

Waimea Water Limited

Quarterly Report September 2020

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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 Waimea Community Dam (WCD) project for the three-month period ending 30 September 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.



Figure 1: Operating diversion culvert and coffer dam

2. Safety

WWL has a statutory (Health and Safety at Work Act 2015) and moral duty of care for people we influence or direct while delivering the Waimea Community Dam project. WWL's Health and Safety (H & S) obligations are discharged across three responsibility areas:

1. Operating a Health and Safety Management System for the safety and wellbeing of WWL's employees.
2. Ongoing due diligence of the Main Contractor's Health and Safety Management Systems for the main dam site.
3. Activity-specific due diligence for Minor Contractors, to check the appropriateness of and adherence to their own Health and Safety Management Systems.

WWL System: During this reporting period, workplace health and safety consultancy IMPAC has carried out an independent review of the parts of WWL's H & S system and found WWL's system to be fit for purpose and functioning. WWL implemented some recommendations.

WCD Site (operated by FHTJV): WWL and its consultant, IMPAC, review and work with the Contractor on its safety performance each month. During the period, the following due diligence activities were undertaken on the main dam site:

- 3 x independent monthly reviews of the FHTJV Project Safety Plans and Reports.
- All project staff and WWL attended a toolbox talk on 17 July and a safety day on 25 September, presenting awards and training to site staff.
- Daily observations of site activity by WWL staff, and action on safety shortfalls.
- Co-operative review of monthly indicators with the Contractor.
- Progress on Emergency Action Plan development including joint meetings with emergency services and the Contractor's response team.

Other minor contractors: During the period, WWL reviewed and approved the Site-Specific Safety plan for the planting contract undertaken on Rough Island in July, and WWL conducted a site inspection to verify that these controls were in place.

Key metrics for this reporting period are:

- There was one recordable injury on the project involving a hand injury.
- There were no lost time injuries and there were no high potential incidents.
- The main Contractor logged a number of opportunities and lower rated observations (see Figure 2).
- The main Contractor logged 91 "lead indicators" this quarter. These are pro-active reports or audits carried out with a view to prevention. These lead indicators include actions from WWL audits.
- There have been no incidents related to the environmental offset and enhancement work on the Rough Island site.

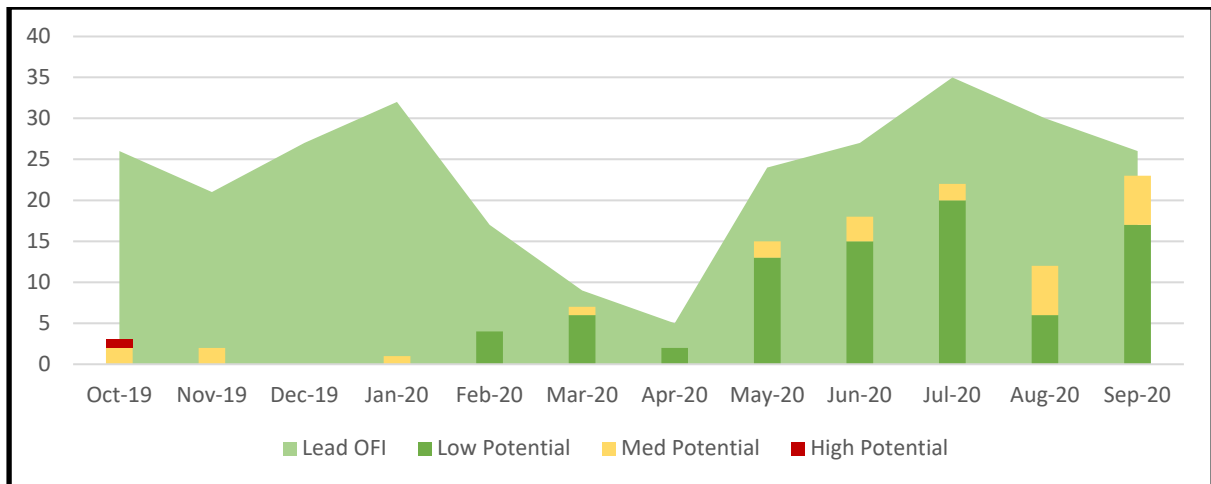


Figure 2: Main dam site rolling safety metrics (FHTJV reporting)

Note, the previous quarter's metrics are depressed due to the site being shut down or on reduced productivity due to COVID-19 restrictions. The increase in metrics this quarter is a reflection of the increase in the number of work fronts, staff present on site and time worked increasing this quarter. The reporting of low and medium potential incidents is a sign of positive reporting and improvement culture and should not be interpreted to represent a reduction in safety on the project.

4. COVID-19 Pandemic

The costs of COVID-19 to the project continue to be reviewed and finalised, this includes any impact of moving into Level-2 for a period this quarter.

Broadly the Company has categorised the probable and possible costs as: the contractor's costs of level-4 suspension and level-3 precautions, other suspensions costs, site demobilisation and reestablishment costs, increased procurement and labour costs, quarantine costs, further extension of time costs that relate to COVID-19, recovery costs and other company COVID-19 costs.

The level-4 33-day suspension of works and subsequent restrictions during level-3 has meant that it is now not feasible to complete the dam in time for the summer season of 2021/2022. To avoid filling the reservoir over the summer, WWL anticipates, therefore, completing the dam at the end of the summer to fill the reservoir over the winter of 2022.

See more about project costs in *Section 9: Risk and Cost*.

5. Design

a. Dam Safety

This period the Waimea Community Dam Emergency Action Plan (EAP) was progressed. The plan identifies a range of potential scenarios and provides pre-planned actions in the unlikely event of flooding.

The Waimea Community Dam EAP is prepared in accordance with the New Zealand Dam Safety Guidelines 2015, with input from our contractors and consultants, Civil Defence, New Zealand Police, Tasman District Council, and the other emergency services.

During construction there is a version called the Construction Emergency Action Plan (CEAP), which looks at scenarios for when the river is temporarily diverted and there is little to no water stored.

After the dam is commissioned in 2022, the EAP will be in place for the life of the dam, with reviews scheduled every five years and updates then made if necessary.

b. RHS Plinth stabilisation

A section of the plinth foundation on the Right-Hand Side (RHS) abutment was found to be unsuitable and a design developed to remediate it. Close work with WWL and the Contractor allowed adaptation of the remedial design to suit the Contractor's preferred methodology resulting in time and cost improvements.

Waimea Water's team of engineers and geologists continue to monitor geological conditions as they are encountered and adapt the design to suit.



Figure 3: WWL, FHTJV and DWE engineering staff on the main site

c. Embankment

Rezoning

Given the unexpected extent of on-site argillite 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, WWL's designer and engineers, Damwatch Engineering Ltd (DEL), concluded finite element (FLAC) deformation modelling to review the performance of the embankment with the softer argillite under design dynamic (seismic) loads.

The rezoning design report was issued on 10 July and reviewed by WWL's peer review panel. The PS1 and PS2 have now been submitted to TDC along with GHD's Stage 3 temporary works design.

Concrete Face

Detailing of the concrete face was reviewed with drawing revisions underway to adapt the design for encountered foundation conditions and geometry.

d. Spillway

The revised spillway design, modified for the encountered topography and geology, has been granted building consent exemption by TDC and has been issued to the Contractor. The Design team is working closely with the Contractor to refine construction methodologies on site.

Planning for the lower spillway bridge's design is underway. Additional geotechnical investigations were undertaken to inform selection of abutment design.

DEL was engaged to carry out CFD modelling of the spillway including approach channel, flip bucket and plunge pool.

In light of the foliated argillite nature of the geology, WWL reviewed the design of the spillway lining and plunge pool. Analysis highlighted greater erosion of the plunge pool than expected due to the geology and a short life of the sacrificial apron slab beneath the flip bucket. WWL intends, therefore, to invest in a more permanent and safer concept that involves a larger plunge pool and more resilient apron.

e. Mechanical and Electrical

Pricing of mechanical and electrical equipment and works commenced this period. Specification updates have also been made to drawings for pricing.

Mainstream Engineering have been engaged to develop their modified concept of the Crest Mechanical Package. The concept was successfully reviewed at 70% completion.

WWL, supported by DEL, completed detailed design of environmental and dam safety instrumentation.

Planning for a micro hydro-power system and bifurcation is underway.

f. **Culvert Access and Platforms**

A design and peer review of the internal platforms and stairs within the culvert was completed.

g. **Ancillaries**

Ancillary elements were progressed including, the Control Systems Functional Description, SCADA, winch room, intake screens and control room.

6. Construction

Key construction highlights this period were the completion of the Diversion Culvert and the temporary upstream and downstream Cofferdams.

Ngāti Koata blessed the completed Diversion Culvert on the 14th August 2020. The event was attended by the Waimea Water Limited Board and staff, Tasman District Council Mayor Tim King, Nelson MP Nick Smith, Nelson Labour Candidate Rachel Boyack and representatives from main contractor Fulton Hogan Taylor Joint Venture and dam engineers Damwatch Engineering.



Figure 4: Diversion Culvert Blessing (14 August 2020)



Figure 5: River flowing through the finished Diversion Culvert (taken: 7 Sept 2020)

Completion of the Diversion Culvert (figures 4 and 5) and then the Cofferd Dams (figures 6 and 7) has enabled work on the Starter Dam (figures 8 and 9) and downstream anchor slab.



Figure 6: Construction of the upstream Cofferd Dam (taken: 10 September)



Figure 7: Construction of the downstream Cofferd Dam (taken: 18 Sept 2020)



Figure 8: Foundation cleaning on Starter Dam sections C and D (taken: 17 Sept 2020)



Figure 9: Starter Dam construction commenced

All other construction activities progressed this period as scheduled.

Summary of progress to date:

- Left-hand side plinth approximately 70% complete. Steepest incline section still remaining.
- Right-hand side plinth excavation and slope stabilisation largely completed.
- Downstream anchor slab (part of the reinforced rockfill embankment) underway with the valley floor section completed.
- Starter Dam well progressed with two out of five lifts completed on the left-hand side.

- Spillway excavation well progressed with 30m of spillway foundation exposed and 20m of site concrete placed. Cutting of inline and transverse drains and infilling with drainage metal and no fines concrete also occurring in parallel.
- Reinforced rockfill: Commenced excavation and foundation cleaning for downstream anchor slab.
- Grouting work recommenced following river diversion with work currently focused on spillway and the left-hand plinth blanket and curtain holes.

7. Environment

During the quarter, WWL worked in compliance with its resource consents. Construction has to date not compromised the Construction Environmental Management Plan.

All Environmental Management Plans and SCEmps required for the current phase of works are in place. SCEmp 4, 6, 9 and the Hazardous Substances plan were updated by the Contractor with amendments approved.

Fortnightly water quality monitoring has been within spec throughout the period.

WWL continues to implement the Biodiversity Management Plan (BMP), with all planting planned for 2020 (~11,000 natives at Rough Island) now completed (figure 10) and 26,000 trees ordered for 2021.

The BMP Annual Report was presented to stakeholders and the annual BTAG meeting held in September. WWL has also met its 2019 and 2020 Emissions Trading Scheme obligations.

The Reservoir Release Water Management Plan was progressed as were the River and Reservoir Water Quality Monitoring Programs. A fish passage assessment for the diversion culvert was also undertaken.

The Contractor and RMA Ecology completed a fish salvage following diversion. 289 longfin eel (figure 11), 138 redfin bullies, 6 trout and 1 koura were salvaged.



Figure 10: Planting at Rough Island



Figure 11: Longfin eel salvage

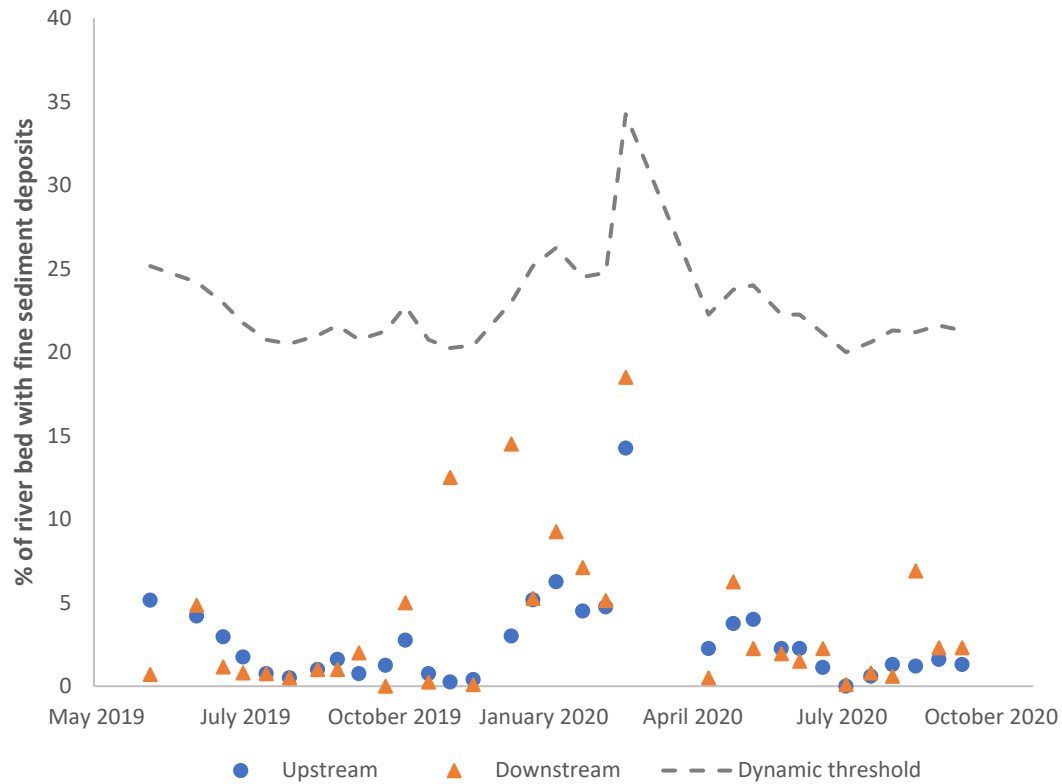


Figure 12: Lee River Deposited fine sediment

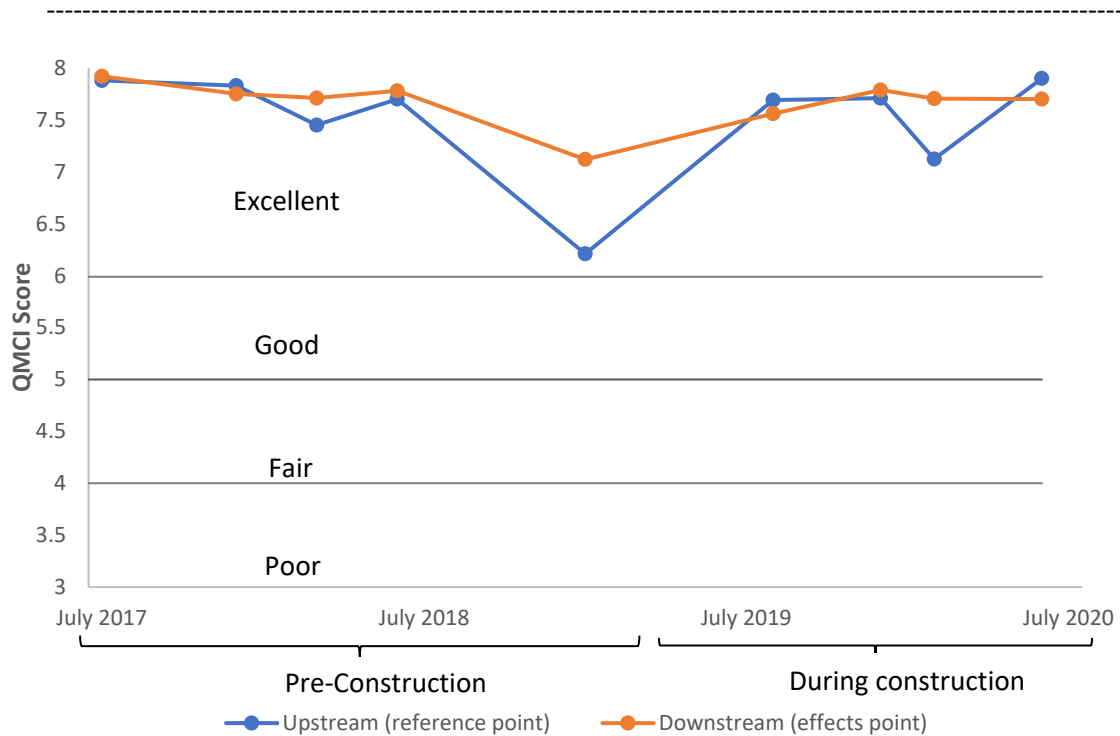


Figure 13: Lee River QMCI (Quantitative Macroinvertebrate Community Index) score

8. Programme

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

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

9. Risk and Cost

The final cost of the dam will not be known until near completion of the project, and the last published forecast was \$129.4m, excluding Covid-19 costs which are still being resolved.

WWL described the \$25m cost increase from the original budget of \$104.4m in February 2020. Approximately two thirds of this cost increase is due to the encountered geological conditions and, more specifically, the need to import drainage rock and alter the design of the embankment. Other costs included improving dam resilience, such as the spillway, and underbudgeted items not known at time of pre-construction budgeting.

WWL continues to investigate ways to reduce risk and costs. The project continues, however, to face cost pressures primarily due to the ongoing impacts of the encountered geological conditions, programme delays, project management and oversight, unpriced mechanical and electrical works and associated costs to Covid-19 (full extent still being determined).

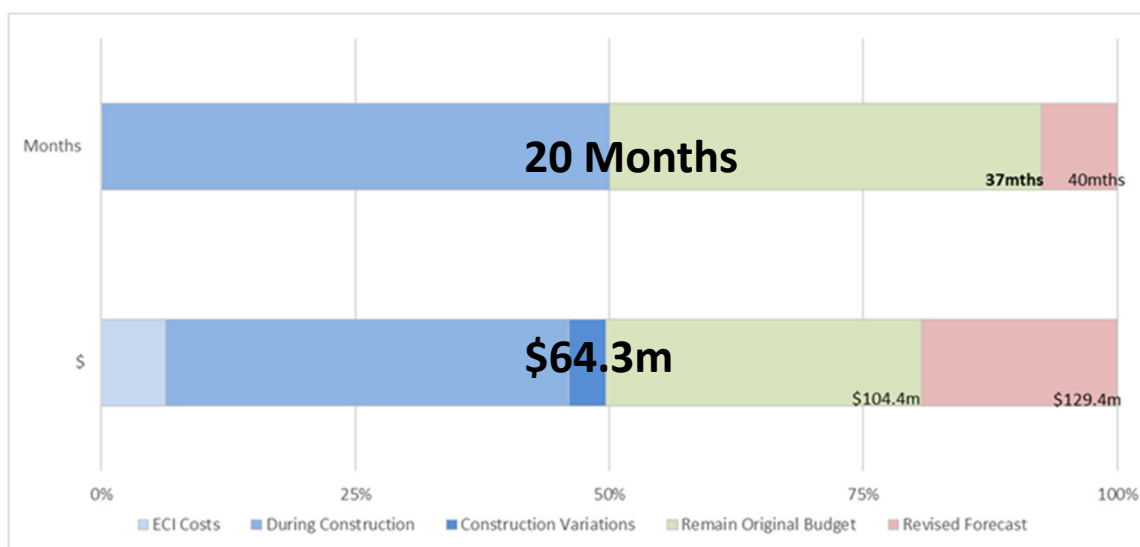


Figure 14: Spend to Date

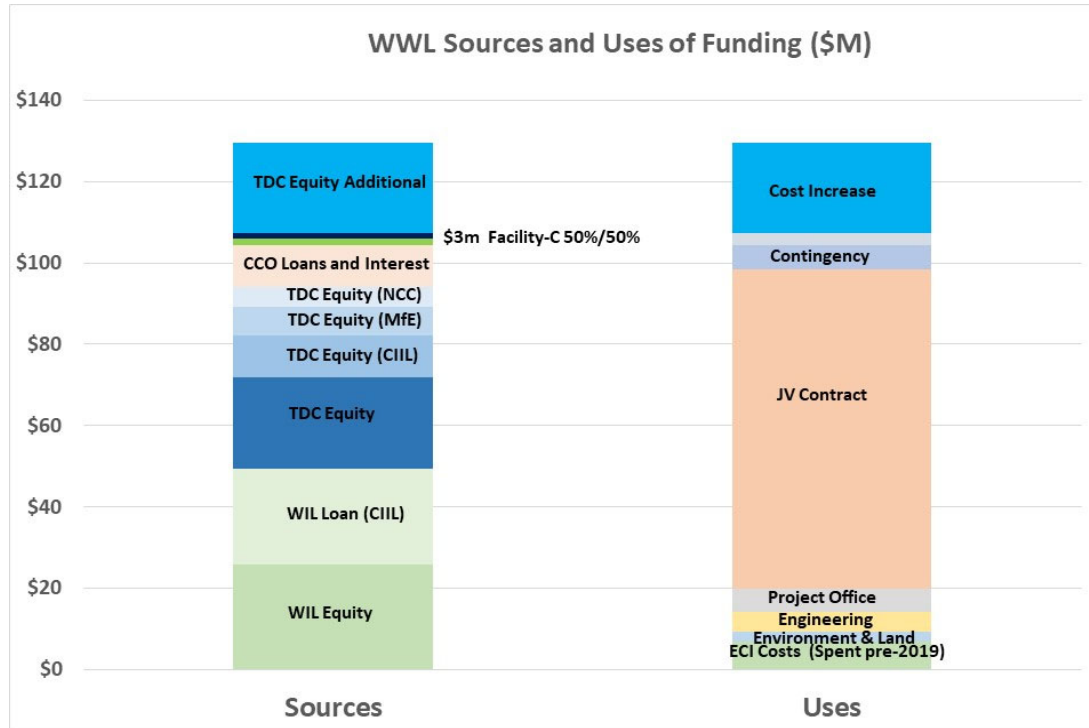


Figure 15: Sources and Use

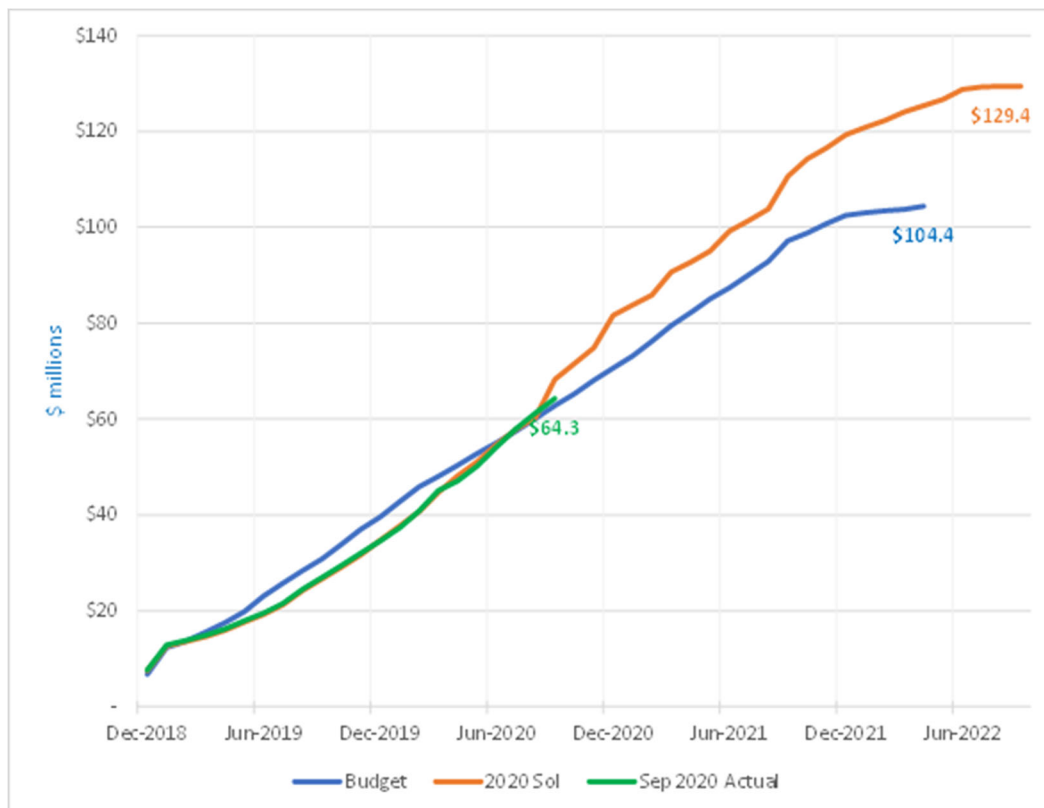


Figure 16: Project S-Curve

Note: The cost and delay from the COVID-19 suspension in March and April 2020, and further COVID-19 level change impacts, will stress this estimated cost to complete as there is expected to be ongoing cost and delay to the project due to changes to procurement and on-site working practices, as outlined on page 12.

The cost and delay from the COVID-19 is expected to become clearer over the next quarter and will be reported in the Mid-Year Report.

WWL expects to better understand costs pressures later in the first quarter of 2021 when the starter dam is complete, the embankment and grouting are well progressed, and mechanical and COVID-19 costs understood.

Waimea Water Limited

Financial Statements

For the 3 months ended 30 September 2020



Unaudited

Waimea Water Limited

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Unaudited

Statement of Comprehensive Revenue and Expense

For the 3 months ended 30 September 2020

		3 months Sep 2020 \$000	FY2020 \$000
Project costs	1	-	-
Employee costs		153	628
Depreciation and impairment	2	5	110
Other administrative expenses	3	71	317
Operating expenses		229	1,055
Finance income	4	164	646
Finance costs	4	-	(1)
Surplus/ (Deficit) for the year		(65)	(410)

Statement of Changes in Net Assets

For the 3 months ended 30 September 2020

		3 months Sep 2020 \$000	FY2020 \$000
Opening retained earnings		(728)	(318)
Total surplus (deficit) for the year		(65)	(410)
		-	-
Retained earnings as at year end		(794)	(728)
Opening share capital		55,147	35,096
Movement for the year		14,421	20,051
Share capital at year end	19	69,568	55,147
Closing equity at year end		68,774	54,419

Statement of Financial Position

As at 30 September 2020

		3 months Sep 2020	FY2020
	Note	\$000	\$000
Assets			
<i>Current</i>			
Cash And Cash Equivalents	6	8,724	4,268
Receivables From Non-Exchange Transactions	7	1,439	1,584
Other Current Financial Assets	8	17,480	16,345
Total Current Assets		27,643	22,197
<i>Non-Current</i>			
Property, Plant And Equipment	9	61,235	51,436
Deferred Tax Asset	10	-	-
Other Non-Current Financial Assets	8	-	-
Total Non-Current Assets		61,235	51,436
Total Assets		88,878	73,633
Liabilities			
<i>Current</i>			
Payables Under Exchange Transactions	11	3,404	4,531
Employee Entitlements	12	98	86
Total Current Liabilities		3,502	4,617
<i>Non-Current</i>			
Loans And Borrowings	13	16,602	14,597
Total Non-Current Liabilities		16,602	14,597
Total Liabilities		20,104	19,214
Net Assets		68,774	54,419
Equity			
Equity Contributions	19	69,568	55,147
Accumulated Funds		(794)	(728)
Other Equity Reserves		-	-
Total Equity		68,774	54,419

Statement of Cash Flows

For the 3 months ended 30 September 2020

	3 months Sep 2020	FY2020
Note	\$000	\$000

Cash flow from operating activities

Payments to suppliers	(135)	(445)
Payments to employees	(128)	(577)
Net cash from/(used in) operating activities	(263)	(1,022)

Cash flow from investing activities

Purchase of property, plant and equipment	(10,698)	(31,332)
Purchase of financial assets	(1,132)	(919)
Net cash from/(used in) investing activities	(11,830)	(32,251)

Cash flow from financing activities

Proceeds from equity	14,420	20,052
Proceeds from borrowings	1,967	12,266
Interest received	162	501
Interest paid on borrowings	-	-
Net cash from/(used in) financing activities	16,549	32,819

Net increase/(decrease) in cash and cash equivalents	4,456	(454)
Cash and cash equivalents, beginning of the year	4,268	4,722
Effect of exchange differences on foreign cash held	-	-
Cash and cash equivalents at end of the year	8,724	4,268

6

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 financial statements were authorised for issue by the Board of Directors on 20 November 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. WWL 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. WWL is eligible to report in accordance with PBE Standards RDR because it does not have public accountability and 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 WWL 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. Any impact of new and amended standards and interpretations applied in the year is limited to additional note disclosures.

C 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 are 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 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) is 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 is incurred if it is probable that the future economic benefits embodied in the specific asset will flow to WWL 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 WWL 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 WWL.

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 WWL's assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such impairment exists, the asset's recoverable amount is estimated.

If the estimated recoverable value amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount, and an impairment loss is recognised in the surplus or deficit.

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

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

(l) Other Financial Assets

Term investments over 90 days are classified as "other financial assets". They are initially measured at fair value, net of transaction costs. After initial recognition, financial assets in this category are measured at amortised cost using the effective investment method, less impairment. Gains and losses when the asset is impaired are recognised in the 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 WWL's activities, net of discounts, rebates and taxes. Revenue is recognised to the extent it is probable that the economic benefits will flow to WWL 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. They exclude qualifying costs that are capitalised.

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 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

3 months Sep 2020 \$000	FY2020 to date \$000	Project to date \$000
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The following amounts attributable to the build were passed through operational accounts:

Pre-incorporation costs	-	6,253	6,253
Dam construction costs	7,727	35,748	43,475
Project services	1,446	5,665	7,111
Borrowing costs capitalised	39	456	495
WWL operations	605	3,016	3,621
Transfer costs attributable to build to Capital WiP	(9,817)	(51,138)	(60,955)
Total	-	-	-

2 Depreciation, amortisation and impairment expenses

	Note	3 months Sep 2020 \$000	FY2020 \$000
Depreciation of property, plant and equipment	9	5	24
Impairment loss - Capital WiP *		-	86
Total		5	110

** Some pre-incorporation costs reimbursed to TDC in FY19 were impaired in FY20.*

3 Other overhead and administrative expenses

	3 months Sep 2020 \$000	FY2020 \$000
Office costs	20	81
Insurance	1	58
Auditor remuneration	-	33
Accounting fees	13	17
Legal fees	3	5
Other professional fees	34	123
Total	71	317

4 Finance income and costs

	3 months Sep 2020 \$000	FY2020 \$000
Interest income on bank deposits	164	646
Bank fees	-	(1)
Net	164	645

5 Share Capital

	3 months Sep 2020	FY2020
9,999 shares were issued on 21 Dec 2018.		
Ordinary shares - TDC	5,110	5,110
Ordinary shares - WIL	2,978	2,978
Non-voting shares - WIL	1,911	1,911
Shares at the end of the year	9,999	9,999

Ordinary shares have a value of \$8,719.51, and rights to vote, receive dividends, and participate in distribution on liquidation. Non-voting shares have no equivalent rights. Share Capital contributions in Note 19 represent the total dollar value of shares paid up. TDC contributions are primarily made to provide working capital to WWL. WIL contributions are made on agreed instalments.

TDC ordinary shares are paid up to \$8,532.41 per share. \$43,601k \$33,356k

WIL ordinary shares are fully paid to \$8,719.51 per share. \$25,967k \$21,791k

TDC has committed to fund additional project costs. Shareholders have agreed this will be way of subscription for further shares. TDC will not be issued ordinary shares if it results in WIL holding less than 25% of total ordinary shares.

6 Cash and cash equivalents

	3 months Sep 2020 \$000	FY2020 \$000
Cash at bank and in hand	8,724	4,268
Total	8,724	4,268

7 Receivables from non-exchange transactions

	Note	3 months Sep 2020 \$000	FY2020 \$000
GST receivable		438	583
Other prepayments / receivables	17	1,001	1,001
Total		1,439	1,584

8 Other financial assets

	Note	3 months Sep 2020 \$000	FY2020 \$000
<i>Held-to-maturity investments</i>			
Term deposits - current		17,480	16,345
Term deposits - non-current		-	-
Total	15	17,480	16,345

9 Property, plant and equipment

	Capital WIP	Leasehold improve- ments	Furniture and office equip	Vehicles and site equip	Total
Note	\$000	\$000	\$000	\$000	\$000

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

3 months Gross carrying amount

Sep 2020

Opening	51,138	28	76	278	51,520
Additions	9,817	-	-	-	9,817
Impairment	-	-	-	-	-
Disposals	-	-	-	-	-
Gross carrying amount	60,955	28	76	278	61,337

Accumulated depreciation and impairment

Opening	-	(3)	(27)	(54)	(84)
Depreciation - assets attributable to the build	-	-	-	(13)	(13)
Depreciation - administration assets	2	(1)	(4)	-	(5)
Disposals	-	-	-	-	-
Accumulated depreciation and impairment	-	(4)	(31)	(67)	(102)

Carrying amount 30 September 2020

60,955	24	45	211	61,235
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FY2020

Gross carrying amount	51,138	28	76	278	51,520
<u>Accumulated depreciation and impairment</u>					
Opening	-	-	(6)	(12)	(18)
Depreciation - assets attributable to the build	-	-	-	(35)	(35)
Depreciation - administration assets	2	(3)	(21)	-	(24)
Disposals	-	-	-	(7)	(7)

Carrying amount 30 September 2019

51,138	25	49	224	51,436
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10 Deferred tax

3 months Sep 2020 \$000	FY2020 \$000
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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	(65)	(410)
Temporary differences *	99	86
Permanent differences **	(39)	(170)
Temporary differences prior year *	-	16
<u>Permanent differences prior year **</u>	-	(286)
Taxable income (deficit)	(5)	(764)

Unrecognised deferred tax assets consist of:

Opening balance	303	89
Tax on taxable position above, at 28%	2	214
Total unrecognised deferred tax asset	305	303

* Primarily related to the deductibility of annual leave

** Primarily related to the deductibility of capitalised finance costs

11 Payables under exchange transactions

Note	3 months Sep 2020 \$000	FY2020 \$000
Trade creditors	3,363	4,446
Related party payables 19	32	71
Non trade payables and accrued expenses	9	14
Total	3,404	4,531

12 Employee entitlements

	3 months Sep 2020 \$000	FY2020 \$000
Annual leave entitlements	98	86
Total	98	86

Employee remuneration

0 employees or former employees received remuneration and other benefits of \$100,000 or more for the 3 months ended 30 September 2020.

Remuneration	Number of employees
\$150,001 - \$160,000	-
\$180,001 - \$190,000	-
\$190,001 - \$200,000	-
\$240,001 - \$250,000	-
\$300,001 - \$310,000	-

13 Loans and borrowings

	3 months Sep 2020 \$000	FY2020 \$000
Non-current - Secured loans	16,602	14,597
Total	16,602	14,597

WWL has financing arrangements with Crown Irrigation Investments Limited up to \$25,000,000. Facilities can be drawn down monthly to fund project costs, and are secured by a general security over present and future assets. Facilities are provided subject to credit support from Tasman District Council plus guarantees from Waimea Irrigators Limited, and are repayable by 2034.

14 Commitments

	3 months Sep 2020 \$000	FY2020 \$000
<i>Expenditure contracted for at the end of the reporting period but not yet incurred is:</i>		
Property, plant and equipment	44,844	50,414
Total	44,844	50,414

15 Financial instruments

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

Held-to-maturity investments	Loans and receivables	Financial Liabilities at amortised cost	Total
\$000	\$000	\$000	\$000

3 months Sep 2020

Financial assets

Cash and cash equivalents	-	8,724	-	8,724
Trade debtors and other receivables	-	1,001	-	1,001
Other financial assets *	17,480	-	-	17,480

Total Financial assets

17,480	9,725	-	27,205
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Financial liabilities

Trade creditors and other payables	-	-	3,357	3,357
Loans and borrowings **	-	-	16,602	16,602

Total Financial liabilities

-	-	19,959	19,959
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FY2020

Financial assets

Cash and cash equivalents	-	4,268	-	4,268
Trade debtors and other receivables	-	1,001	-	1,001
Other financial assets *	16,345	-	-	16,345

Total Financial assets

16,345	5,269	-	21,614
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Financial liabilities

Trade creditors and other payables	-	-	4,476	4,476
Loans and borrowings **	-	-	14,597	14,597

Total Financial liabilities

-	-	19,073	19,073
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* Other financial assets

	3 months Sep	FY2020
ANZ term deposit maturing Aug 2020 at 2.58%	-	511
ANZ term deposit maturing Oct 2020 at 1.20%	501	-
ANZ term deposit maturing Oct 2020 at 1.20%	501	-
ANZ term deposit maturing Oct 2020 at 1.20%	501	-
ANZ term deposit maturing Dec 2020 at 3.55%	5,324	5,277
ANZ term deposit maturing Apr 2021 at 3.55%	5,324	5,277
ANZ term deposit maturing Jun 2021 at 3.58%	5,327	5,280
Total term deposits	17,480	16,345

** Loans and borrowings

	3 months Sep	FY2020
Crown Irrigation Investments Limited	16,602	14,597
Tasman District Council	-	-
	16,602	14,597

16 Contingent assets and contingent liabilities

In Jun 2020 the Engineer To Contract ("ETC") confirmed a 33 day suspension of works for the government mandated Covid-19 Level 4 lockdown. In Nov 2020 the ETC confirmed a further 5 days payable for Levels 3 and 2. The obligation is not recognised because the final amount cannot be reliably measured. The contractual process to value the suspension is underway. A valuation is likely to be determined before the end of calendar 2020.

The Covid-19 lockdown will have future flow-on effects and further costs may be incurred in future periods, refer Note 17.

17 Covid-19

Impacts

On 26 Mar 2020 the country entered a government mandated Covid-19 lockdown. WWL staff operations were not significantly impacted. Site works were suspended until 28 Apr 2020 when they resumed under Level 3. During Levels 3 and 2, appropriate restrictions and precautions impeded productivity. At balance date normal works had resumed. The lockdown will extend the programme past the scheduled completion date in FY22.

Financial performance

The ETC issued a Notice To Contractor confirming a 33 day suspension for lockdown Level 4, however, the value of the suspension has not been agreed, refer Note 16. The Contractor was advanced \$1,000,000 against future costs, without prejudice, to support employee retention during Level 4 and facilitate re-mobilisation at Level 3. The advance is treated as a prepayment, refer Note 7.

Non-financial performance

The schedule was delayed for impacts from lockdown Levels 4, 3 and 2. The lockdown did not affect the ability to report against performance indicators.

Future assumptions

The final schedule will be affected and future costs will be higher than earlier contemplated. Costs for the 33 day suspension, and for productivity losses during Levels 3 and 2, remain unresolved or unknown, and the resolution of those matters may result in a future adjustment for carrying amounts incurred in May and Jun 2020. Further costs will be incurred in future periods from any flow-on impacts, however, those costs are unknown.

18 Events after the reporting period

There were no significant events after the balance date that would require amounts recognised in these financial statements to be adjusted, or separate disclosure. (WWL continues to receive claims for extension of time from the Contractor that if agreed may result in future costs.)

19 Related party transactions

WWL is jointly owned by Tasman District Council (51%) and Waimea Irrigators Limited (49%). The entity also has a related party relationship with its Directors and other key management personnel. Key management personnel include the Board of Directors and members of the Executive / Senior Management.

	3 months Sep 2020 \$000	FY2020 \$000
<u>Purchase of goods and services</u>		
<i>Purchase / reimbursement of services</i>		
Directors *	16	-
Pre-incorporation costs **	-	3
Shareholder services	2	123
Total	18	126

* Directors with engineering qualifications may perform independent peer review services in a normal supplier relationship on terms and conditions no more or less favourable than those it is reasonable to expect the entity would have adopted in dealing with the party at arm's length in the same circumstances.

** With respect to prior year figures, 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.

	Note	3 months Sep 2020 \$000	FY2020 \$000	Total \$000
<u>Contributions from Joint Operators</u>				
Tasman District Council Share Capital		10,245	33,356	43,601
Waimea Irrigators Limited Share Capital		4,176	21,791	25,967
Total Share Capital	5	14,421	55,147	69,568

Year end receivable/ payable with related parties

Payable to related parties:

Directors	32	32
Shareholders	-	39
Other key management personnel	-	-
Total	11	71

Key management compensation

Key management personnel compensation includes the following expenses:

Salaries and other short-term employee benefits	184	945
Directors fees	63	236
Total	247	1,181

Persons recognised as key management personnel	11	11
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Company Directory

Directors

David Wright (Chair)

Bruno Simpson (Deputy Chair)

Doug Hattersley

Julian Raine

Ken Smales

Andrew Spittal

Margaret Devlin

Registered Office

20 Oxford Street

Richmond 7020

New Zealand

Telephone: 027 544 0030

Email: info@waimeawater.nz

Chief Executive

Mike Scott

Management

Chief Financial Officer:

Dave Ashcroft

Commercial Manager and Company Secretary:

Richard Timpany

Engineering and Design Manager:

Iain Lonie

Environmental and Sustainability General Manager:

Alasdair Mawdsley

Construction Manager:

Daniel Murtagh

Auditor

Audit New Zealand on behalf of the Auditor-General

Accountant

Findex Ltd

Banker

ANZ Corporation

Lawyer

Anderson Lloyd