OPUHA WATER LTD
Enabling | Sustainable | Growth

OPUHA WATER LIMITED

Annual Report

For the year ended 30 June 2016

OPUHA WATER LIMITED

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For the Year Ended 30 June 2016

OPUHA WATER LIMITED

Directory

For the Year Ended 30 June 2016

Nature of Business	Water Supply and Electricity Generation	
Registered Office	875 Arowhenua Road, RD 4, Timaru 7974	
Address for Communication	***Postal***	875 Arowhenua Road, RD 4, Timaru 7974
	Telephone	(03) 614 7801
	Email	office@opuha.co.nz
	Website	www.opuhawater.co.nz
Directors and Officers	***Chairman***	Milne Horne
	Deputy Chairman	Nicola Hyslop
	Directors	William O'Sullivan
		Alvin Reid
		Thomas Lambie
		Nigel Gormack
		Jeremy Boys
	Chief Executive	Tony McCormick

Share Capital

25,325 shares
Comprising:
16,000 Ordinary "Water" shares
3,303 "L" Class Infrastructure shares
3,208 "K" Class Infrastructure shares
2,664 "T" Class Infrastructure shares
150 "D" Class Dry shares

Auditors & Tax Advisors

KPMG
Level 3, 62 Worcester Boulevard
PO Box 1739
Christchurch 8140

Accountants

Quantum Advantage Limited
Chartered Accountants & Business Advisors
4C Sefton Street East
Timaru 7910

Solicitors

Tavendale and Partners
Level 3, Tavendale and Partners Centre
329 Durham Street North
PO Box 442
Christchurch 8140

Bankers

ANZ Bank New Zealand
PO Box 220
Christchurch 8140

The Directors are pleased to present the Annual Report and Financial Statements for the year ended 30 June 2016.

The Directors are responsible for presenting financial statements detailing the financial position of the Company and of the financial performance and cash flows for the period. The Directors consider the financial statements have been prepared using accounting policies which have been consistently applied and supported by reasonable judgements and estimates, and that all relevant financial reporting and accounting standards have been followed.

Directors

The following persons held office as Directors during the year and as at the date of this report:

Milne Horne	Farmer Director (Chairman)	*appointed 25 November 2014*
Nicola Hyslop	Farmer Director (Deputy Chairman)	*appointed 05 May 2014*
William O'Sullivan	Farmer Director	*appointed 13 November 2013*
Alvin Reid	Farmer Director	*appointed 13 November 2013*
Thomas Lambie	Farmer Director	*appointed 13 November 2013*
Nigel Gormack	Independent Director	*appointed 05 May 2014*
Jeremy Boys	Independent Director	*appointed 30 July 2014*

Principal Activities

Opuha Water Limited is an infrastructure Company. The Company's principal activities are the coordination and supply of water for industrial and domestic consumption, environmental river flows, irrigation supply and electricity generation.

Review of Operations

The Opuha Dam is situated at the confluence of the North and South Opuha Rivers 17 km north-east of Fairlie.
The scheme consists of a 50 metre high earth dam, with a single hydro turbine, and a lake covering up to 710 hectares storing over 74 million cubic metres of water. The dam provides water to maintain environmental flows in the downstream catchment and for irrigation as well as urban and industrial supplies. Renewable hydro-electricity is generated with all the water released from the dam. Farmer irrigators are the 100% shareholders of the Company.

Results	**2016**	**2015**
Net Profit/(Loss) before income tax	$(1,808,773)	$(1,182,860)

Dividends

No payment of any dividend for this year is recommended by the Directors.

Directors' Benefits

No Director of the Company has received during the year, or has become entitled to receive a benefit (other than a benefit included in the directors' remuneration shown in the financial statements).

Directors Interests

Directors have declared interest in the following transactions with the Company during the year:

- Quantum Advantage Limited - of which Mr Nigel Gormack is a Director, for accountancy and business advisory services.
- J Boys Consulting Limited - of which Mr Jeremy Boys is a Director, for consultancy services.
- Farmer Directors - payment for water and infrastructure charges through their respective shareholding companies, which they are Directors in.

Directors' Remuneration

Directors Remuneration of $95,250 has been accrued for/paid during the year.

General

As per Section 211 (3) of the Companies Act 1993, the shareholders have unanimously agreed that the Annual Report need not comply with paragraphs (e) to (j) of Section 211 (1) of the Companies Act 1993.
On 12 November 2013, the Company became a Cooperative Company under the Companies Act 1993.

Auditors

KPMG are engaged as Auditors of the Company.

Date of Authorisation

The Directors hereby approve and authorise for issue the Annual Report for the year ended 30 June 2016.

For and on behalf of the Board of Directors:

Milne Horne - *Director*	Nicola Hyslop - *Director*

27th October 2016

Date of Authorisation

OPUHA WATER LIMITED

Chairman's Report

For the Year Ended 30 June 2016

It is my pleasure to present you with the Annual Report of Opuha Water Limited for the year ended 30 June 2016.

Last year was a challenging year on many fronts, but we successfully overcame several adverse situations.

Firstly, even though we had a full lake at the start of the season, we encountered water shortages for most of the year. However, with early active management alongside the OEFRAG team, we were able to achieve a limited but successful irrigation season and also kept the Opihi River fully connected with environmental water flows. We believe the OEFRAG team concept is something unique in New Zealand's managed river flow regimes and demonstrates a collaborative community approach to solving a very complex problem. This success is envied by many other irrigation schemes nationally.

Financially we have performed very well considering the low amount of electricity generation and the high added costs associated with the contaminant allegations. These allegations needed to be defended vigorously by Opuha Water to assure our local community that our water is safe. It has been very pleasing, despite these costs, to hold current water charges for the year and in some cases reduce some water scheme charges going forward.

We have recently completed major works begun during the reporting financial year upgrading the downstream weir. This will provide us with us with greater flexibility in both managing a higher lake level and performing better river flushing flows. This is a real asset to our business.

Opuha Water is continuing to look for all opportunities around water management efficiencies and also new water to our current area. Tekapo water and Geraldine water solutions (Rangitata) are two investigations currently operative.
Much time and effort has also been put into issues around CWMS with the revision of water and nutrient management. Most Opuha supplied farms will now have a FEP in place and should be considering a land use consent in both orange and red zones. I am sure you are all aware by now of some of the commitments that you will need to engage in for your own businesses going forward.

Our team and Board at Opuha Water have been and will continue to put in a big effort going forward with the sub regional planning process to get the best outcomes with the OTOP Zone Committee and the future Plan. However this is requiring more resources going forward, particularly staffing and compliance. Potentially it will be difficult to maintain current costs in this new era of environmental expectations.

I would like to thank Tom Lambie, who was OWL chairman for 10 years, for his leadership and dedication to the Company. This commitment has been greatly appreciated by all our shareholders and we look forward to his support as an ongoing board member.

Also many thanks to Alvin Reid who has been a long serving Board member who is now retiring. We wish you all the best in your new endeavours.

Finally I would also like to thank the current Board, Tony and his team at Opuha Water Ltd for their great efforts to make this a successful company.

Milne Horne

Chairman
Opuha Water Limited

29 September 2016

Season Review

For the second season in a row, we were faced with restrictions on irrigation supply due to very low inflows and concerns over the lake storage level. By comparison with the previous season however, low level restrictions were implemented early in the season which limited the drawdown of the lake prior to Xmas. Just when we were to implement a 50% restriction regime after New Year, there was sufficient rain to reduce irrigation demand and recharge the lake storage. The OEFRAG group are to be commended on their wisdom and agility and their willingness to learn from the experience of the previous season.

The season did still have a bit of a 'kick-in-the-tail' with a very warm and dry February resulting in high irrigation demand and draw down of the storage but we maintained full irrigation supply through this crucial period.

As part of the adaptive approach to managing these dry seasons, we chose to manage irrigation restrictions by implementing volumetric limits rather than flow rate limits that had been predominantly used in the previous season. This approach did appear to suit most of our irrigators by providing some flexibility in their water use but importantly it provided some more certainty, albeit over a limited (typically monthly) period.

This regime was however more challenging to manage at a scheme level and put a strong focus for us on the need for accurate water ordering and, ideally, good water use data through on-line access to telemetered water meter information. Last season we had on-line access to water meter data of approximately 43% of our water users which assisted greatly with ensuring we were operating the scheme as efficiently as possible and that water use was being managed on a fair and defendable basis.

Environmental

Our experience in managing the scheme through these challenging seasons has provided some additional confidence in rolling out two key water management policies this year – Water Metering & Telemetry and On Farm Storage. There are a number of incentives for us developing these policies but common to both are improved operational efficiency at a scheme level and our goal of improving our 'lake to land' water distribution for the benefit of all our shareholders.

Another outcome from the last two seasons is the very valuable experience we now have with the OEFRAG group in managing the lake and river system in a very adaptive fashion. For most of the 13 month period up to January 2016, we were operating the river system outside of the conditions of the Regional Plan and our resource consents but this was with the support of OEFRAG and acceptance of ECan. We now want to build on this experience and ensure that these adaptive management principles can be incorporated in the new Sub-Regional Plan that will be developed over the next year through the OTOP Zone Committee and Canterbury Water Management Strategy process.

We have continued with our strategic roll out of Farm Environment Plans and this year began a follow up process of Pre-Audit Checks for those who had FEPs in place for at least 12 months. These checks are intended as a pre-cursor to more formal audits beginning in 2017.

During the year we revisited our decision to not apply for a scheme nutrient load consent and we affirmed that we still believe this is the appropriate course for the company as we enter the Sub-Regional Plan process for our Zone. We have not, however, dismissed the idea of applying for a scheme nutrient discharge consent in the future, if it is deemed to be in the best interests of our shareholders and we have shareholder support to do so. We do realise that this decision means that individual farms may be required to apply for a land use consent in the interim, but having done your Farm Environment Plan through OWL should at least make this process more straightforward and less costly.

Financial

The financial results for the year have been impacted by a number of factors and although the bottom line results appear significantly worse than the previous year, I am confident that the performance is satisfactory and the operating position of the company remains sound. Our key financial target is for a positive operating margin (profit before amortisation and depreciation) that is at least 50% of our annual depreciation and, while it appears that we did not meet that this year, most of the variation is explainable and mostly 'one-off'.

We have continued to attempt to avoid any increase to water charges to our shareholders. We have been successful in that endeavour and so our water 'revenue' has remained static. Generation volume and revenue was up slightly on the previous year however our overall comparative income was down due to a one-off receipt last year from a land settlement transaction.

There are four key expense items this year that have impacted our results.

1. Managing the lake contamination allegations that arose last year involved us engaging legal, scientific and risk and issues management experts to assist us with what we considered very serious and potentially harmful allegations. This defence process extended over nearly six months with a total cost of $235k. We remain very displeased and frustrated at the way the allegations were raised but we are also confident that our approach and commitment to responding and defending the allegations was appropriate.

2. The second expense item of note is our requirement under accounting standards to write-off some of the historical costs associated with our investigations into options for the upgrade of the downstream weir. This project has extended over a period on nearly five years and for a significant part of that time was focused on the development of a new separate structure including an option for a small hydro generation facility.

   In the end, this option proved to be too expensive and attention shifted back last year to modifications to the existing structure. While this lower cost option does not provide quite the operational flexibility or the same potential for subsequent hydro generation development, it does address the primary issues of reducing the likelihood of the fusible embankment operating and provides improved flushing flow capability. The amount of previous costs written off is $320k.

3. The final operating expense item to note is our reduced financial costs with interest charges $230k lower than last year - primarily due to the falling interest rates experienced globally and within New Zealand over the period. We have been more active over recent years in managing our debt structure and this has assisted in the company being able to benefit from the lower interest rates at present.

   Our overall debt structure, however, still includes significant amounts on long term swaps that were implemented around 2007-2009, so our overall position remains 'off market' under current conditions and, under the accounting reporting standards, this is reflected in our financial results through a negative 'mark-to-market' valuation adjustment of $713k.

4. Our financial audit this year revealed an error in last year's depreciation amount which has required an adjustment of $468k in the comparative year.

I have once again included a financial summary table at the end of my report in an attempt to provide a clear picture of our financial performance this year.

Health and Safety

I was very pleased when we received our certificate for ACC Workplace Safety Management Practices in January.
This certification reflects a whole of team effort to ensure we are managing our business up to recognised safety standards.

We realise we cannot let up in this area and the Safety at Work Act that came into effect in April continues the need to keep on top of safety management in our workplace.

Downstream Weir Modifications

In April 2016, site works commenced on the upgrade of the downstream weir to increase the controlled spill capacity of the structure and reduce the risk of the fusible embankment operating. Additional benefits of the upgrade will be an improved flushing flow capacity and also an increased confidence in operating the main lake at the top end of the storage.

This last aspect seems all the more relevant given the challenging water supply conditions we have experienced over the last two seasons. The construction contract progressed very well and commissioning took place at the end of September 2016.

Management and Team

There have been some significant changes to our small management and operations team over the year.

- We've had a change of Operations & Asset Manager with Steve Pagan returning to work fulltime on his family farm at Beaufort. In Steve's place, Craig Moore joined us in December from a career in the NZ Air Force.
  We have quickly seen results from Craig's engineering and technical skills and, while we don't expect to see any of our assets 'airborne', it is reassuring to know that the maintenance and operation will continue to a very high standard. Steve is continuing to provide very valuable service to us with regular dam safety surveillance work.
- There must be something in the water as we've had both Julia and Aimee on maternity leave for the latter part of the period. We are looking forward to both Julia and Aimee returning to work once they have things settled on their new home fronts. I would like to express my appreciation to Tracey Hodgett who has been covering Aimee's role during her leave. Tracey has done a fantastic job in picking up the reins and keeping things on track for the busy end of year and new budget period.
- My thanks too, to our steady crew of Chris, Richard and Christine who have been our front line for responding to our water users - both in the office and in the field. I know just how committed they all are to ensuring that we meet our farmers expectations of reliable water delivery.

We realise that, for many of our shareholders, the economic conditions over the period have presented significant challenges and, as well, we have all experienced a period of uncertainty over reliable supply of water from our previously reliable scheme. I would like to assure all our shareholders that we are conscious of these conditions and that our primary objective remains to provide you all with as much certainty over supply and cost as possible.

Tony McCormick

Chief Executive Officer
Opuha Water Limited

29 September 2016

Comparison of Financial Results	**2016 Results**	**2015 Results**	***Variance***
	$	$	$
Operating Income			
Water Supply and Operations	4,772,870	4,770,662	*2,208*
Generation and Electricity	1,133,006	1,004,457	*128,549*
Non-Operating Income	12,406	304,355	*(291,949)*
Total Income	**$5,918,282**	**$6,079,474**	***$(161,192)***
Less Operating Expenses			
Administration Expenses	272,965	251,158	*21,807*
Consulting and Project Services			
Lake Contaminant Allegations	235,498	-	*235,498*
Write Off of Downstream Weir Expenses	320,395	-	*320,395*
Other	191,482	115,680	*75,802*
Total Consulting and Project Services	747,375	115,680	*631,695*
Direct Operating Expenses	1,991,965	2,013,176	*(21,211)*
Finance Expenses (excl. Interest Paid)	7,604	7,577	*27*
Interest Paid - Loans	2,217,953	2,452,316	*(234,363)*
Non-Operating Expenses	6,498	23,130	*(16,632)*
Total Expenses	**$5,244,360**	**$4,863,037**	***$381,323***
Net Profit/(Loss) before Amortisation & Depreciation	**$673,922**	**$1,216,437**	***$(542,515)***
Non-Cash Expenses			
Amortisation	135,974	135,974	*0*
Depreciation	1,633,170	1,651,461	*(18,291)*
Earnings before Tax and Adjustments	**$(1,095,222)**	**$(570,998)**	***$(524,224)***
Adjustments (tax; swap revaluations)	(478,250)	(858,161)	*(379,911)*
Final Result in Financial Statements (Profit/(Loss))	**$(1,573,472)**	**$(1,429,159)**	***$(144,313)***

OPUHA WATER LIMITED

Statement of Comprehensive Income

For the Year Ended 30 June 2016

	Notes	2016 $	* Restated 2015 $
CONTINUING OPERATIONS			
Operating Revenue			
Water Supply	16	4,772,870	4,770,662
Generation and Electricity	16	1,133,006	1,004,457
		5,905,876	5,775,119
Non-Operating Income	17	12,406	304,355
Total Income		**$5,918,282**	**$6,079,474**
Less Operating Expenses (excluding Amortisation & Depreciation)			
Administration Expenses	18	272,965	251,158
Consulting and Project Services	19	747,375	115,680
Direct Operating Expenses	21	1,991,965	2,013,176
Finance Expenses	20	2,939,108	3,071,755
		5,951,413	5,451,769
Non-Operating Expenses	22	6,498	23,130
Total Expenses (excluding Amortisation & Depreciation)		**$5,957,911**	**$5,474,899**
Net Profit/(Loss) before Amortisation & Depreciation		**$(39,629)**	**$604,575**
Non-Cash Expenses			
Amortisation	10	135,974	135,974
Depreciation	11	1,633,170	* 1,651,461
Net Profit/(Loss) after Amortisation & Depreciation		**$(1,808,773)**	**$(1,182,860)**
Tax Expense/(Benefit)	8	(235,302)	* 246,299
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		**$(1,573,472)**	**$(1,429,159)**
Other Comprehensive Income (Expenditure)		-	-
TOTAL COMPREHENSIVE INCOME		**$(1,573,472)**	**$(1,429,159)**

This Statement should be read in conjunction with the Notes to the Financial Statements

OPUHA WATER LIMITED

Statement of Changes in Equity

For the Year Ended 30 June 2016

	Notes	2016 $	* Restated 2015 $
RETAINED EARNINGS			
Opening Balance		(7,427,418)	(970,495)
Retained Earnings transferred on Amalgamation		-	(5,081,640)
Asset Revaluation Reserve transferred on Amalgamation		-	53,876
Profit/(Loss) after Taxation		(1,573,472)	* (1,429,159)
Closing Balance	**2**	**$(9,000,890)**	**$(7,427,418)**
CAPITAL RESERVES			
Opening Balance		20,655,413	14,662,235
Capital Reserves transferred on Amalgamation		-	5,993,178
Closing Balance	**2**	**$20,655,413**	**$20,655,413**
SHARE PREMIUM RESERVE			
Opening Balance		6,026,374	959,397
Ordinary "Water" shares		-	(3,600)
"L" Class Infrastructure shares		-	1,123,361
"K" Class Infrastructure shares		-	2,729,931
"T" Class Infrastructure shares		(118,346)	1,189,354
"D" Class Dry shares		-	27,930
Closing Balance	**2**	**$5,908,027**	**$6,026,374**
CONTRIBUTED EQUITY			
Opening Balance		25,325	6,500
Share Issue - 9,500 Ordinary "Water" shares		-	9,500
Share Issue - 3,303 "L" Class Infrastructure shares		-	3,303
Share Issue - 3,208 "K" Class Infrastructure shares		-	3,208
Share Issue - 2,664 "T" Class Infrastructure shares		-	2,664
Share Issue - 526 "D" Class Dry shares		-	526
(Less) Conversion of "D" Class to "L" Class shares		-	(28)
(Less) Redemption of "D" Class Dry shares		-	(348)
Closing Balance	**2**	**$25,325**	**$25,325**
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)		**$17,587,875**	**$19,279,694**

This Statement should be read in conjunction with the Notes to the Financial Statements

OPUHA WATER LIMITED

Statement of Financial Position

As at 30 June 2016

	Notes	2016 $	* Restated 2015 $
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	690,187	418,507
Receivables and Prepayments	5	993,196	807,218
Total Current Assets		1,683,383	1,225,725
Non-Current Assets			
Property, Plant and Equipment	11	56,535,322	* 57,260,884
Investments		2,187	2,125
Intangibles	10	1,913,052	2,049,026
Total Non-Current Assets		58,450,561	59,312,035
TOTAL ASSETS		**$60,133,944**	**$60,537,761**
LIABILITIES			
Current Liabilities			
Trade and Other Payables	6	781,297	557,194
Loans and Borrowings	12	8,198,409	8,094,030
Derivatives	15	3,781,378	3,067,827
Employer Liabilities		53,496	59,480
Tax Payable/(Refundable)	8	(4,384)	(8,481)
Total Current Liabilities		12,810,196	11,770,050
Non-Current Liabilities			
Loans and Borrowings	12	24,883,156	24,400,000
Deferred Tax Liability	9	4,852,717	* 5,088,018
Total Non-Current Liabilities		29,735,873	29,488,018
TOTAL LIABILITIES		**$42,546,069**	**$41,258,068**
NET ASSETS		**$17,587,875**	**$19,279,694**
SHAREHOLDERS' EQUITY			
Retained Earnings		(9,000,980)	* (7,427,418)
Capital Reserves		20,655,413	20,655,413
Share Premium Reserve		5,908,027	6,026,374
Contributed Equity		25,325	25,325
Total Shareholders' Equity (Deficit)	2	**$17,587,875**	**$19,279,694**

For and on behalf of the Board of Directors:

Milne Horne - *Director*

Nicola Hyslop - *Director*

27th October 2016

Date of Authorisation

This Statement should be read in conjunction with the Notes to the Financial Statements

OPUHA WATER LIMITED

Statement of Cash Flows

For the Year Ended 30 June 2016

	Notes	2016 $	* Restated 2015 $
CASHFLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Operating Income		5,735,051	6,095,542
Interest Income		3,622	16,164
Dividend Income		3,585	3,559
Sundry Income		2,381	6,070
		5,744,639	6,121,335
Cash was applied to:			
Direct Operating Expenses		1,793,402	1,946,785
Administration Expenses		275,035	256,251
Consulting & Project Services		740,679	139,300
Finance Expenses		2,232,952	2,548,654
Restructure Expenses		-	113,418
Goods and Services Tax		(25,044)	50,013
Income Tax Payments - Amalgamated Entities		(6,996)	85,269
		5,010,028	5,139,690
Net Cash Inflow/(Outflow) from Operating Activities	**24**	**$734,610**	**$981,645**
CASHFLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Collett Settlement		-	270,000
SH8 Buried Mainline Pipeline Capital Payments		2,103	10,345
Fixed Assets - Sales	11	10,435	6,087
		12,538	286,432
Cash was applied to:			
SH8 Water Metering & Telemetry Costs		28,900	-
Investments		62	245
Fixed Assets - Additions	11	938,783	441,768
		967,745	442,013
Net Cash Inflow/(Outflow) from Investing Activities		**$(955,207)**	**$(155,581)**
CASHFLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
ANZ Bank - Loan Drawdowns		750,000	-
		750,000	-
Cash was applied to:			
Redemption of "D" Class Dry Shares	2	-	17,400
Other Entities - Amalgamation/Acquisition		95,258	(910,732)
ANZ Bank - Loan Repayments		162,465	1,300,889
		257,723	407,557
Net Cash Inflow/(Outflow) from Financing Activities		**$492,277**	**$(407,557)**
NET INCREASE/(DECREASE) IN CASH HELD			
Net Increase in Cash Held		271,680	418,507
Add Cash at Start of Year		418,507	-
Balance of Cash at End of Year		**$690,187**	**$418,507**
Comprising:			
ANZ Bank New Zealand - Cheque Account		254,873	385,292
ANZ Bank New Zealand - Call Account		435,264	33,165
Petty Cash - Opuha House		50	50
Cash Balances at End of Year		**$690,187**	**$418,507**

This Statement should be read in conjunction with the Notes to the Financial Statements

KPMG ChCh Marked for Identification

1 STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

Opuha Water Limited (the "Company") is a co-operative, domiciled in New Zealand. The Company is registered under the Companies Act 1993 and the Cooperative Companies Act 1996, and is an issuer for the purposes of the Financial Reporting Act 1993. The financial statements comply with the Financial Reporting Act 1993 in accordance with the transitional provisions under Section 55 of the Financial Reporting Act 2013 and Schedule 4 of the Financial Markets Conduct Act 2013.

The Company's principal activities are the supply of water for industrial and domestic consumption, environmental river flows, irrigation supply and electricity generation. Opuha Water Limited is 100% owned by farming members.
On 1 July 2014, a Company restructure was completed which created one entity through amalgamating the existing irrigation schemes that take water from the Opuha river systems.

Statement of Compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("GAAP") and the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit oriented entities. The financial statements also comply with International Financial Reporting Standards ("IFRS").

From 1 April 2014 the new Financial Markets Conduct Act 2013 ("FMCA 2013") came into force which relocates and amends the financial reporting obligations. This Act will be effective for the Company on either 1 December 2016 or the date the Company chooses to opt in. It is expected that the change in legislation will have no material impact on the Company's financial statements.

These financial statements were approved by the Board of Directors on 27th October 2016.

Basis of Preparation

The financial statements have been prepared on a historical cost basis, except for the following items:

- Derivative financial instruments which are measured at fair value

The principal accounting policies adopted in the preparation of the financial statements are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transaction and other events is reported. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Functional and Presentation Currency

These financial statements are presented in New Zealand Dollars ($) and have been rounded to the nearest dollar.

Use of Estimates and Judgements

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.
Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 15 - Financial Risk Management

Going Concern

The financial statements have been prepared using the going concern assumption. The Company is dependent on the continuing support of its shareholders and financiers.

Specific Accounting Policies

The following specific accounting policies, which materially affect the measurement of financial performance and the financial position, have been applied consistently to all periods presented in these financial statements.

1.1 Contingencies and Provisions

A provision is recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that a transfer of economic benefits will be required to settle the obligation, and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting future cash flows. Where discounting is used, the increase in the provision for the passage of time is recognised as a finance cost.

1.2 Impairment

Impairment - Non-Financial Assets

Assets other than deferred tax assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the Statement of Comprehensive Income. The recoverable amount is determined as the higher of the fair value less costs to sell and value in use. Any reversal of the impairment loss is recognised in the Statement of Comprehensive Income.

Impairment - Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows. All impairment losses are recognised in the Statement of Comprehensive Income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

1.3 Interest Bearing Liabilities and Borrowings

Interest bearing borrowings are initially recognised at fair value net of attributable transaction costs incurred. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost using the effective interest method which allocates the cost through the expected life of the borrowings.

1.4 New Standards and Interpretations Adopted

New Standards and Interpretations adopted early

There have been no standards or interpretations adopted early for the year ended 30 June 2016.

New Standards and Interpretations not yet adopted

A number of new standards and interpretations are not yet effective for the year ended 30 June 2016 and have not been applied in preparing these financial statements. None of these standards are expected to have a significant impact on these financial statements except for:

- IFRS 9 (2014) Financial Instruments has been issued. The final component of IFRS 9 (2014) introduces a new expected credit loss model for calculating impairment. IFRS 9 (2014) is effective for annual periods beginning on or after 1 January 2018. The Company does not plan to adopt IFRS 9 (2014) early and the extent of the impact has not yet been determined.
- IFRS 15 Revenue from Contracts with Customers has been issued. This standard introduced a new revenue recognition model for contracts with customers. The standard is effective for annual periods beginning on or after 1 January 2017. The Company does not plan to adopt IFRS 15 early and the extent of the impact has not yet been determined.

1.5 Goods and Services Tax (GST)

The financial statements have been prepared so that all components are stated exclusive of GST, except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of an asset or as part of the expense item; and
- Trade receivables and payables, which include GST invoiced.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.6 Employer Liabilities

Employee entitlements include annual leave and alternate holidays, and are expensed on an undiscounted basis as the relevant service is provided. Employer liabilities are recorded at the amount expected to be paid for the entitlement earned and recognised in the Statement of Financial Position.

1.7 Comparative Figures

Where applicable certain comparatives are re-stated to comply with the presentation adopted for the current year.

2 EQUITY

Retained Earnings

Retained earnings are the portion of net income that is retained which has not been distributed to shareholders. Retained earnings and losses are cumulative from year to year. The ability to carry forward tax losses is subject to shareholding continuity of 49%. The ability to offset losses requires common shareholding of 66%. The ability to carry forward imputation credits is subject to shareholding continuity of 66%. These tests must be met at all times and not just at balance date. Following the Company restructure on 1 July 2014, tax losses and imputation credits held by the Company and amalgamated entities on the implementation date were forfeited because the Company did not meet the above requirements.

Capital Reserves

Capital reserves include transfers and the acquisition or disposal of non-produced, non-financial assets. Capital transfers involve the transfer of ownership of fixed assets, or the transfer of funds linked to them. Except for certain distributions on winding-up, all distributions are taxable in the hands of shareholders, including distributions from realised capital profits.

Share Premium Reserve

Share premium reserve is the excess amount received by the Company over the nominal value of issued shares. This amount forms a part of the non-distributable reserves which can be used only for specific purposes. Except for certain distributions on winding-up, all distributions are taxable in the hands of shareholders, including distributions from share premium reserves.

Contributed Equity

Contributed equity is paid in capital. All issued shares have a nominal value of $1.00. Farmers within the scheme have water supply agreements to receive water covering 16,000 hectares within the Company's operations.
The following Water and Infrastructure Class shares were issued in conjunction with the Company restructure on 1 July 2014. Infrastructure shares were issued to those shareholders who took water from the pre-merger irrigation schemes and reflect the value of the infrastructure of those three irrigation schemes transferred to the Company by amalgamation and under the sale and purchase agreements. No consideration was payable for any of the shares issued.

- *To Levels Plain scheme* - 3,296 "Water" shares, 3,296 "L" Class Infrastructure shares and 526 "D" Class shares;
- *To Kakahu scheme* - 3,208 "Water" shares and 3,208 "K" Class Infrastructure shares;
- *To Totara Valley scheme* - 2,664 "Water" shares and 2,664 "T" Class Infrastructure shares.

<u>"D" Class Dry shares</u>

As part of the Company restructure on 1 July 2014, 526 "D" Class shares were issued to protect the existing position of persons holding dry shares issued by Levels Plain Irrigation Company Limited. Holders of "D" Class shares were given two options in the merger proposal which took effect on the date of restructure.
During the 2015 financial year 348 "D" Class shares were redeemed at $50.00 per share and 28 "D" Class shares were converted to "L" Class shares (at a rate of 4 "D" shares to 1 "L" share). The balance above the nominal value of $1.00 per share has been recorded in Share Premium Reserve. There are 150 "D" Class shares remaining at 30 June 2016.

3 RELATED PARTY TRANSACTIONS

The Directors do not consider that any one party had the ability, either directly or indirectly, to control or exercise significant influence, over the Company in making operating, investing and financing decisions.

a) <u>Quantum Advantage Limited</u>

The Company paid Quantum Advantage Limited, of which Mr Nigel Gormack is a Director, for business advisory services. Any outstanding balances are not secured and standard engagement terms apply. The amount paid and/or accrued at balance date relating to services provided totals $9,427 excluding GST (2015: $23,462) and has been recorded in these financial statements. As at balance date, $135 excluding GST of this amount remained owing.

b) J Boys Consulting Limited

The Company paid J Boys Consulting Limited, of which Mr Jeremy Boys is a Director, for consultancy services relating to strategic water studies. The amount paid and/or accrued at balance date relating to services provided totals $4,000 excluding GST (2015: $ Nil) and has been recorded in these financial statements. As at balance date, $3,000 excluding GST of this amount remained owing.

c) Farmer Directors'

The Company has transactions with its Farmer Directors' in the ordinary course of business.

During the year the Company collected water and infrastructure charges from the Farmer Directors' respective shareholding companies. All transactions are conducted at arm's length and not discounted.

The following amounts excluding GST were received and/or accrued at balance date:

		2016 $	2015 $
Thomas Lambie	Director & Shareholder of Meadowvale Ltd	101,082	101,082
Milne Horne	Director & Shareholder of Bonaccord Enterprises Ltd	94,321	100,698
	Director & Shareholder of Skipton Farm Ltd	31,516	32,218
Nicola Hyslop	Director & Shareholder of Levels Estate Company Ltd	51,332	51,332
William O'Sullivan	Director & Shareholder of Glenire Farm Ltd	17,290	17,290
Alvin Reid	Director & Shareholder of Riverholme Pastures Ltd	85,190	88,759
	Director & Shareholder of Skipton Farm Ltd *(ceased 01/07/2016)*	31,516	32,218
	Director of Glenire Farm Ltd *(ceased 17/08/2016)*	17,290	17,290

4 CASH & CASH EQUIVALENTS

	2016 $	2015 $
ANZ Bank New Zealand - Cheque Account	254,873	385,292
ANZ Bank New Zealand - Call Account	435,264	33,165
Petty Cash - Opuha House	50	50
Total Cash & Cash Equivalents	**$690,187**	**$418,507**

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

5 RECEIVABLES & PREPAYMENTS

	2016 $	2015 $
Trade Receivables	565,907	383,088
Other Receivables	61,127	82,982
Accrued Revenue	1,725	20,389
SH8 Buried Mainline Pipe Costs (to be received)	753	2,855
SH8 Metering & Telemetry Costs (to be received)	28,900	-
Deferred Monthly Expenses	25,144	300
Prepayments	309,640	317,604
Total Receivables & Prepayments	**$993,196**	**$807,218**

Accounts Receivable is shown net of impairment losses amounting to $ Nil (2015: $ Nil).

Accounts Receivable relating to related party transactions were $36,487 (2015: $37,507).

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Bad debts are written off as incurred.

6 TRADE & OTHER PAYABLES

	2016 $	2015 $
Trade Payables	601,860	76,359
Other Payables	19,935	18,800
Accrued Expenditure	52,707	348,552
Interest Payable on Loans	100,405	107,800
GST Payable	6,390	5,683
Total Trade & Other Payables	**$781,297**	**$557,194**

Accounts Payable relating to related party transactions were $3,605 (2015: $459).

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method. Trade payables are stated at the full amount required to satisfy the legal obligations to the supplier. Due to their short term nature they are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition due to their short term nature their carrying value is assumed to approximate their fair value.

7 IMPUTATION CREDIT ACCOUNT

	2016 $	2015 $
Opening Balance	13,199	37,182
(Less) Imputation Credits Forfeited	-	(37,182)
Plus Resident Withholding Tax	1,133	6,729
Plus Dividend Withholding Tax	268	265
Plus Imputation Credits	1,498	1,487
Terminal Tax Payments/(Refunds)	(6,996)	4,718
Closing Balance available to Shareholders	**$9,102**	**$13,199**

Imputation credits available to shareholders at tax rate 28% - $9,102 (2015: $13,199).

8 TAXATION

8.1 Statement of Comprehensive Income

	2016 $	2015 $
Current Tax Expense		
Current Year	-	-
Current Tax Expense 28%	**$0**	**$0**
Deferred Tax Expense		
Movement in Temporary Differences	(840,364)	879,640
Deferred Tax Expense 28%	**$(235,302)**	**$246,299**
Tax Expense on Continuing Operations	**$(235,302)**	**$246,299**

Current Tax
Current tax for the period was calculated using the tax rate of 28% (2015: 28%) and 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. Current tax assets and liabilities are measured at the amounts expected to be recovered or paid to the taxation authority.

Deferred Tax
Deferred tax has been measured using the tax rate of 28% (2015: 28%) and is recognised for temporary differences between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets for unused tax losses and tax credits are only recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and tax credits can be utilised.

Deferred tax is not recognised for the following temporary differences:

- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit.

8.2 Reconciliation of Effective Tax Rate

A reconciliation of income tax applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate is as follows:

	2016 $	2015 $
Accounting Profit/(Loss) before Taxation	*(1,808,773)*	*(1,182,860)*
Tax at the Statutory Rate of 28%	(506,456)	(331,201)
Tax Effect of Non-Taxable Income	-	(75,600)
Tax Effect of Non-Deductible Expenses	120	6,364
Tax Effect of Temporary Differences *	544,596	(67,048)
Tax Effect of Imputation Credits on Dividends	419	416
Tax Effect of Losses Brought Forward & Unused Tax Credits	196,623	220,769
	741,758	84,902
Income Tax reported in Statement of Comprehensive Income	**$(235,302)**	**$246,299**
Average Effective Tax Rate	***-13%***	***21%***

*** Temporary Differences**

Revaluation of Interest Rate Swaps

Temporary differences exist in relation to derivative financial instruments, resulting from the valuation of interest rate swaps. Financial accounting for derivatives takes a fair value approach and this approach results in having a value for accounting purposes, but no value for tax purposes.

Tax Depreciation & Accounting Depreciation

A temporary difference exists on Property, Plant and Equipment and is calculated between the fair value and tax base. The tax base of depreciation is the amount that is deductible for tax purposes.

Bank Swap Break Fee

The 'old' Opuha Water entity terminated a $4,400,000 swap contract on 2 March 2014 with the ANZ Bank prior to maturity, and placed the loan on a floating rate for the ability to repay debt. The total break fee to exit the contract was $216,141. For tax purposes, the break fee was proportioned over the original swap contract term, which was a maturity date of 2 November 2016. At as 30 June 2016, $27,017 has been carried forward as a tax deduction in future years.

Feasibility & Investigation Expenditure

The cost of an item of Property, Plant and Equipment does not include expenditure relating to feasibility assessments which are preliminary in nature that they cannot be considered to be directed to the acquisition of a specific asset. Where expenditure is associated with early stage feasibility assessments it can be seen as a normal incident of business and are pre-acquisition costs not directly attributable to bringing the item to working condition for its intended use.
During the year expenditure of $320k relating to the Downstream Weir right hand side option and hydro generation facility, which was not included as part of the final design, have been expensed in accordance with accounting standards. For taxation purposes, these costs have been capitalised and will be depreciated as part of the asset.

8.3 Statement of Financial Position

	2016 $	2015 $
Opening Balance	(8,481)	-
Transfer 1 July 2014	-	4,719
Income Tax (Payments)/Refunds	6,996	(4,719)
(Less) Resident Withholding Tax	(1,133)	(6,729)
(Less) Dividend Withholding Tax	(268)	(265)
(Less) Imputation Credits on Dividends	(1,498)	(1,487)
Terminal Tax Payable (Receivable)	**$(4,384)**	**$(8,481)**

The Company has tax losses to carry forward of $1,490,686 (2015: $788,461).

Tax losses have no expiry date but are subject to shareholder continuity requirements being met from the time the tax losses arose until their utilisation. Following the Company restructure on 1 July 2014, tax losses and imputation credits held by the Company and amalgamated entities on the implementation date have been forfeited. Refer to Note 2 'Retained Earnings'.

9 DEFERRED TAX

The deferred tax calculation shows the amount of income tax payable or recoverable in future periods in respect of temporary differences. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability.

Deferred tax assets and liabilities are attributable to the following:	2016 $	2015 $
Assets		
Derivatives	(1,058,786)	(858,992)
Downstream Weir Feasibility Costs	(89,710)	-
Property, Plant and Equipment (PPE)	-	-
Resource "Water" Consents	-	-
Swap Break Fee	-	-
Tax (Assets)/Liabilities	*$(1,148,496)*	*$(858,992)*
Liabilities		
Derivatives		-
Property, Plant and Equipment (PPE)	5,897,507	5,813,380
Resource "Water" Consents	96,141	103,370
Swap Break Fee	7,565	30,260
Tax (Assets)/Liabilities	*$6,001,213*	*$5,947,010*
Net		
Assets	(1,148,496)	(858,992)
Liabilities	6,001,213	-
Total Tax (Assets)/Liabilities	**$4,852,717**	**$5,088,018**

Movement in temporary timing differences during the year:

	Property, Plant & Equipment (PPE) $	"Water" Consents $	Break Fee $	Derivatives $	DSW Feasibility $	Total $
Balance 30 June 2014	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Transfer 1 July 2014	(19,558,695)	-	(189,123)	2,455,965	-	(17,291,853)
Recognised in Profit or Loss	(1,203,375)	(369,180)	81,053	611,862	-	(879,640)
Balance 30 June 2015	**$(20,762,070)**	**$(369,180)**	**$(108,070)**	**$3,067,827**	**$0**	**$(18,171,493)**
Recognised in Profit or Loss	(300,455)	25,820	81,053	713,551	320,395	840,364
Balance 30 June 2016	**$(21,062,525)**	**$(343,360)**	**$(27,017)**	**$3,781,378**	**$320,395**	**$(17,331,129)**

10 INTANGIBLE ASSETS

Intangible assets are initially carried at cost. Following the initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Resource "Water" Consents

An independent valuation was performed by Peter Seed Limited as part of the Company restructure on 1 July 2014. The valuation included consideration for resource consents held by the Company and associated irrigation schemes. Operational vs capital asset consents were identified for the purpose of amortisation vs depreciation.

- Capital asset consents which were required to construct the assets have already fulfilled their purpose, and although they have an expiry date in the future, the Directors do not expect to seek renewal of these consents. Therefore the cost of acquiring these 'capital asset' consents are logically tied and are included as part of the capital cost of the asset and have been included in Property, Plant and Equipment and depreciated as part of the asset.
- Operational consents are required to be renewed at the end of their term for the Company to continue to operate. Operational consents have been recorded as intangible assets and amortised on a straight line basis over the estimated useful lives from the date that they are available for use.

Reconciliation of the carrying amounts of Intangible Assets at the beginning and end of the year are below:

	Levels Plain $	Kakahu $	Totara Valley $	Total $
Balance 30 June 2014	-	-	-	-
Additions	395,000	1,605,000	185,000	2,185,000
Amortisation for the year	25,820	98,769	11,385	135,974
Impairment Losses	-	-	-	-
Balance 30 June 2015	**369,180**	**1,506,231**	**173,615**	**2,049,026**
Amortisation for the year	25,820	98,769	11,385	135,974
Impairment Losses	-	-	-	-
Balance 30 June 2016	**$343,360**	**$1,407,462**	**$162,230**	**$1,913,052**

Amortisation

Intangible assets are assessed for impairment when there is an indication that the intangible asset may be impaired. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the Statement of Comprehensive Income. The useful lives of intangible assets are as follows:

Asset Name	Useful Life
Resource "Water" Consents - Levels Plain	Expiry Date: October 2030
Resource "Water" Consents - Kakahu	Expiry Date: October 2030
Resource "Water" Consents - Totara Valley	Expiry Date: October 2030

11 PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Individual assets, or groups of assets, are capitalised if their cost is greater than $500. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The assets residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date. Capital works in progress are not depreciated until ready for service. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Subsequent Expenditure

Subsequent expenditure is capitalised and 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 in the specific asset will flow to the Company and the cost of the item can be measured reliably. The costs of day-to-day servicing of Property, Plant and Equipment are recognised in the Statement of Comprehensive Income as incurred.

Disposals

On disposal of an item of Property, Plant and Equipment, gains and losses are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income. Net gains and losses are only recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, and there is no continuing involvement.

Depreciation

Property, Plant and Equipment is recorded at cost less depreciation provided to date. Land is not depreciated.

Statement of Significant Accounting Policies
Notes to the Financial Statements (continued)

For the Year Ended 30 June 2016

Depreciation is calculated using the straight line method and is charged to the Statement of Comprehensive Income. The depreciation rates associated with certain types and classifications of assets are:

Buildings	4.0% - 30% SL
Plant and Equipment	3.0% - 40% SL
Motor Vehicles	17.5% - 40% SL
Office Equipment & Furniture	7.0% - 40% SL
Dam & Power Station	1.5% - 30% SL
Irrigation Schemes	1.5% - 40% SL

Reconciliation of the carrying amounts of Property, Plant and Equipment at the beginning and end of the year are below:

	Land & Buildings	Plant & Equipment	Motor Vehicles	Office Equipment	Dam & Power Station	Irrigation Schemes	Totals
Cost and Valuation							
Balance 30 June 2014	-	-	-	-	-	-	-
Amalgamation & Acquisition 1 July 2014	279,655	76,431	231,719	117,664	51,033,068	14,743,368	66,481,905
Additions	218,184	9,751	35,013	74,267	9,139	12,415	358,769
Work In Progress	-	-	-	12,500	644,549	-	657,048
Disposals	-	-	(35,201)	(2,471)	-	-	(37,672)
Loss/Gain on Disposal	-	-	2,701	(12,347)	-	-	(9,646)
Balance 30 June 2015	$497,839	$86,182	$234,232	$189,613	$51,686,756	$14,755,783	$67,450,402
Additions	-	3,042	46,770	13,763	97,981	82,364	**243,919**
Work In Progress	-	-	-	-	733,261	6,932	**740,193**
Disposals	-	-	(55,319)	-	(3,276)	(73,227)	**(131,822)**
(Loss)/Gain on Disposal	-	-	10,435	-	(3,276)	(3,055)	**4,104**
Balance 30 June 2016	**$497,839**	**$89,224**	**$236,118**	**$203,376**	**$52,511,443**	**$14,768,797**	**$68,306,796**
Accumulated Depreciation & Impairment							
Balance 30 June 2014	-	-	-	-	-	-	-
Amalgamation & Acquisition 1 July 2014	39,655	29,425	146,171	46,379	7,598,291	709,720	8,569,640
Depreciation Expense	5,088	9,801	49,330	33,323	937,781	1,084,495	2,119,817
Depreciation Adj *	(56)	(682)	(5,515)	(6,595)	(229)	(455,280)	(468,357)
Elimination on Disposal	-	-	(29,113)	(2,470)	-	-	(31,583)
Impairment Losses	-	-	-	-	-	-	-
Balance 30 June 2015	$44,687	$38,544	$160,873	$70,637	$8,535,843	$1,338,935	$10,189,519
Depreciation Expense	3,389	9,439	38,033	30,329	935,083	616,897	**1,633,170**
Elimination on Disposal	-	-	(44,884)	-	(3,276)	(3,055)	**(51,215)**
Impairment Losses	-	-	-	-	-	-	**-**
Balance 30 June 2016	**$48,076**	**$47,983**	**$154,022**	**$100,965**	**$9,467,650**	**$1,952,776**	**$11,771,473**
Carrying Amounts							
At 30 June 2014	$0	$0	$0	$0	$0	$0	$0
As at 1 July 2014	$240,000	$47,006	$85,548	$71,285	$43,434,777	$14,033,648	$57,912,264
At 30 June 2015	$453,152	$47,638	$73,359	$118,976	$43,150,911	$13,416,848	$57,260,884
At 30 June 2016	**$449,763**	**$41,241**	**$82,095**	**$102,410**	**$43,043,793**	**$12,816,021**	**$56,535,322**

* Depreciation Adjustment - During the preparation of the financial statements, an error was found in the calculation of depreciation in the prior year. The comparative figures have been restated for the adjustment.

12 LOANS AND BORROWINGS

Term Loan - ANZ Bank New Zealand, Amount: $33,081,565 (2015: $32,494,030)

As at 30 June 2016, the following amounts are subject to Interest Swap rates (incl. credit margin).
Terms are interest only.

- Loan 240-91 - Amount $3,283,157, interest rate: 4.52% p.a. effective 5 January 2016 - expiry 3 January 2019
- Loan 240-91 - Amount $6,780,793, interest rate: 8.65% p.a. effective 5 January 2016 - expiry 7 January 2019
- Loan 240-91 - Amount $3,293,157, interest rate: 7.90% p.a. effective 5 January 2016 - expiry 4 May 2020
- Loan 240-91 - Amount $3,293,157, interest rate: 8.21% p.a. effective 2 June 2015 - expiry 4 May 2020
- Loan 240-91 - Amount $6,586,315, interest rate: 7.59% p.a. effective 2 June 2015 - expiry 2 May 2022
- Loan 240-91 - Amount $1,646,578, interest rate: 7.15% p.a. effective 2 June 2015 - expiry 2 May 2025

As at 30 June 2016, the following amounts are subject to Flexible rates (incl. credit margin).
Terms are interest only and the flexibility of repayments or repayment in full at any time.

- Loan 240-91 - Amount $1,328,453, interest rate: 3.82% p.a. (2015: $2,671,140, interest rate 5.05% p.a.)
- Loan 240-92 - Amount $6,057,883, interest rate: 3.82% p.a. (2015: $5,226,658, interest rate 4.90% p.a.)
- Loan 240-93 - Amount $62,073, interest rate: 3.82% p.a. (2015: $196,232, interest rate 4.90% p.a.)
- Loan 240-94 - Amount $750,000, interest rate 3.82% p.a. (2015: Nil)

Security

The Company's carrying amounts of financial assets are pledged as collateral. Refer to the value of assets in the Statement of Financial Position and in Note 11 'Property, Plant and Equipment'.

Financial Covenants

The Company has complied with all covenants and loan repayment obligations during the financial year.

Financial Instruments

Financial instruments are recognised when the Company becomes partner to a financial contract. They include bank funds, bank overdrafts, receivables and payables, investments, derivatives and term borrowings. In addition, the Company is a party to financial instruments to meets its financing needs.

Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire, are discharged or are cancelled. The estimated fair values of the Company's financial instruments are considered to be materially the same as their carrying amounts as disclosed in the Statement of Financial Position.

Derivatives

The Company uses derivative financial instruments to hedge its exposure to interest rate risks arising from operational and financing activities. In accordance with the Treasury Policy, the Company does not hold or issue derivative financial instruments for trading purposes. Derivatives are initially recognised at fair value on the date a contract is entered into and are subsequently re-measured to their fair value at each reporting date. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The fair value of derivatives is based on valuations for the price that would be received to sell (or exchange) an asset or paid to transfer (or settle) a liability between market participants at the measurement date. Fair value does not take into consideration transaction costs incurred at initial acquisition or expected to be incurred on transfer or disposal of a financial instrument. Changes in fair values of derivatives are recognised in the Statement of Comprehensive Income within finance expenses. The net differential paid or received on interest rate swaps is recognised as a component of interest expense or interest revenue over the period of the Agreement.

13 BANK OVERDRAFT

The Company has an overdraft facility available of $200,000 and is secured by securities currently provided by the Company in the favour of the ANZ Bank New Zealand Limited. The interest rate at 30 June 2016 was 8.40% p.a. (2015: 10.40%) and no funds on the overdraft facility were drawn (2015: $ Nil).

14 DIRECTORS FEES

Like most co-operative companies, the Company has transactions with its Farmer Directors in the ordinary course of business.

The following remuneration was paid to Directors throughout the year:

		2016 $	2015 $
Thomas Lambie	Farmer Director *(ceased as Chairman 31/01/2016)*	18,125	22,000
Milne Horne	Farmer Director *(appointed as Chairman 01/02/2016)*	16,708	6,125
Nicola Hyslop	Farmer Director *(Deputy Chairman)*	12,083	10,458
William O'Sullivan	Farmer Director	11,084	10,292
Alvin Reid	Farmer Director	11,084	9,875
Tony Howey	Farmer Director	-	3,750
Nigel Gormack	Independent Director	13,083	11,875
Jeremy Boys	Independent Director	13,083	11,875
Total Directors Fees		**$95,250**	**$86,250**

Directors' Indemnity or Insurance

The Company insures Directors against liabilities that may arise from their positions and to ensure that generally Directors will incur no monetary loss as a result of actions undertaken by them as Directors. Certain actions are specifically excluded, for example the incurring of penalties/fines which may be imposed in respect of breaches of the law and criminal actions.

Loans to Directors

There were no loans by the Company to Directors.

15 FINANCIAL RISK MANAGEMENT

The Board of Directors have overall responsibility for the establishment and oversight of the Company's financial risk management framework. The Directors:

- Have established financial risk management policies and procedures to identify, analyse and, where appropriate, manage the financial risks faced by the Company; and
- Have a Treasury Policy that covers appropriate financial risk limits and controls (including, but not limited to, delegated authority levels and authorised use of various financial instruments).

The Company's overall financial risk management programme focuses primarily on maintaining a prudent financial risk profile that provides flexibility to implement the Company's strategies, while ensuring the optimisation of the return on assets.

Financial risk management is centralised, which ensures compliance with the financial risk management policies and procedures set by the Board of Directors.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and derivative financial instruments. The Company is exposed to credit risk from transactions with trade receivable and financial institutions in the normal course of business.

ANZ Bank New Zealand, who is the counter party in respect to cash and cash equivalents of the Company, currently hold an AA credit rating (issued by Standard and Poors). The maximum exposures to credit risk at balance date are set out in the Statement of Financial Position. The maximum credit risk on cash and cash equivalents, trade and other receivables, derivative financial instruments and other investments is best represented by their carrying values.

Flexible Credit Facility

The Company has a short term advance facility with ANZ Bank New Zealand. According to the terms of the agreement, the facility is repayable on demand, incurs interest at the New Zealand Dollar Bill Bid rate per annum and has a maximum drawdown limit of $500,000. At 30 June 2016, no funds on the flexible facility were drawn (2015: $ Nil).

Interest Rate Risk

The Company's interest rate risk arises from its borrowings and funds on deposit. Borrowings issued and funds on deposit held at variable rates expose the Company to cash flow interest rate risk.

As the Company holds interest rate swaps there is a risk that their economic value will fluctuate because of changes in the market interest rates. The notional value of the swap is disclosed in the summary of financial assets and liabilities below, and it is acknowledged that this risk is a by-product of the Company's attempt to manage its cash flow interest rate risk.
The fair value of derivatives is determined based on broker quotes and are considered to be level 2 fair value hierarchy.

	Notional Value	Financial Liability/(Asset)
As at 1 July 2014	$21,600,000	$2,455,965
As at 30 June 2015	$24,400,000	$3,067,827
As at 30 June 2016	$24,883,158	$3,781,378

As at 30 June 2016 after taking into account the effect of interest rate swaps, $24,883,158 of the Company's total borrowings of $33,081,565 are fixed at effective interest rates, as disclosed in Note 12 'Loans and Borrowings'.

At balance date, the following assets were exposed to variable interest rate risk:

	2016 $	2015 $
Cash and Cash Equivalents	690,187	418,507
Total Cash and Cash Equivalents	**$690,187**	**$418,507**

Fair Value Sensitivity Analysis

The following demonstrates the sensitivity to the Company's profit and capital, resulting from a reasonably possible change in interest rates, with all other variables held constant. This is also on the basis of the cash being available for a full year, and the interest rate change is also relevant for a full year.

A 50 basis point movement in interest rates to which the Company is exposed would result in the following post-tax, increase/(decrease) to equity and profit. The fair value sensitivity to a 50 basis point movement in interest rates (based on financial assets and liabilities held at balance date) is as follows:

	2016 $	2015 $
Comprehensive Income impact of rate movement (-50 basis points)	767,031	698,250
Comprehensive Income impact of rate movement (+50 basis points)	(767,031)	(698,250)

Fair Values

The estimated fair values of the Company's financial instruments are considered to be materially the same as their carrying amounts as disclosed in the Statement of Financial Position.

Liquidity Risk

Liquidity risk is the risk that the Company may encounter difficulty in raising funds at short notice to meet its commitments and arises from any mismatch of the maturity of monetary assets and liabilities.
The Company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The Company maintains a balance between continuity of funding and flexibility through the use of bank loans. The following table reflects all contractually fixed pay-offs for settlement and repayments resulting from recognised financial liabilities. The table is based on all interest rate variables being held constant over the related period of time, and all the payments are undiscounted.

Year Ended 30 June 2016	< than 1 year	1-5 years	> than 5 years
Trade Payables	601,860	-	-
Interest Payable	100,405	-	-
Interest Payable (Floating Rate)	436,155	-	-
Interest Rate Payable (Swaps)	1,883,096	7,270,998	995,163
Borrowings	8,198,409	16,650,263	8,232,893
Total	**$11,221,121**	**$23,921,261**	**$9,228,056**

Year Ended 30 June 2015	< than 1 year	1-5 years	> than 5 years
Trade Payables	76,359	-	-
Interest Payable	107,800	-	-
Interest Payable (Floating Rate)	400,614	-	-
Interest Rate Payable (Swaps)	1,801,926	5,706,175	874,693
Borrowings	10,894,030	13,367,107	8,232,893
Total	**$13,280,729**	**$19,073,282**	**$9,107,586**

The interest payable above represents interest payable on the borrowings at the floating interest rate balance date, plus the bank's margin. While the interest rate swap (net) payable represents the interest payable on the borrowings, based on the interest rate differential between the floating rate and the swap rate, assuming no change in the floating rate and the swap rate from balance date.

The Board of Directors have frameworks in place to monitor the Company's liquidity and to ensure the banking covenants are complied with.

Capital Management

When managing capital, the Board of Directors objectives are to ensure the Company continues as a going concern as well as to maintain optimal returns to the Company. As the market is constantly changing, the Directors may consider capital management initiatives, such as requesting further capital contributions from shareholders to reduce debt levels or to provide funding for capital expenditure requirements. Capital is monitored through the gearing ratio.

16 OPERATING REVENUE

	2016 $	2015 $
Water Supply		
Water Charges (Shared)	3,078,575	3,079,620
Water Charges (Incremental)	315,169	302,240
Infrastructure Charges	1,051,940	1,062,920
TDC Water Abstraction	327,185	325,882
Sub-Total Water Supply	*$4,772,870*	*$4,770,662*
Generation & Electricity		
Electricity Generation Sales	1,044,413	1,018,034
Transpower Demand Response Contract	88,593	-
Retail Electricity Market	-	(13,577)
Sub-Total Generation and Electricity	*$1,133,006*	*$1,004,457*
Total Operating Revenue	**$5,905,876**	**$5,775,119**

Operating revenue comprise the fair value of the consideration received or receivable in the ordinary course of the Company's activities, net of discounts, rebates and taxes. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

17 NON-OPERATING INCOME

	2016 $	2015 $
Sundry Income	2,300	6,150
Dividends Received	5,351	5,312
Interest Received	4,755	22,893
Non-Taxable Income		
Collett Settlement	-	270,000
Total Non-Operating Income	**$12,406**	**$304,355**

Interest revenue is recognised on an accruals basis using the effective interest method.

18 ADMINISTRATION EXPENSES

	2016 $	2015 $
Accountancy Fees	1,966	14,803
Audit Fees	18,300	20,850
Bad Debts Unrecoverable	-	1,182
Computer Services & IT Support	5,711	11,300
Conferences, Seminars & Training	10,271	4,682
Directors Fees	95,250	86,250
Fringe Benefit Tax (FBT)	6,221	4,705
Legal Fees - Tax Deductible	28,854	15,857
Meeting & Committee Expenses	5,505	5,053
Recruitment Fees	15,814	-
Rent of Office & Lodge	7,800	8,017
Software & Licensing Fees	5,977	1,594
Stationery, Printing & Postage	10,551	14,666
Subscriptions	24,416	21,291
Website & Database Support and Maintenance	13,723	22,982
Other Administration Expenses	*22,606*	*17,926*
Total Administration Expenses	**$272,965**	**$251,158**

Administration expenses are recognised when it is probable that any future economic benefit associated with the item will flow from the Company and when the item has a cost or value that can be measured reliably.

19 CONSULTING & PROJECT SERVICES

	2016 $	2015 $
Audited Self-Management (ASM)	55,242	10,974
Commercial (Tax & Financial)	10,000	39,842
Engineering	329,594	11,555
River Science Studies	27,800	26,000
Strategic Studies (New Water)	69,422	11,200
Lake Contaminant Allegations	235,498	-
Other Consulting & Project Services	*19,818*	*16,109*
Total Consulting & Project Services	**$747,375**	**$115,680**

Consulting & Project services are recognised when it is probable that any future economic benefit associated with the item will flow from the Company and when the item has a cost or value that can be measured reliably.

Downstream Weir Feasibility Costs

This project extended over a period of nearly five years and for a significant part of that time has focused on the development of a separate structure with an option for a small hydro generation facility. This option was not included as part of the final design, therefore feasibility costs relating to investigating the separate structure and generation facility have been expensed during the financial year. The value of historical costs written off is $320k and has been included in Engineering.

20 FINANCE EXPENSES

	2016 $	2015 $
Bank Charges & Other Fees	7,604	7,170
Interest Paid - ANZ Bank - Term Loans	2,213,748	2,452,316
Interest Paid - ANZ Bank - Overdraft/Flexible Facility	4,205	-
Interest Paid - IRD Use of Money	-	406
Revaluation of Interest Rate Swaps	713,551	611,862
Total Finance Expenses	**$2,939,108**	**$3,071,755**

Finance expenses comprise interest paid on borrowings and fair value movements on derivatives.
Borrowing costs are recognised in the Statement of Comprehensive Income using the effective interest method.

21 DIRECT OPERATING EXPENSES

	2016 $	2015 $
Accident Compensation Levies	5,409	7,483
Alpine Energy - Distribution (Electricity Use of System)	161,491	163,585
Alpine Energy - Avoided Cost of Transmission Rebates	(117,836)	(117,658)
Dam Safety Management	45,742	63,173
Electricity, Light & Heat	32,310	24,999
Environmental Compliance & Surveys	10,955	26,105
Health & Safety	8,913	9,994
Insurance	363,875	388,612
Loss/(Gain) on Disposal of Fixed Assets	(4,104)	9,646
Motor Vehicle Expenses	51,103	65,084
Power Station Operations Management	298,926	281,598
Rates	50,322	39,201
Repairs and Maintenance		
Office & Workshop	580	13,131
Dam & Power Station	199,279	145,910
Downstream Weir	11,894	1,762
Irrigation Schemes	82,591	102,365
Other	2,343	11,736
Total Repairs and Maintenance	*296,687*	*274,904*
Telephone, Radio & Communications	16,763	12,673
Wages, Salaries and Allowances	612,549	628,554
Water Measurement & Telemetry Management	141,725	119,644
Other Direct Operating Expenses	*17,135*	*15,578*
Total Direct Operating Expenses	**$1,991,965**	**$2,013,176**

Direct operating expenses are recognised when it is probable that any future economic benefit associated with the item will flow from the Company and when the item has a cost or value that can be measured reliably.

22 NON-OPERATING EXPENSES

	2016 $	2015 $
Donations & Sponsorship	6,070	400
Non-Deductible Expenses		
Entertainment	428	1,697
Restructure - Authority & Registration Fees	-	2,629
Restructure - Legal Fees	-	18,405
Sub-Total Non-Deductible Expenses	*428*	*22,730*
Total Non-Operating Expenses	**$6,498**	**$23,130**

23 CAPITAL COMMITMENTS

A capital commitment is an allocation of funds for a contractual liability arising out of capital expenditure which is not yet incurred or provided for. As at balance date the Company had the following capital commitments:

Downstream Weir Upgrade
The Company has been undertaking feasibility studies and investigating design options for upgrading the Downstream Weir since June 2012. Following the approval of the detailed design and tender preparation phase in September 2015, the Board of Directors resolved in April 2016 to initiate the construction phase of the project.
The project has an overall construction budget of $2.05m comprising the project management contract with Tim Anderson ($80k), the design contract with MWH ($270k), the main construction contract with Breen Construction Ltd ($860k), the gate supply contract to Obermeyer Hydro Inc. ($436k) plus additional provision for insurance, consents and contingencies.
As at 30 June 2016, the expenditure at this stage of the project was $1.162m. The project was commissioned at the end of September 2016.

24 RECONCILIATION OF NET SURPLUS/(DEFICIT) WITH CASH FLOWS FROM OPERATING ACTIVITIES

The following reconciliation discloses the non-cash adjustments applied to the surplus reported in the Statement of Comprehensive Income, to arrive at the net cash flow from operating activities disclosed in the Statement of Cash Flows.

	2016 $	2015 $
Profit/(Loss) for the year	(1,808,773)	(1,182,860)
Plus/(Less) Non-Cash Items		
Depreciation	1,633,170	1,651,461
Amortisation	135,974	135,974
Revaluation of Interest Rate Swaps	713,551	611,862
(Profit)/Loss on Disposal of Fixed Assets	(4,104)	9,646
Total Non-Cash Items	*2,478,592*	*2,408,943*
Plus/(Less) Working Capital Movements		
(Increase)/Decrease in Accounts Receivable	(164,155)	(403,477)
(Increase)/Decrease in Prepayments	7,964	(317,604)
(Increase)/Decrease in Other Current Assets	(24,844)	(300)
Increase/(Decrease) in Provision for Taxation	4,097	(8,481)
Increase/(Decrease) in Accounts Payable	254,403	312,462
Increase/(Decrease) in Interest Payable	(7,395)	107,800
Increase/(Decrease) in Employee Leave Entitlements	(5,984)	59,480
Increase/(Decrease) in Goods & Services Tax	708	5,683
Total Net Working Capital Movements	*64,793*	*(244,437)*
Net Cash Inflow/(Outflow) from Operating Activities	**$734,610**	**$981,645**
Plus/Less Financing Activities	492,277	(407,557)
Plus/Less Investing Activities	(955,207)	(155,581)
Add: Beginning Cash Equivalents	**$418,507**	**$0**
Ending Cash Equivalents	**$690,187**	**$418,507**

25 CONTINGENT LIABILITIES

A contingent liability is a potential loss that may occur at some point in the future, once various uncertainties have been resolved. Contingent liabilities are disclosed when the outflow is not yet an actual, confirmed obligation.
As at balance date there were no contingent assets.

26 CONTINGENT ASSETS

A contingent asset is a possible asset that may arise because of a gain that is contingent on future events that are not under the Company's control. Contingent assets are disclosed when the inflow of economic benefits is probable.
As at balance date there were no contingent assets.

27 SUBSEQUENT EVENTS AFTER BALANCE DATE

There were no significant events subsequent to balance date.

KPMG

Independent auditor's report

To the shareholders of Opuha Water Limited

Report on the financial statements

We have audited the accompanying financial statements of Opuha Water Limited ("the company") on pages 8 to 27. The financial statements comprise the statement of financial position as at 30 June 2016, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Directors' responsibility for the financial statements

The directors are responsible on behalf of the company for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand that give a true and fair view of the matters to which they relate, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial statements that give a true and fair view of the matters to which they relate 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Subject to certain restrictions, partners and employees of our firm may also deal with the company on normal terms within the ordinary course of trading activities of the business of the company. These matters have not impaired our independence as auditor of the company. The firm has no other relationship with, or interest in, the company.

Opinion

In our opinion the financial statements on pages 8 to 27:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of the company as at 30 June 2016 and of its financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Opuha Water Limited as far as appears from our examination of those records.

KPMG

31 October 2016
Christchurch