



ANNUAL REPORT • 2011



SERVING THE PEOPLE
OF AUCKLAND

waterCare
services limited

PERFORMANCE MEASURES

Watercare measures its performance against 42 targets in eight focus areas.

- 

Safe and reliable water

Management of water resources to provide a safe and reliable water supply.
- 

Healthy waterways

Management of wastewater discharges to maintain or improve the health of the environment.
- 

Health, safety and well-being

To be an industry-best workplace.
- 

Customer satisfaction

Providing customers with great service and great value.
- 

Stakeholder relations

To be responsive to stakeholder requirements.
- 

Sustainable environment

To minimise and/or mitigate the adverse impact of the company's operations on the environment.
- 

Effective asset management

Managing assets to ensure the use of existing assets is maximised while optimising the scope, timing and cost of new investments.
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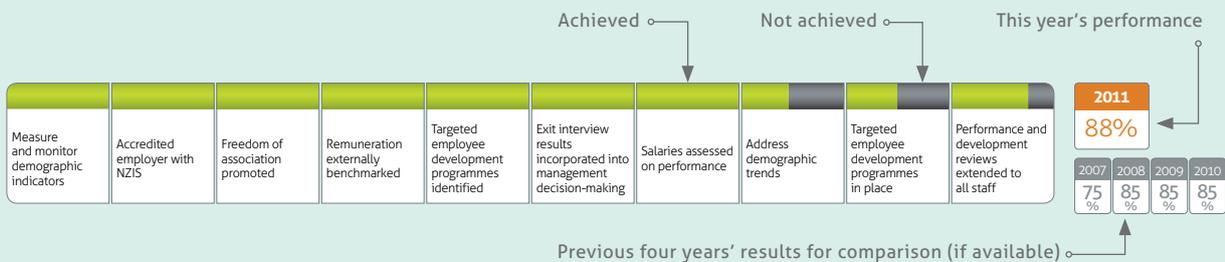
Sound financial management

Management of the company to meet business objectives at the lowest cost.

HOW TO READ THE PERFORMANCE RULERS

(Pages 20-57)

Watercare uses performance rulers to measure achievements against 42 targets in the eight focus areas shown above.



Where possible we show our performance over five years. In some areas, however, we have introduced new performance measures that reflect Watercare's increased responsibilities and expanded asset base following legislation changes effective from 1 November 2010.

For ease of reading, Watercare's overall performance against targets in all eight focus areas is summarised on page 3.

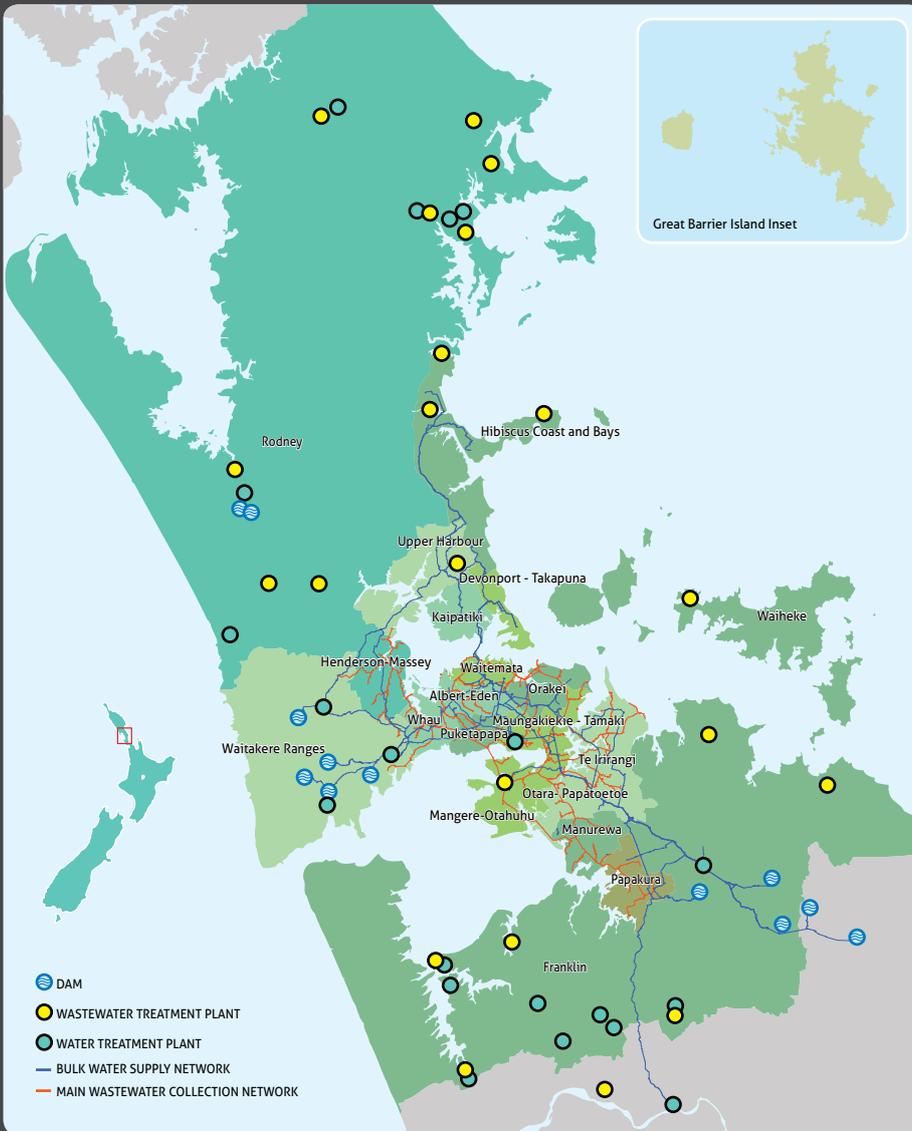
SERVING THE PEOPLE OF AUCKLAND

- Watercare is proud to deliver outstanding and affordable water services to 1.3 million Aucklanders.
- Each day, we collect, treat and supply around 350 million litres of drinking water from dams, bores, springs and four river sources. Our water infrastructure includes treatment plants, reservoirs, pump stations and 8,825 kilometres of water pipes.
- Watercare collects, treats and disposes of wastewater at 20 treatment plants and operates 7,693km of sewers. The company also works with 1,740 business customers on the transfer, treatment and disposal of trade waste.
- We have been operating water and wastewater infrastructure in the Auckland region since our establishment in 1991, initially as a wholesaler supplying services to local network operators that served the public.
- From 1 November 2010, following legislative change, Watercare became responsible for retail water and wastewater services as well.
- We now have 611 permanent staff – including dedicated customer service teams at our East Tamaki customer centre – and operate assets valued at \$7.8 billion. This year our total revenue was \$373 million.
- The company does not operate to make a profit and it is prohibited by statute from paying a dividend to its shareholder, Auckland Council. Instead, the benefits are returned directly to Aucklanders as we aim to deliver outstanding and affordable water services in line with our company vision.
- From 1 July 2011, Watercare was able to reduce the price of water to \$1.30 (including GST) per 1,000 litres, a region-wide price cut. This is due to the efficiencies generated by having a single water company.
- In Auckland today, seven litres of tap water costs less than 1 cent.
- From 1 July 2012, the retail price of wastewater services will also be standardised across the region and our shareholder has committed to consulting with the public on charging methods.

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WATERCARE'S NETWORKS



7 litres of drinking water costs less than 1 cent

7,693km of wastewater sewers

1.3 million Aucklanders receiving our services

84 water supply reservoirs

8,825km of water pipes

163 billion litres of wastewater treated

611 Watercare employees

425,550 households served

124 billion litres of water supplied per year

FEEDBACK ON THIS REPORT

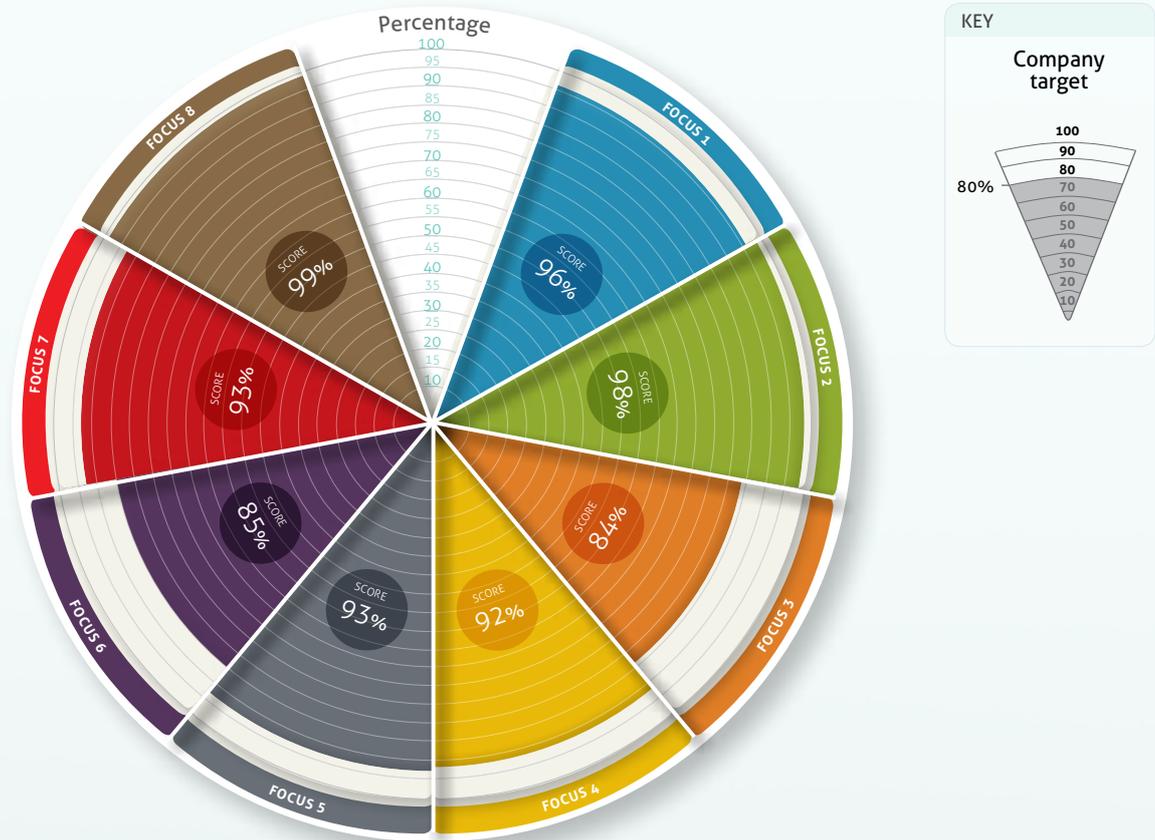
Feedback on this report or suggestions for future reports is welcomed either online at www.watercare.co.nz or by emailing Paul Spackman, Business Planning Advisor, at pspackman@water.co.nz.

WEBLINKS

Water and wastewater facts Fig. 1

PERFORMANCE SUMMARY

Watercare measures and manages its sustainability performance against 42 targets within eight focus areas. The focus areas are: safe and reliable water; healthy waterways; health, safety and well-being; customer satisfaction; stakeholder relations; sustainable environment; effective asset management; and sound financial management. The chart below shows Watercare’s performance this year against a target of 100 per cent.



HIGHLIGHTS

1 Safe and reliable water 96%

In 2010/11, Watercare has:

- Continued to supply quality drinking water to Auckland residents and businesses
- Integrated 14 rural water treatment plants and associated networks into the company.

Outlook: Progress the \$13 million Pukekohe water supply upgrade work.

2 Healthy waterways 98%

In 2010/11, Watercare has:

- Continued to meet high wastewater discharge standards and levels of service with the metropolitan plants
- Integrated Rosedale and Army Bay as well as 17 rural wastewater treatment plants and associated networks into the company and has undertaken to upgrade the rural plants by 2020.

Outlook: Continue planned infrastructure maintenance and renewals projects to improve the health of regional waterways.

3 Health, safety and well-being 84%

In 2010/11, Watercare has:

- Sustained staff and contractor focus on health and safety
- Implemented a number of continuous improvement initiatives.

Outlook: Continue investment in staff development and training.

4 Customer satisfaction 92%

In 2010/11, Watercare has:

- Integrated customer service teams
- Improved service levels in all contacts with customers.

Outlook: Ensure continuous improvement in the timeliness of responses to complaints.

5 Stakeholder relations 93%

In 2010/11, Watercare has:

- Developed a new Statement of Corporate Intent in consultation with Auckland Council
- Continued to work closely with environmental and Maori advisory groups.

Outlook: Work with the shareholder on wastewater tariff communications.

6 Sustainable environment 85%

In 2010/11, Watercare has:

- Expanded the focus of reducing the impact of midges and odours to the communities surrounding the wastewater treatment plants and networks acquired through integration
- Continued to seek ways to reduce the impact of activities on the environment.

Outlook: Continue staff sustainability initiatives such as Zero Waste.

7 Effective asset management 93%

In 2010/11, Watercare has:

- Completed a Regional Water Demand Management Plan
- Retained focus on efficient use of capital and continuous improvement in maintenance expenditure.

Outlook: Complete the Asset Management Plan covering the period 1 July 2012 to 30 June 2022.

8 Sound financial management 99%

In 2010/11, Watercare has:

- Maintained focus on meeting interest targets and financial ratios
- Continued focus on procurement efficiency and reducing operating expenditure.

Outlook: Maintain our focus on leveraging efficiencies and gains from the integrated company.

SUSTAINABILITY IMPACTS OF COMPANY ACTIVITIES

KEY

Impact on key areas:

- Social
- Economic
- Environmental

INITIATIVE	SUSTAINABILITY IMPACTS	OUTCOME TO DATE	OUTLOOK 2011/12	
Puketutu Island rehabilitation: rehabilitate a former quarry with treated biosolids over a 35-year period	A long-term, cost-effective solution for treated biosolids that minimises truck movements through urban areas and results in a new regional park	<ul style="list-style-type: none"> ◆ Consents and appeals finalised ◆ Works ready to commence 	<ul style="list-style-type: none"> ◆ Application of biosolids to begin in 2013 ◆ Initial works to commence ◆ Trust being established and parkland opened for public use 	
Central interceptor: construct a central wastewater and wet-weather interceptor from central Auckland to the Mangere Wastewater Treatment Plant	The project will provide for population growth, mitigate risks of pipe failure and reduce wastewater and stormwater overflows in central Auckland	<ul style="list-style-type: none"> ◆ Concept design completed ◆ Consultation and preparation of consent application continuing 	<ul style="list-style-type: none"> ◆ Complete resource consent documentation for submission by mid-2012 ◆ Approval required to proceed 	
Hunua No.4 trunk watermain project: installation of approximately 35km of watermain from Manukau to central Auckland	The watermain will provide for population growth and it will increase the security of water supply to the Auckland region	<ul style="list-style-type: none"> ◆ Redoubt to Campbell roads (25km) consented ◆ Some local sections completed to co-ordinate with works by others 	<ul style="list-style-type: none"> ◆ Obtain consents for remaining sections ◆ Continue consultation with affected parties ◆ Continue collaborating with road and rail construction programmes 	
Project Hobson: replace the 98-year-old sewer that bisects Hobson Bay with a 3km-long tunnel	The tunnel provides storage and further capacity for population growth and reduces wet-weather overflows into the bay. The removal of the sewer has increased recreational opportunities in the bay	<ul style="list-style-type: none"> ◆ All works completed ◆ Visible sewer removed ◆ Reduced wastewater overflows into bay and surrounds ◆ Increased recreational opportunities in the bay 		
Christchurch relief effort: restoring water and wastewater services in Christchurch in the month following the February earthquake	Watercare engineers, fitters, instrument technicians and laboratory staff were deployed to Christchurch to help restore and test the water supply, and repair the wastewater treatment plant	<ul style="list-style-type: none"> ◆ Provision of mobile chlorine dosing rig ◆ Production, installation and commissioning of 26 chlorine dosing rigs ◆ Bromley Wastewater Treatment Plant repair work ◆ Laboratory testing 		
Reliability-Centred Maintenance (RCM) programme: a programme to identify when to repair or replace assets	The programme provides a balance between environmental and service risk by identifying optimum frequency for maintenance of assets and determining when assets can continue to be used until they need replacing	<ul style="list-style-type: none"> ◆ Completed the implementation of RCM to wholesale parts of the business 	<ul style="list-style-type: none"> ◆ Update RCM model as required ◆ Use RCM model to assist other maintenance projects 	
Western dams upgrade: the provision of compensation and free discharge valves	The upgrades will improve the quality of the water and aquatic life in the streams below the dams, and increase Watercare's ability to control lake levels	<ul style="list-style-type: none"> ◆ Work completed on the dams in the Waitakere Ranges 		
Pond 2 rehabilitation: rehabilitate a former oxidation pond at Mangere Wastewater Treatment Plant with treated biosolids	The site will be used as an ecological reserve. The rehabilitation is a least-cost solution and its proximity to the treatment plant minimises truck movements in urban areas	<ul style="list-style-type: none"> ◆ Rehabilitation progressing ◆ Submitted landscaping plans for approval 	<ul style="list-style-type: none"> ◆ Continue rehabilitation ◆ Obtain approval for landscaping plans from Auckland Council 	
Master planning: planning to ensure facilities and infrastructure can meet the needs of the growing region	Master plans provide a comprehensive review of facilities to ensure future capacity and regulatory requirements can be met in a cost-effective manner	<ul style="list-style-type: none"> ◆ Huia Water Treatment Plant master plan complete ◆ Mangere Wastewater Treatment Plant master plan substantially complete ◆ Water and wastewater network master plans are being prepared 	<ul style="list-style-type: none"> ◆ Prepare plans for the other major water treatment plants ◆ Complete plan for Mangere Wastewater Treatment Plant ◆ Complete plans for the water and wastewater networks 	
Watercare Harbour Clean-Up Trust	Watercare is principal sponsor of the Trust which works to remove litter from Waitemata Harbour and Tamaki Estuary	<ul style="list-style-type: none"> ◆ Trust set up and approved 	<ul style="list-style-type: none"> ◆ Continue removal of litter from Waitemata Harbour and Tamaki Estuary 	
Online billing	Development of self service and online functionality to reduce paper use while maintaining and enhancing customer service	<ul style="list-style-type: none"> ◆ Establishment of new website and services to streamline customer service 	<ul style="list-style-type: none"> ◆ Encourage further use by customers of online service ◆ Further develop services to meet customer needs 	



Upper Huia Dam in the Waitakere Ranges supplied 8.7 billion litres of water during the financial year.

INITIATIVE	SUSTAINABILITY IMPACTS	OUTCOME TO DATE	OUTLOOK 2011/12
Energy Focus: increasing internal power generation facilities and minimising energy consumption and costs	Biogas and hydro power generation facilities met 32 per cent of Watercare's total energy needs in 2011. Biogas engines also provide low-grade waste heat to sustain the anaerobic digesters which neutralise the solid waste products and produce biogas in the process	<ul style="list-style-type: none"> Submitted second annual carbon abatement report to the Ministry for the Environment to obtain carbon credits Optimised biogas engine operating routines Investigated benefits of increased use of off-peak energy tariffs Began preparing to participate in instantaneous reserves market and upper North Island voltage support initiatives 	<ul style="list-style-type: none"> Assess benefits of biogas storage in reduced flaring, improved engine operation and maximised generation at peak demand periods Achieve energy and cost-saving benefits with major energy users Participate in markets to relieve system stress on the national grid during Transpower's planned reinforcement measures 
Water demand management: co-ordinate regional management	Water demand management promoting efficient and wise use of water is a key to promoting the sustainable use of the region's water resources	<ul style="list-style-type: none"> Regional Water Demand Management Plan finalised and delivered to Auckland Council Adopted target of 15% reduction in water demand by 2025 	<ul style="list-style-type: none"> Continue existing programmes Consider further cost-beneficial options, e.g. water use in new buildings Develop and implement plan with Auckland Council and other stakeholders 
Graduate engineering programme: to support gaining of chartered status and raise company profile as employer	The programme enables engineering graduates to gain widespread experience and exposure during their early career years with Watercare	<ul style="list-style-type: none"> Continued support of graduate engineering group activities IPENZ mentoring group established and running within the company Continued professional-development workshops recognised by IPENZ 	<ul style="list-style-type: none"> Continue to encourage graduates to become chartered engineers and to participate in IPENZ 
Project Improve: staff generate ideas through the Continuous Improvement scheme	The scheme is delivering improvements to business practices through the generation of efficiency, effectiveness, and health and safety ideas	<ul style="list-style-type: none"> Regular presentations to senior management on all aspects of business performance 	<ul style="list-style-type: none"> Continue to encourage and implement ideas from staff 
Engaging with the community	Watercare is engaging in open communication with stakeholders using a variety of methods	<ul style="list-style-type: none"> Increased the number of schools participating in Adopt A Stream Significantly increased passenger numbers on the Rain Forest Express Since integration: <ol style="list-style-type: none"> Held open board meetings Improved Watercare website to better meet customer needs Established new interfaces for customer service 	<ul style="list-style-type: none"> Continue education programme Continue the Rain Forest Express service Undertake customer service survey Together with Auckland Council, consult with customers regarding the wastewater tariff Consult regularly with local boards 
Midge control: at the Mangere and Rosedale wastewater treatment plants	Watercare is minimising the impact of midges on the local community by reducing midge populations and habitats	<ul style="list-style-type: none"> Conducted regular field surveys of midge species and numbers Proactively controlled midge breeding grounds 	<ul style="list-style-type: none"> Continue midge control programmes 
Odour control: at the wastewater treatment plants, especially metropolitan plants and the wastewater networks	Watercare is minimising the impact of odour on local communities	<ul style="list-style-type: none"> Enclosed odorous processes Operated biofilter odour beds Held regular meetings with odour auditors and local communities 	<ul style="list-style-type: none"> Continue to undertake odour monitoring programmes Continue to respond to odour complaints 
Tree planting: throughout Auckland	Watercare is supporting community-led tree-planting initiatives	<ul style="list-style-type: none"> Continued riparian planting with the Waikato RiverCare Trust Continued riparian planting on public and private property in the Waitakere and Hunua ranges Continued support of Trees for Survival's native tree-planting programmes for local schools 	<ul style="list-style-type: none"> Manage a riparian planting project for the Waikato RiverCare Trust Continue riparian planting in the Waitakere and Hunua ranges Continue support of Trees for Survival 
Watercare Coastal Walkway: 13km public walking track	The public track links important public reserves to the north (Ambury Farm Park) and south (Otuataua Stonefields)	<ul style="list-style-type: none"> Further restoration work undertaken at Oruarangi Creek mouth Further land purchased to enhance open space and the coastal area 	<ul style="list-style-type: none"> Ongoing maintenance of the area Coastal walkways to be integrated into new Puketutu Island parkland 

These tables provide an overview of the sustainability impacts of the company's major initiatives. Capital projects are listed in detail in Watercare's Asset Management Plan, available on its website: www.watercare.co.nz.

CHAIRMAN'S REPORT



"Water is Watercare's business and with the early knowledge of efficiency gains available through integration, the company was able to deliver lower water prices."

On behalf of all my colleagues, I am pleased to be able to report a very successful year of transition for Watercare from a wholesale water provider and wastewater service deliverer to that of a fully-integrated wholesale and retail service provider across the Auckland region.

Watercare now supplies over 124 billion litres of water per year to 425,550 households and businesses through a network of 84 reservoirs, 90 pump stations and 8,825 kilometres of water pipes. The figures on wastewater are equally significant – 537 wastewater pumping stations, 7,693 kilometres of sewers and 162,500 manholes. This is a large business and network.

In any given day, Watercare issues 6,000 bills. Capital works in progress total \$800 million and the asset base is now valued at \$7.8 billion.

The company and its people have a notable responsibility in serving Aucklanders and are committed to working with the shareholder to do this.

Water is Watercare's business and with the early knowledge of efficiency gains available through integration, the company was able to deliver lower water prices. The announced retail price of \$1.30 per 1,000 litres (including GST) is approximately 15 per cent lower than the previous regional average, and in some cases significantly cheaper. In parts of rural Rodney, for example, the price paid for water decreased by more than 60 per cent. The key, uniting point is that the single region-wide tariff forms a sustainable base for future water pricing by Watercare.

Our next significant forward pricing challenge is wastewater. Currently, the charging methodologies vary significantly from one former council area to another and in some

parts of the region the revenue is collected on Watercare's behalf by the Auckland Council. Watercare is responsible for setting the wastewater charges that will apply from 1 July 2012 and has undertaken work with councillors representing a population base of 1.3 million people to establish an equitable basis for future charging.

Following the challenges of integration it was necessary to consolidate the new company – two-and-a-half times its previous size – into a customer-focused organisation operating in the all-new world of retail supply and I endorse the work management has done in this regard. The Auditor-General issued a report in August 2011, *Planning to Meet the Forecast Demand for Drinking Water in Auckland*, which was very positive. The Auditor-General concluded:

"Overall, we are pleased with the progress that Watercare has made in managing its extended responsibilities. The transition appears to be going relatively smoothly for customers, and Watercare seems committed to improving its service to customers. Watercare is making solid progress in its long-term planning for managing future demand, asset management, and funding and pricing. It should complete all of these plans by 2012."

Among the major strategic initiatives that will occur in the coming year are:

- A commitment to achieving an ongoing water supply improvement programme for the non-metropolitan areas, where the assets inherited through integration were not all of the required standard;
- An upgrade of the capacity of the Waikato Water Treatment Plant, where piling and clarifier construction will be undertaken this summer, with a membrane plant extension completed in the following year;

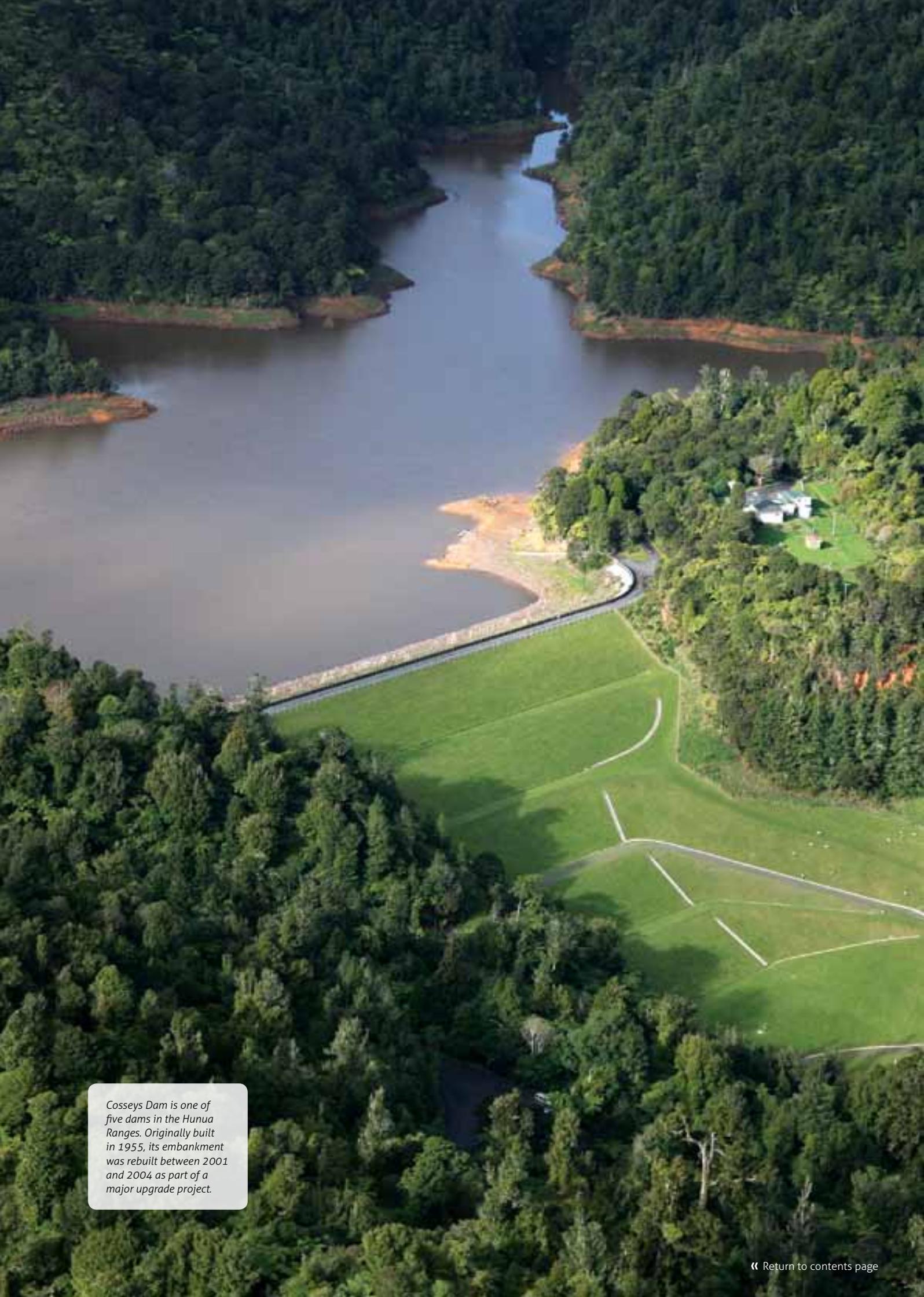
- The plan to rehabilitate Puketutu Island, adjacent to the Mangere Wastewater Treatment Plant, with treated biosolids. This project will see the island become a public open space for the enjoyment and benefit of all Aucklanders;
- Upgrades of rural wastewater plants that were inherited through integration; and
- Continued progress on the Hunua No. 4 watermain project, the construction and installation of approximately 35 kilometres of watermain from Manukau to central Auckland which ensures secure supply to an expanding Auckland population.

It is important that I record my thanks to the Watercare staff, our shareholder, suppliers and business partners for facilitating stable platforms for transition, and I reinforce our ongoing commitment to providing outstanding and affordable services for the people of Auckland.

I also want to acknowledge the stewardship and dedication to meet required objectives of my predecessor Graeme Hawkins who chaired Watercare between December 2002 and his retirement in December 2010, and also former Deputy Chairman Ian Parton who stepped into the role of Interim Chief Executive through the period of transition.

Finally, my Board were delighted to complete the appointment of Mark Ford as Chief Executive of the expanded Watercare effective from January 2011. Mark's clarity of vision, strong leadership and considerable experience in the sector have enabled Watercare's momentum and delivery of service objectives to be demonstrated from an early day.

Ross B Keenan
Chairman



Cosseys Dam is one of five dams in the Hunua Ranges. Originally built in 1955, its embankment was rebuilt between 2001 and 2004 as part of a major upgrade project.

Projects and Programmes Manager Tim Munro and Projects Manager David Shepherd assess progress on a new wastewater storage tank being built in Henderson. The tank, which will have a 13-million-litre capacity, will provide for growth and reduce the frequency and volume of wastewater overflows into the Waitemata Harbour.



DIRECTORS' PROFILES



1 Ross Keenan, 67
BCom, FCIT
Chairman

Ross Keenan joined the Watercare board in March 2010 and was appointed Chairman in December 2010. He is an experienced company director, with corporate governance and executive experience across a diverse range of companies including airways, tourism, telecommunications, health and property development. He has particular knowledge and experience in the retail and wholesale water and wastewater services industry and previously served as the Chairman of Metrowater.

General disclosure of interests:

Chairman: Allied Work Force Group Ltd; Ngai Tahu Tourism Ltd. Director: Ngai Tahu Seafood Ltd; Ngai Tahu Holdings Corporation; Touchdown Ltd.

2 David Clarke, 52
BE (Hons), ME, BBS, MBA, MInstD, FNZIM
Deputy Chairman

David Clarke has considerable experience in the areas of biotechnology, IT, health, food and related sectors. He has been the inaugural chair for multiple technology industries and has strong commercial and governance skills. His background includes engineering, finance, marketing and sales. He is a fellow of the New Zealand Institute of Management and member of the Institute of Directors.

General disclosure of interests:

Chairman: Hawkins Watts Ltd; Optima Corporation Ltd; TRGG Ltd; NZ Institute of Rural Health; Kordia Ltd; Skin Institute. Director: Cranleigh Merchant Bankers; Farm IQ Systems Ltd; Ngai Tahu Tourism Ltd; Hynds Group Ltd; KODE Biotec Ltd. Trustee: South Auckland Foundation (Middlemore/CMDHB).

3 Peter S Drummond, 58
MNZM, AFINST D

Peter S Drummond is an experienced director and chairman, with extensive international business management and marketing experience. He was previously Chairman of Watercare and brings extensive knowledge of the wholesale and retail water services industry. He has also served on the boards of Vector, MidCentral Health and HortResearch Ltd as well as a large range of community organisations such as Variety, the children's charity. Peter rejoined the Watercare board in March 2010.

General disclosure of interests:

Chairman: United Fire Brigade Association; Appliance Connection Ltd; Watercare Harbour Clean-Up Trust; Variety Medical Missions South Pacific. Deputy Chairman, Tourism Events and Economic Development Ltd (TEED). Director: NARTA New Zealand Ltd; NARTA International PTY Ltd. International President: Variety Children's Charity.

4 Catherine Harland, 49
BA, PGDipBus (Marketing), MBA, JP

Catherine Harland has a background in research, consultancy and public policy in local and central government. She was a local government member in Auckland for 15 years, serving on and chairing major regional and city committees. Currently, Catherine is project leader at the New Zealand Institute, an independent thinktank. Previously, she worked with AUT University's Institute of Public Policy and was engaged in consultancy work with the Auckland water industry. Catherine is a Justice of the Peace and served on the Auckland Observatory and Planetarium Trust Board for 11 years, five of those as chair.

General disclosure of interests:

Director: McHar Investments Ltd; Interface Partners Ltd. Trustee: Auckland Restorative Justice Trust; One Tree Hill Jubilee Educational Trust.

5 Susan Huria, 51
FPRINZ, MInstD

Susan Huria is a specialist in the Maori sector, working with Maori organisations on constitutional reviews, board appointments, support and strategic advice. She has extensive governance, marketing communications and general management experience. Susan was an executive at Auckland International Airport and worked in marketing and communications for 10 years, before starting her own management practice, Huria Anders, in 2000.

General disclosure of interests:

Deputy Chair: AgResearch Ltd. Director: Northland Port Company Ltd, Veterinary Enterprises Group Ltd. Director and shareholder: Huria Anders Ltd; Susan Huria (2003) Associates Ltd; Te Ara Tika Properties Ltd. Director: Vermilion Design Ltd; Airways Corporation of New Zealand Ltd. Trustee: First Foundation.

6 Tony Lanigan, 63
BE (Hons), PhD, FIPENZ, MICE

Tony Lanigan is a professional civil engineer (FIPENZ), project-management consultant and former General Manager of Fletcher Construction. Tony was Chancellor of Auckland University of Technology and a director of Infrastructure Auckland. He is currently Vice Chairman of Habitat for Humanity in New Zealand and Chair of the NZ Housing Foundation. He is a director of the NZ Transport Agency (NZTA).

General disclosure of interests:

Chairman: NZ Housing Foundation. Vice Chairman: Habitat for Humanity New Zealand. Director: Hargrave Project Management Ltd; A G Lanigan & Associates Ltd; NZ Transport Agency (NZTA).

7 Patrick Snedden, 56
BCom, BA

Patrick Snedden has considerable experience in corporate governance and has previously chaired both the Auckland District Health Board and Housing New Zealand Corporation. He also has extensive commercial experience with Maori organisations and has a sound understanding of the role public sector organisations play in the community.

General disclosure of interests:

Chairman: Tamaki Plan Development Board, Manaikalani Education Trust. Director: Snedden Publishing and Management Consultants Ltd.

8 Jeff Todd, 69
CBE, BCom, FCA, FInstD
Chairman of the Audit and Risk Committee

Jeff Todd is a chartered accountant and company director and was formerly managing partner for New Zealand and the Pacific for Price Waterhouse (now PwC). He is a former chairman of the Southern Cross Medical Care Society, Southern Cross Healthcare Trust and The New Zealand Guardian Trust Company Ltd, and director of the Reserve Bank of New Zealand and the ANZ Banking Group (NZ) Ltd. He has a particular interest in corporate governance and is a fellow of the Institute of Directors.

General disclosure of interests:

Chairman: Dynasty Hotel Group Ltd; Sanford Ltd; Medical Research Foundation. Director and Deputy Chairman: National Research Centre for Growth and Development. Trustee: Goodfellow Foundation; Post-Graduate Medical Society (School of Medicine, University of Auckland); Christian Healthcare Trust.

For directors' meeting attendance, see Governance on page 17.

CHIEF EXECUTIVE'S REPORT



"Our challenge involved radical rethinking to ensure that the customer sits at the heart of everything we do."

Significant change occurred in our company from 1 November 2010. That was the date on which we assumed responsibility for directly serving around 1.3 million Aucklanders.

Before that, Watercare was purely a wholesaler in the water and wastewater utility business. Our half-dozen customers were local councils or water retail companies that each operated local networks and onsold our services to households and businesses in different parts of the Auckland region. But legislative change has resulted in our transformation into an integrated water utility and we now have full responsibility for all water supply from source-to-tap, and for all wastewater services.

By any measure this makes Watercare big business. Our workforce has increased to 611 permanent staff and our annual revenue is now \$373 million. Our asset base has increased and is valued at \$7.8 billion – greater than that of many of New Zealand's most significant listed companies. Despite the huge growth in year-on-year revenue and the significant capital programme we discharged, I am pleased to report that our total operating expenses of \$156.5 million (excluding depreciation) were under budget by more than \$10 million at year-end.

The greatest change we have experienced has been about much more than the throughput of cash or the addition of some new assets. It has involved radical rethinking to ensure that the customer sits at the heart of everything we do.

Along the way, we have had to challenge ourselves – and this has sometimes been difficult. We have made structural and organisational changes; some staff have left and others have joined; we have rethought, refreshed and, where necessary, relocated

parts of our business to ensure we were equipped to meet our new responsibilities.

As a result, no part of the Watercare business is unchanged. From the way we answer phones to the thinking we employ when designing a process improvement or responding to a complaint, our approach now puts the customer at the heart of our operations.

We have brought forward significant IT projects to ensure our retail billing and customer-management systems are effective and customer-friendly. We have engaged with social agencies to ensure that our approach to handling customers experiencing hardship is fair. We have taken over a network of maintenance contractors – the crews that respond to faults in local water and wastewater pipes, all of whom have had to be inducted into the Watercare way of working.

Most of all, we are reminded every day of our direct responsibility to the people of Auckland who pay for our services.

Outstanding and affordable services

For many years, Aucklanders have paid directly for the water they use through meters in homes and businesses. It is a matter of great pride at Watercare that we have been able to reduce the retail price of water across Auckland through cutting the unit rate, and also scrapping the fixed service charges for water that were previously payable in some areas.

As the Chairman has noted on page 6, Watercare cut the prices of water for all Aucklanders effective 1 July 2011, with the new tariff set at \$1.30 (including GST) for 1,000 litres. The lower price is thanks to efficiencies generated by Watercare

since it took over responsibility for service delivery from the former network operators. Wastewater prices increased by 4.5 per cent from the same date. While no customer welcomes a bigger bill, the wastewater increase was significantly lower than the price rises ranging from 6.9 to 36.9 per cent that had been forecast by the previous councils.

For the 2011/12 financial year we are continuing to charge for wastewater services according to the various methodologies applied by the old councils – that is to say, either fixed fees per property or variable sums linked to the consumption of metered water. However, from 1 July 2012, Watercare is required to introduce a new, single wastewater tariff and Auckland Council has proposed to us that it consults with the public on tariff methodologies that meet our funding requirements. While Watercare is solely responsible for setting the charges for both water and wastewater, we agree with our shareholder's logic on this point. Watercare's decisions on wastewater pricing will coincide with a number of council decisions which also impact on individual households and businesses, including the rationalisation of the rates system in Auckland and a number of other council funding decisions. One meaningful round of public consultation – rather than several – seems to us to be sensible.

Of course price is just one part of our commitment to customers. Our vision is to supply outstanding and affordable services to all Aucklanders, and it is clear that some of the assets we inherited on 1 November 2010 fell well short of being outstanding, especially in non-metropolitan parts of our region. We have a range of long- and short-term initiatives



Watercare Chairman Ross Keenan, Auckland Mayor Len Brown and Mark Ford attend an event to commemorate the Waitakere Dam's 100th year of operation in December 2010.

Water prices reduced by Watercare, effective 1 July 2011

	OLD PRICE PER 1,000 LITRES (PRE-JULY 2011)	WATERCARE PRICE PER 1,000 LITRES (POST-JULY 2011)	PERCENTAGE CHANGE
Rodney District (rural)	\$3.50	\$1.30	-62.9%
Rodney District (urban)	\$1.96		-33.7%
North Shore City	\$1.52		-14.5%
Waitakere City	\$1.74		-25.2%
Auckland City (ex-Metrowater)	\$1.62		-19.7%
Manukau City (ex-Manukau Water)	\$1.31		-0.6%
Franklin District	\$2.00		-35.0%

to address the shortfalls and, in our current Asset Management Plan, we have allocated \$150 million over 10 years towards the improvement of non-metropolitan water and wastewater plants.

Some of the work is already under way. At Pukekohe township, in the former Franklin district south of Auckland, we announced a \$13.1-million project to construct a large, 6.5-kilometre-long watermain that will supply the community with the same quality of water supplied to metropolitan Auckland.

The problems we discovered at Pukekohe are typical of some smaller communities where significant capital investment has not occurred due to the relatively small customer base that was expected to fund the work. At Pukekohe, there was insufficient water to satisfy peak demand and there were long-standing complaints about the water colour and quality. I'm pleased to report that design work on this

project is now in progress, and we expect the new watermain to be operational by mid-2013.

Progress on projects

Other significant capital works are under way in the north-west of our region, in the former Rodney District, where a number of rural water and wastewater schemes are under development, and at Kawakawa Bay, on the east coast to the south of the region, where a new wastewater treatment plant, planned and developed under the former Manukau Water Limited, will become operational this year.

Our largest single capital project, the Central Interceptor, is still in its earliest planning stages. This is a 13-kilometre-long tunnel proposed to collect and carry wastewater along a route from the Western Springs area of Central Auckland to Mangere. When completed, in addition to meeting planned growth and development, this project will see the replacement of ageing infrastructure and

reduce the frequency of overflows. If all goes according to plan, we will apply for resource consents in mid-2012, with construction planned for 2016-20.

Over the next 10 years, we have an ambitious capital investment programme totalling more than \$4.7 billion, including \$2 billion on water and wastewater network expansion and a further \$1.4 billion on updating our existing networks.

In our next Asset Management Plan we have committed \$330 million to Hunua No. 4, a major new pipeline running the 26 kilometres from Redoubt Reservoir to Campbell Road. This is a critical asset with a 100-year lifespan that will mitigate security of supply risks and allow for Auckland's continued population growth. Other significant projects include: the Waikato Water Treatment Plant upgrade, valued at around \$90 million; water and wastewater improvements in the NORSGA (Northern Strategic Growth Area) around Hobsonville and in the Kumeu, Huapai and Riverhead areas; southern area water improvements; upgrades at Mangere and Rosedale wastewater treatment plants; and continued water treatment plant work at Ardmore and Huia.

I am also pleased to report that the development of Puketutu Island as a public open space has come a step closer with the granting of designation and resource consents by the Environment Court. This occurred on 18 July 2011, shortly after the end of the financial year, and clears the way for the rehabilitation of the island's quarry with clean fill and treated biosolids from the adjacent Mangere Wastewater Treatment Plant, and for the creation of a new regional park.

Earlier negotiations between Watercare, the Kelliher Charitable Trust, which owns the island, and local iwi resulted in an agreement to develop Puketutu Island as a public open space. The island's freehold title will transfer to new trustees and Watercare will lease the island. Through this process it is proposed that Auckland Council takes up a renewable lease to guarantee that Puketutu Island remains available to the people of Auckland in perpetuity, with areas opened for public access progressively.

In addition to creating a magnificent new public space for the people of Auckland, this project allows us to rehabilitate the quarry with biosolids. This is a cost-effective strategy for the management of Auckland's biosolids over a 30-year period and dramatically reduces truck movements through the wider Mangere area.

Continued community support

On 1 November 2010, a new model of local government was established in Auckland. Aucklanders gained a new mayor, new council and 21 local boards to enable local representation and decision-making on behalf of local communities. Auckland Council is our shareholder and we work co-operatively with the council, its elected members and staff, in all areas of our business.

I am especially pleased with the quality of our relationships with Auckland's local boards. The boards reflect the diversity and wide-ranging interests of the region. Practical issues such as pipe bursts, overflows and water quality complaints raised through our customer contact centre have been escalated by local board members in a number of cases and we now have an ongoing programme of local board engagement. I am committed to ensuring that, where possible, local boards are the first to know of network improvements and other work with the potential to impact local communities.

We are also keen to engage with them in our milestone events and we were pleased that Waitakere Ranges local board chair Denise Yates and local board member Judy Lawley were able to join Mayor Len Brown and several Watercare staff and board members at an event in December 2010 to celebrate the 100th anniversary of the Waitakere Dam.

Performance improvement

During the 17-plus years I have been associated with Watercare, I have been especially proud of the culture of health and safety that has been developed. Industry-leading practices have become part of the



company's standard operating procedures – quite simply 'the way we do things' – and, by late May 2011, we had recorded an 18-month period without a single lost-time injury. It was therefore especially shocking on 4 June 2011 when a serious accident occurred at an Auckland construction site, causing the death of one Watercare employee and injuring several other staff members and contractors. The Onehunga incident is described in more detail on page 14 and, at the time of writing, we are assisting the Department of Labour with their inquiries as well as conducting our own internal review. Without pre-empting these processes, I can say that we are committed to learning all the lessons we can from the Onehunga incident. We must clearly understand the cause or causes of the tragic accident and ensure this never happens again. The safety of our people, and that of the general public, is paramount.

The spirit of continual improvement which underpins our commitment to health and safety is evident across other areas of our business. We have maintained and expanded our long-running Project Improve programme, where emerging leaders in the organisation demonstrate initiatives they have devised to save time, reduce cost or improve service levels. Among the initiatives brought forward under this project this year have been an upgrade of our control systems and knowledge management – effectively enabling the entire water and wastewater networks to be operated remotely, and reducing reliance on our 24/7 Newmarket control room – and a programme to swiftly address performance shortfalls in some of our newly inherited non-metropolitan plants.

During the year, we also undertook two major systems upgrades. Hansen was selected as our retail billing system and

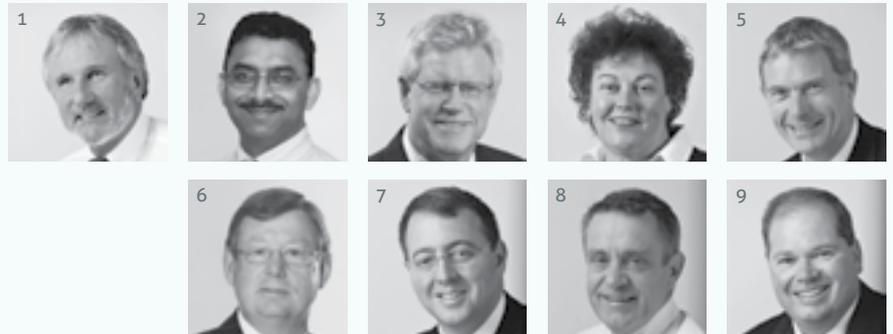
SAP our enterprise asset-management solution. SAP now supports finance and management accounting, capital expenditure, operating expenditure, project management, purchasing and stores, wholesale asset maintenance and operations. As a result, we have more tightly integrated internal processes and are better able to capture data and track and report performance.

My own association with Watercare dates back to 1994 when I became the Chief Executive. I remained here until June 2009 when I resigned to accept the Government's invitation to become Executive Chairman of the Auckland Transition Agency, the body responsible for planning and managing local government reorganisation. Upon the completion of that assignment, I was thrilled to rejoin Watercare as it faced its expanded responsibilities and I would like to record my thanks to the board members and executives who acted as caretakers during my 20-month absence.

From November 2010, and in the months that have followed, we have continued to refine the composition of the executive team to meet the challenges of the expanded business. I would like to thank all Watercare staff for their continued efforts during this time and I believe that the teamwork and goodwill which exists at all levels of our organisation positions us strongly to continue to serve the people of Auckland.

K M Ford
Chief Executive

EXECUTIVES' PROFILES



1 Mark Ford, 61
CNZM, BA
Chief Executive

Mark Ford is the Chief Executive of Watercare Services Ltd. He held the role from 1994 to June 2009 and was reappointed following the company's expansion to include retail operations. He is an experienced chief executive, director and chairman who has worked in the water, forestry, transport and petroleum industries. From July 2009 until his recent reappointment to Watercare he was Executive Chairman of the Auckland Transition Agency, the government agency responsible for planning and managing the transition to Auckland's new governance arrangements. Mark currently serves as the Chair of Auckland Transport.

2 Raveen Jaduram, 49
ME, BE (Hons), FIPENZ
Chief Operating Officer

Raveen Jaduram was appointed to the role of Chief Operating Officer in early 2010. He has extensive experience in the New Zealand water industry and has previously held management roles at Manukau Water, Metrowater and Watercare. Raveen is a former president and board member of the New Zealand Water and Wastes Association, and New Zealand delegate to the Water Environment Federation, USA.

3 Brian Monk, 61
BCom, ACA
Chief Financial Officer

Brian Monk is a chartered accountant with 40 years' experience in corporate financial management. He was appointed to the role of Chief Financial Officer in November 2010. Brian has previously held senior financial management roles with Auckland Regional Council, Fletcher Energy, Air New Zealand and US multinational S.C. Johnson & Son.

4 Trish Langridge, 53
MBA, Diploma of Nursing
Chief Services Officer

Trish Langridge is an experienced general manager who has worked in both the health and local government sectors. Her responsibilities include customer services, human resources and property. Trish developed and implemented the customer services function of Auckland Council prior to joining Watercare in 2011.

5 Graham Wood, 54
MIM, BA (Hons), FIE (Aust),
MCIWEM, CPEng (Aust), C Eng (UK)
Chief Infrastructure Officer

Graham Wood is a chartered mechanical engineer with 20 years' experience in the water industry across four continents. He is a former General Manager of Operations for Watercare and is currently responsible for the company's major infrastructure projects, new developments, and energy and control systems.

6 Rob Fisher, 67
ONZM, LLB, Dip TP
General Counsel

Rob Fisher is a barrister who has specialised in resource management, public law and local government law. As a litigator, he appeared frequently before the Environment Court, the High Court and the Court of Appeal. In a 40-year legal career, he has provided strategic advice and expertise to both private and public bodies, especially in the consenting of large infrastructure projects. Rob was the 2010 Barrister of the Year in the New Zealand Law Awards and was made an Officer of the New Zealand Order of Merit in the 2011 Queen's Birthday Honours.

7 Clive Nelson, 45
MBA
Corporate Strategy and
Communications Manager

Clive Nelson's responsibilities include corporate and strategic planning, media relations, publications, education programmes, and internal and external communications. He is an experienced general manager with a background in strategic planning, communications and media. From July 2009 to November 2010, Clive was seconded to the Auckland Transition Agency.

8 David Hawkins, 57
MPP, TTC, JP
Corporate Relations Manager

David Hawkins' responsibilities include government and community relations. He has a background in sales and marketing management for New Zealand and global brands, and has a strong commitment to local government and community engagement. David has previously served as an Auckland Regional Councillor and is a former Mayor of the Papakura District.

9 David Sellars, 44
BCA, CA
Risk and Assurance Manager

David Sellars is a chartered accountant with experience in banking and audit functions. He has previously been responsible for risk assurance, reporting on the internal control environment and governance of major projects. As the Risk and Assurance Manager, David is responsible for internal audit, risk management and quality assurance.

ONEHUNGA GAS EXPLOSION

Early on Saturday 4 June 2011, many New Zealanders woke to the news that there had been a serious accident at a construction site in the suburb of Onehunga, Auckland.

Watercare’s Network Maintenance Planner Philomen Gulland, 48, was killed and several of her colleagues were injured when an explosion occurred during an inspection of a 1.9-metre-diameter pipe which had been drained of water. The fire service later identified the presence of gas, and the police, fire service and Department of Labour launched inquiries. Additionally, Watercare commenced its own review.

Four Watercare staff members and contractors required hospital treatment. One of these, Network Engineer Ian Winson, 47, suffered serious injuries.

Chief Executive Mark Ford described the accident as “a very dark hour for Watercare”, noting at the time: “These people are like family to us”.

The accident occurred at a construction site at the intersection of Mt Smart Road, Victoria Street and Athens Road, where contractors earlier that morning had completed the removal of a section of the Hunua No. 3 watermain that had been drained and withdrawn from service. A new section of pipe was to be linked as part of a project which will ultimately connect a new watermain, Hunua No. 4, to the existing network.

At the time of the accident, Philomen and her colleagues were commencing a condition inspection of a section of the drained pipe. The project work and the inspection had been scheduled for Queen’s Birthday Weekend as this is typically a time of low water demand in Auckland.

Philomen, a Canadian-born mother-of-two, was a popular and well-respected Watercare staff member. Several hundred friends, family and colleagues attended a gathering to farewell Philomen at Auckland’s Waipapa Marae. In a notice in *The New Zealand Herald*, her colleagues recalled her professionalism, generosity and laughter, and said she would be sorely missed.

At a committee meeting on 9 June 2011, members of Auckland Council observed a minute’s silence and expressed their condolences to the families of Philomen and to the others who were injured, recording that this was Watercare’s first lost-time injury accident in 18 months.

Construction work has since been completed and the watermain has been returned to service with the new connection in place.

Watercare at work

Watercare team aids Christchurch recovery

Watercare sent a 28-strong response and recovery team to Christchurch following the devastating earthquake that struck the city on 22 February 2011.

Christchurch relies on groundwater. Prior to the earthquake, the groundwater was not treated and therefore the city’s water utility provider did not have disinfection facilities or expertise in this area. With the threat of groundwater contamination, the Medical Officer of Health decided it was necessary to chlorinate the water to lower the risk to public health.

In the days that followed the earthquake, Watercare set up its containerised mobile chlorine dosing rig to disinfect water at the largest pump station. This rig had been built following the earthquake in September 2010 and, while it was not needed then, it was quickly pushed into action this time.

Watercare also designed and oversaw the production, installation and commissioning of 26 chlorine dosing rigs that were used at the high-risk pump stations.



Operations Manager Wastewater Mark Bourne says the Watercare team set up a depot in Christchurch and secured a local contractor to assist with the build of the units.

“After the units were pressure tested, we installed and commissioned them before handing them over to the council.” While the majority of work was based

around water supply, a team of fitters and instrument technicians was based at Bromley Wastewater Treatment Plant to carry out emergency repair works. Watercare laboratory staff also helped the council with water-quality testing. The staff worked on a rotational basis over the course of four weeks.

North-Western Water Supply Manager Priyan Perera beside one of the pump stations that was affected by the February earthquake.

GOVERNANCE

The board and management of Watercare remain committed to ensuring that the company applies best-practice governance policies and procedures.

1. ACCOUNTABILITY

Shareholder

Watercare has been the provider of bulk water and wastewater services to the Auckland region since 1991. On 1 November 2010, as a result of Auckland regional governance reforms, the company took over ownership and management of all the water and wastewater assets within the Auckland Council region and began retailing services directly to the people of Auckland. The exception was the Papakura district where retail services continue to be managed via an existing franchise agreement with United Water.



Prior to 1 November 2010, Watercare was owned by six city and district councils. With the disestablishment of those councils and the creation of a single unitary authority, Watercare now has a single shareholder, Auckland Council. Watercare reports quarterly to Auckland Council through the Accountability and Performance Committee (the Committee), a committee of the whole council. The relevant legislation is set out below.

Responsibilities

The board is appointed by the shareholder to govern Watercare in accordance with the statutory obligations and in accordance with the agreed Statement of Corporate Intent

(SCI). The board is ultimately responsible for all decision-making by the company. Operational responsibility is delegated to the Chief Executive by way of a formal delegated authority framework.

Statement of Corporate Intent

The SCI represents Watercare's public and legislative expression of accountability to its shareholder and establishes the agreement between the board and the shareholder, setting out the objectives, nature and scope of activities undertaken and performance targets by which the company is measured.

Watercare delivered the 2011/12 SCI to the shareholder on 30 June 2011, earlier than required by legislation. This followed a board meeting on 23 June 2011 at which members of the public were invited to attend and speak as the SCI was considered and adopted. As part of the process, feedback from Auckland's local boards and the Maori Statutory Board was invited. The 2011/12 SCI is published on Watercare's website www.watercare.co.nz.

Performance measurement and reporting

The performance of the company against the measures in the SCI is reported to the Committee quarterly. This annual report includes a Statement of Service Performance (SSP), which records the performance of the company against the measures in the 2010/11 SCI. The report is set out on pages 107-111. The company's annual report also includes the reporting of performance against a number of non-mandatory measures. Performance measures in eight focus areas are reported on pages 20-57.

2. TRANSPARENCY AND OPENNESS

Legislative framework

Watercare is a limited liability company registered under the Companies Act 1993 which governs the conduct of companies in New Zealand. The Local Government Acts of 1974 and 2002 define the roles and duties of local government organisations in New Zealand and contain specific provisions for Watercare.

The legislative framework enabling and governing Watercare's operations is largely found in three Acts and amendments:

1. Local Government (Tamaki Makaurau Reorganisation) Act 2009
2. Local Government (Auckland Council) Act 2009
3. Local Government (Auckland Transitional Provisions) Act 2010.

Under legislation, Watercare is currently a council organisation and will become a council-controlled organisation (CCO) on 1 July 2012. By law it must remain owned by Auckland Council until 30 June 2015.

The company's obligations to deliver water and wastewater services for Auckland are established under Part 5 section 57(1) of the Local Government (Auckland Council) Act 2009 which stipulates that an Auckland water organisation:

- 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
- Must not pay any dividend or distribute any surplus in any way, directly or indirectly, to any owner or shareholder
- Is not required to comply with section 68(b) of the Local Government Act 2002 (voiding the requirement to pay a dividend)
- Must have regard for public safety (e.g. the safety of children in urban areas) in relation to its structures.

Also under the legislative framework:

- At least two board meetings a year are required to be held in public, before 30 June to consider the council's comments on the draft SCI and after 1 July to consider the company's performance under the SCI in the previous year
- Elected members and employees of local authorities are prohibited from being Watercare directors
- The company's financial statements, the SCI and specified long-term plans must be audited by the Auditor-General, or by an auditor acting on behalf of the Auditor-General.

GOVERNANCE (continued)

Board performance

The performance of the board is reviewed by the shareholder annually, both in relation to the board as a whole and the contribution of individual directors.

Board remuneration

Board remuneration is determined by the shareholder.

Performance of the Chief Executive

The performance of the Chief Executive is reviewed annually by the board.

Transparency in reporting

Watercare remains committed to transparent reporting. Recognising this, Watercare publishes:

- An annual SCI;
- An annual Funding Plan;
- An Asset Management Plan;
- An annual report that records performance against SCI and non-mandatory measures, and guidelines developed under the United Nations' Global Reporting G3 Initiative (see page 112);

- An overview of current water storage levels and other information; and
- Special reports and project newsletters for interested parties.

Setting standards of conduct for staff

Watercare demands the highest standards of behaviour from its staff. Policies governing the conduct of staff are published on the company's intranet. The policies also set out the delegated authority within the company. Watercare's projects are subject to internal probity reviews and external probity auditors are appointed to provide additional assurance on major projects.

Whistleblowing

The company has a specific policy to receive and deal with information about any serious wrongdoing within the company, as required by the Protected Disclosures Act 2000. Watercare's policy prescribes how Watercare staff and others would report matters of serious wrongdoing, and provides contacts to whom such reporting can be addressed. The policy defines serious wrongdoing and applies to present and past employees, and to any individual either seconded to, or working on a contract basis for, Watercare.

3. INTEGRITY

Corporate governance charter

The 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 New Zealand Institute of Directors' Code of Proper Practice for Directors, relevant sections of the New Zealand Exchange Limited (NZX) Corporate Governance Best Practice Code and the Securities Commission's nine principles of corporate governance.

Disclosures of interest

A register of directors' interests is maintained by Watercare and updated as and when necessary. Directors' interests are a standard item of business on the agenda of every board meeting. These agendas are published on www.watercare.co.nz. Any disclosure of interest is recorded in the meeting minutes and the participant concerned refrains from taking part in the discussion or voting on any related resolution. During the year, there were four occasions when a director disclosed a potential conflict of interest.

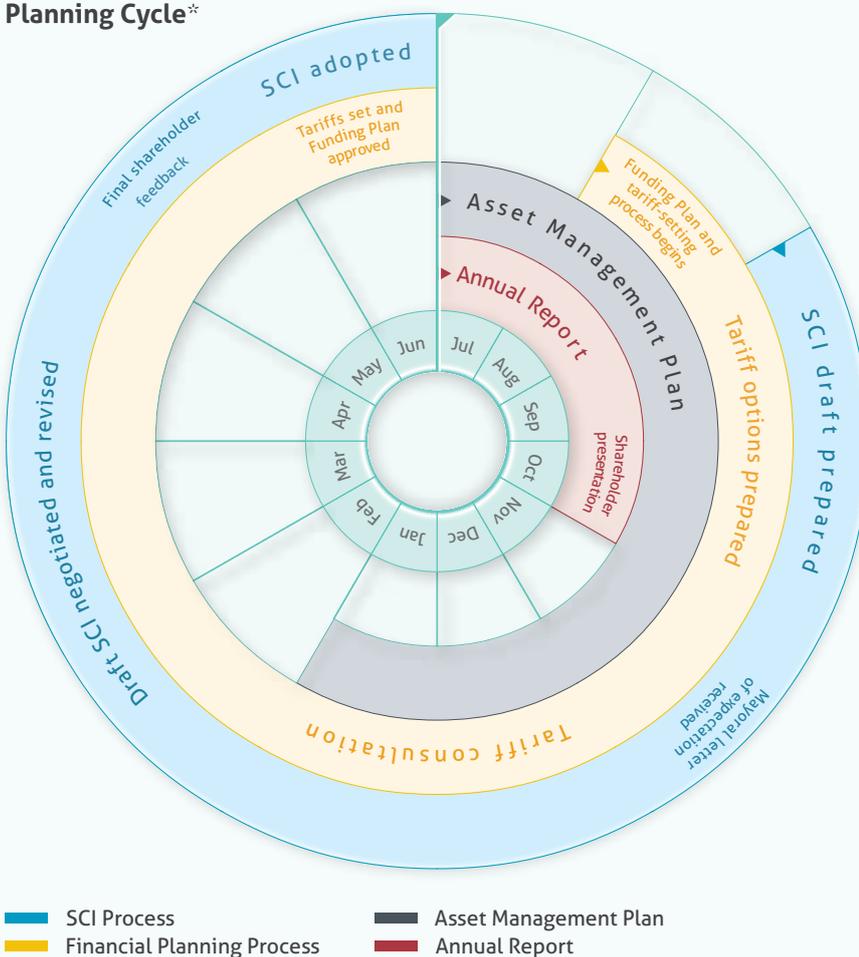
Audit and Risk Committee

The board is responsible for appointing the members of the Audit and Risk Committee. The committee's role is to assist the board to fulfil its responsibilities in the areas of financial reporting and to provide assurance regarding compliance with internal controls, policies and procedures. Its responsibilities are established in the Audit and Risk Committee Charter which is reviewed annually. The committee has no delegated authority. In carrying out its duties, the committee meets regularly with the external and internal auditors (both with and without management present) and the management of the company. At least one member must have accounting or financial management expertise. The Chairman of the board may not be Chairman of the Audit and Risk Committee. The Chairman of the board is Ross Keenan. The Chairman of the Audit and Risk Committee is Jeff Todd. All Watercare directors receive the papers of the Audit and Risk Committee in advance and all are invited to attend committee meetings.

Regular independent reviews

Watercare validates its planning, operations and reporting with independent consultants on a regular basis. This year, the Audit and Risk Committee sought a review by J Hagen Ltd on the extent to which Watercare follows good practice in its procurement processes

Watercare Governance Planning Cycle*



* From 1 July 2012, Watercare will produce a Statement of Intent (SOI) rather than an SCI.

and ensures that competitive tendering is undertaken when appropriate. The review concluded that policies were appropriate for Watercare and that they reflect good practice.

4. STEWARDSHIP

Indemnity and insurance

Watercare has executed a deed of indemnity with each director which indemnifies the director in accordance with the company's constitution and grants certain rights in respect of access to documents and the maintenance of liability insurance cover.

Board meetings

Watercare's board meetings are advertised in advance and members of the public are invited via public notices and the company's website. The agenda and papers being presented to the board are made available in advance of the board meeting through Watercare's website, where minutes of previous meetings are also published.

Additionally, two meetings invite public feedback (one on performance for the previous year and the other on the SCI for the following year). During the year, two joint board and management workshops were held.

Risk management

Watercare's framework for risk identification, measurement and reporting is well developed, and meets the requirements of AS/NZS ISO 31000:2009. There are regular external reviews of Watercare's framework to ensure the company meets and exceeds good practice measures in risk management. As part of the risk-management framework, the company has established a Risk Steering Committee which meets six times per year to monitor emerging risk and risk-mitigating actions and strategies. The committee comprises the Chief Executive, senior management, the Risk and Assurance Manager and the Corporate Risk Manager. Risks that have serious consequences are in turn directly monitored by the board, with updates presented to each meeting.

External auditor

The Auditor-General is the auditor of the company's financial statements. The Auditor-General has appointed Jamie Schmidt, using the staff and resources of Deloitte, 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 has no relationship with the company outside of the audit and related assurance activities.

This satisfies the independence requirements of the Auditor-General and the Institute of Chartered Accountants of New Zealand.

Regulators

Watercare is subject to regulation in planning, health and environmental matters. The principal regulators include: Auckland Council, Waikato Regional Council and Ministry of Health. The company also engages with these bodies by providing input on the impacts of existing and proposed policy and regulation on Watercare's activities.

Advisory groups

Watercare has two standing consultative and advisory committees that have commented on company plans and projects in 2010/11. They are the Environmental Advisory Group and the Maori Advisory Group. The Environmental Advisory Group comprises experts who advise on how the company's activities impact on the environment. The Maori Advisory Group advises Watercare on how its plans and operations impact on Maori and on the relationship between the natural environment and Maori. The reports of the Environmental Advisory Group and the Maori Advisory Group can be found on pages 18 and 19.

Other stakeholders

The company consults extensively with its shareholder and customers, local communities, environmental regulators, special interest groups and advisory groups.

The performance of the company is very closely monitored in terms of the level and quality of the service provided to both customers and the community. The level of service is reported to the board monthly and to the shareholder on a quarterly basis.

Official information requests

In 2010/11, Watercare received 20 requests under the Local Government Official

Information and Meetings Act 1987. The average response time was six days.

5. LEADERSHIP

Governance communication

As previously noted, Watercare board meetings are held in public. At the two specified board meetings, members of the public are given the right to speak in regard to the SCI. Decisions of a confidential or commercial nature are held in a confidential section of each board meeting. All papers presented at the public meetings and the minutes are published on the company's website.

Complaints disclosure

Any complaints against the company and the quality of response are recorded. Targets have been set for the management of these processes and the levels of service are reported in the annual report, to the shareholder quarterly, to the board monthly and are made public at the board meetings and published on the company website.

Board membership and composition

The board comprises eight independent, non-executive directors. Their profiles and disclosures of interests are published on page 9. Directors, including the Chairman, are appointed by the shareholder. Initial board appointments are normally for a term of three years in accordance with the company's constitution, with directors being eligible for reappointment at the discretion of the shareholder.

Graeme Hawkins retired from Watercare in December 2010, following eight years as Chairman. He was replaced by former Deputy Chairman Ross Keenan.

BOARD MEMBER	APPOINTED	ATTENDANCE AT BOARD	ATTENDANCE AT AUDIT AND RISK COMMITTEE
Ross Keenan (Chairman since Dec 2010)	March 2010	16/17	4/5
David Clarke (Deputy Chairman)	July 2008	14/17	
Patrick Snedden	Dec 2002	16/17	3/3
Susan Huria	July 2008	16/17	
Peter Drummond	March 2010	12/17	
Jeff Todd (Chairman Audit and Risk)	May 2007	13/17	5/5
Catherine Harland	April 2011	2/2	
Tony Lanigan	April 2011	2/2	
Graeme Hawkins (Former Chairman)	Dec 2002 (retired Dec 2010)	11/11	2/2

ENVIRONMENTAL ADVISORY GROUP



27 July 2011

This has been an exciting and challenging year for Watercare. In addition to its responsibility for providing bulk water supply and wastewater services, on 1 November 2010 Watercare assumed the responsibility for providing retail water supply and wastewater services across the Auckland region. This new area of responsibility brings with it a range of new environmental challenges.

The Environmental Advisory Group (EAG) continues to work closely with Watercare to advise and challenge Watercare on how it responds to and addresses the environmental aspects of providing integrated water supply and wastewater services across the region.

EAG members offer a range of expertise and experience that enable us to provide an environmental perspective on the key issues that Watercare faces in providing these vital services to the community. Our involvement with community organisations provides us with insights into how Watercare's projects and activities will be received within the community.

The areas in which EAG has been actively engaged with Watercare over the last year include:

- The impact of wastewater overflows on Auckland's receiving environment and how these are addressed in the Central Interceptor Project and network consent process
- The integration of trade waste policies and programmes across the region
- Biosolid use, planning and research
- Responses to freshwater management objectives including the newly adopted National Environmental Policy on Freshwater Management and its implications for the region
- The application of Watercare's Sustainability Policy and strategic priorities
- Water demand-management strategies
- The lessons from the Christchurch earthquake and their application to the Auckland region.

All of these issues will continue to be critical for Watercare during the upcoming year, and EAG will continue to be involved in advising Watercare on these issues that have important implications for the community and the environment.

Paul Walbran
Chairman
Environmental Advisory Group

MEMBERS

Paul Walbran
Water quality, harbour health and heritage

Ken Catt
The water cycle

Anne Fenn
Environmental policy and implementation

Carol McSweeney
Air quality, ecosystems and botany

Dr Peter Maddison
Entomology, flora and fauna

Judy Bischoff
Water and land use, energy

Bob Tait
Biosolids

MAORI ADVISORY GROUP



26 July 2011

Watercare Services, or kaitiaki o te wai, is a very appropriate name for a company that is responsible for delivering drinking water to the householder's tap. Then, all we have to do is push a button or pull a plug and it all disappears back into the environment from where it came.

My personal involvement in this industry started back in the late sixties when I worked as an apprentice plumber. It's hard to believe that we have an industry that is leading the way in water and wastewater treatment.

This is not a simple network. Tangata whenua, as kaitiaki, and other environmental guardians have fought hard to ensure that these services are of the highest standard in order to protect the environment.

The Maori Advisory Group provides essential strategic and policy advice on the tangata whenua aspects of Watercare's activities so that the company can take into account Maori perspectives in its strategic directions and policies, and address potential impacts on related activities and operations.

This year, the Maori Advisory Group has advised Watercare on strategic projects such as Hunua No. 4 and the Central Interceptor, and key issues such as the regional network discharge consent and the management of biosolids. The Group also held a special workshop on Managing Water Resources to Supply the Auckland Region and participated in discussions on the Auckland Regional Water Demand Management Plan.

So kia kaha (be strong), for these are the costs of getting water to the tap and away again, for our mokopuna's (grandchildren's) future well-being and prosperity.

Heikonei ra

William Kapea
Chairman
Maori Advisory Group

MEMBERS

William Kapea
Ngati Whatua

Gary Thompson
Ngati Paoa

Kowhai Olsen
Tainui

Pamera Warner
Ngati Whatua

Paul Brown
Tainui

Norma Arlidge
Ngati Whatua

Dennis Ngataki
Tainui

Tim Manukau
Tainui

Brownie Rauwhero
Tainui

Carmen Kirkwood
Tainui



SAFE AND RELIABLE WATER

Management of water resources to provide a safe and reliable water supply.



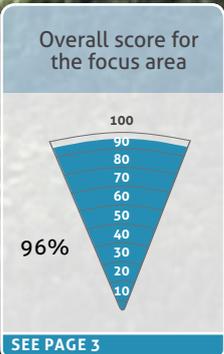


Fresh water is a vital but limited resource, essential for the health and well-being of everyone. Auckland is known for its relatively wet climate and each year the region receives, on average, 1,220mm of rainfall. Rain collected in the Waitakere and Hunua ranges is stored in Watercare's 10 water supply dams before being treated at our water treatment plants and sent to households. Auckland's water supply is also augmented by an underground supply in Onehunga and from a water take and treatment plant on the Waikato River at Tuakau. Smaller ground and river sources also supply outlying rural communities.



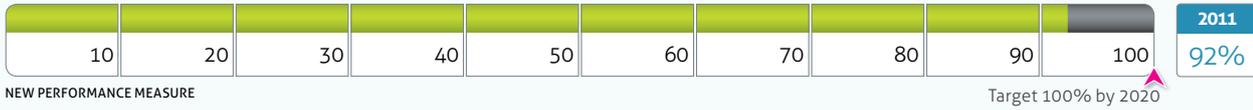
Wairoa Dam in the Hunua Ranges is Auckland's fourth-largest water supply dam. It was built in 1975 and its lake covers 98 hectares.

Watercare provides the community with access to land in the Hunua and Waitakere ranges and around the Manukau Harbour for recreational use. It maintains walking tracks and allows fishing by permit at Mangatangi and Mangatawhiri dams. The Watercare Coastal Walkway around the Manukau Harbour is also very popular.



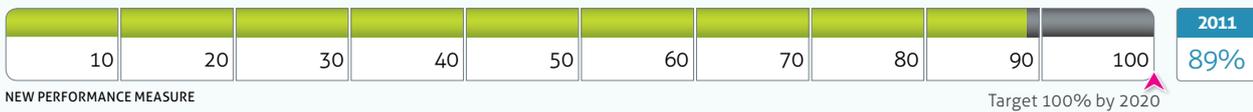
1 SAFE AND RELIABLE WATER

1A. Percentage of drinking water treated in Watercare plants that are graded 'A' by the Ministry of Health.



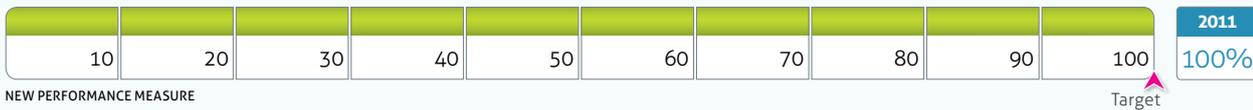
The Auckland Regional Public Health Service undertakes an annual risk-based assessment of the drinking water supply system on behalf of the Ministry of Health. The assessment is a measure of confidence that the system will not become contaminated. All the metropolitan water treatment plants that supply the bulk of drinking water to the people in Auckland meet the 'A' grade standard. In total, 'A' grade plants supply 92% of the drinking water to the Auckland area. Of the smaller non-metropolitan plants transferred to Watercare on 1 November 2010, nine remain ungraded. Watercare has set in place a programme to ensure all plants meet the 'A' grade standard by 2020, at a capital cost of \$100 million for both water treatment plants and the distribution network.

1B. Percentage of drinking water reticulated through the Watercare network that is graded 'a' by the Ministry of Health.



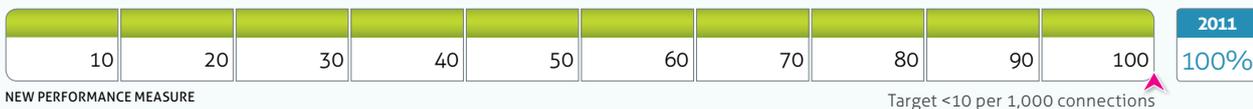
The same risk-based assessment used for water treatment plants also applies to the pipes and pump stations that make up the water distribution networks. The metropolitan network is graded 'a' under the Ministry of Health's standards and supplies the bulk of the drinking water to the people in the Auckland area. These networks, plus the 'a' graded non-metropolitan networks, supply 89% of the water to the Auckland area. Of the 16 non-metropolitan networks (inherited on 1 November 2010), 10 are ungraded and three are 'b' graded. Watercare has set in place a programme to ensure that all the networks meet the 'a' grade standard by 2020.

1C. Percentage performance against Statement of Corporate Intent target: quality of drinking water.



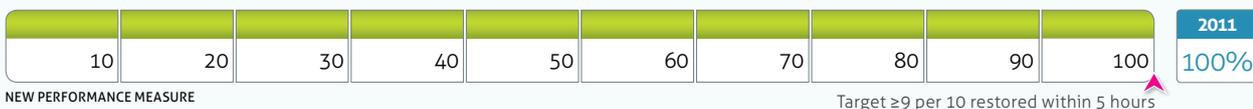
Watercare fully met the Statement of Corporate Intent (SCI) target in respect of the achievement of the Ministry of Health's Drinking Water Standards for New Zealand (DWSNZ) at Ministry of Health-graded water treatment plants (see ruler 1A, above). The DWSNZ standards are based on a quality assurance approach, underpinned by the requirement to develop public health risk-management plans. Information on DWSNZ is available at www.moh.govt.nz/water.

1D. Percentage performance against Statement of Corporate Intent target: service interruption to customer connection ratio.



Watercare monitors the number of times the water supply is disrupted to its customers as a measure of reliability of service. The SCI target is set at achieving fewer than 10 interruptions per 1,000 connections for the year. The annualised result from 1 November 2010 was 7.4, well within the target.

1E. Percentage performance against Statement of Corporate Intent target: service restoration following unplanned shutdowns.



Watercare achieved its SCI target of restoring at least nine out of 10 unplanned water supply interruptions within five hours.

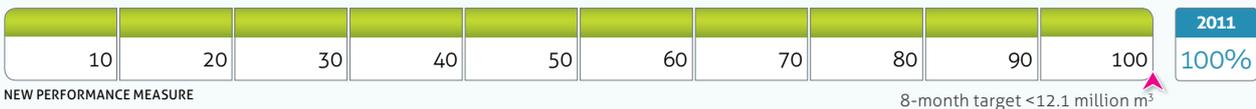


Laboratory Technicians Shanaz Taz (left) and Monaz Bharucha carry out nutrient analysis on water samples using the Flow Injection Analyser.

WEBLINKS

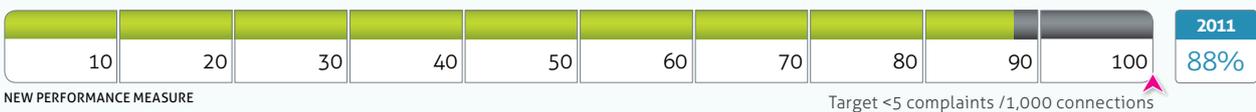
- Water and wastewater facts Fig. 1
- Grading of water treatment plants and networks Fig. 8
- Drinking water quality Fig. 9
- Typical analysis of Auckland's drinking water Fig. 10
- Water supply interruptions Fig. 11
- Water supply restoration Fig. 12
- Water quality complaints Fig. 13

1F. Percentage performance against Statement of Corporate Intent target: unaccounted-for water loss.



Watercare has an ongoing process of identifying, assessing and addressing the volume of water lost from the system that cannot be accounted for. Under the SCI, a volume of 17.7 million m³ was set as the target for the full year. For the eight-month period from 1 November 2010, this target was adjusted to 12.1 million m³ (reflecting the shorter period and seasonality of water demand) and it is calculated that the actual volume of unaccounted-for water was 11.4 million m³ over this period, achieving the target. The calculation of an economic level of leakage will drive robust and defensible investment decisions in future.

1G. Percentage performance against Statement of Corporate Intent target: water quality complaints.



Watercare monitors the number and type of water quality complaints received from customers. Three-quarters of the complaints since 1 November 2010 related to the appearance of the water (cloudy or discoloured). Under the SCI, Watercare has undertaken to achieve fewer than five complaints per year covering taste, odour and appearance per 1,000 connections. Since Watercare assumed responsibility for retail service on 1 November 2010, an annualised rate of 5.6 complaints has been achieved. There was a disproportionate level of complaints from Pukekohe and surrounding rural areas. Watercare has committed \$13.1 million over the next two years to upgrading the water supply service in this area.

Overall percentage score: Safe and reliable water
 Contact: rjaduram@water.co.nz

2011
96%





Watercare
at work

Improving Pukekohe's water supply

Watercare is rolling out a \$13.1 million project to construct a watermain to supply Pukekohe with water from the Waikato Water Treatment Plant. Preliminary work has commenced, with the new watermain expected to be operational by mid-2013.

Announcing the project, Watercare's Chief Executive Mark Ford said the project will address both water quality and capacity issues with the existing water supply infrastructure, which was previously operated by the Franklin District Council.

He said: "At the moment, the water sources and plants in Pukekohe cannot produce enough water to satisfy peak demand and there have been long-standing complaints about the water colour and quality.

"The shortfall between supply and demand is only going to increase as the population grows. If we do nothing, demand projections suggest that by 2031 the shortfall alone will be equivalent to around four million litres per day."

Watercare took over responsibility for retail water services in the Auckland Council area from November 2010. A review of water quality complaints across the region shows a high level of dissatisfaction in the Franklin area.

Watercare carried out an options evaluation before deciding on this project. The options included:

1. Maintaining the status quo
2. Expanding existing sources and upgrading the treatment plants
3. Upgrading the treatment plants and constructing a smaller watermain to connect Pukekohe to the Waikato watermain.

The third option, which was selected, is the most robust, both financially and in terms of the security of the supply.

"If we do nothing, demand projections suggest that by 2031 the shortfall alone will be equivalent to around four million litres per day."

Programmes Engineer Frank Lin and Project Engineer Sharon Danks at the site of preliminary works in Pukekohe.



HEALTHY WATERWAYS

Management of wastewater discharges to maintain or improve the health of the environment.





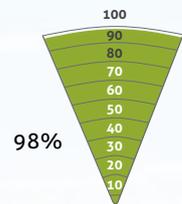
Auckland has two spectacular coastlines with highly valued harbours, estuaries, beaches and islands. The health of these waterways is important for the development of healthy and vibrant local communities. Watercare owns 20 wastewater treatment plants and an extensive network of wastewater pipes, and is committed to minimising impacts on the Auckland environment. The three largest wastewater treatment plants at Mangere, Rosedale and Army Bay treat the majority of regional wastewater to a very high standard, helping to protect the quality of our largest waterways, the Waitemata and Manukau harbours, and their associated freshwater and coastal environments.



Rosedale Wastewater Treatment Plant on Auckland's North Shore serves over 200,000 people.

Above: Reticulation Servicemen Mac Taukiri and Garry Dolan carry out an inspection on the wastewater network.

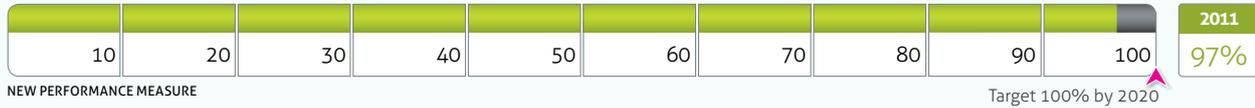
Overall score for the focus area



SEE PAGE 3

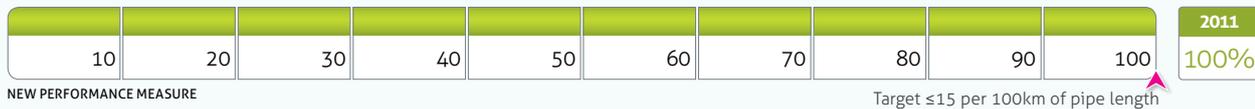
2 HEALTHY WATERWAYS

2A. Percentage of wastewater discharged compliant with consent conditions.



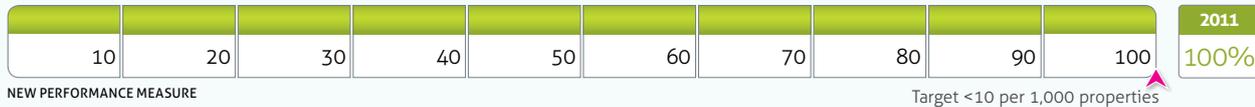
Compliance with consents at the major urban wastewater treatment plants remained high throughout the year, although overall compliance levels were influenced by the poor quality of many of the 17 rural wastewater treatment plants transferred to Watercare upon integration. More than half these plants had a history of non-compliance with consent conditions because of process issues, many of which are difficult and costly to resolve. Watercare has developed both a longer-term strategy and more immediate measures, forecast to cost \$50 million, to reduce the impacts of these plants on the environment. On a volume basis and excluding minor and technical breaches, Watercare achieved a 97% level of compliance with consent requirements at its wastewater treatment plants.

2B. Percentage performance against Statement of Corporate Intent target: dry-weather sewer overflows.



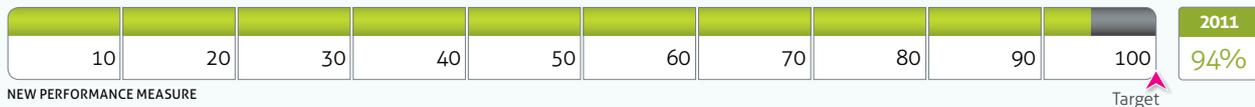
Under the SCI, Watercare reports on the number of wastewater overflows from its network during dry weather as a measure of the ability of the network to manage current demand. For the 2010/11 year, Watercare achieved a result of 1.9 overflows per 100km of wastewater pipe, well within the SCI target of 15.

2C. Percentage performance against Statement of Corporate Intent target: unplanned sewer interruptions.



The number of unplanned wastewater network interruptions as a result of breaks and chokes is a measure of the integrity of the system. During the summer of the 2010/11 year, there was considerable pressure on the network because of the high rainfall levels but, despite that, Watercare achieved a level of 7.1 breaks per 1,000 properties, which was well within the SCI target of fewer than 10.

2D. Percentage performance against Statement of Corporate Intent target: response rate for urgent wastewater blockages.



The 2010/11 SCI required Watercare to respond to all urgent wastewater blockages within one hour. This was achieved across the region except in parts of Rodney and Waitakere where existing contracts implemented by the former local network operators specified a two-hour response time.

Overall percentage score: Healthy waterways

Contact: rjaduram@water.co.nz

2011
98%

WEBLINKS

- Resource consent compliance Fig. 14
- Wastewater treatment plant discharge Fig. 15
- Treated wastewater standards Fig. 16
- Overflows from wastewater systems Fig. 17
- Wastewater network interruptions Fig. 18
- Wastewater network restoration performance Fig. 19



**Watercare
at work**

Delivering a cleaner Hobson Bay

Watercare successfully completed Project Hobson in March 2011, after nearly four years of construction work.

Chief Infrastructure Officer Graham Wood says the project was about two things: providing for population growth and improving the local environment.

"What we had was an ageing sewer pipe that crossed Hobson Bay and connected to a small pump station," he says.

"One of our concerns was that the sewer pipe would overflow during heavy rainfall when volumes would increase four-fold. Our solution was to replace the sewer pipe with a three-kilometre-long wastewater tunnel that would connect to a high-capacity pump station in the Orakei Domain."

Work began in June 2007, when Watercare established construction sites in Orakei Domain and Remuera. The Orakei site was where two activities took place: it was the hub for the tunnelling operation and the place where the pump station was built. The Remuera site provided access, via a temporary road, to shorelines in Parnell and Remuera, where shafts were excavated to connect the tunnel to the existing wastewater network. The park was also the base from which the sewer pipe was demolished.

"The tunnelling operation was launched in April 2008 and progressed at a rate of around 120 metres a week for seven months. By the time it arrived in Parnell, over 100,000 tonnes of earth had been removed."

One of the major features of the new tunnel and pump station is their combined storage capacity. This means the flow to the Mangere Wastewater Treatment Plant can be regulated during heavy rain, reducing wet-weather overflows.

For the people of Auckland, the most significant part of the project commenced in June 2010, when contractors began demolishing the sewer pipe that had crossed Hobson Bay for nearly 100 years. Within a few months, all signs of the pipe were gone and the construction sites were reinstated to parklands.

"The tunnelling machine progressed at a rate of around 120 metres a week for seven months. By the time it arrived in Parnell, over 100,000 tonnes of earth had been removed."

*A view of the wastewater tunnel during construction.
Now commissioned, it transports over 3,000 litres per second during heavy rainfall.*



HEALTH, SAFETY AND WELL-BEING

To be an industry-best workplace.





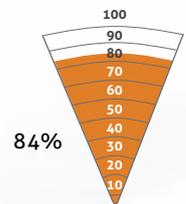
Watercare has grown in size as it meets the challenge of serving all the people of Auckland as an integrated wholesale and retail business. The company's long-standing commitment to being an industry-best workplace continues, with an ongoing emphasis on recruiting and developing the best people in all areas of work. Health and safety remains a major focus, with an induction process for all new recruits and contractors, and health and safety systems and programmes that are reviewed by the company's executive team and by the board.



Network Operator Ruel Garcia checks off each step in a detailed procedure manual prior to giving the reticulation servicemen the go-ahead to enter a valve chamber to shut down the North Shore No.1 watermain.

Above: Occupational Health Nurse Carol Roberts takes Senior Engineer Richard Millican's blood pressure as part of his annual health check.

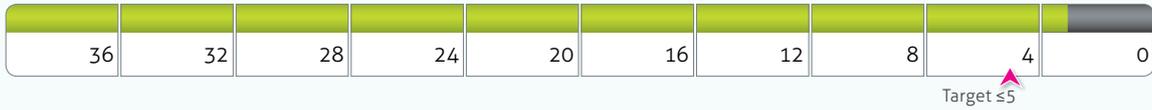
Overall score for the focus area



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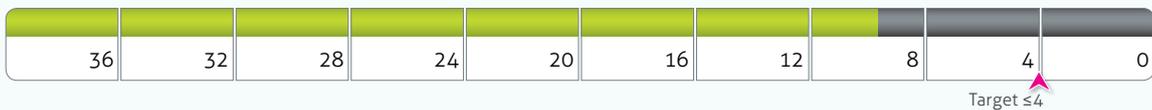
3 HEALTH, SAFETY AND WELL-BEING

3A. Performance against Statement of Corporate Intent measure: lost-time injury frequency rate. Number of lost-time injuries per year per 1,000,000 hours worked



The lost-time injury frequency rate (LTIFR) measures the number of lost-time injuries per million hours worked and allows for comparisons across industries. Despite the serious incident in Onehunga on 4 June (page 14), Watercare achieved a rate of 3.2 which is well below the SCI target of not more than 5. The score of 92% is based on Watercare’s aspirational aim to reduce LTIFR to zero. This year, the company held 253 health and safety inductions which were attended by 5,060 internal and external people. Additionally, 513 health and safety inspections were completed, which is 58 more than the target set for the year.

3B. Performance: lost-time severity rate. Number of days lost x 200,000 hours worked



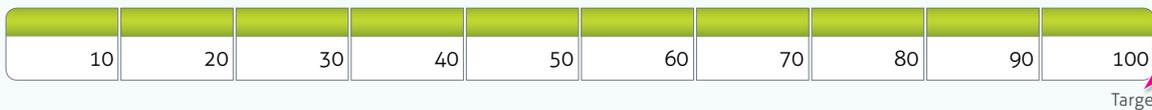
The severity rate measures the number of days lost from injury per 200,000 hours worked. Watercare had an injury severity rate of 9.48 in 2010/11 which increased from 3.75 last year. This increase reflects the severity of injuries resulting from the serious incident which occurred on 4 June 2011. Watercare has an internal target of no more than 4, although the company seeks to achieve a rate of zero and measures its performance against this.

3C. Performance against Statement of Corporate Intent target: staff wellness.



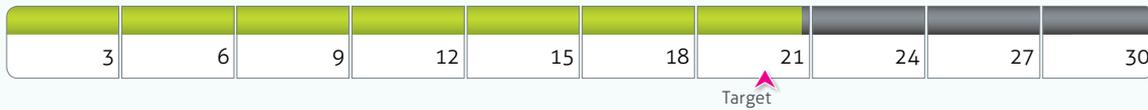
As a measure of staff wellness, Watercare reports the proportion of staff hours lost through illness. Under the SCI, Watercare has set a target of less than 2.5% hours lost. Although we achieved our SCI target with 2.0%, this represented an increase on the 1.77% loss reported in 2009/10. The score of 70% reflects a longer-term aim to further reduce absenteeism due to illness. Watercare provides a comprehensive occupational health service to all staff including: medical consultation, influenza immunisation, mandatory vaccinations for Hepatitis A and B, Tetanus, Typhoid, TwinRx and flu for all staff required to work in any wastewater environment, skin checks and rehabilitation programmes.

3D. Percentage performance against Statement of Corporate Intent target: staff turnover.



Voluntary staff turnover was within the target range in Watercare’s SCI. Watercare uses the industry standards of a healthy turnover rate across the company. In 2010/11, voluntary turnover was 10.5% against a target of range 10 to 12%.

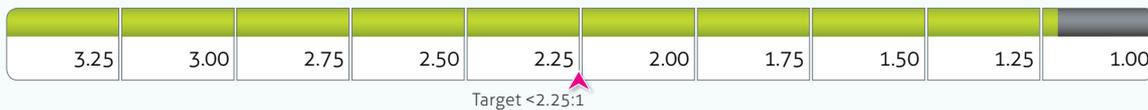
3E. Performance: staff training.
Training/study hours per employee



Watercare invested an average of \$819 per employee for educational and development training during 2010/11, providing an average of 20.7 hours of training per employee. This is above the target of 20 hours. The score of 69% is based on the longer-term aim of achieving 30 hours of training and study per employee each year.

The Engineering Graduate Group, established in 2007, continues strongly with 21 graduates working towards chartered status and six operations staff continuing their studies beyond national certificate level and achieving diploma level qualifications.

3F. Performance against Statement of Corporate Intent target: staff appointment ratio.
Ratio of external to internal appointments



Watercare offers internal transfers and promotions where appropriate to encourage staff development. For 2010/11, Watercare achieved a ratio of external to internal appointments of 1.2:1, which was well within the SCI target ratio of 2.25:1 (22.5 external for every 10 internal appointments).

3G. Percentage performance: employment equity and diversity.



Watercare continues to seek the best candidates for all jobs and has a diverse range of employees with a wide variety of backgrounds and experience. The workforce includes more than 35 nationalities.

Overall percentage score: Health, safety and well-being
Contact: tlangridge@water.co.nz

2011
84%

WEBLINKS

- Lost-time injury frequencies Fig. 20
- Health and safety notes Fig. 21
- Staff wellness and absenteeism Fig. 22
- Staff voluntary turnover Fig. 23
- Investment in staff Fig. 24
- Staff service profiles Fig. 25
- Staff demographics Fig. 26
- Average staff numbers Fig. 27
- Workforce employment type, contract and region Fig. 28



Laboratory Technician Ling Ling Li (left) and Senior Laboratory Technician Robyn Abernethy prepare samples for trace metals analysis in the laboratory's clean room. This restricted environment ensures the samples are safe from contamination – allowing the technicians to achieve extremely accurate results with parts per billion detection limits.



**Watercare
at work**

First-aid training proves vital

Reticulation Servicemen Mac Taukiri and Robert Potter put their first-aid training to good use when they came to the assistance of an assault victim in Onehunga in May 2011.

Mac and Robert were carrying out a trial watermain shutdown in the early hours of the morning when they heard angry voices and saw three figures behind their vehicles. Thinking the vehicles were being broken into, the pair approached the group, two of whom fled the scene.

Once behind the vehicles they discovered that the third figure, a man in his 20s, was lying in the gutter.

Mac says he was unconscious: "Our first thought was to get him out of the water and try to make him warm."

Thankfully for the victim, the pair put their first-aid training into action and were soon assisted by an off-duty ambulance officer who lives across the street and had witnessed the assault.

"It was raining really hard and he was lying in water; so, after the ambulance officer had wrapped his head, we covered him

in coats and jackets and waited for the police and an ambulance to show up," says Robert.

It was all in a night's work for Mac and Robert who, after seeing the man safely off to hospital, returned to work recharging the pipe and completing valve changes as part of the successful trial. Chief Operating Officer Raveen Jaduram says this is an example of the company's focus on community well-being.

"Our whole business is structured to ensure the well-being of Aucklanders – generally through the provision high-quality water and wastewater services," says Raveen. "But it also permeates into our daily activities – so when two servicemen are on the job and they see a person in need, they are willing to help that person. We celebrate such efforts at Watercare."

"Our first thought was to get him out of the water and try to make him warm."

Reticulation Servicemen Robert Potter (left) and Mac Taukiri.



CUSTOMER SATISFACTION

Providing customers with great service and great value.





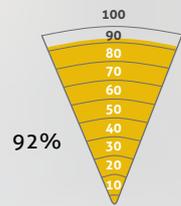
Watercare aims to provide outstanding and affordable services for all Aucklanders and our contact centre is the first place many people call when they are seeking information about our services or want to query a bill or report a problem. Our free-calling number is answered 24/7 and we carefully measure and manage the service we offer. Our customer centre team answers up to 2,000 phone calls, emails and letters per day and we have seen significant improvement in performance since the retail service began on 1 November 2010. Further initiatives are planned to maintain this positive trend. Watercare benchmarks the size of its bills against average household incomes, because ensuring our prices are affordable is a key factor in satisfying our customers.



Customer Advisor Jayme Letoa responds to a customer enquiry. The customer centre receives around 38,000 customer calls per month.

Above: Watercare staff and family members hand out water to participants of Round the Bays in March 2011.

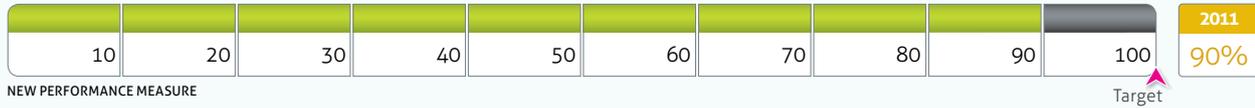
Overall score for the focus area



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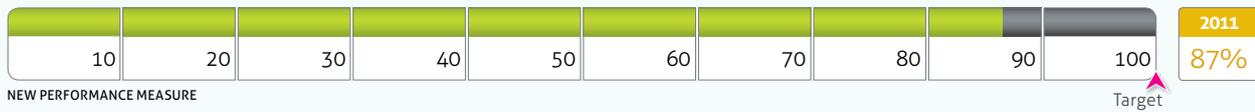
4 CUSTOMER SATISFACTION

4A. Percentage performance against target: customer satisfaction with contact centre.



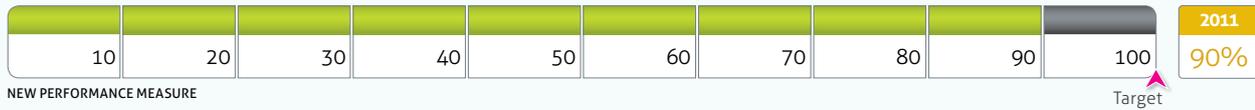
Watercare achieved a 90% performance against the customer service target at its contact centre. Customers who contacted the centre to report faults were surveyed by independent researchers and gave the service an average score of 7.2 against a target of 8.

4B. Percentage performance against target: grade of service.



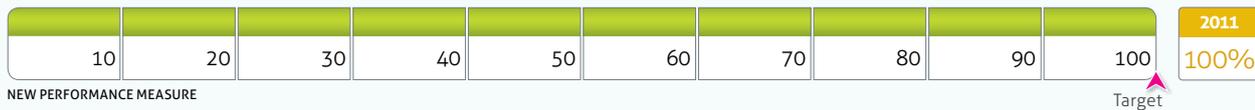
Grade of service is an industry best-practice performance measure, aimed at ensuring calls are answered within 20 seconds. During the eight months from 1 November 2010, the grade of service improved markedly and ended the year just below the target. Overall performance for the year was 87% of the target.

4C. Percentage performance against Statement of Corporate Intent target: 'closed' complaints and enquiries.



The SCI target of 'closed' complaints and enquiries measures the time taken for an issue to be resolved and feedback given to the customer. A 10-day target is considered industry best practice. By the end of the eight-month period from 1 November 2010, the target was being achieved.

4D. Percentage performance against Statement of Corporate Intent target: household affordability.



Under the SCI, Watercare undertakes to ensure that household water bills do not exceed 1.5% of the average household income in Auckland. For the eight months from 1 November 2010, bills represented 0.9% of average household income, which meant the target was met and the score of 100% achieved.

Overall percentage score: Customer satisfaction

Contact: tlantridge@water.co.nz



WEBLINKS

- Customer satisfaction Fig. 29
- Grade of service Fig. 30
- Complaint types and response rates Fig. 31
- Household affordability Fig. 32



**Watercare
at work**

Customer centre fields 300,000th call

Watercare's customer centre passed a major milestone in June 2011, fielding its 300,000th call since it was established eight months earlier.

The customer centre was created to manage both inbound and outbound calls plus customer-related correspondence items for around 430,000 households.

Setting up the customer centre posed several challenges, not the least of which was educating new customer advisors on the six different charging mechanisms and service level agreements in place in the former local and district council areas – all of which had to be maintained as part of a seamless customer transition to Watercare.

In its first two months of operation, the customer centre failed to meet its performance targets as large volumes of calls were received and systems were refined. However, performance has improved continuously since January and the centre is now consistently meeting or exceeding its targets.

Chief Services Officer Trish Langridge attributes the improvement to initiatives focused on individual staff performance and policy changes, including the development of templated responses, the introduction of a single water tariff and the development of an online knowledge centre.

"We had the basics in place, but could still do more to improve staff knowledge and skills to ensure we are providing services to customers more effectively."

Trish says that with the integration phase now behind them and performance tracking at consistently high levels, the customer centre is working on initiatives that will help deliver the best possible customer experience.

"These improvement opportunities include participation in the development of a new hardship strategy to assist those customers who have difficulty paying for the services they receive from Watercare. This involves the establishment of an independent trust that will offer budgeting advice and assistance to these customers," Trish says.

The customer centre is working on initiatives that will help deliver the best possible customer experience.

Customer Advisor Margaret Puni in the new customer centre in East Tamaki.



STAKEHOLDER RELATIONS

To be responsive to stakeholder requirements.





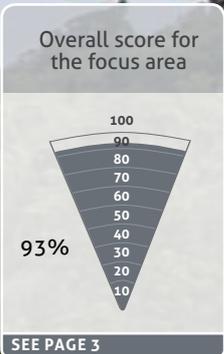
Watercare has valuable, long-standing relationships with the communities that neighbour the company's facilities. We engage with local people prior to undertaking project work on our infrastructure, work closely with our shareholder and local boards, and consult with a wide range of groups including tangata whenua directly, and with input from our specialist Maori and Environmental Advisory Groups. This year, nearly 7,000 school children took part in our Adopt A Stream water education programme, one of the many ways Watercare engages with the local community. The Rain Forest Express, our narrow-gauge bush tramway that runs to the base of the Upper Nihotupu Dam in the Waitakere Ranges, remains popular with locals and visitors to Auckland.



Auckland Mayor Len Brown and members of the Waitakere Ranges local board attended an event to commemorate the Waitakere Dam's 100th year of operation in December 2010.

Mayor Brown acknowledged Watercare's ongoing role in maintaining and operating the dam – the oldest of five in the Waitakere Ranges. The western dams currently supply around 25 per cent of Auckland's water.

Above: Mayor Brown (right) pictured with Charles Brown who has been the caretaker at the dam since the 1980s.



5 STAKEHOLDER RELATIONS

5A. Percentage performance: engaged shareholder.

Participate in the council's long-term planning processes, including the Auckland Plan	Participate in policy initiatives	Participate in statutory submissions	Consult on the development of the Asset Management Plan	Consult on the development of the Funding Plan	Consult on the Statement of Corporate Intent (SCI)	Report performance to the council on a quarterly basis and as required	Engage CCOs to identify opportunities for joint initiatives	Engage local boards on Watercare's projects and decisions	Iwi Statutory Board and council advisory groups engaged in projects and decisions	2011 85%
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NEW PERFORMANCE MEASURE

Watercare engaged its shareholder, Auckland Council, on the development of key planning documents: contributing to the council's Auckland Plan and consulting on Watercare's Asset Management Plan, Funding Plan and Statement of Corporate Intent.

With the appointment of a Principal Advisor Local Boards in May 2011, the company strengthened its working relationships with the local boards – keeping them informed of projects and decisions that affect their communities.

The company continues to be an active participant in the development of relevant legislation and policy initiatives. Watercare made submissions on the:

- Ministry of Environment's discussion document Building Competitive Cities
- Marine and Coastal Area Bill
- Proposed Waikato Regional Policy Statement
- Building Act Amendment Bill.

Watercare gave Auckland Council advice on water supply and wastewater issues related to proposed plan changes. The company is also an active member of the Land and Water Forum.

5B. Percentage performance: engaged communities.

Informed communities of projects in their areas	Engaged Watercare's Maori and environmental advisory groups on projects and decisions	Provided access to Watercare facilities: Rain Forest Express and walkways	Delivered an education programme: Adopt A Stream	Engaged the public in council feedback on the SCI	Engaged with media	Invited the public to attend board meetings and published papers on the website	Published dam level, consumption and energy information	Sponsored the Watercare Harbour Clean-Up Trust	Engaged tangata whenua and developed relationship agreements as appropriate	2011 95%
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NEW PERFORMANCE MEASURE

Since integration, the number of projects affecting local communities has grown significantly. The company has been engaging with these communities face to face and through letters, the website and street signage.

Watercare runs an education programme – Adopt A Stream – which offers primary and intermediate school children lessons about water quality, the water cycle, conservation and the environment. In 2010/11, 6,988 pupils participated. Watercare also operates the Rain Forest Express, a narrow-gauge railway built to service the Upper Nihotupu Dam around 1912. The line, which is still used for dam maintenance, has carried more than 150,000 passengers since it was opened to the public in 1998 and is a popular attraction for tourists and locals.

Watercare engaged fully with the media throughout the year. At the time of the Onehunga explosion (see page 14), it held media conferences to ensure the public received full and timely disclosure of information.

The company continued to sponsor the Watercare Harbour Clean-Up Trust. Since the Trust was established in 2002, over 2.5 million litres of litter has been removed from Auckland's harbours and waterways.

5C. Percentage performance: legal compliance.

Compliance risk assessment	Compliance monitoring	Compliance comparative performance	Compliance management plan	Compliance assurance	No successful prosecutions against Watercare	All potential legal issues identified	All legal issues effectively managed	All legal issues managed and resolved	No known pending legal issues	2011 100%
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NEW PERFORMANCE MEASURE

Watercare has many statutory obligations under a number of Acts and invests a considerable amount of resources in complying with and monitoring statutory requirements. Technical non-compliance with resource consents relating to the inherited non-metropolitan wastewater treatment plants are reported under Ruler 2A on page 28. In all other respects, the company achieved compliance with all statutory obligations specified in the relevant Acts during the past year.

Overall percentage score: Stakeholder relations
Contact: cnelson@water.co.nz

2011
93%



**Watercare
at work**

Adopt A Stream delivered to nearly 7,000 students

This year, 6,988 students from 43 schools and two kindergartens participated in Watercare's Adopt A Stream education programme.

Watercare's education programme was created in 2001 in an effort to provide Auckland schools with a science programme that taught students the fundamentals of the water cycle and how water quality and ecology directly affect their lives.

Education Co-ordinator Sally Smith says the programme is becoming increasingly popular, to the point where she taught over 1,000 students in May alone:

"There's been so much demand for the programme recently that teachers have started to book a year in advance. In fact, my diary for term one in 2012 is almost full already."

Sally says that while trying to meet the ever-increasing demand, she's also looking at ways the programme can keep improving:

"I'm in the process of developing a new unit on dams and producing a book titled *Water for Life*, which I hope we can roll out in the near future."

In addition to school visits, the programme comes with 10 practical lessons, posters and a number of cross-curricular resources. Sally has also introduced stormwater, drinking water and wastewater lessons as well as a library display.

A number of schools that participate in the Adopt A Stream programme also choose to ride Watercare's Rain Forest Express. The narrow-gauge railway is situated in the Waitakere Ranges, one of Watercare's two largest catchments for drinking water. The schools combine the field trip to the Upper Nihotupu Dam, where the railway is located, with their water-based lessons.

Sally says: "It's great for the students to be able to visit and learn about the dams and the environment. It really helps bring their classroom-based lessons to life."



Main image: Year 5 pupils at Willow Park Primary School in Hillcrest on Auckland's North Shore discovered how water is treated during a hands-on lesson with Education Co-ordinator Sally Smith.

Inset: Many pupils experience the Waitakere Ranges aboard the Rain Forest Express.

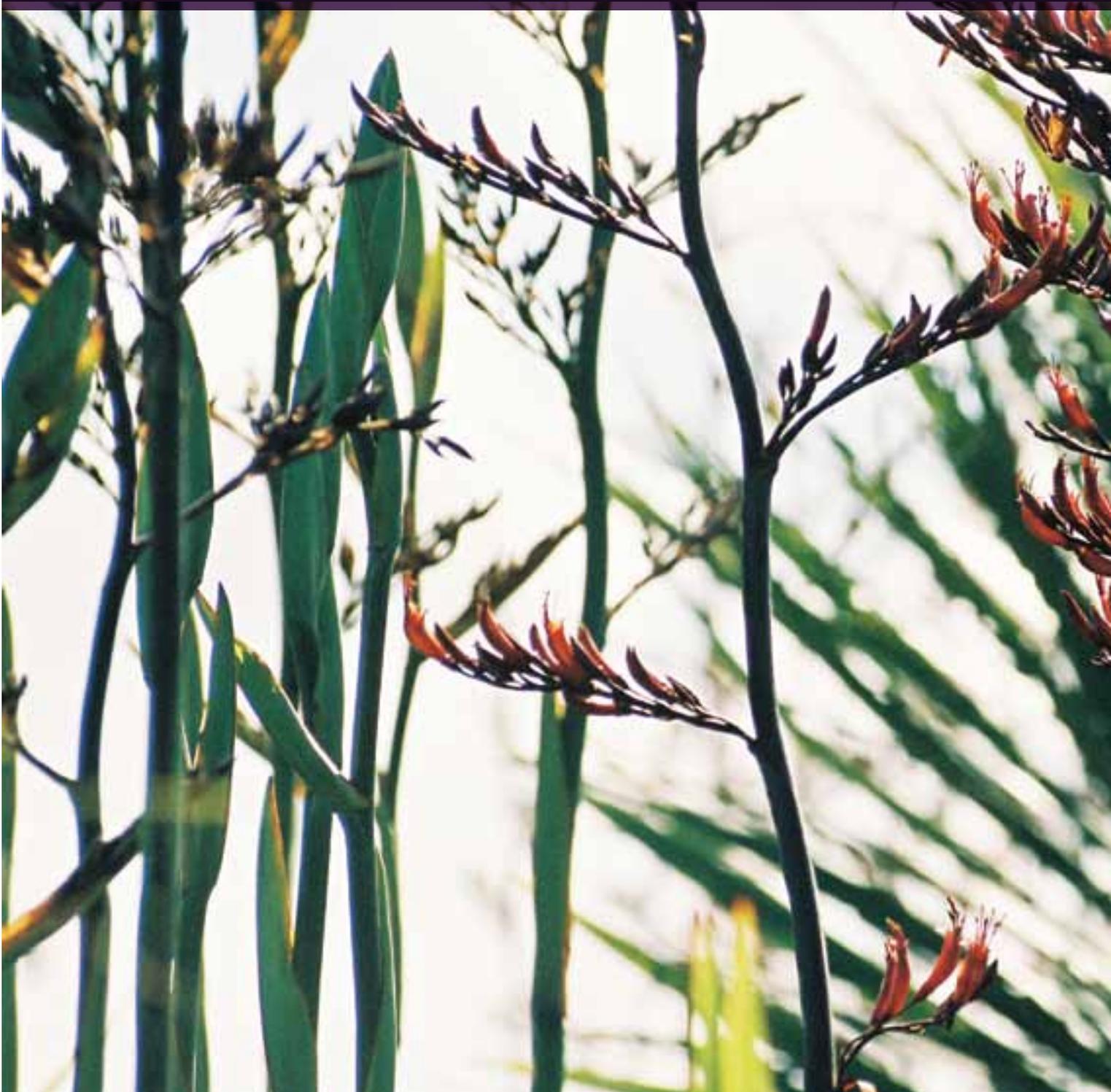
WEBLINKS

Community impact of operations Fig. 33
Public policy participation Fig. 34
Rain Forest Express passengers and trips Fig. 35
Adopt A Stream Fig. 36



SUSTAINABLE ENVIRONMENT

To minimise and/or mitigate the adverse impact of the company's operations on the environment.





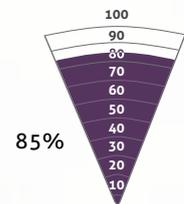
Watercare is committed to being a good corporate citizen, providing cost-effective services that balance the social, cultural, economic and environmental impacts of its decisions. As Watercare is the company responsible for delivering high-quality water and wastewater services to the people of Auckland, it is recognised that these services contribute significantly to the health and well-being of our natural environment which includes our local communities.



Watercare is rehabilitating a former oxidation pond, adjacent to the Mangere Wastewater Treatment Plant, with treated biosolids. Set to become a public open space, the rehabilitation includes the planting of several native species such as pohutukawa, kowhai, cabbage trees and oioi. These plants have been rapidly colonised by native insects and birds and a coastal flaxland forest is developing.

Above: Dabchicks in the Manukau Harbour. The harbour is home to more than 20 per cent of New Zealand's wading bird population, with another 60 per cent using the harbour during migration.

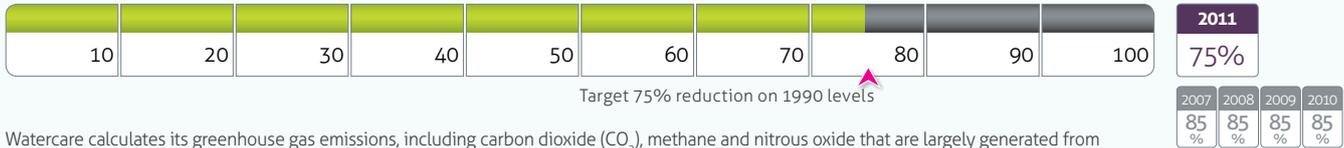
Overall score for the focus area



SEE PAGE 3

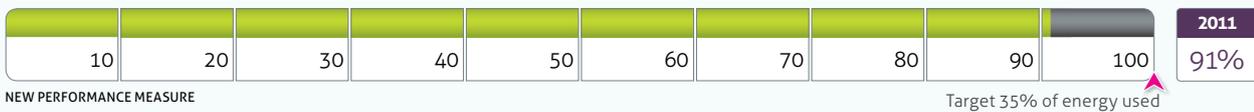
6 SUSTAINABLE ENVIRONMENT

6A. Percentage performance: atmospheric CO₂ emissions.



Watercare calculates its greenhouse gas emissions, including carbon dioxide (CO₂), methane and nitrous oxide that are largely generated from the treatment of wastewater. This year the company achieved a 75% reduction on the greenhouse gas levels emitted in 1990, which is the company's historic benchmark for performance in this area. This result appears lower than in previous years because Watercare is now running additional wastewater plants.

6B. Percentage performance against target: internally sourced energy.



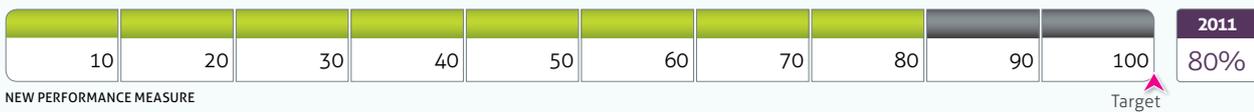
Watercare aims to source 35% of all its energy requirements from internal sources, principally biogas reuse at its two largest wastewater plants, Mangere and Rosedale, and from five hydro-electric generators within the water supply system. This year, Watercare sourced 32% of its energy, achieving 91% of its target.

6C. Percentage performance: recycling. Percentage of potential general waste material recycled



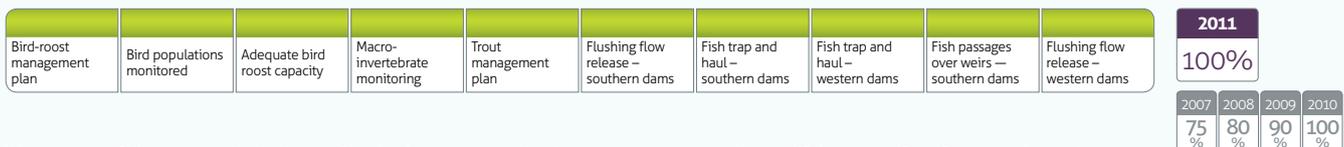
Staff volunteer for a zero-waste recycling programme and each year the company measures the amount of general waste that was recycled rather than going to landfill. This year it was estimated that 70% of company waste with the potential for reuse was separated for recycling.

6D. Percentage performance against target: waste management. Solid waste diverted from landfills



Watercare operates a programme to recover valuable metals and nutrients that could be reused in the future and to divert as much solid waste as possible to purpose-built rehabilitation projects rather than send this waste to commercial landfills. This programme has been extended to the wastewater treatment plants transferred to Watercare on 1 November 2010. For 2010/11, Watercare diverted from landfills 80% of solid waste generated from the treatment of wastewater. Over time it is planned to lift performance to 100%.

6E. Percentage performance: species preservation.



Watercare carefully manages the discharges from its dams to ensure the downstream ecosystems have sufficient water flow. Compensation and free-discharge valves have been installed on all the dams which allow the release of a continuous flow of water downstream and to simulate floods and reduce algae build-up in the streams. To ensure that migration paths of native fish species are not interrupted by the dams, Watercare operates a trap and haul programme for both fish and eels. Whitebait (juvenile galaxiid species) and elvers (juvenile eels) are trapped in downstream river systems and transferred to upstream of the dam. Adult migrating eels, generally between 15 and 40 years old, are caught from within the dams and transferred to suitable locations downstream to complete their breeding cycle in the sea.

WEBLINKS

- Greenhouse gas emissions Fig. 37
- Initiatives to reduce greenhouse gas emissions Fig. 38
- Source of emissions Fig. 39
- Watercare's ecological footprint Fig. 40

6F. Percentage performance: habitat improvement.



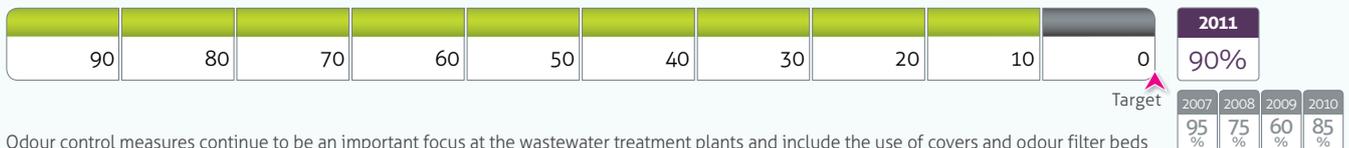
Watercare added an additional 5.7ha of bird roosts at the Mangere Wastewater Treatment Plant this year. The plant staff work closely with the Ambury Regional Park rangers to control pests at the bird roosts, which are home to up to 30 species of birds, including the endangered New Zealand dotterel. Watercare has continued to support the Trees for Survival programme, which helps the Ararimu, Ardmore and Hunua schools to plant trees to help prevent erosion, provide habitats for native birds, improve water quality and remove carbon from the atmosphere. Future initiatives include habitat restoration on Puketutu Island, adjacent to the Mangere Wastewater Treatment Plant.

6G. Performance: midge complaints at wastewater treatment plants. Number of midge complaints



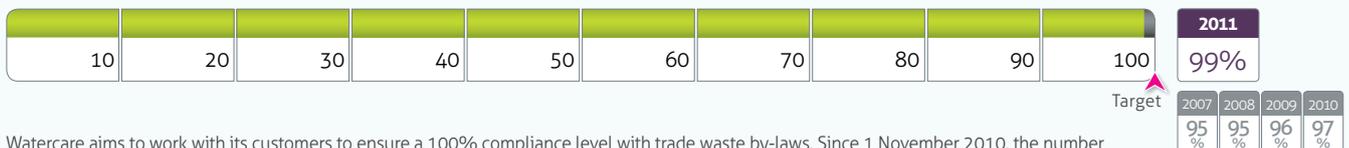
Watercare operates a year-round monitoring and management programme that focuses on controlling midge breeding grounds around its wastewater treatment plants and on reducing midge breeding grounds in the community, largely through public awareness initiatives. Effective response continues to be required particularly when warm, wet weather creates conditions in which midges thrive. While the Mangere plant continued to achieve low levels of midge complaints, results at other plants were significant.

6H. Performance: odour complaints at wastewater treatment plants. Number of verified odour complaints



Odour control measures continue to be an important focus at the wastewater treatment plants and include the use of covers and odour filter beds as well as stationary and mobile deodoriser spraying units. Watercare undertakes periodic plant boundary odour surveys that involve an independent 'odour scout' to investigate and report any odour detection. For 2010/11, there were three verified odour complaints at Mangere and seven at non-metropolitan plants. All complaints were responded to in a timely manner and a 90% performance against the target was achieved.

6I. Percentage performance: compliance of trade waste customers.



Watercare aims to work with its customers to ensure a 100% compliance level with trade waste by-laws. Since 1 November 2010, the number of trade waste customers has increased from 580 to 1,740. Despite the increase, there was a 99% level of compliance, an improvement on previous years' results.

Overall percentage score: Sustainable environment
 Contact: rjaduram@water.co.nz

2011
85%

WEBLINKS

- Internal energy usage Fig. 41
- Recycling of general waste Fig. 42
- Biosolids metal levels Fig. 43
- Solids disposal Fig. 44
- Weight of hazardous substances in waste Fig. 45



Mangere Wastewater Treatment Plant celebrated 50 years of operation in November 2010. The state-of-the-art land-based facility has undergone extensive upgrades in the past decade to meet the needs of a growing population and to improve environmental outcomes.



Watercare
at work

Zero Waste

Employees have reduced the volume of refuse they send to landfill by two-thirds since Watercare introduced its Zero Waste programme in 2003.

Security Manager Alan Foubister, who chairs the Zero Waste Committee, says currently the volume of refuse produced by each staff member each week is only 0.5 kilograms on average – compared with 1.5 kilograms in 2003.

“Our approach has been one of continuous improvement since inception,” explains Alan. “Along the way we have made gains through the introduction of such initiatives as worm farms and colour-coded recycling and rubbish bins.”

For Alan and the committee, the challenge over the past 10 months has been to roll the programme out across a much larger organisation.

“In November 2010, Watercare’s staff and office base grew significantly when it became responsible for retailing water

and wastewater services direct to over one million people in Auckland,” says Alan.

“From the committee’s perspective, our focus has been to keep Zero Waste in the spotlight – to make sure the recycling and worm farm initiatives become routine in the new offices.

“To date, feedback from new staff is that they are keen to participate in and grow the programme. As with anything, there is room for improvement, but we’re off to a good start.”

“Our approach has been one of continuous improvement since inception.”

Security Manager Alan Foubister checks the health of the worm farm at head office in Newmarket.

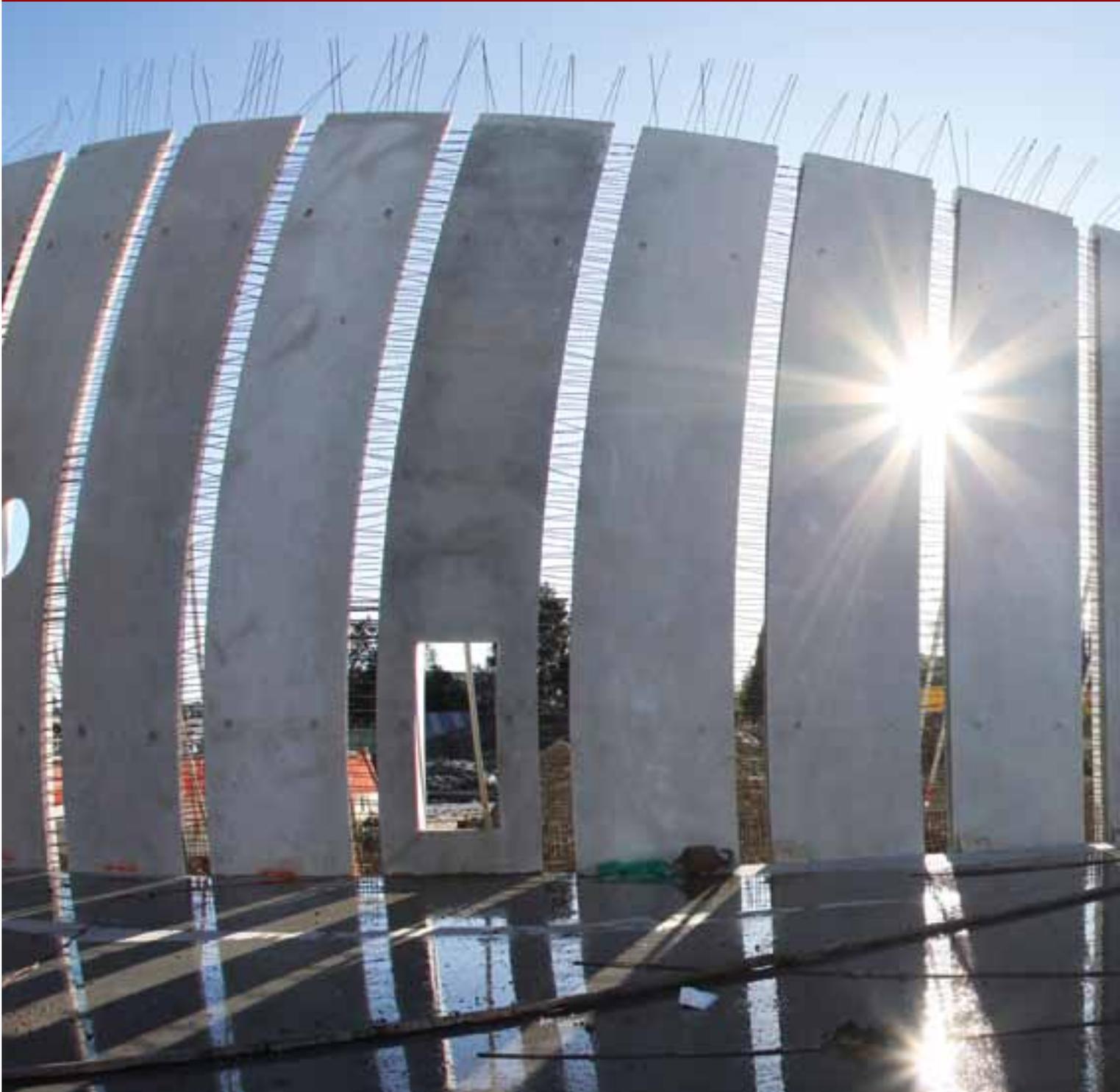
WEBLINKS

- Protected areas of high ecological value Fig. 46
- Significant biodiversity impacts Fig. 47
- Midge and odour complaints Fig. 48
- Trade waste customers Fig. 49
- Trade waste sampling programme Fig. 50
- Key trade waste substances Fig. 51
- Materials and chemicals Fig. 52



EFFECTIVE ASSET MANAGEMENT

Managing assets to ensure the use of existing assets is maximised while optimising the scope, timing and cost of new investments.





Watercare aims to operate, maintain, replace and develop assets over the long term to meet required service levels and foreseeable future needs. The key drivers for asset planning decisions relate to growth, renewal and levels of service. Watercare must also give effect to relevant aspects of Auckland Council's Long Term Plan. Watercare is currently working to develop a new Asset Management Plan that considers the water and wastewater needs and priorities for the Auckland region. While the December 2010 plan covered one year as Watercare sought to better understand the assets transferred during integration, the future plan will cover a 20-year horizon.



Progress is made on a new wastewater storage tank being built in Henderson. The tank, which will have a 13-million-litre capacity, will provide for growth and reduce the frequency and volume of wastewater overflows into the Waitemata Harbour.

Above: Projects Manager David Shepherd (left) and Projects and Programmes Manager Tim Munro (right) assess progress on the new wastewater storage tank.

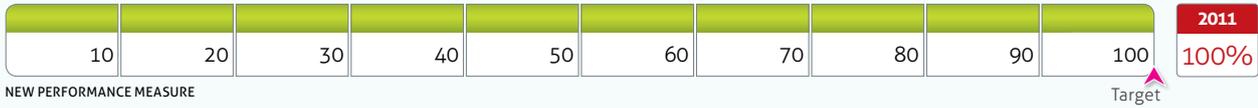
Overall score for the focus area



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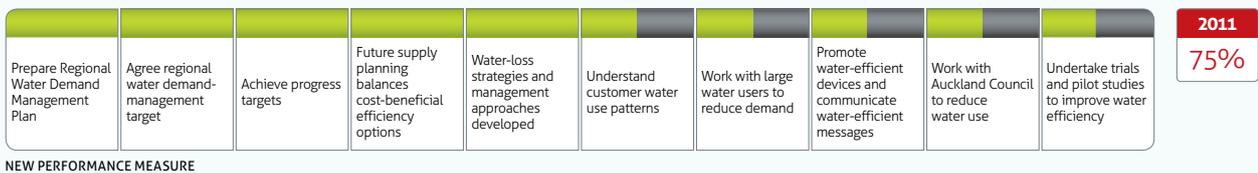
7 EFFECTIVE ASSET MANAGEMENT

7A. Percentage performance against target: capital expenditure.



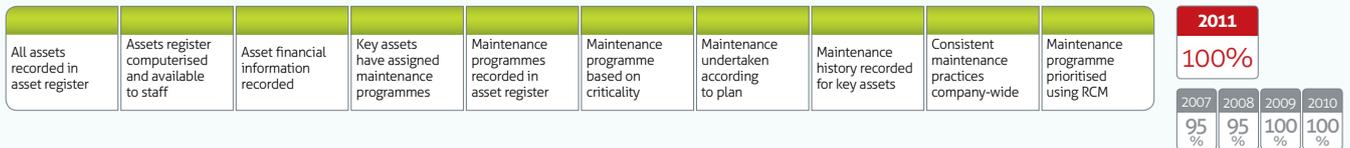
Generally, Watercare sets out to achieve its planned level of capital expenditure to ensure the assets are able to meet future requirements. The company targets a capital expenditure level during the year that is within 20% of the budget. For 2010/11, actual capital expenditure was within 2% of budget.

7B. Percentage performance: demand management.



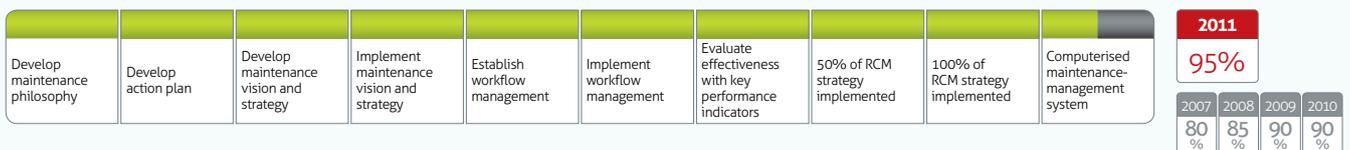
Future asset requirements are largely driven by demand for water. By developing and implementing demand-management programmes, Watercare aims to reduce or delay future capital expenditure. During the year, the company developed, in conjunction with its stakeholders, a comprehensive Regional Water Demand Management Plan in which it set a target of 15% reduction in demand by 2025. A copy of this plan is on the company website under 'Publications'.

7C. Percentage performance: maintenance management systems (wholesale business only).



Watercare's maintenance management team continues to improve plant performance, extend the life of assets and minimise operating costs. These practices are being extended to incorporate the assets acquired during the year where appropriate. The above measures apply only to the assets that were part of the wholesale business.

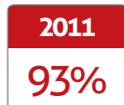
7D. Percentage performance: maintenance optimisation development (wholesale business only).



As part of the asset-management programme, reliability-centred maintenance (RCM) has been implemented in the wholesale business over some years. This programme is being used to assist maintenance programmes across the larger entity and the programme is now at 95% of the target level.

Overall percentage score: Effective asset management

Contact: gwood@water.co.nz



WEBLINKS

- Capital expenditure programme Fig. 53
- Infrastructure provided for public benefit Fig. 54



**Watercare
at work**

Ambitious demand-management plan takes shape

Watercare is implementing an ambitious water demand-management plan that aims to reduce gross per capita consumption by 15 per cent by 2025.

Adopted in June 2011, the plan brings together previous reviews and demand-management approaches used in Auckland and other parts of New Zealand, as well as best practice from overseas.

Water Resources Manager Dr Deborah Lind says the total demand for water in Auckland continues to increase as a result of population growth.

"While individual consumption has reduced significantly over the last 30 years, the overall demand for water has increased as our population has doubled.

"Managing our water demand will not offset the entire impact of population growth. However, we do expect it will help to defer the need for new water sources and related infrastructure. This will assist in reducing our costs and keeping water prices low, while also reducing impacts on the environment."

The plan features a 'tool box' of initiatives covering the six Es of water efficiency and demand-management approaches: engage, educate, encourage, engineer, enact and economic.

Deborah explains that working with schools is one of the initiatives:

"It involves reinforcing positive messages about water use as part of our existing Adopt A Stream education programme – which thousands of pupils participate in each year.

"We plan to work with the Ministry of Education and schools to help them reduce the volume of water used for things such as irrigation and toilet flushing, as well as to detect leaks."

Watercare also plans to continue working with Housing New Zealand, which owns 30,000 homes in Auckland, to ensure water-efficient appliances are included as part of refurbishment work, and to ensure leaks are detected and repaired in a timely manner.

Other approaches include minimising leaks in the network and water used for operational purposes, and working with Auckland Council to find ways to reduce its demand for water.

"Managing our water demand will not offset the entire impact of population growth. However, we do expect it will help to defer the need for new water sources and related infrastructure."

Data Technician Sarah Muir and Water Resources Manager Dr Deborah Lind look at rain level data for Lower Nihotupu Dam.



SOUND FINANCIAL MANAGEMENT

Management of the company to meet business objectives at the lowest cost.





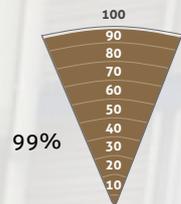
By law, Watercare is required to manage its operations efficiently with a view to keeping the overall costs of water supply and wastewater services to its customers at minimum levels. The company does not operate to make a profit and it is prohibited by statute from paying a dividend to its owner, Auckland Council. Efficiencies generated through the establishment of a single water company have seen retail prices fall, and 1,000 litres of mains-connected water now costs \$1.30 anywhere in Auckland. Watercare continues to strive for efficiency gains in all aspects of its business while ensuring reliable services continue to be delivered to customers.



Jayne Cayo from Solution Dynamics, Watercare's mailhouse, checks the first bill run in November 2010.

Above: Customer Advisor Michael Viliua.

Overall score for the focus area



SEE PAGE 3

8 SOUND FINANCIAL MANAGEMENT

8A. Performance against Statement of Corporate Intent target: FFO ratio. Funds generated from operations (FFO) as ratio of interest cost



The extent to which Watercare covers its interest costs is a vital measure of its financial performance. Under the SCI, Watercare undertakes to maintain the ratio of funds generated from the business at a level of at least 2.5 times the cost of interest. The company achieved this target in 2010/11 with an FFO ratio of 3.3.

8B. Percentage performance: savings through efficient procurement.



On integration, 367 supply contracts transferred to Watercare. Considerable consolidation of suppliers has been achieved resulting in immediate savings. Other significant savings were achieved in IT and chemical categories. In total, savings of \$3.6 million were realised in 2010/11.

8C. Performance against target: interest rate percentage.



Interest on debt is a significant cost for Watercare and is closely monitored. The company sets an annual target to achieve a lower average interest rate than the Treasury Benchmark rate. For 2010/11, Watercare achieved an average interest rate of 5.95% which was less than the Treasury Benchmark of 6.29%.

8D. Performance: actual operating expense. Percentage against budget



Watercare is required to minimise operating costs and seeks to achieve actual operating expenses of at least 5% below budget. For 2010/11, the company achieved an actual operating expense that was 6% below budget as a result of labour cost savings, reprioritised maintenance and lower other costs including professional fees.

Overall percentage score: Sound financial management
Contact: bmonk@water.co.nz

2011
99%

WEBLINKS

- Major suppliers and contractors Fig. 55
- Suppliers by spend and industry Fig. 56
- Interest rate performance Fig. 57
- Ethics and business integrity Fig. 58
- Product information disclosure Fig. 59
- Product life cycle, health and safety impact assessment Fig. 60
- Financial implications of climate change Fig. 61



Watercare
at work

Significant upgrades to information systems software

Last year marked two important milestones in Watercare's journey to supporting more effective and secure information systems, with the successful roll-out of new Hansen and SAP Enterprise Asset Management Solution software.

The November roll-out of Hansen involved building the technology and information base for Watercare to run its new customer business. It included transferring all of the local network operators' (LNO) data to Watercare, as Chief Information Officer Jim Swanson explains: "This data covered everything from the two-million-odd assets we inherited – pipes, manholes, vehicles – to all customer billing information."

The Hansen project was challenging as the new platform has to support six different LNO business models, with each LNO having different billing cycles, tariffs and maintenance service levels.

In June, the new SAP Enterprise Asset Management Solution also went live, replacing the old Mozaic, Avantis and PRS systems.

"The upgrade was vital as it enabled us to retire superseded software and eliminate the associated risk of our reliance on an old, inadequately supported system."

SAP supports a number of major business functions for Watercare, including finance and management accounting, CAPEX and OPEX and project management.

Jim says SAP has many benefits, including a more integrated process – capturing data once and making it available to all relevant people and processes, and improved reporting and tracking of performance:

"This puts us in a strong position for moving forward as it provides us with systems which can grow with the business to meet our current and future needs."

"This data covered everything from the two-million-odd assets we inherited – pipes, manholes, vehicles – to all customer billing information."

Chief Information Officer Jim Swanson (left) discusses the impact of the SAP Enterprise Asset Management Solution software on the procurement process with Procurement Manager Stuart Bird.



Environmental
Resources
Management

ERM Independent Assurance Report to Watercare Services Limited

ERM New Zealand Limited (ERM) was engaged by Watercare Services Limited (Watercare) to provide independent assurance of non-financial data within Watercare's 2011 Annual Report, to the scope of work outlined below.

Scope of Work

This assurance statement is intended for Watercare's stakeholders. The 2011 Annual Report covers Watercare's operations for the 12 months from 1 July 2010 to 30 June 2011, unless stated otherwise in the text. For example, changes in scope and responsibility following the Auckland water industry amalgamation in November 2010, is such that certain performance rulers only report data for the 8 month period following the amalgamation. This work was performed in accordance with ERM's assurance methodology, which is based on the international standards ISAE 3000, AA1000 Assurance Standard (2008) and ISO 19011. ERM reviewed Watercare's performance reporting for the subject matter specified below. The criteria used were the AA1000AS (2008) Principles of Inclusivity, Materiality and Responsiveness, against which ERM reviewed Watercare's performance reporting to provide Type 2, moderate assurance. To achieve this, we interviewed a number of personnel and reviewed relevant documentation at Watercare's operations in Auckland.

The subject matter for this assurance process consisted of adherence to the AA1000AS (2008) Principles, adherence to the Global Reporting Initiative (GRI) G3 Application Level A+ requirements and review of the following performance rulers: Safe & Reliable Water Supply; Healthy Waterways; Health, Safety and Wellbeing; Customer Satisfaction; Stakeholder Relations; Sustainable Environment; Effective Asset Management; and Sound Financial Management.

The scope specifically excluded data relating to Watercare's financial accounts.

ERM's Independence

Watercare was responsible for preparing the 2011 Annual Report, including the collection and presentation of data and statements within it. The ERM team, led by Peter Rawlings, Partner, Australia & New Zealand, was responsible for expressing assurance conclusions in line with the scope of work agreed with Watercare. During 2010/11, ERM did not work with Watercare on other consulting engagements.

Our Conclusion

On the basis of its scope of work, and in consideration of the limitations of the assurance engagement presented above, ERM concludes that, for the specified subject matter, Watercare's 2011 Annual Report appropriately reports non-financial performance, addresses the AA1000 Principles of Completeness, Materiality and Responsiveness and adheres to the GRI G3 Application Level A+ for the 12 months from 1 July 2010 to 30 June 2011.

Key Findings

Based on the scope of work, and without affecting our assurance conclusion, ERM identified the following key findings:

- In response to the Auckland water industry amalgamation, Watercare has refined its sustainability performance rulers. Quantitative and qualitative rulers are now presented that reflect the broad integrated role that Watercare undertakes and the range of stakeholders that have an interest in its operations.
- Many of Watercare's inherited non-metropolitan assets do not currently meet the same standard and quality of service as its metropolitan sites, however Watercare is aware of the improvements required to bring these inline and has made commitments to invest in these areas.
- Watercare continues to actively engage with key stakeholder groups, including its shareholder, the Auckland Council, local Boards, customers, iwi and other interested parties and respond to their needs. Specific advisory groups focused on iwi and the environment have continued to operate through the amalgamation.
- A range of programmes have been initiated by Watercare to tackle material issues across the breadth of sustainability areas such as: reducing water demand of both its residential customers and larger water users; diverting both operational and process wastes from landfill; increasing skills and capacity within its workforce; and educating and informing local communities.
- Whilst a large portion of the data reporting mechanisms used to generate Watercare's performance rulers are integrated electronic systems that help to minimise the potential for data inaccuracies and calculation/transposition errors, there are a number of areas that would benefit from improved data collection protocols.

ERM congratulates Watercare on its 2011 Annual Report.

ERM New Zealand Ltd,
23 September 2011,
Auckland, New Zealand

ERM New Zealand Limited (ERM) is an independent global provider of environmental, social and corporate responsibility consulting and assurance services. ERM has prepared this statement for Watercare Services Limited in accordance with ERM's standard terms and the standard practised by members of the environmental consulting profession performing this type of service at the same time. No other warranty, express or implied, is given by ERM as a result of the provision of this statement. To the extent permitted by law, this statement is provided for informational purposes only, without the right to rely, and ERM will not be liable for any reliance which may be placed on this statement by a third party. This statement may not be used by any third party without ERM's express written permission.

FINANCIAL REPORT

2011



Fletcher Construction Site Foreman Dudley Heuvel (left) and Watercare Senior Engineer Terry Cammell survey work on the Mt Eden Reservoir Complex.

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HISTORICAL FINANCIAL SUMMARY AND KEY STATISTICS

AS AT 30 JUNE 2011

	2002	2003	2004	2005*	2006	2007	2008	2009	2010	2011
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
FINANCIAL PERFORMANCE										
Operating revenue	160,397	163,627	165,240	166,628	167,899	168,983	167,345	184,629	198,116	373,107
Price adjustment	-	-	(15,711)	(10,000)	-	-	-	-	-	-
Operating expenses	109,197	137,628	133,470	137,713	144,070	159,196	165,763	170,427	189,002	361,273
Operating surplus before:	51,200	25,999	16,059	18,915	23,829	9,787	1,582	14,202	9,114	11,834
Loss on disposal and provision for redundant property, plant and equipment and other restructuring costs	-	(3,287)	(3,102)	(3,254)	(1,026)	(7,719)	(4,793)	(11,589)	(6,140)	(6,162)
Contributions towards cost of constructing property, plant and equipment**	-	-	-	-	610	3,790	1,428	259	1,111	-
Revaluation of derivative financial instruments	-	-	-	(2,673)	2,561	3,021	(3,222)	(16,599)	(20,483)	(13,567)
Decommissioning of oxidation ponds	(5,442)	(2,770)	-	-	-	-	-	-	-	-
Operating surplus/(deficit) before tax	45,758	19,942	12,957	12,988	25,974	8,879	(5,005)	(13,727)	(16,398)	(7,895)
Current tax	4,814	1,611	2,478	(25)	2,079	(28)	-	-	-	-
Deferred tax	14,540	10,516	8,508	4,303	7,909	3,639	(2,208)	(3,363)	11,311	4,438
Net surplus/(deficit) after tax	26,404	7,815	1,971	8,710	15,986	5,268	(2,797)	(10,364)	(27,709)	(12,333)
FINANCIAL POSITION										
Non-current assets										
Property, plant and equipment	1,338,191	1,569,273	1,571,546	1,585,453	1,959,687	1,977,280	2,025,034	2,357,369	2,413,113	7,688,196
Intangibles***	-	-	-	-	13,539	18,429	18,844	16,375	14,374	30,229
Investments	12,574	14,425	15,714	17,456	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	5,579	12,220	5,284	12,285
Inventories	1,877	2,022	1,921	1,821	2,378	2,797	2,640	2,599	3,237	3,040
	1,352,642	1,585,720	1,589,181	1,604,730	1,975,604	1,998,506	2,052,097	2,388,563	2,436,008	7,733,750
Current assets	15,930	18,823	19,823	18,121	33,535	35,491	19,414	114,101	34,782	87,586
Total assets	1,368,572	1,604,543	1,609,004	1,622,851	2,009,139	2,033,997	2,071,511	2,502,664	2,470,790	7,821,336
Non-current liabilities										
Borrowings	229,000	229,000	129,000	200,000	200,000	200,000	200,000	350,000	416,500	987,604
Deferred tax liability	20,651	31,167	39,675	256,090	377,656	347,502	342,348	420,666	402,049	848,828
Derivative financial instruments	-	-	-	-	-	-	4,460	27,725	40,298	59,110
Payables, provisions and accruals	21,313	10,864	9,420	972	926	1,194	880	966	1,053	10,492
	270,964	271,031	178,095	457,062	578,582	548,696	547,688	799,357	859,900	1,906,034
Current liabilities										
Bank overdraft	115	-	458	44	148	132	111	-	446	558
Borrowings	143,894	130,293	241,954	175,713	161,505	174,174	207,349	204,560	109,225	241,295
Payables, provisions, accruals and derivative financial instruments	32,937	29,590	25,835	29,760	23,149	26,179	41,219	47,796	48,606	92,054
	176,946	159,883	268,247	205,517	184,802	200,485	248,679	252,356	158,277	333,907
Total liabilities	447,910	430,914	446,342	662,579	763,384	749,181	796,367	1,051,713	1,018,177	2,239,941
Equity										
Issued capital	260,693	260,693	260,693	260,693	260,693	260,693	260,693	260,693	260,693	260,693
Revaluation reserves	629,449	863,754	848,488	575,826	843,712	873,086	862,745	1,043,205	1,071,655	1,429,619
Retained earnings	30,520	49,182	53,481	123,753	141,350	151,037	151,706	147,053	120,265	111,972
Capital reserve	-	-	-	-	-	-	-	-	-	3,779,111
Total equity	920,662	1,173,629	1,162,662	960,272	1,245,755	1,284,816	1,275,144	1,450,951	1,452,613	5,581,395
Total funds employed	1,368,572	1,604,543	1,609,004	1,622,851	2,009,139	2,033,997	2,071,511	2,502,664	2,470,790	7,821,336
CASH FLOW SUMMARY										
Net cash flows – operating	65,837	60,131	54,669	65,627	66,777	70,370	59,208	81,297	74,624	176,035
Net cash flows – investing	(121,750)	(46,349)	(66,854)	(69,972)	(52,673)	(83,023)	(92,362)	(138,387)	(126,245)	(192,231)
Net cash flows – financing	56,025	(13,601)	11,661	4,759	(14,208)	12,669	33,175	57,411	50,965	16,116
Net change in cash flows	112	181	(524)	414	(104)	16	21	321	(656)	(80)
Bank (overdraft)/balance at start of year	(227)	(115)	66	(458)	(44)	(148)	(132)	(111)	210	(446)
Bank (overdraft)/balance at end of year	(115)	66	(458)	(44)	(148)	(132)	(111)	210	(446)	(526)
KEY STATISTICS										
Debt to capitalisation (book value)	28%	23%	23%	27%	22%	23%	24%	28%	27%	18%
Debt to capitalisation (historical cost)	55%	53%	53%	48%	47%	48%	50%	58%	58%	23%
Funds flow from operations to interest ratio	4.1	3.9	3.6	3.5	3.7	3.6	2.9	2.9	2.9	3.3
EBITDA total interest ratio	4.3	4.0	3.7	3.5	3.7	3.6	2.9	2.9	2.9	3.3
EBITDA interest expense ratio	7.9	4.2	3.9	3.8	3.8	3.7	3.4	3.9	3.5	3.5
Total liabilities to total assets	33%	27%	28%	41%	38%	37%	38%	42%	41%	29%
Secured liabilities to total assets	2%	2%	2%	2%	0%	0%	0%	0%	0%	0%
Return on average equity	2.9%	0.8%	0.2%	0.8%	1.5%	0.4%	(0.2%)	(0.8%)	(2.0%)	(0.4%)
Economic value added/(deducted) (\$000)	(75,395)	(75,237)	(109,876)	(93,980)	(99,499)	(123,577)	(130,737)	(128,769)	(134,659)	(278,348)
Capital expenditure (\$000)	118,080	42,810	66,209	70,651	64,489	86,416	120,174	129,860	123,324	(191,943)
Number of employees	355	352	335	329	343	363	363	381	387	611

* The company adopted NZ IFRS with effect from 1 July 2005 and has restated the comparative information for the year ended 30 June 2005 in accordance with NZ IFRS.

** Contributions towards cost of constructing property, plant and equipment is \$3,945, which is included in operating revenue for 2011.

*** Intangibles have been disclosed separately from the June 2006 financial year onwards.

FINANCIAL COMMENTARY

The financial result for the year was a net deficit after tax of \$12.3 million, compared with a budgeted net deficit of \$0.58 million (2010 – Net deficit after tax of \$27.7 million). The deficit was primarily due to the unfavourable revaluation of the company's interest rate swap contracts to market value of \$13.6 million and the change in deferred tax due to the reduction of the tax depreciation rates to zero on buildings with useful lives greater than 50 years which were integrated from the previous local network operators.

Key Points

- On 1 November 2010, the company acquired the water and wastewater businesses conducted by Metrowater Limited, Manukau Water Limited, North Shore City Council, Waitakere City Council, Rodney District Council and Franklin District Council in accordance with the Local Government (Tamaki Makaurau Reorganisation) Act 2009, the Local Government (Auckland Council) Act 2009 and the Local Government (Auckland Transitional Provisions) Act 2010. The company now provides total water and wastewater services to the Auckland region and as a result, the assets, liabilities, revenues and costs of the company have increased significantly in the financial year to 30 June 2011.
- During the year the company's Standard & Poor's corporate credit rating was raised to 'A' long-term and 'A-1' short-term, with a positive outlook. The credit rating on the company's long-term debt was raised to 'AA', consistent with the change to Auckland Council's long-term credit rating. Subsequent to year end, Standard & Poor's raised the company's corporate credit rating to 'AA-' long-term and 'A-1+' short term with a stable outlook (refer to note 27 for further detail).
- A \$150 million medium-term note issue was completed in February 2011. The notes were for a term of four years, and the proceeds were largely used to refinance maturing intercompany loans from Auckland Council.
- No price adjustment was paid in the 2011 year (2010 – \$nil).
- Under NZ IFRS, the company has chosen to revalue its interest rate swaps and forward foreign exchange contracts to fair value. These resulted in a decrease in current year operating surplus from trading operations by \$13.6 million (2010 – decrease in operating surplus from trading operations by \$20.5 million).
- Operating costs were 6.0% lower than budget due to savings in asset operating costs, maintenance and overheads.
- The deferred taxation liability has been adjusted to integrate the previous deferred taxation positions of Metrowater and Manukau Water. Additionally an adjustment was required to reflect the reduction of the tax depreciation rates to zero on buildings with useful lives greater than 50 years which were inherited at integration date.
- This financial commentary includes the budget for the 2011 year and notes on significant variances. Comparisons are also provided to last year being a period where Watercare was the wholesale provider of water and wastewater services which is reflected in revenue, costs, assets and liabilities all being significantly lower. The 2012 budget is also provided as a reference point and reflects higher revenue and costs as Watercare only provided retail water and wastewater services for eight months in this financial year, being the period since integration on 1 November 2010.

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2011

2011	2011	2011	2010	2012
Actual	Budget	Variance to Budget	Actual	Budget
\$000	\$000		\$000	\$000

TOTAL COMPREHENSIVE INCOME

Net deficit after tax	(12,333)	(582)	N/A	(27,709)	(3,179)
Other comprehensive income, net of tax	361,873	151,403	139%	29,371	-
Total comprehensive income for the year, net of tax	349,540	150,821	131.8%	1,662	(3,179)

The Statement of Comprehensive Income also includes other comprehensive income of \$361.9 million due to the revaluation of property, plant and equipment at 30 June 2011.

Total comprehensive income for the year of \$349.5 million after tax, compared with budgeted comprehensive income of \$150.8 million after tax, represents a favourable variance of \$198.7 million. This primarily reflects the upwards asset revaluation being greater than the 3% increase assumed in the budget.

Material unfavourable variances in comparison to budget include the negative revaluation of financial instruments of \$13.6 million, depreciation and amortisation of \$1.21 million, non-operating costs of \$1.36 million and revenue of \$1.0 million. The unfavourable variances were partially offset by the favourable variance in operating costs of \$10.1 million.

2011	2011	2011	2010	2012
Actual	Budget	Variance to Budget	Actual	Budget
\$000	\$000		\$000	\$000

REVENUE

Water	131,438	134,343	(2.2%)	71,962	135,196
Wastewater	203,773	206,290	(1.2%)	106,922	262,707
Trade waste	14,038	13,709	2.4%	11,763	12,510
Other	23,858	19,823	20.4%	8,580	43,339
Operating revenue	373,107	374,166	(0.3%)	199,227	453,752

FINANCIAL COMMENTARY (continued)

Water revenue was \$131.44 million for the year, 2.2% lower than the budget of \$134.34 million due to lower than expected water sales volumes.

Wastewater revenue was \$203.77 million for the year, 1.2% lower than the budget of \$206.29 million due to lower than expected volumes.

Trade waste revenue was \$14.0 million for the year and was higher than the budget by 2.4% due to higher than expected production for some customers.

Other revenue was \$23.8 million for the year and was 20.4% above budget due to higher miscellaneous revenue.

2011	2011	2011	2010	2012
Actual	Budget	Variance to Budget	Actual	Budget
\$000	\$000		\$000	\$000

PRICE ADJUSTMENT

Water	-	-	-	-	-
Wastewater	-	-	-	-	-
Trade waste	-	-	-	-	-
	-	-	-	-	-

Price adjustments are unbudgeted discretionary payments. The Directors determine the amount, and the distribution between customer groups, after having regard to the financial position of the company and future expenditure requirements. The Directors decided that no price adjustment would be made for 2011 (2010 – \$Nil).

2011	2011	2011	2010	2012
Actual	Budget	Variance to Budget	Actual	Budget
\$000	\$000		\$000	\$000

OPERATING EXPENSES

Water

Asset operating costs	19,577	21,909	10.6%	13,019	24,878
Maintenance	18,361	21,987	16.5%	7,660	19,846
Other expenses	25,591	23,769	(7.7%)	17,628	27,372
	63,529	67,665	6.1%	38,307	72,095

Wastewater

Asset operating costs	36,493	38,882	6.1%	22,467	41,110
Maintenance	20,651	21,314	3.1%	11,615	24,349
Other expenses	35,867	38,782	7.5%	16,345	44,659
	93,011	98,977	6.0%	50,427	110,118

Total

Asset operating costs	56,070	60,791	7.8%	35,486	65,987
Maintenance	39,012	43,301	9.9%	19,275	44,195
Other expenses	61,458	62,551	1.7%	33,973	72,031
	156,540	166,642	6.1%	88,734	182,213

Asset operating costs for the year were 7.8% below budget. The main driver for the favourable variance was due to the savings in chemical and energy costs due to lower flows in the summer months. Savings in other asset costs were due to biosolids production volume being down and lower information systems operating costs than budgeted following integration.

Maintenance costs were 9.9% lower than budget. The favourable variance was primarily due to deferral of the primary sedimentation tank at the Rosedale Wastewater Treatment Plant and savings across the water treatment plants and network maintenance programme.

Other expenses for the year were 1.7% lower than budget due primarily to professional services and net labour costs being lower than budget. Professional services savings were achieved across the company due primarily to reprioritisation of spend in this area and staff focus on integration. The savings in net labour was mainly due to lower headcount than budgeted especially in the infrastructure and information systems groups. Other overhead savings were also achieved in training and travel due to staff focus on the integration of the retail business.

FINANCIAL COMMENTARY (continued)

2011	2011	2011	2010	2012
Actual	Budget	Variance to Budget	Actual	Budget
\$000	\$000		\$000	\$000

DEPRECIATION AND AMORTISATION

Water	71,106	54,510	(30.4%)	34,680	82,730
Wastewater	72,520	87,906	17.5%	34,075	100,950
	143,626	142,416	(0.8%)	68,755	183,680

Depreciation for 2011 was 0.8% over budget primarily due to the acceleration of depreciation on various water assets due for replacement. The budget for water depreciation was understated and wastewater depreciation overstated due to incorrect budget assumptions being used for the useful lives of the retail assets integrated from the local network operators on 1 November 2010.

2011	2011	2011	2010	2012
Actual	Budget	Variance to Budget	Actual	Budget
\$000	\$000		\$000	\$000

FINANCE COSTS

Water

Paid and payable	27,899	31,045	10.1%	10,846	39,161
Capitalised on asset construction	(1,998)	(4,143)	51.8%	(1,060)	(3,022)
	25,901	26,902	3.7%	9,786	36,139

Wastewater

Paid and payable	37,922	39,512	4.0%	26,502	49,841
Capitalised on asset construction	(2,716)	(5,274)	48.5%	(4,775)	(3,846)
	35,206	34,238	(2.8%)	21,727	45,995

Total

Paid and payable	65,821	70,557	6.7%	37,348	89,002
Capitalised on asset construction	(4,714)	(9,417)	49.9%	(5,835)	(6,868)
	61,107	61,140	0.1%	31,513	82,134

Total finance costs of \$61.1 million were 0.1% below budget. The lower interest costs were due to lower interest rates and lower debt due to lower capital expenditure than budgeted. This was partially offset by the amount of interest capitalised to assets under construction being lower than budget by \$4.7 million due to less qualifying projects being integrated from the local network operators than was assumed.

2011	2011	2011	2010	2012
Actual	Budget	Variance to Budget	Actual	Budget
\$000	\$000		\$000	\$000

TAX

Current tax	-	-	-	-	-
Deferred tax	4,438	(250)	N/A	11,311	(1,236)
	4,438	(250)	N/A	11,311	(1,236)

The deferred tax balance reflects the change in deferred tax due to the reduction of the tax depreciation rates to zero on buildings with useful lives greater than 50 years which were integrated from the local network operators on 1 November 2010. No tax was payable on the trading result for the year.

FINANCIAL COMMENTARY (continued)**Statement of Financial Position**

AS AT 30 JUNE 2011

The company is in a strong financial position with net equity of \$5.58 billion at year-end. The net equity increased by \$4.13 billion from 30 June 2010 primarily due to the capital contribution on 1 November 2010 of \$3.78 billion resulting from the integration of the net assets and liabilities of the previous local network operators.

2011	2011	2011	2010	2012
Actual	Budget	Variance to Budget	Actual	Budget
\$000	\$000		\$000	\$000

PROPERTY, PLANT AND EQUIPMENT

Water	3,188,117	3,139,907	1.5%	1,366,844	3,234,411
Wastewater	4,500,079	4,285,998	5.0%	1,046,269	4,519,687
	7,688,196	7,425,554	3.5%	2,413,113	7,754,098

Water	Wastewater	Total
\$000	\$000	\$000

The analysis by business group for the movements in property, plant and equipment for 2011 is:

Net additions, integration and other movements	1,698,148	3,211,411	4,909,559
Asset revaluation (before tax)	190,988	311,612	502,600
Depreciation	(67,863)	(69,213)	(137,076)
	1,821,273	3,453,810	5,275,083

The increase for property, plant and equipment during the year was primarily due to the integration on 1 November 2010 of the property, plant and equipment of the local network operators. Additionally, all of the property, plant and equipment was revalued at 30 June 2011. Significant capital expenditure projects in the year included work on the new Hunua Number 4 trunk watermain and the South Western interceptor extension.

2011	2011	2011	2010	2012
Actual	Budget	Variance to Budget	Actual	Budget
\$000	\$000		\$000	\$000

INTANGIBLE ASSETS

Water	14,207	16,634	(14.6%)	6,552	7,614
Wastewater	16,022	18,759	(14.6%)	7,822	8,586
	30,229	35,393	(14.6%)	14,374	16,200

The increase in intangible assets during the year reflects both the assets integrated from the local network operators and the completion of the new information systems required for the company to operate in the retail environment from 1 November 2010.

2011	2011	2011	2010	2012
Actual	Budget	Variance to Budget	Actual	Budget
\$000	\$000		\$000	\$000

BORROWINGS

	1,228,899	1,270,717	3.3%	525,725	1,295,314
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Borrowings at year-end were 3.3% lower than budget, primarily due to lower than budgeted capital expenditure and lower opening debt than was assumed for the budget. Borrowings include commercial paper of \$124.1 million, \$11.5 million drawn under a revolving credit facility, related party loans of \$543.2 million, medium term notes of \$450 million and a bank loan of \$100 million.

FINANCIAL COMMENTARY (continued)

2011	2011	2011	2010	2012
Actual	Budget	Variance to Budget	Actual	Budget
\$000	\$000		\$000	\$000

DEFERRED TAX LIABILITY

848,828	775,362	9.5%	402,049	849,704
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The deferred tax liability primarily comprises temporary differences between the revalued property, plant and equipment and the values recognised for tax purposes plus differences in the company's depreciation rates and those permitted by the Inland Revenue Department. At 30 June 2011, deferred taxation was higher than budget, principally due to the revaluation of property, plant and equipment for accounting purposes being greater than budgeted. The increase in deferred tax liability compared to last year primarily reflects the integration of the deferred tax balances of Metrowater and Manukau Water of \$301.6 million on 1 November 2010 and the tax effect of the revaluation of the property, plant and equipment for accounting purposes of \$140.7 million.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2011

No price adjustment was paid to customers during the financial year to 30 June 2011. As such, all of the company's cash flow from operations was available for either capital expenditure or debt repayment. Borrowings increased as a result of the shortfall between operating cash flows and capital expenditure.

2011	2011	2011	2010	2012
Actual	Budget	Variance to Budget	Actual	Budget
\$000	\$000		\$000	\$000

NET CASH FLOWS FROM OPERATING ACTIVITIES

176,035	169,468	3.9%	74,624	182,237
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Net operating cash flows at \$176.04 million were 3.9% higher than budget for 2011, predominantly due to lower operating costs than expected.

2011	2011	2011	2010	2012
Actual	Budget	Variance to Budget	Actual	Budget
\$000	\$000		\$000	\$000

NET CASH FLOWS FROM INVESTING ACTIVITIES

(192,231)	(220,859)	13.0%	(126,245)	(240,907)
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The net cash flows from investing activities were 13% lower than budget due to delays in some capital expenditure projects.

2011	2011	2011	2010	2012
Actual	Budget	Variance to Budget	Actual	Budget
\$000	\$000		\$000	\$000

NET CASH FLOWS FROM FINANCING ACTIVITIES

16,116	51,391	(68.6%)	50,965	58,670
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The net cash flows from financing activities show a net increase in borrowings in 2011 from the prior year. The increase in debt resulted from the higher level of capital expenditure relative to the operating cash flows.

The audited financial statements are set out on pages 68 to 105.

RESPONSIBILITY FOR THE FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE

Financial Statements

We have ensured that the financial statements fairly reflect the financial position of the company as at 30 June 2011 and its financial performance and cash flows for the year ended on that date.

We have ensured that the accounting policies used by the company accord with New Zealand Equivalents to International Financial Reporting Standards. This includes the early adoption of accounting standards issued by the New Zealand Institute of Chartered Accountants, to the extent that they do not conflict with an existing accounting standard and the information is available.

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

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

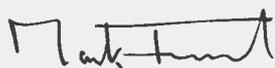
Statement of Service Performance

We are responsible for establishing a Statement of Corporate 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 2011.

We have pleasure in presenting the financial statements and the statement of service performance for Watercare Services Limited for the year ended 30 June 2011, which were approved and authorised for release on 22 September 2011.

For and on behalf of management:



K M Ford
Chief Executive



B T Monk
Chief Financial Officer

For the Board:



R B Keenan
Chairman



D J Clarke
Deputy Chairman



P S Drummond
Director



C J Harland
Director



S M Huria
Director



A G Lanigan
Director



P N Snedden
Director



J G Todd
Director

INDEPENDENT AUDITOR'S REPORT

To the readers of Watercare Services Limited and group's Financial Statements and Statement of Service Performance for the year ended 30 June 2011

Deloitte.

The Auditor-General is the auditor of Watercare Services Limited (the company) and group. The Auditor-General has appointed me, Jamie Schmidt, using the staff and resources of Deloitte, to carry out the audit of the financial statements and statement of service performance of the company and group on her behalf.

We have audited:

- the financial statements of the company and group on pages 68 to 105, that comprise the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the company and group on pages 107 to 111.

Opinion on the financial statements and the statement of service performance

In our opinion,

- the financial statements of the company and group on pages 68 to 105:
 - comply with generally accepted accounting practice in New Zealand;
 - give a true and fair view of the company and group's:
 - financial position as at 30 June 2011; and
 - financial performance and cash flows for the year ended on that date; and
- the statement of service performance of the company and group on pages 107 to 111:
 - complies with generally accepted accounting practice in New Zealand; and
 - gives a true and fair view of the company's service performance achievements measured against the performance targets adopted for the year ended 30 June 2011.

Opinion on other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company and group as far as appears from an examination of those records.

Our audit was completed on 22 September 2011. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and statement of service performance are free from material misstatement. Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance whether due to fraud or error.

In making those risk assessments, we consider internal control relevant to the preparation of the company and group's financial statements and statement of service performance that give a true and fair view of the matters to which they relate.

We consider internal control 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 company and group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements and statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance. In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company and group's financial position, financial performance and cash flows; and
- give a true and fair view of the company and group's service performance.

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

The Board of Directors' responsibilities arise from the Local Government (Auckland Transitional Provisions) Act 2010 and the Financial Reporting Act 1993.

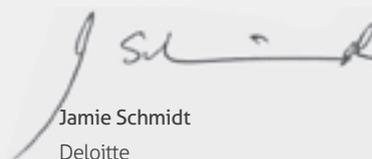
Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 22 of the Local Government (Auckland Transitional Provisions) Act 2010.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit and IT assurance and control work, which are compatible with those independence requirements, we have no relationship with or interests in the company or any of its subsidiaries.



Jamie Schmidt

Deloitte

On behalf of the Auditor-General
Auckland, New Zealand

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	Group and Company	
		2011	2010
		\$000	\$000
Revenue	Note 1, page 81	373,107	199,227
Total revenue		373,107	199,227
OPERATING EXPENSES			
Asset operating costs		(56,070)	(35,486)
Maintenance costs		(39,012)	(19,275)
Employee benefit expenses		(27,659)	(14,635)
Other expenses		(33,799)	(19,338)
Total operating expenses	Note 3, page 82	(156,540)	(88,734)
Depreciation and amortisation	Note 4, page 82	(143,626)	(68,755)
Finance costs	Note 5, page 82	(61,107)	(31,513)
Total expenses		(361,273)	(189,002)
Operating surplus from trading operations		11,834	10,225
Loss on disposal and provision for redundant property, plant and equipment and other restructuring costs		(6,162)	(6,140)
Revaluation of derivative financial instruments	Note 6, page 83	(13,567)	(20,483)
Operating deficit before tax		(7,895)	(16,398)
INCOME TAX EXPENSE			
Deferred tax	Note 8, page 84	(4,438)	(11,311)
Income tax expense		(4,438)	(11,311)
Net deficit for the year		(12,333)	(27,709)
OTHER COMPREHENSIVE INCOME NET OF TAX			
Gain on revaluation of property, plant and equipment and adjustments	Note 12, page 88	361,873	-
Impairment of property, plant and equipment	Note 12, page 88	-	(390)
Deferred tax relating to future reduction in tax rate	Note 12, page 88	-	29,761
Other comprehensive income for the year, net of tax		361,873	29,371
Total comprehensive income for the year, net of tax		349,540	1,662

The financial statements should be read in conjunction with the accounting policies and notes on pages 74 to 105.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Notes	Group and Company	
		2011	2010
		\$000	\$000
ASSETS			
Current			
Cash and cash equivalents		32	-
Short-term deposits		-	10,000
Trade and other receivables	Note 16, page 93	79,508	19,047
Prepaid expenses		3,401	3,306
Inventories	Note 15, page 93	4,092	2,267
Derivative financial instruments	Note 21, page 97	553	162
Total current assets		87,586	34,782
Non-current			
Inventories	Note 15, page 93	3,040	3,237
Derivative financial instruments	Note 21, page 97	12,285	5,284
Intangible assets	Note 14, page 91	30,229	14,374
Property, plant and equipment	Note 13, page 89	7,688,196	2,413,113
Total non-current assets		7,733,750	2,436,008
Total assets		7,821,336	2,470,790
EQUITY & LIABILITIES			
Current			
Bank overdraft		558	446
Trade and other payables	Note 17, page 93	16,157	8,299
Accrued expenses	Note 18, page 94	67,927	33,017
Provisions	Note 19, page 94	4,796	6,264
Borrowings	Note 20, page 95	241,295	109,225
Derivative financial instruments	Note 21, page 97	3,174	1,026
Total current liabilities		333,907	158,277
Non-current			
Accrued expenses	Note 18, page 94	9,100	-
Provisions	Note 19, page 94	1,392	1,053
Borrowings	Note 20, page 95	987,604	416,500
Derivative financial instruments	Note 21, page 97	59,110	40,298
Deferred tax liability	Note 9, page 85	848,828	402,049
Total non-current liabilities		1,906,034	859,900
Total liabilities		2,239,941	1,018,177
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Retained earnings		111,972	120,265
Revaluation reserves	Note 12, page 88	1,429,619	1,071,655
Capital reserve	Note 11, page 86	3,779,111	-
Issued capital	Note 10, page 85	260,693	260,693
Total equity		5,581,395	1,452,613
Total equity and liabilities		7,821,336	2,470,790

The financial statements should be read in conjunction with the accounting policies and notes on pages 74 to 105.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	Group and Company	
		2011	2010
		\$000	\$000
OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		384,722	196,377
Dividends received		34	49
Interest received		1,041	583
		385,797	197,009
Cash was applied to:			
Employees and suppliers		(153,203)	(89,830)
Finance costs paid		(56,559)	(32,555)
		(209,762)	(122,385)
Net cash flows – operating activities	Note 7, page 83	176,035	74,624
INVESTING ACTIVITIES			
Cash was provided from:			
Contributions to fund property, plant and equipment		-	1,111
Cash acquired from Manukau Water Limited	Note 11, page 86	11,953	-
Sale of property, plant and equipment		70	25
		12,023	1,136
Cash was applied to:			
Purchase and construction of property, plant and equipment		(193,935)	(121,546)
Interest capitalised on construction of property, plant and equipment	Note 5, page 82	(4,714)	(5,835)
Bank overdraft acquired from Metrowater Limited	Note 11, page 86	(5,605)	-
		(204,254)	(127,381)
Net cash flows – investing activities		(192,231)	(126,245)
FINANCING ACTIVITIES			
Cash was provided from:			
Short-term deposits		15,000	85,000
Proceeds from medium-term notes issue		150,000	50,000
Commercial paper issued (net)		24,916	44,665
Revolving credit facility (net)		-	21,300
		189,916	200,965
Cash was applied to:			
Revolving credit facility (net)		(5,000)	-
Repay medium-term notes issue		-	(150,000)
Repay loan from Auckland Council – related party	Note 22, page 103	(168,800)	-
		(173,800)	(150,000)
Net cash flows – financing activities		16,116	50,965
Net change in cash flows		(80)	(656)
Bank (overdraft)/balance at beginning of year		(446)	210
Net bank overdraft at the end of the year		(526)	(446)
Net bank overdraft at the end of the year comprises of:			
Cash and cash equivalents		32	-
Bank overdraft		(558)	(446)
		(526)	(446)

The financial statements should be read in conjunction with the accounting policies and notes on pages 74 to 105.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

Notes	Issued capital	Revaluation reserves	Retained earnings	Capital reserve	Total
	\$000	\$000	\$000	\$000	\$000
GROUP AND COMPANY 2011					
Balance at 1 July 2010	260,693	1,071,655	120,265	-	1,452,613
Comprehensive income					
Net deficit for the year	-	-	(12,333)	-	(12,333)
Other comprehensive income					
Gain on revaluation of property, plant and equipment	Note 12, page 88	361,873	-	-	361,873
Transfer to retained earnings on disposal of property, plant and equipment	Note 12, page 88	(3,909)	3,909	-	-
Total comprehensive income for the year, net of tax	-	357,964	(8,424)	-	349,540
Transactions with owners					
Capital reserve on business integration	-	-	-	3,779,111	3,779,111
Metrowater Community Trust acquired on integration	-	-	131	-	131
Total transactions with owners	Note 11, page 86	-	131	3,779,111	3,779,242
Balance at 30 June 2011	260,693	1,429,619	111,972	3,779,111	5,581,395

Notes	Issued capital	Revaluation reserves	Retained earnings	Capital reserve	Total
	\$000	\$000	\$000	\$000	\$000
COMPANY 2010					
Balance at 1 July 2009	260,693	1,043,205	147,053	-	1,450,951
Comprehensive income					
Net deficit for the year	-	-	(27,709)	-	(27,709)
Other comprehensive income					
Tax rate adjustment (30% to 28%)	Note 12, page 88	29,761	-	-	29,761
Impairment of property, plant and equipment	Note 12, page 88	(390)	-	-	(390)
Transfer to retained earnings on disposal of property, plant and equipment	Note 12, page 88	(921)	921	-	-
Total comprehensive income for the year, net of tax	-	28,450	(26,788)	-	1,662
Balance at 30 June 2010	260,693	1,071,655	120,265	-	1,452,613

The financial statements should be read in conjunction with the accounting policies and notes on pages 74 to 105.

STATEMENT OF COMPREHENSIVE INCOME BY BUSINESS UNIT

FOR THE YEAR ENDED 30 JUNE 2011

	Group and Company			Company		
	Water	Wastewater	Total	Water	Wastewater	Total
	2011	2011	2011	2010	2010	2010
	\$000	\$000	\$000	\$000	\$000	\$000
REVENUE						
Water and wastewater	131,438	203,773	335,211	71,962	106,922	178,884
Trade waste	-	14,038	14,038	-	11,763	11,763
Other revenue	9,066	14,792	23,858	3,992	4,588	8,580
Total revenue	140,504	232,603	373,107	75,954	123,273	199,227
OPERATING EXPENSES						
Asset operating costs	(19,577)	(36,493)	(56,070)	(13,019)	(22,467)	(35,486)
Maintenance costs	(18,361)	(20,651)	(39,012)	(7,660)	(11,615)	(19,275)
Employee benefit expenses	(12,386)	(15,273)	(27,659)	(7,352)	(7,283)	(14,635)
Other expenses	(13,205)	(20,594)	(33,799)	(10,276)	(9,062)	(19,338)
Total operating expenses	(63,529)	(93,011)	(156,540)	(38,307)	(50,427)	(88,734)
Depreciation and amortisation	(71,106)	(72,520)	(143,626)	(34,680)	(34,075)	(68,755)
Finance costs	(25,901)	(35,206)	(61,107)	(9,786)	(21,727)	(31,513)
Total expenses	(160,536)	(200,737)	(361,273)	(82,773)	(106,229)	(189,002)
Operating (deficit)/surplus from trading operations	(20,032)	31,866	11,834	(6,819)	17,044	10,225
Loss on disposal and provision for redundant property, plant and equipment and other restructuring costs	(3,215)	(2,947)	(6,162)	(4,100)	(2,040)	(6,140)
Revaluation of derivative financial instruments	(5,191)	(8,376)	(13,567)	(6,805)	(13,678)	(20,483)
Operating (deficit)/surplus before tax	(28,438)	20,543	(7,895)	(17,724)	1,326	(16,398)
INCOME TAX EXPENSE						
Deferred tax	(1,686)	(2,752)	(4,438)	(3,362)	(7,949)	(11,311)
Income tax expense	(1,686)	(2,752)	(4,438)	(3,362)	(7,949)	(11,311)
Net (deficit)/surplus for the year	(30,124)	17,791	(12,333)	(21,086)	(6,623)	(27,709)
OTHER COMPREHENSIVE INCOME NET OF TAX						
Gain on revaluation and impairment of property, plant and equipment and adjustments	137,512	224,361	361,873	-	-	-
Impairment of property, plant and equipment	-	-	-	-	(390)	(390)
Deferred tax relating to future reduction in tax rate	-	-	-	18,633	11,128	29,761
Other comprehensive income for the year, net of tax	137,512	224,361	361,873	18,633	10,738	29,371
Total comprehensive income for the year, net of tax	107,388	242,152	349,540	(2,453)	4,115	1,662

The financial statements should be read in conjunction with the accounting policies and notes on pages 74 to 105.

STATEMENT OF FINANCIAL POSITION BY BUSINESS UNIT

AS AT 30 JUNE 2011

Group and Company			Company		
Water	Wastewater	Total	Water	Wastewater	Total
2011	2011	2011	2010	2010	2010
\$000	\$000	\$000	\$000	\$000	\$000

ASSETS**Current**

Short-term deposits	-	-	-	5,000	5,000	10,000
Other current assets	40,722	46,864	87,586	10,810	13,972	24,782
Total current assets	40,722	46,864	87,586	15,810	18,972	34,782

Non-current

Inventories	635	2,405	3,040	173	3,064	3,237
Derivative financial instruments	5,429	6,856	12,285	1,849	3,435	5,284
Intangibles	14,207	16,022	30,229	6,552	7,822	14,374
Property, plant and equipment	3,188,117	4,500,079	7,688,196	1,366,844	1,046,269	2,413,113
Total non-current assets	3,208,388	4,525,362	7,733,750	1,375,418	1,060,590	2,436,008
Total assets	3,249,110	4,572,226	7,821,336	1,391,228	1,079,562	2,470,790

LIABILITIES**Current**

Current liabilities	143,791	190,116	333,907	65,086	93,191	158,277
Total current liabilities	143,791	190,116	333,907	65,086	93,191	158,277

Non-current

Accrued expenses	4,368	4,732	9,100	-	-	-
Provisions	524	868	1,392	533	520	1,053
Borrowings	436,205	551,399	987,604	133,280	283,220	416,500
Derivative financial instruments	26,126	32,984	59,110	14,104	26,194	40,298
Deferred tax liability	319,452	529,376	848,828	236,508	165,541	402,049
Total non-current liabilities	786,675	1,119,359	1,906,034	384,425	475,475	859,900
Total liabilities	930,466	1,309,475	2,239,941	449,511	568,666	1,018,177
Equity attributable to owners of the parent	2,318,644	3,262,751	5,581,395	941,717	510,896	1,452,613
Total equity and liabilities	3,249,110	4,572,226	7,821,336	1,391,228	1,079,562	2,470,790

STATEMENT OF CASH FLOWS BY BUSINESS UNIT

FOR THE YEAR ENDED 30 JUNE 2011

Group and Company			Company		
Water	Wastewater	Total	Water	Wastewater	Total
2011	2011	2011	2010	2010	2010
\$000	\$000	\$000	\$000	\$000	\$000

Net cash flows – operating activities	59,305	116,730	176,035	35,278	39,346	74,624
Net cash flows – investing activities	(79,978)	(112,253)	(192,231)	(66,748)	(59,497)	(126,245)
Net cash flows – financing activities	7,118	8,998	16,116	31,070	19,895	50,965
Net change in cash flows	(13,555)	13,475	(80)	(400)	(256)	(656)

The financial statements should be read in conjunction with the accounting policies and notes on pages 74 to 105.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2011

Reporting Entity

The financial statements are for Watercare Services Limited, a council organisation wholly owned by Auckland Council, as defined in the Local Government Act 2002 incorporated and domiciled in New Zealand. The consolidated financial statements of the group are for the economic entity of Watercare Services Limited and, from 1 November 2010, Metrowater Community Trust (100% owned) and Auckland City Water Limited (100% owned non-trading company). The Metrowater Community Trust was formed in February 2001 to assist low income families and individuals who cannot afford to pay their water and wastewater bills and individuals who have special needs in relation to water use. Separate financial statements of the parent are not presented in these financial statements as the subsidiary financial statements are immaterial to the consolidated group, as detailed in note 11, page 87. As the consolidated group commenced on 1 November 2010 there are no group comparatives.

On 1 November 2010, as the result of the Auckland Council reorganisation, Watercare Services Limited integrated the water and wastewater businesses of Metrowater Limited, Manukau Water Limited, North Shore City Council, Waitakere City Council, Rodney District Council, Papakura District Council and Franklin District Council, in accordance with the Local Government (Tamaki Makaurau Reorganisation) Act 2009, the Local Government (Auckland Council) Act 2009 and the Local Government (Auckland Transitional Provisions) Act 2010.

Under this new structure Watercare Services Limited provides total water and wastewater services to the Auckland region (except Papakura) and as a result, the assets, liabilities, revenues and costs of the group have increased significantly.

The group's registered office and principal place of business is at 2 Nuffield Street, Newmarket, Auckland 1023.

Statement of Compliance

Watercare Services Limited is a public benefit entity (PBE) as defined under the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). The financial statements and accounting policies comply with the specific recognition, measurement and disclosure requirements of NZ IFRS in relation to PBEs and New Zealand Generally Accepted Accounting Practice (NZGAAP).

Statutory Base

Watercare Services Limited is a group registered under the Companies Act 1993 and is a reporting entity as defined by the Financial Reporting Act 1993. The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993, the Local Government Acts 1974 and 2002, Local Government (Auckland Transitional Provisions) Act 2010 and the Companies Act 1993.

Measurement Base

The financial statements have been prepared on the historical cost basis, modified by the revaluation of land and buildings, certain infrastructural assets and derivative instruments as described in specific accounting policies below.

Functional and Presentation Currency

The financial statements are prepared in New Zealand dollars and all values are rounded to the nearest thousand, unless otherwise stated.

Key Management Decisions

The key areas where management has exercised its judgment in the preparation of these financial statements are as explained below:

There are a number of assumptions and estimates used when performing depreciated replacement cost valuations of infrastructure assets. For example, estimates are made by determining the remaining useful life over which an asset will be depreciated, replacement costs for assets and capitalised interest. In respect of estimated useful lives, if the estimated useful lives are not accurate this would lead to the annual depreciation charge being either higher or lower in the statement of comprehensive income. To minimise the estimation risk of asset useful lives the group continually assesses the condition of infrastructural assets and their remaining useful lives. Physical inspections and condition assessments are used by the group to ensure that the condition of major assets is understood and the carrying value of an asset reflects its actual condition. See note 13, page 89 for additional information.

Significant Accounting Policies

The following specific accounting policies that materially affect the measurement of comprehensive income, financial position and cash flows have been applied consistently to all periods presented in these financial statements.

1. Business Unit Reporting

Business unit comprehensive income, financial position and cash flows are presented in the financial statements for water and wastewater services, reflecting the group's legislative requirements. Revenues and expenses are apportioned to each unit on a direct basis plus an allocation of non-specific and overhead costs proportional to each unit's staffing levels. All operations are carried out within New Zealand. There are no material transactions between the two business units.

2. Basis of Consolidation

The purchase method is used to prepare the consolidated financial statements, which involves adding together like items of assets, liabilities, equity, income and expenses on a line-by-line basis. All significant intragroup balances, transactions, revenues and expenses are eliminated on consolidation. The Metrowater Community Trust and Auckland City Water Limited are consolidated from the acquisition date, 1 November 2010.

STATEMENT OF ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 30 JUNE 2011

3. Integration of Retail Business

The group has adopted the public benefit entity exemption from NZ IFRS 3 available for local authority reorganisations where no consideration has been transferred. The group therefore, is not required to measure assets and liabilities at their fair value at acquisition date and no consideration was paid for the net assets acquired. At 1 November 2010 the net assets acquired were recorded at the accounting book value of the previous local network operators (deemed cost) in the company's financial statements and where necessary, adjustments were made to the carrying value of the assets and liabilities being recognised in the company's opening balance sheet to achieve consistency in the accounting policies. The contribution value of the net assets has been recorded separately in the capital reserve. See note 11, page 86 for additional information.

4. Goods and Services Tax (GST)

The statement of comprehensive income and the statement of financial position are stated excluding GST, with the exception of receivables and payables, which include GST. The net amount of GST recoverable from or payable to the Inland Revenue Department is included as part of receivables or payables in the statement of financial position.

5. Operating Revenue

The group measures revenue at the fair value of the amounts received or receivable, net of returns, trade allowances, duties and taxes paid. It accounts for revenue for the major activities as follows:

Water and wastewater revenue

Water revenue comprises the amounts received and receivable, including estimated amounts of unread meters at balance date for water supplied to customers in the ordinary course of business. Wastewater revenue is a combination of fixed charge and a percentage of water used. Both are shown net of prompt payment discounts and leak remissions.

Provision of services

Sales of services are recognised at fair value of the amounts received or receivable as the services are rendered or to reflect the percentage completion of the related services where rendered 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.

Development contributions, financial contributions and infrastructure growth charge

Development contributions, financial contributions and infrastructure growth charges received towards the construction of property, plant and equipment are recognised at the time an application is approved and invoiced.

6. Grant Expenditure

The company provides funding to its subsidiary (Metrowater Community Trust) in the form of grants, which is treated as expenditure in the company's books and as income in the Trust's books. On consolidation this expenditure is offset by the income in the Trust's books whilst the actual expenditure is recognised in the group accounts when the Trust incurs the expenditure.

7. Finance Costs

Finance costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other finance costs are expensed in the period they occur. Finance costs consist of interest and other costs that are incurred in connection with the borrowing of funds.

8. Business Integration Costs

Costs associated with planning the integration of the water and the wastewater businesses in the Auckland region are expensed in the period in which they are incurred, except for related capital projects.

9. Leases

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 terms of these leases are recognised as an expense spread evenly over the term of the lease.

10. Research and Development

Research costs are expensed as incurred. Development expenditure on individual projects is capitalised and recognised as an asset when it meets the definition and criteria for capitalisation as an asset and it is probable that the group will receive future economic benefits from the asset. Assets which have finite lives are stated at cost less accumulated amortisation and are amortised on a straight-line basis over their useful lives.

STATEMENT OF ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 30 JUNE 2011

11. Property, Plant and Equipment**Classes of assets**

Property, plant and equipment is allocated to classes, being:

- Land (including improvements)
- Buildings
- Pipelines
- Tanks, tunnels, roads and reservoirs
- Dams
- Machinery
- Motor vehicles
- Office equipment
- Work in progress

Initial recognition

The cost of purchased property, plant and equipment is the initial purchase price plus directly attributable costs of bringing the assets to the location and condition necessary for their intended use.

Constructed assets are initially recorded as work in progress at the cost of construction (including materials and direct labour), finance costs and other direct costs until the asset is ready for productive use. Finance costs incurred during the course of construction that are attributable to a project are capitalised, using the finance rate applicable to the funding. When the asset is ready for productive use the ongoing operating and finance costs are recorded as expenses.

Subsequent recognition

Land and buildings are carried at fair values that reflect current market values, which is the amount that would be expected from an orderly sale, determined by an independent registered valuer at least every three years.

Pipelines, tanks, tunnels, roads, reservoirs, dams and machinery are also carried at fair value, which is deemed to be depreciated replacement cost because the assets are of a specialised nature. The depreciated replacement costs are determined on the basis of an independent valuation prepared by external valuers at least every three years. The revaluation process involves assessing the current replacement cost and remaining useful lives of the specialised property, plant and equipment.

Any property, plant and equipment that has been acquired after the most recent valuation is carried at cost less accumulated depreciation and impairment until the next revaluation.

Motor vehicles and office equipment are carried at cost less accumulated depreciation. Work in progress is carried at cost.

The changes in the value of each class of property, plant and equipment as a result of the revaluations are recorded in other comprehensive income and accumulated in a revaluation reserve. The group maintains a revaluation reserve for each class of assets. Where cumulative decreases exceed cumulative increases in the value of a class of assets, the net amount is recognised as an expense in determining the surplus or deficit for the year. 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 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 and the asset cost is restated to the revalued amount.

Impairment

Asset carrying values are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised if the estimated recoverable amount of an asset is less than its carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For revalued assets, value in use is the depreciated replacement cost for an asset, where the future economic benefits of the asset are not primarily dependent on the asset's ability to generate net cash inflows, and where the entity would, if deprived of the asset, replace its remaining future economic benefits. The value in use for cash-generating assets is the present value of expected future cash flows. If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount.

For revalued assets, the impairment loss is recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset. The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss on the same class of asset was previously recognised within surplus or deficit, a reversal of that impairment loss is also recognised within surplus or deficit. For assets not carried at a revalued amount the total impairment loss and the reversal of an impairment loss (for assets other than goodwill) is recognised in the surplus or deficit.

STATEMENT OF ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 30 JUNE 2011

11. Property, Plant and Equipment (continued)**Depreciation**

Depreciation is provided on a straight-line basis on all property, plant and equipment, other than freehold land, at rates calculated to allocate their cost or revalued amounts over their estimated useful lives. Assets are depreciated to a nil residual value.

ASSET CLASS	Range of useful lives in years for 2011	Average useful life in years	
		2011	2010
Buildings	20 to 114	65	67
Pipelines	2 to 389	113	79
Tanks, tunnels, roads and reservoirs	5 to 105	79	85
Dams	5 to 298	189	189
Machinery	2 to 174	44	40
Motor vehicles	1 to 8	4	5
Office equipment	1 to 20	5	8

12. Intangible assets

Computer software assets and network models are recorded at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their useful lives.

Easements are recognised at cost, being the costs directly attributable in bringing the asset to its intended use. Easements have an indefinite useful life and are not amortised, but are instead tested for impairment annually.

Resource Management Act consents are recorded at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight line basis.

Intangible assets carrying values are reviewed at the end of each year to determine whether there is any indication that those assets have suffered an impairment loss. If any impairment loss has occurred, the carrying value of the asset is adjusted and the loss recognised in determining the surplus or deficit for the year.

ASSET CLASS	Range of useful lives in years for 2011	Average useful life in years	
		2011	2010
Network models	4 to 12	4	6
Computer software	1 to 10	7	7
Resource consents	9 to 100	33	33

13. Income Tax**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 tax for current and prior years is recognised as a liability (or asset) to the extent it is unpaid (or refundable).

Deferred tax

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

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

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

14. Inventories

Inventories comprise consumables, spare parts and treated water.

Consumables are recorded at the lower of cost (determined on a weighted average basis) and net realisable value.

Spare parts 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 recorded as part of the cost of the new asset if used in the construction of new property, plant and equipment.

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

STATEMENT OF ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 30 JUNE 2011

15. Provisions

The group provides for the cost of employees' entitlements to annual leave, sick leave and gratuities under the terms of their employment contracts. These amounts are expected to be settled within one year and are therefore recorded in current provisions.

The group provides for the liability for employees' long service leave 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 term of service with the group. Long service leave is recorded in current and non-current provisions. The amount recorded in non-current provisions represents the portion which is due for payment beyond one year from the reporting date.

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

The amount recorded as a provision is the best estimate of the consideration required to settle the obligation at the end of each year.

16. Contract Retentions

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.

17. Foreign Currencies

The cost of assets purchased with foreign currencies is calculated using the exchange rate on the date of purchase. Any difference between this cost and the amount later required to settle the transaction is recognised as a foreign exchange gain or loss.

Operating expenses in foreign currencies are converted at the rate of exchange on the date of the transaction.

18. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument in another. As such, the group recognises all its financial instruments as soon as it becomes a party to the contractual provisions of the financial instrument.

At each reporting date the group includes in its statement of financial position a range of financial assets that include cash and short-term deposits, trade and other receivables, and derivative instruments. Similarly it also reflects in its statement of financial position a number of financial liabilities that include bank overdrafts, trade and other payables, borrowings and derivative instruments.

A derivative is a financial instrument or other contract that satisfies all of the following characteristics: its value changes in response to the change in a specified variable such as an interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index; it requires no initial investment or an initial investment that is smaller than would be required for other types of similar contracts and it will be settled at some future date.

Sourcing fair values

For financial instruments that are traded in active markets, quoted market prices are used as a measure of fair value. Where quoted market prices do not exist, fair values are estimated using present value or other market-accepted valuation techniques, using methods and assumptions that are based on market conditions and risks existing at balance date.

Recognition and measurement of financial assets

Financial assets are initially measured at fair value and for the purpose of subsequent measurement, the group has categorised financial assets into the following categories. Each category determines the process of subsequent measurement and how the resulting surplus or deficit should be reflected in the statement of comprehensive income. The group does not currently have financial assets in the held to maturity and available-for-sale categories.

Loans and receivables

The group's cash and cash equivalents and trade and other receivables fall into this category of financial instruments. These are initially recorded at their fair value plus transaction costs because they have fixed or determinable payments that are not quoted in an active market. Fair value is estimated as the present value of future cash flows.

After initial recognition, they are recorded at amortised cost using the effective interest method, less provision for impairment. The amount of impairment loss is the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the impairment loss is recognised in determining the surplus or deficit for the year.

The collection of trade receivables is reviewed on an ongoing basis and debts known to be uncollectible are written off. When there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables, a provision is made for doubtful receivables to recognise an impairment in the carrying value of receivables at balance date. This amount provided is recorded in determining surplus or deficit.

STATEMENT OF ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 30 JUNE 2011

18. Financial Instruments (continued)

Financial assets at fair value through profit or loss

All derivative financial instruments fall into this category, except for those designated as, and effective as, hedging instruments, for which the hedge accounting requirements apply. The group does not apply hedge accounting.

Financial assets carried at fair value through profit or loss are initially recorded at fair value.

Financial assets can be classified as at fair value through profit or loss only if they are either classified as held for trading or upon initial recognition they are designated as at fair value through profit and loss. The group does not currently have any financial assets held for trading or designated upon initial recognition as at fair value through profit or loss.

Recognition and measurement of financial liabilities

Financial liabilities are initially recorded at their fair value plus transaction costs.

Financial liabilities are recorded subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss. Those liabilities are recorded subsequently at fair value with gains or losses recognised in surplus or deficit.

Trade and other payables represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

The group does not currently have any financial liabilities held for trading or designated at fair value through profit or loss.

Borrowings are recorded at fair value, net of transaction costs.

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

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

Derivative financial instruments

Derivative instruments are used by the group to manage its exposures to interest rate and foreign currency risks.

Derivative financial instruments are recorded at fair value in the statement of financial position and fair value changes are accounted for through surplus or deficit.

Derecognition of financial instruments

Financial assets are derecognised only when the contractual rights to the cash flows from the financial asset have expired, or when the financial asset and all substantial risks and rewards associated with it have been transferred.

Financial liabilities are derecognised when they have either been extinguished, discharged, cancelled or have expired.

19. Statement of Cash Flows

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand net of outstanding bank overdrafts. The following terms are used in the statement of cash flows;

- "Operating activities" are amounts received for the supply of services by the group, and payments made to employees and suppliers necessary to support those services including finance costs. Operating activities also include any transactions or events that are not investing or financing activities;
- "Investing activities" are amounts paid or received for the acquisition, and disposal of property, plant and equipment and other investments not included in cash equivalents; and
- "Financing activities" are the receipt and repayment of the principal on borrowings, and contributions from, and distributions to, shareholders.

20. Insurance

Any uninsured loss is recorded in determining the surplus or deficit for the year in which the loss is incurred. Insurance recoveries are recorded only when there is virtual certainty of receipt.

STATEMENT OF ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 30 JUNE 2011

21. Comparatives

Certain comparatives have been restated to ensure consistency with current year presentation as below:

- 2010 comparatives in the statement of cash flows and in note 7, page 83 on operating cash flows have been restated to exclude GST to be consistent with the group's parent Auckland Council.
- Financial and developer contributions are not separately disclosed in the statement of comprehensive income and are instead included within total revenue and disclosed in note 1, page 81.
- Items in other comprehensive income and items in revaluation reserve in note 12, page 88 are disclosed net of deferred tax and the related deferred tax is disclosed in note 9, page 85.
- In the statement of financial position by business unit the split showing the categories within property, plant and equipment for comparatives is removed to be consistent with the categories presented in the group statement of financial position.

22. Accounting Standards and Interpretation

The group's policy is to adopt accounting standards before they become mandatory. However, the following new accounting standard has been reviewed by the group for early adoption and has not been adopted for the current financial year:

- NZ IFRS 9, Financial Instruments (effective for reporting periods beginning on or after 1 January 2013) – as NZ IFRS 9 is expected to be subject to significant amendments in future years the group has delayed adoption of this standard until the impact of future amendments is known. The impact of NZ IFRS 9 in its current state would require the group to make changes in accounting policies and disclosures relating to the groups assets or liabilities.

The financial statements comply with the following new accounting standards or updated standards. The impact on the financial statements is detailed below:

- FRS 44 relocates New Zealand specific disclosures from other standards to one place and revises several disclosures and Harmonisation Amendments list the amendments made to NZ IFRS to harmonise with IFRS and Australian Accounting Standards effective for accounting periods beginning on or after 1 July 2011 with early application permitted. As a result of early adoption, the group has elected to reduce its disclosure where appropriate.

Application of the following new standards and interpretations will not have any impact on the financial statements of the group because they are not relevant to the group's current activities or are not required.

- Amendments to NZ IFRIC 14 – This interpretation is not relevant to the group as it does not offer any defined benefit superannuation plans. The group's employees participate in the KiwiSaver scheme which is a defined contribution plan.
- Amendment to NZ IAS 26 Accounting and reporting by retirement benefit plans – This amendment is not relevant to the group as it does not constitute a retirement benefit plan.
- Amendment to NZ IAS 12 Income Tax – Deferred tax: Recovery of underlying assets – This amendment is not relevant to the group as it does not own any investment properties.
- Annual improvements to NZ IFRS 2010 – The annual improvements made by the IASB for 2010 to various standards have been incorporated in reporting disclosures. There was no measurement impact.
- Amendments to NZ IFRS 7 – Financial instruments disclosures – This amendment is not relevant to the group as there have not been any transfers of financial assets in the current year.
- Amendments to NZ IFRS 27 – Separate financial statements – not applicable to public benefit entities.
- Amendments to NZ IAS 28 – Investments in associates and joint ventures – not applicable to public benefit entities.
- Amendments to NZ IFRS 8 – Operating segments – there is no disclosure or measurement impact.
- Amendments to NZ IFRS 10 – Consolidated financial statements – not applicable to public benefit entities.
- Amendments to NZ IFRS 11 – Joint arrangements – not applicable to public benefit entities.
- Amendments to NZ IFRS 12 – Disclosure of interests in other entities – not applicable to public benefit entities.
- Amendments to NZ IFRS 13 – Fair value measurement – not applicable to public benefit entities.
- Amendments to NZ IFRS 1 – First time adoption of NZ IFRS – not applicable as the group is not first time adopter.
- Amendments to NZ IAS 1 – Presentation of items of other comprehensive income (amendments to NZ IAS 1) – not applicable to public benefit entities.
- Amendments to NZ IAS 19 – Employee benefits – not applicable to public benefit entities.

Changes in Accounting Policies

The group will adopt the public benefit entity exemption under NZ IAS 16 and not disclose property, plant and equipment on a historical cost basis in these financial statements. There are no other changes to accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

1. Revenue

The water and wastewater operating revenue represents the amounts invoiced to customers and the accrual of unbilled water and wastewater revenue. This revenue excludes any price adjustment.

	Group and Company 2011	Company 2010
	\$000	\$000
Revenue from sale of goods		
Retail and bulk water	131,438	71,962
Revenue from rendering of services		
Wastewater revenue	203,773	106,922
Trade waste revenue	14,038	11,763
Total revenue water and wastewater	349,249	190,647
Water and wastewater revenue is shown net of leak remissions and prompt payment discount (PPD). Below is a breakdown of leak remission and PPD:		
Water and wastewater revenue	346,358	178,884
Leak remission – water	(689)	-
Leak remission – wastewater	(994)	-
Prompt payment discount – water	(4,031)	-
Prompt payment discount – wastewater	(5,433)	-
Water and wastewater revenue net of remissions and PPD	335,211	178,884
Trade waste revenue	14,038	11,763
Total revenue water and wastewater	349,249	190,647
Other revenue		
Infrastructure growth charge	7,374	-
Developer and financial contributions	3,945	1,111
New meters and service connections	2,690	-
Other revenue	9,011	6,652
Dividend income	34	49
Interest income	804	768
Total other revenue	23,858	8,580
Total revenue	373,107	199,227

2. Price Adjustment

Section 57(1)(a) of the Local Government (Auckland Council) Act 2009 states that the company: "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".

Pursuant to this section, the group decided that no price adjustment would be paid for the year ended 30 June 2011 (2010: nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2011

3. Operating Expenses

	Notes	Group and Company	
		2011	2010
		\$000	\$000
Operating expenses include:			
Auditors' remuneration - annual audit fees		470	180
- audit fee relating to integration of retail business		140	-
- other assurance services provided		208	108
Directors' fees	Note 26, page 105	560	310
Environmentally significant costs - chemicals		9,329	9,813
- energy		13,544	9,442
Cost of consumables and spare parts consumed		3,184	8,928
Increase in provision for obsolescence of inventory		251	29
Operating leases and rent		3,010	2,628
Increase in provision for doubtful debts		1,313	-
Bad debts written off		30	2
Salaries and wages - paid to employees		46,480	33,166
- capitalised on construction of property, plant and equipment		(20,598)	(19,429)
- expensed in determining surplus or deficit for the year		25,882	13,737

Auditors' remuneration for other assurance services included the review of financial and information systems. Prior year other assurance services included the review of the activities associated with the integration of Auckland water retailers and company financial and information systems.

4. Depreciation and Amortisation

	Group and Company	
	2011	2010
	\$000	\$000
Buildings	2,720	2,296
Pipelines	85,941	24,265
Tanks, tunnels, roads and reservoirs	12,984	10,740
Dams	1,910	1,749
Machinery	31,740	24,415
Motor vehicles	334	491
Office equipment	1,447	1,288
Network models	1,109	614
Computer software	4,693	2,383
Resource consents	748	514
Total depreciation and amortisation	143,626	68,755

5. Finance Costs

	Group and Company	
	2011	2010
	\$000	\$000
Interest on bank overdraft and borrowings, paid and payable	65,821	37,348
Capitalised interest on construction of property, plant and equipment (2011: 6.79%, 2010: 7.09%)	(4,714)	(5,835)
Net finance costs	61,107	31,513

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2011

6. Revaluation of Derivative Financial Instruments

	Group and Company	Company
	2011	2010
	\$000	\$000
Interest rate swaps contracts loss	12,593	21,289
Forward foreign exchange contracts loss/(gain)	974	(806)
Net revaluation loss	13,567	20,483

7. Operating Cash Flows

	Group and Company	Company
	2011	2010
	\$000	\$000
Reconciliation of net deficit after tax to net cash flows from operating activities		
Net deficit for the year	(12,333)	(27,709)
Non-cash and non-operating items:		
Depreciation and amortisation	143,626	68,755
Redundant assets written off and gain or loss on disposal	2,556	2,704
Contributions towards cost of constructing property, plant and equipment	(3,945)	(1,111)
Deferred tax	4,438	11,311
Movements in working capital:		
(Increase)/decrease in assets:		
Inventories	(1,556)	(745)
Trade and other receivables	16,060	(1,194)
Derivative financial instruments – asset	(7,393)	8,369
Prepaid expenses	258	(823)
Increase/(decrease) in liabilities:		
Trade and other payables	15,860	165
Derivative financial instruments – liability	20,960	12,114
Payables relating to investing activities	574	1,597
Provisions	(3,070)	195
Other accrued expenses	-	996
Net cash flows from operating activities	176,035	74,624

Comparative figures for the 2010 year have been adjusted to exclude GST to be consistent with the current year figures.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2011

8. Income Tax Expense

	Group and Company	Company
	2011	2010
	\$000	\$000
Operating deficit before tax	(7,895)	(16,398)
Income tax calculated at current rate of 30%	(2,368)	(4,919)
Dividend income exempt from taxation	(2)	-
Non-deductible expenses	377	255
Imputation credits on dividends received	(14)	(21)
Prior year and other adjustments	(551)	736
Tax effect of non-deductible items and prior period adjustments	(190)	970
Tax depreciation on buildings acquired on integration being non-deductible from 1 July 2011	6,064	-
Tax depreciation on buildings being non-deductible from 1 July 2011	-	14,037
Deferred tax as a result of reducing the corporate tax rate from 30% to 28% from 1 July 2011	932	1,223
Tax effect of non-recurring items	6,996	15,260
Income tax expense	4,438	11,311
Represented by:		
Deferred tax	4,438	11,311
Income tax expense	4,438	11,311
Imputation credits		
Balance at beginning of year	30,082	30,061
Imputation credits attached to dividends received	14	21
Total imputation credits	30,096	30,082

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2011

9. Deferred Tax Liability

	Group and Company 2011 \$000	Company 2010 \$000
Balance at 1 July 2010	402,049	420,666
Deferred tax arising on integration recorded in capital reserve	301,613	-
Deferred tax recognised in other comprehensive income – resulting from the revaluation of property, plant and equipment	140,728	(167)
Deferred tax recognised in other comprehensive income, resulting from transfer to retained earnings relating to disposal of property, plant and equipment	1,520	394
Deferred tax recognised in other comprehensive income, resulting from transfer from revaluation reserve relating to disposal of property, plant and equipment	(1,520)	(394)
Deferred tax recognised in the deficit for the year	(2,558)	(3,949)
Tax depreciation on buildings acquired on integration being non-deductible from 1 July 2011	6,064	-
Tax depreciation on buildings being non-deductible from 1 July 2011 recognised in the deficit for the year	-	14,037
Deferred tax on property, plant and equipment due to asset revaluation as a result of the reduction of the corporate tax rate from 30% to 28% from 1 July 2011 recognised in other comprehensive income	-	(29,761)
Deferred tax on tax losses and property, plant and equipment as a result of the reduction of the corporate tax rate from 30% to 28% from 1 July 2011 recognised in the deficit for the year	932	1,223
Balance at 30 June 2011	848,828	402,049
The balance relates to:		
Depreciation temporary differences	967,457	423,395
Provisions and accrued expenses temporary differences	(15,652)	(12,405)
Tax losses	(102,977)	(8,941)
Total deferred tax liability	848,828	402,049

The group's subsidiary, Metrowater Community Trust, is exempt from tax, and the group's other subsidiary Auckland City Water Limited is a non-trading company.

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

- The revaluation of certain assets; and
- The group's depreciation rates being lower than those permitted by tax legislation.

The provisions and accrued expenses temporary differences principally relate to the mark-to-market revaluation of financial instruments. These expenses have been recognised for accounting purposes but cannot be deducted for tax purposes until the amounts become payable.

Under Section 83 of the Local Government (Auckland Transitional Provisions) Act 2010 the company integrated the closing tax position of Metrowater Limited and Manukau Water Limited. Additionally, the closing accounting book value for all assets inherited from the Councils was legislated to be the opening tax book value of the company at 1 November 2010.

10. Issued Capital

The total number of authorised and issued shares is 260,693,164 (2010: 260,693,164) ordinary shares of \$1 each. All ordinary issued shares are fully paid and carry equal voting rights to:

- one vote on a poll at a meeting of the company on any resolution; and
- 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 21, page 102.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2011

11. Integration of Retail Business

On 1 November 2010 the retail water and wastewater businesses in the Auckland region were integrated as below into the company as part of the Auckland local body reorganisation:

Business integrated	Principal activity
Metrowater Limited	Retail water and wastewater services
Manukau Water Limited	Retail water and wastewater services
North Shore City Council	Retail water and wastewater services
Waitakere City Council	Retail water and wastewater services
Rodney District Council	Retail water and wastewater services
Franklin District Council	Retail water and wastewater services
Papakura District Council	Retail water and wastewater services
Auckland City Council	Retail water and wastewater services

Subsidiaries acquired	Principal activity
Metrowater Community Trust	Assists water users (low income or special water usage needs)
Auckland City Water Limited	Non-trading company

Metrowater Limited	Manukau Water Limited	North Shore City Council	Waitakere City Council	Rodney District Council	Franklin District Council	Auckland City Council	Papakura District Council	Auckland Regional Council	Adjustments	Total
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000

BUSINESSES INTEGRATED**Current assets**

Cash and bank balances	-	11,953	-	-	-	-	-	-	-	-	11,953
Trade and other receivables	32,604	32,946	9,485	9,409	7,251	729	-	-	-	-	92,424
Inventories	-	-	72	-	-	-	-	-	-	-	72

Non-current assets

Property, plant and equipment	1,386,590	1,019,143	1,204,462	482,515	323,940	154,985	70,418	84,111	-	8,799	4,734,963
Intangible assets	4,541	2,368	459	-	-	-	-	-	-	-	7,368

Current liabilities

Bank overdraft	(5,605)	-	-	-	-	-	-	-	-	-	(5,605)
Trade and other payables	(17,636)	(11,869)	(1,293)	(1,382)	(305)	(61)	-	(9,534)	-	-	(42,080)
Retentions	(660)	(495)	(2,494)	(213)	(247)	(263)	-	-	-	-	(4,372)
Employee benefit liabilities	(776)	(351)	(524)	(208)	(64)	(18)	-	-	-	-	(1,941)

Non-current liabilities

Borrowings	(215,000)	(134,368)	(95,489)	(145,428)	(63,015)	(21,977)	(22,436)	(8,297)	(6,048)	-	(712,058)
Deferred tax liability	(279,537)	(19,612)	-	-	-	-	-	-	-	(2,464)	(301,613)

Net assets integrated	904,521	899,715	1,114,678	344,693	267,560	133,395	47,982	66,280	(6,048)	6,335	3,779,111
Capital reserve	(904,521)	(899,715)	(1,114,678)	(344,693)	(267,560)	(133,395)	(47,982)	(66,280)	6,048	(6,335)	(3,779,111)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2011

11. Integration of Retail Business (continued)

Adjustments for accounting policy differences:

The net assets of the integrated companies were transferred into the financial statements of the company at net book value and subsequently adjusted for differences in accounting policies as explained below. See accounting policy 3 on integration of retail business.

The company's policy is to capitalise finance costs incurred during the course of construction that are attributable to a project using the finance rate applicable to the funding. To achieve consistency between the company's policy and the integrated businesses, finance costs attributable to the integrated property, plant and equipment were estimated using the depreciated replacement cost method and capitalised as at 1 November 2010. This resulted in an increase of \$8.8 million to property, plant and equipment with an increase to deferred tax liability of \$2.5 million and a net increase of \$6.3 million to capital reserve as shown under adjustments above.

There were no other adjustments made to achieve consistency in accounting policies.

Summary of assets and liabilities acquired

The group acquired two subsidiaries, Metrowater Community Trust and Auckland City Water Limited (non-trading company) under the Local Government (Tamaki Makaurau Reorganisation) Act 2009, the Local Government (Auckland Council) Act 2009 and the Local Government (Auckland Transitional Provisions) Act 2010. The net assets acquired from the subsidiaries as at 1 November 2010 are as below:

Metrowater Community Trust	Auckland City Water Limited	Total
\$'000	\$'000	\$'000

SUBSIDIARIES ACQUIRED**Current assets**

Cash and bank balances	51	-	51
Trade and other receivables	90	-	90

Current Liabilities

Trade and other payables	(10)	-	(10)
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Net assets acquired	131	-	131
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The group disclosures in these financial statements represent the consolidated numbers of Watercare Services Limited (company) and its subsidiary Metrowater Community Trust. The net assets of Metrowater Community Trust at balance date are immaterial to the consolidated financial position of the group and comprise of a cash balance of \$32,084 and accrued expenses of \$15,206.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2011

12. Revaluation Reserves

	Group and Company	Company
	2011	2010
	\$000	\$000
Balances at beginning of year	1,071,655	1,043,205
Asset impairment – net of tax	-	(390)
Tax rate adjustment (30% to 28%)	-	29,761
Revaluation – net of deferred tax	361,873	-
Transferred to retained earnings on disposal of property, plant and equipment – net of tax	(3,909)	(921)
Total revaluation reserves	1,429,619	1,071,655
Comprising:		
Land	48,517	47,163
Buildings	31,953	33,319
Pipelines	844,715	569,176
Tanks, tunnels, roads and reservoirs	281,705	266,364
Dams	79,171	69,940
Machinery	143,558	85,693
Total revaluation reserves	1,429,619	1,071,655
Analysis:		
Land		
Balances at beginning of year	47,163	47,163
Revaluation	1,354	-
Total land revaluation reserves	48,517	47,163
Buildings		
Balances at beginning of year	33,319	32,341
Tax rate adjustment (30% to 28%)	-	967
Revaluation	(1,080)	-
Transferred to retained earnings on disposal of property, plant and equipment – net of tax	(286)	11
Total buildings revaluation reserves	31,953	33,319
Pipelines		
Balances at beginning of year	569,176	553,167
Asset impairment	-	(557)
Tax rate adjustment (30% to 28%)	-	16,540
Revaluation	277,625	-
Deferred tax on asset impairment	-	167
Transferred to retained earnings on disposal of property, plant and equipment – net of tax	(2,086)	(141)
Total pipelines revaluation reserves	844,715	569,176
Tanks, tunnels, roads and reservoirs		
Balances at beginning of year	266,364	258,630
Tax rate adjustment (30% to 28%)	-	7,735
Revaluation	13,556	-
Transferred to retained earnings on disposal of property, plant and equipment – net of tax	1,785	(1)
Total tanks, tunnels, roads and reservoirs revaluation reserves	281,705	266,364
Dams		
Balances at beginning of year	69,940	67,941
Tax rate adjustment (30% to 28%)	-	2,032
Revaluation	9,235	-
Reclassification	-	(33)
Transferred to retained earnings on disposal of property, plant and equipment – net of tax	(4)	-
Total dams revaluation reserves	79,171	69,940
Machinery		
Balances at beginning of year	85,693	83,963
Tax rate adjustment (30% to 28%)	-	2,487
Revaluation	61,183	-
Reclassification	-	33
Transferred to retained earnings on disposal of property, plant and equipment – net of tax	(3,318)	(790)
Total machinery revaluation reserves	143,558	85,693

The revaluation reserve arises on the revaluation of property, plant and equipment. Where revalued property, plant and equipment are sold, the portion of the revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2011

13. Property, Plant and Equipment**Property, plant and equipment – movement in gross carrying value**

	Company	1 November						Group and
	2010	2010						Company 2011
	Opening value	Integration	Additions	Disposals	Depreciation	Revaluation	Reclassification	Closing value
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Land	75,162	41,133	83	(288)	-	1,880	1,369	119,339
Buildings	99,367	17,145	3,016	(71)	-	(6,396)	291	113,352
Pipelines	887,353	4,253,327	61,123	(2,889)	-	279,026	14	5,477,954
Tanks, tunnels, roads and reservoirs	625,932	48,359	9,266	(1,189)	-	(3,760)	1,464	680,072
Dams	190,850	1,880	8,505	-	-	9,240	-	210,475
Machinery	439,819	307,895	26,936	(1,485)	-	23,853	(1,634)	795,384
Motor vehicles	4,358	272	45	(493)	-	-	-	4,182
Office equipment	9,965	1,519	3,365	(313)	-	-	(1,532)	13,004
	2,332,806	4,671,530	112,339	(6,728)	-	303,843	(28)	7,413,762
Work in progress	160,441	63,432	64,415	-	-	-	-	288,288
Gross carrying value	2,493,247	4,734,962	176,754	(6,728)	-	303,843	(28)	7,702,050

Property, plant and equipment – movement in accumulated depreciation

	Company	1 November						Group and
	2010	2010						Company 2011
	Opening value	Integration	Additions	Disposals	Depreciation	Revaluation	Reclassification	Closing value
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Buildings	(2,303)	-	-	71	(2,720)	4,896	(43)	(99)
Pipelines	(24,955)	-	-	1,614	(85,941)	106,563	3	(2,716)
Tanks, tunnels, roads and reservoirs	(10,779)	-	-	1,189	(12,984)	22,585	(67)	(56)
Dams	(1,749)	-	-	-	(1,910)	3,588	-	(71)
Machinery	(29,762)	-	-	921	(31,740)	61,125	(1,079)	(535)
Motor vehicles	(3,572)	-	-	492	(334)	-	-	(3,414)
Office equipment	(7,014)	-	-	312	(1,447)	-	1,186	(6,963)
Accumulated depreciation	(80,134)	-	-	4,599	(137,076)	198,757	-	(13,854)

Property, plant and equipment – movement in net book values including revaluation

	Company	1 November						Group and
	2010	2010						Company 2011
	Opening value	Integration	Additions	Disposals	Depreciation	Revaluation	Reclassification	Closing value
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Land	75,162	41,133	83	(288)	-	1,880	1,369	119,339
Buildings	97,064	17,145	3,016	-	(2,720)	(1,500)	248	113,253
Pipelines	862,398	4,253,327	61,123	(1,275)	(85,941)	385,589	17	5,475,238
Tanks, tunnels, roads and reservoirs	615,153	48,359	9,266	-	(12,984)	18,825	1,397	680,016
Dams	189,101	1,880	8,505	-	(1,910)	12,828	-	210,404
Machinery	410,057	307,895	26,936	(564)	(31,740)	84,978	(2,713)	794,849
Motor vehicles	786	272	45	(1)	(334)	-	-	768
Office equipment	2,951	1,519	3,365	(1)	(1,447)	-	(346)	6,041
	2,252,672	4,671,530	112,339	(2,129)	(137,076)	502,600	(28)	7,399,908
Work in progress	160,441	63,432	64,415	-	-	-	-	288,288
Net book value	2,413,113	4,734,962	176,754	(2,129)	(137,076)	502,600	(28)	7,688,196

The reclassification of assets between categories results from the ongoing project to improve asset data quality. The predominant reason for reclassification is to split broadly categorised assets into their component assets.

It is not practical to reclassify the prior year comparatives, due to the size of the asset register.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2011

13. Property, Plant and Equipment (continued)**Comparatives****Property, plant and equipment – movement in gross carrying value**

	Company 2009						Company 2010
	Opening value	Additions	Disposals	Depreciation	Impairment	Reclassification	Closing value
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Land	75,162	-	-	-	-	-	75,162
Buildings	88,724	10,643	-	-	-	-	99,367
Pipelines	851,540	36,612	(242)	-	(557)	-	887,353
Tanks, tunnels, roads and reservoirs	545,031	80,901	-	-	-	-	625,932
Dams	190,908	124	(1)	-	-	(181)	190,850
Machinery	404,362	37,348	(2,072)	-	-	181	439,819
Motor vehicles	3,730	767	(139)	-	-	-	4,358
Office equipment	10,705	776	(1,516)	-	-	-	9,965
	2,170,162	167,171	(3,970)	-	(557)	-	2,332,806
Work in progress	204,288	(43,847)	-	-	-	-	160,441
Gross carrying value	2,374,450	123,324	(3,970)	-	(557)	-	2,493,247

Property, plant and equipment – movement in accumulated depreciation

	Company 2009						Company 2010
	Opening value	Additions	Disposals	Depreciation	Impairment	Reclassification	Closing value
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Land	-	-	-	-	-	-	-
Buildings	(7)	-	-	(2,296)	-	-	(2,303)
Pipelines	(697)	-	7	(24,265)	-	-	(24,955)
Tanks, tunnels, roads and reservoirs	(39)	-	-	(10,740)	-	-	(10,779)
Dams	-	-	-	(1,749)	-	-	(1,749)
Machinery	(5,883)	-	536	(24,415)	-	-	(29,762)
Motor vehicles	(3,216)	-	135	(491)	-	-	(3,572)
Office equipment	(7,239)	-	1,513	(1,288)	-	-	(7,014)
Accumulated depreciation	(17,081)	-	2,191	(65,244)	-	-	(80,134)

Property, plant and equipment – movement in net book values including revaluation

	Company 2009						Company 2010
	Opening value	Additions	Disposals	Depreciation	Impairment	Reclassification	Closing value
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Land	75,162	-	-	-	-	-	75,162
Buildings	88,717	10,643	-	(2,296)	-	-	97,064
Pipelines	850,843	36,612	(235)	(24,265)	(557)	-	862,398
Tanks, tunnels, roads and reservoirs	544,992	80,901	-	(10,740)	-	-	615,153
Dams	190,908	124	(1)	(1,749)	-	(181)	189,101
Machinery	398,479	37,348	(1,536)	(24,415)	-	181	410,057
Motor vehicles	514	767	(4)	(491)	-	-	786
Office equipment	3,466	776	(3)	(1,288)	-	-	2,951
	2,153,081	167,171	(1,779)	(65,244)	(557)	-	2,252,672
Work in progress	204,288	(43,847)	-	-	-	-	160,441
Net book value	2,357,369	123,324	(1,779)	(65,244)	(557)	-	2,413,113

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2011

13. Property, Plant and Equipment (continued)

All assets subject to valuation are independently valued at least every three years. The most recent valuation was completed at 30 June 2011. ANA Group completed the valuation in association with Beca Valuations Limited (Beca) who completed a peer review of the work. The assumptions used in determining the depreciated replacement cost of pipelines, tanks, roads, tunnels, reservoirs, dams and machinery were that:

- construction costs based on recent contract-based construction work and the unit rates reflect the costs of replacing assets;
- the useful lives of assets are calculated as the lesser of their physical life or the point where the asset is to be replaced for economic reasons;
- the capital price goods index (CPGI) has been used where indexation is appropriate. At the time of valuation the CPGI was available to the March 2011 quarter; and
- capitalised interest has been applied to qualifying asset types in accordance with the estimated construction period and applicable cost of debt.

Beca completed the valuation of land and buildings. The land valuation was based on relevant market prices and buildings were valued using the depreciated replacement cost.

The Local Government Acts 1974 and 2002 restrict the business activities of the group and effectively prevent selling of key assets. Many of the assets are specialised in nature, reflecting the activities of the group. As there is no active market for such assets and the income from them is not determined by the market, property, plant and equipment, other than land, buildings, motor vehicles and office equipment, are revalued to depreciated replacement cost, which reflects their deemed fair values.

Each year, other than in the years in which the assets are revalued, the group assesses whether there has been any material change in the value of property, plant and equipment. The movement in asset values between June 2009 and June 2010 was assessed using indices deemed suitable by AECOM and Darroch registered valuers. The increase in asset value of 1.1% was not considered material by management and accordingly the assets were not revalued at 30 June 2010.

Group and Company	Company
2011	2010
\$000	\$000

Work in progress relates to the following projects:

Water treatment plants	17,884	12,587
Wastewater treatment plant	43,857	9,175
Wastewater pump stations and sewers	116,519	42,440
Watermains, pump stations and reservoirs	73,837	60,630
Dams and raw water transmission pipelines	8,205	21,032
Other	27,986	14,577
Total work in progress	288,288	160,441

14. Intangible Assets

Intangibles – movement in gross carrying value

	Company	1 November					Group and Company
	2010	2010					2011
	Opening value	Integration	Additions	Disposals	Amortisation	Reclassifications	Closing value
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Network models	3,301	3,346	-	(673)	-	-	5,974
Computer software	13,960	258	14,994	(784)	-	28	28,456
Resource consents	14,619	3,764	17	-	-	-	18,400
Easements	484	-	-	-	-	-	484
Gross carrying value	32,364	7,368	15,011	(1,457)	-	28	53,314

Intangibles – movement in accumulated amortisation

	Company	1 November					Group and Company
	2010	2010					2011
	Opening value	Integration	Additions	Disposals	Amortisation	Reclassifications	Closing value
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Network models	(2,137)	-	-	885	(1,109)	-	(2,361)
Computer software	(11,761)	-	-	570	(4,693)	-	(15,884)
Resource consents	(4,092)	-	-	-	(748)	-	(4,840)
Easements	-	-	-	-	-	-	-
Accumulated amortisation	(17,990)	-	-	1,455	(6,550)	-	(23,085)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2011

14. Intangible Assets (continued)**Intangibles – movement in net book values**

	Company 2010	1 November 2010					Group and Company 2011
	Opening value	Integration	Additions	Disposals	Amortisation	Reclassifications	Closing value
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Network models	1,164	3,346	-	212	(1,109)	-	3,613
Computer software	2,199	258	14,994	(214)	(4,693)	28	12,572
Resource consents	10,527	3,764	17	-	(748)	-	13,560
Easements	484	-	-	-	-	-	484
Net book value	14,374	7,368	15,011	(2)	(6,550)	28	30,229

Intangible Assets – Comparatives**Intangibles – movement in gross carrying value**

	Company 2009				Company 2010	
	Opening value	Additions	Disposals	Amortisation	Closing value	
	\$000	\$000	\$000	\$000	\$000	
Network models		3,101	301	(101)	-	3,301
Computer software		14,522	1,041	(1,603)	-	13,960
Resource consents		14,379	240	-	-	14,619
Easements		484	-	-	-	484
Gross carrying value		32,486	1,582	(1,704)	-	32,364

Intangibles – movement in accumulated amortisation

	Company 2009				Company 2010
	Opening value	Additions	Disposals	Amortisation	Closing value
	\$000	\$000	\$000	\$000	\$000
Network models	(1,523)	-	-	(614)	(2,137)
Computer software	(10,977)	-	1,599	(2,383)	(11,761)
Resource consents	(3,611)	-	33	(514)	(4,092)
Easements	-	-	-	-	-
Accumulated amortisation	(16,111)	-	1,632	(3,511)	(17,990)

Intangibles – movement in net book values

	Company 2009				Company 2010
	Opening value	Additions	Disposals	Amortisation	Closing value
	\$000	\$000	\$000	\$000	\$000
Network models	1,578	301	(101)	(614)	1,164
Computer software	3,544	1,041	(3)	(2,383)	2,199
Resource consents	10,768	240	33	(514)	10,527
Easements	484	-	-	-	484
Net book value	16,375	1,582	(72)	(3,511)	14,374

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2011

15. Inventories

	Group and Company	
	2011	Company
	\$000	\$000
Spare parts at cost	4,530	5,649
Consumables at cost	2,011	1,392
Treated water at cost	710	214
Work in progress	838	-
Project stock	1,045	-
Provision for obsolescence	(2,002)	(1,751)
Total inventory	7,132	5,504
Represented as:		
Current inventory	4,092	2,267
Non-current inventory	3,040	3,237
Total inventory	7,132	5,504

16. Trade and Other Receivables

	Group and Company	
	2011	Company
	\$000	\$000
Current		
Trade receivables – related parties	2,985	16,223
Trade receivables – other	38,124	2,824
Provision for doubtful debts	(3,128)	-
	37,981	19,047
Other receivables	1,380	-
Unbilled revenue accrual	40,147	-
Total trade and other receivables	79,508	19,047

17. Trade and Other Payables

	Group and Company	
	2011	Company
	\$000	\$000
Current		
Contract retentions	11,045	4,591
Trade creditors – other	3,794	3,162
Trade creditors – related parties	1,201	546
Other payables	117	-
Total trade and other payables	16,157	8,299

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2011

18. Accrued Expenses

	Group and Company	
	2011	2010
	\$000	\$000
Current		
Capital work in progress accruals	21,146	20,880
Interest payable	11,013	4,865
Income received in advance	4,896	-
Operating costs accruals	30,872	7,272
Total current accrued expenses	67,927	33,017
Non-current		
Income received in advance	9,100	-
Total non-current accrued expenses	9,100	-
Total accrued expenses	77,027	33,017

Income received in advance includes \$9.4 million relating to the amount received in accordance with the franchise fee agreement between the network operator United Water International Pty Limited (United Water) and Papakura District Council (integrated into the company on 1 November 2010). The franchise agreement grants the operator, the right to use the fixed utility systems owned by the group for the provision of water and wastewater services within the Papakura district. Under the franchise agreement United Water is responsible for upgrading and maintaining the network so that at the end of the contract period, the network shall be in a better overall condition than the condition at the time the contract was commenced. The \$13,000,000 fee received at the commencement of the agreement covers the right to use the assets for a 50-year period and is recognised as revenue evenly over the term of the agreement.

19. Provisions

	Group and Company	
	2011	2010
	\$000	\$000
Current		
Employee entitlements	3,790	2,498
Decommissioning costs	847	3,276
Other provisions	159	490
Total current provisions	4,796	6,264
Non-current		
Employee entitlements	1,392	1,053
Total non-current provisions	1,392	1,053
Total provisions	6,188	7,317

	Employee entitlements	Decommissioning costs	Other provisions	Total
	\$000	\$000	\$000	\$000
Balance at 1 July 2010	3,551	3,276	490	7,317
Additions during the year	5,300	847	159	6,306
Reductions resulting from payments	(3,669)	(3,276)	(490)	(7,435)
Balance at 30 June 2011	5,182	847	159	6,188

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2011

20. Borrowings

	Group and Company	Company
	2011	2010
	\$000	\$000
Current		
Related party term loan (unsecured)	67,154	10,000
Medium-term notes (unsecured)	50,000	-
Commercial paper (unsecured)	124,141	99,225
Total current borrowings	241,295	109,225
Non-current		
Related party term loan (unsecured)	476,104	-
Medium-term notes (unsecured)	400,000	300,000
Term loan (unsecured)	100,000	100,000
Bank loan (unsecured)	11,500	16,500
Total non-current borrowings	987,604	416,500
Repayment schedule:		
Related party term loan (unsecured)		
Less than one year	67,154	10,000
One to two years	89,798	-
Two to three years	79,128	-
Three to four years	136,275	-
Beyond four years	170,903	-
Medium-term notes		
Less than one year	50,000	-
One to two years	-	50,000
Two to three years	220,000	-
Three to four years	150,000	220,000
Beyond four years	30,000	30,000
Term loan		
One to two years	-	100,000
Beyond four years	100,000	-
Bank loan		
One to two years	11,500	16,500
Commercial paper		
Current	124,141	99,225
Two to three years	-	-
Total borrowings	1,228,899	525,725

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2011

20. Borrowings (continued)

Group and Company	Company
2011	2010
%	%

Interest rates at balance date:**Related party term loan**

Average	5.13	4.80
Average including interest rate swaps	5.78	4.80

Medium-term notes

Average	6.23	6.51
Average including interest rate swaps	5.98	7.89

Term loan

Average	3.51	3.76
Average including interest rate swaps	6.85	6.78

Bank loan

Average	3.61	4.27
Average including interest rate swaps	3.61	4.27

Commercial paper

Average	2.76	3.09
Average including interest rate swaps	6.08	4.88

Total debt

Average	5.15	5.24
Average including interest rate swaps	5.95	6.93

Lenders under the bank loans and holders of medium-term notes and short-term commercial paper, receive the benefit of the negative pledge undertaking from the group. This undertaking limits the extent to which the group can give security to lenders and requires the group to ensure that the following financial ratios are achieved at all times;

- Total liabilities do not exceed 60 per cent of total tangible assets
- Total liabilities plus total contingent liabilities do not exceed 65 per cent of total tangible assets
- Shareholders' funds are not less than \$500 million
- Earnings before interest, tax, depreciation and amortisation is greater than 1.75 times interest expense
- Total tangible assets of the group are to be greater than 90 per cent of total tangible assets of the borrowing group

The group complied with these financial covenant ratios during the years ended 30 June 2011 and 30 June 2010.

The group has an agreement with Auckland Council under which Auckland Council guarantees repayment of certain of the group's borrowings and obligations under interest rate swap agreements.

The group has the following undrawn committed facilities available:

Group and Company	Company
2011	2010
\$000	\$000

Bank overdraft facilities, expires on cancellation	4,542	554
Term loan facility, expires October 2016	50,000	-
Revolving advances, expires May 2013 (2010: expires December 2011)	63,500	8,500
Commercial paper standby facility expires July 2012 (2010: expires December 2011)	200,000	150,000
Total undrawn committed facilities	318,042	159,054

Commercial paper held by the group is represented by multiple issues that spread interest rate and maturity risk. As each issue matures the group replaces it with a new issue, if required. The provider of the commercial paper standby facility acts as a lender of last resort, should the group be unable to issue new commercial paper when it matures. The group's treasury risk management policy requires standby facilities to be maintained to meet 50% of outstanding commercial paper and other uncommitted short-term debt repayable within 60 days (2010: the group's treasury risk management policy required standby facilities to be maintained to meet 50% of commercial paper maturing within the next 60 days). The group complied with its treasury risk management policy during the years ended 30 June 2011 and 30 June 2010.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2011

21. Financial Assets and Liabilities**Categories of financial assets and liabilities**

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

	Group and Company		Company	
	2011		2010	
	Carrying amount \$000	Fair value \$000	Carrying amount \$000	Fair value \$000
FINANCIAL ASSETS – CURRENT				
Loans and receivables				
Cash and cash equivalents	32	32	-	-
Trade and other receivables	79,508	79,508	19,047	19,047
Short-term deposits	-	-	10,000	10,000
Fair value through profit or loss				
Derivative financial instruments	553	553	162	162
FINANCIAL ASSETS – NON CURRENT				
Fair value through profit or loss				
Derivative financial instruments	12,285	12,285	5,284	5,284
	92,378	92,378	34,493	34,493
FINANCIAL LIABILITIES – CURRENT				
Amortised cost				
Trade and other payables	16,157	16,157	8,299	8,299
Accrued expenses*	63,031	63,031	33,017	33,017
Bank overdraft (unsecured)	558	558	446	446
Medium-term notes (unsecured)	50,000	51,244	-	-
Related party term loan (unsecured)	67,154	67,770	10,000	10,000
Commercial paper (unsecured)	124,141	124,450	99,225	99,554
Fair value through profit or loss				
Derivative financial instruments	3,174	3,174	1,026	1,026
FINANCIAL LIABILITIES – NON CURRENT				
Amortised cost				
Medium-term notes (unsecured)	400,000	423,156	300,000	314,191
Term loan (unsecured)	100,000	100,369	100,000	100,381
Bank loan (unsecured)	11,500	11,500	16,500	16,500
Related party term loan (unsecured)	476,104	481,084	-	-
Fair value through profit or loss				
Derivative financial instruments	59,110	59,110	40,298	40,298
	1,370,929	1,401,603	608,811	623,712

* Excludes income received in advance of \$13,995,878 (2010: nil) as it is not categorised as a financial liability.

The calculation of fair values for each category of financial assets and financial liabilities is explained below. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period. No reclassification of financial assets was made during the years ended 30 June 2011 or 30 June 2010.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2011

21. Financial Assets and Liabilities (continued)**Loans and receivables**

Due to their relatively short-term nature, the carrying amount of trade receivables is considered a reasonable approximation of fair value.

Amortised cost

Due to their relatively short-term nature, the carrying amount of trade payables is considered a reasonable approximation of fair value.

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

Fair value through profit and loss

Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and the forward foreign exchange contracts are measured using observable market forward exchange rates.

Fair value hierarchy

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

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

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

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 is classified is determined based on the lowest level of significant input to the fair value measurement.

The only financial assets and financial liabilities that are measured at fair value in the statement of financial position are derivative financial instruments. The valuation for derivative financial instruments is based on level 2 fair value hierarchy. The derivative financial instruments that the group holds at balance date comprise of interest rate swaps and forward foreign exchange contracts.

Fair values at balance date have been assessed using a range of market interest rates between 2.68% and 5.35% (2010: 3.13% and 5.34%), derived from the interest rate swap curve.

There have been no transfers between levels 1, 2 and 3 during the year ended 30 June 2011.

Financial instrument risks**Risk management objectives and policies**

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

The group seeks to manage the effects of these risks by using derivative financial instruments to minimise these risk exposures. The use of financial derivatives is governed by the group's policies approved by the Board of Directors, which provide written principles on interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the Board of Directors on a regular basis.

Market risk

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group is exposed to interest rate risk when it borrows funds at floating interest rates. The risk is managed by the group through monitoring market interest rates and reviewing the impact of these on interest rate exposure.

The group has a mixture of borrowings with both fixed rates and floating rates of interest. It is group policy to ensure that a proportion of interest rate exposure is maintained on a fixed-rate basis. To achieve this, the group enters into contracts that allow some of its floating interest rate exposure to be swapped from floating to fixed, and vice versa. The contracts are called interest rate swaps and interest rate options.

The group's exposure to market interest rates relates primarily to the group's debt obligations which are disclosed in note 20, page 95.

The group regularly analyses its interest rate exposure. Within this analysis, consideration is given to potential renewals of existing positions, alternative financing, alternative protective positions and the mix of fixed and variable interest rates.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2011

21. Financial Assets and Liabilities (continued)

The notional principal, contract amounts of agreements and fixed interest rates in place, at balance date, to manage interest rate risk were as follows:

Group and Company		Company	
2011		2010	
Fixed interest rate	Notional amount \$000	Fixed interest rate	Notional amount \$000

Interest rate swaps**Receivable maturities (fixed to floating):**

Within one year	6.86%	50,000	-	-
One to two years	-	-	6.86%	50,000
Two to three years	5.26%	170,000	-	-
Three to four years	5.74%	150,000	5.26%	170,000
Four to five years	5.10%	30,000	-	-
Beyond five years	-	-	5.10%	30,000

Payable maturities (floating to fixed):

Within one year	5.48%	125,000	6.54%	*55,000
One to two years	-	-	5.48%	125,000
Two to three years	-	-	-	-
Three to four years	6.25%	15,000	-	-
Four to five years	5.17%	110,000	6.25%	15,000
Beyond five years	6.30%	720,000	6.35%	660,000

* Includes a 'knock out' interest rate swap of \$25,000,000.

As interest rates change, these derivative financial instruments are revalued to fair value and the change in fair value is recorded in surplus or deficit.

Interest rate sensitivity

The following sensitivity analysis is based on the interest rate risk exposures in existence at balance date.

At balance date, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax deficit and equity would have been affected as follows:

Group and Company		Company	
2011		2010	
Post-tax deficit higher/(lower) \$000	Equity higher/(lower) \$000	Post-tax deficit higher/(lower) \$000	Equity higher/(lower) \$000

Judgments of reasonably possible movements:

Interest paid

1% (100 basis points) higher for the year	(1,656)	(1,656)	(501)	(501)
1% (100 basis points) lower for the year	1,656	1,656	501	501

Revaluation of derivative financial instruments

1% (100 basis points) higher at year-end	21,548	21,548	20,080	20,080
1% (100 basis points) lower at year-end	(23,596)	(23,596)	(22,095)	(22,095)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2011

21. Financial Assets and Liabilities (continued)**Foreign currency risk**

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

From time to time the group is exposed to foreign currency risk on transactions denominated in foreign currencies. This is predominantly for the purchase of equipment, parts and chemicals in foreign currency. Where amounts exceed \$100,000 the group manages this risk with forward foreign exchange contracts or options.

The group has forward foreign exchange contracts at balance date as follows:

Average exchange rate	Foreign currency	Contract value	Carrying amount and fair value
	FC 000	NZ\$000	NZ\$000

GROUP AND COMPANY 2011**USD**

Less than 3 months	0.737	274	372	(41)
3 months and beyond	0.721	3,575	4,961	(542)

EUR

3 months and beyond	0.515	150	292	(19)
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GBP

Less than 3 months	0.452	88	194	(23)
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AUD

Less than 3 months	0.734	3,113	4,241	(216)
3 months and beyond	0.758	420	554	(23)

Total forward foreign exchange contracts			10,614	(864)
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Average exchange rate	Foreign currency	Contract value	Carrying amount and fair value
	FC 000	NZ\$000	NZ\$000

COMPANY 2010**USD**

Less than 3 months	0.719	1,740	2,420	96
3 months and beyond	0.713	1,000	1,403	66

AUD

Less than 3 months	0.789	90	114	(48)
3 months and beyond	0.801	140	175	(4)

Total forward foreign exchange contracts			4,112	110
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NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2011

21. Financial Assets and Liabilities (continued)**Foreign currency sensitivity**

The following sensitivity analysis is based on the foreign currency risk exposures in existence at year-end. At 30 June, had the New Zealand dollar exchange rate changed, as illustrated in the table below, with all other variables held constant, post-tax surplus and equity would have been affected as follows:

Group and Company		Company	
2011		2010	
Post-tax deficit higher/(lower) \$000	Equity higher/(lower) \$000	Post-tax deficit higher/(lower) \$000	Equity higher/(lower) \$000

Sensitivity to reasonable movements**Change in United States dollar exchange rate**

10% increase	(309)	(309)	(256)	(256)
10% decrease	380	380	313	313

Change in Euro Monetary Union euro exchange rate

10% increase	(18)	(18)	-	-
10% decrease	22	22	-	-

Change in United Kingdom pound exchange rate

10% increase	(11)	(11)	-	-
10% decrease	13	13	-	-

Change in Australian dollar exchange rate

10% increase	(289)	(289)	(18)	(18)
10% decrease	353	353	22	22

Credit risk

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

The group's cash and cash equivalents are placed with major trading banks with a minimum AA- credit rating assigned by international credit-rating agencies. Debtors and other receivables arise from the group's statutory functions. Therefore, there are no procedures in place to monitor the credit quality of debtors and other receivables with reference to credit evaluations or external credit rating. However, there is no concentration of credit risk with respect to receivables as the company has a large number of customers. The ageing of the trade receivables at balance date was as follows:

	Group and Company			Company		
	2011			2010		
	Carrying amount \$000	Provision for doubtful debts \$000	Net carrying amount \$000	Carrying amount \$000	Provision for doubtful debts \$000	Net carrying amount \$000
Not past due	18,415	-	18,415	18,852	-	18,852
Past due one to thirty days	7,229	(302)	6,927	145	-	145
Past due thirty to sixty days	3,337	(124)	3,213	35	-	35
Past due more than sixty days	12,128	(2,702)	9,426	15	-	15
Total	41,109	(3,128)	37,981	19,047	-	19,047

Group and Company	Company
2011	2010
\$000	\$000

Movement in the provision of doubtful debts

Balance at 1 July 2010	-	-
Acquisition through integration on 1 November 2010	1,845	-
Additions during the year	1,313	-
Bad debts written off	(30)	-
Balance at 30 June 2011	3,128	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2011

21. Financial Assets and Liabilities (continued)**Liquidity risk**

Liquidity risk is the risk arising from the group not being able to meet its financial obligations.

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

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of the medium-term notes, term loans, overdraft, revolving credit facility and commercial paper. The liquidity risk associated with the short-term commercial paper debt is mitigated by a standby facility of \$200 million.

The tables below 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 amount or timing restrictions are based on the conditions existing at balance date.

Gross contractual maturity analysis

	Current		Non-current			Gross nominal cash outflow	Carrying amount
	0-6 months	7-12 months	1-2 years	2-3 years	More than 3 years		
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Group and Company 2011							
Financial liabilities							
Bank overdraft	558	-	-	-	-	558	558
Trade and other payables	16,157	-	-	-	-	16,157	16,157
Accrued expenses*	63,031	-	-	-	-	63,031	63,031
Forward exchange contracts	494	212	158	-	-	864	864
Interest rate swaps	10,009	7,948	10,550	9,379	29,347	67,233	61,420
Borrowings	246,618	53,542	157,902	351,628	649,018	1,458,708	1,228,899
Total	336,867	61,702	168,610	361,007	678,365	1,606,551	1,370,929

* Excludes income received in advance of \$13,995,878 (2010: nil) as it is not categorised as a financial liability.

	Current		Non-current			Gross nominal cash outflow	Carrying amount
	0-6 months	7-12 months	1-2 years	2-3 years	More than 3 years		
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Company 2010							
Financial liabilities							
Bank overdraft	446	-	-	-	-	446	446
Trade and other payables	8,299	-	-	-	-	8,299	8,299
Accrued expenses	33,017	-	-	-	-	33,017	33,017
Forward exchange contracts	51	-	-	-	-	51	51
Interest rate swaps	4,021	3,614	7,963	7,473	17,310	40,381	41,273
Borrowings	17,526	17,468	286,324	18,119	270,220	609,657	526,171
Total	63,360	21,082	294,287	25,592	287,530	691,851	609,257

Company 2010**Financial liabilities**

Bank overdraft	446	-	-	-	-	446	446
Trade and other payables	8,299	-	-	-	-	8,299	8,299
Accrued expenses	33,017	-	-	-	-	33,017	33,017
Forward exchange contracts	51	-	-	-	-	51	51
Interest rate swaps	4,021	3,614	7,963	7,473	17,310	40,381	41,273
Borrowings	17,526	17,468	286,324	18,119	270,220	609,657	526,171
Total	63,360	21,082	294,287	25,592	287,530	691,851	609,257

The group monitors rolling forecasts of liquidity reserves on the basis of expected cash flow. At balance date the group had \$318 million of unused credit facilities (commercial paper, overdraft facility and revolving credit facility) available for its immediate use (2010: \$158.3 million).

Capital management

The capital structure of the group consists of equity attributable to the owners of the parent, comprising issued capital, reserves and retained earnings as disclosed on page 71 and debt including borrowings and covenants compliance as disclosed in note 20, page 95.

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

The group continues to focus on the maintenance of the long-term integrity of its assets whilst keeping the overall costs at minimum levels. There has been no change in the group's overall strategy for capital management during the years ended 30 June 2011 and 30 June 2010.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2011

22. Related Parties

	%	Shares	%	Shares
	2011		2010	
SHAREHOLDERS				
Auckland Council	100%	260,693,164	-	-
Auckland City Council	-	-	41.6%	108,551,635
Manukau City Council	-	-	25.1%	65,481,895
Waitakere City Council	-	-	16.7%	43,400,849
North Shore City Council	-	-	11.5%	29,988,909
Papakura District Council	-	-	3.7%	9,667,225
Rodney District Council	-	-	1.4%	3,602,651
	100%	260,693,164	100%	260,693,164

Other related parties

Metrowater Limited and Manukau Water Limited (subsidiaries of Auckland City Council and Manukau City Council respectively) were related parties until integration with the company on 1 November 2010. Metrowater Community Trust (formerly a Metrowater Limited subsidiary) and Auckland City Water Limited (dormant company) were related parties until 1 November 2010 after which they became subsidiaries of the company. Details of the integration of retail business are disclosed in note 11, page 86.

Transactions with related parties

On 1 November 2010, with the integration of local network operators, the group acquired debt as detailed in note 11, page 86 which it owes to its parent Auckland Council on the terms set out in note 20, page 95 and also has interest rate swap arrangements with Auckland Council (with a notional value of \$155 million) with a fair value of \$5.1 million as at balance date as included in note 21, page 97. In the prior year related party debt funding was limited to a loan from Manukau Water Limited totalling \$10 million. The balances outstanding and transactions relating to the borrowings from Auckland Council during the year are as follows:

	Group and Company	Company
	2011	2010
	\$000	\$000
Loan from Auckland Council	543,258	-
Interest payable on loan from Auckland Council	6,036	-
Interest paid on loan from Auckland Council	15,688	-
Loan repaid to Auckland Council	168,800	-
Interest receivable on interest rate swaps with Auckland Council	305	-
Loan from Manukau Water Limited	-	10,000

Until integration on 1 November 2010 the group supplied bulk water and wastewater services predominantly to related parties in the Auckland region. After integration of the local network operators as detailed in note 11, page 86, the group provides retail water and wastewater services to its parent, 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 business. The group also enters into sales and purchases transactions with related parties in the normal course of business such as the payment of rates. These are not collectively significant.

	Group and Company	Company
	2011	2010
	\$000	\$000
Sales to related parties	136,058	173,610
Trade receivables – related parties	2,985	-
Purchases from related parties	2,915	2,242
Trade payables – related parties	1,201	546
Payables accruals	7,894	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2011

23. Commitments

Group and Company	Company
2011	2010
\$000	\$000

Capital expenditure

The capital expenditure committed to, but not recognised in, these financial statements at balance date was:

Buildings	488	97
Pipelines	63,463	10,722
Tanks, tunnels, roads and reservoirs	4,295	5,654
Other	35,018	19,602
Total capital expenditure commitments	103,264	36,075

Anticipated payment schedule:

Less than one year	79,636	25,121
One to two years	22,713	3,651
Two to five years	915	7,303
Total capital expenditure commitments	103,264	36,075

The commitments relate to the following projects:

Hobson Bay sewer replacement	-	5,527
Wastewater treatment plant	4,109	15,793
Water treatment plants	10,253	1,712
Bulk supply meters	6,797	-
Expansion of the Waikato water treatment plant	11,156	-
South Western interceptor	13,019	-
Stage 1 Northern Waitakere wastewater	6,985	-
Other projects	50,945	13,043
Total capital expenditure commitments	103,264	36,075

Operating leases

Anticipated payments under non-cancellable operating leases:

Less than one year	3,159	2,411
One to two years	3,003	2,357
Two to five years	6,361	6,299
Beyond five years	49,288	49,859
Total lease commitments	61,811	60,926

The major lease commitment is a long-term lease of the land forming the water catchments areas, which expires in July 2092. The annual rental of \$510,000 has been included in these commitments at face value. Other leases include Newmarket office, parks, reservoirs and office equipment.

24. Contingencies

The Bank of New Zealand has issued performance bonds of \$400,000 for 2011 (2010: \$400,000). The performance bonds are to support the group's obligations to Auckland Regional Council (now Auckland Council) for risks of environmental damage arising from the upgrade and operations of the Mangere Wastewater Treatment Plant.

In the normal course of its business the group is exposed to claims, legal proceedings and arbitrations that may in some cases result in costs to the group. The directors believe that these have been adequately provided for by the group within note 19, page 94 of these financial statements and no additional material contingent liabilities requiring disclosure have been identified.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2011

25. Retirement Benefit Plans

The employees of the group can elect to join the KiwiSaver scheme. KiwiSaver 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 is to make the specified contributions.

The total defined contribution expense recognised in the statement of comprehensive income for 2011 was \$566,483 (2010: \$342,369).

26. Remuneration

The directors and key management personnel are included in this compensation.

Group and Company	Company
2011	2010
\$000	\$000

Compensation of directors and key management personnel

Employees' salaries and wages and directors' fees	4,046	2,952
Post-employment benefits	67	-
Other long-term employee benefits	8	20
Termination benefits	45	260
Total compensation for directors and key executives	4,166	3,232

	2011	2010
Appointed	\$000	\$000

Directors' remuneration

Graeme Hawkins (retired December 2010)	December 2002	96	75
David Clarke (Deputy Chairman)	July 2008	72	38
Peter Drummond	March 2010	65	16
Susan Huria	July 2008	66	38
Terry Kayes (retired January 2010)	January 2007	-	19
Ross Keenan (Chairman)	March 2010	100	18
Dr Ian Parton (resigned December 2009)	March 2001	-	24
Patrick Snedden	December 2002	66	38
Jeff Todd	May 2007	77	44
Tony Lanigan	May 2011	9	-
Catherine Harland	May 2011	9	-
Total		560	310

Directors' fees paid during the year includes additional fees of \$165,451 which were paid to directors as a result of the increased workload and commitment leading up to the integration. Of this amount, \$94,312 was a back payment relating to the year ended 30 June 2010.

27. Events Occurring after Balance Date

On 19 September 2011, Standard & Poor's announced that it had upgraded its corporate credit ratings on Watercare Services Limited. The long-term rating was raised to 'AA-' from 'A' and the short-term rating was raised to 'A-1+' from 'A-1'. The outlook is stable. The credit ratings on Watercare debt guaranteed by Auckland Council are unchanged at 'AA' long-term and 'A-1+' short-term.

No adjustments are required to these financial statements in respect of this event.

No other significant events have occurred since balance date requiring disclosure in these financial statements.

STATUTORY INFORMATION

FOR THE YEAR ENDED 30 JUNE 2011

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 during the year of at least \$100,000.

Employee remuneration range

\$100,000 – \$110,000
 \$110,001 – \$120,000
 \$120,001 – \$130,000
 \$130,001 – \$140,000
 \$140,001 – \$150,000
 \$150,001 – \$160,000
 \$160,001 – \$170,000
 \$170,001 – \$180,000
 \$180,001 – \$190,000
 \$190,001 – \$200,000
 \$200,001 – \$210,000
 \$210,001 – \$220,000
 \$220,001 – \$230,000
 \$230,001 – \$240,000
 \$240,001 – \$250,000
 \$250,001 – \$260,000
 \$260,001 – \$270,000
 \$270,001 – \$280,000
 \$280,001 – \$290,000
 \$290,001 – \$300,000
 \$300,001 – \$310,000
 \$310,001 – \$320,000
 \$320,001 – \$330,000
 \$330,001 – \$340,000
 \$340,001 – \$350,000
 \$350,001 – \$360,000
 \$360,001 – \$370,000
 \$370,001 – \$380,000
 \$380,001 – \$390,000
 \$390,001 – \$400,000
 \$400,001 – \$410,000
 \$410,001 – \$420,000
 \$420,001 – \$570,000
 \$570,001 – \$580,000

Group and Company		
2011		
Number of employees		
Remuneration	Remuneration including redundancy and restructuring ²⁷	Total
27	–	27
14	–	14
19	–	19
10	1	11
1	–	1
1	–	1
2	–	2
3	–	3
1	–	1
3	–	3
1	–	1
2	–	2
1	–	1
2	–	2
–	–	–
–	–	–
1	–	1
–	–	–
–	–	–
–	–	–
1	–	1
–	1	1
–	–	–
–	–	–
–	1	1
–	1	1
–	–	–
1	–	1
1	–	1
–	–	–
1	–	1
–	–	–
–	–	–

* Includes \$395,889 in respect of redundancy and annual leave payments.

2011 STATEMENT OF SERVICE PERFORMANCE

Environmental care

(a) To promote conservation of the region's water resources.

- (i) To develop and initiate the implementation of a regional water efficiency and conservation plan for the integrated company by 30 June 2011.

The Auckland Regional Water Demand Management Plan, which includes initiatives and actions to help reduce water demand, was completed and sent to the Auckland Council on 30 June 2011. The plan was developed in consultation with a range of stakeholders including the Auckland Council and the Environmental Advisory Group and is aimed at reducing or delaying the need to access new water sources and future capital expenditure. Watercare has adopted the Three Waters strategic demand target of achieving a 15% reduction on the 2004 level of water demand by 2025. Implementation of the plan involves working closely with a range of stakeholders.

- (ii) To maintain regional unaccounted for water losses at less than 17.7 billion litres. (Applicable from 1 November 2010)

A proportion of the water supplied by Watercare is not invoiced (non-revenue water) because it is used as part of the production process (such as flushing), for fire fighting, meter inaccuracy and unauthorised usage. Some of these volumes are calculated based on the best information available and other industry-accepted parameters. The balance of non-revenue water is unaccounted for water losses and was estimated at 11.4 billion litres against a seasonally-adjusted eight-month target of 12.1 billion litres for the post-integration period. Part of the forward programme is to improve the accuracy of the measurement of non-revenue water volumes.

(b) To promote to industry cleaner discharges.

- (i) To achieve a 'Bb' grade as set out in the 2003 NZWWA guidelines for the safe application of biosolids to land.

Biosolids metals testing for the 2010/11 year showed that 97% of tests confirmed the Bb grade or better for biosolids. During the year there was a spike in zinc levels at the Mangere wastewater treatment plant. As biosolids are blended as part of the disposal process, overall biosolids for the year were Bb grade. In general the predominant source of zinc to the wastewater system is stormwater, which contains galvanised roofing and road (wear on tyres and brakes) runoff and enters via the combined sewer/stormwater system that exists in parts of Auckland. The period of recorded elevated zinc levels may be the result of the cleaning of the stormwater system or the result of illegal dumping from industrial sites. Inquiries were ongoing to identify the cause.

(c) To minimise the impact of carbon on the environment.

- (i) To achieve a 75% CO₂ equivalent reduction from 1990 levels over the next three years.

The estimated levels of greenhouse gas emissions have been reduced dramatically since 1990. This has been achieved by the removal of oxidation ponds at Mangere and their reduced usage at Rosedale, the removal of sludge lagoons and the collection of methane for electricity generation at both these wastewater treatment plants. For Mangere alone, the reduction has been 86%. By comparison with the levels at these two largest plants, emission levels elsewhere in the company are minor, but the company continues to implement policies to reduce these levels. Based on accepted IPCC extrapolation factors, estimates for significant 1990 emissions across the integrated company indicate that the 75% target was achieved for 2010/11.

(d) To use energy efficiently and where appropriate recover energy from operational activities.

- (i) To target 35% of energy needs sourced internally for each of the next three years.

This year, Watercare sourced 32% of its energy internally, principally from biogas reuse at its two largest wastewater plants, Mangere and Rosedale, and from five hydro-electric generators within the water supply system.

Health, safety and well-being

(a) To promote staff productivity and wellbeing.

- (i) To attain a lost-time injury frequency rate (LTIFR) of less than or equal to 5.

Watercare staff achieved a LTIFR rate of 3.22, which was well within the target range. Prior to a serious incident at Onehunga, Auckland, on 4 June 2011 Watercare had operated for 18 months without a lost-time injury.

- (ii) To target an unplanned absenteeism rate of less than 2.5%.

Watercare achieved an unplanned absenteeism rate, including sick leave, of 2% (equivalent to 4.5 days per employee), which was within the target range.

(b) To provide comprehensive training and development programmes.

- (i) To target over 20 training hours per employee.

Employees received 20.7 hours of training each on average. This result was slightly higher than the performance target and reflects the company-wide focus on integration.

- (ii) To target a ratio of less than 2.25:1 of external to internal appointments.

The ratio of external to internal appointments was 1.2:1, being 12 external appointments for every 10 internal appointments. This ratio was influenced by the integration of the company under Part 2 of the Local Government (Auckland Transitional Provisions) Act 2010. Staff transferred from the local network operators (LNOs) were considered internal appointments.

(c) To provide employees with safe working conditions.

- (i) To maintain the tertiary-level ACC workplace management practices accreditation.

ACC tertiary-level accreditation was maintained following an audit in December 2010.

2011 STATEMENT OF SERVICE PERFORMANCE (continued)

Stakeholder relationships

(a) To engage with stakeholders in a transparent and collaborative manner including the company's Maori and environmental advisory groups.

(i) To consult with all appropriate stakeholders in regard to key infrastructure projects.

Regular communication occurs between Watercare and its stakeholders in relation to key infrastructure projects. Following integration Watercare has worked closely with departments of council and has communicated with local boards.

The company retains its independent Maori and Environmental Advisory Groups and also engages with the local community liaison groups on relevant issues. There were five formal meetings with each advisory group, one of which was a combined meeting, and another workshop for each group.

(ii) To consult with relevant stakeholders in the development of the Regional Asset Management Plan, including major projects.

LNOs and key stakeholders were consulted during the development of the 2011/12 Asset Management Plan (AMP), which was also reviewed by the Auckland Council's CCO monitoring group. Following integration, Auckland Council became the key stakeholder, and all information and meetings were open to the public. For instance, the northern strategic growth area (NorSGA) and the Kumeu, Huapai and Riverhead (KHR) developments followed a process of consultation by the two local councils and two LNOs with local residents and Watercare. Following integration, Watercare has continued with direct consultation with the Auckland Council, local residents and the Local Boards. The 2011/12 AMP was initially developed in consultation with the local councils and LNOs and discussed with the Auckland Council CCO Strategy and Review Sub-Committee on 21 April. Feedback was included in the 2011/12 SCI.

(iii) To obtain annual feedback from the company's advisory groups on the consultation process.

The advisory groups meet on a quarterly basis during the year. Feedback from the groups is included in the 2011 Annual Report.

(b) To provide leadership within the water industry and participate in public policy initiatives and statutory submissions.

(i) To report on the number of policy initiatives and key submissions made per annum.

Updates on policy submissions and progress are reported to the directors each month and to the shareholder each quarter.

(c) To promote appropriate educational and recreational initiatives.

(i) To continue with the Rain Forest Express, the 'Adopt a Stream' and other educational programmes as appropriate.

Both Watercare community programmes continue to be very popular. The number of pupils who took part in the Adopt A Stream programme was 6,988 for the year end 30 June 2011. Patronage on the Rain Forest Express was strong for the year and was approximately 11% higher than the previous year.

(d) To maintain sound governance and contribute to the development of a productive working relationship with the Shareholder Representative Group (SRG).

(i) To hold briefings with the SRG at least once every six months and to undertake Council briefings as requested.

Watercare briefed the SRG, Auckland City Council, Waitakere City Council and North Shore City Council prior to their disestablishment. Following integration, Watercare has held briefings with the Auckland Council.

Customer service commitment

(a) To supply high quality and reliable drinking water.

(i) To maintain the public health grading of water treatment and networks of 'Aa'.

Water quality has been maintained based on the 2009/10 grading assessment carried out by the Auckland District Health Board on behalf of the Ministry of Health¹.

Metropolitan: The metropolitan treatment plants and distribution network supplying the majority of the Auckland population were 'Aa' graded in 2009/10.

Rural: Upon integration, only two of the 14 non-metropolitan water treatment plants and networks were graded 'Aa' when transferred to Watercare. Nine plants and related networks were ungraded. A series of short-term actions were undertaken to address the bacteriological and protozoa compliance requirements, and plant condition and reliability issues. A long-term strategy to achieve 'Aa' grading of all plants by 2020 is being implemented, with the majority of plants targeted by 2015. The strategy involves replacing the water source and water treatment plants as necessary, at a total estimated cost of \$100 million. A priority was replacing the water supply to Pukekohe by a 6.5km pipeline from the Waikato River at a cost of \$13 million. This was initially approved in February 2011 and is due for completion in 2013.

(ii) To ensure that demand can be met in a drought with a 1% probability of occurrence with 15% residual capacity in its reservoirs.

The drought standard is being achieved in the integrated network. The Waikato Water Treatment Plant upgrade that is currently underway will ensure Watercare continues to meet the required drought standard as the population of Auckland increases. This excludes Rodney and Franklin districts which are being addressed as part of the rural plant upgrades

¹ The 2010/11 grading assessment had not been received by completion of the Annual Report.

2011 STATEMENT OF SERVICE PERFORMANCE (continued)

(b) To provide for the safe transportation, treatment and disposal of bulk wastewater.

- (i) To target no more than 15 dry-weather sewer overflows per 100km of wastewater pipe length per annum.

There were 1.9 recorded dry weather sewer overflows per 100km of wastewater pipe length. Dry weather overflows exclude overflows caused by stormwater entering the network, and are normally caused by chokes or breaks in the system.

(c) To be responsive to customer needs and to deliver a service meeting contractual standards.

- (i) To achieve 100% compliance with the customer contracts.

This measure refers to the contracts with the six local network operators (LNOs) prior to integration. Full compliance was met with the LNO contracts. The United Water contract for the Papakura area is the only contract to carry on beyond integration and this continues to be complied with.

Asset management

(a) To develop and implement effective and efficient capital investment and maintenance programmes.

- (i) To ensure that capital projects have robust business cases and are delivered to plan.

All Watercare capital projects are supported by robust business cases and are managed to ensure delivery to plan in a timely and cost-effective manner. Project progress is reported regularly to the executive and the board. Upon project completion, post-completion reports are compiled for all projects and are reviewed to identify opportunities for improvement. Since April 2011, projects over \$10 million are reviewed by the board.

- (ii) To continue with the implementation of the reliability centred maintenance (RCM) system on strategic assets.

An RCM-based maintenance programme has been implemented for the Mangere Wastewater Treatment Plant, for the water and wastewater networks and for water treatment and head works assets. RCM models will be updated as needed. RCM has been used to assist with the development of the maintenance budgets.

(b) To maintain a focus on integrated planning with customers to secure long-term wastewater solutions and manage regional wet weather overflows.

- (i) To facilitate a process to agree regional environmental objectives, including the setting of wastewater overflow performance targets for each of the region's key receiving water environments, within three years.

Watercare is continuing to work with the Auckland Council's planning and stormwater teams to progress these issues. With the replacement of the LNOs, Watercare now deals directly with Auckland Council on the setting of targets and these are formally adopted through the SCI/SOI process. Progress on the SCI/SOI performance targets are reported to the Council quarterly. The process of developing the 2012-2014 SOI is due to begin in October 2011.

- (ii) To progress planning associated with the Central Interceptor.

Watercare has presented to the Auckland Council Accountability and Performance Committee and to cluster groups of the local boards on wastewater issues including the Central Interceptor. Planning for the Central Interceptor project continues and a project manager for Watercare has been appointed. The focus on preparing material for the consenting phase continues.

Economic performance

(a) To ensure that financial strategies are consistent with achieving economic efficiency, intergenerational equity and an optimal cost of capital.

- (i) To meet the requirements of the Auckland City Council guarantee of Watercare's debt.

All requirements of the guarantee were met.

- (ii) To achieve a minimum funds flow from operations (FFO) to interest cover of 2.5 times before any price adjustments.

Watercare exceeded this target. The FFO ratio at 30 June 2011 was 3.32. The higher-than-target ratio resulted from a combination of higher-than-budgeted funds from operations, due largely to lower operating costs, and a lower-than-budgeted gross interest expense caused by lower borrowings and a lower cost of funds. Funds from operations as the numerator in the ratio is Net Profit after Tax + Deferred Tax + Loss on disposal and provision for redundant property, plant and equipment and other restructuring costs + Depreciation + Interest Expensed in the Statement of Performance – Interest Income. Interest in the denominator is Gross Interest (i.e. includes capitalised interest) – Interest Income.

2011 STATEMENT OF SERVICE PERFORMANCE (continued)**(b) To ensure that the regime for the pricing of water and wastewater services is enduring, transparent and reliable.****(i) The pricing methodology enables the revenue to be set to recover all costs and provide for an adequate level of debt servicing.**

Achieved. For the purposes of this performance measure, costs excludes revaluation of derivative financial instruments and deferred tax. The revenue achieved in 2010/11 was \$5.7 million higher than costs. Pricing methodology for water and wastewater utilised by Watercare from 1 November 2010 was exactly as per the existing pricing methodologies that the previous Councils/ Local Network Operators had established effective from 1 July 2010.

(ii) The pricing methodology established cannot be changed without Watercare providing the LNOs with three-year advance notification of a change.

Not applicable to the integrated company because the LNOs were integrated into Watercare, except for the Papakura district which is managed under a franchise agreement with United Water.

(c) To promote continuous improvement in sustainable business performance.**(i) To continue to use the Project Improve initiative as the vehicle to deliver continuous improvement in business performance.**

Project Improve was developed in 2002 as a framework for the identification, capture and sharing of improvement ideas. It continues to be used by the company.

(d) To ensure efficiency in operational expenditure is maintained.**(i) To meet operational efficiency targets (excluding depreciation and interest) established in the December 2009 AMP as follows: 2011 – \$94.09 million.**

Not applicable to the integrated company because the 2009 AMP was prepared for the wholesale company.

(ii) To report operational and capital expenditure relative to budget for water and wastewater.

Achieved. This information is reported to the executive and the board on a monthly basis and has previously been reported to the shareholder on a quarterly basis.

Operational expenditure for the year end was 6.1% under budget while capital expenditure was 1.6% under budget. The budget represented expected expenditures for the organisation for the four months prior to integration and the eight months after integration and was set at a time when there was considerable uncertainty as to the full financial effects of the integration on the organisation. There was, therefore, an expectation that variances to budget could be at a higher level than is normally the case.

Customer services performance (for the eight-month period from 1 November 2010 to 30 June 2011)**(a) To maintain delivery of cost-effective services.****(i) To maintain the average household bill at less than 1.5% of the average household income.**

The average monthly household water and wastewater bill from Watercare was \$57.03 for the eight months from 1 November 2010. Based on Statistics NZ average monthly household income in Auckland of \$6,366, the bill represents 0.9% of the average household income.

(b) To maintain delivery of high quality water and wastewater services.**(i) To achieve less than five water quality complaints per 1,000 customer connections.**

Water quality complaints for the year were 5.6 per 1,000 customers.

A disproportionate number of complaints originated in the Franklin area where Watercare is commencing a \$13 million water supply project.

(c) To maintain good customer relationships.**(i) To ensure 95% of all enquiries are responded to in a meaningful way within 10 working days.**

Result was 88.9% of all enquiries for eight months from 1 November 2010. The enquiries responded to within 10 working days steadily increased from 49.3% in November 2010 to 98.8% in June 2011. The increase was the result of improvements in the quality and effectiveness of correspondence processes. These included coordinating more direct responses from subject matter experts. The result for all enquiries and complaints closed within 10 working days over the same period was 85.8%.

(ii) To ensure greater than 95% of customers receive three days' notice of planned shut-downs.

The result was 99% of customers for the integrated business.

(iii) To achieve an average call centre operator connect time of <30 seconds.

The average operator connect time for the eight months from November 2010 to June 2011 was 40.5 seconds, although this figure improved in the months following integration and averaged less than 30 seconds per call from January to June 2011. Initially, this measure covered only calls made between the weekday office hours of 7.30 am and 6.00 pm, but with the introduction of the 24/7 service, all calls are now included.

(iv) To monitor the effectiveness of customer communications over integration.

Watercare began communicating changes associated with integration early in 2010. In October/November 2010, the company ran a four-week advertising campaign in local papers and on buses in association with Auckland Council. There were also messages placed on Watercare's website as well as LNO websites and/or invoices.

Effectiveness of integration was determined by the smooth transition and maintenance of services.

2011 STATEMENT OF SERVICE PERFORMANCE (continued)

(d) To maintain service capacity.

(i) To maintain a water interruption frequency of <10 per 1,000 connections.²

The result for the eight-month period to 30 June 2011 was 7.4 interruptions per 1,000 connections, within the target range.

(ii) To maintain the frequency of sewer breaks and chokes (unplanned interruptions) at <10 interruptions per 1,000 connections.

The result for the eight-month period to 30 June 2011 was 7.1 interruptions per 1,000 connections, within the target range.

(e) To restore service capacity.

(i) To ensure that at least 90% of unplanned water shutdowns are restored within five hours.

Over the eight-month period to 30 June 2011, 98.1% of unplanned shutdowns were restored within five hours. This was within the target range.

(ii) To ensure that at least 98% of wastewater blockages are responded to within one hour.

Over the eight-month period to 30 June 2011, 92.5% of wastewater blockages were responded to within one hour.

Contractual agreements that were in place with maintenance service providers prior to integration require a response within one hour in each former council area, with the exception of Rodney and Waitakere where there is a two-hour response rate. The target was met in areas where the one-hour standard is required by contract. However, there were challenges meeting the one-hour target in Rodney and Waitakere.

(f) To accurately measure and report future levels of customer service performance.

(i) To develop a service level index relevant to the integrated business by 1 March 2011.

This was developed, however reporting a range of representative performance measures has proved more transparent than using the index.

Integration of regional water and wastewater services

(a) To successfully transition retail water and wastewater services to Watercare.

(i) To ensure all critical elements of Project One (the integration of the local network operators in Watercare) are achieved by 1 November 2010, ensuring a successful transition to an integrated water and wastewater services company.

The integrated Watercare successfully went live on 1 November 2011 with all systems operational.

(ii) To complete Project One within budget.

Project One was completed in full, on time and within budget. The budget for Project One comprised both operating expenditure and capital expenditure and was developed at an early stage in the integration process. Risk contingencies to allow for uncertainties were built into the budget. In practice, these were not required. The project outcome achieved was consistent with the project scope.

Budget: \$31.5 million

Actual: \$24.6 million

² Rather than estimating the number of properties affected by interruptions a more accurate measure has been used which is the number of interruptions per 1,000 connections. This measure is consistent with that used in the 2007/08 Auckland Water Industry Performance Report.

G3 CROSS-REFERENCE TABLE

KEY:

- Fully reported
- ◐ Partially reported
- Not reported

Watercare's Annual Report 2011 has been prepared in accordance with the G3 framework of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines. This framework exists to assist organisations to report their economic, environmental and social performance in a consistent and comparable manner. The following pages show how Watercare reports its performance against the G3 indicators. Against each indicator, Watercare has fully reported, partially reported or not reported. The key (left) explains the symbols used. The GRI disclosures for strategy and analysis, organisational profile, report parameters in governance and management approach (parts I and II) are excluded from the G3 cross-reference table but are covered in pages 1 to 57 of this report.

The GRI aims, objectives and guidelines can be found on their website www.globalreporting.org.

ECONOMIC INDICATORS			
ASPECT: ECONOMIC PERFORMANCE		REFERENCE	RULER
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	● Page 59-106	
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	● Figure 61	
EC3	Coverage of the organisation's defined benefit plan obligations.	● Figure 24	3E
EC4	Significant financial assistance received from government.	○ Self funded	
ASPECT: MARKET PRESENCE		REFERENCE	RULER
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	● Figure 24	3E
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	● Figure 55; 56	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	○ Merit based	
ASPECT: INDIRECT ECONOMIC IMPACTS		REFERENCE	RULER
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	● Figure 54	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	● Pages 15-17	5A
ENVIRONMENTAL INDICATORS			
ASPECT: MATERIALS		REFERENCE	RULER
EN1	Materials used by weight or volume.	● Figure 52	
EN2	Percentage of materials used that are recycled input materials.	● Figure 52	
ASPECT: ENERGY		REFERENCE	RULER
EN3	Direct energy consumption by primary energy source.	◐ Figure 42	
EN4	Indirect energy consumption by primary source.	○ Being revised	
EN5	Energy saved due to conservation and efficiency improvements.	○ Being revised	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	● Figure 42	6B
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	◐	6B
ASPECT: WATER		REFERENCE	RULER
EN8	Total water withdrawal by source.	● Figure 1	
EN9	Water sources significantly affected by withdrawal of water.	● Page 27	
EN10	Percentage and total volume of water recycled and reused.	● Figure 1	
ASPECT: BIODIVERSITY		REFERENCE	RULER
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	● Figure 46	6F
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	● Figure 47	6E
EN13	Habitats protected or restored.	● Figure 46	6F
EN14	Strategies, current actions and future plans for managing impacts on biodiversity.	● Figure 46	6F
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	○ Under review	

G3 CROSS-REFERENCE TABLE (continued)

ENVIRONMENTAL INDICATORS (CONTINUED)		
ASPECT: EMISSIONS, EFFLUENTS AND WASTE	REFERENCE	RULER
EN16 Total direct and indirect greenhouse gas emissions by weight.	● Figure 37	6A
EN17 Other relevant indirect greenhouse gas emissions by weight.	● Figure 37	6A
EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved.	● Figure 38	6A
EN19 Emissions of ozone-depleting substances by weight.	● Figure 37	
EN20 NO _x , SO _x , and other significant air emissions by type and weight.	● Figure 38	6A
EN21 Total water discharge by quality and destination.	● Figure 15	2C
EN22 Total weight of waste by type and disposal method.	● Figure 42-45	6C; 6D
EN23 Total number and volume of significant spills.	● Figure 17	2B
EN24 Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	○ No international transport	
EN25 Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff.	● Page 26-29; 44-47 Figure 15; 46; 47	
ASPECT: PRODUCTS AND SERVICES	REFERENCE	RULER
EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	● Page 4-5	
EN27 Percentage of products sold and their packaging materials that are reclaimed by category.	○ Not applicable	
ASPECT: COMPLIANCE	REFERENCE	RULER
EN28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	● Table 14	5C
ASPECT: TRANSPORT	REFERENCE	RULER
EN29 Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.	○ Not significant	
ASPECT: OVERALL	REFERENCE	RULER
EN30 Total environmental protection expenditures and investments by type.	● Page 59-105 Figure 7; 61	
LABOUR PRACTICES AND DECENT WORK INDICATORS		
ASPECT: EMPLOYMENT	REFERENCE	RULER
LA1 Total workforce by employment type, employment contract, and region.	● Figure 28	
LA2 Total number and rate of employee turnover by age group, gender and region.	● Figure 23; 25	3D; 3F
LA3 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	● Figure 28	
ASPECT: LABOUR/MANAGEMENT RELATIONS	REFERENCE	RULER
LA4 Percentage of employees covered by collective bargaining agreements.	● Figure 28	
LA5 Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	● Figure 28	
ASPECT: OCCUPATIONAL HEALTH AND SAFETY	REFERENCE	RULER
LA6 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes.	● Figure 21	
LA7 Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	● Figure 20; 22	3A; 3B; 3C
LA8 Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases.	● Figure 21	3E
LA9 Health and safety topics covered in formal agreements with trade unions.	● Figure 21	

G3 CROSS-REFERENCE TABLE (continued)

LABOUR PRACTICES AND DECENT WORK INDICATORS (CONTINUED)				
ASPECT: TRAINING AND EDUCATION			REFERENCE	RULER
LA10	Average hours of training per year per employee by employee category.	○	Figure 24	3E
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	●	Figure 28	3C
LA12	Percentage of employees receiving regular performance and career development reviews.	●	Figure 28	
ASPECT: DIVERSITY AND EQUAL OPPORTUNITY			REFERENCE	RULER
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	●	Figure 26	3G
LA14	Ratio of basic salary of men to women by employee category.	●	Figure 26	
HUMAN RIGHTS INDICATORS				
ASPECT: INVESTMENT AND PROCUREMENT PRACTICES			REFERENCE	RULER
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	○	Not applicable	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	○	Not applicable	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	○	Not applicable	
ASPECT: NON-DISCRIMINATION			REFERENCE	RULER
HR4	Total number of incidents of discrimination and actions taken.	●	None recorded	
ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			REFERENCE	RULER
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	○	Not material	
ASPECT: CHILD LABOUR			REFERENCE	RULER
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.	○	Not applicable	
ASPECT: FORCED AND COMPULSORY LABOUR			REFERENCE	RULER
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour.	○	Not applicable	
ASPECT: SECURITY PRACTICES			REFERENCE	RULER
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.	○	Not applicable	
ASPECT: INDIGENOUS RIGHTS			REFERENCE	RULER
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	●	Page 19 Figure 33	
SOCIETY INDICATORS				
ASPECT: COMMUNITY			REFERENCE	RULER
SO1	Nature, scope and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	●	Figure 33	5B
ASPECT: CORRUPTION			REFERENCE	RULER
SO2	Percentage and total number of business units analysed for risks related to corruption.	●	Page 15-17 Figure 58	
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures.	●	Page 15-17 Figure 59	
SO4	Actions taken in response to incidents of corruption.	●	Page 15-17 Figure 60	
ASPECT: PUBLIC POLICY			REFERENCE	RULER
SO5	Public policy positions and participation in public policy development and lobbying.	●	Figure 34	
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	●	Figure 34	
ASPECT: ANTI-COMPETITIVE BEHAVIOUR			REFERENCE	RULER
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	●	Figure 14	5C
ASPECT: COMPLIANCE			REFERENCE	RULER
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	●	Figure 14	5C

G3 CROSS-REFERENCE TABLE (continued)

PRODUCT RESPONSIBILITY PERFORMANCE INDICATORS			REFERENCE	RULER
ASPECT: CUSTOMER HEALTH AND SAFETY				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	●	Fundamental to organisation	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	●	Figure 14	1A-1C
ASPECT: PRODUCT AND SERVICE LABELLING				
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	●	Figure 59	1A-1C
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.	●	Figure 14	1A-1D; 6I
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	●	Figure 26-31	4A-4C
ASPECT: MARKETING COMMUNICATIONS				
PR6	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	●	Page 42	5C
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	●	None reported	
ASPECT: CUSTOMER PRIVACY				
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	●	Figure 14	
ASPECT: COMPLIANCE				
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	●	Figure 14	

Report Application Levels

Under the G3 framework, annual reports are graded at three different levels (C, B and A) according to the extent to which the framework has been applied. Watercare's report has been self-declared and third-party checked.

		C	C+	B	B+	A	A+
MANDATORY	Self-declared						✓
OPTIONAL	Third-party checked						✓
	GRI checked						

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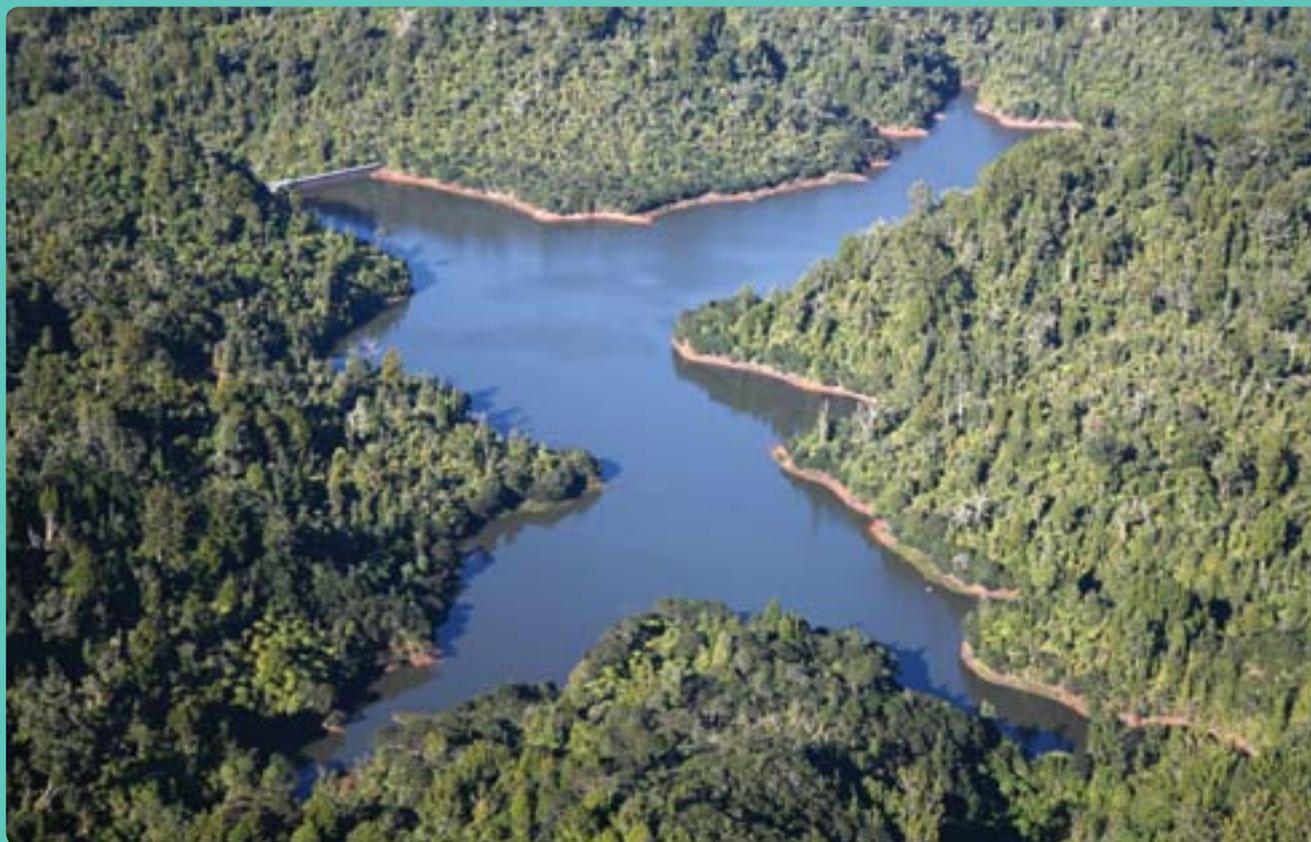
Adopt A Stream	5, 42, 43, 53, 108	Legal compliance	42	Recycling	46, 49
Asset Management Plan (AMP)	11, 16, 42, 108	Local Government (Auckland Council)		Reliability Centred Maintenance	4, 52, 108
Auckland Council	1, 6, 10, 12, 15, 17, 42, 61, 74, 102	Act 2009	15, 61, 87	SAP Enterprise Asset	
Audit and Risk Committee	18	Local Government (Auckland Transitional		Management Solution	12, 57
Biogas	5, 46, 106	Provisions) Act 2010	15, 61, 87	Species preservation	46
Capital expenditure	52, 63-65, 103, 109	Local Government (Tamaki Makaurau		Staff training	33
Companies Act 1993, The	15, 74	Reorganisation) Act 2009	15, 61, 87	Staff turnover	32, 78
Customer satisfaction	38	Lost-time injuries	32, 106	Staff wellness	32
Drinking Water Standards for New Zealand	22	Maori Advisory Group	17, 19	Statement of Corporate Intent	15, 16, 17, 42, 66
Emissions	46	Midge	5, 47	Statement of Service Performance	15, 105-110
Employment equity and diversity	33	Odour	5, 47	Trade waste	1, 18, 47, 61
Environmental Advisory Group	17, 18, 42, 107	Overflows	11, 28, 29, 108	Trees for Survival	5, 47
Funding Plan	16, 42	Procurement	56	Water demand management	5, 18, 19, 52, 53, 106
Graduate Engineering Programme	5, 33	Project Hobson	4, 29	Water quality	23, 25, 43, 47, 107
Greenhouse gas emissions	46, 106	Project Improve	5, 12, 109	Watercare Coastal Walkway	5
Habitat improvement	47	Pukekohe water supply	11, 23, 25, 107	Watercare Harbour Clean-Up Trust	4, 42
Hansen	57	Puketutu Island	4, 11, 12, 47	Zero Waste	46, 49
Hunua No. 4 Watermain	4, 11, 14, 64	Rain Forest Express	5, 42, 43, 107		

GLOSSARY

Adopt A Stream	Watercare's free education programme.
Annual Water Quality Report	A report that outlines Watercare's water quality performance for the financial year.
Asset Management Plan	A document that defines Watercare's best engineering judgement of the revenue and capital investment required to maintain the integrity of its asset base over a 20-year period.
Biogas	A by-product of the wastewater process that is comprised of approximately 65 per cent methane.
Biosolids	A treated solid by-product of the wastewater treatment process.
Regional Demand Management Plan	A plan that outlines how Watercare intends to achieve a 15% reduction in gross per capita water consumption by 2025.
ERP	Enterprise resource planning (ERP) is a company-wide information system which consolidates information from various functions/departments. See SAP below.
G3	Version three of the Global Reporting Initiative guidelines for sustainability reporting.
Greenhouse gases	Gases that trap heat in the atmosphere. Examples of greenhouse gases are methane, perfluorocarbons and nitrous oxide.
Hansen	A technology and information platform on which Watercare runs its customer business.
NZIS	New Zealand Immigration Service
Reliability Centred Maintenance (RCM)	A framework which identifies the optimum time to maintain or replace assets based on operational performance, cost, health and safety and the environment.
SAP	Systems, Applications and Products (SAP) is a company which offers enterprise resource planning solutions to companies to integrate information from various functions of that company under one system. See ERP above.
Statement of Corporate Intent (SCI)	The SCI represents Watercare's public and legislative expression of accountability to its shareholder and establishes the agreement between the board and its shareholder.
Statement of Service Performance (SSP)	The SSP is a retrospective record of the performance of the company against the measures in its SCI.
Trade waste	Any discharge into a sewer in the course of an industry or trade process.
Unaccounted-for water loss	Water that is lost before it reaches the customer. Losses can be real losses (through leaks) or apparent losses (for example, through theft or metering inaccuracies).
Wastewater	Liquid and solid matter discharged into the sewer network from domestic, commercial or industrial locations.
Zero Waste	Watercare's project to minimise or eliminate wastewater throughout the company.

SUPPLEMENTARY MATERIAL

2011



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SUPPLEMENTARY MATERIAL

FIGURE 1

Water and wastewater facts

WATER	
Water supply dams	12
River sources	3
Groundwater sources	14
Supply dam catchment area (ha)	16,056
Groundwater catchment area (ha)	2,395
Length of raw water mains (km)	92
'A' grade water treatment plants	11 ¹
Other water treatment plants	10
Length of treated water mains (km)	8,733
Service reservoirs	84
Pump stations	90
Annual volume produced (ex plant m ³)	142,219,273
Annual volume sold (m ³)	124,964,195 ²

WASTEWATER	
Length of sewers (km)	7,693
Pump stations	537
Trade waste customers	1,740
Treatment plants metropolitan	3
Treatment plants non-metropolitan	17 ³
Volume treated annually (m ³)	163,988,716
Biosolids produced (wet) annually (tonnes)	119,747
Effluent re-used annually (m ³)	21,272,529 ⁴

WATER VOLUME ABSTRACTED BY SOURCE m ³	2010/11 TOTAL	%
Waitakere Dam	3,906,801	2.7
Upper Huia Dam	8,223,598	5.8
Upper Nihotupu Dam	9,189,513	6.5
Lower Huia Dam	8,700,337	6.1
Lower Nihotupu Dam	1,616,666	1.1
Cosseys Dam	9,005,971	6.3
Upper Mangatawhiri Dam	26,188,527	18.4
Wairoa Dam	10,154,764	7.1
Mangatangi Dam	44,329,694	31.2
Waikato River	11,976,425	8.4
Onehunga Aquifer	3,753,433	2.6
Rural North	1,587,834	1.1
Rural South	3,672,726	2.6
TOTAL	142,306,289 ⁵	100.0

DAM STORAGE	30-JUN-11	30-JUN-10
Total storage volume (m ³)	95,551,955	71,020,268
% full	99.99%	74.3%

Notes:

1. Excludes Papakura as it is currently not in service.
2. Figure less than last year, due to different measuring point – volume is now recorded at customer meters rather than at bulk supply points.
3. Kawakawa Bay Wastewater Treatment Plant included, transferred to Watercare 30/6/11.
4. Re-use figures for Mangere only. Not measured for Rosedale or other plants.
5. Meters are accurate to +/- 2%.

Under the G3 reporting framework, Watercare is required to provide additional information on G3 environment indicators EN8, EN9, EN10 relating to water.

SUPPLEMENTARY MATERIAL

FIGURE 2

Financial overview

	ANNUAL TURNOVER		ASSET VALUE	
	\$000	\$000	\$000	\$000
Water	140,504		3,249,110	
Wastewater	232,603		4,572,226	
Total	373,107		7,821,336	

FIGURE 3

Taxation

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Income tax paid	1,304		3,350	-	-	-	-	
GST collected	18,619	19,448	20,857	21,119	20,913	23,207	24,727	53,751
Accident compensation levies	367	316	200	230	287	369	380	474
Local and regional council rates	1,282	1,441	1,732	2,809	2,107	2,106	2,417	6,494
	21,572	21,205	26,139	24,158	23,307	25,682	27,524	60,719

FIGURE 4

Population and per capita use

30-JUN	CONNECTED POPULATION	BULK SUPPLY VOLUME (M ³)	LITRES PER PERSON PER DAY
2002	1,080,000	119,720,000	304
2003	1,145,000	124,514,000	298
2004	1,174,500	127,089,000	296
2005	1,193,500	131,052,000	301
2006	1,213,000	134,699,000	304
2007	1,232,000	136,220,334	303
2008	1,258,000	136,559,180	297
2009	1,298,144	131,111,976	277
2010	1,318,367	134,637,738	280
2011	1,335,510	135,119,845	277

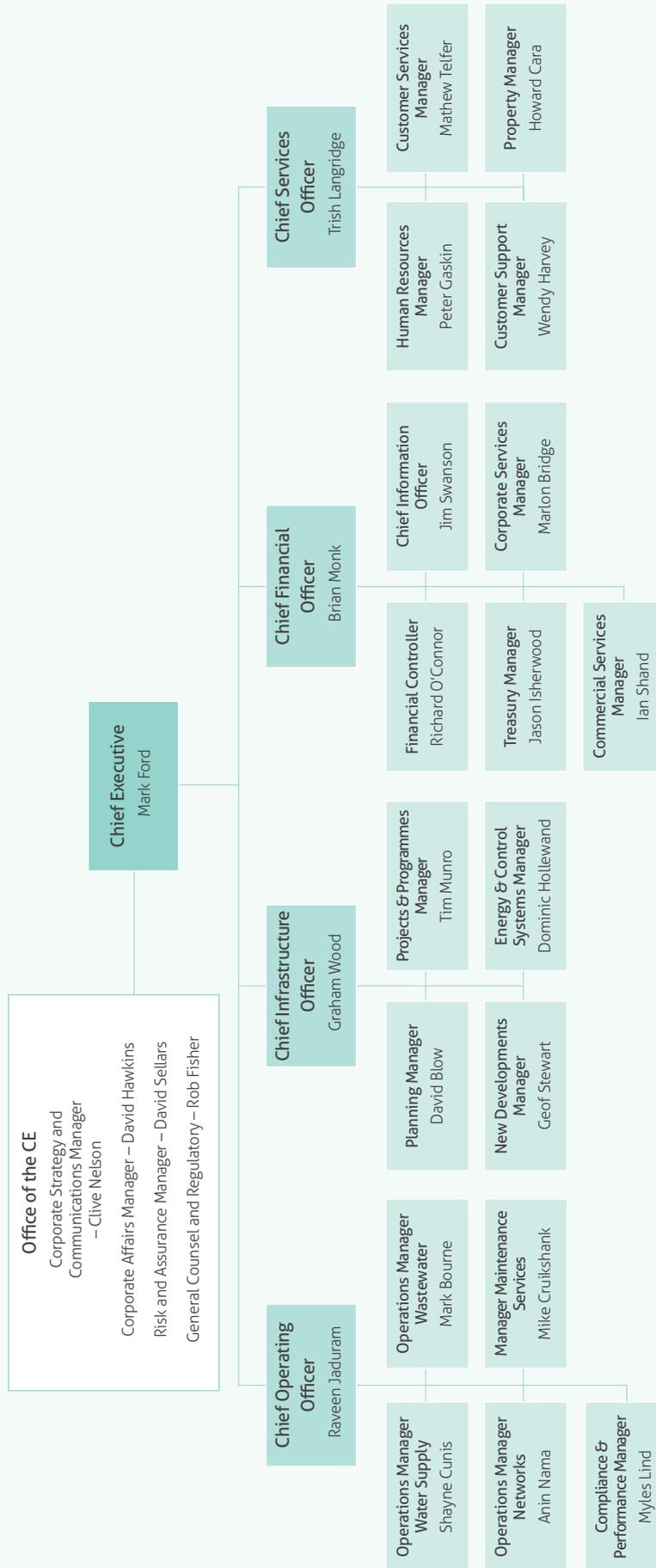
FIGURE 5

Directors' meeting attendance

	APPOINTED	BOARD								AUDIT & RISK COMMITTEE					
		2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Ross Keenan (Chairman – since Dec-10)	Mar-10						5/7	16/17						1/1	4/5
David Clarke (Deputy Chairman)	Jul-08					12/12	15/17	14/17							
Graeme Hawkins (Chairman – retired Dec-10)	Dec-02	11/11	12/12	11/11	11/12	12/12	17/17	11/11	2/4	2/4	3/3	4/4	4/4	4/4	2/2
Patrick Snedden	Dec-02	11/11	10/12	11/11	10/12	11/12	14/17	16/17							3/3
Susan Huria	Jul-08					10/12	15/17	16/17							
Peter Drummond	Mar-10						3/7	12/17							
Jeff Todd (Chairman, Audit & Risk)	May-07			2/2	10/12	12/12	17/17	13/17			1/1	4/4	4/4	4/4	5/5
Catherine Harland	May-11							2/2							
Tony Lanigan	May-11							2/2							

SUPPLEMENTARY MATERIAL

FIGURE 6
Organisational Structure



SUPPLEMENTARY MATERIAL

FIGURE 7

Sustainability accounting analysis

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
	\$ MILLION						
Total expenditure including that necessary to meet the statutory and legal obligations	134.5	142.1	157.7	164.0	168.9	187.4	359.2
Additional expenditure to meet the standards expected of Watercare							
1. Wastewater treatment plant midge control	1.8	0.3	0.6	0.6	0.5	0.5	0.6
2. Odour control	0.4	0.7	0.1	0.1	0.1	0.1	0.2
3. Wastewater overflow clean-up	0.1	0.1	0.1	0.1	0.1	0.1	0.2
4. Wastewater pump station 'failsafe' maintenance	0.9	0.9	0.7	0.9	0.9	0.9	1.1
Subtotal	3.2	2	1.5	1.7	1.6	1.6	2.1
Costs forming the basis of water and wastewater charges – per audited financial statements	137.7	144.1	159.2	165.7	170.5	189.0	361.3
Annualised cost of the additional activities that could improve the environmental standards							
5. CO ₂ emission reduction	0.7	0.7	0.7	0.7	0.3	0.4	0.5
6. Compensation flows below water supply dams	18.5	17.7	17.9	18.2	19.2	19.5	21.0
7. Odour emission elimination	3.5	3.2	3.3	3.4	3.9	4.0	5.6
8. Wastewater overflow minimisation	57.0	58.4	58.6	62.4	85.1	88.2	165.0
9. Visual enhancement	3.9	3.7	3.9	4.6	5.0	5.2	9.7
10. Biosolids re-use	15.0	15.4	15.4	16.3	16.8	16.9	19.0
11. Partial (30ML/d) wastewater reuse for industry, forestry and agriculture	5.3	5.3	5.4	5.6	6.0	6.2	7.7
12. Partial (100ML/d) wastewater recharge to catchments used for water extraction	62.5	63.4	63.5	65.9	77.2	78.5	78.0
13. Partial (170ML/d) wastewater reuse to potable water	89.0	90.1	90.2	93	90.4	91.6	133.0
Subtotal	255.4	257.9	258.9	270.1	303.9	310.5	439.5
Cost base required to deliver sustainable performance	393.1	402.0	418.1	435.8	474.4	499.5	800.8

Notes:

- 1. Wastewater treatment plant midge control**
The treated effluent at Mangere and Rosedale is potentially a fertile breeding ground for midges, a considerable social nuisance. In 2010/11 spraying and decanting were used to control the midge habitat, at a cost of \$600,000.
- 2. Odour control**
In the past year, the operating and maintenance costs of facilities to minimise odours in the reticulation network and at the wastewater treatment plants were approximately \$200,000.
- 3. Wastewater overflow clean-up**
The wastewater reticulation network overflows in heavy storms or as the result of system failure or third party damage. Watercare employees clean and disinfect overflow sites, which costs approximately \$200,000 per year.
- 4. Wastewater pump station 'failsafe' maintenance**
Watercare spends a considerable amount of its maintenance budget on planned maintenance, which is necessary to minimise the occurrence of pump station failures and consequential environmental damage. This safeguard cost approximately \$1.1 million.
- 5. CO₂ emissions**
Watercare's total greenhouse gas emissions were 20,961 tonnes for the year. If this is 'charged' at \$25 per tonne it equates to \$524,025.
- 6. Compensation flows from water supply dams**
The water supply dams cut off most of the flows to the streams below the dams. To promote the stream ecosystems, Watercare could release larger compensation flows. This would reduce the yield of the water supply system and require the construction of a new water source at \$140 million and operation and maintenance costs of \$11 million per year. The total annual cost, including operation and maintenance costs and interest on capital but excluding depreciation, would be \$21 million.
- 7. Odour emission elimination**
Reducing the system's odours to minimal levels at all site boundaries, primarily by constructing new biofilters, would involve \$75 million in capital cost and \$750,000 per year in operating and maintenance costs. The total annual cost, including operation and maintenance costs and interest on capital but excluding depreciation, would be \$5.6 million.
- 8. Wastewater overflow minimisation**
Watercare has estimated that eliminating all wet weather overflows except in extreme storms could be achieved through installing storage tunnels and tanks in the network. The estimated capital cost of this is \$2,400 million (which includes a further wastewater treatment plant upgrade) with a \$10 million annual operating and maintenance cost. The total annual cost, including operation and maintenance costs and interest on capital but excluding depreciation, would be \$165 million.
- 9. Visual enhancement**
Watercare estimates that the cost of camouflaging, removing or replacing 'unattractive' assets would be approximately \$120 million and \$2 million a year in operating and maintenance costs. The total annual cost, including operation and maintenance costs and interest on capital but excluding depreciation, would be \$9.7 million.
- 10. Biosolids re-use**
Watercare estimates that the cost of developing a long-term use for biosolids would be approximately \$240 million and \$3.6 million a year in operating and maintenance costs. The total annual cost, including operation and maintenance costs and interest on capital but excluding depreciation, would be \$19 million.
- 11. Partial wastewater reuse for industry, forestry and agriculture**
Part (30ML/d) of the treated wastewater, after further treatment, could be distributed to industry for reuse. This is estimated to cost \$80 million and \$2.5 million a year in operation and maintenance costs. The annual cost, including operation and maintenance costs and interest on capital but excluding depreciation, would be \$7.7 million.
- 12. Partial wastewater recharge to catchments used for water extraction**
Part (100ML/d) of the treated wastewater could be further treated and piped to recharge catchments which have had the water extracted from them. This is estimated to cost \$730 million and \$31 million a year in operation and maintenance costs. The annual cost, including operation and maintenance costs and interest on capital but excluding depreciation, would be \$78 million.
- 13. Partial wastewater reuse direct to potable water**
Part (up to 300ML/d) of the treated wastewater could be further treated and injected into the potable water supply. This is estimated to cost \$900 million and \$75 million a year to operate. The annual cost, including operation and maintenance costs and interest on capital but excluding depreciation, would be \$133 million.

Sustainability accounting

Sustainability accounting puts a value on a company's environmental and social initiatives. The above figure shows Watercare's operational expenditure in 2010/11 was \$361.3 million. That sum includes the cost of meeting the company's statutory and regulatory obligations for its water and wastewater operations. In addition to this, Watercare spent \$2.1 million on activities to reduce its environmental impact. A further \$439.5 million would be required to sustainably mitigate the effects of the company's operations on the environment. These costs to mitigate the effects of the company operations are based on the wholesale Watercare from 1 July 2010 to 31 October 2010, and the integrated Watercare responsibilities from 1 November 2010 to 30 June 2011. Sustainability accounting allows organisations to quantify the trade-offs between price and services, and social and environmental impacts. For example, the capital cost for making any significant investment in improving the wastewater system would initially be met by increasing Watercare's borrowings, and prices would need to rise to meet those debt servicing costs. However, customers may not be willing to accept significant price rises. Instead, they may prefer to accept the current number of overflows in return for relatively lower prices.

SUPPLEMENTARY MATERIAL

FIGURE 8

Grading of water treatment plants and networks

WATER TREATMENT PLANTS	PERCENT OF 2010-11 ANNUAL PRODUCTION (%)	WATER TREATMENT PLANT GRADE	NETWORK ZONE	ZONE GRADE
Metropolitan *	88.4	A	Metropolitan zones	a
Muriwai	0.1	A	Muriwai	a
Warkworth	0.9	A	Warkworth	b
Snells/Algies	0.7	A	Snells/Algies	a
Helensville	0.8	A	Helensville	b
Wellsford	0.5	A	Wellsford/Te Hana	b
Bombay	0.1	U	Bombay	u
Bucklands	0.2	U	Bucklands	u
Clarks/Waiiau Beaches	0.3	U	Clarks and Waiiau	u
Douglas	0.0	U	Douglas Road	u
Glenbrook Beach	<0.1	U	Glenbrook Beach	u
Patumahoe	0.1	U	Patumahoe	u
Waiuku	2.1	U	Waiuku	u
Pukekohe	5.7	U	Anzac/Hilltop Kitchener	u
Total	100.0			

Note:

'U' and 'u' indicates ungraded plants and networks.

* Includes six water treatment plants (excluding Papakura).

Grading is based on 2009/10 assessment by Auckland District Health Board. The 2010/11 year assessment had not been received by publication.

SUPPLEMENTARY MATERIAL

FIGURE 9
Drinking water quality

DETERMINANDS	STANDARD AND ALLOWABLE EXCEEDENCES	YEAR	TREATMENT PLANTS								WAIKATO	WAIKATO	HELENSVILLE WARKWORTH WELLSFORD	PUKEKOHE MURIWAI BOMBAY GLENBROOK	WAIKUKU CLARKS BEACH WAIAU BEACH SNELLS/SALGIES PATUMAROE BUCKLANDS
			ARMORE	HUIA	WAITAKERE	ONEHUNGA	HUIA VILLAGE	ONEHUNGA	WAITAKERE	ONEHUNGA					
Turbidity is a measure of filtration effectiveness and a surrogate measure for the presence of protozoa such as <i>Cryptosporidium</i>	5% > 0.5 NTU	2007/08	0.00%	0.02%	0.00%	0.01%									These WTPs are supplied from secure or interim secure groundwater bores and therefore meet the DWSNZ.
	none > 1 NTU		0	0	0										
	5% > 0.5 NTU	2008/09	0.00%	0.04%	0.02%	0.00%								Compliance is based on UV performance not turbidity	
	none > 1 NTU		0	0	0	0									
	5% > 0.5 NTU	2009/10	0.00%	0.00%	0.01%	0.00%									
none > 1 NTU	0		0	0	0										
Protozoa removal based on log credit requirements of the WTP	required log credits	2010/11	3	3	3	3	3	3	3	3	3	3	3		
	% compliance periods*		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
<i>E. coli</i> is an indicator of potential waterborne disease-carrying organisms	10 samples > nil/100ml	2007/08	0	1	0	0	0	0	0	0	0	0	0		Compliance is based on contact time
	2 samples > nil/100ml		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		
	10 samples > nil/100ml	2008/09	0	0	1	0	0	0	0	0	0	0	0		
	2 samples > nil/100ml		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		
	10 samples > nil/100ml	2009/10	0	0	0	0	0	0	0	0	0	0	0		
2 samples > nil/100ml	n/a		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			
Fluoride is added to treated water at the request of Watercare's customers	<5% samples > nil/100ml	2010/11	0	0	0	0	0	0	0	0	0	0	0		0 (except for Muriwai where compliance is based on contact time)
	10 samples > 1.5 mg/l		0	0	0	0	0	0	0	0	0	0	0		
	10 samples > 1.5 mg/l	2007/08	0	0	0	0	0	0	0	0	0	0	0		
	10 samples > 1.5 mg/l		0	0	0	0	0	0	0	0	0	0	0		
	<5% samples > 1.5 mg/l	2010/11	0	0	0	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a		
100 samples > nil/100ml	0		0	0	0	0	0	0	0	0	0	0			
<i>E. coli</i> is an indicator of potential waterborne disease-carrying organisms	100 samples > nil/100ml	2007/08	1	0	0	0	0	0	0	0	0	0	0		0 (only Pukekohe doses flouride)
	100 samples > nil/100ml		0	0	0	0	0	0	0	0	0	0	0		
	100 samples > nil/100ml	2008/09	0	0	0	0	0	0	0	0	0	0	0		
	100 samples > nil/100ml		0	0	0	0	0	0	0	0	0	0	0		
	<5% samples > 1/100ml **	2010/11	0	0	0	0	0	0	0	0	0	0	0		

Note:
* Log credit compliance monitoring period is one month.
** Data in this period refers to transmission and network data. Previous years refer only to transmission data.
Dark squares are where information was not available at the time of creating the report.

SUPPLEMENTARY MATERIAL

FIGURE 10

Typical analysis of Auckland’s drinking water

DETERMINANDS	ARDMORE		HUIA		WAITAKERE		ONEHUNGA		WAIKATO	
	RAW	TREATED	RAW	TREATED	RAW	TREATED	RAW	TREATED	RAW	TREATED
Turbidity (NTU) (online data)*	8.55	0.04	4.89	0.04	4.90	0.04	0.18	0.02	20.22	0.01
<i>E. coli</i> (number per 100ml)	7	N/D	24	N/D	53	N/D	208	N/D	1120	N/D
Aluminium (mg/L)	0.54	0.02	0.92	0.03	0.82	0.03	0.02	0.03	0.86	0.05
Iron (mg/L)	0.49	0.01	0.70	0.01	0.84	0.02	0.01	0.00	1.37	0.03
Manganese (mg/L)	0.05	N/D	0.03	N/D	0.03	0.01	N/D	N/D	0.07	N/D
pH value (lab)	7.3	7.9	7.6	7.8	7.1	7.8	7.3	7.9	7.5	8.0
Total hardness (mg/L CaCO ₃)	12.8	23.3	21.0	32.7	16.8	38.0	55.2	54.5	30.2	59.0

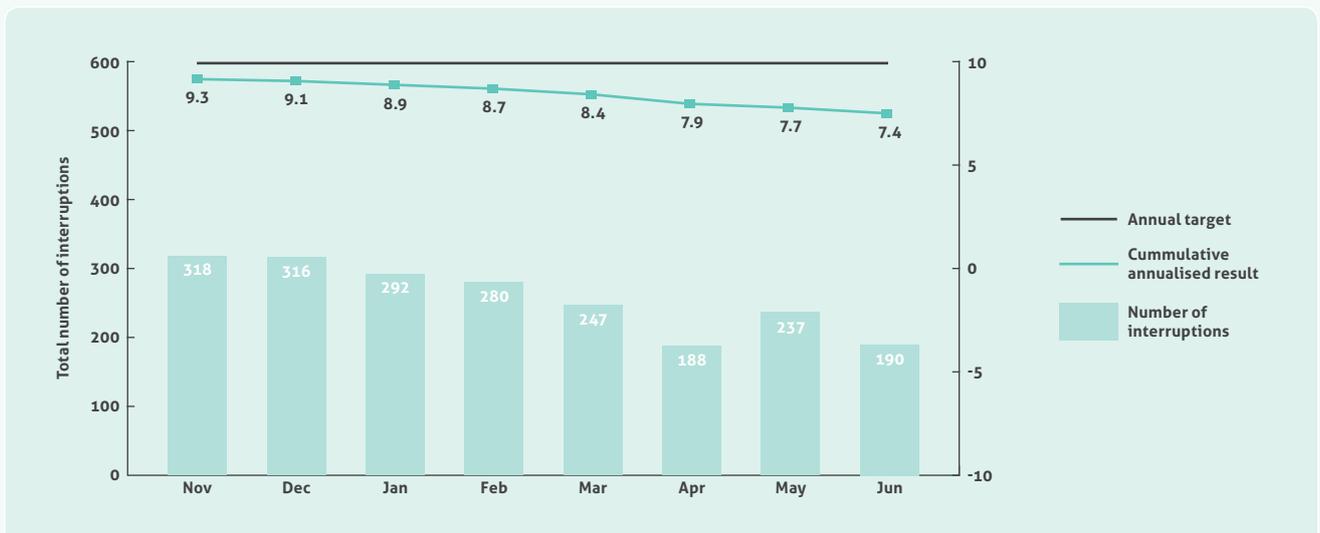
Note:

This covers the 12-month period for water supplied from the metropolitan water treatment plants from 1 July 2010 to 30 June 2011.

* Measured post filtering.

FIGURE 11

Water supply interruptions

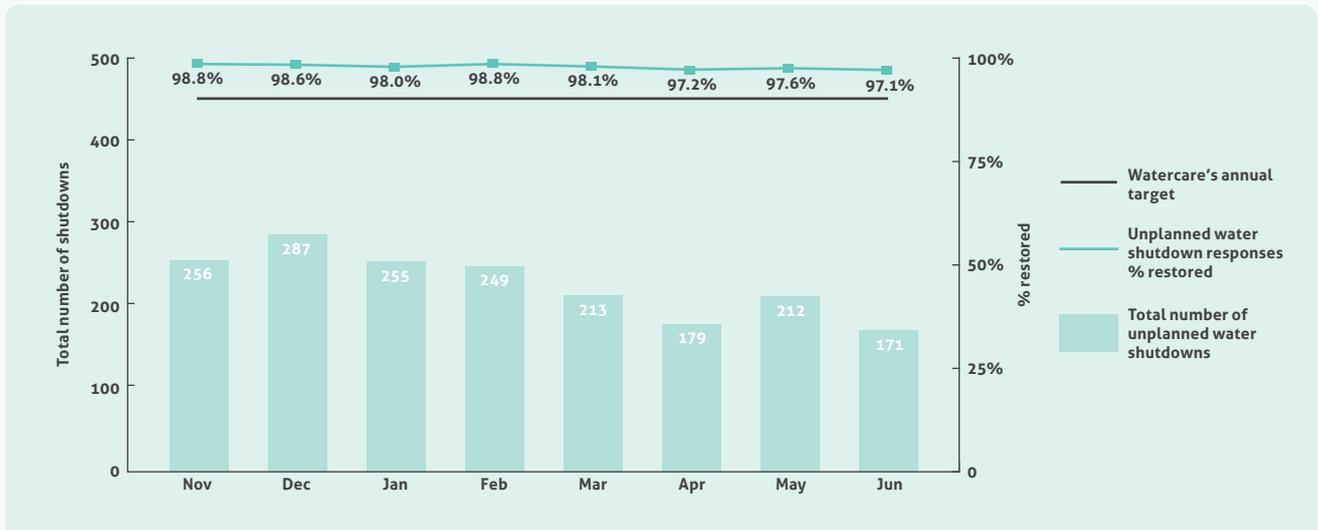


Note:

The annual target is to maintain water supply interruption frequency to less than 10 per 1,000 connections.

SUPPLEMENTARY MATERIAL

FIGURE 12
Water supply restoration



Note:

The annual target is to ensure that 90% of unplanned water shut downs are restored within five hours.

FIGURE 13
Water quality complaints

COMPLAINTS RAISED BY REGION	NOV 2010	DEC 2010	JAN 2011	FEB 2011	MAR 2011	APR 2011	MAY 2011	JUN 2011	TOTAL
Northern	48	68	58	70	43	66	37	46	436
Central	100	52	71	56	52	56	24	26	437
Southern	100	97	86	79	91	66	63	70	652
Total	248	217	215	205	186	188	124	142	1525

SUPPLEMENTARY MATERIAL

FIGURE 14

Statutory compliance

LOCATION	NATURE OF NON-COMPLIANCE	MONTH	POTENTIAL OR ACTUAL IMPACT	MITIGATION ACTION AND COMMENTS
Water				
Ardmore Water Treatment Plant	Consent required for retention dams	All year	No adverse effects anticipated in the receiving environment	Watercare is continuing to liaise with the Auckland Council to get the consent granted
Bombay bore	Riparian planting not completed	Since 1 Nov	No adverse effects anticipated in the receiving environment	Planting had not been undertaken when Watercare took over on 1 Nov 2010. Watercare is working with Auckland Council to determine amount of planting required
Clarks Beach water supply	Minor exceedance of daily extraction limit of bore on 5 days	Jan and Feb	The over abstraction was on isolated days following busy weekends and there is no on-going impact	Planning are looking at options for new bores and increased reservoir capacity
Huia Water Treatment Plant	Exceedance of aluminium limit in the stormwater discharge for some grab samples	Aug, Nov, Mar, Apr and May	Discharge limit exceeded due to heavy rain on sludge storage area. No effects observed in stream	Sludge processing plant due to be upgraded in 2016
Mangakura Dam	Exceeded authorised take volume	Ongoing	No adverse effects anticipated in the receiving environment	Exceedance necessary to meet water demands of Helensville. New application lodged which would increase the authorised limit of this old water right permit
Pukekohe water supply bores	Riparian planting not completed	Since 1 Nov	No adverse effects anticipated in the receiving environment	Planting had not been undertaken when Watercare took over on 1 Nov 2010. Watercare is working with Auckland Council to determine amount of planting required
Southern dams	Riparian planting, fisheries management and various management plans	All year	No more than minor adverse effects anticipated in the receiving environment	Discussions are being undertaken with Auckland Council and Waikato Regional Council. Consent variations are being sought
Waitakere Water Treatment Plant	Exceedance of aluminium limit in the stormwater discharge for some grab samples	Oct and Dec	Discharge limit exceeded due to heavy rain on sludge disposal areas. No adverse effects observed in stream	Sediment pond to be cleaned out during summer 2012 to provide additional capacity
Waitakere watermain replacement project	Drilling mud spill into stream	Mar	Slight adverse effects to stream from initial discharge of drilling mud however rest of mud was captured by a containment system	Watercare worked closely with the Auckland Council Pollution Response team to minimise effects of spill
Wellsford Water Treatment Plant	Exceeded aluminium discharge limit to Hoteo River	Ongoing	No impact	Existing aluminium level of stream already above discharge limit
Unauthorised tree works during maintenance of the water transmission network.	Damage to the root of a protected tree	Jan	No impact expected on tree health	Watercare has begun a 5-year monitoring programme of the health of the tree to ensure there are no long-term effects

Note:

No sanctions or fines related to accounting fraud, workplace discrimination or corruption have been brought against Watercare.

No administrative or judicial sanctions were levied against Watercare for failure to comply with laws or regulations concerning the provision and use of products and services.

No legal actions for anti-competitive behaviour, anti-trust or monopoly practices have been brought against Watercare.

There have been no complaints regarding breaches of customer privacy or losses of customer data.

SUPPLEMENTARY MATERIAL

FIGURE 14 (continued)

Statutory compliance (continued)

LOCATION	NATURE OF NON-COMPLIANCE	MONTH	POTENTIAL OR ACTUAL IMPACT	MITIGATION ACTION AND COMMENTS
Wastewater				
Clarks Beach Wastewater Treatment Plant	Exceedance of various discharge quality limits and flow	Ongoing	No adverse effects anticipated in the receiving environment	Watercare has been considering options to improve plant performance since taking over plant on 1 Nov 2010
Cockle Bay branch sewer/Howick pump station	Exceeded authorised number of overflows in a 5-year period	Apr and May	No adverse effects anticipated in the receiving environment	Over a 5-year period, 12 discharges occurred where the consent authorises 10. No mitigation considered necessary at this stage
Denehurst Wastewater Treatment Plant	24 hours of flow storage required	Nov – Apr	No impact on receiving environment	Storage tank installed in May 2011
Helensville Wastewater Treatment Plant	Exceedance of various discharge quality limits and flow	Ongoing	Plant discharges to the tidal reaches of the Kaipara River. No adverse effects anticipated in the receiving environment	The plant is undersized for the current catchment. Upgrade underway to increase capacity
Kingseat Wastewater Treatment Plant	Minor exceedance of various quality limits	Ongoing	No adverse effects anticipated in the receiving environment	Watercare has identified works to be undertaken to achieve full compliance
Mangere Wastewater Treatment Plant	Failed 99% average UV dose	Aug	No adverse effects anticipated in the receiving environment as 98% dose achieved. No viruses found following monitoring of shellfish	Poor UV transmittance due to prolonged wet weather flow
Mangere Wastewater Treatment Plant	Exceedance of monthly total nitrogen discharge limit due to low inflow to plant	Jan	No adverse effects anticipated in the receiving environment	Result of low incoming flows during holiday period. Options to enhance nitrogen removal over summer is being investigated
Mangere Wastewater Treatment Plant	Exceedance of ammonia discharge limit on a single day due to blower failure	Mar	No adverse effects anticipated in the receiving environment	Blower maintenance reviewed to minimise risk of reoccurrence
Matakana Wastewater Treatment Plant	Exceedance of various discharge quality limits and flow	Ongoing	Some minor local effects are anticipated in the Matakana River	Plant to be decommissioned once a pipeline is constructed to pump the wastewater to the Omaha Wastewater Treatment Plant. Expected timeframe is 2012-2013
Owhanake Wastewater Treatment Plant	Minor exceedance of total phosphorus limit	Jan and May	No adverse effects anticipated in the receiving environment	Watercare is considering methods to improve phosphorus removal
Pukekohe Wastewater Treatment Plant	Minor exceedance of various quality limits	Ongoing	No adverse effects anticipated in the receiving environment	Some minor exceedance at time of commissioning of new plant
Wellsford Wastewater Treatment Plant	Exceedance of various discharge quality limits and flow	Ongoing	No adverse effects anticipated in the receiving environment	Watercare has been considering options to improve plant performance since taking over plant on 1 Nov 2010
Waiuku Wastewater Treatment Plant	Exceedance of various discharge quality limits and flow	Ongoing	No adverse effects anticipated in the receiving environment	Watercare has been considering options to improve plant performance since taking over plant on 1 Nov 2010

Note:

Technical and minor non-compliances, such as a report being submitted late, are not included in the list above.

Under the G3 reporting framework, Watercare is required to provide information on environment indicator EN28, society indicators SO7 and SO8 and product responsibility indicators PR2, PR4, PR7, PR8 and PR9, relating to compliance, anti-competitive behaviour, product and service labelling and customer privacy. Extra information has been added to this table from previous years to meet G3 reporting requirements.

SUPPLEMENTARY MATERIAL

FIGURE 15
Wastewater treatment plant discharge 2010/11

	WASTEWATER TREATMENT PLANT	DISCHARGE VOLUME M ³ /YEAR	DISCHARGE VOLUME CONSENT COMPLIANCE*	OTHER VOLUME DISCHARGED NON-COMPLIANT** M ³ /YEAR	BIOSOLIDS QUANTITY TONNES	SCREENINGS QUANTITY TONNES	GRIT QUANTITY TONNES
Metro	Mangere	125,365,000	Yes	686,932***	99,863	1,302	2,156
	Rosedale	28,985,822	Yes	0	15,424	245	141
	Army Bay	3,639,510	Yes	0	3,701	-	-
	Sub total – metro WWTPs	157,990,332		686,932	118,988	1,547	2,297
Non-metro	Pukekohe	2,660,000	No	2,660,000	0	50	50
	Warkworth	378,921	Yes	0	322	11	10
	Omaha	144,851	Yes	0	-	-	-
	Helensville	553,722	No	553,722	-	-	-
	Wellsford	275,778	No	275,778	-	-	-
	Snells/Algies	267,079	Yes	0	-	-	-
	Waiwera	84,018	Yes	0	-	-	-
	Huapai/Kumeu	27,183	No	27,183	-	-	-
	Matakana	39,009	No	39,009	-	-	-
	Denehurst Drive	5,641	No	5,641	-	-	-
	Beachlands	472,000	Yes	0	300	13	1
	Owhanake	10,368	Yes	0	0	-	-
	Clarks Beach	198,265	No	198,265	0	-	-
	Waiuku	866,600	No	866,600	0	-	-
	Kingseat	14,200	No	14,200	0	-	-
	Bombay	750	Yes	0	0	-	-
	Sub total – non-metro WWTPs	5,998,383		4,640,397	622	74	61
Total	163,989,205		5,327,329	119,610	1,621	2,358	

Note:

* Annual average and maximum volume.

** Excludes minor or technical non-compliance.

*** Consent limits for nitrogen and ammonia were not met for one day for each parameter during the year.

SUPPLEMENTARY MATERIAL

FIGURE 16
Treated wastewater standards – Mangere

	JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10	JAN-11	FEB-11	MAR-11	APR-11	MAY-11	JUN-11	NO 30083 CONSENT LIMITS	
Plant load														
Monthly mean														
BOD (g/m ³)	3.3	6.7	3.6	2.4	2.1	2.2	2.3	2.0	2.5	2.1	2.1	3.1	<15	
NFR (g/m ³)	5.4	10.8	6.1	5.2	5.2	5.8	5.6	4.0	7.3	4.7	4.7	4.7	<15	
Total petroleum hydrocarbons (g/m ³)	0.30	0.30	0.30	0.30	0.41	0.43	0.30	0.30	0.30	0.34	0.34	0.42	<0.5	
Monthly maximum														
BOD (g/m ³)	14.0	26.0	9.7	5.0	7.0	14.0	7.4	2.0	7.7	7.6	7.6	14.0	<50	
pH	7.3	7.4	7.8	8.0	7.7	7.6	7.7	7.7	7.9	7.6	7.6	7.6	<9	
Monthly minimum														
pH	6.7	6.8	6.8	6.8	7.0	6.8	7.0	7.0	6.8	7.0	7.0	6.8	>6.5	
95 percentile over three discreet months														
BOD (g/m ³)	n.a.			3.4			5.1			9.4			<30	
NFR (g/m ³)	n.a.			11.2			12.8			14.2			<30	
Nutrients														
Monthly mean														
Reactive phosphorus (g/m ³)	3.0	2.7	2.7	3.3	4.7	2.1	3.9	3.2	1.6	1.5	1.5	2.2	<9	
Total nitrogen (g/m ³) (Apr-Nov)	10.9	9.3	9.5	9.0	9.6	n.a.	n.a.	n.a.	n.a.	7.8	7.8	11.5	<35	
Nitrogen in ammoniacal form (g/m ³) (Apr-Nov)	0.6	1.8	0.8	0.7	0.4	n.a.	n.a.	n.a.	n.a.	0.5	0.5	0.7	<5	
Total nitrogen (g/m ³) (Dec-Mar)	n.a.	n.a.	n.a.	n.a.	n.a.	6.7	10.6	7.8	6.7	n.a.	n.a.	n.a.	<9.5	
Nitrogen in ammoniacal form (g/m ³) (Dec-Mar)	n.a.	n.a.	n.a.	n.a.	n.a.	0.6	0.5	0.4	1.2	n.a.	n.a.	n.a.	<3	
Monthly maximum														
Nitrogen in ammoniacal form (g/m ³) (Apr-Nov)	3.7	4.3	4.4	6.6	1.2	n.a.	n.a.	n.a.	n.a.	3.5	3.5	2.2	<15	
Nitrogen in ammoniacal form (g/m ³) (Dec-Mar)	n.a.	n.a.	n.a.	n.a.	n.a.	5.0	2.8	0.9	11.1	n.a.	n.a.	n.a.	<6	
Disinfection														
% of duration receiving 35 mWs/cm ²	100%	98.03%	100%	100%	99.96%	100%	99.99%	100%	99.54%	100%	100%	100%	≥99%	
Monthly mean (% saturation)														
Dissolved oxygen % saturation	95%	85%	106%	101%	106%	106%	100%	101%	108%	104%	104%	90%	>80%	
Resolved WTP source incidents and complaints													YTD	Target
Reportable odour incidents	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Odour complaints	1	0	1	0	0	0	0	0	0	0	0	1	3	0
Insect complaints	0	0	0	1	0	0	0	0	0	0	0	0	1	0
Noise complaints	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other complaints (dust)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	1	0	1	1	0	1	4							
Volumes (M m³)													Consent limit	
Total month	11,354	14,202	11,887	8,330	7,307	8,755	9,786	7,911	10,482	9,671	9,671	12,944		
Average daily	366	458	396	269	244	282	316	285	338	322	322	431		
Rolling 12-month average	280	288	303	299	300	302	309	315	324	331	331	343	390	
Peak day	786	603	575	315	302	589	854	367	626	760	760	744	1,209	

SUPPLEMENTARY MATERIAL

FIGURE 16 (continued)

Treated wastewater standards – Beachlands

	NOV-10	DEC-10	JAN-11	FEB-11	MAR-11	APR-11	MAY-11	JUN-11	NO 26875 CONSENT LIMITS		
Plant load											
90 percentile on 10 consecutive samples tested to current											
BOD (g/m ³)		2.0	2.0	2.0	2.1	2.1	2.0	2.0	2.0	<15	
NFR (g/m ³)		6.2	6.2	7.3	12.7	6.4	5.4	4.4	5.9	<15	
Nutrients (g/m³)											
95 percentile on 20 consecutive samples tested to current											
Nitrogen in ammoniacal form (g/m ³) summer (Nov-Apr)		0.1	1.9	1.9	0.6	0.6	0.5	n.a.	n.a.	<4	
Nitrogen in ammoniacal form (g/m ³) winter (May-Oct)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.5	0.4	<5	
90 percentile on 10 consecutive samples tested to current											
Nitrogen in nitrate form (g/m ³)		3.7	0.4	0.4	3.8	7.6	6.7	10.5	10.0	<15	
Reactive phosphorus (g/m ³)		0.4	0.4	1.5	1.6	2.3	2.4	1.4	1.1	<5	
Pathogens											
Median on 10 consecutive samples tested to current											
Faecal coliform (cfu/100mL)		2	7	6	2	2	2	2	2	<14	
Resolved WTP source incidents and complaints											
										YTD	Target
Reportable odour incidents		0	0	0	0	0	0	0	0	0	0
Odour complaints		0	0	3	1	0	0	0	0	4	0
Insect complaints		0	0	0	0	0	0	0	0	0	0
Noise complaints		0	0	0	0	0	0	0	0	0	0
Other complaints (dust)		0	0	0	0	0	0	0	0	0	0
Total		0	0	3	1	0	0	0	0	4	
Maximum daily discharge volume											
										Consent limit	
Peak day (m ³ /day)		1,764	2,666	2,763	2,735	2,286	2,740	2,764	2,678	<2,800	

SUPPLEMENTARY MATERIAL

FIGURE 16 (continued)

Treated wastewater standards – Waiheke

	SEP-10	OCT-10	NOV-10	DEC-10	JAN-11	FEB-11	MAR-11	APR-11	MAY-11	JUN-11	NO 26771 CONSENT LIMITS			
Plant load														
Maximum of monthly sample tested														
BOD (g/m ³)			2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	<10		
NFR (g/m ³)			0.8	0.4	1.3	0.6	0.8	0.9	1.0	0.8	0.4	1.6	<10	
Nutrients														
Maximum of monthly sample tested														
Total phosphorus (g/m ³)			4.0	1.8	2.9	6.75	8.5	5.6	4.5	4.0	7.1	4.6	<7	
Nitrogen in ammoniacal form (g/m ³)			0.01	0.01	0.01	0.02	0.02	0.02	0.02	0.01	0.01	0.01	<2	
Total oxidised nitrogen (g/m ³)			6.1	14.7	46.2	11.5	19.2	9.9	10.8	4.7	3.7	8.5	<30	
Total nitrogen (g/m ³)			7.1	15.4	46.8	12.4	20.3	10.8	11.6	5.53	4.51	9.40	<30	
Pathogens														
Maximum of monthly sample tested														
Faecal coliform (cfu/100mL)						26	20	15	2	2	7,900	2	<50	
Resolved WTP source incidents and complaints												YTD	Target	
Reportable odour incidents					0	0	0	0	0	0	0	0	0	0
Odour complaints					0	0	0	0	0	0	0	0	0	0
Insect complaints					0	0	0	0	0	0	0	0	0	0
Noise complaints					0	0	0	0	0	0	0	0	0	0
Other complaints (dust)					0	0	0	0	0	0	0	0	0	0
Total					0	0	0	0						
Maximum daily discharge volume												Consent limit		
Peak day (m ³ /day)					77.0	62.0	82.4	44.0	61.0	63.6	65.5	31.9	<80	

SUPPLEMENTARY MATERIAL

FIGURE 16 (continued)

Treated wastewater standards – Kingseat

	JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10	JAN-11	FEB-11	MAR-11	APR-11	MAY-11	JUN-11	NO 907365 CONSENT LIMITS	
Plant load														
95% of samples tested in any 12-month period to current														
BOD	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	<20 g/m ³	
NFR	69%	71%	71%	76%	82%	81%	81%	88%	94%	94%	88%	88%	<30 g/m ³	
Pathogens														
95% of samples tested in any 12-month period to current														
Faecal coliform	56%	59%	61%	61%	61%	71%	76%	76%	76%	76%	82%	88%	<1000 cfu/100mL	
95% of samples tested in any 12-month period to current														
Dissolved oxygen					59%	53%	50%	42%	31%	25%	28%	29%	>5 g/m ³	
Resolved WTP source incidents and complaints													YTD	Target
Reportable odour incidents					0	0	0	0	0	0	0	0	0	0
Odour complaints					0	0	0	0	0	0	0	0	0	0
Insect complaints					0	0	0	0	0	0	0	0	0	0
Noise complaints					0	0	0	0	0	0	0	0	0	0
Other complaints (dust)					0	0	0	0	0	0	0	0	0	0
Total					0	0								
Maximum daily discharge volume													Consent limit	
Peak day (m ³ /day)					44	42	53	50	81	149	117	89	<38	

SUPPLEMENTARY MATERIAL

FIGURE 16 (continued)

Treated wastewater standards – Clarks Beach

	JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10	JAN-11	FEB-11	MAR-11	APR-11	MAY-11	JUN-11	NO 12998 CONSENT LIMITS	
Plant load														
Median of 20 consecutive samples tested to current														
BOD (g/m ³)	12.5	15.0	17.5	17.5	17.0	19.5	14.0	12.5	11.0	13.0	10.3	8.5	<10 g/m ³	
NFR (g/m ³)	27.9	39.7	49.2	47.6	47.6	39.7	28.5	24.7	24.3	24.7	24.7	13.9	<15 g/m ³	
95% of 20 consecutive samples tested to current														
BOD	70%	65%	55%	55%	55%	55%	65%	70%	75%	75%	75%	85%	<20 g/m ³	
NFR	40%	30%	20%	20%	30%	30%	30%	35%	45%	40%	40%	55%	<20 g/m ³	
Nutrients														
Median of 20 consecutive samples tested to current														
Nitrogen in ammoniacal form (g/m ³)	9.7	8.9	8.5	7.8	8.0	8.0	8.5	8.5	9.0	9.5	8.7	8.6	<10 g/m ³	
Total inorganic nitrogen (g/m ³)	17.5	16.8	15.8	15.3	15.3	15.3	15.5	15.5	15.3	15.3	14.5	15.1	<15 g/m ³	
95% of 20 samples tested to current														
Nitrogen in ammoniacal form	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	<20 g/m ³	
Pathogens														
Median of 20 consecutive samples tested to current														
Faecal coliform (cfu/100mL)	2.0	2.0	2.0	2.5	3.0	3.0	2.0	2.0	2.0	2.0	2.0	2.0	<14 cfu/100mL	
90% of 20 consecutive samples tested to current														
Faecal coliform	95%	95%	95%	95%	100%	100%	100%	100%	100%	95%	95%	95%	<43 cfu/100mL	
95% of 20 consecutive samples tested to current														
Dissolved oxygen								20%	23%	20%	10%	20%	>5 g/m ³	
Resolved WTP source incidents and complaints													YTD	Target
Reportable odour incidents					0	0	0	0	0	0	0	0	0	0
Odour complaints					0	0	0	0	0	0	0	0	0	0
Insect complaints					0	0	0	0	0	0	0	0	0	0
Noise complaints					0	0	0	0	0	0	0	0	0	0
Other complaints (dust)					0	0	0	0	0	0	0	0	0	0
Total					0	0								
Maximum daily discharge volume													Consent limit	
Peak day (m ³ /day)	1,226	1,278	1,011	894	349	1,122	1,372	427	639	1,392	1,390	1,410	<600m ³ /day+rainfall	

SUPPLEMENTARY MATERIAL

FIGURE 16 (continued)

Treated wastewater standards – Waiuku

	JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10	JAN-11	FEB-11	MAR-11	APR-11	MAY-11	JUN-11	NO 907443 CONSENT LIMITS	
Plant load														
95% of samples tested over any consecutive 12-month period to current														
BOD	77%	81%	88%	96%	100%	100%	100%	92%	88%	84%	79%	79%	<10 g/m ³	
NFR	12%	19%	31%	35%	38.0	42.0	46%	46%	46%	38%	38%	38%	<10 g/m ³	
Nutrients														
95% of samples tested over any consecutive 12-month period to current														
Total phosphorus	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	<8 g/m ³	
Nitrogen in ammoniacal form	81%	85%	81%	81%	81%	85%	85%	85%	84%	77%	77%	81%	<5 g/m ³	
Total inorganic nitrogen	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	<20 g/m ³	
Pathogens														
95% of samples tested over any consecutive 12-month period to current														
Enterococci	89%	92%	92%	92%	92%	88%	85%	85%	88%	81%	73%	69%	<35 cfu/100mL	
95% of samples tested over any consecutive 12-month period to current														
Dissolved oxygen	97%	97%	97%	97%	97%	97%	96%	96%	95%	97%	97%	96%	>2 g/m ³	
Resolved WTP source incidents and complaints													YTD	Target
Reportable odour incidents	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Odour complaints	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Insect complaints	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Noise complaints	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other complaints (dust)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0												
Maximum daily discharge volume													Consent limit	
Peak day (m ³ /day)	3,939	3,880	4,241	3,547	2,482	2,969	2,433	2,216	3,038	3,480	4,334	3,800	<3,200	

SUPPLEMENTARY MATERIAL

FIGURE 16 (continued)

Treated wastewater standards – Pukekohe

	JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10	JAN-11	FEB-11	MAR-11	APR-11	MAY-11	JUN-11	NO 940331 CONSENT LIMITS	
Plant load														
90% of 26 fortnightly samples tested to current														
BOD		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	<12 g/m ³	
NFR		100%	100%	100%	89%	91%	92%	93%	94%	95%	95%	96%	<18 g/m ³	
Maximum of 26 fortnightly samples tested to current														
BOD (g/m ³)		3.0	5.0	5.0	5.0	5.0	5.0	5.0	5.4	5.4	5.4	5.4	<15 g/m ³	
NFR (g/m ³)		1.8	9.6	9.6	38.6	38.6	38.6	38.6	38.6	38.6	38.6	38.6	<20 g/m ³	
Nutrients														
90% of 26 fortnightly samples tested to current														
Total phosphorus		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	<8 g/m ³	
Nitrogen in ammoniacal form		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	<10 g/m ³	
Maximum of 26 fortnightly samples tested to current														
Total phosphorus (g/m ³)		2.3	2.3	4.9	4.9	4.9	4.9	4.9	4.9	7.1	7.1	7.1	<10 g/m ³	
Nitrogen in ammoniacal form (g/m ³)		0.4	0.4	0.5	0.8	2.9	2.8	2.9	2.9	2.9	2.9	2.9	<15 g/m ³	
Pathogens														
90% of 26 fortnightly samples tested to current														
Faecal coliform*		100%	100%	57%	67%	64%	69%	73%	72%	75%	77%	78%	<1,000 cfu/100mL	
Maximum of 26 fortnightly samples tested to current														
Faecal coliform (cfu/100mL)		5	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	<10,000 cfu/100mL	
Resolved WTP source incidents and complaints													YTD	Target
Reportable odour incidents		0	0	0	0	0	0	0	0	0	0	0	0	0
Odour complaints		0	0	0	0	0	0	0	0	0	0	0	0	0
Insect complaints		0	0	0	0	0	0	0	0	0	0	0	0	0
Noise complaints		0	0	0	0	0	0	0	0	0	0	0	0	0
Other complaints (dust)		0	0	0	0	0	0	0	0	0	0	0	0	0
Total		0	0											
Maximum daily discharge volume													Consent limit (dry weather flow)	
Peak day (m ³ /day)		13,682	12,247	9,100	7,963	6,458	13,889	6,641	15,013	16,824	15,654	14,000	<8,450	

Note:

* Data reflects incomplete sampling rather than non-compliance.

New consent started in Aug-10. Incomplete 26 fortnightly samples tested.

SUPPLEMENTARY MATERIAL

TABLE 16 (continued)

Treated wastewater standards – Rosedale

STANDARD		JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10	JAN-11	FEB-11	MAR-11	APR-11	MAY-11	JUN-11	ANNUAL MEDIAN	
Pollutant load	Median														
Monthly median															
BOD (g/m ³)	<20	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.3	2.1	2.5	2.7	2.0	2.0	
NFR (g/m ³)	<35	3.2	4.2	3.0	5.3	7.5	7.0	13.4	9.0	5.0	11.7	6.5	5.0	5.9	
Nutrients															
Monthly median															
Dissolved reactive phosphorus (g P/m ³)	<10	3.0	1.0	2.0	2.0	3.7	3.9	4.0	3.4	2.9	3.0	3.2	3.8	3.1	
Total nitrogen (g N/m ³)	<30	10.0	8.2	7.0	7.5	9.1	8.2	7.2	7.4	7.5	6.6	4.8	9.2	7.5	
Ammonia (g/m ³)	<10	0.4	0.4	0.9	0.9	4.9	0.9	1.1	0.9	2.1	3.4	0.4	1.2	0.9	
Bacteriological															
Monthly median															
Enterococci (#/100ml)	<100	5	7	1	2	4	28	5	2	53	2	7	2	4.5	
Faecal coliform (#/100ml)	<1,000	12	9	1	2	44	210	42	2	210	6	76	2	10.5	
														ANNUAL 95TH PERCENTILE	
Pollutant load	95th percentile														
Monthly 95th percentile															
NFR (g/m ³)	<75	5.7	6.5	10.2	6.7	9.5	12.6	59.0	16.4	8.0	13.0	15.8	17.7	36	
Bacteriological															
Monthly 95th percentile															
Enterococci (#/100ml)	<1,000	52	1,000	1	4	55	157	51	258	414	149	149	5	678	
Faecal coliform (#/100ml)	<10,000	136	1,000	7	3	1,763	452	272	930	2,375	1,195	1,195	20	2,038	
Resolved WTP source incidents and complaints														YTD	Target
Reportable odour incidents		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Odour complaints		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Insect complaints		0	0	0	0	0	0	2	1	6	2	0	0	11	0
Noise complaints		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other complaints (dust)		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total		0	0	0	0	0	0	2	1	6	2	0	0	11	
Volumes	Standard													Annual maximum	
Total month (Mm ³)		2,312	2,621	2,223	1,660	1,613	1,625	1,859	1,520	2,163	1,958	2,210	2,257		
Maximum daily discharge (m ³ /s)	6	2.8	1.3	1.8	2.4	3	2.8	2.1	1.1	1.5	2.5	1.3	1.9	3.0	

SUPPLEMENTARY MATERIAL

TABLE 16 (continued)

Treated wastewater standards – Army Bay

	STANDARD	JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10	JAN-11	FEB-11	MAR-11	APR-11	MAY-11	JUN-11	ANNUAL MEDIAN
Pollutant load	Median													
Monthly median														
BOD (g/m ³)	<20	2.0	2.0	5.0	3.0	4.0	6.0	2.0	2.0	2.0	2.0	2.0	1.0	2.0
NFR (g/m ³)	<35	3.4	4.6	11.0	5.1	6.2	19.0	2.2	4.0	3.0	3.6	2.4	2.0	3.8
Nutrients														
Monthly median														
Ammonia (g/m ³)	<15	0.5	0.6	2.4	2.1	1.8	3.3	0.5	0.5	1.0	1.1	0.6	0.6	0.8
Bacteriological														
Monthly median														
Enterococci (#/100ml)	<100	3	14	98	4	1	7	2	1	1	1	2	2	2.0
Faecal coliform (#/100ml)	<1,000	2	23	139	6	8	21	5	5	9	10	1	2	7.0

		JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10	JAN-11	FEB-11	MAR-11	APR-11	MAY-11	JUN-11	ANNUAL 92ND PERCENTILE
Pollutant load	92nd percentile													
Monthly 92nd percentile														
BOD (g/m ³)	<35	2.0	5.0	7.0	4.0	4.0	7.0	2.0	2.0	3.0	2.0	2.0	1.0	7
NFR (g/m ³)	<75	5.1	9.4	11.4	8.5	6.2	21.0	3.0	7.7	6.6	4.7	3.9	2.3	13
Bacteriological														
Monthly 92nd percentile														
Enterococci (#/100ml)	<1,000	9	209	170	8	4	11	5	2	54	33	11	2	175
Faecal coliform (#/100ml)	<10,000	2	214	218	12	17	32	15	14	59	157	7	2	214

Resolved WTP source incidents and complaints														YTD	Target
Reportable odour incidents		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Odour complaints		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Insect complaints		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Noise complaints		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other complaints (dust)		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total		0													

Volumes	Standard	JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10	JAN-11	FEB-11	MAR-11	APR-11	MAY-11	JUN-11	Annual maximum
Total month (m ³)		358,452	384,486	326,748	244,013	247,623	251,675	307,701	229,482	303,912	286,680	355,345	337,508	
Maximum daily discharge (m ³ /day)	32,147	22,127	18,727	16,469	18,275	9,738	15,627	23,160	11,170	19,759	19,422	21,484	14,020	23,160

SUPPLEMENTARY MATERIAL

TABLE 16 (continued)

Treated wastewater standards – Warkworth

	STANDARD	JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10	JAN-11	FEB-11	MAR-11	APR-11	MAY-11	JUN-11	ANNUAL 92ND PERCENTILE	
Pollutant load	92nd percentile														
Monthly 92nd percentile															
NFR (g/m ³)	<30	6.4	7.0	11.3	17.8	6.1	4.9	2.2	16.7	9.6	9.1	4.9	4.7	17	
Bacteriological															
Monthly 92nd percentile															
Faecal coliform (#/100ml)	<200	1	5.4	9.8	22	19	31	75.5	102.4	64.7	77	7.3	5.7	80	
Nutrients															
Monthly 92nd percentile															
Ammonia (g N/m ³)	<10	0.1	1.6	0.4	2.0	2.2	3.9	0.5	1.8	0.6	1.9	0.2	0.5	2	
Resolved WTP source incidents and complaints														YTD	Target
Reportable odour incidents		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Odour complaints		0	0	0	1	0	0	0	0	0	0	0	0	1	0
Insect complaints		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Noise complaints		0	0	0	0	0	1	0	0	0	0	0	0	1	0
Other complaints (dust)		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total		0	0	0	1	0	1	0	0	0	0	0	0	2	
Volumes	Standard													Annual maximum	
Total month (m ³)		40,029	42,106	33,549	22,932	20,684	26,729	35,360	22,696	34,291	27,084	40,165	33,297		
Maximum daily discharge (m ³ /day)	8,100	5,648	2,502	1,917	1,004	1,106	2,001	5,627	995	3,272	1,991	3,485	1,911	5,648	

Treated wastewater standards – Wellsford

	STANDARD	JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10	JAN-11	FEB-11	MAR-11	APR-11	MAY-11	JUN-11	ANNUAL 95TH PERCENTILE	
Pollutant load	95th percentile														
Monthly 95th percentile															
BOD (g/m ³)	<20	22.3	4.3	2.3	2.0	6.2	4.2	9.5	5.3	1.8	1.7	8.3	10.8	16	
NFR (g/m ³)	<30	34.8	27.6	17.0	49.6	51.2	56.0	16.0	1.0	12.8	16.8	33.6	28.5	53	
Dissolved oxygen (g/m ³)	>3	4.50	7.10	8.60	7.30	7.80	6.40	7.20	7.50	6.70	6.70	6.70	6.80	8	
Bacteriological															
Monthly 95th percentile															
Faecal coliform (#/100ml)	<1,000	50	120	480	500	280	1,700	9,400	2,200	120	440	2,050	400	5,440	
Nutrients															
Monthly 95th percentile															
Inorganic nitrogen (g N/m ³)	<10	16.7	25.0	24.4	17.4	13.0	12.3	24.4	23.7	13.0	22.2	22.6	28.5	27	
Resolved WTP source incidents and complaints														YTD	Target
Reportable odour incidents		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Odour complaints		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Insect complaints		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Noise complaints		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other complaints (dust)		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total		0	0	0	0	0	0	0	0	0	0	0	0	0	
Volumes	Standard													Annual	
Total month (m ³)		38,534	40,146	28,470	13,128	6,560	14,375	17,346	18,238	17,901	15,289	28,994	36,797		
95th percentile flow (m ³ /day)	1,260	1,803	1,564	1,264	725	271	1,465	1,914	1,485	1,486	982	1,612	2,064	1,982	
Maximum daily discharge (m ³ /day)	2,500	1,810	1,631	1,232	855	311	1,522	2,134	1,592	1,707	1,008	1,643	2,243	2,243	

SUPPLEMENTARY MATERIAL

TABLE 16 (continued)

Treated wastewater standards – Snells/Algies

	STANDARD	JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10	JAN-11	FEB-11	MAR-11	APR-11	MAY-11	JUN-11	ANNUAL MEDIAN	
Bacteriological	Median														
Monthly median															
Faecal coliform (#/100ml)	<7,500	62.5	145	347	550	870	683	2,300	1,750	880	1,950	355	800	741.5	
														ANNUAL 92ND PERCENTILE	
Pollutant load	92nd percentile														
Monthly 92nd percentile															
BOD (g/m ³)	<80	4.1	5.3	4.3	6.4	5.1	2.0	11.5	16.6	12.5	13.6	6.5	5.0	14	
NFR (g/m ³)	<100	10.3	10.5	13.3	11.0	11.1	76.0	90.3	60.0	106.1	73.2	22.2	41.0	92	
Bacteriological															
Monthly 92nd percentile															
Faecal coliform (#/100ml)	<50,000	100	194	542	786	1,086	1,285	3,160	1,964	1,472	2,875	634	1,934	2,909	
Resolved WTP source incidents and complaints														YTD	Target
Reportable odour incidents		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Odour complaints		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Insect complaints		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Noise complaints		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other complaints (dust)		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Volumes	Standard													Annual maximum	
Total month (m ³)		9,782	11,342	8,312	18,519	17,021	24,924	35,501	23,729	27,982	23,596	33,023	29,628		
Maximum daily discharge (m ³ /day)	4,680	643	544	428	1,408	740	2,127	2,121	2,048	1,439	1,498	1,36	1,447	2,127	

Treated wastewater standards – Denehurst

	STANDARD	JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10	JAN-11	FEB-11	MAR-11	APR-11	MAY-11	JUN-11	ANNUAL MAXIMUM	
Plant load	Maximum														
Monthly maximum															
BOD (g/m ³) – 6 monthly sample only	<15						13.0						6.1	13	
NFR (g/m ³) – 6 monthly sample only	<15						2.6						5.6	10	
Resolved WTP source incidents and complaints														YTD	Target
Reportable odour incidents		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Odour complaints		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Insect complaints		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Noise complaints		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other complaints (dust)		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Volumes (m³)	Standard													Annual	
Total month		701	1,006	536	417	314	396	365	282	461	331	406	427		
Maximum daily	<14.8	52	59	35	21	14.3	12.8	49.2	17	40	35	16.4	14.6	59	

SUPPLEMENTARY MATERIAL

TABLE 16 (continued)

Treated wastewater standards – Helensville

	STANDARD	JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10	JAN-11	FEB-11	MAR-11	APR-11	MAY-11	JUN-11	ANNUAL 95TH PERCENTILE	
Pollutant load	95th percentile														
Monthly 95th percentile															
BOD (g/m ³)	<20	8.2	6.4	24.7	23.9	31.0	31.4	38.6	22.0	21.1	46.6	9.5	10.1	42	
NFR (g/m ³)	<30	44.8	13.8	75.2	74.0	66.0	77.2	111.0	92.0	58.4	97.0	20.0	40.4	103	
Dissolved oxygen (g/m ³)	>5	5.9	13.6	8.6	12.7	17.9	10.9	9.9	5.9	6.2	6	5.8	5.5	16	
Resolved WTP source incidents and complaints														YTD	Target
Reportable odour incidents		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Odour complaints		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Insect complaints		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Noise complaints		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other complaints (dust)		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total		0	0												
Volumes	Standard													Annual	
Total month (m ³)		61,508	60,998	125,967	32,483	23,060	32,737	37,490	21,961	31,968	33,416	42,217	50,917		
Average flow 1 November to 30 May (m ³ /day)	800					769	1,056	1,209	784	1,031	1,114	1,330	1,697	999	
Average flow 1 June to 30 October (m ³ /day)	1,600	1,984	1,968	4,199	1,048									1,840	
Maximum daily discharge (m ³ /s)	5,000	7,393	4,933	4,886	2,078	1,170	3,178	6,960	990	3,158	3,007	5,751	3,642	7,393	

SUPPLEMENTARY MATERIAL

TABLE 16 (continued)

Treated wastewater standards – Huapai

	STANDARD	JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10	JAN-11	FEB-11	MAR-11	APR-11	MAY-11	JUN-11	ANNUAL MEDIAN		
Pollutant load	Median															
Monthly median																
BOD (g/m ³)	<5	3.8	2.0	2.0	2.0	2.0	2.0	2.0	1.9	1.6	2.0	1.4	2.6	2.0		
NFR (g/m ³)	<20	31.6	3.4	3.3	2.1	4.5	10.4	9.1	10.9	11.6	15.8	9.1	12.5	9.8		
Nutrients																
Monthly median																
Ammonia (g N/m ³)	<0.5	0.1	0.2	0.2	0.1	0.6	0.1	0.4	0.3	0.1	0.2	0.2	0.4	0.2		
Bacteriological																
Monthly median																
E.coli (#/100ml)	<15	4.5	17	1.5	1	1	1	31.5	33	1	3	1	1	1.3		
Faecal coliform (#/100ml)	<15	3	19	1	1	1	1	22	35	1	3	1	1	1.0		
														ANNUAL MAXIMUM		
Pollutant load	Maximum															
Monthly maximum																
BOD (g/m ³)	<20	5.5	2.9	2.0	2.0	2.0	2.0	2.0	2.4	1.9	2.1	1.5	2.6	5.5		
NFR (g/m ³)	<30	53.6	3.4	4.2	3.2	6.2	12.8	13.0	18.0	17.6	23.6	10.0	14.8	53.6		
Nutrients																
Monthly maximum																
Ammonia (g N/m ³)	<5	0.3	0.3	0.2	0.2	0.7	0.1	0.4	0.4	0.2	0.3	0.2	0.5	0.7		
Bacteriological																
Monthly maximum																
E.coli (#/100ml)	<260	8	30	2	1	1	1	60	65	2	5	1	1	65.0		
Faecal coliform (#/100ml)	<200	4	19	1	1	1	1	40	68	1	5	1	1	68.0		
Insitu measurements																
Trigger levels																
Monthly minimums																
Dissolved oxygen (g/m ³)	>5	8.8	7.7	8.8	8.1	7.4	7.7	7.5	6.7	6.4	7.7	8	8.1	8.8		
pH	>6	6	6	6	6	6	7	7	6	7	7	7	6	7.2		
Resolved WTP source incidents and complaints														YTD	Target	
Reportable odour incidents		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Odour complaints		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Insect complaints		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Noise complaints		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other complaints (dust)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total		0	0	0												
Volumes	Standard													Annual		
Total month (m ³)		3,015	2,914	2,416	2,060	1,793	1,996	1,997	1,804	2,184	2,029	2,265	2,396			
Average monthly flow (m ³ /day)	180	97	94	81	67	60	64	64	64	70	68	79	80	74		
Maximum daily discharge (m ³ /s)	206	108	114	104	88	78	106	102	83	96	89	91	97	114		

SUPPLEMENTARY MATERIAL

TABLE 16 (continued)

Treated wastewater standards – Waiwera

	STANDARD	JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10	JAN-11	FEB-11	MAR-11	APR-11	MAY-11	JUN-11	ANNUAL 95TH PERCENTILE	
Plant load															
Monthly 95th percentile															
BOD (g/m ³)	<45	8.2	6.4	3.4	4.3	7.0	36.0	No Discharge	14.6	10.7	10.0	10.7	4.8	25	
Bacteriological															
Monthly 95th percentile															
Enterococci (#/100ml)	<3,500	40.0	40.0	50.0	12.8	230	2,200	No Discharge	495.0	185.0	582.0	300.0	360.0	1,391	
Resolved WTP source incidents and complaints														YTD	Target
Reportable odour incidents		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Odour complaints		0	0	0	0	0	1	0	0	0	0	0	0	1	0
Insect complaints		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Noise complaints		0	0	0	0	0	0	0	1	0	0	0	0	1	0
Other complaints (dust)		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total		0	0	0	0	0	1	0	1	0	0	0	0	2	
Volumes														Standard	Annual
Total month (m ³)		6,109	9,330	10,672	5,248	6,560	2,624	0	11,995	9,804	8,556	7,680	5,440		
Maximum daily (m ³ /day)	595	574	328	368	328	328	328	0	563	328	328	320	320	574	

Treated wastewater standards – Matakana

	STANDARD	JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10	JAN-11	FEB-11	MAR-11	APR-11	MAY-11	JUN-11	ANNUAL 95TH PERCENTILE	
Plant load															
Monthly 95th percentile															
BOD (g/m ³)	<30	31.6	36.2	44.9	47.2	38.8	42.0	34.7	27.4	28.3	20.5	12.2	19.5	46	
NFR (g/m ³)	<30	22.2	16.2	36.0	16.0	50.6	25.0	23.6	6.8	12.0	24.0	7.6	8.8	43	
Resolved WTP source incidents and complaints														YTD	Target
Reportable odour incidents		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Odour complaints		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Insect complaints		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Noise complaints		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other complaints (dust)		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total		0													
Volumes														Standard	Annual
Total month (m ³)		4,297	5,016	3,709	2,609	1,949	3,046	3,482	1,744	3,557	1,791	3,418	3,502		
Maximum daily (m ³ /day)	130	587	363	249	128	1,106	442	529	112	426	271	406	250	1,106	

SUPPLEMENTARY MATERIAL

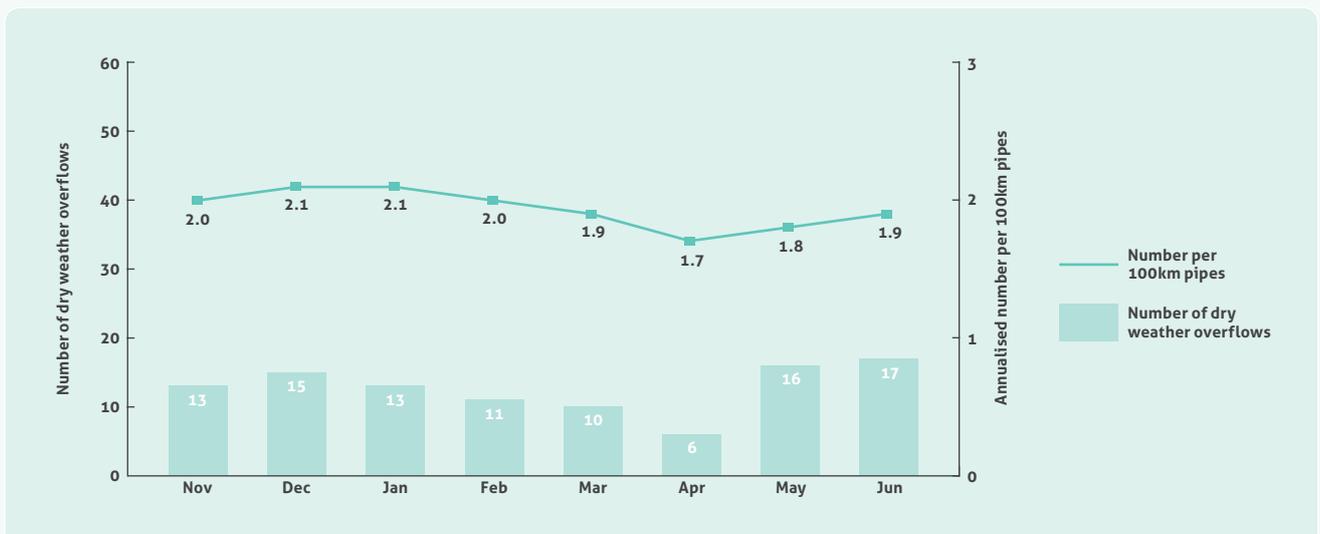
TABLE 16 (continued)

Treated wastewater standards – Omaha

	STANDARD	JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10	JAN-11	FEB-11	MAR-11	APR-11	MAY-11	JUN-11	ANNUAL 95TH PERCENTILE		
Plant load	95th percentile															
Monthly 95th percentile																
BOD (g/m ³)	<30	2.0	2.0	2.0	2.6	3.5	2.4	6.1	1.8	2.6	1.9	1.6	3.8	5		
NFR (g/m ³)	<20	2.7	2.9	1.0	7.4	6.8	3.4	11.6	6.1	13.4	4.0	10.7	12.6	13		
Bacteriological																
Monthly 95th percentile																
Faecal coliform (#/100ml)	<500	1	1	1	1	1	3	1	2	4.6	2.9	1	1			
Resolved WTP source incidents and complaints														YTD	Target	
Reportable odour incidents		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Odour complaints		0	0	0	0	0	0	1	0	0	0	0	0	1	0	
Insect complaints		0	0	0	0	0	1	0	0	0	0	2	0	3	0	
Noise complaints		0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Other complaints (dust)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total		0	0	0	0	0	1	1	0	0	0	2	0	4		
Volumes – Jones Road irrigation site	Standard													Annual		
Total month (m ³)		3,189	4,657	4,674	7,004	888	1,817	5,546	5,404	1,987	8,170	8,316	5,962			
Maximum daily (m ³ /day)	1,200	170	254	403	480	67	263	490	320	248	428	608	300	608		
Volumes (m³) – Omaha Golf Course irrigation site																
Total month (m ³)		5,143	7,339	10,951	6,665	8,892	6,334	6,578	9,751	6,913	5,256	4,698	6,931			
Maximum daily (1 October to 30 April)	860				361	347	347	551	549	455	244			551		
Maximum daily (1 May to 30 September)	570	247	564	690								570	437	690		

FIGURE 17

Overflows from wastewater system



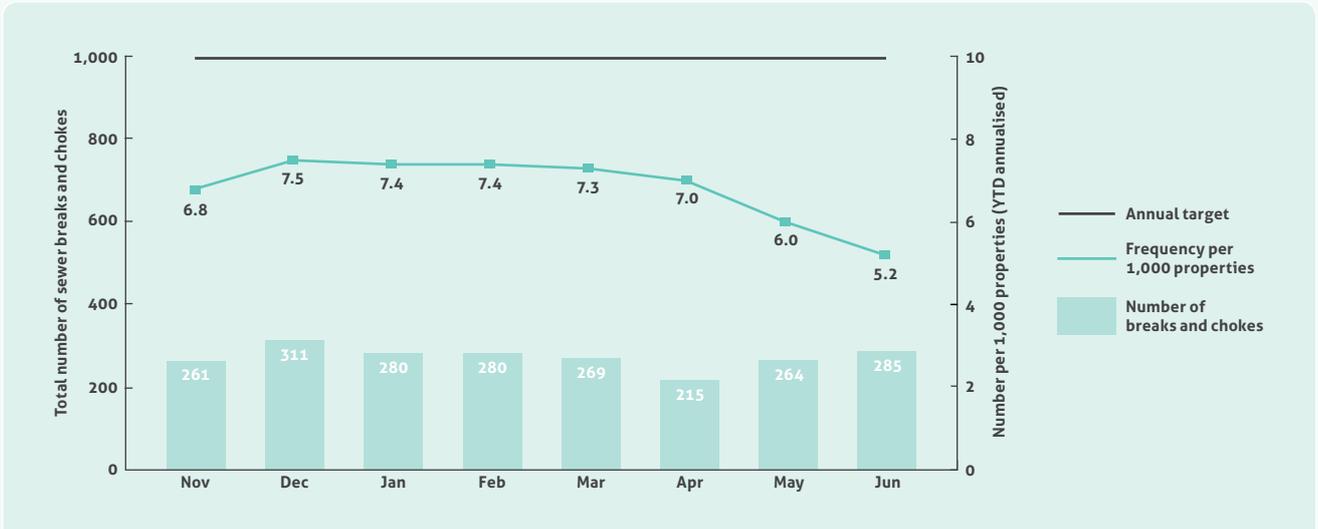
Note:

The annual target is to achieve no more than 15 dry weather overflows per 100km of pipe length.

SUPPLEMENTARY MATERIAL

FIGURE 18

Wastewater network interruptions

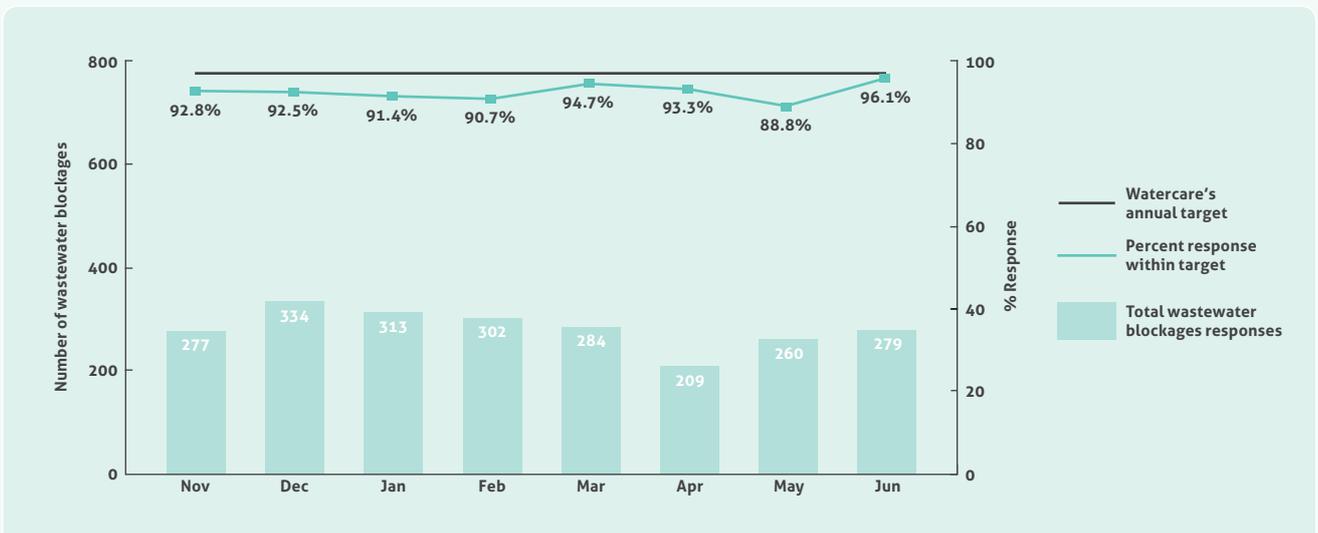


Note:

The annual target is to maintain the frequency of sewer breaks and chokes to less than 10 interruptions per 1,000 properties.

FIGURE 19

Wastewater network restoration performance



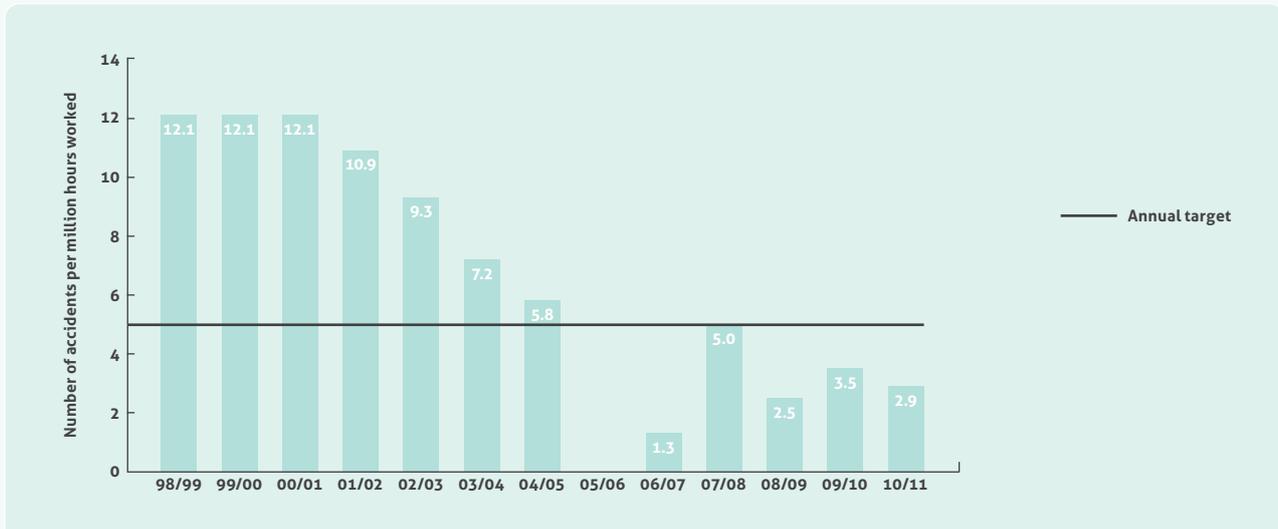
Note:

The annual target is to ensure that at least 98% of wastewater blockages are responded to within contract requirements.

SUPPLEMENTARY MATERIAL

FIGURE 20

Lost-time injury frequency rate



Note:

The 2010/11 result differs from that presented in the annual report because it is based on data available after publication.

The annual target for staff lost-time injury frequency rate is less than five per million hours worked.

Under the G3 reporting framework, Watercare is required to provide information on G3 labour practices and decent work indicator LA7, relating to occupational health and safety. This additional information has been included to meet G3 criteria.

SUPPLEMENTARY MATERIAL

FIGURE 21

Health and safety notes

PERCENTAGE OF TOTAL WORKFORCE REPRESENTED IN FORMAL JOINT MANAGEMENT-WORKER HEALTH AND SAFETY COMMITTEES THAT HELP MONITOR AND ADVISE ON OCCUPATIONAL HEALTH AND SAFETY PROGRAMMES. (G3-LA6)

A formal health and safety committee structure exists within Watercare.

A total of 12 health and safety committees operate within Watercare, meeting on a monthly basis to cover health and safety requirements, accidents and other issues. There is a total of 125 committee members.

A total of 611 permanent staff/125 committee members = 20%.

Formal committee meeting minutes are kept.

RATES OF INJURY, OCCUPATIONAL DISEASES, LOST DAYS AND ABSENTEEISM, AND TOTAL NUMBER OF WORK-RELATED FATALITIES BY REGION. (G3-LA7)

Formal reporting requirements include – near miss, first aid injury, medical treatment injury, lost-time injury, significant injury. A first aid register is held in all first aid kits to record first aid treatment.

The calculation of lost time injury begins where an injured employee is unable to work their next scheduled shift due to the injury.

Watercare complies with the Health and Safety in Employment Act 1992.

Watercare complies with the ACC Workplace Safety Management Practice Requirements (Tertiary Level).

Watercare is registered with Telarc SAI Limited – Compliance with AS/NZS 4801:2001.

EDUCATION, TRAINING, COUNSELLING, PREVENTION AND RISK-CONTROL PROGRAMMES IN PLACE TO ASSIST WORKFORCE MEMBERS, THEIR FAMILIES OR COMMUNITY MEMBERS REGARDING SERIOUS DISEASES. (G3-LA8)

The company has engaged medical professionals – Primary Corporate Health (PCH) – to overview and provide medical expertise regarding work-related health issues.

All employees in key or high-risk roles undergo annual medical assessments.

Watercare operates a comprehensive employee assistance programme providing all employees with access to a wide range of confidential counselling services. The service is also used in any incident requiring crisis intervention.

All employees required to work in a wastewater environment are immunised against hepatitis A and B, polio, tetanus, typhoid and TwinRx at company cost.

All employees are offered free influenza immunisation on an annual basis.

All new employees and contractors receive an initial induction onto Watercare sites and are then required to attend regular refresher training.

Employees receive health and safety training appropriate to their role. Training includes: first aid, confined space, working at heights, working on the road, fork hoist and chemical handling.

The company sets a target of 345 safety inspections each year. An inspections report is completed each month.

Watercare works closely with ACC providing comprehensive rehabilitation and return to work programmes for work and non-work related injuries.

HEALTH AND SAFETY TOPICS COVERED IN FORMAL AGREEMENTS WITH TRADE UNIONS. (G3-LA9)

Union representatives and members participate in health and safety committees and are involved in selection and trials of personal protective equipment.

Collective agreements have a commitment to health and safety of employees.

The right to refuse unsafe work is recognised as part of the health and safety management system and is a legal requirement.

Complaints are noted by means of a hazard report process.

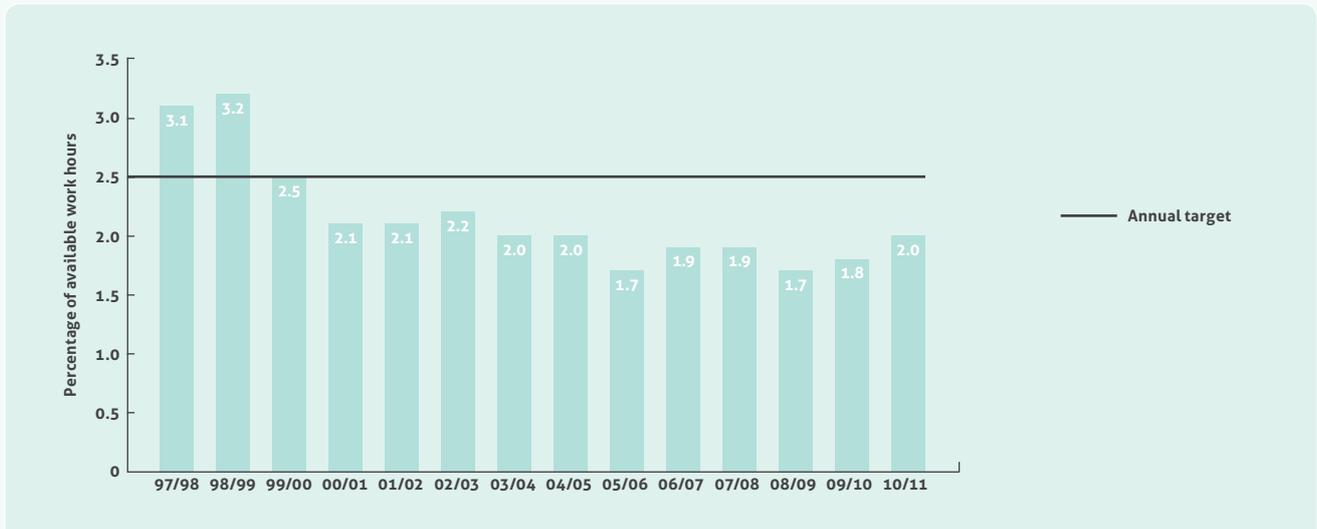
Note:

Under the G3 reporting framework, Watercare is required to provide information on G3 labour practices and decent work indicators LA6, LA7, LA8 and LA9, relating to occupational health and safety. This additional information has been included to meet G3 criteria.

SUPPLEMENTARY MATERIAL

FIGURE 22

Staff wellness and absenteeism



Note:

As a measure of staff wellness Watercare monitors and reports the percentage of staff hours lost through illness. During 2010/11 the number of work hours lost through illness increased marginally to 2.0% of available hours, but was still within the target of 2.5%.

Note: Under the G3 reporting framework, Watercare is required to provide information on G3 labour practices and decent work indicator LA7, relating to occupational health and safety. This additional information has been included to meet G3 criteria.

FIGURE 23

Staff voluntary turnover



Note:

Voluntary staff turnover for the year July 2010 to June 2011 was 10.51% which is within the target range of 10-12%.

SUPPLEMENTARY MATERIAL

FIGURE 24

Investment in staff

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Total remuneration	23,324	24,954	27,292	29,185	31,739	29,713	46,480
Expenditure on training	426	428	519	598	664	538	501
Healthcare expenditure	58	94	90	91	143	111	189
Life and disability insurance	162	173	199	227	227	300	417
	23,970	25,649	28,100	30,101	32,773	30,662	47,587

Note:

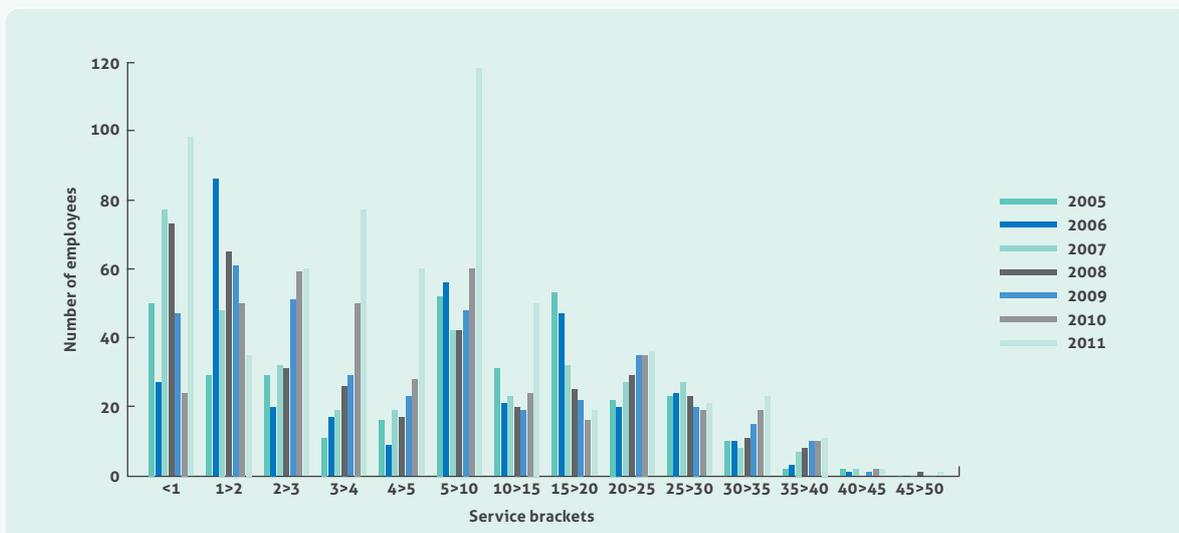
Under the G3 reporting framework, Watercare is required to provide information on G3 economic indicator EC5 and human rights indicator HR3, relating to market presence and investment and procurement practices. Expenditure on external training for 2010/11 decreased slightly over 2009/10 due to the focus on the integration of the Auckland water industry, although there was significant internal training provided in preparation for that project. No specific training on human rights is given. However, the company has human resources policies in place to ensure the welfare and consistent treatment of all employees, in line with New Zealand government legislation. Watercare applies a total remuneration policy which is inclusive of company-funded life and disability insurances. All Watercare permanent employees are paid at least 16% above the legal minimum wage.

Lowest paid permanent employee – Reticulation Labourer – \$15.04 per hour.

1/4/2011 Minimum Wage \$13.00.

FIGURE 25

Staff service profile



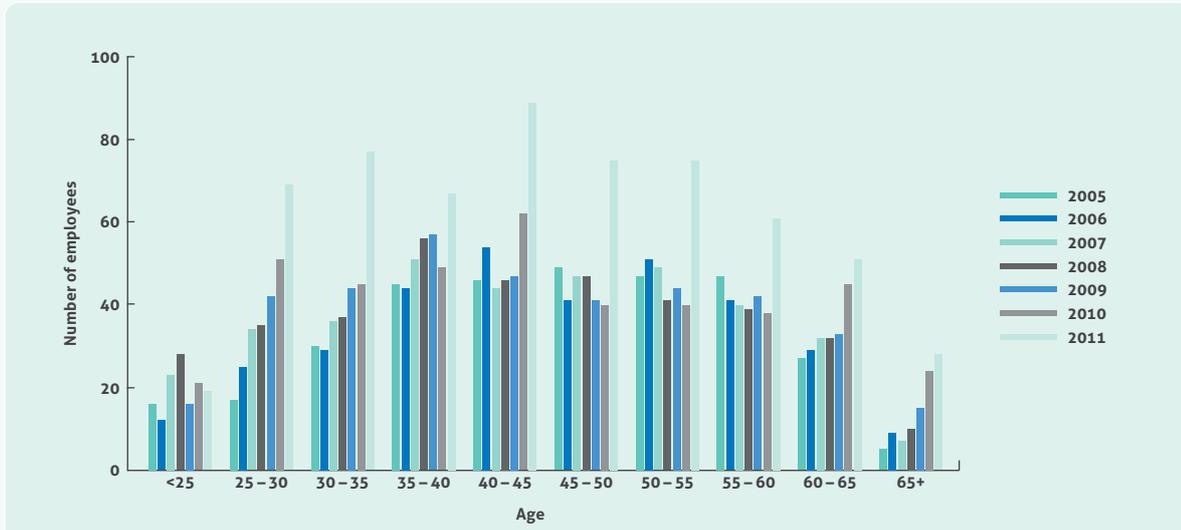
Note:

The graph shows the levels of staff service. With the amalgamation of Watercare and the Local Network Operators (LNOs) in November 2010 there has been significant change in some areas of service profiles, with 73% of staff now having less than 10 years' service. It should be noted that staff joining from LNO and Councils as part of the amalgamation retained their service with those organisations and this is reflected in the data.

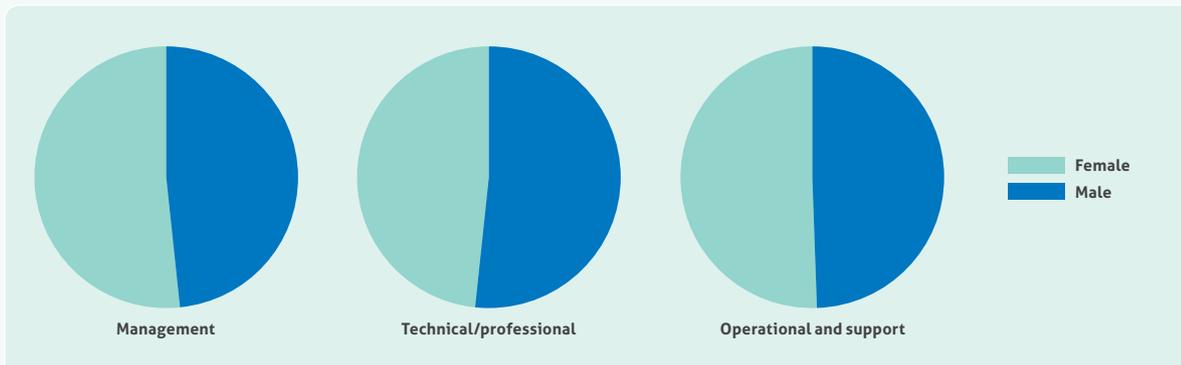
Under the G3 reporting framework, Watercare is required to provide information on G3 labour practices and decent work indicator LA2, relating to employment. This additional information has been included to meet G3 criteria.

SUPPLEMENTARY MATERIAL

FIGURE 26
Staff demographics



Salary comparisons Female : Male



Note:

The average salary ratio for females compared to males for management and senior supervisory levels is 105%, at the technical and professional level the ratio is 95%, and at the operational and support levels the ratio is 102%.

Under the G3 reporting framework, Watercare is required to provide information on G3 labour practices and decent work indicators LA2, LA13 and LA14, and human rights indicators HR1, HR4, HR5, HR6, HR7, HR8 and HR9, relating to employment, diversity and equal opportunity, investment and procurement practices, non-discrimination, freedom of association and collective bargaining and child labour.

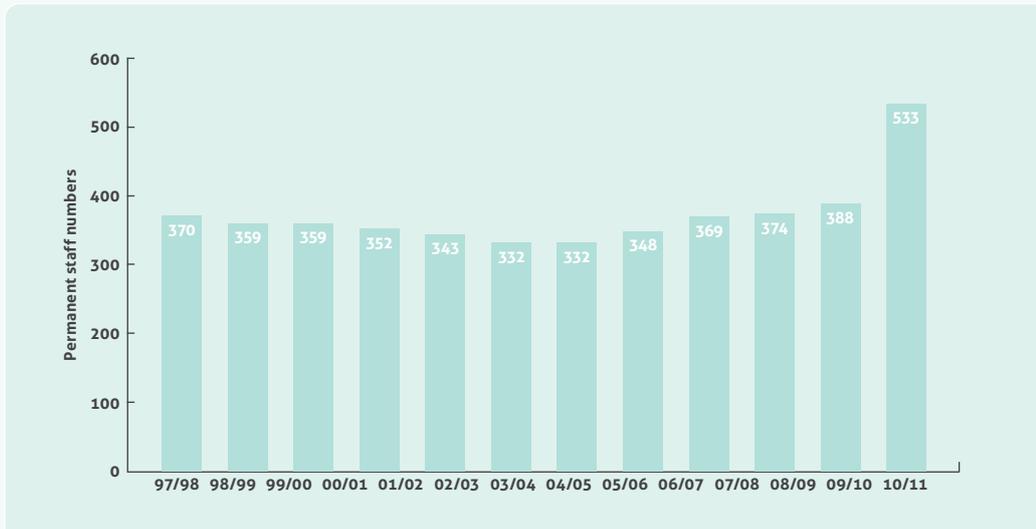
One criteria reported under the G3 framework is the comparison of salary levels paid to men and women for similar roles.

There have been no instances of discrimination or violation of the rights of indigenous people. As Watercare’s operations are restricted to New Zealand, G3 human rights indicators HR1, HR5, HR6, and HR7 are not considered applicable to Watercare. Indicator HR8 regarding security practices is also not considered applicable as security is provided by professional external contractors.

SUPPLEMENTARY MATERIAL

FIGURE 27

Average staff numbers



Note:

The data includes all permanent Watercare staff members but does not include staff on fixed term.

Aside from one staff member operating a satellite laboratory in Queenstown all Watercare staff work within the Auckland region.

Under the G3 reporting framework, Watercare is required to provide information on economic indicator EC7 relating to market presence. This additional information has been included to meet G3 criteria.

SUPPLEMENTARY MATERIAL

FIGURE 28

Workforce by employment type, contract and region

Head count as at 30 June

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Individual Employment Agreements (IEA)	225	232	252	275	278	295	306	512
Collective Employment Agreements (CEA)	95	82	81	81	82	82	80	96
WSL apprentice	4	3	2	3	2	2	1	0
Part-time FTEs	1	4	2	2	1	1	1	3
Subtotal	325	321	337	361	363	380	388	611
F/Term Individual Agreements. (IEA) >1yr	7	3	2	2	4	6	7	5
F/Term Individual Agreements. (IEA) <1yr	3	11	14	9	8	9	7	17
Temps	4	-	1	-	-	-	-	-
Students	1	1	2	-	2	-	-	-
Casuals FTEs	5	3	6	5	4	8	10	2
Total head count on payroll	345	339	362	377	382	403	412	635

Note.

Under the G3 reporting framework, Watercare is required to provide information on G3 labour practices and decent work indicators LA1, LA3, LA4 LA5, LA11 and LA12, relating to employment, labour/management relations and training and education. This additional information has been included to meet G3 criteria.

With the exception of a one person satellite laboratory operated in Queenstown, Watercare only operates within the Auckland region.

15.7% of total workforce are covered by collective agreements negotiated on a bi-annual basis.

84.3% of total workforce, being all salaried staff and a number of wages staff, have formal performance reviews on an annual basis.

All employment agreements (individual and collective) provide for prior consultation where restructuring is likely to impact on individual roles.

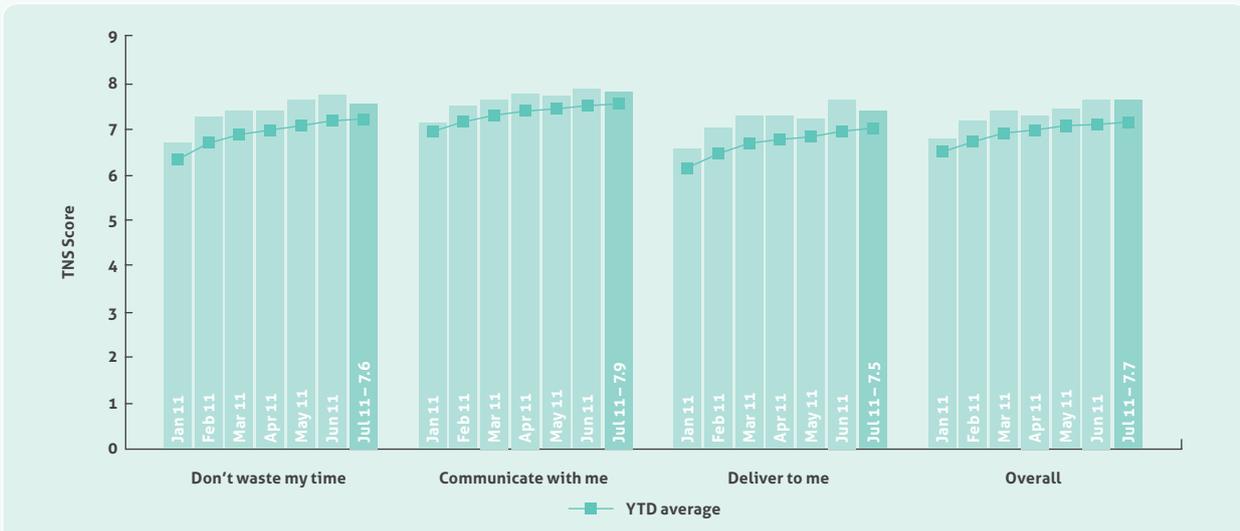
All permanent staff receive the same benefits, with the exception of staff over the age of 65 who do not qualify for group life and income protection insurance.

Only New Zealand citizens and permanent residents qualify to join KiwiSaver and gain the employer subsidy.

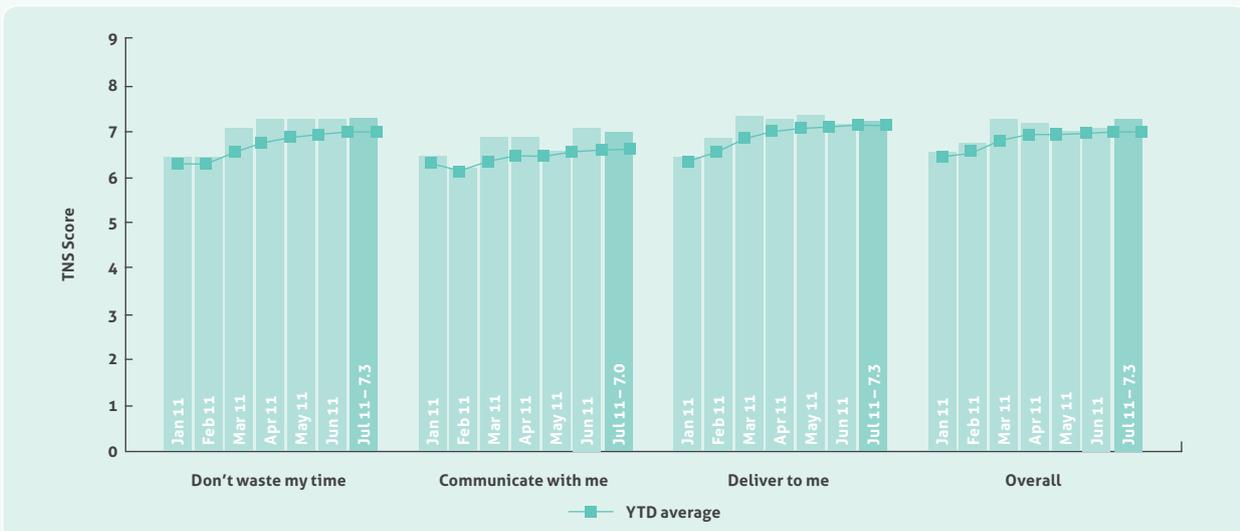
Where staff are to be made redundant a minimum one-month period of notice is given and outplacement training and other support is provided.

SUPPLEMENTARY MATERIAL

FIGURE 29
 Customer satisfaction
 Contact centre CEM scores



Maintenance CEM scores



Note.

CEM: Customer Experience Monitoring which measures customers' recent interaction with contact centre and maintenance staff from a customers' perspective.

A sample of customers receiving maintenance work are surveyed on their contact centre and maintenance work experience.

The results from the two elements of the survey are detailed on the separate tabulations.

The surveys commenced in January 2011, and the numbers below are rolling six-month averages.

Overall the contact centre satisfaction has increased from 6.9 to 7.4.

Overall the maintenance satisfaction has increased from 6.6 to 7.0.

All scores are out of a maximum score of 9.

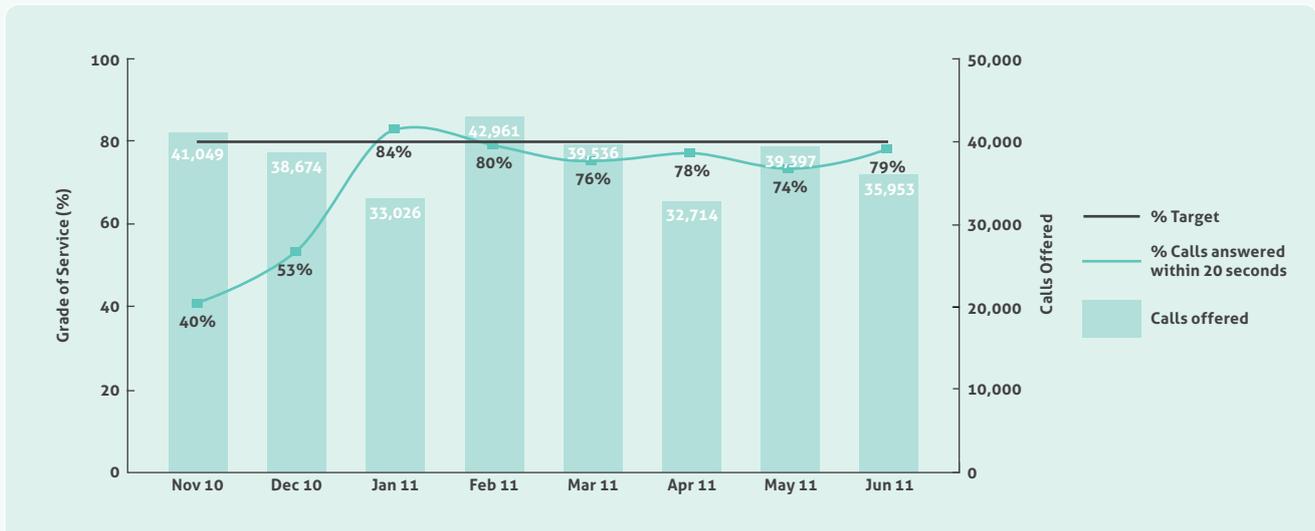
To obtain an overall score an average of the two surveys' scores was taken and scaled up to a percentage.

SUPPLEMENTARY MATERIAL

FIGURE 30
Grade of service

CONTACT CENTRE PERFORMANCE	MONTHLY				YTD			
	CALLS OFFERED	CALLS ANSWERED WITHIN 20 SECONDS	% CALLS ANSWERED WITHIN 20 SECONDS	% TARGET	CALLS OFFERED	CALLS ANSWERED WITHIN 20 SECONDS	% CALLS ANSWERED WITHIN 20 SECONDS	% TARGET
Nov-10	41,049	16,420	40%	80%	41,049	16,420	40%	80%
Dec-10	38,674	20,497	53%	80%	79,723	36,917	46%	80%
Jan-11	33,026	27,742	84%	80%	112,749	64,659	57%	80%
Feb-11	42,961	34,369	80%	80%	155,710	99,027	64%	80%
Mar-11	39,536	30,206	76%	80%	195,246	129,233	66%	80%
Apr-11	32,714	25,386	78%	80%	227,960	154,619	68%	80%
May-11	39,397	29,075	74%	80%	267,357	183,694	69%	80%
Jun-11	35,953	28,403	79%	80%	303,310	212,097	70%	80%
Total	303,310	212,097	69.9%					

Contact centre performance – monthly



Note.

The grade of service is a measure of the percentage of all calls received that were answered in 20 seconds.

FIGURE 31
Complaint types and response rates

MONTH RECEIVED	COMPLAINTS				CORRESPONDENCE				COMBINED			
	NUMBER RECEIVED	RESOLVED IN SLA	% WITHIN SCI	SCI TARGET	NUMBER RECEIVED	RESOLVED IN SLA	% WITHIN SCI	SCI TARGET	NUMBER RECEIVED	RESOLVED IN SLA	% WITHIN SCI	SCI TARGET
Nov-10	87	27	31.0%	95%	276	152	55.1%	95%	363	179	49.3%	95%
Dec-10	163	55	33.7%	95%	858	710	82.8%	95%	1,021	765	74.9%	95%
Jan-11	152	113	74.3%	95%	1,040	956	91.9%	95%	1,192	1,069	89.7%	95%
Feb-11	185	103	55.7%	95%	1,092	903	82.7%	95%	1,277	1,006	78.8%	95%
Mar-11	181	101	55.8%	95%	1,267	1,131	89.3%	95%	1,448	1,232	85.1%	95%
Apr-11	118	58	49.2%	95%	1,396	1,290	92.4%	95%	1,514	1,348	89.0%	95%
May-11	132	103	78.0%	95%	1,402	1,191	85.0%	95%	1,534	1,294	84.4%	95%
Jun-11	293	275	93.9%	95%	1,751	1,745	99.7%	95%	2,044	2,020	98.8%	95%
YTD	1,311	835	63.7%	95%	9,082	8,078	88.9%	95%	10,393	8,913	85.8%	95%

Note.

The service level agreement (SLA) for resolution is 10 working days.

SUPPLEMENTARY MATERIAL

FIGURE 32

Household affordability

(Average weekly billed value as percentage of weekly household income)



FIGURE 33

Community impact of operations

Under the G3 reporting framework, Watercare is required to provide information on G3 society indicator SO1, relating to the community.

Watercare actively maintains positive relationships with communities affected by its business. Watercare's Statement of Corporate Intent lays out the activities to be undertaken by Watercare and sets specific economic, social and environmental objectives for the company. This process inherently includes consideration of the impacts Watercare's business will have on the wider community.

At a local level, Watercare fosters active relationships with affected communities through forums and individual relationships, as well as carrying out impact assessments as part of the process of applying for resource consent approvals for all major projects. These principles of community consideration apply through all stages of Watercare's business from the start of a new project or operation, through to its conclusion.

Project teams identify potential effects on communities and assess options to avoid, remedy or mitigate adverse effects. Information is gathered using a number of sources, including stakeholders identified through relevant legislation or by local authorities, general stakeholders, iwi, local knowledge and advisory groups.

The approach has been highly effective in mitigating negative and maximising positive impacts. For example, Project Manukau – the \$450 million upgrade of the Mangere Wastewater Treatment Plant – involved extensive consultation with local community, culminating in the return of the harbour for community use and the removal of the plant oxidation ponds. Relationships with a wide range of stakeholders include an Environmental Advisory Group, a Maori Advisory Group and local community groups around various projects.

Following the 1 November 2010 integration of the Auckland water industry, Watercare's interactions with the community increased as the company gained responsibility for local water and wastewater networks spread over a greater geographical area. Accordingly, Watercare has developed and maintained strong linkages with a wider range of communities and their representatives, including Auckland's newly created local boards. In May 2011, the company appointed a dedicated executive to directly manage the relationship with local boards.

SUPPLEMENTARY MATERIAL

FIGURE 34

Public policy participation

Under the G3 reporting framework, Watercare is required to provide information on G3 society indicators SO5 and SO6, relating to public policy. Watercare is an active participant in the development of relevant legislation and policy initiatives.

Significant issues and core position

Regional governance changes

Watercare participated in and responded to requests on the various bills relating to the new Auckland governance structure.

New Zealand Coastal Policy Statement 2008

To perform its functions Watercare needs to maintain and operate essential infrastructure within the coastal environment. The Coastal Policy Statement includes policy that impacts on water and wastewater infrastructure and consequently Watercare made an extensive submission. The report from the Board of Enquiry to the Minister of Conservation was yet to be formally released.

Land and Water Forum

Watercare is a plenary member of the Land and Water Forum. The Forum consists of representatives from various organisations with an interest in fresh water. Its task, through a stakeholder-led process, is to recommend outcomes, goals and long-term strategies for fresh water in New Zealand. The Forum reported to the Minister for the Environment and the Minister of Agriculture in August 2010.

The Auckland Council Air, Land & Water Plan

Watercare's submissions related to policies and rules for taking of water for municipal water supply and for regulating discharge from water and wastewater pipelines. Watercare sought outcomes that provide a balance between protecting the environment and providing for the economic and social well-being of the community. Negotiations and mediation were continuing.

Environment Waikato water allocation variation to regional plan

Watercare was supportive of proposed changes which aim to protect domestic and community water supplies and to ensure that sufficient water is retained for in-stream requirements during periods of water shortage. The council decision was generally supported by Watercare. The appeal process was continuing and all outstanding matters were to be considered and determined by the Environment Court.

National Policy Statement on Freshwater Management

Watercare made comprehensive written and oral submissions on this policy statement. A report from the Board of Enquiry to the Minister for the Environment has been released and the Minister had requested the Land and Water Forum (of which Watercare is a member) report on how the policy statement fits into the outcomes recommended by the Forum.

New Zealand Standard Ecological Flows and Water Levels

Watercare lodged a submission to this standard to ensure appropriate standards are established with respect to its storage and takes of surface and aquifer water supply. The submission process has been completed and a report had been prepared by the Ministry for the Environment for consideration by the Minister.

SUPPLEMENTARY MATERIAL

FIGURE 35

Rain Forest Express passengers and trips

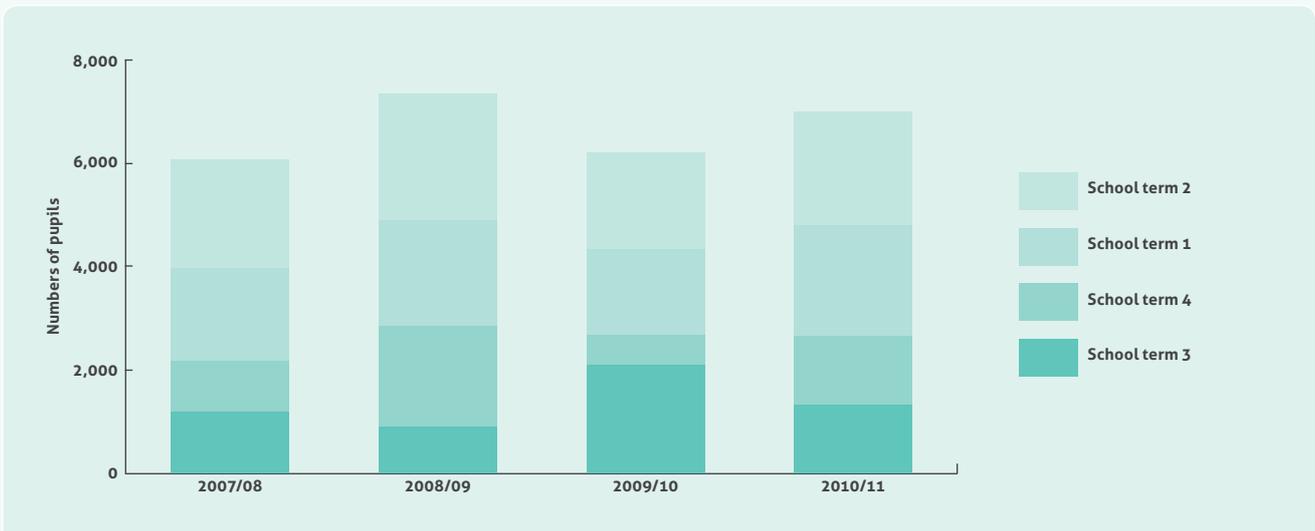
YEAR ENDING 30 JUNE	2005	2006	2007	2008	2009	2010	2011
Total passengers	10,850	9,244	14,623	13,037	11,435	12,318	19,287
School trips	25	21	49	47	40	38	67
Charter trips	92	68	84	81	80	79	90
Scheduled trips	170	129	178	158	161	185	286
Total trips	287	218	311	286	281	302	440

Note:

The Rain Forest Express runs on a six-kilometre tram line in the Waitakere Ranges. It is still used for the maintenance of the Upper Nihotupu Dam. It is a community asset offering the public an opportunity to see a supply dam, tunnels, glow worms, cave weta and natural flora. The Rain Forest Express is available for school groups and community use.

FIGURE 36

Adopt A Stream pupil participation



Note:

Adopt A Stream is a practical environmental education resource to help students learn about water and the health of their local stream. It is free for schools in the Auckland Council region. The annual information covers the period from 1 July to 30 June, i.e. from term 3 to term 2.

SUPPLEMENTARY MATERIAL

FIGURE 37

Watercare's greenhouse gas emissions

UNITS IN TONNES CO ₂ EQUIVALENT (1)	1990	2004	2005	2006	2007	2008	2009	2010	2011
SCOPE 1: EMISSIONS FROM FOSSIL FUELS, NITROGEN COMPOUNDS AND METHANE RELEASES: (NON-RENEWABLE)									
Methane and nitrous oxide gas emissions from wastewater networks and treatment plants									
Mangere	105,790.0	17,108.6	12,589.9	12,317.0	11,278.0	11,689.9	12,842.6	14,381.7	14,165.5
Rosedale	24,465.2	2,369.6	2,418.0	2,467.4	2,517.7	2,569.1	2,621.5	2,675.0	2,729.6
Army Bay	678.0	668.9	682.5	696.5	710.7	725.2	740.0	755.1	770.5
Orewa	588.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Waiwera	18.9	22.3	22.7	23.2	23.7	24.2	24.7	25.2	25.7
Wellsford/Te Hana	130.9	154.0	157.1	160.3	163.6	166.9	170.4	173.8	177.4
Warkworth	172.0	112.3	114.6	116.9	119.3	121.7	124.2	126.7	129.3
Snells/Algies	171.3	201.6	205.7	209.9	214.2	218.5	223.0	227.5	232.2
Omaha	35.1	41.3	42.2	43.0	43.9	44.8	45.7	46.7	47.6
Matakana	25.7	30.2	30.8	31.4	32.1	32.7	33.4	34.1	34.8
Helensville	180.4	212.2	216.6	221.0	225.5	230.1	234.8	239.6	244.5
Huapai	10.2	12.0	12.2	12.5	12.7	13.0	13.3	13.5	13.8
Denehurst	0.0	0.0	0.0	0.0	0.0	13.2	13.5	13.8	14.0
Owhanake	0.0	0.8	0.8	0.8	0.8	0.8	0.8	0.9	0.9
Beachlands	120.2	85.8	87.5	89.3	91.2	93.0	94.9	96.9	98.8
Kingseat	5.7	4.9	5.0	5.1	5.2	5.3	5.4	5.6	5.7
Clarks Beach	80.1	94.2	96.1	98.1	100.1	102.1	104.2	106.3	108.5
Waiuku	376.5	442.9	452.0	461.2	470.6	480.2	490.0	500.0	510.2
Pukekohe/Tuakau	750.9	883.5	901.5	919.9	938.7	957.8	977.4	997.3	1,017.7
Bombay	4.2	3.6	3.7	3.8	3.8	3.9	4.0	4.1	4.2
Motor vehicles owned by Watercare (2)	300	140	120	120	120	120	565	580	630
Total for Scope 1	133,903	22,589	18,159	17,997	17,072	17,613	13,450	14,961	20,961
SCOPE 2: GREENHOUSE GAS FROM ENERGY IMPORTS AND EXPORTS (3)									
Water	2,000	4,520	6,150	6,230	-	-	197	81	4,067
Wastewater	3,000	8,750	9,270	9,140	-	-	487	171	9,583
Business premises	400	350	460	450	-	-	-	-	324
Total for scope 2	5,400	13,620	15,880	15,820	560	580	684	253	13,974
Total for scope 1 and 2	139,303	36,209	34,038	33,817	17,631	18,193	14,133	15,214	34,935
SCOPE 3: GREENHOUSE GAS FROM BUSINESS TRAVEL, SUPPLIERS AND CONSTRUCTION MATERIALS									
Air travel	50	80	100	90	70	80	61	51	24
Motor vehicles used by Watercare but not owned by Watercare	10	110	40	70	90	100	100	68	40
Waste		14.5	12.5	12.6	10.0	11.4	11.9	11.9	11.9
Transmission and distribution line losses for purchased electricity									
Total for scope 3	60	204	153	173	170	191	173	131	76
Net total for scope 1, 2 and 3 (4)	139,363	36,413	34,191	33,990	17,802	18,384	14,306	15,344	35,012

Notes:

1. Watercare has undergone a rigorous assessment of its greenhouse gas measurements, analysis and assumptions. It has recalculated its historical and current emissions more conservatively and comprehensively. This has resulted in additional emissions sources being identified and some of the 1990 numbers being reduced.
2. Motor vehicles owned by Watercare excludes staff travelling on company business in their own vehicles (see scope 3).
3. During the years 2008 to 2010, electricity was supplied by Meridian Energy and was considered carbon neutral.
4. Watercare has not counted a credit for the 62,000 tonnes of carbon sink from the 14,600ha of native bush and exotic forests within the Hunua and Waitakere ranges water supply catchments area (mostly owned by the Auckland Council).

SUPPLEMENTARY MATERIAL

FIGURE 38

Initiatives to reduce greenhouse gas emissions

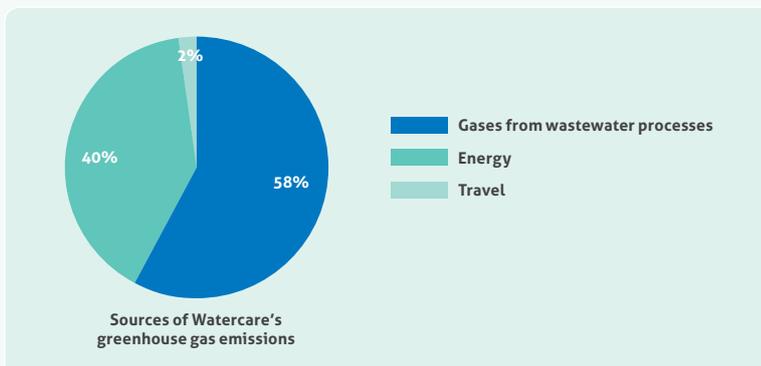
INITIATIVE	CO ₂ EQUIVALENT PER ANNUM (tonnes)	
	ESTIMATED REDUCTION THAT HAS BEEN ACHIEVED FROM 1990	FURTHER REDUCTION THAT COULD BE ACHIEVED
Decommissioning of oxidation ponds	34,049	
Construction of further hydro-generators	600	200
Use of hybrid cars in vehicle fleet	100	100
Reduction of nitrogen discharged at wastewater treatment plants	3,164	500
Minimisation of biosolids to rehabilitation sites	17,700	
Removal of sludge lagoons	60,343	
Maximising methane collection at wastewater treatment plants		720
Minimise fugitive emissions at wastewater treatment plants		8,300
Total	115,956	9,820

Note:

Under the G3 reporting framework, Watercare is required to provide information on G3 environment indicator EN18, relating to emissions, effluents and waste. This additional information has been included to meet G3 criteria.

FIGURE 39

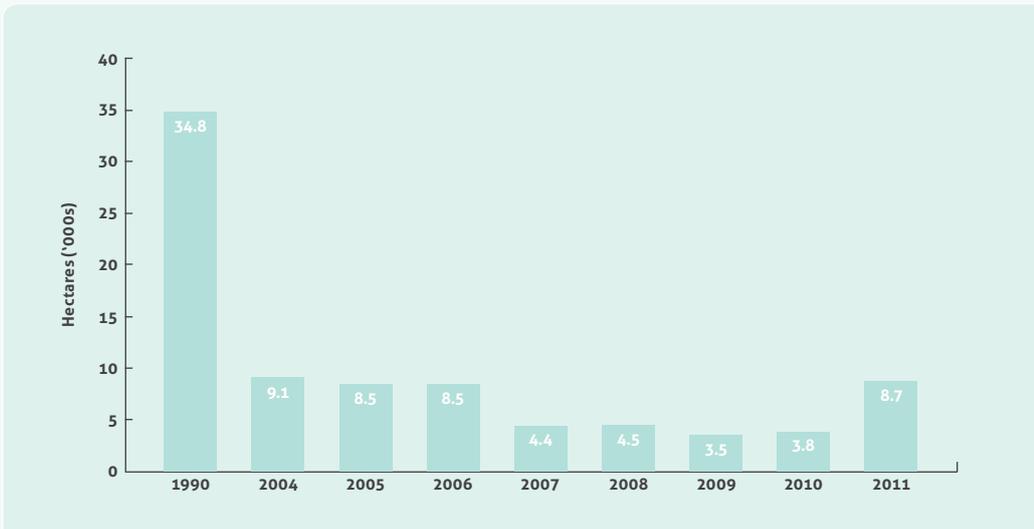
Sources of emissions



SUPPLEMENTARY MATERIAL

FIGURE 40

Watercare's ecological footprint



Note:

An ecological footprint helps gauge progress towards sustainability. It calculates the equivalent land area coverage in hectares required to absorb the greenhouse gas emissions for the year from Scope 1 and 2 emissions. The reduction from 1990 was due to decommissioning the oxidation ponds at the wastewater treatment plants.

1990 is the baseline year referenced by the Kyoto agreement.

The 1990 and 2011 figures include estimated emissions for all facilities now controlled by Watercare.

FIGURE 41

Internal energy usage

ENERGY SUMMARY FOR 2010/11	MWH	%
Produced by water supply (hydro)	7,075	4.7
Produced by wastewater treatment (biogas) – Mangere	37,762	25.0
Produced by wastewater treatment (biogas) – Rosedale	4,422	2.9
Internally sourced energy	49,259	32.7
Total energy consumed	150,825	100.0
Energy produced internally as % of total energy consumed	32.7%	

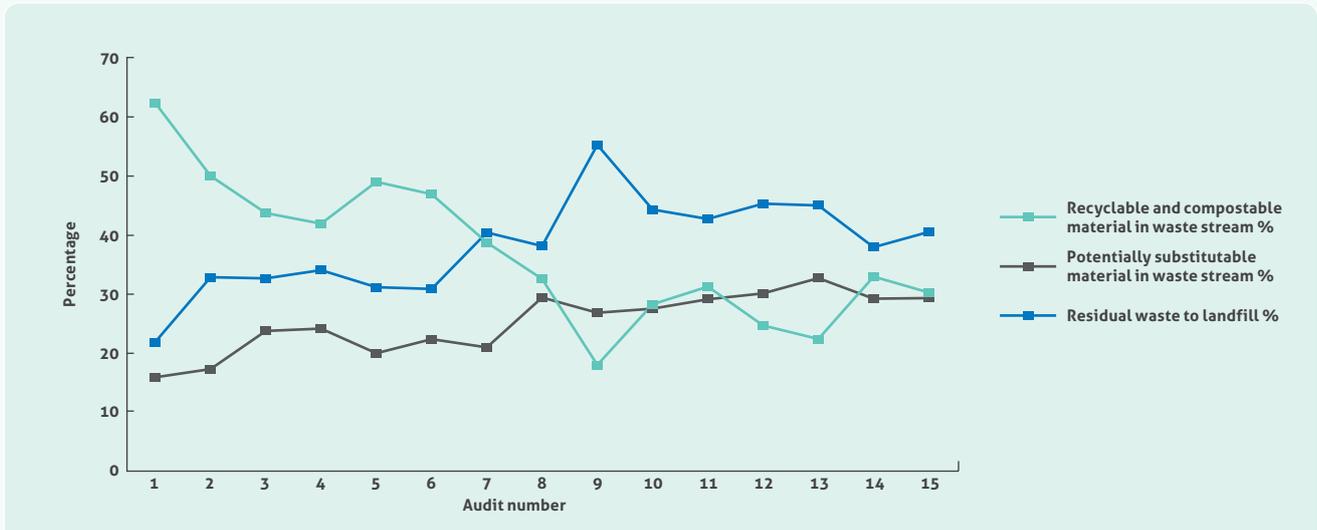
Note:

1MWh = 1,000kWh which is a measure of energy used.

SUPPLEMENTARY MATERIAL

FIGURE 42

Recycling in general waste



Note:

As part of our Zero Waste commitment, Watercare aims to divert all waste streams away from disposal to landfills. The initial target is to remove all recyclable and compostable material from the waste stream. When this programme started in 2003, these accounted for 62% of Watercare's waste, but are now 30% of our waste.

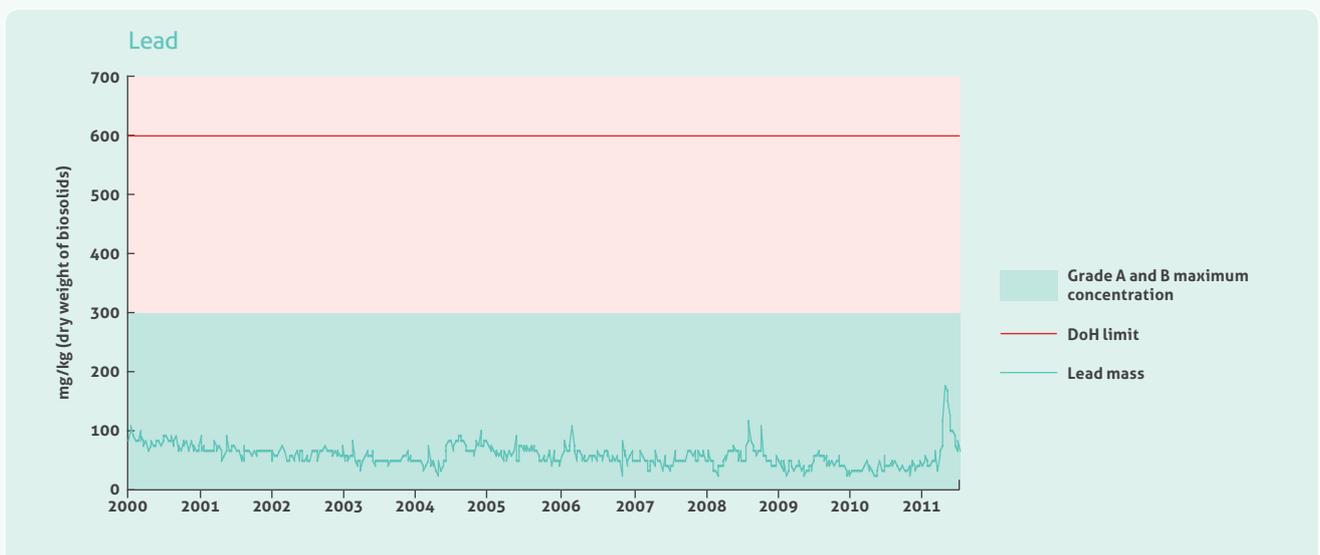
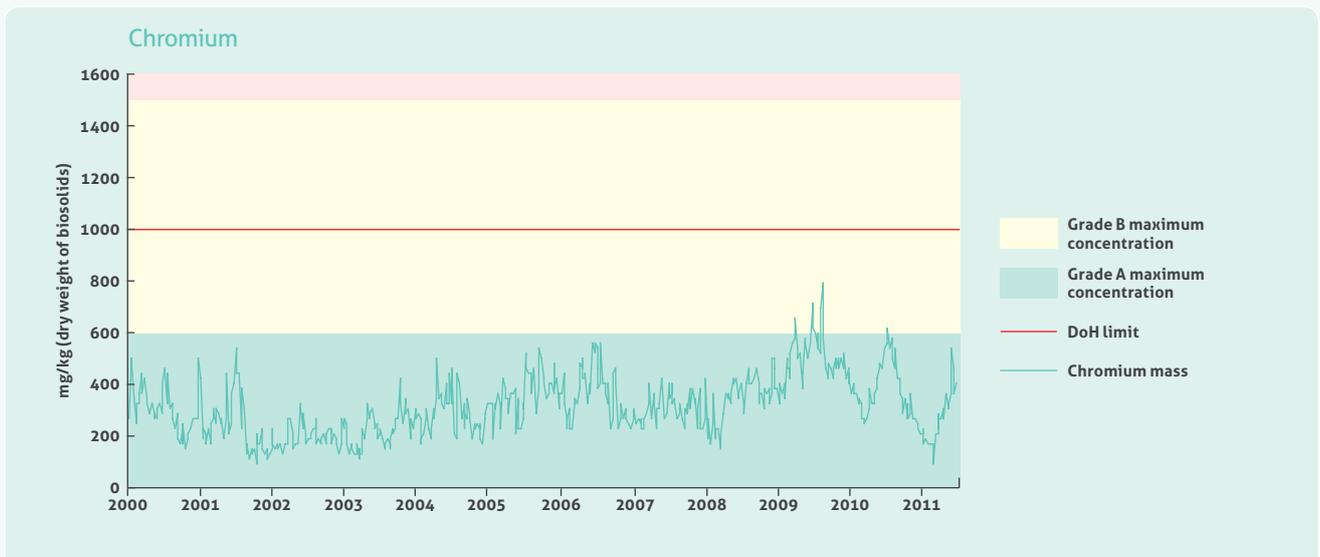
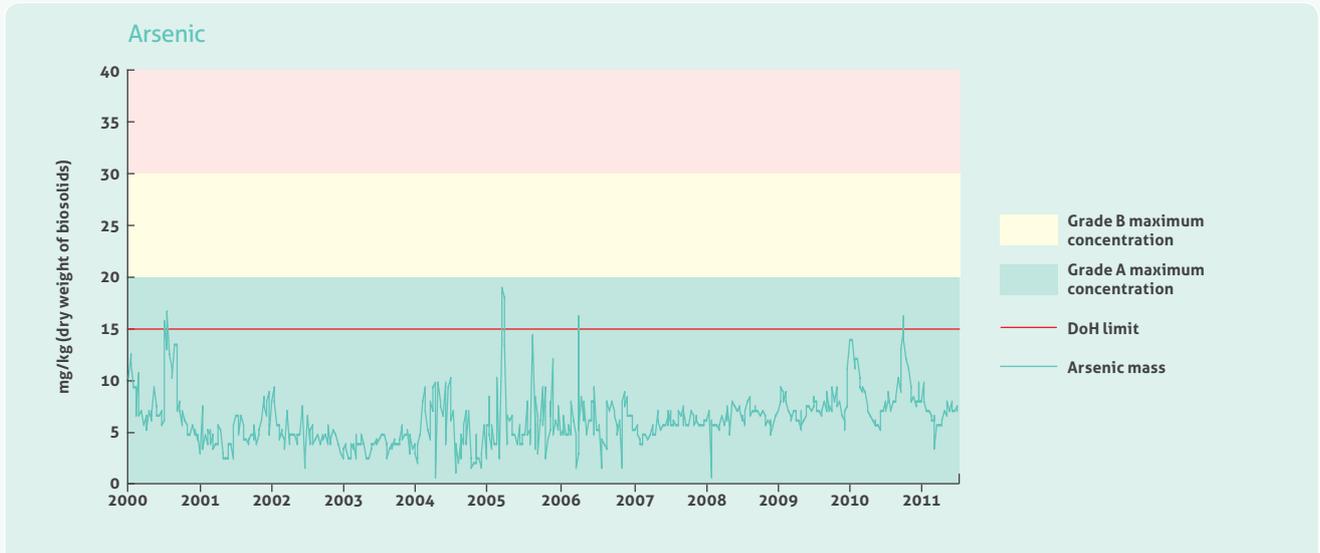
Above are the results of audits designed to identify materials that can be diverted from landfill through the establishment of recovery systems and the substitution of materials.

The audits began in 2003 and undertaken approximately every six months.

SUPPLEMENTARY MATERIAL

FIGURE 43

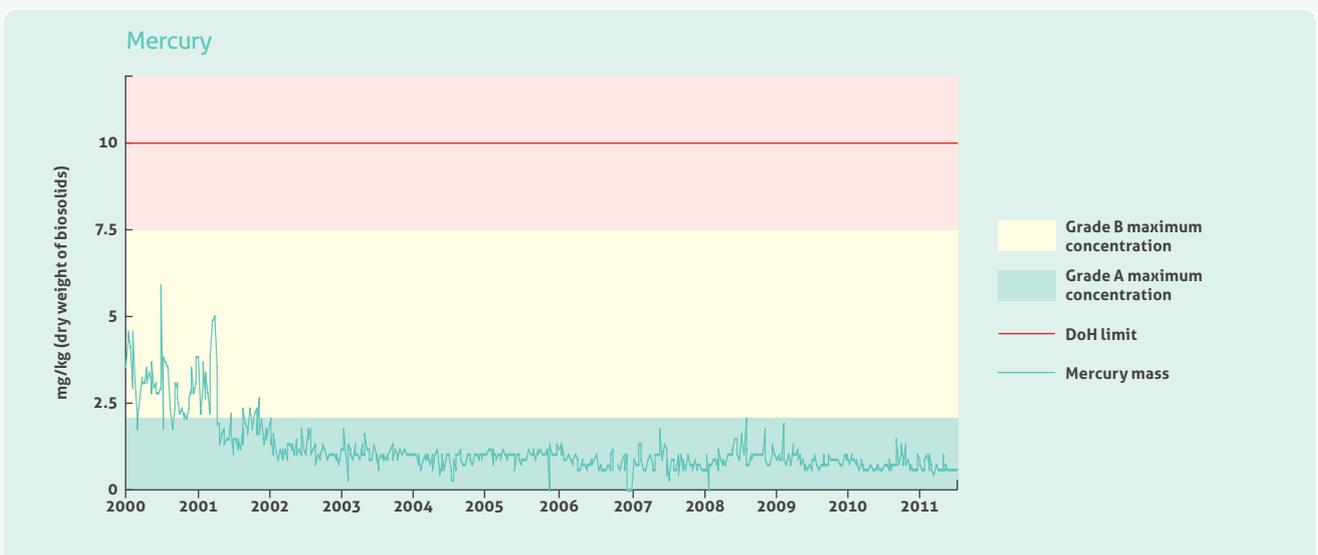
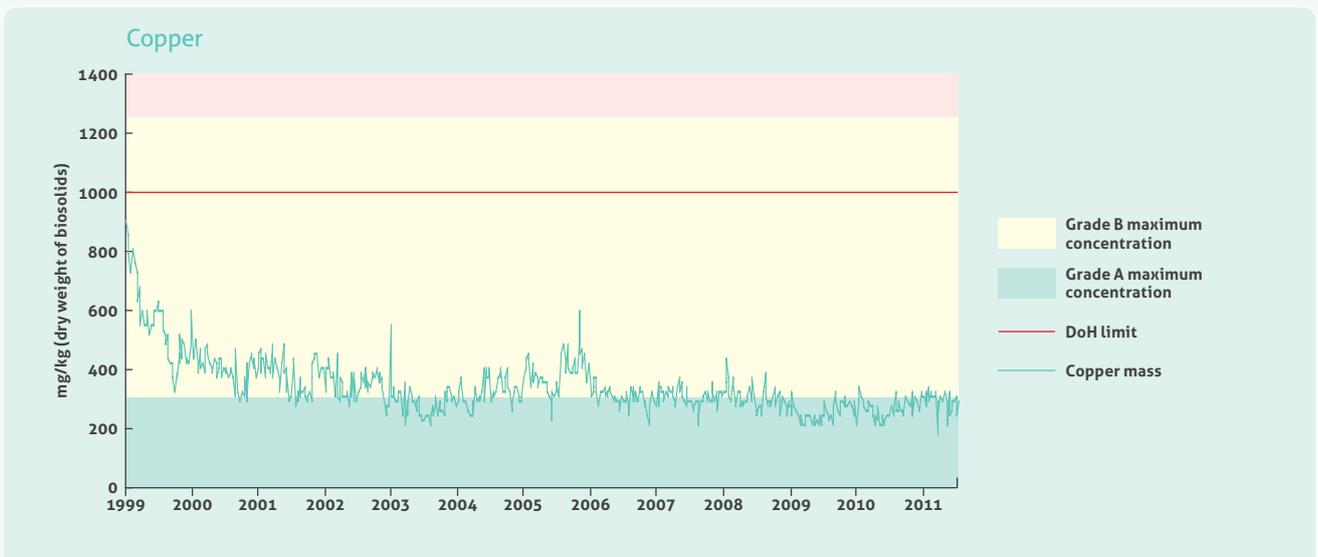
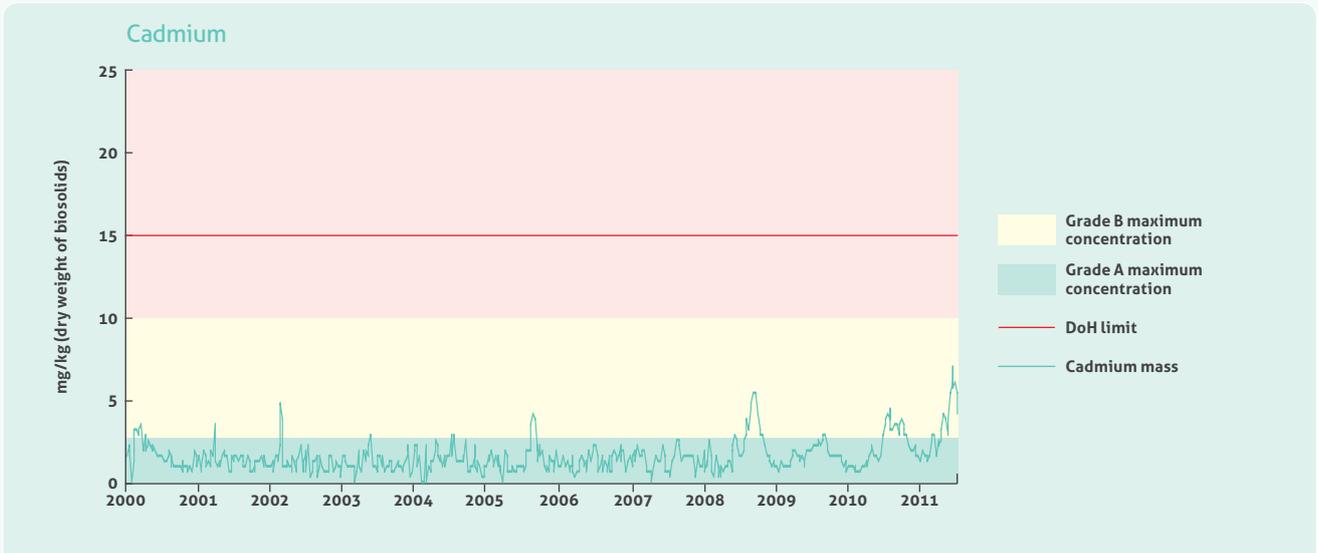
Biosolids metal levels – Mangere



SUPPLEMENTARY MATERIAL

FIGURE 43 (continued)

Biosolids metal levels – Mangere



SUPPLEMENTARY MATERIAL

FIGURE 43 (continued)

Biosolids metal levels – Mangere



Note:

Watercare's largest discharge to land is the biosolids generated as a byproduct of the wastewater treatment process. A significant proportion of metals and pathogens are removed with the solids. Approximately 100,000 tonnes of biosolids were produced at the Mangere Wastewater Treatment Plant in the 2010/11 year. The graphs show the metal levels in the biosolids at the Mangere Wastewater Treatment Plant. The levels have trended downward over time but arsenic, cadmium, chromium and zinc have shown an increasing trend recently. Zinc levels are related to contaminants in stormwater run-off to sewer as a result of the combined sewer system, while the source of chromium has been linked to the metal finishing and tanning industries. Work is ongoing with these industries to reduce chromium discharges. Illegal dumping is suspected to be the cause of the recent elevated levels of cadmium, lead and zinc, however, investigations to date have been unable to determine the source.

The Department of Health (DoH) limit is the previous DoH guideline limit for the safe beneficial use of biosolids on land. In August 2003 these were replaced by national guidelines for beneficial reuse of biosolids that grade biosolids for unrestricted use (grade 'a') or restricted use (grade 'b') depending on their contamination loads.

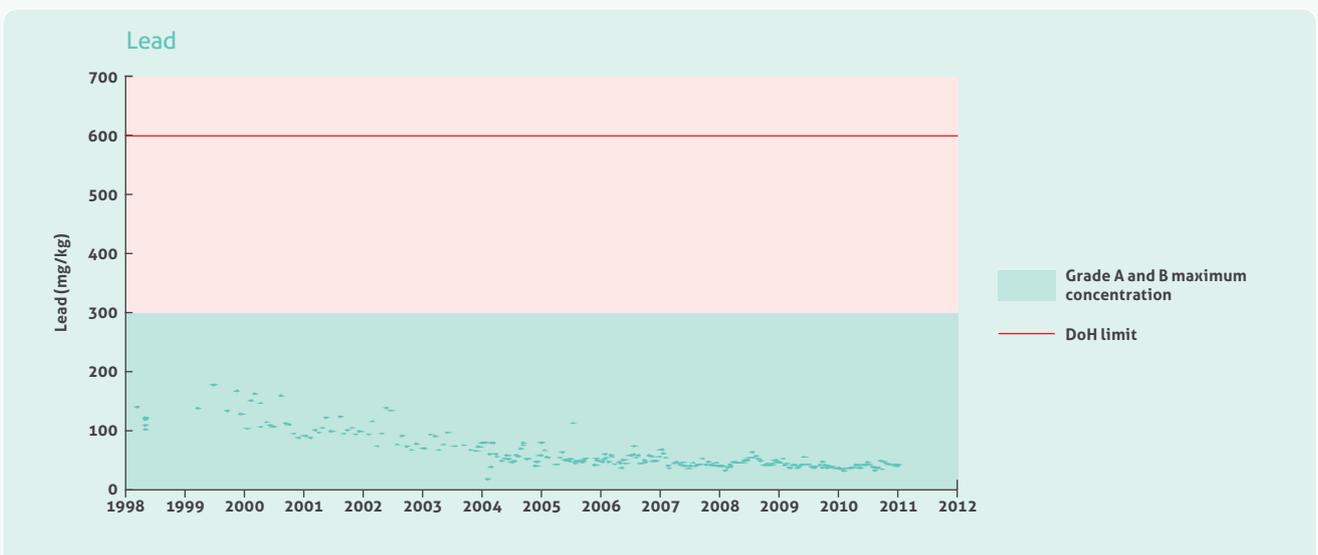
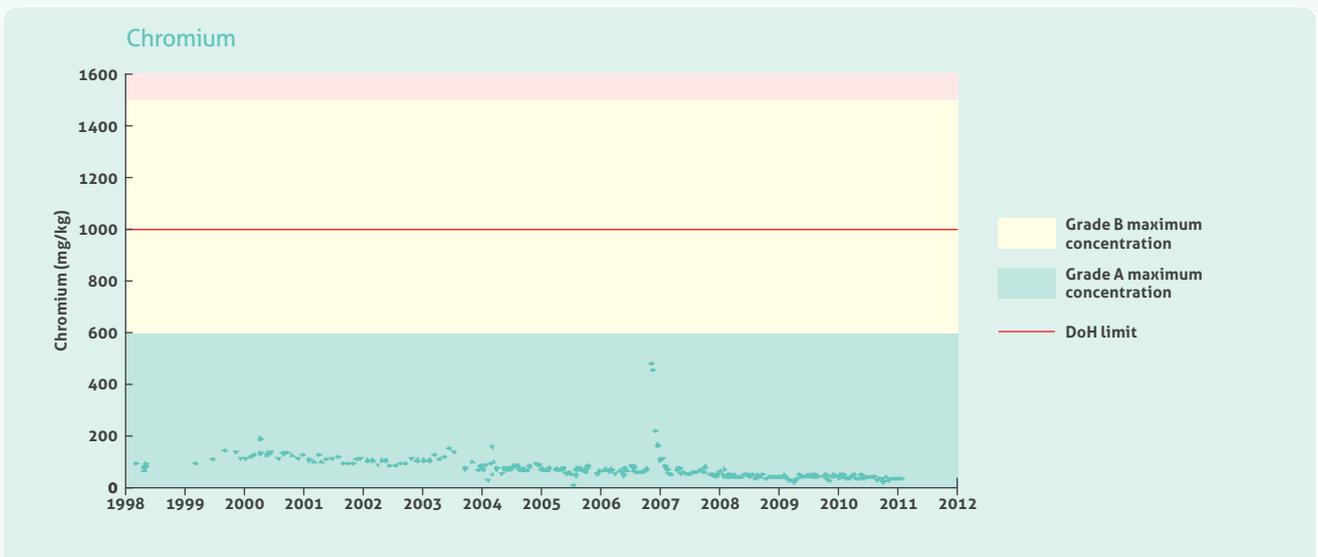
The limits are significant as Watercare is looking to find a beneficial use for biosolids, one option being a forest soil conditioner.

* The source of the spike in Zinc levels remains unknown despite ongoing investigations. It's predominant source is run off from storm water or possibly illegal dumping from an industrial site. The overall level of zinc in the biosolids was reduced through blending prior to disposal.

SUPPLEMENTARY MATERIAL

FIGURE 43

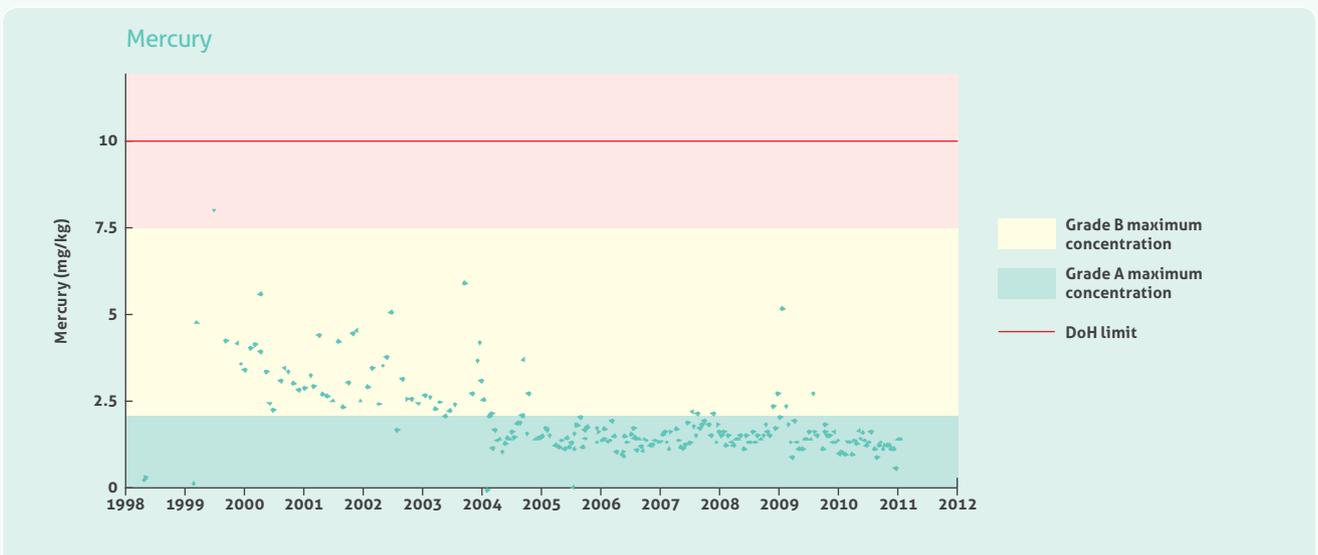
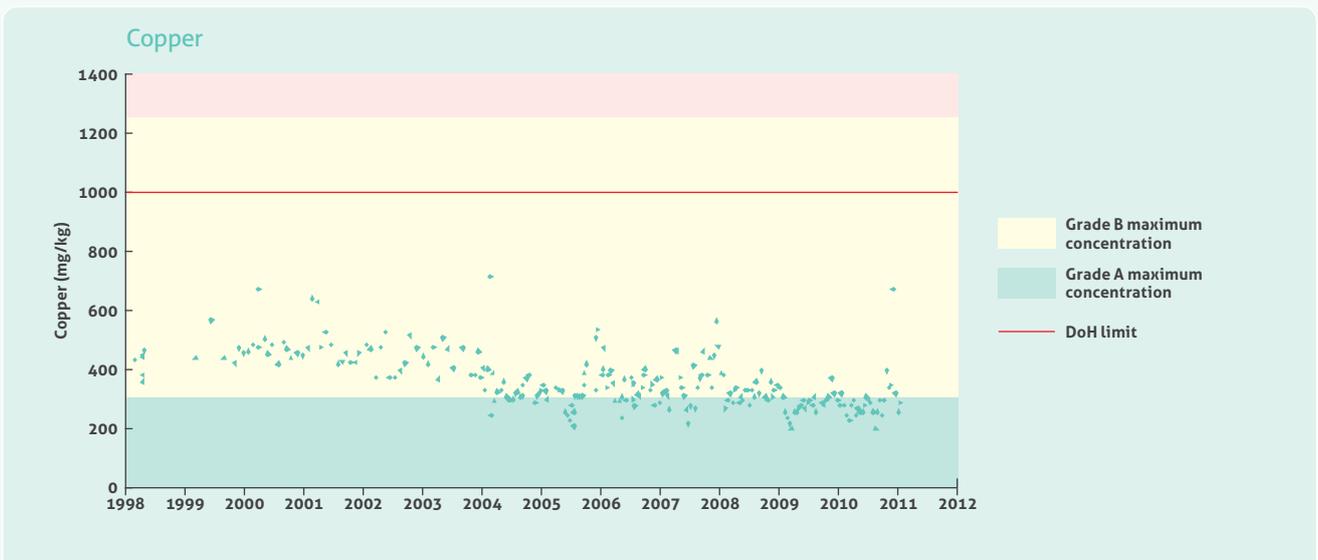
Biosolids metal levels – Rosedale



SUPPLEMENTARY MATERIAL

FIGURE 43 (continued)

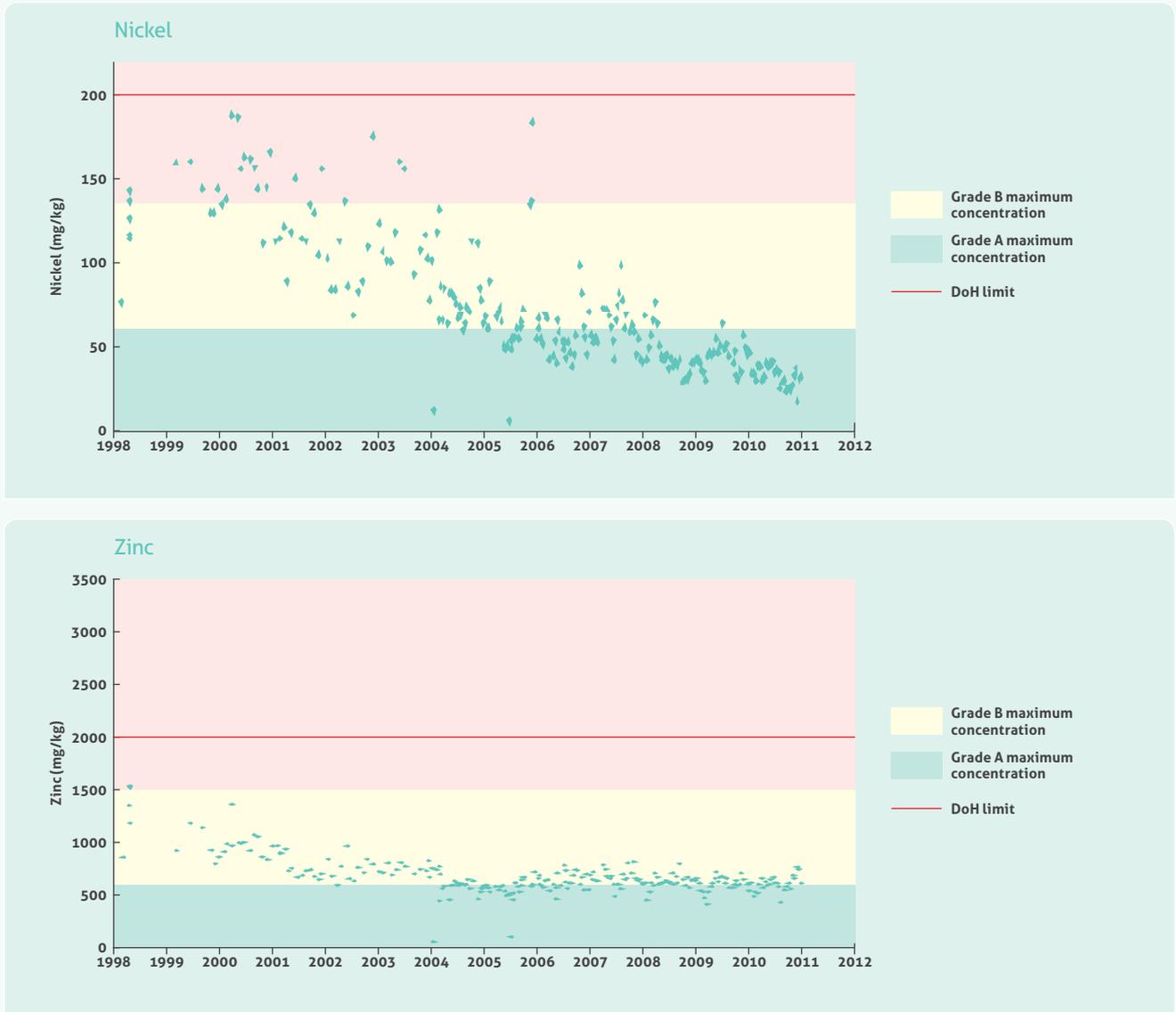
Biosolids metal levels – Rosedale



SUPPLEMENTARY MATERIAL

FIGURE 43 (continued)

Biosolids metal levels – Rosedale



Note:

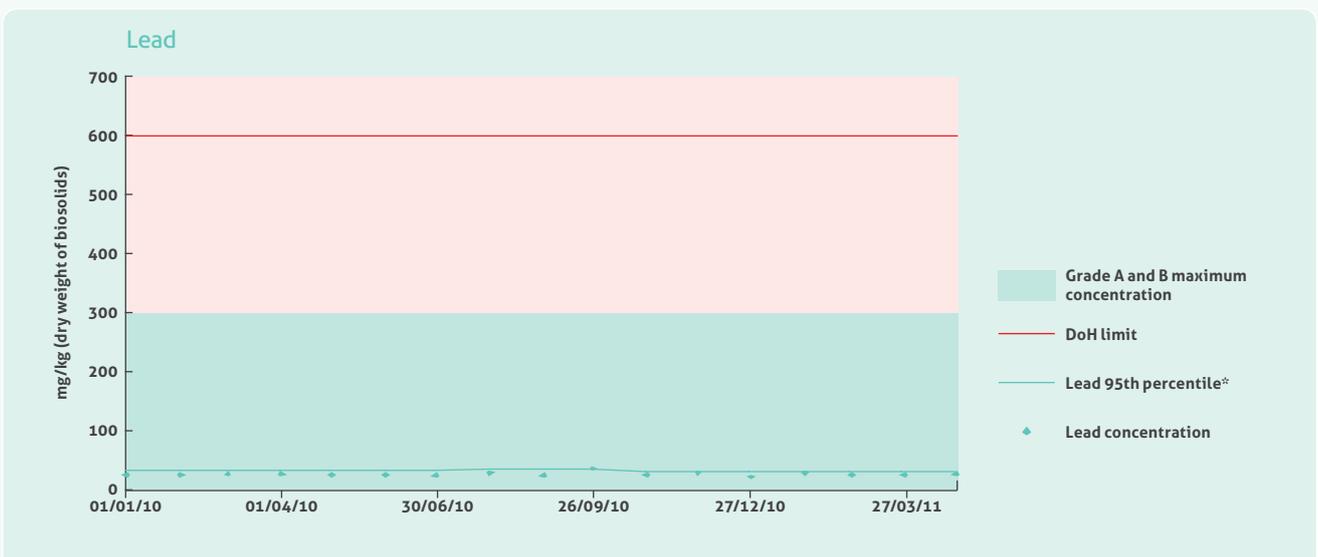
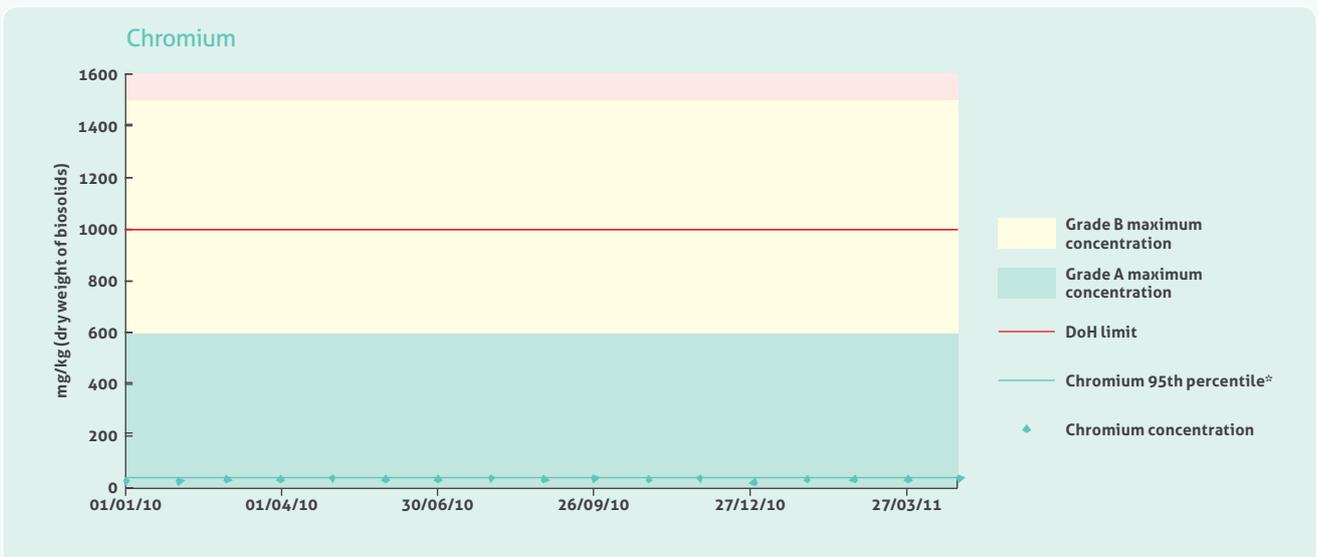
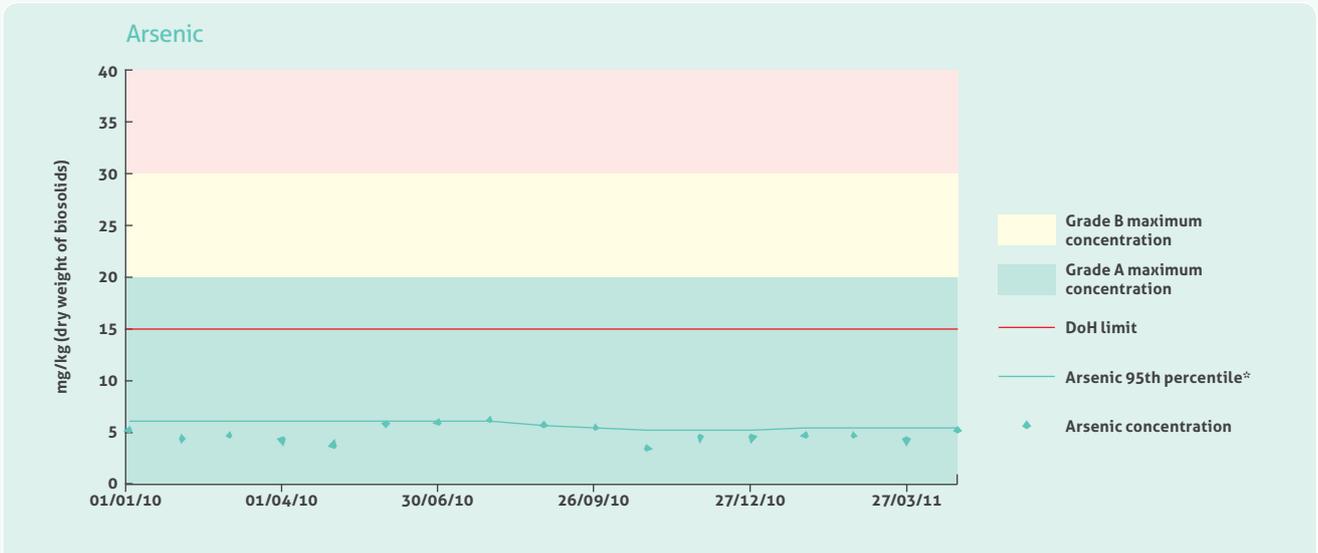
Approximately 15,424 tonnes of biosolids were produced at the Rosedale Wastewater Treatment Plant in the 2010/11 year. The graphs show the metal levels in the biosolids at the Rosedale Wastewater Treatment Plant. Levels of all metals show a downward trend over time.

National guidelines for beneficial reuse of biosolids that grade biosolids for unrestricted use (grade 'a') or restricted use (grade 'b') depending on their contamination loads have been included.

SUPPLEMENTARY MATERIAL

FIGURE 43 (continued)

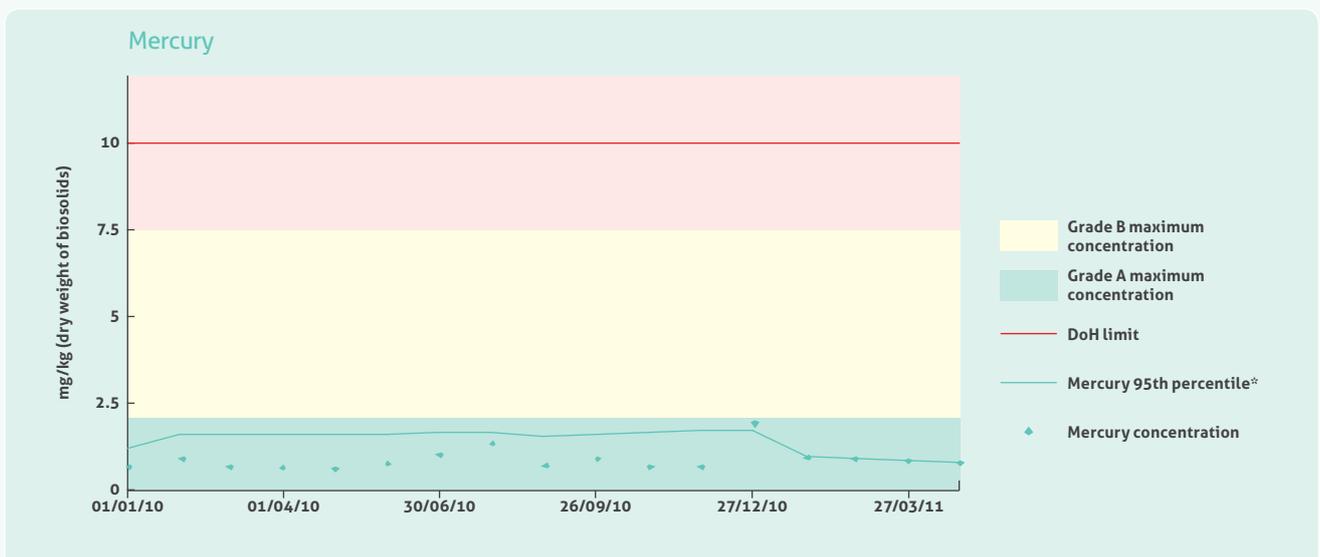
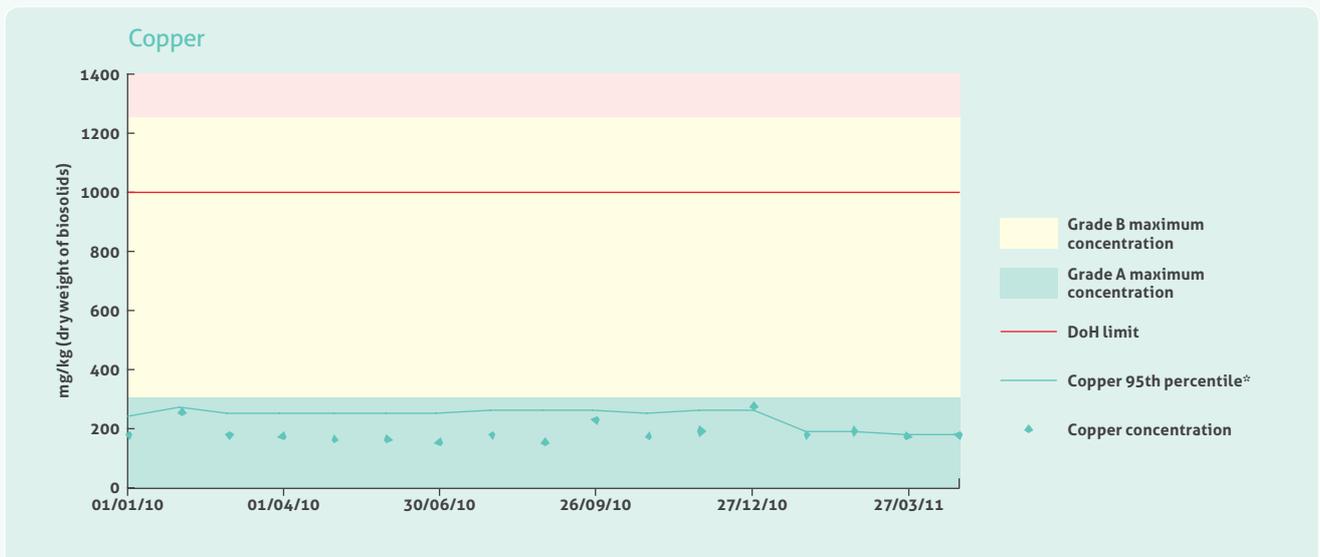
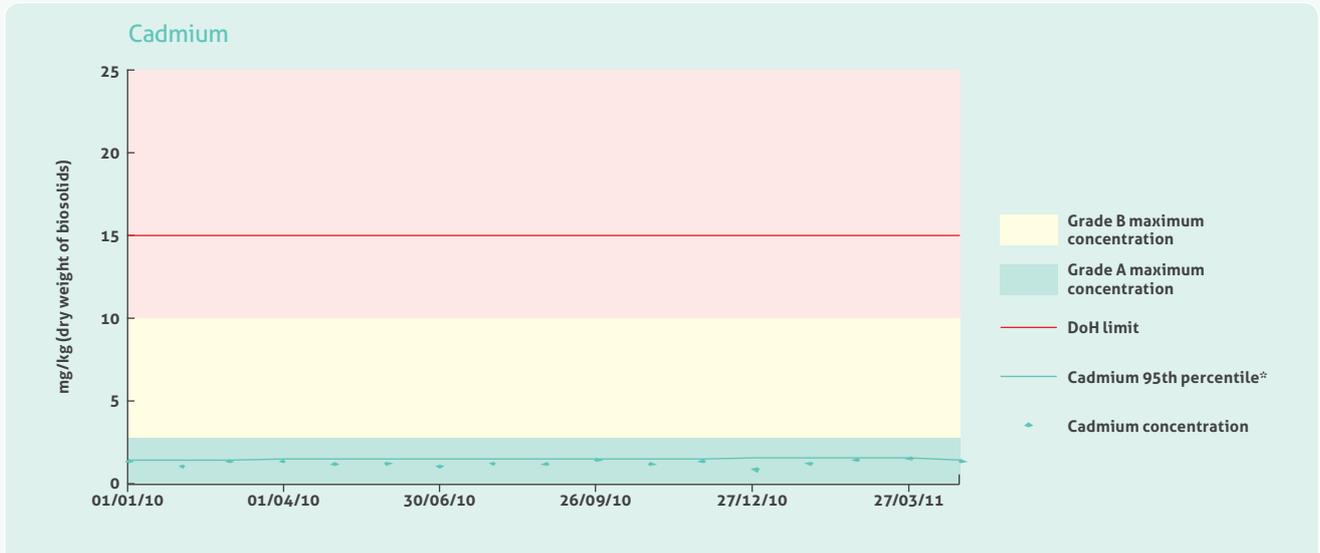
Biosolids metal levels – Army Bay



SUPPLEMENTARY MATERIAL

FIGURE 43 (continued)

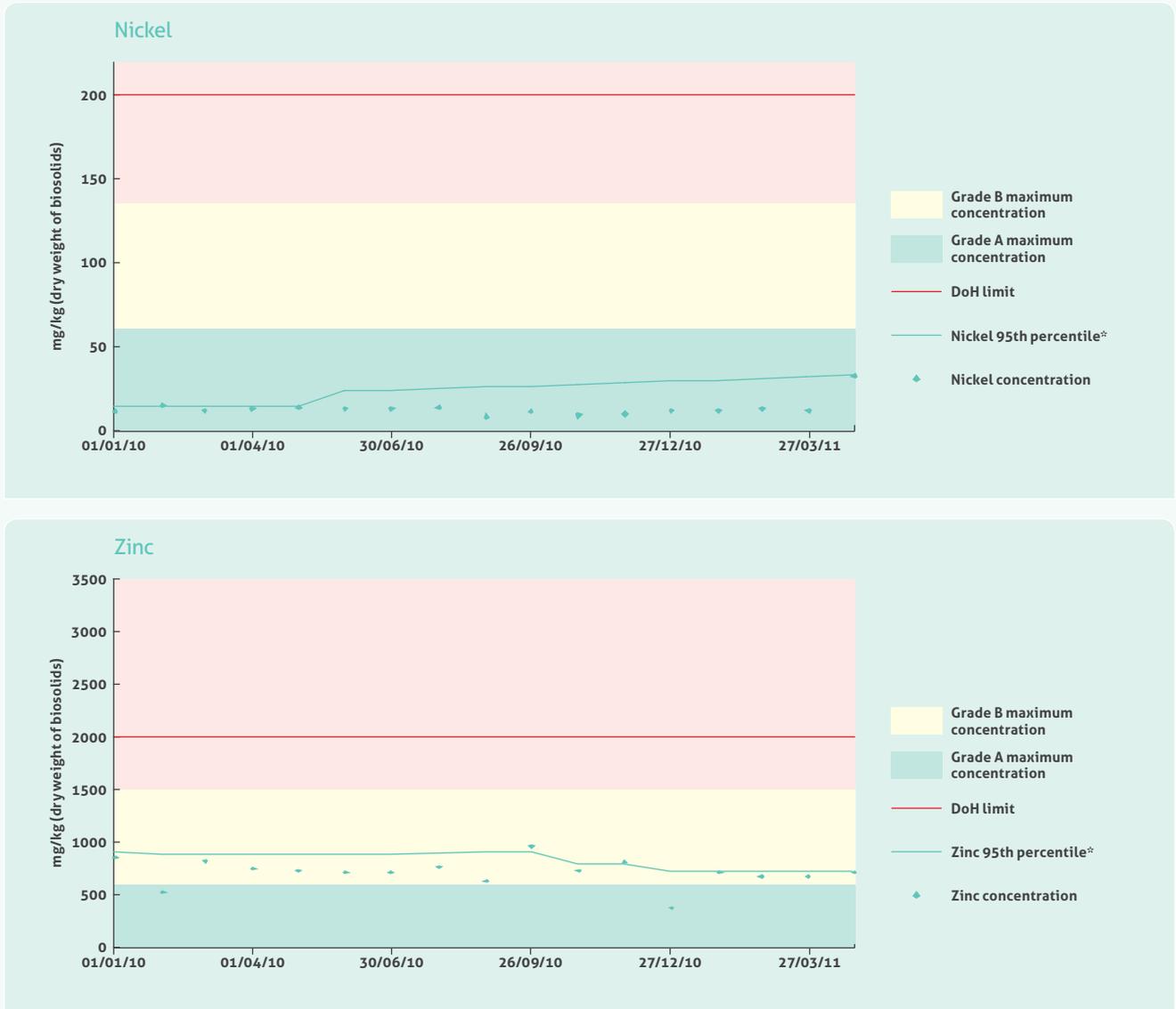
Biosolids metal levels – Army Bay



SUPPLEMENTARY MATERIAL

FIGURE 43 (continued)

Biosolids metal levels – Army Bay



Note:

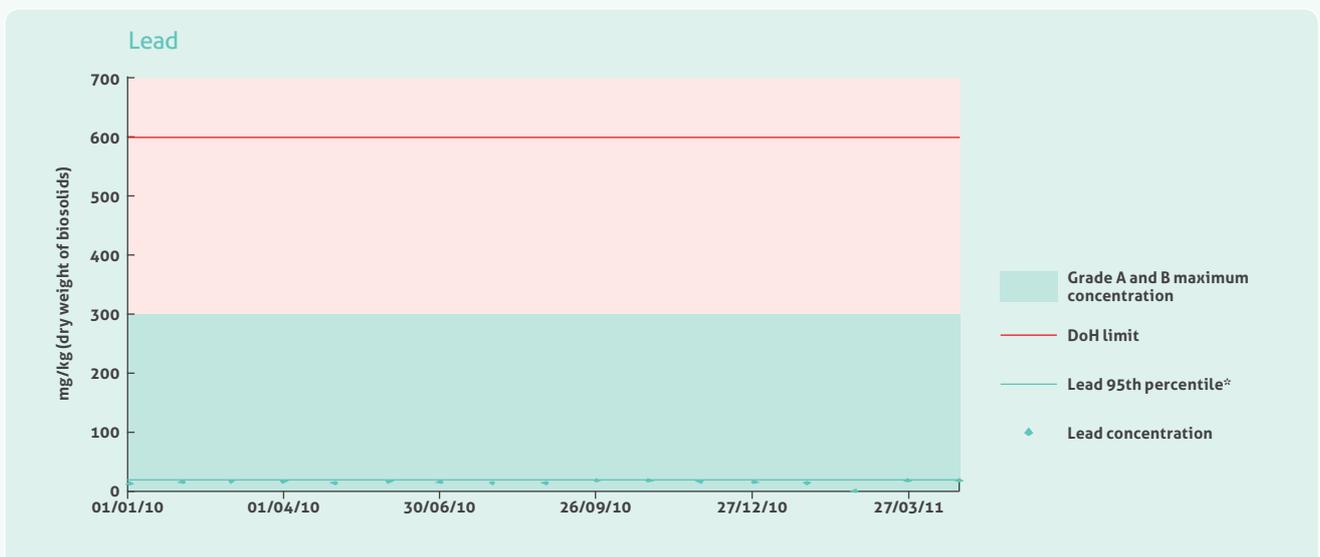
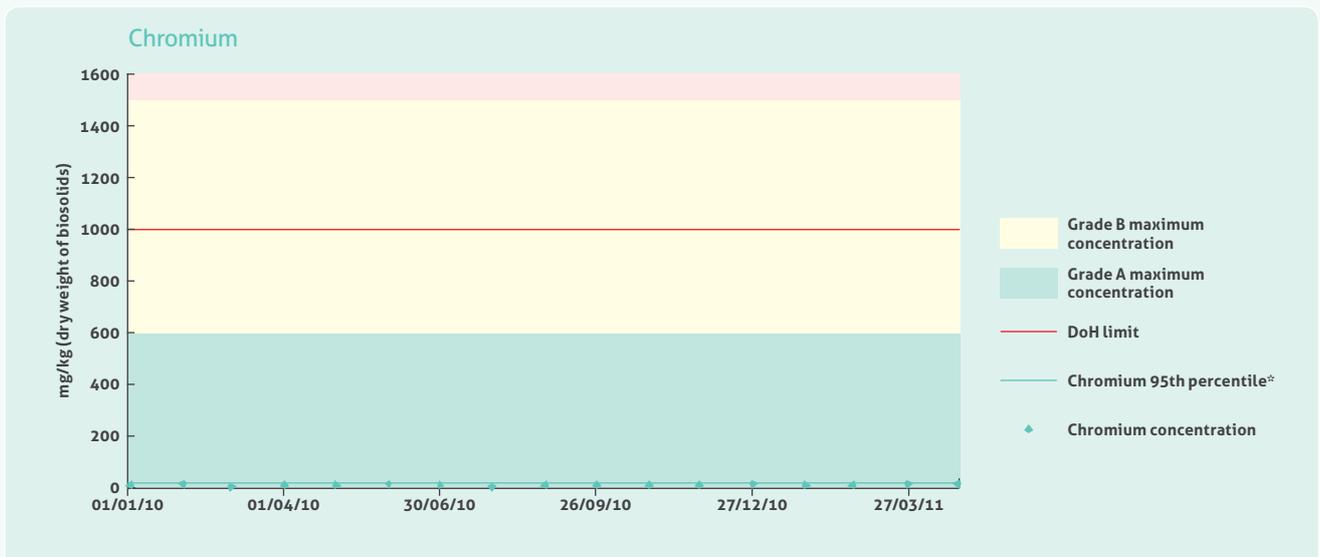
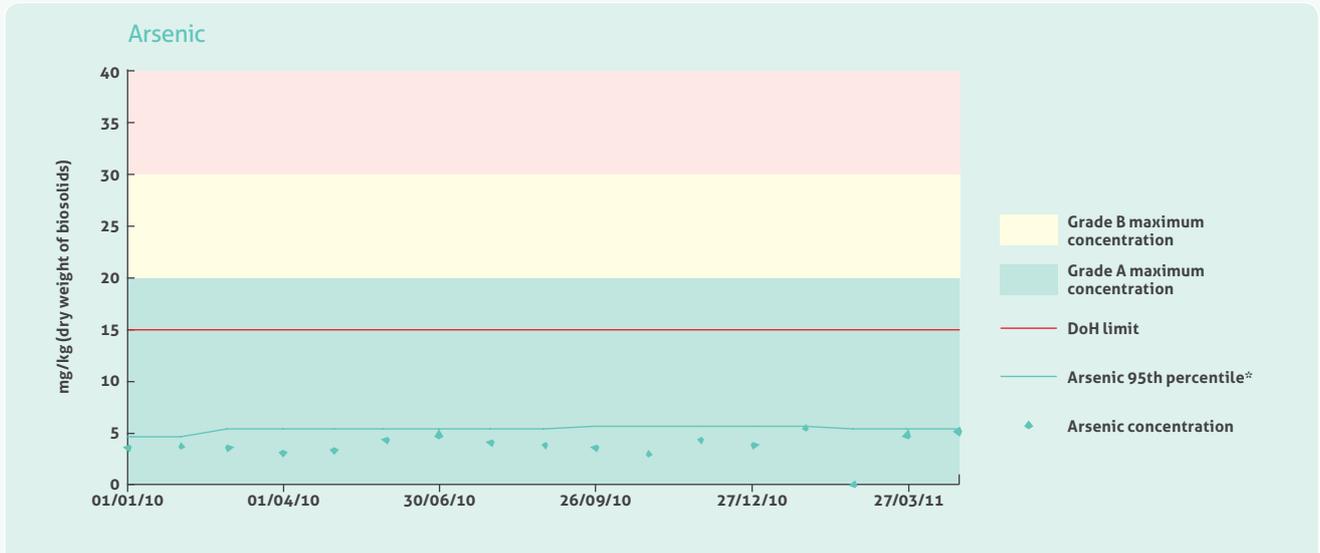
Approximately 3,701 tonnes of biosolids were produced at the Army Bay Wastewater Treatment Plant in the 2010/11 year. The graphs show the metal levels in the biosolids at the Army Bay Wastewater Treatment Plant. All metals except zinc have remained within the Grade 'A' levels over the year. A major source of zinc is related to contaminants in stormwater run-off to sewer. National guidelines for beneficial reuse of biosolids that grade biosolids for unrestricted use (grade 'a') or restricted use (grade 'b') depending on their contamination loads have been included.

* 95th percentile is provided to indicate trend over time as data is monthly.

SUPPLEMENTARY MATERIAL

FIGURE 43 (continued)

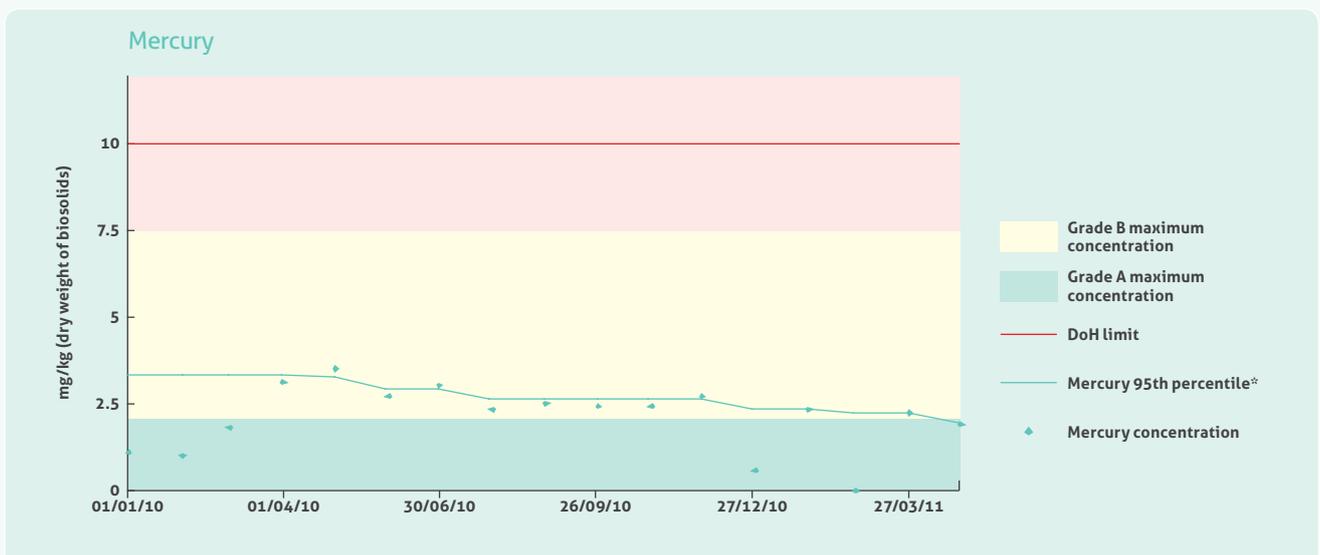
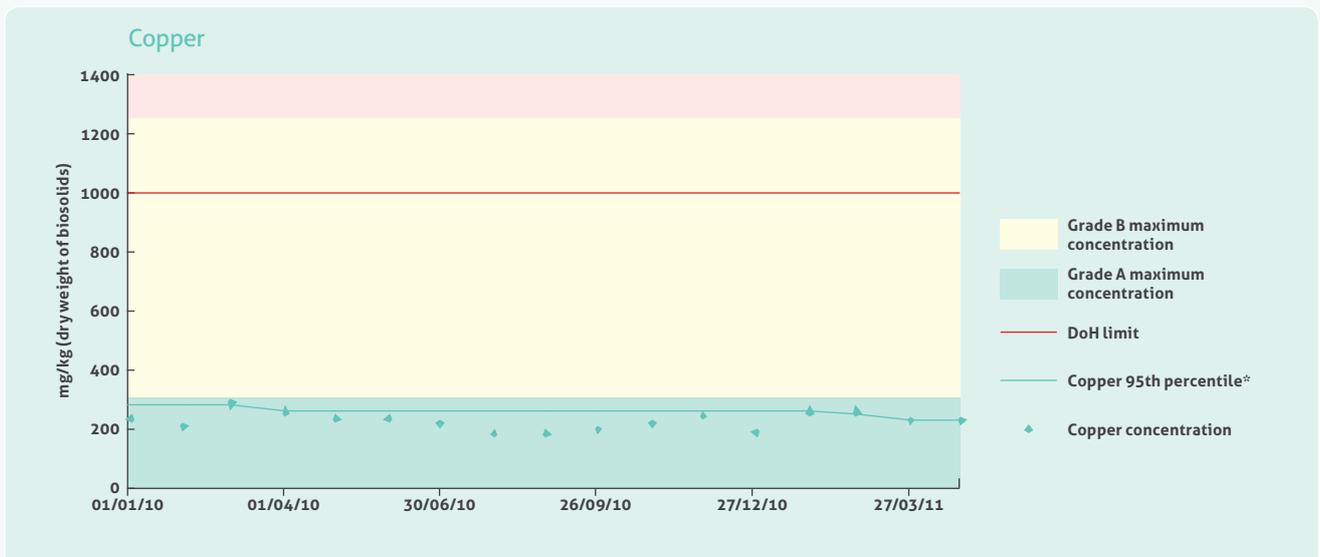
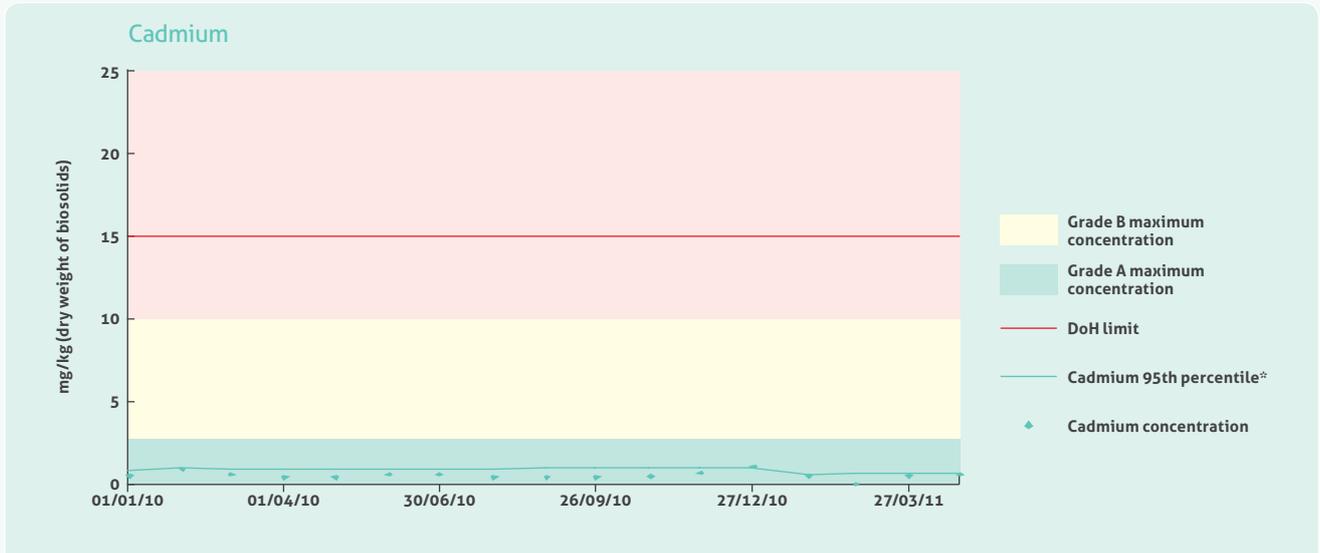
Biosolids metal levels – Warkworth



SUPPLEMENTARY MATERIAL

FIGURE 43 (continued)

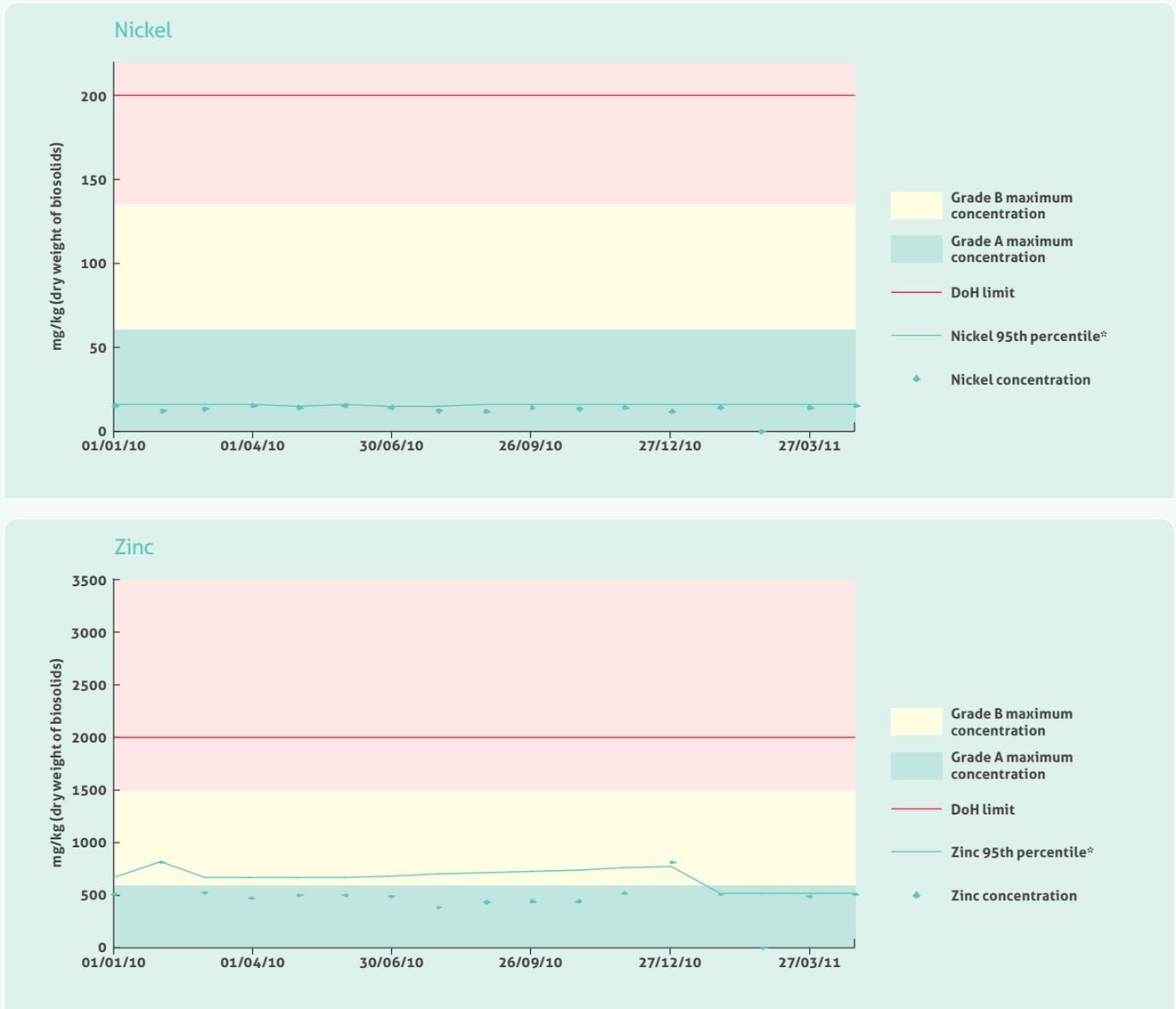
Biosolids metal levels – Warkworth



SUPPLEMENTARY MATERIAL

FIGURE 43 (continued)

Biosolids metal levels – Warkworth



Note:

Approximately 322 tonnes of biosolids were produced at the Warkworth Wastewater Treatment Plant in the 2010/11 year. The graphs show the metal levels in the biosolids at the Warkworth Wastewater Treatment Plant. All metals except mercury and zinc have remained within the Grade 'A' levels over the year. A major source of mercury is waste from dental practices. Dental practices in the Rodney area are required to have amalgam traps fitted and are routinely monitored. Mercury levels now appear to be declining after a rise earlier in the year. A major source of zinc is related to contaminants in stormwater run-off to sewer. National guidelines for beneficial reuse of biosolids that grade biosolids for unrestricted use (grade 'a') or restricted use (grade 'b') depending on their contamination loads have been included.

* 95th percentile is provided to indicate trend over time as data is monthly.

SUPPLEMENTARY MATERIAL

FIGURE 44
Solids disposal

ORIGIN	STRATEGY	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Water treatment sludge (m³)							
Ardmore	Onsite	3,320	3,315	3,095	3,820	2,895	4,860
Huia	Parau landfill	3,480	4,160	3,430	3,495	3,960	4,150
Waitakere	Onsite	520	220	776	688	515	646
Waikato	Commercial landfill	1,460	1,938	1,130	1,537	1,840	1,575
Total		8,780	9,633	8,431	9,540	9,210	11,231
Wastewater treatment plant (tonnes)							
Mangere biosolids* (wet)	Pond 2 rehabilitation	116,380	109,363	105,993	106,944	106,944	99,863
Mangere grit (wet)	Commercial landfill	1,701	1,899	2,254	2,158	2,158	2,156
Mangere screenings (wet)	Commercial landfill	1,795	2,028	1,920	1,543	1,543	1,302
Rosedale biosolids (wet)	Commercial landfill						15,424
Rosedale grit	Commercial landfill						141
Rosedale screenings	Commercial landfill						245
Pukekohe screening and grit	Commercial landfill						100
Army Bay biosolids	Commercial landfill						3,701
Beachlands biosolids	Held on site						300
Beachlands screenings	Commercial landfill						13
Beachlands grit	Commercial landfill						1
Warkworth biosolids	Commercial landfill						322
Warkworth screenings	Commercial landfill						11
Warkworth grit	Commercial landfill						10
Total		119,876	113,290	110,167	110,645	110,645	123,589

* Assuming 28% solids content.

Note:

This table summarises the amount and disposal methodology of the sludge and grit recovered by Watercare at its treatment plants. The screenings include the fat balls gathered during the cleaning of primary tanks.

FIGURE 45
Weight of hazardous substances in waste

Biosolids (dry weight) 33,350 tonnes

SUBSTANCE	CONCENTRATION (MG/KG)	DISPOSED WEIGHT (TONNES)
Arsenic	8.12	0.27
Cadmium	3.13	0.10
Chromium	321.54	10.72
Lead	62.23	2.08
Mercury	0.74	0.02

Note:

Under the G3 reporting framework, Watercare is required to provide information on G3 environment indicator EN24 relating to emissions, effluent and waste. The substances outlined in the table are found in biosolids, of which 33,350 dry tonnes were produced in 2010/11. Trace levels of these substances are also found in discharged effluent, however the concentrations are well below maximum values allowed for in drinking water. No other hazardous wastes as defined by the Basel Convention are disposed of by Watercare. No waste is shipped internationally.

SUPPLEMENTARY MATERIAL

FIGURE 46
Protected areas of high ecological value

NAME	RESTORED	LOCATION	OPERATION	AREA	ATTRIBUTES	PROTECTION	FUTURE PLANS AND STRATEGIES
Bycroft Wetland, Onehunga	N/A	In Onehunga where the aquifer naturally discharges	Watercare provides a constant discharge to the wetland to maintain it	Approximately one hectare	Home of rare and endangered moss species, indigenous vegetation and wildlife	Protected under the local authority district plan	Maintain constant flow of water from Watercare facility
Hunua Ranges	N/A	Located south of Auckland	Contains the water supply catchments for five of Watercare's dams	Approximately 10,500 hectares, mostly in native bush	Native bush and wildlife habitat	Predominantly protected by lease agreement with the Auckland Council	Allow for continuous water flow from dams to streams and create fish passes to allow fish movement. Trap and haul of fish where passes are not possible
Waitakere Ranges	N/A	Located north west of Auckland	Contains the water supply catchments for five of Watercare's dams	Approximately 5,000 hectares in native bush	Native bush and wildlife habitat	Protected by lease agreement with the Auckland Council	Allow for continuous water flow from dams to streams and create fish passes to allow fish movement. Trap and haul of fish where passes are not possible
Mangere Coastal Walkway	Yes	Located along the coast adjacent to the Mangere Wastewater Treatment Plant	13km of coastal walkway and native plantings provided for and maintained by Watercare	Approximately 13km of walkway and associated planting between 10 to 100m in width	Provision of public walkways, bird roosts and native and marine habitat	Owned by Watercare and required as a condition for the operation of the wastewater treatment plant	Maintenance of bird roosts and continued restoration of harbour environment
Oruarangi Creek	Yes	Located along the coast adjacent to the Mangere Wastewater Treatment Plant	Estuary previously closed to the sea by the oxidation ponds restored to tidal influences. Four kilometres of esplanade reserve has been planted by Watercare this last year	Approximately 30 hectares	Marine estuarine ecosystems being restored	Owned by Watercare and required as a condition for the operation of the wastewater treatment plant	Continued restoration of the marine environment and some further tidying at the creek mouth
Waikato RiverCare	N/A	Along the banks of the Waikato River	Watercare is a financial member of a trust that undertakes the planting	120km of river bank with target of planting four kilometres per annum	Riparian planting along the Waikato River to enhance river water quality and create ecological diversity	Plantings protected by covenants and agreements with landowners	Watercare is continuing to take an ongoing interest in the appropriate management of the Waikato River catchment
Auckland volcanic cones	N/A	Watercare has water reservoirs on or in eight volcanic cones distributed around the Auckland urban area	These reservoirs are an essential part of the water distribution system and were built about 80 to 100 years ago. In many cases their presence has prevented the quarrying of the cones, ensuring the preservation of the cones until protection was given to them by local authorities in more recent times	Each volcanic cone is set in parkland, with the largest being approximately 120 hectares in area. The cones are typically 100 to 150 metres above the adjacent urban area	The cones are parks and heritage areas and are a defining feature of Auckland. However, many of the cones not used for reservoirs have been quarried for aggregate	The cones are protected by local authority district plans and the Historic Places Trust	Watercare is working with stakeholders interested in the cones with a view to enhance the values of the cones while protecting its water supply assets
Pukekohe Wastewater Treatment Plant	N/A	Adjacent to Waikato River at Pukekohe Wastewater Treatment Plant	Wildlife area maintained by flow of treated effluent	9 hectares	Home of birdlife as an extension of the adjacent wetland owned by Fish and Game	Owned by Watercare	Operation to be reviewed
Puketutu Island	To be restored.	Manukau Harbour adjacent to the Mangere Wastewater Treatment Plant	Plan to rehabilitate the old quarry area and establish most of the island as public parkland	110 hectares	Historically used for pastoral agriculture and as basalt quarry	Wahi tapu protection, deemed to be of cultural significance	Former quarry on the island will be rehabilitated with biosolids and the island will be progressively converted to parkland

Note:

Under the G3 reporting framework, Watercare is required to provide information on G3 environment indicators EN11, EN13 and EN14, relating to biodiversity.

SUPPLEMENTARY MATERIAL

FIGURE 47

Significant biodiversity impacts

LOCATION/IMPACT	NATURE	EFFECT
Water catchments	Protected as part of the Auckland Council regional parks.	The bush catchments are regenerating native bush and provide an environment for native birds and other fauna.
Dams and lakes	The construction of the dams limits fish passage up and downstream and reduces stream flows. Flows are released from some dams to maintain the downstream minimum flow.	Isolated fish communities have developed behind the dams. Provision of fish passages opens these areas to normal migration of fish. The dams reduce storm flows and low flows in the rivers down stream from the dams which has an adverse effect on the stream ecology.
Effluent discharge from Metropolitan Wastewater Treatment Plants	The Mangere and Rosedale plants have been recently upgraded which has significantly improved the quality of the discharge to the Manukau Harbour and the Hauraki Gulf.	At Mangere with the plant upgraded – which included the removal of 500 hectares of oxidation ponds and sludge lagoons – the harbour is restoring itself and there are now an increasing number and biodiversity of organisms and species. The improved quality of effluent and the new outfall at Rosedale have resulted in enhancing the marine environment adjacent to the outfall.
Bird roosts along the Mangere Coastal Walkway	Bird roosts have been constructed as part of the Mangere Wastewater Treatment Plant upgrade.	The provision of roost habitats has encouraged the roosting of migratory and rare birds such as dotterel, godwit and wrybill.

Note:

Under the G3 reporting framework, Watercare is required to provide information on G3 environment indicator EN12, relating to biodiversity.

FIGURE 48

Midge and odour complaints

Wastewater treatment plants 2010/11

		NUMBER OF COMPLAINTS		
	WASTEWATER TREATMENT PLANT	MIDGE	ODOUR	NOISE
Metro	Mangere	1	3	0
	Rosedale	11	0	0
	Army Bay	0	0	0
	Sub total – metro WWTPs	12	3	0
Non-metro	Pukekohe	0	0	0
	Warkworth	0	1	1
	Omaha	3	1	0
	Helensville	0	0	0
	Wellsford	0	0	0
	Snells/Algies	0	0	0
	Waiwera	0	1	1
	Huapai/Kumeu	0	0	0
	Matakana	0	0	0
	Denehurst Drive	0	0	0
	Beachlands	0	4	0
	Owhanake	0	0	0
	Clarks Beach	0	0	0
	Waiuku	0	0	0
	Kingseat	0	0	0
	Bombay	0	0	0
Sub total- non-metro WWTPs	3	7	2	
Total		15	10	2

SUPPLEMENTARY MATERIAL

FIGURE 49

Trade waste customers

CUSTOMER STATUS	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Customers at beginning of year	649	635	612	605	605	601	579
New customers during the year	35	35	38	51	47	43	1,232
Variations issued and re-applications processed during the year	112	113	100	90	103	127	234
Closures during the year	49	58	45	51	51	65	71
Customers at end of year	635	612	605	605	601	579	1,740

Note:

The 2010/11 figures include 1,147 new customers as a result of integration of the Rodney, North Shore and Franklin areas with Watercare's existing trade waste customer base. Discounting the effect of integration there has been an increase in trade waste customer numbers over the past year in contrast to a steady decline over previous years. Substances are controlled to protect the health and safety of workers, protect the wastewater assets, ensure that treatment processes are not adversely affected and to ensure that Watercare can comply with the limits set in its consents. Customers are charged on the basis of the volume they discharge to the sewer, the waste characteristics including the biological oxygen demand (BOD) and the concentration of suspended solids in the discharge. The charges are designed to recover costs for collection, treatment and disposal of these trade wastes.

FIGURE 50

Trade waste sampling programme

SAMPLING PROGRAMME	2007/08			2008/09			2009/10			2010/11 FULL YEAR		
	NUMBER OF TESTS	NUMBER OF TESTS OUT OF COMPLIANCE	% COMPLIANCE*	NUMBER OF TESTS	NUMBER OF TESTS OUT OF COMPLIANCE	% COMPLIANCE*	NUMBER OF TESTS	NUMBER OF TESTS OUT OF COMPLIANCE	% COMPLIANCE*	NUMBER OF TESTS	NUMBER OF TESTS OUT OF COMPLIANCE	% COMPLIANCE*
Compliance monitoring	4,733	291	94	3,844	271	93	10,736	221	98	9,621	252	97
Self-monitoring	4,154	147	96	4,303	184	96	3,193	70	98	2,902	81	97
Catchment investigations	934			861			2			4		
Wastewater treatment plant influent	1,481			1,528			1,632			1,560		
Total	11,302	438		10,536	455		15,563	291		14,087	333	

Note:

* Indicates the percentage of tests undertaken which were compliant. Post-integration figures include information from the Rodney, North Shore and Franklin areas in addition to Watercare's existing trade waste customer base. The total number of tests recorded in 2009/10 and 2010/11 are significantly higher than previous years. The increase is a result of a change in how tests are now recorded. Organic tests that form part of a suite of tests are now recorded on an individual basis, rather than on a suite basis, leading to a significant rise in the number of tests recorded from 2009/10. The results show good levels of compliance have been maintained.

SUPPLEMENTARY MATERIAL

FIGURE 51

Key trade waste substances

SUBSTANCE	2004/05		2005/06		2006/07		2007/08		2008/09		2009/10		2010/11	
	TOTAL APPROVED MASS KG/DAY	CONSENTS ISSUED												
Arsenic	1	31	1	34	2	36	2	35	1	38	1	37	1	35
Boron	54	78	52	74	46	74	44	72	40	72	35	63	32	53
Cadmium	0	35	0	36	1	40	1	38	1	42	1	40	0	36
Chromium Total	35	96	32	89	29	83	32	106	21	57	23	103	21	91
Chromium 6	4	83	4	77	4	70	4	69	3	43	4	67	4	62
Cobalt	1	36	1	32	3	33	3	30	2	29	2	29	2	28
Copper	9	112	8	108	12	105	12	107	11	106	8	98	8	95
Lead	3	62	3	61	7	60	6	62	5	61	3	56	3	54
Manganese	45	41	44	37	44	39	44	41	45	45	64	43	64	40
Molybdenum	3	37	3	37	4	37	3	34	3	34	3	27	2	23
Nickel	6	80	6	80	8	81	8	83	7	85	5	75	4	74
Silver	1	33	1	34	2	31	2	28	2	23	2	22	2	23
Zinc	15	117	15	115	19	115	19	110	18	111	14	97	17	93
Total	177	841	170	814	180	804	180	815	160	746	164	757	160	707

Note:

Watercare controls the entry of substances which could harm the health and safety of workers, the wastewater collection system, treatment plant processes and the environment by issuing trade waste consents that limit the discharge of toxic substances. The table shows the amounts of metals consented for discharge from trade waste sites by mass. The table includes data from Rodney and Franklin but not North Shore as historically mass limits in the North Shore have been contained in the North Shore trade waste bylaw and not individual consents. Contribution from the Rodney and Franklin areas is very small and the number of consented sites discharging substances controlled by mass has decreased as has the total mass consented for discharge.

SUPPLEMENTARY MATERIAL

FIGURE 52
Materials and chemicals

(tonnes unless shown otherwise)

WATER TREATMENT	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	PURPOSE	FATE	% RECYCLED
Alum (liquid)	4,706	5,023	4,629	3,504	3,608	4,216	5,225	To assist coagulation	Taken up in sludge	0%
Lime (powder)	1,236	1,329	1,303	999	1,416	5,750	1,510	To control pH	Taken up in sludge	0%
Fluoride (solution)	676	718	674	517	543	750	769	To prevent dental cavities	In treated water	0%
Salt (powder)	670	748	749	267	86	100	105	For chlorine production for water disinfection	In treated water	0%
Caustic soda (solution)	135	156	115	90	67	24	105	pH buffering	In treated water	0%
Chlorine (gas)	60	36	31	79	182	184	160	To disinfect water	In treated water	0%
Poly aluminium chloride (solution)	83	76	43	38	42	43	58	To assist in clarification and coagulation	Taken up in sludge	0%
Polyelectrolyte (powder)	17	20	19	13	20	354	21	To assist in clarification and coagulation	Taken up in sludge	0%
Carbon dioxide (gas)	387	312	399	294	384	294	228	To control pH	Dissolved in raw water	0%
Citric acid	46	25	21	22	20	18	26	Cleaning membranes	Neutralised and in discharged water	0%
Sodium bisulphate	5	4	7	8	7	10	7	De-chlorination of wasted water	In discharged water	0%
Sodium hypochlorite	3	1	28	75	101	546	418	Disinfection	In treated water	0%
Activated carbon	11	10	14	43	22	26		Organics removal in treatment	Taken to landfill as part of sludge	0%
WASTEWATER TREATMENT										
Methoprene	0	0	1	2	2	2	2	To control midges	Biodegrades in effluent	0%
Naturallyte							5L	To control midges	Biodegrades in effluent	0%
Agnique spray	800L	0	0	17L	0	0	0	To control midges	Evaporates to atmosphere	0%
Insecticide				212L	200L	90	203L	To control midges	Biodegrades in soil	0%
Weed spray (estimated)	400L	400L	400L	400L	400L	400L	540L	To control weeds on sites	Biodegrades in soil	0%
Lime	6,011	6,060	6,551	6,308	5,714	5,857	5,560	To stabilise and deodorise biosolids	To landfill with the biosolids	0%
Coagulating polymer	428	444	425	414	409	390	449	To promote solids dewatering	To landfill with the biosolids	0%
Sodium hypochlorite	685m ³	267m ³	267m ³	348m ³	398m ³	398m ³	307m ³	To chlorinate recycled water for sprays and wash down	In effluent	0%
Liquid nitrogen	4,086m ³	681m ³	1,900m ³	1,955m ³	1,266m ³	1,290m ³	6,300m ³	To remove explosive gases from pipes before maintenance	To atmosphere	0%
Ferric chloride	1,788	1,700	1,748	1,468	1,075	1,079	1,245	To promote solids capture	To landfill with the biosolids	0%
Caustic soda	0	0	0	0	0	0	50L	Assist digestion process	To landfill with the biosolids	0%
Caustic soda (solution)							184	For pH buffering	In treated water	0%
Soda ash	0	0	0	0	0	0	0	Assist digestion process	To landfill with the biosolids	0%
Chlorine gas			42	31	29	26	38	To control bacteria in reactor clarifiers	In effluent	0%
Iron sponge granules			86	72	108	92	68	To purify biogas before use in engines	To landfill	0%
Sulphuric acid			70	58m ³	36m ³	72m ³	75m ³	To strip ammonia from odour scrubber	In effluent	0%
Lube oil				24	32	23	27m ³	To lubricate generators	To supplier's reclamation plant	0%
Activated carbon				10	0	0	3	To purify biogas before use in engines	To landfill	0%
Alum (liquid)							46m ³	To assist coagulation	Returned to plant pond	0%
Methanol							32m ³	To assist in the biological treatment of wastewater	To landfill with the biosolids	0%

Note:

For 2010/11, the information includes all the materials and chemicals used at all plants now integrated into Watercare.

Under the G3 reporting framework, Watercare is required to provide information on G3 environment indicators EN1, EN2 and EN27 relating to materials and products and services. Under G3 reclaimed packaging is not reported on as it is not applicable to Watercare.

SUPPLEMENTARY MATERIAL

FIGURE 53

Capital expenditure programmes

	2010/11 EXPENDITURE	FUTURE EXPENDITURE (NEXT FIVE-YEAR PERIOD)
	(\$ MILLION)	(\$ MILLION)
Water		
Raw water network rehabilitation/replacement	3.09	13.20
Raw water network improvement	0.30	0.49
Energy and control systems rehabilitation/replacement	0.27	9.33
Energy and control systems improvement	0.41	2.56
Dam rehabilitation	3.23	20.42
Water sources improvement	0.14	0.49
Regulatory compliance	0.80	6.35
Water treatment plant rehabilitation/replacement	3.55	45.19
Water treatment plant improvement	4.33	86.16
Water treatment plant expansion	9.27	46.04
Regulatory compliance	0.02	0.56
Treated water network rehabilitation/replacement	23.31	193.81
Treated water network improvement	3.27	65.61
Treated water network expansion	9.78	203.24
Hunua No.4 water supply scheme	15.07	242.07
CBD storage	-	-
Water demolition	3.13	2.80
Water total	79.95	938.32
Wastewater		
Energy and control systems rehabilitation/replacement	0.03	6.02
Energy and control systems improvement	0.75	4.09
Energy and control systems expansion	-	2.99
Collection system replacement	5.20	123.05
Collection system improvement	5.03	243.19
Collection system expansion	47.37	329.29
Regulatory compliance	0.19	10.09
Project Hobson	-0.87	-
Project Waitemata	5.32	18.22
Trade waste	0.02	0.92
Wastewater treatment plant rehabilitation/replacement	6.00	53.60
Wastewater treatment plant improvement	29.98	66.97
Wastewater treatment plant expansion	4.01	45.06
Wastewater demolition	1.55	1.81
Wastewater total	104.58	905.30
Shared services		
Plant and equipment replacements	9.04	32.27
Process improvement	1.77	31.45
Laboratory	10.13	-
Project 1	10.49	-
Shared services total	31.42	63.72
Grand total	215.95	1,907.34

Note:

Future expenditure is in current dollars and does not allow for inflation.

SUPPLEMENTARY MATERIAL

FIGURE 54

Infrastructure investments provided for public benefit

Under the G3 reporting framework, Watercare is required to provide information on G3 economic indicator EC8 relating to indirect economic impacts.

One criteria reported under the G3 framework is the development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro-bono engagement. As water and wastewater service provider for the Auckland region, all of Watercare's water and wastewater services are designed to fulfil community needs. These needs are determined through the interaction of Watercare both directly with the community and via Auckland Council. Any requirements identified are fed back to Watercare and built into individual water and wastewater projects.

Watercare has a capital programme totalling approximately \$8.6 billion (in 2011 dollars) over 20 years. The positive impacts of this investment include the support of economic growth in the region and the associated improvement in standards of living for local communities, the maintenance of existing levels of service through replacement of old infrastructure, the provision of security of supply to businesses and local communities, and the improvements in levels of service to local communities such as improved pressures and water quality.

Any impacts on communities and the environment related to the construction of individual projects are largely temporary or mitigated through community engagement and project planning.

SUPPLEMENTARY MATERIAL

FIGURE 55

Major suppliers and contractors

VENDOR	SERVICE	TOTAL SPEND \$
Brian Perry Civil	Projects	10,296,174
Thiess Services Limited	Network maintenance	9,431,128
Fletcher Construction Co Ltd	Projects	8,743,935
Conneq Infrastructure Services	Network maintenance	8,285,586
HEB Construction Limited	Projects	7,804,070
Orica New Zealand Ltd	Chemical	7,779,958
CH2M Beca Ltd	Professional services	7,102,274
Pipeworks Rehabilitation Solutions	Projects	6,835,365
Pipeline & Civil	Projects	6,556,087
Downer EDI New Zealand Ltd	Projects	6,537,293
Cassidy Construction Ltd	Projects	5,270,806
Aecom New Zealand Limited	Professional services	5,199,288
Meridian Energy Ltd	Energy	4,568,120
Fletcher Macdow Joint Venture	Projects	4,239,916
Sinclair Knight Merz	Professional services	3,460,543
Marsh Ltd	Insurance	3,447,457
Canadian Pacific Construction	Projects	3,428,725
Tyco Flow Control Ltd	Mechanical/Engineering	3,280,258
March Cato Ltd	Projects	3,238,369
Infor Global Solutions NZ Ltd	Computer	2,998,922
City Care	Network maintenance	2,950,335
Steelpipe Limited	Projects	2,726,015
Contact Energy (Power)	Energy	2,567,140
Harker Underground Construction	Projects	2,502,888
Universal Underground Ltd	Projects	2,316,338
JB Contractors Ltd	Projects	2,298,065
Service Engineers Ltd	Mechanical/Engineering	2,236,842
GHD Ltd	Professional services	2,087,701
Gen-I	Professional services	1,958,215
Vector Ltd	Energy	1,866,387
Advanced Pipeline Services Ltd	Projects	1,807,087
Revera Ltd	Computer	1,769,811
Kerry Drainage	Projects	1,682,582
Russell McVeagh McKenzie	Professional services	1,440,706
Equipment Engineering (2008) Ltd	Mechanical/Engineering	1,439,686
McDonalds Lime Ltd	Chemical	1,409,352
Soltius New Zealand Limited	Professional services	1,380,558
J A Nicholson Engineering Ltd	Mechanical/Engineering	1,340,842
Aurecon New Zealand Ltd	Professional services	1,241,034
City Contractors Civil Eng	Projects	1,219,844
Hydrotech Drainage & Plumbing	Network maintenance	1,218,737
Auckland Sandblasters Ltd	Network maintenance	1,101,441
ITT Water & Wastewater NZ Ltd	Mechanical/Engineering	1,099,695
Nova Gas Ltd	Energy	1,096,137
Interflow (NZ) Limited	Projects	1,085,975
Harrison Grierson Consult Ltd	Professional services	1,050,041
Mechanical Technology Ltd	Mechanical/Engineering	1,040,468
Envirowaste Services Ltd	Biosolids removal	1,029,742
Fulton Hogan North Civil	Projects	1,018,693
		166,486,629

Note:

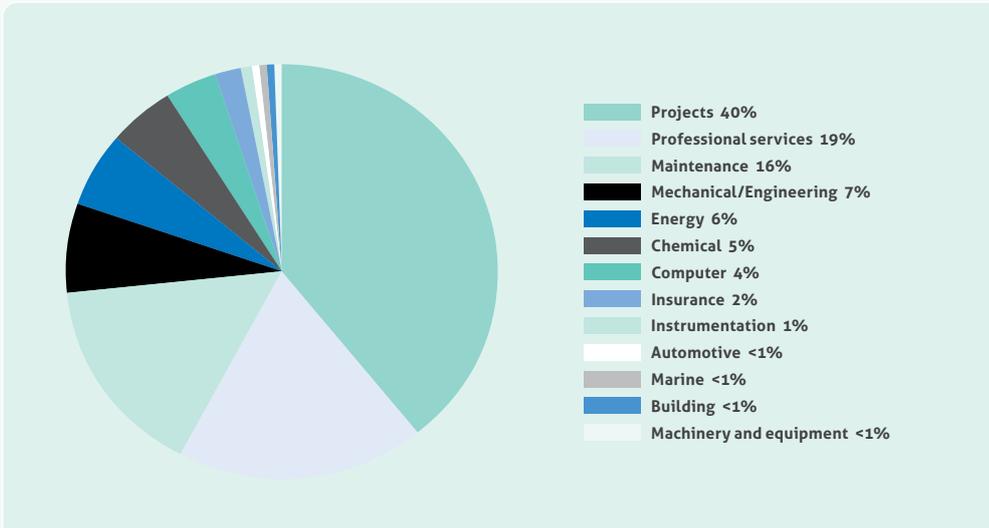
This table lists suppliers and contractors who provided goods and services worth more than \$1million in 2010/11. Under the G3 reporting framework, Watercare provides additional information on G3 economic indicator EC6 and human rights indicator HR2, relating to market presence, investment and procurement practices.

One criteria reported under the G3 framework is the percentage of goods and services purchased locally. At Watercare, 97 per cent of payments for goods and services were made to businesses based in New Zealand, or with branches based in New Zealand

SUPPLEMENTARY MATERIAL

FIGURE 56

Suppliers spend by industry and sector

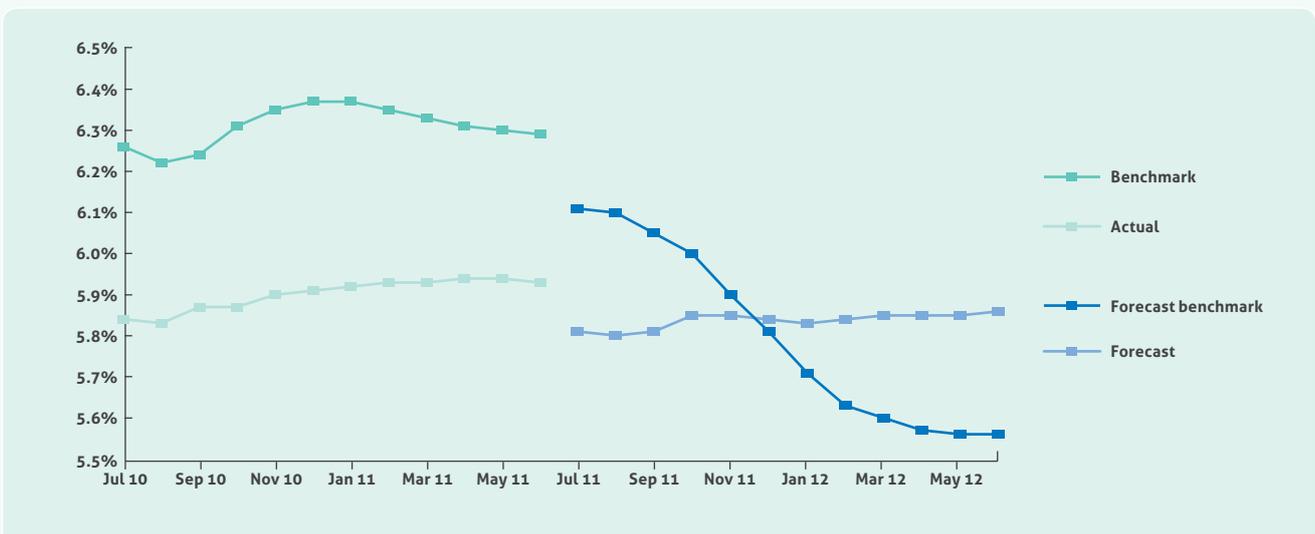


Note:

Some maintenance expenditure is included in other codes where suppliers and contractors provide the majority of their services under another code.

FIGURE 57

Interest rate performance



SUPPLEMENTARY MATERIAL

FIGURE 58

Ethics and business integrity

Percentage and total number of business units analysed for risks related to corruption	Nil
Percentage of employees trained in organisation's anti-corruption policies and procedures	Nil
Actions taken in response to incidents of corruption.	Not applicable

Note:

Under the G3 reporting framework, Watercare is required to provide information on G3 society indicators SO2, SO3 and SO4 relating to corruption. This additional information has been included to meet G3 criteria.

Probity guidelines are in place in respect of projects undertaken by the company and the company employs an independent probity auditor.

Watercare produces and promulgates a business conduct and ethics policy.

A high percentage of Watercare staff are registered professionals and bound by the ethical standards required of those professions.

The company also has policies that cover gifts and inducements, conflicts of interest and protected disclosures.

FIGURE 59

Product information disclosure

	WATER	WASTE WATER
The sourcing of components of the product or service	Yes	Yes
Content, particularly with regard to substances that might produce an environmental or social impact	Yes	Yes
Safe use of the product or service	Yes	Yes
Disposal of the product and environmental/social impacts	Yes	Yes

Note:

Under the G3 reporting framework, Watercare provides additional information on G3 product responsibility indicator PR3, relating to product and service labelling. Watercare is governed by Ministry of Health Drinking Water Assessors and complies with the Drinking Water Standards New Zealand 2005 (revised 2008). Wastewater is governed by the final effluent standards as part of various resource consents.

The G3 table above reports whether product and service information is required by Watercare's procedures for labelling.

FIGURE 60

Product life cycle, health and safety impact assessment

STAGE	YES/NO
Development of product concept	N/A
Research and design	N/A
Certification	N/A
Manufacturing and production	Yes
Marketing and promotion	N/A
Storage distribution and supply	Yes
Use and service	Yes
Disposal reuse or recycling	Yes

Note:

Under the G3 reporting framework, Watercare is required to provide information on G3 product responsibility indicator PR1 relating to customer health and safety. Watercare supplies water and wastewater services to the Auckland region in accordance with government guidelines and regulations. In addition the company carries out extensive planning for future demand, through documents such as the Asset Management Plan and the Three Waters Strategic Plan.

The G3 indicator table above outlines whether the health and safety impacts of products and services are assessed for improvements.

SUPPLEMENTARY MATERIAL

FIGURE 61

Financial implications of climate change

Under the G3 reporting framework, Watercare is required to provide information on G3 economic indicator EC2 relating to economic performance and climate change.

Watercare undertakes extensive planning for the future at a regional level, through strategic documents such as the Three Waters Strategic Plan (the plan). The document has a 100-year planning horizon and considers the future operating environment for Watercare over the Auckland region, covering many factors including population growth, availability of resources and climate.

Climate change is considered in the plan as impacts could influence sources of water for supply, drainage networks and the behaviours of consumers. It is acknowledged that natural variations will continue to affect the New Zealand climate in future, along with long-term climate change trends.

The plan says specific Auckland-based scenarios will be considered for the effect of extreme events, recognising that short-term climate variation is likely to be a greater driver than long-term events.

In addition to the plan, Watercare will continue to assess future business, regulatory and operating requirements in Auckland's changing environment, and has already begun making assessments using available data on any impacts of climate change on its operations.

As more conclusive information on the impacts of climate change in the Auckland region is available, research and planning of asset management options will be undertaken. This will include identification of economic impacts. Implications will be included in future asset management plans and other long-term strategies.



For more information about Watercare
please visit our website www.watercare.co.nz

Watercare has been certified as meeting ISO 14001 and ISO 9001 for the company's bulk water, wastewater and trade waste operations. Laboratory Services is certified as meeting ISO 17025 standard for the majority of its testing procedures.

This report uses paper from sustainable plantation forests and is pH neutral. The paper stock is Elemental Chlorine Free (ECF) and has been awarded the Nordic Environmental Label. The ink used is vegetable based and mineral oil free.



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Watercare is a
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