Mayfield Hinds Irrigation Limited
Subsequently Renamed to MHV Water Limited
Financial Accounts

For The Year Ended 31 May 2017

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Mayfield Hinds Irrigation Limited
Subsequently Renamed to MHV Water Limited
Company Directory

Registered Office

144 Tancred Street, Ashburton

Directors

John Richard Nicholls
Phillip Graham Everest
Nigel Harold Reith
Craig Ernest Osborne
Richard David Wilson
Evan Keith Chisnall

Bankers

ANZ Bank New Zealand Limited

Accountants

Brophy Knight Limited

Date of Incorporation

23-February-2009

Capital

171,988 Normal Shares
10,047 Growth Shares

Solicitors

Russell Moon & Fail

Auditors

Crowe Horwath

Mayfield Hinds Irrigation Limited
Chairman's Report
For The Year Ended 31 May 2017

The 2016/17 year has been a significant one in the ongoing development of the company and for our role within the Mid Canterbury farming community. Following a successful shareholder vote in May, the merger of Mayfield Hinds Irrigation and Valetta Irrigation occurred in June 2017 and the company changed its name to MHV Water Limited. This annual report is for the period immediately prior to the merger (up to 31 May 2017). Consequently, this report deals only with Mayfield Hinds Irrigation Limited and will be the last annual report issued under that name.

The company continued with the implementation of the strategic plan that was adopted in 2016. This plan focuses on seven key themes, with activities related to each theme as set out below.

System Optimisation

Reliable delivery of water to our shareholders remains the fundamental purpose of the scheme. We continue to seek opportunities to improve on this and also to achieve an appropriate level of service to shareholders.

24 automated (Rubicon) gates were installed during the 2016 winter shut-down and a further four were purchased for installation in the 2017 winter period. These gates allow our open channel delivery system to be managed with more accuracy and control.

Determining the right balance for delivery rosters is something we may need to look at in the year ahead. Whereas we once operated a fortnightly roster for delivery to flood-irrigated properties we now operate a weekly roster for delivery to spray irrigators. Most shareholders have storage ponds with sufficient capacity to allow them to store their weekly allocation of water and use it over the following days. However, ponds are also increasingly being viewed by some shareholders as long-term storage to provide additional capacity in the event that restrictions apply. This is putting pressure on our scheme operators to keep ponds consistently full, increasing their workload beyond what is reasonable.

The Carew ponds were again fully drained and inspected in the autumn. Following the autumn 2016 inspection, relief valves were installed to alleviate the build-up of gas under the pond liner. The re-inspection confirmed that these were working as expected and allowed for some further minor repairs to be made. Over time, as confidence in the performance of the pond liner increases, the inspection frequency will reduce.

Scheme Expansion

Construction of the Ruapuna pipeline commenced in early 2017 and is on target to be operational for the coming irrigation season. The pipeline has been constructed with additional capacity, sufficient to irrigate most of the land immediately adjacent to the line. Filling this capacity allows the costs of the pipe to be defrayed over a larger area of land and irrigation charges to be kept at a more manageable level.

Consequently, an offer of additional growth shares was made to all existing shareholdes during the period from December 2016 to February 2017. 1,700 shares were issued under this offer however some pipeline capacity still remains unallocated.

Approval was obtained from E-Can to use specific drains in the Lowcliffe area for the distribution of irrigation water. Construction of a pipeline to connect the "Harris Drain" into the bottom of the irrigation scheme commenced in February and will be operational for the coming irrigation season.

Mayfield Hinds Irrigation Limited
Chairman's Report
For The Year Ended 31 May 2017

Maintain Resource Consents

The Land Use Consent, held by RDRML on behalf of the irrigation schemes, required reporting to E-Can by 30 September 2016 on farm environment plans and nutrient budgets for all farms receiving water from the scheme. Significant work went into pulling this information together and your assistance in co-operating with the team at Irrigo, who undertook this on our behalf, was appreciated.

Farm environment plans are subject to an ongoing audit process, with a selection of farms selected for audit each year. The frequency of these audits is dependent on the grade received and any changes in key farm management personnel. For Mayfield Hinds, 51 farms were audited during the year, of which 19 received the highest A grade, 32 received a B grade, 0 received a C grade and no one received a fail D grade.

While there are a number of factors which influence the grade received, the most common observation from the audits was the need for irrigator calibration to be checked annually via a bucket test.

The existing Land Use Consent expires in May 2019; consequently preparatory work is already underway to seek the renewal of this. It is likely that this renewal will require reductions in nitrogen losses for the Hinds/Hekeao zone as set out in Plan Change 2 of the Environment Canterbury Land and Water Regional Plan. This plan change requires farmers not covered by an existing land use consent to achieve nitrogen losses no higher than good management practice by 2017 and then to make progressive reductions below this of: 15% by 2025, 25% by 2030 and 36% by 2035.

Protect the Environment

The MAR (Managed Aquifer Recharge) trial at the bottom of the Valetta Irrigation scheme has now been operating for a year and is continuing to show positive results. Water has now moved over 2.2km below the trial site, well levels have lifted by 18 metres and nitrate levels have decreased by 60%. In conjunction with the other stakeholders in this trial, work is now underway to determine how best to scale this up across the entire Hinds/Hekeao zone. This is an important initiative to improve groundwater quality in the area, however there are still many commercial and environmental issues which need to be resolved before this can be fully adopted.

William Dench, a Canterbury University Master's student, has run a groundwater monitoring project across the scheme over the last 12 months. This reviewed groundwater depth and nitrate levels in order to provide a comparison with work done several years ago and to provide a comprehensive baseline of the current state of groundwater. This has confirmed that groundwater nitrite levels are above the E-Can limit in a small number of bores across the area. Nutrient loss reductions required by Plan Change 2 and the use of MAR are designed to address this issue and we expect to see improvements in groundwater nitrite levels as these measures are adopted. Ongoing monitoring of these bores will be required in order to better understand year-to-year variation in water quality and to track improvements in water quality over time.

Working Together

Irrigation schemes are being asked to deal with increasingly complex issues relating to the value, use and allocation of water, allocation of nutrients and the associated infrastructure needed to manage them. The fragmentation of interests in water across Mid Canterbury creates challenges for co-ordinating our approach and compromises our collective ability to act quickly and decisively as issues and opportunities arise.

The merger of Mayfield Hinds Irrigation and Valetta Irrigation is a critical first step in addressing this. It strengthens our ability to represent the broader interests of our shareholders on these matters. Our hope is that it will be a catalyst for further consolidation of irrigation schemes across Mid Canterbury and we will continue to push this with our neighbouring schemes.

Innovation

Efficient on-farm irrigation is a key requirement of good management practice to reduce nutrient losses. While this is an area that rightly falls to each of our shareholders to implement, as a company we remain committed to assisting where we can sensibly do so. The provision, through Irrigation NZ, of training days for farm staff is one such area, and during the year two training events were run with 17 farm staff attending these. While our role is relatively limited at present, we do anticipate it may be larger in the future as new technologies which help mitigate nutrient losses become available.

Stay Strong

Health and safety remains a key area of focus for the business as we endeavour to ensure that our staff return home safely every day. Upgrading of scheme structures to eliminate or reduce risks remains an area of ongoing focus to create a safe working environment.

As indicated last year, the Board's view is that an increase in staffing levels is required to manage the additional responsibilities that irrigation schemes are being asked to take on. As part of this process the decision was made to employ a Chief Executive to run the company. This required the disestablishment of the General Manager role, and regretfully, this resulted in Hamish Tait, leaving the business after 8 years' of service.

Melanie Brooks was appointed as Chief Executive in April and commenced with the company on 6 June. In addition, Sam Anderson was promoted to Operations Manager from his previous role as Head Raceman.

Financial Results

Net operating cash flow for the company was $(403,208), however this included the payment of $652,180 of shareholder rebates that had been declared in prior years but not paid out. The decision in December, to pay these out, was taken to avoid any complexity these might have created in the merger process and to take advantage of the strong overall cash position the company was in following receipt of share payments in September. Without these payments, the company would have had a positive operating cash flow.

The total loss for the year was $805,586 (an increase on the loss of $736,145 the previous year). This figure includes depreciation and amortisation costs (mostly associated with the Carew storage ponds) of $941,635.

Total merger costs were $480,357 which includes both expenditure on the feasibility study undertaken in 2016 and development of the full merger proposal in 2017. Unanticipated complexities relating to the difficulties in fairly valuing both water rights and co-operative shares and the absence of key management personnel at critical points of the merger process led to these costs being higher than initially budgeted.

Thanks

Finally, on behalf of the Board, our thanks to our new Chief Executive, Melanie Brooks, our Operations Manager, Sam and Scheme Operators, Mark and Murray and to Carmen and her team at the Irrigo Centre for their work during the year. Thanks also to my fellow directors for their help and support during the year and a warm welcome to Mark Dewhirst, Vincent Lobb and Mark Saunders who joined the Board on 1 June 2017 from Valetta Irrigation.

John Nicholls
Chairman

Mayfield Hinds Irrigation Limited
Rangitata Diversion Race Management Limited Report
For The Year Ended 31 May 2017

We are lucky to live in an area with reliable irrigation water. This makes Mid Canterbury one of the best farming regions in New Zealand. Nutrients and the mitigation of their effects on our environment are now directly linked to how we can use the water.

Water and Nutrient volume discharges will dictate how we farm well into the future.

Nutrient Management

RDRML is fully compliant with our nutrient consent. It has been a great effort by all our shareholders to achieve this. We are considered to be the leader in this field. This gives us the opportunity to have robust discussions on future policy with E-Can as we move forward. RDRML is very well respected in this space.

There is ongoing discussion on how best to renew our land use consent before its 2019 expiry. RDRML has put forward several options for this renewal and is awaiting shareholder discussion on how they wish to proceed.

Ben is actively involved in the ongoing MAR project at Valetta. It is showing very promising results. The Future expansion of MAR is dependent on securing water for it. Currently the Ashburton District Council supplies up to 500 L/sec of surplus stock water for MAR.

Health and Safety

A comprehensive Health and Safety policy is in place. It includes

1 - Policy and planning

2 – Delivery

3 – Monitoring and review

As with all businesses Health and Safety is one of the board's main focuses.

Klondyke Storage

The Consent was lodged in July 2016. A significant amount of work went into this including talking to all effected parties. A hearing date was set for late 2017 but this has been delayed to 2018. The Klondyke consent application encompasses the 53 million cubic metre lake, the extraction of an extra 10 cumec of high flow Rangitata water and the replacing of the BAFF fish screen.

With a view to future proof RDRML more time has been needed to investigate fish screen options. These include

1 – Rock Bund Gallery Screen (Rangitata south)

2 – A new BAFF type screen.

3 – A mechanical Screen

It is important that any new screen operates at a very high level of exclusion.

Operation

Throughout the year Ben and his team have worked to maintain and enhance the operation of the RDR race. The dragline is operating well and is helping to remove the gravel which has entered the race. At the May shutdown MHIL installed their Ruapuna offtake and maintenance by RDRML and Trustpower was completed.

Richard Wilson
RDRML Director

Mayfield Hinds Irrigation Limited
Annual Report
For The Year Ended 31 May 2017

The business of the company is Water Scheme 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:

Directors' Interests

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

During the year all the Directors, with the exception of Craig Osborne, purchased water on the same normal trading terms from Mayfield Hinds Irrigation Limited as other shareholders.

All Directors, with the exception of Craig Osborne, are existing shareholders in the Company and were eligible to partake in the offer of shares under the Information Memorandum dated 22 December 2016.

The Directors disclosed the following general interests:

Company	Position
Nigel H Reith	
Weigh-it Services Limited	Director
Reith Dairy Limited	Director
The Rakaia Hub Limited	Director
Nigel & Jane Reith Family Trust	Trustee & Beneficiary
John R Nicholls	
Irrigo Centre Limited	Director
Rylib Dairies Limited	Director
Delarbe Farm Limited	Director
Ma Taua Dairies Limited	Director
Quigley Contracting Limited & Group	Chairman
Hauroa Farm Limited	Director
Kairoa Dairies Limited	Director
Mahanga Dairies Limited	Director
Diversion Farm Limited	Director
Akitu Dairies Limited	Director
Rylib Trust	Trustee & Beneficiary
Jeeves Trust	Trustee & Beneficiary
Rylib Group Limited	Director
Valetta Irrigation Limited	Shareholder
MC Water Limited	Director
Richard D Wilson	
RD & MA Wilson Limited	Director
RD & MA Wilson	Partner
Rangitata Diversion Race Management Limited	Director

Phillip G Everest	
Flemington Farm Limited	Director
Riverbank Farm (Ashburton) Limited	Director
MAR Group	Member
RDR Irrigation Limited	Director
Estate of W E Kingston	Trustee
Craig E Osborne	
Mco Family Trust	Trustee & Beneficiary
Carme Ag Limited	Director
NZ Institute of Primary Industry Management, National Board	Committee Member
NZ Institute of Primary Industry Management, Canterbury-Westland Branch	Committee Member
Evan K Chisnall	
Chisnall Home Farm Limited	Director
Chisnall Farms Limited	Director
Chisnall Ruapuna Limited	Director
Chisnall Mt Somers Limited	Director
Chaxsons Limited	Director
RDR Irrigation Limited	Director
E K & M J Chisnall Family Trust	Trustee & Beneficiary
E.K. & M.J. Chisnall Limited	Director
Barrhill Chertsey Irrigation Limited	Shareholder
Strathmore Dairies Limited	Director
Trustpower	Shareholder
Irrigo Centre Limited	Alternative Director

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.

Key Person Interests

On 22 December 2016, Hamish Tait declared a beneficial interest with the potential to buy growth shares under the Information Memorandum, through Allan George Tait & Pamela Joan Tait & Myers & Co Trustees Limited, being the Trustees of the Allan & Pamela Tait Family Trust.

Share Dealing

During the year the following share transactions occurred involving a director:

On 18 October 2016 Evan Chisnall transferred the following shares: 200 Normal & 100 Growth shares from Chisnall Farms Limited to Chisnall Ruapuna Limited; 200 Normal & 100 Growth shares from Chisnall Home Farm Limited to Chisnall Ruapuna Limited

Under the Information Memorandum dated 22 December 2016, the following Directors applied for Growth shares:

John R Nicholls - Delarbe Farms Limited	200
Evan K Chisnall - Chisnall Ruapuna Limited	200

At 31 May 2017 the Directors held the following shares:

Evan K Chisnall: 3,961 shares through Chisnall Farms Limited (1,456), Chisnall Home Farm Limited (1,105), Chisnall Ruapuna Limited (1,600). (2016: 3,961).

Craig E Osborne: Nil (2016: Nil)

John R Nicholls: 3,115 shares through Rylib Dairies Limited (250), Mahanga Dairies Limited (900), Delarbe Farm Limited (400), Akitu Dairies Limited (1,065) & Kairoa Dairies Limited (500). (2016: 2,915 shares).

Nigel H Reith: 1,620 shares through Reith Dairy Limited. (2016: 1,620 shares)

Richard D Wilson: 3,715 shares through RD & MA Wilson Limited. (2016: 3,715 shares).

Phillip G Everest: 1,105 shares through Riverbank Farm (Ashburton) Limited. (2016: 1,105 shares).

Remuneration and other benefits

Directors remuneration paid during the year or due and payable is as follows:

	2017			2016
	Meeting Expenses	Directors Fees	TOTAL	
A David Mavor	-	-	-	2,282
Evan K Chisnall	13,400	7,375	20,775	8,343
John R Nicholls	15,400	14,600	30,000	21,000
Nigel H Reith	6,800	7,100	13,900	9,800
Phillip G Everest	7,000	7,400	14,400	10,825
Richard D Wilson	6,800	10,500	17,300	12,000
Craig E Osborne (Independent)	8,800	18,000	26,800	15,100
	$58,200	$64,975	$123,175	$79,350

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

The Company has insured all its Directors against liabilities to other parties that may arise from their positions as directors. The insurance does not cover liabilities arising from criminal actions.

Following the successful Shareholder vote approving the acquisition of Valetta Irrigation Limited, William Mark Dewhirst, Vincent John Lobb and Mark Andrew Saunders were appointed as Directors on the 1st June 2017.

Mayfield Hinds Irrigation Limited
Annual Report
For The Year Ended 31 May 2017

Employee Remuneration

The number of employees whose total remuneration, including non-cash benefits, was over $100,000 during the year ended 31 May 2017 are specified in the following bands:

Band	Number of Staff
$130,000 - $140,000	1

Audit Fees

Audit fees paid for the year are as follows:

	2017	2016
Annual Statutory Purposes	$10,880	$10,790
Other Assurance Services (Crowe Horwath)	$19,440	$500
Audit of Merger Product Disclosure Document - Mayfield Hinds Irrigation Limited & Valetta Irrigation Limited (Crowe Horwath)	$50,922	-

For and on behalf of the Board

.... **Chairman**

.... **Director**

Mayfield Hinds Irrigation Limited
Statement Of Comprehensive Income
For The Year Ended 31 May 2017

	Note	2017		2016
		$	$	$
Income				
Water Charges	4		2,842,234	2,844,813
Rentals Received	5		19,000	10,900
Interest Received			5,003	7,313
Water for Power Generation			12,481	12,481
Other Income	6		75,926	84,193
Total Gross Revenue			2,954,644	2,959,700
Less Expenses As Detailed:				
Administration Expenses	7	110,776		66,322
Directors Fees		64,975		56,350
Audit Fees	7(a)	30,320		12,090
Interest	8	231,590		448,368
Movement in Fair Value of Interest Rate Swaps		138,019		-
Employment Expenses		462,320		403,260
Operating Expenses	9	1,224,926		684,693
Scheme Charges	10	513,516		557,012
Depreciation & Amortisation		941,635		877,877
Impairment of Intangible Assets		-		627,446
Loss on Asset Disposal		-		4,354
Total MHIL Operating Expenses			3,718,077	3,737,772
Operating Loss			(763,433)	(778,072)
Share of Associates Profit/(Loss)	31		794	139
Profit / (Loss) Before Income Tax			(762,639)	(777,933)
Less Taxation Assessable	13		42,947	(41,788)
PROFIT / (LOSS) FOR THE YEAR			$(805,586)	$(736,145)
Other Comprehensive Income				
Items that may be subsequently recycled through profit and loss				
Cash Flow Hedges				
Current Year Gains/(Losses)			-	(121,679)
Deferred Tax Effect			-	34,070
Cashflow Hedge Recycled Through Profit & Loss			181,778	-
Deferred Tax Effect			(50,898)	-
Other Comprehensive Income For The Year	27(b)		$130,880	$(87,609)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			$(674,706)	$(823,754)

CROWE HORWATH NEW ZEALAND

Mayfield Hinds Irrigation Limited
Statement Of Movements In Equity
For The Year Ended 31 May 2017

	Note	2016 Share Capital $	2016 Retained Earnings $	2016 Hedging Reserves $	2016 Total $
Equity At 1 June 2015		9,432,582	2,131,694	(43,271)	11,521,005
Total Comprehensive Income		-	(736,145)	(87,609)	(823,754)
Transactions with Owners:					
Share Capital Issued	27(a)	899,033	-	-	899,033
Equity At 31 May 2016		$10,331,615	$1,395,549	$(130,880)	$11,596,284

	Note	2017 Share Capital $	2017 Retained Earnings $	2017 Hedging Reserves $	2017 Total $
Equity At 1 June 2016		10,331,615	1,395,549	(130,880)	11,596,284
Total Comprehensive Income		-	(805,586)	130,880	(674,706)
Transactions with Owners:					
Share Capital Issued	27(a)	6,666,248	-	-	6,666,248
Equity At 31 May 2017		$16,997,863	$589,962	-	$17,587,826

Mayfield Hinds Irrigation Limited
Statement Of Financial Position
As At 31 May 2017

	Note	2017			2016
		$	$	$	$
Current Assets					
Cash And Cash Equivalents	17		193,046		460,580
Trade And Other Receivables	16, 18		831,429		42,975
Taxation Overpaid			585		1,759
Inventories	19		-		14,171
Total Current Assets				1,025,060	519,486
Non-Current Assets					
Investments					
Shares:					
Irrigo Centre Limited	11, 31	9,543			8,749
RDR Irrigation Limited	12, 31	28			28
Electricity Ashburton Limited	16	50			50
Ashburton Trading Society	16	943			943
RDR Management Limited	16, 20	30,000			30,000
Total Investments			40,564		39,770
Property, Plant, Equipment & Intangible Assets					
Property, Plant And Equipment	21	26,265,433			20,585,522
Intangible Assets	22	32,972			12,908
Total Property , Plant, Equipment & Intangible Assets			26,298,405		20,598,430
Total Non-Current Assets				26,338,969	20,638,200
Total Assets				$27,364,029	$21,157,686

CROWE HORWATH NEW ZEALAND

Mayfield Hinds Irrigation Limited
Statement Of Financial Position
As At 31 May 2017

	Note	$	2017 $	$	2016 $
Current Liabilities					
Trade And Other Payables	24		3,140,548		296,717
Employee Entitlements			18,773		19,063
Shareholder Deferred Rebate	25		-		326,090
Retentions	28		38,998		57,500
Mortgages	26		5,952,322		-
Total Current Liabilities				9,150,641	699,370
Non-Current Liabilities					
ANZ Mortgage Swap Liability	16		138,019		181,778
Mortgages	26		-		7,960,465
Deferred Tax Liability	14		487,543		393,699
Shareholder Deferred Rebate	25		-		326,090
Total Non-Current Liabilities				625,562	8,862,032
Equity					
Total Equity	27			17,587,826	11,596,284
Total Shareholders' Funds And Liabilities				$27,364,029	$21,157,687

Chairperson ______________ **Dated** 17/08/2017

Director ______________ **Dated** 17/08/2017

CROWE HORWATH NEW ZEALAND

Mayfield Hinds Irrigation Limited
Cash Flow Statement
For The Year Ended 31 May 2017

	Note	2017 $	2017 $	2016 $
Cash Flows From Operating Activities				
Cash receipts from Customers		2,770,212		2,590,727
IAF Grant Received		213,235		-
Cash paid to Employees		(457,634)		(402,472)
Cash paid to Suppliers		(1,801,174)		(1,346,325)
Cash generated from operations			724,639	841,930
Interest Paid		(246,489)		(465,775)
GST		(230,352)		(90,227)
Income Tax		1,174		29,438
Repayment of Shareholder Rebate		(652,180)		-
			(1,127,847)	(526,564)
Net Cash Flow From Operating Activities			(403,208)	315,366
Cash Flows From Investment Activities				
Cash Paid for Property, Plant & Equipment		(4,506,043)		(994,395)
Cash Paid for Intangible Assets		(21,390)		-
Proceeds from repayment of Shareholder Loan		-		1,125,430
Interest Received		5,003		7,313
Net Cash Outflow From Investing Activities			(4,522,430)	138,348
Cash Flows From Financing Activities				
Cash Receipts from Share Capital	27(a)	6,666,248		929,092
Loan Drawdowns		3,321,856		950,657
Loan Repayments		(5,330,000)		(2,149,000)
Net Cash Flow From Financing Activities			4,658,104	(269,251)
Net Increase/ (Decrease) in Cash			(267,534)	184,463
Opening Cash			460,580	276,117
Closing Cash			$193,046	$460,580
Reconciliation				
Cash & Cash Equivalents	17		193,046	460,580
Closing Cash			$193,046	$460,580

To be read in conjunction with the Notes to the Financial Statements and Audit Report

Mayfield Hinds Irrigation Limited
Cash Flow Statement
For The Year Ended 31 May 2017

	2017		2016
	$	$	$
Reconciliation With Reporting Profit			
Profit For Year		(805,586)	(736,145)
Non Cash Items			
Profit from Associates	(794)		(138)
Depreciation and Loss on Asset Disposal	941,635		882,231
Impairment of Intangible Asset	-		627,446
Movement in Fair Value of Interest Rate Swaps	138,019		-
Gain on Asset Disposal	-		(7,746)
		1,078,860	1,501,793
Movement in net Current Assets / Liabilities			
Increase / (Decrease) in Accounts Payable	194,235		24,120
Decrease / (Increase) in Accounts Receivable	(206,532)		5,807
Decrease / (Increase) in Inventory	14,171		(14,171)
Shareholder Deferred Rebate	(652,180)		(326,090)
Income Tax	44,121		(12,350)
GST	(230,352)		(90,227)
		(836,537)	(412,911)
Items not forming part of Comprehensive Income:			
Prospectus costs taken to Share Capital		-	(30,058)
Items Classified as investing activities:			
Interest Received	(5,003)		(7,313)
Borrowing Costs Capitalised	(7,349)		-
IAF Grant Offset Against Property, Plant & Equipment	172,407		-
		160,055	(7,313)
Net Cash Flow From Operating Activities		$(403,208)	$315,366

Mayfield Hinds Irrigation Limited
Notes to Financial Statements
For The Year Ended 31 May 2017

Note

1. REPORTING ENTITY

Mayfield Hinds Irrigation Limited, subsequently renamed to MHV Water Limited, ('the Company') is a co-operative company registered under the Co-operative Companies Act 1996 on the 23rd of February 2009 and domiciled in New Zealand.

The Company is an issuer for the purposes of the Financial Reporting Act 2013. The financial statements of the Company have been prepared in accordance with the Financial Reporting Act 2013.

The Company is a water supply management company receiving its share of water from the Rangitata Diversion Race Management Limited and distributing this water through a network of races to it's shareholder members. The Company's scheme area is on the Northern Bank of the Rangitata River through to the Southern Bank of the Hinds River and from the Foothills in the West down to the East coast.

2. BASIS OF PREPARATION

(a) Statement of Compliance

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

The information is presented in New Zealand Dollars (NZD) and rounded to the nearest dollar.

The financial statements were approved by the Board of Directors on 17 August 2017.

(b) Basis of Measurement

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis are followed by the company, with the exception that certain assets and liabilities specified below have been revalued.

Judgement and estimation uncertainty

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of judgement and estimation uncertainties in applying accounting policies that have the most significant affect on the amount recognised in the financial statements are described in the following notes:

Note A property, land & equipment
Note B intangible assets
Note C financial instruments
Note J impairment
Note N determination of fair values

Mayfield Hinds Irrigation Limited
Notes to Financial Statements
For The Year Ended 31 May 2017

3. SPECIFIC ACCOUNTING POLICIES

The following specific accounting policies which materially affect the measurement of profit and financial position have been applied.

A. Property Plant & Equipment

(1)Owned Assets

Except for land and buildings, items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Land and buildings held at 1 June 2006 were revalued to fair value based on a valuation completed by an independent valuer on 1 June 2006 and this fair value was treated as its deemed cost at the date of transition to New Zealand equivalents to IFRS. In applying this one off transitional adjustment the Company has applied the cost model in the recognition of its property, plant & equipment assets.

(2) 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 the Income Statement as an expense as incurred.

(3) Depreciation

Depreciation is provided on the diminishing balance method and straight line method on property, plant & equipment assets. Depreciation is charged to the Statement of Comprehensive Income. Land is not depreciated. The following rates have been used.

Scheme Structures	4% - 8%	diminishing balance method	1.5% - 40%	straight line method
Buildings	3% - 21.6%	diminishing balance method		
Plant & Equipment	8% - 60%	diminishing balance method		
Motor Vehicles	20% - 30%	diminishing balance method		

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

B. Intangible Assets

(1) Easement Costs

Easement costs were incurred in 1996 & 1998 by the Company so that the Company could operate its water delivery system over land not owned by the Company. The easements have a useful life of 30 years.

(2) Resource Consents

Resource consents were incurred in 1996 by the Company in order to operate its water delivery system including any unused water discharge. The resource consents have a useful life of 35 years.

Two Further consents have been issued during the year in relation to the diverting and discharging of water to land at Harris Drain. These resource consents have a useful life of 20 years.

(3) Water Access Right

Water access right costs 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.

Directors have made an annual impairment review on the intangible asset. They have reviewed the Weight Average Costs of Capital, residual value, cashflow forecasts and assessed that on balance is was reasonable to fully impair the intangible asset to a nil value.

Intangible assets, with the exception of the Water Access Right, have been recorded at their historical cost less amortisation.

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C. Financial Instruments

Recognition, initial measurement and derecognition

Financial instruments are recognised when the Company becomes a 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 and loss, which are initially measured at fair value. They include bank funds, bank overdrafts, receivables, payables, investments in and loans to others, and term borrowings.

In addition, the Company is a party to financial instruments to meet it's financing needs and to reduce exposure to fluctuations in interest rates. These 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:

* amortised cost
* financial instruments at fair value through other comprehensive income (FVTOCI)
* financial instruments at fair value through profit and loss (FVTPL)

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

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

(1) Amortised Cost

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

(2) Financial assets 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 the contract terms give rise on specified dates to cash flows that are solely payments of principal and interest.

The company does not deal in the selling of financial assets and therefore has not classified any financial assets as being FVTOCI.

(3) Financial assets at Fair Value through Profit and Loss (FVTPL)

Financial assets at FVTPL include financial assets that are neither classified as at amortised cost or at fair value through other comprehensive income. Financial assets are initially recognised at fair value including directly attributable transaction costs.

Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities designated as FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments are accounted for at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within interest expenses.

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Hedge accounting

The Company uses interest rate swaps to manage its cash flow interest rate risk. These have been designated as hedge instruments. These arrangements have been entered into to mitigate interest rate risk arising from changes in the interest rates available to the company.

All interest rate swaps are recognised initially at fair value and reported subsequently at fair value in the Statement of Financial Position.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income.

However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within interest expense or interest income.

D. Revenue

Revenue of water supply is recognised when the season for water delivery commences and is available for use by the shareholder. Shareholders are invoiced bi-monthly, half in arrears half in advance.

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

E. Employee entitlements

Liabilities for annual leave are accrued and recognised in the Balance Sheet.
Annual leave is recorded at the amount expected to be paid for the entitlement earned.

F. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in "Interest Expense" (see Note 8).

G. Government Grants

Government grants received are recognised in either the Statement of Comprehensive Income and shown as Other Income or have been deducted from the cost price of a constructed asset and will result in a reduced depreciation expense.

H. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, short term highly liquid investments with maturities of three months or less, and bank overdrafts.

I. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

J. Impairment

If the recoverable amount of an item of property, plant and equipment is less than its carrying amount, the item is written down to its recoverable amount. The write down of an item recorded at historical cost is recognised as an expense in the Statement of Comprehensive Income. When a revalued item is written down to recoverable amount, the write down is recognised as a downward revaluation to the extent of the corresponding revaluation reserve, and any balance recognised in the Statement of Comprehensive Income.

The carrying amount of an item of property, plant and equipment that has previously been written down to recoverable amount is increased to its current recoverable amount if there has been a change in the estimates used to determine the amount of the write down. The increased carrying amount of the item will not exceed the carrying amount that would have been determined if the write down to recoverable amount had not occurred.

Reversals of impairment write downs are accounted for as follows:

- On property, plant and equipment that are not revalued, the reversal is recognised in the statement of comprehensive income; and
- On revalued property, plant and equipment, the reversal is recognised as an upward revaluation in equity.

K. Income Tax Expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income 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. The deferred tax liability has been calculated at the Company's effective tax rate for the year in which the temporary differences are expected to be utilised.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

L. Goods and Services Tax (GST)

The Statement of Comprehensive Income and Cash Flow Statement have been prepared so that all components are stated exclusive of GST. All items in the Balance Sheet are stated net of GST, except for receivables and payables, which include GST invoiced.

M. Contingencies & Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

N. Determination of Fair Values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(1) Derivatives

A derivative is a financial instrument or other contract within the scope of NZ IAS 39 with all three of the following characteristics:

a) its value changes in response to the change in a specified interest rate (sometimes called the 'underlying');

b) it requires no initial net investment or any initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and

c) it is settled at a future date.

The interest rate swap with the ANZ Bank New Zealand Limited contains an embedded derivative.

The fair value of interest rates swaps are based on the ANZ Bank's market revaluation as at 31 May 2017.

O. Investments in associates

Associates are those entities over which the Company is able to exercise significant influence but which are not subsidiaries. Investments in associates are accounted for using the equity method. The carrying amount of the investment in associates is increased or decreased to recognise the Company's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Company.

P. Standards and interpretations issued

NZ IAS 12: Income Taxes

Effective for annual reporting periods beginning on or after 1 January 2017

Clarifies the requirements on recognition of deferred tax assets on debt instruments measured at fair value. This standard clarifies that where tax law restricts the sources of taxable profits against which deductible temporary differences may be deducted, the entity can only recognised a deferred tax asset on losses where there is income of the specified type.

NZ IFRS 15: Revenue from contracts with customers

Effective for annual reporting periods beginning on or after 1 January 2018.

Deals with revenue recognition and establishes principals for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The company will apply this standard from 1 June 2018.

The Company has analysed all the material revenue contracts and as the performance obligation are met on a monthly basis the Company does not anticipate any material impact on the financial statements.

NZ IFRS 16: Leases

Effective for annual reporting periods beginning on or after 1 January 2019.

Addresses recognition of leases in the annual accounts and will require entities which lease assets to recognise the leased asset as an item of Property, Plant & Equipment and recognise a liability for the future cash outlays. The Company will apply this standard from 1 June 2019.

As the Company does not have any significant lease contracts the Company does not anticipate any material impact on the financial statements.

4. WATER CHARGES

	2017	2016
Total Annual Revenue Receipt from Water Charges	2,750,884	2,514,633
Ruapuna Pipeline Charges	91,350	-
Special Water Charge *	-	326,090
Excess Water Charges	-	4,090
	$2,842,234	$2,844,813

* The Board had decided to make a special water charge payable by shareholders on the register on 31 May 2011 due to increased costs since that time in a number of areas. As indicated to shareholders, the rebate declared in 2011 was to be set off against water charges and this will result in the additional water charge being set off, to the extent of that charge, against rebates set aside for the purpose.

5. RENTALS RECEIVED

	2017	2016
Scheme Raceman Cottages	16,000	10,400
Land Lease	3,000	500
	$19,000	$10,900

(1) The Raceman Cottages are rented to the Company employees. The rental on the Raceman cottages is negotiated annually as part of their remuneration package.

(2) The Land Lease is for the un-utilised land surrounding the Carew storage ponds

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6. MISCELLANEOUS INCOME

	2017	2016
Irrigation Acceleration Fund Grant	40,828	-
Gain on Sale of Fixed Assets	-	7,746
Other Scheme Management	12,000	12,000
Sale of History Book	98	12,333
Other Income	-	1,320
Ruapuna & Infill Expression of Interest	13,000	50,794
Harris Drain Charges	10,000	-
	$75,926	$84,193

7. ADMINISTRATION EXPENSE

	2017	2016
Annual Report Costs	16,685	15,890
Other Accountancy Services	8,700	-
Secretarial Expenses	9,926	702
Scheme Administration Expenditure	72,080	48,380
Share Register Expenses	3,385	1,350
	$110,776	$66,322

7(a). AUDIT FEES

	2017	2016
Annual Statutory Audit Fee	10,880	12,090
Other Assurance Services	19,440	-
	$30,320	$12,090
Audit of Merger Product Disclosure Document - Mayfield Hinds Irrigation Limited & Valetta Irrigation Limited (Included in Consultancy Fees $497,337 - Note 9)	$50,992	-
	$81,312	$12,090

8. INTEREST EXPENSE

	2017	2016
Borrowings	231,590	448,368
	$231,590	$448,368
Borrowing Costs Capitalised	7,349	-

9. OPERATING EXPENSES

	2017	2016
Dwelling Repairs	6,735	37,595
Insurance	60,298	61,814
Irrigation New Zealand Membership	43,416	43,184
Consultancy Fees re Proposed Merger	497,337	-
Other Administration Expenses	213,007	259,062
Director Expenses	58,200	23,000
Plant Hire	62,599	18,074
Scheme Piping Feasibility	27,437	105,464
Repairs & Maintenance	218,619	97,763
Vehicle Expenses	37,278	38,737
	$1,224,926	$684,693

10. RANGITATA DIVERSION RACE MANAGEMENT LIMITED (RDRML)

	2017	2016
Service Charges	$513,516	$557,012

The Company holds 30,000 (15%) shares in the Rangitata Diversion Race Management Limited and is entitled to be represented on its Board by one of 6 Directors. In addition to the Shareholder Advance (see Note 20) the Company was required to pay a share of RDRML operating and capital costs, which in the period to 31 May 2017 was $513,516 (2016: $557,012). The contribution is calculated annually by RDRML based on the scheme water usage from the RDR.
In addition, during the year the company received $2,848 in reimbursements from RDRML for a share of health and safety consultancy services (2016: $650 for one employee's services and use of a business vehicle).
At 31 May 2017 the Company owed RDRML $54,388 for operational contributions including reimbursements for expenses paid on behalf. (2016: $55,994).
RDRML is neither an associate or subsidiary of MHIL.

11. IRRIGO CENTRE LIMITED (ICL)

	2017	2016
Service Charges	$72,080	$48,380

The Company holds 4,000 (20%) shares in Irrigo Centre Limited and is entitled to be represented on its Board by one of 5 Directors. The company has been set up to provide administration services to its 5 shareholder irrigation companies on a time cost basis and any others on a contract basis. In the year to 31 May 2017 MHIL paid direct costs of $72,080 (2016: $48,380) to ICL.

At 31 May 2017 the Company owed ICL $19,559 (2016: $11,730) for administration services including reimbursements for expenses paid on behalf.
Refer to Note 31 for details of the value of the investment in ICL.

12. RDR IRRIGATION LIMITED (RDRI)

The Company holds 31,718 "A" (50%) shares in RDR Irrigation Limited along with Ashburton Lyndhurst Irrigation Limited (24,323 "B" shares) and Valetta Irrigation Limited (7,339 "C" Shares) and is represented on the Board of RDRI by two Directors. The company was set up to provide management consultancy services for the shareholders.
During the year to 31 May 2017 the Company paid $620 (2016: $709) towards RDRI operating costs. There were no outstanding amounts at 31 May 2017 (2016: $Nil).
Refer to Note 31 for details of the value of the investment in RDRI.

13. TAXATION

	2017	2016
(1) Tax Reconciliation		
Profit/(loss) before income tax		
- Continuing operations	(762,639)	(777,933)
Prima Facia income tax at 28%	(213,539)	(217,821)
Add (subtract) taxation effect of		
Deferred Tax Adjustment on Buildings	45,532	-
Permanent Differences		
Non-Deductible Expenses	177,076	175,866
Adjustment for Equity Accounted Investments	(222)	(39)
	176,854	175,827
Timing Differences		
Capital Contributions	206	206
Tax Losses not recognised	33,894	-
	34,100	206
Income Tax Expense	$42,947	$(41,788)

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The income tax expense is represented by		
Current Tax	-	-
Deferred Tax	42,947	(41,788)
Income Tax Expense for current year	$42,947	$(41,788)

14. BALANCE SHEET DEFERRED TAX ASSET (LIABILITY)

	Depreciation	Employee Entitlements	Other	Tax Losses	Total
Balance 1 June 2015	(495,732)	3,533	19,488	3,155	(469,556)
Charged to Income	24,559	288	84	16,857	41,788
Charged to Other Comprehensive Income	-	-	34,070	-	34,070
Balance 31 May 2016	$(471,173)	$3,821	$53,642	$20,012	$(393,698)
Balance 1 June 2016	(471,173)	3,821	53,642	20,012	(393,698)
Charged to Income	(23,467)	532	-	(20,012)	(42,947)
Charged to Other Comprehensive Income	-	-	(50,898)	-	(50,898)
Balance 31 May 2017	$(494,640)	$4,353	$2,744	-	$(487,543)

Due to the Co-Operative nature of the Company and the likelyhood of further losses being incurred in the foreseeable future, the Company has decided to elimate from the financial statements last years deferred tax asset in relation to losses. A deferred tax asset has not been recognised in relation to tax losses of $121,051 (2016: $Nil)

There are no unrecognised temporary differences (2016: nil)

15. IMPUTATION CREDIT ACCOUNT

	2017	2016
Opening Balance	406,171	435,842
Resident Withholding Tax Paid	819	1,526
Refunds Received	(1,759)	(31,197)
Closing Balance	$405,231	$406,171

16. FINANCIAL INSTRUMENTS

Credit Risk

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, swaps, loans and receivables.

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 counter parties to its financial instruments, and does not anticipate non-performance by the counter parties. The Company further minimises its credit exposure by limiting the amount of funds placed with any one financial institution at any one time.

Maximum exposures to credit risk at balance date are the carrying amounts of financial assets:

		2017	2016
Bank Balance	- ANZ Bank New Zealand Cheque Account	193,010	34,830
	- ANZ Bank New Zealand Premium Call Account	16	38,479
	- Rabobank	-	387,071
		$193,026	$460,380
Receivables		234,170	(250)
GST Receivable		576,284	24,084

The above maximum exposures are net of any recognised impairment losses on these financial instruments. No collateral is held on the above amounts.

Concentrations of Credit Risk

100% (2016:84.1%) of the Company's cash at balance date was with one bank. Included in Receivables is $152,104 outstanding from the Ministry of Primary Industries Irrigation Acceleration Fund and $571,197 of GST receivable from the Inland Revenue Department.

The Company does not have any other significant concentrations of credit risk.

Credit Quality of Financial Assets that are neither past due nor impaired

100% of MHIL's cash is held with ANZ Bank New Zealand Limited, which is currently AA- (Negative Outlook) by Standard & Poor's. The amounts outstanding from the Ministry of Primary Industries and Inland Revenue Department are Government departments and hence are reliable.

Liquidity Risk

Liquidity risk represents the Company's ability to meet its financial obligations on time. For the most part the Company generates sufficient cash flows 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 (2016: $500,000).

In addition on 6 September 2011 the Board signed a facility agreement with ANZ Bank New Zealand Limited for $19,820,000. Of this $16m was a facility to assist in the construction of the Carew Storage Ponds, $3.32m was to refinance the existing Carew Land loan on its maturity and $500,000 was an increase to its overdraft facility. Maturity date of the facility is 31 August 2017.

On the 22 June 2015 the Board signed a facility variation letter with ANZ Bank New Zealand Limited. This variation letter reduced the term facility limit to $10,500,000. The existing overdraft facility of $500,000 and all other terms remained the same.

On 12 January 2017 the Board signed a facility letter with ANZ Bank New Zealand Limited for a facilty agreement increasing in steps up to $12,500,000 with a termination date date of 30 August 2019. The existing overdraft facility of $500,000 and all other terms remained the same.

Currency Risk

The Company does not have any exposure to foreign exchange risk as a result of transactions denominated in foreign currencies.

Interest Risk

The Company has exposure to interest rate risk to the extent that it borrows or invests for a fixed term at fixed rates. The Company manages its cost of borrowing by placing limits on the proportion of borrowings at floating rate, and the proportion of fixed rate borrowing that is repriced in any year.

Over the medium term, the Board will manage interest rate risk by placing a portion of borrowings on floating rates, fixed rates or capped rates, with terms dependant on prevailing interest rates. The board's policy is to have at any one time up to 50% of borrowings on floating rate, 25% on fixed rates and 25% capped. However this is subject to review by the board at least six monthly and the Board may operate outside of these limits.

The Company uses interest rate swaps to manage interest rate risk.

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Market Risk

The future fluctuation to cash flows of interest payments to ANZ Bank New Zealand Limited 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 ANZ Bank over and above the interest rate swap rate the Company will cover the effect of this change by altering the water charge to its members.

At balance date the principal or contract amounts of interest rate contracts outstanding were:

Interest Rate Swaps:	2017	2016
Cash flow hedges	138,019	181,778
Total hedging instruments	$138,019	$181,778

The change in the fair value of the hedge is recognised in the Statement of Comprehensive income. The fair value of the hedge is the cost that MHIL would be required to pay to exit the hedge at Balance date as calculated by the ANZ Bank.

Interest Rate Sensitivity

The following analysis illustrates the sensitivity of profit and equity to a reasonable change in interest rates of +/- 0.25%. 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 interest rates.

	Profit for the year		**Equity**	
	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%
31 May 2016	(12,401)	12,401	(8,929)	8,929
31 May 2017	(7,381)	7,381	(5,314)	5,314

Fair Value

The fair values of financial instruments, including bank balances and overdrafts, receivables and payables do not differ to the carrying amounts in the Balance Sheet.

Shares in Unlisted Companies:

It is not practicable to estimate the fair value of shares in unlisted companies with an acceptable level of reliability.

Financial instruments	**2017**	**2016**
Amortised Cost		
Bank Balances	193,026	460,380
Accounts Receivable	234,170	(250)
GST Receivable	576,284	24,084

	2017	**2016**
Financial assets measured at Fair Value through Profit & Loss		
Investment in RDR Management Limited	30,000	30,000
Shares in Ashburton Trading Society Limited	943	943
Shares in Electricity Ashburton Limited	50	50
Financial liabilities measured at amortised cost		
ANZ Mortgage	5,952,322	7,960,465
Trade and Other Payables	3,001,135	296,717

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Financial instruments measured at fair value

The following table presents the Company's financial assets and financial liabilities measured at fair value in the Balance Sheet in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial liabilities. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities,

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. 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 the ANZ Bank.

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Year 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Investment in RDR Management Limited	-	-	30,000	30,000
Shares in Ashburton Trading Society Limited	-	-	943	943
Shares in Electricity Ashburton Limited	-	-	50	50
Liabilities:				
Interest Rate Swaps	-	181,778	-	181,778

Year 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Investment in RDR Management Limited	-	-	30,000	30,000
Shares in Ashburton Trading Society Limited	-	-	943	943
Shares in Electricity Ashburton Limited	-	-	50	50
Liabilities:				
Interest Rate Swaps	-	138,019	-	138,019

17. CASH AND CASH EQUIVALENTS

	2017	**2016**
Cash on Hand	20	200
ANZ Bank New Zealand Cheque Account	193,010	34,830
ANZ Bank New Zealand Premium Call Account	16	38,479
Rabobank	-	387,071
	$193,046	$460,580

18. TRADE AND OTHER RECEIVABLES

	2017	**2016**
Accounts Receivable	234,170	(250)
Prepayments	20,975	19,141
GST Receivable	576,284	24,084
	$831,429	$42,975

19. INVENTORIES

Inventories at balance date consist of unsold copies of the history book published last year. For the year an expense of $13,909 was recognised as a result of a write down of inventories (2016: Nil)

	2017	**2016**
Finished Product	-	14,171
	-	$14,171

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20. RDR MANAGEMENT LIMITED

	2017	2016
The investment in RDR Management Limited consists of:		
Shares at Cost	30,000	30,000
	$30,000	$30,000

The company holds 30,000 ordinary shares in RDRML. These shares have equal voting rights and share equally in dividends and surplus on winding up.
The procedure for sale or disposition of these shares is covered in a shareholder deed dated 14th January 2003, agreed and signed by all shareholders.

21. PROPERTY, PLANT & EQUIPMENT

	Scheme Structures	Buildings	Plant & Equipment	Motor Vehicle	Land	Total
Year Ended 31 May 2016						
Carrying Amount at 1 June 2015	17,368,266	347,704	210,801	87,779	3,155,975	21,170,525
Additions	43,481	-	191,517	112,721	-	347,719
Disposals	-	-	-	(56,173)	-	(56,173)
Depreciation	(764,726)	(12,140)	(70,819)	(28,864)	-	(876,549)
Carrying Amount at 31 May 2016	16,647,021	335,564	331,499	115,463	3,155,975	20,585,522
31 May 2016						
Cost or Valuation	18,040,778	522,355	676,322	158,296	3,155,975	22,553,726
Accumulated depreciation	(1,393,757)	(186,791)	(344,823)	(42,833)	-	(1,968,204)
Carrying Amount	16,647,021	335,564	331,499	115,463	3,155,975	20,585,522
Period Ended 31 May 2017						
Carrying Amount 1 June 2016	16,647,021	335,564	331,499	115,463	3,155,975	20,585,522
Additions	301,436	-	695,929	18,261	-	1,015,626
Assets Under Construction	5,547,356	-	57,236	-	-	5,604,592
Depreciation	(784,494)	(11,675)	(119,244)	(24,894)	-	(940,307)
Carrying Amount at 31 May 2017	21,711,319	323,889	965,420	108,830	3,155,975	26,265,433
31 May 2017						
Cost or Valuation	23,889,570	522,355	1,429,487	176,557	3,155,975	29,173,944
Accumulated depreciation	(2,178,251)	(198,466)	(464,067)	(67,727)	-	(2,908,511)
Carrying Amount	21,711,319	323,889	965,420	108,830	3,155,975	26,265,433

All property of the Company is subject to a General Security Agreement in favour of ANZ Bank New Zealand Limited.
In June 2016 the Company was awarded a grant of up to $345,500 from the Irrigation Acceleration Fund (IAF) to help fund the detailed design phase of the scheme expansion into the Ruapuna area. The grant represents one half of the costs incurred and would only be paid on supplying progress reports and paid invoices on predetermined dates against specific milestones.
For the year ended 31 May 2017 the Company has submitted invoices totalling $691,000 and will receive $345,500. The amount received represents the offsetting of monies from the IAF against the approved expenditure. The money is not a loan to be repaid.

Mayfield Hinds Irrigation Limited
Notes to Financial Statements
For The Year Ended 31 May 2017

22. INTANGIBLE ASSETS

	Water Right	Easement Costs	Resource Consents	Total
Year Ending 31 May 2016				
Carrying Amount 1 June 2015	627,446	12,495	1,741	641,682
Impairment losses	(627,446)	-	-	(627,446)
Amortisation	-	(1,221)	(107)	(1,328)
Carrying Amount 31 May 2016	-	11,274	1,634	12,908
31 May 2016				
Cost	627,446	36,670	3,738	667,854
Impairment Losses	(627,446)	-	-	(627,446)
Accumulated Amortisation	-	(25,396)	(2,104)	(27,500)
Carrying Amount	-	11,274	1,634	12,908
Year Ended 31 May 2017				
Carrying Amount at 1 June 2016	-	11,274	1,634	12,908
Additions	-	-	21,392	21,392
Amortisation	-	(1,221)	(107)	(1,328)
Carrying Amount 31 May 2017	-	10,053	22,919	32,972
31 May 2017				
Cost	627,446	36,670	25,130	689,246
Impairment Losses	(627,446)	-	-	(627,446)
Accumulated Amortisation	-	(26,617)	(2,211)	(28,828)
Carrying Amount	-	10,053	22,919	32,972

Details of intangible assets are in policy note B.

23. BANK OVERDRAFT

The Company has an overdraft facility of $500,000 (2016: $500,000) which is secured by securities currently provided by the Company in favour of ANZ Bank New Zealand Limited.

The interest rate charged on the overdraft facility is at the Bank's Business Bank Indicator Rate (BBIR) plus a margin for credit risk. At 31 May 2017 this was 7.55% (2016: 7.45% p.a).

24. TRADE AND OTHER PAYABLES

	2017	2016
Accounts Payable	2,991,367	246,379
Interest Payable	9,768	17,317
Other Accruals	139,413	33,021
	$3,140,548	$296,717

25. SHAREHOLDER DEFERRED REBATE

The Company's directors resolved to rebate to its shareholders at 31 May 2011 a deferred rebate totalling $6 per share. The first $2 instalment of the rebate was credited to eligible shareholders as part of the February 2016 water charge. In December 2016 the Directors decided to pay out the remaining balance to those eligible shareholders in cash.

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26. TERM LIABILITIES

The Company has a $11 million Term Loan Facility from ANZ Bank New Zealand Limited. Security is a General Security Agreement over all assets and undertakings of the company both present and future. There are no Bank covenants restricting borrowings other than a Debt Service Cover Ratio: Net Cash after Operations to Debt Servicing costs of 1.10 to 1. All bank and internal capital management objectives have been met.

As at 31 May 2017, $5,952,322 has been drawn under this facility (2016: $7,960,465). The current interest rate applicable to this facility is based on the Bank's Corporate Indicator Rate plus a margin for credit risk. The weighted average interest rate as at 31 May 2017 was 3.4% (2016: 4.62%). These facilities were granted under the existing securities provided to the Bank.

Non Current Liabilities Repayable as follows:

Year 2016	**Less than 1 year**	**Between 1-5 years**	**Greater than 5 years**
Liabilities:			
Bank Mortgage	-	7,960,465	-
Shareholder Deferred Rebate	326,090	326,090	-
Total	$326,090	$8,286,555	-

Year 2017	**Less than 1 year**	**Between 1-5 years**	**Greater than 5 years**
Liabilities:			
Bank Mortgage	5,952,322	-	-
Total	$5,952,322	-	-

On 12 April 2017 the Company signed an agreement with Westpac New Zealand Limited for funding to facilitate the proposed acquisition of Valetta Irrigation Limited (Refer to to Note 33 for further information).

The $29.5m term loan facility with Westpac is for an term of five years from the date of initial drawdown. There are no Bank Covenants restricting borrowings other than a Debt Service Coverage Ratio: Cash Available for Debt Servicing to Debt Servicing Costs of not less than 1:1.

27. TOTAL EQUITY

There are 182,035 ordinary shares on issue, with 171,988 classified as Normal shares and 10,047 classified as Growth shares.

The normal shares entitle the holder to one vote per share up to a maximum of 15% of total votes that can be cast. Normal shares entitle the holder to receive, for fair consideration, 230 litres of water per second for 18 minutes in each week; equal to sufficient water to irrigate one hectare of land for every 5 shares held.

Growth shares entitle the holder to receive, for fair consideration, 230 litres of water per second for 18 minutes in each week for one hectare of land for every 5 shares held. Water will only be available after the requirement of all normal share holders has been met. Growth shares carry the right to one vote for every 10 shares held, subject always to the shareholder and associated persons having no more than 15% of the total votes that can be cast. Growth shares have no right to participate in the storage water in the Carew storage ponds.

169,738 normal shares have been fully paid (2016: 167,670 normal shares fully paid).

2,250 normal shares are paid to $624 per share, with $416 per share uncalled (2016: 4,118 paid at $104, with $936 unpaid).

3,862 growth shares have been fully paid (2016: $Nil).

4,485 growth shares are paid to $360 per share, with $240 per share uncalled and a further 1,700 growth shares have paid a $64 per share deposit, with $576 per share uncalled (2016: 8,347 paid at $60, with $540 unpaid).

	2017	**2016**
Share Capital	16,997,863	10,331,615
Hedging Reserve	-	(130,880)
Retained Earnings	589,963	1,395,549
Total Equity	$17,587,826	$11,596,284

Mayfield Hinds Irrigation Limited
Notes to Financial Statements
For The Year Ended 31 May 2017

(a) Share Capital

2016	**Number of Shares**	**Share Value**
Opening Normal Shares	167,670	9,432,582
Normal shares issued 22 March 2016	4,118	428,272
Prospectus Costs	-	(30,059)
Closing Normal Shares	171,788	9,830,795
Opening Growth Shares	-	-
Growth shares issued 22 March 2016	8,347	500,820
Closing Growth Shares	8,347	500,820
Closing Total Ordinary Shares	180,135	10,331,615

2017	**Number of Shares**	**Share Value**
Opening Normal Shares	171,788	9,830,795
Share Calls	-	2,918,448
Normal shares issued on granting of Harris Drain consent	200	208,000
Closing Normal Shares	171,988	12,957,243
Opening Growth Shares	8,347	500,820
Share Calls	-	3,430,980
Growth shares issued 21 March 2017	1,700	108,820
Closing Growth Shares	10,047	4,040,620
Closing Total Ordinary Shares	182,035	16,997,863

Subject to Board approval shareholders are able to sell their shares, typically through a tender process to either existing shareholders not fully contracted or new shareholders within the Scheme area. The Company facilitates this process. Share capital has a par value of $1 per share.

On the 26 November 2015 the company issued a prospectus offering 6,000 normal shares and 25,000 growth shares to new and existing shareholders, within the scheme area and new areas identified in the offer document. Shares were issued for $1,040 per normal share and $600 per growth share. Shareholders were required to apply for a minimum of 1 growth share for every normal share applied for. All shares applied for were payable as 10% on application, 50% on 20 September 2016 and the remaining 40% on or before 20 September 2017.

Under the offer 4,118 normal shares and 8,347 growth shares were applied for .

On the 22nd December 2016 on the receipt of resource consents for the use of Harris Drain, 200 fully paid normal shares were issued to the Trustees of the Terrace View Trust for consideration of $1,040 per share.

On the 22nd December 2016, the Directors released an Information Memorandum offering the remaining 16,655 unallocated growth shares to existing shareholders at a price of $640 per share. Under this offer a further 1,700 shares were applied for and were issued to those shareholders on the 21st March 2017. On application of the shares a 10% deposit was payable with the balance payable on the 1st September 2017.

The Company's capital is managed with the objective of issuing new shares to irrigate additional land within its scheme boundaries through water being available through its own efficiencies or that of RDR Management Limited. The Company's primary source of working capital funding is through an annual water charge to cover the Company's operational expenditure. The Company is able to pay dividends but its primary focus is to deliver reliable water in the most cost effective manner to its shareholders.

(b) Hedging Reserve

	2017	2016
Balance at beginning of the period	(130,880)	(43,271)
Effective Hedge Gain / (Loss) during the period	-	(87,609)
Hedge Recycled Through Profit & Loss	130,880	-
Balance at end of the period	-	(130,880)

(c) Retained Earnings

	2017	2016
Balance at beginning of the period	1,395,549	2,131,694
Profit for the year	(805,586)	(736,145)
Balance at end of the period	589,963	1,395,549

The Retained Earnings balance includes $355,206 being the adjustment to the deemed costs at the date of transition to New Zealand equivalents to IFRS for the land and buildings. In addition Retained Earnings include $93,696 of realised capital gains.

28. CAPITAL COMMITMENTS

On 31 May 2011 the Company signed a contract with Rooney Earthmoving Limited to construct the Carew Storage Ponds at a fixed price of $14.9m plus GST. As at 31 May 2017 $14.9m had been invoiced by Rooney Contracting with no retentions withheld. (2016: $14.9m with retentions of $50,000)

On 18 November 2016 the Company signed a contract with Fulton Hogan Limited to design and contract a piped irrigation delivery system to new shareholders within the Ruapuna area at a fixed price of $7.847m plus GST. As at 31 May 2017 $4.480m had been invoiced by Fulton Hogan. There are no retentions being withheld, instead there are two $1m bonds being held on behalf of Fulton Hogan with AAI Limited, trading as Vero Insurance. One bond will be released on Practical Completion and one released on Final Completion.

On 9 February 2017 the Company signed a contract with Carrfields Irrigation Limited for the design and construction of mechanical and electrical works for the Ruapuna irrigation scheme expansion for a contract price of $546,026 plus GST. As at 31 May 2017 $339,115 had been invoiced by Carrfields with $33,912 being retentions withheld.

On 11 April 2017 the Company signed a contract with Rubicon Systems New Zealand Limited for the installation of eight gates, for a total contract cost of $218,188. As at 31 May 2017 a deposit of $57,236 has been paid for the equipment.

On 31 May 2017 the Company signed an agreement for the purchase of the net working capital and fixed assets of Valetta Irrigation Limited for a total price of $24.2m (Refer to Note 33 for further details).

29. CONTINGENCIES & PROVISION

As a shareholder in RDRML the Company would be obligated for a share in the costs associated with the application for resource consents should the project not proceed. 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 23.5% of the costs incurred by RDRML, or $470,000. Following the approval by shareholdes to acquire the business of Valetta Irrigation Limited (refer to Note 33), the Company's share of water use will increase to 29.5% resulting in a potentially liability of $590,000.

There are no other contingencies or provisions owed by the company (2016: Nil).

30. TRANSACTIONS WITH RELATED PARTIES

Directors purchase water from the Company on the same terms and conditions as the members.

The Company is a shareholder in Rangitata Diversion Race Management Limited (RDRML). R D Wilson is the Company's director representative on the Board, with C E Osborne as his alternate. J R Nicholls is the Company's shareholders representative. Refer to note 10 & 20 for more detail.

The Company has an associate company called RDR Irrigation Limited. For the Company P G Everest & E K Chisnall are the representatives on the RDR Irrigation Ltd Board. Refer to note 12 for more detail.

The Company has an associate compay called Irrigo Centre Limited. J R Nicholls is the Company's director representative on the Board, with E K Chisnall as his alternate. Refer to note 11 for more detail.

The Company has an associate company called MC Water Limited, which was incorporated on the 16th November 2016. J R Nicholls is Company's director representative on the board. Refer to note 31 for more detail.

C E Osborne is a director in Carme Ag Limited. During the year the Company paid Carme Ag $3,420 (2016: $13,163) for strategy consultancy services. As at 31 May 2017 there was $3,150 outstanding in relation to these services (2016: Nil).

31. ASSOCIATE COMPANIES

The Company holds 31,718 "A" shares in RDR Irrigation Limited (RDRI) a company incorporated on 2 May 2007 where the total number of shares issued were 63,380. Each share was issued at 10 cents and was unpaid at 31 May 2017. RDRI is an associate where MHIL can exercise significant influence but not control over it. MHIL applies the Equity method when accounting for its interest in RDRI.

The Company also holds 4,000 ordinary shares in Irrigo Centre Limited as detailed in Note 11. ICL is an associate where MHIL can exercise significant influence but not control over it. MHIL applies the Equity method when accounting for its interest in ICL.

The Company holds 1 ordinary share in MC Water Limited, a company incorporated on 16 November 2016 where the total number of shares issues was 2. At balance date the shares in the company remain unpaid. The company has not traded during the year.

Results of Associates	ICL		RDRI	
Balance Date	31 March		31 March	
	2017	**2016**	**2017**	**2016**
Revenue	728,555	531,760	1,395	1,448
Operating Profit before tax	7,319	1,370	(1)	121
Taxation	(3,354)	(982)	-	-
Total Operating Surplus	3,965	388	(1)	121

No dividends were received from RDRI or ICL during the years ended 2017 and 2016.
Both RDRI and ICL are private companies, therefore no quoted prices are available for their shares.

A reconciliation of the above summarised financial information to the carrying amount of the investment is summarised below:

2016	**Current Assets**	**Non-current Assets**	**Liabilities**	**Total Net Assets**	**% Held**	**Carrying Amount**
RDRI	55	-	-	55	50.04%	28
ICL	78,156	28,983	63,392	43,747	20.00%	8,749
						8,777

2017	**Current Assets**	**Non-current Assets**	**Liabilities**	**Total Net Assets**	**% Held**	**Carrying Amount**
RDRI	54	-	-	54	50.04%	28
ICL	114,650	26,635	93,570	47,715	20.00%	9,543
						9,571

32. KEY MANAGEMENT PERSONNEL.

Key management personnel include the directors of the Company and the General Manager. During the year remuneration has been paid to these personnel as follows:

	2017	2016
Salaries & directors fees	253,386	192,176

During the year the directors were paid directors fees as detailed in the Annual Report. The amounts outstanding owing to directors' at 31 May 2017 is $27,069 (2016: $17,046).

33. EVENTS SUBSEQUENT TO BALANCE DATE

Following a special meeting of shareholders of both the Company and Valetta Irrigation Limited, both Companies received shareholder support over the 75% threshold required for approval of a major transaction supporting the Company's plans to acquire the business and assets of Valetta for $24.2 million. The acquisition of Valetta will allow the resulting company to gain advantages from having one administrative function and allow shareholders to receive a better level of service and allow the company to have a larger voice when communicating with regulators and the wider public around irrigation and environmental issues.

The acquisition is to be funded by long-term debt, cash and the issue of 449,629 MV class shares to Valetta. It is intended that Valetta will commence liquidation procedures following the acquisition, with the MV shares to be distributed pro-rata to Valetta shareholders. The class MV shares will be represent $13.5m of the total purchase price or $30.02 per share.

As part of the Valetta acquisition, the Company will also alter its share standard by way of share splits so that existing shareholders of the Company will hold shares equal to 100 shares for every 1 litre of contracted water per second. After the share splits the shares will continue to have a par value of $1 per share.

After the issue of MV shares and share splits, shareholders of Valetta will hold 24.04% of the voting interest in the Company.

A summary of the assets and liabilites of Valetta acquired by the Company are disclosed below. It is expected that the amounts shown are the fair value and all receivables will be recovered.

Assets	
Cash and Cash Equivalents	573,347
Trade and Other Receivables	241,740
Shares and Investments	40,050
Property, Plant & Equipment	24,348,260
Total Assets	25,203,397
Trade and Other Payables	187,780
Total Net Working Capital & Fixed Assets	25,015,617

On the 1st June 2017 as a result of the Valetta acquisition the Company has changed its name to MHV Water Limited.

Following the successful shareholder vote regarding the acquisition of Valetta the Company will shift its banking facilities to Westpac Banking Corporation. The facility agreement provides the Company with a limit of $30 million including a $500,000 overdraft facility, with a term of five years from the date of initial drawdown. Security for the facility will be by way of a General Security Agreement over the assets of the Company.

CROWE HORWATH NEW ZEALAND

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Mayfield Hinds Irrigation Limited

Opinion

We have audited the financial statements of Mayfield Hinds Irrigation Limited (subsequently renamed to MHV Water Limited) on pages 12 to 36, which comprise the statement of financial position as at 31 May 2017, 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 a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 May 2017, 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).

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 (Revised) *Code of Ethics for Assurance Practitioners* 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 and providers of other assurance services in relation to the merger of the Company and Valetta Irrigation Limited, we have no relationship with, or interests in, the Company.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's Directory, the Chairman's Report, and the Rangitata Diversion Race Management Limited Report on pages 12 to 36, 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 entity for the preparation and fair presentation of the financial statements in accordance with NZ IFRS, 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 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 economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Crowe Horwath

Crowe Horwath New Zealand Audit Partnership

CHARTERED ACCOUNTANTS

Dated at Christchurch this 17th day of August 2017

Michael Lee

Partner

Dated at Christchurch this 17th day of August 2017