

Building for Day One and beyond

Annual Report 2026

Waikato Waters

Cover image: Waikato Waters board of directors and most shareholding mayors at the *Operations to Establishment* event on 9 June 2026.

Contents

About us	**3**
Our journey	3
Our company	4
Chair and chief executive's report	6
Our board and programme leadership team	8
Our regulatory environment	10
Our performance	**13**
Workstream one: People and capability	16
Workstream two: Finance, funding and commercial	18
Workstream three: Operations	22
Workstream four: Asset management and capital delivery	28
Workstream five: Governance and legal	30
Workstream six: Iwi	34
Workstream seven: Technology	36
Workstream eight: Communications	39
Financial statements	**42**
Audit report	79

About this report: The Auditor-General is the auditor of Waikato Waters. The Auditor-General has appointed Bruno Dente, using the staff and resources of Deloitte Limited, to undertake the audit of the service performance information and financial statements on the Auditor-General's behalf. The audit is carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.



A stream at Mount Pirongia, located within the Ōtorohanga district.

About us

Our journey

Our journey began in July 2023 when Waikato iwi chairs invited mayors from across the region to discuss ways to address shared water services challenges. This collaboration became known as Waikato Water Done Well. Through this process, participating councils developed a council-owned, council-controlled water services organisation model designed to deliver safe, reliable, and financially sustainable services while meeting new legislative and regulatory requirements.

The outcome of that process was the formation of Waikato Waters Limited, incorporated on 24 July 2025.

This Annual Report covers the period from incorporation through to 30 June 2026, a critical establishment year in which our organisation prepared for the start of operations on 1 July 2026. During this period, we focused on building the foundations required for the successful transition of water and wastewater services from our first tranche of shareholder councils.

As an establishment-year report, performance is assessed against the approved Establishment Plan and budget.

Our company

Vision:

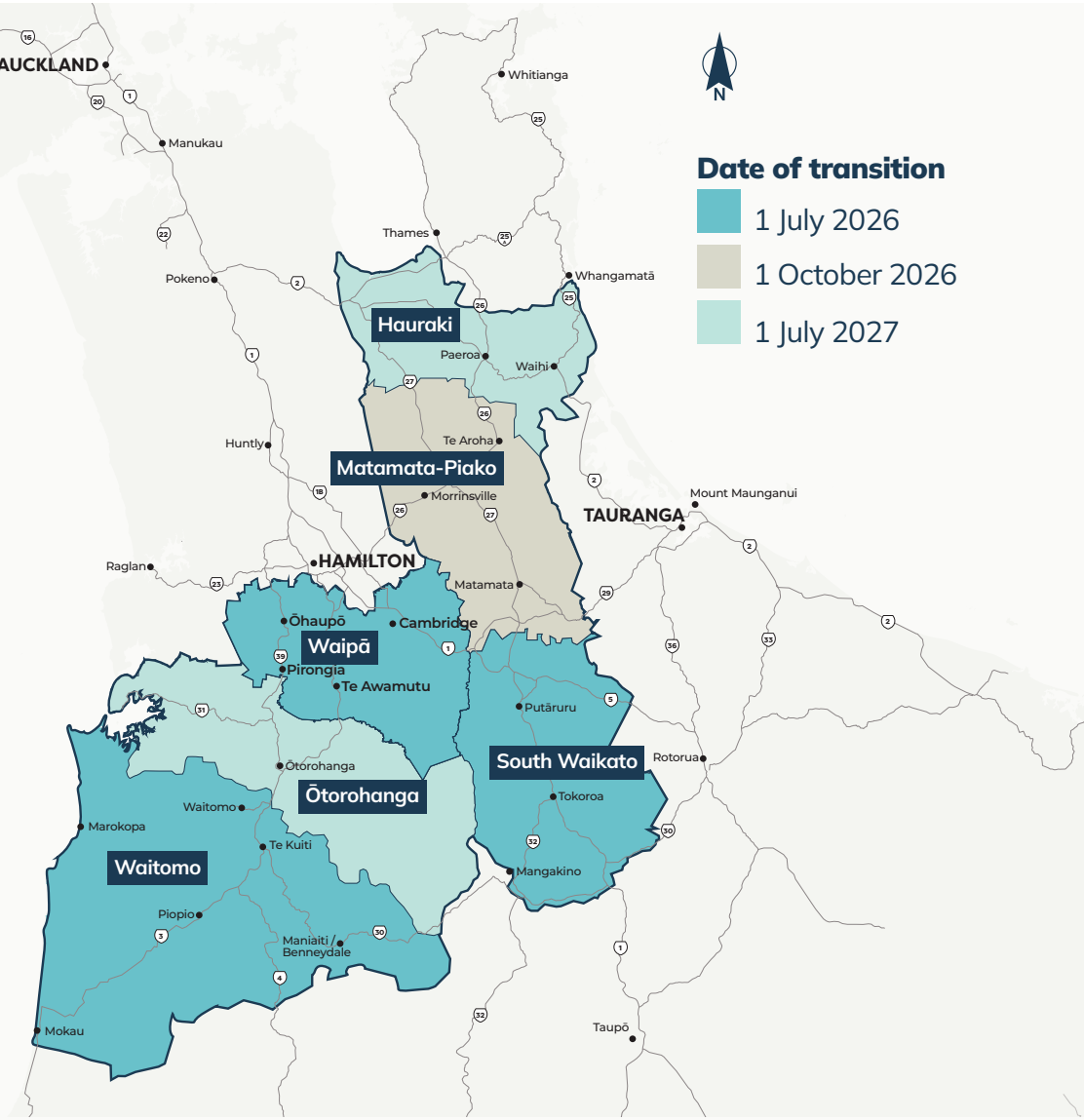
Te Mana o Te Wai, Te Mana o Te Tangata
Healthy Water, Healthy People

From 1 July 2026, we will progressively take responsibility for the water and wastewater services of six district councils: Waipā, Waitomo, South Waikato, Matamata-Piako, Hauraki, and Ōtorohanga.

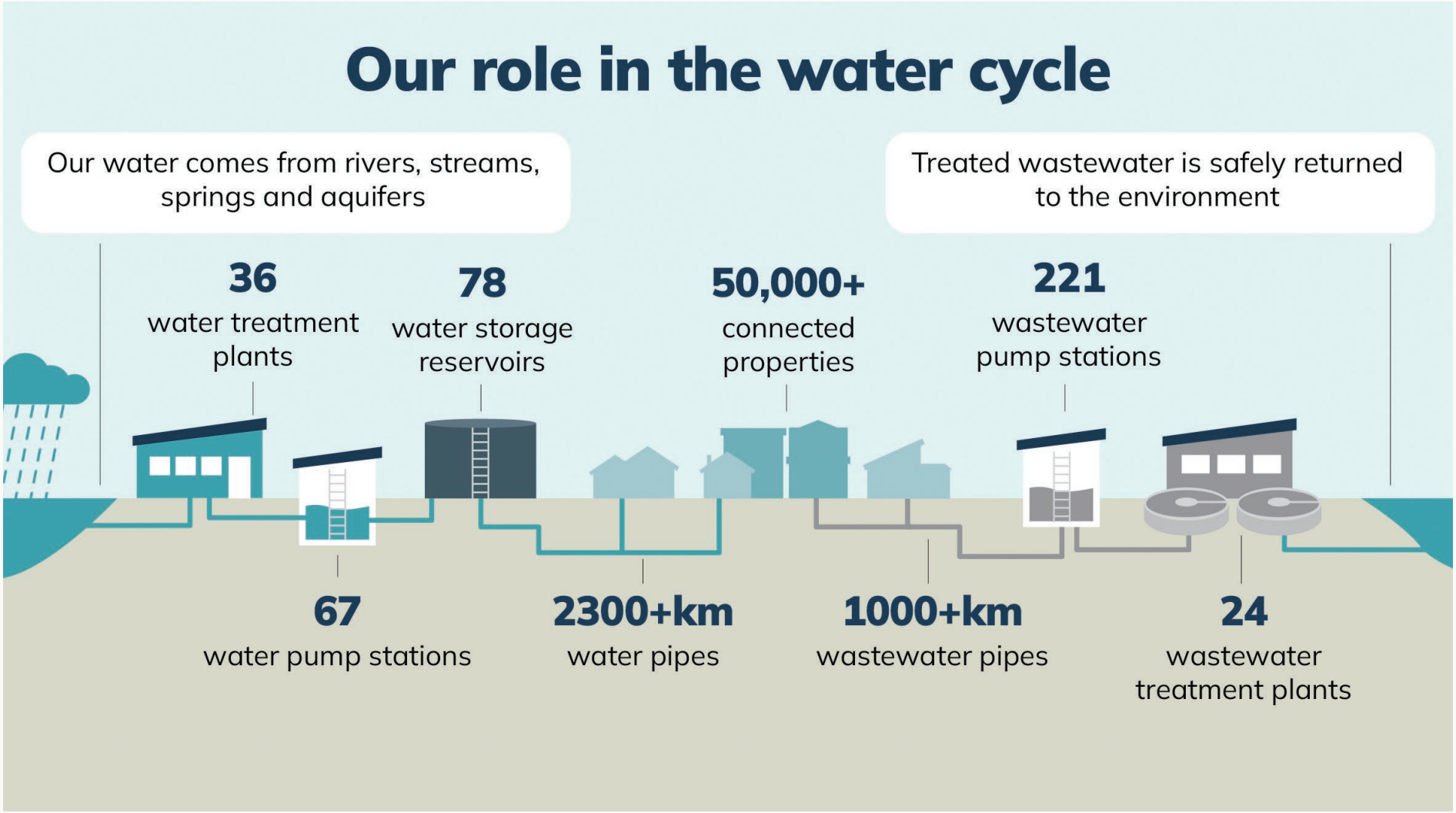
Once all council services have transitioned, we will serve approximately 170,000 people across communities stretching from coast to coast, from Marokopa to Whiritoa.

We will ultimately manage more than $1.5 billion in assets and deliver a long-term investment programme exceeding $3 billion. We will also build and strengthen meaningful relationships with the iwi and hapū who hold mana whenua and mana moana responsibilities across our area of operations.

Our work is guided by our vision which recognises the relationship between healthy water, healthy communities and the wellbeing of future generations. It shapes how we make decisions, care for our assets, and look after the places and people we serve.



Our area of operation.



Our span of operation, once all councils have transitioned.

Chair and chief executive's report

E ngā mana, e ngā reo, e ngā karangatanga maha puta noa i te rohe o Waikato, tēnā koutou katoa.

Ko te wai te toto o te whenua, ko te whenua te toto o te tangata.

To the authorities, the voices and the many callings across the Waikato region, greetings to you all.

Water is the blood of the land, and the land is the blood of the people.

This whakataukī reflects why Waikato Waters exists: to protect and care for wai on behalf of the communities, iwi and hapū who depend on it, now and for the generations who follow.

The 2026 financial period marks an important milestone in the history of water services in our region. It was dedicated to establishing Waikato Waters and preparing for operations starting on 1 July 2026, a milestone recognised by the Minister of Local Government, Simon Watts, on 9 June. While our operational journey formally begins after the close of this reporting period, the work completed over the past 12 months has laid strong foundations for an organisation built to deliver high-quality water and wastewater services for generations to come.

Getting to this point is an achievement everyone involved can be proud of. Less than a year ago, our shareholder councils signed the Shareholders' Agreement that formally established Waikato Waters as a joint council-controlled organisation. What followed was an 11-month establishment programme delivered in collaboration with six councils.

The establishment programme set the strategic objectives, scope and delivery approach needed to create a functioning organisation from 1 July. New systems and processes were put in place, data was transferred, suppliers were onboarded, governance and compliance frameworks were established, and a workforce of 131 people was assembled.

Throughout the year, our focus extended beyond programme delivery to readiness: testing whether Waikato Waters could perform its essential functions safely, legally and effectively across systems, people, suppliers, health and safety, financial controls and operational response. This work gave the Board confidence that the organisation was ready to begin operations on 1 July 2026.

Making the transition as seamless as possible for our communities and people has been a priority throughout. For customers, the experience will remain largely unchanged in year one, with councils continuing to deliver customer service and billing functions while we develop in-house capability. Many of our staff have transferred from shareholder councils, and for operational teams the daily work of running treatment plants and networks continues largely as before. Retaining this local knowledge is a strength, and our phased approach to customer services reduces risk.

From 1 July, Waikato Waters will provide water and wastewater services across Waitomo, South Waikato and Waipā districts, supplying around 27 million litres of drinking water a day. Within a year, our service area will extend to Hauraki, Matamata-Piako and Ōtorohanga, bringing responsibility for an asset base valued at greater than $1.5 billion.

Bringing six councils' water and wastewater operations together allows for a more integrated, catchment-based approach to water quality, environmental outcomes and regulatory compliance. We expect this to improve efficiency, support long-term affordability, strengthen workforce capability, and give communities greater visibility of the true cost of water services.

A key priority in year one will be developing a Water Services Strategy, setting a clear roadmap for responding to growth, climate challenges, environmental expectations and changing regulations while continuing to provide trusted and sustainable services.

We thank our staff, shareholder councils, suppliers, contractors and advisers for their contribution to this establishment journey. We also acknowledge our iwi partners and reaffirm our commitment to building long-lasting relationships with them.

The foundations are now in place. As Waikato Waters begins operations, we do so with confidence and a commitment to our vision: Te Mana o Te Wai, Te Mana o Te Tangata – Healthy Water, Healthy People.



Elena Trout
Chair



Neil Brennan
Interim chief executive

Our board and programme leadership team

Our board of directors brings a range of experience across governance, infrastructure, finance, regulation, and public service. Directors were appointed by the Shareholder Representative Forum on behalf of the partner councils.

Elena Trout, chair

Elena is a civil engineer and experienced company director with leadership roles across transport, infrastructure, and energy. She serves on boards such as Citycare, the New Zealand Local Government Funding Agency and WorkSafe. Elena is a Fellow of the Institute of Directors and a Distinguished Fellow of Engineering NZ.

Jaydene Kana, director

Ko Taupiri me Orangiwhao ngā maunga, ko Waikato te awa, ko Tahaaroa ngā roto, ko Tainui te waka, ko Waikato te Iwi, ko Ngāti Mahuta te hapū, ko Te Kōraha te marae. Jaydene is a chartered accountant and brings extensive experience in governance, finance, and iwi leadership, serving across public, private, and not-for-profit sectors. Her focus is ensuring that te ao Māori and community perspectives guide decision-making and uphold the mana of our region.

Jon Lamonte, director

Jon has significant experience in water and transport, including chief executive roles at Watercare, the Auckland/Northland water services entity, Sydney Metro, and Transport for Greater Manchester. He is a Fellow of the Chartered Institute of Logistics and Transport and a former Air Vice-Marshal in the Royal Air Force.

Programme leadership team

Our programme leadership team, led by interim chief executive Neil Brennan, was made up of eight workstream leads with strong subject-matter expertise. They were supported by a central programme management office. The total delivery team grew from 10 people in August 2025 to a peak of 58 people in March 2026.



Jon Lamonte, Elena Trout and Jaydene Kana at the Cambridge Wastewater Treatment Plant.

Our regulatory environment

We operate within a multi-layer regulatory environment that shapes our service obligations, asset standards, investment planning, and public accountability. The regulatory context reflects statutory requirements, national regulatory frameworks and regional obligations that apply to drinking water and wastewater services. The key frameworks include:

- drinking water and environmental regulation under the Water Services Act and resource management framework
- local government and water services legislation, including the Local Government Act and Local Government (Water Services) Act
- Treaty settlement and co-governance arrangements relevant to freshwater in the Waikato and Waipā catchments
- economic regulation and information disclosure under the Commerce Act, with the Commerce Commission as economic regulator.

The main legislation and regulatory frameworks are shown on the next page.

Key external policy drivers

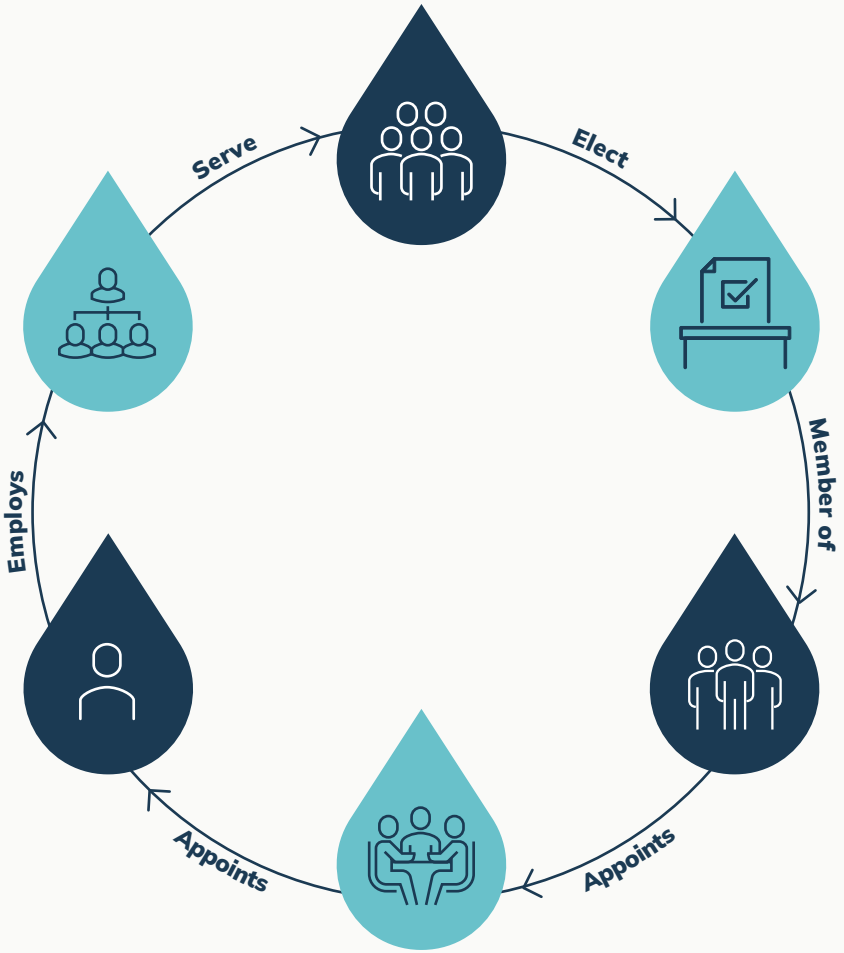
These policies shape growth, environmental outcomes, infrastructure planning and cultural obligations:

- Te Ture Whaimana: this is the vision and strategy for the Waikato River which is given the highest level of statutory weight in regional and district planning instruments, and must be given effect to in decisions affecting the Waikato and Waipā rivers and their catchments. Te Ture Whaimana sits alongside Te Mana o Te Wai in shaping how we protect environmental and cultural values and prioritises the mauri of water in its planning and investment decisions.
- The Waikato River settlement and associated co-governance arrangements which establish obligations for decision-making that recognise the role of iwi, treaty partners, and joint management agreement processes where applicable. We must ensure our long-term planning and engagement practices align with these expectations.
- Applicable government policy statements and national direction relevant to growth and infrastructure investment (e.g. housing and urban development settings).

Note: Our internal policies on sustainability, resilience and community engagement are addressed through the asset management framework and organisational governance sections of our Strategic Asset Management Plan, rather than being regulatory drivers.

Legislation	Summary
Water Services Act 2021	Establishes regulatory requirements for drinking water safety and environmental performance of water services.
Local Government (Water Services) Act 2025	Provides the legal framework governing the ownership, governance, operations, financial sustainability, regulatory obligations and accountability for delivering water services.
Local Government Act 2002	Sets out the framework for local governance, including infrastructure and service delivery responsibilities.
Local Government Official Information and Meetings Act 1987	Confirms that water organisations are subject to LGOIMA's requirements for access to official information and openness and transparency in its decision-making, including the requirements governing meetings and public access to information, subject to the statutory grounds for withholding information or excluding the public.
Resource Management Act 1991	Govern land use and environmental management, including water resource consents and environmental protection.
Treaty settlement legislation relevant to the Waikato region	Recognises treaty partner rights and interests in freshwater and establishes co-governance arrangements.
Commerce Act 1986	Applies to economic regulation and information disclosure.

Our communities
We exist to serve our communities and meet their water needs.



Staff
Our dedicated team works to deliver essential water services.

District council mayors
Mayors are elected by their communities to represent their districts.

Waikato Waters chief executive
The chief executive is appointed by the board to lead the organisation.

Shareholder Representatives Forum
The forum represents the interests of shareholders (our member councils).

Waikato Waters board of directors
The board provides strategic leadership and oversight.

Our performance

Performance highlights





127
Actions delivered



300+
Suppliers onboarded

$18.5m
Cost of establishment



131
Permanent staff recruited

6


Core business systems delivered



61k+
Council documents and artifacts migrated



1st
Water organisation to secure LGFA funding



34
Active infrastructure projects transferred

Throughout the period to 30 June 2026, we were focused on our primary objective: being ready to start operations on 1 July 2026.

The actions required to achieve this objective were set out in the Establishment Plan, adopted by the inaugural Board on 25 July 2025. The plan provided the roadmap for establishing the organisation, transferring staff and services, implementing systems and processes, and ensuring operational readiness from day one.

Success on Day One was defined in the plan as:

"Uninterrupted drinking water and wastewater services, meeting operational compliance reporting needs, staff who are confident and correctly paid, and a company with the cashflow, systems and decision-making authority to operate independently while keeping a clear local voice for each shareholder council."

The Establishment Plan identified five strategic outcomes that would guide decision-making and measure success throughout the establishment period.

To deliver these strategic outcomes, we established eight integrated workstreams with functional pillars and objectives.

The following sections state performance against these objectives.

Strategic outcome	Description
Financial sustainability	Create scale and change to enable significant investment required to deliver efficient and financially sustainable services that comply with regulatory requirements and enable urban development.
Leading workforce	Create the conditions to build and sustain a highly skilled, adaptable and world-leading water workforce that can innovate and collaborate to drive outcomes for Waikato.
Customer focus	Be customer focused, leveraging new technologies, while also building customer awareness of their role in the water system and the value of water.
Local influence	Ensure local voice is represented in critical decision-making around water investment and management across the region, including decisions in relation to water takes and water discharges.
Delivering on expectations	Meet the expectations of key partners and stakeholders including those represented in treaty settlements. Protecting public health and the environment.



Mayors and chief executives from shareholding councils join staff from Waikato Waters for a Day One photo.

Workstream one: People and capability

Purpose

The purpose of this workstream was to put in place a workforce capable of delivering on the organisation's vision. Consistent with the establishment programme's people-first principle, we set out to build the best team in the sector: to transfer council staff smoothly so they began their careers here optimistic and enthusiastic, and to recruit the best available talent into remaining vacancies. Our people would play a critical role in our success on Day One and in maintaining continuity of service for customers and communities.

The primary objective was to ensure every transferring employee had clarity about their future role, confidence in the transition process, and the assurance that they would be paid correctly from their first day with Waikato Waters.

What was delivered

We established the workforce and people systems needed to ensure continuity of service from Day One. Guided by a people-first approach, our focus was on providing certainty for transferring staff, recruiting critical roles, and creating a positive employee experience from the outset.

Our organisational structure was confirmed in February 2026, and over the following months we recruited 131 permanent employees through job-guarantee, offer-guarantee, ring-fenced and open-market processes. An interim chief executive was in place for Day One, with the permanent chief executive appointed to start in October 2026. Most tier two leadership positions were filled before Day One and, where vacancies remained, acting arrangements were put in place.

Supporting staff through the transition was a key priority. Every transferring employee was supported by a dedicated change partner, providing personalised assistance throughout the interview, appointment and offer process. We also maintained regular communication through staff webinars and the online Transition Hub, which provided information on available roles, terms and conditions, policies, FAQs and opportunities to register interest in positions. Shortly before Day One, employees completed an induction programme covering health and safety, people policies, systems and reporting tools.

We successfully established our payroll and people systems ahead of Day One. From 1 July 2026, staff gained access to self-service payroll functionality through the Datapay app, including payslips and leave balances.



Waikato Waters buyer Blandine Chilese and Sonny Karena of Ngāti Hauā share a hongi at a pōwhiri to welcome staff on Day One.

Function	Objective for Day One	Outcome
People operations	• Payroll runs right, first time - every employee is paid correctly from Day One. • All transferring pay and leave entitlements are visible in the payroll system/HRIS. • Complete human resources policy suite (employment conditions, leave, assistance, etc.) is approved and available. • Every transferring employee has completed training for new systems and processes.	**Achieved**
Organisation design and recruitment	• Board and chief executive are in place and active on Day One. • Organisation structure is approved, costed and published; employment agreements issued, and all key vacancies filled. • Every employee knows their confirmed role title, reporting line, and job description. • Tier two executives recruited and transferred and ready to lead. • Strategic workforce planning framework prepared and ready to commence post Day One.	**Achieved** Where key vacancies were not filled with permanent staff by Day One, they were covered. The strategic workforce planning framework was not considered necessary for Day One.
Staff transition and employee relations/ industrial relations	• Every eligible council employee has been consulted, issued a transfer or offer letter, and, where accepted, formally transfers to Waikato Waters on Day One under the correct terms and conditions. • Industrial relations strategy is developed, and bargaining timetable agreed so negotiations can start following Day One with unions. • Dispute resolution protocols and transition guidelines are in force, giving staff a clear avenue for questions or concerns. • Change management communications have kept staff informed and engaged.	**Achieved**

Workstream two: Finance, funding and commercial

Purpose

The purpose of this workstream was to establish the financial, commercial and operational foundations required for us to operate as an independent organisation from Day One.

This included securing long-term funding, implementing financial management systems, supporting the development of council transfer agreements, establishing billing and supplier arrangements, securing office accommodation, and putting in place the property, fleet, insurance and procurement frameworks required to support operations.

The workstream also monitored emerging economic regulation requirements and prepared the organisation to meet any Day One obligations.

What was delivered

We established the financial and commercial foundations needed to operate independently from Day One. We secured funding arrangements with the New Zealand Local Government Funding Agency, including an opening debt facility that was drawn down on Day One. A working capital facility was also secured to provide access to an alternative source of capital if required. We developed and gained approval for our first finance plan and operating budget, working closely with the councils to understand existing operations, risks and opportunities. A delegated authority policy was in place by Day One, and insurance contracts held by tranche one councils were novated to us.

We onboarded more than 300 suppliers from councils, ensuring continuity of goods and services from Day One. Our procurement policy, data and systems were ready for use by the business, and staff received training to support effective engagement with suppliers. We also secured and fitted out office accommodation, completed fleet and property transfer preparations, and established the supporting commercial frameworks required to operate the organisation.

We worked proactively with the Commerce Commission to ensure all reporting requirements were met. To provide a seamless transition for customers, billing arrangements were agreed with councils, with councils continuing to manage customer billing and enquiries on our behalf during Year One while revenue is transferred to us under agreed service arrangements.

Function	Objective for Day One	Outcome
Treasury	• Long-term funding arrangements in place with LGFA and councils. Debt facility in place. Sufficient working capital available for operations.	**Achieved**
Insurance	• All required insurance policies in place are ready for Day One commencement.	**Achieved**
Financial management	• Three-year budget and associated funding in place for Waikato Waters. All financial management activity reflected within a financial management system with processes in place. Organisational budgets and accountabilities including delegated financial authority in place and operational.	**Achieved**
Procurement	• Interim procurement processes and systems are in place such that there is smooth transition from councils to Waikato Waters and field spares and stores are transferred. Suppliers continue work as usual and staff are able to engage suppliers. • Contract management in place across maintenance, operations and infrastructure.	**Achieved**
Property and fleet	• Necessary external leases are in place (and recorded) for operations to commence. Agreements with councils where they retain ownership of property while Waikato Waters staff are working there. Land and infrastructure are included in transfer arrangements. Critical staff have access to (branded) vehicles and equipment on Day One. Staff have a clear 'home' office location.	**Achieved**
Economic regulation	• Relationships in place with regulators. Plans and process in place to deliver on Day One regulator reporting requirements (if required).	**Achieved**

Function	Objective for Day One	Outcome
The function below involved councils in its delivery		
Billing and customer receipts	• There is an overarching agreement in place between each council and Waikato Waters for the provision of services. Cross organisational systems and processes are tested and reliable. • Customers continue to be billed correctly for services (by councils). Receipts are received by councils and passed to Waikato Waters once a month and customers' debts are appropriately followed up and managed.	**Achieved**



Supporting supplier readiness was a key focus during the transition to the new organisation. In April, more than 230 contractors, consultants and suppliers attended a future supplier event in Karapiro to learn about expectations, ask questions and prepare for the transfer of services from the six shareholding councils. The event reinforced the critical role suppliers would play in maintaining business continuity, while a new supplier portal enabled efficient onboarding and helped ensure timely payment as services transferred.

Workstream three: Operations

Purpose

The purpose of this workstream was to facilitate the seamless transition of water and wastewater operations from shareholder councils to our organisation on Day One, guided by the principle of minimal change for people, duties and operational processes. Changes were only introduced where necessary to address customer service, safety or compliance risks.

What was delivered

This workstream ensured the workforce was in place, informed and ready to continue delivering water and wastewater services from Day One. Consistent with the transition principle of minimal change, most operational staff transferred from shareholder councils and continued working from the same locations, treatment plants and networks they had operated previously. Some functions, including compliance and work programme coordination, were established in head office.

We established the compliance, risk, and health and safety foundations needed to support the new organisation from Day One. This included implementing an operational compliance strategy, developing critical business policies, and establishing an enterprise health and safety management framework. An operational risk assessment and risk register were completed, with management plans put in place to address identified risks and critical gaps. The DoneSafe health and safety system was introduced to support incident, inspection and hazard reporting, and health and safety obligations formed part of the induction programme for transferring staff. Rollout of an enterprise compliance system will continue after Day One.

Operational resilience was strengthened through the development of business continuity, incident management, emergency management and lifelines plans, supported by readiness testing with tranche one councils.

The workstream also established key customer service and operational arrangements. Service agreements were put in place with tranche one councils to provide customer contact centre services on behalf of Waikato Waters, maintaining councils as the primary connection point for customers. Customer complaints policies and processes were established, a works coordination team was created to manage service requests, and a trade waste framework was approved and implemented ahead of Day One.

Function	Objective for Day One	Outcome
Operations and maintenance	• No change to staff locations or facilities on Day One. • Base drinking water and wastewater operations do not change on Day One (i.e. field staff remain in current locations and no changes to current operations albeit they are now employed by Waikato Waters).	**Achieved**
Stormwater	• A stormwater management services agreement (with clarity on scope, terms and respective rights and obligations) is in place with each council that is transferring its operations into Waikato Waters on Day One and that wishes to receive stormwater management services from Waikato Waters.	**Not applicable** None of the shareholder councils elected to transfer stormwater management services.
Compliance	• Ensuring provided services are compliant (water and wastewater), with policies and resource consents in place to meet. • Regulators endorse compliance strategy. • All key risks for Day One and beyond have been identified and mitigations or contingency plans are in place. • Reporting requirements and mechanisms in place and operational to meet regulatory requirements.	**Achieved**

Function	Objective for Day One	Outcome
Health and safety	• Employee safety is a key priority for Waikato Waters. • Board have confidence legislative requirements are met. • Health and safety plans are in place and accessible. • All staff must be able to log, manage, monitor and report against all incidents because of Waikato Waters operations. • All staff are trained and aware of health and safety liabilities and obligations.	**Achieved**
Incident management	• Waikato Waters can direct and coordinate the effective resolution of a major incident that affects customers, communities, staff or assets. • Business continuity and incident management plans are clearly defined and in place to ensure critical business operations are not disrupted, enabled by Coordinated Incident Management System training.	**Achieved**
Customer relationship	• Customers are clear on their contractual relationship with Waikato Waters and transitional activity of council (billing, etc.). • Customers receive a seamless service, maintaining existing points of contact through councils.	**Achieved**
Trade waste	• Agreements related to trade waste are transferred (novated), with ability to manage trade waste across Waikato Waters boundaries in alignment with partnering council bylaw provisions.	**Achieved**

Function	Objective for Day One	Outcome
The following functions will be performed by councils initially		
Emergency management	• Waikato Waters will engage with the Waikato Civil Defence Emergency Management (CDEM) to ensure that in the event of an emergency and / or civil defence event that the Waikato Waters role is documented, understood and able. • Waikato Waters will meet the requirements of CDEM lifeline utility expectations (e.g. utility liaison contacts, etc).	**Achieved**
Developments and new connections	• There will be an overarching agreement in place between each council and Waikato Waters for the provision of service to Waikato Waters, enabling developments/new connections to continue.	**Achieved**
Customer call centre and other customer contact channels	• There will be an overarching agreement in place between each council and Waikato Waters for the provision of customer contact services to Waikato Waters. • Process design for call transfer, workflows, complaints will be established.	**Achieved**

Case study:
Building a culture of compliance

A key priority during our establishment year was creating the systems, capability and relationships needed to meet regulatory obligations from Day One and build a pathway toward full compliance over time.

Compliance plays a critical role in protecting public health, safeguarding the environment and maintaining community trust. Ahead of operations commencing on 1 July 2026, work was undertaken to establish a dedicated compliance function and develop a clear understanding of regulatory responsibilities across the organisation.

This included establishing a regulatory baseline for drinking water and wastewater operations, covering resource consents for water abstraction and wastewater discharge, as well as compliance with the Water Services Authority Taumata Arowai's Drinking Water Standards and Quality Assurance Rules.

Recognising that we inherited a diverse portfolio of assets from across the region, our focus was not only on understanding current compliance obligations but also identifying future risks and priorities. This work helped establish a clear roadmap for addressing regulatory requirements, supporting investment decisions and improving performance over time.

Strong relationships with regulators were also a priority. Engagement with Waikato Regional Council and Taumata Arowai helped ensure reporting requirements, compliance expectations and future obligations were clearly understood ahead of Day One.

Compliance was embedded as an organisation-wide responsibility, requiring close collaboration between operational teams, infrastructure planning specialists, consenting experts and leadership. Consideration was also given to emerging challenges, including the potential impacts of dry weather conditions on water resources and service delivery.

By Day One, we had established the foundations needed to monitor, manage and report on our compliance obligations. While achieving full compliance across a large and complex asset base will be an ongoing journey, the work completed during the establishment year provided a strong starting point for delivering on our organisation's commitment to Te Mana o Te Wai, Te Mana o Te Tangata – Healthy Water, Healthy People.



Waitomo treatment team leader Christo de Beer.

Workstream four: Asset management and capital delivery

Purpose

The purpose of this workstream was to facilitate the transition of asset management and capital delivery functions to our company on Day One and ensure we had the people, tools and resources to manage the transferred functions for the first two years or until we are ready to implement new systems, processes and policies.

The workstream was to provide a base level of information from which to start future planning and mitigate key workstream establishment risks.

What was delivered

This workstream established the people, information and arrangements needed to manage transferred assets and capital delivery activities from Day One. This included the successful transition of the capital delivery programme, with 34 in-flight projects transferred and arrangements put in place to support their ongoing delivery.

Strategic resource consent information was transferred and consolidated, providing visibility of key requirements, dependencies, risks and renewal timeframes. Foundational asset information, planning frameworks and investment arrangements were also established, creating a baseline for Day One operations and future asset planning.



A wastewater treatment plant in Te Kūiti that transferred to Waikato Waters.

Function	Objective for Day One	Outcome
Asset management and planning	• An asset register is in place. • A condition assessment is completed of critical assets (with mitigations in place). • Pipeline of projects (for 12 months post Day One) is confirmed by the Waikato Waters Board (based on council Long-Term Plans) - with process for confirming handover to capital delivery in place. • Board has approved an asset strategy and a medium-term investment plan.	**Achieved**
Capital delivery	• Capital delivery of in-flight projects and new projects continues (seamless handover). • A virtual Project Management Office (PMO) is operational and is used as vehicle to transition to full PMO with accountability for all Waikato Waters projects. • High degree of confidence that the first two years of amalgamated Long-Term Plan projects will be delivered.	**Achieved**
(Strategic) resource consents	• Waikato Waters has an understanding, and a record and ownership of strategic resource consents required to deliver services (operational e.g. water take, wastewater discharge, network discharge) including dependencies between services and consents, risks, timing of expiry/renewals - including those extended by application of legislation.	**Achieved**

Workstream five: Governance and legal

Purpose

The purpose of this workstream was to establish the governance, legal and accountability foundations required for Waikato Waters to become operational. This included developing governance frameworks, policies and decision-making processes, and completing the legal and commercial arrangements necessary for the transfer of water services from tranche one councils.

What was delivered

We established the governance, legal and accountability foundations needed to support Waikato Waters from Day One. This included putting in place the governance framework, policies and procedures required to support effective decision-making, strategic oversight and organisational accountability.

We established our initial independent governance structure through the appointment of a Board Chair and two directors from 1 September 2025. An interim Chief Executive was appointed in January 2026 to lead the organisation through its establishment phase, ahead of the permanent Chief Executive starting in October 2026.

We developed an initial governance manual for the Shareholder Representatives Forum (SRF), providing clarity around governance processes, roles, responsibilities and decision-making. Since Day One, we have continued to work closely with the SRF to support the development of our first Statement of Expectations and the appointment of additional directors.

A significant achievement was the completion of transfer agreements with tranche one councils. Extensive work was undertaken to transfer property interests, novate contracts, and document the assets, liabilities and obligations transitioning to Waikato Waters. Post-completion service agreements were also established, providing clear expectations regarding service scope, service levels, commercial arrangements and relationship management processes between councils and Waikato Waters.

We documented shared-interest arrangements with councils to clarify the respective roles and responsibilities of each party in meeting ongoing statutory obligations. While a small number of more complex matters identified through the transfer process remain subject to ongoing resolution, councils and Waikato Waters continue to work collaboratively to achieve agreed outcomes.

We also started several longer-term governance and assurance initiatives to support organisational maturity, including bylaw reviews with councils, implementation of the ComplyWith compliance management system, and further development of the enterprise risk framework and internal audit strategy.

Function	Objective for Day One	Outcome
Governance	• Effective governance secretariat in place supporting the Board and SRF with process underway for first Statement of Expectations. • Offering support to SRF for an operational board to be in place (minimum five and maximum seven) (building on Establishment Board appointments made in August 2025). • Clarity on roles, responsibilities and decision-making framework. • Chief executive appointed with effective delegations.	**Achieved** The SRF agreed to defer the appointment of additional directors until after 1 July 2026, with this process now underway.
Legal	• All transfer agreements for tranche one councils are completed (with relevant schedules). • Legal capability in place with understanding of legislative and compliance framework. • Service arrangements in place with clarity on scope of services and level of service to be provided by council to Waikato Waters, and the price payable by Waikato Waters to council. • Engagement with regulators (with other workstreams) to ensure regulators endorse compliance strategies. • Clarity on contracts that Waikato Waters holds with third parties, whether entered into during the establishment period or novated under the terms of a transfer agreement. • Clarity on property arrangements and tenure to land on which all transferring over ground assets are located.	**Achieved**
Risk	• Waikato Waters can effectively identify and manage risks of all owned/controlled assets and services/capabilities. Risk management plans are embedded within Waikato Waters, with the board owning its risk management policy.	**Achieved** Risk management plans and processes have been embedded in Waikato Waters, however no formal policy was in place.

Case study:
Making the transition easy for customers

Ensuring a smooth and seamless transition for customers was one of our key priorities as we prepared to start operations on 1 July.

To provide continuity and minimise disruption, we established service level agreements with our tranche one council partners so they could continue delivering billing and frontline customer services on our behalf. This approach ensured customers could continue accessing services through familiar council channels while we built our own capabilities and systems.

We also introduced a customer contract that clearly sets out what customers can expect from us, and what we need from them. The contract reflects our commitment to providing reliable services, clear communication and a positive customer experience.

To support customers through the change, we launched a customer-focused website designed to make information easy to find and understand. The website explains our role and responsibilities while directing customers back to their local council for day-to-day customer service enquiries and billing matters.

Working closely with our council partners, we delivered a region-wide Waikato Waters is coming campaign ahead of go-live. Featuring council staff from across the six council areas, the campaign reinforced the collaborative approach behind the transition and provided reassurance that councils and Waikato Waters were working together to support customers. Customers also received information about the upcoming changes through inserts included with their rates bills, as well as articles in local newspapers and other community communication channels.



A poster that formed part of the Waikato Waters is coming campaign.



Work programme coordinator Jade Fataaiki transitioned to Waikato Waters from Waitomo District Council on 1 July 2026. To ensure a seamless experience for customers, councils continue to provide frontline customer services, while Jade coordinates responses to service requests between council customer service teams and Waikato Waters field crews.

Workstream six: Iwi

Purpose

The purpose of this workstream is to support our establishment by building a strong foundation between us and iwi so that the potential strategic long-term benefits of this relationship can be realised.

What was delivered

Through our transfer agreements, we acknowledged the importance of council-iwi relationships, treaty settlement arrangements, and our commitment to working with iwi and councils to give practical effect to these obligations. We also identified and mapped relationships with key regional co-governance entities and authorities, including Joint Management Committees, the Waikato River Authority, the Hauraki Gulf Forum, and the Waihou Piako Coromandel Catchment Authority. This provides a foundation for future engagement, collaboration, and shared stewardship of the region's water resources.

Recognising that meaningful partnerships are built over time, strengthening relationships with iwi partners has been identified as a Year One priority, supported by active chief executive and Board-level engagement.

Function	Objective for Day One	Outcome
Iwi	• Shareholding councils and affected iwi have agreed on how to work together to achieve mutually beneficial outcomes. • This workstream gives effect to the planning principle of honouring existing relationships and obligations to hapū and iwi partners and providing clarity on how iwi chairs will engage with the Shareholder Representative Forum. • Waikato Waters has established initial relationships with existing co-governance entities / authorities of the region including joint management committees, the Waikato River Authority, Hauraki Gulf Forum and the Waihou, Piako, Coromandel Catchment Authority.	**In progress** The agreement on how iwi will be involved in shareholder decision making is a matter for the SRF to agree with iwi.



*On 9 June, at the **Establishment to Operations** event, Local Government Minister Simon Watts, mayors from the shareholding councils, Waikato Waters Board members, and iwi representatives planted a kōwhai tree near the banks of the Waikato River. The tree symbolises a shared commitment to fostering enduring relationships with iwi and building strong partnerships for the future.*

Workstream seven: Technology

Purpose

The purpose of this workstream is to establish the core technology environment for Waikato Waters, including foundational infrastructure, key transactional systems, and data/reporting platforms. It will also manage the migration of essential data from councils and ensure staff have the necessary tools, devices, and property-related tech (e.g. meeting rooms, networks) for day-one operations.

For operational technology (OT), the workstream will enable Waikato Waters staff access to manage networks and facilities, while the OT systems (e.g. SCADA, instruments) will remain with councils to be transitioned to Waikato Waters in time.

What was delivered

We delivered the technology environment needed to operate from Day One. All Day One objectives were achieved, except for the data platform, which was removed from the scope of deliverables.

We established core systems of record across asset management, financial management, people management, payroll, health and safety, GIS, and operational compliance. Supporting technical integrations were completed, and essential data was migrated from councils. Payroll readiness for transitioning staff was confirmed through parallel pay runs ahead of Day One.

More than 61,000 documents and artefacts were migrated, and processes were agreed with councils to enable staff access to historic information that was not transferred. Our people were equipped with the devices, productivity tools and network access needed to perform their roles from the first day of operations, supported by IT service delivery, cyber security, and IT operations capabilities.

As planned, operational technology remains hosted within council environments. Our staff have the access required to operate water and wastewater networks and treatment plants, while councils continue to maintain these systems on our behalf as arrangements for future transition are finalised.

Function	Objective for Day One	Outcome
Systems of record	• Minimum core system of record capability is in place for Day One across asset management, operational compliance, financial management, people management, health and safety, payroll and GIS. Minimum set of data has been migrated from councils and is available in core systems. Processes are agreed and in place for Waikato Waters' staff to access council-held historic data.	**Achieved**
Corporate systems	• Waikato Waters' staff have access to the devices and user productivity systems and data required to do their jobs. Minimum capabilities are in place for IT support, cyber security and IT operations (e.g. network and cloud management). Waikato Waters' directors and other Waikato Waters' governance stakeholders have secure access to governance materials.	**Achieved**
Operational technology	• Operational technology can be accessed by Waikato Waters' staff to operate water/ wastewater networks and plants. • Councils continue to manage and maintain operational technology on behalf of Waikato Waters.	**Achieved**
Data platform and reporting	• Data and reporting capabilities are in place for Waikato Waters to meet operational and compliance reporting needs from Day One. Processes exist for Waikato Waters to access historic council-held data. Existing council water and wastewater network models are available to Waikato Waters.	**Not applicable** This objective was removed from the scope of deliverables.
Information management	• Minimum set of historic data and information (e.g. documents/artefacts) has been migrated for day one. Processes exist for access to historic data / information that is not migrated.	**Achieved**

Function	Objective for Day One	Outcome
The following functions were envisaged to be provided by councils.		
Operational technology	• Operational Technology (OT) solutions (software, infrastructure, hardware, instruments and networks) will continue to reside in the council technical environment. A remote access solution will be implemented to allow Waikato Waters staff to access OT. Arrangements and SLAs for maintenance and support of OT will need to be agreed with councils.	**Achieved**

Workstream eight: Communications

Purpose

The purpose of this workstream is to support the successful establishment of Waikato Waters Ltd through the creation, maintenance and monitoring of excellent processes, practice and delivery for internal and external communication.

What was delivered

We delivered a communications programme to support the successful establishment of Waikato Waters and ensure stakeholders, iwi partners, staff, and communities remained informed throughout the transition.

We developed a brand identity and applied these consistently across internal and external touchpoints. This included fleet vehicles, uniforms, property signage, the Waikato Waters website, and customer communication materials, helping to establish a clear and recognisable presence from Day One.

We established key external communication channels, including a social media presence to support community engagement during our first year of operation, while councils continue to provide frontline customer services on our behalf.

We maintained regular communication with stakeholders, elected members, and iwi partners through the Kōrero Wai newsletter, ensuring visibility of progress throughout the establishment programme. In April 2026, we introduced NewsSplash, a dedicated newsletter for council staff transitioning to Waikato Waters, providing targeted information and support during the change process.



Water operations manager Melisha Pillay featured in both the 'Waikato Waters is coming' and 'Waikato Waters is here' campaigns as a staff member joining from a shareholding council.

Function	Objective for Day One	Outcome
Communication	• Overall public sentiment about change is at least neutral. • Te Tiriti partners are supportive of the approach. • Elected members are across key messaging. • Stakeholders are aware of WWDW and media/opinion leaders are neutral to positive about Waikato Waters. • Waikato Waters and council staff are fully informed as needed. • External communication channels are established. • Branding is in place and consistently applied. • Customers do not notice any significant change. • A crisis communication plan is in place. • Key milestones have been acknowledged/celebrated.	**Achieved**

Case study:
Cementing strong relationships

Establishing Waikato Waters required strong partnerships and open communication across many stakeholders, including elected members, council staff, iwi, suppliers and the communities we serve.

Throughout the year, a deliberate focus was placed on keeping people informed as the organisation took shape. Quarterly Shareholder Representatives Forum meetings provided oversight and strategic direction, while fortnightly meetings between council chief executives and Waikato Waters leadership ensured decisions could be made collaboratively and issues addressed early. Regular meetings between council transition managers and Waikato Waters workstream leads helped maintain momentum, track progress and provide transparency as key milestones were delivered.

Regular editions of Kōrero Wai, an external newsletter distributed to around 600 stakeholders, iwi and shared with council staff, provided updates on progress and milestones.

This structured approach strengthened relationships across all levels of the programme and ensured the transition remained aligned with the expectations of our six shareholder councils.

On 9 June 2026, representatives from iwi, councils and Waikato Waters gathered at the Cambridge Wastewater Treatment Plant to mark the organisation's upcoming transition from establishment to operations. The event celebrated the collective effort that had brought Waikato Waters to that point. Local Government Minister Hon Simon Watts delivered the keynote address, acknowledging Waikato Waters as one of the first organisations established under the Government's Local Water Done Well programme.

The event reflected the spirit of collaboration that underpinned the establishment of Waikato Waters.



*Local Government Minister Simon Watts speaking at the **Establishment to Operations** event on 9 June 2026.*

Financial statements

Responsibility for the financial statements and statement of service performance

Financial statements

We have ensured that the financial statements, consisting of the items below, fairly reflect the financial position of the company as at 30 June 2026.

- Statement of Financial Performance for the period ended 30 June 2026
- Statement of Financial Position as of 30 June 2026
- Statement of Changes in Equity for the period ended 30 June 2026
- Statement of Cash Flows for the period ended 30 June 2026
- Notes to the Financial Statements for the period ended 30 June 2026

They comply with generally accepted accounting practice in New Zealand ("NZ GAAP") and Tier 1 PBE accounting standards. All statutory requirements as outlined in the Local Government Act 2002 and the Companies Act 1993 have been met.

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

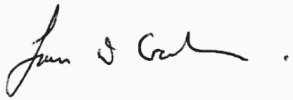
We consider the results reported in the Statement of Service Performance fairly reflect the achievements for the period ended 30 June 2026.

These financial statements and the Statement of Service Performance for Waikato Waters Limited for the period ended 30 June 2026 were approved and authorised for release on 30 September 2026.

For and on behalf of management:



Neil Brennan
CHIEF EXECUTIVE (INTERIM)



James Graham
CHIEF FINANCIAL OFFICER

For and on behalf of the Board:



Elena Trout
CHAIR OF THE BOARD

Statement of Financial Performance

For the period 24 July 2025 to 30 June 2026

	Notes	2026 Budget $000's	2026 Actual $000's	2025 Actual $000's
Revenue				
Interest revenue		0	86	0
Total revenue	2	**0**	**86**	**0**
Expenses				
Operating expenses				
Personnel costs	3	0	(153)	0
Other expenses	4	(16,493)	(18,054)	0
Total operating expenses		**(16,493)**	**(18,207)**	**0**
Earnings before interest/tax/depreciation and amortisation		**(16,493)**	**(18,121)**	**0**
Finance costs	5	0	(379)	0
Depreciation and amortisation expense	8	0	(39)	0
Total expenses		**(16,493)**	**(18,625)**	**0**
Surplus/(deficit) before tax		**(16,493)**	**(18,539)**	**0**
Income tax (expense) / benefit		0	0	0
Surplus/(deficit) after tax		**(16,493)**	**(18,539)**	**0**
Other comprehensive revenue and expense				
Total other comprehensive revenue and expense		**0**	**0**	**0**
TOTAL COMPREHENSIVE REVENUE AND EXPENSE		**(16,493)**	**(18,539)**	**0**

The accompanying notes form part of and are to be read in conjunction with these financial statements.
The company was incorporated during the current period; therefore, no comparative information is presented.

Statement of Financial Position

As at 30 June 2026

	Notes	2026 Budget $000's	2026 Actual $000's	2025 Actual $000's
Current assets				
Cash and cash equivalents	6	0	5,020	0
Recoverables from non-exchange transactions	7	0	740	0
Prepaid expenses		0	16	0
Total current assets		**0**	**5,776**	**0**
Non-current assets				
Property, plant and equipment	8	0	1,033	0
Total non-current assets		**0**	**1,033**	**0**
TOTAL ASSETS		0	6,809	0
Current liabilities				
Payables and deferred revenue	9	0	3,481	0
Employee entitlements	10	0	44	0
Borrowings	11	16,493	22,062	0
Total current liabilities		**16,493**	**25,587**	**0**
Non-current liabilities				
Borrowings	11	0	319	0
Total non-current liabilities		**0**	**319**	**0**
TOTAL LIABILITIES		16,493	25,906	0
Net liabilities (assets minus liabilities)		**(16,493)**	**(19,097)**	**0**
Equity				
Accumulated funds	13	(16,493)	(19,097)	0
TOTAL EQUITY		**(16,493)**	**(19,097)**	**0**

The accompanying notes form part of and are to be read in conjunction with these financial statements.
The company was incorporated during the current period; therefore, no comparative information is presented.

Statement of Changes in Equity

For the period 24 July 2025 to 30 June 2026

	2026 Budget $000's	2026 Actual $000's	2025 Actual $000's
Balance at 24 July	**0**	**0**	**0**
Total movements in accumulated funds	(16,493)	(19,097)	0
BALANCE AT 30 JUNE	**(16,493)**	**(19,097)**	**0**
Total equity consists of:			
Accumulated funds			
As at 24 July	**0**	**0**	**0**
Surplus/(deficit) for the year	(16,493)	(18,539)	0
Costs incurred prior to establishment	0	(558)	0
As at 30 June	**(16,493)**	**(19,097)**	**0**
TOTAL EQUITY AS AT 30 JUNE	**(16,493)**	**(19,097)**	**0**

The accompanying notes form part of and are to be read in conjunction with these financial statements.
The company was incorporated during the current period; therefore, no comparative information is presented.

Statement of Cash Flows

For the period 24 July 2025 to 30 June 2026

	2026 Budget $000's	2026 Actual $000's	2025 Actual $000's
Cash flows from operating activities			
Interest received	0	86	0
GST (net)	0	(740)	0
Payments to suppliers and employees	(16,493)	(14,697)	0
Interest paid	0	(379)	0
Net cash flow from operating activities	**(16,493)**	**(15,730)**	**0**
Cash flows from investing activities			
Purchase of property, plant and equipment	0	(555)	0
Cost incurred prior to establishment	0	(558)	0
Net cash flow from investing activities	**0**	**(1,113)**	**0**
Cash flows from financing activities			
Proceeds from borrowings	16,493	21,902	0
Repayment of finance lease liabilities	0	(39)	0
Net cash flow from financing activities	**16,493**	**21,863**	**0**
Net increase/(decrease) in cash and cash equivalents	**0**	**5,020**	**0**
Cash and cash equivalents at the start of the period	0	0	0
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**0**	**5,020**	**0**

The accompanying notes form part of and are to be read in conjunction with these financial statements.
The company was incorporated during the current period; therefore, no comparative information is presented.

Statement of Cash Flows

For the period 24 July 2025 to 30 June 2026

Reconciliation of surplus/ (deficit) after tax to net cash flow from operating activities	2026 Actual $000's	2025 Actual $000's
SURPLUS/(DEFICIT) AFTER TAX	**(18,539)**	**0**
Add/(less) non-cash items		
Depreciation	39	0
Total non-cash items	**39**	**0**
Add/(less) movements in working capital items		
Increase/(decrease) in current liabilities	3,526	0
(Increase)/decrease in current assets	(756)	0
Net movement in working capital items	**2,770**	**0**
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**(15,730)**	**0**

Reconciliation of liabilities arising from financing activities	2026 Actual $000's	2025 Actual $000's
Borrowings – movements		
Opening Balance 24 July	0	0
Proceeds from borrowings	21,902	0
Proceeds from finance lease – principal (non-cash)	518	0
Repayment of finance lease – principal	(39)	0
BORROWINGS – TOTAL CASH MOVEMENT	**22,381**	**0**

The company was incorporated during the current period; therefore, no comparative information is presented.

Notes to the financial statements for the period ended 30 June 2026

Note 1 Statement of accounting policies

Reporting entity

Waikato Waters Limited is a registered and domiciled company in New Zealand. It was incorporated on 24 July 2025 under the Companies Act 1993. The financial statements cover the period from that date to 30 June 2026. At reporting date, Waikato Waters is a council-controlled organisation (CCO) jointly owned by Hauraki, Matamata-Piako, Ōtorohanga, South Waikato, Waipā and Waitomo district councils.

The company's registered address is Level 4, BNZ Building, 354 Victoria Street, Hamilton, New Zealand.

Waikato Waters was established to deliver drinking water and wastewater services to the districts of its transferring shareholding councils. The primary objective of the company, as set out in section 17 of the Local Government (Water Services) Act 2025, is to provide water services that are reliable and resilient, meet consumer expectations, and comply with all applicable regulatory requirements, including the provision of safe drinking water in accordance with the Water Services Act 2021.

During the period ended 30 June 2026, Waikato Waters' activities were focused on establishing the organisation, systems, governance arrangements, workforce, and operational capability required to support the transfer of water services from shareholder councils. The company commenced the delivery of water services from 1 July 2026 following the transfer of the water services activities of Waipā District Council, Waitomo District Council and South Waikato District Council.

Waikato Waters's operations are also governed by the Companies Act 1993, Local Government Act 2002 and it is audited under the Public Audit Act 2001. It is a public-sector public benefit company (PBE) as defined under the External Reporting (XRB) Standard A1.

As a public benefit company, Waikato Waters' purpose is to deliver services to the community rather than to generate a financial return to owners, as such any financial return is reinvested back into the business or used to repay debt.

Basis of preparation

Waikato Waters is a company incorporated in New Zealand under the Companies Act 1993 and is a public benefit entity for financial reporting purposes. Its financial statements have been prepared in accordance with the Financial Reporting Act 2013, the Companies Act 1993, Tier 1 Public Benefit Entity Accounting Standards (PBE) issued by the External Reporting Board (XRB) and comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP). Waikato Waters has elected to prepare its financial statements in accordance with Tier 1 PBE Accounting Standards to reflect the nature, scale and public accountability expectations of the entity following the commencement of water service operations from 1 July 2026.

During the period ended 30 June 2026, Waikato Waters' activities primarily comprised establishment and transition activities undertaken in preparation for assuming responsibility for the delivery of drinking water and wastewater services from 1 July 2026.

These financial statements have been prepared on a historical cost

Notes to the financial statements for the period ended 30 June 2026

basis, except for financial instruments which are measured at fair value, as disclosed in the notes to the financial statements.

These financial statements have been prepared on a going concern basis where applicable and the accounting policies have been applied consistently throughout the period.

As at 30 June 2026, Waikato Waters reported net liabilities of $19.1 million and a deficit for the period of $18.5 million. These results reflect the company's establishment phase activities prior to the commencement of water service operations and the transfer of water service assets and operations from participating councils.

During the establishment phase, Waikato Waters was funded by shareholder councils through share capital contributions and establishment loan funding provided under agreed shareholder arrangements. These arrangements enabled the company to meet its obligations as they fell due while establishing the systems, workforce, governance arrangements, and operational capability required to assume responsibility for water services.

On 1 July 2026, Waikato Waters commenced delivery of water services following the transfer of water service operations from Waipā District Council, Waitomo District Council and South Waikato District Council. From that date, the company started generating operating revenue and assumed ownership of significant water service assets.

The Directors have considered Waikato Waters' forecast cash flows, funding arrangements and expected operating activities and are satisfied that the company will be able to meet its obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements. Accordingly, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

The accounting policies that materially affect the measurement of comprehensive revenue and expense, financial position and cash flows are stated within the respective notes in these financial statements.

Statement of compliance

Waikato Waters applies New Zealand PBE accounting standards. The financial statements and accounting policies comply with the specific recognition, measurement and disclosure requirements of the PBE standards and NZ GAAP and Authoritative Notices that apply to entities applying PBE standards.

The financial statements and service performance information have been prepared in accordance with and comply with PBE standards.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars, which is Waikato Waters' functional currency, and all values are rounded to the nearest thousand dollars ($'000) other than the remuneration in note 14, these disclosures are rounded to the nearest dollar.

Transactions in foreign currencies are translated into the respective functional currencies of Waikato Waters at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into

Notes to the financial statements for the period ended 30 June 2026

functional currency at the exchange rate at the reporting date or transaction date. Foreign exchange hedging will be undertaken where:

- There is a committed contractual exposure; or
- There is a highly probable forecast exposure approved in the capital programme.

No non-monetary assets or liabilities were held during the year.

New or amended standards adopted

During the year, Waikato Waters adopted all new and amended standards that became effective for the reporting period. The adoption of these standards, including the 2024 Omnibus Amendments to PBE Standards, did not result in any material changes to the company's accounting policies, financial position, financial performance or cash flows.

Standards issued, not yet effective and not early adopted

There are no standards and amendments, issued but not yet effective and applicable to Waikato Waters, that have not been early adopted, and which are relevant to the company.

Other changes in accounting policies

There have been no changes in accounting policies.

Summary of significant accounting policies

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.

Goods and services tax

The financial statements have been prepared on a GST exclusive basis with the exception of accounts receivable and accounts payable, which are presented on a GST-inclusive basis.

Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to, the Inland Revenue is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financial activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

Waikato Waters is exempt from income tax on income derived from its core water services activities. No material taxable income from non-exempt activities arose during the period and accordingly no income tax expense has been recognised.

Budget figures

The budget figures are those approved by the Shareholder Representative Forum in July 2025. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by Waikato Waters in preparing these financial statements.

Notes to the financial statements for the period ended 30 June 2026

Critical accounting estimates and judgements

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

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

- Note 8 – classification and useful life of property, plant and equipment.
- Note 15 – accounting treatment of assets being transferred on 1 July 2026 in events after balance date.

Note 2 Revenue

Revenue is classified as exchange or non-exchange revenue based on whether it arises from an exchange or a non-exchange transaction.

In an exchange transaction, assets or services are received, or liabilities are extinguished, directly in exchange for an approximately equal value.

In a non-exchange transaction, value is either received or given from/to another company without directly exchanging an approximately equal value.

Accounting policy

Revenue is measured at fair value. The specific accounting policies for significant revenue items are explained below:

Interest

Interest revenue is recognised using the effective interest method and is interest derived on the funds from the establishment loans to the extent they have not been applied toward payment of expenses.

Notes to the financial statements for the period ended 30 June 2026

	2026 Actual $000's	2025 Actual $000's
Revenue from exchange transactions		
Interest income	86	0
Total revenue from exchange transactions	**86**	**0**
Revenue from non-exchange transactions		
Total revenue from non-exchange transactions	**0**	**0**
TOTAL REVENUE	**86**	**0**

Note 3 Personnel costs

Accounting policy

Superannuation schemes - Defined contribution schemes

Employer contributions to KiwiSaver, the Government Superannuation Fund, and the State Sector Retirement Savings Scheme are accounted for as defined contribution superannuation schemes and are expensed in the surplus or deficit as incurred.

	2026 Actual $000's	2025 Actual $000's
Salaries and wages	144	0
Employer contributions to defined contributions plans	4	0
Personnel overheads	5	0
TOTAL PERSONNEL COSTS	**153**	**0**

At balance date, Waikato Waters employed 22 (2025: nil) full-time employees. A full-time employee is determined on the basis of a 40.0 hour working week.

Statutory Information

Employees' remuneration range

No employees received total remuneration and other benefits of $100,000 or more during the reporting period. This reflects the fact that employees started employment progressively during the establishment phase, with the majority of appointments occurring shortly before 30 June 2026.

Severance payments

No severance payments were made during the period ended 30 June 2026 (2025: nil)

Notes to the financial statements for the period ended 30 June 2026

Note 4 Other expenses

Accounting policy

Expenses reflect the costs associated with executing the agreed establishment strategy, including the enabling structure, systems and processes for the company to be a fully operational water organisation from 1 July 2026.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

In the period ended 30 June 2026, Waikato Waters incurred audit fees payable to Deloitte Limited on behalf of the Auditor-General for the statutory audit of its financial statements. Total fees incurred for services provided by Deloitte were $0.1m (2025: $n/a).

Other assurance services were provided by KPMG in relation to:

- Other assurance services and agreed-upon procedures engagements relate primarily to implementation readiness assessments, system controls testing, and reviews of contractual arrangements performed by KPMG
- Taxation services relate to the development of Waikato Waters' tax governance framework
- Other services relate to advisory services provided during the establishment phase of Waikato Waters.

	2026 Actual $000's	2025 Actual $000's
Audit and assurance fees		
Audit or review related services - Deloitte	109	0
KPMG - assurance and review services		
Other assurance services and agreed upon procedures	117	0
Waikato Waters tax governance framework	30	
Other services	42	0
Audit and assurance fees (total)	**298**	**0**

Notes to the financial statements for the period ended 30 June 2026

	2026 Actual $000's	2025 Actual $000's
Audit and assurance fees (total)	298	0
Communication expenses	83	0
Administration expenses	25	0
Building fitout	43	0
Governance	248	0
Consultants	1,512	0
Contractors	12,825	0
Insurance	24	0
Utilities	8	0
Travel and accommodation expenses	24	0
Implementation and startup costs	2,101	0
Subscriptions and license fees	262	0
Motor vehicle expenses	3	
Repairs and maintenance	1	0
Operating lease expense	185	0
Other operating expenses	412	0
TOTAL OPERATING EXPENSES	**18,054**	**0**

Note 5 Finance costs

Accounting policy

Finance costs are recognised as an expense in the financial year in which they are incurred.

Finance costs are interest accrued on the establishment loans: the monies advanced by shareholding councils under the terms of the Shareholders' Agreement.

	2026 Actual $000's	2025 Actual $000's
Finance lease interest expense	4	0
Interest paid on borrowings	375	0
TOTAL FINANCE COSTS	**379**	**0**

Notes to the financial statements for the period ended 30 June 2026

Note 6 Cash and cash equivalents

Accounting policy

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

The carrying value of cash at bank with maturities less than three months approximates their fair value. Cash and cash equivalents include that stated above for the purposes of the statement of cash flows.

Although cash and cash equivalents as of 30 June 2026 are subject to the expected credit loss requirements of PBE IPSAS 41, no loss allowance has been recognised because the estimated allowance is trivial.

Funds held by Co-Lab

Co-Lab is a CCO owned by 12 councils, six of which are shareholders in Waikato Waters.

Waikato Waters did not in its own right have banking facilities in place during the reporting period. For this reason, the shareholding councils, Waikato Waters and Co-Lab agreed that Co-Lab would act as an intermediary providing accounting and cash management services on behalf of the company. In that capacity, Co-Lab receives and holds the funding calls from councils and applies this money to pay the costs of Waikato Waters.

The 'Funds held by Co-Lab' therefore represent the money Co-Lab holds for the benefit of Waikato Waters at the end of the Reporting Period.

	2026 Actual $000's	2025 Actual $000's
Funds held by Co-Lab	5,020	0
TOTAL CASH AND CASH EQUIVALENTS	**5,020**	**0**

Notes to the financial statements for the period ended 30 June 2026

Note 7 Recoverables from non-exchange transactions

Accounting policy

Recoverables are initially recognised at fair value and subsequently measured at amortised cost, less any allowance for expected credit losses (ECL).

Recoverables arise from non-exchange transactions such as grants, taxes and other funding arrangements.

Waikato Waters applies the simplified expected credit loss approach and recognises lifetime expected credit losses where required. No ECL provision has been recognised as at 30 June 2026, as the entity's recoverables primarily comprise GST receivables and amounts due from government-related entities, which are considered to have negligible credit risk and no history of credit losses.

Recoverables are written off when there is no reasonable expectation of recovery.

	2026 Actual $000's	2025 Actual $000's
GST receivable	740	0
TOTAL RECOVERABLES	**740**	**0**

Note 8 Property, plant and equipment

Accounting policy

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Property, plant and equipment are recognised as assets when it is probable that future economic benefits or service potential associated with the asset will flow to Waikato Waters and the cost of the asset can be measured reliably.

Leased assets acquired under finance leases are included within property, plant and equipment and are carried at cost less accumulated depreciation and impairment losses.

Items acquired through non-exchange transactions are recognised at their fair value as at the date of acquisition.

Additions and subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Waikato Waters and the cost can be measured reliably. All other expenditure is recognised in surplus or deficit as incurred.

Assets under construction or development are recognised as work in progress at cost less any impairment losses and are not depreciated until available for use.

Notes to the financial statements for the period ended 30 June 2026

Disposals

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset and are recognised in surplus or deficit when the asset is disposed of.

Depreciation

Depreciation is charged on a straight-line basis over the estimated useful lives of the assets:

Asset class	Typical useful life (years)
Leasehold improvements (HVAC, fit out)	Up to 15 yrs
Office equipment and furniture	Up to 15 yrs
Information and communication technology equipment	Up to 7 yrs
Leased assets	Lease term

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each balance date.

Impairment of property, plant, and equipment

Property, plant, and equipment are reviewed for impairment at each reporting date.

An impairment loss is recognised when the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of:

- fair value less costs to sell; and
- value in use.

For non-cash-generating assets, value in use is determined using a depreciated replacement cost, restoration cost, or service units approach.

For cash-generating assets, value in use is the present value of expected future cash flows.

Critical accounting estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates, and assumptions that affect the reported carrying values of property, plant, and equipment and related depreciation and impairment.

Notes to the financial statements for the period ended 30 June 2026

Property, plant and equipment

Judgement is applied in determining whether expenditure should be capitalised or recognised as an expense. Capital expenditure is recognised as an asset when it is probable that future economic benefits or service potential will flow to Waikato Waters and the cost can be measured reliably.

Management also exercises judgement in estimating the useful lives of property, plant and equipment for depreciation purposes. Useful lives are reviewed annually and adjusted where appropriate.

Leased assets

Judgement is required in assessing whether lease arrangements are classified as finance leases or operating leases under PBE IPSAS 13. This assessment considers the substance of the arrangement and whether substantially all of the risks and rewards incidental to ownership have transferred to Waikato Waters.

Key estimation uncertainty

The most significant source of estimation uncertainty relates to the determination of useful lives and residual values. Changes in these assumptions could have a material impact on depreciation expense and the carrying value of property, plant, and equipment in future reporting periods.

Notes to the financial statements for the period ended 30 June 2026

	24 July 2025			Current year movements		30 June 2026		
	Cost	Acc. Depn. and impairment charges	Carrying value	Additions	Depn.	Cost	Acc. Depn. & impairment charges	Carrying value
	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's
Leasehold improvements	0	0	0	307	(4)	307	(4)	303
Office equipment and furniture	0	0	0	34	(1)	34	(1)	33
Information and communication technology equipment	0	0	0	228	(8)	228	(8)	220
Leased assets	0	0	0	503	(26)	503	(26)	477
TOTAL PROPERTY, PLANT AND EQUIPMENT	**0**	**0**	**0**	**1,072**	**(39)**	**1,072**	**(39)**	**1,033**

Notes to the financial statements for the period ended 30 June 2026

Impairment

There were no impairment losses during the year.

Work in progress

The total amount of property, plant and equipment in the course of construction was nil.

Security

The finance lease liabilities (refer note 11) are secured by the leased assets and ancillary equipment. If Waikato Waters defaults under the lease arrangements, the lessor may exercise rights over the leased assets.

Capital commitments

The value of contractual commitments for acquisition of property, plant, and equipment is nil.

Note 9 Payables

Accounting policy

Short-term creditors and other payables are recorded at their face value.

	2026 Actual $000's	2025 Actual $000's
Payables and deferred revenue from non-exchange transactions		
Tax payable	39	0
Total payables and deferred revenue from non-exchange transactions	**39**	**0**
Payables and deferred revenue from exchange transactions		
Trade payables	2,751	0
Accrued expenses	691	0
Total payables and deferred revenue from exchange transactions	**3,442**	**0**
TOTAL PAYABLES AND DEFERRED REVENUE	**3,481**	**0**

Payables are generally non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of payables approximates their fair value.

Notes to the financial statements for the period ended 30 June 2026

Note 10 Employee entitlements

Accounting policy

Short-term employee entitlements

Employee benefits that are due to be settled within 12-months after the end of the year in which the employee provides the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, and annual leave earned to, but not yet taken, at balance date.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12-months after the end of the year in which the employee provides the related service, such as retirement and long service leave, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

	2026 Actual $000's	2025 Actual $000's
Current		
Accrued pay	35	0
Annual leave	9	0
Total current	**44**	**0**
Non-current		
Total non-current	**0**	**0**
TOTAL EMPLOYEE ENTITLEMENTS	**44**	**0**

Notes to the financial statements for the period ended 30 June 2026

Note 11 Borrowings

Accounting policy

Borrowings are initially recognised at fair value, net of directly attributable transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current or non-current based on the rights that exist at the reporting date. A borrowing is classified as non-current only if Waikato Waters has a right at the reporting date to defer settlement of the liability for at least 12 months after the reporting date. The classification of borrowings is not affected by management's expectations about whether that right will be exercised. The assessment of classification includes consideration of any contractual covenant arrangements associated with the borrowing.

Finance leases

A finance lease transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the start of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item and the present value of the minimum lease payments. The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no reasonable certainty as to whether Waikato Waters will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

	2026 Actual $000's	2025 Actual $000's
Current		
Finance leases	160	0
Establishment loan	21,902	0
Total current	**22,062**	**0**
Non-current		
Finance leases	319	0
Total non-current	**319**	**0**
TOTAL BORROWINGS	**22,381**	**0**

Notes to the financial statements for the period ended 30 June 2026

Establishment loan

The establishment loan represents funding advanced by the six transferring shareholder councils to finance Waikato Waters' establishment and transition activities prior to the commencement of water service operations. The loan provided working capital funding during the establishment phase while the company did not hold operational assets or generate operating revenue.

Following the transfer of water service assets and operations on 1 July 2026, the establishment loan was repaid in accordance with the agreed funding arrangements.

The weighted average interest on the establishment loan as at balance date was 3.48% (2025: nil).

Fair value of borrowings

The carrying amount of borrowings is considered to approximate fair value due to the short-term nature of the facilities and/or because the loans carry interest rates that reflect current market conditions.

Finance lease as lessee

Finance leases are for laptops, and similar devices, used by Waikato Waters. The net carrying amount of the equipment held under a finance lease as at 30 June is $477,203 (2025: nil).

Finance Lease Reconciliation	2026 Actual $000's	2025 Actual $000's
Opening liability at 24 July	0	0
Additions	518	0
Principal repayments	(39)	0
CLOSING LIABILITY AT 30 JUNE	**479**	**0**

The finance lease liabilities are secured by the underlying leased computer and ancillary equipment. If Waikato Waters defaults under the lease arrangements, the lessor may exercise rights over the leased assets, refer note 8.

Notes to the financial statements for the period ended 30 June 2026

Note 12 Commitments and contingencies

Commitments

Accounting policy

Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to the ownership of an asset, whether title is eventually transferred. Finance lease liabilities are included in note 11, Borrowings.

Operating lease

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

Operating lease as lessee – where Waikato Waters leases property, plant and equipment in the normal course of business.

Operating lease as lessor – where Waikato Waters leases its commercial properties under operating leases.

Notes to the financial statements for the period ended 30 June 2026

	Future minimum lease payments		Interest		PV of minimum lease payments	
	2026 $000's	2025 $000's	2026 $000's	2025 $000's	2026 $000's	2025 $000's
Finance lease liability						
Not later than one year	182	0	23	0	159	0
Later than one year and not later than five years	336	0	16	0	320	0
Later than five years	0	0	0	0	0	0
TOTAL FINANCE LEASE LIABILITY	**518**	**0**	**39**	**0**	**479**	**0**

	2026 Actual $000's	2025 Actual $000's
Operating leases as lessee		
Not later than one year	572	0
Later than one year and not later than five yeas	1,427	0
Later than five years	0	0
TOTAL NON-CANCELLABLE OPERATING LEASES AS LESSEE	**1,999**	**0**

Waikato Waters does not have any lease arrangements as a lessor as at 30 June 2026.

Notes to the financial statements for the period ended 30 June 2026

Contingent liabilities

Waikato Waters does not recognise contingent liabilities, but discloses details of any contingencies in the notes the financial statements, unless the possibility of an outflow of resources is remote. There are no contingent liabilities as of 30 June 2026.

Management assessed whether any contracts in place at balance date were onerous. While certain contractual commitments were identified where future costs may exceed the expected benefits to be received, any resulting obligation was assessed as immaterial to the financial statements. Accordingly, no provision has been recognised.

Contingent assets

Waikato Waters does not recognise contingent assets but discloses details of possible asset(s) whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Waikato Waters in the financial statements. There are no contingent assets as of 30 June 2026.

Note 13 Equity

Capital management

Waikato Waters' objective when managing capital is to maintain its ability to sustainably deliver water services and meet its obligations to customers, regulators, lenders and shareholder councils.

Before Waikato Waters was established, shareholding councils provided $1.7 million to support the Local Water Done Well programme of work. Programme costs were incurred and administered by Co-Lab on behalf of the participating councils, and Waikato Waters subsequently agreed to reimburse the councils for the $1.7 million of funding provided. At the establishment date, the programme had a net deficit of $0.56 million.

As Waikato Waters assumed responsibility for reimbursing the councils, this amount is reflected within equity as "Costs incurred prior to establishment." The balance reflects the financial position inherited by Waikato Waters as part of that commitment, rather than expenditure incurred through Waikato Waters' own operations. Following the commencement of water service operations from 1 July 2026, Waikato Waters will manage its capital structure in line with its long-term operational, infrastructure and funding requirements. Waikato Waters was not subject to any externally imposed capital requirements as at 30 June 2026.

	2026 Actual	2025 Actual
Share capital		
Issued and fully paid ordinary shares	600	0

Notes to the financial statements for the period ended 30 June 2026

Note 14 Related party transactions

Accounting policy

Related parties include subsidiaries, associates, joint ventures, key management personnel, appointed directors, their close family members and entities controlled by them. Close family members include spouses or domestic partners, children and dependents.

Apart from disclosure of key management personnel remuneration, related party disclosures have not been made for transactions with related parties that are:

- With related parties that are within a normal supplier, or client/recipient relationship; and
- On terms and conditions no more or less favourable that those that it is reasonable to expect Waikato Waters would have adopted in dealing with the party at arm's length in the same circumstances.

Key management personnel compensation

Waikato Waters was in its establishment phase during the period ended 30 June 2026. As a result, key management functions were provided through a combination of directors, an interim contracted chief executive, one permanent executive employee (chief financial officer), and establishment workstream leads. The permanent executive leadership team was not fully established at balance date.

No disaggregated table of employee key management personnel remuneration has been presented, as such disclosure would enable the remuneration of individual employees to be readily identified. Accordingly, remuneration and related benefits for employee and contracted key management personnel have been disclosed in aggregate. Directors' remuneration is disclosed separately.

	2026 Actual $000's	2025 Actual $000's
Key management personnel	2,241	0
Directors' fees	212	0
TOTAL KEY MANAGEMENT PERSONNEL	**2,453**	**0**

Due to the difficulty in determining the full-time equivalent for Directors, the full-time equivalent figure is taken as the number of Directors, the FTE number of Directors at 30 June 2026 was 3 (2025: nil).

	2026 Actual
Trout, Elena (Chair)	105,750
Kana, Jaydene	52,875
Lamonte, Jon	52,875
TOTAL DIRECTORS' REMUNERATION	**211,500**

Notes to the financial statements for the period ended 30 June 2026

Related party transactions required to be disclosed

During the period, Waikato Waters received financial, accounting and other shared support services from Waikato Local Authority Shared Services Limited
(Co-Lab). Waikato Waters also procured venue hire and meeting facilities from certain shareholder councils. These transactions were undertaken on normal commercial terms and at market rates.

In addition, shareholder councils provided funding to Waikato Waters through share capital contributions and establishment loan arrangements, as disclosed elsewhere in these financial statements. The terms and conditions of these arrangements were approved by the shareholder councils and Board and are disclosed in the relevant notes to the financial statements. Accordingly, no further quantitative related party disclosures have been presented.

Other than the transactions disclosed in these financial statements, there were no material related party transactions required to be disclosed under PBE IPSAS 20 Related Party Disclosures. Transactions with related parties conducted on terms equivalent to those prevailing in an arm's length transaction and within a normal supplier or customer relationship have not been separately disclosed.

Note 15 Events after balance date

Transfer of water services

Waikato Waters is a council-controlled company, it was established by seven councils – South Waikato District Council, Waitomo District Council, Waipā District, Matamata-Piako District Council, Ōtorohanga District Council, Hauraki District Council, and Taupō District Council.

Taupō District Council elected during the year to continue with in-house water operations, at which time shares were placed back with Waikato Waters. Taupō District Council has an option to re-join the amalgamation up to 2030.

The water operations from the remaining councils, including water assets, related liabilities and employees, are transferring to Waikato Waters in tranches. The first tranche of transfers was completed on 1 July 2026. The second tranche will transfer on 1 October 2026, and the third (final) tranche on 1 July 2027. The asset and liability amounts shown below are based on the best information available to Waikato Waters at the date these financial statements were prepared and are consistent with the forecast transfer values submitted to the Commerce Commission as part of Waikato Waters' regulatory reporting requirements. The balances ultimately transferred will include establishment costs and associated funding that has been recognised in Waikato Waters' statement of financial position as at 30 June 2026 as a liability, reflecting amounts repayable to the councils.. The participating councils had not completed their 30 June 2026 annual reports at that time, and final audited carrying values were therefore not available. Management judgment and the latest available council financial information were used to estimate the amounts expected to transfer.

Notes to the financial statements for the period ended 30 June 2026

Tranche Transfer Date	Councils – water operations transferring	Assets ($000)	Liabilities ($000)	Number of shares in Waikato Waters issued
Tranche 1: 1 July 2026	South Waikato District Council	125,146	29,087	17
	Waitomo District Council	83,738	32,564	5
	Waipā District Council	719,169	188,089	32
Tranche 2: 1 October 2026	Matamata-Piako District Council	287,687	95,295	25

The amounts recognised reflect the estimated carrying amount of the assets and liabilities in the Tranche 1 participating councils' financial statements immediately prior to transfer, adjusted as appropriate to align accounting policies and valuation approaches.

Waikato Waters has issued shares to the Tranche 1 councils in exchange for the water operations transferred. The number of shares issued to these councils is based on the number of connections in each region as at the transfer date.

Notes to the financial statements for the period ended 30 June 2026

Transfer of water service assets and liabilities

Significant judgement is required in determining the appropriate accounting treatment for the transfer of water service assets, liabilities and operations from Waipā District Council, Waitomo District Council and South Waikato District Council to Waikato Waters on 1 July 2026.

Management has assessed the transfer as a non-exchange transaction under PBE IPSAS 23 on the basis that the transfer arises from statutory water services reform arrangements and is not primarily driven by a commercial exchange between independent parties. The transfer is expected to occur without consideration that approximates the fair value of the net assets received.

In forming this judgement, management considered the substance of the transaction, the legislative framework under which the transfer will occur, the nature of the assets and liabilities transferred, and relevant guidance in New Zealand public sector accounting standards.

Given the significance of the assets, liabilities and operations expected to transfer to Waikato Waters relative to its financial position at 30 June 2026, this assessment is considered a critical judgement.

Note 16 Financial instruments

For the purpose of measurement, Waikato Waters has classified financial assets and liabilities in accordance with PBE IPSAS 41 Financial Instruments.

Waikato Waters recognises a financial asset or financial liability when, and only when, it becomes party to the contractual provisions of the instrument.

The classification of financial instruments depends on its cash flow characteristics and Waikato Waters' management model for managing them.

Notes to the financial statements for the period ended 30 June 2026

	2026 Actual $000's	2025 Actual $000's
Financial assets		
Measured at amortised cost		
Cash and cash equivalents	5,020	0
Receivables	0	0
Total amortised cost	**5,020**	**0**
Financial liabilities		
Measured at amortised cost		
Payables	3,442	0
Borrowings	21,902	0
Finance lease liabilities	479	0
Total amortised cost	**25,823**	**0**

Fair value hierarchy

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. The quoted market price used for financial assets held by Waikato Waters is the bid price at reporting date.
- Level 2: Inputs other than quoted prices included within Level 1 using observable market inputs for the asset or liability, either directly or indirectly.
- Level 3: Inputs for the asset or liability that are not based on observable market data.

Waikato Waters had no financial instruments measured at fair value at 30 June 2026 (2025: nil). Accordingly, no financial instruments have been classified within the fair value hierarchy.

Financial instrument risks

Waikato Waters' activities expose it to a variety of financial instrument risks, including market risk, credit risk, and liquidity risk. The company has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from its treasury activities. It has established approved liability management and investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices.

Notes to the financial statements for the period ended 30 June 2026

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. Waikato Waters' exposure to foreign currency during the year was very short in duration and therefore there is no material currency risk. Foreign exchange hedging will be undertaken where:

- there is a committed contractual exposure; or
- there is a highly probable forecast exposure approved in the capital programme.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Investments issued at fixed rates of interest expose Waikato Waters to fair value interest rate risk. The main objective of interest rate risk management is to reduce uncertainty around net interest expense as interest rates change. Mechanisms include matching the interest rate profile of Waikato Waters' financial investments and financial liabilities, and where appropriate, the use of interest rate hedging facilities.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Investment and borrowings issued at variable interest rates expose the organisation to cash flow interest rate risk. Mechanisms to mitigate cash flow interest rate risk include raising long-term borrowings at fixed and floating interest rates and using derivative financial instruments to manage the cash flow interest rate risk.

At 30 June 2026, Waikato Waters' borrowings were entirely at fixed rates of interest, with rates varying by shareholder council reflecting the terms of each council's funding agreement (2025: nil). The company held no floating rate debt during the year and was accordingly not exposed to cash flow interest rate risk.

Sensitivity analysis

Sensitivity analysis quantifies the potential effect on the surplus or deficit, and equity for reasonably possible market movements, with all other variables being held constant, measured as a basis (bps) movement based upon Waikato Waters' financial instrument exposures at balance date. For example, a decrease of 100 bps is equivalent to a decrease in market interest rates of 1%. Due to the short-term nature of cash holdings and borrowings, management has not presented a sensitivity analysis as the effect is not material.

Credit risk

Credit risk is the risk that a third party will default on its obligation to Waikato Waters, causing it to incur a loss. Due to the timing of its cash inflows and outflows. Credit risk principally arises from

Notes to the financial statements for the period ended 30 June 2026

short-term money market investment, bank balances, accounts receivable, derivative financial instruments and guarantees.

Waikato Waters' investment policy limits the amount of credit exposure to any one financial institution or organisation. The company reduces its exposure to credit risk by only placing investments in accordance with its investment policy which ensures dispersion and minimisation of risk. Waikato Waters invests funds only with entities that have a long-term rating A/A2 for up to 40% total liquid investments, with 20% single name limit, and entities with a long-term rating of AA-/Aa3 or higher: up to 100% total liquid investments, with 40% single name limit. The company has no collateral or other credit enhancements for financial instruments that give rise to credit risk.

Maximum exposure to credit risk

Waikato Waters' maximum credit risk exposure for each class of financial instrument is as follows:

	2026 Actual $000's	2025 Actual $000's
Cash at bank and term deposits	5,020	0
Receivables and recoverables	0	0
TOTAL MAXIMUM EXPOSURE TO CREDIT RISK	**5,020**	**0**

GST receivables are excluded as they do not arise from a contractual right to receive cash.

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates.

	2026 Actual $000's	2025 Actual $000's
Cash at bank and term deposits		
AA-	5,020	0

Waikato Waters' exposure to credit risk is limited, as receivables at 30 June 2026 consist primarily of GST receivables due from Inland Revenue. Management considers the risk of default on these balances to be negligible and, accordingly, no impairment provision has been recognised.

Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that Waikato Waters will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions. The company aims to maintain flexibility in funding by keeping committed credit lines available.

Notes to the financial statements for the period ended 30 June 2026

Waikato Waters' specific management controls are maintaining committed bank facilities and/or cash sufficient to meet operational expenses (including interest payments) for a minimum of two months.

Contractual maturity analysis of financial liabilities, excluding derivatives

The table below analyses Waikato Waters' financial liabilities (excluding derivatives) into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate on the instrument at balance date. The amounts disclosed are the contractual undiscounted cash flows and include interest payments.

	Carrying amount	Contractual cash-flows	Less than 1 year	1-5 years	More than 5 years
	$000's	$000's	$000's	$000's	$000's
2026					
Payables	3,442	3,442	3,442	0	0
Establishment loan	21,902	21,902	21,902	0	0
Finance leases	479	518	182	336	0
TOTAL FINANCIAL LIABILITIES	**25,823**	**25,862**	**25,526**	**336**	**0**

Notes to the financial statements for the period ended 30 June 2026

Contractual maturity analysis of derivative financial instrument liabilities

Waikato Waters did not hold any derivative financial instruments at 30 June 2026 (2025: nil). Accordingly, no contractual maturity analysis for derivative financial instrument liabilities has been presented.

Contractual maturity analysis of financial assets

The table below analyses Waikato Waters' financial assets into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date.

The amounts disclosed are the contractual undiscounted cash flows and include interest receipts.

	Carrying amount	Contractual cash-flows	Less than 1 year	1-5 years	More than 5 years
	$000's	$000's	$000's	$000's	$000's
2026					
Cash and cash equivalents	5,020	5,020	5,020	0	0
Receivables and recoverables	0	0	0	0	0
TOTAL FINANCIAL ASSETS	**5,020**	**5,020**	**5,020**	**0**	**0**

Contractual maturity analysis of derivative financial instrument assets

Waikato Waters did not hold any derivative financial instruments at 30 June 2026 (2025: nil). Accordingly, no contractual maturity analysis for derivative financial instrument assets has been presented.

Notes to the financial statements for the period ended 30 June 2026

Note 17 Variances explanation

Explanation of major variances compared against budget and prior year results.

	Variance against budget	Variance against prior year results
Statement of Financial Performance		
Revenue	Interest revenue was not budgeted for.	The company was incorporated during the current period; therefore, no comparative information is presented.
Personnel costs	Budget figures did not include personnel costs, as establishment budget assumed contractors only, and did not provide for early starters who were onboarded to ensure smooth transition from establishment to business-as-usual.	
Other expenses	Total expenditure for the year was $18.6 million compared with a budget of $16.5 million, an unfavourable variance of $2.1 million. Higher-than-budgeted expenditure was primarily attributable to people and capability, governance and legal, and systems and technology activities required to establish the organisation and prepare for the transfer of water service operations. These costs were partly offset by underspends across funding, finance and commercial, project management office, asset management, operations, and iwi partnership workstreams. The expenditure incurred reflects the substantial programme of work undertaken to establish Waikato Waters and achieve operational readiness for commencement of service delivery from 1 July 2026.	

Notes to the financial statements for the period ended 30 June 2026

	Variance against budget	Variance against prior year results
Finance costs	Interest costs were not budgeted. Treasury and financing costs were not fully known when the budget was developed. The decision to lease equipment rather than purchase it was made after the budget was approved, the associated interest expense was not budgeted.	
Depreciation and amortisation expense	Budget assumed capital purchases later than what occurred.	
Statement of Financial Position		
Cash and cash equivalents	Variances arose in part because the establishment budget was designed to monitor operational programme expenditure and did not comprehensively budget for balance sheet movements and related financing costs.	The company was incorporated during the current period; therefore, no comparative information is presented.
Recoverables from non-exchange transactions	The establishment budget was prepared on an operational basis and did not fully capture balance sheet movements and financing costs.	
Prepaid expenses	No material difference.	
Property, plant and equipment	No comparative budget has been disclosed for property, plant and equipment as the approved establishment budget did not include budgeted capital expenditure or forecast balance sheet positions.	
Payables and deferred revenue	No budget information is presented for balance sheet items, including accounts payable and accrued expenses, as the approved establishment budget focused on operating expenditure and did not include forecast balance sheet positions.	

Notes to the financial statements for the period ended 30 June 2026

	Variance against budget	Variance against prior year results
Employee entitlements	No comparative budget has been disclosed for employee entitlements as the approved establishment budget did not include forecast year-end employee entitlement balances and assumed most staffing would commence from operational Day One.	
Borrowings	Budget assumptions were that all establishment costs were funded by borrowings from the establishing councils. The adoption of lease arrangements in place of planned asset purchases during the year also resulted in balance sheet and financing impacts that were not included in the original budget.	
Accumulated funds	Movement aligns to current year operating surplus and adjustments.	
Statement of Cash Flows		
Cash flow from operating activities	Budget assumed only payments to suppliers for operational and establishment spend.	The company was incorporated during the current period; therefore, no comparative information is presented
Cash flow from investing activities	Budget did not account for any purchases of capital.	
Cash flow from financing activities	Budget only assumed financing equal to operational spend.	

The Audit Office
Te Mana Arotake

Independent Auditor's Report

To the readers of Waikato Waters Limited's financial statements and performance information for the period ended 30 June 2026

The Auditor-General is the auditor of Waikato Waters Limited (the 'Company'). The Auditor-General has appointed me, Bruno Dente, using the staff and resources of Deloitte Limited, to carry out the audit of the financial statements and performance information on his behalf.

Opinion

We have audited:

- the financial statements of the Company that comprise the statement of financial position as at 30 June 2026, the statement of financial performance, statement of changes in equity and statement of cash flows for the period ended on that date and the notes to the financial statements that include accounting policies on pages 43 to 78; and
- the performance information that consists of the statement of service performance for the period ended 30 June 2026 on pages 16 to 40.

In our opinion:

- the financial statements of the Company present fairly, in all material respects its financial position as at 30 June 2026 and its financial performance and cash flows for the period then ended in accordance with Public Benefit Entity Standards.
- the performance information accurately reports, in all material respects, the Company's actual performance compared against the performance targets and other measures adopted for the period ended 30 June 2026, and enables an informed assessment of the operations of the Company.

Basis for our opinion

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

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

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

Responsibilities of the Board of Directors for the financial statements and performance information

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

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

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

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

Responsibilities of the auditor for the audit of the financial statements and performance information

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

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

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

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

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

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

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We evaluate the overall presentation, structure and content of the performance information, including the disclosures, and assess whether the performance information achieves its statutory purpose of enabling the Company's readers to judge the actual performance of the Company against its objectives.

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

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

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

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

Independence

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

Other than in our capacity as auditor, we have no relationship with, or interests in, the Company.



Bruno Dente
For Deloitte Limited
On behalf of the Auditor-General
Hamilton, New Zealand
30 September 2026

Waikato Waters

www.waikatowaters.co.nz