OPUHA WATER LIMITED

FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

INDEX TO THE FINANCIAL STATEMENTS

DIRECTORY

Nature of Business	Water Supply and Electricity Generation		
Registered Office	Opuha House 875 Arowhenua Road RD 4 Timaru 7974		
Directors	Thomas Craig Lambie - *Chairman* William Dermott O'Sullivan - *Deputy Chairman* Antony Charles Howey Nicola Alice Orbell Hyslop Alvin John Reid Ross Sinclair Wells Nigel James Gormack (I) Edward Oral Sullivan (I) - *ceased 28 November 2012* Jeremy Boys (I) - *appointed 29 July 2013*		
Share Capital	1000 Ordinary Shares (Fully Paid)		
Shareholders	SCFIS Holdings Limited	81.30%	813 Ordinary Shares
	Levels Plain Holdings Limited	18.70%	187 Ordinary Shares
Auditors & Tax Advisors	KPMG Level 3, 62 Worcester Boulevard PO Box 1739 Christchurch 8140		
Accountants	Quantum Advantage Ltd Chartered Accountants & Business Advisors 269 Stafford Street Timaru 7910		
Solicitors	Goodman Tavendale Reid Law Suite 2, 21 Leslie Hills Drive PO Box 442 Christchurch 8140		
Bankers	ANZ National Bank Ltd		
Company Number	897370		
Date of Incorporation	06 March 1998		
Company Status	Registered		

OPUHA WATER LIMITED

ANNUAL REPORT

Your Directors present their report on the financial statements for the year ended 30 June 2013.

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

Thomas Craig Lambie	Alvin John Reid
William Dermott O'Sullivan	Ross Sinclair Wells
Antony Charles Howey	Nigel James Gormack (I)
Nicola Alice Orbell Hyslop	Edward Oral Sullivan (I) - *ceased 28/11/2012*

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	**2013**	**2012**
Net Profit/(Loss) after income tax	**2,165,368**	**(2,290,090)**

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 services and management & strategic projects.
- RSM Law Ltd of which Mr Edward Sullivan was a Director, for general legal advisory services. Mr Sullivan resigned as a Director of RSM Law Ltd in October 2011, but continued to provide legal services as a consultant through RSM Law Ltd.

Directors' Remuneration
Directors Remuneration of $83,583 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
It is proposed that the Auditor, KPMG, continue in office in accordance with Section 200 of the Companies Act 1993. As well as auditing the Financial Statements, KPMG provided tax advice on company restructuring during the year.

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:

		18 October, 2013
Thomas C Lambie Director	Nicola A O Hyslop Director	Date of Authorisation

CHAIRMAN'S REPORT

The ability of the Opuha Scheme to deliver water with 100% reliability through the 2012/13 season, is testament to the outstanding success of the scheme and the foresight of those responsible for its inception and development. The summer will be remembered by some for the trying drought conditions throughout the country that have resulted in a significant cost to the nation through the adverse impact on the farming industry. In contrast, for most of us on the Opuha scheme, the season will be remembered as a very successful one with above average, high quality yields.

I believe the year overall has been another successful one for Opuha with very good year end results and some notable achievements along the way both in the core business of water management and delivery and also across the wider aspects of our business. We have made good progress in preparing ourselves for the changing water and land use regulatory environment and there have also been notable achievements regarding the management of our existing assets and systems.

The year has been very successful financially for our business. Better than expected electricity generation and good cost control providing sufficient cashflow to repay $1m of our major debt that was not locked in to long term financial contracts.

I remain very impressed with the level of professionalism that is apparent within our business and how our Chief Executive and his team are steadily developing capability and systems within our business and through the contracts and relationships with external parties. The year end results are in no small part attributable to this but there is other evidence such as the reliability of irrigation water delivery through the season, the good communication we are all seeing from our management group on a range of issues related to our business and even the facilitation of training and learning workshops and opportunities that have been made available to our irrigators through the year. One of the most notable achievements was the successful completion of the major maintenance and inspection outage at the dam and power station in June. Much of this work has been outstanding for some years now and it is a credit to our management team and to TrustPower that the programme was completed without any major problems and has provided us with both re-assurance of the integrity of this key plant and equipment for the near future and also valuable information for planning our future maintenance requirements.

The preparation work for the restructure of the entities within the Opuha scheme into one organisation has been a major focus for the Board and our Chief Executive. This is a very significant step in the Opuha story and will set us up well for the future where the responsibilities of the water supply/irrigation company essentially extend beyond just delivery to the farm gate. Inherent in the new legislation and an integral aspect of the Canterbury Water Management Strategy is an expectation that companies such as Opuha Water will have a major role in water management in the region, including the effects and implications of the use of the water on the land. The proposed restructure and new Water Supply Agreements will help to ensure that our irrigators are better placed to operate under the new requirements that are rightfully aimed at improved environmental outcomes.

Thank You

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 GTR 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 cooperation and on-going feedback we receive as we continue to improve our support for your business through efficient and reliable supply of irrigation water.

Thank you to my fellow Board members for their valuable contribution and guidance which is greatly appreciated and I would like to welcome Jeremy Boys as a new independent director to our Board.

CHAIRMAN'S REPORT (continued)

Finally, I would like to acknowledge the immeasurable contribution to the successful development of the Opuha scheme by Edward Sullivan who retired from the Board in November last year. Ed's dedication to seeing the project through to completion in 1998, despite the setbacks encountered along the way, is a true reflection of his commitment to the region and we are all very grateful for his relentless efforts. I have enjoyed Ed's contribution to the Opuha Board and, on behalf of all the beneficiaries of the Opuha scheme, wish to thank you Edward, very much.

Tom Lambie
Chairman
September 30, 2013

CHIEF EXECUTIVE OFFICER'S REPORT

Overview

- Successful irrigation season despite national drought conditions
- High annual catchment inflows enabled very high levels of generation
- Very good financial result
- Successful major maintenance inspection work completed
- Land and Water Regional Plan and CWMS developments signal increasing focus on water and land use activities
- Restructuring programme well underway
- ASM pilot programme initiated
- Flushing Flow trials undertaken as part of on-going programme to address downstream river issues

Irrigation Operations

The 2012/13 summer season will be remembered for the widespread drought conditions that prevailed throughout most of the country and that had a significant adverse effect on the agricultural industry. Through this period, the Opuha Dam performed extremely well, providing 100% availability of water for irrigation and environmental river flows. Other than the schemes based on the Waitaki that benefit from the significant hydro lake storages, Opuha is believed to be the only major scheme in the country that was able to maintain 100% reliability through the season. The irrigation demand peaked in late January at just over 6 cumecs and remained at a steady level until late March when there was sufficient rain to reduce demand. Most irrigation supply ceased in the second week of April.

Availability of water was maintained to each of the schemes and to all individual irrigators outside those schemes. The dry conditions that prevailed through mid-January to March did result in periods of restriction for those irrigators above the dam and connected to the rivers and tributaries not augmented directly by the Opuha Dam.
The damage caused by the July/August floods affected the Kakahu and Totara Valley schemes the most but repairs were able to be completed in time for the irrigation season.
The remaining border dyke (flood flow) irrigation within the Levels scheme requires a significant operational input, both water to drive the system and time demands on operation staff.

The provision of timely water orders and cancellations by all irrigators remains a key requirement for us to be able to operate the scheme efficiently and ensure that all irrigators get the water they expect and are entitled to. There has been a very good shift to the use of the web based ordering system with around 60 irrigators now using this. We will continue to encourage this as our primary ordering method and we are planning a significant upgrade to the website which will enhance the usability of this system both by irrigators and our administration and operations staff.

Opuha Dam and Lake Management

Over the twelve month period (financial year) there were very good inflows into the lake and these were in fact the highest annual inflows since the dam was commissioned. The estimated total inflows of 330 million m3 were approximately 4.7 times the lake volume. Total irrigation demand for the season was relatively high at approximately 50 million m3 representing 15% of the water released from the dam over the year.
The three main weather events of note were the heavy rains and floods at the very end of July into August 2012, the high rainfall in the upper catchment at New Year and the heavy rain and then snowfall in June 2013. The July/August floods caused some damage to the lower catchment schemes and Totara Valley in particular, however the inflows were more moderate in the upper catchment and the dam coped well.

The nor' west conditions over New Year resulted in high inflows to the lake over a short period and resulted in some spill from the full lake as we tried to lower the storage in anticipation of a second forecast weather front. The heavy rain in early June replenished the lake from its 50% level to over 90%. The snowfall later in the month caused some operational problems at the power station with Alpine's transmission line out of service for four days and the nor' west system that brought high winds in early July resulted in a very early season snow melt with high lake inflows.

We did not need to operate the lake aeration system this summer. The higher flows through the dam in the summer period are the likely reason for the dissolved oxygen levels remaining outside our consent trigger levels and obviating the need for us to intervene.

CHIEF EXECUTIVE OFFICER'S REPORT

Electricity Production
The high inflows resulted in high production from the power station with a total annual generation of 36.9 GWh which is 47% higher than our long term average of 25 GWh.

This was our first full year on the Power Purchase Agreement with TrustPower that has fixed pricing through the irrigation period (October to April) and then is Spot Price based through the winter period. Our own high water availability reflected the high hydro storage lake levels elsewhere and as a result the Spot Prices were lower than forecast because of the oversupply of generation. Our average prices through the five month Spot Price period of our contract were consistently lower than budget but our high generation volume generally resulted in revenues higher than budgeted. Our total generation revenue for the year was $2.38m at an average price of $64.34/MWh.

The Power Station provided additional income through two other means. Firstly, we receive a rebate payment from Alpine Energy based on the 'benefit' the power station operation has to them in reducing their overall transmission charges from the National Grid operator Transpower. Alpine's transmission charges are influenced by the maximum demand actually incurred in any one year. With the Opuha Power Station operating within Alpine's network, their maximum import demand from the grid is reduced. Electricity regulations require Alpine to pay Opuha for this benefit which is calculated retrospectively based on actual generation during the peak demand periods in the preceding year. Our operator TrustPower was very successful in ensuring Opuha was actually generating during every one of the twelve highest peaks and so our rebate from Alpine this year has been particularly good at $102k compared with $21k previously.
The other income opportunity was through a small electricity hedge contract we placed through the spring period that provided a net positive result of $7k.

Finance
As reported in last year's Annual Report, the financial statements are now somewhat more complex compared with the previous Opuha Water Partnership because of the new Financial Reporting Standards required to be adopted. In particular is the new depreciation approach and also the need to account for the changes in the market position of our long term debt. The impact of these different accounting treatments can overshadow the key financial performance of the company and this has been the case again this year but with quite the opposite result from last year.

In managing the operation of the company, our focus is on maximising revenue from our electricity operation and controlling expenses and expenditure in order to reduce the water charges our irrigators are required to pay. We maintain a long term view to ensure we can meet future costs of our business but, unlike a normal large business, our focus as a co-operative is not on maximising profit from our operation but instead on delivering maximum value at minimum cost for our shareholder irrigators.

In our present circumstances we typically budget each year to cover our outgoings and our tax depreciation charges by revenue from generation and water charges. The inherent variability in our generation revenue can significantly swing the final financial results and we attempt to account for this variation by using both forward market forecasts and historical average generation figures to set our budget. We believe the important measure of our annual financial performance is the operational cashflow and, on this basis, our performance this year has been very good.

At an operational level, our income of $6.19m represented an increase of $592k from last year. This was due to increased generation revenue of $401k and increased water charges of $191k. Our operational expenses increased by $84k to $2.25m and our interest and bank charges increased by $56k to $2.20m. The net result was a cash earning of $1.74m and an after depreciation position of $338k surplus.

Our long term debt is covered by interest rate swaps and the long term outlook on interest rates over the term of the swaps has increased this year. The effect of this change and the way it is accounted for in the financial statements is to record this 'improvement' as effectively income in our profit and loss and a decrease in the derivatives liability in our balance sheet. This positive movement in this 'mark to market' exercise this year has resulted in a $1.33m adjustment to our reported result. Other adjustments include deferred tax and adjustments for fixed asset sales, resulting in a total net adjustment of $1.69m.

CHIEF EXECUTIVE OFFICER'S REPORT

This shifts our reported profit for the year, after interest, tax, depreciation and adjustments to $2.02m.
Overall, the operational result exceeded our original budget for the year. The following summary presents a summary of the operational financial performance results and indicates how the other adjustments effect the final reported result :

	2013	2012	Difference
Income	6,190,071	5,596,255	593,816
Operational Expenses	2,248,032	2,162,479	85,553
Operational Surplus (EBITDA)	**3,942,039**	**3,433,776**	**508,263**
Interest and Bank Charges paid	2,201,421	2,145,635	55,786
Earnings after Interest	**1,740,618**	**1,288,141**	**452,477**
Depreciation	1,401,690	1,210,419	191,271
Earnings before Tax and adjustments	**338,928**	**77,722**	**261,206**
Adjustments (tax liability; fair value)	1,826,440	(2,347,225)	4,173,665
Final Result in Financial Statements	**2,165,368**	**(2,269,503)**	**4,434,871**

Staff
This year has seen a consolidation of the team based at Opuha House. In Stephen Pagan's Operations Group we trialled bringing in an additional team member on a part-time basis just to cover the irrigation season. Kerry Bell was a welcome addition to our staff on this basis.
We have reviewed our requirements again based on the experience of the trail and have moved to a permanent second raceman position with provision for reduced hours during the winter months. Locally based Richard Wallace has joined Chris Emmerson for the pending season and brings to the group some valuable trade skills and supervisory and small project management experience. Under Stephen's able guidance we have continued to improve the shift to more planned maintenance to avoid unplanned breakdowns and outages. Stephen has also overseen some reasonably major repairs and upgrades through the year including the significant work required after the damaging floods in July/August.
Aimee Bennett joined Opuha on a permanent part-time basis and has enabled the transition of our monthly financial management to a fully in-house function. We still retain the services of Quantum Advantage for financial advisory and review support.
Christine Gardner has continued to manage administrative activities from the office including the water ordering during the season and the day to day financial work. We have made very good progress in introducing a formal Health and Safety Management System into our business and Christine has had a key role in this success.

Engineering
Our investigations have continued into the modifications on the downstream weir at the dam to improve the spill capacity and reduce the risk to the fusible overflow section. Progress on this important project has not been as good as expected however we are now well into a consenting and detailed design phase. Even though the modifications are intended primarily for operational improvements and risk management, we have found the high level of concern within the region on water quality issues has generated a high degree of interest in any major work we plan at the dam. As a result the consultation and consenting aspects of the work have had to be extended in the programme with the physical works now scheduled for spring 2014.

One of the highlights of this year's engineering programme was the successful completion of a major maintenance outage and inspection exercise at the dam and power station in June. The work involved isolating and draining the main penstock for internal inspection of the penstock, main isolation valves, turbine and draft tube. The exercise involved the use of divers to isolate the system at the intake on the lake floor and a number of specialist contractors to carry out detailed inspections and repair work. In all over 20 people representing six different organisations were involved in the work which was very professionally managed by TrustPower.

The outage programme included work that had not been undertaken since the scheme was first built and was completed without major incident and within the planned timeframe. The results were also very pleasing with the overall condition of the major components generally better than expected after 15 years operation and has provided

very good information on which to base our long term maintenance planning. The exercise was essentially a 5 yearly type outage and we would expect to be repeating it within that timeframe with some maintenance work on the turbine internals to address the normal level of wear expected.

Other significant engineering works completed include the installation of a standby diesel generator at the power station, some significant repair work on the overflow embankment at the downstream weir to address some leakage and safety improvements at the dam including new access stairs alongside the spillway and safety cages on access ladders at the weir.

Water Management

Water management within Canterbury is continuing to undergo major change with the rollout of the Canterbury Water Management Strategy (CWMS) and, more specifically, the Land & Water Regional Plan that was notified in August 2012. The implications for all farmers are potentially significant with the focus of the Plan being managing within limits of nutrient discharge from properties. Opuha Water is responding in anticipation of these changes in regional water management through the ASM pilot programme and the restructure of the group of entities within the Opuha scheme.

We are continuing our work in the area of river water quality through a number of initiatives. We have engaged NIWA to assist in this field and in February we undertook some flushing flows trials to determine the effectiveness of artificial 'freshes' in managing didymo and phormidium in the downstream catchment. The physical effect of the trial was of mixed success, however the information gathered from the trial was very valuable in ascertaining both the capability of our system to generate freshes and in planning future work in our attempts to improve the in-river conditions downstream. It is apparent that flushing flows on their own can only be part of an effective solution. This is an on-going programme that will include a broadening of our water quality monitoring and other in-river assessments in conjunction with NIWA and ECan.

Strategic Projects

There are two key projects that have progressed well through the year – the implementation of an Audited Self Management (ASM) pilot programme and the work on restructuring the various entities in the Opuha scheme into one consolidated organisation. As mentioned above, a key driver for both of these projects is the new water management regime that is being implemented throughout the Canterbury region under the new Land and Water Regional Plan and the over-arching Canterbury Water Management Strategy.

The restructuring of the Opuha group of entities represents the biggest step since the purchase of the dam by the constituent irrigators in 2007. To some degree, the restructure and consolidation is seen as unfinished business from the 2007 purchase, however there are new drivers for the completion of the consolidation. The 2012/13 year saw significant planning work to identify the most effective process that would retain the maximum value within the new group and avoid any unnecessary costs. The programme has a target completion of November 2013 and it is intended that all shareholders have the opportunity to attend briefings and obtain information so that they can understand and support the proposed changes.

The ASM pilot has seen nine landowners undertake the key step of developing Farm Environment Plans (FEPs) for their operation and these Plans will be subject to an external audit at the conclusion of the irrigation season. The pilot programme has provided useful experience in developing the FEPs and also the support and systems that we will require when the programme is rolled out right across the Opuha scheme over the next two seasons.

Tony McCormick
Chief Executive
September 30, 2013

OPUHA WATER LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 $	2012 $
Continuing Operations			
Water Supply Revenue		925,440	879,288
Operation Levy Received		2,227,200	2,113,618
Less - Direct Debit Discount		(96,392)	(84,937)
		3,056,248	2,907,969
Electricity Generation Sales		2,384,962	1,984,200
Scheme Charges - Gardner's Pond		41,154	30,866
Sutherlands Water Supply & Capacity Charges		213,969	188,599
TDC Water Abstraction & Additional Charges		318,520	315,367
		573,643	534,832
Other Income	**11**	175,218	169,254
Total Income		**6,190,071**	**5,596,255**
Less Expenses			
Direct Operating Expenses	**12**	1,838,295	1,813,182
Administration Expenses	**13**	408,026	349,296
Finance Expenses	**14**	873,154	3,935,391
		3,119,475	6,097,869
Profit (Loss) on Disposal of Fixed Assets		1,711	(340)
Non-Cash Expenses			
Depreciation	**9**	1,401,690	1,210,419
TOTAL EXPENSES		**4,519,454**	**7,308,628**
Net Profit (Loss) for the period		**1,670,617**	**(1,712,374)**
Tax Expense	**5**	494,751	(577,716)
Profit/(Loss) from Continuing Operations		**2,165,368**	**(2,290,090)**
Other Comprehensive Income (Expenditure)			
Revaluation of Property, Plant and Equipment	**9**	-	20,587
		-	20,587
Total Comprehensive Income		**2,165,368**	**(2,269,503)**

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 $	2012 $
RETAINED EARNINGS			
Opening Balance		(7,632,634)	(5,342,544)
Profit (Loss) for the Year		2,165,368	(2,290,090)
Other Comprehensive Income		-	-
Closing Balance		(5,467,266)	(7,632,634)
REVALUATION RESERVE			
Opening Balance		20,587	-
Other Comprehensive Income		-	20,587
Closing Balance		20,587	20,587
CONTRIBUTED EQUITY			
Opening Balance		1,000	1,000
Share Issue	**8**	-	-
Closing Balance		1,000	1,000
Total Equity		(5,445,679)	(7,611,047)

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 2013

	Notes	2013 $	2012 $
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	**3**	653,473	546,387
Receivables and Prepayments	**4**	1,088,908	1,162,465
Preliminary Downstream Weir Enhancement Costs		123,227	20,400
Term Deposit - ANZ National Bank Ltd		185,000	185,000
Total Current Assets		2,050,608	1,914,252
NON-CURRENT ASSETS			
Fixed Assets			
Property, Plant and Equipment	**9**	46,067,363	47,333,584
Total Fixed Assets		46,067,363	47,333,584
Investments			
Shares - CRT Farmlands Co-operative Society Ltd		1,880	830
Total Investments		1,880	830
Total Non-Current Assets		46,069,243	47,334,414
TOTAL ASSETS		**48,119,851**	**49,248,666**

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

OPUHA WATER LIMITED

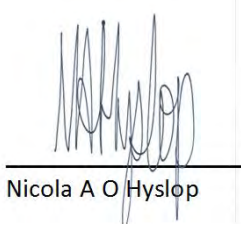
STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	Notes	2013 $	2012 $
LIABILITIES			
CURRENT LIABILITIES			
Trade and Other Payables	**15**	641,601	495,699
Derivatives	**16**	3,916,592	5,244,858
Loan - Hunter Premium Funding		-	378,467
Employee Leave Entitlements		31,379	20,295
ANZ National Bank Ltd - Flexible Credit Facility	**10**	-	256,850
		4,589,572	6,396,169
Provisions - Taxation			
Tax Payable	**5**	3,403	(9,896)
Other Current Liabilities			
Current Accounts	**18**	86,443	77,886
Total Current Liabilities		4,679,418	6,464,159
NON-CURRENT LIABILITIES			
Term Loan - ANZ National Bank Ltd	**10**	26,000,000	27,000,000
Deferred Tax Liability	**6**	4,385,111	4,891,993
Shareholders' Current Accounts	**28**	18,501,001	18,503,561
Total Non Current Liabilities		48,886,112	50,395,554
TOTAL LIABILITIES		53,565,530	56,859,713
SHAREHOLDERS' EQUITY			
1,000 Ordinary Shares		1,000	1,000
Retained Earnings		(5,467,266)	(7,632,634)
Revaluation Reserve		20,587	20,587
Total Shareholders' Equity (Deficit)		(5,445,679)	(7,611,047)
TOTAL EQUITY AND LIABILITIES		**48,119,851**	**49,248,666**

Signed for and on behalf of the Directors:

Thomas C Lambie



Nicola A O Hyslop

18 October, 2013

Date

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 $	2012 $
CASHFLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Operating Income		5,971,039	5,329,693
Sundry Income		20,891	1,885
Goods and Services Tax		184,418	(35,131)
Income Tax Refunds		9,896	-
		6,186,244	5,296,447
Cash was applied to:			
Administration Expenses		392,728	411,097
Direct Operating Expenses		2,063,718	1,725,899
Finance Expenses		2,182,833	2,174,292
		4,639,279	4,311,288
Net Cash Inflow/(Outflow) from Operating Activities	**26**	**1,546,965**	**985,159**
CASHFLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Interest Received		29,362	16,658
Dividends Received		24,513	51,533
		53,875	68,191
Cash was applied to:			
Fixed Asset Purchases & Capital Expenditure		234,345	1,133,488
		234,345	1,133,488
Net Cash Inflow/(Outflow) from Investing Activities		**(180,470)**	**(1,065,297)**
CASHFLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
ANZ Bank - Flexible Credit Facility		-	256,850
		-	256,850
Cash was applied to:			
Shareholder Expenses		2,560	-
Bank Loans		1,256,850	-
		1,259,410	-
Net Cash Inflow/(Outflow) from Financing Activities		**(1,259,410)**	**256,850**
NET INCREASE/(DECREASE) IN CASH HELD			
Net Increase in Cash Held		107,085	176,712
Add Cash at Start of Year		546,387	369,675
Balance of Cash at End of Year		**653,472**	**546,387**
Cash Balances			
Petty Cash - Opuha House		99	100
ANZ National Bank Ltd - Cheque Account		27,567	309,359
ANZ National Bank Ltd - Call Account		-	236,928
ANZ National Bank Ltd - Premium Call Account		625,806	-
		653,472	**546,387**

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

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 Ltd and Levels Plain Holdings Ltd.

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 18 October 2013.

Measurement Basis
The financial statements have been prepared on a historical cost basis, except for the following material items in the Statement of Financial Position:
- Derivatives which are measured at fair value

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 have been prepared using the going concern assumption. The Company is dependant on the continuing support of its shareholders and financiers, and relies on shareholders not seeking immediate payment of shareholder current accounts.

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. 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 profit and loss.

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 realibly. 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 charged using the diminishing balance method and straight line method. Depreciation is charged to the profit and loss. 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	50%	DV
Dam (Non-Mechanical)	1.5%	SL
Dam (Mechanical)	4%	DV
Power Station	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 exisı ng buildings owned and new buildings acquired aı er 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**

Revenue is recognised on an accruals basis. Revenue from the sale of goods is recognised when the company has transferred to the buyer the significant risks and rewards of ownership of goods. Risks and rewards are considered transferred to the buyer at the time of the delivery of the goods to the customer. 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 methos, 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 profit and loss. 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 profit and loss.

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 profit and loss. 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 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 expense. 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 other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

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 that are recognised in the Statement of Comprehensive Income. 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 will only be subject to a CPI increase and any significant changes to the scope of scale of the Opuha operations. The fees are exclusive of GST and disbursements and are billed at the actual cost incurred.

During the year $47,114 (excluding GST) was paid to KPMG - $11,550 for audit services & disbursements relating to the 2012 financial year and $24,564 for tax advice on the company restructure. As at 30 June 2013, $11,000 has been accrued in the financial statements and is owing to KPMG for 2013 audit services.

3 CASH & CASH EQUIVALENTS

	2013 $	2012 $
ANZ National Bank Ltd - Cheque Account	27,567	309,359
ANZ National Bank Ltd - Call Account	-	236,928
ANZ National Bank Ltd - Premium Call Account	625,806	-
Petty Cash - Opuha House	99	100
	653,473	546,387

4 RECEIVABLES & PREPAYMENTS

	2013 $	2012 $
Trade Receivables	723,584	795,615
Prepayments	354,666	366,850
Goods and Services Tax	10,658	-
	1,088,908	1,162,465

Accounts Receivable are shown net of impairment losses amounting to $Nil (2012 : $Nil). Accounts Receivable relating to related party transactions were $28,924 (2012 : $25,560).

5 TAXATION

	2013 $	2012 $
4 (1) Statement of Comprehensive Income		
Current Income Tax Expense		
Profit (Loss) before Income Tax	1,670,617	(1,712,374)
Add Back Non-Taxable Adjustments		
Revaluation of Interest Rate Swaps	(1,328,267)	1,789,756
Difference in Tax Depreciation & Accounting Depreciation	461,031	222,547
Non-Deductible Entertainment Expenses	407	488
Non-Deductible Restructure Legal Fees	43,138	4,752
Non-Taxable Farmlands Cooperative Dividend	18	-
Net Effect of Imputation Credits on Dividends	10,693	22,086
Taxable Income	857,637	327,255
Losses Brought Forward	(735,434)	(983,827)
Prior Year Unused Imputation Credits Converted	(78,878)	(78,861)
Current Year Unused Imputation Credits Converted	-	(78,878)
Taxable Profit/(Loss)	43,325	(814,311)
Current Income Tax Expense	12,131	-
Deferred Income Tax Expense		
Movement in Temporary Differences	(1,810,294)	2,063,274
Deferred Income Tax Expense 28%	(506,882)	577,717
Total Tax Expense	(494,751)	577,717
4 (1) Statement of Financial Position		
Income Tax Liability		
Tax on Taxable Income	12,131	-
Taxation Opening Balance	(9,895)	(7,248)
Less Resident Withholding Tax (RWT)	(6,823)	(2,647)
Less Dividend Withholding Tax (DWT)	(1,906)	-
Plus Income Tax Refunds Received	9,896	-
Terminal Tax Payable (Receivable)	3,403	(9,895)

The company has losses to carry forward of $Nil (2012: $814,312).

6 DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

Assets	2013 $	2012 $
Property, Plant and Equipment	-	-
Derivatives	(1,096,646)	(967,428)
Tax (Assets)/Liabilities	(1,096,646)	(967,428)
Liabilities		
Property, Plant and Equipment	5,481,757	5,859,421
Derivatives	-	-
Tax (Assets)/Liabilities	5,481,757	5,859,421

Net	2013 $	2012 $
Property, Plant and Equipment	5,481,757	5,859,421
Derivatives	(1,096,646)	(967,428)
Tax (Assets)/Liabilities	4,385,111	4,891,993

Movement in temporary differences during the year:

	Property, Plant & Equipment $	Derivatives $	Total $
Balance 30 June 2011	(20,652,989)	5,244,858	(15,408,131)
Recognised in Profit or Loss	(273,518)	(1,789,756)	(2,063,274)
Balance 30 June 2012	(20,926,507)	3,455,102	(17,471,405)
Recognised in Profit or Loss	1,348,804	461,490	1,810,294
Balance 30 June 2013	(19,577,703)	3,916,592	(15,661,111)

7 IMPUTATION CREDIT ACCOUNT

	2013 $	2012 $
Opening Balance	55,640	30,906
Plus Resident Withholding Tax (RWT)	6,823	2,647
Plus Dividend Withholding Tax (DWT)	1,906	-
Plus Imputation Credits Received on Dividends	10,693	22,086
	75,061	55,640
Less Terminal Tax/(Refunds)	(9,896)	-
Plus Provisional Tax Paid	-	-
Closing Balance available to Shareholders	65,166	55,640

8 SHARE 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.

9 PROPERTY, PLANT & EQUIPMENT

	Land & Buildings	Plant & Equipment	Motor Vehicles	Office Equipment	Dam - Non Mechanical	Dam - Mechanical	Power Station - Non Mechanical	Power Station - Mechanical	Gardner's Pond	Sutherlands Pipeline	Total
Cost and Valuation											
Balance at 1 July 2011	151,187	44,178	146,430	28,208	34,392,932	817,590	5,836,467	6,900,221	562,022	490,717	49,369,952
Revaluation of Land & Buildings	20,587	-	-	-	-	-	-	-	-	-	20,587
Additions	-	-	-	11,089	2,957	-	-	544	292,118	648,592	955,300
Disposals	-	-	-	340	-	-	-	-	-	-	340
Balance at 30 June 2012	**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	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
Revaluation of Land & Buildings	-	-	-	-	-	-	-	-	-	-	-
Additions	10,338	3,870	36,835	21,684	19,213	2,829	6,540	33,336	-	3,112	137,757
Disposals	-	-	2,289	-	-	-	-	-	-	-	2,289
Balance at 30 June 2013	**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**
Depreciation											
Balance at 1 July 2011	6,084	5,904	41,979	6,096	1,161,969	35,416	233,474	310,912	-	-	1,801,834
Depreciation for the year	2,265	5,786	34,318	8,503	498,509	32,481	228,529	288,990	26,724	84,315	1,210,420
Disposals	-	-	-	(340)	-	-	-	-	-	-	(340)
Balance at 30 June 2012	**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	8,349	11,690	76,297	14,259	1,660,478	67,897	462,003	599,902	26,724	84,315	3,011,914
Depreciation for the year	1,884	4,924	30,530	9,329	732,699	30,632	215,621	264,061	84,524	27,486	1,401,690
Disposals	-	-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2013	**10,233**	**16,614**	**106,827**	**23,588**	**2,393,177**	**98,529**	**677,624**	**863,963**	**111,248**	**111,801**	**4,413,604**
Carrying Amounts											
At 1 July 2010	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2011	145,103	38,274	104,451	22,112	33,230,963	782,174	5,602,993	6,589,309	562,022	490,717	47,568,118
At 30 June 2012	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	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

10 SECURED LIABILITIES

Term Loan: ANZ National Bank Ltd
Amount: $26,000,000 (2012 : $27,000,000)
Terms of Repayment: Interest only maturing 2nd April 2017

Subject to the following 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. (2012 : 8.80% p.a.) - maturity date 7 January 2019
- $4,400,000 - interest rate: 7.45% p.a. (2012 : 7.45 p.a.) - maturity date 2 November 2016

Security:

i) A Cross Guarantee and Indemnity between Opuha Water Limited, South Canterbury Farmers Society Limited and Levels Plain Irrigation Co Limited.
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 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 is to hold cash on deposit with the bank an amount equivalent to cover one month interest Opuha Water Limited has complied with all covenants and loan repayment obligations during the financial year.

Conditions of the debt service cover ratio:

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

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 compliance certificate must be provided with a copy of the most recent financial statements. The next test date is in December 2013.

11 OTHER INCOME

	2013 $	2012 $
Sundry Income	1,523	249
Diesel Pump Hire	18,957	-
Share Transfer Charges	675	675
Scheme Management Fees	97,000	97,000
	118,154	97,924
Dividends Received		
LineTrust South Canterbury	27,147	51,533
Farmlands Co-operative Society Ltd	338	-
Farmlands Co-operative Society Ltd (Non-Taxable)	18	-
	27,503	51,533
Interest Received		
ANZ National Bank Ltd	23,680	12,451
Debtor Late Payments	5,275	7,336
Inland Revenue Department	-	10
Loan Advance - Totara Valley Irrigation Ltd	606	-
	29,560	19,797
	175,218	169,254

12 DIRECT OPERATING EXPENSES

	2013 $	2012 $
Accident Compensation Levies	7,029	4,510
Alpine Energy		
Electricity Use of System Costs (Distribution)	162,001	154,522
Electricity Connection Costs (Transmission)	-	108,146
Less - Loss & Constraints Excess Payments	-	(34,851)
Less - Avoided Cost of Transmission Rebates	(103,487)	(21,420)
	58,514	206,396
Electricity, Light & Heat	17,891	16,564
Health & Safety Systems	4,197	-
Inspection & Survey Costs	179,886	47,265

Insurances	395,024	284,639
Laundry and Cleaning	965	2,268
Ministry of Business, Innovation & Employment Levies	3,383	1,846
Monitoring Charges	24,050	28,208
Motor Vehicle Expenses		
Fuel and Oil	30,489	27,335
Repairs & Maintenance	17,853	14,205
Insurance	752	2,732
Registration, Licences & KM's	9,127	8,790
	58,221	53,062
Plant & Equipment Hire	206	5,155
Power Station Operations Management Fee	299,117	355,025
Protective Clothing	1,254	2,177
Rates	32,682	31,855
Repairs & Maintenance		
Low Value Assets (under $500)	1,716	2,228
Plant & Equipment	15,629	-
Property Costs - Opuha House	1,392	4,993
Dam & Power Station	75,669	88,578
Anchor Block Remediation	2,053	114,624
Downstream Weir	40,333	15,565
Gardner's Pond & Sutherlands	13,769	-
	150,562	225,989
Resource Consent Monitoring & Compliance	5,694	3,168
Site Inspection Costs	31,022	34,392
Sutherlands Electricity Charges	4,710	1,409
Telephone and Tolls	13,669	17,509
Valuation Fees	-	1,271
Wages, Salaries and Allowances	471,279	406,382
Water Measurement & Telemetry Management	76,609	82,439
Weed and Pest Control	2,329	1,653
	1,838,295	1,813,182

13 ADMINISTRATION EXPENSES

	2013 $	2012 $
Accountancy Fees	43,462	106,146
Advertising	685	1,327
Audit Fees	11,550	14,770
Bad Debts Unrecoverable	-	4,785
Computer Services & IT Support	4,551	2,579
Conferences, Seminars & Training	12,112	5,014
Consultancy Fees	87,962	34,962
Directors Fees	83,583	80,000
Donations	560	500
Entertainment	760	912
General Expenses	3,272	1,976
Hydrology and Water Use Studies (ASM)	8,036	23,538
Insurance Brokerage Fees	4,167	-
Internet & Website Charges	301	511
Legal Fees	69,145	15,692
Management and Strategic Projects	9,444	5,664

Meeting Expenses	2,053	1,786
Opuha Book Production	8,797	-
Photocopier Rental	1,440	-
Project Contribution Costs	6,000	-
Recruitment Fees	2,970	8,054
Rent of Office & Lodge	9,100	9,100
Security	440	465
Software & Licensing Fees	5,214	396
Stationery, Printing & Postages	9,749	10,929
Subscriptions	19,529	19,606
Travel and Accomodation	3,144	584
	408,026	349,296

14 FINANCE EXPENSES

	2013 $	2012 $
Bank Fees & Charges	957	834
Line of Credit Fees	6,016	-
Loan Application & Discharge Fees	-	4,250
Interest Expense - ANZ Bank - Short Term Debt	1,849	36,079
Interest Expense - ANZ Bank - Long Term Debt	2,181,817	2,092,547
Interest Expense - Hunter Premium Funding	10,782	11,925
Revaluation of Interest Rate Swaps	(1,328,267)	1,789,756
	873,154	3,935,391

15 TRADE AND OTHER PAYABLES

	2013 $	2012 $
Accounts Payable	469,616	323,022
GST Payable	-	19,392
Water Charges Received in Advance	114	-
Interest Payable on Term Loan	171,872	153,285
	641,602	495,699

16 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 National Bank Ltd, who is the counter party in respect to the 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 the amounts 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 National Bank Ltd. According to the terms of the agreement, this facility is repayable on demand, incurs interest at the New Zealand Dollar Bank Bill Bld rate per annum and has a maximum drawdown limit of $2,000,000.
At 30 June 2013, no funds on the flexible facility were drawn (2012 : $256,850).

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.

2013	Notional Value	Carrying Value
Interest Rate Swaps	26,000,000	3,916,592
2012		
Interest Rate Swaps	36,800,000	5,244,858

As at 30th June 2013, 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 $26,000,000, 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:

	2013 $	2012 $
Cash and Cash Equivalents	653,473	546,387
	653,473	546,387

ANZ Term Deposit

The company must hold a cash deposit with the ANZ National Bank Ltd equivalent to one month's interest therefore the funds are not available for general use and has not been included in cash equivalents above.

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.

	2013 $	2012 $
Comprehensive Income impact of interest rate movement (-50 basis points)	789,693	758,441
Comprehensive Income impact of interest rate movement (+50 basis points)	(789,693)	(758,441)
Company's Capital impact of interest rate movement (-50 basis points)	789,693	758,441
Company's Capital impact of interest rate movement (+50 basis points)	(789,693)	(758,441)

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 2013	2013 $ Less than 1 year	2013 $ 1-5 years	2013 $ Greater than 5 years
Trade Payables	469,616	-	-
Interest Payable	171,872	-	-
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	2,986,771	12,898,209	22,834,582

Year Ended 30th June 2012	2012 $ Less than 1 year	2012 $ 1-5 years	2012 $ Greater than 5 years
Trade Payables	342,414	-	-
Interest Payable	153,285	-	-
Loan - Hunter Premium Funding	378,467	-	-
ANZ National Bank - Flexible Credit Facility	256,850	-	-
Current Accounts	77,886	-	-
Interest Rate Swaps Payable	1,509,840	6,541,798	1,857,195
Borrowings	715,500	7,765,659	22,538,579
TOTAL	3,434,242	14,307,457	24,395,774

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.

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 Board 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.

17 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) The company paid Quantum Advantage Ltd, of which Mr N J Gormack is a Director, for accountancy services and management & strategic projects. The amount paid or accrued at balance date totals $56,480 excluding GST (2012 : $106,145) and has been recorded in these financial statements.
At balance date, $4,791 excluding GST of this amount was still owing to Quantum Advantage Ltd.
Any outstanding balance is not secured and standard engagement terms apply being payment due 20th of the month following the invoice date.

b) In the comparative year, the company paid RSM Law Ltd of which Mr E O'Sullivan was a Director, for general legal advisory services. No amounts were paid or accrued during the 2013 financial year (2012 : $10,681).
Mr Sullivan resigned as a Director of RSM Law Ltd in October 2011.

d) SCFIS Holdings Limited is a shareholder of Opuha Water Limited.

e) Kakahu Irrigation Ltd owns a percentage of South Canterbury Farmers Irrigation Society Ltd, who in turn is a shareholder in SCFIS Holdings Limited, who is a shareholder of Opuha Water Limited.

18 CURRENT ACCOUNTS

	2013 $	2012 $
Kakahu Irrigation Limited	72,906	65,770
Levels Plain Irrigation Limited	13,537	12,116
	86,443	77,886

Kakahu Irrigation Limited
The current account shown in the Liabilities for $72,906 (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 $72,906 relates to funds that were outstanding at 30 June 2013.

Levels Plain Irrigation Limited
The current account shown in the Liabilities for $13,537 (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 $13,537 relates to funds that were outstanding at 30 June 2013.

19 DIRECTORS FEES

		2013 $	2012 $
Chairman	Tom Lambie	22,000	20,000
Deputy Chairman	Dermott O'Sullivan	10,000	8,000
Independent Director	Nigel Gormack	11,000	10,000
Independent Director *	Edward Sullivan	4,583	10,000
Farmer Director	Nicky Hyslop	9,000	8,000
Farmer Director	Ross Wells	9,000	8,000
Farmer Director	Alvin Reid	9,000	8,000
Farmer Director	Tony Howey	9,000	8,000
		83,583	80,000

*** Independent Director**
Mr Edward Sullivan resigned as an Independent Director of the company on 28 November 2012.

From 1 July 2012, Directors Fees increased by 12.5% - from $80,000 to $90,000 per annum. The 2013 year reflects 7 months (Dec 2012 - June 2013) vacant position of Independent Director after Mr Sullivan resigned.

20 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.

21 CONTINGENT LIABILITIES

As at balance date, the following transactions were recorded as contingent liabilities (2012 : $Nil):

The company has been made aware of a potential claim in respect of a previous property transaction.
At the date of these financial statements the company had not received notice of any claim.
At this stage the extent of any potential liability, in the event a claim is made, is not clear.

22 CONTINGENT ASSETS

As at balance date there were no contingent assets (2012 : $Nil).

23 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 National Bank Limited. The interest rate at 30th June 2013 was 9.65% p.a. (2012 : 9.65%). At balance date, no overdraft funds had been drawn.

24 CAPITAL COMMITMENTS

As at balance date there were no capital commitments.

25 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 expense.

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

	2013 $	2012 $
Profit for the year	1,670,617	(1,712,374)
Plus/(Less) Non-Cash Items		
Depreciation	1,401,690	1,210,419
Revaluation of Interest Rate Swaps	(1,328,267)	1,789,756
Profit / Loss on Disposal of Fixed Assets	(1,711)	340
	75,134	3,000,515
Plus/(Less) Movements in Working Capital		
(Increase)/Decrease in Accounts Receivable	72,031	(216,172)
(Increase)/Decrease in Prepayments	12,184	(123,198)
(Increase)/Decrease in Other Current Assets	(102,827)	(18,818)
Increase/(Decrease) in Taxation	(3,024)	-
Increase/(Decrease) in Accounts Payable	146,594	(144,288)
Increase/(Decrease) in Other Current Liabilities	114	-
Increase/(Decrease) in Interest Payable	18,587	(33,741)
Increase/(Decrease) in Employee Leave Entitlements	11,084	7,039
Increase/(Decrease) in Loan - Hunter Premium Funding	(378,467)	96,646
Increase/(Decrease) in Goods & Services Tax	(30,050)	43,229
	(253,774)	(389,303)
Plus/(Less) Financing Activities		
Interest Received	(36,214)	(19,306)
Dividends Received	(24,513)	(51,533)
Current Account - Kakahu Irrigation Ltd	7,136	(18,404)
Current Account - Levels Plain Irrigation Ltd	1,420	(1,081)
	(52,171)	(90,324)
Plus/(Less) Investing Activities		
Fixed Assets	110,066	176,809
Investments	(1,050)	(164)
	109,016	176,645
Net Cash Inflow/(Outflow) from Operating Activities	**1,548,822**	**985,159**

27 SIGNIFICANT EVENTS AFTER BALANCE DATE

No significant events have occurred subsequent to balance date.

28 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	2013	2012
Opening Balance	15,034,244	15,034,244
	15,034,244	15,034,244
Less:		
Audit Fees Paid on Behalf	770	-
Accountancy Fees & Secreterial Services Paid on Behalf	1,790	-
	2,560	-
Closing Balance	15,031,684	15,034,244

LEVELS PLAIN HOLDINGS LIMITED	2013	2012
Opening Balance	3,469,317	3,469,317
	3,469,317	3,469,317
Closing Balance	3,469,317	3,469,317
Total amounts owing to Shareholders	**18,501,001**	**18,503,561**

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 9 to 28. The financial statements comprise the statement of financial position as at 30 June 2013, 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.

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 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.

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

KPMG

Opinion

In our opinion the financial statements on pages 9 to 28:

- 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 2013 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

18 October 2013
Christchurch