



STATEMENT OF INTENT

1 July 2021 – 30 June 2022

VERSION: Final 26 May 2021

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1. Introduction

This Statement of Intent (SOI), Version: Draft 28 February 2021, is presented by the Directors of Waimea Water Limited (WWL), in accordance with Section 64 of the Local Government Act 2002 (LGA). Established in December 2018, WWL is a Council Controlled Organisation under Section 6 of the LGA.

The purpose of this document is to provide the scope, objectives, intentions and activities of WWL for the period 1 July 2021 to 30 June 2022 with forecast cashflows for three years from 1 July 2021.

WWL acknowledges the Statement of Expectation from shareholders Tasman District Council (TDC) and Waimea Irrigators Limited (WIL) dated 4 February 2021 and would like to thank them for their continued support.

A full copy of this SOI will be available via the WWL website (www.waimeawater.nz).

2. Purpose Statement

WWL is committed to building and operating a safe, reliable, sustainable and efficient dam for the benefit of the region. WWL's vision is to build and operate the Waimea Community Dam ('the dam') to the highest affordable standards.



Construction Site, February 2021

3. Background

WWL was established in November 2018, as a Council-Controlled Organisation, to manage the construction, operation and maintenance of the dam. A joint venture between the TDC and WIL, the dam will secure the Nelson Tasman region's urban and rural water demand for the next 100 years.

The dam will improve the resilience of the regional economy, support regional growth and improve and maintain the mauri of the Waimea River by using nature's storage and delivery system to provide water to our region.

WWL is focused on ensuring that it has the people, the policies and positive relationships needed to deliver a world-class water infrastructure project to support the Nelson Tasman region and its growth.

The Waimea Community Dam is a significant local infrastructure project to augment the supply of water and add to the sustainability of the region. The benefits of the dam include:

- Supporting a growing population and providing the community with water security
- Healthy Lee and Waimea Rivers for swimming, fishing and other recreational activities
- Healthier rivers for aquatic life to thrive
- A robust economy strengthened by the success of horticulture and farming industries and the subsequent growth of associated secondary and tertiary industries.



Supporting a growing population with water security

4. WWL Objectives

WWL's activities to design, construct and operate the dam are based on the following objectives:

4.1. Safety

Personnel safety

WWL will continue to use an appropriate and robust risk-based Health and Safety Management System to mitigate the risk of serious injuries to staff, contractors and the public during the construction and operation of the dam.

Dam safety

WWL will construct and operate the dam to the appropriate high standards described by the New Zealand Society on Large Dams (NZSOLD) guidelines¹ to mitigate risk to the public and to the asset.

4.2. Reliability

WWL will design, construct, operate and maintain the dam in a manner that allows it to reliably operate over its planned 100-year life to:

- Meet the requirements of the resource consent
- Maintain asset integrity to meet the requirements of NZSOLD guidelines.

WWL will use independent and qualified technical experts to verify integrity. Asset integrity will be demonstrated through competent inhouse engineering and verified by external and independent Producer Statements (PS)² from qualified experts. This will include a PS-1 from competent design engineers, and PS-2 and PS-4 from qualified, competent and reputable peer reviewers.

4.3. Sustainability

WWL will ascribe to a sustainability-based management regime that considers and balances:

- Economic sustainability by providing shareholders with a safe, reliable and efficient asset
- Environmental sustainability by understanding consumption and waste, emissions and implementing its environmental and biodiversity management plans
- Social sustainability by engaging and nurturing positive relationships with the community it works within, contributing to its community and its prosperity, and being a good employer.

4.4. Efficiency

WWL will endeavour to construct and operate the dam within the approved budget and schedule, as adjusted for conditions encountered and significant uncontrolled events, while always bearing in mind the priority objectives to provide a safe, reliable and sustainable asset. WWL will efficiently and proactively manage construction and operating risks.

¹ https://nzsold.org.nz/wp-content/uploads/2017/08/nzsold_dam_safety_guidelines-may-2015.pdf

² A producer statement is a professional opinion based on sound judgement and specialist expertise. There are currently four types of producer statement, all with generally widespread Council acceptance. They are known as: PS 1 – Design, PS 2 – Design review, PS 3 – Construction (often used by the installers of proprietary systems), PS 4 – Construction review.

5. Governance and Reporting

5.1. Governance

The WWL Board is committed to a high standard of corporate governance and regulatory compliance in guiding and monitoring WWL’s activities.

The Board carries out its decision-making responsibilities in accordance with legislation, and directors comply with their obligations under the Companies Act 1993, the LGA and other relevant legislation.

5.2. Composition of the Board

The WWL Board currently has seven highly experienced directors appointed by shareholders and iwi. The TDC may appoint four directors; WIL appoints two directors and Ngāti Koata appoints one director.

Directors are appointed for a period of up to four years.

5.3. Structure of the Board

The WWL Board is supported by four committees that consist of subgroups of directors and staff.

The committees provide governance and assurance across audit and risk, human resources, design and construction, and sustainability and communities.



5.4. Reporting

WWL will provide shareholders with a SOI, annual and mid-year reports in accordance with the LGA. In addition, WWL will provide quarterly and other financial statements and reports in accordance with shareholder expectations.

Statement of Intent

WWL will deliver to the shareholders a draft SOI no later than 1 March each year that fulfils the requirements of Section 64 of the LGA. Following review by shareholders, a final SOI shall be published before 30 June each year.

Quarterly Reports

No later than two months after the end of the March and September quarters, WWL shall deliver to the shareholders a brief unaudited report containing information and commentary on results for that quarter.

Mid-Year Report

No later than 28 February, WWL shall deliver to the shareholders an unaudited report containing the following information relating to the six-month financial period ending 31 December:

- Statement of Comprehensive Revenue and Expense, disclosing actual and comparative figures
- Statement of Financial Position at the end of the period
- Statement of Cash Flows
- A commentary on the results for the period, including progress against SOI objectives.

Annual Report

No later than 30 September each year, WWL shall deliver to the shareholders an annual report that fulfils the statutory requirements of Section 67 of the LGA, including audited financial statements that comply with the appropriate reporting standards and contain at least the following information:

- A report including a summary of the financial results, a review of operations and comparison of performance in relation to objectives in the Statement of Intent
- Statement of Comprehensive Revenue and Expenses disclosing actual expenditure and comparative figures from previous annual reports
- Statement of Financial position at the end of the year
- Statement of Cash Flows
- Auditor's report.

The annual report is to be available for public inspection (on the WWL website waimeawater.nz/).

5.5. Functions and Operations

WWL's activities are directed by the requirements of a governance and accountability framework including the company constitution, statutory compliance obligations, company policies and procedures, a performance and accountability framework and project control disciplines.

5.6. Management

The Chief Executive Officer is accountable to the Board and has responsibility for the management, operation and administration of WWL.

WWL management works to a Board-approved Management System for:

- Management of change
- Dam and personnel safety
- Risk management
- Authorities and financial controls
- Budget controls
- Organisation preservation
- Regulatory compliance

Audit NZ completes the annual external audit for the Board.



WIL shareholders tour the site in 2020

6. Nature and Scope of Activities

The construction programme has been extended to account for the project delays to date. WWL expects, therefore, that Practical Completion of the dam to be six months late and will likely be in the 2nd quarter of 2022, with the reservoir being filled over the winter of 2022 in time for commissioning by the following summer and season of 2022/2023.

The scope of WWL's activities include:

1. Health, Safety and Wellbeing
2. Environmental management
3. Design
4. Construction
5. Sustainability and community relationships
6. Financial management
7. Operational readiness.

The following sections provide the details of these seven activities.

6.1. Health, Safety and Wellbeing

Consistent with WWL's objectives, personal and process safety is of critical importance to WWL. WWL's Health, Safety and Wellbeing charter is:

We are committed to a culture that creates personal accountability for and a relentless focus on health and safety as part of the way we do things. No task is too important or so urgent as to preclude health and safety.

WWL has developed and will continue to use a risk-based Health and Safety Management System, that has been independently peer reviewed, to mitigate risk of harm to its staff, contractors and the public, and to ensure compliance with the Health and Safety at Work Act 2015. As part of this system, WWL has and will continue to work with and oversee its contractors to ensure their own systems comply with WWL's requirements and the Health and Safety at Work Act 2015, and so minimise and manage safety risks.

During the period of this SOI, WWL will:

- Meet requirements of health and safety legislation
- Use and review its own and Fulton Hogan and Taylor's ('the contractor') Health and Safety Systems
- Verify compliance with those systems and monitor statistics.



H&S award ceremony held at site November 2020

6.2. Environmental Management

The dam will reliably improve water quality to provide a better river environment for plants, fish and animals.

WWL is committed to efficiently minimising impacts on the environment during the build and operation of the dam, and ensuring the benefits are not eroded through unexpected adverse effects on the surrounding area.

WWL has and will continue to use skilled and experienced specialists and robust systems for environmental auditing, monitoring and training. Through a continuous 'Plan-Do-Check-Improve' cycle WWL monitors compliance, deals with change and ensures construction partners continue to work in a manner that protects our natural environment.



SLR staff Emma Woods checking water clarity downstream of site.



SLR conducting fortnightly water quality testing



Clean water flowing through the diversion culvert during construction works

The project currently has 22 permits containing 184 resource consent conditions. These have been consolidated into 98 monitored obligations. These conditions include, but are not limited to:

- Salvaging and propagating rare plants from the reservoir footprint
- Offsetting vegetation loss through a range of biodiversity enhancements
- Preparing to prevent and respond to spills during construction
- Constructing sediment ponds to protect water quality during construction
- Measuring and tracking river water quality
- Remediating the land within the project footprint on completion of the dam.

During the period of this SOI, WWL will:

- Comply with all resource consent conditions, including ensuring Supplementary Construction Environmental Management Plans (SCEMPs) are approved by the regulator, and WWL verifies performance and compliance with the SCEMPs
- Continue to monitor river water quality in accordance with the resource consent and take steps to improve river water quality as required
- Continue to implement the Biodiversity Management Plan, including the removal and propagation of four native plant species and planting at Rough Island

Meet obligations for carbon associated with deforestation prescribed by the Climate Change Response Act 2002.



11,000 trees were planted on Rough Island in July 2020

6.3. Design

The dam has been designed in accordance with the highest requirements of the NZSOLD guidelines and in accordance with New Zealand building regulations. The dam was designed by Tonkin and Taylor, who issued a PS-1, and peer reviewed by WSP Opus who issued a PS-2. WWL's independent engineering reviewer of construction, Damwatch Engineering Ltd (DWE), also reviewed and completed due diligence of the design.

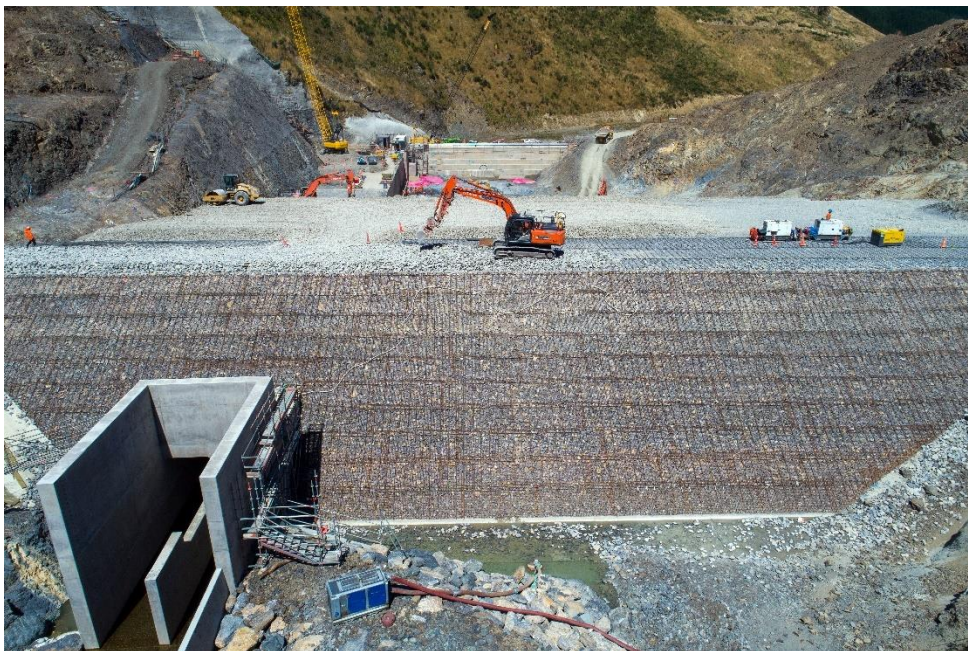
Since the original design was consented, the design has had to be modified for the encountered geology and topography. The revised embankment, spillway and culvert designs were completed by DWE, who issued PS-1 for the changes. GHD Engineering peer reviewed and provided a PS-2. The mechanical design has been completed by DWE and MTL and peer reviewed by GHD Engineering.

The dam break analysis has been revised and published. The dam is designed to withstand significant natural hazards including an earthquake with a 1:10,000-year probability of occurring. The membrane provides a reliable impermeable layer and the rock embankment is designed to drain any seepage to prevent any uncontrolled loss of the reservoir. The spillway, which is anchored to rock with drainage beneath, is designed for a Probable Maximum Flood (PMF) that has a peak flow of almost three times a 100-year flood event.

With necessary design changes now largely complete, focus during the period of this SOI will be on completing construction, commissioning and preparing for operations and WWL will:

- Continue to modify and optimise design for encountered conditions
- Complete an Emergency Action Plan (EAP) in accordance with the NZSOLD guidelines and based on the revised dam break analysis
- Complete the dam surveillance plan (piezometers, seismometers, survey) to inform and complete a Dam Safety Management Plan in accordance with the NZSOLD guidelines

There will also be design impacts on operational readiness requirements, including commissioning dam safety instrumentation and systems, completing a closure and reservoir filling plan, completing operations and maintenance manuals, and preparing a commissioning plan.



Downstream view of rockfill embankment



Aerial view of the site progress, February 2021



Aerial illustration of the future Waimea Community Dam filled with water

6.4. Construction

A baseline project schedule to build the dam was agreed with shareholders and financiers when WWL was incorporated in December 2018. In 2019, WWL finalised key contracts and sub-contracts, mobilised plant and machinery and attracted talented people to build the dam in a safe, reliable and efficient way. To date WWL has:

- Completed access to site and haul roads around the site and constructed access bridges
- Completed the diversion culvert, diverted the river and constructed a coffer dam
- Completed the starter dam
- Progressed the spillway, plinth and grout curtain
- Progressed the rock embankment, including the rock reinforced dam
- Commenced the spillway

WWL will continue to work collaboratively with the contractor to resolve construction and geological challenges and seek opportunities to enhance the dam.

During the period of this SOI, WWL and its contractor plan to :

- complete the plinth and grout curtain, complete the rock embankment, complete the face/membrane and parapet wall, complete the spillway and plunge pool, and commence constructing the mechanical, electrical, power and control systems.

WWL will;

- complete civil works, close the diversion and prepare to commence filling the reservoir (SP1)
- provide independent verification of construction complying with the specification and drawings, with a PS-4 from DWE. In accordance with the resource consent (condition 88b), WWL will seek a Code of Compliance from the Regulator prior to closing and filling the reservoir.
- Continue to use an appropriate risk management system, that includes understanding impacts from Covid19.

As has been reported previously, the geology of the site continues to be a considerable risk for the project and has resulted in incremental costs. It remains a residual, albeit diminishing, risk to the project. Although some areas of rock have met expectations, other areas of the predominantly argillite rock (siltstone/mudstone) exhibit significantly more incipient foliations than expected, resulting in the rock breaking up more readily than anticipated. Construction of the embankment and plunge pool will continue to adjust during construction.

WWL will continue to regularly report against the schedule to keep both shareholders and financiers informed of progress.



Stock pile of blended 2B material



Importing and blending material

Construction progress in images



Overview of reinforced rockfill placement, Dec 2020



Pouring concrete in steep LH plinth section, Dec 2020



Pouring concrete in starter dam, Nov 2020



RHS plinth void buttress support concrete pour, Nov 2020

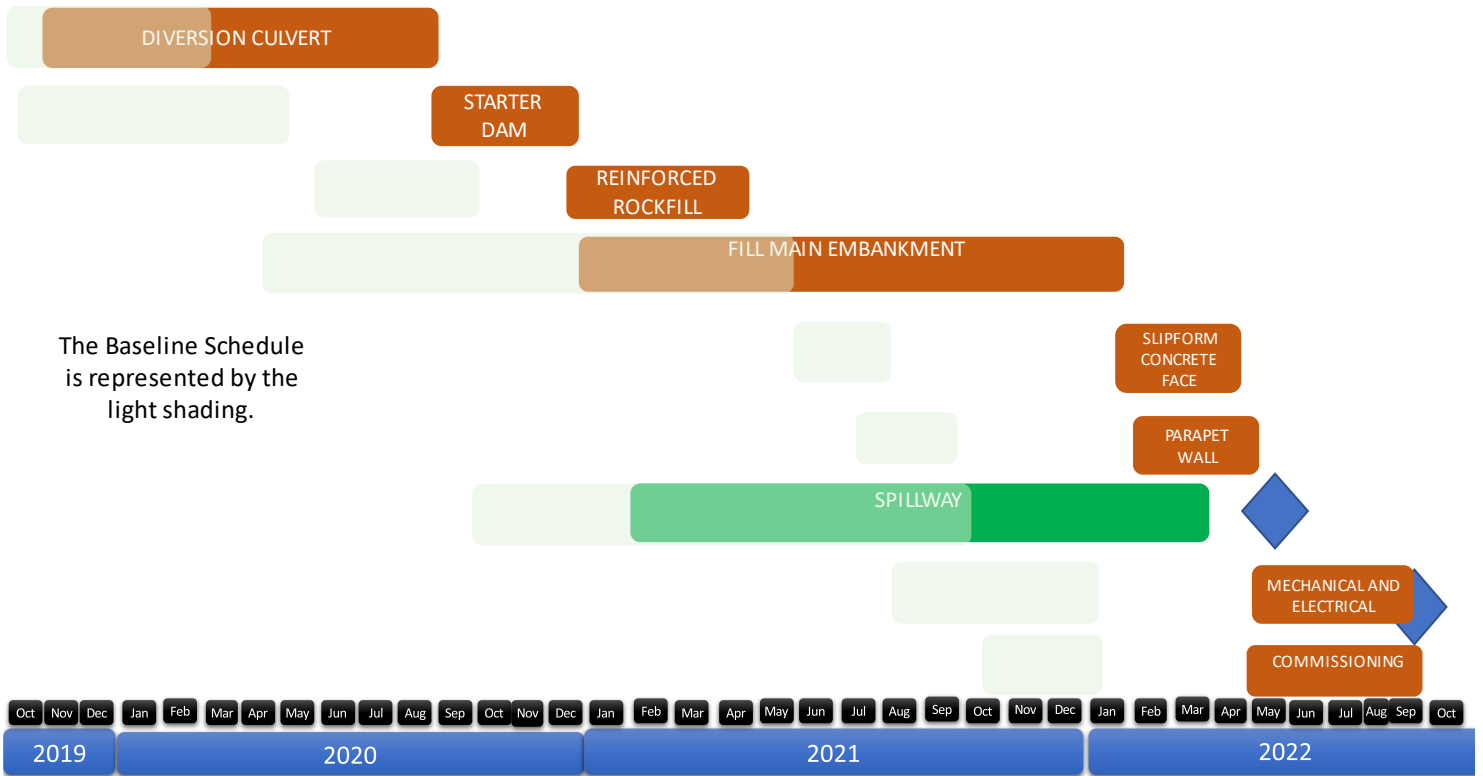


Overview of RHS plinth foundation and void, Dec 2020



LHS plinth progress looking downstream, Dec 2020

Construction timeline



WWL expects to complete construction of the dam and commence filling the reservoir in May 2022, to allow commissioning of the dam and project completion by October 2022.



The first part of the dam's outlet works

6.5. Sustainability and Community Relationships

WWL's vision is to build and operate the dam to the highest affordable sustainability standards.

WWL is committed to ensuring that the public is well-informed, has easy access to information and people are given the opportunity to ask questions and find out more about the project.

During the period of this SOI, WWL will:

- Work closely with mana whenua, the Department of Conservation, landowners, local communities and those who have a focus on the development and sustainability of the region
- Continue to work closely with Ngāti Koata to protect and nurture native taonga in the area and to integrate Māori cultural values in caring for the environment
- Complete a Sustainability Plan, that will describe how the dam will be sustained in the long term (economically, environmentally and socially).

WWL will be upfront and transparent about the progress of the project and clearly describe issues and plans.

WWL will continue to actively engage stakeholders and the public about the project. WWL will use a range of channels to reach as many stakeholders and interested parties as possible, including a presence at regional events and locations, social media (Facebook), media releases, TDC meetings, newsletters and the WWL website. WWL aims to increase engagement with the development of brochures in the coming year.



Diversion Culvert Blessing (14 August 2020)



Information stand at Tasman's A&P Show (22 November 2020)

6.6. Financial Management

When WWL was incorporated in December 2018 a budget was approved with shareholders and financiers. Managing costs and funding is done in accordance with the Company Constitution, best practice, and Generally Accepted Accounting Principles. WWL provides regular reporting against budget to keep both shareholders and financiers informed of progress.

WWL is funded by its shareholders TDC and WIL.

WWL has a tight focus on financial management and is doing all it can to minimise costs without compromising safety, reliability and sustainability. Finance activities are centred on producing accurate and timely financial information for decision makers, with a focus on quarterly reporting to shareholders and financiers, and ensuring all systems and processes support an unqualified audit opinion from Audit NZ on behalf of the Auditor General.

During the period of this SOI, WWL will:

- Continue to manage Costs to Complete, as adjusted for encountered conditions and uncontrolled events and risks
- Meet agreed quarterly reporting deadlines
- Comply with financier expectations
- Obtain unqualified audit opinions on annual financial statements.

6.7. Operational Readiness

Once constructed, WWL will operate and maintain the dam in accordance with NZSOLD guidelines, the resource consent, and business plans and budgets.

During the period of this SOI, WWL will:

- Complete the plans required to operate the dam, as prescribed in the resource consent, including an Operational Management Plan, a Reservoir Release Management Plan and River and Reservoir Quality Monitoring Programmes
- Complete the operating model and operating budgets for shareholders.



7. Performance Targets (KPIs)

The following table provides the objectives and key performance indicators for the period 1 July 2021 to 30 June 2022 (FY22) and the two years following.

All objectives relate to the seven key activity areas outlined in the previous sections, with each objective reflecting the guiding principles to be safe, reliable, sustainable and efficient.

1. Health, Safety and Wellbeing		
Objective	FY22 KPI	Post 2022 KPI
To meet the requirements of health and safety in workplace legislation	WWL system peer reviewed by industry qualified expert	Migrate from construction system to operations system
Review and verify contractors' Health, Safety & Wellbeing systems	FHTJV system peer reviewed by industry qualified expert	n/a
No fatalities or serious injuries	0	
Total recordable injury rate	≤5 injuries per 1m hours	
2. Environmental management		
Objective	FY22 KPI	Post 2022 KPI
To meet resource consents conditions	100% compliance	100%
Approve and validate SCEMPs	100% compliance	n/a
Implement the Biodiversity Management Plan	100% compliance	100%
3. Design		
Objective	FY22 KPI	Post 2022 KPI
Modify and optimise design for all encountered conditions to meet NZSOLD guidelines	PS-1 and PS-2	n/a
Revise dam break analysis and prepare Emergency Action Plan (EAP) (#84)	EAP complete	Update as per NZSOLD guidelines
Complete surveillance strategy and Dam Safety Management Plan (DSMP)	DSMP complete	Update as per NZSOLD guidelines

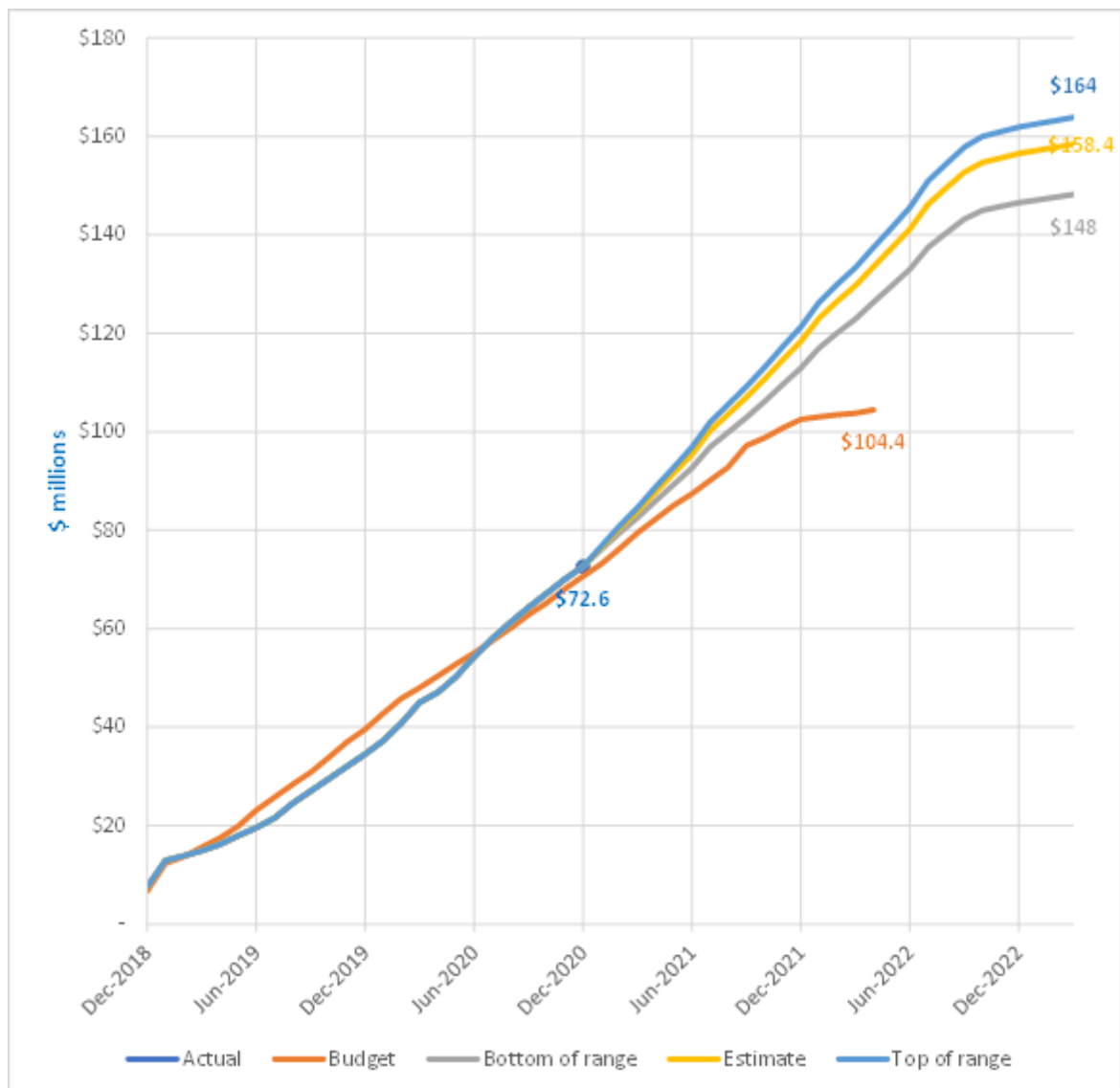
4. Construction		
Objective	FY22 KPI	Post 2022 KPI
Construct dam in accordance with specification	PS-3 and PS-4 Regulator Code of Compliance (#88b)	Revised Code of Compliance
Deliver project to schedule, as adjusted for encountered conditions and uncontrolled events	Commence filling reservoir (SP1) Track variance to schedule	Commission dam (SP2) and move to operations
Report COVID-19 impacts	Track variance to schedule	
Utilise appropriate risk-based management system	Risk register follows NZTA Z/44 guideline	
5. Sustainability and Community relationships		
Objective	FY22 KPI	Post 2022 KPI
Transparent engagement with stakeholders and community	Quarterly public newsletter, six monthly Richmond Mall 'pop-up'	TBA
Consultation with Ngāti Koata	Annual update	
Recognise key cultural milestones	Closure and reservoir blessing	TBA
Develop Sustainability Plan	Plan approved	Plan complied with
6. Financial management		
Objective	FY22 KPI	Post 2022 KPI
Manage Costs to Complete	Update in Mid-Year and Annual Reports	Update in Mid-Year and Annual Reports
Agreed quarterly reporting deadlines met	100% compliance	
Compliance with financier expectations	100% of expectations met	
An unqualified audit opinion on annual financial statements	Unqualified opinion on FY21 financial statements	Unqualified opinion on FY22 and FY23 financial statements
7. Operational readiness		
Objective	FY22 KPI	Post 2022 KPI
Complete Land Owner Consultation and Land Access Report (#87)	Completed and approved	Annual review
Complete Operational Management Plan (#92)	Completed and approved	Annual review
Complete Reservoir Management Release Plan (#108)	Completed and approved	Annual review
Complete River Quality Monitoring (#110) and Reservoir Quality Monitoring (#106) programmes	Completed and approved	Annual review
Complete operating model and budgets for shareholders consideration	Completed and approved	Annual review

8. Cost and Risk Management

8.1. Construction Cost forecast

WWL forecasts a revised cost to complete of \$147.2M, excluding COVID-19 costs and associated delays. The COVID-19-related costs experienced to date, the associated delays to the project and a provisional allowance for future impacts resulting from COVID-19 cost an additional \$11.2M, such that the forecast cost to completion is \$158.4M.

Recognising residual uncertainty in COVID-19 costs and geology, WWL expects the cost of the project to be between \$148M to \$164M. The increase in cost is described in the 28 February 2021 Mid-Year Report.



Cost and Risk forecast.

8.2. Risk Management

WWL is committed to constructing and operating the dam as efficiently and reasonably as possible with respect to cost and schedule, recognising the overarching principles that the dam shall be safe, reliable and sustainable.

WWL will continue to operate a robust risk management system, and the risk register is continuously updated as risks are identified and closed.

8.3. Operating Plan and Cost forecast

During the period of this SOI, WWL will finalise for approval its Operating Budgets and Plans with shareholders. During the previous SOI period WWL completed and submitted to shareholders a draft Operating Plan and Budget for consultation.

Cashflow forecasts during operations are based on this draft plan, and include \$2.75M pa in the first two years of operation and then \$2.5M pa for subsequent years, noting these assumptions exclude finance charges.

8.4. Note to risks

Project risk is dissipating with progress and as structures come up out of the ground. The most significant risks as the project progresses relate to:

- Geology: Grouting of the sub-surface grout curtain, due to be complete in late 2021
- Geology: Exposing of the spillway foundation, due to complete in late in 2021
- Geology: Exposing of the plunge pool has not yet commenced and is scheduled for late 2021
- Flood and abnormal weather risk: The risk of flooding gradually dissipates with dam height
- COVID-19: WWL does not expect another enforced shut down for the project and is taking steps with MBIE to be considered as an important infrastructure project to protect against further shutdowns. COVID-19 is, however, clearly having emerging and uncertain impacts on procurement. WWL is starting to see costs and delays associated with logistics and increasing commodity (steel) prices. There is further risk that purchase and delivery of mechanical and electrical components escalates with a worsening supply chain.

Given the delay and increasing cost of the project, WWL has included increased insurance for the contract work in this cost forecast.

WWL expects an effective delay to the project of approximately six months, predominantly resulting from COVID-19 and assuming there are no further delays associated with the pandemic.

For these reasons, the final cost of the dam will not be known until near completion of the project, but is expected to be within the cost to complete range indicated in section 8.1.

9. Additional Information

9.1. Entity and stakeholder information

WWL is a limited liability company, incorporated under the Companies Act 1993.

WWL is a Council Controlled Organisation (CCO) subject to the LGA and represents the shared interests of TDC and WIL. TDC is the majority shareholder with 51% of the issued shares and WIL holds the remaining 49% of issued shares.

CIIL provides a \$25m loan to WWL, and further loans to the TDC.

TDC contributions are supported by a Ministry for the Environment grant of \$7m.

WWL operates on a cost recovery basis only. Dividends will not be paid.

WWL does not undertake any activities for which the Board seeks compensation from any local authority; this is prohibited by WWL's constitution.

During the period of this Sol TDC and WIL will commit further equity or shareholder advances to support increased project costs.

9.2. Professional Support Information

Contractor:	Fulton Hogan & Taylors (FHTJV)
Temporary Works Designer:	GHD Engineering
Design Engineer:	Damwatch Engineering Ltd
Design Reviewer:	GHD Engineering
Quantity Surveyor:	Rawlinsons
Engineer to Contract:	Stantec
Legal Support:	Anderson Lloyd
Accounting:	Findex
Auditor:	Audit New Zealand on behalf of the Auditor-General
Banker:	ANZ Corporation

9.3. Accounting Policies

Reporting entity

WWL is a CCO under Section 6 of the LGA. WWL is registered under the Companies Act 1993. WWL has been established to manage the construction, operation and maintenance of the Waimea Community Dam.

Basis of preparation

(a) Statement of compliance

Financial statements are prepared in accordance with the LGA, which includes the requirement to comply with Generally Accepted Accounting Practice in New Zealand as outlined in the Companies Act 1993. The Company has a balance date of 30 June.

Financial statements are prepared in accordance with and comply with PBE Standards RDR and disclosure concessions have been applied. WWL is eligible to report in accordance with these standards because it does not have public accountability and it is not large.

(b) Basis of measurement

The financial statements are prepared on the basis of historical cost and the going concern basis.

(c) Functional and presentation currency

The financial statements are presented in the functional currency of WWL, which is New Zealand dollars (NZ\$), and all values are rounded to the nearest thousand dollars ("000s").

(d) Comparatives

Statements report comparative figures.

(e) Changes in accounting policies

Accounting policies are adopted consistently.

Summary of significant accounting policies

The preparation of financial statements requires WWL to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Future outcomes could differ from those estimates. The principal areas of judgement in preparing financial statements are set out below. These will be assessed by management as part of the annual reporting process and included within the final annual accounts.

(f) Cash and Cash Equivalents

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

(g) Trade and Other Receivables

Trade and other receivables are initially stated at fair value and subsequently stated at their amortised cost using the effective interest method less impairment losses. A provision for impairment of receivables is established when there is objective evidence that WWL will not be able to collect all the amounts due according to the original terms of the receivables. The amount of the

provision is the difference between the asset’s carrying value and the present value of the expected future cash flows discounted using the effective interest method.

(h) Trade and Other Payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

(i) Property, plant and equipment

Property, Plant & Equipment (PPE) will be recognised in accordance with PBE IPSAS 17, at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. ‘Directly attributable’ includes all costs directly associated with the dam build, including professional fees, all staff costs, where a majority of the person’s time is directly associated with the dam build, and a reasonable allocation of other costs incurred for staff identified above. Assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount. Uncompleted capital works are not depreciated until ready for service.

Subsequent expenditure is capitalised and the cost incurred added to the carrying amount of an item of Property, Plant and Equipment if it is probable that the future economic benefits embodied in the specific asset will flow to the Company and the cost of the item can be measured reliably. The costs of day-to-day servicing of Property, Plant and Equipment are recognised in the surplus or deficit as incurred.

Individual assets, or groups of assets, are capitalised if their cost is greater than \$500. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition. The majority of capital expenditure will remain as work in progress for the duration of the project and is not depreciated until ready for service.

Disposals

Gains and losses are determined by comparing the proceeds with the carrying amount and are recognised in the surplus or deficit. Net gains and losses are only recognised when the significant risks and rewards or ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, and there is no continuing involvement.

Depreciation

The depreciable amount of an asset is determined based on its useful life. Rates and methods of depreciation reflect the pattern in which the asset’s future economic benefits are expected to be consumed by WWL.

Buildings	not applicable
Leasehold improvements	10%
Furniture and equipment	16% - 50%
Vehicles	20% - 30%
Dam (Capital WiP)	not applicable

(j) Intangible assets

Software Acquisition and Development.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software are recognised as an expense when incurred.

(k) Impairment of non-current assets

The carrying amounts of WWL's assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such impairment exists, the asset's recoverable amount is estimated. If the estimated recoverable value amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount, and an impairment loss is recognised in the surplus or deficit.

The recoverable amount of an asset is the higher of the fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and discounting these to their present value using a pre-tax discount rate that reflects the current market rates and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised to the extent that an impairment loss for that asset was previously recognised in the surplus or deficit immediately.

(l) Other Financial Assets

Term investments over 90 days are classified as "other financial assets." They are initially measured at fair value, net of transaction costs. After initial recognition, financial assets in this category are measured at amortised cost using the effective investment method, less impairment. Gains and losses when the asset is impaired are recognised in the surplus or deficit.

(m) Share Capital

Ordinary shares are classified as equity. Direct costs of issuing shares are shown as a deduction from the proceeds of issue.

(n) Interest Bearing Borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost using the effective interest method. Borrowing costs directly attributable to the acquisition or construction of a qualifying asset, which is determined to be an asset that takes a period of greater than one year to get ready for its intended use, are capitalised as part of the cost of the asset.

(o) Employee Entitlements

A liability for annual leave is accrued and recognised in the Statement of Financial Position. The liability is calculated on an actual entitlements basis at current rates of pay. These include salaries and wages accrued up to balance date, alternate days earned but not yet taken, and annual leave earned but not yet taken up to balance date.

(p) Revenue

Revenue comprises the fair value of the consideration received or receivable in the ordinary course of the Company's activities, net of discounts, rebates and taxes. Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Interest income is recognised on an accrual basis using the effective interest method.

(q) Expenses***Financing Costs***

Financing costs comprise interest payable on borrowings calculated using the effective interest rate method.

Dividends

WWL operates on a cost recovery basis therefore no dividends are payable.

(r) Income Tax

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to the income tax payable in respect to prior years. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

Current tax and deferred tax are charged or credited to the surplus or deficit, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity and other comprehensive revenue and expenses.

(s) Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, Inland Revenue is included as part of receivables or payables in the Statement of Financial Position.

10. Financial forecast

At incorporation in December 2018 shareholders anticipated Total Project Costs of \$104.4m. In February 2021, as described elsewhere in this document, shareholders acknowledged an updated Total Project Costs estimate of \$158.4m. WWL has completed two financial years (FY19 and FY20), and the next five years to FY25 will see a transition from construction to operations.

10.1. Profit and loss overview to dam commissioning (SP2)

Construction period						
Costs and income	FY19	FY20	FY21	FY22	FY23	Total
	7 months	full year	full year	full year	6 months	49 months
	Jun-2019	Jun-2020	Jun-2021	Jun-2022	Dec-2022	Dec-2022
Total Project Costs	19,540	34,694	39,575	49,844	14,837	158,489
Offset by interest income	(325)	(646)	(459)	-	-	(1,430)
Offset by water charges						-
Net Commitment	19,215	34,048	39,116	49,844	14,837	157,059
Accounting treatment						
	FY19	FY20	FY21	FY22	FY23	Total
P&L impact	318	411	402	587	254	1,972
Capital	18,896	33,637	38,714	49,257	14,582	155,087
Net Commitment	19,215	34,048	39,116	49,844	14,837	157,059

Operations period		
FY23	FY24	FY25
6 months	full year	full year
Jun-2023	Jun-2024	Jun-2025
1,379	2,759	2,646
(1,379)	(2,759)	(2,646)
-	-	-
FY23	FY24	FY25
-	-	-
-	-	-
-	-	-

10.2. Cash flow overview to dam commissioning (SP2)

Construction period						
Cash flows	FY19	FY20	FY21	FY22	FY23	Total
	7 months	full year	full year	full year	6 months	49 months
	Jun-2019	Jun-2020	Jun-2021	Jun-2022	Dec-2022	Dec-2022
Income from operations						-
Paid to suppliers/employee	(440)	(1,169)	(860)	(587)	681	(2,376)
Operating outflows	(440)	(1,169)	(860)	(587)	681	(2,376)
Capital (payments)/receipt	(9,748)	(31,039)	(39,582)	(49,226)	(18,781)	(148,375)
Equity contributions (TDC)	15,201	10,877	16,098	41,795	14,835	98,805
Equity contributions (WIL)	12,617	9,174	4,176	-	-	25,967
Change in Term Deposits	(15,281)	(1,064)	16,345	-	-	(0)
Net interest rec'd	311	501	618	-	-	1,430
Loans	2,062	12,266	3,525	6,698	(2)	24,550
Cash balance	4,722	4,268	4,587	3,266	(0)	(0)

Operations period		
FY23	FY24	FY25
6 months	full year	full year
Jun-2023	Jun-2024	Jun-2025
1,379	2,759	2,646
(1,379)	(2,759)	(2,646)
-	-	-
80	-	-
-	-	-
80	80	80

10.3. Balance Sheet overview to dam commissioning (SP2)

Construction period					
Balance Sheet	FY19	FY20	FY21	FY22	FY23
	Jun-2019	Jun-2020	Jun-2021	Jun-2022	Dec-2022
Cash balance	4,722	4,268	4,587	3,266	(0)
Receivables	213	1,584	558	666	-
Accounts payable	(2,073)	(4,617)	(3,830)	(3,939)	(9)
Capital WiP	18,592	51,139	91,009	140,311	154,914
Fixed assets	204	297	238	194	173
Non-current liabilities	(2,161)	(14,597)	(18,272)	(25,000)	(25,000)
Term deposits	15,281	16,345	0	0	0
Total net assets	34,778	54,418	74,290	115,497	130,078
Shareholders	35,096	55,147	75,421	117,215	132,050
Retained earnings	(318)	(729)	(1,131)	(1,718)	(1,972)
Net equity	34,778	54,418	74,290	115,497	130,078

Operations period		
FY23	FY24	FY25
Jun-2023	Jun-2024	Jun-2025
80	80	80
154,914	154,914	154,914
84	84	84
(25,000)	(25,000)	(25,000)
130,078	130,078	130,078
132,050	132,050	132,050
(1,972)	(1,972)	(1,972)
130,078	130,078	130,078

11. Glossary

This section summarises abbreviations used throughout this document.

Abbreviation	Definition
CIIL	Crown Irrigation Investments Ltd
DSMP	Dam Safety Management Plan
DWE	Damwatch Engineering
EAP	Emergency Action Plan
FHTJV	Fulton Hogan Taylors Joint Venture
ITE	Independent Technical Expert
KPI	Key Performance Indicator
LGA	Local Government Act 2002
LHS	Left-hand side
SoE	Statement of Expectation
NZSOLD	New Society of Large Dams
PMF	Probable Maximum Flood
PS	Producer Statement
SCEMP	Supplementary Construction Environmental Management Plan
SLR	SLR Consulting NZ Limited
SOI	Statement of Intent
TDC	Tasman District Council
WCD	Waimea Community Dam
WIL	Waimea Irrigators Ltd
WWL	Waimea Water Ltd