by $96.0m of stronger than anticipated IGC collections in June 2026.

Non-current assets were $406.0m (2.2%) above budget, driven by a net increase in property, plant and equipment (PP&E) and intangible assets. The favourable variance primarily reflects a revaluation uplift of $342.7m in above-ground infrastructure assets. In addition, the unwind of the deferred tax liability resulted in $90.0m of deferred tax asset, reflecting its future recoverability under the agreement with Auckland Council.

Current liabilities were $171.7m (85.7%) above budget, primarily due to debt raised from issue of $150.0m of 3-month rolling commercial papers in FY26.

Non-current liabilities were $2,647.1m (36.3%) below budget, primarily due to the derecognition of the deferred tax liability following Watercare's income tax exemption from 1 July 2025 (Note 19), and lower borrowings of $183.2m reflecting lower than forecast capital expenditure. This was partially offset by higher accrued expenses of $29.1m and the recognition of $8.8m of non-current derivative financial liabilities.

Equity was $3,164.3m (27.8%) higher than budget. Revaluation reserves were $2,327.5m above budget, reflecting the $2,091.5m deferred tax liability unwound directly to the reserve on Watercare becoming income tax exempt, together with the $342.7m revaluation of above-ground infrastructure assets undertaken in FY26, partially offset by $67.9m transferred to retained earnings on asset disposals. Retained earnings were $836.8m above budget, driven by the $913.4m deferred tax derecognition credited to income tax expense, partially offset by a lower operating surplus before tax.

Statement of cash flows – extract

	2026 Actual $000	2026 Budget $000	Variance $000	Variance %
Net cash inflows – operating activities	791,081	700,458	90,623	12.9%
Net cash outflows – investing activities	(965,389)	(1,052,184)	86,795	(8.2%)
Net cash inflows/(outflows) – financing activities	446,551	354,743	91,808	25.9%

Operating cash inflows were $90.6m (12.9%) higher than budget mainly driven by higher infrastructure growth charges, new developments revenue and Point Erin funding received (recognised as deferred income).

Investing cash outflows from investing activities were $86.8m (-8.2%) lower than budget due to lower capital expenditure.

Financing cash inflows were $91.8m (25.9%) higher than budget reflecting favourable bond market conditions and higher investment yields.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

1. 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.

Subvention arrangements

From 1 July 2025, Watercare is an income tax exempt entity. Amounts received or receivable under tax loss offset and subvention arrangements are accounted for as settlement of the recognised deferred tax asset and are not recognised as revenue. Settlement is recognised as cash when received, or as a subvention receivable when an enforceable right to receive cash exists at balance date. The FY25 comparative has not been restated because the prior–year treatment was appropriate under the facts and circumstances applying before the change in tax status. Further information on the tax–status change, recoverability of historic tax losses and the related deferred tax asset is provided in Notes 8 and 19.

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 consolidated financial statements (continued)

For the year ended 30 June 2026

1. Revenue (continued)

	Note	2026 $000	2025 $000
Revenue from exchange transactions			
Revenue from sale of goods			
Water revenue – gross		251,403	230,230
Water leak remission		(3,759)	(3,938)
Water revenue – net of leak remissions		**247,644**	**226,292**
Revenue from sale of services			
Wastewater revenue – gross		563,259	516,618
Wastewater leak remission		(8,894)	(9,594)
Wastewater revenue – net of leak remissions		**554,365**	**507,024**
Total water and wastewater revenue – net of leak remissions		**802,009**	**733,316**
New meters and service connections		47,932	41,158
Laboratory revenue		9,188	8,333
Total revenue from sale of goods and services		**859,129**	**782,807**
Infrastructure Growth Charge revenue		275,915	218,478
Dividend income		168	161
Subvention income	Notes 8 & 19	–	11,600
Interest income		4,482	2,450
Other revenue		45,942	23,019
Total other revenue from exchange transactions		**326,507**	**255,708**
Total revenue from exchange transactions		**1,185,636**	**1,038,515**
Revenue from non-exchange transactions			
Government Grants		15,418	27,371
Vested assets revenue		88,616	92,437
Total revenue from non-exchange transactions		**104,034**	**119,808**
Total revenue		**1,289,670**	**1,158,323**

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

2. Operating expenses

	Notes	2026 $000	2025 $000
Operating expenses include:			
Environmentally significant costs			
– chemicals		16,506	18,108
– energy		43,223	39,993
Cost of consumables and plant operating materials	Note 12	1,859	1,794
Other consumables	Note 12	1,958	2,426
Other asset operating costs		69,847	45,162
Total asset operating costs		**133,393**	**107,483**
Other maintenance costs		86,642	77,188
Total maintenance costs		**86,642**	**77,188**
Salary and wages paid to employees		155,104	159,820
Capitalised on construction of property, plant and equipment		(53,948)	(48,963)
Redundancy costs		469	200
Total employee benefit expenses		**101,625**	**111,057**
Auditor's remuneration			
Audit fees		1,192	1,150
Total		**1,192**	**1,150**

	Notes	2026 $000	2025 $000
Other Assurance Services			
Review of fraud investigation report		–	10
EMTN programme comfort letter		95	–
Total		**95**	**10**
Total fees incurred for services provided by the audit firm		**1,287**	**1,160**
Directors and trustees' fees	Note 25	522	451
Increase in provision expected credit loss	Note 10	4,827	1,212
Bad debts written off	Note 10	–	655
Operating leases and rent		5,985	5,976
Other expenses		72,136	76,110
Total other expenses		**84,757**	**85,564**
		406,417	**381,292**

In FY26, auditor's remuneration for other assurance services relate to the establishment of the European Medium-Term Note (EMTN) programme, the entity engaged its external auditor to perform specified procedures and provide a comfort letter to support the related financing documentation.

In FY25, other assurance services related to an assurance review of Watercare's fraud investigation report.

All fees were authorised in accordance with the Audit and Risk Committee Charter.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

3. 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 costs, and other overheads incurred for bringing the assets to the location and condition necessary for their intended use. Assets under construction are recorded as capital work in progress and include operational and intangible assets under construction. Finance costs incurred during construction are expensed as incurred and are not capitalised. The cost of assets purchased with foreign currencies is initially recorded using the exchange rate on the date of the transaction. Any foreign exchange gain or loss arising from the differences in exchange rates between the transaction date and the settlement date is recognised as revenue or expense in the period in which they arise.

			Estimated remaining useful lives in years	
Asset class	**Category**	**Subsequent measurement basis**	**2026**	**2025**
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 optimised 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 optimised 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 optimised depreciated replacement cost, less accumulated depreciation	up to 200	up to 200
Dams	Infrastructure asset	Fair value which is deemed to be optimised depreciated replacement cost, less accumulated depreciation	up to 200	up to 200
Landfill	Infrastructure asset	Cost less accumulated depreciation and impairment losses	up to 40	up to 21
Machinery	Infrastructure asset	Fair value which is deemed to be optimised 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 consolidated financial statements (continued)

For the year ended 30 June 2026

3. 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 9 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.

Measurement basis by asset class

Property, plant and equipment is not measured on a single basis. Land is carried at fair value determined by reference to current market value, and forestry assets are carried at fair value less costs to sell. Buildings are split by nature: highly specialised buildings are carried at fair value determined using the optimised depreciated replacement cost (ODRC) approach, while other buildings are carried at fair value determined by reference to current market value, in each case less accumulated depreciation. Pipelines, tanks, tunnels, roads and reservoirs, dams and machinery are specialised infrastructure assets that are rarely traded on an open market, and are carried at fair value determined using the ODRC approach, less accumulated depreciation.

Landfill, motor vehicles and office equipment are not revalued and are carried at cost less accumulated depreciation and accumulated impairment losses. Capital work in progress is carried at cost less accumulated impairment losses and is not depreciated until the asset is commissioned.

Revaluation assumptions

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

Prior Year (FY25) Valuation

In accordance with Watercare's policy to perform asset class revaluations at least every three years or when market movements indicate material differences, a detailed market movement analysis was performed by Beca across all asset classes for FY25. This analysis identified that only the Pipeline asset class exhibited market movements exceeding acceptable valuation limits, warranting a full revaluation. Conversely, other asset classes, including land, buildings and remaining infrastructure assets, demonstrated valuation movements within the range of the asset valuation and did not require revaluation. This targeted approach ensures efficient allocation of resources while maintaining compliance with relevant accounting standards and preserving the accuracy of asset valuations.

Current Year (FY26) Valuation

In accordance with Watercare's policy to perform asset class revaluations at least every three years or when market movements indicate material differences, a detailed market movement analysis was performed by Beca across all asset classes for FY26. This analysis identified that the tanks, tunnels, roads and reservoirs, dams and machinery asset classes exhibited market movements exceeding acceptable valuation limits, warranting a full revaluation. Land, buildings and pipelines demonstrated valuation movements within the range of the asset valuation and did not require revaluation. This targeted approach ensures efficient allocation of resources while maintaining compliance with relevant accounting standards and preserving the accuracy of asset valuations.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

3. Property, plant and equipment (continued)

Beca Limited ("Beca") was subsequently engaged to perform a full revaluation of the tanks, tunnels, roads and reservoirs, dams and machinery asset classes as at 30 June 2026. The FY26 revaluation incorporated physical inspections where possible, review of asset management plans, updated unit rates, and market data. This revaluation resulted in a net uplift of $342.7m, comprising $185.5m for machinery, $103.3m for tanks, tunnels, roads and reservoirs and $53.8m for dams. The valuation methodology applied was the ODRC approach, consistent with prior years.

For all other asset classes including land, buildings and pipelines, Beca conducted a market movement desktop review to June 2026. The review indicated potential valuation movements within acceptable ranges. As these were within the asset valuation ranges, no revaluation adjustments were made for these classes in FY26.

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

Depreciation

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

3. Property, plant and equipment (continued)

	Land $000	Buildings $000	Pipelines $000	Tanks, tunnels, roads and reservoirs $000	Dams $000	Landfill $000	Machinery $000	Motor vehicles $000	Office equipment $000	Capital work in progress $000	Total $000
Balance at 1 July 2024											
Restated 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**
Year ended 30 June 2025											
Additions to work in progress	–	–	–	–	–	–	–	–	–	1,015,336	1,015,336
Additions to PPE	41,824	49,602	1,127,630	65,359	4,240	22,957	328,855	5,715	27,020	(1,565,286)	107,916
Transfers from work in progress/(to intangibles)	–	–	–	–	–	–	–	–	–	(57,815)	(57,815)
Disposals	(5,201)	–	–	–	–	–	(172)	(118)	–		(5,491)
Revaluation		–	1,386,747	–	–	–	–	–	–	–	1,386,747
Impairment	(454)	–	–	–	–	–	–	–	–	(6,366)	(6,820)
Transfers from/(to) other classes and other adjustments	2,212	64,646	825	217,868	(68,216)	(6,363)	(212,918)	134	2,028	(1,132)	(916)
Depreciation	–	(8,292)	(251,809)	(41,859)	(8,763)	(7,146)	(114,436)	(3,032)	(14,787)	–	(450,124)
Closing carrying amount	**1,036,718**	**213,490**	**11,367,019**	**992,274**	**774,936**	**78,883**	**1,970,414**	**10,437**	**50,892**	**1,539,771**	**18,034,834**
Balance at 1 July 2025											
Cost or valuation	1,036,718	225,991	11,367,019	1,065,994	793,115	116,406	2,164,254	34,268	103,339	1,539,771	18,446,875
Accumulated depreciation	–	(12,501)	–	(73,720)	(18,179)	(37,523)	(193,840)	(23,831)	(52,447)	–	(412,041)
Carrying amount	**1,036,718**	**213,490**	**11,367,019**	**992,274**	**774,936**	**78,883**	**1,970,414**	**10,437**	**50,892**	**1,539,771**	**18,034,834**

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

3. Property, plant and equipment (continued)

	Land $000	Buildings $000	Pipelines $000	Tanks, tunnels, roads and reservoirs $000	Dams $000	Landfill $000	Machinery $000	Motor vehicles $000	Office equipment $000	Capital work in progress $000	Total $000
Year ended 30 June 2026											
Additions to work in progress	–	–	–	–	–	–	–	–	–	958,440	958,440
Additions to PPE	44,005	46,824	1,039,498	64,363	–	56	221,151	3,888	18,290	(1,346,052)	92,023
Transfers to Intangibles	–	–	–	–	–	–	–	–	–	(31,287)	(31,287)
Disposals	(1,472)	–	–	–	–	–	–	(5)	(39)	–	(1,516)
Revaluation	–	–	–	103,342	53,823	–	185,542	–	–	–	342,707
Impairment	–	–	–	–	–	–	–	–	–	1,105	1,105
Transfers from / (to) other classes and other adjustments	(974)	8,420	266,905	(164,693)	(2,770)	(1,051)	(101,061)	(185)	9	–	4,600
Depreciation	–	(7,636)	(435,957)	(34,906)	(8,350)	(6,384)	(128,416)	(3,289)	(21,435)	–	(646,373)
Closing carrying amount	**1,078,277**	**261,098**	**12,237,465**	**960,380**	**817,639**	**71,504**	**2,147,630**	**10,846**	**47,717**	**1,121,977**	**18,754,533**
Balance at 30 June 2026											
Cost or valuation	1,078,277	286,524	12,637,825	960,380	817,639	119,248	2,147,630	36,215	116,493	1,121,977	19,322,208
Accumulated depreciation	–	(25,426)	(400,360)	–	–	(47,744)	–	(25,369)	(68,776)	–	(567,675)
Carrying amount	**1,078,277**	**261,098**	**12,237,465**	**960,380**	**817,639**	**71,504**	**2,147,630**	**10,846**	**47,717**	**1,121,977**	**18,754,533**

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

3. Property, plant and equipment (continued)

Service concession assets – included in the above

Service concession assets are infrastructure assets owned by Watercare and operated by Veolia Water Services (ANZ) Pty Limited (Veolia) for the provision of water and wastewater services in the Papakura district. The franchise agreement stipulates the services Veolia must provide, to whom it must provide them and regulates the price. Veolia is responsible for upgrading and maintaining the network in Papakura so that at the end of the contract period (initial term of 30 years ending on 30 June 2027 with a 20-year right of renewal), the network shall be in a better overall condition than that which existed at the time the contract was commenced in 1997. At the commencement of the contract, a franchise fee was paid in exchange for the rights to operate the assets as detailed in note 3. Watercare retains ownership of the infrastructure assets franchised to Veolia.

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

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

	Pipelines $000	Machinery $000	Total $000
Balance at 30 June 2025			
Cost or valuation	386,045	1,615	387,660
Accumulated depreciation	–	(56)	(56)
Carrying amount	**386,045**	**1,559**	**387,604**
Year ended 30 June 2026			
Additions to PPE	13,664	–	13,664
Disposals	(3,621)	–	(3,621)
Transfers	(9,254)	(56)	(9,310)
Revaluation	–	56	56
Depreciation	(7,778)	(16)	(7,794)
Closing carrying amount	**379,056**	**1,543**	**380,599**
Balance at 30 June 2026			
Cost or valuation	386,834	1,543	388,377
Accumulated depreciation	(7,778)	–	(7,778)
Carrying amount	**379,056**	**1,543**	**380,599**

Capital work in progress

Work in progress relates to the following projects:	2026 $000	2025 $000	Movement	%
Water treatment plant	109,242	54,262	54,980	101.3
Wastewater treatment plant	98,822	330,563	(231,741)	-70.1
Wastewater pump station and sewer	488,008	898,163	(410,155)	-45.7
Watermains, pump stations and reservoirs	243,693	262,334	(18,641)	-7.1
Dams and raw water transmission pipelines	79,178	7,064	72,114	1020.9
Other	148,677	28,280	120,397	425.7
Total work in progress	**1,167,620**	**1,580,666**	**(413,046)**	

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

4. Intangible assets

Measurement

Intangible assets are initially recorded at cost.

		Estimated remaining useful lives in years	
Asset class	**Subsequent measurement basis**	**2026**	**2025**
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

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.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

4. Intangible assets (continued)

	Network models $000	Computer software $000	Resource consents $000	Easements $000	Capital work in progress $000	Total $000
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**
Year ended 30 June 2025						
Transferred from work in progress	13,511	4,159	382	–	(18,052)	–
Transfers from PPE	–	–	–	–	57,815	57,815
Transfer from/(to) other classes	5,963	(7,193)	97	1	1,132	–
Amortisation	(5,462)	(3,398)	(1,743)	–	–	(10,603)
Closing carrying amount	**18,937**	**37,691**	**35,020**	**1,414**	**40,895**	**133,957**
Balance at 30 June 2025						
Cost or valuation	28,018	112,711	56,517	1,428	40,895	239,569
Accumulated amortisation	(9,081)	(75,020)	(21,497)	(14)	–	(105,612)
Carrying amount	**18,937**	**37,691**	**35,020**	**1,414**	**40,895**	**133,957**
Year ended 30 June 2026						
Transferred from work in progress	7,722	18,019	146	–	(26,539)	(652)
Transfers from PPE	–	–	–	–	31,287	31,287
Amortisation	(4,715)	(12,250)	(1,866)	14	–	(18,816)
Closing carrying amount	**21,945**	**43,460**	**33,300**	**1,428**	**45,643**	**145,776**
Balance at 30 June 2026						
Cost or valuation	35,740	109,386	56,664	1,428	45,643	248,861
Accumulated amortisation	(13,795)	(65,927)	(23,363)	–	–	(103,085)
Carrying amount	**21,945**	**43,459**	**33,301**	**1,428**	**45,643**	**145,776**

Notes to the consolidated financial statements (continued)

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

Non-financial assets are separated into cash-generating assets and non-cash-generating assets for the purpose of assessing impairment.

Assets measured at cost less accumulated depreciation, amortisation and impairment losses — primarily landfill, motor vehicles, office equipment, capital work in progress and intangible assets — are assessed for impairment as set out below. Assets carried at revalued amounts are assessed for impairment as part of the revaluation process (refer Note 9).

Timing of assessment

At each reporting date the group assesses whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the asset's recoverable amount (cash-generating assets) or recoverable service amount (non-cash-generating assets). In addition, and irrespective of whether there is any indication of impairment, the group tests annually:

- goodwill and intangible assets with indefinite useful lives; and
- intangible assets not yet available for use, including intangible capital work in progress.

Cash-generating assets

Assets are considered cash-generating where their primary objective is to generate a commercial return. Where an asset does not generate cash inflows that are largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs. An asset's or CGU's recoverable amount is the higher of its 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 assessments of the time value of money and the risks specific to the asset or CGU. Where the carrying amount exceeds the recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. An impairment loss recognised for a CGU is allocated first to reduce any goodwill allocated to the unit, and then to the other assets of the unit pro rata on the basis of their carrying amounts.

Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets, being assets held primarily for service delivery rather than 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 service amount. An asset's recoverable service amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of the asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount.

Value in use of a non-cash-generating asset is determined using 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 the availability of information.

Assets carried at revalued amounts

An impairment loss on an asset carried at a revalued amount is treated as a revaluation decrease. It is recognised in other comprehensive revenue and expense to the extent of any credit balance in the asset revaluation reserve for that class of asset, and in the surplus or deficit thereafter.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

5. Impairment of property, plant and equipment and intangible assets (continued)

Recognition and reversal

Impairment losses on assets carried at cost are recognised in the surplus or deficit. At each reporting date the group assesses whether there is an indication that an impairment loss recognised in prior periods no longer exists or may have decreased. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised in prior periods. Reversals of impairment losses on assets carried at cost are recognised in the surplus or deficit, and reversals relating to revalued assets are treated as a revaluation increase. An impairment loss recognised in respect of goodwill is not reversed in a subsequent period.

6. Finance costs

Finance costs include interest expense, interest on derivatives, amortised borrowing costs, and costs related to managing funding. Interest on debt is recognised using the effective interest method.

	2026 $000	2025 $000
Interest Expense on debt using effective interest method	199,419	172,110
Interest expense on provisions	859	211
Total Interest Expense	**200,278**	**172,321**
Interest on derivative Financial Instruments	(1,902)	–
Other finance costs	–	–
Total Interest and Finance Costs	**198,376**	**172,321**

7. Other gains and losses

Net Other Gains and Losses	2026 $000	2025 $000
Net (decrease)/increase in financial instruments designated at fair value through surplus/(deficit)	12,652	–
Net foreign exchange (losses)/gains recognised in surplus/(deficit) on financial instruments held at amortised cost	(25,911)	–
Financial Instruments	**(13,259)**	**–**
Gain on disposal of property, plant & equipment and intangible assets	7,526	–
Loss on disposal of property, plant & equipment and intangible assets	–	8,085
Impairment of PP&E and intangibles	1,105	(7,563)
Property Plant and Equipment	**8,631**	**522**
Total Net other gains/(losses)	**(4,628)**	**522**

Watercare uses derivative financial instruments to manage exposure to interest rate and foreign exchange risks, providing greater certainty over future funding costs and supporting the delivery of long-term investment programmes.

Foreign exchange hedging contracts are used to manage the impact of movements in foreign currency rates on overseas borrowings, while interest rate hedging contracts are used to manage interest rate exposure. In accordance with accounting standards, these instruments are measured at fair value at balance date. The contracts are entered into for risk management purposes and are generally held to maturity.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

8. Income tax expense

Tax status

On 26 August 2025, the Local Government (Water Services) Act 2025 and the Local Government (Water Services) (Repeals and Amendments) Act 2025 were enacted. Under this legislation Watercare is an income tax exempt entity from 1 July 2025. As Watercare is no longer subject to income tax, no current tax expense has been recognised for the year ended 30 June 2026. The income tax credit or expense recognised in the current year primarily reflects the one-off accounting effect of Watercare's change in income tax status, including derecognition of deferred tax balances and reassessment of the deferred tax asset relating to historic tax losses.

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).

Deferred tax on infrastructure assets

Deferred tax liabilities previously recognised on the revaluation of infrastructure assets and other temporary differences have been derecognised, as those differences no longer give rise to future taxable amounts under the new tax status. The reversal has been recognised in the same component of equity or profit or loss where the original tax effect arose. The credit arising on derecognition of the deferred tax liability previously charged against the property, plant and equipment revaluation reserve has been recognised in the revaluation reserve. Refer to Note 9 (Revaluation reserves). The remaining derecognition of deferred tax liabilities has been recognised in the income tax expense in the statement of comprehensive revenue and expense.

Deferred tax asset for historic tax losses

Watercare held historic tax losses at the date it became income tax exempt. These losses were not extinguished by the change in tax status and remain available for use within the Auckland Council tax group, subject to the Income Tax Act 2007 and the relevant loss grouping and subvention provisions. A deferred tax asset continues to be recognised for these losses.

Following the change in tax status, Watercare can no longer utilise historic tax losses against its own future taxable profits. The only remaining pathway for recovery of the deferred tax asset is through utilisation of those losses within the Auckland Council tax group and compensation under permitted subvention or loss offset arrangements. The deferred tax asset has been reassessed and measured at the amount expected to be recovered through those arrangements, consistent with PBE IAS 12.47. Management's current assessment is that expected recovery is 45% of the underlying tax benefit of the losses, based on the long-standing subvention compensation rate confirmed by Auckland Council. The reduction in the carrying amount of the deferred tax asset from the gross tax effect of the losses to the amount expected to be recovered has been recognised as an income tax expense in the current year. Refer to Note 19 (Deferred tax) for further detail on the recoverability judgement and the residual balance carried forward.

Sale of tax losses

Watercare and the Auckland Council tax group, a related party, continue to enter into an arrangement each year for tax loss offset and subvention. The agreement outlines the estimated tax losses to be transferred by Watercare to the 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 arrangement, Watercare is compensated at the agreed subvention rate referred to above.

The subvention payment received from Port of Auckland during FY26 was $12.3m of which $11.6m was accrued for at 30 June 2025.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

8. Income tax expense (continued)

Treatment of subvention receipts

Following Watercare's transition to income tax exempt status, amounts received or receivable under tax loss offset and subvention arrangements are no longer recognised as subvention income. Instead, the credit previously recognised as subvention income is recognised as a credit to income tax expense. This credit offsets the income tax expense recognised when the related deferred tax asset is utilised, resulting in a nil tax position that better reflects Watercare's income tax exempt status. FY25 comparatives have not been restated.

	2026 $000	2025 $000
Operating surplus before tax	15,060	144,505
Income tax calculated at current tax rate of 28%	4,217	40,461
Increase/(decrease) in income tax due to:		
– Dividend and other income exempt from taxation	(4,217)	4
– Non-deductible expenses	–	(30,716)
– Prior year and other adjustments	1,038	25,304
– Tax loss (subvention income) offset with Auckland Council tax group	–	25,778
– Derecognition of prior year deferred tax	(1,024,882)	–
– Write down of deferred tax on losses	110,467	–
– Other	–	689
Tax effect of non-deductible items and prior period adjustments	**(917,594)**	**21,059**
Income tax expense	**(913,377)**	**61,520**
Represented by:		
Deferred tax	(913,377)	61,520
Total income tax expense	**(913,377)**	**61,520**
Total imputation credits	**–**	**30,724**

Imputation credits

The imputation credit account is a memorandum account and does not form part of the statement of financial position. Watercare became exempt from income tax on 1 July 2025 and is no longer required to maintain an imputation credit account. The final position is dealt with through the final imputation return, and no imputation credits are available to attach to distributions at 30 June 2026 (30 June 2025: $30.7m). This disclosure will not be presented in future periods.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

9. 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.

On 26 August 2025, the Local Government (Water Services) Act 2025 was enacted, and from 1 July 2025 Watercare became an income tax exempt entity. The deferred tax liability previously recognised on the revaluation of infrastructure assets has been derecognised. The associated credit has been recognised in the property, plant and equipment revaluation reserve, reflecting the reversal of the deferred tax previously charged against the reserve on prior revaluations. This is presented as a separate movement in the table below and in the statement of changes in equity. Refer to Note 8 (Income tax) for further detail.

	Land $000	Buildings $000	Pipelines $000	Tanks, tunnels, roads and reservoirs $000	Dams $000	Machinery $000	Total $000
Balance at 1 July 2024	749,826	27,244	3,097,626	335,621	523,825	400,065	5,134,207
Revaluation during the year – net of deferred tax	–	–	998,458	–	–	–	998,458
Transfer (to)/from other classes	–	–	(52)	–	(3)	55	–
Transferred to retained earnings on disposal of property, plant and equipment	3,657	82	(7,631)	(2,315)	2,442	2,718	(1,047)
Balance at 30 June 2025	**753,483**	**27,326**	**4,088,401**	**333,306**	**526,264**	**402,838**	**6,131,618**
Balance at 1 July 2025	753,483	27,326	4,088,401	333,306	526,264	402,838	6,131,618
Revaluation during the year	–	–	–	103,342	53,823	185,542	342,707
Unwind of deferred tax liability	–	10,627	1,559,504	140,585	204,658	176,124	2,091,498
Transfer (to)/from other classes	–	(4,808)	90,272	(101,635)	761	15,410	–
Transferred to retained earnings on disposal of property, plant and equipment	(283)	(59)	(58,508)	(2,001)	(8)	(7,010)	(67,869)
Balance at 30 June 2026	**753,200**	**33,086**	**5,679,669**	**473,597**	**785,498**	**772,904**	**8,497,954**

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

10. Financial instruments and risk management

Risk management objectives and policies

Watercare management monitors and manages financial risks relating to the operations through internal risk reports, which analyse exposures by the degree and magnitude of risks. The main types of risk are Interest rate risk, foreign exchange risk, credit risk and liquidity risk.

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

Risk	Exposure arising from	Measurement	Management
Interest rate risk	Future borrowings raised independently by Watercare at variable rates	Sensitivity analysis	Interest rate swaps, forward rate agreements, interest rate options/swaptions, fixed-rate debt instruments, and portfolio hedging within Treasury Management Policy limits.
Foreign exchange risk	Future commercial transactions denominated in foreign currency	Sensitivity analysis	All foreign currency borrowings are fully hedged at inception using Cross Currency Interest Rate Swaps (CCIRS). Significant foreign currency expenditure is managed using forward exchange contracts, foreign exchange options, collars and CCIRS in accordance with Treasury Management Policy limits.
Credit risk	Cash and cash equivalents, trade receivables from exchange transactions, and derivatives	Credit ratings	Transacting only with approved counterparties, applying counterparty exposure limits, diversifying exposures, and using ISDA/netting agreements where appropriate.
Liquidity risk	Maturing liabilities and timing mismatches between revenue and expenses	Rolling cash flow forecasts	Maintaining committed bank facilities, diversified funding sources, prudent debt maturity profile and compliance with Treasury Management Policy liquidity requirements.

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

10. Financial instruments and risk management (continued)

Interest rate risk

Interest rate risk is the risk that Watercare is exposed to adverse changes in interest rates which will result in net financing costs materially exceeding annual/LTP forecasts or are not aligned to the underlying regulatory framework. Watercare is exposed to interest rate risk on all debt obligations and cash investments. Watercare seeks to limit interest rate risk by proactively managing interest rates through the use of a mix of fixed and floating interest rate exposures and managing interest rates on both current and forecast debt.

Watercare manages interest rate risk on a portfolio basis and acknowledges the distinction between financing risk and interest rate risk and the different dynamics that impact these two markets. Through proactively managing interest rate risk, Watercare intends over the long term to align interest rate risk with the underlying regulatory environment, minimise volatility and provide certainty of interest costs over the first three years of a LTP i.e the expected term of the first regulatory period, minimise the cost of borrowings within acceptable risk parameters, and manage the divergence between Watercare's effective interest rate and prevailing market interest rates.

To identify the exposure to movements in interest rates Watercare measures and controls risk through sensitivity analysis. This is based on possible movements in the NZD interest rate curve, with all other variables held constant, measured as a basis points movement (where 100 basis points equal 1 per cent). The impact on potential surplus or deficit and equity (excluding accumulated funds) using financial instrument exposures at balance date are:

	2026		2026		2025		2025	
	-100bps/-1%		+100bps/+1%		-100bps / -1%		+100bps / +1%	
	Surplus/ (deficit) $000	Equity $000	Surplus/ (deficit) $000	Equity $000	Surplus/ (deficit) $000	Equity $000	Surplus/ (deficit) $000	Equity $000
Cash and cash equivalents and term deposits	(3,251)	–	3,251	–	(52,887)	–	52,887	–
Derivative financial instruments[1]	71,183	–	(66,098)	–			–	–
Other financial assets	–	–	–	–			–	–
Total sensitivity to interest rate risk	**67,932**	**–**	**(62,847)**	**–**	**(52,887)**	**–**	**52,887**	**–**

1 The sensitivity for derivatives has been calculated using a derivative valuation model based on a parallel shift in interest rates of plus and minus 100 basis points.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

10. Financial instruments and risk management (continued)

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. From time to time Watercare is exposed to foreign exchange risk on foreign currency transactions related to the purchase of equipment, parts and chemicals or has borrowings denominated in a foreign currency. Where amounts exceed NZ$300,000 (2025: NZ$300,000), Watercare considers managing this risk with forward foreign exchange contracts or options.

Watercare seeks to limit foreign exchange risk by hedging exposures on material foreign currency denominated capital and operating expenditure (foreign exchange exposure is recognised when the expenditure has been approved and a contract is expected to follow) and hedging all foreign currency exposure on borrowings denominated in a foreign currency at the time of borrowing is undertaken.

Watercare does not receive revenue denominated in foreign currencies in its normal course of business.

Foreign exchange exposure

Watercare has borrowing denominated in foreign currency of $1.154bn at 30 June 2026 (30 June 2025: nil) that are exposed to foreign exchange risk. The foreign exchange risk has been fully hedged using cross currency interest rate swap. The percentage of foreign currency denominated borrowings for each currency is shown below.

	Australian Dollar	Swiss Franc	Total
2026	53%	47%	100%
2025	0%	0%	0%

Refer to Borrowings note 18 for the total borrowings. Refer to Derivative financial instruments note 14 for the derivative financial instruments that hedge the foreign exchange risk on these borrowings.

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations, resulting in financial loss to Watercare. Financial instruments that are potentially subject to credit risk consist mainly of cash and cash equivalents, deposits with banks, derivative financial instruments, and trade and other receivables.

Watercare seeks to limit counterparty exposure by:

- Only transacting with those counterparties with acceptable credit ratings;
- Avoiding concentrations of credit exposure to any one counterparty by spreading exposures amongst a number of counterparties; and
- Having netting provisions in International Swaps and Derivatives Association (ISDA) arrangements.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

10. Financial instruments and risk management (continued)

Until 30 June 2025, Watercare's financing was made available through a guarantee letter from Auckland Council. For details on Watercare's credit rating position for bank borrowings from 1 July 2025 onwards, refer to borrowings note 18.

Debtors and other receivables arise from statutory functions. 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:

	2026			2025		
	Carrying amount $000	Expected credit loss provision $000	Net carrying amount $000	Carrying amount $000	Provision for doubtful debts $000	Net carrying amount $000
Not past due	81,307	–	81,307	94,643	–	94,643
Past due 1 to 30 days	14,683	–	14,683	14,623	–	14,623
Past due 30 to 60 days	4,746	–	4,746	6,526	–	6,526
Past due more than 60 days	27,685	(11,113)	16,572	20,415	(6,286)	14,129
Total	**128,421**	**(11,113)**	**117,308**	**136,207**	**(6,286)**	**129,921**

Movement in the provision for expected credit loss	2026 $000	2025 $000
Balance at 1 July	6,286	5,729
Additions during the year	4,827	1,212
Bad debts written off	–	(655)
Unused provisions reversed during the year	–	–
Balance at 30 June	**11,113**	**6,286**

Rated counterparties

At balance date, $347m of assets held by Watercare had a S&P Global Ratings rating (or equivalent) of single A or better.

Liquidity risk

Liquidity risk is the risk that Watercare is unable to meet its financial obligations when they fall due. Watercare is exposed to liquidity risk whenever it refinances existing debt or when it is contractually committed to make cash payments. Watercare seeks to limit liquidity risk by:

- Maintaining sufficient unutilised committed funding facilities;
- Ensuring investments are short term and liquid; and
- Maintaining longer term cash flow forecasts to recognise potential future financing pressures early, allowing time for a financing strategy to be planned and implemented.

As at 30 June 2026, Watercare had committed standby and revolving credit facilities of $2.0b (2025: nil), which may be drawn in accordance with the notice requirements of the facility agreements. Watercare also maintains an overdraft facility of $5.0m (2025: $5.0m).

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 consolidated financial statements (continued)

For the year ended 30 June 2026

10. Financial instruments and risk management (continued)

Contractual maturity analysis

		Current	Non-current					
2026	**On demand**	**0–12 months $000**	**1–2 years $000**	**2–3 years $000**	**3–5 years $000**	**5–10 years $000**	**Total contractual cashflows $000**	**Carrying amount $000**
Financial assets								
Cash and cash equivalents, including restricted cash	77,131	200,944	–	–	–	–	200,944	325,131
Other financial assets	–	–	–	–			–	–
Derivative financial assets net settled	–	233	904	–	–	–	1,137	1,078
Derivative financial assets gross settled[1]	–	**3,666**	**(939)**	**1,411**	**9,008**	**32,220**	**45,366**	**20,466**
Inflows	–	32,965	32,965	250,853	63,413	625,238	1,005,433	–
Outflows	–	(29,299)	(33,904)	(249,442)	(54,405)	(593,018)	(960,068)	–
Total Financial assets	**77,131**	**204,843**	**(35)**	**1,411**	**9,008**	**32,220**	**247,447**	**346,675**
Financial Liabilities								
Trade and other payables for exchange transactions	–	43,961	29,379	–	–	–	73,340	73,340
Accrued expenses	–	127,392	–	–	–	–	127,392	127,392
Borrowings[2]	–	336,045	750,436	1,269,612	2,082,593	965,242	5,403,928	4,699,828
Derivative financial liabilities net settled	–	(229)	1,778	(2,002)	4,444	–	3,991	7,345
Derivative financial liabilities gross settled[1]	–	**9,118**	**10,682**	**11,212**	**23,936**	**47,560**	**102,508**	**1,522**
Inflows	–	(8,498)	(3,293)	(3,293)	(6,586)	(340,004)	(361,674)	–
Outflows	–	17,616	13,975	14,505	30,522	387,564	464,182	–
Total Financial liabilities	–	**516,287**	**792,275**	**1,278,822**	**2,110,973**	**1,012,802**	**5,711,159**	**4,909,427**

1 Includes both forward foreign exchange contracts and cross-currency interest rate swaps; cash flows denominated in foreign currencies are translated at spot rates as at 30 June 2026.
2 Cash flows denominated in foreign currencies are translated at spot rates as at 30 June 2026.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

10. Financial instruments and risk management (continued)

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

* Excludes current and non-current revenue received in advance of $76.8m (2025: $64.1m) refer to note 16.

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

The TDFA includes minimum loan repayment requirements, with the first repayment falling due during the 2026 financial year. At 30 June 2026 repayments made on the related party loan exceeded the minimum loan repayment. Refer to note 18.

Fair value and classification of financial instruments

For the purpose of measurement, Watercare's financial assets and liabilities are classified into categories according to the purpose of which the financial assets and liabilities are held. Management determines the classification of financial assets and liabilities and recognises these at fair value at initial recognition. Subsequent measurement and the treatment of gains and losses are presented below:

Categories	Subsequent measurement	Treatment of gains and losses
Fair value through surplus and deficit	Fair value	Surplus or deficit
Fair value through other comprehensive revenue and expenditure	Fair value	Other comprehensive revenue and expenditure
Financial assets at amortised cost	Amortised cost less provision for impairment	Surplus or deficit
Financial liabilities at amortised cost	Amortised cost	Surplus or deficit

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

10. Financial instruments and risk management (continued)

Derivatives are categorised as fair value through surplus and deficit. Hedge accounting is not used.

All financial assets and liabilities at fair value through surplus and deficit are mandatorily measured at fair value through surplus and deficit.

The fair values for financial assets and financial liabilities at amortised cost have been calculated as the net present value of future cashflows using discount rates from appropriate interest rate curves unless the carrying value approximates the fair value. The valuation for foreign debt instruments is based on market data from Bloomberg. Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when offset is legally enforceable and there is an intention to settle on a net basis. Revenue and expenses arising as a result of financial instruments earnings or fair value adjustments are recognised on a net-basis for like items.

Fair value hierarchy

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

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.

Refer to note 14 derivative financial instruments for the valuation techniques.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

10. Financial instruments and risk management (continued)

Financial assets and liabilities

	Level	2026 Amount $000	2026 Fair value $000	2025 Amount $000	2025 Fair value $000
Financial assets – current					
Amortised cost					
Cash and cash equivalents		294,576	294,576	22,175	22,175
Restricted cash (retention)		30,556	30,556	30,714	30,714
Trade and other receivables from exchange transactions		153,581	153,581	153,986	153,986
Fair value through surplus or deficit					
Derivative assets	**2**	542	542		
Financial assets – non-current					
Fair value through surplus or deficit					
Derivative assets	**2**	21,002	21,002	–	–
Total financial assets		**500,257**	**500,257**	**206,875**	**206,875**

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

10. Financial instruments and risk management (continued)

	Level	2026 Amount $000	2026 Fair value $000	2025 Amount $000	2025 Fair value $000
Financial liabilities – current					
Amortised cost					
Borrowings		149,504	149,504	–	–
Trade and other payables for exchange transactions		43,961	43,961	71,766	71,766
Accrued expenses*		127,392	127,392	112,158	112,158
Related party term loan (unsecured)		–	–	200,000	200,000
Fair value through surplus or deficit					
Derivative Liabilities	2	81	81	–	–
Financial liabilities – non-current					
Amortised cost					
Borrowings		1,550,324	1,578,723	–	–
Trade and other payables for exchange transactions		29,379	29,379	26,520	26,520
Related party term loan (unsecured)		3,000,000	3,000,368	3,832,230	3,832,230
Fair value through surplus or deficit					
Derivative Liabilities	2	8,785	8,785	–	–
Total financial liabilities		**4,909,426**	**4,938,193**	**4,242,674**	**4,242,674**

* Excludes current revenue received in advance of $38.2m (2025: $45.2m) and non-current revenue received in advance of $38.6m (2025: $18.8m) as it was not categorised as a financial liability; refer to note 16.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

10. Financial instruments and risk management (continued)

Capital management

The capital structure 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 18.

Watercare'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 Watercare 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.

Watercare 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.

11. 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 (2025: 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.

	2026 $000	2025 $000
Current		
Trade receivables	127,037	111,854
Trade receivables – related parties	1,384	24,353
Expected credit loss provision	(11,113)	(6,286)
	117,308	**129,921**
Unbilled revenue accrual	36,273	24,065
Trade and other receivables from exchange transactions	**153,581**	**153,986**

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

12. Inventory

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

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

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

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

	2026 $000	2025 $000
Spare parts at cost	8,721	7,577
Consumables at cost	11,726	10,916
Treated water at cost	1,716	1,179
Project stock	7,119	7,119
Total	**29,282**	**26,791**
Represented as:		
Current inventory	22,418	19,927
Non-current inventory	6,864	6,864
Total	**29,282**	**26,791**

13. Prepaid expenses

	2026 $000	2025 $000
Current		
Puketutu Island lease	443	443
Other prepaid expenses	19,843	9,724
Total current prepaid expenses	**20,286**	**10,167**
Non-current		
Puketutu Island lease	17,308	17,751
Other prepaid expenses	13,504	11,460
Total non-current prepaid expenses	**30,812**	**29,211**
Total prepaid expenses	**51,098**	**39,378**

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

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

14. Derivative financial instruments

Watercare uses derivative financial instruments, such as forward foreign currency contracts, interest rate swaps and cross currency interest rate swaps as hedging instruments to reduce risks associated with foreign currency and interest rate fluctuations. Watercare does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Any gains or losses arising from changes in the fair value of derivatives are recognised in surplus or deficit.

Derivatives are recognised as assets when they have a positive fair value representing amounts receivable and as liabilities when they have a negative fair value representing amounts payable. Derivative assets and derivative liabilities are classified as current when the maturity is 12 months or less from balance date or non-current when the maturity is more than 12 months from balance date.

Significant judgements and estimates used in the valuation of derivative financial instruments

Derivatives are all under Level 2 of the fair value hierarchy (refer to Note 10 Financial Instruments). The fair values of Level 2 derivatives are determined using discounted cash flow valuation techniques based on the terms of each contract and valuation inputs from independently sourced market parameters as summarised below:

Instrument	Valuation input
Interest rate swaps	Spot and forward interest rate yield curve
Forward foreign currency contracts	Forward foreign exchange rate curve
Cross-currency interest rate swaps	Spot and forward interest rate yield curve and spot foreign exchange rates

	Notional Assets $000	Fair value Assets $000	Notional Liabilities $000	Fair value Liabilities $000	Total Net Notional $000	Total Net fair value $000
Summary by Financial Instruments						
Interest rate swaps	500,000	1,078	400,000	7,345	100,000	(6,266)
Forward foreign currency contracts	–	–	5,295	81	(5,295)	(81)
Cross currency interest rate swaps	802,815	20,465	325,380	1,440	477,435	19,025
Total derivatives	**1,302,815**	**21,543**	**730,675**	**8,866**	**572,140**	**12,678**

The notional value of a derivative financial instruments below represents the underlying amount on which the hedging contract is based. It is used to calculate the contractual cashflows and does not represent an amount exchanged between counterparties. The fair value represents the net present value of the expected future cashflows under each contract and is the carrying value of the instrument at balance date.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

14. Derivative financial instruments (continued)

	2026				2025			
	Notional Assets $000	Fair value $000	Notional Liabilities $000	Fair value $000	Notional Assets $000	Fair value $000	Notional Liabilities $000	Fair value $000
Current								
Interest rate swaps – Cur	250,000	542	–	–	–	–	–	–
Forward foreign currency contracts – Cur	–	–	5,295	81	–	–	–	–
Total Current	**250,000**	**542**	**5,295**	**81**	–	–	–	–
Non-Current								
Interest rate swaps – NC	250,000	536	400,000	7,345	–	–	–	–
Cross currency interest rate swaps – NC	802,815	20,465	325,380	1,440	–	–	–	–
Total Non-Current	**1,052,815**	**21,001**	**725,380**	**8,785**	–	–	–	–
Total Derivatives	**1,302,815**	**21,543**	**730,675**	**8,866**	–	–	–	–

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

15. Trade and other payables for exchange transactions

Trade and other payables for exchange transactions are unsecured and usually paid within 30 days (2025: 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 2026, contract retentions of $29.9m are held as restricted cash. (2025: $30.7m) The treatment as at 30 June 2026 is in line with the Construction Contracts (Retention Money) Amendment Act 2023 which was effective from October 2023.

	2026 $000	2025 $000
Current		
Trade creditors	37,340	58,246
Trade creditors – related parties	863	408
Contract retentions	496	4,194
GST payable	5,146	–
Other payables	116	8,918
Total current trade and other payables for exchange transactions	**43,961**	**71,766**
Non-current		
Contract retentions	29,379	26,520
Total non-current trade and other payables for exchange transactions	**29,379**	**26,520**
Total trade and other payables for exchange transactions	**73,340**	**98,286**

16. Accrued expenses

	2026 $000	2025 $000
Current		
Capital work in progress accruals	70,187	77,746
Interest payable	2,774	–
Revenue received in advance	38,248	45,238
Operating costs accruals	54,431	34,412
Total current accrued expenses	**165,640**	**157,396**
Non-current		
Revenue received in advance	38,572	18,832
Total non-current accrued expenses	**38,572**	**18,832**
Total accrued expenses	**204,212**	**176,228**

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

Revenue received in advance includes $5.2m (2025: $5.5m) relating to the franchise fee agreement with Veolia Water Services (ANZ) Pty Limited. The total fee of $13.1m received at the commencement of the agreement provides the right to use specified assets over a 50-year period and is recognised as revenue on a straight-line basis over the term of the agreement. Watercare has also received $20.0m in funding from Auckland Council Healthy Waters for the Point Erin extension project (2025: $10.0m). This funding will be recognised as revenue on a straight-line basis over the expected 50-year operational life of the assets, which is anticipated to commence in FY29.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

17. 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.

	2026 $000	2025 $000
Current		
Employee entitlements	12,740	11,948
Other provisions	–	5
Total current provisions	**12,740**	**11,953**
Non-current		
Employee entitlements	3,020	2,824
Decommissioning costs	10,685	9,827
Total non-current provisions	**13,705**	**12,651**
Total provisions	**26,445**	**24,604**

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

17. Provisions (continued)

	Employee entitlements $000	Decommissioning costs $000	Other provisions $000	Total $000
Balance at 1 July 2025	14,772	9,827	5	24,604
Additions during the year	19,142	–	–	19,142
Reductions resulting from payments	(18,154)	–	(5)	(18,159)
Increase/(decrease) in provision due to change in discount rate and unwind	–	858	–	858
Balance at 30 June 2026	**15,760**	**10,685**	**–**	**26,445**

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 $10.7m (2025: $9.8m).

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

- An average inflation rate over the 25-year provision period of 2.23%
- A range of risk-free discount rates from 4.61% to 5.18% have been applied in calculating the net present value (2025: from 4.83% to 5.38%)
- An expected biosolids completion date of 20 years from 2015 (the date biosolid activity commenced)
- Aftercare activities will be required for a period spanning 10 years from completion
- The exact extent of work required to restore the site, along with quantities of materials and supplies, is unknown; therefore, an estimate has been made based on the information available at balance date.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

18. Borrowings

	2026 $000	2025 $000
Current		
Commercial Paper (Secured)	149,504	–
Bank debt (Secured)	–	–
Related party term loan (unsecured)	–	200,000
Total current borrowings	**149,504**	**200,000**
Non-current		
Fixed rate bonds (secured)	1,550,324	–
Related party term loan (unsecured)	3,000,000	3,832,230
Total non-current borrowings	**4,550,324**	**3,832,230**
Total borrowings	**4,699,828**	**4,032,230**

* Watercare has $5.0m (2025: $5.0m) of undrawn bank overdraft committed facilities.

Borrowings are initially recorded at fair value, plus transaction costs, and subsequently measured at amortised cost using the effective interest method. Foreign currency borrowings are translated into NZD using the spot rates at balance date. Foreign exchange gains and losses resulting from the settlement of borrowings and from translation are recognised in surplus or deficit. Borrowings are classified as current liabilities unless Watercare has an unconditional right to defer settlement for at least 12 months after the reporting date. Watercare complied with all borrowing covenants and obligations during the year and did not default on any borrowing arrangements (2025: nil).

Watercare raises debt through a combination of domestic and offshore funding markets, including bonds and commercial paper. At 30 June 2026, foreign currency denominated borrowings totalled $1.154 billion (2025: nil). Foreign borrowings are fully hedged, eliminating foreign exchange risk. Further information is provided in Note 10 Financial Instruments.

The Treasury Service Level Agreement and related intercompany loan agreement between Watercare and Auckland Council ceased on 30 June 2025. Under these arrangements, Auckland Council Treasury managed Watercare's funding requirements and repayments were not required provided agreed debt headroom thresholds were maintained. Following Watercare's financial separation from Auckland Council on 1 July 2025, a new treasury services arrangement was established together with a Transitional Debt Facility Agreement (TDFA) to support the repayment of the legacy intercompany loan. As at 30 June 2026, $1.032b of the TDFA has been repaid.

Under the TDFA:

- The interest rate methodology replicates the economic effect of the pre-existing intercompany loan, and therefore no modification gain or loss was recognised on transition.
- The facility requires minimum six-monthly repayments, with flexibility to offset excess repayments against future obligations.
- Watercare is required to provide notice where repayments exceed scheduled minimums.
- The remaining balance is required to be fully repaid by 30 June 2030.

As at balance date, Watercare had committed third party facilities of $2.0 billion (2025:nil) shown in the table below.

Facility	Total Facility $000	Undrawn at 30 Jun 26 $000
Revolving Credit Facility (RCF)	1,200,000	1,200,000
Standby Facility	800,000	800,000
Total Facility	2,000,000	2,000,000

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

19. Deferred tax

Policy

Deferred tax was historically 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. Where the recoverability of a deferred tax asset depends on the entity or a related party being able to use the underlying tax attributes, the deferred tax asset is measured at the amount expected to be recovered.

Current and deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year or years when the asset and liability giving rise to them are realised or settled, based on tax rates and tax laws which have been enacted or substantively enacted at the reporting date. Refer to Note 1.

Deferred tax liabilities on property, plant and equipment

At 30 June 2025 Watercare held deferred tax liabilities in respect of temporary differences on property, plant and equipment. These temporary differences arose because the carrying value of property, plant and equipment was higher for accounting purposes than it was for taxation purposes, principally due to the revaluation of certain assets and the group's accounting depreciation rates being lower than those permitted by tax legislation.

From 1 July 2025 no future taxable amounts arise on these temporary differences because Watercare is not subject to income tax. The deferred tax liabilities previously recognised on these differences no longer meet the recognition criteria and have been derecognised in the current year. The reversal has been recognised in the same component of equity or profit or loss where the original tax effect arose. The portion of the derecognition attributable to prior revaluations of infrastructure assets has been credited to the property, plant and equipment revaluation reserve. Refer to Note 9 (Revaluation reserves). The remaining derecognition of deferred tax liabilities on other temporary differences on property, plant and equipment has been recognised in the income tax expense in the statement of comprehensive revenue and expense. Refer to Note 8.

Deferred tax asset on historic tax losses

Watercare held historic tax losses at the date it became income tax exempt. These losses were not extinguished on the change in tax status and remain available for use within the Auckland Council tax group, subject to the Income Tax Act 2007 and the relevant loss grouping and subvention provisions.

Following the change in tax status, Watercare can no longer utilise historic tax losses against its own future taxable profits. Recovery of the deferred tax asset is expected to occur primarily through utilisation of the losses within the Auckland Council tax group under permitted subvention or loss offset arrangements. Management has not identified an alternative utilisation pathway that is currently supportable, though this remains subject to ongoing review as Watercare's group structure evolves. The deferred tax asset has been reassessed and measured at the amount expected to be recovered through those arrangements, consistent with PBE IAS 12.47. Management's assessment is that expected recovery is 45 percent of the underlying tax benefit of the losses, based on the subvention compensation rate applied under the arrangement with Auckland Council. The write-down of the deferred tax asset from the gross tax benefit of the losses to the amount expected to be recovered has been recognised as income tax expense in the current year. Refer to Note 8.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

19. Deferred tax (continued)

Treatment of subvention receipts

Amounts received or receivable under tax loss offset and subvention arrangements are accounted for as settlement of the recognised deferred tax asset. Where an enforceable right to receive cash exists at balance date but cash has not yet been received, the settled amount is classified as a subvention receivable. No receivable has been recognised at 30 June 2026.

Key judgements and estimates

Recognition and measurement of the deferred tax asset for historic tax losses involves the following key judgements:

Continued availability of the historic tax losses for offset within the Auckland Council tax group, based on management's interpretation of the loss continuity, common ownership and grouping requirements of the Income Tax Act 2007.

Existence of a subvention or loss offset arrangement with Auckland Council under which Watercare is expected to be compensated at 45 percent of the tax benefit of losses utilised.

Management's assessment of the sufficiency of taxable profits within the Auckland Council tax group against which the losses will be applied over the recovery period.

Should any of these judgements change, including a change to the compensation rate agreed with Auckland Council or a change in the ability of the Auckland Council tax group to utilise the losses, the carrying amount of the deferred tax asset would be reassessed and the impact recognised in income tax expense in the period in which the change occurs.

Recognised deferred tax assets and liabilities

	2026 Assets $000	2025 Assets $000	2026 Liabilities $000	2025 Liabilities $000	2026 Net $000	2025 Net $000
Property, plant and equipment	–	–	–	(3,124,949)	–	(3,124,949)
Financial instruments	–	–	–	–	–	–
Employee benefits and other provisions	–	8,650	–	–	–	8,650
Tax losses	89,526	200,995	–	–	89,526	200,995
Other		–	–	(44)	–	(44)
Total	**89,526**	**209,645**	**–**	**(3,124,993)**	**89,526**	**(2,915,348)**

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

19. Deferred tax (continued)

Movement in deferred tax

	Property, plant and equipment $000	Employee entitlements and other provisions $000	Tax losses $000	Other $000	Total $000
Balance as at 30 June 2024	(2,738,512)	8,610	263,758	606	(2,465,538)
Impact of adjustment in capitalised Interest	–	–	–	–	–
Balance as at 30 June 2024	(2,738,512)	8,610	263,758	606	(2,465,538)
PPA Income Tax Return	23,755	–	(49,059)	–	(25,304)
Charged/(credited) to comprehensive revenue and expense	(21,902)	40	(13,704)	(650)	(36,216)
Charged to other comprehensive revenue and expense, resulting from revaluation	(388,290)	–	–	–	(388,290)
Balance as at 30 June 2025	(3,124,949)	8,650	200,995	(44)	(2,915,348)
Balance as at 30 June 2025	(3,124,949)	8,650	200,995	(44)	(2,915,348)
PPA Income Tax Return	–	–	(1,002)	–	(1,002)
Derecognition of deferred tax – recognised in income tax expense (Note 8)	1,033,451	(8,650)	(110,467)	44	914,378
Derecognition of deferred tax – credited to revaluation reserve (Note 9)	2,091,498	–	–	–	2,091,498
Balance as at 30 June 2026	**–**	**–**	**89,526**	**–**	**89,526**

The movement in deferred tax during the year principally reflects the derecognition of deferred tax liabilities on property, plant and equipment temporary differences following the change in tax status, and the write-down of the deferred tax asset relating to historic tax losses to the amount expected to be recovered through subvention arrangements.

Impact of Prior Year Tax Legislation Changes

During the year ended 30 June 2024, amendments to the Taxation (Annual Rates for 2023 –24, Multinational Tax, and Remedial Matters) Act 2024 removed depreciation deductions for commercial and industrial buildings effective from the 2024–25 income year. The effects of this legislative change no longer impact Watercare's deferred tax balances following the change in tax status from 1 July 2025.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

20. 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 (2025: 260,693,164) ordinary shares of $1 each. Every ordinary issued share was fully paid and carries equal voting rights to :

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

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

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

Subsidiaries

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

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

Water Utility Consumer Assistance Trust

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

Auckland City Water Limited

Auckland City Water Limited is 100% owned (2025: 100%) by Watercare and is a non-trading company.

Transactions with related parties

Watercare entered into borrowing arrangements with Auckland Council on the terms set out in Note 18.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

20. Equity and related parties (continued)

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

	2026 $000	2025 $000
Loans from Auckland Council, balance at 30 June	3,000,000	4,032,230
Interest payable on loans from Auckland Council	368	–
Interest expense on loans from Auckland Council	155,332	172,321
Loans borrowed from Auckland Council during the year	–	1,072,500
Loans repaid to Auckland Council during the year	1,032,230	793,170

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

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

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

	2026 $000	2025 $000
Sales to related parties	14,542	30,256
Trade receivables from exchange transactions – related parties	1,384	24,353
Project funding received from parent	20,000	10,000
Purchases from related parties	11,510	15,501
Land rates – Auckland Council	4,270	3,633
Payables accruals – related parties	863	408

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

21. Reconciliation of operating cashflows

	2026 $000	2025 $000
Reconciliation of net surplus after tax to net cash flows from operating activities		
Net surplus for the year	928,437	82,985
Non-cash and non-operating items:		
Depreciation and amortisation	665,189	460,727
Net gain on disposal of and provision for redundant property, plant and equipment	7,526	(522)
Vested assets revenue	(88,616)	(92,437)
Interest on borrowings	198,376	172,321
Income tax expense	(913,377)	61,520
Movements in working capital:		
(Increase)/decrease in assets:		
Inventories	(2,491)	590
Trade and other receivables from exchange transactions	405	(15,645)
Prepaid expenses	(11,720)	1,495
Increase/(decrease) in liabilities:		
Trade and other payables for exchange transactions	(24,946)	44,763
Accrued expenses	27,984	6,879
Provisions	1,841	(412)
Other non-cash and non-operating adjustments	2,473	48,996
Net cash inflows from operating activities	**791,081**	**771,260**

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

22. Commitments

	2026 $000	2025 $000
Capital expenditure		
The capital expenditure committed to, but not recognised in these financial statements at balance date, was:		
Land & Buildings	70,459	3,517
Pipelines	367,605	194,015
Tanks, tunnels, roads and reservoirs	61,445	52,186
Intangibles	1,469	1,142
Other	220,455	95,972
Total capital expenditure commitments	**721,433**	**346,832**
Anticipated payment schedule		
Less than one year	413,116	314,835
One to two years	256,014	31,997
Two to five years	52,303	–
Beyond five years	–	–
Total capital expenditure commitments	**721,433**	**346,832**
Operating leases		
Anticipated payments under non-cancellable operating leases:		
Less than one year	6,004	5,030
One to two years	5,419	5,301
Two to five years	15,439	15,381
Beyond five years	46,449	51,019
Total lease commitments	**73,311**	**76,731**

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

22. Commitments (continued)

At 30 June 2026 these capital commitments include the remaining obligations under the Central Interceptor Main Works Contract, reflecting substantial completion of the main works with some elements still outstanding. The commitments include 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 (2025: $0.4m) for the water catchment areas was included in these commitments at face value. Other leases include parks, reservoirs and office equipment.

23. Contingencies

Contingent liabilities are disclosed where there is a possible obligation arising from past events, the existence of which will be confirmed by uncertain future events, or where a present obligation exists but an outflow of resources is not considered probable or cannot be measured reliably.

Contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by one or more uncertain future events not wholly within the control of the entity.

Watercare does not recognise contingent liabilities and contingent assets in the financial statements due to their uncertainty or because they cannot be reliably measured.

They are disclosed as follows:

- Contingent liabilities are disclosed unless the possibility that these will materialise is remote; and
- Contingent assets are only disclosed when it is probable that they will materialise.

As at 30 June 2026, Watercare has no contingent liabilities to disclose (2025: nil). Watercare has a contingent asset of $3.1m (2025: nil) relating to an insurance claim associated with Central Interceptor flooding events, the receipt of which is considered probable but remains subject to final settlement.

24. 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 2026 was $4.8m (2025: $4.3m).

25. 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 (2025: 8 FTE). The aggregate remuneration received by the directors, trustees and key management personnel is shown on the next page.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2026

25. Key management personnel (continued)

	2026 $000	2025 $000
Employees' salaries and wages	4,078	4,940
Post-employment benefits	–	–
Other long-term employee benefits	–	–
Termination benefits	–	–
Aggregate remuneration	**4,078**	**4,940**

Directors' fees	Appointed	2026 $000	2025 $000
Watercare Services Limited			
Geoff Hunt (Chair)	October 2024	112	102
Julian Smith	January 2022	65	64
Graham Darlow	February 2021	65	63
Andrew Clark	June 2024	65	62
Frederik Cornu (Resigned November 2025)	June 2024	20	56
Rukumoana Schaafhausen	June 2025	56	5
John Crawford	February 2025	56	19
Karen Sherry	February 2025	56	23
Margaret Devlin (Resigned September 2024)	November 2016	–	14
Nicola Crauford (Resigned September 2024)	April 2014	–	16
Total		**495**	**424**

Trustees' fees	Appointed	2026 $000	2025 $000
Water Utility Consumer Assistance Trust			
Phillip Merfield (Chair)	July 2023	9	9
Maureen Little	October 2011	6	6
Lauren Godsiff	October 2011	6	6
Lynne Webb	August 2022	6	6
Total		**27**	**27**
Total Directors and Trustees Fees		**522**	**451**

26. Events occurring after balance date

On 1 July 2026, Watercare issued notices to Council of its intention to make repayments of $100.0m in July 2026 and $900.0m in October 2026 (totalling $1.0b) on the Transitional Debt Facility. These events occurred after the reporting date and do not provide evidence of conditions that existed at 30 June 2026. Accordingly, they are classified as non-adjusting events under PBE IPSAS 14. The financial statements as at 30 June 2026 do not reflect the impact of these repayments, and the 30 June 2026 borrowings have not been reclassified as a result of these notices.

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. Other benefits may include: final payment of salary, holiday pay on termination, incentive payments, overtime or superannuation contributions.*

Employees' Remuneration Range ($)	2026 Number of employees
$100,000 – $109,999	140
$110,000 – $119,999	111
$120,000 – $129,999	110
$130,000 – $139,999	129
$140,000 – $149,999	82
$150,000 – $159,999	63
$160,000 – $169,999	54
$170,000 – $179,999	53
$180,000 – $189,999	32
$190,000 – $199,999	27
$200,000 – $209,999	11
$210,000 – $219,999	10
$220,000 – $229,999	7
$230,000 – $239,999	6
$240,000 – $249,999	3

Employees' Remuneration Range ($)	2026 Number of employees
$250,000 – $259,999	7
$260,000 – $269,999	4
$270,000 – $279,999	5
$280,000 – $289,999	1
$290,000 – $299,999	1
$300,000 – $309,999	1
$310,000 – $319,999	2
$330,000 – $339,999	1
$370,000 – $379,999	1
$400,000 – $409,999	1
$420,000 – $429,999	2
$480,000 – $489,999	1
$500,000 – $509,999	1
$750,000 – $759,999	1

* The above does not include severance payments

2026 Statement of Service Performance

Judgements applied in the Statement of Service Performance

The Statement of Service Performance is presented in accordance with PBE FRS 48 Service Performance Reporting, alongside these financial statements. PBE FRS 48 requires disclosure of the judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information reported.

The measures reported are prescribed by Watercare's Statement of Intent and Watercare Charter commitments. Judgement was required in determining how each measure is presented and described, and in determining the methodologies, assumptions and data sources used to measure and aggregate results, so that the information reported is meaningful and reliable for users. A number of measures also involve estimation uncertainty, where reported results rely on modelling, population estimates, third-party data, or information subject to a reporting lag, including a tolerance of plus or minus 2.5% applied to certain water consumption measures and an approximate four-month lag in meter reading data underlying the real water loss measures. These judgements and areas of estimation uncertainty have been considered in preparing the reported results.

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

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

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

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

Financial Year	FY25
SOI Target	a) ≤ 2, b) ≤ 2, c) ≤ 2, d) = 0
Achieved	a) = 0, b) = 0, c) = 0, d) = 0
Financial Year	FY26
SOI Target	a) ≤ 2, b) ≤ 2, c) ≤ 2, d) = 0
Achieved	**a) = 0, b) = 0, c) = 0, d) = 0**

Auckland Council and Waikato Regional Council did not issue any notices or take any formal enforcement in 2025/26.

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

Financial Year	FY25
SOI Target	247–259 litres per person per day
Achieved	257 litres per person per day
Financial Year	FY26
SOI Target	257 litres (+/– 2.5%) per person per day
Achieved	**253 litres per person per day**

Average consumption per person per day has reduced to 253 litres from last year's result of 257 litres per person per day. Our ongoing water literacy campaigns and programme continue to remind our residential and commercial customers about the importance of using water efficiently and reducing waste wherever possible.

2026 Statement of Service Performance (continued)

3. Emissions reduction targets

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

Financial Year	FY25
SOI Target	<89,900 tonnes CO_2e (excluding emissions from Te Motu a Hiaroa (Puketutu Island) <139,170 tonnes CO_2e (including emissions from Puketutu Island
Achieved	80,000 tonnes CO_2e (excluding emissions from Puketutu Island) 106,000 tonnes CO_2e (including emissions from Puketutu Island)

Financial Year	FY26
SOI Target	<85,000 tonnes CO_2e (excluding emissions from Te Motu a Hiaroa (Puketutu Island) <108,000 tonnes CO_2e (including emissions from Puketutu Island
Achieved	**93,320 tonnes CO_2e (excluding emissions from Puketutu Island)** **117,870 tonnes CO_2e (including emissions from Puketutu Island)**

We did not meet the reduction targets for FY26. Reporting greenhouse gas (GHG) emissions involves a combination of estimation, measurement, and judgement. These processes are inherently subject to limitations and uncertainty.

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

- IPCC AR6 (Intergovernmental Panel on Climate Change, Sixth Assessment Report)
- Water New Zealand's Carbon Accounting Guidelines for Wastewater Treatment: CH_4 and N_2O (2021)
- Ministry for the Environment's Measuring Emissions Guide (2025)
- Water New Zealand's landfill emissions methodology.

Wastewater emissions

The largest source of Watercare's Scope 1 (direct) emissions arises from wastewater treatment and discharge activities, totalling 78,300 tCO_2e in FY26. Emissions are calculated using Water New Zealand's methodology, based on:

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

The FY26 emissions targets were exceeded due to increased wastewater flows and treatment caused by an increase in wet-weather events and the operation of the first half of the Central Interceptor wastewater tunnel in the reporting year.

Biosolids placement – Puketutu Island

FY26 includes emissions from biosolids placement at Puketutu Island, contributing 24,544 tCO_2e. These emissions are driven by the mass of dry solids produced at the Māngere Wastewater Treatment Plant, which varies annually based on wastewater flows, solids content, and digestion levels.

2026 Statement of Service Performance (continued)

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

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

Watercare adopted independent third-party estimates for DOC and DOCf, using values of 0.29 and 0.16 respectively, lower than the Water New Zealand defaults of 0.3 and 0.5. This resulted in a material reduction in reported emissions, better reflecting the characteristics of digested biosolids rather than mixed municipal waste assumed in the default factors.

Nitrous oxide (N_2O)

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

Watercare continues to collaborate with global experts to reduce N_2O emissions through process optimisation and plant upgrades. In FY26, monitoring continued (using additional equipment installed last year) across multiple treatment plants to improve measurement accuracy and establish baselines for future reductions.

Energy use and electricity emissions

Natural gas used in wastewater treatment contributes to Watercare's emissions. We make continuous efforts to offset this by increasing the use of biogas generated on-site to power energy turbines.

In FY26, 97% of Watercare's electricity was purchased from Ecotricity (an increase of 20% compared to FY25), providing 100% renewable energy for that portion. Despite a similar level of total electricity consumption to prior years, this increase resulted in additional emissions reduction.

Watercare uses an independent third-party estimate for the residual mix emissions factor of 0.66 kg CO_2e/kWh, which is lower than the default location-based emissions factor but is an estimate to reflect total emissions more accurately.

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

Financial Year	FY25
SOI Target	≤ 60 mins
Achieved	40 min

Financial Year	FY26
SOI Target	≤ 60 mins
Achieved	**40 min**

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

2026 Statement of Service Performance (continued)

5. Monthly Median resolution time for resolving urgent water supply call-outs: from the time that Watercare receives notification of the call-out, until the time Watercare receives notification that the person employed/engaged to respond to the call-out has resolved the call-out (12-month rolling median)

Financial Year	FY25
SOI Target	≤5 hours
Achieved	3.1 hours

Financial Year	FY26
SOI Target	≤5 hours
Achieved	**2.9 hours**

The median response time for our maintenance crews to resolve urgent issues such as faults or interruptions was 2.9 hours, which is within the target of 5 hours or fewer.

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

Financial Year	FY25
SOI Target	≤5 days
Achieved	0.78 days

Financial Year	FY26
SOI Target	≤5 days
Achieved	**0.78 days**

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

7. Monthly median resolution time for resolving non-urgent water supply call-outs: from the time that Watercare receives notification of the call-out, until the time Watercare receives notification that the person employed/engaged to respond to the call-out has resolved the call-out (12-month rolling median)

Financial Year	FY25
SOI Target	≤6 days
Achieved	**0.98 days**

Financial Year	FY26
SOI Target	≤6 days
Achieved	**0.96 days**

The median response time for our maintenance crews to resolve non-urgent issues was 0.96 days, which is well within the target of six days or fewer.

2026 Statement of Service Performance (continued)

8. The total number of complaints received by the local authority about any of the following:

- **a) drinking water clarity**
- **b) drinking water taste**
- **c) drinking water odour**
- **d) drinking water pressure or flow**
- **e) continuity of supply**
- **f) the local authority's response to any of these issues**

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

Financial Year	FY25
SOI Target	≤10
Achieved	7.9

Financial Year	FY26
SOI Target	≤10
Achieved	**8.1**

This measure relates to the volume of service requests created for water quality and supply issues for the year ended 30 June 2026. The number of service requests received per 1,000 connections was 8.1, which meets the target of 10 or fewer.

9. 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)

Financial Year	FY25
SOI Target	≤75 mins
Achieved	77 mins

Financial Year	FY26
SOI Target	≤90 mins
Achieved	**61 mins**

The median response time for our maintenance crews to attend to wastewater overflows or blockages was 61 minutes, which is below the target of 90 minutes or less.

10. Median resolution time for resolving wastewater overflows: from the time Watercare receives notification of the overflow until when Watercare receives notification from the person employed /engaged to respond to the overflow that they have resolved the overflow (12-month rolling median)

Financial Year	FY25
SOI Target	≤5 hours
Achieved	3.1 hours

Financial Year	FY26
SOI Target	≤5 hours
Achieved	**2.6 hours**

The median response time for our maintenance crew to resolve wastewater overflows was 2.6 hours, which is within the target of five hours or fewer.

2026 Statement of Service Performance (continued)

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

a) sewerage odour

b) sewerage system faults

c) sewerage system blockages

d) Watercare's response to issues with its sewerage system

expressed per 1000 connections to the territorial authority's sewerage system (rolling 12-month)

Financial Year	FY25
SOI Target	≤50
Achieved	16.09

Financial Year	FY26
SOI Target	≤50
Achieved	**15.52**

This measure relates to the number of service requests we received about wastewater odours, overflows, broken pipes and other network issues. The number of service requests received per 1,000 connections was 15.52, which is well within the target of 50 or fewer.

12. Ratio of procurement sourced through Māori-owned businesses

FY25
≥5.00 %
3.23 %

FY26
≥5.00 %
3.50 %

In line with Auckland Council's Tāmaki Ora (Māori outcomes strategy) and Watercare's Tāmaki Ora (Achieving Māori outcomes plan) we actively seek to maximise opportunities for Māori suppliers to participate in our procurement activities. Our ratio of procurement sourced through Māori-owned suppliers in FY26 was 3.50%.

While we did not meet our 5% target, total Māori-owned supplier spend for FY26 was $40.92M compared to $38.55M in FY25, and $30.63m in FY24. This is a 6.15% increase on FY25 and a 33.59% increase on FY24.

The capacity of Māori suppliers, the size and complexity of work required, and the nature of large infrastructure projects are an ongoing constraint to achieving our target.

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

We have 119 active Māori-owned suppliers compared to 135 in FY25 and 115 in FY24; Māori-owned suppliers make up 5.51% of our total active suppliers.

We also encourage our contractors to work with Ngā Kakau Paraha, a network of 16 Māori-owned suppliers set up by Watercare, to work directly with us or act as subcontractors to our construction partners.

2026 Statement of Service Performance (continued)

13. Percentage of customer complaints resolved within ten days of notification

Financial Year	FY25
SOI Target	≥95%
Achieved	99.1%

Financial Year	FY26
SOI Target	≥95%
Achieved	**98.6%**

In FY26 we received 1,440 complaints and 1,420 were resolved within 10 working days, meeting the target of at least 95% resolved within the stipulated 10-day period. The complaints measure reflects formal customer complaints recorded under Watercare's complaints policy. The measure captures escalations relating to billing, payments, customer service and operational matters where formal intervention, review or resolution is required.

14. Customer Net Satisfaction Score (Previously Net promoter score)

Financial Year	FY25
SOI Target	≥45
Achieved	55

Financial Year	FY26
SOI Target	≥45
Achieved	**55**

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

Feedback from Voice of Customer surveys highlighted effective faults resolution and timely responses to network issues, reflecting the strong performance of field operations. Our billing teams maintained strong satisfaction scores, supported by improved meter reading accuracy; our developer services team also maintained consistent satisfaction scores despite processing a record high volume of applications.

15. Community trust score

Financial Year	FY25
SOI Target	≥55%
Achieved	52%

Financial Year	FY26
SOI Target	≥55%
Achieved	**54%**

While we did not meet this target, our trust score increased to 54 from 52 in FY25, against a target of 55. The trust score represents the percentage of survey respondents who agree that they trust us by scoring us seven or higher out of 10 to the question: *Thinking about everything you know about the company, how much do you trust Watercare?*

The score was derived from responses from 5,098 people across Auckland. It is perception-based and can be influenced by external and internal factors. While ongoing cost-of-living pressures continued to influence customer perception, the responses also show that targeted engagement initiatives, such as our Wonder Wai education programme and newsletters, have helped increase trust and positive perceptions. Benchmarking against water utilities in Australia and the United Kingdom indicates that Watercare continues to perform above the industry average for customer trust.

2026 Statement of Service Performance (continued)

16. Compliance with Water Services Authority – Taumata Arowai Quality Assurance Rules

Requirements	FY26 Target	FY26 Achieved	FY25 Target	FY25 Achieved	Commentary
1. Bacterial water quality T3	100%	**100%**	100%	100%	Watercare met this target. We also continued to demonstrate 100% compliance with Drinking Water Standards New Zealand (DWSNZ) Bacterial Compliance Criteria.
2. Protozoal water quality T3	100%	**100%**	100%	100%	Watercare met this target. We also continued to demonstrate 100% compliance with DWSNZ Protozoal Compliance Criteria.
3. Chemical water quality T3	100%	**100%**	100%	100%	Watercare met this target. We also continued to demonstrate 100% compliance with DWSNZ Chemical Compliance Criteria.
4. Cyanotoxins water quality T3	100%	**100%**	100%	100%	Watercare met this target. We also continued to demonstrate 100% compliance with DWSNZ Cyanotoxins Compliance Criteria
5. Microbiological water quality D3	100%	**100%**	100%	100%	Watercare met this target. Note: On 10 September 2025, one sample recorded positive E. coli in Papakura Zone. On 18 September 2025, one sample recorded positive E. coli in Buckland Zone. On 5 February 2026, one sample recorded positive E. coli in Herald Island (Whenuapai Zone). On 6 April 2026, one sample recorded positive E. coli in Hillsborough Zone. For each of these instances, we followed the process established by Water Services Authority – Taumata Arowai, issued boil water notices where required, undertook thorough investigations and once we were assured of a safe water supply and no risk to public health, we lifted these notices.
6. Residual disinfection (Chlorine) water quality	100%	**97.9%**	100%	97%	Watercare did not fully meet this target. Residual disinfection compliance was not fully achieved due to some samples having FAC ≤ 0.1 mg/L chlorine or in some zones less than 85% of the samples were ≥ 0.2 mg/L. Some of the 40 distribution zones were at times not compliant with this measure each month for the period of 1 July 2025 to 30 June 2026. 97.9% is the average monthly performance for this measure for all distribution zones. We are confident that the water was safe to drink at all times.
7. Disinfection by products	100%	**100%**	100%	100%	Watercare met this target. We also continued to demonstrate 100% compliance with DWSNZ.
8. Plumbosolvent Metals	100%	**100%**	100%	100%	Watercare met this target. We also continued to demonstrate 100% compliance with DWSNZ.

2026 Statement of Service Performance (continued)

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

Financial Year	FY25
SOI Target	≤13%
Achieved	12.8%

Financial Year	FY26
SOI Target	≤13%
Achieved	**11.26%**

We met this target, with leakage levels below target. This has largely been driven by a reduction in the number of faults as well as the bedding in of our ongoing proactive leak detection and pressure management programmes and investment in smart systems.

18. Volume of real water loss – 12-month rolling average (new measure)

Financial Year	FY26
SOI Target	Volume of Real Water Loss Target <140 l/p/d Watercare must ensure that the real water loss from Watercare's water supply network is no more than 140 litres per water supply connection per day measured as a 12-month rolling average.
Achieved	**100.08**

We met this target, with leakage levels below target. This has largely been driven by a reduction in the number of faults as well as the bedding in of our ongoing proactive leak detection and pressure management programmes and investment in smart systems.

19. The number of wastewater overflows expressed per 1000 wastewater connections (12-month rolling average)

Financial Year	FY25
SOI Target	≤5
Achieved	0.60

Financial Year	FY26
SOI Target	≤5
Achieved	**0.79**

The number of uncontrolled 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 0.79 dry-weather overflows per 1,000 connections, which is under the target of five or fewer.

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

2026 Statement of Service Performance (continued)

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

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

Financial Year	FY26
SOI Target	≤2 overflows per year
Achieved	**0.30**

The average number of wet-weather overflows per engineered overflow point for the network (local and transmission) was 0.30, well below the SOI target of two or fewer per year. This reflects ongoing efforts to manage wet-weather capacity and system resilience.

21. Number of unplanned water supply interruptions within Watercare's networked reticulation system expressed per 1000 water supply connections (12-month rolling average) (new measure)

Financial Year	FY26
SOI Target	≤10
Achieved	**7.4**

The number of unplanned water supply interruptions per 1,000 connections was 7.4, which is within the target of 10.

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

Financial Year	FY25
SOI Target	<1.5%
Achieved	0.89%

Financial Year	FY26
SOI Target	<1.5%
Achieved	**0.94%**

We met this target, with the average Auckland household (as defined by Stats NZ) spending 0.94% of their monthly income on their water and wastewater bills.

23. The average consumption of drinking water per day per resident within the territorial authority district (12-month rolling average) (new measure)

Note: Calculation is based on bulk supply minus commercial consumption, divided by connected population (Residential PCC)

Financial year	FY26
SOI Target	165 (+/-2.5%)
Achieved	**162.5l/p/d**

Average residential per capita consumption was 162.5l/p/d against a target of 165l/p/d (+/-+2.5%). Our ongoing water literacy campaigns and programme continue to remind our residential customers about the importance of using water efficiently and reducing waste wherever possible. Our partnership with EcoMatters continued to provide personalised water audits for households, helping them to identify practical ways to reduce water use and improve water efficiency.

2026 Statement of Service Performance (continued)

24. Capital expenditure: Cumulative (YTD) (new measure from FY26)

Financial year	FY26
SOI Target	$1,050m
Achieved	**$959.5m**

Watercare invested $959.5m in capital infrastructure during FY26. Expenditure was $90.5m (8.6%) below target, largely reflecting the timing of major programme activities, including land acquisition, consenting and procurement milestones. These timing impacts do not materially change the scope of the infrastructure programme and investment remains focused on supporting Auckland's growth and service resilience.

25. Maximum allowable revenue from prices for providing water supply and wastewater supply services (new measure from FY26)

Financial year	FY26
SOI Target	$845.1m
Achieved	**$817.1m**

The Watercare Charter requires us to ensure that the revenue from water and wastewater service charges does not exceed the annual price increases set for the same period. We met this target, with total revenue from prices for water and wastewater below the target limit of <$845.1m (FY26 revenue was $817.1m).

26. Minimum allowable average increase in average infrastructure growth charges (new measure from FY26)

Financial year	FY26
SOI Target	Minimum of 15.5% (excluding GST)
Achieved	**15.5%**

Infrastructure Growth Charges (IGCs) are one-off charges paid when new developments connect to, or increase demand on, Watercare's water and wastewater networks. They help fund the bulk infrastructure needed to support growth, ensuring the cost of expanding capacity is funded by growth rather than existing customers or future generations.

The Watercare Charter requires us to ensure that growth pays for growth by setting minimum baselines (15.5%) for annual IGC price increases. We met this target, with IGCs in FY26 increasing by 15.5% for all zones (allowing for price lag periods and any pre-existing contractual obligations).

27. Credit rating maintained at an investment grade on a stand-alone basis to ensure a sustainable financial model (new measure from FY26)

Financial year	FY26
SOI Target	At least investment grade
Achieved	**Maintained**

We maintained an investment grade credit rating of Aa3 stable outlook (confirmed by Moody's) in FY26. Our strong credit rating has helped us secure cost-effective funding and will enable us to deliver critical infrastructure without compromising on service quality or affordability.

Watercare Services Limited/Registration
Number: AK/519049

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