



Contents

| | |
|---------------------------------------|----|
| 1. Introduction | 3 |
| 2. Safety | 3 |
| 3. COVID-19 Pandemic..... | 5 |
| 4. Design | 6 |
| a. Geology and Rockfill Review..... | 6 |
| b. Embankment zoning | 6 |
| c. Geosynthetic Membrane..... | 7 |
| d. Spillway | 8 |
| e. Mechanical and Electrical | 8 |
| f. Fuse Gates | 9 |
| g. Dam Break Analysis. | 9 |
| 5. Construction | 9 |
| 6. Environment | 10 |
| 7. Programme | 10 |
| 8. Risk and Cost..... | 11 |
| Unaudited financial information | 13 |

1. Introduction

This Quarterly Report is presented by the Directors of Waimea Water Limited (WWL), in accordance with Section 66 of the Local Government Act 2002. Established in December 2018, WWL is a Council Controlled Organisation under Section 6 of the Local Government Act 2002.

The purpose of this document is to provide Shareholders with an un-audited report containing the following information relating to the three-month period ending 31 March 2020. It includes:

- Health & Safety performance.
- Update on project design
- Update on construction progress
- Update on expected cost and risk
- 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.

2. Safety

WWL has a statutory and moral duty of care for people we influence or direct while delivering the Waimea Community Dam project. During this reporting period, key tasks undertaken in discharging this duty on the main (dam) site include:

- Reviewing and approving the latest revision of the main Contractors Health and Safety Management Plan.
- Reviewing and approving work method statements for critical tasks on the dam site (such as concrete work and rock anchoring).
- Daily observations of site activity by WWL staff, and action on safety shortfalls
- Two site observation and management plan audits by independent consultants
- Co-operative review of monthly indicators with the Contractor

This period, WWL has introduced into service the revised Health & Safety Management System approved by the Board at the end of the previous reporting period. This has included:

- identification and control measures for “principal hazards” that pose unusual or high risks due to the unique nature of the site and build.
- scheduling training for staff including driving and work at heights
- improving vehicle safety kits and pre-start procedures
- reviewing safety aspects of tenders for planting work on the Rough Island site

Key metrics for this reporting period are:

- There have been no recordable injuries on the project to date.
- The main Contractor has logged seven incidents or near misses this quarter, all of low or medium potential (see Figure 1).
- The main Contractor has logged 58 “lead indicators” this quarter. These are proactive reports or audits carried out with a view to prevention. These lead indicators include actions from WWL audits (see Figure 1).
- WWL have logged three “near miss” incidents involving WWL staff this quarter. Investigation highlights that vehicle and road safety continue to pose one of the most frequently encountered risks by WWL staff. This remains an ongoing area of focus for the new H&S Management System.
- There have been no incidents related to the environmental offset and enhancement work on the Rough Island site.

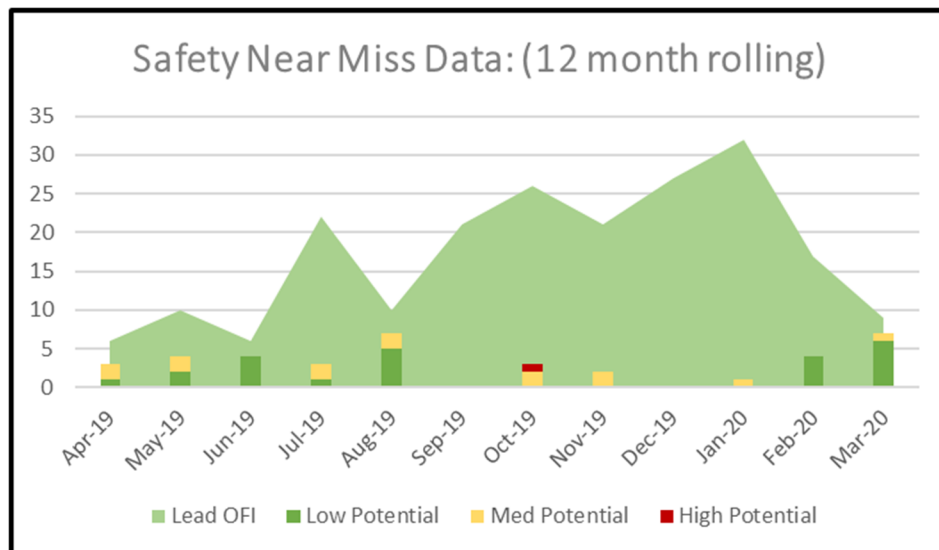


Figure 1: Main dam site rolling safety metrics (FHTJV reporting)

3. COVID-19 Pandemic

At the conclusion of this reporting period, pandemic spread of the COVID-19 virus was an emerging issue. The main dam contract was placed into suspension at 11.59pm on 25 March 2020 in accordance with Central Government regulations. At the conclusion of this reporting period, production work on the site was suspended for at least a further month. Essential environmental, security and safety checks were maintained.

WWL managed health and safety with respect to COVID-19 standards using a Trigger Action Response Plan (TARP). Next quarter, both the Contractor and WWL will prepare Health and Safety Plans to manage COVID-19 related restrictions and protocols based on industry standards in preparation to reconvene work in late April with a lowering of restrictions to Alert Level-3.

WWL staff, contractors and consultants successfully commenced work from home during the COVID-19 level 4 restrictions and plan to progress non-site related work. WWL is not aware of any case of COVID-19 to its staff and workforce this quarter.

The suspension of work for at least a month due to Government direction will incur significant cost and delay. Furthermore, and upon recommencement of work, productivity will be significantly hindered by:

- Restoration of site and material. Site stability will need to be reassessed and the culvert emptied and cleaned of water. Rock foundation will need to be recleaned. Reinforcing steel, that was tied and ready for pouring concrete, will now need to be cleaned of corrosion or replaced.
- Constrained international supply chains that provide equipment and materials to site.
- Level-3 and potentially level-2 safety protocols on distancing will limit the number of workers working in confined areas, such as the culvert.

At the time of writing this report, it is too soon to be able to report on the overall impact of the pandemic to cost and schedule. The risk to cost and schedule is covered in the risk section.

4. Design

a. Geology and Rockfill Review

In early January 2020 embankment trial tests of class-2 rock intended for the embankment revealed significant degradation of rock upon handling and compaction. The extent of degradation led to significant fines that impede drainage and fail the requirements of a draining rockfill dam.

Geology investigations showed much greater quantities of softer argillite (mud/siltstone) with insipient foliations and less hard sandstone greywacke in the spillway cut than expected and estimated. As the primary source of rockfill for the embankment, the fissile argillite breaks down on handling and leads to the material not being free draining and meeting the requirements of a rockfill dam. DEL proposes sourcing alternative material for the drainage layers to ensure the dam is not saturated while using the indigenous material in the remainder of the embankment.

The designer of the time identified the risk but advised that rock degradation is unlikely. Neither the design nor the Independent Technical Expert (ITE) foresaw the extent of the argillite and cost of importing alternative material.

While WWL can procure suitable drainage rock from nearby quarries, DEL proposes investigating and planning to excavate sandstone greywacke and river gravels from around the site if economically beneficial.



Figure 2: Poor quality argillite (silt / mudstone) with insipient foliations

b. Embankment zoning

Given the unexpected extent of argillite that is unsuitable for embankment drainage, embankment zoning has been redesigned to provide drainage zones (~25% of the embankment) to allow the less permeable argillite and greater fines to be used in the bulk of the embankment. With support from Geosyntec, USA, (Dr

Lelio Mejia), WWL's designer and engineers, Damwatch Engineering Ltd (DEL), is concluding finite element (FLAC) deformation modelling to review the performance of the embankment with the softer argillite under design dynamic (seismic) loads. The work is expected to be completed next quarter with the intention of submitting a design report and PS-1 to the regulator in May 2020. GHD Engineering is peer reviewing the analysis and will provide a PS-2.

Initial modelling indicates that a flexible geosynthetic membrane may give greater resilience through less damage and leakage than the concrete face through either earthquake deformations or settlement.

The Contractor has been unable to construct the new grading for an impermeable zone behind the upstream face. The zone (2B) provides secondary protection to face failure. WWL and the Contractor are currently reviewing options to meet the new specification, including importing sand and new plant. Permeability tests of the original specification at a lab in Roxborough showed that flow prevention did not meet the required standards.

Subsequent to the reporting period, a design review board with GHD Engineering, who will provide a peer review and PS-2, on the 14th of April strongly supported the need for rezoning, particularly inclusion of drainage zones, and endorsed the design approach adopted by DEL.

c. [Geosynthetic Membrane](#)

WWL has been investigating replacing the concrete face of the dam with a geosynthetic (PVC) membrane to improve resilience, and to reduce costs, schedule and carbon emissions. The membrane has been used successfully on close to 200 dams worldwide. The membrane was most recently used in New Zealand on the Tekapo Canals.

Design of a geosynthetic membrane is concluding and an interim design report and preliminary drawings have been received, in preparation for submission to the regulator in May 2020. The design includes modified interlocking kerbing, a modified plinth and fastenings. The report addresses design life and chemical composition impacting health and environment. The membrane is not considered to be hazardous to human health or the environment by regulatory agencies around the world.



Figure 3: Geosynthetic Membrane being installed

d. Spillway

A design report and PS-1 for a redesigned spillway was submitted to the regulator for their review subsequent to the period. Subsequent to the reporting period GHD engineering supported the proposed spillway at a design review board on the 9th of April

WWL has anticipated the cost of the spillway increasing with:

- additional drainage required to meet current international standards, and
- additional concrete structure required to mitigate the deficiency of the discovered topography and founding geology.

e. Mechanical and Electrical

Mechanical and electrical equipment and works have not been priced as they were not designed at the commencement of construction.

The mechanical design has been issued to the Contractor for pricing. Subsequent to the reporting period peer review by GHD commenced on the 15th of April.

Electrical design and design reports are expected in late April. Scoping of ancillary items, including control room, bubbler system, fish pass etc, is due to be scoped late April.

f. Fuse Gates

WWL is considering a proposal to replace the Ogee Weir with 2.3m high fuse-gates. The fuse-gates would cost ~\$2m and would provide an extra 1.5 Mm³ (12%) of storage by utilising the flood area of the reservoir. This increase provides storage for power generation to supplement the run of the river flows and would significantly increase turbine utilisation.

g. Dam Break Analysis.

Consistent with the Resource Consent and CIIL conditions, a new dam break analysis has been completed and will be peer reviewed in May 2020, to then inform finalisation of the Emergency Action Plan. The analysis includes scenarios required by the NZSOLD guidelines.

5. Construction

Work on site was suspended at midnight on the 25th of March for 5 weeks due to a Government directive to cease all work due to COVID-19 Level-4 restrictions. The contract was suspended and will incur a cost and time variation.

Prior to construction halting, 7 of the 17 sections and 12 of the 17 floor sections in the culvert had been completed. The culvert foundation has been cleaned and 500 m³ of unbudgeted (+\$700k) mass concrete poured into voids.

Site blinding concrete to most of the LHS Plinth is now complete and the Contractor has commenced drilling anchor holes on the LHS plinth.

Stabilisation above the RHS has been paused to allow and prioritise culvert construction beneath. Processing river gravels continues.



Figure 4: Concrete pour in Section 16

6. Environment

During the quarter, WWL was in full compliance with its resource consents.

Construction has to date not compromised the Construction Environmental Management Plan.

WWL continues to implement the biodiversity management plan (BMP), with planting of ~11,000 natives at Rough Island planned for the 3rd quarter of 2020.

7. Programme

Prior to the suspension of works with the COVID-19 restrictions, WWL expected works to be 3-4 months behind schedule, due predominantly to a delayed commencement of works.

The critical path activity of the culvert started approximately 5 weeks late, but it is now expected to take 2 months longer than planned.

The programme will be extended to account for more than one month's delay associated with COVID-19. WWL expects, therefore, that Practical Completion is 5-6 months late and will likely be in the 2nd quarter of 2022.



Figure 5: Drilling anchor holes on the LH Plinth



Figure 6: Installing Mesh on the RH Abutment

8. Risk and Cost

There is no material change to the estimated cost to completion from that described in the previous quarter update, which is \$129.4m. WWL continues to manage and mitigate the issues and risks with the quality of rock fill material, slope stabilisation, grout curtain, unpriced mechanical and electrical works and associated project delays.

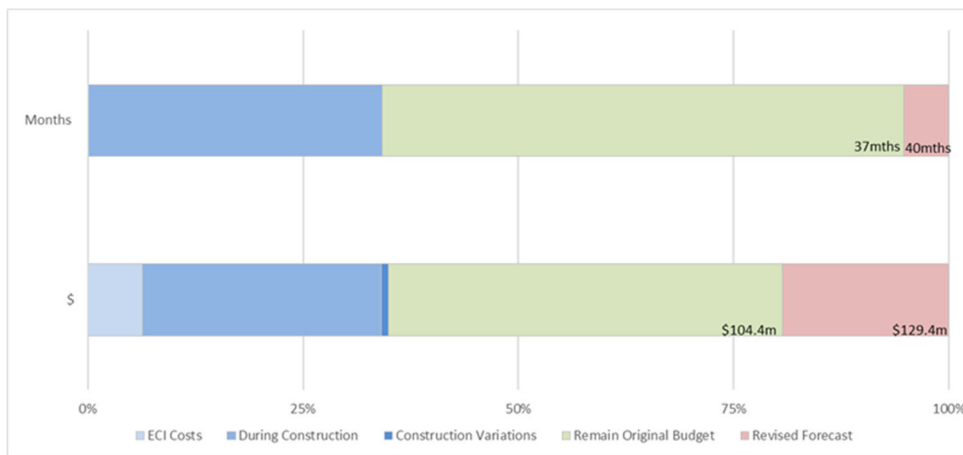


Figure 7: Spend to Date

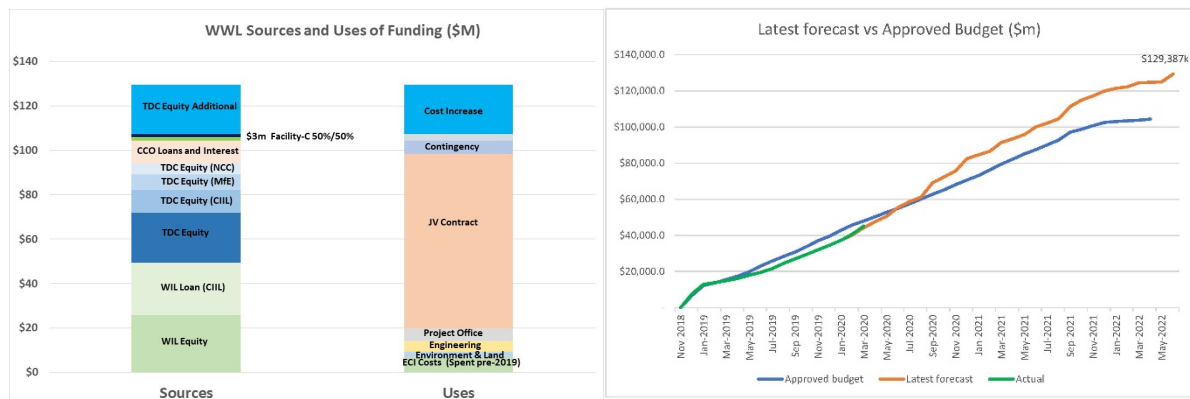


Figure 8: Sources and Use

Figure 9: Project S-Curve

| Risk | Probable Cost (\$) |
|---|--------------------|
| 1. Encountered Conditions | 19.10 |
| Material for Dam filling | |
| Voids; Plinth, Starter Dam and Culvert | |
| Additional Slope and Spillway Stabilisation | |
| Other Items at risk | |
| 2. Improved Resilience | |
| Improve drainage beneath the spillway and modify spillway for encountered topography | |
| Additional grout curtain, grout specification and plinth modification to reduce risk of seepage beneath dam | |
| Waterstops and sealing of the joints in the culvert | |
| 3. Under / not budgeted | |
| Mechanical and Electrical not designed or priced at budget | |
| Office, overhead and construction engineering underbudgeted | |
| 4. Self-Help / Savings | |
| Carpi | |
| Bridges, Fibre, Trees | |
| Total | 26.50 |
| Contingency Remaining | 3.00 |

Figure 10: Additional Costs Breakdown

The cost and delay from the COVID-19 suspension in March and April 2020 will be additional to this estimate and will stress this estimated cost to complete. There is expected to be ongoing cost and delay to the project due to changes to procurement and on-site working practices.

The cost and delay from the COVID-19 is expected to become clearer over the next quarter and will be reported in the full year annual report.

Waimea Water Limited

Draft Unaudited Financial Statements
For the 9 months ended 31 March 2020



Statement of Comprehensive Revenue and Expense

For the 9 months ended 31 March 2020

| | | FY2020 YTD \$000 | FY2019 full year \$000 |
|--|---|------------------------|------------------------------|
| Note | | | |
| Project costs | 1 | - | - |
| Employee costs | | 483 | 243 |
| Depreciation | 2 | 17 | 7 |
| Other administrative expenses | 3 | 206 | 393 |
| Operating Expenses | | 706 | 643 |
| Finance income | 4 | 491 | 325 |
| Finance costs | 4 | (1) | - |
| SURPLUS/ (DEFICIT) FOR THE YEAR | | (216) | (318) |

Statement of Changes in Net Assets

For the 9 months ended 31 March 2020

| | | FY2020 YTD \$000 | FY2019 full year \$000 |
|--|--|------------------------|------------------------------|
| Note | | | |
| Opening retained earnings | | (318) | - |
| Total surplus (deficit) for the period | | (216) | (318) |
| | | - | - |
| Retained earnings as at period end | | (534) | (318) |
| Opening share capital | | 35,096 | - |
| Movement for the period | | 15,965 | 35,096 |
| Share capital as at period end | | 51,061 | 35,096 |
| Closing equity at period end | | 50,527 | 34,778 |

Statement of Financial Position

As at 31 March 2020

| | | FY2020 YTD \$000 | FY2019 full year \$000 |
|--|----|------------------------|------------------------------|
| Note | | | |
| Assets | | | |
| <i>Current</i> | | | |
| Cash And Cash Equivalents | 5 | 275 | 4,722 |
| Receivables From Non-Exchange Transactions | 6 | 621 | 213 |
| Total Current Assets | | 896 | 4,935 |
| <i>Non-Current</i> | | | |
| Property, Plant And Equipment | 7 | 43,607 | 18,796 |
| Deferred Tax Asset | 8 | - | - |
| Other Non-Current Financial Assets | 9 | 20,743 | 15,281 |
| Total Non-Current Assets | | 64,350 | 34,077 |
| Total Assets | | 65,246 | 39,012 |
| Liabilities | | | |
| <i>Current</i> | | | |
| Payables Under Exchange Transactions | 10 | 4,718 | 2,051 |
| Employee Entitlements | 11 | 52 | 22 |
| Total Current Liabilities | | 4,770 | 2,073 |
| <i>Non-Current</i> | | | |
| Loans And Borrowings | 12 | 9,949 | 2,161 |
| Total Non-Current Liabilities | | 9,949 | 2,161 |
| Total Liabilities | | 14,719 | 4,234 |
| Net Assets | | 50,527 | 34,778 |
| Equity | | | |
| Equity Contributions | | 51,061 | 35,096 |
| Accumulated Funds | | (534) | (318) |
| Other Equity Reserves | | - | - |
| Total Equity | | 50,527 | 34,778 |

Statement of Cash Flows

For the 9 months ended 31 March 2020

| | | FY2020 YTD \$000 | FY2019 full year \$000 |
|--|---|------------------------|------------------------------|
| Note | | | |
| <i>Cash flow from operating activities</i> | | | |
| | Payments to suppliers | (322) | (245) |
| | Payments to employees | (458) | (207) |
| | Net cash from/(used in) operating activities | (780) | (452) |
| <i>Cash flow from investing activities</i> | | | |
| | Purchase of property, plant and equipment | (22,318) | (17,027) |
| | Purchase of financial assets | (5,291) | (15,268) |
| | Net cash from/(used in) investing activities | (27,609) | (32,295) |
| <i>Cash flow from financing activities</i> | | | |
| | Proceeds from equity | 15,965 | 35,096 |
| | Proceeds from borrowings | 7,658 | 2,062 |
| | Interest received | 319 | 311 |
| | Interest paid on borrowings | - | - |
| | Net cash from/(used in) financing activities | 23,942 | 37,469 |
| | Net increase/(decrease) in cash and cash equivalents | (4,447) | 4,722 |
| | Cash and cash equivalents, beginning of the year | 4,722 | - |
| | Effect of exchange differences on foreign cash held | - | - |
| | Cash and cash equivalents at end of the period | 275 | 4,722 |

Notes to the financial statements

A Reporting entity

Waimea Water Limited ("WWL") is a Council Controlled Organisation under Section 6 of the Local Government Act 2002. WWL is registered under the Companies Act 1993. WWL has been established to manage the construction, operation and maintenance of the Waimea Community Dam.

The draft unaudited financial statements were authorised for issue by the Board of Directors on 18 April 2020.

B Basis of preparation

(a) Statement of compliance

The financial statements have been 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 30th June.

The financial statements have been prepared in recognition of WWL being a public benefit entity, in accordance and to comply with PBE Standards RDR. 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) Basis of measurement

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

(c) Functional and presentation currency

The financial statements are 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 comparative financial period is the seven months of operations of the prior financial year. Comparatives may have been reclassified from that reported in the 30 June 2019 financial statements where appropriate to ensure consistency with the presentation of the current year's position and performance.

(e) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, the impact of new and amended standards and interpretations applied in the year was limited to additional note disclosures.

C Summary of significant accounting policies

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.

Notes to the financial statements

(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 surplus or deficit as incurred.

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 or groups of assets are capitalised if their cost is greater than \$500. Where an asset is acquired at no 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 assets' future economic benefits are expected to be consumed by the Company.

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

Notes to the financial statements

(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 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 60 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 are classified as equity. Direct costs of issuing shares are shown as a deduction from the proceeds of issue. At balance date some shares may have been issued but not called up.

(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.

Notes to the financial statements

(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 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 is 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.

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.

1 Project construction costs

| | FY2020 YTD \$000 | FY2019 full year \$000 | Project to date \$000 |
|------|------------------------|------------------------------|-----------------------------|
| Note | | | |

The following amounts attributable to the build were passed through operational accounts:

| | | | | |
|---|----|----------|----------|----------|
| Pre-incorporation costs | 17 | 8 | 6,329 | 6,337 |
| Dam construction costs | | 19,914 | 9,981 | 29,895 |
| Project services | | 3,532 | 888 | 4,420 |
| WWL operations | | 1,278 | 1,393 | 2,671 |
| Transfer costs attributable to build to Capital WiP | | (24,732) | (18,591) | (43,323) |
| Total | | - | - | - |

2 Depreciation, amortisation and impairment expenses

| | FY2020 YTD \$000 | FY2019 full year \$000 |
|---|------------------------|------------------------------|
| Depreciation of property, plant and equipment | 17 | 7 |
| Total | 17 | 7 |

3 Other overhead and administrative expenses

| | FY2020 YTD \$000 | FY2019 full year \$000 |
|-------------------------|------------------------|------------------------------|
| Legal fees * | (12) | 122 |
| Accounting fees | 14 | 90 |
| Audit fees | - | 47 |
| Office costs | 65 | 59 |
| Insurance | 52 | 27 |
| Other professional fees | 87 | 48 |
| Total | 206 | 393 |

** Some fees incurred in FY19 have been reclassified during FY20, to Project services or Other professional fees.*

4 Finance income and costs

| | FY2020 YTD \$000 | FY2019 full year \$000 |
|----------------------------------|------------------------|------------------------------|
| Interest income on bank deposits | 491 | 325 |
| Refinancing costs and bank fees | (1) | - |
| Net | 490 | 325 |

5 Cash and cash equivalents

| | FY2020 YTD \$000 | FY2019 full year \$000 |
|--------------------------|------------------------|------------------------------|
| Cash at bank and in hand | 275 | 4,722 |
| Total | 275 | 4,722 |

6 Receivables from non-exchange transactions

| | FY2020 YTD \$000 | FY2019 full year \$000 |
|---------------------------------|------------------------|------------------------------|
| GST receivable | 619 | 209 |
| Other prepayments / receivables | 2 | 4 |
| Total | 621 | 213 |

7 Property, plant and equipment

| Capital WIP | Leasehold improve- ments | Furniture and equipment | Vehicles | Total |
|-------------|--------------------------------|-------------------------------|----------|-------|
| \$000 | \$000 | \$000 | \$000 | \$000 |

Movements for each class of property, plant and equipment are as follows:

FY2020 YTD

| | | | | | |
|---|---------------|-----------|-----------|------------|---------------|
| Gross carrying amount | 43,323 | 28 | 76 | 240 | 43,667 |
| Accumulated depreciation and impairment | - | (2) | (21) | (37) | (60) |
| Carrying amount 31 March 2020 | 43,323 | 26 | 55 | 203 | 43,607 |

FY2019 full year

| | | | | | |
|---|---------------|-----------|-----------|------------|---------------|
| Gross carrying amount | 18,591 | 20 | 58 | 145 | 18,814 |
| Accumulated depreciation and impairment | - | - | (6) | (12) | (18) |
| Carrying amount 31 March 2019 | 18,591 | 20 | 52 | 133 | 18,796 |

8 Deferred tax

| FY2020 YTD \$000 | FY2019 full year \$000 |
|------------------------|------------------------------|
|------------------------|------------------------------|

Deferred tax assets are only recognised when management consider it probable that future tax profits will be available against which these assets will be utilised.

Recognised deferred tax assets:

| | | |
|--|---|---|
| | - | - |
|--|---|---|

Unrecognised deferred tax assets are based on:

| | | |
|--|-------|-------|
| Statement of Comprehensive Revenue and Expense | (216) | (318) |
| Temporary differences* prior year | 16 | - |
| Permanent differences** prior year | (286) | - |
| Temporary differences* current year | 53 | - |
| Permanent differences** current year | (130) | - |
| Taxable income (defecit) | (563) | (318) |

* Primarily related to the deductibility of annual leave

** Primarily related to the deductibility of capitalised finance costs

Unrecognised deferred tax assets consist of:

| | | |
|---------------------------------------|-----|----|
| Opening balance | 89 | - |
| Tax on taxable position above, at 28% | 158 | 89 |
| Total unrecognised deferred tax asset | 247 | 89 |

9 Other financial assets

| Note | FY2020 YTD \$000 | FY2019 full year \$000 |
|------|------------------------|------------------------------|
|------|------------------------|------------------------------|

Held-to-maturity investments

| | | | |
|---------------|----|---------------|---------------|
| Term deposits | 13 | 20,743 | 15,281 |
| Total | | 20,743 | 15,281 |

10 Payables under exchange transactions

| | | FY2020 YTD \$000 | FY2019 full year \$000 |
|---|----|---------------------------------|---------------------------------------|
| Trade creditors | | 4,681 | 1,921 |
| Related party payables | 17 | 29 | 54 |
| Non trade payables and accrued expenses | | 8 | 76 |
| Total | | 4,718 | 2,051 |

11 Employee entitlements

| | | FY2020 YTD \$000 | FY2019 full year \$000 |
|---------------------------|--|---------------------------------|---------------------------------------|
| Annual leave entitlements | | 53 | 22 |
| Total | | 53 | 22 |

12 Loans and borrowings

| | | FY2020 YTD \$000 | FY2019 full year \$000 |
|-----------------------------|--|---------------------------------|---------------------------------------|
| Current - Secured loans | | - | - |
| Non-current - Secured loans | | 9,949 | 2,161 |
| Total | | 9,949 | 2,161 |

13 Financial instruments

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and liabilities.

| | Financial assets * | Held-to-maturity investments | Loans and receivables / payables | Financial liabilities * | Total |
|-------------------------------------|--------------------|------------------------------|----------------------------------|-------------------------|---------------|
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| FY2020 YTD | | | | | |
| <u>Financial assets</u> | | | | | |
| Cash and cash equivalents | 275 | - | - | - | 275 |
| Trade debtors and other receivables | - | - | 2 | - | 2 |
| Other financial assets ** | - | 20,743 | - | - | 20,743 |
| Total Financial assets | 275 | 20,743 | 2 | - | 21,020 |
| <u>Financial liabilities</u> | | | | | |
| Trade creditors and other payables | - | - | 4,668 | - | 4,668 |
| Loans and borrowings *** | - | - | - | 9,949 | 9,949 |
| Total Financial liabilities | - | - | 4,668 | 9,949 | 14,617 |
| FY2019 full year | | | | | |
| <u>Financial assets</u> | | | | | |
| Cash and cash equivalents | 4,722 | - | - | - | 4,722 |
| Trade debtors and other receivables | - | - | 4 | - | 4 |
| Other financial assets ** | - | 15,281 | - | - | 15,281 |
| Total Financial assets | 4,722 | 15,281 | 4 | - | 20,007 |
| <u>Financial liabilities</u> | | | | | |
| Trade creditors and other payables | - | - | 1,932 | - | 1,932 |
| Loans and borrowings *** | - | - | - | 2,161 | 2,161 |
| Total Financial liabilities | - | - | 1,932 | 2,161 | 4,093 |

* at fair value through surplus or deficit

| | FY2020 YTD | FY2019 full year |
|---|---------------|------------------|
| ** Other financial assets | | |
| ANZ term deposit maturing Apr 2020 at 2.15% | 2,512 | - |
| ANZ term deposit maturing Apr 2020 at 2.15% | 502 | - |
| ANZ term deposit maturing Apr 2020 at 2.15% | 502 | - |
| ANZ term deposit maturing Jun 2020 at 3.20% | 512 | - |
| ANZ term deposit maturing Jun 2020 at 3.20% | 512 | - |
| ANZ term deposit maturing Aug 2020 at 2.58% | 508 | - |
| ANZ term deposit maturing Dec 2020 at 3.55% | 5,185 | 5,093 |
| ANZ term deposit maturing Apr 2021 at 3.55% | 5,185 | 5,094 |
| ANZ term deposit maturing Jun 2021 at 3.58% | 5,186 | 5,094 |
| | 20,605 | 15,281 |

| | FY2020 YTD | FY2019 full year |
|--------------------------------------|--------------|------------------|
| *** Loans and borrowings | | |
| Crown Irrigation Investments Limited | 9,949 | 2,161 |
| | 9,949 | 2,161 |

14 Contingent assets and contingent liabilities

The entity has no contingent assets or contingent liabilities (FY2019 full year : n/a).

15 Commitments

Expenditure contracted for at the end of the reporting period but not yet incurred is as follows:*

| | FY2020 YTD \$000 | FY2019 full year \$000 |
|-------------------------------|------------------------|------------------------------|
| Property, plant and equipment | 53,397 | 74,666 |
| Total | 53,397 | 74,666 |

** Not yet including most recent Construction Contract Variations.*

16 Events after the reporting period

On 26 March 2020 New Zealand entered a Covid-19 pandemic lockdown. Any cost and time impacts are not yet known.

17 Related party transactions

The entity has a related party relationship with its Directors, other key management personnel, and Shareholders.

Prior to incorporation Shareholders incurred costs of supplier services in normal supplier relationships on terms and conditions at arm's length. An agreed sum was reimbursed to Shareholders.

Prior to other key management personnel being recruited Directors performed interim executive level services in a normal supplier relationship on terms and condition no more or less favourable than those that it is reasonable to expect the entity would have adopted in dealing with the party at arm's length in the same circumstances.

The entity has a related party relationship with its key management personnel. Key management personnel include the Board of Directors and members of the Executive / Senior Management.

| | | FY2020 YTD \$000 | FY2019 full year \$000 |
|---|----|------------------------|------------------------------|
| <u>Purchase of goods and services</u> | | | |
| <i>Purchase / reimbursement of services</i> | | | |
| Directors | | - | 324 |
| Pre-incorporation costs | 1 | - | 6,329 |
| Shareholder services | | 3 | 67 |
| Other key management personnel | | - | - |
| Total | | 3 | 6,720 |
| <u>Year end receivable/ payable with related parties</u> | | | |
| <i>Payable to related parties:</i> | | | |
| Directors | | 29 | 49 |
| Shareholders | | - | 2 |
| Other key management personnel | | - | 3 |
| Total | 10 | 29 | 54 |
| <u>Key management compensation</u> | | | |
| <i>Key management personnel compensation includes the following expenses:</i> | | | |
| Salaries and other short-term employee benefits | | 732 | 199 |
| Directors fees | | 181 | 135 |
| Total | | 913 | 334 |
| Persons recognised as key management personnel | | 11 | 11 |

Company Directory

Directors

David Wright (Chair) *

Bruno Simpson (Deputy Chair)

Doug Hattersley

Julian Raine

Ken Smales

Andrew Spittal

Karen Jordan **

** Appointed Chair Jan 2020.*

*** Resigned Jan 2020.*

Registered Office

20 Oxford Street

Richmond 7020

New Zealand

Telephone: 027 544 0030

Email: info@waimeawater.nz

Chief Executive

Mike Scott

Chief Financial Officer:

Dave Ashcroft

Commercial Manager and Company Secretary:

Richard Timpany

Engineering and Project Manager:

Iain Lonie

Environmental and Sustainability General Manager:

Alasdair Mawdsley

Technical Manager and Engineer Representative:

Daniel Murtagh

Auditor

Audit New Zealand on behalf of the Auditor-General

Accountant

Findex Ltd

Banker

ANZ Corporation

Lawyer

Anderson Lloyd