



ANNUAL

Report 2020

 **MHVwater**

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Our Performance

\$5.6m

*Total
revenue*

\$2.6m

*Capital
spend*

\$6.3m

*Total
costs*

20

*Valetta outlet
air valves
installed*

10

*Valetta lids
replaced*

0

*Lost
delivery time*

151

*Pond sensors
installed*

96

*SlipMeters
installed*

18

*Operational
MAR sites*

206

Shareholders

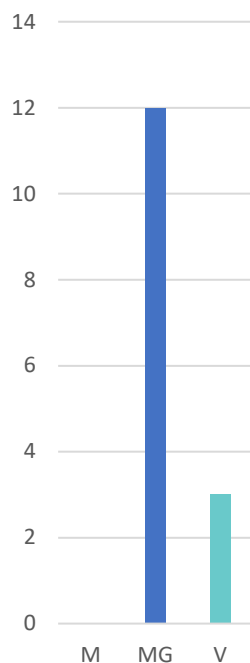
0

*Lost time
injuries*

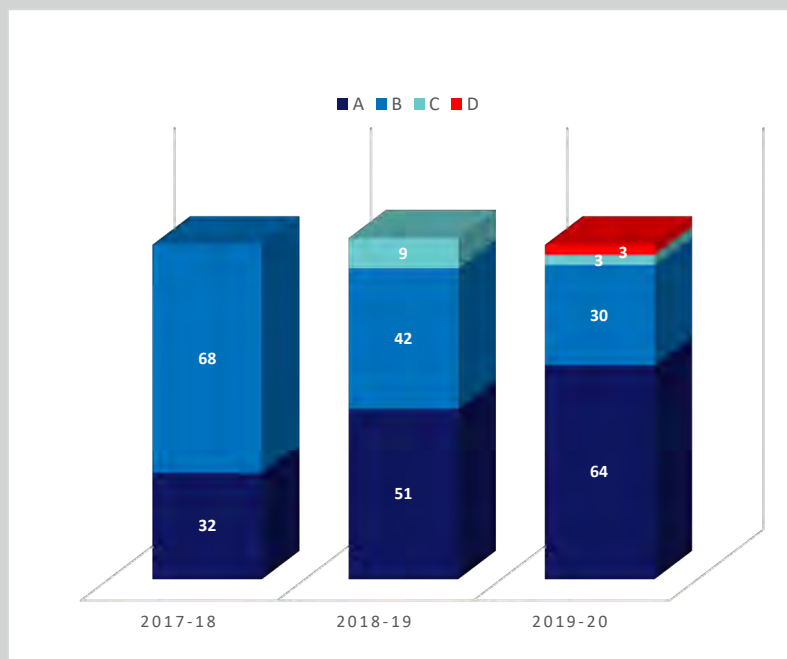
82

*Workshop
attendees*

2019-20 Restriction Days

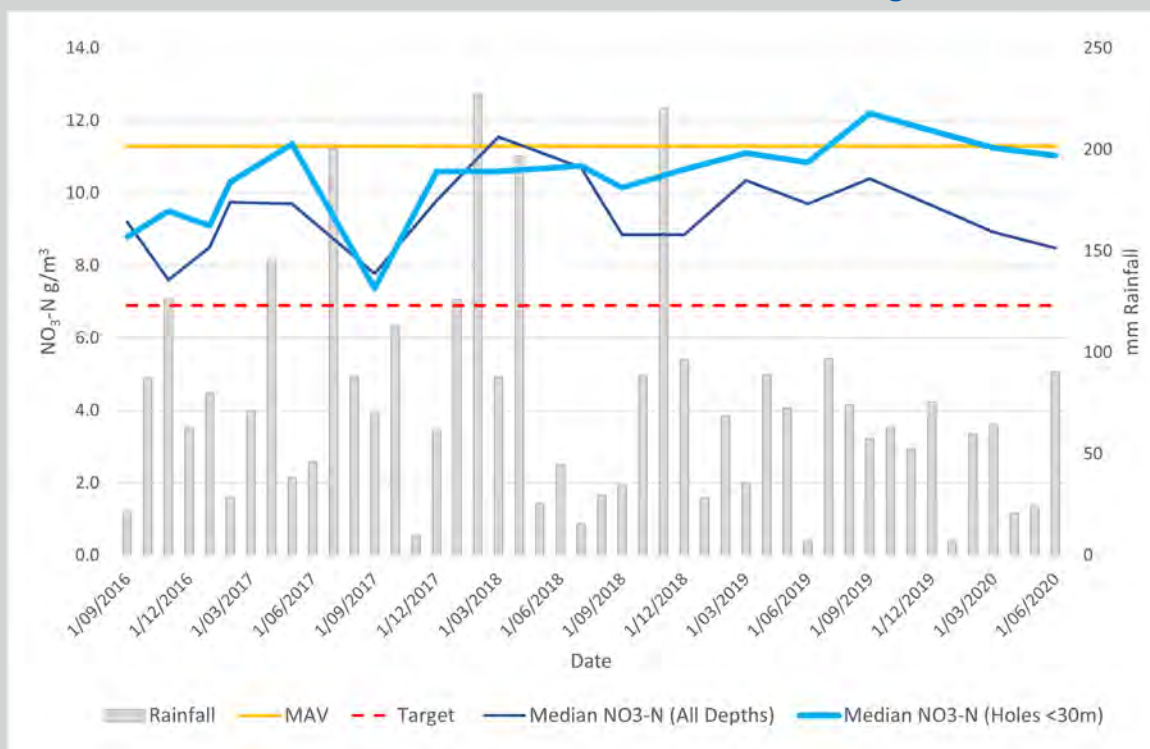


MHV Audit Grades per year %



Please note that 2019-20 figures above and below are based on audits to 31 July 2020. Some grades may be in the drafting period. The audit season is not yet complete due to the COVID-19 disruption.

Nitrate levels from Groundwater Monitoring



Chair and Chief Executive Report



John Nicholls
Chair



Melanie Brooks
Chief Executive

As a co-operatively owned irrigation scheme, MHV Water exists to serve the interests of our farmer-shareholders.

We do this within a wider community who are increasingly interested in what we collectively do (both MHV Water and our farmer-shareholders) and in how we do it.

We must try and find a balance between financial, environmental and social considerations in both the short and long term. We reflect this balance in both our mission, ***Sustainable Solutions for our Shareholders and the Community***, and in our four purposes:

- ***Water for optimal growth***
- ***Environmentally and economically sustainable***
- ***Stay strong – our people, our culture, our values***
- ***Enable innovation***

Water for Optimal Growth

Water demand during the summer irrigation season was high with rainfall less than 80% of normal and very dry conditions recorded across the district in general. January was a particularly unusual month with smoke from the Australian bushfires creating

hazy conditions on some days and some periods of very hot days with high evapotranspiration (ET) and no significant rainfall.

ET rates for the months of November through to January were predominantly above 4 mm and around 20 days during this time had ET rates of greater than 5mm.

Water allocation from the RDR dropped to around 90% from mid-December which limited water available to shareholders until early February at which point lower evapotranspiration and rain saw water demand drop below this level.

Carew was used for two weeks at the end of January to top-up the allocation to M shareholders and the ponds dropped to 91% of storage during this period.

Days on restrictions

V Shareholders	3 days
MG Shareholders	12 days
M Shareholders	Nil

Water for Optimal Growth has a strong focus on the infrastructure components of our strategy which include;

- Improving the resilience of our existing infrastructure,
- Optimising our operational performance, and
- Scheme enhancement, both re storage and environmental.

We continue to investigate ways to increase reliability and affordability of our water delivery across the whole network, to in turn give our shareholders businesses more resilience as we head into a future where we'll be farming under potentially unpredictable regulatory and climatic conditions.

In addition to storage we also looked at other options to provide reliability including access to water from Coleridge and high flow Rangitata water (aligned with the RDRML 10 Cumec consent), however, we must balance Te Mana o te Wai in any ongoing strategic decisions and it remains to be seen if the RDRML 10 cumec consent will be upheld against its' current appeal.

Infrastructure workstreams in our Valetta Line include a

comprehensive asset risk assessment, a feasibility study for 1.7Mm3 of storage within the line and our 2019 winter maintenance.

The 2019 winter maintenance programme focused on several smaller fixes aiming to debottleneck the pipeline and address issues thought to be restricting flow and pressure through the pipe and we saw some small gains in performance as a result.

The feasibility study undertaken was for a 1.7 million m3 storage pond (Pond 0) on the corner of Anama Valetta and Anama Station Roads at the top of the Valetta pipeline. It has been completed to a pre-consenting level and we are working with the Rangitata Diversion Race Management Limited (RDRML) to gather further details on Klondyke to enable comparison of our options.

The asset risk assessment has identified that the intake structures and pressure reducing valves across the Valetta Line are vulnerable to failure with significant extended periods of potential disruption to water delivery. We are very mindful of the affordability of the line and any spending undertaken, however, we require more robust solutions to be put in place as the likelihood of a failure and the potential scale and timeframe to remedy are well above our risk thresholds.

Following the risk assessment, high level designs and costings are being prepared so that a full programme of work can be put together to address these issues, however initial estimates are that we may need to spend \$4-5 million.

The final two offtakes of our Ruapuna Line, as part of our originally planned extension, were commissioned during the year. These offtakes, directly off the Rangitata Diversion Race, receive pressurised water via a dedicated pipeline and booster pump and whilst not physically connected to the main Ruapuna Line are included in our Ruapuna division both in terms of overheads and charging.

The Mayfield Hinds Open Race automation programme made considerable progress during the year with the installation of automated control gates and pond level sensors. The automated gates and pond sensors provide the foundation for better control of the open-race system and have already provided considerable insight to enable more robust decision making. We expect that, as we gather data on the system operation over the next few seasons, we will be increasingly able to fine tune how the overall system performs with a long term aim of full automation for the benefit of Shareholders.

The on-line water ordering system was introduced with the new gates, and despite the initial learning curve for this system being a little larger than expected, this is now working well.

We found that where we had visibility of on farm demand, we could best utilise the water resource and delivery efficiencies were achieved.

The new gates have also enabled a number of other gains including improved safety for our team and reducing the amount of manual labour required in close proximity to water, short term lease transactions have been able to occur with greater precision for the benefit of all parties involved, improved understanding of race losses, and transparent delivery which further unlocks our ability to be able to utilise Carew because we have confidence of equitable delivery.

Pond level sensor



In the Mayfield Hinds Zone, we have the ability to deliver an additional 20% of contracted supply without charge to M and MG shareholders at times where supply exceeds demand, not withstanding current infrastructure constraints. A proposal to formalise the access to this additional water within our water supply agreements is being presented for shareholder approval in October 2020. At a high level, the more precise delivery of water from the automated gates along with a changing philosophy to use half of the Carew Ponds to increase water supply and only hold the remaining half to mitigate supply restrictions, underpins this proposal.

This change is modelled to impact on reliability where we have an extreme weather event and the change in philosophy around the Carew Ponds also has implications for MG shares which currently rank behind refilling of Carew for the priority for water. A range of other risks and implications arise from the proposal and a detailed shareholder memorandum including the modelled reliabilities will be provided separately to shareholders, and in addition, we will hold further shed meetings to discuss any residual concerns.

Environmental Sustainability

We share the environment in which we operate with many other stakeholders including Arowhenua, the mana whenua of mid-Canterbury, recreational users of our rivers and waterways, conservationists, and our local community.

Collectively we all want to see a thriving natural environment which abounds with life and vitality, which is safe for recreation

Collectively we all want to see a thriving natural environment which abounds with life and vitality, which is safe for recreation and food gathering, and of which we can all be proud.

and food gathering, and of which we can all be proud.

As users of the land and water it is our responsibility to carry out our activities responsibly and in a way which minimises the downstream impacts of what we do.

We have been on this journey for almost a decade and the improvements in practice adopted over this time have been significant. However, we still have a long way to go and society as a whole is impatient for us to make more progress more quickly.

During the year, the government released the Healthy Waterways Package which outlines a raft of changes to National Bottom Lines for nutrient toxicities and on farm practices. Associated reforms are still to be worked through in detail but include an immediate moratorium on further dairy farm conversions, stricter controls on winter grazing practices and a generational target to reduce Nitrate in waterways below 2.4 mg/litre (down from the current target of 6.9 mg/litre).

Mid-Canterbury is one of a few hot spots across the country for nitrogen concentrations in both groundwater and surface water and achieving the Nitrate target will be challenging and require significant focus over the years ahead. We are working closely with ECan, Irrigation NZ and engaging with the Ministry for the Environment to share our experiences to ensure that interpretation of any regulations reflects regional variations and is not generic.

We welcomed Justin Legg as our Senior Hydrogeologist this year. Under Justin's guidance we are expanding our groundwater and surface water quality testing programme across the whole of the Hekeao Hinds Plains. We want to further improve our knowledge and understanding so that we can better predict how water and nutrients flow through the aquifers and use this information to continue to evolve how we adapt what we do on the surface to minimise the environmental impact. Sharing this information is of benefit to the wider catchment because we all need to be part of the solution and also means we can share the associated costs.

Environmental Enhancement is likely to increase in importance moving forward and scheme wide we continue to support the Hekeao Hinds Water Enhancement Trust (HHWET) in a number of ways including operational support, technical advice and delivery infrastructure for a number of the Managed Aquifer Recharge sites. We have an in-kind contribution of \$24,000 per annum and any support above this is charged to the Trust or Environment Canterbury. HHWET secured funding during the year from the Provincial Growth Fund of just under \$1million. We continue to collaborate with HHWET on expanding the programme as it appears to be a promising tool to use in conjunction with on farm mitigations to drive improved environmental results.

We are also investigating the establishment of a community wetland and are in the process of selecting a site(s). The focus is on a site that can enable us to concentrate on rehabilitating a spring fed drain that flows into the Hinds River. This would be a community undertaking, as such sharing costs across the catchment.

Our Land Use Discharge Consent, which we hold on behalf of our shareholder farmers, was submitted in 2018 alongside our Environmental Management Strategy.

We have been working with Ashburton Lyndhurst Irrigation and Barrhill Chertsey Irrigation to try to achieve consistency in consent conditions where this is practically possible. The process is concluding after extensive collaboration and negotiation and we are hopeful that we will be granted a new consent shortly.

In the meantime, the RMA allows us to continue to operate under our existing consent. Regular auditing of shareholder Farm Environment Plans (FEP) is a condition of this consent. A total of 82 FEP audits will be conducted for the 19-20 season (only four remain which were delayed due to Covid19). Our target is for all shareholders to be operating at an A grade and, pleasingly we have increased from 45% last year to 65% A grades to date this year. 29% have received B grades, but disappointingly, 3% received C grades and 3% D grades.

The C and D grades are in relation to effluent systems that did not meet industry agreed standards, inadequate record keeping, irrigation infrastructure in poor repair and in one case it was

where the land use on farm did not match the scheme approved land use. This is an important reminder that the information in your FEP must be accurate and if you wish to change or intensify land use you must contact us and get approval.

As a catchment we are tasked with reducing nutrient leaching and driving improved water quality outcomes, as such, any increase in nutrient leaching will not be supported by the scheme.

Economic Sustainability

Financially the company continues to enjoy a strong balance sheet and water charges which are among the lowest in the country. Overall debt levels increased by \$837,000 as a consequence of capital expenditure across all parts of the scheme, noting line specific spending is divisionally recorded. We recognise the importance of maintaining low water charges and balance this with maintaining the reliability of water and ability to meet environmental regulations into the future.

When setting water charges, we aim to normalise the impact of one-off capital expenditure or maintenance costs and set charges at a level that will pay off debt over the economic life of the associated assets.



Stay Strong

As an essential business, we were able to continue operating throughout the Covid-19 lockdown restrictions but did so on an isolated basis, with staff working from home and avoiding direct contact with anyone outside their family bubbles. The investment we have made in improving our operating procedures paid dividends at this time as we were able to continue with no impact on our day-to-day operations, notwithstanding the lockdown was at the end of our season. Discretionary activities, such as parts of our winter maintenance programme, were put on hold and more work will be required over time to catch-up on some of these.

We continue to work on developing a close partnership with Te Rūnanga o Arowhenua, the mana whenua for the Hekeao Hinds Plains. We were pleased to host Karl Russell and Michael McMillian for part of a strategy session we had with the Board in order to get a better appreciation of mana whenua's connection to the land and water, a better understanding of their concerns for the environment and identify where we have shared visions. In return they welcomed the Board onto the Te Hapa o Niu Tirenī marae and have since participated as observers in an FEP audit, gaining a first-hand knowledge of the work that farmers are putting in and how this is being measured.

One outcome of this work is that we have developed a scholarship programme for Ngāi Tahu where we will provide summer employment for a Ngāi Tahu student within the company, helping with our environmental work programme and we continue to look for opportunities to work together for the benefit of the wider community.

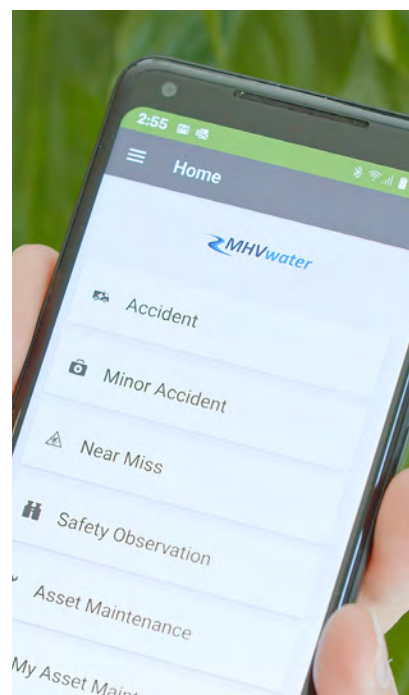
Part of our continued implementation of the recommendations of last years' external governance review, have included the appointment of a second independent director to the Board. Following a search process, we welcomed Jen Crawford onto our Board in June. In addition to her significant governance experience, Jen has a legal background in resource consenting within the irrigation and natural resources sector.

Closing Remarks

Our team have had an extraordinary year and we want to recognise their commitment and passion for our shareholders. From the automation project in the open race which was managed inhouse, and delivered to budget, no outages to delivery as a result of preventable failures, the roll out of water ordering, the Farm Environmental Plan updates and software development, education sessions, progress with our stakeholder relationships and seamlessly navigating the Covid-19 lockdown we have

had a big year in a changing and challenging environment and we sincerely thank the team for all that they do.

The Board has also seen change with Phill Everest retiring from the Board during the year. Phill joined as a director of the Mayfield Hinds scheme and has played a huge role in environmental issues across the catchment having been involved in the Hekeao Hinds Zone committee, the MAR governance group and as chair of our Environmental sub-committee. Thank you Phill for your service and to the wider Board for their governance as we continue to deliver sustainable solutions for our shareholders and the community.



Assura Software technology supports our commitment to Health and Safety.

John Nicholls
Chair

Melanie Brooks
Chief Executive

An aerial photograph of a large water reservoir, likely a dam or a large-scale irrigation system. The water is a vibrant turquoise color. A long, straight earthen dam runs across the middle of the frame, separating the reservoir from a smaller body of water on the left. The foreground shows a grassy embankment with some trees and a path. The background features a flat landscape with distant trees and a cloudy sky.

*Sustainable Solutions
for our
Shareholders
and the
Community*

Rangitata Diversion Race Management Limited Report



Richard Wilson
Chair



Vince Lobb
Director

Rangitata Diversion Race Management Limited (RDRML) extracts water from all three rivers in Mid Canterbury which supplies four irrigation companies, stock water to the Ashburton District Council, water to Trustpower for generation and more recently MAR for the improvement of our environment.

RDRML had several projects in the pipeline this past 12 months. The board has worked constructively to deliver some of these projects and develop others to a decision point. The Covid 19 lockdown posed challenges for all businesses and RDRML was not immune. Our investment in technology and automation has been essential in allowing the continued smooth operation without putting our operators at risk and water was delivered uninterrupted.

Fish screen

As reported last year the delivery of this project has been challenging. The board has put considerable time and energy to reduce risks to the company. The completed screen is due for commissioning in the spring of 2021.

Managed Aquifer Recharge

The board have an agreement with HHWET (Hinds Hekeao Water Enhancement Trust) to achieve a supplementary use consent. This will allow for MAR to transition from a trial to an operational phase. The allocation of water to shareholders under their water supply agreements will not be compromised by this new use consent.

Klondyke

The Klondyke project has not progressed any further over the past year. This has been in part to the appeal of the 10 cm high flow and due to how bulk storage fits into shareholders future supply needs. Klondyke remains as a consented option for water storage in mid Canterbury.

Strategy

During the year we have developed a Strategy which best fits the purpose of the company and its future plans. Tony is currently working on the key deliverables of this strategy.

Richard Wilson
Chair

Consent

The board agreed to defend our granted 10 cumec Rangitata high flow consent at the environment court. This will include a considerable volume of work and money, and is not without risk but we believe the extra water is a valuable asset for our shareholders now and into the future.

Staff

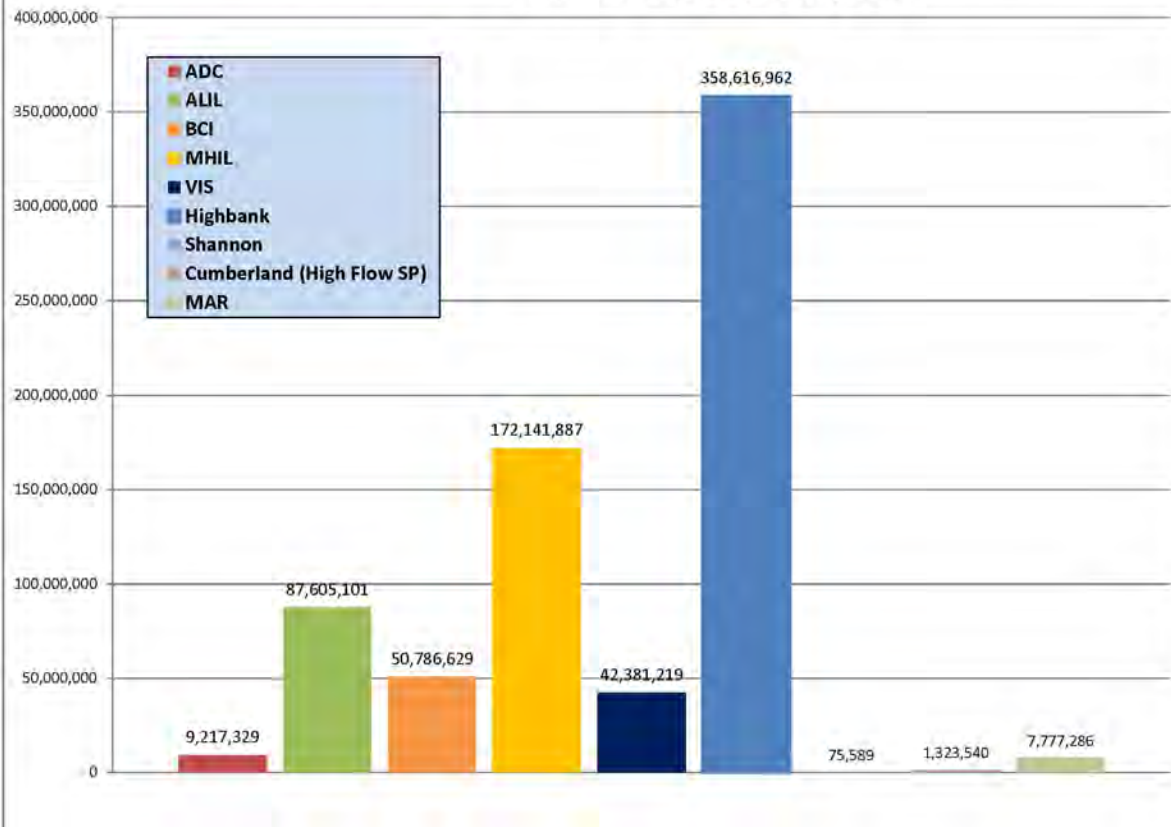
Beginning the year with an interim CEO, the board initiated a CEO recruitment process. From this Tony McCormick was appointed as our permanent CEO. Tony brings to the board a collaborative approach and a depth of knowledge which is being demonstrated in the fish screen project delivery.

Steve McColl left us after three years of valuable input, we wish him the best for the future.

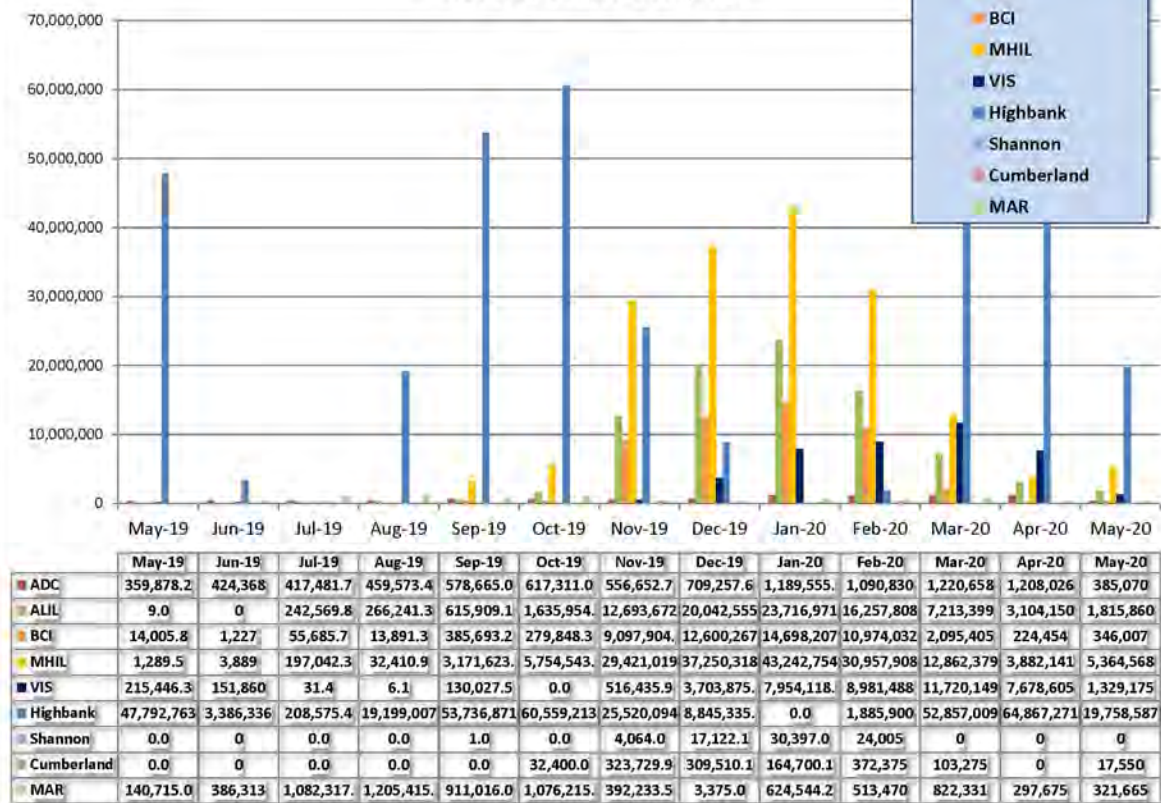
On behalf of the board I would like to thank all of our team for their dedication to RDRML during these unprecedented times.

Vince Lobb
Director

Rangitata Diversion Race 2019/2020 Annual Water Use (Total Volume in m³)
Combined Total = 729,925,543m³



Rangitata Diversion Race 2019/2020
Monthly Water Use (m³)



Our People



Shareholders

MHV Water is a co-operative company with 206 farmer shareholders. Each share held entitles the shareholding to 0.01 litres per second of water.



Board of Directors

The Board is made up of six elected shareholder directors and one appointed independent director and meets on a six weekly basis to govern the company. Two elected directors retire by rotation at each AGM.



Management and Staff

MHV employs a team of eight staff delivering operations, groundwater science and administrative functions. The MHV team is lead by the Chief Executive and supported by the Irrigo team with environmental, finance and infrastructure functions.



Board of Directors

Back Row:

Richard Wilson, Ben Johnson, Evan Chisnall

Front Row:

Vince Lobb, Mark Saunders, Melanie Brooks (Chief Executive), John Nicholls (Chair), Craig Osborne (Independent)

Our Strategy

OUR MISSION

Sustainable Solutions
for our Shareholders
and the Community



OUR VALUES

Intergenerational Focus

Responsible Stewards

Co-operative Spirit

Community Minded



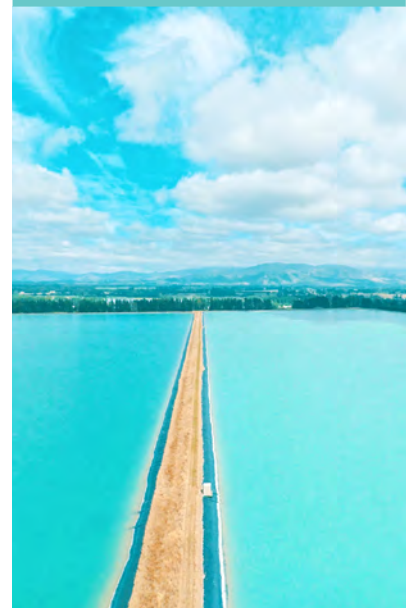
OUR PURPOSES

Water for Optimal Growth

Environmentally and
Economically Sustainable

Stay Strong -
Our People; Our Culture;
Our Values

Enable Innovation



Summary Financial Statements

MHV Water Limited

Annual report for the year ended 31 May 2020

Division Performance

	Mayfield Hinds Open Race	Ruapuna Extension Pipeline	Valetta Pipeline	Total
	\$	\$	\$	\$
Year ended 31 May 2019				
Income				
Water charges	2,983,579	959,072	1,456,997	5,399,648
Other income	95,252	7,067	37,818	140,137
Total income	3,078,831	966,139	1,494,815	5,539,785
Expenses				
Operating expenses	86,284	88,617	711,783	886,684
Finance expenses	(28,316)	407,500	464,224	843,409
Shared scheme costs	1,696,794	145,262	547,122	2,389,177
Total expenses	1,754,762	641,379	1,723,129	4,119,270
Total operating profit	1,324,069	324,760	(228,314)	1,420,515
Non-cash expenses				(2,381,032)
Net profit/(loss)				(960,517)
Interest bearing borrowings				
Internal borrowings	(1,657,769)	1,657,769	-	-
Westpac loans	-	8,150,623	10,600,456	18,751,079
Total interest bearing borrowings	(1,657,769)	9,808,392	10,600,456	18,751,079

	\$	\$	\$	\$
Year ended 31 May 2020				
Income				
Water charges	2,556,594	1,067,955	1,480,849	5,105,399
Other income	358,309	29,396	148,432	536,136
Total income	2,914,904	1,097,351	1,629,281	5,641,535
Expenses				
Operating expenses	152,464	153,361	303,250	609,074
Finance expenses	21,468	348,838	369,391	739,697
Shared scheme costs	1,799,526	154,057	580,247	2,533,829
Total expenses	1,973,457	656,255	1,252,887	3,882,600
Total operating profit	941,446	441,095	376,394	1,758,935
Non-cash expenses				(2,462,249)
Net profit/(loss)				(703,314)

Division Performance (Continued)

Year ended 31 May 2020

Interest bearing borrowings

Opening balance	(1,657,769)	1,657,769	-	-
Operating profit	(941,446)	(441,095)	(376,394)	(1,758,935)
Fixed assets movements	2,104,724	578,934	76,780	2,760,438
Debt movements	-	(898,944)	61,944	(837,000)
Equity movements	(364,501)	(16,499)	-	(381,000)
Other movements	153,755	13,163	49,578	216,496
Total Internal borrowings	(705,237)	893,328	(188,091)	-
Westpac loans	-	9,162,623	10,425,456	19,588,079
Total interest bearing borrowings	(705,237)	10,055,951	10,237,365	19,588,079

MHV Water Limited currently only operates in one division, being water scheme and environmental management. This may change going forward if MHV starts providing significant environmental management services to customers who it does not also provide water scheme management to.

For shareholder transparency, separate divisional reporting is provided above in relation to the three separate lines, the Mayfield Hinds Open Race, Ruapuna Extension Pipeline and Valetta Pipeline, on a similar basis that is reported to the Directors by Management.

Directors and Management have agreed a cost and capital allocation policy where the guiding principle is that costs are shared equally by all users unless there is a valid reason not to. As the three lines have different capital and operating costs, each is treated separately. This is consistent with the merger protocol document between Mayfield Hinds Irrigation Ltd and Valetta Irrigation Ltd which required the water between the two lines to be managed separately.

Statement of Comprehensive Income

	2020	2019
	\$	\$
Revenue	5,641,535	5,539,785
Expenses		
Operating expenses	2,350,920	2,520,722
Administration expenses	762,484	746,128
Other operating expenses	27,183	8,530
Depreciation and amortisation	2,462,249	2,381,032
Finance expenses	739,697	843,409
Total Expenses	6,342,533	6,499,820
Other income		
Share of associates profit/(Loss)	(2,316)	(482)
Total other income	(2,316)	(482)
Operating Profit/(Loss) before tax	(703,314)	(960,517)
Income tax expense	134,054	166,207
Net profit/(loss) for the year	(837,368)	(1,126,724)
Items that may be reclassified to profit or loss	(49,802)	(9,546)
Total comprehensive income	(887,170)	(1,136,270)

Statement of Cash Flows

	2020	2019
	\$	\$
Cash flows from operating activities		
Cash received	5,638,902	5,509,823
Cash paid	(4,219,784)	(3,846,765)
Net cash flows from operating activities	1,419,118	1,663,059
Cash flows from investing activities		
Cash received	33,951	219
Cash paid	(2,698,336)	(3,021,842)
Net cash flows from investing activities	(2,664,385)	(3,021,623)
Cash flows from financing activities		
Cash received	837,000	1,851,533
Cash paid	(29,404)	-
Net cash flows from financing activities	807,596	1,851,533
Net increase (decrease) in cash held	(437,672)	492,969
Add cash at start of year	654,548	161,580
Closing Balance	216,873	654,548

Statement of Financial Position


	2020	*Restated 2019
	\$	\$
Current assets	1,303,341	2,252,143
Non-current assets	53,899,041	52,888,254
Total assets	55,202,382	55,140,397
Current liabilities	507,192	1,175,024
Non-current liabilities	20,910,113	19,674,123
Total liabilities	21,417,305	20,849,148
Net assets	33,785,078	34,291,248
Equity		
Share capital	36,010,477	35,629,477
Reserves	(216,159)	(166,356)
Retained earnings	(2,009,241)	(1,171,873)
Total Equity	33,785,078	34,291,248

*Prior year values have been restated to correct prior period errors (refer to additional information page)

Statement of Changes in Equity

	Share capital \$	Hedging reserve \$	Retained earnings \$	Total \$
Equity at 31 May 2018	34,507,836	(156,810)	(15,149)	34,335,877
Correction of prior year error	-	-	(30,000)	(30,000)
Restated Equity at 31 May 2018	34,507,836	(156,810)	(45,149)	34,305,877
Net profit/(loss) for the year	-	-	(1,126,724)	(1,126,724)
Other comprehensive income	-	(9,546)	-	(9,546)
Total comprehensive income for the period	-	(9,546)	(1,126,724)	(1,136,270)
Issue of shares	1,269,658	-	-	1,269,658
Shares redeemed	(148,017)	-	-	(148,017)
Equity at 31 May 2019	35,629,477	(166,356)	(1,171,873)	34,291,248
Net profit/(loss) for the year	-	-	(837,368)	(837,368)
Other comprehensive income	-	(49,802)	-	(49,802)
Total comprehensive income for the period	-	(49,802)	(837,368)	(887,170)
Issue of shares	399,000	-	-	399,000
Shares redeemed	(18,000)	-	-	(18,000)
Equity at 31 May 2020	36,010,477	(216,159)	(2,009,241)	33,785,078

Signed for and on behalf of the Board dated 8 September 2020


Chair


Director



Additional information

REPORTING ENTITY

MHV Water Limited (the "Company") is a co-operative company registered in New Zealand under the Co-Operative Companies Act 1996 and Companies Act 1993 on the 23 February 2009 and domiciled in New Zealand.

The company is an FMC reporting entity for the purposes of Part 7 of the Financial Markets Conduct Act 2013.

These summary financial statements are in compliance with FRS 43: Summary Financial Statements. The full financial statements for each period presented in the summary financial statement have been audited and the nature of the audit opinion is unmodified.

The Company is a water supply and environmental management company receiving its share of water from the Rangitata Diversion Race Management Limited (RDRML) and distributing this water to its shareholder members. The Company's scheme area is on the northern bank of the Rangitata River through to the southern bank of the Ashburton River and from the foothills in the west down to the east coast. The company also administers land use and discharge consents for its members.

BASIS OF PREPARATION

The full financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with the New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards, as appropriate for Tier 1 profit orientated entities.

The financial statements are presented in New Zealand dollars(\$), rounded to the nearest dollar.

The full financial statements for the year ended 31 May 2020 were authorised for issue on 8 September 2020 by John Nicholls (Board Chair) and Craig Osborne (Director).

The specific disclosures included within these summary financial statements have been extracted from the full financial statements. Therefore, these statements cannot be expected to provide as complete of understanding as the full financial statements.

The full financial statements can be sourced upon request.

CAPITAL COMMITMENTS

At balance date, MHV Water were in the process of installing further automation into their MH open race. The budget for the project is \$3.1m and as at 31 May 2020, the project was 93% complete. The capital commitments associated with this project are the Rubicon gates contracts (total contract value \$2.6m excluding GST) of which \$230,000 is committed as at 31 May 2020. (2019: \$2,090,398)

CONTINGENT LIABILITIES

The terms of the Shareholder Deed between Rangitata Diversion Race Management Ltd and its Shareholders requires that all common expenditure (operating and capital) be recovered from shareholders on a water usage basis.

Ordinarily costs are recovered in the year within which they are incurred but RDRML uses debt to fund some asset purchases and investments, including intangible assets. In the event that these debts need to be repaid, and if RDRML was unable to sell assets or there was a shortfall in funding, MHV would be liable for a portion of these.

CONTINGENT LIABILITIES (CONTINUED)

As a shareholder in RDRML, the company is obligated to pay a share of the costs associated with the application for resource consents. Allocation of the costs would be made by reference to average share of water use over the previous five years. Based on estimated water use the company would be liable for 29.5% of the costs incurred by RDRML, resulting in a potential liability of \$590,000 (2019: \$590,000). The consent has escalated to appeal, and at the RDRML board's meeting on 3 March 2020, the directors agreed that the defence of the appeal on the 10 cumec high flow consent awarded to RDRML in July 2018 should be proceed, as they believe that the consent potentially provides significant value to RDRML's shareholders. MHV and two of the three other shareholders of RDRML have agreed to share the costs of the appeal equally.

There are no other contingent liabilities at balance date. (2019: nil)

SUBSEQUENT EVENTS

During the year the company's engineer undertook a high-level risk assessment of the Valetta pipeline. A draft of this review was received by the Board in June. Based on the outcomes of this review, preliminary estimates are that the company may need to spend \$4-5 million upgrading parts of the pipeline to minimise the risk of future, unplanned outages. The Board has requested that further investigation be carried out including the preparation of detailed plans and costings in order to fully quantify these impacts and to enable a plan to be prepared to address them. Based on initial estimates this could result in an increase in irrigation charges within the Valetta scheme of 60 cents per share.

RDRML has indicated that it intends to enter into a contract to replace the fish screen at the intake of the Rangitata Diversion Race. This has an expected cost of \$15 to \$20 million. It is expected that RDRML will finance this via additional debt. However, under the terms of the water supply agreement the company has with RDRML, the annual debt servicing costs will be passed on as increased service charges. These are likely to increase future service charges by \$300,000 to \$400,000 per annum.

COVID 19 IMPACT

On 11 March 2020, the World Health Organisation declared a global pandemic as a result of the outbreak and spread of COVID-19. Following this, on 25 March 2020, the New Zealand Government raised its Alert Level to 4 (full lockdown of non-essential services) for an initial 4 week period. The actions by the New Zealand Government and New Zealand communities in response to the pandemic have affected the operations of the business as a result of the quarantines and travel restrictions in connection with the pandemic. The impact of these measures will be minimal due to the nature of MHV Water's business activities. As there was no significant impact on the company as at 31 May 2020, no adjustments have been made to the financial statements for COVID-19.

CORRECTION OF ERRORS

In 2017 the Company entered into an agreement to purchase land and a pond from Ruapuna Holdings Limited, control of the property was transferred at that time. The transfer of the land and pond was not recorded in the 2017 year and the related assets and liabilities were understated. The agreement was to transfer the land and pond to MHV Water Limited and once the consent was obtained, a conversion of shares was undertaken to represent the value of the land and pond transferred. This was done via an upgrade from MG shares to M shares. The resulting impact was recognition of property, plant and equipment to the fair value of \$400,000 and a corresponding liability for the upcoming share upgrade. The share upgrade partly occurred in the 2019 financial year, and the remaining balance in the 2020 financial year.



CORRECTION OF ERRORS (CONTINUED)

In the 2018 financial year MHV Water Limited obtained significant influence over RDRML through the acquisition of Valetta Irrigation Limited. Valetta Irrigation Limited had a 15% shareholding in RDRML, and MHV Water Limited also had a 15% shareholding at that time. As a result of the business acquisition the total shareholding increased to 30%. The increased shareholding, along with other factors resulted in the company having significant influence over RDRML. Previously, the shares held by MHV Water Limited, prior to the acquisition of Valetta, were held at cost of \$30,000. The fair value of the shares purchased via the acquisition of Valetta, was nil. As a result, this indicated that the \$30,000 cost of the MHV Water shares was impaired at that time and should have been written down to nil. A prior period adjustment was required to equity account for this investment in associate from 1 June 2017 onwards.

The correction of the above errors have brought no impact on the statement of comprehensive income.



Auditor Report



BDO CHRISTCHURCH

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF MHV WATER LIMITED

Opinion

The summary financial statements on pages 14 to 20, which comprise the summary statement of financial position as at 31 May 2020, and the summary statement of comprehensive income, summary statement of changes in equity and summary statement of cash flows for the year then ended, and related notes are derived from the audited financial statements of MHV Water Limited ("the Company") for the year ended 31 May 2020.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with FRS-43: *Summary Financial Statements* issued by the New Zealand Accounting Standards Board.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Chair and Chief Executive Report, the RDRML Report, Our Performance snapshot, Our People and Our Strategy reports, but does not include the summary financial statements and our auditor's report thereon.

Our opinion on the summary financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon. We have read the other information and, in doing so, considered whether the other information is materially inconsistent with the summary financial statements, or our knowledge obtained in the audit of the summary financial statements or otherwise appears to be materially misstated. We have nothing to report in this regard.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 8 September 2020.

Directors' Responsibilities for the Summary Financial Statements

Directors are responsible on behalf of the entity for the preparation of the summary financial statements in accordance with FRS-43: *Summary Financial Statements*.

Auditor's Responsibilities for the Audit of the Summary Financial Statements

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) (ISA (NZ)) 810 (Revised) *Engagements to Report on Summary Financial Statements*.

Other than in our capacity as auditor we have no relationship with, or interests in, MHV Water Limited.

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

A handwritten signature in blue ink, appearing to read "BDO Christchurch".

BDO Christchurch
Christchurch
New Zealand
8 September 2020

