

WATERCARE SERVICES LIMITED

AGENDA | Board meeting | 1/05/2014

Venue Hobson Room, Jubilee Building, 545 Parnell Road, Parnell
Time 09.00am

Open Public Meeting

Item	Spokesperson	Action sought at governance meeting	Supporting Material	Section Page
1. Apologies	Chair	<ul style="list-style-type: none"> Record Apologies 		
2. Minutes of Meeting	Chair	<ul style="list-style-type: none"> Approve Board Meeting Minutes <ul style="list-style-type: none"> 27 February 2014 	Minutes 27 February 2014	1 - 4
3. Directors' Corporate Governance Items	Chair	<ul style="list-style-type: none"> Corporate Planner 2014 Review Disclosure of Interests Organisational Chart 	Corporate Planner Disclosure of Interests Organisational Chart	1 2 - 3 4
4. Chief Executive's Report	R Jaduram	<ul style="list-style-type: none"> Note the Chief Executive's report <ul style="list-style-type: none"> Key Performance Scorecard Health and Safety Customer Services Infrastructure and Planning Operations Finance Annual Plan 2014/15 Long Term Plan Board Correspondence Execution of Documents Working with Local Boards Statutory Planning 	Chief Executive's Report	1 - 44
5. Water Resources Update	D Worsnop	<ul style="list-style-type: none"> Note paper 	Paper	1 - 3
6. Non-domestic Wastewater Tariff and Trade Waste Bylaw Update	M Bridge	<ul style="list-style-type: none"> Note paper 	Paper	1 - 4
7. Health and Safety Briefing	G Coster	<ul style="list-style-type: none"> Note presentation 	Presentation (no Board pack content)	-
8. General Business	Chair			

Date of next Meeting – 29 May 2014

Location – Jubilee Building, 545 Parnell Road, Parnell

MINUTES

SUBJECT	WATERCARE SERVICES BOARD MEETING
VENUE	Hobson Room, Jubilee Building, 545 Parnell Road, Parnell, Auckland
DATE	27 February 2014
TIME	09:00
STATUS	Open Session

	Present:	In Attendance:	Public in Attendance:
	M Allen D Clarke (Chairman) P Drummond C Harland J Hoare S Huria A Delany (Board Observer)	R Chenery R Fisher D Hawkins R Jaduram T Langridge B Monk A Nama J Redwood D Sellars N Toms G Wood D Worsnop	None
	Apologies <ul style="list-style-type: none"> M Ford T Lanigan 		
1.	<ul style="list-style-type: none"> The Chairman welcomed Board Observer, Alexandra Delany, who has been appointed for a period of 12 months until 28 February 2015. <p>The Board Observer role is to participate, observe and learn; she is not a Director and will not vote on any Board decision making.</p> <p>However, Alex Delany is required to meet the same ethical standards as Directors and will be required to declare any conflicts that are or become apparent, including anything that could be perceived as a conflict.</p> <p>Alex has signed a confidentiality agreement with both Council and Watercare.</p>		
2.	Minutes of Previous Meeting <ul style="list-style-type: none"> The Board resolved that the Minutes of the public section of the Board meeting held on 19 December 2013 at 09:00 be confirmed as correct. 		
3.	Directors Corporate Governance Items <ul style="list-style-type: none"> Corporate Planner 2014 <p>The Corporate Planner for 2014 was noted.</p> <p>The Chairman drew attention to the very important Board Workshop on 13 March 2014. <ul style="list-style-type: none"> Disclosure of Interests <p>There were no changes to the Disclosure of Interests.</p> <ul style="list-style-type: none"> Organisational Chart <p>The Organisational Chart was noted.</p> </p>		

4.	<p>Chief Executive's Report</p> <ul style="list-style-type: none"> Customer Services <p>The Customer Services team met all performance targets for January 2014.</p> <ul style="list-style-type: none"> Infrastructure and Planning <p>Infrastructure performance year-to-date is running at 100%, expenditure for the balance of the year is expected to be close to that figure by year end.</p> <p>A series of Stage One Capex Approvals will be referred to the Capital Projects Working Group in March to meet the required programme.</p> <ul style="list-style-type: none"> Operations <p>Trish Langridge advised that if there was any prolonged suspension of service, then information was placed on the website.</p> <p>David Worsnop advised that dam levels were 69% as at 27 February 2014. The current take from the Waikato River was 105MLD. The increase in level of take to 150MLD would be available in approximately one month.</p> <p>There has been some increase in the levels of algae in the Waitakere dams due to climatic conditions.</p> <p>Catherine Harland enquired whether we were going to monitor the impacts of the Council initiative on the collection of organic waste which will reduce organic load to the WWTP; and was assured this was in hand.</p> <ul style="list-style-type: none"> Finance <p>Brian Monk advised that revenue was down in January 2014, and demand was also a little soft in February 2014.</p> <ul style="list-style-type: none"> Non Domestic Wastewater Tariff <p>Trish Langridge advised that letters to customers would go out in the next week as the start of a communications process which would continue through to the introduction of the new tariff on 1 July 2014.</p> <ul style="list-style-type: none"> Customer Billing and Asset Programme <p>Trish Langridge spoke to the proposed governance model and programme structure mentioning that there will be a strong emphasis placed on probity. She said the budget was an estimate only at this stage and it will be firmed up.</p> <p>Trish Langridge said that Watercare took the best of all material available from the legacy councils and entities at the time of transition.</p> <p>Hansen has proven reliable; however it is outdated and cannot provide the features we require to provide an even better customer service. PWC are providing guidance on the process.</p> <p>Trish Langridge will report to the Board on the outcome of the RFI process and provide a high level business case in May 2014.</p>
5.	<p>LTP Process Update</p> <ul style="list-style-type: none"> Brian Monk spoke to the paper; he had attended the Council Scene Setting Workshop on the LTP process. He advised that Council has yet to deal with the new statutory requirement to produce a 30 year infrastructure strategy which includes water, wastewater, stormwater and transport. He advised that Watercare already sets its own AMP for a 20 year period which we will need to extend to 30 years. <p>Brian Monk drew attention to the broad key process guidelines set out in Appendix 5. These will be refined over time.</p> <ul style="list-style-type: none"> The Board noted the report.

6.	<p>2014/15 Annual Plan</p> <ul style="list-style-type: none"> • Brian Monk spoke to the report noting that approval was required to the headline 2014/15 financials which are required by Council on 7 March 2014 for inclusion in the LTP. • The financials set out modest increases in price and a lift in the IGC receipts. • He referred to the P&L noting only 35% of required capital expenditure funding is proposed from debt, the balance coming from revenue. • The capital expenditure items have yet to be approved with a projected spend of \$323.4m. Graham Wood advised that it was not proposed to cut any capital projects of significance. He said there were price pressures coming on now as a result of increased construction being undertaken. • Brian Monk said other CCOs could move into profit as well as POAC, for example the Waterfront Development Agency, and this could have implications for Watercare losses. • Raveen Jaduram said management were looking to improvements in the procurement process and all opportunities for cost savings will be taken. • Mike Allen summarised the discussion by saying that approximately \$5b of capex is proposed with a very low increase in debt. • The Board resolved to approve: <ul style="list-style-type: none"> ➢ The proposed 2014/15 financials, including the proposed price increases, for submission to Auckland Council for inclusion in the 2014/15 Annual Plan and inclusion in the draft 2014-17 SOI; ➢ The 2015/16 and 2016/17 financial projections which had been approved in February 2013 be included in the 2014/17 Watercare SOI.
7.	<p>2014-24 Draft AMP and 10 Year Financials</p> <ul style="list-style-type: none"> • Brian Monk spoke to the report. He emphasised that the level of capital expenditure was only that shown as Category 3 and below on the graph in Appendix 4 (page 25). • The Board will receive requests for approval in Categories 4 and above at the appropriate time. • He spoke to the variations made to the scenario previously presented on 4 February 2014, being <ul style="list-style-type: none"> ➢ Allow a reduction in FFO to 2.3 over the ten year period. ➢ Bring interest costs in line with current Auckland Council interest rate projections. ➢ Assume tax loss sale to Ports of Auckland Limited in all years. ➢ Hold capex in line with the Draft AMP 2014-24 ➢ Reduce price increases in FY16 and FY17 to 2.5%. ➢ Reduce the level of price spikes in FY18 and FY24. ➢ Reduce the level of price increases in other years (to extent allowed by constraint of the FFO). ➢ Match IGC increases to same level as average water and wastewater price increases. • The Board resolved to: <ul style="list-style-type: none"> ➢ Note the revised capital expenditure forecasts for the year period from 1 July 2014 to 30 June 2014; ➢ The underlying investment programme, and ➢ Approve the investment programme for the 2015 financial year (2014/15).
8.	<p>Draft 2014/17 Statement of Intent</p> <ul style="list-style-type: none"> • Rebecca Chenery advised that the format of the SOI was similar to that of past years as Council had requested a 'refresh' rather than a rewrite. <p>It is proposed to provide the draft by 1 March to Auckland Council and it is expected that the response from Council will be received on 1 April 2014.</p> <ul style="list-style-type: none"> • The Board resolved to: <ul style="list-style-type: none"> ➢ Note the report. ➢ Approve the submission of the draft 2014/17 SOI to the Auckland Council.

9.	<p>IGC Pricing Policy</p> <ul style="list-style-type: none"> • Graham Wood advised that the IGC projections would only recover 35 – 40% of the costs of growth. • The Chairman noted that a key principle was for separate IGCs for Metropolitan and Rural. • The Board noted the report.
10.	<p>Unaccounted For Water Update</p> <ul style="list-style-type: none"> • David Worsnop advised that about 50% of the retail network (4,000km) has been surveyed and numerous leaks detected. <p>However, it is considered that a greater contribution to losses than expected is coming from un-metered properties, illegal connections and older meters which under-record usage.</p> <p>David Worsnop said that following an internal and external review, no change is recommended to the SOI target of 14% for the 2014/15 year.</p> <p>He advised that we are looking at 'smart' metering.</p> <p>Marlon Bridge says our research shows the cost of smart meters is reducing and the new technology is now more proven.</p> <p>An approach paper will be prepared for the Board for the meeting in September.</p> <ul style="list-style-type: none"> • The Board noted the report.
11.	<p>Communications Strategy for CI / Waikato / Non Domestic Wastewater Tariff and Trade Waste Bylaw</p> <ul style="list-style-type: none"> • John Redwood spoke to the communications strategy for the Central Interceptor, Waikato second take projects. • The Board noted the report.
12.	<p>General Business</p> <ul style="list-style-type: none"> • There was no general business. • The meeting closed at 11:30.

CERTIFIED AS A TRUE AND CORRECT RECORD

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Chairman

2014 BOARD PLANNER

2014												
	January	February	March	April	May	June	July	August	September	October	November	December
Board Meeting	14 Feb New market 27 Feb Jubilee	13 March New market (Workshop)	(Easter See May)	1 May Jubilee (TBC) 29 May Jubilee*	27 June Jubilee (TBC)	31 July New market (TBC)	21 Aug New market (TBC)	19 Sept New market (TBC)	22 Oct Jubilee*	21 Nov New market (TBC)	19 Dec New market (TBC)	
Audit + Risk Committee Meeting	14 Feb New market	14 Feb New market		6 May New market		31 July New market (follows Board meeting)	19 Aug New market			11 Nov New market		
Capital Projects Working Group	4 Feb New market				10 Jun New market				16 Sept New market			
Organisation Committee	27 Feb Jubilee (follows Board Meeting)											
Statement of Intent		Approval of Draft 2014-2017 SOI	1 March Draft SOI to shareholder		Present shareholder SOI feedback at public meeting	Final 2014-2017 SOI issued to shareholder				Work on 2015-2018 SOI Key dates yet to be advised by Auckland Council		
Shareholder Interaction**		26 Feb LTP scene-setting session 27 Feb Quarterly report due to Council	4 March CCO Governance and Monitoring Committee		19 May Quarterly report due to Council		TBC Quarterly report due to Council 9 July Joint workshop with Councillors			TBC Quarterly report due to Council		
Key Finance Decisions		27 Feb Approval of 2014/15 input to Auckland Council Annual Plan			29 May Approval of 2014/15 Budget			21 Aug Approval of 2013/14 Annual Report		Work on 2015/25 LTP and AMP Key dates yet to be advised by Auckland Council		
Other	Qtr Statutory Compliance Reporting			Qtr Statutory Compliance Reporting			Qtr Statutory Compliance Reporting			Qtr Statutory Compliance Reporting		

* Statutory public Board meeting - deputations invited

^ Extraordinary Audit & Risk and Board Meeting to meet shareholder half year and annual report timeline

** Auckland Council requirements for 2014 have not yet been advised.

Report to the Board of Watercare Services Limited

Subject: Disclosure of Interests

Date: 15 April 2014

Section 140 of the Companies Act 1993 requires disclosure of interests of a director to the Board. Set out below are the disclosures of interests received as at the date of this report.

<i>Director</i>	<i>Interest</i>
David Clarke	<ul style="list-style-type: none"> – Chairman, Optima Corporation Ltd – Chairman, TRGG Ltd – Radiology Services – Chairman, NZ Institute of Rural Health – Chairman, Skin Institute – Director, Hawkins Watts Ltd – Director, Cranleigh Merchant Bankers – Director, FarmIQ Systems Ltd – Director, Ngai Tahu Tourism Ltd – Director, Hynds Group Ltd – Trustee, South Auckland Foundation (Middlemore/CMDHB) – Director, Health Alliance Limited – Chairman, Jucy Group Limited
Peter Drummond	<ul style="list-style-type: none"> – Chairman, Appliance Connection Ltd – Chairman, Watercare Harbour Clean Up Trust – Chairman, Variety Medical Missions South Pacific – Chairman, Ngati Whatua o Orakei Whai Maia – Chairman, Variety International Childrens Charity – Director, NARTA New Zealand Ltd – Director, NARTA International PTY Ltd – Panel member , Fire Review, Dept Internal Affairs
Catherine Harland	<ul style="list-style-type: none"> – Director, McHar Investments Ltd – Director, Interface Partners Ltd – Trustee, One Tree Hill Jubilee Educational Trust
Susan Huria	<ul style="list-style-type: none"> – Director, Ngai Tahu Property – Director, Northland Port Company Ltd – Director and Shareholder, Huria Anders Ltd – Director and Shareholder, Susan Huria (2003) Associates Ltd – Director and Shareholder, Te Ara Tika Properties Ltd – Director, Vermilion Design Ltd – Director, Airways Corporation of New Zealand Ltd – Chair, Veterinary Enterprises Group Limited – Trustee, First Foundation – Member, Maori Governance Centre, University of Waikato Advisory Board
Tony Lanigan	<ul style="list-style-type: none"> – Director and Shareholder, A G Lanigan & Associates (2007) Limited – Shareholder, Fletcher Building

	<ul style="list-style-type: none"> – Director, Habitat for Humanity New Zealand Limited – Director and Shareholder, Lanigan Trustee Limited – Director and Shareholder, Lanison and Associates Limited – Director and Chair, NZ Housing Foundation Limited – Director, Tamaki Makaurau Community Housing Limited – Director, NZ Transport Agency (NZTA)
Mike Allen	<ul style="list-style-type: none"> – Director, Coats PLC – Director, Guinness Peat Group – Director, Godfrey Hirst Limited – Shareholder, Innoflow – Director, Tower Insurance – Director, Tainui Group Holdings Limited – Director, Breakwater Consulting Limited
Julia Hoare	<ul style="list-style-type: none"> – Director, AWF Group Limited – Director, New Zealand Post Limited – Director, A2 Corporation Limited

Board Observer

Alex Delany	– Employee - BNZ
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RECOMMENDATION

That the report be noted.

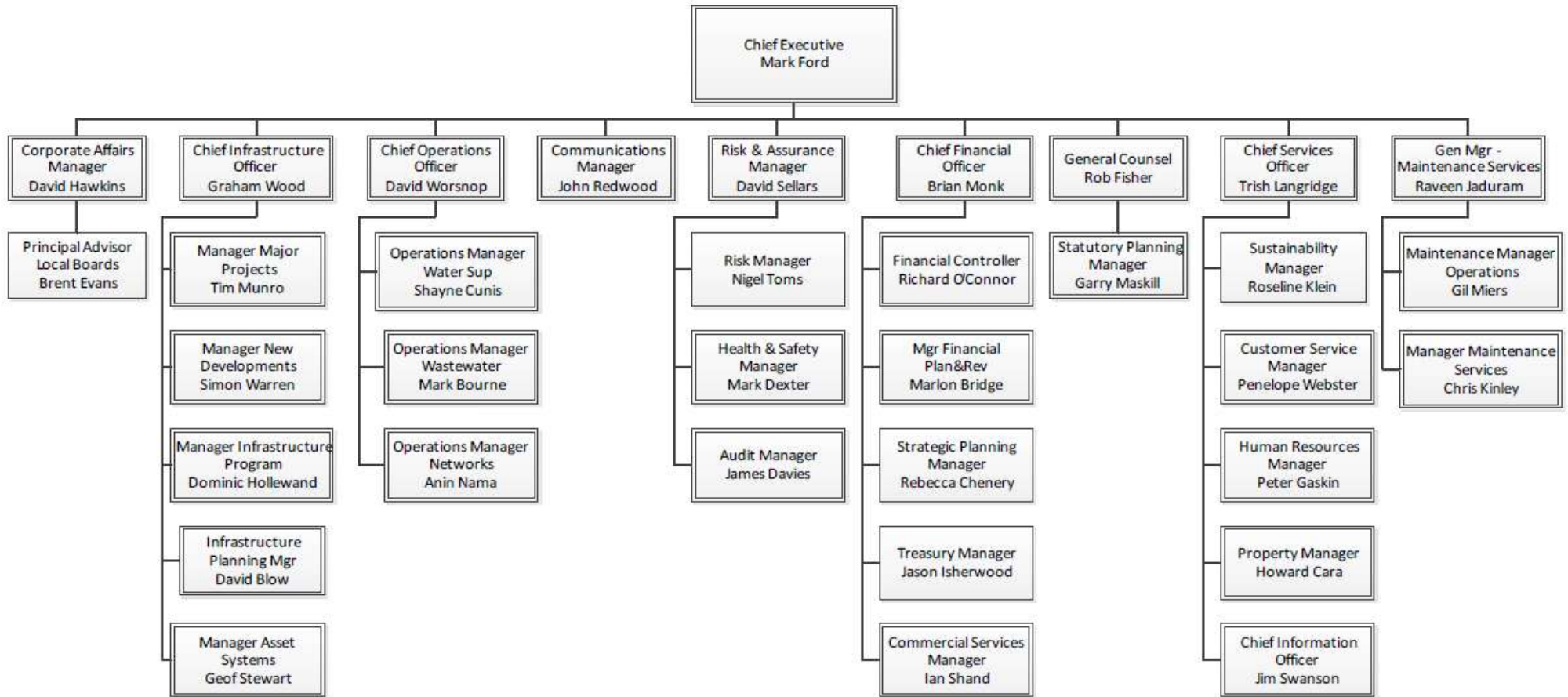
Report prepared by:

Approved by:

R Fisher
General Counsel

R Jaduram
Acting Chief Executive

Watercare Organisational Chart – Tier 3 Management



Perm FTE	730.39
Fixed Term FTE	27.26
Casual FTE	5.70
LWOP FTE	7.97
Total FTE	763.35
Budgeted FTE	847.7

Watercare Services Limited

Subject: Chief Executive Report – March 2014

Date: 11 April 2014

1. KEY PERFORMANCE SCORECARD

Environment		Financial	(MTD)	(YTD)
Water Treatment – graded plants Metro	✓	Revenue	✓	✓
Water treatment – graded plants Rural	✓	Net surplus / deficit after tax	x ¹	✓
Unaccounted for Water	x ²	Total costs	x ³	↔
Effluent quality Metro plants	✓	Labour costs	↔	↔
Effluent quality Rural plants	↔			
Dry Weather Overflows	✓			
Prosecutions	✓			
		Asset Management	(MTD)	(YTD)
		Maintenance Expenditure	✓	✓
		Capital Expenditure	✓	✓
		Staff Attendance (Rolling 12 months)	(MTD)	(YTD)
		Attendance	✓	✓
		Customer Service	(MTD)	(YTD)
		Grade of Service	✓	✓

1 Net surplus after tax is unfavourable largely due to the movement in deferred tax

2 The Statement of Intent target related to unaccounted for water has reduced from 15% to 14% for the 2013/14 year. A programme of work is underway to address leakage and the unaccounted for water result is trending towards the target of 14%.

3 Total costs are unfavourable largely due to a restatement of the actual interest rate applicable to capitalisation of interest.

4 Target not met due to an increase in complaints during January and February. The year to date result is anticipated to trend favourably in the following months.

2. HEALTH AND SAFETY

On a rolling 12 month basis:

- The lost-time injury frequency rate (LTIFR) was 1.91 against an SOI target of less than or equal to 5 for 12 months.
- Sick leave was 2.19%.
- Voluntary staff turnover was 12.51%, just outside the SOI target of 10-12%.
- The injury severity rate was 12.76 for the month of March against a target of less than 30 for 12 months.

3. CUSTOMER SERVICES

During March the Contact Centre managed 37,042 telephone calls, a 14.8% increase from February. The increased volume of calls combined with five staff vacancies resulted in a service level of 65% for the month of March which is below the target of 80%. The year to date result is still above the target at 84.5%. Service levels for customer correspondence and resolution were met with a result of 99.7% against a target of 95%.

Other activities for the month included the commencement of the project to upgrade the telephony system which is necessary as the current version will become unsupported. We will also use the opportunity of the upgrade to make some improvements to the system, for example moving our email channel from Outlook to the CIC's telephony system.

Engagement with Non-Domestic customers continued this month. Letters were sent to over 22,000 customers to seek confirmation of their new pricing plans. As a result of the letter approximately 6000 customers made contact with Watercare to either confirm their tariff or ask for further information.

The focus for next month will continue on recruiting and inducting staff and continuing preparation for the implementation of the non-domestic wastewater tariff. In addition a request for expressions of interest will be released for a replacement customer, billing and asset management system.

4. INFRASTRUCTURE AND PLANNING

Infrastructure capital expenditure during the month was \$25 million, marginally below the monthly target. As a result, the year to date performance for Infrastructure capex is 98% of the year to date target. As previously reported, monthly expenditure for the remainder of the financial year is expected to continue broadly in line with budget and produce year end expenditure close to \$287 million. Given that "red" status applies to only 4% of the time, costs and quality objectives for the 61 projects over \$ 2 million, this indicates that progress and the associated expenditure for the year to date are both extremely close to forecast.

During the month the commissioning of the network main to Riverhead was completed allowing individual connections to commence in the township. In the South, good progress is now being made on the extension of the transmission main from Pukekohe to Patumahoe and Clarks Beach following resolution of pipe jointing issues. Construction of Hunua No.4 also continued to plan. The Waikato upgrade to 150 MLD remains on programme.

Planning for the upgrade of Huia Water Treatment Plant, and the associated strategy for the Western Plants, has now commenced.

In the wastewater portfolio, tenders have been received for the function of Principal Engineering Advisor for the Central Interceptor and a detailed evaluation of the three proposals has commenced. The tendered sums are broadly in line with the original estimate but are subject to change as the clarification process is completed. The award to the successful consortium is expected in July. Major Wastewater Projects in construction are also progressing well with Mangere Digester No.8 in the commissioning phase, the early work on the Mangere BNR project proceeding in line with the project plan and Puketutu Island phase one construction works scheduled for completion in May ahead of the required handover date to Operations.

Consenting delays represent the single greatest issue to the overall portfolio. Some price pressure is being experienced as the economy improves.

Infrastructure growth charge revenue continues to increase in line with construction activity and income is now forecast to exceed the year-end budget target.

A Capital Expenditure Dashboard Report of all capital expenditure projects over \$2 million is shown as Appendix C.

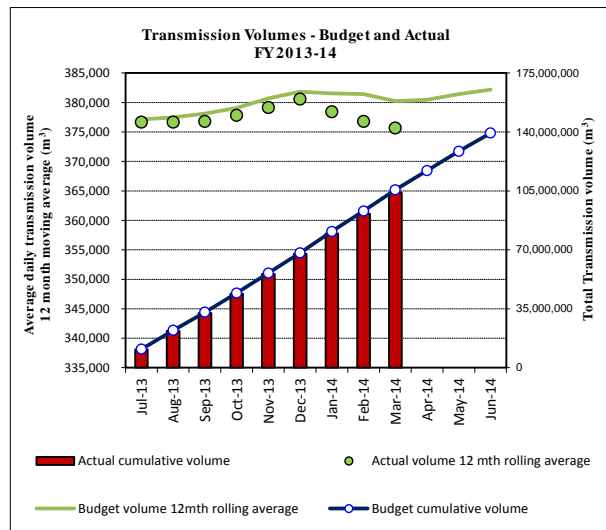
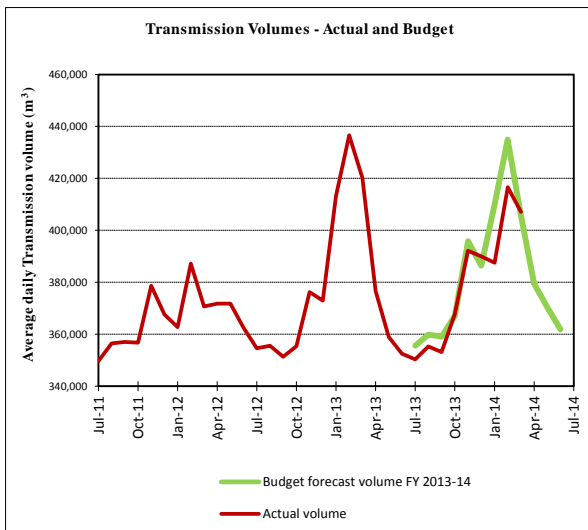
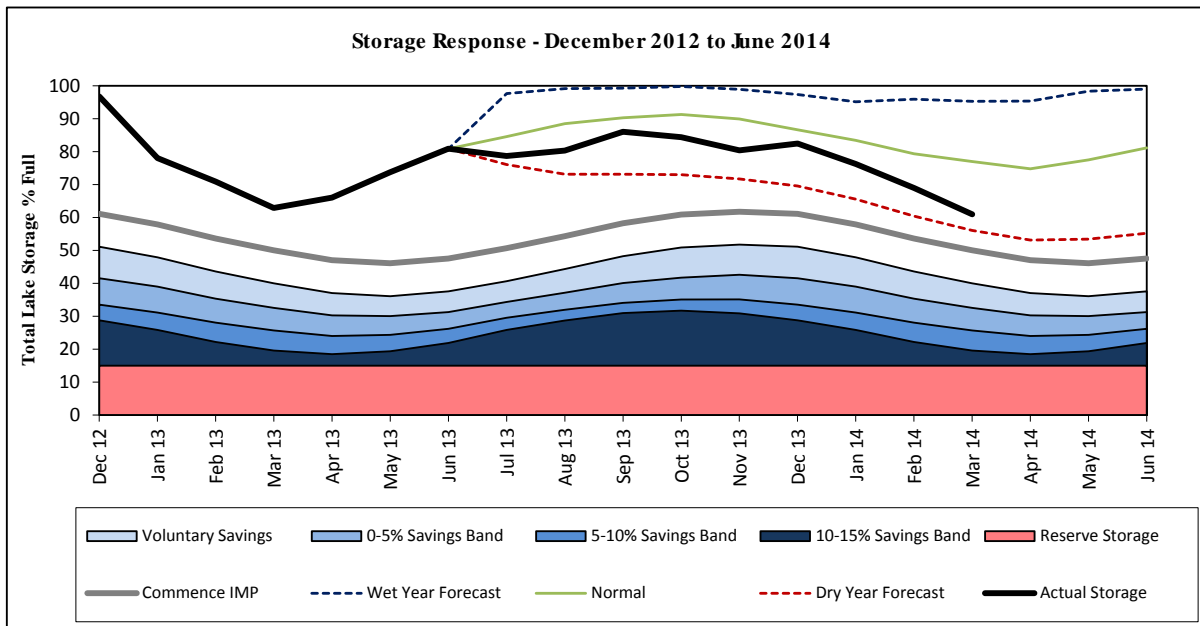
5. OPERATIONS

Rainfall for the month of March was below average across the Auckland region.

The metropolitan lake storage volume decreased in March from 69% to 61%. This is below the average storage for the end of March (75%), but while tracking below the normal storage response, it is above the dry weather response.

The equatorial Pacific Ocean continued in a neutral ENSO-state (neither El Niño nor La Niña) in March 2014. International guidance indicates that ENSO-neutral conditions are the most likely outcome for April-June 2014. However in the following season the probability of El Niño increases to about 50% chance.

April to June temperatures are forecast to be average or below average for the northern North Island, including Auckland. Rainfall is likely to be normal or below normal during this time.



Overall production from the water treatment plants was 2.4% above budget for the month, and is 0.85% below budget YTD. The higher demand for the month was due to ongoing fine weather experienced across the region. Transmission system losses for the month, adjusted for planned discharges were 3.7% and are 2.3% YTD.

6. FINANCE

Financial Performance

	Current Month			Year To Date			Full Year		
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var
Figures (\$millions)									
Revenue	48.23	42.75	5.48	366.78	353.03	13.75	480.08	467.41	12.67
Operating Expenses	17.47	17.34	(0.13)	144.94	147.34	2.40	194.63	195.54	0.91
Depreciation	17.09	16.81	(0.28)	153.62	149.78	(3.83)	204.39	199.68	(4.71)
Interest expense	7.93	6.31	(1.62)	54.26	56.86	2.60	73.87	75.12	1.25
Total Contribution	5.74	2.29	3.45	13.96	(0.95)	14.92	7.19	(2.93)	10.12
Financial instruments revaluation - loss/(gain)	(1.72)	-	1.72	(23.52)	-	23.52	(23.52)	-	23.52
Non-operating costs/(income)	1.08	-	(1.08)	9.34	-	(9.34)	9.94	-	(9.94)
Operating Surplus / (Deficit) Before Tax	6.38	2.29	4.09	28.14	(0.95)	29.09	20.76	(2.93)	23.69
Deferred Tax - Expense/(Credit)	12.05	0.27	(11.78)	18.21	(0.26)	(18.47)	13.50	(0.82)	(14.31)
Net Surplus / (Deficit) After Tax	(5.67)	2.02	(7.70)	9.93	(0.70)	10.62	7.27	(2.11)	9.38
FFO Ratio				3.23	3.06		3.08	3.04	
Operating EBITDAF	30.76	25.41	5.35	221.84	205.69	16.15	285.45	271.87	13.58
EBITDA	31.40	25.41	5.99	236.02	205.69	30.33	299.03	271.87	27.16
EBIT	14.30	8.60	5.70	82.40	55.91	26.49	94.64	72.19	22.45

Month – Total Contribution of \$5.74m - favourable variance to budget of \$3.45m

Total revenue was favourable \$5.48m to budget largely due to the receipt of a subvention payment from Ports of Auckland Ltd for tax losses of \$5.36m. Water and wastewater revenue was \$0.55m unfavourable to budget with water volumes 0.6% unfavourable. Vested asset income was unfavourable \$1.46m. IGC revenue at \$4.14m was favourable \$2.06m.

Operating expenses were \$0.13m unfavourable to budget with unfavourable variances for unplanned maintenance and operating costs largely offset by favourable variances for planned maintenance, energy and general overheads.

Depreciation was unfavourable to budget \$0.28m due to higher than budgeted accelerated depreciation.

Interest expense was \$1.62m unfavourable to budget.

Year to date – Total Contribution of \$13.96m - favourable variance of \$14.92m

Year to date revenue was \$13.75m favourable to budget primarily due to vested asset income favourable \$10.21m, IGC revenue favourable \$3.38m and the unbudgeted receipt of subvention payment from Ports of Auckland for tax losses. Water and wastewater revenue was \$5.32m unfavourable to budget.

Operating expenses were \$2.40m favourable to budget with favourable variances for planned maintenance, chemicals, energy, professional services and general overheads partially offset by unfavourable unplanned maintenance and other asset operating costs.

Depreciation was unfavourable to budget \$3.83m due to higher than budgeted accelerated depreciation.

Interest expense was \$2.60m favourable to budget.

Year to date – Net Surplus after Tax of \$9.93m – favourable variance of \$10.62m

The favourable variance year to date of \$10.62m was due to the \$14.92m year to date favourable contribution plus a favourable revaluation of financial instruments of \$23.52m due to an increase in medium to long term swap rates since June 2013; partially offset by losses on disposals of fixed assets and an increase in deferred tax expense of \$18.47m due primarily to the effect of the tax loss offset with Ports of Auckland Ltd.

Full year Forecast – Operating Contribution of \$7.19m – favourable variance of \$10.12m

Full year revenue is forecast at \$480.08m, favourable by \$12.67m largely due to expected higher than budgeted vested asset income and an unbudgeted subvention payment of \$5.36m from Ports of Auckland Ltd. Water and wastewater revenue forecasts for the remaining months of the year are assumed at budgeted levels.

Operating expenses are favourable to budget \$0.91m with favourable variances for planned maintenance, energy, professional services and general overheads partially offset by unfavourable variances for net labour, unplanned maintenance and other asset operating costs.

Depreciation costs are forecast \$4.71m higher at year end largely due to shortfalls in the budget for accelerated depreciation.

Interest expensed through the P&L is expected to be \$1.25m lower than budget at year end due to higher levels of capitalised interest compared with budget.

Financial Position

\$million	Actual Feb-14	Actual Mar-14	Monthly Movement	Budget Mar-14	Var from Budget
Non Current Assets	8,222.7	8,232.5	9.8	8,430.1	(197.6)
Current Assets	89.4	109.0	19.6	74.9	34.1
Total Assets	8,312.1	8,341.5	29.5	8,505.1	(163.6)
Other Liabilities	153.0	155.9	2.9	229.9	(73.9)
Deferred Tax Liability	933.2	945.3	12.0	957.9	(12.6)
Borrowings - Short Term	628.3	615.2	(13.1)	636.0	(20.8)
Borrowings - Long Term	815.4	848.7	33.4	824.6	24.1
Shareholders Funds	5,782.0	5,776.4	(5.6)	5,856.7	(80.3)
Total Liabilities and Shareholders Funds	8,312.1	8,341.5	29.5	8,505.1	(163.6)

The Statement of Financial Position as at 31 March 2014 was broadly consistent with 28 February 2014 with an increase in borrowings (\$20.3m) offset by an increase in cash (\$10.3m) and the movement in deferred tax liability due to the subvention payment from Ports of Auckland Ltd.

Compared with the budget the material variances are in respect of non-current assets, deferred tax and shareholders funds all of which largely reflect the revaluation of property, plant and equipment as at 30 June 2013 being lower than was assumed for the budgeted opening balance sheet as at 1 July 2013.

Receivables

Receivables before provision for doubtful debts totalled \$36.2m at March month end compared with \$35.3m at the end of February. The Auckland Council component of total debt was \$0.66m, compared with \$0.51m at February and disputed trade waste accounts at the end of March totalled \$1.28m compared with \$1.12m last month. Total 60+ day debt has increased by \$82k during the month primarily due to the increase in disputed trade waste.

Total receivables – month-on-month comparison

	0-30 days <i>(previous month in italics)</i>	30-59 days <i>(previous month in italics)</i>	60 days + <i>(previous month in italics)</i>	Total <i>(previous month in italics)</i>
Receivables excluding Council, disputed trade waste and disputed IGC	\$28,958,484 \$27,396,147	\$2,340,818 \$3,168,798	\$2,984,814 \$3,050,150	\$34,284,117 \$33,615,095
Auckland Council Group	\$588,492 \$594,330	\$169,228 \$72,851	-\$91,974 -\$160,078	\$665,746 \$507,103
Disputed trade waste accounts	\$90,709 \$72,744	\$69,780 \$83,856	\$1,120,985 \$1,042,067	\$1,281,474 \$1,198,667
Total receivables	\$29,637,685 \$28,063,221	\$2,579,827 \$3,325,505	\$4,013,826 \$3,932,139	\$36,231,338 \$35,320,865

Receivables excluding Auckland Council and disputed trade waste accounts totalled \$34.3m for March, compared with \$33.6m at February month end. The decrease in receivables primarily reflects the reduction in debt aged between 30 and 59 days. Additionally 60+ day debt has decreased by \$65k. The average debt per account increased from \$99 to \$103.

Total receivables – excluding Auckland Council and disputed trade waste

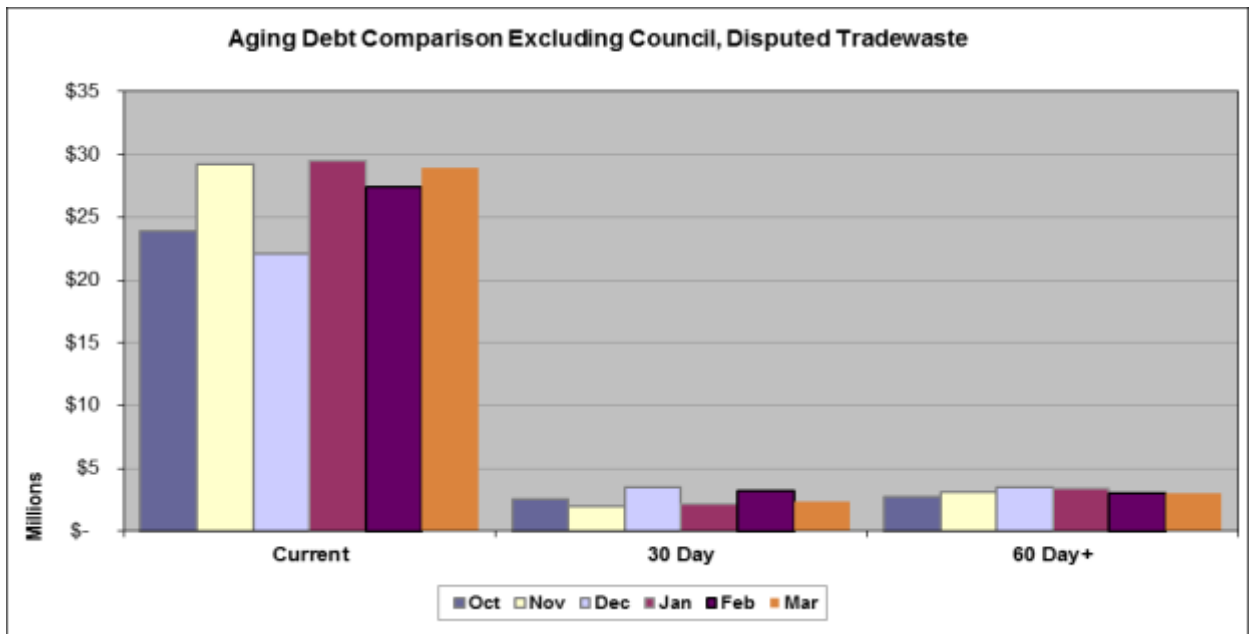
	0-30 days <i>(previous month in italics)</i>	30-59 days <i>(previous month in italics)</i>	60 days + <i>(previous month in italics)</i>	Total <i>(previous month in italics)</i>
Net Debt	\$28,958,484 \$27,396,147	\$2,340,818 \$3,168,798	\$2,984,814 \$3,050,150	\$34,284,117 \$33,615,095
# of accounts	312,507 321,272	36,404 38,203	34,708 34,088	332,499 341,139
Average Debt	\$93 \$85	\$64 \$83	\$86 \$89	\$103 \$99
Percentage	84.5% 81.5%	6.8% 9.4%	8.7% 9.1%	100.0% 100.0%

Commercial	Current month <i>(previous month in italics)</i>	30-59 days <i>(previous month in italics)</i>	60 days + <i>(previous month in italics)</i>	Total <i>(previous month in italics)</i>
Totals	\$12,269,455 <i>\$10,405,110</i>	\$1,131,387 <i>\$1,698,245</i>	\$801,518 <i>\$825,318</i>	\$14,202,359 <i>\$12,928,674</i>
# of accounts	21,759 <i>23,606</i>	3,387 <i>3,461</i>	5,442 <i>5,413</i>	26,079 <i>27,906</i>
Average Debt	\$564 <i>\$441</i>	\$334 <i>\$491</i>	\$147 <i>\$152</i>	\$545 <i>\$463</i>
Percentage	86.4% <i>80.5%</i>	8.0% <i>13.1%</i>	5.6% <i>6.4%</i>	100.0% <i>100.0%</i>

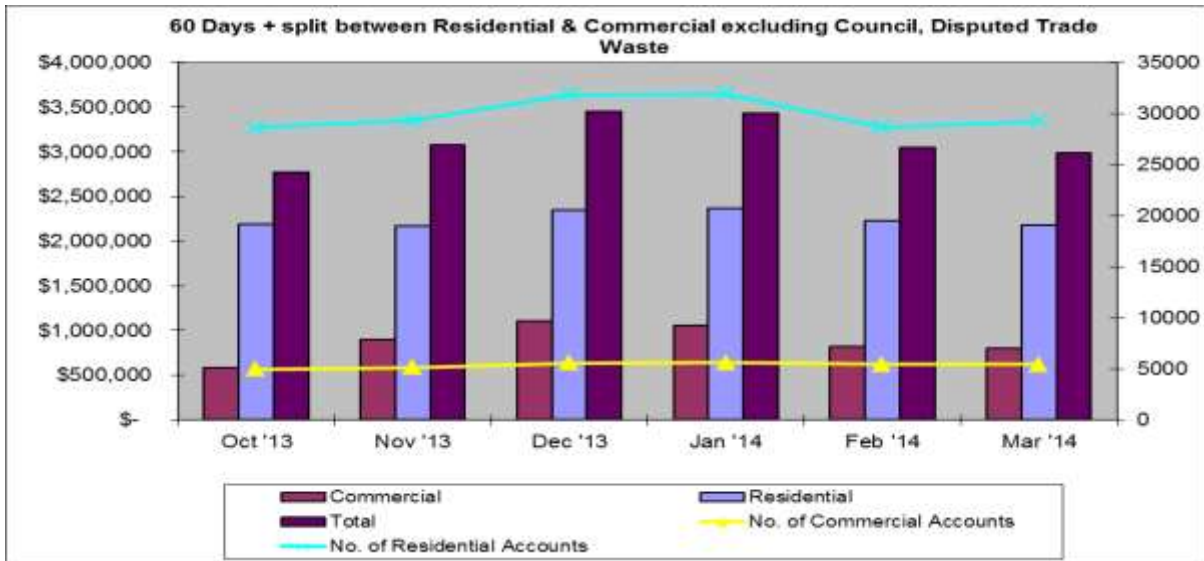
Residential	Current month <i>(previous month in italics)</i>	30-59 days <i>(previous month in italics)</i>	60 days + <i>(previous month in italics)</i>	Total <i>(previous month in italics)</i>
Totals	\$16,689,029 <i>\$16,991,037</i>	\$1,209,431 <i>\$1,470,552</i>	\$2,183,297 <i>\$2,224,832</i>	\$20,081,758 <i>\$20,686,421</i>
# of accounts	290,748 <i>297,666</i>	33,017 <i>34,742</i>	29,266 <i>28,675</i>	306,420 <i>313,233</i>
Average Debt	\$57 <i>\$57</i>	\$37 <i>\$42</i>	\$75 <i>\$78</i>	\$66 <i>\$66</i>
Percentage	83.1% <i>82.1%</i>	6.0% <i>7.1%</i>	10.9% <i>10.8%</i>	100.0% <i>100.0%</i>

The change in age of debt (excluding Council and disputed trade waste) over the last six months is shown below.

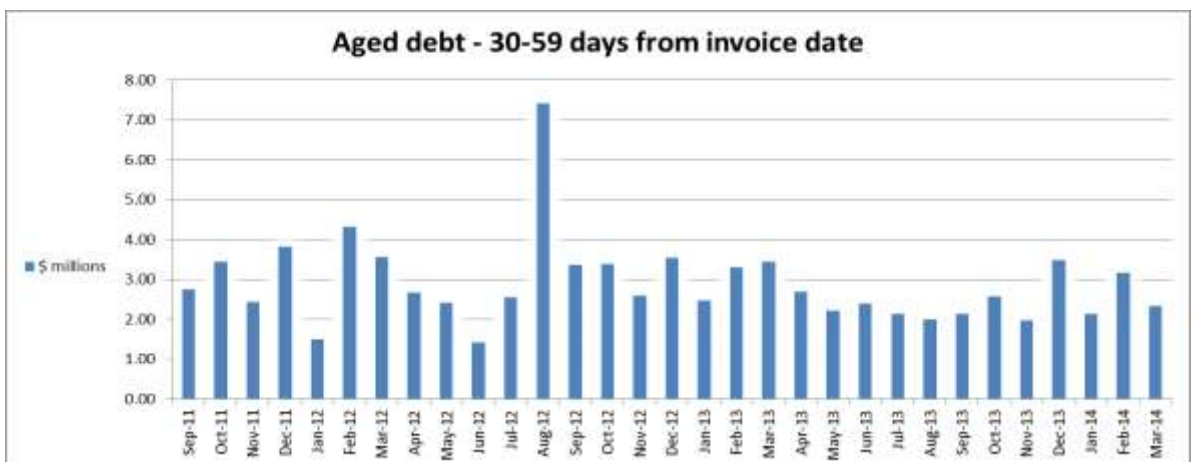
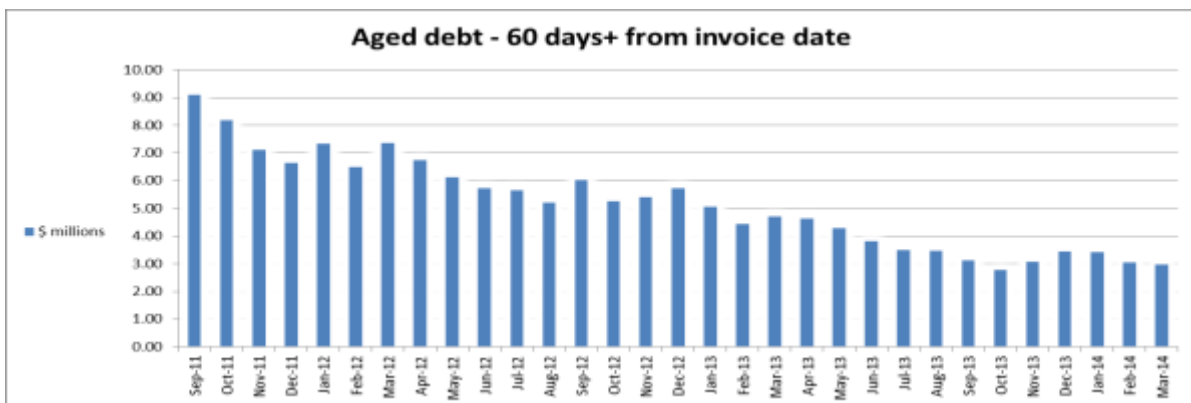
Age of debt comparison – October 2013 to March 2014



The split of 60 days+ receivables between residential and commercial is shown below:



The trends of 30-59 days debt and 60 days+ debt are shown below:



The spike in 30-59 day debt in August 2012 reflects the change in billing cycles for all customers to monthly billing.

Water Utility Consumer Assistance Trust (WUCAT)

The following table summarises the results of the Trust since its inception:

WUCAT Summary			WUCAT Summary last 3 meetings		
Financial year	Board approved applications	\$ Value	Month	Board approved applications	\$ Value
Jun-12	34	29	Dec-13	10	10
Jun-13	174	170	Feb-14	12	9
Jun-14	81	99	Mar-14	12	10
Total	289	298	Total	34	29

289 applicants have successfully completed the budget review process and these applicants have had \$298k of hardship relief approved by the Trust.

The results of the last 3 WUCAT meetings are that 34 applicants have successfully completed the budget process and had \$29k of hardship relief approved by the Trust. The WUCAT trustees do not hold a meeting in January due to the holiday break.

Restrictions

During March 992 reminder notices were sent to customers warning that water restriction may be actioned if payment was not received and 19 cards were sent to customers warning of possible restriction of their water supply in 48 hours. As a result 3 new water restrictions were actioned during March and 2 of these restrictions were removed immediately due to payment being received. The other restriction actioned during the month was on a vacant property and this remains in place.

The table below summarises the restrictions carried out by Watercare Services Limited.

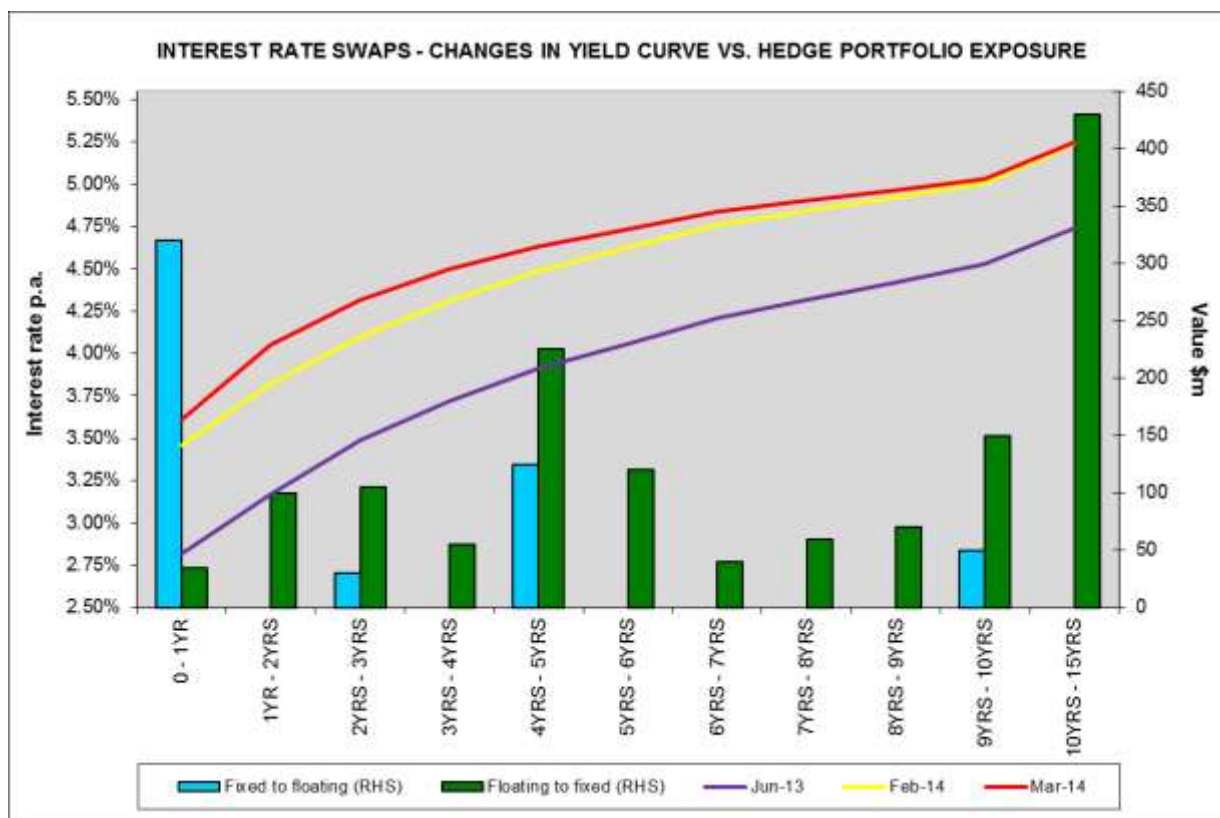
Watercare - Restriction Summary			
	Commercial	Residential	Total
Inherited 1 Nov 2010	0	4	4
Restricted	28	21	49
Derestricted	-24	-13	-37
Restrictions Remaining	4	12	16

The following restrictions remain in place:

- Three water restrictions inherited from Manukau Water remain in place on residential properties at the owners request due to unfixed leaks at the properties.
- A further four residential restrictions remain in place on vacant properties. Communications are ongoing with the customers and if the properties are tenanted in future resolution will be required.

- A further five residential restrictions remain in place and communication continues with these customers.
- Four commercial properties remain restricted at the end of March and communication continues with these customers.

Treasury



Interest Analysis \$million	Current Month			Year to Date			Full Year		
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var
Interest as per Statement of Financial Performance	7.93	6.31	(1.62)	54.26	56.86	2.60	73.87	75.12	1.25
Capitalised Interest	(0.44)	0.94	1.38	9.54	8.35	(1.19)	13.10	11.82	(1.28)
Gross Interest	7.48	7.25	(0.24)	63.80	65.21	1.41	86.97	86.94	(0.03)
Less Interest Income	0.06	0.00	(0.06)	0.05	0.00	(0.08)	0.18	-	(0.18)
Net Interest	7.42	7.25	(0.18)	63.71	65.21	1.49	86.80	86.94	0.14

For the month net interest was unfavourable \$0.18m with budget. The interest charge to the Statement of Financial Performance was above budget by \$1.62m due to a restatement of the actual interest rate applicable to capitalisation of interest.

The interest charge to the Statement of Performance was below budget by \$2.60m as a result of higher than budget capitalised interest of \$1.19m and lower than budgeted gross interest due to the phasing of the budgeted interest.

Capital Expenditure

Capital expenditure for the month was \$27.2m against a budget of \$31.6m.

Summary Capital Expenditure (\$millions)	Month Mar 14			Year to Date			Full Year		
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var
Infrastructure Wastewater Projects	11.5	13.2	1.7	90.7	101.2	10.5	140.0	140.2	0.2
Infrastructure Water Projects	12.2	13.2	1.0	95.2	90.4	(4.8)	133.7	131.6	(2.1)
Operations	1.0	2.1	1.1	10.1	13.9	3.8	12.8	18.4	5.6
Maintenance Services	0.6	0.1	(0.5)	1.8	2.2	0.4	2.9	4.0	1.1
Information Services	0.2	0.8	0.6	3.4	7.3	3.9	6.8	9.9	3.1
Other Projects	1.7	2.2	0.5	15.5	21.6	6.1	23.0	26.6	3.6
TOTAL	27.2	31.6	4.4	216.7	236.6	19.9	319.2	330.7	11.5
Includes Capitalised Interest of:									
Water Projects Capitalised Interest	(0.3)	0.4	0.7	5.5	4.5	(1.0)	7.6	5.8	(1.8)
Wastewater Projects Capitalised Interest	(0.1)	0.5	0.6	4.1	3.6	(0.5)	5.4	5.7	0.3
Other Capitalised Interest	0.0	0.0	0.0	0.0	0.2	0.2	0.1	0.4	0.3
Total Capitalised Interest	(0.4)	0.9	1.3	9.6	8.3	(1.3)	13.1	11.9	(1.2)

7. ANNUAL PLAN

Watercare is engaging with Auckland Council on the finalisation of content for the Annual Plan 2014/15. Detailed financials were submitted to the Council in March. The Council also requires a covering report summarising key priorities and initiatives for 2014/15 to be submitted by 17 April. This report will provide the pre-reading for Councillors ahead of a joint CCO / Council Annual Plan workshop on 5 May.

8. LONG TERM PLAN

Watercare is continuing to engage with Auckland Council on the development of the Long Term Plan 2015-25. The current phase of activity is focussed on the development of a set of 'strategic options' which contribute to the delivery of the six Transformational Shifts and two geographic projects (City Centre and The Southern Initiative) described in the Auckland Plan.

Watercare's updated Asset Management Plan will form the basis of Watercare's 'strategic option' – this is likely to take the form of a baseline AMP and one or two alternative options that explore different phasing of spend for key capex projects.

Strategic options are due to be submitted to Council in June.

9. BOARD CORRESPONDENCE

There was no Board correspondence received during the month of March 2014.

10. EXECUTION OF DOCUMENTS

There were four documents executed during March in accordance with the delegated authority provided to the Acting Chief Executive by the Board in relation to deeds, instruments and other documents. These included the registration of two easements and two land use reviews.

There were nine capex approvals totaling \$20.055m signed in accordance with the delegated authority provided to the Acting Chief Executive by the Board in relation to capex approvals below a threshold of \$15m.

Summary of Capital Projects approved by Chief Executive – March 2014		
C-10745-A	Onehunga Water Treatment Plant HSNO Compliance Project Extension	\$704,000
C-10925	Kohimarama Storage Tank and Branch Sewer Upgrade - Stage 2	\$12,610,000
C-11184-02	Te Puru Pump Station Upgrade - Stage 2	\$1,689,000
C-11681-02	Duplication of the Albany Reservoir Stage 2	\$5,000,000
C-11814A	Army Bay WWTP Effluent Reuse System Upgrade Extension	\$142,000
C-11940-04	Vehicle Purchase - Calibration Technician	\$33,000
C-11980c	Waikato WTP Stage 2D - Scope Change Lime System Deletion	-\$2,600,000
C-11995	Waikato Water Treatment Plant VSD Replacement	\$2,334,000
C-12199	Northern Networks Generator Connection Improvements - Rodney	\$2,143,000

11. WORKING WITH LOCAL BOARDS

Over the past month Watercare attended Infrastructure Portfolio Briefings with members from Rodney and Kaipatiki Local Boards. Watercare engineers also presented project information to the Orakei Local Board on a number of projects either underway or in planning. Similar information was also shared with the St Heliers Village Association and will be presented to a meeting of the St Heliers Residents Association at which Local Board representatives will also be present.

Updates on a number of high profile local projects continue to be shared with local board offices local libraries and other stakeholders. Information on projects in major road corridors is also being shared with Auckland Transport's Local Board advisors in the interests of no surprises.

A special meeting was held for Mangere Local Board members to help increase understanding of issues being raised around the Central Interceptor and the Mangere Wastewater Treatment Plant. The presentation offered a chance for open discussion and was welcomed by both Watercare and the Local Board.

Watercare has also begun hosting some of the Local Boards on site visits to Mangere Wastewater Treatment Plant. The first site visit is scheduled with the Franklin and Papakura

Local Boards for 10 April and will also be progressively offered to other Local Boards that bound the Manukau Harbour.

Watercare also continues to liaise with Local Board Services staff regard development of the Local Board plans.

12. STATUTORY PLANNING

Auckland Proposed Unitary Plan

The Proposed Auckland Unitary Plan sets out the policy and rule framework that will apply to Watercare's operations when the Plan becomes operative (noting that some provisions already have "legal effect" and must be complied with). As drafted, there are significant implications for Watercare, both in terms of the maintenance, repair, and upgrading of existing infrastructure and installation of new infrastructure. The main areas of concern are the sections on: freshwater allocation and takes, overlays (in particular natural resource, historic heritage, and cultural heritage), and the Mana Whenua provisions. These sections pose significant challenges for Watercare and have the potential to result in significant costs and delays for projects and operations. Even in areas where Watercare is supportive of the policy direction of the Plan, there are a significant number of matters that are problematic or create uncertainty which in turn imposes regulatory risk.

As previously reported, Watercare did not lodge a formal submission on the Proposed Auckland Unitary Plan on the basis that Council has agreed to fully involve Watercare in the hearing process as part of the Council team.

The Council is currently compiling a summary of submissions to be released to the public as part of the 'further submissions' process. This summary is expected to be released in May. All submitters will then have a specific timeframe to make a further submission. The purpose of further submissions is to enable those that have made a submission to comment on other submitter's points that may affect them. Watercare has reserved the right to make a further submission, if needed, to protect Watercare's position.

Watercare and Auckland Transport have been invited to meetings with Council to discuss the process for involving Watercare and Auckland Transport in the process going forward.

Auckland Council Operative Plan Changes

There are two main plan changes of significant interest to Watercare: Clevedon and Kingseat.

- **Clevedon:** Watercare has appealed the decision version of the plan change in respect of an activity status date that is set out in the plan. The plan provides that in 2017 the application for subdivision consent will change from a prohibited activity to a non-

complying activity. Watercare has agreed in principle to revised wording, but this is subject to agreement by the other appellants. A follow up meeting with all parties will be held in April but this meeting will focus primarily on other matters (stormwater, density and transport matters).

- **Kingseat:** Some parties have appealed the Kingseat decision. As highlighted previously, there is now interest from several parties to expand the urban area to include their landholdings. Watercare is seeking direction from Council as to whether Council supports the inclusion of these landholdings in the Kingseat township as this has significant implications for the wastewater servicing strategy (i.e., whether the area to be serviced is a population of 5000 or up to 20,000). Watercare provided Council with a short summary of the water and wastewater issues to support Council's analysis. The Council has made an interim decision to retain Kingseat at the level of development provided for in the plan change, but this will be revisited as part of the Unitary Plan hearing process. A Court assisted mediation on the plan change was held on 30 January 2014. Watercare followed up on its commitment to meet with Ngati Tamaoho in respect of their concerns about wastewater servicing issues. Watercare has also now initiated a feasibility study related to the use of the existing wastewater treatment plant on the former Kingseat Hospital site. A second Court assisted mediation was held on 21 March. Ngati Tamaoho have continued to voice their concerns about the impacts of wastewater and stormwater on the Whatapaka Creek. Wastewater issues were discussed but detailed discussion on the wording of the plan change was deferred until the study is completed.
- There are three additional Plan Changes that have emerged as being of interest to Watercare. Two of these are private plan changes.
 - **Snells-Algies:** There are two private plan changes in this area seeking to rezone land that is out of Watercare's service area. Watercare cannot legally service this area until the wastewater treatment plant resource consent renewal application has been granted by Council and Watercare replaces the ocean outfall pipe. This pipe is in extremely poor condition and is at risk of failure. A programme is in place to replace this pipe, but it is likely to take five years. Watercare has made submissions on both of these private plan changes. *There has been no further activity on these plan changes.*
 - **Puhinui Gateway:** This is a private plan change to rezone a tract of land outside the current Metropolitan Urban Limit (MUL) for industrial purposes. This area is currently outside of Watercare's service area. There are significant issues associated with providing water supply and wastewater services. *Council is now undertaking a comprehensive master planning process to understand the full infrastructure requirements for the remaining land area between the MUL and the coast.*

Settlement of Claims in the Hunua Ranges

The Crown is currently engaging with Iwi entities on the settlement of claims relating to the Hunua Ranges.

We are assessing the land blocks to which the claims relate to determine if any Watercare infrastructure is involved. Our initial view is that the Watercare infrastructure is located on regional parkland and not on the Crown land which is the subject of the settlement claims. *Update: there is no further update on this activity.*

Mana Whenua Forum

The quarterly meeting of the forum is scheduled for 10 April 2014. The agenda for that meeting will cover:

1. Marae Drinking Water
2. Further development of the Mana Whenua Kaitiaki Forum to include Council and other CCO's
3. Department of Conservation and Iwi engagement
4. Historic Places Trust introduction

Waikato River Take

Watercare's application including the AEE Report has been prepared and lodged with the Waikato Regional Council prior to the Christmas. Consultation with Waikato Tainui, Huakina Development Trust and other marae is continuing. Discussions are also continuing with Fonterra, Horticulture NZ and other representatives of the farming sector.

Waikato Healthy Rivers Collaborative Stakeholders Group

The Waikato Regional Council and Waikato and Waipa River iwi are working alongside stakeholders to review parts of the Waikato Regional Plan. The plan review will focus on point and non-point discharges to land and water in the Waikato and Waipa River catchments. This along with a number of other initiatives is aimed at the restoration and protection of the health and wellbeing of the Waikato and Waipa Rivers. Watercare has been included in a Collaborative Stakeholders Group comprised of 26 members from throughout the community not all being resident in the Waikato. The sectors include energy, farming, industry, forestry, iwi, local government, water supply and environmental groups.

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R Jaduram

ACTING CHIEF EXECUTIVE

WATERCARE SERVICES LIMITED

Management Report

Mar-14

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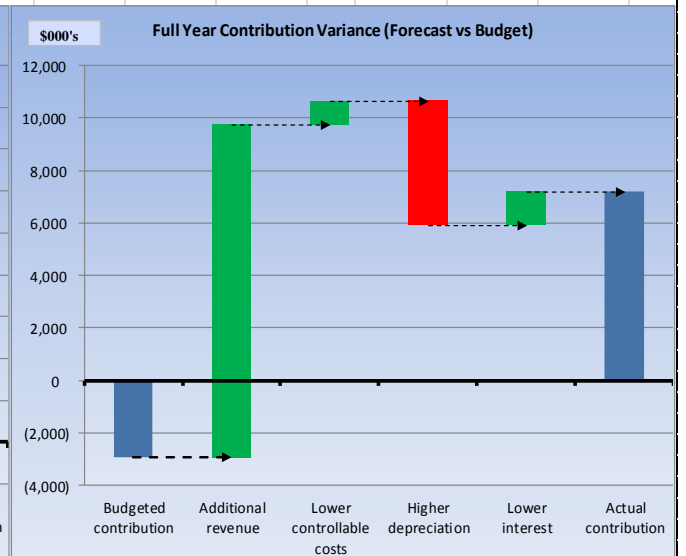
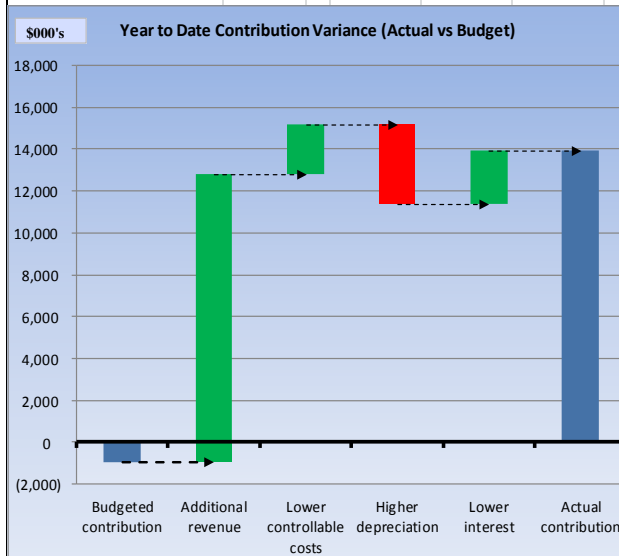
WATERCARE SERVICES LIMITED STATEMENT OF FINANCIAL PERFORMANCE

Mar-14
(\$000's)

	Current Month				Year to Date				Full Year			
	Actual	Budget	Variance	Result	Actual	Budget	Variance	Result	Forecast	Budget	Variance	Result
	Wastewater Revenue	23,784	24,136	(352)	↔	201,680	204,201	(2,521)	↔	267,207	269,728	(2,521)
Water Revenue	12,134	12,280	(146)	↔	100,728	103,172	(2,444)	↔	133,644	136,088	(2,444)	↔
Tradewaste Revenue	933	988	(55)	*	9,274	9,629	(355)	*	13,027	13,382	(355)	*
Laboratory Revenue	491	589	(97)	*	4,158	5,057	(899)	*	5,821	6,795	(974)	*
Infrastructure Growth Charge Revenue	4,143	2,083	2,060	✓	22,129	18,750	3,379	✓	27,774	25,055	2,719	✓
Other Revenue	6,746	2,677	4,069	✓	28,812	12,223	16,589	✓	32,609	16,366	16,243	✓
Total Revenue	48,231	42,752	5,479	✓	366,780	353,032	13,749	✓	480,081	467,414	12,667	✓
Labour	5,441	5,902	461	✓	47,115	49,842	2,727	✓	64,551	67,459	2,909	✓
Contract Labour	468	157	(311)	*	3,822	1,885	(1,937)	*	4,820	2,336	(2,484)	*
Oncosts	269	278	9	✓	2,311	2,453	143	✓	3,144	3,286	143	✓
Labour Recoveries	(2,629)	(2,754)	(125)	*	(22,759)	(24,164)	(1,404)	*	(31,055)	(32,442)	(1,388)	*
Net Labour	3,548	3,582	34	↔	30,489	30,017	(472)	↔	41,460	40,639	(820)	↔
Materials & Cost of Sales	165	189	23	✓	1,523	1,653	129	✓	2,038	2,211	173	✓
Planned Maintenance	1,461	1,795	334	✓	9,909	13,703	3,793	✓	14,197	17,069	2,872	✓
Unplanned Maintenance	2,384	2,247	(137)	*	21,172	19,961	(1,211)	*	27,021	26,569	(453)	↔
Asset Operating Costs - Chemicals	1,071	1,088	18	↔	7,918	8,263	346	✓	10,735	11,020	285	✓
Asset Operating Costs - Energy	1,352	1,575	223	✓	12,260	13,409	1,149	✓	16,625	17,765	1,140	✓
Operating Costs - Other	4,408	3,583	(825)	*	38,419	33,187	(5,232)	*	49,938	43,965	(5,973)	*
Depreciation and Amortisation	17,091	16,809	(282)	↔	153,616	149,783	(3,833)	*	204,390	199,682	(4,708)	↔
Asset Operating Costs	27,768	27,098	(670)	↔	243,293	238,305	(4,988)	↔	322,906	316,070	(6,836)	↔
Communications	121	139	18	✓	1,035	1,249	214	✓	1,371	1,671	300	✓
Professional Services	1,437	1,399	(38)	*	8,734	10,459	1,725	✓	12,725	13,938	1,213	✓
Interest	7,925	6,307	(1,618)	*	54,261	56,858	2,597	✓	73,875	75,121	1,246	↔
General Overheads	1,526	1,744	219	✓	13,481	15,442	1,961	✓	18,519	20,694	2,176	✓
Overheads	11,009	9,589	(1,420)	*	77,511	84,008	6,497	✓	106,489	111,424	4,935	✓
Total Expenses	42,491	40,458	(2,033)	*	352,816	353,983	1,166	↔	472,893	470,345	(2,548)	↔
Total Contribution/(Loss)	5,741	2,294	3,447	✓	13,964	(951)	14,915	✓	7,189	(2,930)	10,119	✓
Gain/Loss on Disposal of Fixed Assets & other Costs	1,085	-	(1,085)	*	9,341	-	(9,341)	*	9,941	-	(9,941)	*
Financial Instruments Revaluation (Gain)/Loss	(1,724)	-	1,724	✓	(23,516)	-	23,516	✓	(23,516)	-	23,516	✓
Non Operating (costs)/Revenue	(639)	-	639	✓	(14,175)	-	14,175	✓	(13,575)	-	13,575	✓
Net Surplus / (Deficit) before Tax	6,380	2,294	4,086	✓	28,139	(951)	29,090	✓	20,764	(2,930)	23,694	✓
Income Tax Expense (benefit)	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Tax	12,053	271	(11,782)	*	18,210	(256)	(18,466)	*	13,496	(818)	14,315	✓
Net Surplus / (Deficit) after Tax	(5,674)	2,023	(7,697)	*	9,929	(695)	10,624	✓	7,267	(2,112)	9,380	✓

Key: Financial performance result

- ✓ Favourable variance - actual income > 2.5% above budget and actual expenditure < 2.5% below budget
- * Unfavourable variance - actual income < 2.5% below budget and actual expenditure > 2.5% above budget
- ↔ Neutral - actual income and actual expenditure is within 2.5% of budget



WATERCARE SERVICES LIMITED
STATEMENT OF CASH FLOWS

Mar-14

(\$'000's)

NZ \$000s	Current Month				Year to Date				Full Year			
	Actual	Budget	Variance	Result	Actual	Budget	Variance	Result	Forecast	Budget	Variance	Result
Operating Cash flow:												
Operating Revenue	43,952	39,752	4,200	✓	347,783	343,622	4,161	↔	459,980	460,706	(726)	↔
Operating Costs	(18,027)	(10,647)	(7,380)	✗	(134,754)	(147,380)	12,626	✓	(180,104)	(181,877)	1,773	↔
Interest Paid	(10,045)	(8,860)	(1,185)	✗	(53,415)	(56,417)	3,002	✓	(74,073)	(75,121)	1,048	↔
OPERATING CASH FLOW	15,880	20,245	(4,365)	✗	159,614	139,825	19,789	✓	205,803	203,708	2,095	↔
Investing Cash flow:												
Capital Expenditure	(25,512)	(20,739)	(4,773)	✗	(229,850)	(236,393)	6,543	✓	(311,623)	(318,062)	6,439	↔
Capitalised Interest (CAPI)	442	(939)	1,381	✓	(9,541)	(8,351)	(1,190)	✗	(13,096)	(11,824)	(1,272)	✗
INVESTING CASH FLOW	(25,070)	(21,678)	(3,392)	✗	(239,391)	(244,744)	5,353	↔	(324,719)	(329,886)	5,167	↔
Financing Cash flow:												
Bonds/Term Debt Issued/(Repaid)	(20)	-	(20)	✗	(178)	-	(178)	✗	(439,998)	(439,998)	-	↔
Short Term Advances/(Repaid)	-	-	-	↔	(35,000)	(41,429)	6,429	✓	(3,000)	(3,000)	-	↔
Commercial Paper Issued/(Repaid)	(9,949)	(9,949)	-	↔	(10,059)	813	(10,872)	✗	10,762	10,762	-	↔
Auckland Council Borrowings/(Repaid)	30,087	11,382	18,705	✓	161,187	145,535	15,652	✓	551,189	558,414	(7,225)	↔
FINANCING CASH FLOW	20,118	1,433	18,685	✓	115,950	104,919	11,031	✓	118,953	126,178	(7,225)	✗
Net Increase (Decrease) in Cash and Cash Equivalents	10,928	-	10,928	✓	36,173	-	36,173	✓	37	-	37	✓
Opening Cash Balance/(Overdraft)	25,208	-	25,208	✓	(37)	-	(37)	✗	(37)	-	(37)	✗
Ending Cash Balance/(Overdraft)	36,136	-	36,136	✓	36,136	-	36,136	✓	(0)	-	(0)	✗

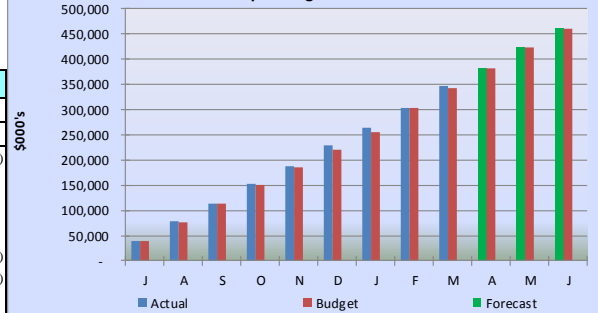
Key: Financial performance result

- ✓ Favourable variance - actual income > 2.5% above budget and actual expenditure < 2.5% below budget
- ✗ Unfavourable variance - actual income < 2.5% below budget and actual expenditure > 2.5% above budget
- ↔ Neutral - actual income and actual expenditure is within 2.5% of budget

Reconciliation Operating Cashflow (\$'000's)

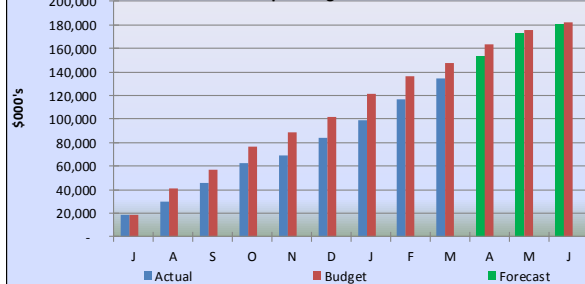
	Current Month		Year to Date		Full Year	
	Actual	Budget	Actual	Budget	Forecast	Budget
Net Surplus (Deficit) After Tax	(5,674)	2,023	9,929	(695)	7,267	(2,112)
Add back non cash items:						
Depreciation and amortisation	17,091	16,809	153,616	149,783	204,390	199,682
Financial instruments revaluation	(1,724)	-	(23,516)	-	(23,516)	-
Vested assets revenue	(468)	(1,450)	(15,814)	(4,400)	(16,814)	(5,800)
Contributions for PP&E	-	(500)	-	(1,450)	(800)	(2,000)
Other non-operating exp/(inc)	1,085	-	9,341	-	9,941	-
Income Tax Expense/(Benefit)	12,053	271	18,210	(256)	13,496	(818)
Movements in Working Capital	(6,484)	3,092	7,849	(3,157)	11,838	14,756
OPERATING CASH FLOW	15,880	20,245	159,614	139,825	205,803	203,708

YTD Operating Revenue - Cash Flow



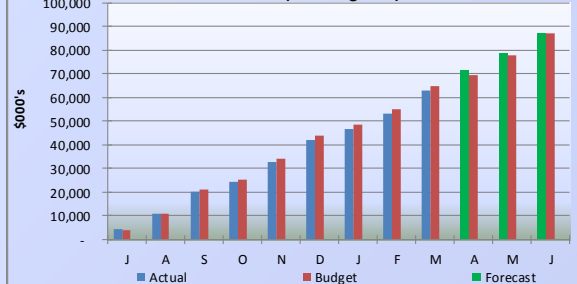
Increased operating cashflow in March due to \$5.4m subvention payment from Ports of Auckland. YTD debtor collection levels in line with expected budget levels.

YTD Operating Costs - Cash Flow



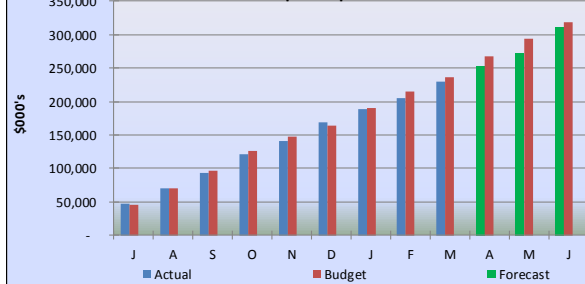
YTD favourable variance reflects actual timing of payment to suppliers' different to budget and unbudgeted \$5.4m lease inducement payment received for 73 Remuera Road.

YTD Total Interest (including CAPI) - Cash Flow



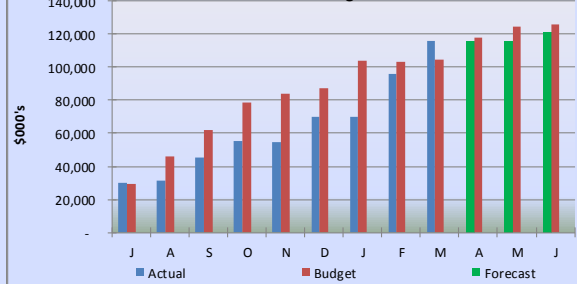
YTD savings in interest cost payments is due to lower than budgeted borrowing levels. March adjustment of YTD capitalised interest due to an update of interest rate used.

YTD Capital Expenditure - Cash Flow



YTD capital expenditure cash flow favourable variance reflects actual timing of payment to suppliers' different to budget. Actual capital expenditure expected to reach budgeted levels by year end.

YTD Financing - Cash Flow



YTD financing cashflow unfavourable variance reflects actual timing of borrowings/repayments from/to Council different to budget. As at March \$30m currently on short term deposit.

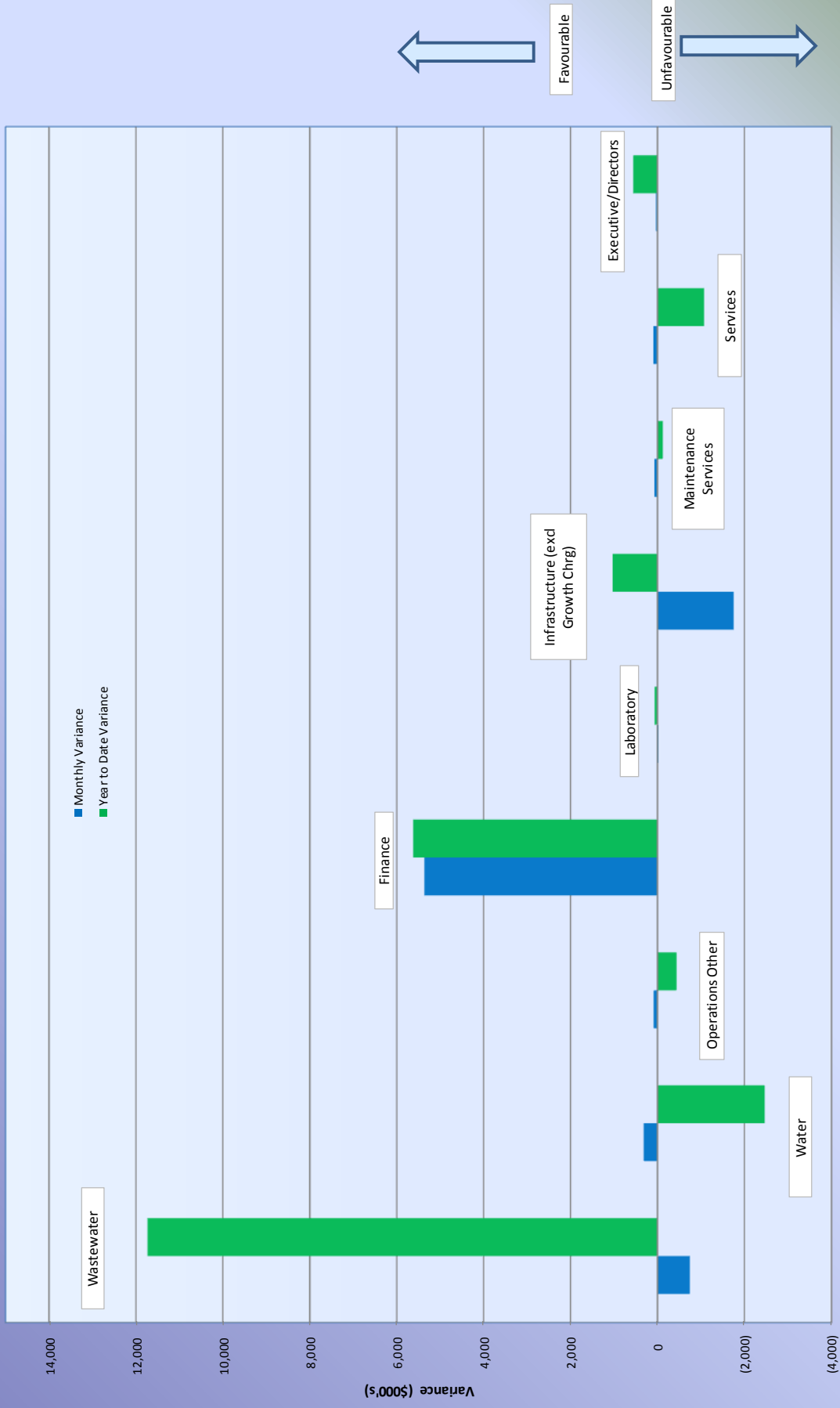
WATERCARE SERVICES LIMITED
STATEMENT OF FINANCIAL PERFORMANCE BY BUSINESS UNIT

Year to Date

Full Year

	Current Month				Year to Date				Full Year			
	Actual		Budget		Actual		Budget		Forecast		Budget	
	Water	Total	Water	Wastewater	Water	Total	Water	Wastewater	Water	Wastewater	Water	Total
Wastewater Revenue	23,784	23,784	24,136	24,136	201,680	201,680	204,201	204,201	267,207	267,207	269,728	269,728
Water Revenue	12,134	12,134	12,280	12,280	100,728	100,728	103,172	103,172	133,644	133,644	136,088	136,088
Trade Waste Revenue	933	933	988	988	9,274	9,274	9,629	9,629	13,027	13,027	13,382	13,382
Laboratory Revenue	159	333	399	589	2,815	4,158	3,424	5,057	3,941	5,821	4,601	6,795
Infrastructure Growth Charge Revenue	2,403	1,740	1,208	2,083	12,835	22,129	10,875	18,750	11,665	27,774	10,523	25,055
Other Revenue	2,540	4,206	1,255	2,677	19,048	28,812	6,451	12,223	11,969	32,609	7,652	16,366
Total Revenue	17,235	30,996	14,933	27,818	242,110	366,780	122,131	353,032	316,480	480,081	305,886	467,414
Labour	2,056	3,385	2,242	3,660	29,320	47,115	19,130	49,842	40,118	64,351	41,633	67,459
Contract Labour	153	315	49	108	2,573	3,822	571	1,885	1,567	4,820	711	2,336
Oncosts	103	166	106	172	1,427	2,311	938	1,515	1,200	3,144	1,255	3,286
Labour Recoveries	(928)	(1,700)	(994)	(1,760)	(14,572)	(22,759)	(8,721)	(15,443)	(19,874)	(31,055)	(20,734)	(32,442)
Net Labour	1,383	2,165	1,402	2,180	18,748	30,489	11,918	18,099	25,441	41,460	24,556	40,639
Materials & Cost of Sales	36	130	61	128	1,029	1,323	533	1,633	660	1,377	1,498	2,211
Planned Maintenance	769	1,461	798	997	5,970	9,909	5,128	8,575	8,718	14,197	10,620	17,069
Unplanned Maintenance	1,225	2,384	1,044	1,203	10,589	21,172	9,117	10,844	12,764	27,021	14,406	26,569
Asset Operating Costs - Chemicals	361	710	454	635	2,691	7,918	2,959	5,203	7,140	10,735	7,157	11,020
Asset Operating Costs - Energy	441	912	525	1,049	8,821	12,260	3,777	9,631	4,536	12,088	12,893	17,765
Operating Costs - Other	1,638	2,770	1,440	2,143	24,316	38,419	12,478	20,708	31,138	49,938	27,217	43,965
Depreciation and Amortisation	7,693	9,399	7,353	9,456	84,260	153,616	65,152	84,631	92,015	204,390	112,684	199,682
Total Asset Operating Costs	12,127	15,640	11,615	15,483	139,183	243,293	98,611	139,694	185,717	322,906	184,977	316,070
Communications	45	76	50	90	635	1,035	445	804	848	1,371	1,075	1,671
Professional Services	568	869	576	823	5,230	8,734	4,152	6,307	7,609	12,725	8,422	13,938
Interest	1,371	6,554	687	5,620	52,094	54,261	2,845	54,013	69,666	73,875	69,669	75,121
General Overheads	530	996	641	1,103	8,835	13,481	5,725	9,717	12,138	18,519	13,030	20,694
Overheads	2,514	8,496	1,954	7,636	66,794	77,511	13,168	70,840	90,261	106,489	92,196	111,424
Total Expenses	16,060	26,431	15,032	25,426	225,754	352,816	124,229	353,983	302,797	472,893	303,227	470,345
Total Contribution	1,175	4,565	(98)	2,392	16,356	13,964	(2,098)	(951)	13,684	7,189	2,660	(2,930)

WATERCARE SERVICES LIMITED
DIVISIONAL CONTRIBUTION VARIANCE

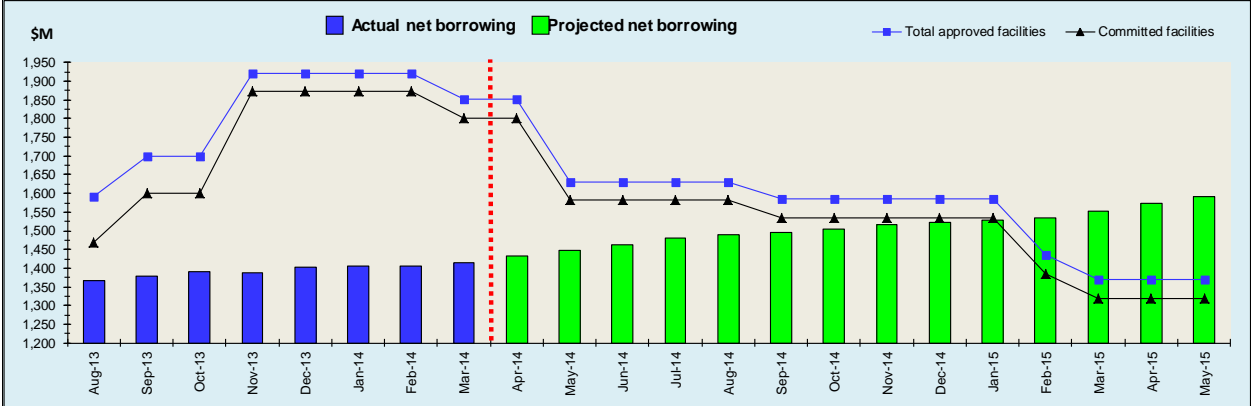


← Favourable
Unfavourable →

WATERCARE SERVICES LIMITED							Mar-14	
STATEMENT OF FINANCIAL POSITION							(\$000's)	
June 2013 Actual	February Actual		March			June 2014		
			Actual	Budget	Variance	Forecast	Budget	Variance
		Non-Current Assets						
7,678,869	7,873,054	Property, Plant and Equipment	7,917,658	8,065,347	(147,689)	8,008,410	8,147,527	(139,117)
438,568	430,243	Construction/Work-in-progress	411,952	463,120	(51,168)	421,863	472,252	(50,389)
(32,668)	(153,574)	Less Provision for Depreciation	(169,760)	(182,733)	12,973	(218,440)	(230,656)	12,216
8,084,769	8,149,724	Total Property, Plant and Equipment	8,159,850	8,345,734	(185,884)	8,211,833	8,389,123	(177,290)
43,054	37,991	Intangible Assets	37,455	40,871	(3,416)	38,854	41,560	(2,706)
24,855	24,456	Prepaid Expenses	24,369	22,260	2,109	24,258	22,149	2,109
3,338	4,261	Inventories	4,411	4,422	(11)	4,411	4,422	(11)
10,819	6,219	Derivative Financial Instruments	6,583	16,830	(10,447)	6,383	16,830	(10,447)
8,166,836	8,222,651	Total Non-Current Assets	8,232,467	8,430,115	(197,649)	8,285,738	8,474,083	(188,345)
		Current Assets						
-	25,208	Cash and Cash Equivalents	36,136	-	36,136	-	-	-
39,247	35,144	Trade and Other Receivables	41,085	40,063	1,022	40,133	36,739	3,393
20,832	20,909	Unbilled Revenue Accrual	22,815	26,702	(3,887)	17,387	26,150	(8,763)
4,220	2,752	Prepaid Expenses	4,504	5,902	(1,398)	3,729	5,262	(1,533)
4,005	3,348	Inventories	3,516	1,874	1,643	3,516	1,874	1,643
3,645	2,053	Derivative Financial Instruments	1,503	407	1,096	1,503	6,780	(5,277)
71,949	89,413	Total Current Assets	109,559	74,947	34,612	66,268	76,805	(10,537)
8,238,785	8,312,064	Total Assets	8,342,026	8,505,063	(163,037)	8,352,006	8,550,888	(198,882)
		Financed by:						
		Non-Current Liabilities						
150,000	-		-	-	-	-	-	-
30,000	30,000	Bonds (18/05/16)	30,000	30,000	-	30,000	30,000	-
75,000	75,000	Bonds (26/10/18)	75,000	75,000	-	75,000	75,000	-
51,183	51,017	Bonds (26/10/18)	50,995	50,995	-	50,996	50,931	65
150,000	150,000	Term Loan (13/10/16)	150,000	150,000	-	150,000	150,000	-
35,000	-	Bank Revolving Credit Facility	-	35,000	(35,000)	5,000	35,000	(30,000)
418,734	509,429	Auckland Council Loan	542,714	483,625	59,089	760,820	704,513	56,307
909,917	815,446	Total debt non-current	848,710	824,621	24,089	1,071,816	1,045,444	26,372
8,580	13,364	Other Accrued Expenses	13,261	8,407	4,854	13,125	8,342	4,783
1,171	1,169	Provision for Staff Benefits	1,180	1,570	(391)	1,112	1,570	(459)
83,909	56,813	Derivative Financial Instruments	54,533	120,431	(65,898)	54,533	120,431	(65,898)
927,052	933,209	Deferred Tax Liability	945,262	957,850	(12,589)	949,975	958,412	(8,437)
1,930,628	1,820,000	Total Non-Current Liabilities	1,862,945	1,912,881	(49,936)	2,090,561	2,134,200	(43,639)
		Current Liabilities						
37	-	Bank Overdraft	-	-	-	-	-	-
139,032	138,922	Commercial Paper	128,973	149,794	(20,821)	128,973	149,794	(20,821)
220,239	220,247	Bonds (15/05/14)	220,248	220,248	-	247	251	(4)
-	150,000	Bonds (16/02/15)	150,000	150,000	-	150,000	150,000	-
78,754	119,160	Auckland Council Loan	115,961	115,961	-	115,961	136,394	(20,434)
438,062	628,329	Total debt current	615,182	636,003	(20,821)	395,181	436,439	(41,258)
28,116	18,099	Trade and Other Payables	23,185	32,140	(8,955)	17,839	37,793	(19,954)
10,641	13,890	Interest Accrued	15,710	14,355	1,355	14,666	13,914	753
55,205	42,856	Other Accrued Expenses	41,430	44,854	(3,424)	53,276	65,125	(11,848)
5,720	5,422	Provision for Staff Benefits	5,622	4,157	1,465	5,192	4,157	1,035
2,983	1,323	Other Provisions	1,311	2,983	(1,672)	1,311	2,983	(1,672)
990	102	Derivative Financial Instruments	271	990	(719)	271	990	(719)
541,717	710,021	Total Current Liabilities	702,711	735,481	(32,770)	487,737	561,401	(73,664)
		Equity						
260,693	260,693	Authorised & Issued Capital	260,693	260,693	-	260,693	260,693	-
3,779,111	3,779,111	Capital Contribution Reserve	3,779,111	3,779,111	-	3,779,111	3,779,111	-
1,620,746	1,641,921	Revaluation Reserve	1,641,863	1,736,332	(94,469)	1,641,863	1,736,334	(94,471)
65,580	84,715	Retained Earnings	84,773	81,260	3,513	84,773	81,260	3,513
40,310	15,603	Current Year Earnings after Tax	9,929	(695)	10,624	7,267	(2,112)	9,380
5,766,440	5,782,043	Total Shareholders' Funds	5,776,369	5,856,701	(80,331)	5,773,708	5,855,286	(81,578)
8,238,785	8,312,064	Total Shareholders' Funds and Liabilities	8,342,026	8,505,063	(163,037)	8,352,006	8,550,888	(198,882)

TREASURY RISKS AND INTEREST RATE PERFORMANCE

Mar-14



Interest rates

	Actual YTD	Benchmark YTD	Year end forecast
Weighted averages (excl. fees and margins)	* 5.20%	4.63%	5.16%
Weighted averages (incl. fees and margins)	6.32%	N/A	6.25%

Debt (\$m)

	Actual	Budget	Variance
Short-term borrowings	615.2	636.0	(20.8)
Long-term borrowings	848.7	824.6	24.1
Total gross debt	1,463.9	1,460.6	3.3
Less cash & deposits	36.1	-	(36.1)
Total net borrowing	1,427.8	1,460.6	(32.8)

Committed facilities

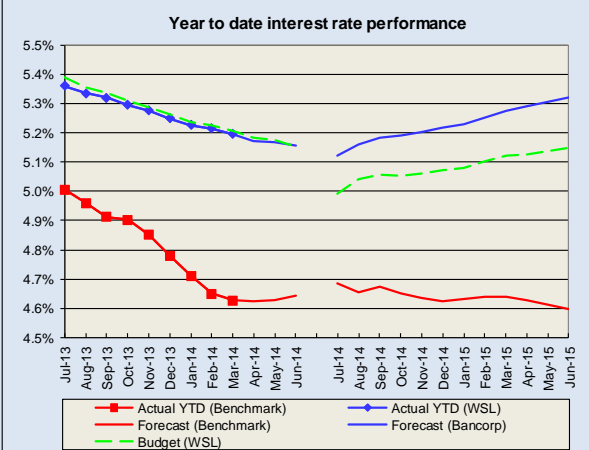
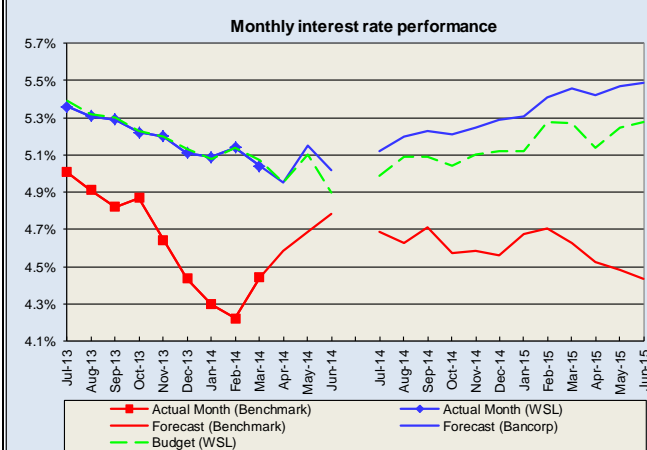
- Westpac Term Loan facility \$150 million
- ANZ CP Standby facility \$100 million
- BNZ CP Standby facility \$100 million
- Westpac Revolving Credit facility \$60 million
- Medium term notes \$525 million
- Auckland Council \$867 million

Total committed facilities as at 31 March \$1,802 million

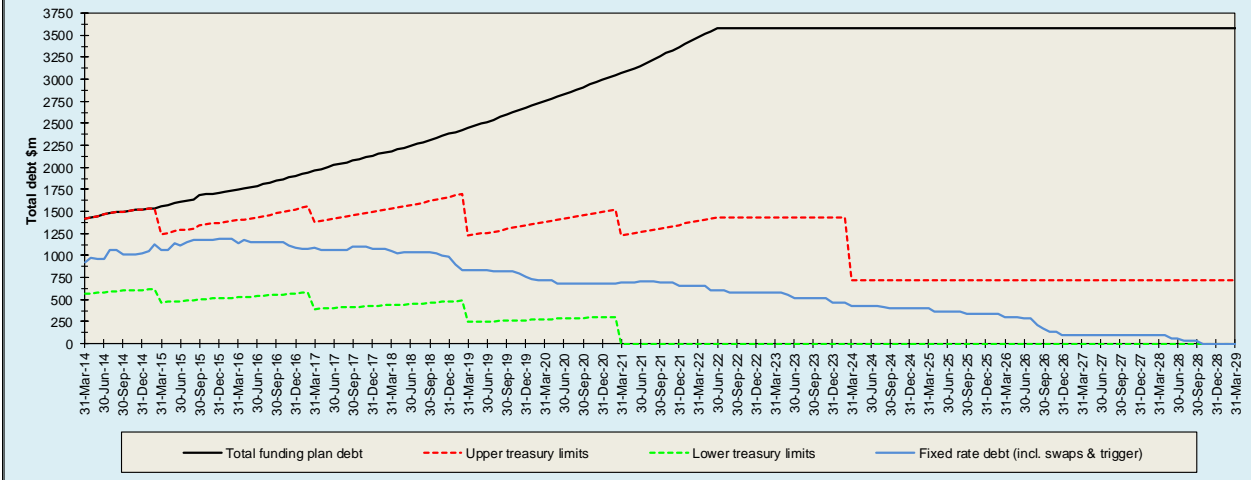
Additional approved facilities

- Approved CP issuance, over and above CP Standby facility \$50 million

Total approved facilities as at 31 March \$1,852 million



Forecast total debt profile



COUNTERPARTY EXPOSURES, DEBT CONCENTRATION & COVENANT COMPLIANCE

Mar-14

Counterparty exposures	S&P credit rating Short / long term	Face value	Credit exposures	Limit	Limit	
		\$000	\$000	\$000	OK /	exceeded
Obligations of registered banks						
ANZ Bank	A1+ / AA-	751,827	134,783	200,000	Limit OK	✓
Bank of New Zealand	A1+ / AA-	698,010	138,019	200,000	Limit OK	✓
ASB Institutional	A1+ / AA-	125,000	25,000	200,000	Limit OK	✓
Westpac Institutional Bank	A1+ / AA-	380,900	118,440	200,000	Limit OK	✓
		1,955,738	416,242	N/A		

Note: Credit exposures are direct exposures plus 3% of the face value of interest rate contracts per annum & 10% of foreign currency contracts.

Debt concentration \$000

Committed debt facilities	Maturity	0-12 months	12-24 months	24-36 months	36-48 months	48-60 months	> 60 months	Total
ANZ CP Standby facility	1/07/15		100,000					100,000
Westpac Revolving Credit facility	30/11/15		60,000					60,000
Westpac Term Loan facility	13/10/16			150,000				150,000
BNZ CP Standby facility	1/07/17				100,000			100,000
Medium-term notes	Various	370,000		30,000		125,000		525,000
Auckland Council	Various	113,248	36,060	74,668	83,368	62,243	497,242	866,829
Total committed debt facilities		483,248	196,060	254,668	183,368	187,243	497,242	1,801,829
Approved CP issuance, over and above CP Standby							50,000	50,000
Total committed and approved debt facilities		483,248	196,060	254,668	183,368	187,243	547,242	1,851,829
Treasury policy - total committed debt facilities		<= 500,000	<= 500,000	<= 500,000	<= 500,000	<= 500,000		
Treasury policy compliance		✓	✓	✓	✓	✓		

Drawn bank facilities	Maturity	0-6 months	6-12 months	12-18 months	18-24 months	24-30 months	> 30 months	Total
ANZ CP Standby facility (\$100m)	1/07/15							0
Westpac Revolving Credit facility (\$60m)	30/11/15							0
Westpac Term Loan facility (\$150m)	13/10/16						150,000	150,000
BNZ CP Standby facility (\$100m)	1/07/17							0
		0	0	0	0	0	150,000	150,000
Treasury policy for bank facilities		<= 250,000	<= 250,000	<= 250,000	<= 250,000	<= 250,000	<= 250,000	
Treasury policy compliance		✓	✓	✓	✓	✓	✓	
Other facilities								
BNZ overdraft	On demand	2,000						2,000
		2,000	0	0	0	0	0	2,000

Counterparty exposure in relation to borrowing facilities	Westpac	BNZ	ANZ
Term loan facility	150,000		
Revolving credit facility	60,000		
CP standby facility		100,000	100,000
	210,000	100,000	100,000
Treasury policy	<= 500,000	<= 500,000	<= 500,000
Treasury policy compliance	✓	✓	✓

Compliance with financial covenants and ratios under the Negative Pledge Deed and Guarantee Facility Deed

Covenant / ratio	Benchmark/target measure	Outcome	Compliance
Security interests / total tangible assets - maximum	5%	0.00%	✓
Total liabilities / total tangible assets - maximum	60%	30.89%	✓
Total liabilities (including contingent) / total tangible assets - maximum	65%	30.89%	✓
Shareholders funds - minimum (\$000)	500,000	5,776,369	✓
EBITDA : funding costs ratio - minimum	1.75	3.79	✓
Funds from operations : interest cover ratio - minimum	2.00	3.23	✓
Total tangible assets of borrowing group / total tangible assets - minimum	90%	100.00%	✓
Loans, guarantees etc to related companies / total tangible assets - maximum	5%	0.00%	✓
External debt maturing in less than 5 years - minimum	50%	100.00%	✓

FOREIGN EXCHANGE & COMMERCIAL PAPER

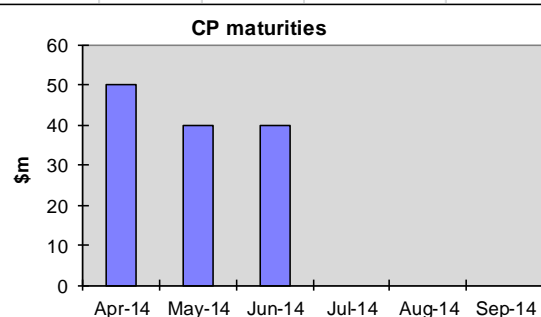
Mar-14

Foreign currency exposures (NZ\$000) including hedging for chemical purchases				USD	AUD	Total
Total exposure to be hedged				4,167	439	4,607
Foreign exchange hedging				4,167	439	4,607
Percentage cover				100%	100%	100%
Treasury policy				100%	100%	100%
Treasury policy compliance				✓	✓	✓

Hedging for chemical purchases (US\$000)			Jun-14	Dec-14	Jun-15	Dec-15	Total
Chemicals forward foreign exchange hedging			1,000	750	500		2,250
Treasury policy							<= 5,000
Treasury policy compliance							✓

Commercial paper maturities

Issue #	\$000	BKBM	Interest rate	Bid cover (x)	Term (days)	Maturity date
264	50,000	2.870%	3.010%	2.10	99	30-Apr-14
265	40,000	2.960%	3.100%	2.13	90	26-May-14
266	40,000	3.080%	3.220%	2.28	91	23-Jun-14
	130,000		3.102%			



Note: BKBM is the banks' mid-rate for bills of an appropriate term on the day of issue of the CP.

	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Beyond Sep-14	Total
Outstanding CP	50,000	40,000	40,000	0	0	0	0	130,000
Uncommitted short-term debt								0
	50,000	40,000	40,000	0	0	0	0	130,000
Treasury policy for maximum amount of CP outstanding								<= 250,000
Treasury policy compliance								✓

Undrawn committed standby facilities	1 month	1-2 months	2-3 months	3-4 months	4-5 months	5-6 months	6-7 months	> 7 months
Undrawn committed standby facility - CP facility	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
50% of CP and other short-term debt repayable within 60 days	45,000	40,000	20,000	0	0			
Treasury policy: Undrawn standby facilities >= 50% of outstanding CP and other uncommitted short-term debt repayable within 60 days								
Treasury policy compliance	✓	✓	✓	✓	✓	✓		

WATERCARE SERVICES LIMITED

Management Report

Mar-14

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Confidential

Water Quality

Transgressions of Maximum Acceptable Values - Annual Compliance 2014 (Financial Year to Date)

WTPs	Compliance in Month	Year to date Transgressions
E.coli	19/19	0
Protozoa	19/19	0
Priority 2 Determinands*	4/4	0

* Priority 2 Determinands are those of public health significance that are present at concentrations that exceed 50% of the Maximum Acceptable Value. Fluoride has been assigned to Ardmore, Huiia, Waitakere, Waikato and Pukekohe WTPs as it is added to the treatment process. Nitrate is assigned as a P2 to the Pukekohe WTP

Water Supply Zone	Compliance in Month	Year to date Transgressions
E.coli	41/41	1
Priority 2 Determinands *	6/7	2
Turbidity	41/41	3

* Priority 2 Determinands are those of public health significance that are present at concentrations that exceed 50% of the Maximum Acceptable Value. Trihalomethanes have been assigned to Te Henga, Oratia, Helensville/Parakai, Warkworth and Wellsford. Nitrate has been assigned to Bombay. Fluoride and Boron are assigned to Clarks/Waiiau as it is naturally occurring in the groundwater

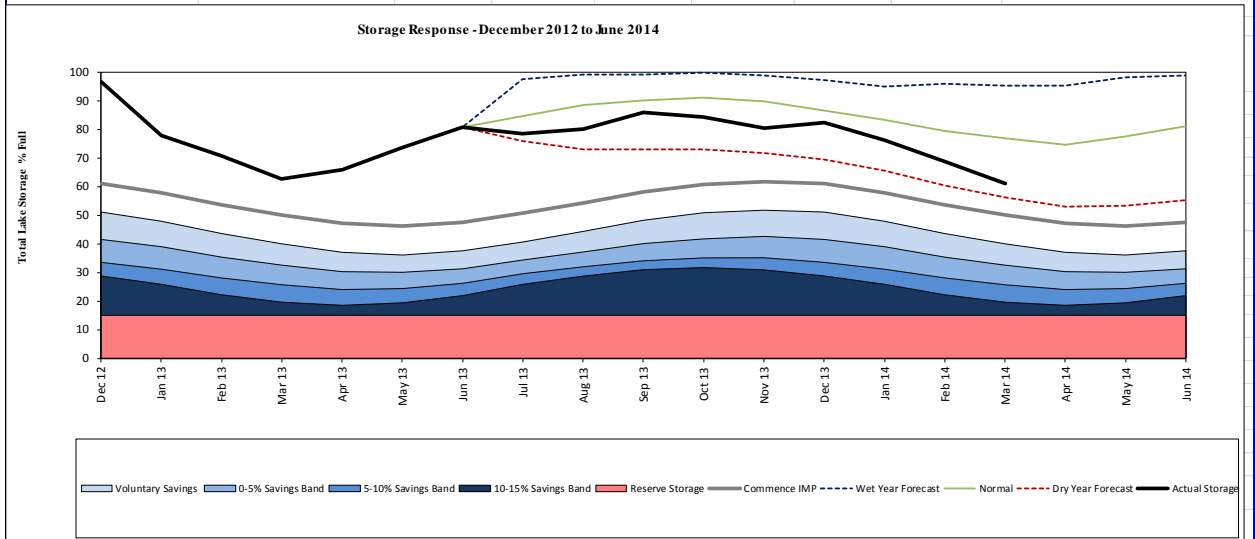
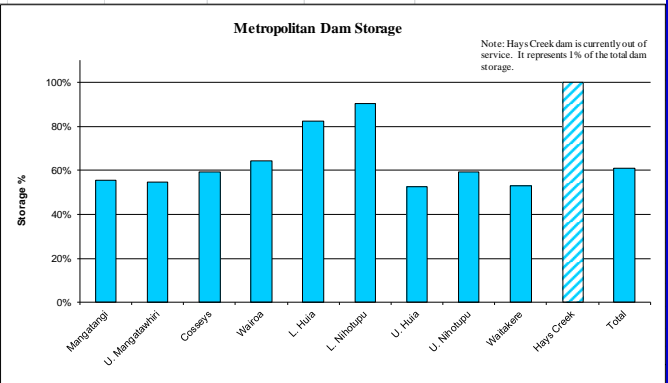
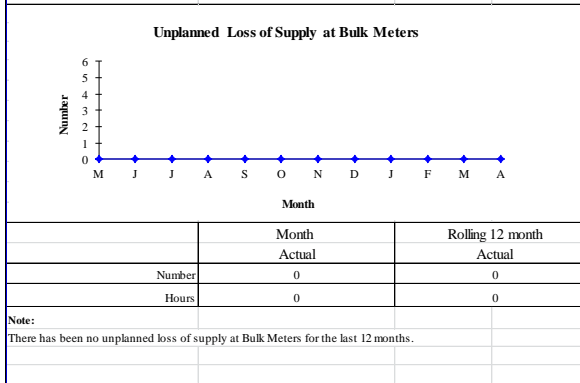
Transgressions:

A routine sample for Trihalomethanes (THMs) from 10 Fordyce Rd in the Helensville Grading Zone taken on 23/01/14 breached the Maximum Allowable Value. The result was 1.143mg/L compared to the MAV of 1.0mg/L. The Drinking Water Assessment Unit was notified.

Reports have been issued to the Drinking Water Assessment Unit for the Robertson Road, Waipareira Avenue and Ormiston Road turbidity exceedances in November and December.

A routine sample for boron from the Clarks/Waiiau Beach Zone taken on 19/03/2014 breached the MAV. The result was 1.5mg/L compared to the MAV of 1.4mg/L. The Drinking Water Assessment Unit was notified. Boron will be addressed by the connection of Clarks/Waiiau to the Waikato supply.

E.coli was detected at a sample point in Devonport in the North Shore Grading Zone on 23/11/2013. The Drinking Water Assessment Unit was notified and three days of consecutive sampling conducted as per the DWSNZ requirements for both events. All follow-up samples were compliant with the DWSNZ. DNA analysis confirms the E.coli strains detected as being E.coli. The strains were very similar indicating they were possibly derived from the same animal or bird and unlikely to be from sewage contamination.



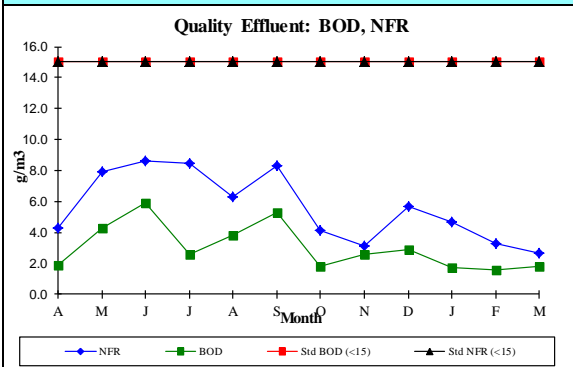
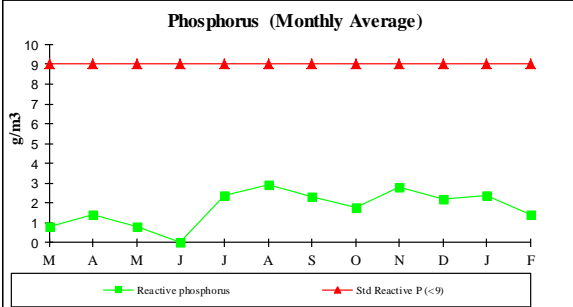
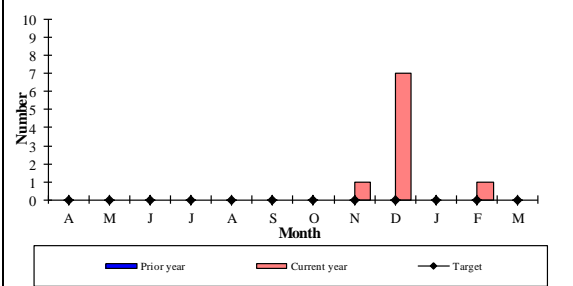


Table 2 Compliance	Consent compliance	Mar-14	Table 2 Standard
Plant load			
Monthly average			
BOD (g/m ³)	✓	1.8	< 15
NFR (g/m ³)	✓	2.7	< 15
Nutrients (g/m³)			
Monthly Mean			
Reactive phosphorus	✓	1.4	< 9
Total nitrogen (Apr-Nov)		N/A	< 35
Total nitrogen (Dec-Mar)	✓	8.3	< 9.5
Disinfection			
% duration receiving 35 milliWatt-sec/cm ² of UV dose	✓	100.00%	>= 99%
Monthly mean (% saturation)			
Dissolved oxygen	✓	106.00%	> 80%
Breaches of resource consent conditions	✓	0	0

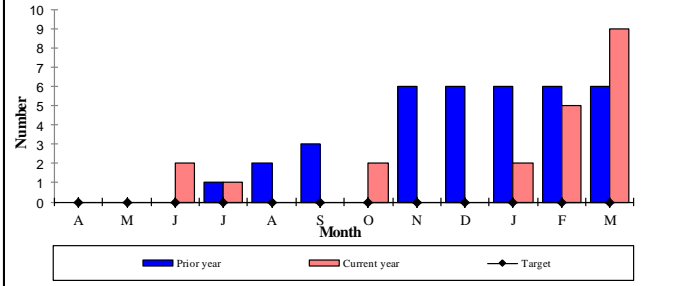


Comment:

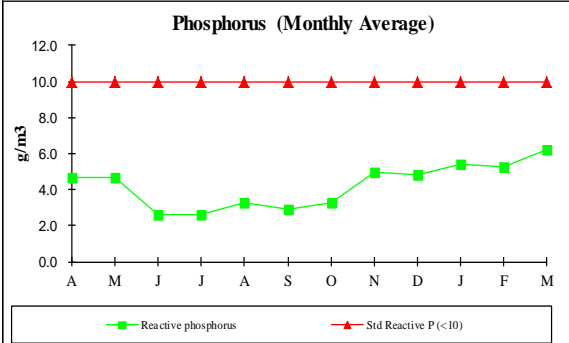
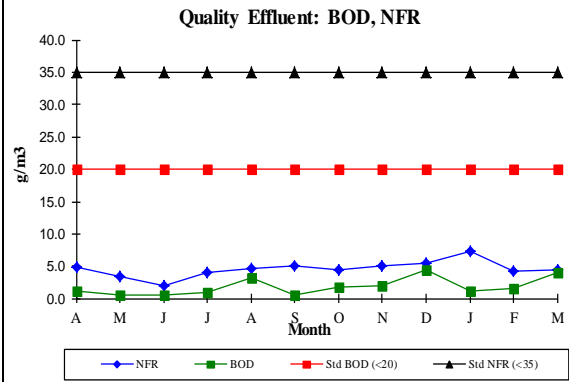
✘ Midge Complaints



✘ WTP Odour Complaints

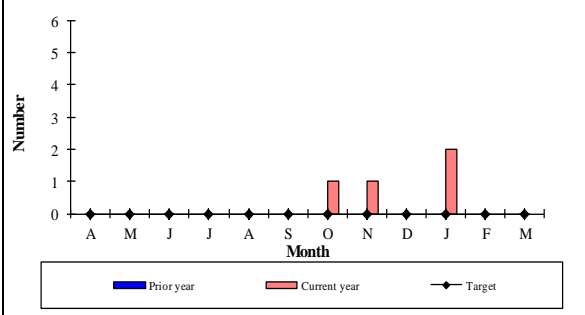


Wastewater Treatment - Rosedale

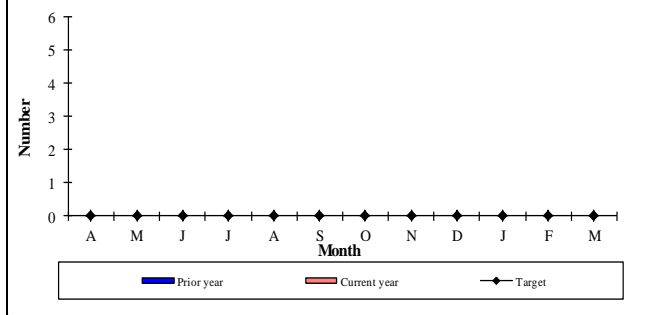


Compliance	Consent compliance	Mar-14	Table 2 Standard
Plant load			
Monthly average			
BOD (g/m ³)	✓	4.1	< 20
NFR (g/m ³)	✓	4.5	< 35
Nutrients (g/m³)			
Monthly Mean			
Reactive phosphorus	✓	6.2	< 10
Total nitrogen	✓	13.0	< 30
Ammonia	✓	1.3	< 10
Bacteriological			
Monthly median			
Enterococci (#/100ml)	✓	36	< 100
Faecal Coliforms (#/100ml)	✓	140.0	< 1000
Bacteriological			
Monthly 95% Percentile			
Enterococci (#/100ml)	✓	210	< 1000
Faecal Coliforms (#/100ml)	✓	372	< 10000
Bacteriological			
95 Percentile over three discreet months			
Enterococci (#/100ml)	✓	532	< 1000
Faecal Coliforms (#/100ml)	✓	949	< 10000

✗ **Midge Complaints (YTD)**

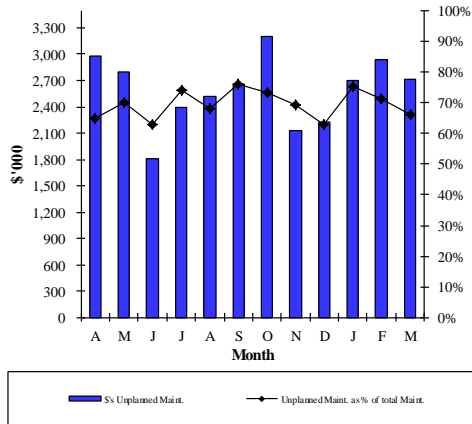


✓ **WTP Odour Complaints (YTD)**



There have been no odour complaints made for over two years

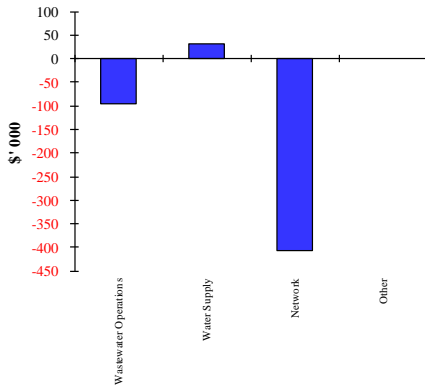
Unplanned Maintenance



	Result	Month			Year to Date		
		Actual	Budget	Var	Actual	Budget	Var
Unplanned Maintenance	✘	2,715	2,246	(469)	23,464	19,950	(3,515)
% of Total Maintenance	✘	66%	56%	-10%	70%	60%	-10%

Unplanned maintenance as a % of Total Maintenance is unfavourable to budget mainly due to higher volume of work in Networks Northern area.

Unplanned Maintenance Variance -Month



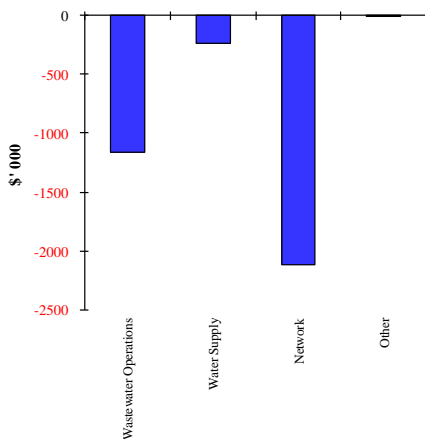
	Result	Month		
		Actual	Budget	Variance
Wastewater Operations	✘	578	481	(97)
Water Supply	✔	148	181	33
Network	✘	1,989	1,584	(405)
Other	✔	0	0	0

Wastewater Operations: Higher than budget due to high volume of repairs in Mangere

Water Operations: Lower than budget

Networks: Over budget due to high volume of work in Northern area

Unplanned Maintenance Variance - YTD



	Result	Year to Date		
		Actual	Budget	Variance
Wastewater Operations	✘	5,570	4,413	(1,157)
Water Supply	✘	1,777	1,543	(234)
Network	✘	16,117	13,995	(2,122)
Other	✘	2	-0	(2)

Wastewater Operations: Over budget due to high volume of works in Mangere

Water Operations: Over budget mainly due to high volume of works in Southern area

Networks: Over budget due to budget allocation and high volume of works in Northern and Central area

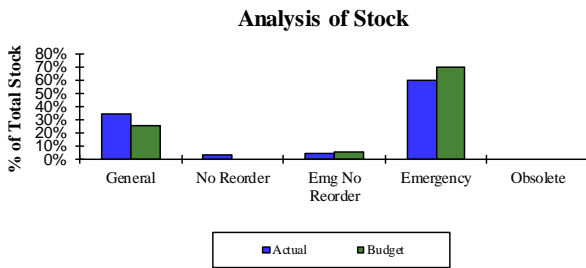
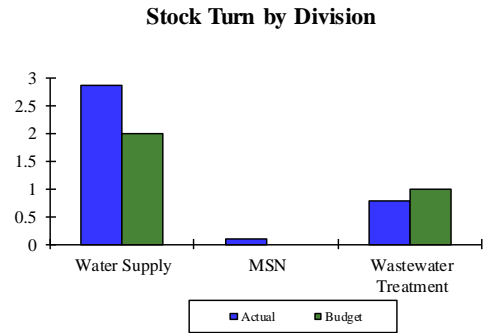
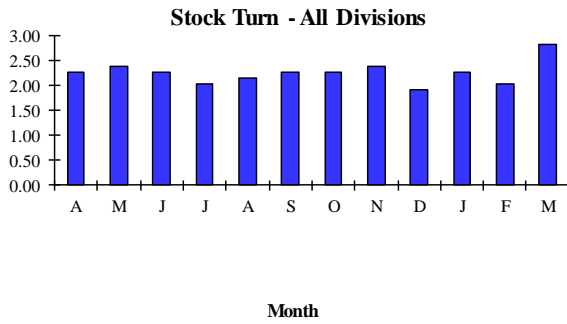
Management Report

Managed Assets

WATERCARE SERVICES LIMITED

Mar-14

✓ **Inventory Management**



Comment:

The total closing value for Feb 14 was \$7.0m

Definitions:

- General - Non category specific item
- No Reorder - Will not trigger Material Requisition Plan
- Emergency - Stock which is held in case of breakdowns
- Emergency No Reorder - As above but will not be reordered once exhausted
- Obsolete - Stock that is no longer required by the business

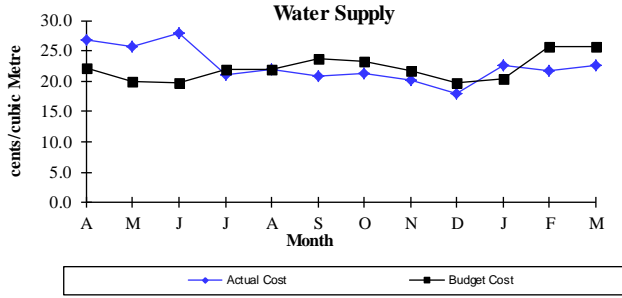
Management Report

Cost Minimisation

WATERCARE SERVICES LIMITED

Mar-14

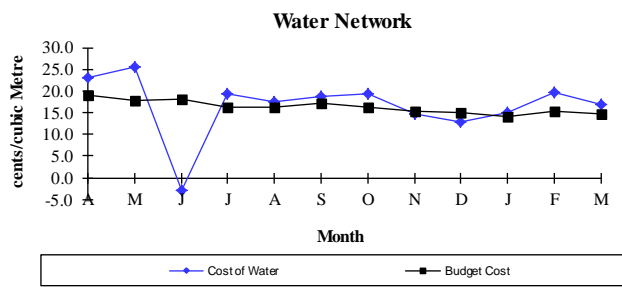
✓ Water Supply



This Month			YTD Cumulative average		
Actual	Budget	Variance	Actual	Budget	Variance
22.6	25.6	2.9	21.1	22.6	1.6

Comment:
This month unit cost is favourable to budget due to low water supply total costs.

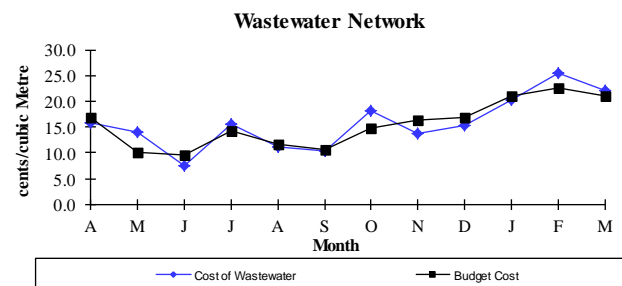
* Water Networks



This Month			YTD Cumulative average		
Actual	Budget	Variance	Actual	Budget	Variance
16.9	14.8	(2.1)	17.0	15.5	(1.5)

Comment:
This month there is an unfavourable variance - due to higher than budgeted variable spend in unplanned maintenance.

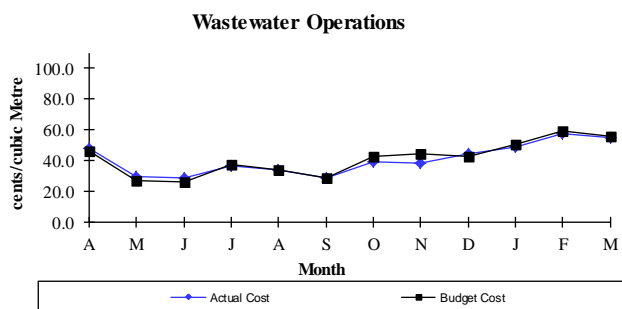
↔ Wastewater Networks



This Month			YTD Cumulative average		
Actual	Budget	Variance	Actual	Budget	Variance
22.0	21.0	(1.1)	15.9	15.6	(0.3)

Comment:
The reticulation cost of wastewater is consistent with budget

↔ Wastewater



This Month			YTD Cumulative average		
Actual	Budget	Variance	Actual	Budget	Variance
54.5	55.1	0.6	40.1	41.4	1.2

Comment:
This month cost is consistent with budget

Management Report – Media Analysis		WATERCARE SERVICES LIMITED				Mar-14
Goal Seven: Public Perception						
Date	Outlet/Publication	Headline	Opening text	Positive	Neutral	Negative
1/03/2014	New Zealand Construction News	Construction boom will bring challenges	The National Construction Pipeline report points to an unprecedented level of building and construction in New Zealand over the next five years. The report is consistent with the New Zealand Sectors Report on Construction published in November, but provides new information on the future industry workload, including the nature and timing of planned construction activity by type and region.		II	
1/03/2014	Mana	Kowaikato Te Iwi	Waikato-Tainui was the first New Zealand tribe to negotiate directly with the government, agreeing to a treaty settlement in 1995 worth \$170 million. 2013 marked 150 years since Ruapatu. Qiane Matata-Sipu sat down with two of the Iwi's leadership to talk about how they manage nearly \$1 billion in assets while staying true to the Iwi's core values.	II		
1/03/2014	Our Auckland	Watercare - serving you	Every day, Watercare Services provides 330 million litres of water to people and businesses in the Auckland region, while treating and disposing of around 408 million litres of wastewater.	II		
01/03/14 00:24	Fairfax Media - Manukau Courier	Bug hits ducks hard	A DEADLY outbreak of avian botulism is killing ducks and other birds in south and west Auckland.			II
04/03/14 03:30	The New Zealand Herald	Ask Phoebe: Traffic slowed by big trucks	Q: Can you please tell me what is happening in Ireland Rd, Mt Wellington?... Work is under way on upgrading and revitalising Van Damms Lagoon and reserve as part of the eastern transport initiative.		II	
4/03/2014	New Zealand Herald	City to assess how well its subsidiaries are working	Ratepayers will find out if they still have to deal with eight sets of bureaucracy. Will Aucklanders be able to pay their rates and water bills at the same time and ring one telephone number to report a pothole or a noisy party?	II		
5/03/2014	Hibiscusmatters	Cooperative action	As one of the 4000 water tank users I was very disappointed to read about the amount our water suppliers are paying for water (NM February 19). We have had the extra cost of the water tax to Watercare and now with this revelation of the outrageous profit margin water suppliers are using must make us feel we are being exploited.		II	
05/03/14 03:00	Auckland Now - Eastern Courier	Water has path for the future	Watercare is installing a \$3 million water pipe that is not expected to be used for another decade. A section of the 2-metre-wide water main is being dug in ahead of the widening of Murphys Rd in Flat Bush. Watercare's John Hardley says thinking ahead is saving money for ratepayers and will mean less inconvenience for locals.	II		
06/03/14 09:57	Scoop	Ford steps down as Solid Energy chair for health reasons	Mark Ford steps down as Solid Energy chair for health reasons, stays on at Watercare March 6 (BusinessDesk) - Mark Ford has stepped down as chairman of Solid Energy for health reasons after 1 ½ years bedding down a major restructuring programme at the troubled state-owned coal miner Solid Energy.		II	
06/03/14 10:11	National Business Review	Mark Ford steps down as Solid Energy chair for health reasons. stays on at Watercare	Mark Ford has stepped down as chairman of Solid Energy for health reasons after 1 ½ years bedding down a major restructuring programme at the troubled state-owned coal miner Solid Energy.		II	
06/03/14 10:12	TVNZ	Mark Ford steps down as Solid Energy chair	Mark Ford has stepped down as chairman of Solid Energy for health reasons after 1 ½ years bedding down a major restructuring programme at the troubled state-owned coal miner Solid Energy.		II	
06/03/14 10:19	MSN NZ	Mark Ford resigns as Solid Energy chairman	Mark Ford has stepped down as chairman of Solid Energy for health reasons after 1 ½ years bedding down a major restructuring programme at the troubled state-owned coal miner Solid Energy.		II	
06/03/14 10:23	Sharechat.co.nz	Mark Ford steps down as Solid Energy chair for health reasons. stays on at Watercare	Mark Ford has stepped down as chairman of Solid Energy for health reasons after 1 ½ years bedding down a major restructuring programme at the troubled state-owned coal miner Solid Energy.		II	
06/03/14 11:11	3 News	Solid Energy chairman resigns	Mark Ford has stepped down as chairman of Solid Energy for health reasons after 1 ½ years bedding down a major restructuring programme at the troubled state-owned coal miner Solid Energy.		II	
06/03/14 12:10	Auckland Now	Ford steps down as Solid Energy chairman	Solid Energy chairman Mark Ford is stepping down from the chairmanship because of ill health.		II	
06/03/14 12:10	Stuff.co.nz	Ford steps down as Solid Energy chairman	Solid Energy chairman Mark Ford is stepping down from the chairmanship because of ill health.		II	
06/03/14 12:10	Manawatu Standard	Ford steps down as Solid Energy chairman	Solid Energy chairman Mark Ford is stepping down from the chairmanship because of ill health.		II	
06/03/14 12:10	The Marlborough Express	Ford steps down as Solid Energy chairman	Solid Energy chairman Mark Ford is stepping down from the chairmanship because of ill health.		II	

06/03/14 23:38	Fairfax Media - Manukau Courier	Water has way to go in future	Watercare is installing a \$3 million water pipe that is not expected to be used for another decade. A section of the 2-metre-wide water main is being dug in ahead of the widening of Murphys Rd in Flat Bush. Watercare's John Hardley says thinking ahead is saving money for ratepayers and will mean less inconvenience for locals.	II		
06/03/14 23:38	Fairfax Media - Manukau Courier	New road included in plant upgrade	A \$136 million upgrade of Watercare's Mangere wastewater treatment plant has begun. The three-year project includes the construction of a new road linking Ascot Rd and Puketutu Island and an embankment shielding the plant's neighbours from the new facility.	II		
7/03/2014	Devonport Flagstaff	Deep in the murky waters of Devonport	It was interesting to see your article on the cleaning of the water reservoirs on Mt Vic (Flagstaff, Feb 21). It appears that some of the pipes around Devonport are still as old as the reservoir and are causing water quality issues.			II
07/03/14 10:48	Yahoo! New Zealand	New board appointment for Watercare Services Limited	Mayor Len Brown welcomes the appointment of Dr Nicky Crauford to the board Watercare Services Limited (WSL).		II	
07/03/14 11:03	Scoop	New board appointment for Watercare Services Limited	Mayor Len Brown welcomes the appointment of Dr Nicky Crauford to the board Watercare Services Limited (WSL).		II	
10/03/14 07:00	The New Zealand Herald	Event Guide: Get ready for EcoWest 2014	A taste of events:...Take a cruise on the Whau and Henderson Creeks with local restoration groups and the Watercare Harbour Clean-up Trust and help rid these waterways of rubbish, tyres and the odd shopping trolley.	II		
11/03/2014	Western Leader	Watercare slips up	Students from Green Bay schools had to be sent home on Thursday due to a water outage. Titirangi and Green Bay people were warned of the planned outage scheduled for 11am till 3pm but Green Bay High and Green Bay Primary schools were not.			II
11/03/14 03:00	Auckland Now - Manukau Courier	Sewage floods yard	Excrement and toilet paper aren't what you'd want to see flowing through your backyard.		II	
11/03/14 07:04	Stuff.co.nz	Neighbours' sewage floods yard	Excrement and toilet paper aren't what you'd want to see flowing through your backyard.		II	
11/03/14 07:04	Taranaki Daily News	Neighbours' sewage floods yard	Excrement and toilet paper aren't what you'd want to see flowing through your backyard.		II	
11/03/14 07:04	Auckland Now	Neighbours' sewage floods yard	Excrement and toilet paper aren't what you'd want to see flowing through your backyard.		II	
11/03/14 07:04	The Dominion Post	Neighbours' sewage floods yard	Excrement and toilet paper aren't what you'd want to see flowing through your backyard.		II	
11/03/14 07:04	Waikato Times	Neighbours' sewage floods yard	Excrement and toilet paper aren't what you'd want to see flowing through your backyard.		II	
11/03/14 07:04	The Marlborough Express	Neighbours' sewage floods yard	Excrement and toilet paper aren't what you'd want to see flowing through your backyard.		II	
11/03/14 07:04	The Timaru Herald	Neighbours' sewage floods yard	Excrement and toilet paper aren't what you'd want to see flowing through your backyard.		II	
11/03/14 09:41	Fairfax Media - Western Leader	Fair water costs	Water costs are set to become fairer for businesses. Watercare is introducing a new system that will see businesses choose one of four pricing plans based on their wastewater volumes and their industry.	II		
12/03/14 03:00	Auckland Now - Papakura Courier	Farmers urged to seek help	Relevant offers Farmers are being encouraged to reach out for help if dry conditions worsen.		II	
13/03/2014	Manukau Courier	Let's fix our beautiful harbour	Look who's talking! James Papali'i, 55, Manukau Urban Maori Authority social worker and trustee of the Manukau Outriggers Canoeing Whare Nui Trust, Mangere Bridge.			II
13/03/14 03:00	Auckland Now - North Shore Times	New commercial water charges	New volumetric wastewater charges are being introduced for commercial users across Auckland. This follows similar charges already introduced by Watercare for residential users... Commercial manager Marlon Bridge says the commercial charges will remove significant historical anomalies. "Under the current wastewater charging system, identical businesses face significant differences in costs. This places some companies at a considerable commercial disadvantage," Mr Bridge says.	II		
13/03/14 09:02	Fairfax Media - North Shore Times	New water charges	Under the current wastewater charging system, identical businesses face significant differences in costs. New volumetric wastewater charges are being introduced for commercial users across Auckland. This follows similar charges already introduced by Watercare for residential users... Commercial manager Marlon Bridge says the commercial charges will remove significant historical anomalies. "Under the current wastewater charging system, identical businesses face significant differences in costs. This places some companies at a considerable commercial disadvantage," Mr Bridge says.	II		

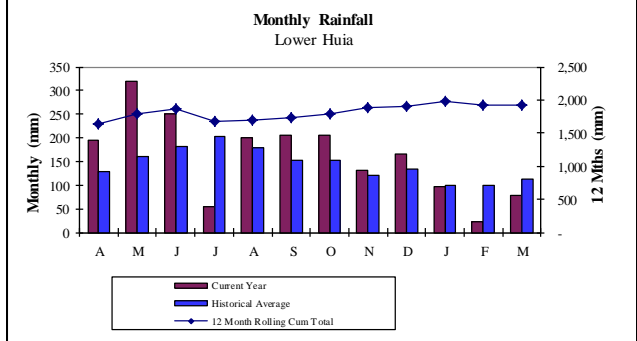
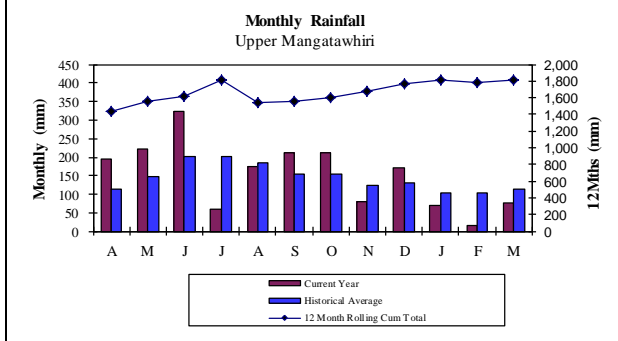
14/03/14 07:17	National Business Review	\$200m education IPO prospect, economic complacency warning, Watercare's \$1m CIA bill fear and Shane Jones' latest Countdown hit	A \$200 million education listing may be in the pipeline.		II	
14/03/14 16:24	Fairfax Media - Eastern Courier	Housing area	A special housing area is being looked at for Point View Drive, councillor Dick Quax says.		II	
17/03/14 11:54	Local Matters	New motorway wins strong public support	Plans to build a \$780 million motorway extension from Puhoi to Warkworth have received overwhelming support, despite concerns by some local residents and businesses about the disruption its construction will cause.		II	
18/03/14 07:08	Fairfax Media -Rodney Times	Concussion	A man hit by a falling pole at Watercare's wastewater treatment plant near Army Bay was taken to hospital with concussion at around 1.40pm on Thursday.			II
18/03/14 11:51	Local Matters	Watercare adjusts commercial charges	A new system for charging businesses for wastewater treatment takes effect in July. They follow changes introduced over the past couple of years that have standardised the prices paid for domestic and non-domestic water supply, and for domestic wastewater treatment. Watercare commercial manager Marlon Bridge says the three-year transition period leading up to the introduction of the new system has given business owners time to consider the likely effect on their operating costs, and plan their response.	II		
19/03/14 18:02	ViewAuckland.co.nz	Walking in the Waitakeres	Covering over 16,000 hectares, it has around 250km of walking tracks, four main waterfalls, plus plenty of fishing, swimming and picnicking spots.		II	
19/03/2014	Hibiscusmatters	Viewpoint	with Julia Parfitt, Hibiscus & Bays Local Board chair Julia.parfitt@aucklandcouncil.govt.nz Open to suggestions. Over this last month in a series of Expos we have gone out into our community to talk to people, show them the plans and projects that we currently have underway and give them the opportunity to first hand meet our staff and local board members and our community partners who help and support us.		II	
20/03/2014	Nor West News Brief	New plan for water costings	Water costs are set to become fairer for businesses. Watercare is introducing a new system that will see businesses choose one of four plans based on their wastewater volumes and their industry.	II		
21/03/14 00:46	Fairfax Media - Manukau Courier	Office gear great tools for school	A primary school has unexpectedly benefited from a major merging of Watercare offices. The water and wastewater services provider brought different parts of the company under one roof last year, leaving behind spare audio-visual and IT equipment and whiteboards.	II		
21/03/2014	Devonport Flagstaff	Water issue progress	After further water testing, resolution of a six-year leak across the Stanley Bay Park path outside Ngataranga Tennis club seems close. More Watercare testing "has confirmed that the water source is not waste water or drinking water and we believe (it is) a nearby property's private plumbing," an Auckland Council spokesperson said. Watercare now plans to install a new pipe this week to address the issue.		II	
22/03/14 08:57	The New Zealand Herald	Ready-made redevelopment property on Medical Mile	Two large houses on Remuera Rd on the market give a buyer the chance to proceed with abandoned redevelopment plans for a new medical office or keep them for residential use.		II	
22/03/14 09:40	The New Zealand Herald (also reported in Chinese media at 奥克兰市中心发生漏水事故部分商店道路封闭)	Burst pipe floods Auckland CBD shopping centre	A downtown Auckland shopping centre was shut down as emergency workers worked to stem flooding from a burst water pipe.			II
23/03/14 07:30	The New Zealand Herald	Auckland: Mangere a boiling cauldron	With over 10 volcanic craters and cones, Mangere is packed with adventures, writes Diana Clement.	II		
23/03/2014	Herald on Sunday	Burst main shuts shops	A downtown Auckland shopping centre was shut down yesterday as emergency workers worked on a burst water pipe.			II

25/03/14 14:45	Taranaki Daily News	Commercial property sales rebound	Sales of commercial properties priced above \$5 million bounced back to pre-global financial crisis levels last year, according to research by property services firm JLL.		II	
25/03/14 14:45	Auckland Now	Commercial property sales rebound	Sales of commercial properties priced above \$5 million bounced back to pre-global financial crisis levels last year, according to research by property services firm JLL.		II	
25/03/14 14:45	The Southland Times	Commercial property sales rebound	Sales of commercial properties priced above \$5 million bounced back to pre-global financial crisis levels last year, according to research by property services firm JLL.		II	
25/03/14 14:45	Manawatu Standard	Commercial property sales rebound	Sales of commercial properties priced above \$5 million bounced back to pre-global financial crisis levels last year, according to research by property services firm JLL.		II	
25/03/14 14:45	Stuff.co.nz	Commercial property sales rebound	Sales of commercial properties priced above \$5 million bounced back to pre-global financial crisis levels last year, according to research by property services firm JLL.		II	
25/03/14 14:45	The Marlborough Express	Commercial property sales rebound	Sales of commercial properties priced above \$5 million bounced back to pre-global financial crisis levels last year, according to research by property services firm JLL.		II	
25/03/14 22:13	Fairfax Media - Manukau Courier	Sewage spill	Is the community aware that the Manukau Harbour Restoration Society and the Mangere Bridge Resident & Ratepayers Association have lodged a joint appeal to the Environment Court opposing the Auckland Council decision to let Watercare discharge sewage overflow from the Waitemata into a very shallow part of the Manukau Harbour?			II
26/03/2014	Howick & Botany Times	Standing orders block responses	In the old days of community boards people could see use the public forum at meetings to chew the fat with elected members... The roadblock is found in legislation created when the super-city was formed, which sets standing orders for local boards.		II	
28/03/14 04:25	Fairfax Media - Manukau Courier	Risk addressed	It was ironic that a piece entitled Let's fix our beautiful harbour (Look who's talking, Manukau Courier, March 13) quoted James Papali'i calling for Watercare's proposed central interceptor to be stopped. The primary reason for constructing the central interceptor is to replace aging pipes running underneath the Manukau Harbour... Belinda Petersen, Resource consent manager, Watercare		II	
30/03/2014	Herald on Sunday	Seaweed safe	Your gardening columnist Meg Liptrot (Living, March 23) can rest easy: the seaweed from Blockhouse Bay that is now in her garden is most unlikely to contain "contaminants from the Manukau Harbour sewage treatment plant". Watercare's Mangere wastewater treatment plant is possibly the most rigorously monitored facility in the country... Mark Bourne, Wastewater Operations Manager, Watercare Services Ltd.		II	
31/03/14 12:35	Franchise New Zealand	HRV Water HEALTHY PROFITS from new water business	HRV Water is a new opportunity from one of New Zealand's most trusted brands.			II
				16	38	9
						Page B8

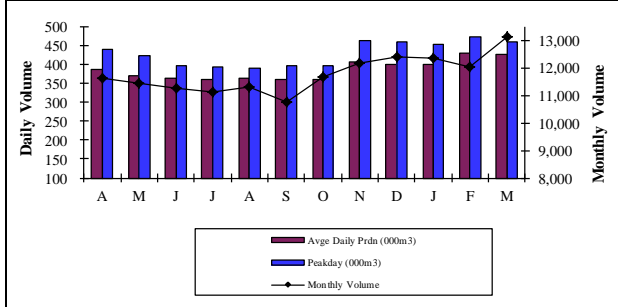
Monthly Statistics Update

Rainfall

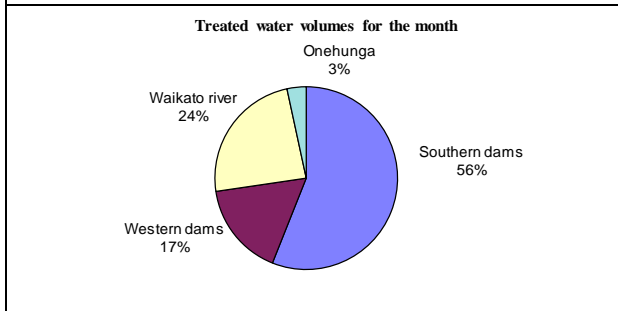
Rainfall	Current Month	12 Mth Cumulative Rolling	Rainfall	Current Month	12 Mth Cumulative Rolling
Actual - Upper Mangatawhiri	75 mm	1814 mm	Actual - Lower Huia	77 mm	1924 mm



Water Production - Metropolitan Supply

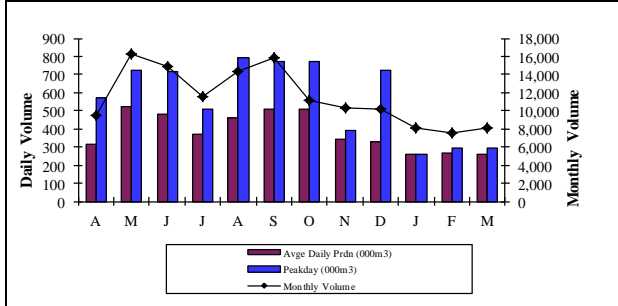


	Current Month	12 Month Rolling Ave
Monthly Volume (000m³)	13,133	11,758
Average Daily Production	424	384
Peak Day	460	428



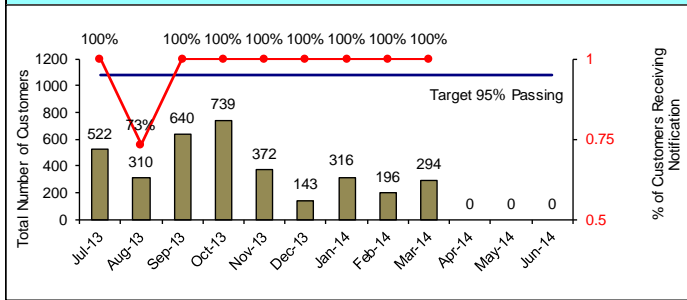
Treated water volumes (000m³)	Current Month	Year to Date	
Southern dams	7,359 (56%)	67,439	63%
Western dams	2,185 (17%)	21,157	20%
Waikato river	3,144 (24%)	15,092	14%
Onehunga aquifer	445 (3%)	3,112	3%
Total	13,133 (100%)	106,800	100%

Wastewater Treatment - Metropolitan Treatment



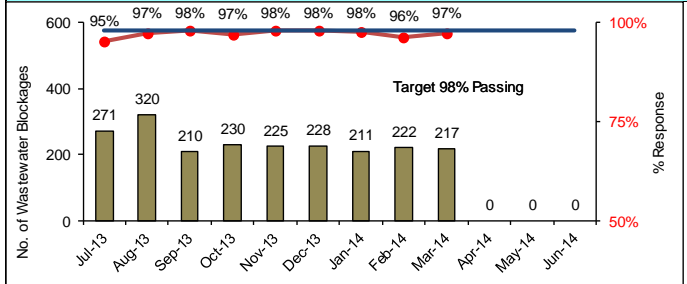
	Current Month	12 Month Cumulative Ave
Monthly Volume (000m³)	8,068	11,492
Average Daily Production	260	387
Peak Day Mangere	299	570

3 Days Notice of Planned Shut Down



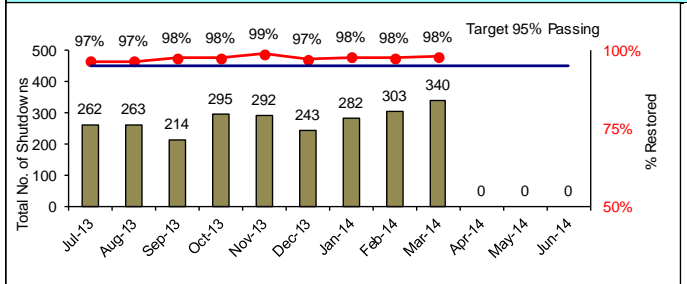
Strategic Performance Objective 23 b
Maintain good customer relationships - 100% of customers received at least 3 days notice of planned shutdowns
Comments: Target achieved

Response to Wastewater Blockages within One Hour



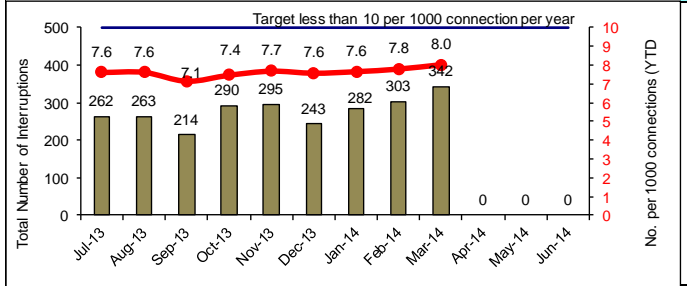
Strategic Performance Objective 25 b
Restore Service Capacity - 98% of Wastewater Blockages Responded to within one to two hours
Comments: Not achieved at 97%
Due to a number of jobs in the Northern area missing the target by a few minutes

Unplanned Water Shutdowns Restored within 5 hours



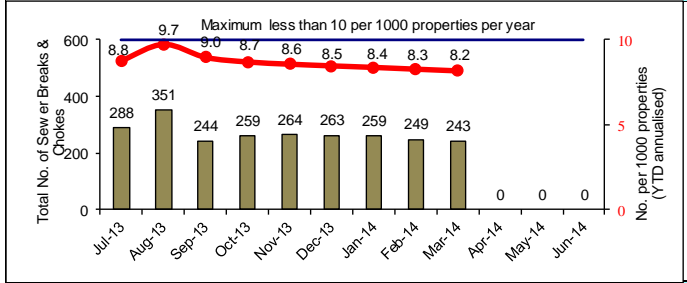
Strategic Performance Objective 25 a
Restore Service Capacity - 95% of unplanned water shutdowns were restored within 5 hours
Comments: Achieved at 98%

Water Interruption Frequency



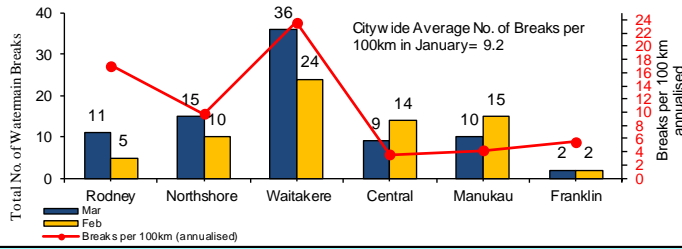
Strategic Performance Objective 24 a
Maintain Service Capacity - 10.0 water interruptions per 1000 connections per year
Comments: Achieved at 8.0 interruptions

Sewer Breaks and Chokes Interruption Frequency



Strategic Performance Objective 24 b
Maintain Service Capacity - frequency of sewer breaks and chokes (unplanned interruptions) at 10.0 per 1000 properties per year
Comments: Achieved at 8.2 breaks

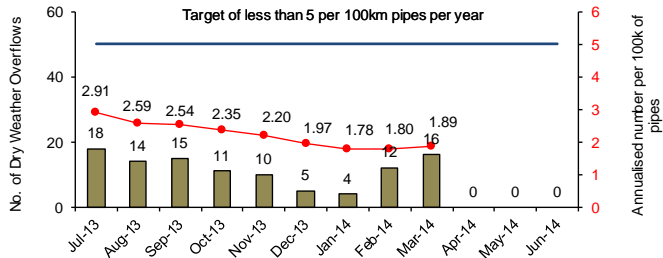
Watermain Breaks



Watermain breaks per year per 100 km

Comments: Citywide Average No. of Breaks per 100km = 9.2

Operations - Number of Dry Weather Overflows

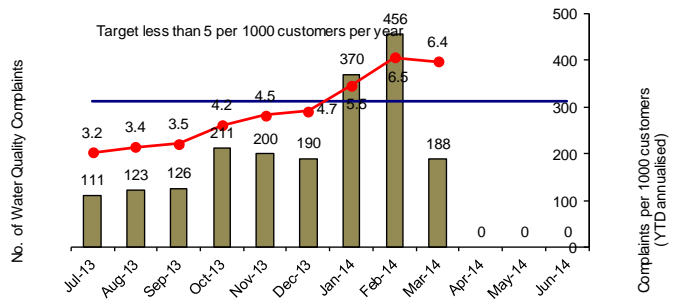


Key Performance Scorecard

Dry Weather Overflows not to exceed 5 per 100km of pipes

Comments: Target met

Water Quality Complaints



Water Quality Complaints not to exceed 5 per 1,000 customers per year

Comments: Target not met

Due to an increase in complaints in Jan and Feb. The year to date result will trend down in the following months

Management Report

Customer Service

March-2014

65.6%	Grade of Service and Call Volumes
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Grade of Service and Call Volume

Month	Call Volume	GOS Actual (%)	GOS Target (%)
A	32,000	85	80
M	36,000	88	80
J	30,000	85	80
J	35,000	88	80
A	34,000	85	80
S	32,000	85	80
O	32,000	88	80
N	30,000	85	80
D	28,000	80	80
J	30,000	75	80
F	32,000	70	80
M	36,000	70	80

Grade of Service					
Target	Actual	Variance	12 Months	Variance	Calls
80.0%	65.6%	14.4%	84.5%	4.5%	37,042

Comments:
This target was not achieved. Call volumes increased compare to the previous eleven months. The rolling 12 month target was met.

Please note: Call volumes exclude First Contact figures.

Key:
GOS: Grade Of Service
12 Months: Rolling 12 months | Calls: Call Volume
Formula: Calls answered within 20 seconds / (Offered Calls - Abandoned Calls within 10 seconds)

>=80%	75% - 79.9%	<75%
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5.2%	Abandonment Rate and Call Volumes
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Abandonment Rate and Call Volume

Month	Call Volume	AR Actual (%)	AR Target (%)
A	32,000	1.5	3.5
M	36,000	1.2	3.5
J	30,000	1.0	3.5
J	35,000	1.2	3.5
A	34,000	1.5	3.5
S	32,000	1.2	3.5
O	32,000	1.0	3.5
N	30,000	1.2	3.5
D	28,000	1.5	3.5
J	30,000	4.0	3.5
F	32,000	5.0	3.5
M	36,000	5.2	3.5

Abandonment Rate					
Target	Actual	Variance	12 Months	Variance	Calls
3.0%	5.2%	2.2%	1.7%	1.3%	37,042

Comments:
This target was not achieved. Call volumes increased compare to the previous eleven months. The rolling 12 month target was met.

Please note: Call volumes exclude First Contact figures.

Key:
AR: Abandonment Rate
12 Months: Rolling 12 months | Calls: Call Volume
Formula: Abandoned Calls / Offered Calls

<=3%	3.1% - 3.5%	>3.5%
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281.7 s	Average Handling Time (AHT) and Call Volumes
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Average Handling Time and Call Volume

Month	Call Volume	AHT Actual (s)	AHT Target (s)
A	32,000	285	270
M	36,000	270	270
J	30,000	275	270
J	35,000	280	270
A	34,000	270	270
S	32,000	270	270
O	32,000	275	270
N	30,000	270	270
D	28,000	255	270
J	30,000	265	270
F	32,000	250	270
M	36,000	285	270

Average Handling Time					
Target	Actual	Variance	12 Months	Variance	Calls
270.0	281.7	11.7	270.3	0.3	37,042

Comments:
The average handle time target was not achieved.

Please note: Call volumes exclude First Contact figures.

Key:
AHT: Average Handling Time
12 Months: Rolling 12 months | Calls: Call Volume
Formula: Agent talk Duration (secs) / Answered Calls

<=270s	271 - 300s	>300s
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99.7%	Customer Correspondence and Resolution within 10 days
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Customer Correspondence and Resolution SLA%

Month	SRs	SLA Resolved (%)	SLA Target (%)
A	2,400	99.5	95
M	2,400	99.8	95
J	2,200	99.8	95
J	2,800	99.5	95
A	2,300	99.5	95
S	2,000	99.0	95
O	2,300	99.0	95
N	2,300	99.5	95
D	2,300	99.5	95
J	2,200	99.5	95
F	2,400	99.5	95
M	2,900	99.7	95

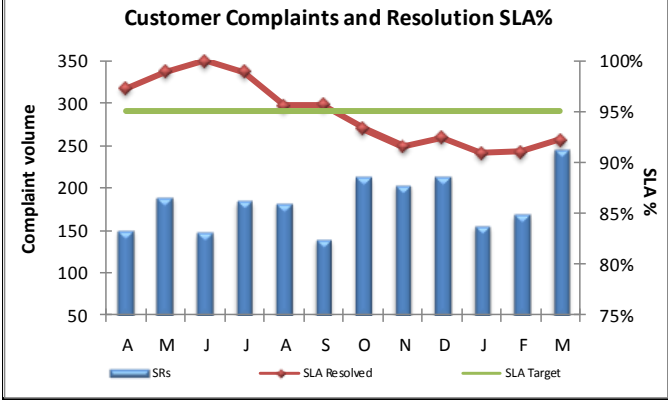
Correspondence SLA					
Target	Actual	Variance	12 Months	Variance	SRs
95.0%	99.7%	4.7%	99.4%	4.4%	2,959

Comments:
Both the month and rolling 12 month targets were exceeded.

Key:
SLA: Service Level Agreement
CO: Correspondence | SRs: Service Requests
Formula: (CO SRs resolved in time + CO SRs unresolved in time) / Number of SRs

>=95%	90% - 94.9%	<90%
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92.2% **Customer Complaints and Resolution within 10 days**



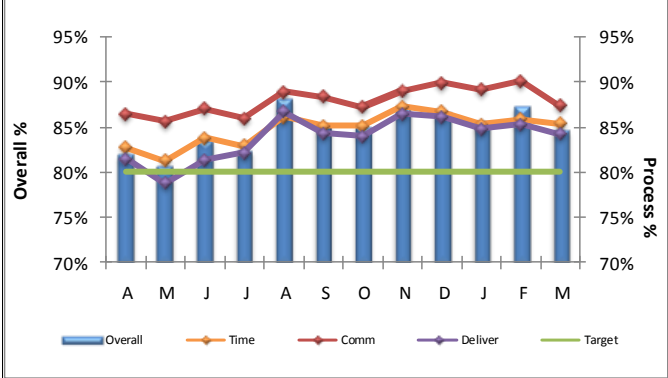
Complaints SLA					
Target	Actual	Variance	12 Months	Variance	SRs
95.0%	92.2%	2.8%	94.7%	0.3%	245

Comments:
Both the monthly and rolling 12 month targets were not achieved.

Key:
SLA: Service Level Agreement
CP: Complaint | SRs: Service Requests
Formula: (CP SRs resolved in time + CP SRs unresolved in time) / Number of SRs

>= 95%	90% - 94.9%	< 90%
--------	-------------	-------

84.6% **Customer Experience Survey - Contact Centre**



By Category			Overall		
Time	Comm	Deliver	Overall	Target	Variance
85.4%	87.4%	84.2%	84.6%	80.0%	4.6%

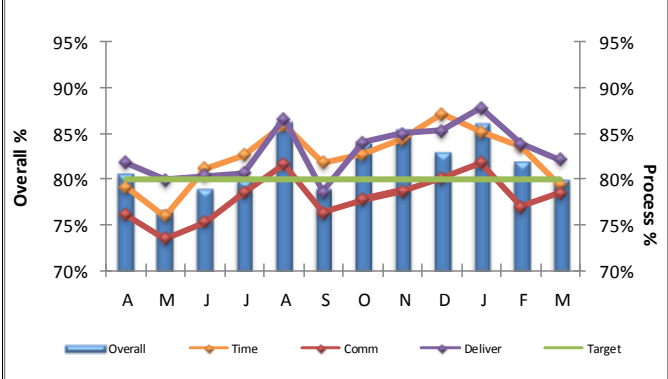
Comments:
This target was achieved. All three segments achieved the target of 80% or more.

Results provided by research conducted by TNS.
This is for fault related calls only.

Key:
Time: Don't waste my time
Comm: Communicate with me
Deliver: Deliver to me

>= 80%	75% - 79.9%	< 74.9%
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80.0% **Customer Experience Survey - Maintenance**



By Category			Overall		
Time	Comm	Deliver	Overall	Target	Variance
79.4%	78.4%	82.1%	80.0%	80.0%	0.0%

Comments:
This target was achieved. One out of the three segments achieved the target of 80% or more.

Results provided by research conducted by TNS.
This is for fault related maintenance only.

Key:
Time: Don't waste my time
Comm: Communicate with me
Deliver: Deliver to me

>= 80%	75% - 79.9%	< 74.9%
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PERFORMANCE AGAINST STATEMENT OF INTENT TARGETS - MARCH 2014

Performance Measure						Performance Over Three Year Period			Outcome
	2012/13 Target	2012/13 Result	2013/14 Target	2013/14 Result to Date		2014/2015	2015/2016	2016/2017	Auckland Plan Target
MEASURE						PROPOSED	PROPOSED	PROPOSED	
Safe and Reliable Water									
Percentage compliance with MoH drinking water standards for graded plants (excluding minor or technical non-compliance)	100%	100%	100%	100%	✓	100%	100%	100%	
Percentage of metropolitan water treatment plants achieving Grade A	100%	100%	100%	100%	✓	100%	100%	100%	
Percentage of metropolitan water supply reticulation achieving Grade a	100%	100%	100%	100%	✓	100%	100%	100%	
Percentage of non-metropolitan water treatment plants achieving Grade A	35% (5 non-metro water treatment plants out of 14 non-metro water treatment plants)	100% of target was achieved (6 non-metro water treatment plants out of 14 non-metro water treatment plants = 43%)	45% (7 non-metro water treatment plants out of 14 non-metro water treatment plants)	Projected result: 100% of target will be achieved (Projected result: 7 non-metro water treatment plants out of 14 non-metro water treatment plants = 50%)	✓	50% (5 non-metro water treatment plants out of 10 non-metro water treatment plants) Note: 4 non-metro WTPs will be decommissioned bringing the total from 14 to 10	50% (5 non-metro water treatment plants out of 10 non-metro water treatment plants)	50% (100% by 2020)	
Percentage of non-metropolitan water supply reticulation achieving Grade a	15%	83% of non-metropolitan water supply reticulation achieved Grade A	25%	Projected result: 70% of non-metropolitan water supply reticulation will achieve Grade A	✓	50%	50% (100% by 2020)	50% (100% by 2020)	
Percentage of unplanned water shutdowns restored within five hours	≥95%	96.70%	≥95%	98%	✓	≥95%	≥95%	≥95%	
Number of unplanned water interruptions per 1000 connected properties	<10	7.7	<10	8	✓	<10	<10	<10	
Healthy Waterways									
Number of dry weather sewer overflows per 100km of wastewater pipe length per year	≤5	2.7	≤5	1.89	✓	≤5	≤5	≤5	
Average number of wet weather overflows per discharge location in priority receiving environments in areas serviced by the separated networks.		n/a		n/a	✓	The Auckland-Wide Wastewater Network Discharge Consent application lodged and consent operational.			Reduce wet weather overflows to an average of no more than 2 events per discharge location per annum, where the stormwater and wastewater system are separated, by 2040 (with priority given to bathing beaches and other sensitive receiving environments by 2030)
Number of sewer bursts and chokes per 1000 properties	<10	6.8	<10	8.2	✓	<10	<10	<10	
Percentage of wastewater discharged that is compliant with consent discharge requirements (excluding minor or technical non-compliance) for Metropolitan areas	100%	100%	100%	100%	✓	100%	100%	100%	
Percentage of wastewater discharged that is compliant with consent discharge requirements (excluding minor or technical non-compliance) for non-Metropolitan areas	35%	100% of target achieved (60% of all wastewater discharged from non-metro plants was compliant with discharge consent conditions)	35%	Projected result: 100% of target will be achieved (Projected result: 65% of all wastewater discharged from non-metro plants will be compliant with discharge consent conditions)	✓	35%	65% (100% by 2020)	65% (100% by 2020)	
Number of successful RMA prosecutions against Watercare	0	0	0	0	✓	0	0	0	

PERFORMANCE AGAINST STATEMENT OF INTENT TARGETS - MARCH 2014

Performance Measure						Performance Over Three Year Period			Outcome
	2012/13 Target	2012/13 Result	2013/14 Target	2013/14 Result to Date		2014/2015 PROPOSED	2015/2016 PROPOSED	2016/2017 PROPOSED	Auckland Plan Target
MEASURE									
Health, Safety and well-being									
Lost-time injury frequency rate per million hours worked	≤5	0	≤5	1.91	✓	≤5	≤5	≤5	
Level of ACC workplace management practices accreditation	Tertiary	Tertiary	Tertiary	Tertiary	✓	Tertiary	Tertiary	Tertiary	
Percentage of total hours absent due to illness	≤2.5%	2%	≤2.5%	2.19%	✓	≤2.5%	≤2.5%	≤2.5%	
Percentage of voluntary leavers relative to number of permanent staff	≤12%	10.10%	≤12%	12.51%	x	≤12%	≤12%	≤12%	
Customers Satisfaction									
Percentage of customers surveyed satisfied with Watercare's delivery of water and wastewater services	80%	81.40%	80%	84.60%	✓	80%	80%	80%	
Percentage of calls answered within 20 seconds	80%	79.70%	80%	84.50%	✓	80%	80%	80%	
Number of water quality complaints (taste, odour, appearance) per 1,000 water supply connections	<5	4.6	<5	6.4	x	<5	<5	<5	
Percentage of complaints and being "resolved and closed" within 10 working days	95%	97.20%	95%	94.70%	x	95%	95%	95%	
Sustainable Environment									
Per capita consumption (litres/person/day) Target for 2025 = 255 l/person/day Baseline in 2004 = 298 l/person/day	282 ±5%	274	280 ±5%	270	✓	278 ±5%	275 ±5%	275 ±5%	Reduce gross per capita water consumption from 2004 levels by 15% by 2025
Percentage of annual potable water network losses* measured as total network volume *This is defined as "real" losses, which includes losses from the wholesale and retail distribution systems.	≤15%	14.80%	≤14%	14.03%	x	≤13%	≤13%	≤13%	Reduce maximum annual potable water network losses to less than 12% of total network volume by 2040
Effective Asset Management									
Percentage of actual capital expenditure relative to budget	>85%	97.50%	>85%	98%	✓	>85%	>85%	>85%	
Sound Financial Management									
Minimum funds flow from operations to interest cover (FFO) before any price adjustment	≥2.5	3.37	≥2.5	3.23	✓	≥2.5	≥2.5	≥2.5	
Percentage of expenditure on water supply services relative to the average household income	≤1.5%	0.86%	≤1.5%	0.89%	✓	≤1.5%	≤1.5%	≤1.5%	

Report to the Board of Watercare Services Limited

Subject: Water Resource Update

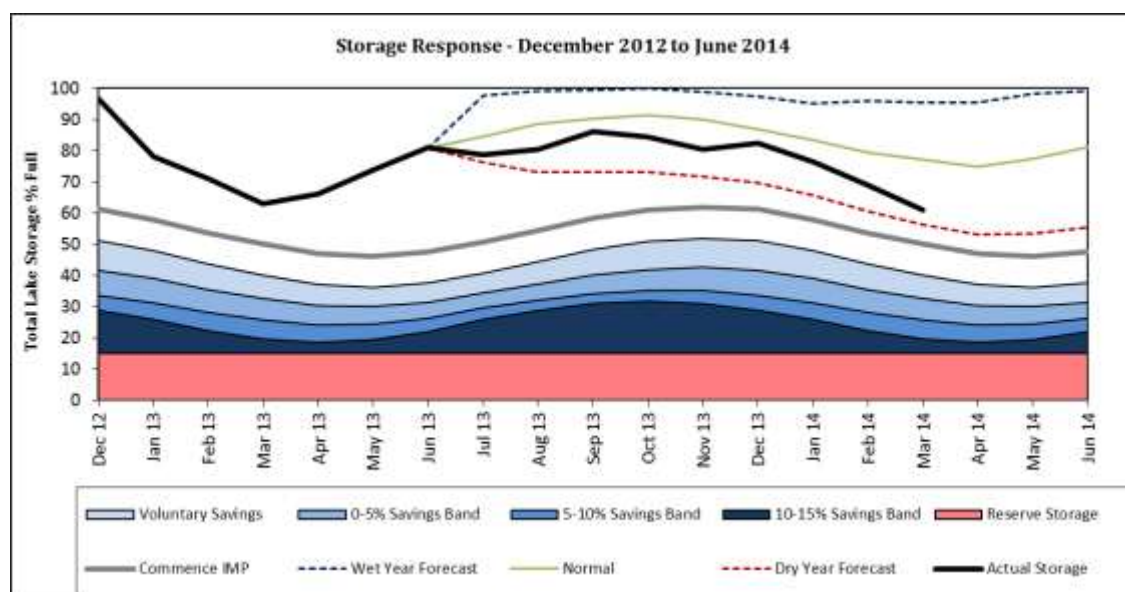
Date: 11 April 2014

1. INTRODUCTION

This report provides an update of the Metropolitan Lake Storage trends together with information pertaining to the impact of increased output from the Waikato Water Treatment Plant. In addition, this report provides an update of actions underway to better understand the future implications for Watercare related to climate change.

2. METROPOLITAN LAKE STORAGE

Lake levels are currently below average for this time of year, but are tracking above modelled dry weather storage response for the start of April. Metropolitan lake storage was 59.5% as at 6 April. Lake levels are near those at the same time in 2013 (60.4%), while above those of 2008 (53.6%).



3. WATER PRODUCTION UPDATE

There are no major scheduled works at Ardmore WTP that would prevent any capacity constraints that impact on the ability to operate the WTP at the southern lake system yield. Huia WTP remains limited in its capacity (max 65MLD) due to the requirement to add significant PAC for control of taste and odour compounds, coupled with the reliability of the sludge processing plant. As winter progresses, the western lakes cool and increased drawdown will be initiated. This will be important to avoid spilling when winter rainfall commences. Waikato WTP capacity is currently 125-135MLD based on installed infrastructure. This will increase to 150MLD in late April following remedial works to Train 11 and 12 coatings and installation of the final membrane train.

Modelling indicates storage of approximately 70% by 1 July assuming:

- Slightly below average inflows as modelled utilising NIWA weather predictions (~1 in 5 dry year)
- Demand 2% above budget for April; May and June at budget.
- Waikato available @ 150MLD from late April.

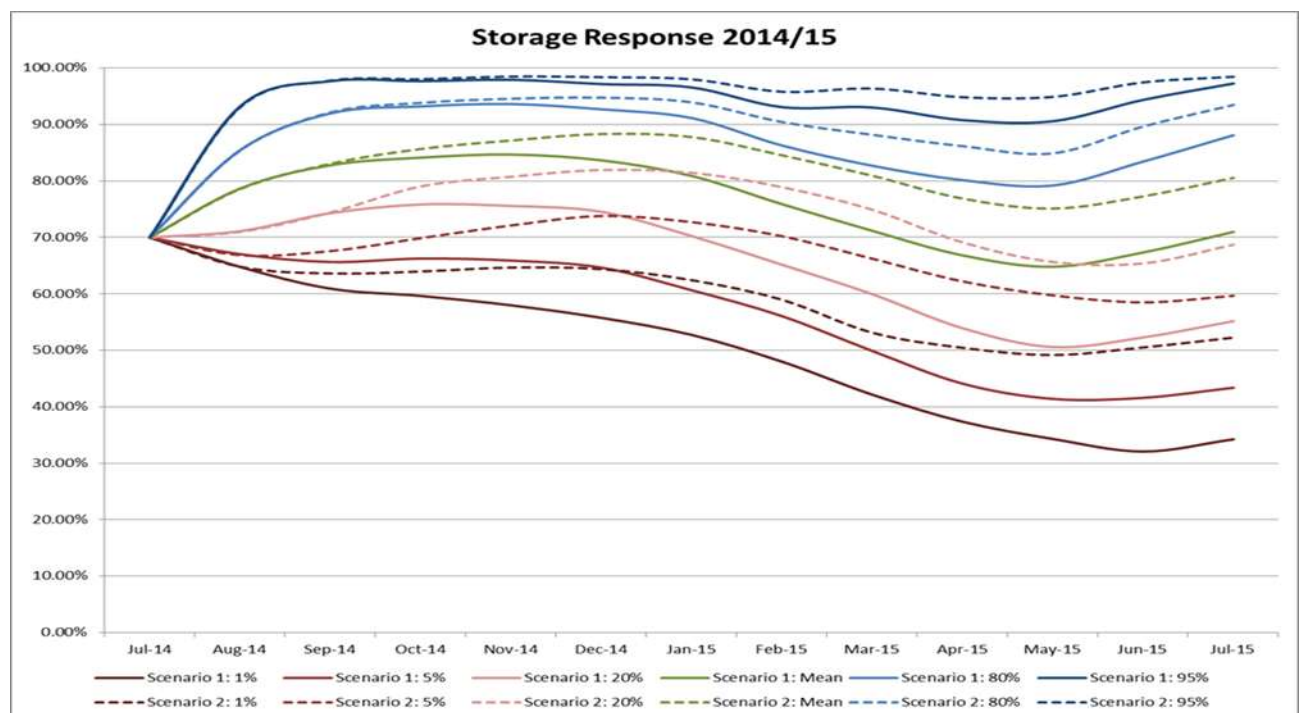
The Mahurangi River, which supplies Warkworth WTP, has declined to a level below the stage 1 Drought Management Plan trigger level. The new Sanderson Road production bore is being run in test mode discharging to the river. This has which has increased flows in the river to maintain level.

No other water supplies are experiencing issues at this time.

4. IMPACT OF INCREASED WAIKATO WTP CAPACITY

The Waikato WTP available capacity has been increased to 150MLD. This has increased the resilience of the system to address extended periods of dry conditions. The modelling in the graph below identifies the effect on lake storage of operating Waikato WTP at capacity (dotted lines) when compared to operating the overall system in least cost mode (solid lines).

The lowest solid red line models a 1 in 100 year scenario which potentially results in storage dropping to a minimum of 15% in subsequent years. The effect of utilising the Waikato WTP 150MLD available output results in that in a 1 in 100 year event, the residual storage level can be retained to the equivalent of a 1 in 5 year event (lower red dotted line). It should be noted that; as demand rises over time, this level of resilience will deteriorate.



Scenarios: 1:100yr Dry 1:20yr Dry 1:5yr Dry Mean Rainfall 1:5yr Wet 1:20yr Wet

5. CLIMATE CHANGE VOLATILITY

Watercare management has commissioned Tonkin & Taylor to prepare a report on the future implications for Watercare related to climate change. The report program identifies completion by the end of 2014. This update outlines work to date.

The science of climate change is constantly evolving. However, there is a growing consensus that the world's climate is changing. Guidance from the New Zealand Government is that Councils and infrastructure owners should be giving consideration to the potential impacts of climate change on their functions and services.

Watercare has commenced investigating the potential impacts. The initial investigative work carried out during 2013 postulates:

- An increase in mean temperatures in Auckland of 0.9 degrees from 1090 to 2040 with a corresponding increase in annual maximum temperatures
- Changes in seasonal rainfall patterns
- Heavier and more frequent extreme rainfall events, including more easterly tropical storms
- On average, two or more extra weeks of drought annually by mid-century for much of the North Island
- Sea level rise of 0.8m by 2100 compared with 1990 levels

The current project, which commenced in March 2014, utilises Tonkin & Taylor as lead consultant. The objective for this work is twofold:

- The impact of climate change on Watercare's water resources and more specifically the impacts of changing temperature and rainfall on the security of water supply.
- The impact of climate change on the demand for water in Auckland.

The first phase of this project is to be reported to Watercare in July 2014. This work will summarise the approaches taken nationally and internationally and define the modelling, analysis and interpretation phase. It is expected that this project will be complete by the end of 2014. It is proposed that management will provide a further update in August 2014.

6. RECOMMENDATION

That the report be received

Report prepared by:

Approved for submission by:

.....
D Worsnop
Chief Operating Officer

.....
R Jaduram
Acting Chief Executive

Report to the Board of Watercare Services Limited

Subject: Non Domestic Wastewater Tariff and Trade Waste Bylaw

Date: 9 April 2014

1. INTRODUCTION

The new standardised non-domestic wastewater tariff, which was approved by the Board in May 2013, will come in to effect on 1 July 2014. The new volumetric tariff regime, comprising of four wastewater pricing plans, replaces the 44 legacy tariff regimes inherited from the former LNO's and water organisations.

The new wastewater tariff will be transitioned in from 1 July 2014 with customers being charged one third of the new regime and two thirds of the old regime from 1 July 2014 to 30 June 2015. From 1 July 2015 to 30 June 2016 customers will be charged two thirds of the new regime and one third of the old regime. The new tariff regime will be fully implemented from 1 July 2016 onwards.

The Auckland Trade Waste Bylaw 2013 also comes in to effect on 1 July 2014. The new bylaw replaces the four regional trade waste bylaws currently in operation.

A schematic illustrating the relationship between the current charging regimes, the new non-domestic wastewater tariff, the current trade waste bylaws and the new trade waste bylaw is attached as Appendix A.

2. INTERNAL PREPARATIONS

2.1 System Development and Testing

Internal system preparations for the implementation of the new tariff regime and new trade waste bylaw are continuing as planned.

Billing system enhancements have been made by the software vendor and are currently being tested by business users. Business processes have been reviewed and refined as necessary to support the new tariff regime and the new trade waste bylaw.

The format of the non-domestic customer invoice is being amended to accommodate the new transitional charging information.

Grant Thornton has been engaged to undertake an independent data assurance review.

An online tool has been developed to allow customers to review and accept (or change) their recommended pricing plan and select the appropriate industry classification for each of their meters. To date over 7,000 customers have responded by using the online tool to confirm their wastewater pricing plan.

2.2 Staff Training

A number of staff training modules have already been prepared and delivered to staff that are already fielding queries in relation to the new tariff regime. The training programme will be further enhanced and delivered to a wider staff audience during May and June.

2.3 Wastewater Audits

For the majority of customers (excluding a small number of customers whose wastewater is metered), wastewater volume is derived as a percentage of incoming water volume. Customers will be assigned an industry classification that has a wastewater discharge percentage associated with it. For example, the discharge percentage for 'RETAIL' is 95%. That percentage will then be used to calculate the wastewater volume to which the new tariffs will apply.

A customer can apply for a wastewater audit if they believe their wastewater discharge is materially different to the discharge percentage applied to their industry classification. A wastewater audit will assess the specific site / meter in question and calculate an individualised wastewater discharge percentage for that site.

3. TRADE WASTE ACTIVITIES

3.1 Trade Waste Agreements

The new bylaw specifies two groups of customers, 'deemed' and 'conditional'. Those customers classified as 'conditional' under the new bylaw, will require a Trade Waste Agreement in order to continue to discharge trade waste. Watercare representatives are working with these customers to ensure that Trade Waste Agreements are in place before the new bylaw comes in to effect. Those customers classified as 'deemed' are low risk customers and whilst they will be required to comply fully with the new bylaw, they will not require a Trade Waste Agreement.

3.2 Transitional Consent Holders

The new bylaw introduces the concept of a 'transitional consent'. A 'transitional consent' is any current consent issued to an assessed trade waste customer (under one of the four legacy bylaws) that has an expiry date of 1 July 2014 or later.

Under the new bylaw, transitional consent holders are provided with the opportunity to choose 1) to retain the historic bylaw-based trade waste charging provisions for the remaining life of the consent or 2) to surrender the consent (as at 30 June 2014) and move to a Trade Waste Agreement and the new non-domestic wastewater tariff (including the tariff transition). Those customers who opt to retain bylaw-based trade waste charges for the remaining life of their consent, will move to the full new non-domestic wastewater tariff (i.e. no tariff transition) upon expiry of the consent.

Watercare representatives are working with the 155 customers that hold a transitional consent to ensure that they are sufficiently informed to make a decision as to whether to retain or surrender their transitional consent.

4. COMMUNICATIONS AND CUSTOMER ENGAGEMENT

Several communications have been sent to non-domestic customers in the period following the Board’s approval of the new tariff regime.

Communications are focussed on 1) reminding customers of the new tariff regime in order for them to plan and prepare for its implementation and 2) seeking information from them in order to ensure that Watercare has an accurate industry code for each meter and can recommend an optimal wastewater pricing plan.

A further communication confirming the assigned wastewater pricing plan and notifying of the annual water price increase is planned for May.

An outbound calling programme has been established using resources from the Contact Centre. The objective of the programme is to make contact with customers who have not yet engaged with Watercare through the online response tool.

Copies of customer communications have also been sent to Councillors, Local Board Members, Members of Parliament and relevant business associations.

Media outlets have been proactively engaged and further engagement is planned prior to implementation.

Supporting collateral is in production. Examples include a ‘How to read your bill’ brochure to go out with invoices for at least the first three months after implementation, and a non-domestic ‘Be waterwise’ brochure with water-saving tips. These will also be available online.

A Commercial Relationship Manager has been appointed as a single point of contact for key account holders. The role involves proactive outbound calling as well as on-site meetings and presentations to affected stakeholders.

From July, drop in sessions, staffed by the Contact Centre, will be available for customers who require in-depth assistance and who would benefit from a face-to-face approach.

5. RECOMMENDATION

That the report be noted.

Report prepared by: Recommended by: Approved for submission by:

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M Bridge
Commercial Manager

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B Monk
Chief Financial Officer

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APPENDIX A

