

Annual Report
For the Year Ended 30 June 2021



Annual Report - Contents
For the Year Ended 30 June 2021

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Company Directory For the Year Ended 30 June 2021

Incorporated:	6 September 2016
Nature of Operations:	<p>The principal activity of Waimea Irrigators Limited (WIL) is as a joint partner with Tasman District Council in the construction and operation of a dam in the Lee Valley. The current focus of WIL is:</p> <p>a) To ensure that the Dam construction is completed and b) To ensure sufficient release of Dam Water into the Upper Lee River and associated groundwater system to improve the reliability of its Shareholder's Ground Water Permits and/or Surface Water Permits through the affiliation of those Ground Water Permits and/or a Surface Water Permits under the Tasman Resource Management Plan. A Shareholder with a Shareholder Water Augmentation Agreement is entitled to apply for an Affiliated Ground Water Permit and/or a Surface Water Permit under the Tasman Resource Management Plan.</p>
Business Address	491 Nayland Road, Stoke, Nelson
Registered Office:	491 Nayland Road, Stoke, Nelson
Directors:	Richard BENNISON Murray Grant KING Mark Randall O'CONNOR Julian Richard RAINE Mathew Simon HODDY
Project Manager	Natasha BERKETT
Shareholders	Extensive
Accountants:	Findex (NZ) Limited 72 Trafalgar Street Nelson
Independent Auditor:	BDO Christchurch 287/293 Durham Street North Christchurch
Bankers	ANZ Bank 248 Trafalgar Street Nelson
Solicitors:	Anderson Lloyd 70 Gloucester Street Christchurch



Chairman's Report For the Year Ended 30 June 2021

The end is in sight! Waimea Community Dam is scheduled for completion within the next twelve months and we expect that the filling process will have commenced by this time next year.

At the last annual meeting I talked about annual rainfall running at 60 percent of normal. The latest rainfall records indicate that we are currently 140 percent above the long-range average. Whilst everyone has a view on climate change, the one thing we can all agree on is the likelihood of more extreme and volatile climatic events, as demonstrated by these rainfall figures. We cannot control the climate, but we can smooth some of its impacts. Waimea Community Dam will greatly assist in us smoothing climatic volatility and help build a vibrant local economy and community.

During the year Waimea Water Limited (WWL) revised their cost to complete estimates from the funded \$104.4M to a range with a top end of \$164M. Clearly this was of immense disappointment to the WIL directors and shareholders and occurred despite the earlier 95% confidence. The reasons for cost escalation have been well reported but can be summed up by three factors - unexpected geological conditions, covid impact leading to time delay and cost increases exacerbated by supply chain issues.

At our special shareholder meeting in June shareholders approved funding repayments of an additional \$28M of borrowing by WWL to fund the WIL share of the cost overrun. WWL will borrow the funds from TDC, through a range of nil and low interest loans. The alternative was WIL shareholders incurring targeted rating by TDC to fund the WIL share of the overrun, which TDC was solely responsible for under the original agreement. Targeted rating was considered less equitable to the shareholders. Pleasingly, shareholders voted 99.4% in support of the funding.

WIL's shareholders will have increased annual water charges under the Wholesale Water Augmentation Agreement, to service the additional debt WWL has. The first call on the water charge is not likely to be until the end of 2022.

Covid delta variant continues to impact on everyone. Fortunately, WWL sought and was granted essential status and was able to continue construction, with only limited delay.

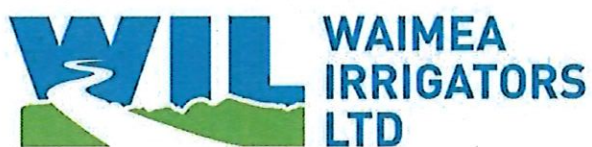
Along with irrigation reliability, an additional outcome of the Waimea Community Dam has been the assurance of water security for urban development and the Richmond West development is a clear winner. Nevertheless, further urban sprawl may encroach on the WCD zone of benefit. WIL directors are aware of this and following closely as it may impact on WIL's ability to sell additional shares, which is a condition of our arrangement with Crown Irrigation Infrastructure Limited and will help keep annual charges affordable.

Regular construction updates are provided by Waimea Water Limited to the public through their newsletter <https://waimeawater.nz/about/news/>. I encourage shareholders to regularly check their website and view the image updates. In addition, shareholders are encouraged to join the site visits as they become available. Recent visitors have positively commented on their surprise as to the scale and progress of the project.

Thank you to our shareholders for your continued support. Thanks also to our directors for their guidance and wisdom and in particular Julian Raine and Bruno Simpson our appointees on the Waimea Water board. Natasha Berkett our project manager has again ensured the efficient management of our work behind the scenes. Natasha will be reducing her role from December and administration will be taken over by Fleur Creedmore. Should you have any questions your directors are available at any time.

DocuSigned by:

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Murray King
Chairman WIL



Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2021

	Notes	30/06/2021 \$	30/06/2020 \$
Revenue	2.2	-	4,400
Less Expenses			
Administration Expenses	2.3.1	(256,461)	(238,629)
Finance Costs	2.3.3	(189,360)	(173,434)
Share of Loss in Associate	2.3.4	(907,887)	(200,449)
Total Expenses		(1,353,708)	(612,512)
Operating Loss		(1,353,708)	(608,112)
Other Income			
Interest Received	2.4	1,545	7,952
Other Income	2.5	387,000	387,000
Total Other Income		388,545	394,952
Loss Before Income Tax		(965,163)	(213,160)
Income Tax	2.6		77,663
Net Profit / (Loss) After Income Tax attributable to shareholders		(965,163)	(290,823)
Other Comprehensive Income		-	-
Total Comprehensive Income Attributable to Shareholders		(965,163)	(290,823)



Statement of Changes in Equity
For the Year Ended 30 June 2021


	Notes	Share Capital	Accumulated Losses	Total Equity
		\$	\$	\$
Balance 30 June 2019		14,902,100	(1,851,280)	13,050,820
Loss for the year		-	(290,823)	(290,823)
<i>Transactions with owners in their capacity as owners</i>				
Issue of Shares	4.1	40,212	-	40,212
Calls on shares	4.1	8,096,000	-	8,096,000
Balance 30 June 2020		23,038,312	(2,142,103)	20,896,209
Loss for the year		-	(965,163)	(965,163)
Balance 30 June 2021		23,038,312	(3,107,266)	19,931,046



Statement of Financial Position As at 30 June 2021

	Notes	30/06/2021 \$	30/06/2020 \$
ASSETS			
Current			
Cash and Cash Equivalents	3.1	470,909	4,323,586
Trade and Other Receivables	3.2	44,731	172,248
Income Tax	2.6	271	2,230
GST	3.3		8,113
Total Current Assets		515,911	4,506,177
Non-Current			
Investment in Associate	2.3.4	24,702,891	25,610,778
Property, Plant & Equipment		582	709
Total Non-Current Assets		24,703,473	25,611,487
TOTAL ASSETS		25,219,384	30,117,664
LIABILITIES			
Current			
Trade Payables	3.4	72,744	58,080
GST	3.3	38,734	-
Payable for Investment in Associate	3.5	-	4,175,875
Total Current Liabilities		111,478	4,233,955
Non-Current			
Convertible Notes	3.6	5,176,860	4,987,500
TOTAL LIABILITIES		5,288,338	9,221,455
Net Assets		19,931,046	20,896,209
Equity			
Share Capital	4.1	23,038,312	23,038,312
Accumulated Losses		(3,107,266)	(2,142,103)
Total Equity		19,931,046	20,896,209

These financial statements have been authorised for issue by the board of directors on 16 November 2021.

DocuSigned by:

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 Director

DocuSigned by:

 618D38A5997A4BC...
 Director



Statement of Cash Flows For the Year Ended 30 June 2021

	Notes	30/06/2021 \$	30/06/2020 \$
Cash Flow from Operating Activities			
<i>Cash was provided from:</i>			
Receipts from Customers		382,951	391,045
GST		48,360	5,641
Income Tax		1,950	35,068
		433,261	431,754
<i>Cash was applied to:</i>			
Payments to Suppliers and Employees		(243,781)	(274,082)
		(243,781)	(274,082)
Net Cash from Operating Activities	5.2	189,480	157,672
Cash Flow from Investing Activities			
<i>Cash was provided from:</i>			
Interest Received		969	7,952
<i>Cash was applied to:</i>			
Purchase of Associate	3.5	(4,175,875)	(9,174,125)
		(4,175,875)	(9,174,125)
Net Cash Used in Investing Activities		(4,174,906)	(9,166,173)
Cash Flow from Financing Activities			
<i>Cash was provided from:</i>			
Receipt of Convertible Notes	5.3	-	5,280,000
Receipt of Share Capital	4.1	132,749	7,923,752
Net Cash from Financing Activities		132,749	13,203,752
Net Increase/(Decrease) in Cash and Cash Equivalents		(3,852,677)	4,195,251
Cash and Cash Equivalents, Beginning of the Period		4,323,586	128,335
Cash and Cash Equivalents at End of the Period	3.1	470,909	4,323,586



Notes to the Financial Statements For the Year Ended 30 June 2021

1. Basis of Preparation

1.1 Reporting Entity

The Company was incorporated on 06 September 2016. The Company is domiciled in New Zealand and registered under the Companies Act 1993.

The principal activity of the Company is to be a joint partner with Tasman District Council in the construction and operation of a dam in the Lee Valley.

The current focus of the Company is:

- a) To ensure that the dam is construction is completed; and
- b) To ensure sufficient release of dam water into the Upper Lee River and associated groundwater system to improve the reliability of its Shareholder's Ground Water Permits and/or Surface Water Permits through the affiliation of those Ground Water Permits and/or a Surface Water Permits under the Tasman Resource Management Plan. A Shareholder with a Shareholder Water Augmentation Agreement is entitled to apply for an Affiliated Ground Water Permit and/or a Surface Water Permit under the Tasman Resource Management Plan.

1.2 Statement of Compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), as appropriate, for Tier 1 for-profit entities.

The financial statements of the Company also comply with International Financial Reporting Standards (IFRS). For financial reporting purposes the Company has designated itself as profit orientated.

The Company is a Financial Markets Conduct Act Entity, and as such, is required to report as a Tier 1 entity for the purposes for the Financial Reporting Act 2013 and the financial statements have been prepared in accordance with that Act.

The financial statements were authorised for issue by the Board of Directors on the date stated on page 5.

1.3 Basis of preparation

1.3.1 Basis of Measurement

The financial statements have been prepared on a historical cost basis, with the exception of convertible notes, which were recognised at fair value when issued. The accrual basis of accounting has been used and the financial statements have been prepared on a going concern basis (note 6.10).

1.3.2 Presentation Currency

The financial statements are presented in New Zealand dollars, which is the Company's functional currency, and rounded to the nearest dollar.



Notes to the Financial Statements For the Year Ended 30 June 2021

1.3 Basis of preparation (continued)

1.3.3 Estimation of Fair Value

The Company's accounting policies and disclosures regarding convertible notes require the determination of fair value upon initial recognition and subsequent measurement at amortised cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when paying the asset or liability at the measurement date.

1.3.4 Critical Estimates and Assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Actual results may differ from these estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- note 2.6 – Taxation, non-recognition of deferred tax
- note 3.2 - Receivables
- note 6.5.4 - Liquidity Risk
- note 6.10 – Going Concern

1.4 General Accounting Policies

The following accounting policies adopted in the financial statements have a significant effect on the results of the financial position.

1.4.1 Impairment of Non-Financial Assets

At each reporting date, the carrying amounts of the non-financial assets, other than deferred tax assets, are reviewed to determine whether there is any indication of impairment. If any such indications exist for an asset, the recoverable amount of an asset is estimated to determine the extent of the impairment loss (if any). The write down of an item recorded at historical cost will be recognised as an expense through profit or loss.

The carrying amount of an asset that has previously been written down to a recoverable amount is increased to its current recoverable amount if there has been a change in the estimates used to determine the amount of the write down. The increased carrying amount of the item will not exceed the carrying amount that would have been determined if the write down to the recoverable amount has not occurred.



Notes to the Financial Statements For the Year Ended 30 June 2021

1.4.2 Impairment of Financial Assets

The company applies the NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivable assets.

1.4.3 De-recognition of Financial Assets

Financial assets are de-recognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date. Financial liabilities are de-recognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

1.4.4 Expected Credit Losses

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

1.5 Standards & Interpretations Issued

There are no standards or amendments that have been issued but are not yet effective that are likely to have a significant impact on the Company.

1.6 Changes in Accounting Policies

The following standards became effective and have been applied in the preparation of the financial statements for the year ended 30 June 2021:

- Amendments to NZ IAS 1 and NZ IAS 8 – definition of material
- FRS 44 - New Zealand Additional Disclosures

These have had no impact on the Company's reported financial position.



Notes to the Financial Statements For the Year Ended 30 June 2021

2 Performance

2.1 Revenue Recognition

Revenue is recognised when an agreement with a customer exists in accordance with NZ IFRS 15. Revenue can only be recognised when:

- (1) the parties to the contract have agreed (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- (2) the Company can identify each party's rights regarding the goods or services to be transferred;
- (3) the Company can identify the payment terms for the goods or services to be transferred;
- (4) the contract has commercial substance (i.e. the risk, timing or amount of the Company's future cash flows is expected to change as a result of the contract); and
- (5) it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

On application to purchase shares in the Company, applicants are required to pay \$100 per share applied for, as disclosed in the Product Disclosure Statement issued on 15 October 2018 and updated on 14 June 2019.

Each shareholder of the Company has entered into a Shareholder Water Augmentation Agreement with the company. The company has entered into a Wholesale Water Augmentation Agreement with Waimea Water Ltd. Under the terms of these agreements:

- The Company has the right to (and shall) require Waimea Water Ltd to release water from the Waimea Community Dam, into the Lee River, on behalf of the Company's shareholders.
- The company may charge the shareholders amounts to be determined in the Company's absolute discretion to recover all operating, capital, financing and other costs and expenses, whether fixed, variable or one-off, incurred by or imposed on the Company or required operate the Company and meet its obligations, including all amounts payable by the Company to Waimea Water Ltd under the Wholesale Water Augmentation Agreement.

Revenue is recognised at a point in time.

2.2 Revenue

	30/06/2021	30/06/2020
Application Fees	-	4,400
Total Revenue	<u>-</u>	<u>4,400</u>



Notes to the Financial Statements For the Year Ended 30 June 2021

2.3 Expenses

2.3.1 Administration Expenses

	30/06/2021	30/06/2020
Accountancy Fees	30,118	57,218
Audit Fees (Note 2.3.2)	23,404	26,521
Bank Fees & Charges	178	180
Century Water Ltd Expenses	22,527	16,161
Consultancy	28,566	62,731
Depreciation	126	413
Entertainment	557	257
General Expenses	185	1,681
Insurance	26,530	23,100
Legal Expenses	116,707	37,849
Office Costs	1,713	1,962
Public Relations	2,384	7,414
Rental	2,041	2,334
Website Expenses	1,425	808
Total Expenses	256,461	238,629

2.3.2 Auditors Remuneration

The audit fees are the amounts payable to the auditors (BDO Christchurch) for the auditing of the financial statements. They have not provided any other services to the Company.

2.3.3 Finance Costs

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or to the net carrying amount in initial recognition.

	30/06/2021	30/06/2020
Interest Expense (Liabilities at Amortised Cost)		
Convertible Notes (note 3.6)	189,360	173,434
	<u>189,360</u>	<u>173,434</u>



Notes to the Financial Statements For the Year Ended 30 June 2021

2.3.4 Share of Loss in Associate

2.3.4.1 Nature of Investment

On 12 December 2018 the company entered a contract to subscribe for 2,978 ordinary shares and 1,911 non-voting shares in Waimea Water Limited, for a total cost of \$25,966,697. The full amount had been paid as at the reporting date.

At the end of the reporting period, the company holds a 48.89% interest in Waimea Water Limited (a Council-Controlled Entity). Waimea Water Ltd is a company incorporated in New Zealand on 17 November 2018, and based in Richmond, Nelson. The purpose of Waimea Water Ltd is to manage the construction, operation and maintenance of the Waimea Community Dam. In accordance with the Shareholders' Agreement, the Company has the right to cast up to 48.89% of the votes at shareholder meetings and can appoint two of 6 directors, each having one vote. One director appointed by the Company must be present to form a quorum.

The Tasman District Council retains control of Waimea Water Limited. The Company has significant influence, but not control, over Waimea Water Ltd.

During the period Waimea Water Ltd has announced a revised forecast cost estimate for the construction cost of the dam, to \$164m. This is an increase of \$60m over the initial cost estimate at the commencement of the project. In the original agreement the Company committed to funding half of the first \$3m increase in costs and Tasman District Council committed to funding the remaining additional costs.

In June 2021 at a special meeting of the Company a resolution was passed where the Company accept further project cost overruns of up to \$28m, to be funded by loans from Tasman District Council to Waimea Water Ltd. The loans are to be funded through an increase in water charges payable by the Company to Waimea Water Ltd which, in turn, are to be funded by an increase in the water charges payable by the Company's shareholders. Refer to note 6.8.1 for further information.

The shareholders have agreed that part of the Tasman District Council additional funding will be by way of subscription for further shares. Tasman District Council will not be issued ordinary shares if it results in Waimea Irrigators Ltd holding less than 25% of the ordinary shares.

2.3.4.2 Accounting Policy

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The existence of significant influence by an entity is usually evidenced in one or more of the following ways:

- (a) representation on the board of directors or equivalent governing body of the investee;
- (b) participation in policy-making processes, including participation in decisions about dividends or other distributions;
- (c) material transactions between the entity and its investee;
- (d) interchange of managerial personnel; or
- (e) provision of essential technical information.

The results and assets and liabilities of the associate are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the investor's statement of financial position at cost and adjusted thereafter to recognise the investor's share of profit or loss and other comprehensive income of the associate.



Notes to the Financial Statements For the Year Ended 30 June 2021

2.3.4 Share of Loss in Associate (continued)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. The Company discontinues the use of the equity method from the date when the investment ceases to be an associate or when the investment is classified as held for sale.

When the Company's share of losses of an associate or a joint venture exceeds the Company's interest in that associate, the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

The investment in Waimea Water Limited is accounted for using the equity method of accounting in the Financial Statements of Waimea Irrigators Limited. The carrying value of the investment by the Company differs to the Company's share of the net assets due to the future payments due of share capital being recorded by the Company but not by Waimea Water Ltd.

2.3.4.3 Financial Information

Summarised financial information of Waimea Water Ltd. This information has been prepared under PBE IPSAS reduced disclosure regime. There would be no difference had they been prepared under NZ IFRS.

	30/6/2021	30/6/2020
Cash and cash equivalents	9,357,000	4,268,000
Other Current assets	832,000	17,929,000
Non-current assets	89,395	51,436,000
Current liabilities	4,639,000	4,617,000
Non-current liabilities	27,013,000	14,597,000
Total Financial Liabilities	31,652,000	19,214,000
Net Assets (100%)	67,932,000	54,419,000
Company share of net assets (48.89%)	33,211,955	26,605,449
Revenues	-	-
Loss	(1,857,000)	(410,000)
Other comprehensive income	-	-
Total comprehensive income	(1,857,000)	(410,000)
Dividends received from associate	-	-



Notes to the Financial Statements For the Year Ended 30 June 2021

2.3.4 Share of Loss in Associate (continued)

	30/06/2021	30/06/2020
Opening Balance	25,610,778	25,811,227
Share of Loss in Associate	(907,887)	(200,449)
Total	<u>24,702,891</u>	<u>25,610,778</u>

The loss reported by the associate is an indicator of impairment in the value of the associate. The company has assessed this indicator and determined no impairment adjustment to the asset is required, due to:

- The Waimea Water Ltd annual report has been prepared on a going concern basis
- Waimea Water Ltd has funding in place to complete construction of the dam
- Waimea Water Ltd has no income until construction of the dam is completed

2.4 Interest Received

Interest income is recognised by applying the effective interest rate.

2.5 Other Income

The Product Disclosure Statement states that a construction administration operating charge estimated at \$250 per share will be invoiced to all shareholders in two tranches following the issue of shares. The second tranche of \$125 was invoiced during the year.

These charges are not characterised as revenue under NZ IFRS15, as the company has no performance obligations in respect of the charges. They have been classified as other income.

2.6 Income Tax

2.6.1 Current Income Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the country where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.



Notes to the Financial Statements For the Year Ended 30 June 2021

2.6.2 Deferred Tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

When there is uncertainty concerning the company's filing position regarding the tax bases of assets or liabilities, the taxability of certain transactions or other tax-related assumptions, then the Company:

- Determines if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

No deferred tax has been recognised as disclosed in note 2.6.4.

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2020: 28%). The movement on the deferred tax account is as shown below:

	30/06/2021	30/06/2020
Opening Balance	-	(77,663)
Recognised in profit and loss		
Tax Expenses	-	77,663
Recognised in other comprehensive income	-	-
Closing Balance	<u>-</u>	<u>-</u>



Notes to the Financial Statements For the Year Ended 30 June 2021

2.6.2 Deferred Tax (continued)

Details of the deferred tax asset, amounts recognised in profit or loss and amounts in other comprehensive income are as follows:

	Asset 2021	Liability 2021	Net 2021	(Charged) /credited to profit or loss 2021
Available losses	-	-	-	-
Other temporary and deductible differences	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	2020	2020	2020	2020
Available losses	(43,985)	-	(43,985)	(43,985)
Other temporary and deductible differences	(33,678)	-	(33,678)	(33,678)
	<u>(77,663)</u>	<u>-</u>	<u>(77,663)</u>	<u>(77,663)</u>

The other temporary and deductible differences are made up of the following amounts:

	30/06/2021	30/06/2020
Accrued interest on convertible notes	-	(27,518)
Other accrued expenditure	-	(6,160)
Taxable Income (Loss)	<u>-</u>	<u>(33,678)</u>



Notes to the Financial Statements For the Year Ended 30 June 2021

2.6.3 Tax Reconciliation

	30/06/2021	30/06/2020
Loss Before Income Tax	(965,163)	(213,160)
Permanent Differences	911,370	192,059
Temporary Differences	-	(82,778)
Taxable Loss	<u>(53,793)</u>	<u>(103,879)</u>
Current Tax Payable @28%	(15,062)	(29,086)
Less deferred tax not recognised (note 2.6.4)	15,062	29,086
Deferred Tax	-	77,663
Total Income Tax	<u>-</u>	<u>77,663</u>
Current tax payable	-	-
Less Tax Paid	271	2,230
Tax Refund Due	<u>(271)</u>	<u>(2,230)</u>
Tax Losses Carried Forward	(314,761)	(260,968)

2.6.4 Critical Estimates and Assumptions

Forecasts indicate that it is not probable that enough taxable profit will be generated in the foreseeable future to allow the deferred tax asset to be recovered. The deferred tax asset not recognised consists of income tax on tax losses carried forward to future periods. The total amount of deferred tax asset not recognised is \$98,633 (2020 \$73,071).

2.6.5 Imputation Credits

The movements during the period in the imputation credit account are

	30/06/2021	30/06/2020
Opening Balance	2,204	37,290
Plus Tax Paid During Period	271	2,222
Less Taxation Refunded During Period	(2,204)	(37,308)
Balance Available to Shareholders	<u>271</u>	<u>2,204</u>



Notes to the Financial Statements For the Year Ended 30 June 2021

3. Operating Assets and Liabilities

3.1 Cash and Cash Equivalents

Financial instruments comprising cash and cash equivalents are recognised in the Statement of Financial Position when the Company becomes party to a financial contract.

Cash and cash equivalents include cash on hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

	30/06/2021	30/06/2020
Cash at bank and in hand	470,909	4,323,586
Total Cash and Cash Equivalents	<u>470,909</u>	<u>4,323,586</u>

The carrying amount of cash and cash equivalents approximates their fair value.

3.2 Trade and Other Receivables

Financial instruments comprising trade and other receivables (categorised as financial assets at amortised cost), are recognised in the Statement of Financial Position when the Company becomes party to a financial contract.

Trade and other receivables are recognised initially at fair value, plus directly attributable transaction costs. Subsequent to initial recognition trade receivables are measured at amortised cost less expected credit losses.

	30/06/2021	30/06/2020
Trade Debtors	44,731	172,248
Total	<u>44,731</u>	<u>172,248</u>

Trade debtors are non-interest bearing and receipt is normally on 30 days terms. Therefore, the carrying value of trade debtors and other receivables approximates its fair value. They consist of share capital receivable from shareholders.

For trade receivables the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company does not have long term receivables which would require to be amortised using the effective interest method. Bad debts are written off, through profit and loss when identified.



Notes to the Financial Statements For the Year Ended 30 June 2021

3.2.1 Critical Estimates and Assumptions

At the reporting date the trade debtors consisted of shareholder amounts due for the final instalment of share capital. The amounts were all 10 days or more overdue. Of the total amount of \$44,731, debtors owing \$37,500 had arranged payment dates. All but \$4,938 of the remaining amount was received in the month after balance date.

Failure of the shareholders to complete payment of their shares can result forfeiture of their partly paid shares and their initial payment. The company is able to enforce payment through conditions of a Shareholders Water Augmentation Agreements (SWAA) with each of its shareholders and can suspend the rights to the release of Dam water. In such cases the shareholder continues to be liable for water charges even if rights to Dam Water are suspended.

The directors have made the assumption that all trade debtors will be received, and the company does not have any expected credit losses in respect of them. This assumption is based on the historical recovery of all trade debtors.

3.3 Goods and Services Tax

The financial statements have been prepared on a GST exclusive basis, except for Trade Receivables and Payables which are recorded as GST Inclusive.

3.4 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade Payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade Payables and Other Payables are financial liabilities that are measured initially at fair value and subsequently at amortised cost using the effective interest method.

All trade payables are on standard terms and are paid on the 20th of the month following invoice unless otherwise specified. The carrying amounts approximate fair value.

	30/06/2021	30/06/2020
Trade Payables	72,744	58,080
Total	72,744	58,080

3.5 Payable for Investment in Associate

On 12 December 2018 the company entered a contract to subscribe for 2,978 ordinary shares in Waimea Water Limited, for a total cost of \$25,966,697. The final instalment was paid during the period. No interest was payable on the balance.

	30/06/2021	30/06/2020
Current	-	4,175,875
Total Current	-	4,175,875



Notes to the Financial Statements For the Year Ended 30 June 2021

3.6 Convertible Notes

The component parts of convertible loan notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of financial liabilities and equity instruments. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is determined using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument. This is recognised and included in equity, net of income tax effects and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, at which time, the balance recognised in equity will be transferred to issued share. Where the conversion option remains unexercised at the maturity date of the convertible loan note, the balance recognised in equity will be transferred to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

	30/06/2021	30/06/2020
Opening Balance	4,987,500	4,854,273
Notes Converted to Shares	-	(40,212)
Interest Paid and Payable (note 2.3.3)	189,360	173,439
Total	5,176,860	4,987,500

Convertible Notes comprise of amounts advanced to the Company by parties interested in the construction of the Waimea dam.

The company issued 2,000 Convertible Notes of \$5,500 each on 12 December 2018 with variable interest rates as follows:

- 0% per annum from 18 December 2018 to the date of Practical Completion of the Waimea Dam;
- 3% per annum from the date of Practical Completion to 21 December 2028;
- 3.5% per annum from the 22 December 2028 to 21 December 2032; and
- 4% per annum from 22 December 2032 to 21 December 2063

These convertible notes are subject to the following conditions:

- A minimum 500 convertible notes are to be converted to 500 shares no later than 21 December 2028
- A minimum of 1000 convertible notes are to be converted to 1000 shares no later than 21 December 2032
- The remaining 1,000 convertible notes can be converted to 1,000 shares following the required notice period or will be redeemed on maturity on 21 December 2063

Interest on the convertible notes has been calculated using the yield to maturity basis, to allocate interest over the life of the notes.

As at the reporting date 46 notes have been converted to shares (2020: 46). No notes were converted to shares during the current year.



Notes to the Financial Statements For the Year Ended 30 June 2021

3.6 Convertible Notes (continued)

The estimated fair value of the non-convertible bond is categorised within Level 2 of the fair value hierarchy. The fair value estimate has been determined from the perspective of a market participant that holds these non-convertible bonds as assets at 12 December 2018.

At balance date the fair value of the convertible note liabilities was \$5,753,650.

4 Equity

4.1 Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments.

During the period no shares were issued. The shares have no par value.

	Note	30/06/2021		30/06/2020	
		No's	\$	No's	\$
<u>Issued Shares</u>					
Opening Balance		3,096	17,008,304	3,050	8,658,100
Calls on Shares Issued		-	-	-	8,096,000
Converted from Convertible Notes		-	-	46	254,204
Total		3,096	17,008,304	3,096	17,008,304
 <u>Share Capital From Convertible Notes</u>					
Opening Balance			6,030,008		6,244,000
Notes Converted to Shares					-213,992
Total			6,030,008		6,030,008
 Total Capital			<u><u>23,038,312</u></u>		<u><u>23,038,312</u></u>

All shares have equal entitlement to dividends and any surplus on winding up. All shares have equal voting rights.



Notes to the Financial Statements For the Year Ended 30 June 2021

5 Cash Flow

5.1 Cash flows

For the purposes of the Cash Flow Statement cash includes cash on hand, deposits held at call with banks, net of any bank overdrafts.

Cash flows are included in the cash flow statement on a gross basis with exception of movement in taxation which has been netted off.

5.2 Reconciliation of Net Profit to Cashflows from Operating Activities

	30/06/2021	30/06/2020
Loss For The Year	(965,163)	(213,160)
Non Cash Expense		
Depreciation	126	413
Amortised Interest - Convertible Loans	189,360	173,434
Share of Loss in Associate	907,887	200,449
Items Classified As Investing		
Interest Income	(1,545)	(7,952)
Increase/(Decrease) in Accounts Receivable relating to interest income	578	
Items Classified As Financing		
(Increase)/Decrease in Accounts Receivable relating to share capital call	(132,747)	172,248
Movement In Working Capital Items		
(Increase)/Decrease in GST Receivables	46,848	13,165
(Increase)/Decrease in Accounts Receivables	127,514	(172,128)
Increase/(Decrease) in Accounts Payables	14,663	(43,865)
Increase/(Decrease) in Tax Payable	1,959	35,068
NET CASH FLOWS FROM OPERATING ACTIVITIES	189,480	157,672



Notes to the Financial Statements For the Year Ended 30 June 2021

5.3 Reconciliation of cashflows from financing activities to borrowings

	30/06/2021	30/06/2020
Net cash from financing activities	132,749	13,203,752
<u>Cash Transactions</u>		
Share Capital	(132,749)	(7,923,752)
Convertible Notes Receivable	-	(5,280,000)
<u>Non-Cash Transactions</u>		
Amortised Interest	189,360	173,434
Convertible Notes Converted to Shares	-	(40,207)
Opening borrowings	4,987,500	4,854,273
CLOSING BORROWINGS	<u>5,176,860</u>	<u>4,987,500</u>
Borrowings consist of:		
Convertible notes	5,176,860	4,987,500

6 Other Notes

6.1 Director's Remuneration

There was no remuneration paid to directors during the period, or the previous period.

6.2 Employee remuneration

During the period there was no remuneration paid to employees.

6.3 Donations

There were no donations paid during the period, or the previous period.

6.4 Interests register

There were no entries made in the interests register during the period

6.5 Financial Instruments

The Company has exposure to the following risks from its use of financial instruments

6.5.1 Credit Risk

To the extent that the Company has a receivable from another party there is a credit risk in the event of non-performance by the counterparty. Financial instruments which potentially subject the group to credit risk principally consist of bank balances and receivables.



Notes to the Financial Statements For the Year Ended 30 June 2021

6.5.1 Credit Risk (continued)

The Company manages its exposure to credit risk to minimise losses from bad debts as follows:

Cash and Cash Equivalents

Cash is only invested in New Zealand banks with a Standard & Poor's credit rating of AA- or better, which reflects a stable outlook and reduced risk of failure by the bank.

Trade and Other Receivables

Trade receivables are owed by shareholders of the company. Failure of the shareholders to complete payment of their shares can result forfeiture of their partly paid shares and their initial payment. The company is able to enforce payment through conditions of a Shareholders Water Augmentation Agreements (SWAA) with each of its shareholders and can suspend the rights to the release of Dam water. In such cases the shareholder continues to be liable for water charges even if rights to Dam Water are suspended.

The credit risk of trade receivables is low.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. by geographical region, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The company evaluates the concentration of risk with respect to trade receivables as low, as its customers are limited and highly motivated to ensure the Waimea dam project proceed.

Maximum exposures to credit risk at balance date are:

	note	30/06/2021	30/06/2020
Financial Instruments			
Cash and Cash Equivalents	3.1	470,909	4,323,586
Trade and Other Receivables	3.2	44,731	172,248
		515,640	4,495,834

There are no assets past due that are impaired. The Directors expect to recover all receivables in the ordinary course of business.

6.5.2 Interest Rate Risk

The Company is not exposed to any specific interest rate risk other than normal interest rate movements daily in the New Zealand market.

6.5.3 Currency Risk

The Company does not have exposure to currency risk, as it does not enter into any foreign currency transactions or hold any foreign investments.



Notes to the Financial Statements For the Year Ended 30 June 2021

6.5.4 Liquidity Risk

Liquidity Risk represents the Company's ability to meet its financial obligations on time. The Company will generate revenue from water charges commencing in the 2022 financial year, however has enough funds available to make timely payments through the use of the overdraft facility. All trade payables are due within 30 days of the reporting date.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of cash flows. The amount disclosed in the table are contractual undiscounted cash flows.

	Less than 2 Months	Between 2 and 12 Months	Between 1 & 2 Years	Between 2 & 5 Years	Over 5 Years	Total Contractual Cashflow	Carrying Amount
30 June 2020							
Trade Payables	58,080	-	-	-	-	58,080	58,080
Convertible Notes	-	-	-	-	10,231,870	10,231,870	4,987,500
Payable for Investment in Associate	4,175,875	-	-	-	-	4,175,875	4,175,875
	4,233,955	-	-	0	10,231,870	14,465,825	9,221,455
30 June 2021							
Trade Payables	72,744	-	-	-	-	72,744	72,744
Convertible Notes	-	-	-	-	10,231,870	10,231,870	5,176,860
	72,744	-	-	0	10,231,870	10,304,614	5,249,604

6.5.4.1 Critical Estimates and Assumptions

The contractual cashflow amounts for the convertible notes are the total amount of interest payable under the convertible note agreement. The assumption in the calculation of these amounts is that no further notes will be converted to shares until the last possible dates under the agreement, and that all notes will be converted to shares.

6.5.5 Liquidity Forecast

Management manages liquidity risk by monitoring short term and medium-term cash flows for up to 2 years in the future.

6.5.6 Capital Management

The directors' objectives when managing capital are to safeguard the entity's ability to continue as a going concern. Capital includes Equity and Convertible Notes on the basis that it is probable that these will be converted to equity under the share offer.

The directors manage the capital structure and make adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust capital, the directors may issue new shares.



Notes to the Financial Statements For the Year Ended 30 June 2021

6.5.7 Classification of Financial Instruments

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and liabilities. The estimated fair values of financial instruments did not differ from their carrying values, except for the convertible notes, disclosed in note 3.7, as they are all short term.

30 June 2020	Financial Assets at Amortised Cost	Financial Liabilities at Amortised Cost	Total
Financial Assets			
Cash and Cash Equivalents	4,323,586	-	4,323,586
Trade and Other Receivables	172,248	-	172,248
Total	4,495,834	-	4,495,834

Financial Liabilities			
Trade and Other Payables	-	58,080	58,080
Convertible Notes	-	4,987,500	4,987,500
Payable for Investment in Associate	-	4,175,875	4,175,875
Total	-	9,221,455	9,221,455

30 June 2021	Financial Assets at Amortised Cost	Financial Liabilities at Amortised Cost	Total
Financial Assets			
Cash and Cash Equivalents	470,909	-	470,909
Trade and Other Receivables	44,731	-	44,731
Total	515,640	-	515,640

Financial Liabilities			
Trade and Other Payables	-	72,744	72,744
Convertible Notes	-	5,176,860	5,176,860
Total	-	5,249,604	5,249,604



Notes to the Financial Statements For the Year Ended 30 June 2021

6.6 Related Party Transactions

6.6.1 Directors Shares

During the period the following amounts for calls on shares were received from directors.

Directors	Entity	30/6/2021	30/06/2020
Murray Grant KING	Kingsway Farms Ltd	-	176,000
Mark Randall O'CONNOR	Appleby Fresh Ltd	-	420,750
Julian Richard RAINE	Wai-West Horticulture Ltd	-	682,000
Julian Richard RAINE	J & C Raine	-	2,750
Mathew Simon HODDY	Vailima Orchard Ltd	-	635,250
Richard BENNISON	Bennison Family Trust	-	2,750

6.6.2 Director Construction Charges

During the period the following construction charges were received from the directors and included within Other Income in the Statements of Profit or Loss and Other Comprehensive Income. The amounts are set out below:

Directors	Entity	30/06/2021	30/06/2020
Murray Grant KING	Kingsway Farms Ltd	8,625	8,625
Mark Randall O'CONNOR	Appleby Fresh Ltd	20,750	20,750
Julian Richard RAINE	Wai-West Horticulture Ltd	31,500	31,500
Julian Richard RAINE	J & C Raine	250	250
Mathew Simon HODDY	Vailima Orchard Ltd	-	30,625
Mathew Simon HODDY	Walter Robert Investments Ltd	30,625	-
Richard BENNISON	Bennison Family Trust	250	250

6.7 Key Management Personnel

Key Management personnel include the directors and Project Manager.



Notes to the Financial Statements For the Year Ended 30 June 2021

6.8 Commitments for Expenditure

	Less than one Year	More than one year and not later than five years	Later than 5 years
30 June 2020			
Office Rental	1,750	-	-
30 June 2021			
nil	-	-	-

The company has commitments to Waimea Water Ltd to pay water charges pursuant to the WIL Wholesale Water Augmentation Agreement. The amount of the charges have not yet been determined.

6.8.1 Commitments for Waimea Dam cost overruns

At a special meeting of shareholders on 2 June 2021, the shareholders resolved to approve the company accepting a share of the total Waimea Dam construction project cost overruns. The Company's share of the overruns is up to \$29.5m. Of this, \$1.5m was provided for in the original project agreement. The shareholders agreed to funding a further amount of up to \$28m

Initial overruns of \$1.5m are to be funded by a loan from Crown Irrigation Investments Ltd to Waimea Water Ltd. Facility A for \$8.8m is to be funded by a loan from Crown Irrigation Investments Ltd to Tasman District Council, and on lent to Waimea Water Ltd. Facility B for \$19.2m is to be funded by a loan from Tasman District Council to Waimea Water Limited. Facility A repayments will be funded from additional draw downs on Facility B, taking the total balance of Facility B to \$28m. At balance date the facilities had not been drawn down.

The Company is not the primary borrower or guarantor for the lending, however its commitments arise under the Wholesale Water Augmentation Agreement between the Company and Waimea Water Limited.

The Company will incur increased water charges to Waimea Water Limited relative to the Company's share of the cost overruns. In turn, the water charge payable by the shareholders to the Company will increase in line with the Company's increased water charges.

The Company's obligations for repayment of its share of the cost overruns are summarised below:

Initial overruns	\$1.5m	Cost overruns funded under project agreement To be repaid in 4 instalments of \$2.2million in December 2025, December 2030, December 2035, December 2040, interest free interest only - with a portion of the interest paid by Tasman DC before reverting to the Company in July 2026.
Facility A	\$8.8m	
Facility B	\$19.2m	



Notes to the Financial Statements For the Year Ended 30 June 2021

6.9 Events after the reporting date

There have been no material events after the reporting date that would require amounts to be recognised in these financial statements. On 18 August 2021 the country entered a Government mandated Covid-19 level 4 lockdown. There is no impact from the lockdown on these financial statements.

6.10 Going Concern

These financial statements have been prepared on a going concern basis. The factors the directors have considered to determine this include:

- The forecast cash flows indicate the company has a positive cashflow for the next year.
- The company can invoice shareholders for water charges at its discretion
- The company shareholders voted to increase water charges to fund increased water charges payable to Waimea Water Ltd
- Financial modelling performed indicates the increase in water charges supports the Company's ability to meet its obligations under the Wholesale Water Augmentation Agreement between the Company and Waimea Water Ltd.
- There are no material uncertainties that may cast doubt on the Company's ability to continue as a going concern.

6.11 Contingent Liabilities

There is a risk that the dam project could experience cost overruns that exceed the current cost estimates upper limit of \$164 million. The Company has accepted its share of cost overruns up to this amount as outlined in note 6.8.1. The company will continue to work closely with Waimea Water Limited as the dam construction progresses and assess any impact on the Company's existing obligations if additional cost overruns occur.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF WAIMEA IRRIGATORS LIMITED**

Opinion

We have audited the financial statements of Waimea Irrigators Limited ("the Company"), which comprise the statement of financial position as at 30 June 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2021, and its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p><i>Commitments for Waimea Dam cost overruns</i></p> <p>Refer to Note 6.8.1 - Commitments for Waimea Dam cost overruns</p> <p>The Company has commitments at balance date relating to its share of the construction cost overruns of the Waimea Dam.</p> <p>In June 2021, the Company’s shareholders resolved to accept a share of the cost overruns, up to \$28 million. To meet this obligation, the Company will increase water charges to its shareholders, that in turn will be paid to Waimea Water Limited to repay the additional borrowing.</p> <p>We considered this to be a key audit matter due to the significant amount of the cost overruns expected on the Waimea Dam project and that the funding for this would be recovered from shareholders through increased water charges.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • We reviewed the revised funding documentation for the additional borrowing and the Company’s shareholders resolution to accept its share of the cost overruns (up to \$28 million) and the implications of these for the Company. • We considered the appropriateness of the disclosures in the financial statements in accordance with the supporting documentation and shareholder resolutions. • We assessed whether a liability needed to be recognised at reporting date.

Other Information

The directors are responsible for the other information. The other information comprises the Chairman’s Report but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors’ Responsibilities for the Financial Statements

The directors are responsible on behalf of the Company for the preparation and fair presentation of the financial statements in accordance with NZ IFRS, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible on behalf of the Company for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at: <https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2/>.

This description forms part of our auditor's report.

Who we Report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Warren Johnstone.

BDO Christchurch

BDO Christchurch
Christchurch
New Zealand
16 November 2021