

OPUHA WATER LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

OPUHA WATER LIMITED

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OPUHA WATER LIMITED

DIRECTORY

Nature of Business	Water Supply and Electricity Generation		
Registered Office	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 Nigel James Gormack (I) Alvin John Reid Edward Oral Sullivan (I) Ross Sinclair Wells		
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	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	RSM Law Ltd 17 Strathallan Street Timaru 7910		
	Goodman Tavendale Reid Ltd Oxford Terrace 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 2012.

Directors

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

Thomas Craig Lambie
Antony Charles Howey
Nicola Alice Orbell Hyslop
Nigel James Gormack
William Dermott O'Sullivan
Alvin John Reid
Edward Oral Sullivan
Ross Sinclair Wells

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	2012	2011
Net Profit/(Loss) after income tax	\$ (2,290,090)	\$ (2,756,550)

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 and Secretarial Services.
- RSM Law Ltd of which Mr Edward Sullivan is a Director, for Legal Services.

Directors' Remuneration

Directors Remuneration of \$80,000 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. No other services, other than the auditing of the Financial Statements, were provided during the year.

OPUHA WATER LIMITED

ANNUAL REPORT

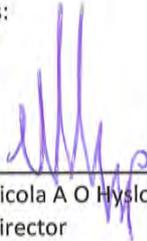
Date of Authorisation

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



Nicola A O Hyslop
Director

9/11/2012

Date of Authorisation

CHAIRMAN'S REPORT

Overview

- Very dry winter period resulted in low lake to start the season
- Water restrictions invoked in October but substantial rain three days later
- Good storage levels throughout season and only moderate irrigation demand due to regular rain events
- New electricity contract stabilised summer prices and provided Spot Price opportunity in winter
- A very good underlying financial result within complex financial reports
- New auditors appointed
- Key staff appointment
- Developments in regional water management

Opuha Dam and Lake Management

The winter of 2011 was very dry in the Opuha catchment and inflows into the lake from June through to October were very low compared with historical averages. There was also limited snowfall through the moderate winter and, as a result, the storage situation at the start of the irrigation season in September was one of the lowest on record. By mid-October irrigation demand was increasing steadily and, combined with the high environmental flows required in that month, saw the lake falling steadily towards only 50% full. This combination of low and falling storage level prompted Opuha, through the Ophi Environmental Flow Release Group (OEFRAG), to seek a Water Shortage Direction from ECan which resulted in 75% water use restrictions being invoked on 15 October – a situation unprecedented for such an early part of the season. The restrictions were short lived as on the 18 October the rain arrived and within 10 days the lake was full. Throughout the remainder of the irrigation season there was regular rain which reduced irrigation demand and maintained high lake levels. The irrigation demand peaked at around 60% in mid-January and February and then dropped off dramatically at the end of that month. There was a small demand period in April and May to finish the season.

Lake storage management for the 12 month period was a case of contrasting periods. The first four months were dominated by low inflows and lake levels and the need to conserve storage and release only minimum environmental flows. After the October rainfall, the steady inflows and high lake level required high generation up to Xmas to avoid spill from the dam. November was a record for generation. The lake level was maintained near full through January and February when releases were reduced to provide only environmental flows and irrigation demand. Through March, a conscious effort was made to reduce the lake level to provide a buffer for anticipated autumn inflows however once the target level was reached, inflows remained modest for the late autumn and early winter period and releases were limited to maintain the target lake level.

The risk to the overflow embankment of the downstream weir from high spill from the main dam continues to influence our approach to storage and lake level management. We expect that the planned improvements to the downstream weir next year will enable us to gain more value from our existing storage through a less conservative approach to high lake levels.

Electricity Production

At the start of the period, we were on an interim Spot Price based sales contract while a longer term deal was tendered and negotiated to replace the contract with Contact Energy which had finished in September 2010. A new contract was finalised with TrustPower which was effective from November 2011. The three year contract has fixed pricing through the irrigation period (October to April) and then is Spot Price based through the winter period. This 'hybrid' arrangement worked well for us providing some security of pricing through the traditional low priced summer period and also opportunity to access the higher Spot Prices that predominated in the early winter period.

The overall generation for the year was 22.4GWh which is about 9% below average and 20% below the previous year. However, revenue from generation of \$2.0m was 17% higher than average and 67% higher than the previous year due to the better contract now in place.

In late 2011 we entered into a contract-for-differences for a small amount of generation in the third quarter 2012 that has delivered a small amount of additional income. This was the first time Opuha has contracted beyond simple electricity sales and we believe that there are a number of opportunities in the Electricity Market to gain some commercial advantage from Opuha's flexible generation capability.

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CHAIRMAN'S REPORT (cont'd)

Finance

The Financial Statements have become somewhat complex and it is easy to overlook the very good underlying result for the year because of the complexity.

At the start of the previous financial period, 2010-2011, the assets and liabilities of Opuha Water Partnership were transferred to Opuha Water Ltd (OWL) and, on the advice of the company auditor, the Financial Statements were prepared for the first time under the widely adopted International Financial Reporting Standards (IFRS). The adoption of this new reporting standard, on the basis that OWL was an issuer of shares, resulted in significant changes to the Financial Statements in two key areas – firstly, asset valuation and the treatment of depreciation and, secondly, the reporting of our long term loan facilities which are treated as derivatives.

The basis for the asset valuation of the dam for depreciation was changed from historical cost value to adjusted replacement value and this increased the depreciation charge by \$870k last year.

When the dam assets were bought in 2007, a \$27m loan was established with ANZ. To ensure the new company's interest payments were reasonably predictable, the company entered into long term interest rate swaps to fix the effective interest rates on this large debt. Under the new accounting standard, these interest rate swaps are assessed at each year end balance date and a 'fair value' is determined that, essentially, measures the difference between the interest rates currently available for the remaining term of the loan and the actual interest rate we are paying under the swaps. The process is often referred to as a "mark to market". The result is effectively the cost (or benefit) that would apply if the loan were to be cashed up at balance date. With the very low interest rates available in the current economic environment, we are on the wrong side of this assessment and the fair value assessment resulted in a substantial liability (\$3.46m) being recorded in our balance sheet in last year's accounts. Any change in this fair value assessment between years is recorded as profit or loss in the accounts. Again, the lower interest rates since last year have reduced that fair value and this difference (\$1.79m) has been recorded under finance costs this year and the year end liability increased (to \$5.24m).

We have appointed KPMG as new auditors this year. In their report to the OWL Board, they have identified some adjustments to the previous year accounts and a different treatment of tax liabilities. They have also recommended a revised depreciation approach to the main dam assets and the Board has approved a change to Straight Line depreciation for the main dam assets which has reduced our depreciation charge for this year.

These year end adjustments have the combined effect of reducing the bottom line reported comprehensive income and profit for the year to \$2,269,503 (deficit) and \$1,712,374 (loss) respectively.

At an operational and cashflow level, we are confident that the year has been successful. Our income exceeded expenses (including interest paid). Compared with last year, income has improved and expenditure reduced slightly. Overall the operational result exceeded our original budget for the year. The following summary presents the operational financial performance results:

	2012	2011	Difference
Income	5,596,255	4,309,447	1,286,808
Operational Expenses	<u>2,162,479</u>	<u>2,242,063</u>	<u>(79,584)</u>
Operational Surplus (EBITDA)	3,433,776	2,067,384	1,366,392
Interest and Bank Charges paid	<u>2,145,635</u>	<u>2,160,590</u>	<u>(14,955)</u>
Earnings after Interest	1,288,141	(93,205)	1,381,346
Depreciation	<u>1,210,419</u>	<u>1,794,237</u>	<u>(583,818)</u>
Earnings before Tax and adjustments	77,722	(1,887,442)	1,965,164
Adjustments (tax liability; fair value)	<u>2,347,225</u>	<u>869,109</u>	<u>1,478,117</u>
Final Result in Financial Statements	<u>(2,269,503)</u>	<u>(2,756,550)</u>	<u>487,047</u>

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CHAIRMAN'S REPORT (cont'd)

Staff

A key appointment for Opuha was our new Operations and Asset Manager, Stephen Pagan, who joined in October 2011. Stephen has brought a new level of operations management and planning to our activities and quickly gained the confidence of both the management and staff and also our irrigators.

William Scott finished as raceman at the end of the irrigation season to pursue other interests and I would like to thank William for his valuable contribution over two seasons and especially his response in 2010 to provide some urgent assistance to Opuha. The intention is to appoint a second raceman on a seasonal basis to join Chris Emmerson in the field during the busy irrigation period.

Tony McCormick has completed his first full year as CEO and we have seen good results from his efforts in establishing the new electricity contracts and O&M Agreements with TrustPower, completing negotiations on transmission charges from Alpine Energy and bringing a welcome level of financial management and reporting to our business. With these key aspects of our business now settled, Tony's challenges going forward are more strategic level initiatives including the structure of the Opuha group and responding to the new regulatory environment for water use in Canterbury.

Christine Gardner has managed our administrative activities from Opuha House as we continue to bring more of our business systems in house. All water ordering was done internally for the season and we have now completed a process of transferring all the monthly financial management in house as well. Aimee Bennett has recently joined our staff (October 2012) in a part time role to provide additional assistance with the accounts.

Projects

The Totara Valley Storage Pond and Sutherland's irrigation scheme was operationally successful through its first full irrigation season and there have only been some land survey issues to complete.

Investigations have continued into modifications on the downstream weir at the dam to improve the spill capacity and reduce the risk to the fusible overflow section. The investigations have included assessment of incorporating additional hydro generation into the modifications. We expect to be implementing the modifications mid-2013.

In mid-2011, the Board considered a proposal to 'self retail' our electricity generation whereby the company would sell electricity directly to our irrigators. At the time, we were uncontracted for our generation and revenues were severely reduced and uncertain. The Board decided to defer the self retailing option for a couple of years and seek an interim contract that could provide some stability of revenue. It is still our intention to revisit the self retailing option as we believe there is a value proposition for irrigators and the company but it is not without some commercial risks.

A legacy issue we have from the 2007 buy-out by farmers of the Opuha scheme is that our company structure is unnecessarily complex and, we believe, problematic as we look to the future direction of the company. It had been the Board's intention to be able to deliver a new structure for approval and implementation at this year's AGM, however the process involved in simplifying the structure has proved to be anything but simple. Tony McCormick now has a clear mandate from the Board to manage this process which will begin with consultation with irrigators on the reasons, the issues and the options. The main objective of the process is to provide for irrigators to have a direct shareholding and water agreement with Opuha Water Ltd.

The Sutherlands scheme has provided both evidence and incentive for us to continue to look for opportunities for improving the efficiency and effectiveness of our water storage and delivery at a scheme level. The objective is to provide increasingly reliable water but also to possibly increase the available water and thereby increase irrigable area. Studies are underway to look at options for in-scheme storage that can lead us towards this objective.

The Opuha scheme is often cited as a reason for the water quality problems and in particular the recurrence of nuisance algal growth in the Opuha and Opihi Rivers during the summer period. While we acknowledge that there have been problems with algae, including phormidium, over recent seasons, we do not accept that there is a clear case that these problems emanate from the dam. Our consents include a number of provisions including minimum flow releases and dissolved oxygen limits that are aimed at avoiding downstream water quality issues and we are careful to ensure we

CHAIRMAN'S REPORT (cont'd)

comply with these consent conditions. However, we are committed to continuing to investigate ways in which we can operate the storage to reduce any attributable adverse impact to downstream river conditions. Our efforts in this area include flushing flow investigations and trials, and working with community and scientific agencies to gain a better understanding of the critical factors regarding the lake that affect the river environment.

Water Management

Water management within Canterbury is continuing to undergo a major review at a political level with the implementation and 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 has a key role to play in the future of water management within the region and we have actively engaged in these planning processes. At a local level, Opuha Water is well represented through the Zone Committee. It is clear that there will be on-farm implications for us all as these new management regimes take effect and I am confident that Opuha Water can maintain an effective leadership and coordination role in implementing these changes.

We are also involved in on-going initiatives to bring more water into the South Canterbury catchment and the main momentum for this currently rests with the regional infrastructure group of ECan under the CWMS. Opuha Water Ltd, in conjunction with Aoraki Water Trust continue to be the main promoters of the option for Tekapo water.

Thank You

On behalf of the Board I wish to reiterate our thanks to our staff for their services and in particular their enthusiasm to find better ways to run the operation.

We continue to enjoy a very good working relationship with local and regional staff at ECan and thank Roger Gould and Jason Evered for their valuable contribution to that relationship.

This year the Board visited the Arowhenua marae we were able to explain the operation of the Opuha scheme and gain an understanding first hand of some of the key issues for local iwi. Following that visit we hosted a group from the marae to show them over the scheme. We intend to host a second similar visit in the summer time and look forward to other opportunities to further our important relationship with Arowhenua.

To Chris Broughton and his colleagues at ANZ, we appreciate the on-going support of the bank and your 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.

Finally I would like to thank my fellow Board members for their valuable contribution and guidance which is greatly appreciated.



Tom Lambie
Chairman

November 8th 2012

OPUHA WATER LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 \$	2011 \$
Continuing Operations			
Water Supply Revenue		879,288	798,479
Operation Levy Received		2,113,618	1,921,835
Less: Discounts Given		<u>(84,937)</u>	<u>(76,307)</u>
		2,907,969	2,644,007
Sutherlands Water Supply & Capacity Charges		188,599	-
Scheme Charges - Totara Valley Pond		30,866	-
Electricity Generation Sales		1,984,200	1,183,754
Water Abstraction & Additional Charges		<u>315,367</u>	<u>299,494</u>
		2,519,032	1,483,248
Other Income			
Sundry Income		249	277
Share Transfer Charges		675	3,150
Management Fees		97,000	92,000
Dividends Received		51,533	55,203
Interest Received		<u>19,797</u>	<u>31,562</u>
		169,254	182,192
Total Income		<u>5,596,255</u>	<u>4,309,447</u>
Less Expenses			
Direct Operating Expenses			
Accident Compensation Levies		4,510	3,081
Electricity, Light & Heat		16,564	9,855
Electricity Use of System & Connection Costs		206,396	403,714
Inspection & Survey Costs		47,265	56,430
Insurances		287,371	253,439
Laundry and Cleaning		2,268	2,579
Ministry of Business, Innovation & Employment Levies		1,846	2,134
Monitoring Charges		28,208	23,665
Site Inspection Costs		34,392	33,249
Motor Vehicle Expenses		51,740	48,018
Plant & Equipment Hire		5,155	776
Rates		31,855	31,252
Repairs and Maintenance		225,989	175,735
Power Station Operations Management Fee		355,025	228,383
Protective Clothing & Safety Equipment		2,177	1,643
Rent of Office & Lodge		9,100	1,575
Resource Consent Fees		3,168	7,592
Telephone and Tolls		17,509	19,202
Trees, Planting and Landscaping		-	1,365
Valuation Fees		1,271	-
Wages, Salaries and Allowances		406,382	372,162
Water Measurement & Telemetry Management		82,439	60,341
Weed and Pest Control		<u>1,653</u>	<u>2,579</u>
		1,822,283	1,738,769

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

OPUHA WATER LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012 (continued)

	Notes	2012 \$	2011 \$
Administration Expenses			
Advertising		1,327	-
Accountancy & Secretarial Services		106,146	152,108
Audit Fees	2	14,770	7,081
Bad Debts Unrecoverable		4,785	-
Computer, Internet & Software Fees		3,486	2,743
Conferences, Seminars & Training		6,800	9,322
Consultancy Fees		34,962	56,207
Directors Fees	15	80,000	80,000
Donations		500	2,000
Entertainment		912	6,239
General Expenses		1,976	4,513
Hydrology and Water Use Studies (ASM)		23,538	73,662
Legal Fees		15,692	24,128
Management and Strategic Projects		5,664	34,125
Recruitment Fees		8,054	25,861
Security		465	1,099
Stationery, Printing & Postages		10,929	8,296
Subscriptions		19,606	5,800
Travel and Accommodation		584	2,510
		<u>340,196</u>	<u>495,694</u>
Finance Expenses			
Finance Costs	10	<u>3,935,391</u>	<u>3,029,699</u>
		3,935,391	3,029,699
Loss on Disposal of Fixed Assets		340	7,598
Non-Cash Expenses			
Depreciation	8	1,210,419	1,794,237
TOTAL EXPENSES		<u>7,308,629</u>	<u>7,065,997</u>

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

OPUHA WATER LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012 (continued)

	Notes	2012 \$	2011 \$
Net Profit (Loss) for the period		<u><u>(1,712,374)</u></u>	<u><u>(2,756,550)</u></u>
Tax Expense	4	(577,716)	-
Profit/(Loss) from Continuing Operations		<u><u>(2,290,090)</u></u>	<u><u>(2,756,550)</u></u>
Other Comprehensive Income (Expenditure)			
Revaluation of Property, Plant and Equipment		20,587	-
Tax on other Comprehensive Income		-	-
		<u>20,587</u>	<u>-</u>
Total Comprehensive Income		<u><u>(2,269,503)</u></u>	<u><u>(2,756,550)</u></u>

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

OPUHA WATER LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 \$	2011 \$	Diff
Continuing Operations				
Water Supply Revenue		879,288	798,479	80,809
Operation Levy Received		2,113,618	1,921,835	191,783
Less: Discounts Given		(84,937)	(76,307)	(8,630)
		<u>2,907,969</u>	<u>2,644,007</u>	<u>263,962</u>
Sutherlands Water Supply & Capacity Charges		188,599	-	188,599
Scheme Charges - Totara Valley Pond		30,866	-	30,866
Electricity Generation Sales		1,984,200	1,183,754	800,446
Water Abstraction & Additional Charges		315,367	299,494	15,873
		<u>2,519,032</u>	<u>1,483,248</u>	<u>1,035,784</u>
Other Income				
Sundry Income		249	277	(28)
Share Transfer Charges		675	3,150	(2,475)
Management Fees		97,000	92,000	5,000
Dividends Received		51,533	55,203	(3,670)
Interest Received		19,797	31,562	(11,765)
		<u>169,254</u>	<u>182,192</u>	<u>(12,938)</u>
				-
Total Income		<u>5,596,255</u>	<u>4,309,447</u>	<u>1,286,808</u>
Less Expenses				
				0
				0
				0
Direct Operating Expenses				
Accident Compensation Levies		4,510	3,081	1,429
Electricity, Light & Heat		16,564	9,855	6,709
Electricity Use of System & Connection Costs		206,396	403,714	(197,318)
Inspection & Survey Costs		47,265	56,430	(9,165)
Insurances		287,371	253,439	33,932
Laundry and Cleaning		2,268	2,579	(311)
Ministry of Business, Innovation & Employment Levies		1,846	2,134	(288)
Monitoring Charges		28,208	23,665	4,543
Site Inspection Costs		34,392	33,249	1,143
Motor Vehicle Expenses		51,740	48,018	3,722
Plant & Equipment Hire		5,155	776	4,379
Rates		31,855	31,252	603
Repairs and Maintenance		225,989	175,735	50,254
Power Station Operations Management Fee		355,025	228,383	126,642
Protective Clothing & Safety Equipment		2,177	1,643	534
Rent of Office & Lodge		9,100	1,575	7,525
Resource Consent Fees		3,168	7,592	(4,424)
Telephone and Tolls		17,509	19,202	(1,693)
Trees, Planting and Landscaping		-	1,365	(1,365)
Valuation Fees		1,271	-	1,271
Wages, Salaries and Allowances		406,382	372,162	34,220
Water Measurement & Telemetry Management		82,439	60,341	22,098
Weed and Pest Control		1,653	2,579	(926)
		<u>1,822,283</u>	<u>1,738,769</u>	<u>83,514</u>

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

OPUHA WATER LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012 (continued)

	Notes	2012 \$	2011 \$	
Administration Expenses				
Advertising		1,327	-	1,327
Accountancy & Secretarial Services		106,146	152,108	(45,962)
Audit Fees	2	14,770	7,081	7,689
Bad Debts Unrecoverable		4,785	-	4,785
Computer, Internet & Software Fees		3,486	2,743	743
Conferences, Seminars & Training		6,800	9,322	(2,522)
Consultancy Fees		34,962	56,207	(21,245)
Directors Fees	15	80,000	80,000	0
Donations		500	2,000	(1,500)
Entertainment		912	6,239	(5,327)
General Expenses		1,976	4,513	(2,537)
Hydrology and Water Use Studies (ASM)		23,538	73,662	(50,124)
Legal Fees		15,692	24,128	(8,436)
Management and Strategic Projects		5,664	34,125	(28,461)
Recruitment Fees		8,054	25,861	(17,807)
Security		465	1,099	(634)
Stationery, Printing & Postages		10,929	8,296	2,633
Subscriptions		19,606	5,800	13,806
Travel and Accommodation		584	2,510	(1,926)
		<u>340,196</u>	<u>495,694</u>	<u>(155,498)</u>
Total Operational Expenses				
		<u>2,162,479</u>	<u>2,234,463</u>	<u>(71,984)</u>
Operating Margin (EBITDA)				
		<u>3,433,776</u>	<u>2,074,984</u>	<u>1,358,793</u>
Finance Costs				
Bank Fees & Charges		834	1,744	(910)
Loan Application & Discharge Fees		4,250	250	4,000
Interest Expense - Bank Debt		2,128,626	2,148,413	(19,787)
Interest Expense - Hunter Premium Funding		11,925	10,183	1,742
Finance Costs Paid		<u>2,145,635</u>	<u>2,160,590</u>	<u>(14,955)</u>
Operating Profit before Dep'n		<u>1,288,141</u>	<u>(85,606)</u>	<u>1,373,748</u>
Revaluation of Interest Rate Swaps		1,789,756	869,109	920,647
		<u>3,935,391</u>	<u>3,029,699</u>	<u>905,692</u>
Finance Expenses				
Finance Costs	10	<u>3,935,391</u>	<u>3,029,699</u>	<u>905,692</u>
		3,935,391	3,029,699	905,692
Loss on Disposal of Fixed Assets		340	7,598	(7,258)
Non-Cash Expenses				
Depreciation	8	1,210,419	1,794,237	(583,818)
TOTAL EXPENSES		<u>7,308,629</u>	<u>7,065,997</u>	<u>242,632</u>

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

OPUHA WATER LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012 (continued)

	Notes	2012 \$	2011 \$	
Net Profit (Loss) for the period		<u><u>(1,712,374)</u></u>	<u><u>(2,756,550)</u></u>	<u><u>1,044,177</u></u>
Tax Expense	4	(577,716)	-	(577,716)
Profit/(Loss) from Continuing Operations		<u><u>(2,290,090)</u></u>	<u><u>(2,756,550)</u></u>	<u><u>466,461</u></u>
Other Comprehensive Income (Expenditure)				
Revaluation of Property, Plant and Equipment		20,587		20,587
Tax on other Comprehensive Income		<u>20,587</u>	<u></u>	<u>20,587</u>
Total Comprehensive Income		<u><u>(2,269,503)</u></u>	<u><u>(2,756,550)</u></u>	<u><u>487,048</u></u>

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 2012

	Notes	2012 \$	2011 \$
RETAINED EARNINGS			
Opening Balance		(5,342,544)	-
Recognition of Fair Value Swaps Prior Year		-	(2,585,994)
Loss for the Year		(2,290,090)	(2,756,550)
Other Comprehensive Income		-	-
Closing Balance		(7,632,634)	(5,342,544)
REVALUATION RESERVE			
Opening Balance		-	-
Other Comprehensive Income		20,587	-
Closing Balance		20,587	-
CONTRIBUTED EQUITY			
Opening Balance		1,000	-
Share Issue	7	-	1,000
Closing Balance		1,000	1,000
Total Equity		(7,611,047)	(5,341,544)

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 2012

	Notes	2012 \$	2011 \$
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents		546,387	369,675
Receivables and Prepayments	3	1,162,465	842,816
Preliminary Downstream Weir Enhancement Costs		20,400	-
Term Deposit - ANZ National Bank Ltd		185,000	185,000
Total Current Assets		<u>1,914,252</u>	<u>1,397,491</u>
NON-CURRENT ASSETS			
Property, Plant and Equipment	8	<u>47,333,584</u>	<u>47,568,117</u>
Total Fixed Assets		<u>47,333,584</u>	<u>47,568,117</u>
Investments			
Shares - CRT Society Ltd		<u>830</u>	<u>666</u>
Total Investments		<u>830</u>	<u>666</u>
Total Non-Current Assets		<u>47,334,414</u>	<u>47,568,783</u>
TOTAL ASSETS		<u>49,248,666</u>	<u>48,966,274</u>

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 2012

	Notes	2012 \$	2011 \$
LIABILITIES			
CURRENT LIABILITIES			
Trade and Other Payables	11	495,699	653,793
Derivatives		5,244,858	3,455,102
Loan - Hunter Premium Funding		378,467	281,821
Employee Leave Entitlements		20,295	13,256
ANZ National Bank Ltd - Flexible Credit Facility	9	256,850	-
		<u>6,396,169</u>	<u>4,403,972</u>
Provisions - Taxation			
Tax Payable		(9,896)	(7,248)
		<u>(9,896)</u>	<u>(7,248)</u>
Other Current Liabilities			
Other Liabilities	14	77,886	93,256
Term Loan - ANZ National Bank Ltd	9	-	27,000,000
		<u>77,886</u>	<u>27,093,256</u>
Total Current Liabilities		<u>6,464,159</u>	<u>31,489,980</u>
NON CURRENT LIABILITIES			
Term Loan - ANZ National Bank Ltd	9	27,000,000	-
Deferred Tax Liability	5	4,891,993	4,314,277
Shareholders' Current Accounts	24	18,503,561	18,503,561
Total Non Current Liabilities		<u>50,395,554</u>	<u>22,817,838</u>
TOTAL LIABILITIES		<u>56,859,713</u>	<u>54,307,818</u>
SHAREHOLDERS' EQUITY			
1,000 Ordinary Shares		1,000	1,000
Retained Earnings		(7,632,634)	(5,342,544)
Revaluation Reserve		20,587	-
Total Shareholders Equity (Deficit)		<u>(7,611,047)</u>	<u>(5,341,544)</u>
TOTAL EQUITY AND LIABILITIES		<u>49,248,666</u>	<u>48,966,274</u>

Signed for and on behalf of the Directors:

Thomas C Lambie

Nicola A O Hyslop

9/11/2012
Date

OPUHA WATER LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 \$	2011 \$
CASHFLOWS FROM OPERATING ACTIVITIES:			
<u>Cash was provided from:</u>			
Operating Income		5,331,578	3,853,512
		<u>5,331,578</u>	<u>3,853,512</u>
<u>Cash was applied to:</u>			
Expenses		2,136,996	2,222,262
Interest Paid		2,174,292	1,971,569
Goods and Services Tax		35,131	8,784
		<u>4,346,419</u>	<u>4,202,615</u>
Net Cash Inflow/(Outflow) from Operating Activities	22	<u>985,159</u>	<u>(349,103)</u>
CASHFLOWS FROM INVESTING ACTIVITIES:			
<u>Cash was provided from:</u>			
Interest Received		16,658	20,170
Dividends Received		51,533	55,203
		<u>68,191</u>	<u>75,373</u>
<u>Cash was applied to:</u>			
Fixed Asset Purchases & Capital Expenditure		1,133,488	1,023,702
		<u>1,133,488</u>	<u>1,023,702</u>
Net Cash Inflow/(Outflow) from Investing Activities		<u>(1,065,297)</u>	<u>(948,329)</u>
CASHFLOWS FROM FINANCING ACTIVITIES:			
<u>Cash was provided from:</u>			
ANZ Bank - Flexible Credit Facility		256,850	-
Opuha Water Partnership		-	1,667,107
		<u>256,850</u>	<u>1,667,107</u>
Net Cash Inflow/(Outflow) from Financing Activities		<u>256,850</u>	<u>1,667,107</u>
Net Increase/(Decrease) in Cash Held			
Net Increase in Cash Held		176,712	369,675
Add Cash at Start of Year		369,675	-
BALANCE OF CASH AT END OF YEAR		<u>546,387</u>	<u>369,675</u>
<u>Cash Balances</u>			
Petty Cash - Opuha House		100	40
ANZ National Bank Ltd - Cheque Account		309,359	211,635
ANZ National Bank Ltd - Call Account		236,928	158,000
		<u>546,387</u>	<u>369,675</u>

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

OPUHA WATER LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

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.

On 1st July 2010, Opuha Water Limited acquired the entire assets of Opuha Water Partnership. The irrigation scheme 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 with 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-oriented entities. The financial statements also comply with International Financial Reporting Standards ("IFRS")

These financial statements were approved by the Board of Directors on 24 October 2012.

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:

- Land and Buildings which have had a revaluation to government valuation at 30 June 2012
- 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (continued)

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 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	3% DV
Plant and Equipment	16% DV
Motor Vehicles	30% DV
Office Equipment	50% DV
Dam	1.5% SL
Power Station	4% DV
Totara Valley & Sutherlands Development	4% DV

During the 2012 financial year, the depreciation rate for the dam 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. This has decreased the depreciation expense for the current year from \$1,147,422 at diminishing value to \$498,509 under the straight line method.

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 bases 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (continued)

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 profit and loss.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (continued)

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 Comparatives - Prior Period Errors

Comparative balances have been restated for the following identified prior period errors:

(i) Derivatives

The comparative Statement of Financial Position and Statement of Comprehensive Income have been restated to include an omitted derivative. The impact of this amendment was an increase in derivative liabilities and an increase in the net loss after tax of \$1,068,264.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (continued)

(ii) Deferred Tax

On transition to NZ IFRS the company elected to adopt the deemed cost option under NZ IFRS 1 and revalue Dam assets. As this resulted in a higher accounting tax value than tax value the company should have recognised a deferred tax liability. The prior year Statement of Financial Position has been amended to recognise a deferred tax liability of \$4,314,277 with a corresponding decrease in shareholder current accounts.

Standards Issued but not yet Effective

There are a number of new standards which have been issued which are not yet effective. None of these are expected to have a significant impact on the financial statements except for NZ IFRS 9 Financial Instruments, which become mandatory for the 2016 financial statements and could change the classification and measurement of financial assets. The company does not anticipate adopting this standard early.

1.19 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

\$3,770 (2011 : \$7,081), excluding GST, was paid to Mitchell Audit during the year. This transaction related to Opuha Water Partnership for 2011 year audit services only, with no other services being provided. Opuha Water Ltd has engaged KPMG to provide audit services from the 2012 year onwards. \$11,000 has been accrued in the financial statements as per terms of engagement.

3 RECEIVABLES AND PREPAYMENTS

	2012	2011
	\$	\$
Trade Receivables	795,615	579,443
Prepayments	366,850	243,652
GST	-	19,721
	<u>\$1,162,465</u>	<u>\$842,816</u>

Accounts Receivable are shown net of impairment losses amounting to \$795,615 (2011 : \$579,443) recognised in the current year. Accounts Receivable relating to related party transactions were \$25,560 (2010 : \$Nil).

OPUHA WATER LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (continued)

4 TAXATION

	2012	2011
4 (1) Statement of Comprehensive Income Tax Expense	\$	\$
Current Income Tax Expense		
Profit (Loss) before Income Tax	(1,712,374)	(3,154,861)
<u>Add Back Non-Taxable Adjustments</u>		
Revaluation of Interest Rate Swaps	1,789,756	1,267,420
Difference in Tax Depreciation & Accounting Depreciation	222,547	871,461
Non-Deductible Entertainment Expenses	488	3,337
Non-Deductible Legal Fees	4,752	5,157
Net Effect of Imputation Credits on Dividends	22,086	23,658
Taxable Income	<u>327,255</u>	<u>(983,827)</u>
Losses Brought Forward	(983,827)	-
Prior Year Unused Imputation Credits Converted	(78,861)	-
Current Year Unused Imputation Credits Converted	(78,878)	-
Taxable Profit/(Loss)	<u>(814,311)</u>	<u>-</u>
Current Income Tax Expense	-	-
Deferred Income Tax Expense		
Movement in Temporary Differences	2,063,274	-
Deferred Income Tax Expense 28%	<u>577,717</u>	<u>-</u>
Total Tax Expense	<u>577,717</u>	<u>-</u>
4 (1) Statement of Financial Position Income Tax Liability		
Tax on Taxable Income	-	-
Less Withholding Tax	(2,647)	(7,248)
Prior Year Taxation Carried Forward	(7,248)	-
Terminal Tax Payable (Receivable)	<u>(9,895)</u>	<u>(7,248)</u>

The company has losses to carry forward of \$165,398 (2011: \$1,062,689).

5 DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities are attributable to the following

	Assets		Liabilities		Net	
	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$
Property, plant and equipment	-	-	5,859,421	5,782,837	5,859,421	5,782,837
Derivatives	(967,428)	(1,468,560)	-	-	(967,428)	(1,468,560)
Tax (assets)/liabilities	<u>(967,428)</u>	<u>(1,468,560)</u>	<u>5,859,421</u>	<u>5,782,836</u>	<u>4,891,993</u>	<u>4,314,277</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (continued)

Movement in temporary differences during the year

	Property, plant and equipment \$	Derivatives \$	Total \$
Balance 1 July 2010	-	-	-
Additions	(20,652,989)	5,244,858	(15,408,131)
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)

6	IMPUTATION CREDIT ACCOUNT	2012	2011
		\$	\$
	Opening Balance	30,906	-
	Plus Resident Withholding Tax Paid	2,647	7,248
	Plus Imputation Credits Received on Dividends	22,086	23,658
		<u>55,640</u>	<u>30,906</u>
	Plus Terminal Tax / (Refund)	-	-
	Plus Provisional Tax Paid	-	-
	Closing Balance available to Shareholders	<u>55,640</u>	<u>30,906</u>

7 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. The shares have no par value.

OPUHA WATER LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8 PROPERTY, PLANT & EQUIPMENT

	Land and Buildings	Plant and Equipment	Motor Vehicles	Office Equipment	Dam - non mechanical	Dam - mechanical	Power Station - non mechanical	Power Station - mechanical	Valley - Pond Development	Sutherland's Pipeline Development	Total
Cost and Valuation											
Balance at 1 July 2010	-	-	-	-	-	-	-	-	-	-	-
Additions	151,187	44,178	157,541	28,208	34,392,932	817,590	5,836,467	6,900,221	562,022	538,092	49,428,438
Disposals	-	-	11,111	-	-	-	-	-	-	47,375	58,486
Balance at 30 June 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
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
Depreciation											
Balance at 1 July 2010	-	-	-	-	-	-	-	-	-	-	-
Depreciation for the year	6,084	5,904	36,476	6,096	1,161,969	33,321	233,474	310,912	-	-	1,794,236
Disposals	-	-	5,503	-	-	2,095	-	-	-	-	7,598
Balance at 30 June 2011	6,084	5,904	41,979	6,096	1,161,969	35,416	233,474	310,912	-	-	1,801,834
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
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

9 SECURED LIABILITIES

Loan: ANZ National Bank Ltd - \$27,000,000

Terms of Repayment: Interest only maturing 2nd April 2017

Subject to the following Interest Swap Rates (including credit margin)

- \$10,800,000 interest rate: 6.96% p.a. until 3rd December 2012 then \$10,800,000 interest rate 8.91% p.a. until 2nd April 2019
- \$10,800,000 interest rate: 8.80% p.a. until 7th January 2019
- \$4,400,000 interest rate: 7.45% p.a. until 2nd November 2016

Of the above loan, \$1,000,000 has been placed on a variable interest rate.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (continued)

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:

$$\frac{\text{Net Cash from Operations less Net Capital Expenditure}^*}{\text{Debt Servicing Costs}}$$

- Plus 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.

* **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.

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 for the Debt Service Cover Ratio is in December 2012.

10	NET FINANCE COSTS	2012	2011
		\$	\$
	Bank Fees & Charges	834	1,744
	Loan Application & Discharge Fees	4,250	250
	Interest Expense - Bank Debt	2,128,626	2,148,413
	Interest Expense - Hunter Premium Funding	11,925	10,183
	Revaluation of Interest Rate Swaps	1,789,756	869,109
		<u>3,935,391</u>	<u>3,029,699</u>
11	TRADE AND OTHER PAYABLES	2012	2011
		\$	\$
	Accounts Payable	323,022	466,768
	GST Payable	19,392	-
	Interest Payable on Term Loan	153,285	187,025
		<u>495,699</u>	<u>653,793</u>

12 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 Pools). The maximum exposures to credit risk at balance date are the amounts set out in the Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (continued)

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 Bid rate per annum and has a maximum drawdown limit of \$2,000,000. As at 30 June 2012, \$256,850 has been drawdown.

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.

2012	Notional Value	Carrying Value
Interest Rate Swaps	36,800,000	5,244,858
2011		
Interest Rate Swaps	36,800,000	3,455,102

As at 30th June 2012, 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 \$36,800,000, as disclosed in note 9. At balance date, the company had the following assets exposed to variable interest rate risk that are not designated as cash flow hedges :

	2012	2011
	\$	\$
Cash and Cash Equivalents	546,387	369,675
	<u>546,387</u>	<u>369,675</u>

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.

	2012	2011
	\$	\$
Comprehensive Income impact of interest rate movement (-50 basis points)	758,441	893,811
Comprehensive Income impact of interest rate movement (+50 basis points)	(758,441)	(893,811)
Company's Capital impact of interest rate movement (-50 basis points)	758,441	893,811
Company's Capital impact of interest rate movement (+50 basis points)	(758,441)	(893,811)

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (continued)

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 2012	2012	2012	2012
	\$	\$	\$
	Less than	1-5 years	Greater than
	1 year		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

Year Ended 30th June 2011	2011	2011	2011
	\$	\$	\$
	Less than	1-5 years	Greater than
	1 year		5 years
Trade Payables	466,768	-	-
Interest Payable	187,025	-	-
Loan - Hunter Premium Funding	281,821	-	-
Current Accounts	93,256	-	-
Interest Rate Swaps Payable	96,714	6,398,698	3,005,235
Borrowings	2,128,626	7,908,759	23,110,979
TOTAL	3,254,210	14,307,457	26,116,214

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.

h) 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. The gearing ratio as at balance date is 55.6%.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (continued)

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.

- a) The company paid HC Partners LP, of which Mr N J Gormack was, at the time, a Director, and Quantum Advantage Ltd, of which Mr N J Gormack is currently a Director, for Accountancy and Secretarial Services. The amount paid or accrued at balance date totals \$106,145 (excluding GST) and has been recorded. The company paid Quantum Advantage Ltd, of which Mr N J Gormack is a Director, for Accountancy and Secretarial Services. The amount paid or accrued at balance date totals \$38,206 (excluding GST) and has been recorded in these financial statements. At balance date, \$6,478 (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 month following the invoice date.
- b) The company paid RSM Law Ltd of which Mr E O’Sullivan is a Director, for Legal Fees. The amount paid or accrued at balance date totals \$10,681 (excluding GST) and has been recorded in these financial statements. At balance date \$10,681 (excluding GST) of this amount was still owing to RSM Law for legal fees relating to general legal advisory services. Any outstanding balance is not secured and standard engagement terms apply being payment due 20th of month following the invoice date.
- c) Levels Plain Irrigation Company Ltd is a shareholder of Opuha Water Limited.
- d) SCFIS Holdings Ltd 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 of Opuha Water Limited.

14 CURRENT ACCOUNTS

	2012	2011
	\$	\$
Kakahu Irrigation Limited	65,770	81,120
Levels Plain Irrigation Limited	<u>12,116</u>	<u>12,136</u>
	<u><u>77,886</u></u>	<u><u>93,256</u></u>

KAKAHU IRRIGATION LIMITED

The current account shown in the Liabilities for \$65,770 (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 \$65,770 relates to funds that were outstanding at 30th June 2012.

LEVELS PLAIN IRRIGATION LIMITED

The current account shown in the Liabilities for \$12,116 (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 \$12,116 relates to funds that were outstanding at 30th June 2012.

OPUHA WATER LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (continued)

15 DIRECTORS FEES

Remuneration to Directors remained consistent with levels paid in prior years in Opuha Water Partnership.

	2012	2011
	\$	\$
Chairman	20,000	20,000
Independent Directors	20,000	20,000
Nicky Hyslop	8,000	8,000
Dermott O'Sullivan	8,000	8,000
Ross Wells	8,000	8,000
Alvin Reid	8,000	8,000
Tony Howey	8,000	8,000
	<u>80,000</u>	<u>80,000</u>

16 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.

17 CONTINGENT LIABILITIES

As at balance date there were no contingent liabilities (2011 : \$Nil).

18 CONTINGENT ASSETS

As at balance date there were no contingent assets (2011 : \$Nil).

19 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 2012 was 9.65% p.a. (2011 : 9.65%). At balance date, no overdraft funds had been drawn.

20 CAPITAL COMMITMENTS

As at balance date there were no capital commitments.

21 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.

OPUHA WATER LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (continued)

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

	2012 \$	2011 \$
Profit for the year	(1,712,374)	(2,756,550)
Plus/(Less) Non-Cash Items		
Depreciation	1,210,419	1,794,237
Revaluation of Interest Rate Swaps	1,789,756	869,109
Loss on Sale of Fixed Assets	340	7,598
Opuha Water Partnership	-	(103,098)
	<u>3,000,515</u>	<u>2,567,846</u>
Plus/(Less) Movements in Working Capital		
(Increase)/Decrease in Accounts Receivable	(216,172)	(579,444)
(Increase)/Decrease in Prepayments	(123,198)	(243,652)
(Increase)/Decrease in Other Current Assets	(18,818)	-
Increase/(Decrease) in Taxation	-	(7,248)
Increase/(Decrease) in Accounts Payable	(144,288)	467,312
Increase/(Decrease) in Interest Payable	(33,741)	187,026
Increase/(Decrease) in Employee Leave Entitlements	7,039	13,256
Increase/(Decrease) in Loan : Hunter Premium Funding	96,646	281,821
Increase/(Decrease) in GST Account	43,229	(19,721)
	<u>(389,303)</u>	<u>99,350</u>
Plus/(Less) Financing Activities		
ANZ Bank - Flexible Credit Facility		-
Interest Received	(19,306)	(20,170)
Dividends Received	(51,533)	(55,203)
Current Account - Kakahu Irrigation Ltd	(18,404)	(20,056)
Current Account - Levels Plain Irrigation Ltd	(1,081)	(2,495)
	<u>(90,324)</u>	<u>(97,924)</u>
Plus/(Less) Investing Activities		
Fixed Assets	176,809	(161,825)
Investments	(164)	-
	<u>176,645</u>	<u>(161,825)</u>
Net Cash Inflow/(Outflow) from Operating Activities	<u><u>985,159</u></u>	<u><u>(349,103)</u></u>

OPUHA WATER LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012 (continued)

23 SIGNIFICANT EVENTS AFTER BALANCE DATE

No significant events have occurred subsequent to balance date.

24 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	2012	2011
	\$	\$
Opening Balance	15,034,244	-
Funds Contributed	-	4,152
Fixed Assets Transferred from Partnership	-	39,161,068
Investments Transferred from Partnership	-	150,719
ANZ Bank Funds Transferred from Partnership	-	1,351,152
Partnership Receivables Taken Over By OWL	-	16,781
	<u>15,034,244</u>	<u>40,683,872</u>
Less:		
Share Capital Paid	-	813
ANZ Term Loan Transferred from Partnership	-	21,937,500
Current Accounts Transferred from Partnership	-	63,298
Preliminary Expenses Transferred from Partnership	-	9,582
Partnership Payables Taken Over By OWL	-	130,928
Adjustment for Deferred Tax Liability not previously	-	3,507,507
	<u>-</u>	<u>25,649,628</u>
Closing Balance	<u>15,034,244</u>	<u>15,034,244</u>
LEVELS PLAIN HOLDINGS LIMITED	2012	2011
	\$	\$
Opening Balance	3,469,317	-
Fixed Assets Transferred from Partnership	-	9,037,170
Investments Transferred from Partnership	-	34,781
ANZ Bank Funds Transferred from Partnership	-	311,804
Partnership Receivables Taken Over By OWL	-	3,873
	<u>3,469,317</u>	<u>9,387,628</u>
Less:		
Share Capital Paid	-	188
ANZ Term Loan Transferred from Partnership	-	5,062,500
Current Accounts Transferred from Partnership	-	14,607
Preliminary Expenses Transferred from Partnership	-	2,211
Partnership Payables Taken Over By OWL	-	32,035
Adjustment for Deferred Tax Liability not previously	-	806,770
	<u>-</u>	<u>5,918,311</u>
Closing Balance	<u>3,469,317</u>	<u>3,469,317</u>
Total amounts owing to Shareholders	<u>18,503,561</u>	<u>18,503,561</u>