

Annual Report

2019



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Chair and Chief Executive Report

*Our mission for MHV Water is
“Sustainable solutions for our Shareholders
and the Community”.*

This reflects that our role requires us to balance multiple objectives, including;

- We need to efficiently, accurately and reliably deliver water, where and when it is needed;
- We have a responsibility, in partnership with our shareholding farmers, to protect our natural environment;
- We must educate those who influence public opinion and that set policies, to ensure that they are founded on facts and science;
- We have an obligation to be responsible stewards of the resources to achieve the best outcome for our existing shareholders, for future generations and for our community as a whole;
- We have a duty to provide a safe working environment for our people and anyone who interacts with us.

We reflect these objectives in our four purposes:

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

Water for Optimal Growth

On 25 July 2018, while draining the main Valetta pipeline for maintenance, a vacuum built up inside the pipe causing 1.8km of 1600mm diameter pipe to collapse. The immediate priority was to reinstate the pipe for the start of the irrigation season on 10 September. The end result, after a huge effort from our team and many supporting contractors and advisers, saw the collapsed pipe reinstated prior to the start of the season at a cost of \$357,000 and a further \$380,000 was invested in replacement pipe which is now held in inventory. A special thanks is also due to Bentower Dairies and The Mould Family, whose farms the pipe runs through and who allowed us access to uncover and repair the pipe.

A minor modification to an air vent allowed it to seal causing the vacuum which led to the collapse. An internal review determined that company procedures for engineering changes and maintenance activities (such as draining and refilling pipes) were fit for purpose to minimise the risk of a future recurrence but that these procedures (developed following the merger) were not in place at the time of the modification.

The irrigation season itself was unusual with three distinct parts to the season. Hot and dry conditions in late September resulted in a fast start to the season and early water restrictions imposed by the RDRML. Storage in the Carew ponds was sufficient to avoid passing these restrictions on to M class shareholders on the Mayfield Hinds line, but restrictions were passed through to those without storage. Regular rainfall through the later spring and summer months kept irrigation water use below normal levels for most of the season although a dry autumn placed some demand on the system at season end.



John Nicholls
Chair



Melanie Brooks
Chief Executive

Over the season V class shareholders had 27 days on restrictions and MG class growth shares had 35 days off on the Mayfield Hinds and Ruapuna Lines. For some offtakes from the Ruapuna pipeline, booster pumps operated by the company are needed to deliver the required water pressure. Lower water usage meant less pumping and lower than anticipated electricity consumption for these.

Installation of a \$3.1 million automation project for the Mayfield Hinds open races began in the 2019 winter. The project is installing automatic control gates on all offtakes on the open race infrastructure and level sensors on the associated farmer ponds. The project delivers benefits to health and safety, accuracy, frequency of water delivery, storage capacity maximisation and overall scheme efficiency with the view to moving towards on demand supply in time.

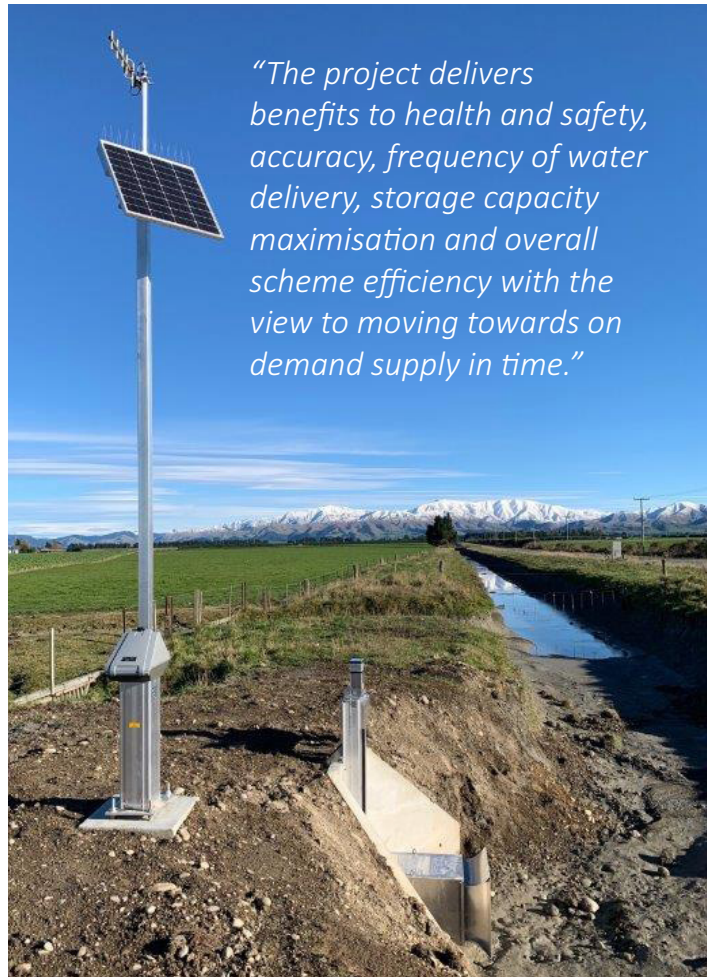
During the season an expansion was completed as part of the Ruapuna pipeline. This small expansion was to supply two farms who joined the scheme as part of the Ruapuna expansion but who are close to the RDRML and are supplied via a separate RDR offtake.

An ongoing winter maintenance programme is in place for the Valetta pipeline focused on addressing issues of reduced performance with the line. Effectively this is a debottlenecking process, identifying areas where delivered water pressure is below target, reviewing the pipe design and build information and then implementing appropriate fixes. These fixes include additional air vents (where air locks are partially reducing pipe capacity) and redesign of known restrictions within the pipeline.

A 40ha block of land on the corner of Anama Valetta and Anama Station Roads was purchased in May on behalf of the Valetta Line for \$500,000. Initial plans have been prepared for the construction of a 1.7 million m³ storage pond (Pond 0) on this land. This location would allow stored water to feed into the top of the line and would reduce the loading on the pressure reduction system into Pond 1. We are working through the optionality of this pond with preliminary design and cost estimates being developed so that this can be discussed more fully with shareholders.

Longer term modelling suggests that we should be seeking a further 10 million m³ of storage capacity across the scheme in order to maintain the status quo reliability as allocation reduces in 2023 and in 2033 with the Ashburton River minimum flows being enacted, and to improve reliability for existing shareholders who don't have access to Carew Storage Ponds. This capacity can be achieved within the proposed Klondyke storage pond and we are working with RDRML to determine how best to progress this.

We also see opportunities to reduce groundwater demand and improve reliability for farmers dependent on groundwater or direct surface water takes through the further release of growth shares that would provide water during the shoulders of the irrigation season only. Farmers in the Hackthorne area have contributed towards the costs of a feasibility study which we are running to determine the cost of a pipeline to deliver water to them and to develop, in conjunction with Valetta shareholders, a proposal for growth shares and water storage that would be mutually beneficial to all parties.



Environmental Sustainability

Environmental sustainability will be our biggest challenge in the next 5 to 10 years. Our social licence to operate is predicated on improved environmental outcomes in the wider community. We all have a responsibility to adopt not only Good Management Practices, but also to be considering the environmental impact of all aspects of our farming operations and making change accordingly to ensure continuous improvement.

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As a condition of our existing consent we are required to audit shareholder Farm Environment Plans (FEP) on a regular basis with 94 FEP audits required this year. Our expectation is for all shareholders to receive an A grade. At time of writing, 80 audits had been completed with eight of these receiving a C grade and the rest evenly split between A and B grades.

A lack of effluent storage has been the main reason for C grades being received. The environmental standards require farmers to meet the volume of storage as defined in their dairy effluent calculator, which in some cases is more than the volume required in their effluent consent.

Last year we lodged our application for a replacement Land Use and Discharge consent with Environment Canterbury. This consent sets the collective load for nitrate losses permitted by shareholder farms and how we will achieve the objectives prescribed in Plan Change 2 of the Land and Water Regional Plan. These require all farms to be operating at good management practice from 2017 and to achieve stepped reductions of 15%, 25% and 36% by 2025, 2030 and 2035 respectively.

The specific details of the replacement consent are still being worked through with Environment Canterbury and, as yet, we do not know when this will be granted. Practically this delay is of minimal consequence because we are permitted to continue operating under our existing consent until the new consent is granted.

The MAR (managed aquifer recharge) project continues to evolve and is beginning preparations to move from small scale trials to an ongoing, large-scale, activity across the district. The informal governance group has been replaced by a community trust, the Hekeao Hinds Water Enhancement Trust (HHWET) with Trustees appointed by the key stakeholders including environmental groups, council, community and farming. RDRML and MHV Water are both able to appoint one trustee each out of a total of up to 12 trustees. There are many matters for the trust to work through with long term funding and water supply still to be determined.



ECan Councillors MHV Education visit

Economic Sustainability

The company continues to enjoy a strong financial position with a cash operating surplus (excluding depreciation costs) recorded across all parts of the scheme, even despite the unexpected costs associated with the Valetta line collapse.

During the year capital was raised from the issue of additional MG (Mayfield Hinds growth) shares and RDRML released some additional water (from historical improvements) which allowed for the issue of additional M and V shares. However, capital and fixed asset expenditure on projects and improvements (as outlined above) resulted in an increase in total debt of approximately \$760,000.

Broadly our financial objectives across the scheme are for small capital projects and enhancements to be funded from cash flow or paid off quickly and for large infrastructure investments to be paid off over the economic life of the asset (typically 25-30 years). We try and keep water charges at a consistent and predictable level from year-to-year and only accumulate surpluses where there is a reasonable expectation that these will be needed for a capital project in the near future.

We want to be transparent with our charging and also for our shareholders to understand the total investment that they are making towards their environmental management through the scheme.

We want to be transparent with our charging and also for our shareholders to understand the total investment that they are making towards their environmental management through the scheme. Accordingly, for the 2019/20 season we have split shareholder charges into two parts, an environmental charge and an irrigation charge. The environmental charge will be levied on a per hectare basis, based on the FEP area of the underlying property, while the irrigation charge will continue to be levied on the basis of water contracted (as measured by shares held). With an increasing number of farms using scheme water to irrigate only part of the farm but benefiting from our environmental consents across the whole farm, this approach more fairly reflects the split of costs to shareholders.

Stay Strong

A significant amount of unseen work is being carried out within the company to better document how we work and how we operate our infrastructure. This shows as updates to our internal policies and operating procedures and ensures greater consistency in how the scheme is managed and better resilience in the event that key staff are unavailable.

The Government's Tax Working Group released its final report in February 2019. Under the heading of Environmental and Ecological outcomes the report included specific recommendations with regard to water abstraction and water pollution. Specifically, the group recommended:

- Greater use of tax instruments to address water pollution and water abstraction challenges if Māori rights and interests can be addressed.
- Further development of tools and capabilities to estimate diffuse water pollution to enable more accurate and effective water pollution tax instruments.
- Introducing input-based tax instruments, including on fertiliser, if significant progress is not made in the near term on implementing output-based pricing measures or other regulatory measures.

The Working Group also recommended a capital gains tax which became the focus of public debate until it was ruled out by the Government in April 2019. Subsequently, "Environment/sustainable economy" remains one of eleven work streams under the Government's tax policy work programme announced in August 2019. This workstream seeks to look at where tax policy can be used to change behaviour and raise revenue and key areas within it include an Emissions Trading Scheme for greenhouse gases and a Water Taskforce to improve water quality and nutrient run-off.

Enabling Innovation

Our purpose in enabling innovation is to ensure that we help our shareholders stay current with changes and new ideas within the industry and to ensure that when we develop our internal policies or seek resource consents, that we recognise the changes on-farm that may occur over time. In most cases, the innovations themselves are outside of the scope of what MHV Water is responsible for so our role is limited to that of facilitator or supporter rather than taking direct action.

In conjunction with Irrigo we ran a number of training days through the year and operate a bucket-testing programme to ensure that the performance of irrigators is measured, monitored and corrected if needed.

The commitment to lower net greenhouse gas emissions has seen a focus on planting trees and the proposed introduction of agriculture in the emissions trading scheme. While not directly the responsibility of MHV Water, ensuring our shareholders are well-informed and lead in these areas helps us all in our relationship with Environment Canterbury, Te Runanga o Arowhenua and other stakeholders. During the year we assisted Trees that Count and Project Crimson to connect with key farmers to understand the role of forestry on farms within our catchment and help ensure we keep up to date with these developments.

Closing Remarks

“Adversity does not build character, it reveals it.” This was especially true in the immediate aftermath of the Valetta pipeline collapse. The focus, effort and resolve of our team to get the pipeline repaired and water flowing as efficiently and expediently as possible revealed the strength and character that we have within the business. There are many big issues and decisions ahead of us with regard to future infrastructure investment and environmental management and having a dedicated, passionate team gives us greater confidence that we will navigate these successfully.

Mark Dewhirst, former chair of the Valetta Irrigation Scheme, and Nigel Reith, former Mayfield Hinds director, both retired from the Board during the year. Both gentlemen contributed selflessly to the success of both MHV Water and to their original irrigation schemes and, on your behalf, we thank them for their service.

Thanks also to all of the staff and directors of MHV Water for their hard work during the year and to our shareholders for their ongoing support.



John Nicholls
Chair



Melanie Brooks
Chief Executive



RDRML Report

This year Rangitata Diversion Race Management Ltd (RDRML) made good progress in refreshing and aligning our strategy and we continue to play a role in not only the local, but also the national water management space on your behalf. We continue to keep a watching brief, and submit where appropriate, on the multiple proposed legislative changes that the government has indicated, including the Resource Management Act (RMA), the National Policy Statement for Freshwater Management and National Environmental Standards.



Richard Wilson
Chair



Vincent Lobb
Director

Earlier in the year all 22 consents associated with the 53 million cumec Klondyke storage lake, fish screen and extra 10 cumecs of high flow water were granted. They were all appealed by several parties. RDRML entered into a mediation process with the appellants which resulted in the appeals associated with the storage and fish screen being settled and as such we are now working through the next stages of both of these projects. A project team lead by RDRML but managed by a INOVO (a project management team), is working on the delivery of the fish screen. The aim is to have an operational fish screen in the autumn of 2021. This project is challenging, and RDRML is putting a large amount of resources in to ensure success and to deliver a cost effective solution. The consent associated with the additional take of 10 cumecs of water out of the Rangitata River at high flow remains under appeal and may progress to the Environment Court.

ECan is in the process of reviewing the consents of all surface and hydraulically connected groundwater consents to the Ashburton River to support the Land and Water Regional Plan (LWRP) target of a 6 cumec minimum flow in the river at the SH1 bridge by 2023, with a further increase to 10 cumecs by 2033. RDRML take approximately 14% of our water from the Ashburton River and our consent is also proposed to be altered. It will see an increase in minimum flows from 2.3 to 3.2 cumecs below the RDR intake during February to April each year. We are not limited by the 6 cumec condition at the SH1 bridge. Modelling suggests we will see an increase in restrictions and we are currently seeking further modelling in this regard.

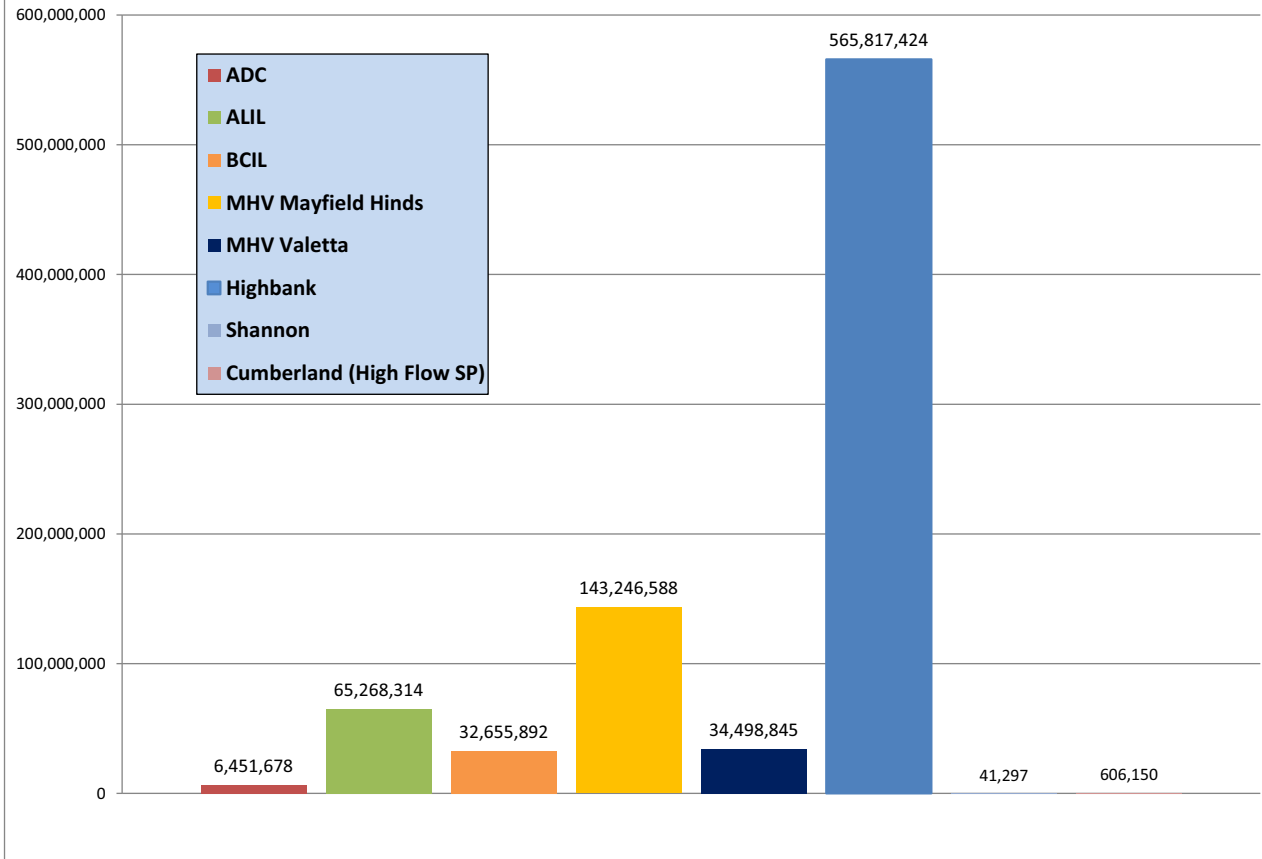
RDRML recognise the importance of managed aquifer recharge (MAR) and are actively working towards enabling this for the district whilst balancing the needs of all of our shareholders. We have a nominated trustee on the Hekeao Hinds Water Enhancement Trust (HHWET) and operationally we also support the delivery of the water for environmental flows. During the year Ben and his team continued to maintain and monitor the RDR race and infrastructure to ensure it is robust and fit for purpose for now and into the future and the repairs on the North Ashburton syphon have been completed.

After 11.5 years Ben Curry has left RDRML to take up a position in the horticultural industry in the Waikato. Ben has made a huge contribution to water management in Mid Canterbury. RDRML is a well-run company from health and safety through to asset management. Through his time, Ben led the granting of the irrigators nutrient consent and has always been a strong advocate for RDRML. Ben's work on the Zonal committee advocating for us should also be recognised. We wish Ben all the best in the future. We welcome Tony McCormick who has been appointed as interim CEO whilst a thorough search is carried out for Ben's replacement. Tony was previously CEO for Opuha Water Ltd before commencing with us. We would like to thank the RDRML staff for another successful year delivering water to our shareholders and stakeholders.

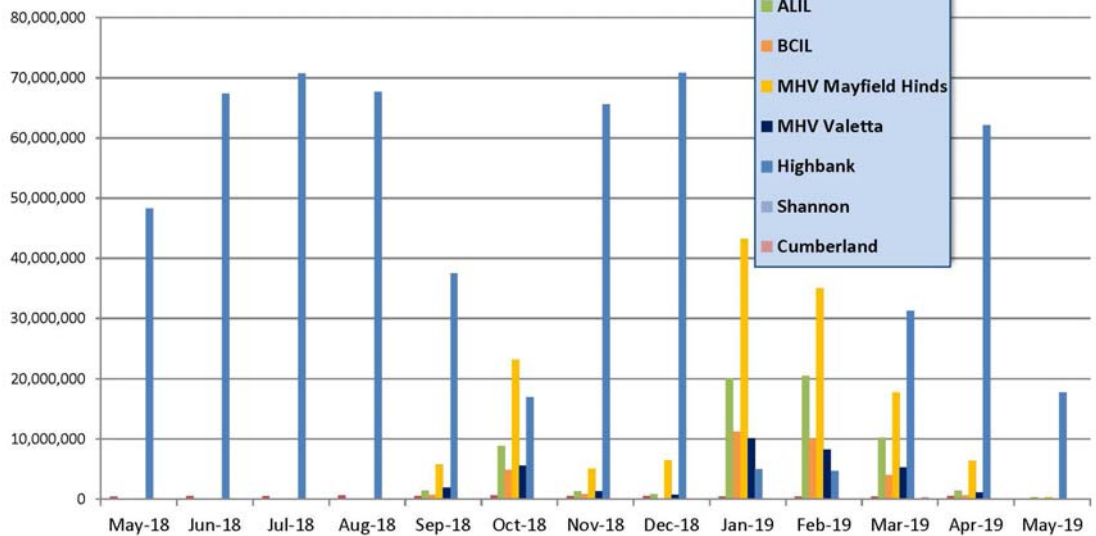
Richard Wilson
Chair

Vincent Lobb
Director

Rangitata Diversion Race 2018/2019 Annual Water Use (Total Volume in m³) Combined Total = 848,586,189m³



Rangitata Diversion Race 2018/2019 Monthly Water Use (m³)



	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19
ADC	409,818.4	583,887	580,378.2	602,917.1	580,069.0	600,640.0	509,164.4	523,090.7	478,390.1	430,034	486,135	500,699	166,454
ALIL	15,027.6	21,622	22,221.0	6,800.4	1,472,394	8,830,479	1,359,383	864,256.4	20,161,657	20,515,226	10,257,312	1,402,979	338,955
BCIL	1,641.9	431	66,226.3	3,056.8	705,252.4	4,884,447	879,281.8	177,653.3	11,244,227	10,049,553	4,016,886	601,149	26,086
MHV Mayfield Hinds	103.1	44,575	13,572.4	38,167.7	5,761,372	23,117,644	5,114,478	6,471,720	43,182,764	35,007,688	17,820,189	6,357,893	316,419
MHV Valetta	34,409.1	36,073	227.6	526.5	1,882,736	5,583,128	1,364,365	774,116.6	10,129,225	8,261,283	5,292,473	1,135,314	4,965
Highbank	48,242,178	67,393,512	70,750,566	67,693,743	37,482,120	16,936,479	65,624,976	70,870,221	4,994,910	4,695,399	31,214,799	62,181,018	17,737,501
Shannon	0.0	0	0.0	0.0	0.0	1,132.0	3.0	0.0	21,576.0	15,802	2,784	0	0
Cumberland	0.0	0	0.0	0.0	0.0	0.0	79,200.0	0.0	136,800.0	90,450	299,700	0	0

2018-2019 Snapshot

Mission and Purposes

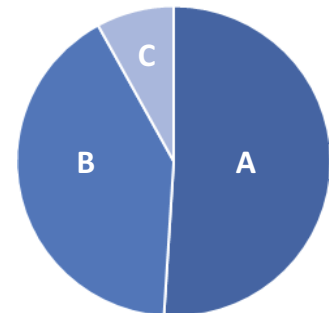
Sustainable Solutions for our Shareholders and the Community



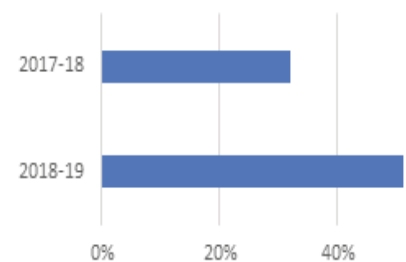
Key Facts

- 206 Shareholders
- 100km piped infrastructure
- 320km of automated open race infrastructure
- One strong united voice
- Sector Leading Groundwater programme
- 14 new MAR sites operational
- Divisional Accounts in place
- 102 FEP Audits completed 2018-19
- We support c.\$500m of on farm production

2018-19 Audit Grades



A Grades per Year



Workshops Held

- New Manager Induction
- Irrigation Calibration and Maintenance
- Soil Moisture Monitoring
- Effective Irrigation Scheduling
- Strategies for Reducing Nitrate Leaching
- Effluent Workshop
- Aiming for an A - Dairy and Arable
- Arable Field Day
- Consent Update

12 Environmental Workshops
232 Attendees



Segment report

	Mayfield Hinds Open Race \$	Ruapuna Extension Pipeline \$	Valetta Pipeline \$	Total \$
Year ended 31 May 2018				
Income				
Water charges	2,321,655	624,397	1,326,405	4,272,457
Other income	54,888	2,693	208,390	265,971
Total income	2,376,543	627,090	1,534,795	4,538,429
Expenses				
Operating expenses	24,504	71,754	131,056	227,314
Finance expenses	(14,911)	393,568	488,333	866,990
Shared scheme costs	1,543,479	107,186	493,056	2,143,721
Total expenses	1,553,072	572,508	1,112,445	3,238,026
Total operating profit	823,471	54,582	422,350	1,300,403
Non-cash expenses				(1,801,877)
Net profit/(loss)				(501,474)
Interest bearing borrowings				
Internal borrowings	(2,133,737)	2,133,737	-	-
Westpac loans	-	7,789,663	10,212,500	18,002,163
Total interest bearing borrowings	(2,133,737)	9,923,400	10,212,500	18,002,163
	\$	\$	\$	\$
Year ended 31 May 2019				
Income				
Water charges	2,983,579	959,072	1,456,997	5,399,648
Other income	95,252	7,067	37,818	140,137
Total income	3,078,831	966,139	1,494,815	5,539,785
Expenses				
Operating expenses	86,284	88,617	711,783	886,684
Finance expenses	(28,316)	407,500	464,224	843,409
Shared scheme costs	1,696,794	145,262	547,122	2,389,177
Total expenses	1,754,762	641,379	1,723,129	4,119,270
Total operating profit	1,324,069	324,760	(228,314)	1,420,515
Non-cash expenses				(2,381,032)
Net profit/(loss)				(960,517)
Interest bearing borrowings				
Internal borrowings	(1,657,769)	1,657,769	-	-
Westpac loans		8,150,623	10,600,456	18,751,079
Total interest bearing borrowings	(1,657,769)	9,808,392	10,600,456	18,751,079

MHV Water Limited currently only operates in one segment, 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 too.

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

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



Statement of Comprehensive Income

	2019	2018
	\$	\$
Revenue	5,539,785	4,527,675
Expenses		
Operating expenses	2,520,722	1,702,489
Administration expenses	746,128	621,752
Other operating expenses	8,530	39,918
Non cash expenses	2,381,032	1,801,677
Finance expenses	843,409	873,866
Total expenses	6,499,820	5,039,702
Other income		
Share of associates profit/(Loss)	(482)	(901)
Gain/loss on investments	-	10,754
Total other income	(482)	9,853
Operating surplus/(deficit) before tax	(960,517)	(502,175)
Income tax expense/(benefit)	166,207	102,937
Net profit/(loss) for the year	(1,126,724)	(605,112)
Items that may be subsequently recycled through profit and loss	(9,546)	(156,810)
Total comprehensive income/(loss) attributable to Equity Holders of the Company	(1,136,270)	(761,922)

Statement of Cash Flows

	2019	2018
	\$	\$
Cash flows from operating activities		
Cash received	5,509,823	4,825,519
Cash paid	(3,846,765)	(3,449,126)
Net cash flows from operating activities	1,663,059	1,376,393
Cash flows from investing activities		
Cash received	219	11,309
Cash paid	(3,021,842)	(30,978,985)
Net cash flows from investing activities	(3,021,623)	(30,967,676)
Cash flows from financing activities		
Cash received	1,851,533	35,512,137
Cash was applied to:	-	(5,952,321)
Net cash flows from financing activities	1,851,533	29,559,816
Net increase (decrease) in cash held	492,968	(31,466)
Add cash at start of year	161,580	193,046
Closing Balance	654,548	161,580



Statement of Financial Position

	2019	2018
	\$	\$
Current assets	2,207,024	696,663
Non-current assets	52,537,254	52,741,137
Total assets	54,744,278	53,437,800
Current liabilities	860,155	352,468
Non-current liabilities	19,562,874	18,749,454
Total liabilities	20,423,029	19,101,922
Net assets	34,321,249	34,335,878
Equity		
Share capital	35,629,477	34,507,836
Reserves	(166,356)	(156,810)
Accumulated comprehensive revenue and expense	(1,141,873)	(15,149)
Total Equity	34,321,249	34,335,878

Statement of Changes in Equity

	Share capital	Hedging reserve	Retained earnings	Total
	\$	\$	\$	\$
Equity at 1 June 2017	16,997,863	-	589,963	17,587,826
Operating deficit after tax	-	(156,810)	(605,112)	(761,922)
Issue of shares	17,509,973	-	-	17,509,973
Equity at 31 May 2018	34,507,836	(156,810)	(15,149)	34,335,878
Operating deficit after tax	-	(9,546)	(1,126,724)	(1,136,270)
Issue of shares	1,269,658	-	-	1,269,658
Shares redeemed	(148,017)	-	-	(148,017)
Equity at 31 May 2019	35,629,477	(166,356)	(1,141,873)	34,321,249



Signed for and on behalf of the Board dated 10 September 2019

Chair

Director

Additional information

REPORTING ENTITY

MHV Water Limited (the "Company") is a co-operative company registered under the Co-Operative Companies Act 1996 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 full financial statements comply with this Act.

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 2019 were authorised for issue on 10 September 2019 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.

CAPITAL COMMITMENTS

At balance date, MHV Water were in the process of installing further automation into their MH open race. The budget for the project is \$3.1m and as at 31 May 2019, the project was 32% complete. The capital commitments associated with this project are the Rubicon gates contracts (total contract value \$2.6m excluding GST) of which \$2,090,398 is committed as at 31 May 2019. (2018: nil)

CONTINGENT LIABILITIES

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

As a shareholder in RDRML, the company is obligated to pay a share of the costs associated with the application for resource consents. Allocation of the costs would be made by reference to average share of water use over the previous five years. Based on estimated water use the company would be liable for 29.5% of the costs incurred by RDRML, resulting in a potential liability of \$590,000 (2018: \$590,000). As at September 2019, the consent has been escalated to appeal, with a hearing scheduled for April 2020.

There are no other contingent liabilities at balance date. (2018: nil)

SUBSEQUENT EVENTS

There were no subsequent events for 2019.

On 25 July 2018, the Valetta mainline between pond 1 and 2 collapsed. 1.8km of 1600mm pipe collapsed under negative pressure that was created when the line was being drained. The cost of repair at the time of approval of the 2018 accounts was estimated to be \$300,000. In the 2019 year, approximately \$400,000 was spent on this repair.

At the time of the repair, the Directors decided to purchase additional pipe worth \$450,000 to be used in the repair or to held as inventory if not required. As at 31 May 2019, \$378,803 of pipe (366m) was held as inventory.



Report Of The Independent Auditor On The Summary Financial Statements

To the Shareholders of MHV Water Limited

Opinion

The summary financial statements on pages 9 to 12, which comprise the summary statement of financial position as at 31 May 2019, 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 for the year ended 31 May 2019.

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 Directory and Chairman's Report on pages 1 to 8, 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 10 September 2019.

Directors' Responsibility 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 Responsibility

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.



Crowe Horwath New Zealand Audit Partnership

CHARTERED ACCOUNTANTS

Dated at Christchurch this 10th day of September 2019