



ANNUAL

Report 2021

Sustainable solutions for our community, now and into the future

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Our Performance

\$4.99m

TOTAL REVENUE

\$986k

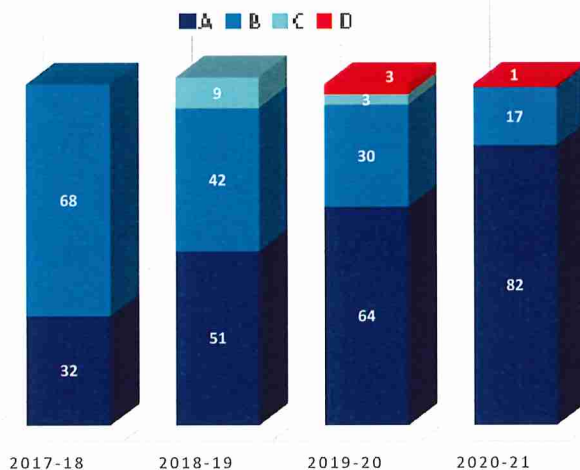
CAPITAL SPEND

\$3.81m

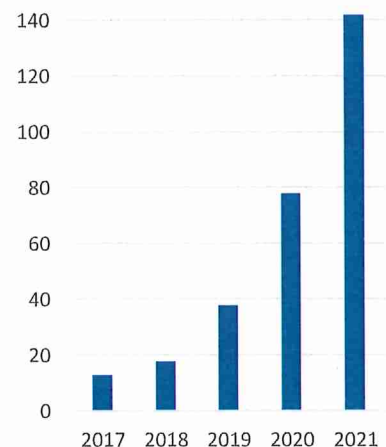
CASH EXPENSES



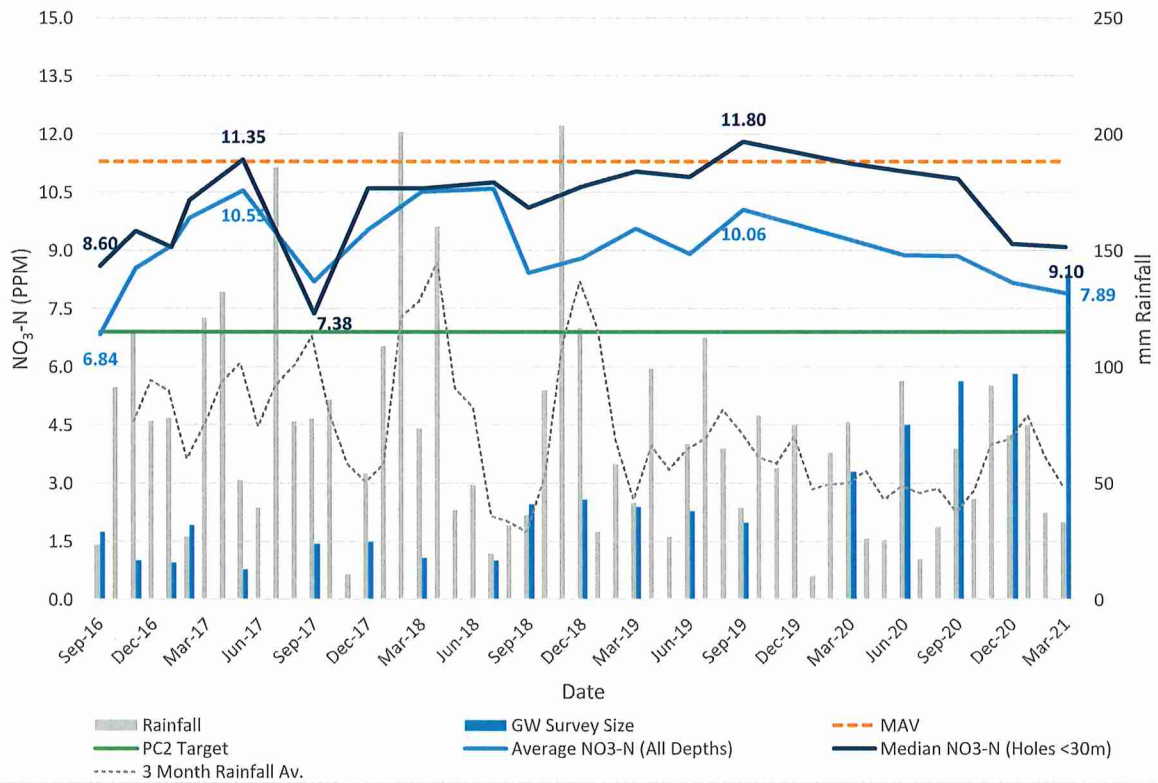
MHV Audit Grades per year %



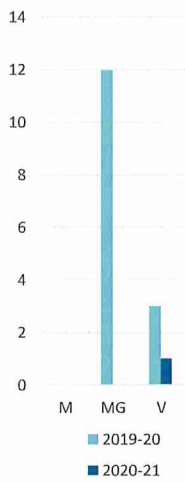
Groundwater monitoring bores tested



Nitrate concentration from Groundwater Monitoring



Restriction Days



Carew Ponds % full 2020-21 season



Chair and Chief Executive Report



John Nicholls
Chair



Melanie Brooks
Chief Executive

Our shareholders grow food, create employment and provide prosperity to our region and nation.

In the last twenty years the farming environment has evolved and so too have our farmers. We are proud of the continued changes our shareholders are making on farm to drive improved environmental outcomes and proud of the part we play in our strong and thriving Mid Canterbury Community.

We know that MHV Water must continue to strive for improved outcomes and ensure that we best serve the interests of our shareholders, as such, during the year, minor refinements were made to our MHV Water strategy. Our Mission has been updated to "Sustainable Solutions for our Community, now and into the Future", to better reflect our shareholders and partners multi-generational outlook and our Purposes have been simplified to:

- Respect for the environment
- Optimised water delivery
- Robust and enduring co-operative

We also wanted to ensure there was clarity on those priorities and initiatives that we will continue to focus on and these are summarised as:-

- Building strong partnerships with Mana Whenua
- Supporting continuous environmental improvement
- Waterbody health research
- Resilient, reliable, operationally robust and financially sustainable infrastructure
- Catchment collaboration

We are incredibly fortunate to have an engaged and committed shareholder community who provide advice, feedback and sound counsel to help shape our direction.

Respect for the Environment

On 21 April 2021 Environment Canterbury approved CRC185857, the Discharge Consent which sets the environmental conditions under which farms within the MHV Water irrigation scheme must operate. The consent was granted three years after the initial application in April 2018 and has an expiry date of 31 December 2030 and supersedes the previous consents granted in 2014.

Although the journey to receiving the updated consent has been long this has largely been a reflection of the complexity of the technical issues and the changing regulatory environment in which we operate. Throughout the process we have enjoyed strong engagement and collaboration with Te Rūnanga o Arowhenua and with the Barrhill Chertsey and Ashburton Lyndhurst Irrigation Schemes and have had strong and robust technical discussions with ECan.

The process has taken considerable time and resources to put together and special thanks to Ben Williams, Jeremy Sanson and Eva Harris from Chapman Tripp, Paddle Delamore & Partners and Irrigo respectively, who led much of the work around the technical design and details of the consent and worked to ensure a common framework across the three irrigation schemes.

Whilst the granting of the consent is behind us, we continue to work with our partners and keep a watchful eye on how future legislative changes will influence our operations. Our immediate focus is to deliver on the consent conditions and in this regard we held two rounds of shed meetings in the autumn.

These meetings were an opportunity for us to share what the consent means at a high level and, perhaps more importantly, to gather input and to have discussions with shareholders on their expectations of our Roadmap for Reductions of nutrient leaching. We would like to thank the considerable number of shareholders who participated in the sessions and shared their views of what we should keep doing, what we can do better to improve our support to shareholders and what our level of expectation should be as we pursue improved environmental outcomes. We will continue to seek and welcome our shareholder and wider community input on this journey.

The National Policy Statement for Freshwater 2020 came into effect on 3 September 2020 as part of Government's Essential Freshwater reforms. These reforms fundamentally change the regulatory environment for freshwater and nutrient management and require an update/rewrite of the Canterbury

Land and Water Regional planning framework by 2024.

While there is no disagreement around the desire to have a better environment and to see improvements in water quality across New Zealand, the means by which this is being undertaken is frustrating. The reform package was released with broad brush rules across the country, with many of the details still to be developed and a number of the details that were developed being practically unworkable. It remains unclear as to what scope Regional Councils will have to tailor the approach to suit each catchments and with the reforms rendering existing Regional Plans effectively obsolete it creates considerable uncertainty. Farmers are critical partners in making changes in land use and farming activities to bring about improved environmental outcomes, however the reform process, lack of genuine consultation and consequential uncertainty have made it more difficult to determine how best to move forward.

Ultimately this is an informed conversation that all of New Zealand needs to be involved in – to determine what environmental bottom-lines we should be targeting, how quickly we can get to these and what we are willing to forego as a society in order to achieve these.

Historically the farming community has generally taken the view that “actions speak louder than words” and that we should keep our heads down, focus on the doing the right things and trust that the right outcomes will follow, however, social media now allows anyone with a view to broadcast it widely without seeking to provide balance, nor factual accuracy in the way that traditional journalism did. In this context it is important that farmer



Ruapuna Shed Meeting, May 2021

voices are heard and that our stories are told.

Ella Stokes joined us during the year in a part time capacity as our Change Communications Specialist. Ella has previously worked in print media and at Irrigation NZ and has supported the review of our communications strategy and is working with our shareholders and team to pull together stories that we can share with the community.

Our partnership with Te Rūnanga o Arowhenua continues to grow. As the mana whenua of Mid Canterbury, Arowhenua have collected food in this area for centuries and care deeply about the land and water. Some of our shareholders have lived in this area for five generations or more and also have deep attachments to the land and community. Together we are committed to leaving the land and environment better than we found it, and having that common goal is a powerful enabler.

Justin Legg, our Senior Hydrogeologist, has continued to refine our water sampling program and, combined with previous work, we are now starting to build a broad data set with consistent records to better understand the state of our groundwater. The data has confirmed that we have some areas with elevated nutrient levels across the catchment, where water quality is not good enough and we now need to understand more explicitly why these are occurring so that we can better target the right actions needed to address these.

The evolution of the groundwater and surface water programme is essential and we have partnered with the Hekeao Hinds Water Enhancement Trust (HHWET) and Barrhill Chertsey Irrigation to share in the costs of the programme which has enabled us to further resource our team so we can increase our research capacity and provide better information for our shareholders

to make informed decisions.

Murray Neutze has moved from the Operations Team to take up a fulltime role shared between the collection of sampling and managing the operational delivery of Managed Aquifer Recharge.

With Murray taking the lead on the operational delivery and working closely with the MHV Operations team we were able to increase the MAR delivery from 7.8 million m³ to 14.2 million m³ of water during the year. HHWET are also working through a process with RDRML, Rūnanga and the Regional Council to secure utilisation of some of the already consented take from the Rangitata River for Environmental uses in addition to the currently consented uses of generation, irrigation and stockwater. There are a number of technical, commercial and regulatory challenges to be worked through for this to occur.



*Justin Legg, Senior Hydrogeologist, surface water testing.
Photo courtesy of HydroMetrics*

Optimised Water Delivery

The irrigation season was reasonably benevolent with regular rain fall through the year and normal autumn restrictions from the RDRML. As a consequence water reliability was very high with no restrictions across the Mayfield-Hinds lines and only 48 hours of restrictions relating to water availability on the Valetta line.

To safeguard the ongoing delivery of water we recognised the importance of having inhouse expertise to manage our infrastructure development, maintenance and support our operations team and Ethan Forbes joined us during the year as our Water Resources Engineer from Monadelphous. He has hit the ground running with involvement in all of our key projects;

- Re-engineering of critical risk points within the Valetta line
- Final design of "Pond 0" at the top of the Valetta line
- Harris Drain extension
- Feasibility study for a possible Hackthorne line
- Increasing the capacity of the Mayfield-Hinds open races to allow 120% water delivery
- Infrastructure Risk Assessments

The Valetta line re-engineering, identified last-year as part of a risk review of the line, is expected to take 2-3 years to complete with work undertaken during the winter shut-downs. The risk review found that critical aspects of the infrastructure are at risk of sudden and unexpected failure which could see water supply disrupted for extended periods and we recognise that pressures in some parts of the line are not



consistent. The re-engineering is being designed to remediate these critical areas, ensure that some mitigation are in place in the event of an early failure, and we want to also take this opportunity to resolve the pressure issues.

A failure on the Valetta line Pond 2 control system during the year, shows the risks inherent in this line. The failure led to Pond 2 being unexpectedly drained with damage to the inlet screens on the Pond 2 outlet pipe and subsequent ingestion of rocks and gravel into the pipeline. While these have been removed where possible, it did cause outages in delivery and there is no simple or full-proof method of removing all gravel from the pipeline and this gravel now creates additional risks as it works its way down and through control valves within the infrastructure.

Pond 0 and the Hackthorne line feasibility are projects which are both looking at how we can

better use Valetta water and provide greater reliability to Valetta shareholders. In both cases, preliminary work is being done to determine whether there is a viable proposal that can be taken to shareholders for their consideration.

Increasing the capacity in the MH Open Race follows last year's shareholder vote to increase the allocation in the line with the issue, on 1 June 2021 of 20% additional shares to existing M shareholders. The ability to increase delivery of water is a result of a change in philosophy on the operation of the line and the Carew storage facility. We have moved from a philosophy of simply maximising reliability at 100% allocation to a philosophy of maximising our ability to meet overall water demand – recognising that it is more valuable to use Carew to top-up our RDRML supply at times when high evapotranspiration drives high water demand, than

simply holding Carew in reserve for times when supply from the RDRML is restricted. During the 20/21 season we made 110% of shared volumes available to all M Shareholders and we were able to meet that without restrictions. We are continuing to investigate the value of the addition of a small section of pipe from Carew to Lateral 3 however the capacity enhancements at critical road crossing and control points is nearing completion and will allow the open races to deliver this additional water and for Carew to be more broadly used. The operational plan is for up to 50% of Carew's capacity to be used for increasing delivery, with the remaining 50% to be held as a buffer against RDRML supply restrictions.

In addition to the 20% additional shares issued, the holders of MG shares were given the opportunity to redeem those shares or upgrade them to M shares. The MG shares ranked below both M shares and the filling of Carew in priority of access to water and the change in philosophy around Carew both necessitated and allowed a review of the MG shares. As a consequence of this all 94,549 of the MG shares were redeemed and 80,656 M shares were issued. Due to the higher cost of M shares, post balance date, this raised an additional \$5.2m of equity in the company, although as part of the shareholder resolutions, \$4.0m was elected to be paid over a 13 year period.

Robust and Enduring Co-op

Building on the Board's visit to Te Hapa o Niu Tireni Marae with Te Rūnanga o Arowhenua, we had a further hui on the Groundwater and Surface water programme at the Marae this year. We also invited Michael McMillian, one

of the Consultants from Aoraki Environmental Consultancy, to attend a Farm Environmental Plan (FEP) audit to meet with our shareholders and see first-hand how the FEP process operates and the commitment to improvement that it entails.

A direct result of this engagement has been a joint recognition that increased biodiversity and dedicated wetlands within our catchment would significantly enhance the ecology of the area, have the potential to improve water quality outcomes and also add to the natural beauty of our region. We are working alongside a number of interest parties to try and bring this about and specifically looking to identify areas of land across the catchment which naturally lend themselves to these uses.

Through the summer Evelyn Murray, the first of our Te Rūnanga o Ngāi Tahu interns, joined Justin to learn about our programme, and support with the collection and recording of water sampling data. Evelyn was a valuable addition to the team and we wish her well in her future studies.

Operationally the team embedded a number of changes during the 20/21 season including supporting shareholders with water ordering, integrating the improved efficiencies of the new gates and pond sensor technology into our everyday operating practices and there was a considerable amount of testing of flows to identify choking points in anticipation for increased delivery.



John Nicholls
Chair

As a co-operative, MHV Water does not set out to make a profit but aims to meet the cash outgoings of the business and, where debt is used to fund assets, to amortise the debt over the reasonable life of those assets.

Due a combination of factors, total outgoings for the Mayfield-Hinds Open Race and Ruapuna lines were lower than expected and as a consequence, water charges for the last 2 months of the year were cancelled as they were not required.

We would like to recognise Ben Johnson and Mark Saunders for their contribution and service to our community as part of the MHV Board. Ben and Mark retired from the Board in October 2020, and were originally members of the Valetta Irrigation Ltd Board. Joining in 2014 and 2015 respectively, they have actively been involved in our Environmental Sub Committees and Mark was one of the founding members of the MAR governance group.

Finally, and importantly, we would like to acknowledge our entire team (including those at Irrigo) who work tirelessly every year to make MHV Water and our wider community a great place to live and work. We are proud of the work you do and the way that you continue to focus on how we can improve our quality of support to our shareholders. We would also like to thank our wider Board for their governance as together we continue to strive to deliver sustainable solutions for our community now and into the future.



Melanie Brooks
Chief Executive

*Sustainable solutions for our community,
now and into the future.*



*Valetta Pond 1 during storm
Photo: Sam Anderson*

Rangitata Diversion Race Management Limited Report



Richard Wilson
Chair



Vince Lobb
Director

Our vision statement of sustainable water delivery fits well within current Government policy direction and society's pressure on water resource management.

The last twelve months has seen strategic workstreams being implemented by RDRML.

An enduring strategy is one which is flexible to accommodate change and maintain relevance. The Covid pandemic and its potential to lead to disruption is constantly at the forefront. I am pleased to report that the operation of the race has continued to perform soundly during this past year.

Asset Management

The race is an ageing asset and as such requires not only maintenance but plans to extend its life. The recent May floods have brought this to the fore. Previous repairs have been assessed to see how they performed in the floods and how any future proofing can be implemented. With Climate change a potential threat, repairs need to be engineered to take into account more frequent weather events.

Water management

Maintaining entrusted access to water is at the heart of RDRML. With the appeal of our granted extra 10 cumec flood flow likely heading to the Environment Court,

a decision was made to relinquish this consent. RDRML believes a collaborative process in the future rather than a courtroom one will lead to a better outcome for RDRML, the community and the environment.

With the National Freshwater Plan becoming embedded by the government we recognised a better understanding of the Rangitata river, its flows, sediment and overall health is required. Work is underway to gather this information and ensure it has a sound scientific base.

In the new government plan of Te Mana o te Wai, the priorities are the health and wellbeing of the river first, drinking water second, and third being the ability of people and communities to provide for their social, economic and cultural wellbeing. This has the potential to change water allocations in the future.

RDRML is focused on planning and understanding how this will affect us.

MAR

Irricon has been engaged by HHWET to prepare a

Supplementary Consent Application on RDRML's behalf. This could be a complicated process as there are many interested parties in the development of MAR.

Fish Screen

RDRML extended the fish screen construction period by a further twelve months. This allowed more time for the design process to be finalised before the build commenced. This also allowed for any weather and delivery time constraints. This project is currently well on track to be commissioned in September 2022.

Klondyke Ponds

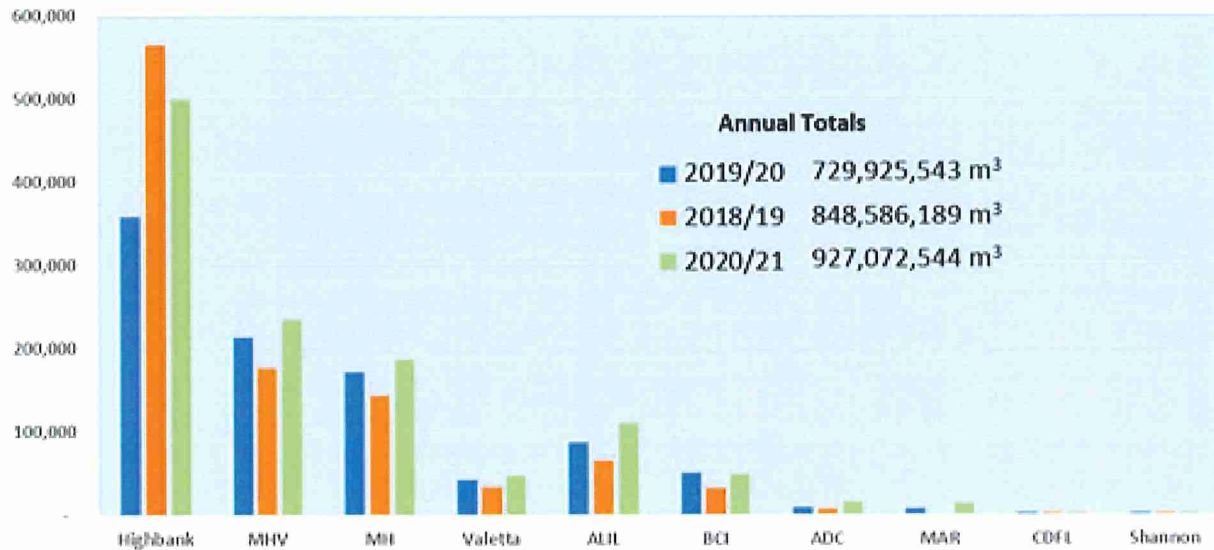
RDRML holds several resource consents to build a 53 million cumec pond at Klondyke. RDRML continues to collaborate with all potential shareholders around a build and ownership structure. MHV is at the centre of these discussions.

We would like to congratulate Tony, his team and RDRML advisors for their dedicated work in the past year.

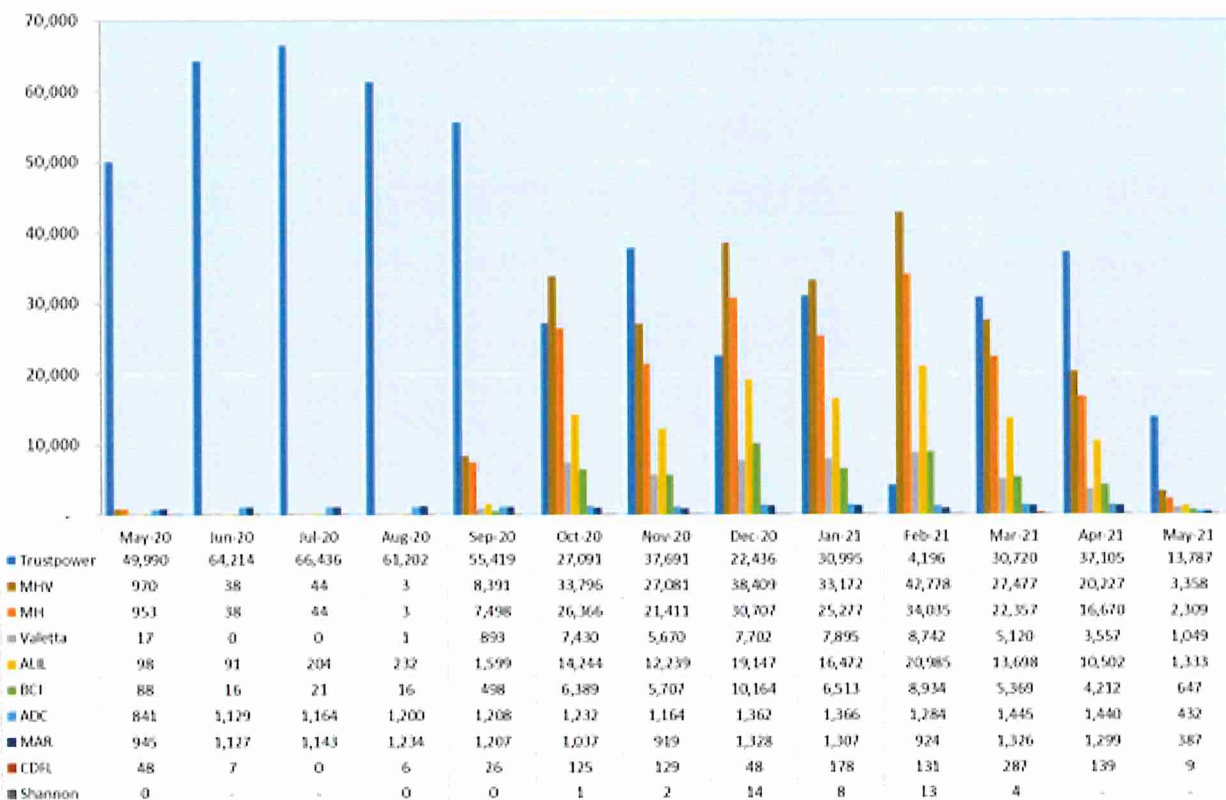
Richard Wilson, Chairman

Vince Lobb, Director

Rangitata Diversion Race Annual Water Use (Total Volume in 000 m³)



Rangitata Diversion Race 2020/21 Monthly Water Use (000 m³)



Our Strategy

Our Mission

Sustainable Solutions for our Community, now and in the Future

Our Values

Inter-generational focus

Responsible stewards

Community minded

Co-operative spirit

Enable innovation

Our Purposes

Optimised water delivery

Respect for the environment

Robust and enduring Co-op

Our Priorities / Initiatives

Building strong partnerships with Mana Whenua

Support continuous environmental improvement

Waterbody health research

Resilient, reliable, operationally robust and
financially sustainable infrastructure

Catchment collaboration

Our People

Shareholders

MHV Water is a co-operative company with 207 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 up to two appointed independent directors 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 ten staff delivering operations, groundwater science, infrastructure and administrative functions. The MHV team is lead by the Chief Executive and supported by the Irrigo team with environmental and administration functions.

Our Board



Board of Directors

From left to right:

Simon King, Vince Lobb, Richard Wilson, John Nicholls, Craig Osborne, Jen Crawford, Evan Chisnall.

Summary Financial Statements

MHV Water Limited

Annual report for the year ended 31 May 2021

Division Performance

	Environmental Research & Development	Mayfield Hinds Open Race	Ruapuna Extension Pipeline	Valetta Pipeline	Total
		\$	\$	\$	\$
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	-	2,914,903	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)

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 interest bearing 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

Year ended 31 May 2021	\$	\$	\$	\$	\$
Income					
Water charges	-	2,094,023	814,792	1,457,705	4,366,520
Other income	508,602	60,600	3,907	50,555	623,664
Total income	508,602	2,154,623	818,699	1,508,260	4,990,184
Expenses					
Operating expenses	369,151	229,018	127,395	304,552	1,030,116
Finance expenses	-	47,043	218,322	263,150	528,515
Shared scheme costs	-	1,596,202	136,650	514,686	2,247,539
Total expenses	369,151	1,872,264	482,367	1,082,388	3,806,170
Total operating profit	139,451	282,360	336,331	425,872	1,184,014
Non-cash expenses					(2,575,552)
Net profit/(loss)					(1,391,538)

Division Performance (Continued)

Interest bearing borrowings

Opening balance	-	(705,237)	893,328	(188,091)	-
Operating profit	(139,451)	(282,360)	(336,331)	(425,872)	(1,184,014)
Fixed assets movements	-	524,653	66,364	394,721	985,738
Debt movements	-	-	578,909	188,091	767,000
Equity movements	-	(16,000)	-	-	(16,000)
Other movements	-	(392,545)	(33,606)	(126,574)	(552,724)
Total Internal borrowings	(139,451)	(871,489)	1,168,665	(157,725)	-
Westpac loans	-	-	8,583,714	10,237,365	18,821,079
Total interest bearing borrowings	(139,451)	(871,489)	9,752,379	10,079,640	18,821,079

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 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.

Statement of Comprehensive Income

	2021	2020
	\$	\$
Revenue	4,990,184	5,641,535
Expenses		
Operating expenses	2,362,665	2,350,920
Administration expenses	914,369	762,484
Other operating expenses	25,138	27,183
Depreciation and amortisation	2,575,552	2,462,249
Finance expenses	507,880	739,697
Total Expenses	6,385,604	6,342,533
Other income		
Share of associates profit/(Loss)	3,882	(2,316)
Total other income	3,882	(2,316)
Operating Profit/(Loss) before tax	(1,391,538)	(703,314)
Income tax expense	105,897	134,054
Net profit/(loss) for the year	(1,497,435)	(837,368)
Items that may be reclassified to profit or loss	168,324	(49,802)
Total comprehensive income	(1,329,111)	(887,170)

Statement of Cash Flows

	2021	2020
	\$	\$
Cash flows from operating activities		
Cash received	5,363,382	5,638,902
Cash paid	(3,717,174)	(4,219,784)
Net cash flows from operating activities	1,646,208	1,419,118
Cash flows from investing activities		
Cash received	47,018	33,951
Cash paid	(971,635)	(2,698,336)
Net cash flows from investing activities	(924,618)	(2,664,385)
Cash flows from financing activities		
Cash received	-	837,000
Cash paid	(796,993)	(29,404)
Net cash flows from financing activities	(796,993)	807,596
Net increase (decrease) in cash held	(75,403)	(437,672)
Add cash at start of year	216,873	654,548
Closing Balance	141,470	216,873


Statement of Financial Position

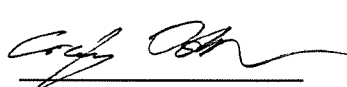
	2021	2020
	\$	\$
Current assets	856,748	1,303,341
Non-current assets	52,250,779	53,899,041
Total assets	53,107,527	55,202,382
Current liabilities	598,328	507,192
Non-current liabilities	20,053,233	20,910,113
Total liabilities	20,651,561	21,417,305
Net assets	32,455,966	33,785,078
Equity		
Share capital	36,010,477	36,010,477
Reserves	(47,835)	(216,159)
Retained earnings	(3,506,676)	(2,009,241)
Total Equity	32,455,966	33,785,078

Statement of Changes in Equity

	Share capital	Hedging reserve	Retained earnings	Total
	\$	\$	\$	\$
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
Net profit/(loss) for the year	-	-	(1,497,435)	(1,497,435)
Other comprehensive income	-	168,324	-	168,324
Total comprehensive income for the period	-	168,324	(1,497,435)	(1,329,111)
Issue of shares	-	-	-	-
Shares redeemed	-	-	-	-
Equity at 31 May 2021	36,010,477	(47,835)	(3,506,676)	32,455,966

Signed for and on behalf of the Board dated 14 September 2021


 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 2021 were authorised for issue on 14 September 2021 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

There are no capital commitments at balance date.

CONTINGENT LIABILITIES

There are no contingent liabilities at balance date.

SUBSEQUENT EVENTS

On 14th October 2020 Shareholders passed resolutions which required the surrender of all MG Shares with an offer to convert them to M Shares if desired. Settlement for the transactions was post balance date on 1 June 2021 where 94,349 MG shares were surrendered at a face value of \$90 per share (where the proceeds were applied as a deposit towards the issue of M Shares) and 200 MG shares were surrendered for their purchase price of \$83.50 per share (a total of \$16,700) and paid out. Finance of the share issue was available to shareholders, 25 applicants selected to finance their M share purchase, a total of \$4,007,060 and a further 11 applicants selected to settle the purchase of M shares and MHV received net equity (after settling the 200 shares redeemed for cash) on 1 June of \$1,196,470.

SUBSEQUENT EVENTS (CONTINUED)

On 16 July 2021, the Company purchased a further 4,615 carbon credits for \$222,581.45 to meet its known liability with the deforestation of a block. See note 21 for further information.

RDRML has entered into a contract and commenced construction of a new fish screen at the intake of the Rangitata Diversion Race. This has an expected cost of \$17 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.

MHV Water has entered into contracts to proceed with the development of costed concept plans for the Valetta Line remediation of Pond 1 and Pond 2 intakes and outlets. The outcomes of this workstream along with another internal piece of work will enable a finalised costing for the remediation of the Line which was last year estimated at \$4million to \$5million.

On 17 August 2021, following the detection of COVID-19 in the community, the New Zealand Government ordered an economy-wide lockdown, during which all non-essential businesses and organisations would not be permitted to operate. The lockdown, which commenced at 11:59pm on 17 August, is still in effect at the time of signing these financial statements. The Company's staff are largely able to work from home throughout the lockdown period and as an Essential Business have been able to continue with essential infrastructure works, repairs and maintenance whilst adhering to the Government mandated safety protocols for Essential Businesses.

There are no other events subsequent to balance date which would materially affect the financial statements.

COVID 19 IMPACT

The Company has also applied professional judgement when considering the impacts of the COVID-19 pandemic, including its impact on cash flow forecasts, continued liquidity, and impairment of assets. Despite there being uncertainty around the duration and broader impact of COVID-19, it is not expected to have a material impact on the recoverability of the assets of the Company or its ability to meet their financial obligations as they come due in the foreseeable future.

**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 19, which comprise the summary statement of financial position as at 31 May 2021, 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 2021.

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 14 September 2021.

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', is located below the printed text.

BDO Christchurch
Christchurch
New Zealand
14 September 2021

