



**TE AU AKANOO'ANGA NO TE
MANAKONAKO'ANGA O TE TAOKOTAI'ANGA**
Statement of Corporate Intent



**A COMMUNITY TRUSTED
SUPPLIER OF WATER**

To Tatou Vai Authority

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A Statutory Corporation established under the To Tatou Vai Act 2021
Responsible Minister, Prime Minister, Honourable Mark Brown

Chairman, Brian Mason
Director, Sam Napa Snr
Director, Desmond Eggelton
Director, Vaine Wichman
Director, Phillip Vakatini
Director, Ashleigh Steele

Chief Executive Officer, Apii Timoti
Chief Financial Officer, Timothy Teulilo
Human Resource Manager, Alexander Henry
Water Treatment Manager (Acting), Ross Dillion
Executive Assistant/Board Secretary, Ringi Tumutoa

ENTITY

CONTACT

OWNERSHIP

BOARD

EXECUTIVE MANAGEMENT

FOREWORD

A MESSAGE FROM OUR CHAIRMAN

It is my pleasure on behalf of the Board and Management of To Tatou Vai to present to our stakeholders, TTV's first Statement of Corporate Intent since the passing of, and in accordance with, the To Tatou Vai Act 2021.

TTV's principal objective is to ensure a reliable supply of clean water to those who reside on Rarotonga. Because water is essential to life, and water is not a Government asset, TTV is a not for profit statutory corporation currently funded by the Crown but mandated to recover from consumers its costs to treat and reticulate water.

Our organisation's vision is to be **"A community trusted supplier of water"** and this is the guiding compass for each step forward we make as an organisation.

That vision remains for the present an aspiration. Public meetings held to discuss the To Tatou Vai Act before its passage in parliament highlighted the considerable work that needs to be completed to establish that trust.

The two most sensitive issues are the chemicals used for the treatment of water and the fact that consumers will eventually face a charge for their consumption of water in the same way they currently do for their power.

Currently TTV administers poly-aluminium chloride to the water and this has been found to remove most bacteria, protozoa and viruses. While not to the standard of potable (drinkable) water it has greatly improved the quality of water and UV filter systems, by way of example, are no longer compromised by turbidity in the water.

The Board expects through the efforts of its staff the quality of water to continue to improve. One of the challenges is determining exactly where the old piping is and ensuring that the new piping is not being compromised by the old. This task is ongoing.

Over the next 3 years TTV in liaison with others will formulate recommendations for Government on tariffing. Ensuring fairness and equity in charging, and ensuring water remains affordable to the most vulnerable, will be important considerations in formulating those recommendations. That review will include Government suggestions on the amount of water should be supplied to households without charge.

One of the objectives behind charging is to incentivise customers not to waste water. But an adjunct to this is for TTV to ensure it minimises the loss of water through the network. The bulk meters have been installed and with further metering TTV will have a better understanding of where the water is going and in what quantities.

However, the greatest challenge for my CEO and his team has been the expeditious cost efficient disposal of sludge which is the by-product from the process of cleaning the water. While not toxic it does need to be managed and the challenge has been finding a place to put the sludge. A further challenge has been its transportation. If wet a suction truck must be used but the sludge can dry to a fine powder or hard soil making it difficult to remove. Step by patient step this issue is being resolved but it is a testament to the dedication and the initiative of the team that they have managed to date to find solutions for this problem.

An exciting aspect going forward is the introduction of the SCADA system. This allows data to be collected by electronic transmission rather than physical checking. This will save considerable time and labour cost and, to the extent it can operate in the valleys, it may help in times flood when the intakes can be difficult to access.

But the most important challenge for TTV is to ensure an amicable and productive relationship with the landowners – both those who are owners of the catchments and those who own the land upon which the infrastructure is built and the wider landowners of the valleys where the intakes are located.

We are a fledging organisation able to achieve much due to the outstanding work of the CEO and his team. The Board wishes to take this opportunity to thank the CEO and all of his staff for the outstanding work they have done to advance the vision TTV adheres to and we know they up to the challenge of turning this Statement of Corporate Intent into action and reality.

Kia manuia,



Brian Mason
Chairman
To Tatou Vai

A MESSAGE FROM OUR CHIEF EXECUTIVE OFFICER

It is exciting to be involved in this journey towards establishing To Tatou Vai as a statutory corporation responsible for delivering an essential service to the people of Rarotonga in a not-for-profit environment.

In the last 2 to 3 years as an organisation we have taken over the management of all water infrastructure on Rarotonga. We have commissioned the new water system and have produced clean water for the people of Rarotonga for the first time. Parliament has passed the To Tatou Vai Act 2021. We have developed a functional structure for our organisation based on the functions required by our new Act and established our Executive Management Team. We have internalised our ICT systems and developed financial policies and procedures to guide all transactions. We have also produced our first set of annual accounts internally and received an unqualified audit.

Whilst we have progressed a lot of key foundational initiatives as To Tatou Vai, we have also developed this Statement of Corporate Intent to present the various phases to our organisational development to communicate what will be progressed immediately and what are the next phases in our evolution towards becoming a mature statutory corporation and recognised as a “community trusted provider of water”.

Essentially Phase 1 was to upgrade the water infrastructure between 2016 to 2020 which in large part has now been completed.

Phase 2 was to institute a new Water Authority to operate the upgraded water infrastructure

between 2020 to 2021, the most monumental part of this phase being the passing of the To Tatou Vai Act in November 2021.

Phase 3 we move into further developing and resourcing the authority with the right people, building the right systems on the technical and commercial end while ensuring the right assets are in place between 2021 and 2023 to carry the Authority forward. We are here now. This is where this Statement of Corporate Intent navigates.

Phase 4 is where we have the systems in place and are able to be customer facing in our commercial role as a not-for-profit Water Authority. At this point we have agreements in place with all customers, suppliers and all standards of a quality product are being met. When we get to this point in around 2025 we expect to be ready to operationalise fully as a statutory corporation.

At Phase 5 TTV we will be in an ongoing state of refinement to improve efficiencies, reduce cost and manage risk from 2025 onwards.

The important message here is we are at the beginnings of our journey towards a fully fledged Water Authority, it takes true partnerships across the board to get us to our destination. It will take a mindset of flexibility in transformation. We must be more than capable in our technical analysis and performance management – and we must do this hand in hand with landowners and with a not-for-profit viewpoint.

In addition to more immediate challenges with asset performance to be dealt to and foundational structures to build, over the next 2 years the public can also expect To Tatou Vai to have engaged

all Catchment Committees on Rarotonga in accordance with its Act, to have worked with Te Marae Ora on what is an appropriate water quality for delivery in being realistic with what the infrastructure can currently deliver, and to advise the Minister what is an appropriate volume of water at the household level that should remain a free allocation. These will all involve a level of consultation with stakeholder groups.

At the end of the day To Tatou Vai is here to perform well and **“To provide a reliable supply of water that is safe to drink; improving the wellbeing of our Cook Islands people”**. We are part way on our journey and will progress through the phases with our people at heart, with a flexible mindset, and to ensure we remain agile to take advantage of opportunities as they arise with regard to water care for Rarotonga.

Kia manuia,



Apii Timoti
Chief Executive Officer
To Tatou Vai



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A. PHASES TOWARDS A FULLY FLEDGED WATER AUTHORITY



2016 – 2020

Upgrade Water Infrastructure

- Negotiation of land access & use
- Installation of island wide water infrastructure & treatment facilities
- Establish TTV as a limited liability company



2020 – 2021

Institute a New Authority to Operate the upgraded Water Infrastructure

- Commissioned new water infrastructure – water treatment and network reticulation
- Providing clean water to consumers on Rarotonga – refurbishment of treatment plants
- Securing EIAs for operations and sludge storage
- Established laboratory for essential testing
- Established apprentice training scheme
- Standardisation of financial management process, including establishment of stock management system, and the internal production of set of unqualified audit accounts.
- Installation of on-premise ICT network to facilitate the various function of TTV.
- Development and passing of the TTV Act 2021



2021 – 2023

Develop & Resource the Authority with People, Systems & Assets

- Identify island wide water demand, supply requirements, system losses, efficiency and performance characteristics
- Confirming value and location of all infrastructure assets
- Confirm realistic water quality standards to guide operations and treatment requirements & disposal
- Reduce system leaks through decommissioning of AC pipes
- Institute system of asset management for effective and efficient operation
- Finalise scope and project to deliver backup water supply to be engaged in times of drought
- Build permanent facility for the management of sludge
- Develop an organisation wide Performance Management Framework and associated HR guiding policies, occupational health and safety policies and workforce development/training plan



2021 – 2023 cont

**Develop & Resource the
Authority with People,
Systems & Assets**

- Develop a medium term Strategic Plan, associated Capital investment and financing plan to guide detailed organisational transformation
- Setting of interim functional structure and associated staffing structure based on the TTV Act with a program to refine
- Formalise relationships across local, regional and international partners & suppliers
- Develop & Implement the Enterprise Resource Planning Software
- Develop Regulations required for compliance with TTV Act and enable customer engagement
- Formalise Catchment Committees, protocols and operations
- Recommend fair free allocation of water regulated for domestic use; and scope associated cost recovery requirements



2024 – 2025

**Commercialise the
Authority at the
Customer Level**

- Completion of agreed connection agreements across all customers including connection standards
- Release of tariff levels and settings for 2024 implementation
- Smart System Performance and Control Protocols active
- Functional and Staffing structure refined and recruited for



2025+

**Refine Operations and
Structures towards low
cost high efficiency**

- Supply side performance
- Demand side management
- Innovations and Policy Review
- Governance improvements



B. OUR RECENT MILESTONES



2020 – 2021

A Brief highlight of recent significant milestones and achievements over Phase 2 to date are as follows:

ASSETS

- Providing clean water to consumers on Rarotonga through the full refurbishment of water treatment plants (10) where dirt is removed, and achieving a level of potability through bacteria removal by assuming responsibility for the community UV water stations;
- Securing environmental permits for the operation of the water treatment plants and a temporary facility to management and store associated by products (sludge);
- Commissioning of new water infrastructure to domestic and commercial connections island wide and now in operation, this included the cleaning of approximately 70km of piping;

- Establishing a Laboratory capable of testing water to meet the required standards;

PEOPLE

- Established an Executive Management Team;
- Established a technical network and treatment staff for operations;
- Established an apprentice scheme for water technicians with Connexis, New Zealand

SYSTEMS

- Development and passing of the To Tatou Vai Act in November 2021
- Development of Financial Management Processes, Policies & Procedures, & the production of a first set of unqualified financial accounts;
- Internalising organisation wide ICT platforms;

C. OUR UPCOMING MILESTONES



2021 – 2023

A brief highlight of upcoming milestones we expect to achieve over Phase 3 of our organisational development:

ASSETS

- Identify island wide water demand, supply requirements, system leakage, efficiency and performance characteristics through the installation of central and distributed metering and control and management systems
- Confirming the value and location of all water infrastructure assets
- Confirm realistic water quality standards based on invested infrastructure to guide operations and determine appropriate treatment method & disposal
- Reduce system leaks through total decommissioning of the AC pipeline (Sector 5 plus project)
- Institute a system for asset management for the effective and efficient operation,

- maintenance and replacement of water infrastructure and equipment
- Finalise scope and project to deliver back up water supply to be engaged in times of drought and low supply including the feasibility of gallery refurbishment and other alternatives as appropriate
- Building of a permanent facility for the management of the by-products (sludge) from the water treatment plants)

PEOPLE

- Institute an organisation wide Performance Management Framework and associated HR guiding policies, occupational and work force health and safety policies and workforce development/training plan
- Recruitment of key functional permanent and contracted staffing
- Formalise Catchment Committees, protocols and operations

SYSTEMS

- Setting of interim functional structure and associated staffing structure based on the TTV Act with a program to refine
- Develop a medium term Strategic Plan, TTV's first business plan, associated Capital investment and financing plan to guide detailed organisational transformation

- Structure and formalise relationships across local, regional and international partners & suppliers
- Develop & Institute a relevant Enterprise Resource Planning Software
- Develop Regulations required for compliance with TTV Act and enable customer engagement
- Recommend fair free allocation of water to be regulated for domestic use; and scope associated cost recovery requirements



2024 – 2025



2025+

- Completion of agreed connection agreements across all customers including connection standards
- Release of tariff levels and settings for 2024 implementation
- Smart System Performance and Control Protocols active
- Functional and Staffing structure refined and recruited for



D. OUR STRATEGIC ENVIRONMENT

SCI'S PURPOSE

This is our first Statement of Corporate Intent since the passing of the To Tatou Vai Act 2021, a first as a Statutory Corporation, and a first with an expanded management team. It is also the first SOI which articulates the pathway towards a fully-fledged commercial entity focused, not on profit, but on meeting the needs of the people of Rarotonga in terms of supplying reliable water in an efficient and cost effective way in hand with the landowners from whose land TTV derives water and houses its infrastructure.

This SCI is a document to be produced each year as required by our governing legislation. This SCI covers the period 2022 – 2026 and: highlights our objectives; identifies the nature and scope of our activities; sets measurable targets against which our performance can be assessed; and sets out our intentions with regards to the sale and purchase of assets, financing requirements and alignment to policy directives of CIIC. This SCI will guide the development of our first strategic and business plan.

VISION

"A COMMUNITY TRUSTED SUPPLIER OF WATER"

MISSION

**"TO PROVIDE A RELIABLE SUPPLY OF WATER THAT IS SAFE TO DRINK;
IMPROVING THE WELLBEING OF OUR COOK ISLANDS PEOPLE"**

VALUES

It is acknowledged that the infrastructure now managed and operated by TTV has met and continues to meet many challenges in terms of acquisition of land, how water will be treated and charging for water. The legislation now in place has been shaped by both the need to manage landowner relationships, and by customer needs.

TTV sees relationships with the community — landowners, customers, interest groups and shareholders — as paramount to being able to conduct its functions effectively while providing a reliable, efficient, cost-effective water supply to the people of Rarotonga. Our legislation is now structured to ensure we engage with the community and there is trust at both ends. It is trust which makes each part of the system work and this will come about through continuously upholding the following TTV values:



As the Authority grows into its functions and through onboarding greater staff capacity and systems, these values will be the guiding compass to achieve TTV's vision and mission.

OUR CONTRIBUTION TO GOVERNMENT PRIORITIES

The Cook Islands as a nation devised an updated National Sustainable Development Agenda (NSDA) 2020+, Te Ara Akapapa'anga Nui, 2021-2121 as a guiding document to goals and targets for a more prosperous Cook Islands over the next 100 years.

Given the more recent challenges of economic recovery on the coat tails of a global pandemic, the Government of the Cook Islands has also more recently released an Economic Recovery Plan 2022.

TTV, as a statutory body with a focus on reliable water supply to the people of Rarotonga, seeks to also align itself and to support national goals as articulated in the NSDA 2020+ and more recently in the Economic Recovery Plan 2022.

NATIONAL SUSTAINABLE DEVELOPMENT AGENDA 2000+



GOAL 2 : WELFARE AND EQUITY

**Alleviate
economic hardship**

TTV by virtue of its governing legislation must provide an allocation of free water up to a certain amount for domestic use to be determined by regulation. TTV is further required to provide its service in a cost effective way and operate not-for-profit. This is structured to ensure the wellbeing of all people of Rarotonga is not impacted significantly by the cost of water aligning to this national goal.



GOAL 5 : WATER AND SANITISATION

**Improve access to sufficient
and safe water**

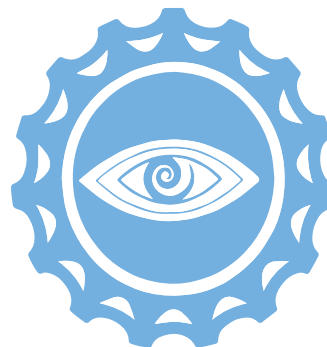
TTV plays a central role in ensuring access to safe water for the people of Rarotonga. The purpose of the Te Mato Vai project spanning over 5 years of infrastructure investment was to upgrade the water infrastructure of Rarotonga and to ensure that infrastructure provides safe water to the people of Rarotonga. As a fundamental right and basic human need, having an Authority now established and focused on ensuring access by residents of Rarotonga will ensure the attainment of this goal for Rarotonga.



GOAL 6 : CONNECTING OUR NATION THROUGH INFRASTRUCTURE, TRANSPORT AND ICT

**Build reliable and appropriate
infrastructure – A physically
connected nation**

The Rarotonga water infrastructure upgrade through Te Mato Vai is the largest investment in public infrastructure for decades with the intent to provide reliable and appropriate infrastructure to meet the public need. Whilst there are still areas of this upgrade which need to be completed including Sector 5, this will be progressed over Phase 3. With TTV now legislated the systems, people and assets will be put in place over the next stage to ensure this infrastructure remains fit for purpose and managed efficiently.



GOAL 12. CLIMATE CHANGE, RESILIENCE, RENEWABLE ENERGY AND ENERGY EFFICIENCY

**Promote resilient
communities**

Whilst the upgrade to the water infrastructure on Rarotonga has anecdotally contributed to less losses from the network on Rarotonga, one of the most significant challenges facing the ability of TTV to continue to provide reliable safe water over the short to long term is the probability of more severe droughts and their impact on water supply levels on Rarotonga. As part of its risk management strategies, TTV is set to determine current system demand requirements and losses to the network. This will enable the development of scenarios, and responding management practices for supply management, while also locking in approaches for demand side management during a drought.

ECONOMIC RECOVERY PLAN 2022

INFRASTRUCTURE INVESTMENT

**Mei te Vai Ki te Vai
(MTVKTV, Muri Reticulated
Sewerage System)**

The purpose of the Mei Te Vai Ki Te Vai (MTVKTV) project is to improve the water quality of the lagoons in Rarotonga and Aitutaki and to do this by installing a reticulated wastewater system.

MTVKTV has been identified as a very large project under consideration for financing as part of the Government's strategy to create economic activity through projects that create short and long-term economic benefits.

There is acknowledgement that MTVKTV will be managed as a statutory corporation and at least at the officials level, TTV has been touted as the likely home for MTVKTV management once the infrastructure is installed. It is therefore paramount TTV be fully engaged at this stage in developments around this project and its pathway to scoping and implementation.

E. OUR OPERATING ENVIRONMENT

It is estimated 11million litres of water is supplied per day to those who are residing and operating on Rarotonga. To enable this TTV is responsible for managing and maintaining 10 water intakes and treatment plants, over 100km of water reticulation piping, 19 community water stations and an eventual customer base estimated at 6000 across Rarotonga. The assets managed and the operations of TTV are currently supported by just under 30 staff.

OUR NATURE

TTV was recently formalised as not-for-profit statutory corporation under the purview of the Cook Islands Investment Corporation through the passing of the To Tatou Vai Act through the Parliament of the Cook Islands in November 2021. Unlike other large infrastructure SOE's, TTV is not profit seeking to ensure affordability of water to the general water user. Focus is on ensuring the system is high performing meeting quality and quantity needs of Rarotonga. The objective is to ensure assets are managed well, replacements are planned for reliability, and the cost of operations are recovered. Dividends will not be issued from TTV.

At this stage in the organisational development of TTV, the focus of the team will be on "Developing & Resourcing the Authority with People, Systems and Assets" that builds off the guidance laid down by the TTV Act 2021 and strengthens the foundation for stage 4 and 5. The mindset of TTV is flexible through transformation periods towards a fully-fledged water authority.

At this stage TTV is financed through public appropriation. The nature of its financing is

expected to continue under this structure to Phase 5 in 2025.

OUR SCOPE

TTV's focus and legislated service area is in Rarotonga for the purpose of the collection, treatment and reticulation of water from catchment to customer. The next section covers the range of functions expected of TTV.

Whilst TTV may be given additional functions by the Minister, during Phase 3 of TTV's organisational development it is strongly recommended the scope of TTV's jurisdiction remain limited to Rarotonga until Phase 5 where this may be considered.

However, TTV's management team acknowledges there are synergies between the work of TTV and the development of the Government prioritised project in Mei Te Vai Ki Te Vai. Because of the likely synergies, TTV Board requests a seat at the table in development discussions around MTVKTV.

OUR FUNCTIONS & OBJECTIVES

With the TTV Act now in place, Section 8 of the Act clearly details the statutory functions to be performed by the Authority, as follows:

1. To collect, treat, and reticulate water for public supply in a reliable, efficient and cost effective way;
2. To operate, build, and maintain systems, facilities and networks, as needed for that purpose;

3. To meet any prescribed water supply and water quality standards;
4. To consult with catchment committees to ensure the preservation and conservation of catchments for the continued supply of water;
5. To recognise the rights and interests of landowners in the valleys through its compliance with the terms of access agreements;
6. To promote public education and awareness of the need to preserve and conserve catchments;
7. To identify new sources of water to meet future anticipated demand and, together with those who have rights in respect of the land over which that water sits or runs, develop those sources for the public good;
8. To acquire or enter into agreements with CIIC to assume active management of CIGPC's rights to collect water and for the acquisition or use of systems and facilities owned by CIGPC and needed for the reticulation, filtration, and storage of water;
9. Any other functions given to the Authority by the Minister

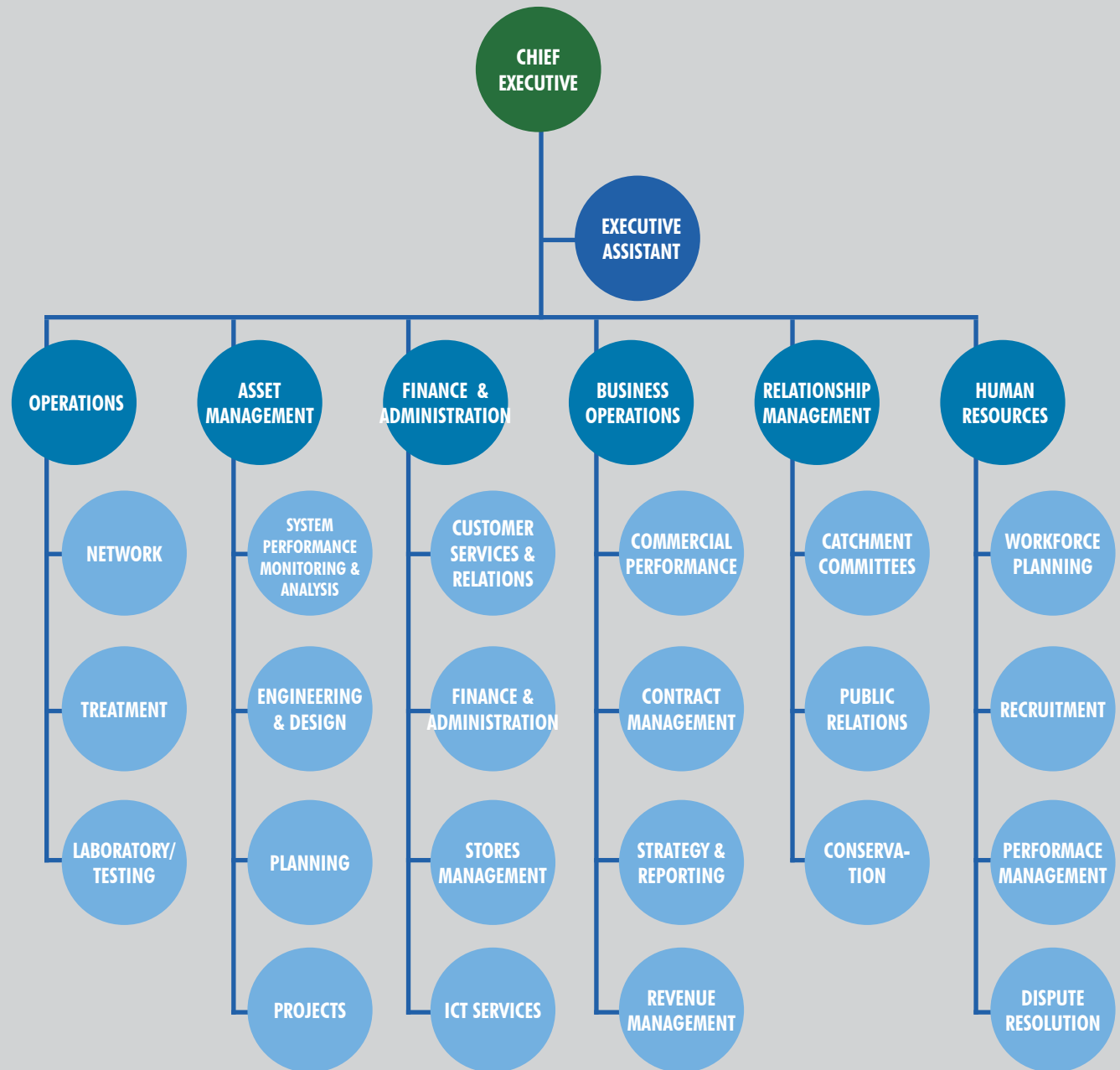
These functions are firm into the foreseeable future and will not be expanded or reduced unless an amendment to the Act is undertaken through Parliament. These functions have therefore been considered in developing the below functional structure for TTV moving forward.

OUR FUNCTIONAL STRUCTURE

Following the passing of the TTV Act 2021 and after 12 months of working through Phase 2 of instituting a new authority to operate the upgraded water infrastructure, TTV has produced a transitional functional structure to guide its resourcing for the coming 3 years. The purpose of this structure is to, at this stage, clearly depict the range of functions required to be undertaken by TTV and grouping these functions under common areas to guide a staffing structure. Whilst the functional structure (and staffing structures) is expected to largely remain unchanged, it is important to acknowledge the groupings must be refined over the different phases to ensure fit for purpose.

As a matter of priority, resourcing of the Planning, Business Operations and Relationship Management functions will be focused on within the next 6 months. This will enable TTV to effectively and efficiently manage its infrastructure, business operations and stakeholder relationship. Financing associated with staffing these functions will be ongoing, financing will also be required for capital to support system performance monitoring.

Key performance actions under each function is detailed in Section H.



F. OUR RISK MANAGEMENT SYSTEM

TTV ACT REQUIRES THE AUTHORITY TO:

- Identify significant events that may or will have a significant financial impact
- Assess the nature and degree of the risk caused by these events; and
- Provide a mitigation pathway for managing such risks

Management will continue to consolidate this assessment into a quarterly risk management report to the Board.

TTV in the acceptance of existing and new water infrastructure for Rarotonga faces a number of challenges and associated risks in being able to effectively operate a well functioning catchment and reticulation network, and maintaining this ongoing.

The following challenges are considered priority risks to be managed at this time and the number rank is based on assessment using the below Risk Management Scoring Matrix evaluating likelihood and impact. A range of capital and operational projects are underway under TTV's purview to alleviate challenges ranked as significant risks.

RISK MANAGEMENT SCORING MATRIX

| Likelihood | 1 | 2 | 3 | 4 | 5 |
|------------------|------------|-------|----------|-------|--------------|
| | Negligible | Minor | Moderate | Major | Catastrophic |
| 1 Almost Certain | 5 | 10 | 15 | 20 | 25 |
| 2 Likely | 4 | 8 | 12 | 16 | 20 |
| 3 Possible | 3 | 6 | 9 | 12 | 15 |
| 4 Unlikely | 2 | 4 | 6 | 8 | 10 |
| 5 Rare | 1 | 2 | 3 | 4 | 5 |



PROGRAMS TO ALLEVIATE IMMEDIATE RISKS TO TTV OPERATIONS

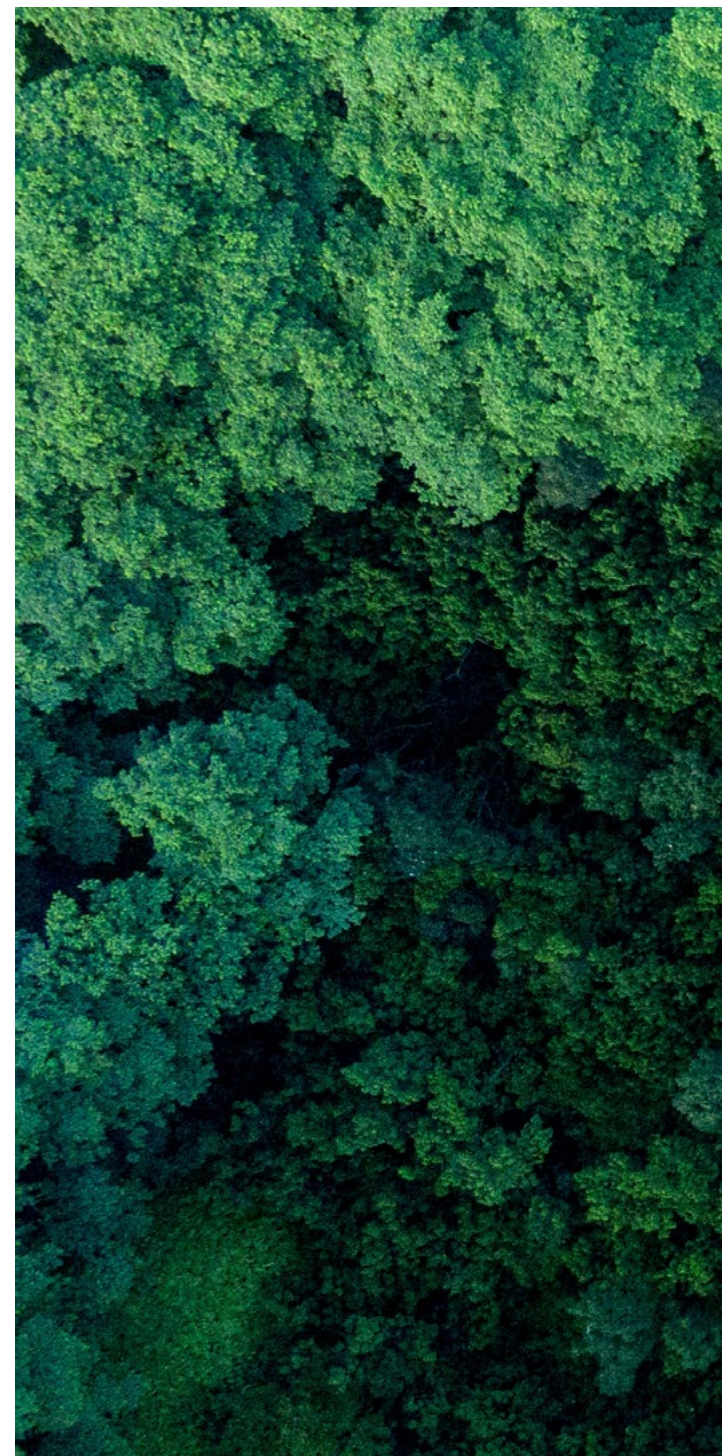
| | | |
|--|--|---|
| Operational Risk | Drought causing limited supply and reduced access to reliable safe water across Rarotonga | |
| Score: 20 Likelihood 4 Impact 5 | <ul style="list-style-type: none"> Drought scenario mapping and planning | <ul style="list-style-type: none"> Adoption of a drought protocol to prioritise customer access and access to reserve capacity |
| Operational Risk | Uninformed system management leading to sub optimum operations, losses, water quality and system damage | |
| Score: 20 Likelihood 5 Impact 4 | <ul style="list-style-type: none"> Completion of mapping and records for entire water reticulation network (requires attention) Completion of Sludge Management Facility (procurement) Completion of metering of all mains, submains and customer level connections for data collection, efficiency and losses analysis (continuation of works) | <ul style="list-style-type: none"> Complete Sector 5 Plus Project decommissioning of AC piping (on going) Translation of Operations and Maintenance programs of all assets into the Rarotonga context and user friendly for technicians & operators (ongoing) |
| Compliance & Reputational Risk | Inability to meet international water quality standards with current infrastructure causing potential wellbeing issues and system inefficiencies | |
| Score: 15 Likelihood 5 Impact 3 | <ul style="list-style-type: none"> Navigate the confirmation of a Water Quality Standard based on the performance capability of the water infrastructure (discussion) | <ul style="list-style-type: none"> Manage public relations around water quality expectations and standards |
| Financial Risk | Inability of TTV to cost recover not for profit business activities from customers and thus unable to maintain water infrastructure assets, put in place appropriate governance and staffing structures | |
| Score: 12 Likelihood 3 Impact 4 | <ul style="list-style-type: none"> A detailed budget and resourcing requirement ie financing plan developed over a 5 year timeframe with commitment to funding confirmed by Government. | <ul style="list-style-type: none"> Undertake an extremely transparent approach to disclosing issues, approach and costs associated with system and in working with landowners Give advise on free volume allocation for domestic connections. |
| Operational Risk | Inability to recruit appropriately qualified staff in engineering, business operations and relationship management immediately | |
| Score: 12 Likelihood 4 Impact 3 | <ul style="list-style-type: none"> Determine areas of business which can be outsourced | <ul style="list-style-type: none"> Develop a workforce planning path to transfer knowledge and experience from expatriates to local counterparts |
| Operational & Reputational Risk | Landowners and Associated Catchment Committees are not formed to monitor and maintain oversight of activities within catchments and to manage applications for new activities leading to asset quality deterioration | |
| Score: 10 Likelihood 5 Impact 2 | <ul style="list-style-type: none"> Completion of negotiations and set up/formalisation of Catchment Committees | <ul style="list-style-type: none"> Drafting and institutionalisation of Catchment Committee protocols and operating arrangements |
| Operational Risk | Business continuity disrupted due to no premises to continue activities from | |
| Score: 6 Likelihood 2 Impact 3 | <ul style="list-style-type: none"> Permanent location of TTV business confirmed with the Cook Islands Investment Corporation) and associated timeframe | |

G. OUR FINANCIAL FORECAST

As a new SOE TTV is not expected to generate revenue, other than the small amount coming from new connections, and will therefore depend on the government appropriation over the next three years.

As such an accurate table of financial forecasts is not yet available. TTV expects to develop its strategic plan, business plan, capital investment plan and long-term financing strategy over Phase 3 which will enable medium term financial forecasting. The following notes are relevant to the current operations and status of TTV with regard to performance indicators and as supported by the governing legislation:

1. Total Revenue: TTV currently does not meter or charge for the supply of water to any connection. This is not expected to be in place until 2025. As such the revenue represented in the forecasts are based on usual costs of connection and other miscellaneous charges.
2. Return on equity (ROE): Illustrates the return generated from shareholder capital with TTV's shareholder being the Cook Islands Investment Corporation (CIIC). Part 4 Section 26 requires the Authority to operate the network on a not-for-profit basis. As such TTV as per its statutory nature will not seek to provide a ROE greater than 0% and thus no dividend to its shareholder from its operations.
3. Community Service Costs/revenue %: Illustrates TTV's engagement in services which are uneconomical. At this stage in TTV's organisational development TTV does not charge for any of its services other than consumer connections. Therefore, at this phase in development all services are considered CSC's funding through Government Appropriation and is not expected to be adjusted until Phase 5 in 2025.
4. Debt to Assets: The debt to total assets ratio is an indicator of financial leverage. It indicates the percentage of total assets that are financed by creditors, liabilities or debt. In the case of TTV, the value of assets it manages is yet to be confirmed by the Government of the Cook Islands and is expected to be clarified by the end of 2022. A policy with regard to the debt associated with the Te Mato Vai Project has been made where the loan is held by central Government and will not be assumed by TTV over the course of its business. In effect TTV will not assume responsibility for loan repayments and will not incorporate loan repayments into its financial forecasts or tariff structure unless instructed otherwise by its shareholder.
5. Current ratio: This is predominantly used to provide an indication of an entity's ability to pay back its liabilities (debt and accounts payable) with its assets (cash, marketable securities, inventory, and accounts receivable). As such, the current ratio can be used to make a rough estimate of a company's financial health. A current ratio greater than 1 is considered a minimum requirement. A current ratio significantly higher than 1, may be considered not the best use of funds, as returns are usually higher on non-current assets (term investments and the like).





H. OUR KEY PERFORMANCE AREAS

Our Key Performance Areas summarises the focus of each of our grouped functions in our functional structure and provides highlights of completed works in 2020/21 while also identifying key activities expected to be completed over the planning period. These activities are linked to the milestones and projects highlighted through the risk management system.

I. OPERATIONS

Maintain and operate assets for the efficient collection, treatment, and reticulation of water ensuring the delivery of reliable, efficient and cost-effective water supply compliant with any prescribed water supply and water quality standards.

An operations division has been established and hosts 18 staff across the treatment and network teams. The treatment team is responsible for managing, maintaining and operating the treatment works that produce clean water for reticulation into the network. This team includes laboratory services whose focus is to ascertain the quality of water and determine future actions to maintain compliance. The Network team manage, maintain and operate the reticulation network including the cleaning of some 70km of new and existing buried pipe work and decommissioning older system piping as identified.

2020/222 Highlights

- Providing clean water to consumers on Rarotonga through the full refurbishment

of water treatment plants (10) where dirt is removed, and achieving a level of purity through bacteria removal by assuming responsibility for the community UV water stations;

- Securing environmental permits for the operation of the water treatment plants and a temporary facility to management and store associated by products (sludge);
- Commissioning of new water infrastructure to domestic and commercial connections island wide and now in operation, this included the cleaning of approximately 70km of piping;
- Establishing a Laboratory capable of testing water to meet the required standards;

Towards 2022/23

- Eliminate system leaks through total **decommissioning of the AC pipeline** (Sector 5 plus project)
- Operational treatment and network **manuals simplified** into the Rarotonga context and into diagram form for use by operators and technicians.

II. ASSET MANAGEMENT

Ensure the entire water system's performance operates at an optimum level through constant technical monitoring and analysis, the development of responding engineering and design solutions, effective control and asset management protocols and the implementation of strengthening

capital projects as required.

Asset management division is being established with the main focus to employ an engineering team who can analyse and devise strategies to improve system performance. At this stage there are various challenges with assessing system performance including the need for SCADA, central and decentralised data collection for analysis, and asset location and valuation. Immediate projects have been identified to improve existing system challenges as identified in the risk assessment, whilst at various stages, some projects have progressed to procurement while others are at scoping stage.

Towards 2022/24

- Resourcing and recruiting an **engineering team** as a matter of priority
- Identify island wide water demand, supply requirements, system leakage, efficiency and performance characteristics through the **installation of central and distributed metering and control and management systems**
 - Completion of mapping and records for entire water reticulation network assets
 - Completion of metering of all mains, submains and some customer level connections for data collection, efficiency, and losses analysis (continuation of works)
 - Complete Sector 5 Plus Project decommissioning of AC pipping (on going)

- Translation of Operations and Maintenance programs of all assets into the Rarotonga context and user friendly for technicians & operators (ongoing)
- Confirm **realistic water quality standards** based on invested infrastructure to guide operations and determine appropriate **treatment method & disposal**
 - Navigate the confirmation of a Water Quality Standard based on the performance capability of the water infrastructure (discussion)
 - Manage public relations around water quality expectations and standards
- Institute a **system for asset management** for the effective and efficient operation, maintenance and replacement of all water infrastructure and equipment
- Finalise scope and project to deliver **back up water supply to be engaged in times of drought** and low supply including the feasibility of gallery refurbishment and other alternatives as appropriate
 - Drought scenario mapping and planning
 - Adoption of a drought protocol to prioritise customer access and access to reserve capacity
- Building of a **permanent facility for the management of the by-products** (sludge) from the water treatment plants)
 - Completion of Sludge Management Facility (procurement)

III. BUSINESS OPERATIONS

Ensure TTV remains a not-for-profit corporation while able to effectively cover its liabilities and capital investments required to an acceptable overall system performance over the long term so access and quality to consumers is not compromised.

This function develops and activates the business and financing strategy, ensures appropriate legal instruments are in play across all business units to support these strategies, and coordinates the necessary business metric information to inform organisational and commercial decision making.

At this stage the Business Operations function is not yet resourced. As TTV moves into Phase 3 of its organisational development this function now requires attention. In doing so and in reflecting on the coming milestones, it is important to initiate capacity around policy development especially in relation to legal, strategy and reporting. Legal support will continue to be required to assist with the development of regulations, customer service agreements, catchment committee protocols, HR policy contracts and associated arrangements, supplier agreements and the like. These are foundational initiatives and will impact the long-term ability of TTV to provide a well-functioning service as well as managing expectations of its staff, customers, suppliers, landowners and stakeholders. With limited financing this arm may be slated for development partner assistance. In addition, with the development of the Enterprise Resourcing Planning (ERP) software, it is

important customer engagement models and associated policies are developed to support this. This includes the consideration of free water quantities acceptable at the household level and excess usage charges.

Towards 2023/25

- Develop a medium-term **Strategic Plan** in accordance with the TTV Act, associated **Capital investment and financing plan** to guide detailed organisational transformation
 - A detailed budget and resourcing requirement. That is, financing plan developed over a 5 year timeframe with commitment to funding confirmed by Government
 - Take extremely transparent approach to disclosing issues, approach and costs associated with system and in working with landowners
- Reinforce the **formalise relationships** across local, regional and international partners & suppliers
- Provide the necessary resources (including financial) to support the delivery of the legal requirements of TTV
- Evaluate core and non-core functions of TTV with the intent of outsourcing non-core activities
- Institute **Regulations** required for compliance with TTV Act and enable customer engagement

H. OUR KEY PERFORMANCE AREAS CONT

- Recommendation of fair **free allocation of water** regulated for domestic use; and scope associated cost recovery requirements to produce a tariff structure for chargeable use by 2024
- **Risk Management Report** protocols developed and initiated in accordance with the TTV Act
- Open up dialogue with the shareholder in relation to a permanent premises for TTV

IV. RELATIONSHIP MANAGEMENT

Communicate transparently relevant actions of TTV as it moves through its development journey to becoming a customer facing mature statutory corporation.

Effectively managing key stakeholders is an essential function of TTV especially regarding landowners through Catchment Committees. The TTV Act requires the Authority to set up and undertake frequent engagements with 10 Catchment Committees on Rarotonga. At this stage two catchment committees are formed with a further 8 to be formalised over the coming months. In addition, relations with the shareholder and consumers of water on Rarotonga at the household and business level will be paramount over the next 24 months as the organisation transitions to more formalised arrangements, water quality standards are set, customer arrangements are developed, and decommissioning of the remaining old systems are completed.

At present this function is not staffed nor contracted and requires immediate resourcing.

Towards 2022/23

- **Resourcing of the Relationship Management Function** completed
- Formalise **Catchment Committees**, protocols and operations in accordance with the TTV Act, this includes the
 - Completion of negotiations and set up/formalisation of Catchment Committees
 - Drafting and institutionalisation of Catchment Committee protocols and operating arrangements
- A **stakeholder assessment and engagement plan** developed and implemented including general public relations

V. FINANCE & ADMINISTRATION

Established automated financial and customer services management systems which support good governance, accountability, maximise efficiency and support streamlined customer satisfaction.

The Finance & Administration is formed as a division and staffed to be customer services orientated. Whilst financial policies and procedures have been developed and systems for business transactions are operational, a major scoping exercise is underway to go to market for an Enterprise Resource Planning (ERP) system for TTV which will manage all aspects of business operations including the production of accounts, transactions, job scheduling, to customer relationship management and queries. This system is

foundational and will impact all areas of the organisation while also enabling customer engagement from 2025.

2020/22 Highlights

- Financial management systems instituted and compliant with statutory standards meeting internal and external reporting requirements. The improved bookkeeping, stock management, fixed asset management and reporting has also been noted in the annual audit feedback by KPMG. The integration of the ERP software will further enhance the financial system in place.
- The financial policies and procedures that the financial management system operates within is refined, to be further developed over time.
- Migrated from the Government ICT network to TTVs ICT network, where we manage in house our email servers, file servers and installed firewall for secure network. The migration is also crucial for the on-premise installation of the To tatou Vai Enterprise Resourcing Planning (ERP) software to facilitate the functions of TTV.
- With TTV operating as a Statutory Corporation, the government appropriation that would have traditionally been allocated under CIIC will now be appropriated as a Payment on Behalf of Crown (POBOC) for future financial years. This eases the administrative burden on CIIC to manage the To Tatou Vai appropriation and allows the management direct dialogue with MFEM with regard to funding requirements

Towards 2022/23

- Develop the **Enterprise Resource Planning** Software for TTV operations
- Development and implementation of an appropriate **stock management system** for TTV
- Confirm the **value of all water infrastructure assets**

VI. HUMAN RESOURCES

Ensuring the human resource capacity of TTV is effectively planned, recruited, performance managed and as necessary disputes are managed effectively for a high performing team.

At present this function has been resourced with one HR Manager and will require additional resources at this early stage of organisational development in setting up the relevant HR policies and workforce plans to structure recruitment for the long term. As an organisation requiring an increase in staffing across the board, it is acknowledged there is a shortage of labour both qualified and unqualified on Rarotonga due to the emigration of residents to New Zealand throughout the pandemic. It is acknowledged TTV may need to consider options for contracting or sourcing labour from foreign markets in the interim should labour shortages continue on island. The ideal will be to build an organisation that is attractive to returning Cook Islanders through strong professional foundations and development plans.

2020/22 Highlights

- Establishment of an Executive Management Team including HR Manager and Chief Financial Officer;
- Establishment of technical network and treatment staff for operations;
- Establishment of apprentice scheme for water and network technicians with Connexis, New Zealand
- Increased awareness of To Tatou Vai at schools through visits and internship program to promote career prospects in the water industry

Towards 2022/23

- Develop an organisation wide **Performance Management Framework** and associated HR guiding policies, occupational health and safety policies and workforce development/training plan
- Setting of **interim functional structure** based on the TTV Act with a program to refine by 2024
- Develop a **staffing structure** reflective of the Functional Structure approved in this Statement of Corporate Intent



I. APPENDIX

I. DETAILED FINANCIALS

| | Note | 2019/20 Actual | 2020/21 Actual | 2021/22 Forecast | 2022/23 Forecast | 2023/24 Forecast | 2024/25 Forecast |
|-------------------------|------|----------------|----------------|------------------|------------------|------------------|------------------|
| Total Revenue | A | 2,461,698.02 | 3,338,899.51 | 3,040,393.91 | 8,063,000.00 | 4,738,000.00 | 3,423,000.00 |
| EBITDA | | 656,297.66 | 815,076.84 | 190,024.37 | 5,200,196.35 | 1,875,196.35 | 390,196.35 |
| Depreciation | B | 40,914.70 | 103,812.95 | 102,088.48 | 240,553.33 | 274,953.33 | 2,323,053.33 |
| NPBT | | 492,307.16 | 827,929.89 | 130,358.66 | 3,999,855.10 | 1,312,335.10 | (1,548,144.90) |
| Total Assets | | 1,316,045.15 | 1,988,965.81 | 845,454.90 | 4,783,177.76 | 5,039,927.45 | 104,597,709.12 |
| Total Shareholder Funds | | 607,025.91 | 1,868,096.82 | 2,193,495.44 | 5,897,358.69 | 7,048,990.35 | 107,340,142.02 |
| Total Liabilities | | 709,019.24 | 120,868.99 | (1,348,040.68) | (1,114,180.50) | (2,009,062.47) | (2,742,432.47) |
| Total Staff Costs | | 994,393.39 | 1,309,179.43 | 1,440,705.15 | 1,368,565.54 | 1,368,565.54 | 1,368,565.54 |
| Total Employees | | 31.00 | 31.00 | 31.00 | 31.00 | 35.00 | 40.00 |
| Total FTEs | | 30.00 | 30.00 | 30.00 | 30.00 | 30.00 | 30.00 |
| Operating Cash-flows | | 989,035.54 | (297,347.47) | (1,386,144.56) | 4,484,198.03 | 692,406.46 | 41,538.43 |
| Total Dividends Paid | | N/A | N/A | N/A | N/A | N/A | N/A |
| Revenue per FTE | | 82,056.60 | 111,296.65 | 101,346.46 | 268,766.67 | 157,933.33 | 114,100.00 |

| Note A: Revenue Profile | 2019/20 Actual | 2020/21 Actual | 2021/22 Forecast | 2022/23 Forecast | 2023/24 Forecast | 2024/25 Forecast |
|-------------------------|----------------|----------------|------------------|------------------|------------------|------------------|
| Baseline | \$2,461,698 | \$3,338,900 | \$3,040,394 | \$3,018,000 | \$3,018,000 | \$3,018,000 |
| Sector 5+ | \$0 | \$0 | \$0 | \$1,380,000 | \$0 | \$0 |
| Metering A | \$0 | \$0 | \$0 | \$2,515,000 | \$0 | \$0 |
| Metering B | \$0 | \$0 | \$0 | \$0 | \$1,720,000 | \$0 |
| Metering C | \$0 | \$0 | \$0 | \$0 | \$0 | \$405,000 |
| 88H | \$0 | \$0 | \$0 | \$1,150,000 | \$0 | \$0 |
| Total Revenue Forecast | \$2,461,698 | \$3,338,900 | \$3,040,394 | \$8,063,000 | \$4,738,000 | \$3,423,000 |

The projected revenue profile includes Crown Appropriation for Sector 5+, Metering & Tarrif and the 88H Sludge facility.

| Note B: Depreciation Profile | 2019/20 Actual | 2020/21 Actual | 2021/22 Forecast | 2022/23 Forecast | 2023/24 Forecast | 2024/25 Forecast |
|------------------------------|----------------|----------------|------------------|------------------|------------------|------------------|
| Baseline | \$40,915 | \$103,813 | \$102,088 | \$124,320 | \$124,320 | \$124,320 |
| Sector 5+ | \$0 | \$0 | \$0 | \$27,600 | \$27,600 | \$27,600 |
| Metering A | \$0 | \$0 | \$0 | \$50,300 | \$50,300 | \$50,300 |
| Metering B | \$0 | \$0 | \$0 | \$0 | \$34,400 | \$34,400 |
| Metering C | \$0 | \$0 | \$0 | \$0 | \$0 | \$8,100 |
| 88H | \$0 | \$0 | \$0 | \$38,333 | \$38,333 | \$38,333 |
| Infrastructure | | | | | | \$2,040,000 |
| Total Revenue Forecast | \$40,915 | \$103,813 | \$102,088 | \$240,553 | \$274,953 | \$2,323,053 |

The depreciation profile highlights the increase in depreciation, not only from the completion of Crown Appropriated projects, but also the increase due to the transfer of Infrastructure Assets from PMU to To Tatou Vai, as noted in the 2024/2025 FY. The Infrastructure Asset is estimated to be worth \$102 million

II. STATEMENT OF ACCOUNTING POLICIES

1. Statement of Accounting policies:

Reporting Entity

To Tatou Vai Limited ("the Company") was incorporated in the Cook Islands on the 25th of August 2017.

These financial statements have been presented under the Companies Act 2017.

To Tatou Vai Limited is a subsidiary of the Cook Islands Investment Corporation governed under the Cook Islands Investment Corporation Act 1998

Basis of Preparation

The financial statements have been prepared on a going concern basis.

The Directors have performed an assessment of the Company's ability to continue as a going concern from twelve months from the date of this declaration. In this assessment, the Directors considered the essential nature of the Company and the Letter of Support from Government (ultimate parent) to provide financial assistance as required to ensure the Company continues to operate into the foreseeable future, being at minimum twelve months from balance date.

These financial statements have been prepared in accordance with New Zealand Tier 2 Public Benefit Entity (PBE) IPSAS accounting standards ("PBE IPSAS"). The Company has designated itself a Public Benefit Entity whose primary objective is to provide water and waste water infrastructure and services for public benefit. To Tatou Vai Limited adopts the PBE accounting standards applicable under a Reduced Disclosure Regime (RDR) with an expense threshold greater than \$2 million and less than \$30 million.

The financial statements are presented in New Zealand dollars. The financial statements are prepared on the historical cost basis. The accounting policies have been applied consistently to all periods presented in these financial statements.

COVID-19 Note

On 11 March 2020, the World Health Organisation declared a global pandemic as a result of the spread of Covid-19.

Following this, the Cook Islands Government imposed significant restrictions on travel to the Cook Islands which resulted in a complete cessation of international arrivals into the Cook Islands, and in particular, tourists.

Although Covid-19 has had a substantial and very significant impact on the economy of the Cook Islands, the Company remains in the start-up phase with water-meter charges yet to commence and operations are currently funded through the Cook Islands Government through Crown Appropriation (Refer Note 2 for details).

With regards to the financial statements contained within this set of statutory accounts, Covid-19 has been considered in the judgements/estimates made in areas such as our doubtful debt provisions (Note 8), considerations of any impairment triggers relevant to Inventories (Note 9) and PP&E (Note 10) and Intangible assets (Note 11), and going concern (Note 1). To date the impact on these areas has been limited.

Statement of Cash Flows

The following are the definitions of the terms used in the Statement of Cash Flows:

- a. Cash is considered to be cash on hand, current accounts in banks and short term

deposits, net of bank overdrafts.

- b. Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets and of investments. Investments can include securities not falling within the definition of cash.
- c. Financing activities are those activities which result in changes in the size and composition of the capital structure of the Company. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.
- d. Operating activities include all transactions and other events that are not investing or financing activities

Value added tax

All amounts are shown exclusive of Value Added Tax (VAT), except for receivables and payables that are stated inclusive of VAT.

Effects of Changes in Accounting Policies

The Company has early adopted PBE IPSAS 41 Financial Instruments from 1 July 2019.

Transition to PBE IPSAS 41 Financial Instruments

This standard introduces new requirements for the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new requirements for hedge accounting.

Specifically, the following key areas were considered:

Classification and measurement of financial assets and financial liabilities

PBE IPSAS 41 contains 3 principal classification categories for financial assets: measured at amortised cost, Fair value through Other Comprehensive Income (FVOCI), and Fair value through Profit or Loss (FVTPL). Classification is generally based on the business model in which a financial asset is managed and its contractual cashflow characteristics. PBE IPSAS 41 largely retains the previous requirements in PBE IPSAS 29 or the classification and measurement of financial liabilities.

The adoption of PBE IPSAS 41 has not had a significant effect on the Company's accounting policies related to financial assets and liabilities and has not resulted in a change to the carrying amount for any financial instruments.

Refer table below:

| Financial Instrument | Classification under PBE IPSAS 29 | Classification under PBE IPSAS 41 |
|-----------------------------|-----------------------------------|-----------------------------------|
| Cash and cash equivalents | Loans and receivables | Amortised Cost |
| Trade and other receivables | Loans and receivables | Amortised Cost |
| Trade and other payables | Other financial liabilities | Amortised Cost |
| Income tax payable | Other financial liabilities | Amortised Cost |
| Employee entitlements | Other financial liabilities | Amortised Cost |
| Related party payables | Other financial liabilities | Amortised Cost |

Refer to Note 8 Financial instruments for explanation of how the Company classifies and measures financial instruments.

Impairment of financial assets

PBE IPSAS 41 replaces the 'incurred loss' model in PBE IPSAS 29 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost.

Generally, entities are required to recognise an impairment provision for all financial assets at amortised cost.

Refer to Note 8 for explanation of how the Company has applied the impairment requirements of PBE IPSAS 41.

Hedging

The Company does not apply hedge accounting and therefore this part of the standard is not relevant.

2. Accounting Policy:

Revenue is measured at fair value of consideration received or receivable for the sale of goods or services provided in the ordinary course of business.

The specific accounting policies for significant revenue items are explained below:

Crown appropriation

Crown Appropriation revenue is provided by the Cook Islands Government through the Budget Estimates and approved by the Appropriation Bill.

CAPEX and MFEM MOU income

The Company receives funding from the Crown for specific capital projects referred to as Capital Expenditures (CAPEX).

3. Accounting Policy:

Short term benefits:

Short-term employee benefit that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date.

On resignation, employees are entitled to a pro-rata apportionment of annual leave and as such an accrual is recognised in line with the period of service. A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

Superannuation Schemes:

The Company contributes to the Cook Islands National Superannuation Fund. This fund is a State defined contribution fund.

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit as incurred.

4. Accounting Policy:

Deferred tax

Recognised deferred tax assets / (liabilities)

The Company has deferred tax assets attributable to the following

- Provision for doubtful debts
- Property, plant and equipment

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax also includes any tax benefits arising from the declaration of dividends.

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit as incurred.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which they can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Judgements

In determining the amount of current tax the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events.

No significant judgements have been applied in current tax calculation due to Government's response to COVID-19. Some tax relief will be provided in the form of accelerated depreciation rates. As this has not yet been enacted these have not been applied.

New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

5. Accounting Policy:

Financial Instruments

Financial assets

Financial assets comprise Cash and cash equivalents, and trade and other receivables. These are all classified as amortised costs as they are:

- held within a business model whose objective is to hold assets in order to collect contractual cashflows; and
- the contractual terms of the financial asset give rise to cash flows that are solely

payments of principal and interest (if applicable).

These assets are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost.

Expected credit loss (ECL) is calculated based on a function of the probability of default, loss given default and exposure at default.

The Company applies ECL model separately for each financial asset category measured at amortised cost.

ECL is calculated based on the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cashflows that the Bank expects to receive). ECL for cash and cash equivalents is calculated based on industry standard probability of default and loss given default based on the credit rating of each financial institution where funds are held.

As trade debtors are normally paid within 30 days and do not have a significant financing component the Company has applied the simplified approach in PBE IPSAS 41 and therefore only recognising lifetime ECL.

Financial Instruments (continued)

Interest rate risk

This is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to interest rate risk is limited to its bank deposits which are held at variable rates of interest. The Company does not actively manage its exposure to this risk however it is

not considered to have a significant impact given the balance is small and held at call.

5. Liquidity risk

Liquidity risk represents the Company's ability to meet its contractual obligations. The Company evaluates its liquidity requirements on an ongoing basis

In light of COVID-19 and its unprecedented economic impacts during the year, the Government of the Cook Islands has provided a letter of support confirming it will provide financial assistance to the Company where necessary to continue its operations as a going concern.

Credit Risk

Credit risk is the possibility that a loss may occur from the failure of a counterparty to perform according to the terms of the contract. In the normal

course of business, the Company is exposed to credit risk from cash and cash equivalents and trade and other receivables. For each of these, the

maximum credit exposure is best represented by the carrying amount in the statement of financial position. The Company does not hold any collateral

for financial instruments that give rise to credit risk.

7. Accounting Policy:

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined on a weighted average basis, which is determined using the first-in first-out principle. The cost of

inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

The carrying amounts of the Company's inventories are reviewed at each balance date to determine whether the cost of the inventories are recoverable.

An impairment loss is recognised whenever the carrying amount of inventories exceeds its net realisable value. Impairment losses directly reduce the carrying amount of inventories and are recognised in comprehensive revenue and expenses.

Impairment Consideration

Due to the impacts of COVID-19 the Company has considered the nature of inventories held and its expected use. The Company does not expect COVID-19 impacts will result in any obsolescence and therefore no impairment is required.

8. Accounting Policy:

Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset and includes the following:

Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and

maintenance is expensed as incurred.

Property, plant and equipment (continued)

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in comprehensive revenue and expenses on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Motor vehicles 5-10 years

Office furniture 4-10 years

Computer equipment 4 years

Plant & equipment 4-20 years

Lease improvements Period of lease

When calculating recoverable value, the fair value of property, plant & equipment is based on the cost approach using the depreciated replacement cost approach. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

The carrying amounts of the Company's property, plant and equipment are reviewed at each reporting date to determine whether

there is any

indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

Impairment losses are recognised in comprehensive revenue and expenses.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment Consideration

The Company performed an assessment to determine if the event of COVID-19 is an indication that impairment exists in accordance with PBE IPSAS 21

Impairment of Non-Cash Generating Assets, which would warrant a valuation to support carrying value of the Company's Property, Plant and Equipment. This assessment included judgement over whether the level of assets held is in excess of what is required, and whether the useful life of the assets have reduced as a result of COVID-19.

The Company has concluded that whilst there has been significant impacts on the Cook Islands economy as a whole, given the nature of the Company's activities the impact has been minimal. There has not been any change to the useful life of the assets held, and the requirement and necessity for the assets has not changed. Being the sole and central water utility provider in Rarotonga, the Company is considered an essential requirement for the country. It is considered the level of assets held are necessary in order

for the Company to meet its service provision requirements.

9. Accounting Policy:

Intangible assets are made up of software.

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life.

Amortisation begins when the asset is available for use and ceases at the date the asset is derecognised.

The amortisation charge for each financial year is recognised in comprehensive revenue and expenses.

10. Impairment Considerations:

Due to the impacts of COVID-19 the Company has considered the nature of and impacts on intangible assets. The software held is required to perform essential service, regardless of activity volume, there is no excess capacity or over design in software, there has been no change in useful life of the software, and therefore the Company considers no impairment exists.

11. Accounting Policy:

Trade and other payables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. These are short-term liabilities and therefore the carrying amounts materially equate to fair value.

12. Accounting Policy:

The Company recognises operating lease payments in comprehensive revenue & expenses on a straight-line basis over the term of the lease.

III. ACRONYMS

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|--------------------|---|
| AC Pipeline | Asbestos Cement Pipeline |
| CAPEX | Capital Expenditure |
| CIGPC | Cook Islands Government Property Corporation |
| CIIC | Cook Islands Investment Corporation |
| CSC | Community Service Costs |
| EBITDA | Earnings before Interest, Taxes, Depreciation, and Amortization |
| ECL | Expected Credit Loss |
| ERP | Enterprise Resource Planning |
| FTE | Full Time Equivalent |
| HR | Human Resources |
| FVOCI | Fair Value through Other Comprehensive Income |
| FVTPL | Fair Value through Profit or Loss |
| ICT | Information Communications Technology |
| IPSAS | International Public Sector Accounting Standards |
| KPMG | Klynveld Peat Marwick Goerdeler |
| MFEM | Ministry of Finance & Economic Management |
| MOU | Memorandum of Understanding |
| MTVKTV | Mei Te Vai Ki Te Vai |
| NPBT | Net Profit Before Tax |
| PBE | Public Benefit Entity |
| PMU | Project Management Unit |
| POBOC | Payment on Behalf of the Crown |
| RDR | Reduced Disclosure Regime |
| ROE | Return on Equity |
| SCADA | Supervisory Control and Data Acquisition |
| SCI | Statement of Corporate Intent |
| SOE | State Owned Enterprise |
| TTV | To Tatou Vai |
| VAT | Value Added Tax |



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