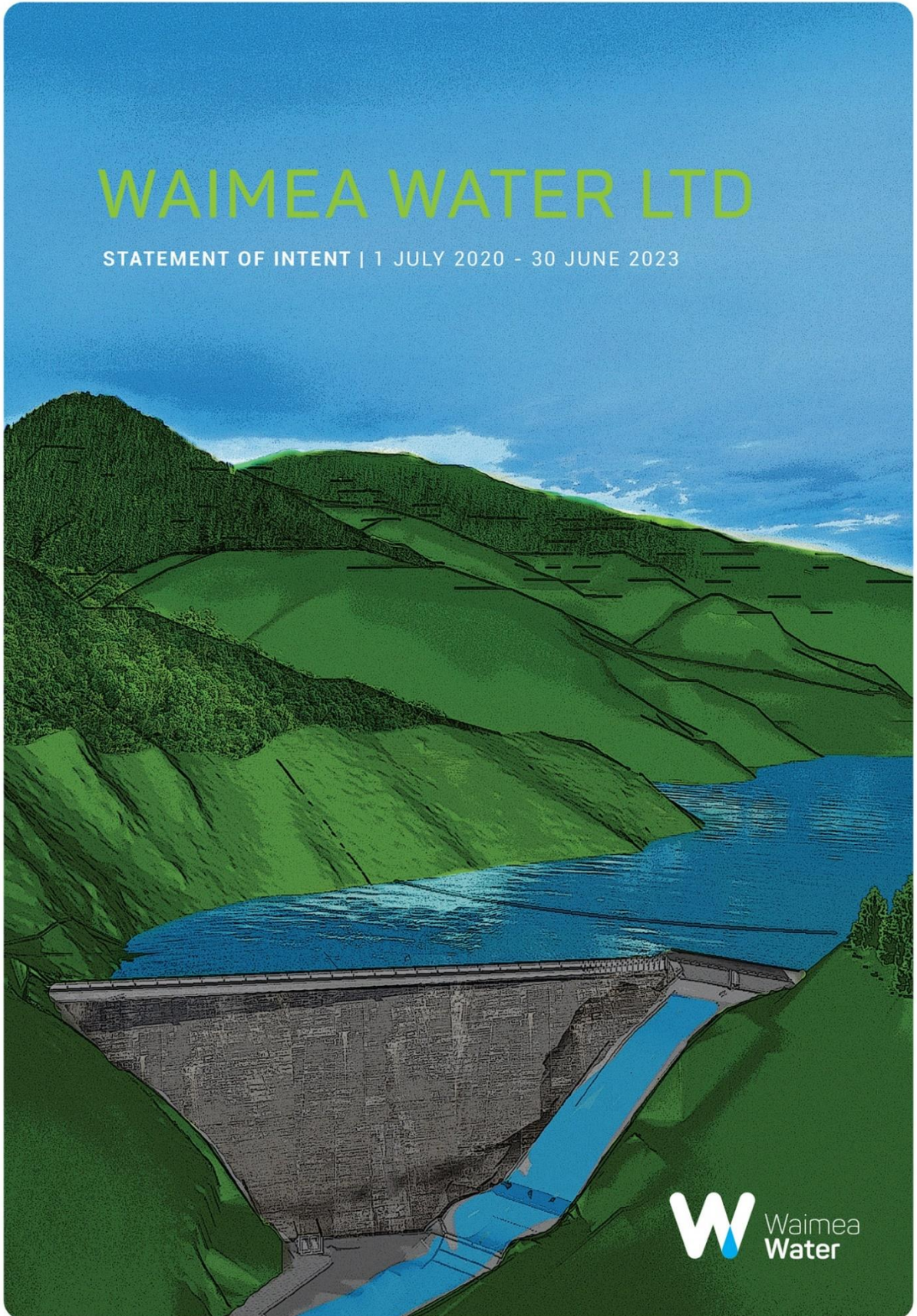


WAIMEA WATER LTD

STATEMENT OF INTENT | 1 JULY 2020 - 30 JUNE 2023



Contents

1.	Introduction.....	3
2.	Purpose Statement.....	3
3.	Background.....	3
4.	WWL Objectives	5
4.1.	Safe	5
4.2.	Reliable	5
4.3.	Sustainable	5
4.4.	Efficient.....	6
5.	Governance and Reporting.....	7
5.1.	Governance	7
5.2.	Composition of the Board	7
5.3.	Structure of the Board.....	7
5.4.	Reporting	8
5.5.	Functions and operations	8
5.6.	Management	9
6.	Nature and Scope of Activities	10
6.1.	Health, safety and wellbeing	10
6.2.	Environmental management.....	11
6.3.	Design	12
6.4.	Construction	13
6.5.	Sustainability and community relationships	15
6.6.	Financial management	16
6.7.	Operational readiness	16
7.	Performance targets (KPIs).....	17
8.	Risk and Cost.....	19
8.1.	Risk management	19
8.2.	Note to risks.....	20
9.	Additional Information	21
9.1.	Entity and stakeholder information	21
9.2.	Professional Support Information	21
9.3.	Accounting policies.....	22
10.	Financial forecast.....	26
10.1.	P&L overview to FY22	26
10.2.	Cash flow overview to FY22.....	27
10.3.	Balance Sheet overview to FY22.....	27
11.	Glossary	28

1. Introduction

This Statement of Intent (SOI) 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 2020 to 30 June 2021 with forecast cashflows for three years from 1 July 2020.

WWL acknowledges the Statement of Expectation from shareholders Tasman District Council (TDC) and Waimea Irrigators Limited (WIL) dated 20 December 2019 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.

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 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 is focused on ensuring that it has the people, the policies and positive relationships it needs 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. Safe

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. Reliable

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, and
- 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 Statement (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. Sustainable

WWL will ascribe to a sustainability-based management 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.

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.

4.4. Efficient

WWL will endeavour to construct and operate the dam to the approved budget and schedule, as adjusted for conditions encountered, 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.



WWL and Contractor discuss plans

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 six highly experienced directors appointed by shareholders and iwi. The TDC may appoint four directors; WIL appoint two directors and Ngāti Koata appoint one director.

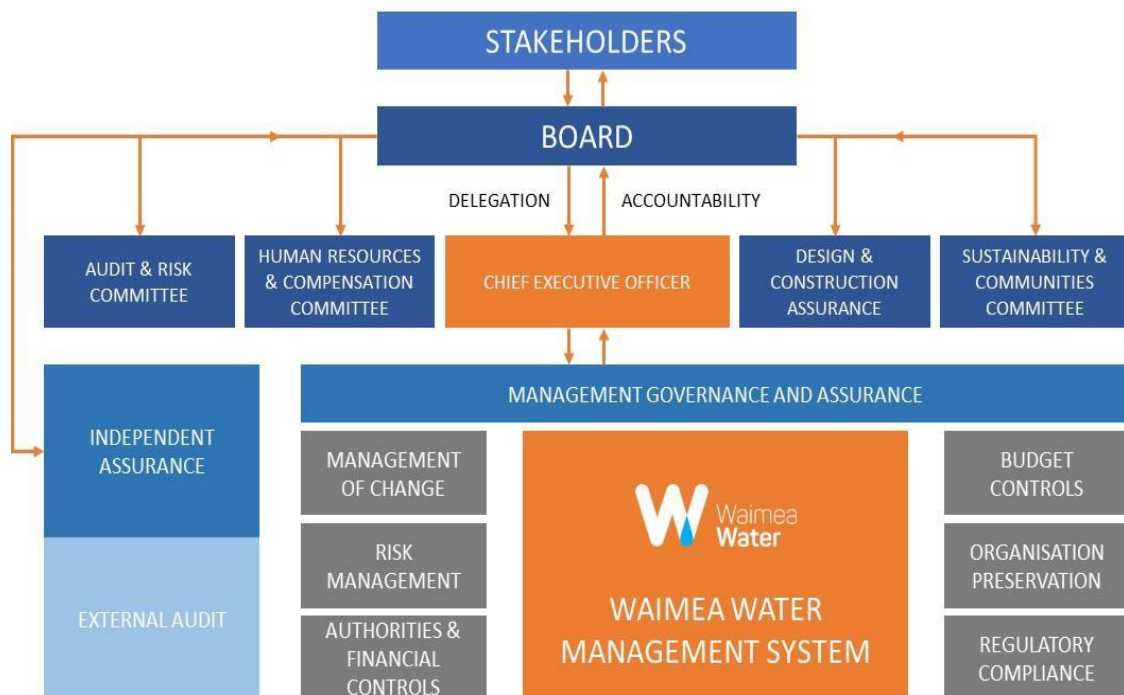
Directors are appointed for a period of four years.

The Board appointed a new Chair in January 2020, following the resignation of the former Chair.

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 a Statement of Intent (SOI), annual and mid-year reports in accordance with the LGA, as amended in the Amendment Act 2019. 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 a brief 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).

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.
- Risk management.
- Authorities and financial controls.
- Budget controls.
- Organisation preservation.
- Regulatory compliance.
- Audit NZ completes the annual external audit for the Board.

6. Nature and Scope of Activities

Seven areas of activities define WWL's scope of activities:

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

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.

As of 28 February 2020, there have been no recordable injuries on the project.

During the period of this SOI, WWL will:

- Use and review its own and its Contractor's Health and Safety Systems.
- Verify compliance with those systems.



Health, Safety and Wellbeing is uncompromising

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.

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 to ensure 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 plants species and planting at Rough Island.
- Meet obligations for carbon associated with deforestation prescribed by Climate Change Response Act 2002.



Transplanting Shovel Mint, July 2019

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.

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 the 100-year flood.

During the period of this SOI, WWL will:

- Modify the design for the geological conditions encountered. This includes modifying the zoning of the embankment to accommodate softer rock material (less class-1 rock).
- Complete the mechanical and electrical design.
- Complete a revised dam break analysis to inform and complete an Emergency Action Plan (EAP) in accordance with the NZSOLD guideline.
- Complete a dam surveillance strategy (piezometers, seismometers, survey) to inform and complete a Dam Safety Management Plan in accordance with the NZSOLD guideline.
- Complete modification of the design to improve dam resilience and meet the financier's requirements. This includes an improved spillway and grout curtain design.
- Modify the design for improved dam resilience, cost and schedule benefits. This includes evaluating replacing the concrete face membrane with a geosynthetic membrane.

Following design modifications, WWL shall deliver to the regulator a PS-1 from the designer, DWE, and a PS-2 from a design reviewer. WWL provides regular reports to shareholders and financiers to keep them informed of progress, including design considerations and changes.

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. Constructed access bridges.
- Cleared, mapped and approved much of the right-hand side (RHS) abutment rock foundation.
- Progressed construction of the diversion culvert.
- Progressed permanent stabilisation above the RHS plinth.
- Progressed forming the left-hand side (LHS) plinth.
- Progressed clearing the dam and reservoir footprint of vegetation.

WWL will continue to work collaboratively with the Contractor, Fulton Hogan and Taylors, to resolve construction and geological challenges and seek opportunities to enhance the dam.

During the period of this SOI, WWL and its Contractor will:

- Complete the diversion culvert, divert the river and construct a coffer dam.
- Construct the starter dam.
- Construct the plinth and grout curtain.
- Construct the rock embankment.
- Commence constructing the face/membrane and spillway.

WWL shall ensure the dam is being constructed in accordance with the specification and drawings. WWL has engaged DWE to provide independent verification of construction and ultimately provide a PS-4. During the period of this SOI, WWL shall procure from the construction peer reviewer an interim statement of construction compliance.

The geology of the site continues to remain a considerable risk for the project. Although some areas of rock have met expectations, other areas of the predominantly argillite rock (siltstone / mudstone) exhibit significant more incipient foliations than expected. Incipient foliation is layering of bedding planes from insufficient formation of sedimentary rock, leading to planes of weakness. Following testing and trials in early 2020, mined rock material from above the dam was found to be more fractured and breaking up more readily than that assessed prior to construction. The foliations provide planes of weakness that lead to significant breakdown during handling and compaction, resulting in difficulties producing the required high-quality drainage zones. During the period of this SOI, WWL and its Contractor will look to mitigate this issue to the drainage material by.

- Evaluating and sourcing drainage rock from local sources onsite and / or offsite in the Lee Valley.

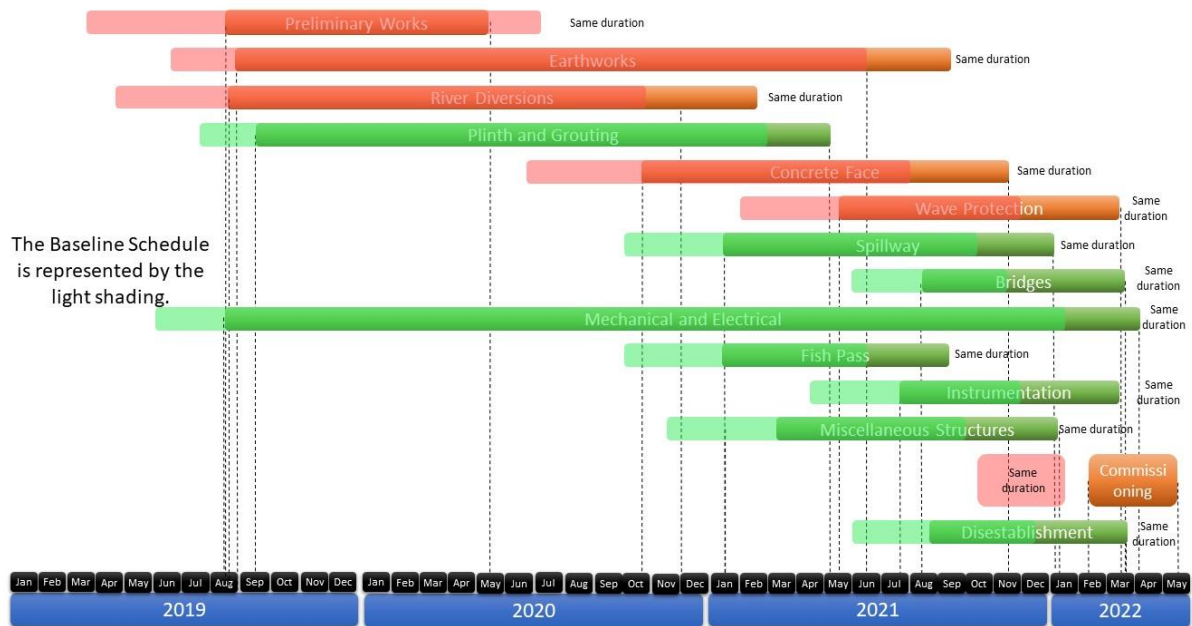
WWL will continue to regularly report against the schedule to keep both shareholders and financiers informed of progress.



View of left-hand abutment, January 2020



Culvert structure, January 2020



Construction timeline

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 that 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 engage the public through a range of channels, including public meetings, social media, media releases, TDC meetings, newsletters and the WWL website. WWL aims to increase engagement with the development of brochures and newsletters in the coming year. WWL also intends to attend public Community Board Meetings.



Dawn Blessing



Visitors to the 2019 Ground-Breaking Ceremony

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 to the expected project cost of \$129.4m³.

WWL has a tight focus on financial management and is doing all it can to reduce 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 process support an unqualified audit opinion from Audit NZ on behalf of the Auditor General.

During the period of this SOI, WWL will:

- Deliver project to budget, as adjusted for encountered conditions 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. This includes a Reservoir Management Plan; an Operational Management Plan; a Reservoir Release Management Plan; and River and Reservoir Quality Monitoring Programmes.
- Complete an Emergency Action Plan (EAP) and Dam Safety Management Plan in accordance with NZSOLD guidelines.
- Develop an operating model and operating budgets for shareholder consideration.



³ Shareholders acknowledged a revised forecast to complete of \$129.4m on 28 February 2020.

7. Performance targets (KPIs)

The following table provides the objectives and key performance indicators for the period 1 July 2020 to 30 June 2021 (FY21) 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	FY21 KPI	Post 2021 KPI
To meet the requirements of health and safety in the workplace legislation	WWL system peer reviewed by industry qualified expert	Migrate from construction system to operations system
Review and verify contractors H, S and W 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	FY21 KPI	Post 2021 KPI
To meet resource consents conditions	100% compliance	100%
Approve and validate SCEMPs	100% compliance	NA
Implement the Biodiversity Management Plan	100% compliance	100%
3. Design		
Objective	FY21 KPI	Post 2021 KPI
Modify and optimise design for all encountered conditions to meet NZSOLD guidelines	PS-1 and PS-2	n/a
Complete mechanical and electrical design	PS-1 and PS-2	n/a
Revise dam break analysis and prepare Emergency Action Plan (EAP)	EAP complete	Update as per NZSOLD guidelines
Complete surveillance strategy and Dam Safety Management Plan (DSMP)	DSMP complete	Update as per NZSOLD guidelines
Implement design enhancements identified pre financial close by CIIL's Independent Technical Expert (ITE)	ITE verification	n/a
Implement opportunities to improve design and reduce cost and programme	\$ value of savings	n/a

4. Construction		
Objective	FY21 KPI	Post 2021 KPI
Construct dam in accordance with specification	Interim independent statement for construction compliance	PS-3, PS-4, and Code of Compliance
Deliver project to schedule, as adjusted for encountered conditions	Track variance to schedule	Commence filling reservoir by Nov 2021
Report COVID-19 impacts	Track variance to schedule	
Utilise appropriate risk-based management system	Risk register follows NZTA Z44 guideline	
5. Sustainability and Community relationships		
Objective	FY21 KPI	Post 2021 KPI
Transparent engagement with stakeholders and community	Quarterly update to shareholders and public	TBA
Consultation with Ngāti Koata	Annual update	
Recognise key cultural milestones	Culvert diversion blessing	TBA
Develop Sustainability Plan	Plan approved	Plan complied with
6. Financial management		
Objective	FY21 KPI	Post 2021 KPI
Deliver project to budget, as adjusted for encountered conditions and risks	Track variance to budget Independent verification of material changes	Track variance to budget (as adjusted)
Agreed quarterly reporting deadlines met	100% compliance	
Compliance with financier expectations	100% of expectations met	
Report COVID-19 impacts	Track variance to budget	
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	FY21 KPI	Post 2021 KPI
Prepare Reservoir Management Plan	Completed	Annual review
Prepare Operational Management Plan	Completed	Annual review
Prepare Reservoir Management Release Plan	Completed	Annual review
Prepare River Quality Monitoring and Reservoir Quality Monitoring programmes	Completed	Annual review
Prepare operating model and budgets for shareholders consideration	Completed	Annual review

8. Risk and Cost

8.1. Risk management

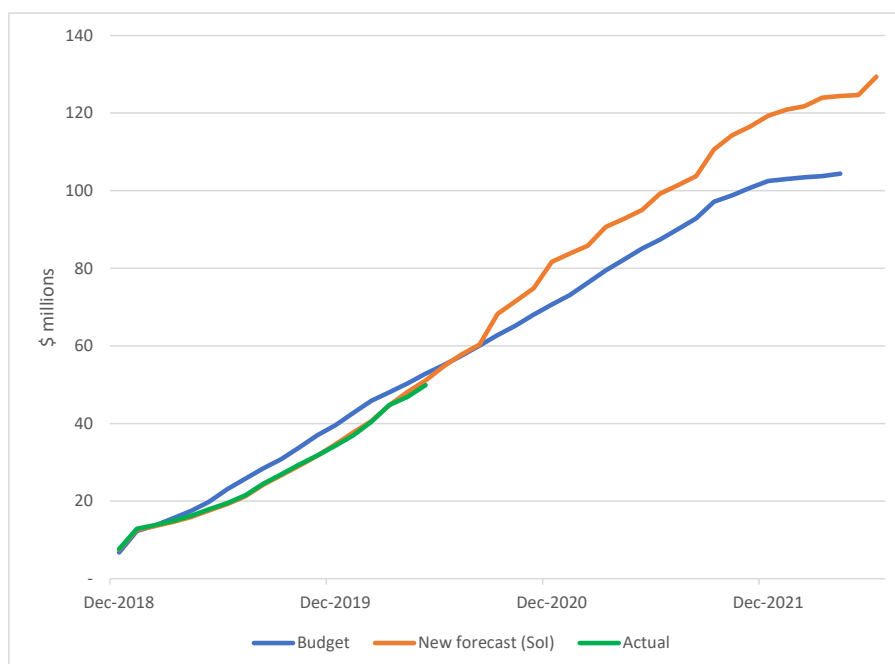
WWL is committed to constructing and operating the dam as efficiently as reasonably possible with respect to cost and schedule, recognising the overarching principles that the dam shall be safe, reliable and sustainable.

WWL will continue to operate a robust risk management system based on NZTA's Z44 system and guidelines⁴.

The risk register is continuously updated as risks are identified and closed, and open or live risks are regularly reviewed and updated - including for cost and schedule impacts. Mitigation plans are developed and monitored for high and very high risks. Risks, particularly pertaining to the geology, will persist throughout the period of construction and will reduce as the build progresses and moves above ground.

Currently anticipated costs of risks and opportunities lead to a revised forecast cost estimate of \$129.4m excluding COVID-19 costs. The risks are also expected to delay completion by between two and four months so that reservoir filling is likely to commence in early 2022.

Updated Project S-Curve



⁴ <https://www.nzta.govt.nz/resources/minimum-standard-z-44-risk-management/>

8.2. Note to risks

The most significant risks as the project progresses relates to:

- geological conditions including quality of rock fill and associated zoning costs; and additional stabilisation (colluvium).
- Improved dam resilience including the Financier's ITE recommendations to improve the spillway drainage and grout curtain.
- Underbudgeted items that were not known at time of budgeting, including M&E costs, engineering and office costs.
- Savings greater than budget including removal of a bridge; fibre optic cable; and use of a geosynthetic membrane.

WWL expects a corresponding delay to the project of between 2 to 4 months excluding COVID-19 delays, although options are being explored to recover time.

For these reasons, the final cost of the dam will not be known until near completion of the project.

Risks will be better understood and mitigated in late 2020 after the culvert, starter dam and plinth are completed, the embankment and grout curtain are well underway, and pricing has been received for the mechanical and electrical works. A more accurate forecast of project cost and schedule is, therefore, expected in the 2020/2021 mid-year report.

8.3. Covid-19

Due to the COVID-19 pandemic, the Construction Contract was placed into suspension at 11.59pm on 25 March 2020 in accordance with Central Government regulations. Work was suspended until 27 April 2020. Post the suspension period, construction recommenced under COVID-19 Alert Levels 3, 2 and 1, with COVID-19 restrictions and industry standard protocols in place and impacting productivity.

The final cost of suspending and slowing work is not yet known, but will stress the revised forecast cost estimate in 8.1 above. The project will also be delayed by more than 6 weeks due to the suspension and reduced productivity. There is expected to be ongoing cost and delay to the project due to changes to procurement and on-site working practices.

WWL will report cost and delay impacts each quarter.

9. Additional Information

9.1. Entity and stakeholder information

WWL is a limited 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 shares and WIL owns the remaining 49%.

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.

TDC contributions are supported by a Ministry for the Environment grant of \$7m and a \$5m contribution from Nelson City Council.

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.

9.2. Professional Support Information

Contractor:	Fulton Hogan & Taylors
Temporary Works Designer:	GHD
Design Engineer:	Damwatch Engineering Ltd
Design Reviewer:	GHD
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 Council Controlled Organisation 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. 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 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 assets' 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 it is 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 2020 Shareholders acknowledged a revised forecast estimate to complete of \$129.4m.

10.1. P&L overview to FY22

Costs and income	FY19	FY20	FY21	FY22	Total
Construction	7,708	27,986	26,879	16,348	78,921
Pre-launch costs	8,203	8	-	-	8,211
Land and environmental	517	913	650	331	2,411
Design / Oversight	643	2,256	998	1,094	4,991
QA / Peer review	126	322	177	135	760
Total Delivery Costs	17,197	31,484	28,704	17,908	95,294
Staff	882	1,582	1,444	1,266	5,173
Directors	136	244	180	150	709
Professional fees	543	102	72	19	736
Finance costs	286	171	131	49	637
Insurance	27	35	30	20	112
Vehicles	19	48	56	46	169
Facilities etc	146	273	156	150	725
Total Project Costs	19,235	33,939	30,773	19,608	103,556
Offset by interest income	(325)	(619)	(441)	(6)	(1,392)
Net Capital Commitment	18,910	33,319	30,333	19,602	102,164
Accounting treatment	FY19	FY20	FY21	FY22	Total
P&L impact	318	284	273	724	1,600
Capital WiP	18,591	33,035	30,060	18,878	100,564
Net Capital Commitment	18,910	33,319	30,333	19,602	102,164
Adjustment for encountered conditions	FY19	FY20	FY21	FY22	Total
Total Project Costs	19,235	33,939	30,773	19,608	103,556
Risk estimate	-	2,010	13,745	10,076	25,831
Revised Total Project Costs estimate	19,235	35,949	44,518	29,684	129,387

10.2. Cash flow overview to FY22

Cash flows	FY19	FY20	FY21	FY22	Total
Payments to suppliers and employees	(452)	(1,067)	(693)	(710)	(2,922)
Operating outflows	(452)	(1,067)	(693)	(710)	(2,922)
Capital WiP payments	(17,027)	(34,394)	(43,737)	(31,238)	(126,397)
Equity contributions	35,096	30,762	26,193	13,047	105,098
Change in Term Deposits	(15,000)	(1,500)	16,332	167	0
Net interest rec'd	43	902	441	6	1,392
Loans	2,062	12,392	5,380	3,215	23,050
Cash balance	4,722	11,817	15,733	220	220

10.3. Balance Sheet overview to FY22

Balance Sheet	FY19	FY20	FY21	FY22
Cash balance	4,722	11,817	15,733	220
GST receivable	213	249	238	38
Accounts payable	(2,072)	(2,652)	(2,533)	310
Capital WiP	18,591	53,637	97,441	126,395
Fixed assets	205	149	92	35
Non-current liabilities	(2,161)	(14,724)	(20,237)	(23,500)
Term deposits	15,281	16,781	441	(0)
Total net assets	34,778	65,256	91,176	103,498
Shareholders	35,097	65,859	92,051	105,098
Retained earnings	(318)	(603)	(875)	(1,600)
Net equity	34,778	65,256	91,176	103,498

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
FHTJV	Fulton Hogan Taylors Joint Venture
H, S & W	Health, Safety and Wellbeing
ITE	Independent Technical Expert
LGA	Local Government Act 2002
LHS	Left-hand side
SoE	Statement of Expectation
NZSOLD	New Society of Large Dams
PS	Producer Statement
RHS	Right-hand side
SCEMP	Supplementary Construction Environmental Management Plan
SOI	Statement of Intent
TDC	Tasman District Council
WCD	Waimea Community Dam
WIL	Waimea Irrigators Ltd
WWL	Waimea Water Ltd