

MHV Water Limited

Annual report for the year ended 31 May 2025

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Directors' declaration

In the opinion of the Directors of MHV Water Limited ('the Company') the financial statements and notes, on pages 4 to 32:

- comply with New Zealand generally accepted accounting practice and present fairly the financial position of the Company as at 31 May 2025 and the result of operations for the year ended on that date;
- have been prepared using the appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide reasonable assurance as to the integrity and reliability of the financial statements.

The Directors are pleased to present the annual report including the financial statements of MHV Water Limited for the year ended 31 May 2025.



Director: Cole Groves

Date: 22/09/2025



Director: Vincent Lobb

Date: 22/09/2025

Company Particulars

Incorporation date	23 February 2009
Entity Type	New Zealand Co-Operative Company
Company number	2218532
New Zealand business number	9429032350401
IRD & GST Number	056-108-629
Nature of business	Water scheme and environmental management
Registered office	KPMG - Ashburton 151 Burnett Street Ashburton 7700
Directors	Vincent Lobb Evan Chisnall Simon King Jennifer Crawford Cole Groves Campbell Tait Paul Munro (resigned 30 June 2025)
Bankers	Westpac 122 Tancred Street Ashburton 7700
Accountants	KPMG - Ashburton 151 Burnett Street Ashburton 7700
Solicitors	Tavendale and Partners 62 Cass Street Ashburton 7700
Auditor	BDO Christchurch Audit Limited 287/293 Durham Street North Central City Christchurch 8013

Annual Report

The nature of business of the Company is Water scheme and environmental management. The nature of the Company's business has not changed during the year under review.

As required by Section 211 of the Companies Act 1993 we disclose the following information:

Remuneration and Benefits

The Directors of the Company as at balance date are listed in the Directory.

	2025	2024
	\$	\$
Directors Fees and Expenses		
Evan K Chisnall	26,214	23,664
John R Nicholls (Resigned 18 Oct 2023)	-	18,282
Vincent J Lobb	28,419	25,704
Simon A King	26,214	23,664
Cole Groves	49,290	33,180
Jennifer Crawford (Independent)	47,129	43,471
Campbell Tait	28,419	24,684
Paul J Munro (Independent)	43,331	40,043
Total Directors Fees and Expenses	249,016	232,692

Employee remuneration

The number of employees whose total remuneration, including non-cash benefits, was over \$100,000

	2025	2024
Number of Staff		
\$100,000 - \$110,000	-	1
\$110,000 - \$120,000	2	1
\$120,000 - \$130,000	1	1
\$130,000 - \$140,000	1	-
\$140,000 - \$150,000	-	1
\$180,000 - \$190,000	1	-
\$290,000 - \$300,000	-	1

Audit's remuneration

The audit fee for the year ended 31 May 2025 was \$29,435 (2024: \$25,850)

Related party transactions

There were no transactions between related parties in the financial year (2024: nil)

Signed for and on behalf of the Board dated 22 September 2025



Chair



Director

Statement of comprehensive income

For the year ended 31 May 2025
in New Zealand dollars

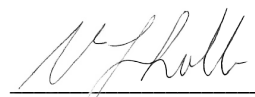
	Note	2025 \$	2024 \$
Revenue	1	6,589,920	6,272,437
Other income	1	331,796	377,193
Total income		6,921,716	6,649,630
Expenses			
Operating expenses	2	3,698,456	3,610,296
Administration expenses	3	1,153,838	993,170
Other operating expenses	4	29,435	25,850
Depreciation and amortisation	16,19,20	2,696,791	2,680,268
Finance expenses	5	1,309,341	1,196,500
Fair value movement in interest rate swaps	13	818,010	284,483
Total expenses		9,705,871	8,790,567
Gross loss		(2,784,155)	(2,140,937)
Share of associates loss	10	(13,041)	(16,849)
Tax expense			
Income tax benefit (expense)	15	56,890	(153,934)
Loss for the year attributable to shareholders		(2,740,306)	(2,311,720)
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive expense for the year attributable to shareholders		(2,740,306)	(2,311,720)

Statement of financial position

As at 31 May 2025
in New Zealand dollars

	Note	2025 \$	2024 \$
Assets			
Current assets			
Cash and cash equivalents	6	257,095	374,434
Trade and other receivables	7	983,136	1,145,040
Inventories	8	378,803	378,803
Derivative financial assets	13	24,957	-
Related party loan receivable	11	302,710	332,217
Total current assets		1,946,701	2,230,494
Non-current assets			
Property, plant and equipment	19	50,007,328	50,589,064
Right of use assets	16	144,203	192,270
Intangible assets	20	507,445	539,632
Investments	9	4,584,792	4,597,833
Derivative financial assets	13	92,913	935,880
Related party loan receivable	11	2,339,906	2,613,110
Total non-current assets		57,676,587	59,467,789
Total assets		59,623,288	61,698,283
Liabilities			
Current liabilities			
Cash and cash equivalents	6	28,505	21,719
Trade and other payables	12	1,444,329	1,010,206
Income tax payable	15	9	4
Lease liabilities	16	49,103	46,713
Total current liabilities		1,521,946	1,078,642
Non-current liabilities			
Interest bearing loans and borrowings	14	25,638,779	25,310,779
Deferred tax liability	17	1,772,054	1,828,944
Lease liabilities	16	105,871	154,974
Total non-current liabilities		27,516,704	27,294,697
Total liabilities		29,038,650	28,373,339
Net assets		30,584,638	33,324,944
Equity			
Share capital	18	42,195,286	42,195,286
Accumulated losses		(10,629,249)	(7,888,943)
Capital reserve	18	(981,399)	(981,399)
Total equity		30,584,638	33,324,944


Chair


Director

Statement of changes in equity

For the year ended 31 May 2025
in New Zealand dollars

	Note	Share capital \$	Accumulated losses \$	Capital reserve \$	Total \$
Balance at 1 June 2024		42,195,286	(7,888,943)	(981,399)	33,324,944
Total comprehensive loss for the year					
Loss for the year		-	(2,740,306)	-	(2,740,306)
Total comprehensive loss for the year		-	(2,740,306)	-	(2,740,306)
Balance at 31 May 2025	18	42,195,286	(10,629,249)	(981,399)	30,584,638
Balance at 1 June 2023		42,195,286	(5,577,223)	(981,399)	35,636,664
Total comprehensive loss for the year					
Loss for the year		-	(2,311,720)	-	(2,311,720)
Total comprehensive loss for the year		-	(2,311,720)	-	(2,311,720)
Balance at 31 May 2024	18	42,195,286	(7,888,943)	(981,399)	33,324,944

Statement of cash flows

For the year ended 31 May 2025
in New Zealand dollars

	Note	2025 \$	2024 \$
Cash flows from operating activities			
Cash received from customers		7,057,403	6,512,335
Payment to suppliers and employees		(4,486,209)	(5,177,265)
Payment of interest		(1,300,317)	(1,185,203)
Income tax paid		5	7
Net GST received/(paid)		(48,638)	83,880
Net cash flows from operating activities		1,222,244	233,754
Cash flows from investing activities			
Acquisition of investments		-	(4,595,000)
Receipts from interest		124,256	97,341
Proceeds from sale of Property, plant and equipment		124,630	41,415
Payments to acquire property, plant and equipment		(2,170,230)	(1,801,872)
Net cash flows from investing activities		(1,921,344)	(6,258,116)
Cash flows from financing activities			
Interest payment on lease liabilities		(9,024)	(11,297)
Principal payment of lease liabilities		(46,713)	(44,440)
Loan drawdown		630,712	6,131,217
Net cash flows from financing activities		574,975	6,075,480
Net (decrease)/increase		(124,125)	51,118
Opening cash and cash equivalents 1 June		352,715	301,597
Closing cash and cash equivalents 31 May	6	228,590	352,715

Statement of cash flows (continued)

For the year ended 31 May 2025
in New Zealand dollars

Reconciliation of profit after income tax to net cash inflows from operating activities

	2025 \$	2024 \$
Operating activities		
Net profit/(loss) after tax	(2,740,306)	(2,311,720)
Non-cash items		
Depreciation	2,648,724	2,632,200
Loss/(Gain) from associates	13,041	16,849
Deferred tax	(56,890)	153,934
Loss/(Gain) on disposal of fixed assets	10,799	(9,311)
Fair value movement in interest rate swaps	818,010	284,484
Amortisation	48,067	48,068
Total non-cash items	3,481,751	3,126,224
Movement in net current assets/ liabilities		
(Increase)/decrease in trade and other receivables	249,144	(30,643)
(Increase)/(decrease) in trade and other payables	395,520	(547,950)
Increase/(decrease) in GST payable	(48,638)	83,880
Increase/(decrease) in income tax receivable	5	7
Total movement in net current assets/ liabilities	596,031	(494,706)
Movements in investing/financing activities		
Interest payments	9,024	11,297
Interest received	(124,256)	(97,341)
Total movements in investing/financing activities	(115,232)	(86,044)
Net cash flows from operating activities	1,222,244	233,754

Notes to the financial statements

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.

The Company is a water supply and environmental management company receiving its water from the Rangitata Diversion Race Management Limited (RDRML) and distributing the 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.

For the purposes of complying with generally accepted accounting practices in New Zealand ("NZ GAAP"), the Company is a Tier 1 for-profit entity.

The financial statements presented are for MHV Water Limited as at and for the year ended 31 May 2025.

Basis of preparation

These financial statements have been prepared in accordance with NZ GAAP. They comply with the New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and the requirements of the Financial Markets Conduct Act 2013.

The financial statements comply with International Financial Reporting Standards (IFRS).

These financial statements are presented in New Zealand dollars (\$) which is the Company's functional currency, rounded to the nearest dollar.

The financial statements are for the year ended 31 May 2025. The financial statements were authorised for issue by the directors on the date specified on the annual report.

Use of estimates and judgements

The preparation of the financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The principle areas of judgement in preparing these financial statements are set out below. Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the notes relating to:

- Note 10 Assessment of Mid Canterbury Water Storage Limited as a joint venture.

Management has applied judgement in determining the classification of the Joint Arrangement over MCWSL with reference to NZ IFRS 11. The joint arrangement has been classified as a joint venture with consideration to a number of factors. Refer to Note 9 for more details regarding this.

- Note 16 Leases - whether an arrangement contains a lease, lease classification, lease rate.

- Note 13 - any estimates or judgements with regards to the fair valuation of hedging instruments.

Goods and services tax

All amounts are shown exclusive of Goods & Services Tax (GST), except for receivables and payables which are shown inclusive of GST.

Changes in accounting policies

All accounting policies adopted are consistent with those of the previous year.

Standards issued but not yet effective

The Company will adopt the following new and revised standards when they become mandatory:

Standards	Effective for periods beginning
NZ IFRS 18 <i>Presentation and Disclosure in Financial Statements</i>	1 January 2027

Notes to the financial statements (continued)

Basis of preparation (continued)

NZ IFRS 18 Presentation and Disclosure in Financial Statements

This standard will replace IAS 1 Presentation of Financial Statements. IFRS 18 will introduce new requirements on presentation and disclosures in the financial statements, with a focus on the income statement and reporting of financial performance. The main change will be in the income statement, with mandatory subtotals required for 'operating profit' and 'profit or loss before financing and income tax' and income and expenses to be classified into three new defined categories - operating, investing, and financing. There will also be additional disclosure in the notes about management-defined financial performance measures used outside the financial statements and the aggregation and disaggregation. The effective date of the new standard is on or after 1 January 2027.

Impairment - non-financial assets

The carrying amounts of the Company's non-financial assets 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 or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Subject to an operating segment ceiling test, CGUs are aggregated so that the level at which impairment testing is performed reflects the lowest level at which it is monitored for internal reporting purposes.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

Material Accounting Policies

Specific accounting policies which materially affect the measurement of profit and financial position are stated within the relevant notes outlined below.

1 Revenue and other income

	2025	2024
	\$	\$
Scheme charges		
Water delivery charges	6,042,321	5,736,771
Turbine scheme charges	15,946	14,906
Environmental charges	531,653	520,760
Total revenue	6,589,920	6,272,437
Other income		
Environmental consultancy income	119,740	128,177
Gain/(Loss) on sale of fixed assets	(10,799)	9,311
Interest income	124,256	97,341
Miscellaneous income	78,599	120,764
Rental - scheme cottages	20,000	21,600
Total other income	331,796	377,193
Total income	6,921,716	6,649,630

Notes to the financial statements (continued)

1 Revenue and other income (continued)

Revenue recognition policy

The majority of Company revenue is derived from supplying irrigation water to shareholder customers.

The transaction is governed by a water supply agreement between the Company and the customer. The water supply agreement is a continuous supply document binding the Company to supply irrigation water to the customer's irrigation offtake during the irrigation season. Water delivery charges are billed monthly in advance with payment due on the 20th of the month following. The water delivery charges are dictated by the number of shares owned by the customer, the location of the farm, and the level of pressure which the water is delivered at. The Company has the ability to cease water delivery if the water delivery charges remain unpaid. The supply of irrigation water is integral to the successful operation of the customer's farming operation. Therefore, there is a very limited risk of customers defaulting on payment.

Farm plan income and collective membership fees relate to the environmental monitoring and reporting obligations of the Company and its customer shareholders. The Company assists members with their farm environment plan requirements and charges an appropriate fee. The customer is obliged to meet the environment plan reporting requirements as stipulated within the water supply agreement. Non-payment or non-compliance can result in the supply of irrigation water being ceased.

All revenue is recognised on an over time basis. This is because the customer simultaneously receives and consumes all of the economic benefits and because the provision of water supply and farm plan income and collective membership fees has no alternative use to the Company and the contracts in place give rise to an enforceable right to payment. All revenue is derived from fixed price contracts and therefore the amount of revenue earned from each contract is determined by reference to those contracts with limited judgement required.

All customers are located within a single geographic location. The disaggregation of revenue type is disclosed in divisional performance in note 22.

Water delivery charges

Revenue from water delivery charges is recognised during the irrigation season which falls within the financial year. Shareholders are invoiced monthly in arrears based on the maximum volume of water the Shareholder is entitled to, not the volume used, pursuant to the water supply agreement.

Environmental charges

Revenue from environmental charges is recognised throughout the financial year. Shareholders are invoiced monthly or quarterly in arrears based on the land area included in the Farm Environmental Plan.

Environmental consultancy income

Revenue from environmental consulting is recognised on an invoice basis with work being invoiced on a monthly basis.

Interest income

Interest income is reported on an accrual basis using the effective interest method.

Miscellaneous income

Included in miscellaneous income is the land lease which is of the un-utilised land surrounding the Carew storage ponds, Valetta Pond 1 and Valetta Pond 3.

Rental income

The cottages are rented to the Company employees and classified as operating lease income. The rental on the cottages is negotiated annually as part of their remuneration packages.

Interest rate swaps income

Included in interest rate swaps income is the fair value movement in interest rate swaps. Refer to note 13 for details.

Notes to the financial statements (continued)

2 Operating expenses

	Notes	2025 \$	2024 \$
Consultancy fees		134,433	131,951
Insurance		312,519	304,913
Employee and employment expenses	2A	1,154,477	1,307,089
Water charges - RDRML		1,399,391	1,151,849
Electricity		118,546	144,983
Scheme feasibility studies		238	16,211
Vehicle expenses		110,841	118,910
Repairs and maintenance		334,832	300,303
Subscriptions		133,179	134,087
		<u>3,698,456</u>	<u>3,610,296</u>

2A Employee benefits

	2025 \$	2024 \$
Wages and salaries	1,114,286	1,249,647
Contribution to defined contribution plans	40,191	57,442
	<u>1,154,477</u>	<u>1,307,089</u>

3 Administration expenses

	Notes	2025 \$	2024 \$
Accounting fees		70,212	53,951
Environmental management		339,303	250,116
Directors fees and expenditure	22	249,016	232,692
Director governance review & training		-	13,061
Rates		46,758	43,243
Research and development		77,475	132,685
Scheme secretarial and administration		1,739	1,007
Other administrative expenses		369,335	266,415
		<u>1,153,838</u>	<u>993,170</u>

4 Other operating expenses

	2025 \$	2024 \$
Audit fees paid to BDO Christchurch Audit Limited	29,435	25,850
	<u>29,435</u>	<u>25,850</u>

Notes to the financial statements (continued)

5 Finance expenses

	2025	2024
	\$	\$
Interest expense on loan	1,300,317	1,185,203
Interest expense on leases	9,024	11,297
Finance expense	1,309,341	1,196,500

Interest expenses

Interest expenses are recognised in profit or loss using the effective interest method.

6 Cash and cash equivalents

	2025	2024
	\$	\$
Current assets		
Westpac - Business Account	255,292	372,038
Westpac - Savings 01	1,796	1,773
Westpac - Savings 90	7	7
Westpac Credit Card	-	616
	257,095	374,434
Current liabilities		
Rural Co Account	(25,905)	(21,719)
Westpac Credit Card	(2,600)	-
	(28,505)	(21,719)
Total cash and cash equivalents in the statement of cash flows	228,590	352,715

Bank Overdraft

The Company has an overdraft facility of \$500,000 which is secured by securities provided by the Company in favour of Westpac Banking Corporation.

7 Trade and other receivables

	2025	2024
	\$	\$
Debtors	623,787	863,177
Prepayments	272,108	281,863
GST receivable	87,241	-
	983,136	1,145,040

Trade and other receivables policy

Trade and other receivables are initially recognised at fair value, being their cost, and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. The amounts are unsecured and are usually paid within 30 days of recognition.

Impairment is calculated based on an expected credit loss (ECL) model under NZ IFRS 9. Refer to note 13 for information about expected credit losses.

Trade receivables are determined using the simplified approach when estimating expected credit losses.

Notes to the financial statements (continued)

8 Inventories

The inventory asset of \$378,803 (2024: \$378,803) relates to 1600mm piping was purchased in FY2019 as part of the Valetta line repair.

Inventories policy

Inventories held for sale on a commercial basis are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of the inventory is determined using the first in first out method. The amount of write-down from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

9 Share Investments held

	2025	2024
	\$	\$
Ashburton Trading Society Limited (Ruralco)	943	943
Electricity Ashburton Limited	50	50
Rangitata Diversion Race Management Limited	-	-
FEP Dashboard Limited	22,886	22,867
Mid Canterbury Water Storage Limited	4,560,913	4,573,973
	<u>4,584,792</u>	<u>4,597,833</u>

Ashburton Trading Society Limited (Ruralco) and Electricity Ashburton Limited

These companies are co-operatives, and MHV Water Limited has minimal share interests in these two companies.

Rangitata Diversion Race Management Limited (RDRML)

The Company holds 60,000 or 30% (2024: 60,000 or 30%) of the shares in RDRML and is entitled to be represented on its Board by two of its six directors (2024: two of six directors). These shares hold 40% of the voting right in RDRML. The procedure for sale or disposal of these shares is covered in a signed shareholder deed dated 14 January 2003.

The Company is required to pay a share of RDRML operating and capital costs, this contribution is calculated annually by RDRML based on the scheme water usage from the RDR. J M Crawford and E Chisnall are the Company's director representatives on the RDRML board.

RDRML is an associate of the Company as the Company can exercise significant influence but not control over it. Investment is equity accounted for in the records of MHV Water Limited.

MC Water Limited

The Company owns two shares (100%) in MC Water Limited (2024: two shares). At balance date the shares in the company remain unpaid. MC Water Limited has not traded during the year under review, nor has it traded in the prior years. As the company is dormant and has not traded, the company has not been consolidated.

M J Brooks and C D Groves are the Company's director representative on the MC Water Limited board.

FEP Dashboard Limited (FEP)

The Company owns 50 shares (50%) in FEP Dashboard Limited (2024: 50 shares). At balance date the shares in the Company remain unpaid. FEP Dashboard Limited has traded during the year under review.

The Company uses the equity method to account for its interest in FEP. The carrying amount of the investment in the joint venture is increased or decreased to recognise the Company's share of the profit or loss of the joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Company. As FEP is a private company there are no quoted prices available for their shares.

The Company has joint control over FEP Dashboard with Ashburton Lyndhurst Irrigation Limited.

C D Groves is the Company's director representative on the FEP Dashboard Limited board.

Mid Canterbury Water Storage Limited (MCWSL)

The Company owns 50 shares (50%) in Mid Canterbury Water Storage Limited. At balance date the shares in the Company remain unpaid. Mid Canterbury Water Storage Limited has traded during the year under review.

The Company uses the equity method to account for its interest in MCWSL. The carrying amount of the investment in the joint venture is increased or decreased to recognise the Company's share of the profit or loss of the joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Company. As MCWSL is a private company there are no quoted prices available for their shares.

The Company has joint control over MCWSL with Ashburton Lyndhurst Irrigation Limited.

C D Groves, S A King and P J Munro are the Company's director representatives on Mid Canterbury Water Storage Limited.

Notes to the financial statements (continued)

10 Associate companies and joint venture

FEP Dashboard Limited (FEP)

	2025 \$	2024 \$
Assets	23,417	23,841
Liabilities	15,022	15,484
Revenue	12,100	30,420
Surplus/(deficit)	38	8,356
% held	50%	50%
Share of joint venture surplus/(deficit)	19	4,178
Principal place of business and country of incorporation	New Zealand	New Zealand

RDRML

Assets	21,144,560	20,899,702
Liabilities	18,374,048	18,663,552
Revenue	5,905,300	6,011,477
Surplus/(deficit)	(462,108)	(1,655,302)
% held	30%	30%
Share of associate (deficit)/surplus*	-	-
Principal place of business and country of incorporation	New Zealand	New Zealand

*Share of associate deficit is limited to MHV's share investment value in RDRML.

Mid Canterbury Water Storage Limited

Assets	16,908,800	16,949,419
Liabilities	7,776,692	7,801,473
Revenue	701,631	166,956
Surplus/(deficit)	(26,120)	(42,054)
% held	50%	-
Share of associate surplus/(deficit)*	(13,060)	(21,027)
Principal place of business and country of incorporation	New Zealand	New Zealand

Notes to the financial statements (continued)

11 Related party transactions

The entities, the nature of the relationship and the types of transactions which the Company entered into are detailed below:

Related entities	Nature of relationship	Types of transactions
Rangitata Diversion Race Management Limited	Associate	Goods/Services purchased
FEP Dashboard Limited	Joint control	Funds advance/ Software use
Mid Canterbury Water Storage	Joint control	Goods/Services purchased/Environmental support

Sales and purchases of goods and services

	2025 \$	2024 \$
Purchase of services from RDRML	1,278,504	1,264,980
Purchase of services from FEP Dashboard Limited	15,306	24,466
Purchase of services from Mid Canterbury Water Storage Limited	116,824	-
Purchase of services from directors and companies in which directors have a significant controlling interest	50,051	50,945
Sale of services to RDRML	175	1,103
Sale of services to Irrigo Centre Limited	-	-
Sale of services to directors and companies in which directors have a significant controlling interest	615,006	905,664

Trade balances with related parties

Trade balances payable - Rangitata Diversion Race Management Limited	122,358	62,705
Trade balances payable - Mid Canterbury Water Storage Limited	33,062	-
Trade balances payable with directors and companies in which directors have a significant controlling interest	4,582	12,915
Trade balances receivable - Rangitata Diversion Race Management Limited	-	328
Trade balances receivable with directors and companies in which directors have a significant controlling interest	52,239	70,838

Related party loan with shareholders on uncalled share capital

Related party loan receivable - current portion	302,710	332,217
Related party loan receivable - non current portion	2,339,906	2,613,110

Total related party loan receivable

2,642,616	2,945,327
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Interest on related party receivables with shareholders on uncalled share capital is charged at an average rate ranging from 2% to 2.43% and the full balance is expected to be repaid in full by May 2034. Other related party balances are non-interest bearing, unsecured, and are repayable on demand. Refer to note 22 for key management personnel transactions

12 Trade and other payables

	2025 \$	2024 \$
Trade payables	1,297,243	774,664
Deposits received	-	2,610
Creditors - interest accrued	73,994	123,142
GST payable	-	38,603
Holiday pay accrual	73,092	71,187
	<u>1,444,329</u>	<u>1,010,206</u>

Trade and other payables policy

Trade and other payables are initially recognised at fair value less transaction costs and thereafter carried at amortised cost and due to their short-term nature, they are not discounted. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition. The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

Employee benefits policy

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid for outstanding annual leave balances if the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably. Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid for outstanding annual leave balances if the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

Notes to the financial statements (continued)

13 Financial instruments classification

Recognition and measurement

Financial instruments are recognised when the Company becomes party to a financial contract. Financial instruments are measured initially at fair value, adjusted by transaction costs, except for those carried at fair value through profit or loss, which are initially measured at fair value. They include cash and cash equivalent, trade and other receivables, share investments, derivatives financial instrument, and borrowings.

In addition the Company is party to financial instruments to meet its financing needs and to reduce exposure to fluctuations in interest rates. The financial instruments include bank overdraft facilities and swaps.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Financial assets held at amortised cost
- Financial liabilities held at amortised cost
- Financial instruments at fair value through profit or loss (FVTPL)

Financial assets (except for trade and other receivables without a significant financing component) and liabilities are initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. Trade and other receivables without a significant financing component are initially measured at the transaction price.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within interest expenses or interest income, except for impairment of trade and other receivables, which is presented within other expenses.

Financial assets held at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions, and is not designated as at fair value through profit or loss (FVTPL):

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the amounts outstanding.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets held at amortised cost comprise: cash and cash equivalents and trade and other receivables.

Impairment - financial assets

The Company applies the NZ IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging. The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as at 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 cash flows that the Company expects to receive.) The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Financial liabilities held at amortised cost

Financial liabilities not designated as at FVTPL on initial recognition are classified as at amortised cost. Financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities held at amortised cost comprise: trade and other payables and borrowings.

Financial instruments at fair value through other comprehensive income (FVTOCI)

Financial assets at FVTOCI are those assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and then contract terms give rise on specific dates to cash flows that are solely payments of principal and interest. The Company does not have any financial assets categorised as FVTOCI.

Notes to the financial statements (continued)

13 Financial instruments classification (continued)

Financial instruments at fair value through profit or loss (FVTPL)

Financial assets at FVTPL include financial assets that are neither classified at amortised cost or at fair value through other comprehensive income. Financial assets are initially recognised at fair value. Net gains and losses are recognised in profit or loss.

Financial assets at FVTPL comprise share investments.

Classification of Financial Instruments

Financial instruments are transacted on a commercial basis to derive an interest/cost with terms and conditions having due regard to the nature of the transaction and the risks involved.

The carrying amounts presented in the Statement of Financial Position relate to the following categories of financial assets and liabilities:

As at 31 May 2025	Carrying amount	Financial Assets at Amortised Cost	Financial Assets at Fair value through Profit & Loss	Financial Liabilities at Amortised Cost	Financial Liabilities at Fair value through Profit & Loss
	\$	\$	\$	\$	\$
Financial Assets					
Cash and Cash Equivalents	228,590	228,590	-	-	-
Trade and Other Receivables	983,136	983,136	-	-	-
Derivatives financial instrument	117,871	-	117,871	-	-
Total Financial Assets	1,329,597	1,211,726	117,871	-	-
Financial Liabilities					
Trade and Other Payables	1,444,329	-	-	1,444,329	-
Loans & Borrowings	25,638,779	-	-	25,638,779	-
Total Financial Liabilities	27,083,108	-	-	27,083,108	-

As at 31 May 2024	Carrying amount	Financial Assets at Amortised Cost	Financial Assets at Fair value through Profit & Loss	Financial Liabilities at Amortised Cost	Financial Liabilities at Fair value through Profit & Loss
	\$	\$	\$	\$	\$
Financial Assets					
Cash and Cash Equivalents	352,715	352,715	-	-	-
Trade and Other Receivables	1,145,040	1,145,040	-	-	-
Derivatives financial instrument	935,880	-	935,880	-	-
Total Financial Assets	2,433,635	1,497,755	935,880	-	-
Financial Liabilities					
Trade and Other Payables	1,010,206	-	-	1,010,206	-
Loans & Borrowings	25,310,779	-	-	25,310,779	-
Total Financial Liabilities	26,320,985	-	-	26,320,985	-

Financial instruments measured at fair value

A number of assets and liabilities included in the Company's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Company's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are the fair value hierarchy. The following presents the Company's financial assets and financial liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair values.

The fair value of the financial instruments does not differ materially from the carrying amount.

The fair value movement in interest rate swaps for the year is \$818,010 (2024: \$284,483).

Notes to the financial statements (continued)

13 Financial instruments classification (continued)

Level 1: Quoted prices, unadjusted in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly, as prices or indirectly, derived from prices. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows using published market swap rates as prepared by Westpac Banking Corporation.

Level 3: Inputs for the asset or liability that are not based on observable market data

31 May 2024	Level 1	Level 2	Level 3
Assets:	\$	\$	\$
Shares in Ashburton Trading Society Limited	-	-	943
Shares in Electricity Ashburton Limited	-	-	50
Liabilities:			
Derivatives financial instrument	-	935,880	-

31 May 2025	Level 1	Level 2	Level 3
Assets:	\$	\$	\$
Shares in Ashburton Trading Society Limited	-	-	943
Shares in Electricity Ashburton Limited	-	-	50
Derivatives financial instrument	-	117,871	-

There were no transfers between levels during the period. The classification of an item into the above levels is based on the lowest level of inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur. The balance of the derivative financial instrument is obtained via the independent third party bank audit confirmation.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To the extent that the Company has a receivable from another party, there is a credit risk in the event of non-performance by that counterparty. Financial instruments which potentially expose the Company to credit risk principally consist of bank balances and receivables.

The Company's exposure to credit risk from accounts receivables are limited as MHV predominantly trades with its shareholders who are invoiced monthly in arrears. The Company manages its exposure to credit risk to minimise losses from bad debts.

The Company continuously monitors the credit quality of major financial institutions that are counterparty to its financial instruments, and does not anticipate non-performance by the counterparties.

The above table outlines the MHV's financial assets' maximum exposures to credit risk at balance date. These are the maximum exposures net of any recognised impairment losses. No collateral is held for these.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

	2025	2024
	\$	\$
Accounts receivable	623,787	863,177
Westpac - Business Account	255,292	372,038
Westpac - Savings Account	1,803	1,780
Total credit risk	880,882	1,236,995

Concentrations of credit risk

100% (2024: 100%) of the Company's cash at balance date was with one bank.

The Company does not have any other significant concentrations of credit risk (2024: nil).

Notes to the financial statements (continued)

13 Financial instruments classification (continued)

Liquidity risk

Liquidity risk represents the Company's ability to meet its financial obligations on time. For the most part the Company generates sufficient cashflows from its operating activities to make timely payments. It does however maintain committed credit lines to cover any shortfalls. The Company has a total bank overdraft facility of \$500,000 (2024: \$500,000) and none of this was drawn at the current or comparative reporting dates.

At balance date, the term of the existing banking facility with Westpac Banking Corporation with a limit of \$29,379,000, plus a \$500,000 overdraft facility was due to expire in June 2027. Security for the facility is by way of General Security Agreement over the assets of the Company. Refer to note 14 for further information.

Maturity analysis

The following are the remaining maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted.

31 May 2025

	Contractual cash flows			
	Carrying amount	3 months or less	between 3 months and 1 year	2-5 years
Borrowings	25,638,779	(437,782)	(1,313,346)	(26,910,890)
Lease liabilities	201,688	(13,934)	(41,803)	(145,951)
Trade and other payables	1,444,329	(1,444,329)	-	-
Derivatives financial instrument	(117,871)	24,957	-	92,914
	<u>27,166,925</u>	<u>(1,871,088)</u>	<u>(1,355,149)</u>	<u>(26,963,927)</u>

31 May 2024

	Contractual cash flows			
	Carrying amount	3 months or less	between 3 months and 1 year	2-5 years
Borrowings	25,310,779	(432,182)	(1,296,545)	(27,183,566)
Lease liabilities	201,688	(13,934)	(41,803)	(145,951)
Trade and other payables	1,010,206	(1,010,206)	-	-
Derivatives financial instrument	(935,880)	-	-	935,880
	<u>25,586,793</u>	<u>(1,456,322)</u>	<u>(1,338,348)</u>	<u>(26,393,637)</u>

The Company has disclosed a contractual maturity analysis for its financial liabilities. Because NZ IFRS 7 does not mandate the number of time bands to be used in the analysis, the Company has applied judgement to determine an appropriate number of time bands.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments and the interest margin will fluctuate as a result of changes in market interest rates. The risk is that financial assets may be repriced at a different time and/or by a different amount than financial liabilities. The Company has exposure to interest rate risk to the extent that it borrows or invests for a fixed term at floating rates. The Company manages its cost of borrowing by placing limits on the proportion of borrowings on floating rates, with terms dependant on prevailing interest rates.

The Board's policy is to hedge a portion of the borrowings on a reducing basis based on the term. For terms less than 3 years, maximum hedge is 80%, minimum hedge is 40%, from 3 to 5 years the maximum hedge is 60%, minimum hedge is 20% and for terms beyond 5 years the maximum hedge is 30% and minimum hedge is 0%. The hedging bands are subject to review annually by the Board and the Board may choose to operate outside of these limits.

The Company uses interest rate swaps to manage its cash flow interest rate risk. These arrangements have been entered into to mitigate interest rate risk arising from changes in the interest rates available to the Company. Refer to note 15 for MHV's interest bearing borrowings and subsequent paragraphs for derivatives financial instrument (i.e. interest rate swaps).

Notes to the financial statements (continued)

13 Financial instruments classification (continued)

The future fluctuation to cash flows of interest payments to Westpac Banking Corporation (2024: Westpac Banking Corporation) have been reduced through the signing of an interest rate swap. This has limited the Company's exposure to the changes in the market prices of interest rates. Should the Company be affected by a change in the margin charged by Westpac Banking Corporation over and above the interest rate swap rate, the Company will cover the effect of this change by altering the water charges to its members.

Interest rate swaps are accounted for as Derivatives and recognised in the Statement of Financial Position at fair value. The change in the fair value of the hedge is recognised in the Statement of Profit and Loss. The Company had the following interest rate swap contracts outstanding at reporting date:

Derivative financial assets/(liabilities)

	2025 \$	2024 \$
Statement of financial position		
Derivative financial assets/(liabilities)	117,871	935,880
Total derivative financial assets/(liabilities)	117,871	935,880

In 2025, the interest rate swaps were treated as ineffective, consistent with the hedging policy, resulting in gains/losses being included in the profit and loss statement.

In 2024, the interest rate swaps were treated as ineffective, consistent with the hedging policy, resulting in gains/losses being included in the profit and loss statement.

Interest rate sensitivity

The following analysis illustrates the sensitivity of profit and equity to a reasonable change in interest of +/- 0.75%. These changes are considered to be reasonably foreseeable based on the current market conditions.

The calculations are based on a change in the average market interest rates for each period and the financial instrument held at each reporting date that are sensitive to changes in the interest rates. In addition, the below calculation does not take into account the impact that the interest rate swaps would have.

Interest rate sensitivity analysis on interest bearing borrowings	2025 \$		2024 \$
Profit for the year		Profit for the year	
+0.75%	192,291	+0.75%	189,831
-0.75%	(192,291)	-0.75%	(189,831)
Equity		Equity	
+0.75%	192,291	+0.75%	189,831
-0.75%	(192,291)	-0.75%	(189,831)

Notes to the financial statements (continued)

14 Interest bearing loans and borrowings

	Book value 2025 \$	Fair value 2025 \$	Book value 2024 \$	Fair value 2024 \$
Non-current				
Bank loans - Westpac	25,638,779	25,638,779	25,310,779	25,310,779
	<u>25,638,779</u>	<u>25,638,779</u>	<u>25,310,779</u>	<u>25,310,779</u>

Term liabilities

The Company has \$29,379,000 term loan facility from Westpac Banking Corporation (2024:\$29,809,000) expiring in June 2027. Security is a general security agreement over all present and after acquired property. There are no bank covenants restricting borrowings other than a Debt Service Cover Ratio of 1 to 1 of net cash after operations to debt servicing costs. There are additional reporting covenants that the Company are fully compliant with. All bank and internal capital management objectives have been met. Refer to note 24 for further information.

As at 31 May 2025, \$25,638,779 has been drawn down under this facility (2024:\$25,310,779). The current interest rate applicable to this new facility with Westpac is based on the bank's Corporate Indicator Rate plus a margin for credit risk. These facilities were granted under the existing securities provided to the bank.

The Westpac facility is amortising over 35 years and is structured to have quarterly reductions in the overall facility limit (from the current limit of \$29.7m). Whilst the Company's drawn down debt remains below this limit there are no additional requirements to make principal payments, and as such, at present MHV is only committed to paying interest.

15 Income tax

	Notes	2025 \$	2024 \$
<i>Tax recognised in profit or loss</i>			
Current period		-	-
Deferred tax expense			
Current period	17	(56,890)	153,934
Total deferred tax (benefit)/expense		<u>(56,890)</u>	<u>153,934</u>
Total income tax expense/(benefit)		<u>(56,890)</u>	<u>153,934</u>
Reconciliation of effective tax rate			
Loss before tax		(2,797,196)	(2,157,786)
Income tax using the Company's domestic tax rate of 28%		(783,215)	(604,180)
Permanent differences		4,867	6,829
Tax effect of losses not recognised		721,458	688,586
Other adjustments		-	62,699
Income tax expense/(benefit)		<u>(56,890)</u>	<u>153,934</u>

Income tax policy

Tax expense comprises current and deferred tax and is calculated using rates enacted or substantively enacted at balance date. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case the tax is recognised as an adjustment against the item to which it relates.

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.

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 only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Notes to the financial statements (continued)

16 Leases

Right-of-use asset (as a lessee)

Information about leases for which the Company is a lessee is presented below.

	2025	2024
	\$	\$
Opening balance at 1 June	192,270	240,337
Depreciation charge for the year	(48,067)	(48,067)
Closing balance at 31 May	144,203	192,270

Lease liabilities

	2025	2024
	\$	\$
Opening balance at 1 June	201,687	246,127
Principal repayment	(46,713)	(44,440)
Closing balance at 31 May	154,974	201,687

Made up as follows

Current	49,103	46,713
Non-current	105,871	154,974
Total lease liabilities	154,974	201,687

The interest rate applied to lease liabilities is 5.00% and the lease matures on 1 June 2028.

The Company is exposed to future cash flows arising from variable payments, extension options and termination options, residual value guarantees and leases not yet commenced to which the Company is committed to.

Amounts recognised in the statement of comprehensive income

	2025	2024
	\$	\$
Interest on lease liabilities	9,024	11,297
Depreciation on right of use assets	48,067	48,067
Total amount recognised in the statement of comprehensive income	57,091	59,364

Notes to the financial statements (continued)

16 Leases (continued)

Amounts recognised in the statement of cash flows

	2025	2024
	\$	\$
Interest on lease liabilities	9,024	11,297
Principal lease payments	46,713	44,440
Total amount recognised in the statement of cashflows	55,737	55,737

Leases policy

Recognition and measurement

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Extension options

Some lease of buildings contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. The extension options held are exercisable only by the Company as the lessee and not by the lessors. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Impairment

The right-of-use asset is regularly assessed for impairment (see further detail in accounting policies).

Notes to the financial statements (continued)

17 Deferred tax asset/(liability)

	Fixed assets	Employee entitlements	Accruals, Lease and Interest rate swaps	Tax losses	Total
Year ended 31 May 2025	\$	\$	\$	\$	\$
Opening balance	(1,596,702)	19,931	(252,173)	-	(1,828,944)
Charged to income	(173,389)	534	229,745	-	56,890
	<u>(1,770,091)</u>	<u>20,465</u>	<u>(22,428)</u>	<u>-</u>	<u>(1,772,054)</u>
Year ended 31 May 2024	\$	\$	\$	\$	\$
Opening balance	(1,359,594)	17,428	(332,844)	-	(1,675,010)
Charged to income	(237,108)	2,503	80,671	-	(153,934)
	<u>(1,596,702)</u>	<u>19,931</u>	<u>(252,173)</u>	<u>-</u>	<u>(1,828,944)</u>

Due to the Co-operative nature of the Company and the likelihood of further losses being incurred in the foreseeable future, the Company has decided not to recognise the deferred tax asset in relation to losses. The Company tax losses of \$14,537,411 (2024:\$11,929,642) have not been recognised.

There are no other unrecognised temporary differences (2024: Nil).

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

18 Total equity

Share capital

There are 2,251,979 ordinary shares on issue, with 1,801,700 classified as M shares and 450,279 classified as V shares. Each ordinary share entitles the shareholder to receive, for fair consideration, 0.01 litre of water per second. M shares and V shares entitle the holder to one vote per share. All shares are fully paid (2024: All shares were fully paid).

Only holders of M shares have rights to participate in the storage water in the Carew storage ponds.

2024	Number of shares	Share value \$
M Shares		
Opening balance	1,801,700	28,377,813
Closing balance	1,801,700	28,377,813
V Shares		
Opening balance	450,279	13,817,473
Closing balance	450,279	13,817,473
Closing total ordinary shares	<u>2,251,979</u>	<u>42,195,286</u>

Notes to the financial statements (continued)

18 Total equity (continued)

2025	Number of shares	Share value \$
M Shares		
Opening balance	1,801,700	28,377,813
Closing balance	1,801,700	28,377,813
V Shares		
Opening balance	450,279	13,817,473
Closing balance	450,279	13,817,473
Closing total ordinary shares	2,251,979	42,195,286

Subject to Board approval, Shareholders are able to sell their shares, typically through a tender process to either existing shareholders not fully contracted or to new shareholders within the Scheme area. The Company facilitates this process, and any sale of shares is subject to the relevant Transfer of Shares Policies. The Company's primary source of working capital funding is through an annual water delivery charge and environmental charges to cover the Company's operational expenditure. The Company is able to pay dividends but its primary focus is to deliver reliable water and support environmental compliance in the most effective manner to its shareholders.

Nature and purpose of reserves

Capital reserve

The capital reserve reflects the difference in value of shares redeemed on conversion compared to the current share value recorded.

19 Property, plant and equipment

	Scheme Structures	Buildings	Plant & Equipment	Motor Vehicles	Land	Total
	\$	\$	\$	\$	\$	\$
Carrying amount						
Balance at 1 June 2024	43,116,664	401,644	1,829,082	439,318	4,802,356	50,589,064
Additions	-	-	36,152	212,749	-	248,901
Disposals	-	-	-	(135,429)	-	(135,429)
Assets under construction	1,921,329	-	-	-	-	1,921,329
Depreciation	(2,272,970)	(17,093)	(226,684)	(99,790)	-	(2,616,537)
Balance at 31 May 2025	42,765,023	384,551	1,638,550	416,848	4,802,356	50,007,328
Cost or valuation	60,857,738	712,584	3,617,955	715,529	4,802,356	70,706,162
Accumulated depreciation	(18,092,715)	(328,033)	(1,979,405)	(298,681)	-	(20,698,834)
Balance at 31 May 2025	42,765,023	384,551	1,638,550	416,848	4,802,356	50,007,328

Notes to the financial statements (continued)

19 Property, plant and equipment (continued)

	Scheme Structures	Buildings	Plant & Equipment	Motor Vehicles	Land	Total
	\$	\$	\$	\$	\$	\$
Carrying amount						
Balance at 1 June 2023	43,991,125	417,002	1,813,069	392,454	4,802,356	51,416,006
Additions	-	2,960	231,843	163,921	-	398,724
Disposals	-	-	-	(32,104)	-	(32,104)
Assets under construction	1,403,148	-	-	-	-	1,403,148
Depreciation	(2,277,609)	(18,318)	(215,830)	(84,953)	-	(2,596,710)
Balance at 31 May 2024	43,116,664	401,644	1,829,082	439,318	4,802,356	50,589,064
Cost or valuation	58,936,408	712,584	3,581,803	774,363	4,802,356	68,807,514
Accumulated depreciation	(15,819,744)	(310,940)	(1,752,721)	(335,045)	-	(18,218,450)
Balance at 31 May 2024	43,116,664	401,644	1,829,082	439,318	4,802,356	50,589,064

Security held

General Security Agreement dated 1 June 2017 over all present and after acquired property.

Recognition and measurement

All items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. As well as the purchase price, cost includes directly attributable cost.

Where material parts of an item of plant, property and equipment have different useful lives, they are accounted for as separate items of plant, property and equipment.

Subsequent costs

Subsequent costs are added to the carrying amount of an item of property, plant and equipment when the cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as an expense incurred.

Depreciation

Depreciation is charged to the profit and loss at the following rates:

Scheme structures: 3% - 13% diminishing value and 1.5% - 17.5% straight line

Buildings: 2%- 40% diminishing value

Plant and equipment: 9.5%- 67% diminishing value

Motor vehicles: 20%- 30% diminishing value

Land: 0%

Impairment

The carrying amounts of property, plant and equipment are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of the assets and are recognised in profit and loss.

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

Notes to the financial statements (continued)

20 Intangible assets

Carrying amount

Balance at 1 June 2024

Amortisation

Balance at 31 May 2025

Cost

Impairment losses

Accumulated amortisation

Balance at 31 May 2025

Carbon credits	Easement costs	Resource consent	Total
\$	\$	\$	\$
207,294	1,583	330,755	539,632
-	(1,210)	(30,977)	(32,187)
207,294	373	299,778	507,445
207,294	36,670	424,950	668,914
-	-	-	-
-	(36,297)	(125,172)	(161,469)
207,294	373	299,778	507,445

Carrying amount

Balance at 1 June 2023

Disposals/transfers

Amortisation

Balance at 31 May 2024

Cost

Accumulated amortisation

Balance at 31 May 2024

Carbon credits	Easement costs	Resource consent	Total
\$	\$	\$	\$
207,294	2,793	365,036	575,123
-	-	-	-
-	(1,210)	(34,281)	(35,491)
207,294	1,583	330,755	539,632
207,294	36,670	424,950	668,914
-	(35,087)	(94,195)	(129,282)
207,294	1,583	330,755	539,632

Recognition and measurement

Intangible assets, with the exception of the Water Access Rights which are carried at cost less impairment losses, have been recorded at their historical cost less amortisation.

Easement costs

Easement costs are incurred by the Company so that the Company can operate its water delivery system over land not owned by the Company. Easements have a useful life of 30 years.

Resource consents

Resource consents are held by the Company to enable the scheme to operate. The useful life of the resource consents varies with the term of each consent.

Water access rights

Water access rights were incurred in 2015 by the Company for additional water. The water access rights are considered to have an indefinite useful life as the water supply agreement between the Company and RDRML has no fixed supply period.

Carbon Credits

As part of the Emissions Trading Scheme (ETS) the Company is required to purchase carbon credit units as it has a known liability with the deforestation of a block. The Company, in the Valetta Division, purchased zero units in the 2025 financial year in the market to cover the known liability (2024: Nil). Carbon credits that are purchased are recognised at cost and have indefinite useful life.

Notes to the financial statements (continued)

22 Division performance

	Environmental Research & Development \$	Mayfield Hinds Open Race \$	Ruapuna Extension Pipeline \$	Valetta Pipeline \$	Total \$
Year ended 31 May 2025					
Income					
Water charges	-	3,186,879	982,684	1,872,758	6,042,321
Other income	531,653	279,323	11,100	68,118	890,194
Total income	531,653	3,466,202	993,784	1,940,876	6,932,515
Expenses					
Operating expenses	416,778	205,734	116,291	105,303	844,106
Finance expenses	-	63,938	462,252	817,002	1,343,192
Shared scheme costs	-	2,984,058	238,032	805,522	4,027,612
Total expenses	416,778	3,253,730	816,575	1,727,827	6,214,910
Total operating profit	114,875	212,472	177,209	213,049	717,605
Non-cash items					(3,514,801)
Net profit/(loss)					(2,797,196)
Interest bearing borrowings					
Opening balance	(272,365)	98,155	(739)	174,949	-
Operating profit	(114,875)	(212,472)	(177,209)	(213,049)	(717,605)
Fixed assets movements	-	109,030	8,681	1,950,756	2,068,467
Debt movements	-	200,000	300,000	(828,000)	(328,000)
Equity movements	-	(280,309)	(22,401)	-	(302,710)
Other movements	-	(533,634)	(42,488)	(144,030)	(720,152)
Total internal borrowings	(387,240)	(619,230)	65,844	940,626	-
Westpac loans	-	1,040,726	8,589,868	16,008,185	25,638,779
Total interest bearing borrowings	(387,240)	421,496	8,655,712	16,948,811	25,638,779

Notes to the financial statements (continued)

22 Division performance (continued)

	Environmental Research & Development	Mayfield Hinds Open Race	Ruapuna Extension Pipeline	Valetta Pipeline	Total
	\$	\$	\$	\$	\$
Year ended 31 May 2024					
Income					
Water charges	-	2,919,996	972,032	1,803,080	5,695,108
Other income	520,760	323,831	16,880	83,740	945,211
Total income	520,760	3,243,827	988,912	1,886,820	6,640,319
Expenses					
Operating expenses	382,801	210,593	136,044	90,095	819,533
Finance expenses	-	31,847	388,154	718,407	1,138,408
Shared scheme costs	-	2,871,293	229,037	775,083	3,875,413
Total expenses	382,801	3,113,733	753,235	1,583,585	5,833,354
Total operating profit	137,959	130,094	235,677	303,235	806,965
Non-cash items					(2,964,751)
Net profit/(loss)					(2,157,786)
Interest bearing borrowings					
Opening balance	(134,406)	(2,379,997)	2,041,287	473,116	-
Operating profit	(137,959)	(130,094)	(235,677)	(303,235)	(806,965)
Fixed assets movements	-	310,660	7,630	1,429,012	1,747,302
Debt movements	-	(1,240,726)	(2,096,154)	(2,462,120)	(5,799,000)
Equity movements	-	(307,633)	(24,584)	-	(332,217)
Other movements	-	3,845,945	306,759	1,038,176	5,190,880
Total internal borrowings	(272,365)	98,155	(739)	174,949	-
Westpac loans	-	1,240,726	8,889,868	15,180,185	25,310,779
Total interest bearing borrowings	(272,365)	1,338,881	8,889,129	15,355,134	25,310,779

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 reporting is provided above in relation to the four separate cost centres, the Mayfield Hinds Open Race, Ruapuna Extension Pipeline, Valetta Pipeline and the Environmental Research & Development, 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 four cost centres 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.

The following guidelines are followed:

- Income specific to a part of the infrastructure should be allocated to that infrastructure.
- Costs specific to a piece of specific infrastructure are separately identified and apportioned to the users of that infrastructure.
- Capital raised is allocated to the share class releasing water for sale.
- Interest costs shall be allocated to the specific infrastructure to which the debt relates. Where accumulated funds from one line are utilised by another line to minimise the entity interest costs, a notional interest charge will be made between the two lines. This may result in a negative finance expense for one or more lines which reflects the benefit from managing debt on a Company basis.
- Costs not specific to a piece of infrastructure will be treated as Shared Scheme costs.
- Shared costs should be allocated to the infrastructure based on the water entitlement of that infrastructure. As all shares have the same water entitlement (0.01 lps), the number of shares for each line is used as the basis for allocating the Shared Scheme costs.
- Depreciation and other non cash expenses are not allocated to the four separate cost centres as the Directors and Management budget and review expenditure on a cash basis, including operating cost and capital requirements, to determine water charges.

Notes to the financial statements (continued)

22 Key management personnel

Key management personnel include the Directors of the Company and the Chief Executive. During the year, remuneration has been paid to these personnel as follows:

	Notes	2025 \$	2024 \$
Directors' fees and expenses	3	249,016	232,692
Salaries to other key management personnel		189,289	285,925
Contributions to defined benefit plans		5,854	8,843
		<u>444,159</u>	<u>527,460</u>

Refer to note 11 for related party transactions

23 Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company's objective when managing capital is to maintain an optimal capital structure to reduce the cost of capital.

Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the Company's existing banking facility with Westpac. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The Company has honoured its covenant obligations, including maintaining Debt Service Cover Ratio required by Westpac.

24 Capital commitments

There are no capital commitments at balance date.

25 Contingencies

The Company has acted as guarantor for an external loan arrangement for Mid Canterbury Water Storage Limited (MCWSL). The maximum exposure the Company has is \$3.835 million (2024: \$3.835 million). MCWSL has provided security interest over its property in respect of this loan. This facility has an expiry date of the 27th March 2026. It is expected that the facility will be renewed on similar terms and conditions.

26 Subsequent events

On 14 August 2024 ELI (The Environmental Law Initiative) applied for a judicial review of the decision by Environment Canterbury (ECan) to grant the Company discharge consent CRC185857. MHV Water Limited are named as the second respondent.

The case was heard in the high court on 19-20 May 2025 with the judgment released on 1 Sep 2025. The judgement was that the application sought by ELI for judicial review is dismissed. This allows MHV Water to continue to operate under discharge consent CRC185857. This decision is still within a 20-working day period where it can be appealed; the appeal period ends 26 Sep 2025.

Key person interests

At 31 May 2025 the Directors held the following shares:

Evan K Chisnall: 47,041 shares (2024: 47,041) comprising:

- Chisnall Ealing Limited (16,273)
- Chisnall Hinds Limited (12,715)
- Chisnall Ruapuna Limited (18,053)

Vincent J Lobb: 22,721 shares (2024: 22,721) comprising:

- Kanuka Syndicate Limited (9,164)
- Lobblinn Farms Limited (13,557)

Simon A King: 16,784 shares (2024:33,886) comprising:

- Simla Farms Limited (16,784)

Cole D Groves: 5,934 shares (2024: 5,934) comprising:

- Coldstream Pastures Limited (5,934)

Campbell J Tait: 19,520 (2024: 17,548) shares comprising:

- Clearbrook Trustees Limited (17,548)
- Cloud8 Dairy Limited (1,972)

USE OF COMPANY INFORMATION

The Board received no notices during the year from Directors requesting to use Company information received in their capacity as Directors which would not have been otherwise available to them.

DIRECTOR'S INTERESTS

The following transactions were entered into by the Directors of the Company:

During the year all the Directors, with the exception of Paul Munro and Jennifer Crawford, purchased water on the same normal trading terms from MHV Water Limited as other shareholders.

The Directors disclosed the following general interests:

Simon A King

Simla Farms Limited	Director and Shareholder
Simon King Trust	Trustee
Mid Canterbury Water Storage Limited	Director and Chair

Jennifer M Crawford

Jen Crawford Limited	Director and Shareholder
Koparima Family Trust	Trustee
Anderson Lloyd - Legal Firm	Independent Contractor/Consultant
Orion New Zealand Limited	Director
Rangitata Diversion Race Management Limited	Director and Chair
NELMAC	Director
ChristchurchNZ Limited	Director and Deputy Chair
ChristchurchNZ Holdings Limited	Director

Cole D Groves

Coldstream Pastures Limited	Director and Shareholder
Groves Dairies Limited	Director and Shareholder
Hinds School Board of Trustees	Chair
Mid Canterbury Rural Support Trust	Trustee
C&V Groves Trust	Trustee
EA Networks Limited	Director
FEP Dashboard Limited	Director
Mid Canterbury Water Storage Limited	Director

Evan K Chisnall

Barrhill Chertsey Irrigation Limited
Chaxsons Limited
Chisnall Ealing Limited
Chisnall Farms Limited
Chisnall Hinds Limited
Chisnall Lowcliffe Limited
Chisnall Mt Somers Limited
Chisnall Ruapuna Limited
EK & MJ Chisnall Family Trust
Chisnall Farms Limited
Strathmore Dairies Limited
Trustpower
Lauriston Farm Improvement Club
Chisnall Developments Limited
Rangitata Diversion Race Management Limited
Hekeao Hinds Water Enhancement Trust
Vadose Monitory System Technical Committee

Shareholder
Director and Shareholder
Director and Shareholder
Director and Shareholder
Director and Shareholder
Director and Shareholder
Director and Shareholder
Trustee
Director and Shareholder
Director and Shareholder
Shareholder
Committee member
Director and Shareholder
Director
Trustee
Committee Member

Vincent J Lobb

Barrhill Chertsey Irrigation Limited
Hekeao Hinds Water Enhancement Trust
Kanuka Syndicate Limited
Lobblinn Farms Limited

Shareholder
Trustee
Director and Shareholder
Director and Shareholder

Paul J Munro

Electricity Ashburton Limited
Enviro-Mark Solutions Limited (Toitu Envirocare)
McKenzie Balfour and Associates Limited
Lynn River Limited
Lynn River Holdings Limited
Orion New Zealand Limited
Green Peak Investments Limited (formerly Black Peak Ventures Limited)
Cambridge Partners Limited
Southern Eye Specialists Limited
Tait International Limited
RF Industries Pty Limited
Mid Canterbury Water Storage Limited (as of 26/10/2023)
New Zealand King Salmon Investments Limited–And the following fully owned subsidiaries as of 24/3/2024:

Director and Audit Committee Chair–Director
Director and Chair (ceased Nov 2024)
Director
Director
Director
Director and Chair
Director and Shareholder

Independent Director
Independent Director
Director and Chair
Director
Director
Independent Director

- King Salmon Ltd
- Maccure Seafoods Ltd
- New Zealand King Salmon Exports Ltd
- Omega Innovations Ltd
- Ora King Ltd
- Regal Salmon Ltd
- Southern Ocean Salmon Ltd
- Southern Ocean Seafoods Ltd
- NZKS Custodian Ltd
- The New Zealand King Salmon Co Ltd
- NZ King Salmon USA Inc (from 4/3/2025)

Campbell J Tait

Clearbrook Farming Limited
Grassroots Dairy Graduate Trust
Cloud8 Dairy Limited

Director and Shareholder
Trustee
Director and Shareholder

We consider the following transactions as related party transactions:

- Farm Activity Variation Applications
- Leases of Water
- Surplus Water Agreements

Transactions of this nature occurred during the year, and none of these were approved outside of existing Company policy.

HEKEAO HINDS WATER ENHANCEMENT TRUST (HHWET)

The Hekeao / Hinds Managed Aquifer Recharge project (MAR) is New Zealand's largest managed groundwater rehabilitation project, delivering ecosystem health and enhanced environmental, cultural and recreational values. The increase in farming intensity, climate change and other demands on our water resource have resulted in adverse environmental effects. The Hekeao Hinds community have recognised and moved to address the catchment environmental issues. There must be significant changes in groundwater nitrate levels otherwise there is a risk that greater limitations may be placed on land uses in the catchment. MAR is just one of the tools our catchment is using to help address water quality and quantity issues and MHV provide delivery of water and additional services to the Trust on a contractual basis.

V Lobb and E Chisnall are Trustees of HHWET, appointed by MHV Water Limited and Rangitata Diversion Race Management Limited respectively.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MHV WATER LIMITED

Opinion

We have audited the financial statements of MHV Water Limited ("the Company"), which comprise the statement of financial position as at 31 May 2025, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 May 2025, and its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and IFRS[®] Accounting Standards.

Basis for Opinion

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

There were no Key Audit Matters to be communicated as a result of our audit.

Other Information

The directors are responsible for the other information. The other information comprises the Chair and Chief Executives Reports, but does not include the financial statements and our auditor's report thereon.

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

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

Directors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

This description forms part of our auditor's report.

Who we Report to

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

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

BDO Christchurch Audit Limited

BDO Christchurch Audit Limited
Christchurch
New Zealand
22 September 2025