# OPUHA WATER LIMITED

## FINANCIAL STATEMENTS

### For the Year Ended 30 June 2014

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| | | |
|---|---|---|
| **Nature of Business** | Water Supply and Electricity Generation | |
| **Registered Office** | Opuha House<br>875 Arowhenua Road<br>RD 4<br>Timaru 7974 | |
| **Directors** | Thomas Craig Lambie - *Chairman*<br>William Dermott O'Sullivan - *Deputy Chairman*<br>Antony Charles Howey<br>Nicola Alice Orbell Hyslop<br>Alvin John Reid<br>Ross Sinclair Wells - *resigned 2 May 2014*<br>Nigel James Gormack (I)<br>Jeremy Boys (I) - *appointed 29 July 2013* | |
| **Share Capital** | 1000 Ordinary Shares (Fully Paid) | |
| **Shareholders** | SCFIS Holdings Limited<br>(Struck off 1 July 2014) | 813 Ordinary Shares (81.3%) |
| | Levels Plain Holdings Limited<br>(Struck off 1 July 2014) | 187 Ordinary Shares (18.7%) |
| **Auditors & Tax Advisors** | KPMG<br>Level 3, 62 Worcester Boulevard<br>PO Box 1739<br>Christchurch 8140 | |
| **Accountants** | Quantum Advantage Limited<br>Chartered Accountants & Business Advisors<br>4C Sefton Street East<br>Timaru 7910 | |
| **Solicitors** | Goodman Tavendale Reid Law<br>Suite 2, 21 Leslie Hills Drive<br>PO Box 442<br>Christchurch 8140 | |
| **Bankers** | ANZ Bank New Zealand | |
| **Company Number** | 897370 | |
| **Date of Incorporation** | 06 March, 1998 | |
| **Company Status** | Struck off - 1 July 2014 | |

# Annual Report

Your Directors present their report on the financial statements for the year ended 30 June 2014.

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

Thomas Craig Lambie
William Dermott O'Sullivan
Antony Charles Howey
Nicola Alice Orbell Hyslop
Alvin John Reid
Nigel James Gormack (I)
Jeremy Boys (I)

**Principal Activities**
The company's principal activities during the year was the coordination and supply of water for industrial and domestic consumption, environmental river flows, irrigation supply and electricity generation.

| Results | 2014 | 2013 |
|---|---|---|
| Net Profit/(Loss) before income tax | **$1,721,257** | **$1,952,528** |

**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 group during the year:
- Quantum Advantage Ltd of which Mr Nigel Gormack is a Director, for accountancy, business advisory services and services in relation to the company restructure and prospectus preparation.

**Directors' Remuneration**
Directors Remuneration of $88,500 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.

**Auditors**
KPMG were engaged as Auditors of the company for a three year term which concludes with the audit of the 2014 financial statements. As well as auditing the financial statements, KPMG provided tax advice and professional opinion in relation to the company restructure and the prospectus preparation.

**Date of Authorisation**
These accounts are authorised for issue by the Directors of the company at the date shown below.

For and on behalf of the Board of Directors:

Thomas C Lambie
*Director*

William D O'Sullivan
*Director*

October 17, 2014
*Date of Authorisation*

# Chairman's Report

This year has seen the achievement of another significant milestone in the story of the Opuha scheme. The merger of the eight entities within the Opuha group into a single entity was implemented at the conclusion of the financial year and represented the culmination of nearly two years planning and preparation. While conceptually quite straightforward, the actual process required to simplify our organisational structure proved very complex and I acknowledge the enormous amount of time and effort provided by the team of legal and financial advisors and specialists led by our Chief Executive.

I was particularly pleased to see the response from all our shareholders when your approval was sought for the final implementation at the series of Special General Meetings in June. There was essentially 100% support for the various resolutions required to approve the sale, merger, amalgamation and wind-up of the various entities.

Operationally the year was very successful. The irrigation season started strongly in November to peak at nearly 82% before rain provided some relief at the end of the month. Rain in the Xmas/New year period quelled irrigation demand that otherwise remained steady through to the end of February. This season we operated our water ordering via our enhanced web based system. There was very good response from our irrigators with a significant increase in the number who were using this on-line system instead of the previous phone or fax methods. This greatly improves the workflow in the office as well as improving the overall efficiency of our operation to deliver water on time.

Lake storage remained above average for most of the irrigation season but dropped away sharply from the beginning of February. While irrigation demand dropped off at the end of February, the high environmental flows required in March and April saw the lake drop to levels just below average for a short time until heavy inflows replenished the storage and sustained downstream flows. We actively lowered the lake through May and June to get back to more normal winter levels.

Financially the year has also been very successful. Our electricity generation contract provides some exposure to Spot Prices through the winter months and, on both sides of the summer season, the Spot Prices were markedly lower than we had budgeted. Fortunately our generation volume across the year was more than we had anticipated and the generation contract provided comparatively good prices through the summer period. Since our income from water charges is very stable the main influences on our financial performance are electricity generation and cost control. Our operating costs were maintained at 2% below budget while our income was 7% above forecast. We did incur extra costs with the restructure and also a one-off break fee when we elected to break one of our interest rate swaps. Despite these additional costs, the result was still positive and ahead of budget. Income tax payable for the year is approximately $240k. We were able to retire over $800k of debt – a good result which follows the $1m reduction achieved last year.

I am very conscious that the financial statements presented in this report can be somewhat complex, especially since we have been required to adopt IFRS reporting. I feel the financial adjustments associated with deferred tax movements and such like can often mask the important operational performance. To this end, I have included the following summary table which, I hope, provides some insight into our successful financial performance this year.

| | 2014 year | 2013 year | Difference |
|---|---|---|---|
| Income | 6,058,313 | 6,190,071 | -131,758 |
| Operating Expenses (direct; admin) | 2,027,968 | 2,180,108 | -152,140 |
| **Operational Surplus (EBITDA)** | **$4,030,345** | **$4,009,963** | **$20,382** |
| Finance Expenses (incl. Interest Paid) | 2,413,625 | 2,201,421 | 212,204 |
| **Earnings after Interest** | **$1,616,720** | **$1,808,542** | **-$191,822** |
| Depreciation (tax) | 915,510 | 940,657 | -25,147 |
| Non-Operating Expenses | 248,785 | 64,501 | 184,284 |
| | 1,164,295 | 1,005,158 | 159,137 |
| **Earnings before Tax and adjustments** | **$452,425** | **$803,384** | **-$350,959** |
| Adjustments (tax; swaps; revaluations; acctg depreciation) | 713,873 | 894,310 | -180,437 |
| **Final Result in Financial Statements (Profit/(Loss))** | **$1,166,298** | **$1,697,694** | **-$531,396** |

We have made very good progress in our preparatory work on our Environmental Management Strategy and in particular the development of our own Farm Environment Plan system. A pilot programme that saw eight irrigators develop farm plans for their operation has provided valuable information in preparing to roll the system out across the company.
The appointment of our new Environmental Manager, Julia Crossman, is strategically very significant and Julia brings a wealth of knowledge, experience and enthusiasm to this new role.

## Chairman's Report (continued)

Reflecting on the year, I have a very positive feel of our company building a genuine robustness through the restructure, the implementation of effective management and information systems and the increasing capability and professionalism of our management team. With the merger now implemented, I feel we are well placed to build on this ‘robustness’ in further improving our operational performance and meeting the increasing challenges ahead.

On behalf of the Board I wish to reiterate our thanks to our management and operations staff for their services and vital contribution to another successful year.

We recognise the importance of good relationships with our key partners and I therefore wish to acknowledge the on-going support of local and regional staff at ECan, to the very capable staff and management at TrustPower, to Andrew Leete and his colleagues at Tavendale & Partners (formally Goodman Tavendale Reid Law) and to Chris Broughton and his team at ANZ. The OEFRAG group, led by Judy Blakemore, continue to be a valuable entity in our lake management operation. We appreciate the on-going support of these individuals and organisations and their willingness to engage with us as we seek to improve and enhance our business.

To all our shareholders and irrigators, I appreciate your support through the merger process and the cooperation and on-going feedback we receive.

Thank you to my fellow Board members for their valuable contribution and guidance which is greatly appreciated and I would like to acknowledge the refreshing and valuable input Jeremy Boys has provided in his first year as an independent Director to our Board.

**Tom Lambie**
*Chairman*
October 17, 2014

OPUHA WATER LIMITED

# Statement of Comprehensive Income

## FOR THE YEAR ENDED 30 JUNE 2014

| | Notes | 2014 $ | *Restated* 2013 $ |
|---|---|---|---|
| **Continuing Operations** | | | |
| Water Supply and Operations | **14** | 3,652,631 | 3,629,891 |
| Generation and Electricity | **15** | 2,269,914 | 2,384,962 |
| Other Income | **16** | 135,768 | 175,218 |
| **TOTAL INCOME** | | **$6,058,313** | **$6,190,071** |
| **Less Operating Expenses** | | | |
| Direct Expenses | **17** | 1,666,188 | 1,842,461 |
| Administration Expenses | **18** | 361,765 | 337,648 |
| Finance Expenses | **19** | 952,999 | 873,153 |
| | | 2,980,952 | 3,053,262 |
| Profit (Loss) on Disposal of Fixed Assets | | (14) | 1,711 |
| **Non-Operating Expenses** | | | |
| Restructure of Entities | **20** | 248,785 | 66,212 |
| **Non-Cash Expenses** | | | |
| Depreciation | **12** | 1,107,305 | 1,119,780 |
| **TOTAL EXPENSES** | | **$4,337,056** | **$4,237,543** |
| **NET PROFIT (LOSS) FOR THE PERIOD** | | **$1,721,257** | **$1,952,528** |
| Tax Expense | **6** | (588,247) | (254,834) |
| **Profit/(Loss) from Continuing Operations** | | **$1,133,009** | **$1,697,694** |
| **Other Comprehensive Income (Expenditure)** | | | |
| Revaluation of Property, Plant and Equipment | **12** | 33,289 | - |
| | | 33,289 | - |
| **Total Comprehensive Income** | | **$1,166,298** | **$1,697,694** |

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 2014**

| | Notes | 2014<br>$ | *Restated*<br>2013<br>$ |
|---|---|---|---|
| **RETAINED EARNINGS** | | | |
| Opening Balance | | (5,247,337) | (7,632,634) |
| 2012 Adjustment for Deferred Tax Expense | | - | 637,559 |
| 2012 Adjustment for Depreciation (Dam Non-Mechanical) | 12 | - | 50,044 |
| | | (5,247,337) | (6,945,031) |
| Profit (Loss) for the Year | | 1,133,009 | 1,697,694 |
| **Closing Balance** | 11 | -$4,114,328 | -$5,247,337 |
| **REVALUATION RESERVE** | | | |
| Opening Balance | | 20,587 | 20,587 |
| Revaluation of Property, Plant and Equipment | 12 | 33,289 | - |
| **Closing Balance** | 11 | $53,876 | $20,587 |
| **CONTRIBUTED EQUITY** | | | |
| Opening Balance | | 1,000 | 1,000 |
| Share Issue | | - | - |
| **Closing Balance** | 11 | $1,000 | $1,000 |
| **Total Equity** | | **-$4,059,452** | **-$5,225,750** |

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 2014**

| | Notes | 2014<br>$ | *Restated*<br>2013<br>$ |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and Cash Equivalents | 3 | 304,227 | 653,473 |
| Receivables and Prepayments | 4 | 1,103,050 | 1,088,908 |
| Related Party Transactions - Restructure | 23 | 427,816 | - |
| Preliminary Downstream Weir Enhancement Costs | | 445,138 | 123,227 |
| Term Deposit - ANZ Bank New Zealand | 9 | - | 185,000 |
| | | 2,280,231 | 2,050,608 |
| **Fixed Assets** | | | |
| Property, Plant and Equipment | 12 | 45,592,415 | 46,399,317 |
| **Total Fixed Assets** | | 45,592,415 | 46,399,317 |
| **Other** | | | |
| Shares - Farmlands Co-operative Society | | 1,880 | 1,880 |
| **Total Investments** | | 1,880 | 1,880 |
| **TOTAL ASSETS** | | **$47,874,526** | **$48,451,805** |
| **LIABILITIES** | | | |
| Trade and Other Payables | 5 | 830,440 | 641,602 |
| Derivatives | 21 | 2,455,965 | 3,916,592 |
| Current Accounts | 22 | 90,809 | 86,443 |
| Employer Liabilities | | 40,262 | 31,378 |
| | | 3,417,477 | 4,676,015 |
| **Provisions - Taxation** | | | |
| Tax Payable/(Refund) | 6 | 4,719 | 3,404 |
| **Other** | | | |
| Term Loans - ANZ Bank New Zealand | 9 | 25,171,140 | 26,000,000 |
| Deferred Tax Liability | 7 | 4,841,719 | 4,497,136 |
| Shareholders' Current Accounts | 31 | 18,498,923 | 18,501,001 |
| | | 48,511,782 | 48,998,137 |
| **TOTAL LIABILITIES** | | **$51,933,978** | **$53,677,556** |
| **SHAREHOLDERS' EQUITY** | | | |
| 1,000 Ordinary Shares | 11 | 1,000 | 1,000 |
| Retained Earnings | 11 | (4,114,328) | (5,247,337) |
| Revaluation Reserve | 11, 12 | 53,876 | 20,587 |
| **Total Shareholders' Equity (Deficit)** | | (4,059,452) | (5,225,750) |
| **TOTAL EQUITY AND LIABILITIES** | | **$47,874,526** | **$48,451,805** |

Signed for and on behalf of the Directors:

Thomas C Lambie
*Director*

William D O'Sullivan
*Director*

October 17, 2014
*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 2014**

| | Notes | 2014 $ | 2013 $ |
|---|---|---|---|
| **CASHFLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash was provided from: | | | |
| Operating Income | | 6,167,142 | 5,971,039 |
| Sundry Income | | 2,532 | 20,891 |
| Goods and Services Tax | | - | 184,418 |
| Income Tax Refunds | | 7,287 | 9,896 |
| | | 6,176,961 | 6,186,244 |
| Cash was applied to: | | | |
| Administration Expenses | | 374,870 | 392,728 |
| Direct Expenses | | 1,749,688 | 2,063,718 |
| Finance Expenses | | 2,419,344 | 2,182,833 |
| Goods and Services Tax | | 144,830 | - |
| Income Tax Payments | | 161,102 | - |
| | | 4,849,834 | 4,639,279 |
| Net Cash Inflow/(Outflow) from Operating Activities | 31 | **$1,327,127** | **$1,546,965** |
| **CASHFLOWS FROM INVESTING ACTIVITIES** | | | |
| Cash was provided from: | | | |
| Interest Received | | 18,245 | 29,362 |
| Dividends Received | | 7,608 | 24,513 |
| | | 25,853 | 53,875 |
| Cash was applied to: | | | |
| Restructure of Entities | | 566,214 | - |
| Fixed Asset Purchases & Capital Expenditure | | 493,770 | 234,345 |
| | | 1,059,984 | 234,345 |
| Net Cash Inflow/(Outflow) from Investing Activities | | **-$1,034,131** | **-$180,470** |
| **CASHFLOWS FROM FINANCING ACTIVITIES** | | | |
| Cash was provided from: | | | |
| ANZ Bank New Zealand - Term Deposit | | 185,000 | - |
| Related Parties | | 3,697 | - |
| | | 188,697 | - |
| Cash was applied to: | | | |
| Shareholder Expenses - SCFIS Holdings Limited | | 2,078 | 2,560 |
| ANZ Bank New Zealand - Loans | | 828,860 | 1,256,850 |
| | | 830,938 | 1,259,410 |
| Net Cash Inflow/(Outflow) from Financing Activities | | **-$642,241** | **-$1,259,410** |
| **NET INCREASE/(DECREASE) IN CASH HELD** | | | |
| Net Increase in Cash Held | | (349,245) | 107,085 |
| Add Cash at Start of Year | | 653,472 | 546,387 |
| **Balance of Cash at End of Year** | | **$304,227** | **$653,472** |
| **Cash Balances** | | | |
| Petty Cash - Opuha House | | - | 99 |
| ANZ Bank New Zealand - Cheque Account | | 33,370 | 27,567 |
| ANZ Bank New Zealand - Premium Call Account | | 270,857 | 625,806 |
| | | **$304,227** | **$653,472** |

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

The following notes should be read in conjunction with the attached Financial Statements:

## 1 STATEMENT OF ACCOUNTING POLICIES

**Reporting Entity**

Opuha Water Limited is domiciled in New Zealand registered under the Companies Act 1993. 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. Opuha Water Limited is 100% owned by farming members through its shareholders SCFIS Holdings Limited and Levels Plain Holdings Limited.
SCFIS Holdings Limited and Levels Plain Holdings Limited were struck off on 1 July 2014 after they merged into SCFIS Limited. Refer to note 30 'Subsequent Events after Balance Date'.

**Statement of Compliance**

The financial statements have been prepared in accordance which New Zealand Generally Accepted Accounting Practices ("NZ GAAP"). The Financial Statements comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable financial standards, as appropriate for profit-orientated entities.
The financial statements also comply with International Financial Reporting Standards ("IFRS").
These financial statements were approved by the Board of Directors on 17 October 2014.

**Measurement Basis**

The financial statements have been prepared on a historical cost basis, except for the following items in the Statement of Financial Position:

- Derivatives which are measured at fair value
- Certain items of property, plant and equipment that are subject to revaluation

**Functional and Presentation Currency**

These financial statements are presented in New Zealand Dollars which is the company's functional currency and has been rounded to the nearest dollar.

**Going Concern**

The financial statements are not prepared on a going concern basis because of the amalgamation of the company into SCFIS Limited on 1 July 2014. In preparing the financial statements on a non-going concern basis, the Directors have continued to apply the requirements of NZ IFRS taking into account that Opuha Water Limited is not expected to continue as a going concern in the foreseeable future.
This has resulted in recognising all the assets and liabilities at 30 June 2014 as held for sale under NZ IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations', refer to note 30.

**Specific Accounting Policies**

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

1.1 **Property, Plant & Equipment**

Property, Plant and Equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses, except for the following items which include revaluations:

- Dam & Power Station - which includes a revaluation as at June 2010 to replacement cost
- Land and Buildings - which includes a revaluation as at 30 June 2014 to Government Valuation

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. 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. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains/(losses) - net in the Statement of Comprehensive Income.

a) 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 profit and loss as an expense as incurred.

b) Depreciation

Property, Plant and Equipment is recorded at cost less depreciation provided to date. Depreciation is calculated using the diminishing balance method and straight line method and is charged to the Statement of Comprehensive Income. Land is not depreciated. The rates associated with certain types of assets are:

| | | |
|---|---|---|
| Buildings | 0% | DV |
| Plant and Equipment | 16% | DV |
| Motor Vehicles | 30% | DV |
| Office Equipment & Furniture | 50% | DV |
| Dam (Mechanical) | 4% | DV |
| Dam (Non-Mechanical) | 1.5% | SL |
| Power Station (Mechanical & Non-Mechanical) | 4% | DV |
| Gardner's Pond & Sutherlands Pipeline | 4% | DV |

Effective from 1 April 2011, depreciation on building with an estimated useful life of over 50 years ceased. This 0% rate has been applied to existing buildings owned and new buildings acquired after the start of the 2011/2012 income tax year.
During the 2012 financial year, the depreciation rate for the Dam Non-Mechanical was changed from 4% diminishing value to 1.5% straight line to better reflect the useful life which is expected to be around 66 years.

1.2 **Revenue**

Water sales revenue is recognised in accordance with the contractual arrangements. The risks and rewards of ownership are deemed to have passed at the point that the contract has been agreed upon. Energy sales revenue is recognised in accordance with contractual arrangements, and where applicable, only once the significant risks and rewards of ownership of the goods have passed from Opuha Water Limited to the customer and when collection of the consideration is probable and can be reliably measured.
Interest revenue is recognised on an accruals basis using the effective interest method.

1.3 **Expenses**

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. Expenses have been classified by nature.

1.4 **Finance Costs**

Finance costs represent interest expense on borrowings and fair value movements on derivatives not designed as effective hedges. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the profit or loss using the effective interest method.

1.5 **Research and Development Costs**

Research expenditure is recognised in the profit and loss in the period in which it is incurred. Development costs are capitalised where future benefits are expected to exceed those costs.

1.6 **Income Tax**

Tax expense comprises current and deferred tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, adjusted for tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for accounting and the amounts for tax purposes. Deferred tax is measured at tax rates that are expected to apply to temporary differences when they reverse using tax rates enacted or substantially enacted at year end.
A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that further taxable profits will be available against which they will 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 tax related benefit will be realised.

1.7 **Goods and Services Tax (GST)**

The financial statements are prepared on a GST exclusive basis except where the expenditure incurring the GST charge is one in respect of which a claim for recovery of the GST is not allowed by the Inland Revenue.
In these cases and in respect of Accounts Receivable and Accounts Payable, the amounts include GST.

1.8 **Trade Receivables**

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.

1.9 **Trade and Other Payables**

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.

1.10 **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.

1.11 **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 value in use less costs to sell. 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.

1.12 **Financial Instruments**

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

1.13 **Interest Bearing Liabilities and Borrowing**

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.

1.14 **Derivatives**

Derivatives are initially recognised at fair value on the date a contract is entered into and are subsequently remeasured 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 prepared by the counterparty, based on prevailing market rates. Changes in fair values of derivatives are recognised in the profit and loss 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.

1.15 **Employee Entitlements**
Liabilities for annual leave are accrued and recognised in the Statement of Financial Position. Annual leave is recorded at the amount expected to be paid for the entitlement earned.

1.16 **Cash and Cash Equivalents**
Cash and cash equivalents includes cash on hand, demand deposits and short-term highly liquid investments with original maturities of three months or less.

1.17 **Comparative Figures**
Where applicable, certain comparatives are re-stated to comply with the accounting presentation adopted for the current year.

1.18 **Finance Expenses**
Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in the Statement of Comprehensive Income using the effective interest method.

## 2 AUDITORS REMUNERATION

KPMG provides audit services to the Company. As a measure of their commitment, KPMG have fixed their audit fee for three years - years ended 2012, 2013 and 2014. The audit fees for the subsequent two years are subject to a CPI increase and any significant changes to the scope of scale of the Opuha operations. Disbursements and are billed at the actual cost incurred. During the year $49,462 (excluding GST) was paid to KPMG - $11,550 for audit services & disbursements relating to the 2013 financial year, $37,532 for tax advice in relation to the company restructure and $380 for FBT advice. As at 30 June 2014, $200 was still owing for FBT advice and $11,000 has been accrued in the financial statements for 2014 audit services.

## 3 CASH & CASH EQUIVALENTS

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| ANZ Bank New Zealand - Cheque Account | 33,370 | 27,567 |
| ANZ Bank New Zealand - Premium Call Account | 270,857 | 625,806 |
| Petty Cash - Opuha House | - | 99 |
| | **$304,227** | **$653,473** |

## 4 RECEIVABLES & PREPAYMENTS

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Trade Receivables | 744,290 | 723,584 |
| Accrued Revenue | 24,753 | - |
| Prepayments | 324,481 | 354,666 |
| Retail Electricity Prudential Reserve | 9,526 | - |
| GST Receivable | - | 10,658 |
| | **$1,103,050** | **$1,088,908** |

Accounts Receivable are shown net of impairment losses amounting to $ Nil (2013 : $ Nil).
Accounts Receivable relating to related party transactions were $29,651 (2013 : $28,924).

## 5 TRADE AND OTHER PAYABLES

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Trade Payables | 318,775 | 469,616 |
| Accrued Expenditure | 272,925 | - |
| GST Payable | 66,827 | - |
| Water Charges Received in Advance | 5,761 | 114 |
| Interest Payable on Term Loans | 166,153 | 171,872 |
| **Total Trade and Other Payables** | **$830,440** | **$641,602** |

## 6 TAXATION

| | 2014 $ | 2013 $ |
|---|---|---|
| **6.1 Statement of Comprehensive Income** | | |
| ***Current Income Tax Expense*** | | |
| Profit (Loss) before Income Tax | 1,721,257 | 1,952,528 |
| Add Back Non-Taxable Adjustments | | |
| Revaluation of Interest Rate Swaps | (1,460,626) | (1,328,267) |
| Difference in Tax Depreciation & Accounting Depreciation | 191,795 | 461,031 |
| Adjustment for Prior Years Difference in Depreciation | - | (281,908) |
| Difference in Swap Break Fee | 189,123 | - |
| Non-Deductible Expenses - Entertainment | 1,105 | 407 |
| Non-Deductible Expenses - Restructure of Entities (Current Year) | 248,785 | 43,138 |
| Non-Deductible Expenses - Restructure of Entities (Prior Year) | 23,074 | - |
| Non-Taxable Dividend - Farmlands Cooperative Society | - | 18 |
| Net Effect of Imputation Credits on Dividends | 2,373 | 10,693 |
| Taxable Income | 916,885 | 857,640 |
| Losses Brought Forward | - | (735,434) |
| Unused Imputation Credits Converted (Prior Year) | - | (78,878) |
| Taxable Profit/(Loss) | $916,885 | $43,328 |
| | **$256,728** | **$12,132** |
| Less Imputation Credits (Current Year) | (2,373) | $0 |
| Less Imputation Credits (Prior Year) | (10,690) | $0 |
| **Current Income Tax Expense 28%** | **$243,665** | **$12,132** |
| ***Deferred Income Tax Expense*** | | |
| Movement in Temporary Differences | 1,230,651 | 866,794 |
| **Deferred Income Tax Expense 28%** | 344,582 | 242,702 |
| **Income Tax reported in Statement of Comprehensive Income** | **$588,247** | **$254,834** |

The current income tax for the period was calculated using the rate of 28% (2013 : 28%). The deferred tax balances in these financial statements have been measured using the 28% tax rate (2013 : 28%).

### 6.2 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:

| | 2014 | 2013 |
|---|---|---|
| Accounting Profit (Loss) before Income Tax | 1,721,257 | 1,952,528 |
| **Tax at the Statutory Rate of 28%** | **481,952** | **546,708** |
| Tax Effect of Expenses not Tax Deductible | 76,430 | 12,198 |
| Tax Effect of Temporary Differences | 42,264 | (79,058) |
| Net Effect of Imputation Credits on Dividends | (12,399) | 2,994 |
| Losses Brought Forward & Unused Tax Credits | - | (228,007) |
| | 106,295 | (291,874) |
| **Income Tax reported in Statement of Comprehensive Income** | **$588,247** | **$254,834** |
| **Average Effective Tax Rate** | 34% | 13% |

### 6.3 Statement of Financial Position

| | 2014 | 2013 |
|---|---|---|
| Taxation Opening Balance | 3,404 | (9,895) |
| Income Tax Refunds Received | 7,287 | 9,896 |
| Tax on Taxable Income | 243,665 | 12,132 |
| Less Provisional Tax Paid | (241,654) | - |
| Less Resident Withholding Tax (RWT) | (7,560) | (6,823) |
| Less Dividend Withholding Tax (DWT) | (424) | (1,906) |
| **Terminal Tax Payable (Receivable)** | **$4,719** | **$3,404** |

The company has losses to carry forward of $ Nil (2013 : $ Nil).

## 7 DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

| | 2014 | *Restated* 2013 | *Restated* 2012 |
|---|---|---|---|
| **Assets** | **$** | **$** | **$** |
| Property, Plant and Equipment (PPE) | - | - | - |
| Swap Break Fee | - | - | - |
| Derivatives | (687,670) | (1,096,646) | (1,468,560) |
| Tax (Assets)/Liabilities | (687,670) | (1,096,646) | (1,468,560) |
| **Liabilities** | | | |
| Property, Plant and Equipment (PPE) | 5,476,435 | 5,593,782 | 5,722,994 |
| Swap Break Fee | 52,954 | - | - |
| Derivatives | - | - | - |
| Tax (Assets)/Liabilities | 5,529,389 | 5,593,782 | 5,722,994 |
| **Net** | | | |
| Property, Plant and Equipment (PPE) | 5,476,435 | 5,593,782 | 5,722,994 |
| Swap Break Fee | 52,954 | - | - |
| Derivatives | (687,670) | (1,096,646) | (1,468,560) |
| **Tax (Assets)/Liabilities** | **$4,841,719** | **$4,497,136** | **$4,254,434** |

| Movement in temporary differences: | PPE<br>$ | Break Fee<br>$ | Derivatives<br>$ | Total<br>$ |
|---|---|---|---|---|
| Balance 30 June 2011 | **-$20,652,989** | $0 | **$6,713,418** | **-$13,939,571** |
| Recognised in Profit or Loss | 213,723 | - | (1,468,560) | (1,254,837) |
| Balance 30 June 2012 | **-$20,439,266** | $0 | **$5,244,858** | **-$15,194,408** |
| Recognised in Profit or Loss | 461,472 | - | (1,328,266) | (866,794) |
| Balance 30 June 2013 | **-$19,977,794** | $0 | **$3,916,592** | **-$16,061,202** |
| Recognised in Profit or Loss | 419,099 | (189,123) | (1,460,627) | (1,230,651) |
| **Balance 30 June 2014** | **-$19,558,695** | **-$189,123** | **$2,455,965** | **-$17,291,853** |

## 8 IMPUTATION CREDIT ACCOUNT

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Opening Balance | 65,166 | 55,640 |
| Plus Resident Withholding Tax (RWT) | 7,560 | 6,823 |
| Plus Dividend Withholding Tax (DWT) | 424 | 1,906 |
| Plus Imputation Credits on Dividends | 2,373 | 10,693 |
| Plus Provisional Tax Paid | 241,654 | - |
| | 317,175 | 75,062 |
| Less Terminal Tax/(Refunds) | (7,287) | (9,896) |
| **Closing Balance available to Shareholders** | **$309,888** | **$65,166** |

## 9 SECURED LIABILITIES

**Term Loan - ANZ Bank New Zealand**
Amount: $25,171,140 (2013 : $26,000,000)

The following amounts are subject to Interest Swap Rates (including credit margin of 1.65%):

- $10,800,000 - interest rate: 8.91% p.a. from 4 December 2012 - maturity date 2 April 2019
- $10,800,000 - interest rate: 8.97% p.a. from 2 April 2007 - maturity date 7 January 2019

Terms of Repayment - Interest only

The following amounts are on a Floating rate (including credit margin of 1.65%):

- $3,571,140 - interest rate: 7.45% p.a.

On 2 March 2014, the company terminated a $4,400,000 swap contract with the ANZ Bank New Zealand prior to maturity and placed the loan on a floating rate for the ability to repay debt. The break fee to exit the swap contract was $216,141. For taxation purposes, the break fee has been proportioned over the original swap contract term, which was a maturity date 2 November 2016.

Security:

i) A Cross Guarantee and Indemnity between Opuha Water Limited, SCFIS Limited and Levels Plain Irrigation Co Ltd.
ii) General Security Agreement over all the assets and undertaking of Opuha Water Limited.
iii) First Registered Mortgage over the property known as Opuha Dam.

The company's carrying amount of financial assets are pledged as collateral. Refer to the value of the Opuha Dam & Power Station shown in the Statement of Financial Position.

**Financial Covenants**

Opuha Water Limited is required to ensure that the following financial covenant ratio for secured loans are achieved during the year. The debt service ratio is to be a minimum of 1.05 : 1 calculated as:

$$\frac{\text{Earnings before Interest, Tax \& Depreciation } \textit{less} \text{ Capital Expenditure *}}{\text{Debt Servicing Costs}}$$

** Net capital expenditure means, in relation to any period, any capital expenditure during that period is not funded by term debt (bank funding) or cash on deposit.*

The company has previously been required to hold cash on deposit with the bank an amount equivalent to cover one month interest ($185k). From 1 May 2014, this requirement was waived.
The company has complied with all covenants and loan repayment obligations during the financial year.

Conditions of the debt service cover ratio:

i) An undertaking from the Directors that when the water levy charges are set for shareholders the amount will be sufficient to cover debt servicing.
ii) The company will hedge a minimum of 80% of the interest rate on the loan for the loan term.
iii) No shareholder disbursements are to be made without the prior consent of the ANZ Bank New Zealand.

The company must provide the financial institution with compliance certificates within 60 days of the end of each half-year and financial year, in the form of an annexure, signed by an authorised representative certifying that the financial undertakings have not been breached at anytime during the period and specifying the relevant ratios and amounts in dollars as at the last day of the period. The next test date is in December 2014.

## 10 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 2014 was 9.65% p.a. (2013 : 9.65%). At balance date, no overdraft funds were drawn.

## 11 EQUITY

**Retained Earnings**

Retained earnings is the portion of net income that is retained by the company which has not been distributed to shareholders. Retained earnings and losses are cumulative from year to year.

**Revaluation Reserve**

Revaluation reserve relates to the revaluation of items of property, plant and equipment.
Revaluations are carried out whenever there is a material difference between the current market value of an asset and the value at which it carried on the balance sheet. Revaluation reserves are not distributable.
As at 30 June 2014, the financial statements include a revaluation of the Dam & Power Station to replacement cost and a revaluation of Land and Buildings to Government Valuation.

**Contributed Equity**

Contributed equity is paid in capital. 1,000 authorised shares have been issued and fully paid. All ordinary shares have equal voting rights and share equally in dividends and surplus on winding up. The shares have no par value. The shares issued to farmers within the scheme who have contracts to receive water covering 16,000 hectares within Opuha Water Limited's operations, are through their respective shareholders SCFIS Holdings Ltd and Levels Plain Holdings Ltd. Each shareholder shall hold one paid share for one hectare of irrigatable land held within the scheme area.

### 12 PROPERTY, PLANT & EQUIPMENT

| | Land & Buildings | Plant & Equipment | Motor Vehicles | Office Equipment | Dam Non-Mech. | Dam Mechanical | P.Station Non-Mech. | P.Station Mechanical | Gardner's Pond | Sutherlands Pipeline | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **COST AND VALUATION** | | | | | | | | | | | |
| *Previously Reported ** | *151,187* | *44,178* | *146,430* | *28,208* | *34,392,932* | *817,590* | *5,836,467* | *6,900,221* | *562,021* | *490,717* | ***$49,369,951*** |
| *Adjustments / Classification Transfer* | *-2,786* | *1,188* | *-5,503* | *1,598* | *-466,969* | *465,338* | *-212* | *294* | *0* | *0* | ***-$7,052*** |
| Balance at 1 July 2011 | 148,401 | 45,366 | 140,927 | 29,806 | 33,925,963 | 1,282,928 | 5,836,255 | 6,900,515 | 562,021 | 490,717 | **$49,362,899** |
| Revaluations | 20,587 | - | - | - | - | - | - | - | - | - | **$20,587** |
| Additions | - | - | - | 11,430 | - | 2,957 | - | - | 292,118 | 648,592 | **$955,097** |
| Disposals - Book Value | - | - | - | (727) | - | - | - | - | - | - | **-$727** |
| **Balance at 30 June 2012** | **168,988** | **45,366** | **140,927** | **40,509** | **33,925,963** | **1,285,885** | **5,836,255** | **6,900,515** | **854,139** | **1,139,309** | **50,337,856** |
| *Previously Reported ** | *171,774* | *44,178* | *146,430* | *38,957* | *34,395,889* | *817,590* | *5,836,467* | *6,900,765* | *854,140* | *1,139,309* | ***$50,345,499*** |
| Balance at 1 July 2012 | 168,988 | 45,366 | 140,927 | 40,509 | 33,925,963 | 1,285,885 | 5,836,255 | 6,900,515 | 854,139 | 1,139,309 | **$50,337,856** |
| Additions | 10,338 | 3,870 | 36,835 | 21,684 | 12,825 | 9,217 | 6,540 | 33,336 | 3,112 | - | **$137,757** |
| Disposals - Book Value | - | - | (4,672) | - | - | - | - | - | - | - | **-$4,672** |
| **Balance at 30 June 2013** | **179,326** | **49,236** | **173,090** | **62,193** | **33,938,788** | **1,295,102** | **5,842,795** | **6,933,851** | **857,251** | **1,139,309** | **$50,470,941** |
| *Previously Reported ** | *182,112* | *48,048* | *180,976* | *60,641* | *34,415,102* | *820,419* | *5,843,007* | *6,934,101* | *854,140* | *1,142,421* | ***$50,480,967*** |
| Balance at 1 July 2013 | 179,326 | 49,236 | 173,090 | 62,193 | 33,938,788 | 1,295,102 | 5,842,795 | 6,933,851 | 857,251 | 1,139,309 | **$50,470,941** |
| Revaluations | 33,289 | - | - | - | - | - | - | - | - | - | **$33,289** |
| Additions | 39,576 | 22,594 | 41,122 | 95,292 | 1,050 | 62,473 | 4,675 | - | 3,603 | - | **$270,385** |
| Disposals - Book Value | - | (2,913) | - | (6,045) | - | - | - | - | - | - | **-$8,958** |
| **Balance at 30 June 2014** | **252,191** | **68,917** | **214,212** | **151,440** | **33,939,838** | **1,357,575** | **5,847,470** | **6,933,851** | **860,854** | **1,139,309** | **$50,765,657** |
| **DEPRECIATION** | | | | | | | | | | | |
| Balance at 1 July 2011 | 5,872 | 5,924 | 36,476 | 6,288 | 1,143,436 | 51,873 | 233,465 | 310,902 | - | - | **$1,794,236** |
| *Previously Reported ** | *6,084* | *5,904* | *41,979* | *6,096* | *1,161,969* | *35,435* | *233,465* | *310,902* | *-* | *-* | ***$1,801,834*** |
| Depreciation for the year | 1,862 | 6,020 | 34,318 | 8,672 | 433,181 | 57,047 | 224,277 | 283,963 | 26,724 | 84,315 | **$1,160,379** |
| *Previously Reported ** | *2,265* | *5,786* | *34,318* | *8,503* | *498,509* | *32,481* | *228,529* | *288,990* | *26,724* | *84,315* | ***$1,210,420*** |
| Disposals - Accumulated Depreciation | - | - | - | (387) | - | - | - | - | - | - | **-$387** |
| **Balance at 30 June 2012** | **7,734** | **11,944** | **70,794** | **14,573** | **1,576,617** | **108,920** | **457,742** | **594,865** | **26,724** | **84,315** | **$2,954,228** |
| *Previously Reported ** | *8,349* | *11,690* | *76,297* | *14,259* | *1,660,478* | *67,897* | *462,003* | *599,902* | *26,724* | *84,315* | ***$3,011,914*** |
| Balance at 1 July 2012 | 7,734 | 11,944 | 70,794 | 14,573 | 1,576,617 | 108,920 | 457,742 | 594,865 | 26,724 | 84,315 | **$2,954,228** |
| Depreciation for the year | 1,548 | 5,110 | 30,531 | 9,478 | 428,989 | 52,081 | 215,783 | 264,252 | 27,486 | 84,524 | **$1,119,782** |
| *Previously Reported ** | *1,884* | *4,924* | *30,530* | *9,329* | *732,699* | *30,632* | *215,621* | *264,061* | *27,486* | *84,524* | ***$1,401,690*** |
| Disposals - Accumulated Depreciation | - | - | (2,383) | - | - | - | - | - | - | - | **-$2,383** |
| **Balance at 30 June 2013** | **9,282** | **17,054** | **98,942** | **24,051** | **2,005,606** | **161,001** | **673,525** | **859,117** | **54,210** | **168,839** | **4,071,627** |
| *Previously Reported ** | *10,233* | *16,614* | *106,827* | *23,588* | *2,393,177* | *98,529* | *677,624* | *863,963* | *111,248* | *111,801* | ***$4,413,604*** |
| Balance at 1 July 2013 | 9,282 | 17,054 | 98,942 | 24,051 | 2,005,606 | 161,001 | 673,525 | 859,117 | 54,210 | 168,839 | **$4,071,627** |
| Depreciation for the year | 2,760 | 5,404 | 29,723 | 22,243 | 432,546 | 51,833 | 209,585 | 250,742 | 26,108 | 76,358 | **$1,107,302** |
| Disposals - Accumulated Depreciation | - | (547) | - | (5,138) | - | - | - | - | - | - | **-$5,685** |
| **Balance at 30 June 2014** | **12,042** | **21,911** | **128,665** | **41,156** | **2,438,152** | **212,834** | **883,110** | **1,109,859** | **80,318** | **245,197** | **$5,173,244** |

| | Land & Buildings | Plant & Equipment | Motor Vehicles | Office Equipment | Dam Non-Mech. | Dam Mechanical | P.Station Non-Mech. | P.Station Mechanical | Gardner's Pond | Sutherlands Pipeline | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **CARRYING AMOUNTS** | | | | | | | | | | | |
| **At 1 July 2010** | - | - | - | - | - | - | - | - | - | - | $0 |
| **At 30 June 2011** | 142,529 | 39,442 | 104,451 | 23,518 | 32,782,527 | 1,231,055 | 5,602,790 | 6,589,613 | 562,021 | 490,717 | $47,568,663 |
| *Previously Reported ** | *145,103* | *38,274* | *104,451* | *22,112* | *33,230,963* | *782,175* | *5,602,993* | *6,589,309* | *562,021* | *490,717* | ***$47,568,118*** |
| **At 30 June 2012** | 161,254 | 33,422 | 70,133 | 25,936 | 32,349,347 | 1,176,966 | 5,378,513 | 6,305,651 | 827,416 | 1,054,994 | $47,383,632 |
| *Previously Reported ** | *163,425* | *32,488* | *70,133* | *24,698* | *32,735,411* | *749,693* | *5,374,464* | *6,300,863* | *827,416* | *1,054,994* | ***$47,333,585*** |
| **At 30 June 2013** | 170,043 | 32,181 | 74,148 | 38,142 | 31,933,183 | 1,134,102 | 5,169,270 | 6,074,735 | 803,042 | 970,470 | $46,399,316 |
| *Previously Reported ** | *171,879* | *31,434* | *74,149* | *37,053* | *32,021,925* | *721,890* | *5,165,383* | *6,070,138* | *742,892* | *1,030,620* | ***$46,067,363*** |
| **At 30 June 2014** | $240,150 | $47,006 | $85,547 | $110,284 | $31,501,686 | $1,144,741 | $4,964,360 | $5,823,993 | $780,536 | $894,112 | $45,592,415 |

*** Previously Reported**

During the preparation of the 2014 financial statements, it was identified that some fixed assets had been previously recorded in the wrong classification group.
The identified assets have been transferred to their new classification group and the table above reinstated to show the correct balances from 1 July 2010 when the assets were acquired from Opuha Water Partnership. There has been no adjustment to the depreciation rates for the assets transferred between Land & Buildings, Plant & Equipment and Office Equipment.

The transfer of assets to Dam Mechanical from Dam Non-Mechanical has affected the depreciation calculation in prior years as the depreciation rate for Dam Non-Mechanical was chanegd from 4% DV to 1.5% SL to better reflect the useful life which is expected to be around 66 years. Therefore those assets which have been transferred were depreciated at 1.5% SL instead of 4% DV.
It was also identified that, in the 2013 year, the 1.5% SL rate had only been applied to the revaluation component of the Dam Non-Mechanical assets whereas it should have been applied to all the underlying Dam Non-Mechanical assets.
The table below presents the resultant outcome of the application of the revised depreciation rate (1.5% SL instead of 4% DV) to all the Dam Non-Mechanical assets from the 2012 financial year.
The change has resulted in an increase in retained earnings and Dam Non-Mechanical assets.

| **Year Ended 30 June 2012** | **Previously Reported** | **Adjustment** | **Restated** |
|---|---|---|---|
| Depreciation Expense | $1,210,420 | -$50,044 | $1,160,376 |
| Carrying Amounts | $47,333,585 | $50,044 | $47,383,629 |

| **Year Ended 30 June 2013** | **Previously Reported** | **Adjustment** | **Restated** |
|---|---|---|---|
| Depreciation Expense | $1,401,690 | -$281,910 | $1,119,780 |
| Carrying Amounts | $46,067,363 | $281,910 | $46,399,317 |
| | | | |
| Retained Earnings 1 July 2011 | -$5,342,544 | $0 | -$5,342,544 |
| Retained Earnings 30 June 2012 | -$7,632,634 | $50,044 | -$7,582,593 |
| **Retained Earnings 30 June 2013** | **-$5,467,266** | **$281,910** | **-$5,185,357** |

### 12.1 Difference in Tax Depreciation & Accounting Depreciation

New Zealand Equivalent to International Accounting Standard 12 Income Taxes (NZ IAS 12) sets out the revaluation of assets and the treatment of assets carried at fair value.
It is inherent in the recognition of an asset that its carrying amount will be recovered in the form of economic benefits that flow to the entity in future periods. When the carrying amount of the asset exceeds its tax base (ie. an asset is revalued upwards in the financial statements, but there is no similar adjustment to the tax base of the asset), the amount of taxable economic benefits will exceed the amount that will be allowed as a deduction for tax purposes. This difference is a taxable temporary difference and the obligation to pay the resulting income taxes in future periods is a deferred tax liability. This is because of the way in which the depreciation charge from the revalued asset is handled in the income statement for accounting and tax purposes.
While the depreciation expense for accounting purposes is based on the revalued amount, the depreciation expense that is deducted for tax purposes must still be based on the asset's original cost.
The table below highlights the depreciation used in determining taxable profit which differs than that shown in the Statement of Comprehensive Income.

| | Depreciation | | | Accumulated Depreciation | | |
|---|---|---|---|---|---|---|
| **Year Ended 30th June 2014** | **Tax** | **Acctg** | **Difference** | **Tax** | **Acctg** | **Difference** |
| Buildings | 2,760 | 2,760 | - | 12,043 | 12,043 | - |
| Plant & Equipment | 5,404 | 5,404 | - | 22,459 | 22,459 | - |
| Motor Vehicles | 29,724 | 29,724 | - | 128,665 | 128,665 | - |
| Office Equipment & Furniture | 22,243 | 22,243 | - | 41,156 | 41,156 | - |
| Dam - Non Mechanical | 458,786 | 432,545 | **-26,241** | 1,951,283 | 2,438,151 | **486,868** |
| Dam - Mechanical | 38,658 | 51,833 | **13,175** | 156,750 | 212,835 | **56,085** |
| Power Station - Non Mechanical | 115,686 | 209,585 | **93,899** | 483,545 | 883,110 | **399,565** |
| Power Station - Mechanical | 139,780 | 250,742 | **110,962** | 637,492 | 1,109,859 | **472,367** |
| Gardner's Pond | 26,108 | 26,108 | - | 80,318 | 80,318 | - |
| Sutherlands Pipeline | 76,358 | 76,358 | - | 245,197 | 245,197 | - |
| **Total** | **$915,507** | **$1,107,302** | **$191,795** | **$3,758,908** | **$5,173,793** | **$1,414,885** |

| | Depreciation | | | Accumulated Depreciation | | |
|---|---|---|---|---|---|---|
| **Year Ended 30th June 2013** | **Tax** | **Acctg** | **Difference** | **Tax** | **Acctg** | **Difference** |
| Buildings | 1,548 | 1,548 | - | 9,282 | 9,282 | - |
| Plant & Equipment | 5,110 | 5,110 | - | 17,054 | 17,054 | - |
| Motor Vehicles | 30,531 | 30,531 | - | 98,942 | 98,942 | - |
| Office Equipment & Furniture | 9,478 | 9,478 | - | 24,051 | 24,051 | - |
| Dam - Non Mechanical | 476,933 | 428,988 | **-47,945** | 1,492,496 | 2,005,605 | **513,109** |
| Dam - Mechanical | 38,358 | 52,081 | **13,723** | 118,092 | 161,002 | **42,910** |
| Power Station - Non Mechanical | 118,024 | 215,783 | **97,759** | 367,859 | 673,525 | **305,666** |
| Power Station - Mechanical | 148,667 | 264,253 | **115,586** | 497,712 | 859,117 | **361,405** |
| Gardner's Pond | 27,486 | 27,486 | - | 54,210 | 54,210 | - |
| Sutherlands Pipeline | 84,524 | 84,524 | - | 168,839 | 168,839 | - |
| **Total** | **$940,659** | **$1,119,782** | **$179,123** | **$2,848,537** | **$4,071,627** | **$1,223,090** |

During the 2012 financial year, the depreciation rate for the Dam Non-Mechanical assets was changed from 4% diminishing value to 1.5% straight line to better reflect the useful life which is expected to be around 66 years.
For accounting purposes, the revaluations of the Dam & Power Station completed by Tonkin & Taylor in April 2007 and June 2010 have been depreciated at 4% DV with exception of Dam Non-Mechanical which has been depreciated at 1.5% SL.

## 13 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.

13.1 The company paid Quantum Advantage Ltd, of which Mr Nigel J Gormack is a Director, for accountancy and business advisory services in relation to the restructure. The amount paid or accrued at balance date totals $29,600 excluding GST (2013 : $56,480) and has been recorded in these financial statements.
At balance date, $895 excluding GST of this amount was still owing to Quantum Advantage Ltd.

# Notes to the Financial Statements (continued)

**FOR THE YEAR ENDED 30 JUNE 2014**

13.2 The company paid Quantum Advantage Ltd on behalf of SCFIS Holdings Limited for 2013 financial statement preparation and company compliance. The amount paid at balance date totals $1,448 including GST.

13.3 The company paid Quantum Advantage Ltd on behalf of SCFIS Limited for accountancy relating to the merger and preparation of the prospectus. Costs relating to the restructure from 1 January 2014 have been recorded through a related party loan, which is the date that SCFIS Limited was identified as the 'surviving' entity in the restructure process. The amount paid at balance date totals $76,330 including GST.

Any outstanding balances with Quantum Advantage Ltd are not secured and standard engagement terms apply.

13.4 SCFIS Holdings Limited is a shareholder of Opuha Water Limited.

13.5 Kakahu Irrigation Ltd owns a percentage of SCFIS Limited, who in turn is a sole shareholder in SCFIS Holdings Limited, who is a shareholder of Opuha Water Limited.

| 14 WATER SUPPLY AND OPERATIONS | 2014 $ | 2013 $ |
|---|---|---|
| Water Supply Revenue | 3,152,640 | 3,152,640 |
| Less - Direct Debit Discount | (95,319) | (96,392) |
| | 3,057,321 | 3,056,248 |
| Sutherlands Water Supply & Capacity Charges | 233,406 | 213,969 |
| Scheme Charges - Gardner's Pond | 41,154 | 41,154 |
| TDC Water Abstraction Charges | 320,750 | 318,520 |
| **Total Water Supply and Operations** | **$3,652,631** | **$3,629,891** |

| 15 GENERATION AND ELECTRICITY | 2014 $ | 2013 $ |
|---|---|---|
| Electricity Generation Sales | 2,194,257 | 2,377,700 |
| Electricity Hedges | - | 7,262 |
| Demand Response Contract with Transpower | 91,134 | - |
| Retail Electricity Market Pilot | | |
| Retail Electricity Income | 76,561 | - |
| Hedge Settlements | 8,496 | - |
| Less Simply Energy Fees | (14,688) | - |
| Less Wholesale Electricity Charges | (85,846) | - |
| | (15,477) | - |
| **Total Generation and Electricity** | **$2,269,914** | **$2,384,962** |

| 16 OTHER INCOME | 2014 $ | 2013 $ |
|---|---|---|
| Sundry Income | 463 | 1,523 |
| Diesel Pump Hire | - | 18,957 |
| Share Transfer Charges | - | 675 |
| Insurance Claims | 2,069 | - |
| Scheme Management Fees | 99,100 | 97,000 |
| | 101,632 | 118,154 |
| Dividends Received | | |
| LineTrust South Canterbury | 6,125 | 27,147 |
| CRT Farmlands Co-operative Society | - | 356 |
| | 6,125 | 27,503 |
| Interest Received | | |
| ANZ Bank New Zealand | 22,908 | 23,680 |
| Debtor Late Payments | 5,103 | 5,275 |
| Loan Advance - Totara Valley Irrigation Ltd | - | 606 |
| | 28,011 | 29,560 |
| **Total Other Income** | **$135,768** | **$175,218** |

| 17 DIRECT EXPENSES | 2014 $ | 2013 $ |
|---|---|---|
| Accident Compensation Levies | 9,377 | 7,029 |
| Alpine Energy | | |
| Electricity Use of System Costs (Distribution) | 163,005 | 162,001 |
| Less - Avoided Cost of Transmission Rebates | (145,933) | (103,487) |
| | 17,072 | 58,514 |
| Electricity, Light & Heat | 22,492 | 22,602 |
| Freight and Cartage | 900 | - |
| Health & Safety Management | 5,419 | 4,197 |
| Inspection & Survey Costs | 17,863 | 179,886 |
| Insurances | 372,137 | 399,943 |
| Laundry and Cleaning | 1,107 | 965 |
| Ministry of Business, Innovation & Employment Levies | 2,638 | 3,383 |
| Monitoring Charges | 25,088 | 24,050 |
| Motor Vehicle Expenses | | |
| Fuel and Oil | 31,532 | 30,489 |
| Repairs & Maintenance | 13,008 | 17,853 |
| Registration, Licences & KM's | 11,196 | 9,127 |
| | 55,736 | 58,221 |
| Plant & Equipment Hire | 705 | 206 |
| Power Station Operations Management Fee | 278,193 | 299,117 |
| Protective Clothing | 2,360 | 1,254 |
| Rates | 35,487 | 32,682 |
| Repairs & Maintenance | | |
| Low Value Assets (under $500) | 1,378 | 1,716 |
| Plant & Equipment | 7,726 | 15,629 |
| Property Costs - Opuha House | 6,326 | 1,392 |
| Dam & Power Station | 78,645 | 75,669 |
| Downstream Weir | 28,557 | 40,333 |
| Anchor Block Remediation | - | 2,053 |
| Gardner's Pond & Sutherlands | 10,103 | 13,769 |
| | 132,735 | 150,562 |
| Resource Consent Monitoring & Compliance | 6,152 | 5,694 |
| Site Inspection Costs | 31,200 | 31,022 |
| Telephone and Tolls | 16,187 | 13,669 |
| Trees, Planting & Landscaping | 401 | - |
| Wages, Salaries and Allowances | 548,338 | 471,279 |
| Water Measurement & Telemetry Management | 81,469 | 76,609 |
| Weed and Pest Control | 3,132 | 2,329 |
| **Total Direct Expenses** | **$1,666,188** | **$1,842,461** |

| 18 ADMINISTRATION EXPENSES | 2014 $ | 2013 $ |
|---|---|---|
| Accountancy Fees | 8,001 | 43,462 |
| Advertising & Public Notices | 182 | 685 |
| Audit Fees | 11,550 | 11,550 |
| Bad Debts Unrecoverable | 3,913 | - |
| Computer Services & IT Support | 7,531 | 4,551 |
| Conferences, Seminars & Training | 6,398 | 12,112 |
| Consultants & Project Services | - | 88,368 |
| Audited Self-Management | 27,752 | - |
| Commercial (Tax & Financial) | 16,737 | - |
| Electricity Market | 8,409 | - |

| | | |
|---|---|---|
| Engineering | 43,072 | - |
| Project Contribution Costs | - | - |
| River Science Studies | 34,854 | - |
| Scheme Optimisation | 10,549 | - |
| | 141,373 | 88,368 |
| Directors Fees | 88,500 | 83,583 |
| Donations | 800 | 560 |
| Emergency Action Plan | 686 | - |
| Entertainment | 2,263 | 760 |
| General Expenses | 2,370 | 3,271 |
| Internet & Website Charges | 1,351 | 301 |
| Legal Fees | 24,895 | 26,007 |
| Meeting Expenses | 3,283 | 2,053 |
| Opuha Book Production | - | 8,797 |
| Photocopier Rental | 1,200 | 1,440 |
| Recruitment Fees | 295 | 2,970 |
| Rent of Office & Lodge | 9,100 | 9,100 |
| Security | 489 | 440 |
| Software & Licensing Fees | 2,591 | 5,214 |
| Stationery, Printing & Postages | 14,959 | 9,749 |
| Subscriptions | 19,729 | 19,529 |
| Travel and Accommodation | 3,968 | 3,144 |
| Valuation Fees | 1,200 | - |
| Website & Database Support and Maintenance | 5,138 | - |
| **Total Administration Expenses** | **$361,765** | **$337,648** |

### 19 FINANCE EXPENSES

| | 2014 $ | 2013 $ |
|---|---|---|
| Bank Fees & Line of Credit | 5,054 | 6,973 |
| Break Fee - $4.4m Swap | 216,141 | - |
| Interest Expense - ANZ Bank - Overdraft | 40 | 1,849 |
| Interest Expense - ANZ Bank - Long Term Debt | 2,188,338 | 2,181,817 |
| Interest Expense - Tax Management NZ | 4,052 | - |
| Interest Expense - Hunter Premium Funding | - | 10,782 |
| Revaluation of Interest Rate Swaps | (1,460,626) | (1,328,267) |
| **Total Finance Expenses** | **$952,999** | **$873,153** |

### 20 RESTRUCTURE OF ENTITIES

| | 2014 $ | 2013 $ |
|---|---|---|
| Accountancy Services | 17,897 | - |
| Legal Fees | 191,925 | 43,138 |
| Tax Advice & Audit Fees | 38,962 | 23,074 |
| **Total Restructure of Entities** | **$248,785** | **$66,212** |

The restructure costs totalling $248,785 excluding GST relate to expenses incurred up to 31 December 2013. Restructure costs have been allocated to SCFIS Limited From 1 January 2014, which is when SCFIS Limited was identified as the 'surviving' entity in the merger.
From 1 January 2014 to 30 June 2014, the additional costs paid for restructure expenses totalled $372,239 excluding GST ($428,075 GST inclusive). Refer to note 23 'Related Party Loans - Restructure'.

### 21 FINANCIAL RISK MANAGEMENT

**a) Credit Risk**

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 Opuha Water Limited, currently hold a 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.

**b) Credit Facilities**

On the 21st August 2011 the company entered into a credit facility with ANZ Bank New Zealand. According to the terms of the agreement, this facility is repayable on demand, incurs interest at the New Zealand Dollar Bill Bid rate per annum and has a maximum drawdown limit of $2,000,000. At 30 June 2014, no funds on the flexible facility were drawn (2013 : $ Nil).

**c) Interest Rate Risk Management**

To ensure the company's interest payments are reasonably predictable, the company has entered into interest rate swaps to fix the effective interest rates on external borrowings.

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.

Fair value of derivatives are determined based on broker quotes and are considered to be level 2 fair value hierarchy.

| | Notional Value | Carrying Value |
|---|---|---|
| **2014 Year** - Interest Rate Swaps | $21,600,000 | $2,455,965 |
| **2013 Year** - Interest Rate Swaps | $26,000,000 | $3,916,592 |

As at 30 June 2014, after taking into account the effect of interest rate swaps, 100% of the company's borrowings are fixed at effective interest rates on total borrowings of $21,600,000, as disclosed in note 10. At balance date, the company had the following assets exposed to variable interest rate risk that are not designated as cash flow hedges:

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Cash and Cash Equivalents | 304,227 | 653,473 |
| **Total Cash and Cash Equivalents** | **$304,227** | **$653,473** |

The following demonstrates the sensitivity to the Company 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.

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Comprehensive Income impact of rate movement (-50 basis points) | - | 789,693 |
| Comprehensive Income impact of rate movement (+50 basis points) | - | (789,693) |
| Company's Capital impact of rate movement (-50 basis points) | - | 789,693 |
| Company's Capital impact of rate movement (+50 basis points) | - | (789,693) |

The company amalgamated into SCFIS Limited on 1 July 2014 and therefore interest rate risk is not applicable. Refer to note 30 "Subsequent Events to Balance Date'.

**d) Currency Risk**

The company has minimal currency risk given that all financial instruments are transacted in NZ dollars.

**e) 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.

**f) 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 manages this risk by forecasting future cash requirements. The company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

The table below reflects all contractually fixed pay-offs for settlement and repayments resulting from recognised financial liabilities. This 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 30th June 2014 | 2014 Less than 1 year | 2014 1-5 years | 2014 Greater than 5 years |
|---|---|---|---|
| Trade Payables | 318,775 | - | - |
| Interest Payable | 166,153 | - | - |
| Current Accounts | 90,809 | - | - |
| Interest Payable (Floating Rate) | 95,349 | - | - |
| Interest Rate Swaps Payable | 6,775,310 | - | - |
| Borrowings | 28,151,669 | - | - |
| **Total** | **$35,598,065** | **$0** | **$0** |

| Year Ended 30th June 2013 | 2013 Less than 1 year | 2013 1-5 years | 2013 Greater than 5 years |
|---|---|---|---|
| Trade Payables | 658,445 | - | - |
| Interest Payable | 166,153 | - | - |
| Current Accounts | 86,443 | - | - |
| Interest Rate Swaps Payable | 1,564,640 | 5,914,234 | 865,639 |
| Borrowings | 694,200 | 6,983,975 | 21,968,943 |
| **Total** | **$3,169,881** | **$12,898,209** | **$22,834,582** |

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.
The company amalgamated into SCFIS Limited on 1 July 2014 and therefore liquidity risk is not applicable. Refer to note 30 "Subsequent Events to Balance Date'.

**g) 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 changing the level of distributions paid, or it can request further capital contributions from all shareholders to reduce debt levels or to provide funding for capital expenditure requirements. Capital is monitored through the gearing ratio.

### 22 CURRENT ACCOUNTS

| | 2014 $ | 2013 $ |
|---|---|---|
| Kakahu Irrigation Limited | 76,675 | 72,906 |
| Levels Plain Irrigation Limited | 14,134 | 13,537 |
| **Total Current Accounts** | **$90,809** | **$86,443** |

Kakahu Irrigation Limited

The current account shown in the Liabilities for $76,675 (GST exclusive) relates to funds that are collected on behalf of Kakahu Irrigation Limited by Opuha Water Limited. All funds collected are then passed onto Kakahu Irrigation Ltd. The balance of $76,675 relates to funds that were outstanding at 30 June 2014.

Levels Plain Irrigation Limited

The current account shown in the Liabilities for $14,134 (GST exclusive) relates to funds that are collected on behalf of Levels Plain Irrigation Limited by Opuha Water Limited. All funds collected are then passed onto Levels Plain Irrigation Ltd. The balance of $14,134 relates to funds that were outstanding at 30 June 2014.

## 23 RELATED PARTY LOANS - RESTRUCTURE

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Related Party Loan (Restructure) - SCFIS Limited | 428,075 | - |
| Related Party Loan (Restructure) - Kakahu Irrigation Limited | 399 | - |
| Related Party Loan (Restructure) - Totara Valley Irrigation Limited | 2,320 | - |
| Related Party Loan (Restructure) - Levels Plain Irrigation Co Limited | (2,979) | - |
| **Total Related Party Loans - Restructure** | **$427,816** | **$0** |

The related party restructure loans with Kakahu Irrigation Ltd, Totara Valley Irrigation Ltd and Levels Plain Irrigation Company Ltd relate to outstanding creditors and debtors as at 30 June 2014. Opuha Water Limited paid and/or received debtor and creditor invoices on behalf of the related company's post merger. The loans were repaid through working capital funds following the merger on 1 July 2014.
The related party loan with SCFIS Limited totalling $428,075 GST inclusive relates to restructure costs for accountancy services, audit fees and legal expenses paid on behalf of SCFIS Limited from 1 January 2014 through to 30 June 2014 (after SCFIS Limited was identified as the 'surviving' entity in the merger).
Restructure costs incurred up to 31 December 2013 have been recorded in these financial statements.

## 24 DIRECTORS FEES

The following remuneration was paid to Directors throughout the year:

| | | 2014<br>$ | 2013<br>$ |
|---|---|---|---|
| Chairman | Tom Lambie | 22,000 | 22,000 |
| Deputy Chairman | Dermott O'Sullivan | 10,000 | 10,000 |
| Independent Director | Nigel Gormack | 11,000 | 11,000 |
| Independent Director * | Edward Sullivan | - | 4,583 |
| Independent Director * | Jeremy Boys | 11,000 | - |
| Farmer Director | Nicky Hyslop | 9,000 | 9,000 |
| Farmer Director * | Ross Wells | 7,500 | 9,000 |
| Farmer Director | Alvin Reid | 9,000 | 9,000 |
| Farmer Director | Tony Howey | 9,000 | 9,000 |
| **Total Directors Fees** | | **$88,500** | **$83,583** |

* Mr Ross Wells resigned as a Farmer Director on 2 May 2014. Mr Wells was appointed as an advisor.
* Mr Edward Sullivan resigned as an Independent Director of the company on 28 November 2012.
* Mr Jeremy Boys was appointed as an Independent Director of the company on 29 July 2013.

## 25 DIRECTORS IDEMNITY AND INSURANCE

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.

## 26 CONTINGENT LIABILITIES

As at balance date, there were no contingent liabilities. (2013 : $ Nil):

## 27 CONTINGENT ASSETS

As at balance date there were no contingent assets (2013 : $ Nil).

## 28 CAPITAL COMMITMENTS

As at balance date there were no capital commitments.

## 29 JUDGEMENT AND ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

## 30 SUBSEQUENT EVENTS AFTER BALANCE DATE

The following significant events have occurred subsequent to balance date:

Restructure Merger with SCFIS Limited

On 13 May 2014, the shareholders of Opuha Water Limited, being Levels Plain Holdings Ltd and SCFIS Holdings Limited, resolved to amalgamate Opuha Water Limited into SCFIS Limited on 1 July 2014.
*For further information, refer to the Investment Statement and Merger Proposal for SCFIS Limited.*
Opuha Water Limited as at the date of amalgamation, and following the amalgamation of Levels Plain Irrigation Co Limited into SCFIS Limited, is 100% owned by SCFIS Limited. All fixed assets have been amalgamated at historical cost less accumulated depreciation to date of amalgamation. All other assets and liabilities have been amalgamated as at their actual carrying value at 30 June 2014.

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

| | 2014 $ | 2013 $ |
|---|---|---|
| Profit for the year | $1,721,257 | $1,952,528 |
| **Plus/(Less) Non-Cash Items** | | |
| Depreciation | 1,107,305 | $1,119,780 |
| Revaluation of Interest Rate Swaps | (1,460,626) | (1,328,267) |
| Profit / (Loss) on Disposal of Fixed Assets | (14) | $1,711 |
| | -$353,335 | -$206,776 |
| **Plus/(Less) Movements in Working Capital** | | |
| (Increase)/Decrease in Accounts Receivable | (46,088) | $72,030 |
| (Increase)/Decrease in Prepayments | 30,485 | $12,184 |
| (Increase)/Decrease in Other Current Assets | (223,566) | (102,827) |
| (Increase)/Decrease in Related Party Loans | (427,816) | - |
| Increase/(Decrease) in Taxation | 242,350 | (3,024) |
| Increase/(Decrease) in Accounts Payable | 122,713 | $146,594 |
| Increase/(Decrease) in Other Current Liabilities | 6,356 | $114 |
| Increase/(Decrease) in Interest Payable | (5,718) | $18,587 |
| Increase/(Decrease) in Employee Leave Entitlements | 8,884 | $11,084 |
| Increase/(Decrease) in Loan - Hunter Premium Funding | - | (378,467) |
| Increase/(Decrease) in Goods & Services Tax | 76,775 | (30,050) |
| | -$215,625 | -$253,775 |
| **Plus/(Less) Financing Activities** | | |
| Interest Received | (6,126) | (36,214) |
| Dividends Received | (28,012) | (24,513) |
| Current Account - Kakahu Irrigation Ltd | (8,297) | $7,136 |
| Current Account - Levels Plain Irrigation Ltd | (2,294) | $1,420 |
| | -$44,729 | -$52,171 |
| **Plus/(Less) Investing Activities** | | |
| Fixed Assets | 219,559 | $108,209 |
| Investments | - | (1,050) |
| | $219,559 | $107,159 |
| **Net Cash Inflow/(Outflow) from Operating Activities** | **$1,327,127** | **$1,546,965** |

## 32 SHAREHOLDERS' CURRENT ACCOUNTS

The shareholder current accounts relating to SCFIS Holdings Ltd and Levels Plain Holdings Ltd have been recorded as a non-current liability in the Statement of Financial Position.

| **SCFIS Holdings Limited** | 2014 $ | 2013 $ |
|---|---|---|
| Opening Balance | 15,031,684 | 15,034,244 |
| Less: | | |
| Audit Fees Paid on Behalf | 630 | 770 |
| Accountancy & Secretarial Services Paid on Behalf | 1,448 | 1,790 |
| | 2,078 | 2,560 |
| Closing Balance | 15,029,606 | 15,031,684 |

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2014

| Levels Plain Holdings Limited | 2014 $ | 2013 $ |
|---|---|---|
| Opening Balance | 3,469,317 | 3,469,317 |
| Closing Balance | 3,469,317 | 3,469,317 |
| **Total amounts owing to Shareholders** | **18,498,923** | **18,501,001** |

# 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 5 to 26. The financial statements comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a statement of accounting policies and explanatory notes.

***Directors' responsibility for the financial statements***

The directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards 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) and International Standards on Auditing. 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.

Our firm has also provided other services to the company in relation to taxation services. 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 5 to 26:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the company as at 30 June 2014 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

17 October 2014
Christchurch