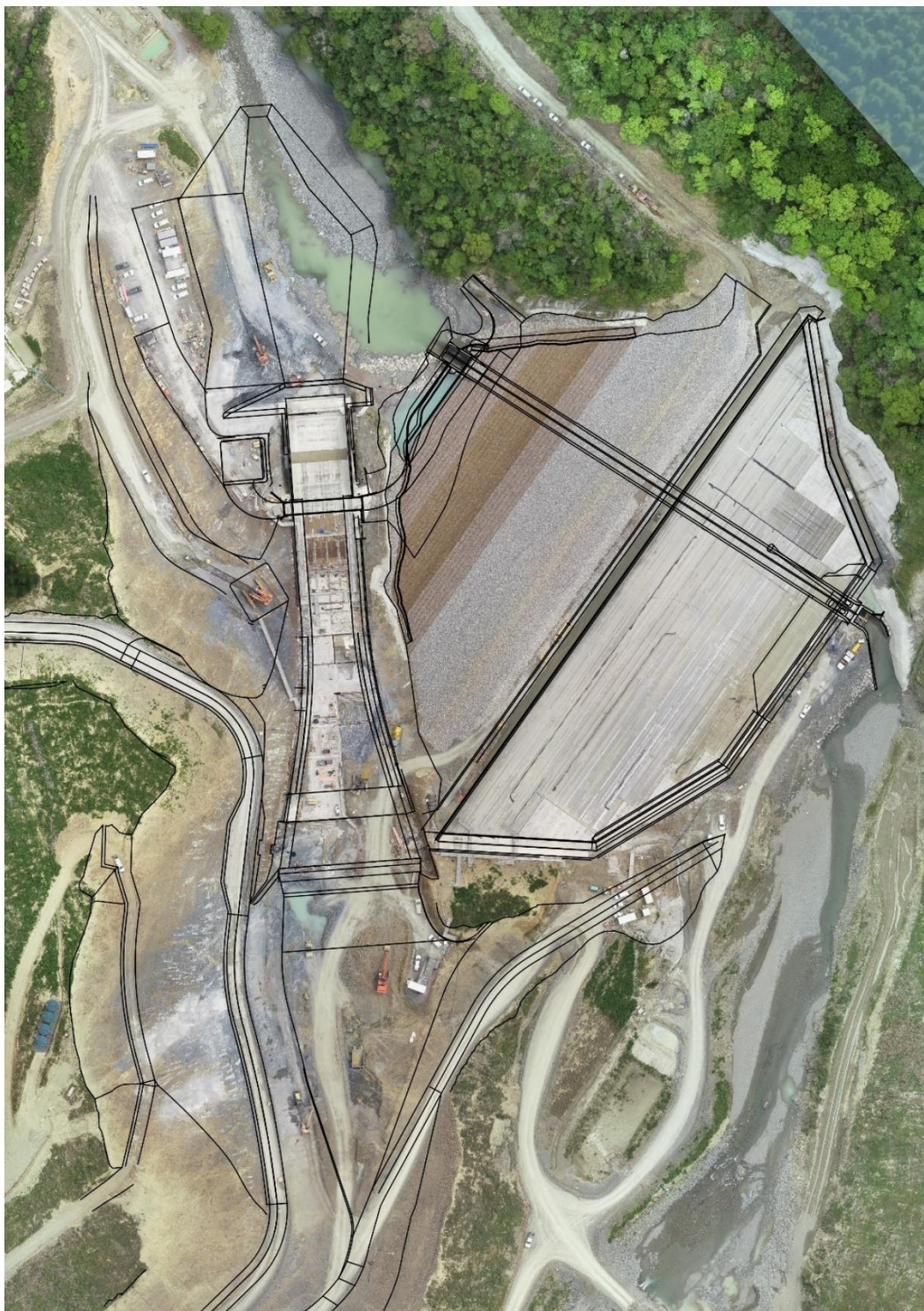


# STATEMENT OF INTENT

1 July 2022 – 30 June 2023

VERSION: FINAL 28 June 2022



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## 1. Introduction

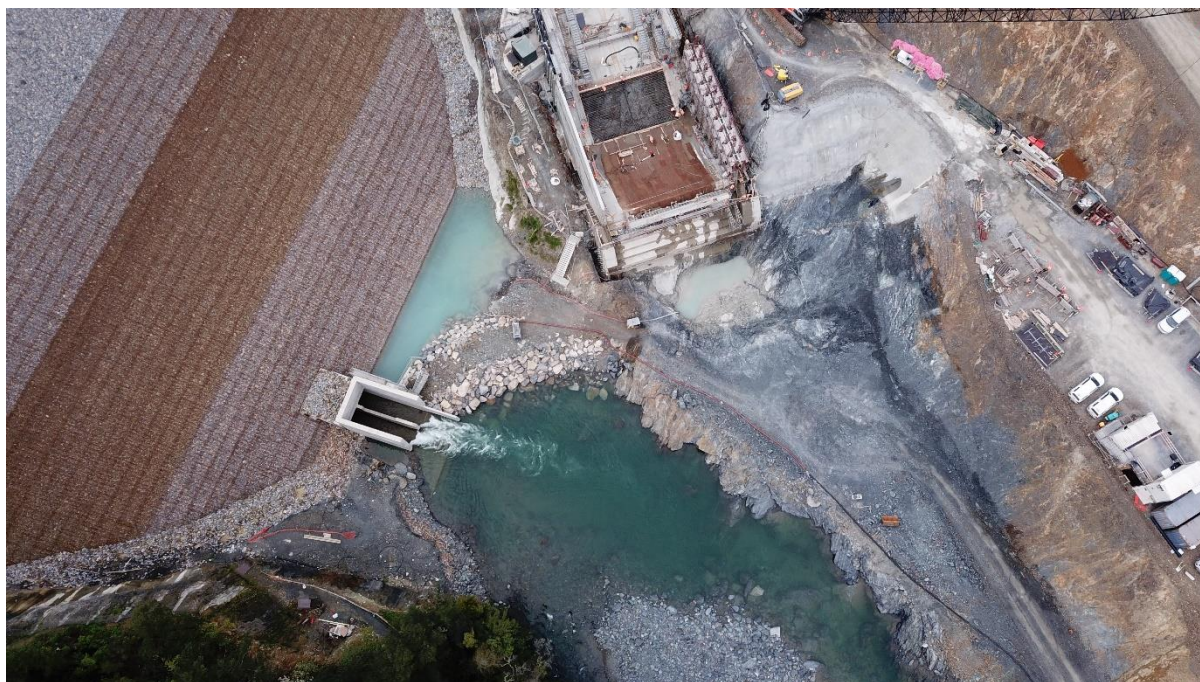
This Statement of Intent (SOI) Version: Final 30 June 2022 is presented by the Directors of Waimea Water Limited (WWL), in accordance with Section 64 of the Local Government Act 2002 (LGA). Established in December 2018, WWL is a Council Controlled Organisation (CCO) under Section 6 of the LGA.

The purpose of this document is to provide the scope, objectives, intentions and activities of WWL for the period 1 July 2022 to 30 June 2023, with forecast cashflows for three years from 1 July 2022.

This SOI covers a full year of construction and preliminary activities for the transition to an operating entity, expected to occur in 2024. A full copy of this SOI will be available via the WWL website ([www.waimeawater.nz](http://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 appropriate high standards.



*Bottom of embankment, diversion culvert and spillway, prior to plunge pool construction. January 2022.*

### 3. Background

Waimea Water Ltd (WWL) is a Council-Controlled Organisation (CCO) established in November 2018 to manage the construction, operation and maintenance of the Waimea Community Dam.

The dam is a significant infrastructure project for the region, which will secure the water supply for Tasman region for the next 100+ years. Approval to proceed with the dam was reached by the Tasman District Council (TDC) on 30 November 2018, with financial closure on 21 December 2018. As a joint venture project between the TDC and Waimea Irrigators Ltd (WIL), the dam realises the vision, and many years of work by groups and individuals, to provide greater water security for the Waimea Plains and wider community.

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

The construction project began in March 2019, with site works commencing in August 2019. The concrete-face rockfill dam will be 53 metres high, 220 metres long, and six metres wide at the crest.

The dam is designed to the latest, appropriate high international design standards under New Zealand and international Dam Safety Guidelines. Compliance with these standards is regularly peer reviewed by technical dam experts as the build progresses. The dam is being constructed for WWL through a joint venture between experienced local companies Fulton Hogan Ltd and Taylors Contracting Ltd (Contractor). Damwatch Engineering Ltd independently reviews the construction and provides design guidance. GHD Engineering peer reviews design changes and designs temporary works.

When completed, the lake created by the dam will contain approximately 13 billion litres of water. The benefits of the dam for the region are:

- Providing the community with water security and supporting a growing population
- Healthy Lee and Waimea rivers for swimming, fishing and other recreational activities
- Healthier rivers for aquatic life to thrive
- A robust and more resilient economy strengthened by the success of horticulture and farming industries and the subsequent growth of associated secondary and tertiary industries
- Enabling residential, commercial and industrial investment and development, which brings jobs and associated economic activity
- Greater potential to develop, maintain and grow businesses for future generations.

## 4. WWL Objectives

WWL will design, construct, commission and operate the dam based on the following objectives:

### 4.1. Safety

#### **Personnel safety**

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

#### **Dam safety**

WWL will construct, commission and operate the dam to the appropriate high standards described by the New Zealand Society on Large Dams (NZSOLD) guidelines<sup>1</sup>.

### 4.2. Reliability

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

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

WWL will use independent and qualified technical experts to verify integrity. Asset integrity will be demonstrated through competent in-house engineering and verified by external and independent Producer Statements (PS)<sup>2</sup> from qualified experts.

WWL has developed plans, consistent with the resource consent, to provide water from the dam efficiently and reliably.

### 4.3. Sustainability

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

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

### 4.4. Efficiency

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

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<sup>1</sup> [https://nzsold.org.nz/wp-content/uploads/2017/08/nzsold\\_dam\\_safety\\_guidelines-may-2015.pdf](https://nzsold.org.nz/wp-content/uploads/2017/08/nzsold_dam_safety_guidelines-may-2015.pdf)

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



## 5. Governance and Reporting

### 5.1. Governance

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

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

### 5.2. Board Composition

The WWL Board currently has seven highly experienced directors, appointed for a period of up to four years. The TDC may appoint four directors, WIL appoints two directors and Ngāti Koata appoints one director.

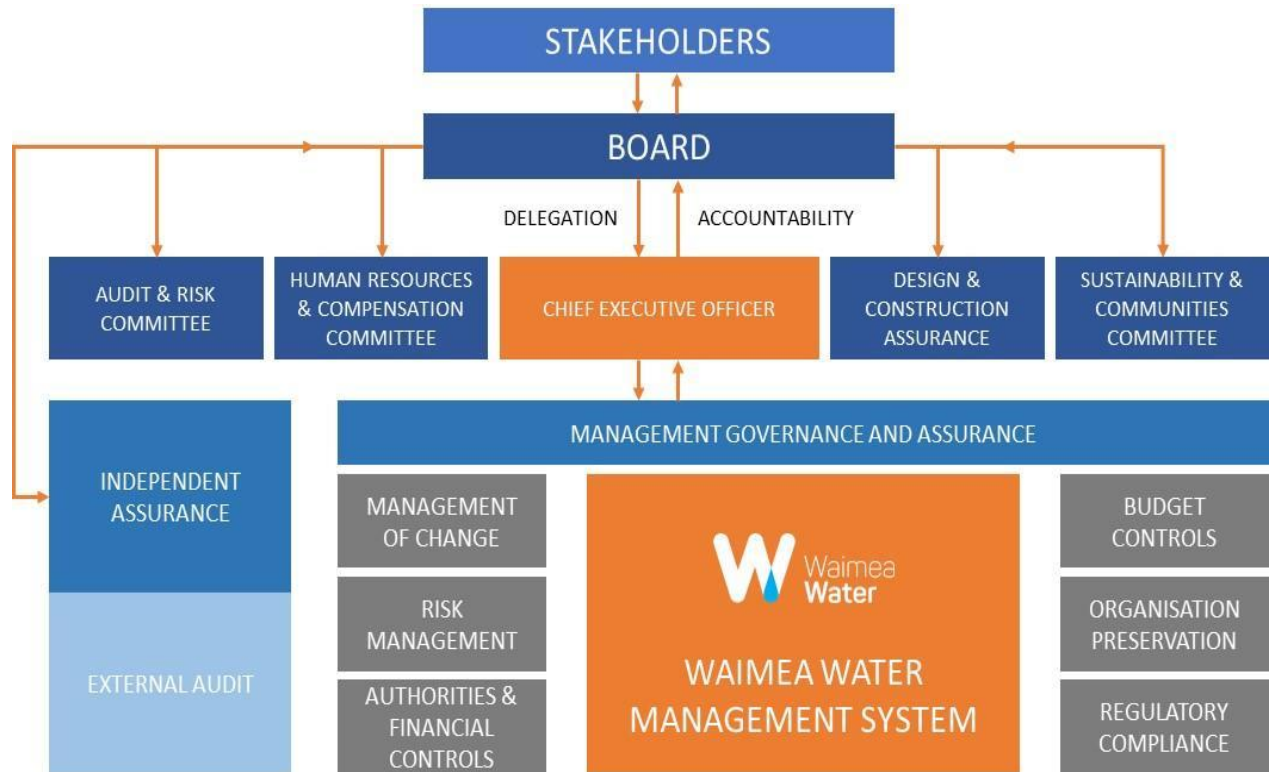
WWL expects shareholders to review the Board's composition during this SOI period, noting the number and nature of directors' experience and the skills required as WWL moves to dam operations. WWL expects its shareholders to review its directors in late 2022 or early 2023 given the completion of terms of current director appointments.



*WWL Board of Directors.*

### 5.3. Board Structure

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. As the dam is commissioned in late 2022/early 2023, the committees will be reviewed for suitability to WWL's operational activities.



### 5.4. Reporting

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

#### ***Statement of Intent***

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

#### ***Quarterly Reports***

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

**Mid-Year Report**

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

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

**Annual Report**

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

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

The Annual Report is to be available for public inspection (on the WWL website [waimeawater.nz](http://waimeawater.nz)).

**5.5. Functions and Operations**

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

**5.6. Management**

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

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

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

Audit NZ completes the annual external audit for the Board.



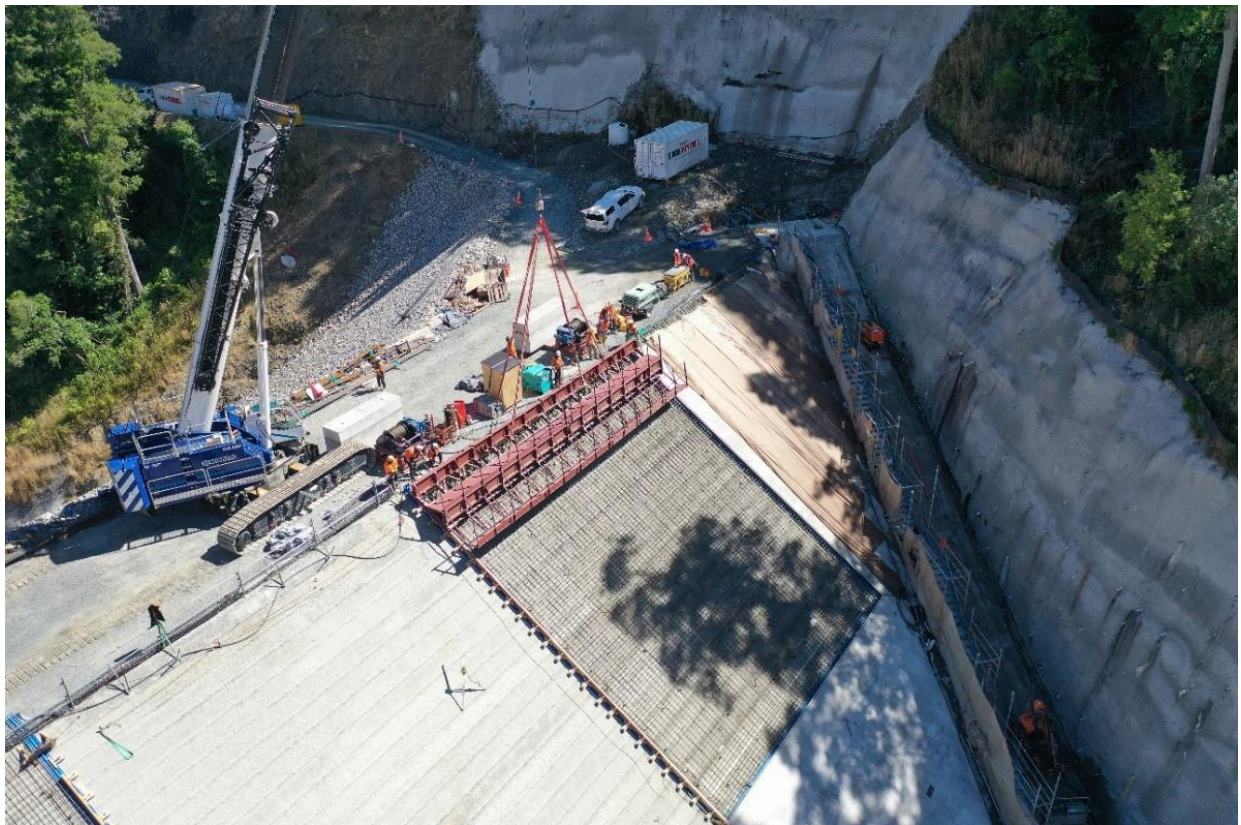
## 6. Project Performance

The Contractor advised in June 2022 that they expect to complete the dam for filling during the third quarter of the SOI period, between January and March 2023, so that the reservoir fills during the 2023 winter. This is approximately sixteen months behind schedule. This delay is due in part to construction starting late, delays associated with COVID-19 site restrictions, the loss of recovery time, flooding in 2021 – 2022, and some of the dam structures taking longer to construct than expected.

The Contractor also advised in June 2022 that they expect to complete commissioning in January 2024, 2 years behind the original plan.

WWL continues to aim and explore ways to complete the dam and commissioning earlier. The cost implications of the additional delays, if they are realised, are outlined in section 9.

Delays outside of WWL's control could include, but are not limited to, further COVID-19 site restrictions, slow delivery of internationally-sourced components and the potential lack of available resources in a very constrained construction sector.



*Upstream concrete face progress, January 2022.*

## 7. Nature and Scope of Activities

The scope of WWL's activities for the 2022-23 year include:

1. Health, safety and wellbeing
2. Environmental management
3. Completion of design and construction
4. Operational readiness (operations)
5. Sustainability and community relationships
6. Governance and financial management.

**See the following pages for more detail about these activities.**



*Downstream view of the rock-filled embankment and bottom of spillway, January 2022.*



## 7.1. Health, Safety and Wellbeing

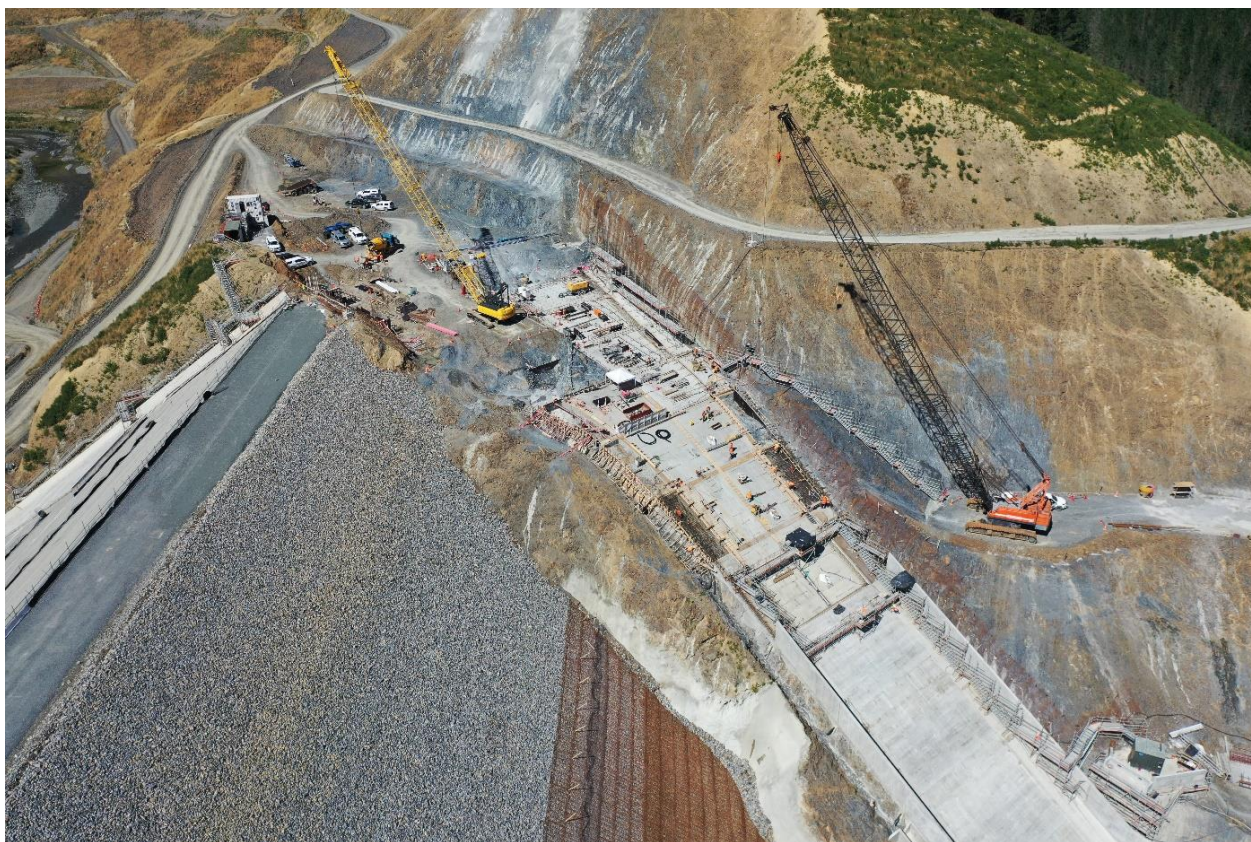
WWL has a statutory (Health and Safety at Work Act 2015) and moral duty of care for people we influence or direct while delivering the Waimea Community Dam project.

WWL's Health and Safety 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 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.

### During the period of this SOI, WWL will:

- Meet requirements of health and safety legislation
- Use and review its own and the Contractor's Health and Safety systems
- Revise its Health and Safety system to prepare for operating the dam
- Verify compliance with those systems and monitor statistics.



*Upper spillway progress, January 2022.*



## 7.2. Environmental Management

WWL is committed to minimising its impact on the environment by using practices that protect the environment during both the build and long-term operation of the dam. WWL uses skilled and experienced independent specialists and robust systems for environmental training, auditing and monitoring. Through a continuous 'Plan-Do-Check-Improve' cycle, WWL monitors compliance, deals with change and ensures construction partners work in a manner that protects our environment.



*Fyke net installed in the pool downstream of the WCD diversion culvert.*

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

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

### **During the period of this SOI, WWL will:**

- Comply with all resource consent conditions, including ensuring Supplementary Construction Environmental Management Plans (SCEMPs) are approved by the regulator, and WWL verifies performance and compliance with the SCEMPs
- Continue to monitor river water quality in accordance with the resource consent and take steps to improve river water quality as required
- Continue to implement the Biodiversity Management Plan, including the propagation and restoration planting of native plant species at Rough Island
- Meet obligations for carbon associated with deforestation prescribed by the Climate Change Response Act 2002.

### 7.3. Design and Construction

The Waimea Community Dam is designed in accordance with appropriate high requirements of international and NZSOLD guidelines, which include flood and earthquake considerations in accordance with New Zealand building regulations.

As a responsible dam owner, WWL has a primary obligation to avoid exposing the community to risks or hazards associated with the build and management of the dam.

All critical dam safety elements of the design have been assessed by international dam engineering company, Damwatch Engineering Ltd. Where warranted, these designs are reviewed by an independent panel of engineers from GHD Engineering.

As of writing, the dam is 70% completed, with significant elements constructed including the rock-filled embankment, kerbing on the concrete face, lower spillway, flip-bucket, and side plinths.

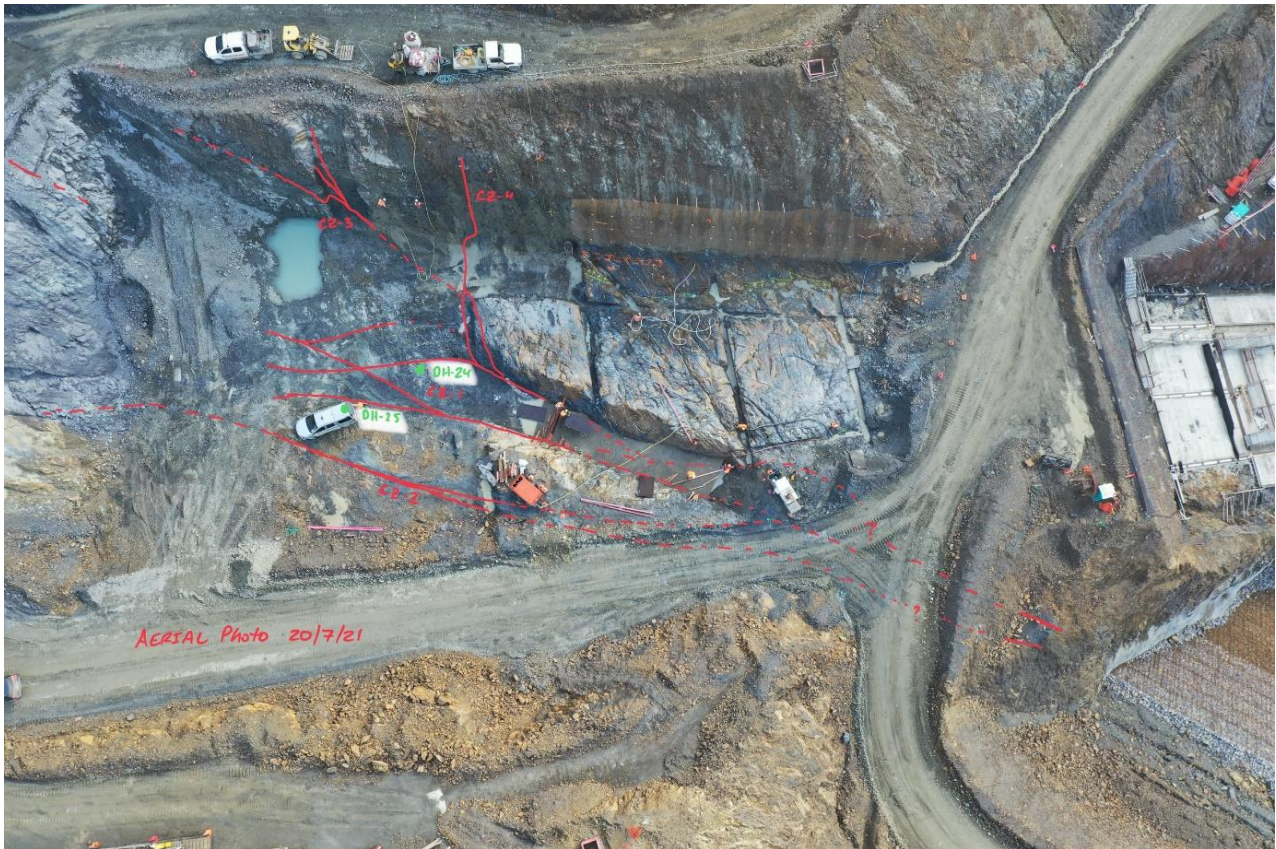
**During the period of this SOI, WWL will:**

- Complete construction of the dam structures and commence filling the reservoir (SP1)
- Commence mechanical and electrical works (SP2)
- Continue to modify and optimise design for encountered conditions
- Complete and implement an Emergency Action Plan (EAP) in accordance with the NZSOLD guidelines and based on the revised dam break analysis
- Complete the dam surveillance plan (piezometers, seismometers, survey) to inform and complete a Dam Safety Management Plan in accordance with the NZSOLD guidelines
- Complete the treatment of the plunge pool and top of the spillway.

As has been reported previously, the geology of the remaining key areas of construction, the plunge pool and the top of the spillway, continue to be a risk for the project. See photos overleaf.

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





*Shear zones at top of the spillway requiring 4,000 m2 impermeable apron.*



*Spillway cut off wall and plunge pool area, requiring mass concrete and further grouting.*



#### 7.4. Commissioning and 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 prepare to:**

- Commission dam equipment
- Commission dam safety instrumentation and systems
- Implement commissioning, closure and reservoir filling plans
- Complete operations and maintenance systems
- Refine the operating model and operating budgets for shareholders.



*Fabrication of the intake screens by Brightwater Engineering Ltd.*

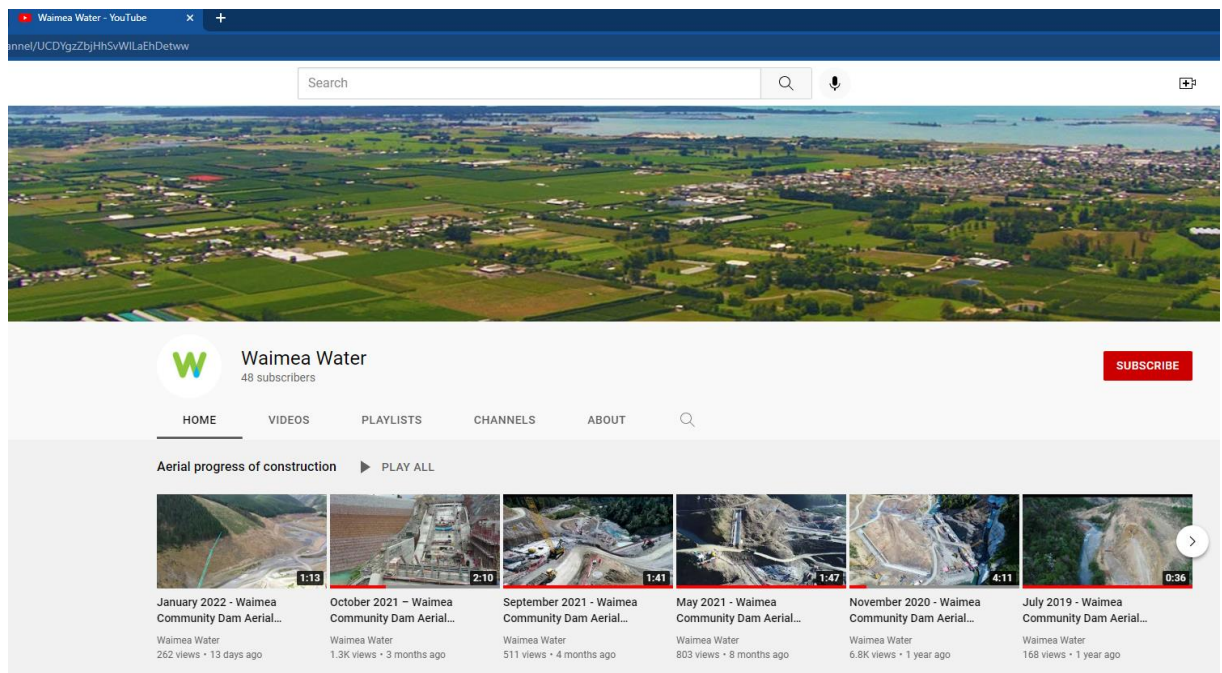
## 7.5. Sustainability and Community Relationships

WWL recognises the interdependence between social, environmental and economic outcomes; that a prosperous economy can support good social, cultural and environmental outcomes.

WWL is committed to ensuring that the public is well-informed and has easy access to information. Online engagement withstanding, over the past year COVID-19 has limited the opportunities for WWL to showcase the dam project to the public face-to-face. For example, the A&P Show was cancelled two years running, the Richmond Mall and libraries were unable to host a public display, and there are ongoing Government restrictions on holding public events.

### During the period of this SOI, WWL will:

- Work closely with mana whenua, 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
- As government guidelines allow, engage with the public in the community
- Create video, photo and written content for online channels, such as WWL and TDC's websites, social media and YouTube channels
- Publish a newsletter twice a year, promoted via stuff.co.nz
- Host media onsite to report on milestones
- Complete a Sustainability Plan, that will describe how the dam will be sustained in the long term (economically, environmentally and socially).



*Screenshot of Waimea Water's YouTube channel.*

## 7.6. Governance and Financial Management

During the period of this SOI, WWL expects to continue constructing the dam, in advance of a transition to operations in January 2024.

### Dam Construction

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

WWL is funded by its shareholders TDC and WIL.

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

### Dam Operations

The period of this SOI will see the introduction of water charges to those who benefit from the dam.

Water charges recover four key cost categories: ongoing interest costs for loans taken during construction, repayment of those loans, ongoing operating costs of WWL, and any other costs.

Water charges will be invoiced to shareholders by WWL quarterly in advance.

#### **During the period of this SOI, WWL will:**

- Review Board composition with shareholders
- Review Board committees structure
- Continue to manage project costs, as adjusted for encountered conditions and uncontrolled events and risks
- Meet agreed quarterly reporting deadlines
- Comply with financier expectations
- Obtain unqualified audit opinions on annual financial statements
- Invoice shareholders for water charges.



## 8. Performance Targets (KPIs)

The following table provides the objectives and key performance indicators for the period 1 July 2022 to 30 June 2023 (FY23), and the year following.

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

1. Health, Safety and Wellbeing		
Objective	KPI to June 2023	KPI to June 2024
To meet the requirements of health and safety in workplace legislation	WWL system peer reviewed by industry qualified expert	Migrate from construction system to operations system
Review and verify contractors’ Health, Safety & Wellbeing systems	Contractor 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	KPI to June 2023	KPI to June 2024
To meet resource consents conditions	100% compliance	100%
Approve and validate SCEMPs	100% compliance	100%
Implement the Biodiversity Management Plan	100% compliance	100%
3. Design and Construction		
Objective	KPI to June 2023	KPI to June 2024
Modify and optimise design for all encountered conditions to meet NZSOLD guidelines	PS-1 and PS-2	n/a
Revise dam break analysis and prepare Emergency Action Plan (EAP) (#84)	EAP complete	Update as per NZSOLD guidelines
Complete surveillance strategy and Dam Safety Management Plan (DSMP)	DSMP complete	Update as per NZSOLD guidelines
Construct dam in accordance with specification	Interim statement of compliance and PS-4	PS-3 and PS-4  Regulator Code of Compliance (#88b)
Deliver project to schedule, as adjusted for encountered conditions and uncontrolled events	Commence filling reservoir (SP1) Track variance to schedule	Commission dam (SP2) and move to operations
Report COVID-19 impacts	Track variance to schedule	
Utilise appropriate risk-based management system	Construction risk register follows NZTA Z/44 guideline	Transition to operations context risk register

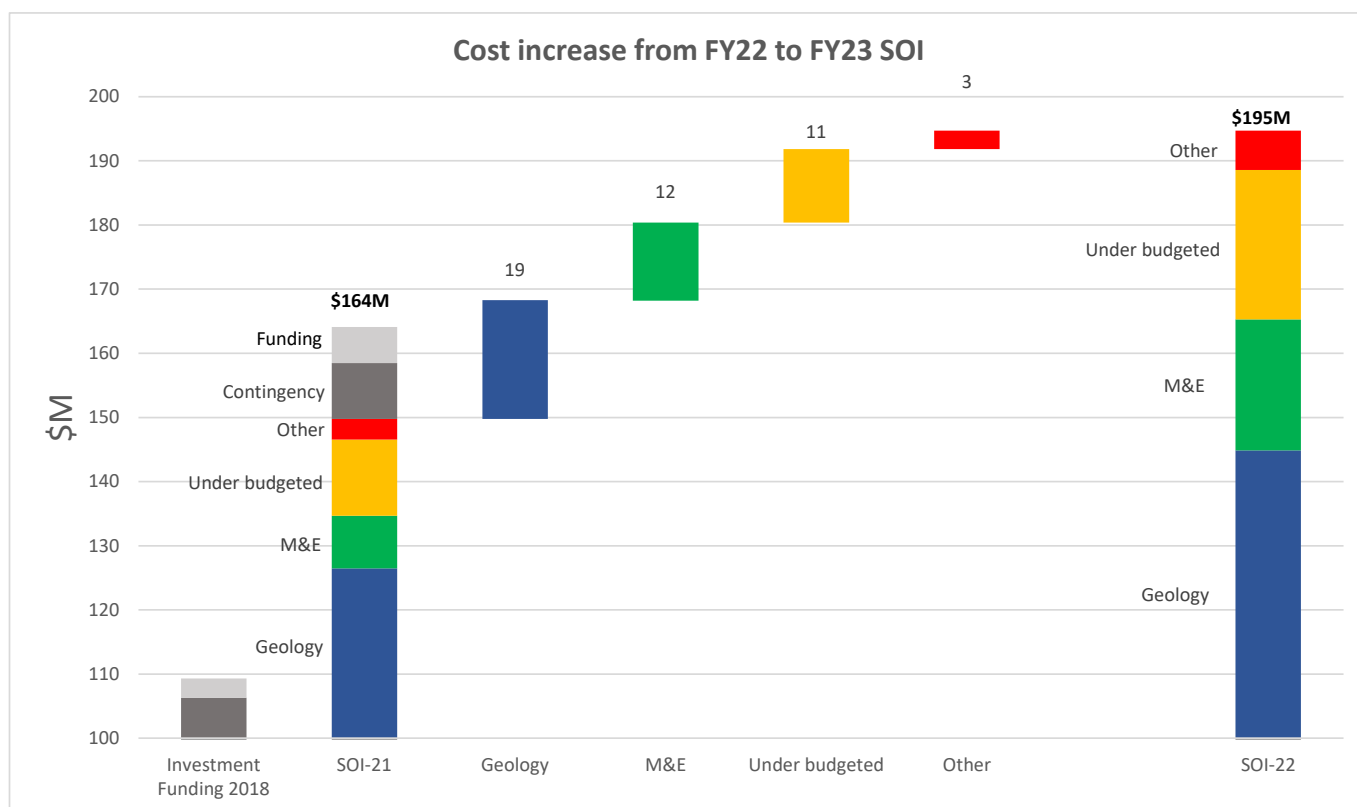
<b>4. Commissioning and Operational readiness</b>		
<b>Objective</b>	<b>KPI to June 2023</b>	<b>KPI to June 2024</b>
Complete Land Owner Consultation and Land Access Report (#87)	Completed and approved	n/a
Complete Operational Management Plan (#92)	Completed and approved	n/a
Complete Reservoir Management Release Plan (#108)	Completed and approved	n/a
Complete River Quality Monitoring (#110) and Reservoir Quality Monitoring (#106) programmes	Completed and approved	n/a
Complete operating model and budgets for shareholders consideration	Completed and approved	n/a
<b>5. Sustainability and Community Relationships</b>		
<b>Objective</b>	<b>KPI to June 2023</b>	<b>KPI to June 2024</b>
Transparent engagement with stakeholders and community	Bi-annual public newsletter, annual Richmond Mall 'pop-up' (if possible)	TBA
Consultation with Ngāti Koata	Annual update	
Recognise key cultural milestones	Closure and reservoir blessing	TBA
Develop Sustainability Plan	Plan approved	Plan complied with
<b>6. Governance and Financial Management</b>		
<b>Objective</b>	<b>KPI to June 2023</b>	<b>KPI to June 2024p</b>
Review Board composition with Shareholders	Appoint / Reappoint as current terms expire	Review
Review Board Committees structure	Review	Review
Manage Costs to Complete	Update in Mid-Year and Annual Reports	Update in Mid-Year and Annual Reports
Agreed quarterly reporting deadlines met	100% compliance	
Compliance with financier expectations	100% of expectations met	
An unqualified audit opinion on annual financial statements	Unqualified opinion on FY22 financial statements	Unqualified opinion on FY23 financial statements

## 9. Finance and Risk Management

### 9.1. Construction Cost Forecast

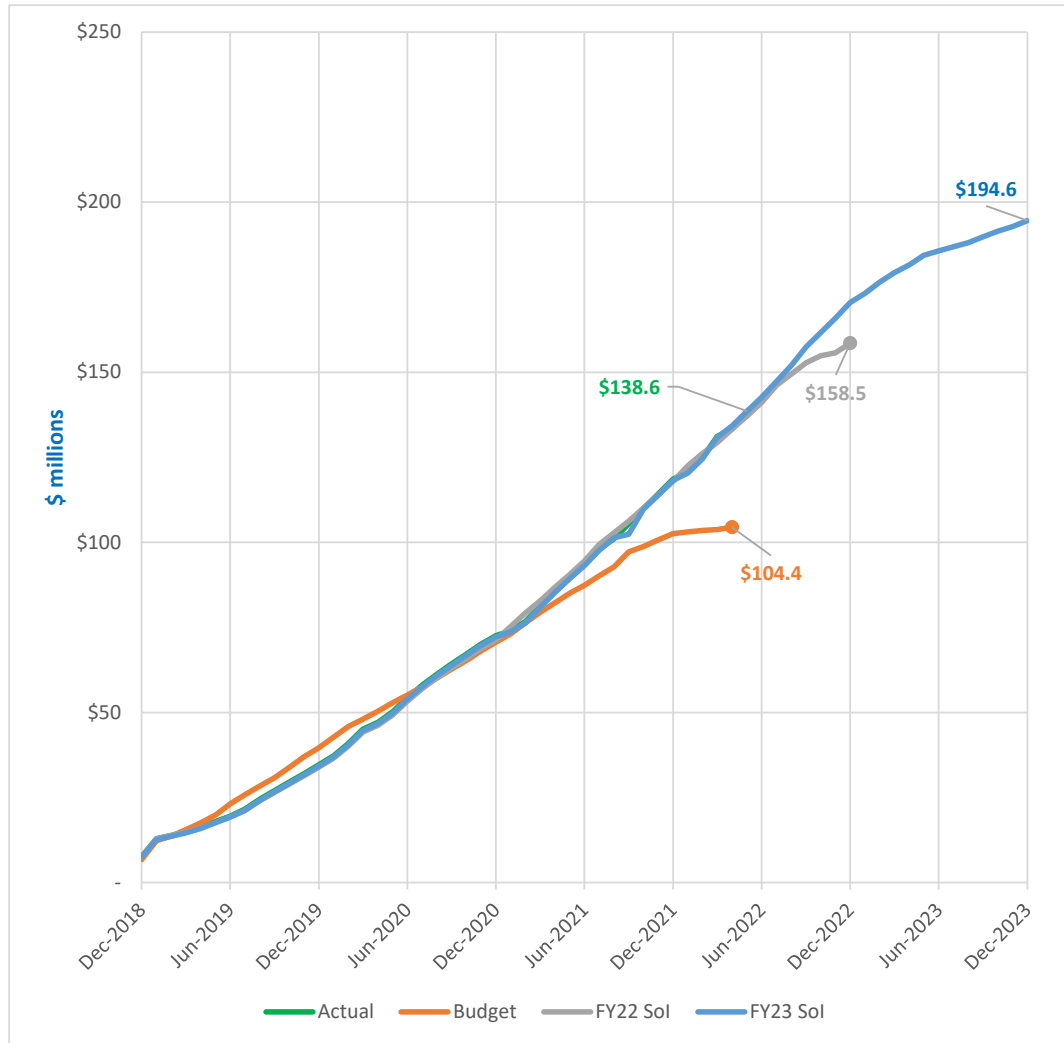
WWL forecasts a revised cost to complete of \$195M. This cost to complete requires an additional \$31M over the \$164M funded by shareholders in early 2021.

The cost of constructing the dam, primarily exacerbated by inflating mechanical and electrical costs, the encountered geology and the time to complete construction, are described in the annual and mid-year reports and are shown in the chart below.



*Budget movements*





Cost forecast.

## 9.2. Risk Management

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

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

## 9.3. Note to Risks

Project risks are dissipating with progress and as structures come up out of the ground. The most significant residual risks pertain to:

- Geology: Plunge pool and aprons upstream and below the spillway.
- Flood and abnormal weather, particularly delaying dam closure, which is sensitive to and dependent on weather.
- COVID-19: Loss of staff and productivity, depending on the Government's requirement for staff to self-isolate or the site to temporarily close.

- Mechanical and electrical works: The currently constrained global supply and freight environment stressing costs and causing delays.
- The Contractor facing productivity and resourcing risks and challenges in a tight 2022 construction sector.
- Contract disputes: The Contractor initiated Adjudication between the Contractor and WWL under the Construction Contracts Act 2002, which resulted in no further cost and delay to WWL. The Contractor subsequently served notice in June 2022 that they dispute the Adjudicator's Determination through arbitration. The Contractor also served notice in March 2022 of arbitration on a number of decisions of the Independent Engineer that they dispute. WWL expects arbitration to take 1-2 years and the outcome may impact the cost forecast.

As outlined in section 6, WWL expects a significant delay to the original programme. WWL expects to complete construction of the dam and close the reservoir for filling during the period of this Sol. WWL also expects to commence mechanical and electrical works during the period.



*Constructing the upstream face of the dam.*

#### 9.4. Construction Cash Flows

At the start of the FY23 financial year WWL estimates \$142.8M of the \$194.6M project cost will have been incurred, with a further \$43.0M to be incurred during the period of this SOI.

#### 9.5. Operating Cash Flows

During the period of this SOI loan repayments and interest due to CIIL, and a portion of WWL overheads, will be recovered from shareholders via water charges.

A budget for all payments to be settled by WWL in a financial year is set prior to the year starting, and the approved budget is then charged to water users quarterly in advance. Any cash surplus after the year end is either carried by WWL to reduce the following year's cash needs or used to repay loans. Any cash shortfall is charged to water users after year end.

In general, project costs incurred prior to project completion date (PCD) are included in the financed cost of the dam, and operating costs incurred after PCD are recovered via water charges.

A little over half of operating costs will be for insurance, rates and consent compliance. The remainder is for ongoing dam operations, maintenance, engineering, staff and company costs.

The table below illustrates the budget for this SOI period and the initial years of dam operations.

<u>Cost category</u>	<u>\$000s</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>
Interest		\$942k	\$1,158k	\$1,415k	\$1,500k
Loan repayments		\$321k	\$380k	\$383k	\$402k
Insurances		\$4k	\$337k	\$675k	\$678k
Rates		\$-	\$195k	\$390k	\$411k
Consent Compliance		\$26k	\$265k	\$504k	\$401k
R&M		\$2k	\$134k	\$267k	\$311k
Dam Safety		\$-	\$95k	\$190k	\$146k
Staff Costs		\$22k	\$236k	\$446k	\$440k
Directors Fees		\$13k	\$81k	\$150k	\$150k
Admin, lease, other		\$18k	\$108k	\$194k	\$190k
<b>Total water charges</b>		<b>\$1,348k</b>	<b>\$2,990k</b>	<b>\$4,614k</b>	<b>\$4,629k</b>
Financing		\$1,263k	\$1,538k	\$1,798k	\$1,902k
Operating		\$88k	\$1,452k	\$2,816k	\$2,727k
Insurances, rates and compliance		\$30k	\$797k	\$1,568k	\$1,491k
<i>l, r and c % of total operating</i>		35%	55%	56%	55%



## 10. Additional Information

### 10.1 Entity and Stakeholder Information

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

WWL is a Council Controlled Organisation subject to the Local Government Act 2002 and represents the shared interests of TDC and WIL. TDC is the majority shareholder with 51% of the issued shares and WIL holds the remaining 49% of issued shares.

Crown Irrigation Investments Ltd (CIIL) provides a \$25M loan to WWL, and further loans to the TDC.

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

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

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

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

### 10.2 Professional Support Information

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

## 10.3 Accounting Policies

### ***Reporting entity***

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

### ***Basis of preparation***

#### **(a) Statement of compliance**

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

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

#### **(b) Basis of measurement**

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

#### **(c) Functional and presentation currency**

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

#### **(d) Comparatives**

Statements report comparative figures.

#### **(e) Changes in accounting policies**

Accounting policies are adopted consistently.

### ***Summary of significant accounting policies***

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

#### **(f) Cash and cash equivalents**

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

#### **(g) Trade and other receivables**

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

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

#### **(h) Trade and other payables**

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

#### **(i) Property, plant and equipment**

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

Subsequent expenditure is capitalised and the cost incurred added to the carrying amount of an item of Property, Plant and Equipment if it is probable that the future economic benefits embodied in the specific asset will flow to 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.

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

#### **Disposals**

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

#### **Depreciation**

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

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



**(j) Intangible assets**

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

**(k) Impairment of non-current assets**

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

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

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

**(l) Other financial assets**

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

**(m) Share capital**

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

**(n) Interest bearing borrowings**

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

**(o) Employee entitlements**

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

**(p) Revenue**

Revenue comprises the fair value of the consideration received or receivable in the ordinary course of 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 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.

## 11. Financial Forecast

At incorporation in December 2018 shareholders anticipated Total Project Costs of \$104.4M. In June 2022, as described elsewhere in this document, shareholders acknowledged an updated Total Project Costs estimate to \$195M. WWL has completed three financial years (FY19 to FY21), is currently in year four (FY22), year five (FY23) is covered by this SOI, and year 6 onwards (FY24+) will see the transition to operations.

### 11.2 Profit and Loss Overview

Construction period								Operations period		
Costs and income	FY19	FY20	FY21	FY22	FY23	FY24	Total	FY24	FY25	FY26
	7 months	full year	full year	full year	full year	6 months	61 months	6 months	full year	full year
	Jun-2019	Jun-2020	Jun-2021	Jun-2022	Jun-2023	Dec-2023	Dec-2023	Jun-2024	Jun-2025	Jun-2026
Total Delivery Costs	17,197	30,949	37,383	45,287	39,122	7,077	177,015	0	-	-
Total Support Costs	2,343	2,744	2,900	3,980	3,894	1,742	17,603	-	-	-
Total Costs	19,540	33,694	40,283	49,267	43,016	8,819	194,618	0	-	-
Total Operating Costs	(325)	(646)	(462)	96	1,348	806	817	2,184	4,614	4,630
Water charges - TDC				-	(43)	(22)	(66)	(719)	(1,439)	(1,394)
Water charges - WIL				(115)	(1,304)	(783)	(2,203)	(1,465)	(3,175)	(3,236)
Net Commitment	19,215	33,048	39,822	49,248	43,016	8,819	193,167	0	-	-

### 11.3 Cash Flow Overview

Construction period								Operations period		
Cash flows	FY19	FY20	FY21	FY22	FY23	FY24	Total	FY24	FY25	FY26
	7 months	full year	full year	full year	full year	6 months	61 months	6 months	full year	full year
	Jun-2019	Jun-2020	Jun-2021	Jun-2022	Jun-2023	Dec-2023	Dec-2023	Jun-2024	Jun-2025	Jun-2026
Income from operations				115	1,348	806	2,268	2,443	4,614	4,630
Paid to suppliers/employees	(533)	(881)	(946)	(1,160)	(2,831)	(1,546)	(7,896)	(4,255)	(4,614)	(4,630)
Operating outflows	(533)	(881)	(946)	(1,045)	(1,483)	(740)	(5,628)	(1,812)	-	-
Capital (payments)/receipts	(9,669)	(31,472)	(38,383)	(47,610)	(44,231)	(7,583)	(178,947)	-	-	-
Equity contributions (TDC)	15,200	10,877	11,194	10,499	38,459	-	86,229	-	-	-
Equity contributions (WIL)	12,617	9,174	4,176	-	-	-	25,967	-	-	-
Shareholder advances	-	-	-	29,700	9,357	-	39,057	-	-	-
Change in Term Deposits	(15,267)	(919)	16,186	-	-	-	-	-	-	-
Net interest rec'd	312	501	618	21	-	-	1,452	-	-	-
Loans	2,062	12,266	12,243	7,111	-	-	33,682	-	-	-
Cash balance	4,722	4,268	9,356	8,032	10,135	1,812	1,812	0	0	0

### 11.4 Balance Sheet Overview

Construction period							Operations period		
Balance Sheet	FY19	FY20	FY21	FY22	FY23	FY24	FY24	FY25	FY26
	Jun-2019	Jun-2020	Jun-2021	Jun-2022	Jun-2023	Dec-2023	Jun-2024	Jun-2025	Jun-2026
	Jun-2019	Jun-2020	Jun-2021	Jun-2022	Jun-2023	Dec-2023	Jun-2024	Jun-2025	Jun-2026
Cash balance	4,722	4,268	9,356	8,032	10,135	1,812	0	0	0
Receivables	213	1,584	831	1,289	197	259	-	-	-
Accounts payable	(1,873)	(4,615)	(4,642)	(5,459)	(1,529)	(2,086)	-	-	-
Capital wIP	18,592	51,136	90,076	138,517	179,758	187,719	187,719	187,719	187,719
Fixed assets	204	297	229	154	108	66	50	50	50
Non-current liabilities	(2,361)	(14,597)	(27,013)	(64,179)	(74,396)	(74,396)	(74,396)	(74,396)	(74,396)
Term deposits	15,281	16,345	-	-	-	-	-	-	-
Total net assets	34,778	54,418	68,838	78,355	114,274	113,373	113,373	113,373	113,373
Shareholders	35,096	55,147	70,517	81,016	118,756	118,756	118,756	118,756	118,756
Retained earnings	(318)	(729)	(1,679)	(2,661)	(4,482)	(5,382)	(5,382)	(5,382)	(5,382)
Net equity	34,778	54,418	68,838	78,355	114,274	113,373	113,373	113,373	113,373



## 12. Glossary

This section summarises abbreviations used by WWL.

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