

STATEMENT OF INTENT

1 July 2024 – 30 June 2025

[VERSION: Final for release 30th June 2024]



Figure 1 First week after reservoir filled and spillway in use – 30 Jan 2024

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1. Summary

This Statement of Intent (SOI) is presented by the Directors of Waimea Water Limited (WWL, the Company) in accordance with Section 64 of the Local Government Act 2002 (LGA), for adoption by shareholders Tasman District Council (TDC) and Waimea Irrigators Limited (WIL).

This SOI provides a clear and succinct understanding of the Company's purpose, the services it delivers, and what success looks like (Part 1 – The performance story).

It also addresses general and specific shareholder expectations (Part 2 – General expectations, Part 3 – Specific expectations).

It is more than a strict compliance document, covering more than the statutory minimum requirements, though strict compliance matters are also captured (Part 4 – Compliance requirements).

This document also provides additional background information that might assist a first-time reader, or to refresh information for readers with familiarity of recent history. (Part 5 – Other background information).

Overall the key themes of this Sol reflect that by the time this Sol takes effect on 1 July 2024, the construction Contractor will have completed their work and no longer be controlling the site. WWL itself will, however, still be in transition through 'post-construction' to 'future operations'. WWL will also be managing its dispute with the construction Contractor.

1. The first set of core objectives for the Jul 2024 – Jun 2025 period of this Sol relate to post-construction activities; completing construction and as-built reporting, achieving TRMP 'with dam' status, completing the defects period, completing ancillary works, managing the dispute process with the Contractor, and demobilising the project team as required.
2. The second set of core objectives relate to the ongoing development and implementation of operations functions for the first three important years of operations¹, including managing; dam safety compliance, dam operating plans, water management plans and business as usual.

In addition;

3. Closing out the construction period² is still expected to be achieved within existing \$198.2m funding, within the period of this Sol.
4. Water charges to shareholders are expected to be ~\$7.6m during the period of this Sol, comprising ~\$3.7m OpEx and ~\$3.9m finance costs. There are general operating cost uncertainties in principle before all operations, maintenance and dam safety processes are bedded in.

¹ Needs will be reviewed for the long term after fundamental operations are well established.

² Refer section 7.

Part 1 – The performance story

This section tells WWL's 'performance story', providing a clear and succinct understanding of the Company's purpose, the goods and services it delivers and what success looks like. The 'performance story' links together; strategic context, an outcomes framework, and the main objectives, outcomes, targets and measures.

2.Purpose

WWL is committed to operating³ a safe, reliable, sustainable and efficient dam for the benefit of the Tasman region. WWL's vision is to operate the WCD to appropriate high standards to ensure reliable, sustainable and efficient water security and service to shareholders for the expected dam life of 100 years.

3.Services

WWL will provide dam operations for its shareholders consistent with its resource consent. In principle, WWL will capture and store water when there is plenty and release it during dry summer months.

4.Success

WWL will have the people, systems and positive relationships it needs to effectively deliver and operate the dam, subject to prudent financial management.

5.Strategic context

This section summarises the key strategic context for this Sol, as WWL transitions to operations.

5.1. Closing out the construction project

When this Sol takes effect in July 2024 the 'Contractor construction phase' will be complete⁴.

Remaining post-Contractor construction activities include 'the defects period' where the Contractor has responsibility to complete necessary repairs for teething issues identified after start-up, contract close out⁵, the internal completion of construction and as-built reporting, completing ancillary works (such as the micro-hydro turbine and access solutions), managing dispute proceedings, and demobilising the project team where appropriate.

Remaining Council compliance activities include achieving 'with dam' status under the Tasman Resource Management Plan (TRMP).

5.2. Managing operations

WWL will continue to develop and implement operations systems and processes.

A number of processes will be new and evolving, including dam safety compliance, dam management operations, and water management operations. Other 'corporate' processes will be little changed from those in place since WWL was formed, including consent and Biodiversity Management Plan

³ Prior Sol referred to the vision as '*building and* operating' and that vision now moves forward.

⁴ Practical Completion (PC) was issued 19 June 2024.

⁵ To the issue of final claims.

(BMP) compliance, finance, governance / secretarial, and fulfilling obligations to shareholders, regulators, financiers, and other stakeholders.

6. Outcomes framework

This section summarises WWL's 'outcomes framework' for this Sol.

WWL will continue to work to an outcomes framework with the following key features;

- Objectives will be clearly articulated to a strategic context (i.e. 'why').
- WWL will commit to achieving key outcomes (i.e. 'what').
- WWL will measure and review progress towards objectives / outcomes (i.e. 'how' and 'when').

The following sections describe objectives, outcomes, targets and measures as a consequence of using that framework above.

7. Closing out the construction project

This section describes objectives for the context above, and outcomes, targets and measures for each objective.

7.1. Complete construction and as-built reporting

After Practical Completion, the construction contract must be "complete", and all internal documentation updated to an appropriate standard for handover to operations staff.

Objective

Complete the Contract and all documentation.

Outcomes - WWL will;

- 7.1.1. Work with the Contractor on final claims to 'close out the contract'.
- 7.1.2. Finalise all as-builts, construction reports and QA processes.

Targets and measures

- 7.1.3. Construction contract closed out.
- 7.1.4. Construction reports and as-builts completed.

7.2. Achieve TRMP 'with dam' status

Under the TRMP, TDC must certify that water is stored and capable of release such that WWL can modify flows to the Wairoa River to trigger TRMP operational status and the TRMP transitional framework switching to the "with dam" framework.

Objective

Transition to TRMP 'with dam' framework.

Outcomes - WWL will;

- 7.2.1. Work with TDC to ensure all consent conditions and TRMP mechanisms are closed out.

Targets and measures

- 7.2.2. TRMP 'with dam' framework in place.

7.3. Complete the defects period

Some teething issues are likely to be identified during full operations and the Contractor has some responsibilities to complete necessary repairs. The period to ID and implement fixes is referred to as 'the defects period'.

Objective

Work through the first year of the defects period.

Outcomes - WWL will;

- 7.3.1. Ensure construction defects are appropriately identified and captured in a Defects Register.
- 7.3.2. Work with the Contractor to address all defects.

Targets and measures

- 7.3.3. Asset surveillance plan (defects) implemented.
- 7.3.4. Defects identified and addressed (register).

7.4. Complete ancillary works

Some activities within the \$198.2m project cost will be undertaken after Practical Completion.

Objective

Complete ancillary works.

Outcomes - WWL will;

- 7.4.1. Commission micro-hydro systems.
- 7.4.2. Implement access solutions (e.g. stairs, platforms, fencing, bridges).
- 7.4.3. Commission the site office.

Targets and measures

- 7.4.4. Micro-hydro systems commissioned.
- 7.4.5. Access solutions implemented.
- 7.4.6. Site office commissioned.

7.5. Manage dispute proceedings

WWL and the Fulton Hogan Taylor Joint Venture Contractor are in dispute.

Objective

Resolve the dispute.

Outcomes - WWL will;

- 7.5.1. Continue to prepare for and manage dispute proceedings.
- 7.5.2. Ensure it has all the resources in place to appropriately defend /pursue arbitration.

Targets and measures

- 7.5.3. Contract dispute resolved.

7.6. Demobilise as required

WWL has operated since its inception with a small team essentially comprising engineering / project management staff plus support staff. As the four objectives above are completed the expertise required across the engineering / project management team can progressively reduce.

Objective

Retain expertise to see through; completion of construction and as-built reporting, working through the defects period, completing ancillary works, and managing the dispute process.

Outcomes - WWL will;

- 7.6.1. Ensure it has all the resources in place to successfully complete all post-construction activities.
- 7.6.2. Demobilise project / engineering staff as required.

Targets and measures

- 7.6.3. Staff demobilised in line with post-construction activities.

8. Managing operations

This section describes objectives for the context above, and outcomes, targets and measures for each objective.

8.1. Dam safety compliance

WWL must operate and maintain the dam in accordance with dam safety regulations (2022) and New Zealand Society of Large Dams (NZSOLD) guidelines.

Objective

Safely operate the dam in compliance with regulations and guidelines.

Outcomes - WWL will;

- 8.1.1. Comply with regulations requiring a Dam Safety Assurance Programme, including audit and certification by a Recognised Engineer every 12-months, and submission of an annual dam safety certificate to TDC as the regulator.
- 8.1.2. Comply with its own Dam Safety Management System (DSMS), that meets the requirements of NZSOLD guidelines, including surveillance and asset management.

Targets and measures

- 8.1.3. DSMS approved and complied with.
- 8.1.4. Intermediate (annual) Dam Safety Review completed.
- 8.1.5. Annual Dam Compliance Certificate submitted.
- 8.1.6. Annual test and review of Emergency Action Plan (EAP) completed.

8.2. Dam operations plans

Beyond dam safety, WWL must have systems in place to operate and maintain the dam in general, and to respond to unusual events, including in accordance with NZSOLD guidelines. WWL must operate and maintain the dam in accordance with the resource consent.

Objective

WWL will have systems in place to operate and maintain the dam to appropriate standards, and to respond to unusual events.

Outcomes - WWL will;

- 8.2.1. Operate a Health, Safety and Wellbeing Management System (HSWMS) that protects the safety and wellbeing of employees and contractors and meets requirements of health and safety legislation. (Refer section 18.)
- 8.2.2. Verify compliance with the HSWMS.
- 8.2.3. Ensure a robust Business Continuity Plan (BCP) is in place.
- 8.2.4. Ensure a robust Crisis Management Plan (CMP) is in place.
- 8.2.5. Follow plans and procedures described in the Operations and Maintenance Manual (OMM).
- 8.2.6. Maintain compliance with the resource consent.

Targets and measures

- 8.2.7. HSWMS reviewed.
- 8.2.8. HSWMS compliance verified.
- 8.2.9. BCP tested.
- 8.2.10. CMP tested.
- 8.2.11. OMM complied with.
- 8.2.12. BMP complied with.

8.3. Water management

WWL is committed to working with shareholders on water augmentation, minimising its impact on the environment, taking steps to improve river water quality, and complying with resource consents.

Objective

Augment water supplies as appropriate and manage water quality in accordance with the resource consent.

Outcomes - WWL will;

- 8.3.1. Manage water releases from the reservoir in accordance with the Reservoir Release Water Management Plan (RRWMP).
- 8.3.2. Monitor reservoir water quality.
- 8.3.3. Monitor river water quality.

Targets and measures

- 8.3.4. RRWMP complied with.
- 8.3.5. Reservoir WQP complied with.
- 8.3.6. River WQP complied with.

8.4. Corporate activities**Objective**

Continue to maintain a tight focus on financial management and minimising cost, and to operate all 'corporate' functions to best practice proportionate to organisation scale, without compromising safety, reliability, sustainability, and efficiency.

Outcomes - WWL will;

- 8.4.1. Manage costs and funding in accordance with the Company Constitution, best practice, and Generally Accepted Accounting Principles.
- 8.4.2. Regularly report to shareholders TDC and WIL, and to financier Crown Irrigation Investments Ltd (CIIL).
- 8.4.3. Receive an unqualified audit opinion from Audit NZ on behalf of the Auditor General.
- 8.4.4. Maintain a Corporate Risk Management System (CRMS).

Targets and measures

- 8.4.5. Funding agreements being complied with.
- 8.4.6. Shareholder reporting 100% on time.
- 8.4.7. Water charges invoicing 100% accurate and on time.
- 8.4.8. Unqualified audit opinion received.
- 8.4.9. CRMS being complied with.

9. Performance targets

This section summarises the targets described above.

Objective / outcomes	KPI to 30 June 2025	KPI to 30 June 2026
Complete construction and as-built reporting		
Construction Contract	Closed out	n/a
Construction reports and as-builts	Completed	n/a
Achieve compliance for TRMP 'with dam' framework		
TRMP 'with dam' framework in place	Complete	n/a
Complete the defects period		
Asset surveillance plan (defects)	100% implemented	100% implemented
Defects identified and addressed (register)	Progress tracked	Completed
Complete ancillary works		
Micro-hydro systems commissioned	Commissioned	n/a
Access solutions	Implemented	n/a
Manage dispute proceedings		
Contract dispute	submissions completed	Completed / resolved
Demobilise as required		
Staff demobilised in line with post-construction activities	On track	Completed
Dam safety compliance		
DSMS	100% compliance	100% compliance
Intermediate (annual) Dam Safety Review	Completed	Completed
Annual Dam Compliance Certificate	Submitted	Submitted
Annual test and review of EAP	Completed	Completed
Dam operations plans		
HSWMS review and verification	Complete	Complete
Annual BCP and CMP tests	Complete	Complete
OMM	100% compliance	100% compliance
BMP	100% compliance	100% compliance
Water management plans		
Reservoir release plans	100% compliance	100% compliance
Reservoir and River WQPs	100% compliance	100% compliance
Corporate activities		
Water charges invoicing	100% accurate and on time	100% accurate and on time
Funding agreements	100% compliance	100% compliance
Shareholder reporting	100% on time	100% on time
Audit	Unqualified opinion	Unqualified opinion
CRMS	100% compliance	100% compliance

Part 2 – General expectations

This section lists general expectations set by Tasman District Council for all Council Controlled Organisations.

10. Include financial statements and measures

Summaries of profit and loss, cash flow, and balance sheet forecasts are shown below.

10.1. Profit and Loss Overview

<u>Profit and loss (\$000s)</u>	<u>Jun 2025</u>	<u>Jun 2026</u>	<u>Jun 2027</u>
Income			
Water charges	7,630	7,770	7,635
Total income	7,630	7,770	7,635
Expenses			
Interest expense	3,903	3,819	3,585
Insurance	815	856	877
Staff	504	586	601
Environmental	555	583	597
Rates etc	363	381	390
Dam Operations	664	678	695
Directors	267	280	287
Dam Safety	238	250	256
Professional fees	85	89	91
Facilities / Admin etc	174	182	187
Vehicles	32	33	34
Land costs	31	33	33
Depreciation	1,915	1,915	1,915
Total expenses	9,545	9,685	9,548
Profit (Loss)	(1,915)	(1,915)	(1,913)

<u>Analysis of water charges</u>	<u>Jun 2025</u>	<u>Jun 2026</u>	<u>Jun 2027</u>
Interest expense	3,903	3,819	3,585
Financing repayments	-	-	-
Operating expenses	3,727	3,951	4,051
Total	7,630	7,770	7,636
WIL share	3,985	4,028	3,939
TDC share	3,645	3,742	3,697
Total	7,630	7,770	7,636

10.2. Cash Flow Overview

<u>Cash flows (\$000s)</u>	<u>Jun 2025</u>	<u>Jun 2026</u>	<u>Jun 2027</u>
Opening cash balance	3,686	200	400
Income from operations	7,630	7,770	7,635
Paid to suppliers/employees	(7,430)	(7,570)	(7,435)
Operating in (out) flows	200	200	200
Capital (payments)/receipts	(3,686)	(0)	(0)
Equity contributions (TDC)	-	-	-
Shareholder advances	271	291	315
Loans	(271)	(291)	(315)
Cash balance	200	400	600

With respect to 'Capital (payments)' above, as referenced in sections 5.1 and 7, some costs to close out the project, within the \$198.2m budget, will be funded in the period of this Sol.

10.3. Balance Sheet Overview

<u>Balance Sheet (\$000s)</u>	<u>Jun 2025</u>	<u>Jun 2026</u>	<u>Jun 2027</u>
Cash balance	200	400	600
Fixed assets	190,093	187,977	185,863
Non-current liabilities	(24,705)	(24,414)	(24,099)
Total net assets	165,588	163,963	162,364
Shareholder equity	98,229	98,229	98,229
Shareholder advances	73,323	73,613	73,929
Retained (accounting) losses	(5,964)	(7,879)	(9,794)
Net equity	165,588	163,963	162,364

11. Comply with LGA, Public Records Act and H&S legislation

This expectation is covered in Part 4 of this document, in sections 24, 25, and 26.

12. Dividend policy

WWL is operated on a cost recovery basis only and no dividend is payable.

13. Capital expenditure and asset management

This section summarises capital expenditure and asset management intentions.

WWL will maintain a tight focus on financial management with respect to any ongoing CapEx and will maintain the dam and other assets within budget constraints and without compromising safety, reliability, sustainability, and efficiency.

14. Reporting

This section summarises how WWL uses the same information for both managing the business and reporting through to Shareholders, and for setting targets and reporting against them.

WWL will provide shareholders with reports in accordance with the LGA. In addition, WWL will provide quarterly and other reports in accordance with shareholder expectations.

Statement of Intent

No later than 1 March each year WWL will deliver to 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 will deliver to shareholders a brief unaudited report containing information and commentary on results for that quarter.

Mid-Year Report

No later than 28 February each year WWL will deliver to shareholders an unaudited report containing information for the six-month period ending the preceding 31 December:

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

Annual Report

No later than the date required by the LGA, currently 30 September, WWL will 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:

- Commentary on operations and results for the year including progress against Sol objectives.
- Statement of Comprehensive Revenue and Expenses disclosing actual and comparative figures, Statement of Financial position at the end of the year, and Statement of Cash Flows.
- Auditor's report.

The Annual Report will be made publicly available on the WWL website www.waimeawater.nz.

15. Performance Story

This expectation is covered in Part 1 of this document.

16. Risk management and natural hazards

This section summarises how the Board is managing risks, including natural hazards.

WWL will manage risk under three frameworks; the HSWMS concerned with personal health safety, and wellbeing, the DSMS concerned with dam safety, and a CRMS concerned with 'corporate' functions and processes. (A fourth framework for project / construction risk is progressively 'sunsetting out'.)

All frameworks use a consistent best practice methodology to clearly define risks, identify likelihood, consequence and adequacy of controls, determine target ratings, describe controls to be implemented, and manage / monitor the residual risk.

Natural hazards with a risk consequence to employees, contractors, and visitors in day-to-day operations are managed under the HSWMS. Natural hazards with a risk consequence from dam failure, including to life downstream, are managed under the DSMS. Long range sustainability impacts from climate change are described in the following section 17.

Personal health and safety

The comprehensive HSWMS process is described in section 26.

Dam safety

The DSMS process is described in section 8.1.

Corporate risk

The CRMS outlines the system and processes for managing the risk WWL does not have appropriate 'corporate' practices and protocols in place, that could result in; breaking the law, not meeting shareholder requirements, not meeting financier requirements, or a failure to manage other 'corporate' functions.

For each of those risk themes the CRMS outlines expectations and risks and controls.

Project / construction risk

Risks related to geology and weather largely dissipated with closure of the diversion culvert in May 2023 and the subsequent filling of the reservoir in January 2024.

17. Sustainability

This section describes measures and targets in place to address environmental and climate change concerns, including measures to; support the transition of WWL to net zero carbon emissions by 2050, prepare for impacts of climate change - including assessing key organisational climate change risks, and minimise waste and support the shift to a circular economy.

Net zero carbon

WWL has installed its own micro-hydro power generation with a battery bank to provide renewable hydropower to power controls (valves), amenities, and instrumentation at the dam site.

WWL can work with stakeholders to investigate the feasibility of further hydro power generation and transmission, to help mitigate other activities that require diesel or other sources of carbon. These include powering winches to raise/lower intake screens between reservoir and crest, and emergency back-up power. Utilising unused energy from reservoir head to generate power via hydro-turbine could generate 1.5 – 3 MW. Solutions will be investigated by 2035.

Without additional hydro generation, diesel generators could be replaced with mains power, or fuelled with biodiesel when available. Solutions will be confirmed by 2035.

Vehicles and boats powered from carbon sources will be replaced with electric, hydrogen or bio-diesel power concurrent with industry / NZ development. Solutions will be confirmed by 2030.

WWL will consider expanding carbon credit offset planting at Rough Island and the Lee Valley. New plans will be confirmed every five years.

Climate change impacts

The entire ethos of the WCD is to secure the region's water supply for the next 100+ years and improve water quality to provide a better environment for people, plants, fish, and animals.

In particular, climate changes studies⁶ show expected increases in water demand (increases in the persisting dewpoint that will lead to drier soils and transit losses), and an increased frequency of extraordinary rainfall events (increased peak rainfall intensity but less antecedent precipitation / wetness). These impacts are specifically contemplated in dam design.

- The ~12m³ reservoir capacity is expected to support a 1:70 year drought. A 20% increase in demand would halve the frequency to a 1:35 year drought, and capacity would still be appropriate.
- The current estimated 1:10,000 year peak inflow is 616 m³/s. A 20% increase though climate change would increase this to 741 m³/s. Spillway capacity based on computational fluid dynamic modelling is 1200 m³/s.

Shift to circular economy

The circular economy is based on principles driven by design, to; eliminate waste and pollution, circulate products and materials at their highest value, and regenerate nature.

As noted above, the entire ethos of the WCD is to secure the region's water supply for the next 100+ years and improve water quality to provide a better environment for people, plants, fish, and animals. The theme to store water that would otherwise 'go to waste' during wet periods so it can instead be used productively during dry periods directly supports a core circular economy principle. In addition, the theme to be able manage / maintain river flows year-round through wet and dry periods directly supports the core principle to regenerate nature.

18. Health and safety

Legislators and shareholders expect the Board to set appropriate Health and Safety strategy and policy, understand the nature of risks/hazards within the business, monitor performance and activities to ensure risk is being managed, and review Health and Safety systems and performance.

This expectation is covered in section 26.

19. Governance Performance

This section summarises WWL's governance performance themes

The Board undertakes regular evaluations of its own performance at least once every eighteen months, to aid shareholders when making decisions on Director remuneration and appointments.

The Chair of the Board references evaluations when making recommendations on the re-appointment or recruitment of Board Directors, to ensure skills, knowledge and experience required of directors is identified, including knowledge of tikanga Māori.

⁶ Including University of Melbourne reports to the Australian National Committee on Large Dams (ANCOLD) conference 28 October 2022.

The Board evaluation of its performance is a matter for all shareholders to consider, though WWL acknowledges TDC, WIL, and Ngāti Koata each have their own appointment process.

20. Other matters

This section summarises WWL's approach to other shareholder expectations

WWL ensures effective performance reporting by the inclusion of quantifiable measures and SMART targets, including enhanced measures on Health and Safety. Refer section 8.2.1.

WWL, before making a decision that may significantly affect land or a body of water, considers the relationship of Māori and their culture and traditions with their ancestral land, water, sites, wāhi tapu, valued flora and fauna and other taonga.

WWL ensures there is 'no surprises' communication with the Shareholders on matters which are in the shareholders' or public interest and are not highly commercially sensitive.

Part 3 – Specific expectations

This section describes how WWL plans to address specific expectations advised in the Shareholders' Statement of Expectation.

21. Addressing key staff risk

WWL has plans to address key staff risk as the construction phase of the project ends in early 2024 and the transition through to routine ongoing operations is completed in the 2024/25 year.

WWL will have the resources in place to both:

1. Close out the construction project (refer section 7).
2. Operate and maintain the dam to appropriate standards and in line with business plans and budgets.

22. Future operating budgets and operating model

The operating budget and operating model described below are based on prudent and efficient management post dam completion.

22.1. Operating cash flows

In general, project costs are the capital cost of the dam (\$198.2m financed by debt, advances and equity), and water charges recover both capital and operating costs (finance repayments, interest, and WWL overheads). Water charges are invoiced to water users each quarter in advance to support appropriate cash flow management.

Any cash surplus after the year end is carried by WWL as a maintenance reserve. Any cash shortfall would be charged to water users after year end.

22.2. Operating costs

Forecast operating costs have increased 3% from those forecast in the previous SOI primarily due to a clearer understanding of probable operations needs. Finance costs have increased with interest rate increases. The table below illustrates the budget for this SOI period and indicative estimates for FY26 and FY27 subject to review in future Statements of Intent.

No allowance is made in operating budgets for any costs that may be incurred to defend arbitration or adjudication initiated by the Contractor.

<u>Cost category</u>	<u>\$000s</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>
Interest on project cost		\$3,903	\$3,819	\$3,585
Project cost loan repayments		\$-	\$-	\$-
Insurance		\$805	\$856	\$877
Staff Costs		\$504	\$586	\$601
Consent Compliance		\$555	\$583	\$597
Rates		\$363	\$381	\$390
R&M		\$664	\$678	\$695
Directors Fees/D&O insurance		\$267	\$280	\$287
Dam Safety		\$238	\$250	\$256
Admin, lease, other		\$321	\$337	\$345
Total water charges		\$7,630	\$7,770	\$7,636
Financing		\$3,903	\$3,819	\$3,585
Operating		\$3,727	\$3,951	\$4,051

23. Future estimated water charges

Estimated costs above would be recovered as water charges from both TDC and WIL.

<u>Cost Recovery</u>	<u>\$000s</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>
Water charges TDC		\$3,645	\$3,742	\$3,697
Water charges WIL		\$3,985	\$4,028	\$3,939
Water charges TOTAL		\$7,630	\$7,770	\$7,636

Part 4 – Compliance requirements

The section describes how key pieces of legislation will be complied with.

24. Compliance with Schedule 8 of the LGA

24.1. Objectives

WWL will operate the dam safely, reliably, sustainably, and efficiently.

Personnel safety

24.1.1. WWL will continue to use an appropriate and robust risk based HSWMS to mitigate the risk of serious injuries to staff, contractors and the public during operation of the dam.

Dam safety

24.1.2. WWL will operate the dam to the appropriate high standards described in NZSOLD guidelines⁷ and Dam Safety Regulations (2022).

Reliability

24.1.3. WWL will operate and maintain the dam in a manner that allows it to reliably operate over its planned 100-year life to meet the requirements of the resource consent and maintain asset integrity to meet requirements of NZSOLD guidelines.

Sustainability

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

- 24.1.4.1. Economic sustainability by providing shareholders with a safe, reliable and efficient asset.
- 24.1.4.2. Environmental sustainability by understanding consumption and waste, emissions and implementing its environmental and biodiversity management plans.
- 24.1.4.3. Transition to net zero carbon emissions by 2050.
- 24.1.4.4. 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.

Efficiency

24.1.5. WWL will operate the dam within approved budgets while always bearing in mind the priority objectives to provide a safe, reliable and sustainable asset. WWL will efficiently and proactively manage operating risks.

⁷ https://nzsold.org.nz/wp-content/uploads/2017/08/nzsold_dam_safety_guidelines-may-2015.pdf

24.2. Approach to 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.

The WWL Board currently has seven highly experienced directors, all reappointed for four years in November 2022. TDC may appoint four directors, WIL appoints two, and Ngāti Koata appoints one.

The WWL Board is supported by an audit and risk committee. The Board and the committee review their effectiveness every year. Management governance and assurance is prescribed in WWL’s Corporate Risk Management System, which is reviewed and updated annually by the Board.



24.3. Nature and scope of activities

The scope of WWL’s activities for 2024-25 are described in Part 1 – The performance story.

24.4. Non-financial performance targets

Non financial performance targets for 2024-25 are described in Part 1 – The performance story.

24.5. Accounting policies

This section captures WWL’s accounting policies, included in audited financial statements

Reporting entity

Waimea Water Limited (WWL) is a Council Controlled Organisation under Section 6 of the Local Government Act 2002 (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 required by the Companies Act 1993. WWL has a balance date of 30 June.

Financial statements are 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

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

(c) Functional and presentation currency

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

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.

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.

Depreciation of dam project components will be provided on a straight line basis to write off the cost (or valuation) to estimated residual values. Depreciation of other assets will be provided on a diminishing value basis to write off the cost (or valuation) to estimated residual values, over their useful lives.

Land	not depreciated
Leasehold improvements	10% (DV)
Furniture and equipment	16% - 50% (DV)
Vehicles	20% - 30% (DV)
Buildings (including fit out)	2-100 years (SL)
Bridges	100 years (SL)

Culverts, structures and fill (concrete, rock)	80-120 years (SL)
Earthworks and river stop banks	not depreciated (SL)
Rock and slope protection	80-120 years (SL)
Water pipes/valves/meters (manual)	15-80 years (SL)
Water pipes/valves/meters (automatic)	15-80 years (SL)
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.

Water charges income is recognised on an accrual basis in proportion that costs expensed to date bear to the estimated total costs of the transaction.

(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.

Insurance

Insurance costs paid in advance for services to be received in the future are initially recorded as assets and their value is expensed over time onto the Statement of Comprehensive Revenue and Expense.

(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.

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.

24.6. Forecast financial information

Refer section 10.

25. Compliance with Public Records Act 2005

WWL ensures management, retention, and disposal of records in line with the requirements of this Act and its related mandatory Information and Records Management Standard - July 2016

26. Compliance with Health and Safety legislation

This section summarises WWL's HSWMS framework, structured using the following sections.

26.1. Legal requirements

Businesses operating within New Zealand are required to meet certain legislative requirements to support and improve work health and safety, primarily the Health and Safety at Work Act 2015, Health and Safety Regulations, and the Accident Compensation Act 2001.

26.2. Leadership, culture and reporting

Fundamental to the success of WWL's HSWMS is leadership and ensuring a safety focussed culture within the organisation.

26.3. Hazard and risk management

The purpose of hazard and risk management is to proactively identify and manage hazards / risks across the business to reduce risk and actual or potential harm to people, equipment and the environment.

26.4. Incident reporting, management and investigation

The purpose of Incident reporting, management and investigation is to accurately report, record and investigate incidents to prevent future harm and identify continuous improvement opportunities.

26.5. Training and competency

The purpose of training and ensuring competency is to ensure processes are established to provide the requisite training, competency and awareness to effectively manage HSW risks.

26.6. Emergency preparedness

The purpose of emergency preparedness is to ensure that the appropriate resources and incident response plans are prepared, practiced, and available.

26.7. Injury management

The purpose of injury management is to support and encourage a safe and early return to work.

26.8. Health and wellbeing

The purpose of monitoring and supporting health and wellbeing is to ensure employees and contractors are both fit for work and not adversely affected by hazards exposed during their employment.

26.9. Contractor management

The purpose of ensuring a contractor's HSW system meets WWL's requirements is to ensure HSW risks associated with procured materials, equipment, services, and labour are effectively managed and effective communication processes are in place.

26.10. Audit and verification

The application and effectiveness of the HSWMS shall be tested and verified.

Part 5 – Other background information

The section describes other information that might assist a first-time reader, or to refresh information for readers with familiarity of recent history.

27. Waimea Water Ltd

WWL is a joint venture between TDC and WIL. WWL is a Council-Controlled Organisation under Section 6 of the LGA. WWL is a limited liability company, incorporated under the Companies Act 1993.

WWL represents the shared interests of TDC and WIL. When fully funded to \$198.2m TDC will be the majority shareholder with 74% of the issued shares and WIL will hold the remaining 26%.

CIIL provides a \$25M loan to WWL, and further loans to TDC.

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

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

28. The Waimea Community Dam

The dam is a significant infrastructure project for the Tasman region, to secure water supply for the next 100 or more years. Approval to proceed with the dam was reached in December 2018.

The project began in March 2019, site works commenced in August 2019, the embankment culvert was closed in May 2023, and the reservoir filled for the first time in January 2024.

The dam is a concrete-face rockfill dam, 53 metres high, 220 metres long, and six metres wide at the crest. The spillway is 165 metres long, 40 metres wide at the top, 20 metres wide at the bottom, and descends 50 vertical metres.

The dam was designed to contemporary international design standards under New Zealand and international Dam Safety Guidelines. The dam was built by a joint venture between Fulton Hogan Ltd and Taylors Contracting Ltd (the Contractor). Compliance with design standards was regularly peer reviewed by technical dam experts as the build progressed. Damwatch Engineering Ltd independently reviewed the construction and provided design guidance. GHD Engineering peer reviewed design changes.

29. Benefits to the region

The reservoir created by the dam will contain approximately 12 billion litres of water. The benefits of the dam for the region are:

- Providing the shareholders, being the community and Waimea irrigators, with water security and supporting a growing population, particularly in the face of climate change. The dam is designed and expected to provide coverage for a drought greater than a 1-in-50 year event.
- Healthy Lee and Waimea rivers for swimming, fishing and other recreational activities.
- Healthier rivers for aquatic life to thrive by maintaining minimum river flows.
- 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 (housing), commercial and industrial investment and development, which brings jobs, more housing and associated economic activity.
- Greater potential to develop, maintain and grow businesses for future generations.

30. Professional support information

Dam advisory Engineer:	Damwatch Engineering Ltd
Legal Support:	Anderson Lloyd, Duncan Cotterill, Pitt & Moore
Auditor:	Audit New Zealand on behalf of the Auditor-General
Banker:	ANZ Corporation

31. Project cost

The original budget in December 2018 was \$104.4m comprising a \$99.8m project cost and \$4.6m contingency. The project cost increased \$98.4m by completion to \$198.2m, driven by;

- Encountered Geology: +\$43m. Issues included; poor quality indigenous rock-fill requiring the import of drainage material and sand, shear zones bisecting the spillway requiring an impermeable apron on the approach channel and enlarged cut-off wall beneath the spillway, greater stabilisation on the left abutment, increased foundation treatment to the embankment and spillway, and greater sub-surface grout curtain requiring ~17,000m of drilling rather than originally planned 5,000m of drilling.
- Mechanical and Electrical Costs: +\$22m. Issues arose because mechanical and electrical systems were not designed or procured at project funding. Design was completed during FY2021 for procurement from FY2022. Versus the contract provisional sum, there were higher costs for design, significant inflation as a result of the economic environment during the construction period, greater cost than expected to install some components and for temporary river diversion works, and greater time-related costs to the Contractor for the prolongation of works.
- Other project Costs: +\$33m. Issues arose because costs were underbudgeted or not contemplated, and included; additional dam engineering and construction supervision costs (including to address encountered geological conditions), additional project services and legal support to assist contractual management and defending disputes, and office costs increased to support design and construction activities over a longer period - that included COVID-19 lockdowns and impacts.

32. Glossary

This section summarises abbreviations used in this document.

Abbreviation	Definition
BCP	Business Continuity Plan
BMP	Biodiversity Management Plan
CMP	Crisis Management Plan
CIIL	Crown Irrigation Investments Ltd
CRMS	Corporate Risk Management System
DSMS	Dam Safety Management System
EAP	Emergency Action Plan
HSWMS	Health, Safety and Wellbeing Management System
KPI	Key Performance Indicator
LGA	Local Government Act 2002
NZSOLD	New Society of Large Dams
OMM	Operations and Maintenance Manual
PC	Practical Completion
RRWMP	Reservoir Release Water Management Plan
SOI	Statement of Intent
TDC	Tasman District Council
TRMP	Tasman Resource Management Plan
WCD	Waimea Community Dam
WIL	Waimea Irrigators Limited
WWL	Waimea Water Ltd