



SECURING OUR REGION'S FUTURE

**Karen Jordan**  
Chair

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Director

17 June 2019

## INTRODUCTION

This Statement of Intent is presented by the Directors of Waimea Water Limited (WWL or the Company) in accordance with section 64 of the Local Government Act 2002.

This Statement of Intent (SOI) sets out the activities and objectives of WWL for the period 27th November 2018 to 30th June 2020.

The purpose of this document is to publically state the objectives, activities and intentions of WWL. The Company acknowledges the Letter of Expectation from Shareholders of 9 January 2019.

A full copy of this Statement of Intent will be available via the Waimea Water website ([www.waimeawater.nz](http://www.waimeawater.nz)).

Waimea Water Ltd is a Council Controlled Organisation under section 6 of the Local Government Act 2002.

## PURPOSE

This Statement of Intent outlines the purpose of WWL, which is to manage the construction, operation and maintenance of the Waimea Community Dam (WCD) to the benefit of water users in Nelson Tasman delivering a crucial part of the region's infrastructure, allowing our communities and economy to thrive.

The dam augments water supply and makes water available to meet demand in Nelson Tasman for the next 100+ years. The dam will improve the health and maintain the mauri of the Waimea River by using nature's storage and delivery system to provide water to our region.

WWL will also undertake some other associated works to maximise the benefits of the Waimea Community Dam, focusing upon environmental and biodiversity objectives, taking a best value for money approach, acknowledging the 100+ year design life span of the project.

The project is well advanced: with the site selection, design parameters and delivery partners all set. The next three years will focus on the safe delivery of: preparatory works, the construction of the dam itself, the management of environmental concerns, the filling of the reservoir and the orderly transition to efficient operation and maintenance.

This statement describes the comprehensive programme of works to help deliver on WWL's promises to its shareholders and community.

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

## ABOUT WAIMEA WATER LIMITED

Tasman district is running out of water, so doing nothing is not an option. New Zealand receives an abundance of water each year and we only use a very small percentage of it. We need to be smarter about storing it, so we can use it when we need to. A growing, resilient regional economy will offer future generations opportunities to stay in the region and raise their families with well-paying jobs and security. The dam makes water available to meet related urban and rural water demand for at least the next 100 years and likely many more and in doing so, plays its part to help the Nelson Tasman region thrive.

When the funding for this significant investment in infrastructure was secured in December 2018, WWL commenced operations to manage the delivery of the Waimea Community Dam in order to meet the known water supply issues and to address the forecast increases in demand for water.

The investment is in a concrete-face rock fill dam, approximately 53m high, 220m long, 6m wide at the crest and constructed from approximately 430,000m<sup>3</sup> of rock. The lake created by the dam will contain approximately 13million m<sup>3</sup> of water. The project is to be finished by February 2022, with the physical dam to be completed by 27 October 2021, then the filling of reservoir and final commissioning by February 2022.

WWL was established by the partnership funding between Tasman District Council (TDC), Waimea Irrigators Limited (WIL) and Crown Irrigation Investments Limited (CIIL). TDC and WIL are shareholders of WWL, whilst CIIL is the financier. As TDC is the majority shareholder (51%), WWL is a Council Controlled Organisation (CCO) and operates on a cost recovery basis only, adhering to the governance and control framework specified under the Local Government Act 2002.

WWL's primary purpose and objectives are to build, own, operate and maintain the dam in accordance with shareholder agreements and the Company's constitution. WWL will work together with its stakeholders across the community to optimise other benefits arising from the construction of the dam, with particular focus on the environmental and biodiversity benefits.

WWL is required to remediate the land within the project footprint upon completion and deliver a number of carbon emissions offsetting projects within the region to compensate for trees necessarily removed during construction. WWL will ensure that rare plant species will be protected and transplanted in accordance with resource consent conditions. This provides opportunity for raising community awareness to optimise the benefits from these environmental projects and WWL will develop an Environment and Sustainability Management Plan working with Ngāti Koata, FHTJV our delivery partners and in communication with our community.

## OBJECTIVES OF THE WAIMEA COMMUNITY DAM

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

Objectives of the Waimea Community Dam					
Sufficient water at our homes all year round	Healthy Lee and Waimea Rivers with abundant fish and flora where we can swim and play	A robust economy from the success of horticulture and farming industries	Jobs for people in our primary industries and the support services working with them	A better chance that families can maintain and grow their businesses for children and grandchildren	Families staying and growing together in our community

## CONTRIBUTION TO SPONSOR'S PRIORITIES

The Waimea Community Dam provides a strategic response to the priorities of its shareholders and WWL recognises the complex inter dependencies between the regional management of natural resources, the environment, health, well-being and life opportunities of our communities and a thriving regional economy.

## RISK MANAGEMENT

The WWL Board and management will encourage a culture that is risk aware and will seek proactively to understand and mitigate risk where it is identified. WWL Board and management have adopted a best practice risk management procedure and have inherited a comprehensive risk assessment from the project investment appraisal, which sets a baseline that will be regularly refreshed and maintained through an active risk management process. This has formed WWL's risk register. WWL will actively maintain and regularly update its register of strategic and operational risks, managing these risks with oversight from management and the Board.

A core competence for WWL is the governance and control of the project to mitigate delivery schedule and cost overrun risk.

WWL inherited the design, contract framework and main contractor (Fulton Hogan Taylors Joint Venture) following an extensive and rigorous process. Going forward, WWL has put in place a strong project office populated with a small number of senior, experienced project delivery professionals, deploying project delivery assurance best practices.

A Project Governance Board is in place, which will be chaired by WWL's CEO, with membership comprising senior leadership from WWL and the joint venture parent companies.

Professional design and assurance engineering consultants will be appointed to provide design change management and construction observation assurance; this will ensure that the dam is built in accordance with the approved design and that any necessary changes due to site conditions are properly quality controlled.

Professional quantity surveyors have been engaged and the Engineer to Contract (ETC) appointed; together they will provide robust mitigation to the risk of incorrect cost claims and reduce the likelihood of costly contractual disputes.

A monthly Contract Management meeting provides operational supervision and performance management across the construction activities.

## **FUNCTIONS AND OPERATIONS**

WWL's activities are bounded by the requirements of a governance and accountability framework beginning with the Company constitution, statutory compliance obligations, company policies and procedures, a performance and accountability framework and best practise project control disciplines.

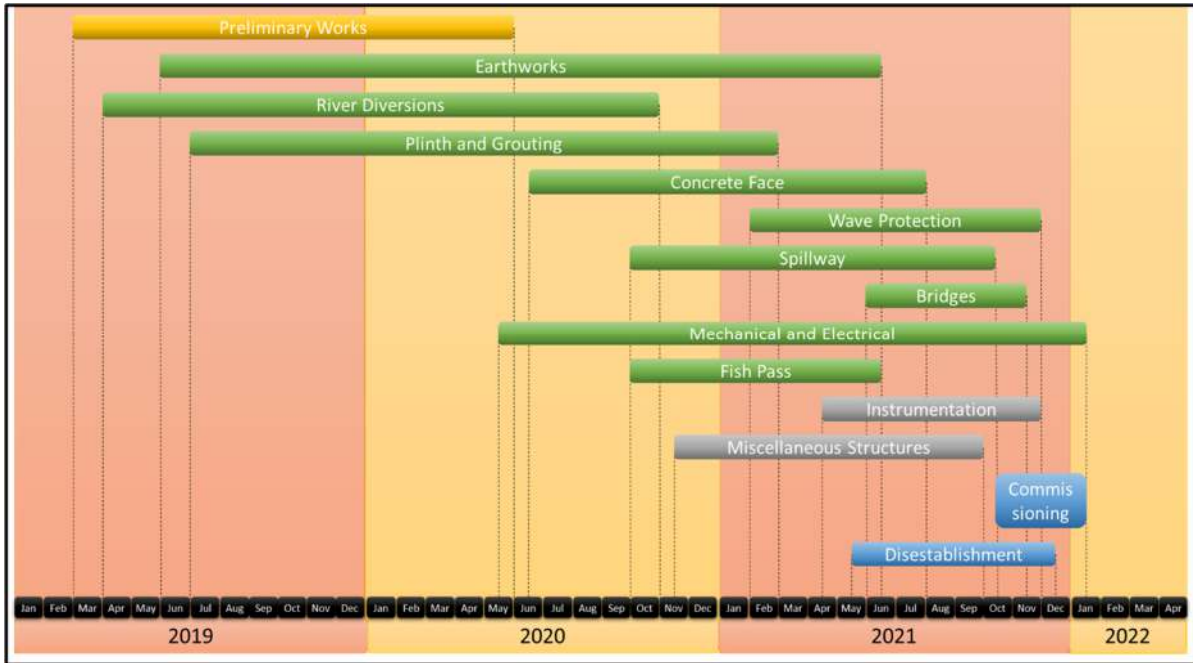
The WWL Board provides governance and assurance that management is delivering the project in accordance with its objectives. The Board has appointed a Chief Executive to be accountable for the safe, efficient and effective delivery of the project and enabling services. The Chief Executive has appointed a management team to provide leadership and performance responsibility in the safe delivery of the project and achievement of the mandated company outcomes.

### **Scope and Schedule**

WWL is responsible for constructing Nelson Tasman region's newest dam. This includes:

- resource consent compliance
- land and access rights transfer and management
- health and safety compliance and assurance
- environmental compliance and assurance
- optimisation of sustainability opportunities
- community and stakeholder engagement
- management of contracts required to complete the contracts, including construction, design assurance and cost assurance

The project is divided into a series of workstreams and the team structure is amended progressively to match the evolving requirements of the project through its lifecycle, and then as the dam is commissioned into 'business as normal' operation. The key project workstreams comprise:



## COMMUNICATION AND ENGAGEMENT

In addition to shareholders, WWL has crucial relationships with other key parties and is committed to open and honest communication. The relationships include Mana Whenua, Crown Irrigation Investments Limited, Ministry for the Environment, Department of Conservation, LINZ, community groups and other interested parties named in consent conditions.

WWL will work closely with land owners, businesses and residential neighbours, and those who have a focus on the development and sustainability of the region. The ultimate users and consumers of water from the Waimea Community Dam are also at the front of mind during the construction and transition to operation of this asset.

WWL has established three key principles for communication with all of our stakeholders:

### Proactive Communication

WWL will be upfront and transparent about the progression of the project and provide as much certainty and clarity as possible about timings and plans.

### Style and Language

WWL will invest in face-to-face communication and personal attention. Communication will be fact based, straightforward, clear, and engaging. Jargon and “project speak” will be avoided.

### Responsiveness

Responses will be timely, full, frank and as detailed as possible. WWL will demonstrate that it is listening, even if agreement is not always reached. When we cannot disclose information because of its commercially confidential nature, we will be upfront about this.

## SUSTAINABILITY VISION

Sustainability is at the heart of WWL's objectives. WWL has a vision of constructing and operating the Waimea Community Dam to the highest affordable sustainability standards.

WWL recognises that sustainability includes both social and environmental elements and these underpin the project from conception, design and planning, through to construction and operation. WWL will develop its Environment and Sustainability Plan to embed these considerations in everything we do.

## ORGANISATIONAL HEALTH & CAPABILITY

### Health and Safety

As a Council Controlled Organisation (CCO) operating in a construction environment, WWL will be a leader in health and safety management, ensuring compliance with the Health and Safety at Work Act 2015.

**“No task is too important or so urgent as to preclude Health and Safety.”**

WWL is 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. WWL will live the value that says: **“no task is too important or so urgent as to preclude Health and Safety”**.

It will do this through:

- the Board and management modelling behaviours that they expect from WWL and contractors
- establishing best practice health and safety behaviours in the field and in the office environment, monitoring adherence to these practises and taking immediate corrective actions, if required
- ensuring that WWL and those who are working for WWL meet all health, safety and environmental regulatory obligations

### Capability Development

We will support our people to achieve the Company's objectives by:

- providing a safe and healthy environment for our people
- securing the best possible affordable talent for the roles
- providing clear leadership and support to our people
- establishing a culture of team work and collaboration
- setting clear personal responsibilities and agreeing aligned performance objectives
- regularly reviewing and then flexing roles and responsibilities throughout the life of the project to get best outcomes for the project
- supporting people to develop both within their current roles and in preparation for future career moves
- providing our people with the tools and technology needed to do their jobs
- providing a sound financial and internal control environment

## Ensuring WWL is a Good Employer

The successful delivery of the project will depend on the technical, financial and commercial expertise of WWL. WWL wishes to attract and retain skilled staff by being a good employer and offering an attractive place to work, with a culture that is valued by its people and which supports the Company to meet its objectives.

## ASSESSING PERFORMANCE

At incorporation, WWL was provided with an accepted design and baselines for schedule and cost, developed under the previous governance and management of shareholders. These parameters were set in the Company constitution, shareholders' agreements and the CIIL funding agreement.

Regular reporting against these schedules will assist management and the Board to deliver the project and keep both shareholders and financiers informed of progress.

WWL will report regularly to its shareholders as required under the Companies Act and the Local Government Act and to CIIL as required under the Finance Facility Agreement. Both our Interim (half yearly) and Annual Report will include a full set of financial statements, health and safety performance, compliance and audit status, forecast costs to complete and time to complete, risk updates and project progress information across all project activities. Performance against our Targets will be included in the Annual Report.



## OUTCOMES, TARGET AREAS AND MEASURES

### Health and Safety

#### Outcome

Every person employed, contracted, involved or in contact with the Company's activities has a right to be protected from health and safety risks and to come under no adverse harm as a result of being associated with the project or the activities of the Company.

WWL considers NZ Health and Safety legislation and international dam safety guidelines as minimum standards and will apply a relentless focus on health and safety continuous improvement.

The commissioning and transition to operation of the dam will be undertaken to achieve world-class operational safety performance.

#### Target Areas

##### WWL Corporate H&S:

- Development and implementation of an annual Health and Safety Management Plan

##### WWL Project Construction H&S:

- An agreed percentage of compliance evidenced in H&S audits
- An agreed percentage of incidents are investigated, reported, actions assigned and closed out within 2 weeks
- Total Recordable Injury Frequency Rate (TRIFR), Lost Time Injuries (LTI) and Near Miss Incidents (NMI) reported to WWL on a rolling twelve month basis

#### Measure

- Quarterly audit compliance score from FHTJV
- Percentage of incidents investigated, reported, actions assigned and closed out within 2 weeks
- Number of injuries measured by TRIFR

### Sustainability and Social Outcomes

#### Outcome

The decision to invest in the Waimea Community Dam is a strategic response to the challenges of climate change and the need for adaptation: rising sea levels, more storm events and droughts in our region. Our dam has resilience, as well as safe and efficient maintenance and operation designed into it. In building a future-proofed dam, WWL is providing the opportunity for hydro generation: an activity outside of our Company purpose but a capability which WWL will enable TDC to take forward clean energy opportunities.

WWL recognises that social outcomes are strongly related to environmental and economic outcomes and that a prosperous economy leads to good social and cultural outcomes. WWL will work collaboratively with Ngāti Koata to respect and integrate Iwi cultural values in caring for our environment and in doing so raise community awareness of environmental responsibility. WWL will take the opportunity to engage local community groups and particularly schools in the understanding of how the dam works, the importance of water to our community and the role the dam will play in river health. In summary, we aim to achieve more than just compliance but to seize the opportunity to maximise the societal benefits from this investment and raise community awareness of environmental and sustainability needs.

## Target Areas

- We will comply with Resource Consent Conditions, including the requirement to relocate rare native species, enhance lowland areas (e.g. the lower reaches of the Waimea River and native areas of Rabbit Island), considering advice from the Biodiversity Technical Advisory Group (BTAG)
- We will remediate the site, including the planting of native species and leave enhanced road infrastructure at completion of the dam construction
- We will develop an Environment and Sustainability Plan optimising sustainability in our project and operations
- We will collaborate with our supply chain to minimise carbon emissions and waste. This will be defined in detail through both our Environment and Sustainability Plan and our contractor's plans
- We will develop a Tree Management and Carbon Offsetting Plan to target sustainability and biodiversity priorities
- We will seek strong and active engagement with our communities and stakeholders to encourage sustainability awareness, project outcomes and the ongoing support of the Communication Advisory Group will help us to achieve this

## Measures

- 100% compliance with resource consents
- Achievement of the Environment and Sustainability Plan milestones
- Achievement of the Tree Management & Carbon Offsetting Plan milestones
- Effective engagement with the BTAG
- Achievement of our Sustainability Communications and Engagement Plan milestones

## Project Delivery

WWL will deliver the Waimea Community Dam to quality, time and cost in accordance with shareholders' expectations.

## Target Areas

Design and Quality: that the dam is built as designed, to the quality and safety guidelines applicable

Schedule: that the dam is constructed in accordance with the baseline plan

Cost: that the dam is constructed within approved budget outturn cost (see Funding Envelope)

## Measures

- Built as Designed Certificate (PS4) issued by Design and Assurance Consultants, verified by the Independent Technical Engineer
- Practical completion is achieved on or before September 2021 and commissioning is achieved on or before February 2022

## Funding Envelope

### Outcome

Achieve value for money through fiscal and budgetary prudence and efficiency.

### Targets

- Track monthly, quarterly and yearly budget in relation to the level of activities agreed
- Meet statutory and other agreed financial reporting deadlines
- Operate an effective internal control environment

### Measures

- Percentage of variance between actual and budget
- Transparent reporting to stakeholders
- Unconditional sign off of the Company accounts from external auditors

## Communication and Engagement

### Outcome

Stakeholders and the community are engaged to become more informed about the dam and its benefits and have a range of formal and informal communication channels. There is readily available information about the project, its benefits and impacts that is current and intelligible. Enquiries have been responded to promptly and any issues resolved.

### Targets

- WWL enables communities to become more informed about the dam
- WWL will be accessible and responsive
- WWL will provide regular and current information

### Measures

- Track quarterly and annually information provision and events
- Proportionate social media presence and communication
- Compliance with relevant consent conditions
- Mana Whenua engagement through agreed channels

## OTHER STATUTORY REPORTING REQUIREMENTS

### Governance and Organisational Form

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

WWL's shareholders are Tasman District Council (TDC) and Waimea Irrigators Limited (WIL). The Council owns 51% of the voting shares in WWL and WIL owns the remaining 49%, hence WWL is a Council Controlled Organisation (CCO) subject to the Local Government Act 2002.

Crown Irrigation Investments Limited (CIIL) provided \$25m to WWL, \$10m to TDC and further grants to WIL and TDC. CIIL also provided concessionary terms for their loans to WWL and TDC.

The Ministry for Environment (MfE) made a grant of \$7m and a \$5m contribution was received from Nelson City Council (NCC).

WWL had the project transferred to it on 21<sup>st</sup> December 2018 with TDC recovering \$6.3m + GST eligible sunk costs at Financial Close. Funding will continue by way of Scheduled Equity Contributions, Transfer of MfE and NCC grants and drawdowns from the CIIL funding.

As WWL operates on a cost recovery basis only, dividends are prohibited and 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.

## COMPANY VALUATION AND LIQUIDITY

### Company Financial Statements at start up

The **Statement of Comprehensive Revenue and Expense** below is drawn from the economic model (known as the “Northington Model”), which underpins the investment deal between TDC, WIL and CIIL.

#### Statement of Comprehensive Revenue and Expense

	Financial Close				
\$ 000	21 Dec 18	30-Jun-19	30-Jun-20	30-Jun-21	30-Jun-22
<b>Revenue</b>					
Interest Income	-	100	850	700	-
Construction Operating Costs Expensed		1,388	3,674	3,276	1,750
Costs to Financial Close	6,329				
CIIL Facility Establishment Fee	188				
<b>Total Costs</b>	<b>6,517</b>	<b>1,388</b>	<b>3,674</b>	<b>3,276</b>	<b>1,750</b>
<b>Operating Profit</b>	<b>(6,517)</b>	<b>(1,288)</b>	<b>(2,824)</b>	<b>(2,576)</b>	<b>(1,750)</b>
Interest Expense					100
Depreciation					300
<b>Comprehensive Revenue and Expense</b>	<b>(6,517)</b>	<b>(1,288)</b>	<b>(2,824)</b>	<b>(2,576)</b>	<b>(2,150)</b>

The **Statement of Financial Position** shows the opening balance sheet at Financial Close i.e. when the deal was signed, which reflects the initial equity contribution of TDC and WIL, less costs to Financial Close. This is the current valuation of the Company.

Total Assets comprise current assets, term deposits, capitalised dam construction costs and DSRA deposits. (DSRA is the Debt Servicing Reserve Account and is money held in a specific account of WWL for the benefit of CIIL, should WWL be in default.) External debt covers the CIIL and TDC loan facilities. Consolidated Shareholders Equity is made of paid up capital and retained earnings.

The investment model makes various assumptions, including the expensing of certain operating costs as opposed to fully capitalising all expenditure and this is the reason for the negative retained earnings on the Statement of Financial Position.

The ratio of consolidated shareholders equity to total assets shows WWL was 100% financed by equity at Financial Close, with this reducing to 63% by the completion of the project with the drawdown of the CIIL and TDC loan facilities.

## Statement of Financial Position

	Financial Close				
\$ 000	21 Dec 18	30-Jun-19	30-Jun-20	30-Jun-21	30-Jun-22
<b>Current Assets</b>					
Bank	10,700	730	8,740	4,740	-
GST Receivable	950	500	300	300	-
	11,650	1,230	9,040	5,040	-
<b>Non Current Assets</b>					
Term Deposits	15,000	15,200	15,600	-	-
Dam Fixed Asset		13,582	38,784	64,732	86,962
DSRA Debt Provided	100	100	100	100	450
	15,100	28,882	54,484	64,832	87,412
<b>Total Assets</b>	<b>26,750</b>	<b>29,612</b>	<b>63,224</b>	<b>69,572</b>	<b>87,412</b>
<b>Term Liabilities</b>					
Term Debt (CIL , TDC)	-	1,100	12,100	12,160	32,250
	-	1,100	12,100	12,160	32,250
<b>Total Liabilities</b>	<b>-</b>	<b>1,100</b>	<b>12,100</b>	<b>12,160</b>	<b>32,250</b>
<b>Net Assets</b>	<b>26,750</b>	<b>28,512</b>	<b>51,124</b>	<b>57,412</b>	<b>55,162</b>
<b>Equity</b>					
TDC Paid up Capital	20,650	23,500	41,100	44,550	44,550
WIL Paid up Capital	12,617	12,617	21,791	25,967	25,967
Retained Earnings	(6,517)	(7,805)	(11,767)	(13,105)	(15,355)
	26,750	28,312	51,124	57,412	55,162

## Ratios

Consolidated Shareholders Equity / Total Assets	100%	96%	81%	83%	63%
External Debt / Total Equity	0%	4%	24%	21%	58%

The **Statement of Cashflows** reflects a fully funded project with WWL having positive liquidity throughout the construction period.

### Statement of Cashflows

\$ 000	Financial Close 21 Dec 18	30-Jun-19	30-Jun-20	30-Jun-21	30-Jun-22
<b>Cash Flows from Operating Activities</b>	-	-	-	-	-
<b>Cash Flows from Investing and Financing Activities</b>					
<b>Cash was provided from:</b>					
TDC Equity Investment	20,650	900	18,250	4,000	750
WIL Equity Investment	12,617		9,174	4,176	
CIIIL loans		1,100	11,000	600	10,800
TDC Loan					8,750
Funds Received from Term Deposits				16,650	
	33,267	2,000	38,424	25,426	20,300
<b>Cash was applied to:</b>					
Project Spend		12,920	30,414	29,426	24,690
Reimbursement TDC FC Costs	7,279	(950)			
CIIIL DSRA Costs	100				350
CIIIL Facility Establishment Fee	188				
Funds Invested in Term Deposits / Interest	15,000				
	22,567	11,970	30,414	29,426	25,040
Net Increase / Decrease in Cash	<b>10,700</b>	<b>(9,970)</b>	<b>8,010</b>	<b>(4,000)</b>	<b>(4,740)</b>
Represented by Cash at Bank	10,700	730	8,740	4,740	-

WWL's Accounting Policies are presented in the Appendix of this document.

## CORPORATE GOVERNANCE

### Board of Directors

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

It has seven highly experienced directors appointed by shareholders and Iwi: TDC (4); WIL (2); Ngāti Koata (1).

The Board will carry out its accounting, reporting, risk management and decision-making responsibilities in accordance with legislation and the directors will comply with their obligations under the Companies Act 1993, the Local Government Act 2002 and other relevant legislation. Board performance will be evaluated on an annual basis.

The Directors have been appointed for a period of four years. The Company will in due course consider director rotations in accordance with good governance practise, whilst retaining sufficient continuity of membership on the Board. This matter will be considered after the practical completion of the Waimea Community Dam in order to provide stability in governance right through to normal operations, when differing skill sets might be more appropriate.

The Chief Executive Officer has now been appointed and is accountable to the Board and has responsibility for the management, operation and administration of WWL. The Company has a suite of policies that underpin its objectives and mandate and provide a link to day to day operations.

### **Shareholders**

WWL maintains relationships with its shareholders in a manner which respects their roles, responsibilities and expectations.

WWL's first Annual General Meeting (AGM) will be held in November 2019.

### **Other Statutory Requirements**

Under the Public Audit Act 2001 the Controller and Auditor-General is the Auditor of WWL.

Various other Acts apply to WWL, including the Anti-Money Laundering and Countering Financing of Terrorism (Requirements and Compliance) Act 2011, Hazardous Substances and New Organisms Act 1996, Public Audit Act 2001.

WWL is committed to complying with its obligations under all legislation.

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### **ADDITIONAL INFORMATION**

More information is available on the WWL's website:

[www.waimeawater.nz](http://www.waimeawater.nz)



## Appendix: Accounting Policies

### Statement of Accounting Policies

#### Reporting Entity

Waimea Water Limited is a Council Controlled Organisation under Section 6 of the Local Government Act 2002. Waimea Water Limited is registered under the Companies Act 1993.

Waimea Water Limited has been established to manage the construction, operation and maintenance of the Waimea Community Dam.

#### a) Basis of Preparation

##### Statement of Compliance

The financial statements will be prepared in accordance with the requirements of the Local Government Act 2002 which include the requirement to comply with Generally Accepted Accounting Practice in New Zealand as required by the Companies Act 1993. The company has a balance date of 30<sup>th</sup> June.

The financial statements have been prepared in accordance with and comply with PBE Standards RDR and disclosure concessions have been applied. The Company is eligible to report in accordance with PBE Standards RDR because it does not have public accountability and it is not large.

#### b) Measurement Base

Financial statements will be prepared on the basis of historical cost basis.

WWL regularly reports internally on a monthly accounting cycle with actual Balance Sheet and Income Statement data presented to management and the Board. Progress against budgets and forecasts is regularly monitored internally and reported against.

#### c) Functional and Presentation Currency

The financial statements will be presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (“\$000s”). The functional currency of Waimea Water Limited is New Zealand dollars (NZ\$).

#### d) Comparatives

The financial statements will cover the first year of operations, and comparative figures will be nil.

#### e) Changes in accounting policy

The financial statements will cover the first year of operations, and accounting policies adopted for the first time.

## Significant Accounting Estimates and Judgements

The preparation of financial statements requires Waimea Water Limited 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 includes 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 Waimea Water Limited 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. The 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 added to the carrying amount of an item of Property, Plant and Equipment when the cost incurred 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 Statement of Profit or Loss as incurred.

Additions – the cost of an item of Property, Plant and Equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably. 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 Statement of Profit or Loss. 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.

The depreciable amount of an asset is determined based on its useful life. Management estimates the following rates and methods of depreciation to reflect the pattern in which the assets' future economic benefits are expected to be consumed by Waimea Water Limited.

The assets useful lives will be determined by management as part of the annual reporting process and included within the final annual accounts.

- Buildings
- Plant and Equipment
- Motor Vehicles
- Office Equipment and Furniture
- Dam

## **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 Waimea Water Limited'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 profit or loss.

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 profit or loss 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 profit or loss.

#### **m) Share Capital**

##### **Ordinary shares**

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**

Waimea Water Limited operates on a cost recovery basis. Therefore no dividends are payable.

### **r) Income Tax**

Income tax expense in relation to the profit or loss 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 is charged or credited to the profit or loss, 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 income.

### **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 balance sheet.

The net GST paid to, or received from Inland Revenue, including the GST relating to investing and financing activities, is classified within operating cash flow in the Statement of Cash Flows.