



Operating and capital expenditure quarterly report

Quarter One FY26 ended 30 September 2025

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This report has been prepared in accordance with Clause 27 of the Watercare Charter. It is provided to the Crown monitor as well as Auckland Council so that we comply with our quarterly reporting obligations.

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Quarter 1 summary

Opex: Watercare's FY26 financial year started with tightly controlled operating expenditure, supported by Auckland's water supply dams reaching 100% capacity in July 2025 and remaining near this level throughout the first quarter. This favourable dam position significantly reduced reliance on the Waikato Awa, our most expensive water source, resulting in lower energy and chemical operating costs. The wet weather in July and August has also led to the deferral of planned maintenance activities in our southern water treatment plants, including lagoon desludging, which will now be scheduled for later in the year when conditions dry out. While wet weather contributed to reduced water demand, it also led to increased wastewater energy costs due to higher pumping requirements as well as elevated unplanned maintenance costs due to several overflows and breaks.

The Human Resources Information System (HRIS) project, Workday, was successfully commissioned at the end of July 2025 and is performing well. Phase two of the implementation is currently under evaluation. Momentum continues to build across other digital projects, including the GIS replacement and the Health and Safety system, Donesafe. Watercare's smart sewer sensor programme continues to be expanded while our various Charter related projects are now also well underway.

Capex: In Q1 FY26, Watercare invested \$233.1m in capital infrastructure, delivering meaningful benefits for Aucklanders by maintaining safe, efficient, and reliable water and wastewater services, supporting growth, enhancing resilience, and protecting the environment. This investment was \$41.5m (15%) below the \$274.5m in the Operating and Capital Expenditure Plan (plan) Watercare prepared under Clause 26 of the Charter for Q1.

Key completions include the opening of the Warkworth Wastewater Treatment Plant to enable transformation of the Warkworth and Snells/Algies communities through high-standard wastewater treatment and supporting 35 years of projected growth.

Of the total investment, \$153.5m was directed to wastewater projects such as the Central Interceptor, Snells Wastewater Treatment Plant upgrade, Pukekohe Wastewater Scheme, Queen Street Diversion, and Southwest Wastewater Scheme. A further \$50m was invested in water infrastructure, primarily focused on renewing and expanding network assets. \$29.6m was spent on activities that support both water and wastewater, for example projects that are supporting Kāinga Ora's development areas, SCADA (our operational control system), and other digital services and equipment that support our network and delivery to customers,

Together, these projects demonstrate Watercare's commitment to building a resilient, future-ready network that meets Auckland's needs while safeguarding our natural environment.

1 Operating expenditure

1.1 Operating expenditure introduction

The operating expenditure report covers all operating costs incurred in the general operation of our business excluding non-trading expenses, depreciation, financing and tax.

Commentary has been provided against the internal board approved budget. Commentary is by exception, with full year materiality set at variances of more than \$2.5m and 5%.

TABLE 1: OPERATING EXPENDITURE SUMMARY

Operating Expenses	FY26 Quarter 1			FY26 Full Year		
(\$000's)	Actual	Budget	Variance	Forecast	Budget*	Variance
DIRECT COSTS	58,177	59,241	1,064	226,946	230,124	3,178
WATER	24,171	26,411	2,240	100,315	104,824	4,509
Net Labour	3,063	3,134	71	12,247	12,404	157
Planned Maintenance	2,212	3,764	1,552	10,432	10,396	(36)
Unplanned Maintenance	8,480	7,951	(529)	32,331	31,801	(530)
Energy	3,273	3,990	717	13,399	16,506	3,107
Chemicals	2,518	3,107	589	12,304	14,152	1,848
Sludge Disposal	341	381	40	1,524	1,564	40
Other Operating Costs **	4,284	4,084	(200)	18,078	18,001	(77)

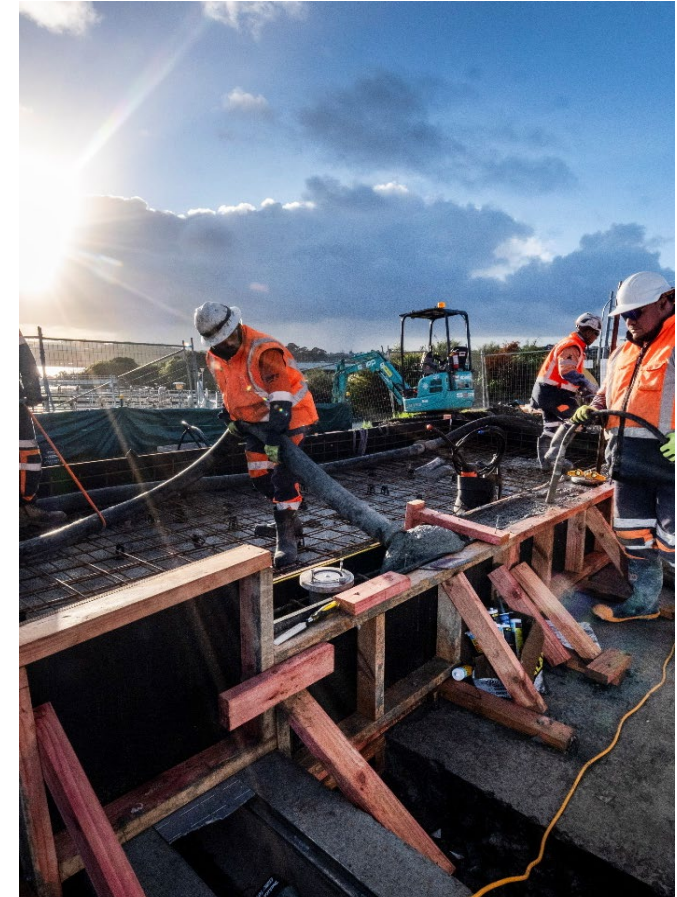
Operating Expenses	FY26 Quarter 1			FY26 Full Year		
(\$000's)	Actual	Budget	Variance	Forecast	Budget*	Variance
WASTEWATER	34,006	32,830	(1,176)	126,631	125,300	(1,331)
Net Labour	3,301	3,307	6	13,193	13,265	72
Planned Maintenance	5,045	5,288	243	21,259	21,005	(254)
Unplanned Maintenance	8,869	7,522	(1,347)	31,020	29,673	(1,347)
Energy	9,580	8,921	(659)	29,019	28,709	(310)
Chemicals	1,765	1,821	56	7,948	8,005	57
Sludge Disposal	1,828	1,928	100	8,344	8,370	26
Other Operating Costs **	3,618	4,043	425	15,848	16,273	425
INDIRECT COSTS	40,177	39,880	(297)	175,878	165,307	(10,571)
Asset Planning & Delivery	5,546	5,518	(28)	31,431	25,297	(6,134)
Digital Costs	14,288	15,537	1,249	59,769	60,506	737
Operations Oversight & Management	6,594	6,179	(415)	26,877	23,915	(2,962)
Insurance	1,916	1,853	(63)	8,168	7,414	(754)
Consent Related Costs	896	575	(321)	5,310	5,307	(3)
Business Support Services	10,937	10,218	(719)	44,323	42,868	(1,455)
TOTAL OPERATING COSTS	98,354	99,121	767	402,824	395,431*	(7,393)
<p>*Budgeted total operating costs reflect Watercare's internal board approved budget which treats the Waikato District Council contract as an agency arrangement, with receipts and payments offset to reflect the net position which for FY25 was a net revenue position. For Auckland Council reporting this contract is reflected gross in revenue and expenses.</p> <p>** Other Operating Costs include laboratory testing, dam safety, land maintenance, compliance costs and plant operating expenses.</p>						

1.2 Financial commentary

Total operating expenditure

Total operating expenditure for Q1 2026 was \$98.4m, which is \$0.8m (0.8%) below budget. This favourable result was driven by high dam levels and a slower than expected ramp up of digital SaaS projects. The high dam levels and continued wet conditions helped reduce reliance on our Waikato water treatment plant leading to lower energy and chemical costs as well as deferred planned maintenance activities such as lagoon desludging. However, the same wet conditions also contributed to increased wastewater costs with higher energy usage for pumping and a rise in unplanned maintenance due to overflows and faults.

We completed an updated forecast for the FY26 year in early October 2025, incorporating actuals to the end of September and a forward-looking view through to June 2026. Full year operating costs are now projected to be \$402.8m which is \$7.4m above budget. This variance is primarily driven by a change in accounting treatment for third-party connections costs, as well as increased expenditure to support Watercare Charter projects and financial independence. While the underspend in water planned maintenance has been a positive contributor year to date, this is expected to reverse over the remainder of the year as the deferred work is delivered. Expected savings in energy and chemical costs - supported by lower than planned demand and favourable energy rates negotiated to take effect from 1 February 2026 help to offset some of this impact.



Northern Interceptor connection at Rosedale

Direct costs

Water costs – Quarter 1 result was \$2.2m favourable to plan while full year is expected to be \$4.5m favourable to budget.

The quarter 1 result for water was positively impacted by lower planned maintenance at our southern water treatment plants while energy and chemical costs were also favourable as referenced above. Unplanned maintenance was higher than planned with transmission faults at Lake Rd and flushing costs contributing \$0.3m, while network faults, particularly in the northern region made up the balance. As highlighted in our quarter 4 2025 report, we continue to invest in pipeline renewals to minimise pipe breaks and will issue \$50m in renewal projects to the market before Christmas.

The favourable trend in energy and chemical costs is expected to persist throughout the year, driven primarily by forecasted lower volumes and supported by advantageous energy rates effective from February 2026. The current favourable variance in planned maintenance is anticipated to reverse as scheduled maintenance programs are executed in the coming months.

Wastewater costs – Quarter 1 result was \$1.2m unfavourable to plan while full year is expected to be \$1.3m unfavourable to budget.

The major driver year to date was the volume of unplanned maintenance in the networks area and energy costs associated with additional pumping required due to the wetter than average winter. There was a large volume of unplanned maintenance faults and overflows particularly in July and August in the north and west of the city, and we continue to work with the contractor to prioritise pipeline renewals in these areas. We also incurred several third-party damage maintenance costs (which are recharged to perpetrators) as well as final costs associated with the 2023 Anniversary weekend flood events.

The full year forecast for wastewater is expected to be \$1.3m unfavourable to budget reflecting the year date overspend on unplanned maintenance.

Indirect costs – Quarter 1 result was \$0.3m unfavourable to budget while full year is expected to be \$10.6m unfavourable to budget.

Asset Planning and Delivery – Quarter 1 costs are in line with budget while full year is expected to be \$6m unfavourable to budget reflecting a change in accounting treatment relating to the recognition of third-party connections costs.

Digital – Quarter 1 costs were \$1.2m favourable due to lower spend on Software as a Service (SaaS) project.

The full year forecast is expected to be \$0.7m favourable with the phasing of the GIS re-platform project now expected to continue through to 2027. Cost rationalisation has also been identified in software licencing for the year.

Operations Oversight & Management – Quarter 1 costs were \$0.4m unfavourable to budget while full year is expected to be \$3m unfavourable due to additional wastewater tankering costs due to higher than anticipated volumes. These are individual agreements with certain developers and are on-charged.

Business Support Services – Quarter 1 costs were \$0.7m unfavourable to budget while full year is expected to be \$1.4m unfavourable to budget. The year to date has been influenced by higher than budgeted professional services and legal fees associated with financial independence and our first bond issue and lower labour capital recoveries reflecting the lower capital spend to date. The full year forecast reflects the increase in our professional services due to the Charter related projects to be delivered.

1.3 Operating expenditure project commentary

Key projects undertaken in the quarter.

- The **Human Resources Information System (HRIS)** project (**Workday**) went live in late July 2025 and is performing well. Phase two of the implementation, learning management system (LMS) is currently in the discovery phase.
- The **Network Improvement Efficiency Programme** including pressure management and pipeline renewals has continued to be developed through the quarter with poor condition water and wastewater network assets prioritised for delivery under our renewal programme for FY26. The majority of costs associated with this programme will be capitalised. However, some assessment activities will be expensed, and we expect to realise future savings in unplanned maintenance expenses as a result of the programme.
- The **Donesafe** initiative is a Health, Safety & Wellbeing (HSW) platform designed to streamline health and safety processes by digitising incident reporting, risk assessment, and compliance workflows. This is expected to improve visibility, accountability and reporting across Watercare. This project is now well underway with go live expected in May 2026. This is a SaaS project with the majority of costs recognised in the profit and loss.

- The **Watercare Charter** requires us to complete three significant deliverables by 31 December 2025: the Operating Cost Efficiency Improvement Plan (2025 – 2028), the Capital Delivery and Asset Management Improvement Plan; and the Infrastructure Growth Charge (IGC) policy review and redesign. External advisors have been engaged to assist with these projects, and it is expected that they will also involve significant input from our people. The Capital Delivery and IGC policy projects were submitted to the Crown monitor in quarter 1. The Operating Cost Efficiency Improvement Plan is well underway with the plan due to be submitted by 31 December 2025.
- **Smart sewer** equipment was purchased in early June 2025 as part of our flushing optimisation programme. To date, approximately 700 sensors have been installed with 5,000 expected to be installed by the end of June 2026. While the sensors will be capitalised, we expect to realise some significant operational expense savings in unplanned overflow maintenance and planned sewer flushing costs in the coming years given the insights the smart sewer data will provide.



Northern Interceptor one - it's the new wastewater pipe that will connect Redhills to our network

- The **Geographical Information System (GIS)** re-platform project is a multi-faceted initiative aimed at modernising Watercare's geospatial infrastructure, improving asset visibility, and supporting planning, design and operational workflows. This project will migrate the legacy GIS system, which is nearing end of life, with a new SaaS based solution. Elements of this project are to be collaboratively delivered by Auckland Council's group shared services.
- The FY26 advancement of the insurance strategy workplan has received Board approval. The focus is on improving our understanding of the value of potential risk through probabilistic loss modelling, insurance valuations and analysis of previous claims. This information will inform the setting of our risk tolerance and input into a captive feasibility study.

1.4 Significant changes to deliverability risk

In the plan, we identified several risks to deliverability. This section highlights any significant changes to those risks.

Energy – The electricity market is currently displaying very high levels of price volatility. The two main drivers are record low generation lake levels in early 2025 and a significant shortfall in gas supply. Watercare has mitigated this risk by splitting our electricity supply needs into three contracts with staggered expiry dates to minimise sudden price increases; and securing two-year supply agreements to ensure reliability of pricing. We also generate our own energy via biogas turbine generation, solar generation, and hydro generation from our raw water pipelines. However, as we do not generate all of our own energy, we are still very exposed to the volatility in the market. Watercare realised a significant increase in energy costs in FY25 and budgeted for another increase in FY26.

The shorter-term risk has been somewhat mitigated by the latest energy contract agreement signed in August 2025 (applicable 1 February 2026); however significant long-term risk still exists. Watercare is initiating work on an energy strategy focusing on clarifying future energy needs, identifying behind-the-meter opportunities (e.g. solar panel generation, battery storage systems, biogas turbines and hydro generation) and engaging expertise on long-term market arrangements such as power purchase agreements. This will be a multi-year initiative, but we intend to have improved information by June 2026 when we typically approach the market ahead of expiry of our annual time-of-use (TOU) contracts.

Chemicals – Shipping costs and exposure to fluctuations in international chemical prices has been a growing risk for Watercare in recent years as many domestic chemical manufacturers have either closed or transitioned to import-only operations. The closure of Marsden Point in March 2022 resulted in a significant increase in the cost of CO₂, a key input in our water treatment process. The pending closure of the Ballance Agri-Nutrients Mount Maunganui plant in November is expected to further impact our cost base, with the price of alum and HFA – both of which depend on sulphuric acid as a key raw material, set to rise. Long term New Zealand supply is now expected to come from Christchurch starting May; however, this is expected to be 2.5 times the cost of historic local supply. Imported HFA is expected to be 4 times the cost. This will potentially increase our annual chemical costs by as much as \$1m.

2 Capital expenditure

2.1 Capital expenditure introduction

The capital expenses report covers all capital costs incurred in the quarter. It has been split by programme and sorted by water, wastewater and programmes that support both water and wastewater.

Commentary for capital expenditure for Quarter 1 FY26 has been provided against the Operating and Capital Expenditure Plan (plan) that Watercare prepared under Clause 26 of the Charter. We comment on variances by exception, being a variance to plan of more than \$5m and 5%.

The programme report sums all programmes, and the programmes are the sum all projects, so this report shows the performance of the whole delivery programme/portfolio for the reporting periods.

TABLE 2: CAPITAL EXPENDITURE SUMMARY

Programme	Allocation			Current Quarter (\$'000's)		
	Growth %	LoS %	Renewal %	Actual	Plan	Variance
Supporting Water and Wastewater				29,595	27,380	2,215
Business Assets	25%	16%	59%	10,424	9,395	1,029
Digital Assets	6%	42%	52%	4,053	6,779	(2,726)
Projects supporting Kāinga Ora	60%	17%	23%	15,118	11,206	3,912
WATER				49,974	62,372	(12,398)
Ardmore Water Treatment Plant	0%	22%	78%	644	2,350	(1,706)
Huia Water Supply	43%	16%	41%	6,177	8,129	(1,952)
North Harbour 2 Watermain	100%	0%	0%	2,073	2,086	(13)
Waikato Water Supply	79%	4%	17%	2,449	2,814	(365)
Water Collection & Treatment Assets	37%	31%	32%	5,576	5,989	(413)
Water Network Assets	31%	5%	64%	33,055	41,004	(7,949)

Programme	Allocation			Current Quarter (\$'000's)		
	Growth %	LoS %	Renewal %	Actual	Plan	Variance
WASTEWATER				153,488	184,777	(31,289)
Central Interceptor	48%	41%	11%	38,651	49,728	(11,077)
Hingaia / Southern Auckland WW Servicing Scheme	100%	0%	0%	630	1,358	(728)
Mangere Wastewater Treatment Plant	12%	15%	73%	20,542	15,948	4,594
North East Wastewater Programme	80%	9%	11%	13,137	18,984	(5,847)
Otara Wastewater Network	73%	7%	20%	457	221	236
Pukekohe Wastewater Scheme	92%	1%	7%	807	1,611	(804)
Queen Street Wastewater Network	0%	0%	100%	11,868	20,524	(8,656)
Rosedale Wastewater Treatment Plant	31%	10%	59%	7,154	8,969	(1,815)
Southwest Wastewater Scheme	77%	17%	6%	14,299	14,370	(71)
Waitematā Water Quality Improvement	50%	50%	0%	9,467	8,474	993
Wastewater Network Assets	32%	12%	56%	26,801	31,653	(4,852)
Wastewater Treatment Plant Assets	51%	17%	32%	6,988	8,915	(1,927)
Whenuapai & Redhills Wastewater Scheme	100%	0%	0%	2,687	4,022	(1,335)
TOTAL				233,057	274,529	(41,472)

*Capital spend variances – underspend (shown as negative in table above) or overspend (shown as positive) – are not inherently good or bad. The key is understanding the reason behind the variance and its impact on outcomes.

- **Timing differences** often drive variances. An underspend may reflect delays due to consents or procurement, while an overspend may indicate accelerated delivery. Either can be positive or negative depending on whether the timing aligns with when the outcomes are needed.
- **Underspends** may represent genuine savings or deferred delivery.
- **Overspends** may reflect scope expansion or faster delivery, potentially bringing benefits to Aucklanders sooner.

Ultimately, our goal is to deliver outcomes **on time**, **cost-effectively**, and **efficiently**, to ensure value for our communities.

2.2 Commentary

2.2.1 Cost

Watercare's capital expenditure for the quarter was \$233.1m, which is \$41.5m (15%) below the planned budget of \$274.5m.

The key drivers of this underspend include:

Water Network Assets: The quarter expenditure was lower than planned due to delays in project definition and scoping, commencement of construction, and timing of contributions to developer-constructed assets.

Central Interceptor: The underspend this quarter reflects a change in programme phasing relative to the budget. The overall programme cost, and the scheduled completion date of December 2026 remain on track.

Northeast Wastewater Programme: Underspend for the quarter is attributed to risk allowances not materialising for the Snells Wastewater Treatment Plant (WWTP) and the Snells–Algies Bay Saline Intrusion Rehabilitation projects. Additional resilience work is proposed at the Snells WWTP later in the year, and pending approval, some of this risk allowance may be reassigned to these additional works.

Queen Street Wastewater Network: The underspend is due to descope the Orakei Main Sewer relining from the project, and the risks allowed for, relating to relining and tunnelling, not materialising.

2.2.2 Delivery

Most capital projects in Quarter 1 progressed as planned. Notable milestones included:

Snells Beach Wastewater Treatment plant - The organisation successfully opened the new Snells Beach Wastewater Treatment plant, marking a significant milestone in our \$450m investment programme to transform wastewater services for the Warkworth and Snells/Algies communities.

Queens St Wastewater Network - Our micro-tunnel boring machine crossed its halfway mark down Queens St to lay new wastewater pipe as part of the \$115m Midtown Wastewater Diversion project.



Snells Beach plant opening

Clarks Beach wastewater outfall - We completed key milestones in the Clarks Beach wastewater outfall installation and plant upgrade, installing the final section of the outfall, the final part of the treatment process, and the ultraviolet filtration units. These upgrades are part of our programme to deliver essential wastewater infrastructure to support projected growth in Auckland south-west.

Northern Interceptor - Watercare progressed the construction of wastewater infrastructure to support growth in Auckland north-west and connect stage one of the Northern Interceptor to our Rosedale Wastewater Treatment plant.

2.2.3 Opportunities

There have been no significant opportunities, cost savings, or accelerations identified.

2.2.4 Issues

Beachlands - The Beachlands wastewater treatment plant is nearing the end of its design life, and its discharge consent expires on 31 December 2025, requiring upgrades to maintain compliance and service continuity. Interim works are planned to meet current standards, but growth in the area is constrained, amid strong developer demand to accelerate development.

The council hearing on consent renewal has been suspended to allow further review of matters raised in the Section 42A report, and additional assessments and option development are underway. Full expansion of the plant is not scheduled until the mid-2030s under the Asset Management Plan. To enable earlier growth, additional funding will be required to advance feasibility and design during FY26–FY28, with major construction in the following Charter cycle. Interim upgrades remain essential regardless of expansion timing to ensure environmental compliance and operational resilience.



Key milestone reached at Clarks Beach wastewater outfall installation and plant upgrade

2.3 Programmes/projects completed during the quarter

The following projects were completed during quarter 1:

Snells Beach Wastewater Treatment plant - Watercare successfully opened the new Snells Beach Wastewater Treatment plant, marking a significant milestone in our \$450m investment programme to transform wastewater services for the Warkworth and Snells/Algies communities.

2.4 Programmes/projects started during the quarter

All key capital expenditure programmes and projects scheduled to commence in quarter 1 have successfully started, reflecting Watercare's continued focus on timely delivery and proactive planning.

The following initiatives have entered either the feasibility, design or construction phase during the reporting period:

Feasibility phase:

Waiuku Bore Upgrade Project – Delivering essential bore upgrades, renewals, and replacements in Waiuku to ensure water abstraction remains within consented limits (valid until 2052). This project will support population growth, strengthen resilience in the local water supply system, and maintain compliance with regulatory requirements, ensuring reliable service for the community.

Network Servicing Plans – Lynfield/Titirangi/Whau/New Lynn and Mission Bay/St Heliers.

Design phase:

- **Sylvia Park Rising Main(s) Rehabilitation** - Renewing approximately 2km of ageing wastewater infrastructure to prevent overflows and protect local waterways, reducing disruption to Sylvia Park and Mt Wellington Highway. This project strengthens environmental outcomes and system resilience, ensuring reliable service for the community.
- **Onehunga WTP PFAS & Second Barrier** - Installing advanced treatment to eliminate PFAS contamination in bore water, safeguarding public health and reinforcing metropolitan supply resilience. This initiative demonstrates commitment to meeting stringent drinking water standards.
- **Waiuku Reservoir Upgrades** - Expanding treatment capacity to 2.5m litres per day and integrating new infrastructure with existing bores to support population growth. The upgrade improves service reliability and security of supply, delivering better outcomes for residents.
- **Wairau Valley Pump Station Drives** - Modernising pump station drive systems to enhance operational efficiency, reduce maintenance risks, and ensure consistent wastewater management. This upgrade contributes to long-term reliability and cost-effectiveness for customers.
- **Waikato Arsenic Removal Process Improvement** - Upgrading chemical dosing and treatment processes to maintain compliance with health standards and secure a safe, reliable water supply from the Waikato source. This project underpins public confidence in water quality.

Design & Build:

Quarry Road Bulk Supply Point - Establishing a new bulk supply point in South Auckland to support population growth, improve network flexibility, and enhance water delivery capacity. This investment ensures the system can adapt to demand changes while maintaining consistent, high-quality service for households and businesses.

Construction phase:

- **Orakei Main Sewer (Auckland Zoo)** - Focused on rehabilitating critical sewer infrastructure within Auckland Zoo to reduce overflow risks and support environmental compliance.
- **Waiwera Water and Wastewater Servicing** - Delivers new water and wastewater conveyance infrastructure, including pump upgrades and a 4.6km rising main, to enable growth, maintain service reliability, and future-proof essential services for Waiwera.
- **Pukekohe North Transmission Wastewater Pump Station** - Constructs pump station and associated wastewater transmission upgrades in Pukekohe, enhancing capacity and resilience for future development.

- **Warkworth Growth Servicing** - Implements infrastructure to support residential and commercial growth in Warkworth, including wastewater network extensions aligned with regional planning.

A range of renewal programmes have commenced, contributing to ongoing infrastructure resilience and service reliability.

These starts mark important progress in Watercare's capital delivery programme and demonstrate our commitment to advancing projects that support long-term environmental and operational outcomes.

2.5 Programmes/projects added during the quarter

There have been no new projects added to the Charter period during the quarter.

2.6 Significant changes to deliverability risk

In the plan, Watercare identified several risks to deliverability. There have been no significant changes to the project specific risks identified in the plan in quarter 1.

There have also been no additional significant opportunities or additional risks identified in quarter 1.

Approvals

Management approvals

Prepared and reviewed by the following Watercare executive team members:

Michael Webster – Acting Chief Financial Officer



Approved by:

Jamie Sinclair – Chief Executive Officer



Board approvals

Approved by the board on 25 November 2025.

Statutory declaration

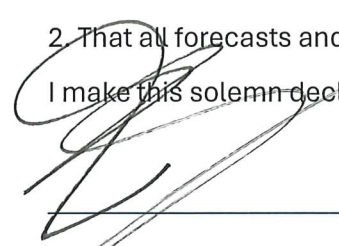
I, Geoffrey Stewart Hunt, Director and Chair of the Watercare Services Limited board, of Takapuna, Auckland, solemnly and sincerely declare:

1. That the following information in this report is true and accurate:

- all historical information disclosed in this report; and
- all historical information from which that disclosed information is derived; and

2. That all forecasts and estimates in this report are demonstrably reasonable.

I make this solemn declaration conscientiously believing the same to be true and by virtue of the Oaths and Declarations Act 1957.



Geoffrey Stewart Hunt, Declared at Auckland, 25/11/ 2025

Before me:



Barrister and Solicitor of the High Court of New Zealand, 25/11/ 2025

Matthew Stephen Hill
Solicitor
Auckland

Glossary

Direct costs

Direct costs are those costs directly attributable to the delivery of Water and Wastewater Services to our customers. In this report, we have divided these costs into Water and Wastewater costs.

Water costs

Water costs include all costs for the following functions:

Headworks – Costs associated with management and oversight of the infrastructure that captures and conveys raw water from our dams in the Hunua and Waitakere Ranges through to water treatment plants. Cost include labour, maintenance, energy associated with pumping water to the treatment plants and other operating costs such as land maintenance, laboratory testing, raw water quality management, and dam safety. It also includes costs associated with the management of the Hunua Forest catchment area.

Water treatment – The regulated process designed to ensure the safe, reliable and high-quality supply of drinking water to Auckland communities. The water treatment process includes screening, filtration, sedimentation, disinfection, and pumping of treated water into the supply system. Costs include labour, maintenance, energy, chemicals, sludge disposal and other operating costs such as laboratory testing, cleaning, plant operating expenses, and compliance operating and training costs.

Water transmission – The large-scale movement of treated water from water treatment plants to bulk supply points, reservoirs and local distribution networks that serve customers across Auckland. The transmission system is distinct from local networks as they are the large pipes that do not provide direct service to customers. Costs include labour, maintenance, energy, and other operating costs such as laboratory testing.

Water networks – Network water pipes are part of Watercare’s reticulated water supply system. While transmission mains move bulk water between treatment plants and reservoirs, network water pipes, deliver water from bulk supply points to local distribution zones and include smaller-diameter mains that connect to customer service lines. Costs incurred include labour, maintenance, energy and other operating costs such as laboratory testing.

Wastewater costs

Wastewater costs include all costs for the following functions:

Wastewater networks – Network wastewater pipes are generally local network sewers, gravity-fed, under 375mm in diameter, and serving residential and commercial areas. Costs include labour, maintenance, energy, chemicals and other operating costs such as laboratory testing.

Wastewater transmission mains – larger pipes that carry higher volumes through pipes with diameters greater than 375mm from local networks to wastewater treatment plants. Not all these are gravity fed and may include pressure rising mains used in conjunction with pumping stations to move wastewater uphill. Costs include labour, maintenance, energy and other operating costs.

Wastewater treatment – Refers to the comprehensive process of treating wastewater to a high standard before safely discharging it into the environment. The treatment process includes primary treatment, where solids are separated from liquids, secondary treatment, where biological processes break down organic matter, tertiary treatment (in some plants) where further filtration and disinfection is included to meet environmental standards, disposal where treated water is discharged into waterways or reused and biosolids are disposed of separately such as at the Puketutu Island rehabilitation site. Costs include labour, maintenance, energy, chemicals, sludge disposal and other operating costs including laboratory charges, land maintenance, cleaning and other plant operating costs.

Indirect costs

Indirect and overhead costs are expenses not directly attributable to the production of Water and disposal of Wastewater for customers but includes all other operating cost attributable to the operation of Watercare. These include:

Asset planning and delivery costs – including planning, designing, and delivering capital projects across water and wastewater services. Managing infrastructure assets from feasibility through to design, construction, commissioning, and handover. Costs include predominantly labour and professional services charges.

Digital costs – including management of all Watercare digital platforms and implementation of smarter technology to improve efficiency and resilience across the Watercare business. Costs include labour, software and digital managed service charges.

Operations oversight and management – including faults management, asset protection, integrity and oversight, property and fleet management, trade waste management, environmental care, maintenance management and water quality. Costs include labour, professional services, rent and rates, vehicle costs and plant professional and technical costs.

Insurance costs – include traditional indemnity insurance for loss or damage to our physical assets as well as cover for public and professional liability, directors’ and officers’ liability, damage to property during construction contract works, travel, and vehicles. Watercare also pays annual premiums into the Auckland Council Group self-insurance fund, covering cyber, employer liability, statutory liabilities, and standing timber.

Consent related costs – include annual compliance monitoring charges payable to Auckland Council to cover our wastewater discharges and water take consents.

Business support services – including HR, Finance, Customer Billing, Treasury, Executive and Governance oversight, Regulation management, Corporate Affairs, Procurement management, Enterprise Risk and Quality Management and Health and Safety. Costs include labour, professional services including legal services, stakeholder and iwi engagement, postage and printing, bank charges, audit fees and meter reading costs.