AMURI IRRIGATION CO

# 2021 ANNUAL REPORT

## FINANCIAL STATEMENTS

For The Year Ended 31 May 2021

AMURI IRRIGATION CO

**FINANCIAL STATEMENTS**
For The Year Ended 31 May 2021

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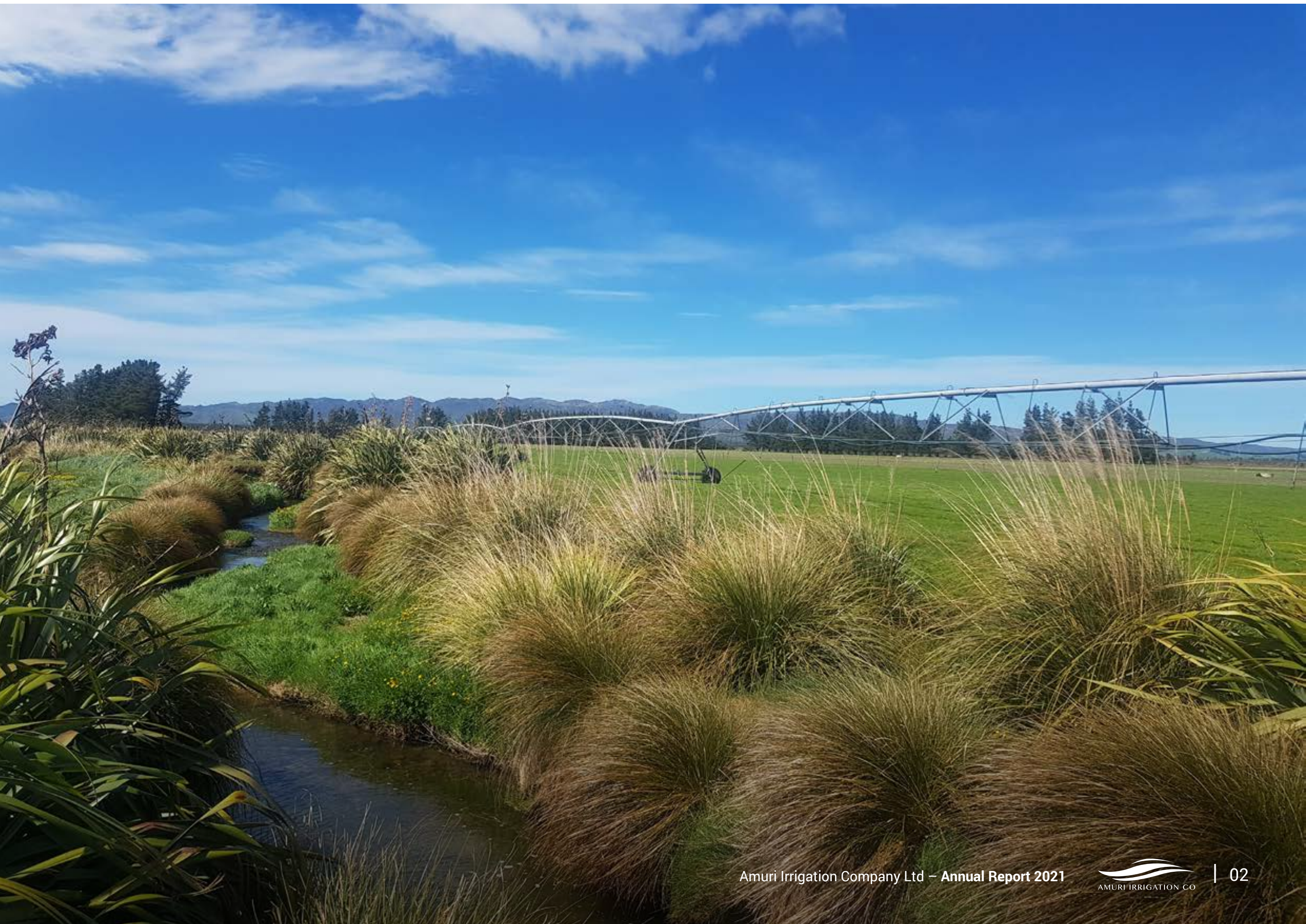
# 1. BUSINESS DIRECTORY

| | |
|---|---|
| **COMPANY NUMBER:** | CH 446906 |
| **DATE OF INCORPORATION:** | 5 April 1990 |
| **NATURE OF BUSINESS:** | Supply of Water for Irrigation |
| **DIRECTORS:** | D A Croft (Chairman)<br>E L Francis<br>K J McCone<br>C S Laurie<br>A W Benton (Retired 26 November 2020)<br>M F Satterthwaite<br>N S Anderson<br>GAC Gould (Appointed 26 November 2020) |
| **REGISTERED OFFICE:** | 50 Mountainview Road<br>Culverden |
| **SHARE REGISTER:** | Amuri Irrigation Office<br>50 Mountainview Road<br>Culverden |
| **BANKERS:** | Westpac Bank<br>3 Waimairi Road<br>Upper Riccarton<br>Christchurch 8442 |
| **SOLICITORS:** | Anderson Lloyd<br>Level 3<br>70 Gloucester Street<br>Christchurch 8013 |
| **INDEPENDENT AUDITORS:** | BDO Wellington Audit Limited<br>Level 1, Chartered Accountant House<br>50 Customhouse Quay<br>Wellington |
| **ACCOUNTANTS:** | Mackay Bailey Limited<br>109 Blenheim Road<br>Christchurch |



# 2. ANNUAL REPORT

## For The Year Ended 31 May 2021

The Board of Directors present their Annual Report including Financial Statements of the company for the year ended 31 May 2021.

The following Directors held office during the year.

D A Croft (Chairman)
E L Francis
K J McCone
C S Laurie
A W Benton (Retired 26 November 2020)
M F Satterthwaite
N S Anderson
G A C Gould (Appointed 26 November 2020)

All directors are ordinary residents of New Zealand.

Audit fees paid during the year total $34,589. (2020: $21,800)

## NATURE OF BUSINESS

The business of the company is to supply water for irrigation. The nature of the company's business has not changed during the year under review.

## RESULTS FOR THE YEAR ENDED 31 MAY 2021

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| (Loss)/Profit before Income Tax | 382,519 | (2,008,760) |
| Income Tax Benefit/(Expense) | (141,442) | 1,808,760 |
| Net (Loss)/Profit for the Year | 241,077 | (200,095) |
| Plus Accumulated Losses brought forward | (4,633,038) | (4,432,943) |
| Leaving Accumulated Losses at 31 May 2020 | (4,391,961) | (4,633,038) |
| Asset Revaluation Reserve | 41,369,955 | 41,369,955 |

It is not proposed to make any transfers to or from reserves.

## For The Year Ended 31 May 2021

### STATE OF AFFAIRS

The state of the company's affairs as at 31 May 2021 was.

| | | 2021 $ | 2020 $ |
|---|---|---|---|
| Assets Totalled | | 141,991,936 | 144,212,669 |
| These were financed by: | | | |
| | Liabilities of | 65,405,972 | 68,176,784 |
| | Equity of | 76,585,964 | 76,035,886 |
| | | 141,991,936 | 144,212,669 |

### DIVIDENDS

The Directors recommend that no dividend be declared for the year ended 31 May 2021.

### DIRECTORS' INTERESTS

The following interests have been declared by Directors during the year in respect of transactions or proposed transactions with the company:

The directors have purchased irrigation water from the company during the year as detailed in Note 25 to the financial statements.

### DONATIONS

The Company has made cash donations during 2021 of $9,284 (2020: $4,860). This is reported in the profit and loss. The Company also makes water available to the following shareholders and community groups who are not invoiced a water charge:

| | | |
|---|---|---|
| Amuri Area School | Amuri Polo Club | Culverden Rugby Football Club |
| Amuri A&P Association | Culverden Golf Club | |

The value of this uncharged water is $6,950.

### SHARE DEALINGS

No Director acquired or disposed of any interest in shares in the company during the year.

## For The Year Ended 31 May 2021

### DIRECTORS' REMUNERATION AND BENEFITS

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

| | 2021 $ | 2020 $ |
|---|---|---|
| **Directors Fees:** | | |
| E L Francis | 15,000 | 15,000 |
| K J McCone | 15,000 | 15,000 |
| M F Satterthwaite | 15,000 | 15,000 |
| N S Anderson | 15,000 | 15,000 |
| D A Croft (Chairman) | 28,000 | 28,000 |
| A W Benton | 7,500 | 15,000 |
| C S Laurie | 28,782 | 25,000 |
| G A C Gould | 7,500 | - |
| | 131,782 | 128,000 |

### EMPLOYEE REMUNERATION AND OTHER BENEFITS

During the year one employee received between $280,000 - $290,000 and one employee received between $110,000 - $120,000 and one employee between $130,000 - $140,000. Last year one employee received between $250,000 - $260,000 and one employee received between $110,000 - $120,000 and one employee between $130,000 - $140,000.

### USE OF COMPANY INFORMATION

The Board received no notices during the year from Directors requesting to use company information received in their capacity as directors, which would not have been otherwise available to them.

For and on behalf of the Board:-

Director ______________ Director ______________

Date 28.9.21

# 3. AIC: YOUR IRRIGATION COMPANY

**Amuri Irrigation Company Limited (AIC) is a farmer-owned irrigation scheme supplying water for irrigation to over 28,000 hectares in the Amuri Basin, North Canterbury.**

AIC amalgamated three schemes, Waiau Plains, Waiareka Downs and the Balmoral scheme, with water being taken from the Waiau Uwha and Hurunui Rivers which are the largest rivers in the Hurunui District. AIC has been operating since 1990 and now supplies water to 147 farms.

The Waiareka Downs scheme was built in 1975 and irrigates 420 hectares on eight farms. It was piped in 2018. The Waiau Plains scheme is the largest and was completed in 1978. It takes 11 cubic metres of water per second from the Waiau Uwha River at the Leslie Hills Road Bridge. The Balmoral Scheme was built in 1985 and diverts from the Hurunui River below the Mandamus confluence into a diversion race on the North Bank.

All schemes have been upgraded from open race distribution system to a pressured pipe network, allowing an additional 4,700 hectares of land to be irrigated, although some open race remains between the river and pipe intakes.

The scheme now irrigates 24,000 hectares of land via the pipe network and 4,000 hectares by open race. Booster pump stations have been tailored to the needs of AIC and its shareholders. There are eleven combined stations boosting scheme lateral pipelines and 31 individual stations boosting after the farmer offtake. By sharing capital expenditure, we have reduced overall infrastructure investment and energy use by both AIC and shareholders.

AIC has 131 shareholders and 60% of the irrigated land is used for dairy farming and the remainder is cropping, sheep, beef and arable farming as well as dairy support. The Company is run by an elected Board of Directors made up of farmer shareholders and an independent Director and employs a small team who are based largely in an office in Culverden.

## SUPPLYING COMMUNITY GROUPS

AIC supplies a number of community groups with water at no cost to ensure that sports grounds and fields are kept fresh and lush over the summer months. Some groups bought founding shares in AIC in 1990 whereas others were incorporated into the scheme during the pipe network upgrade in 2017. AIC absorbs ongoing booster pumping and maintenance costs to assist these not for profit groups. AIC is pleased to be able to supply pressurised water to:

- Amuri Area School, Culverden
- Amuri Polo Club, Culverden
- Culverden Rugby Football Club, Culverden
- Amuri Agricultural and Pastoral Association Showgrounds, Rotherham
- Culverden Golf Club, Culverden

## WATER FOR FIRE BRIGADES

AIC liaises with Fire Brigades to ensure that they have access to large quantities of water at strategic points in our piped network for firefighting purposes.

# 4. AT A GLANCE

## KEY FACTS

**$141,991,936**
Asset Value

**$2,287,932**
Operating Profit

**$7,201,183**
Revenue

**28,142ha**
Irrigated Area

**85,000ha**
Environmental Collective Area

**131** SHAREHOLDERS

**11** EMPLOYEES

**03** RIVER INTAKES

**42** PUMP STATIONS

**189** SUPPLY POINTS

## PERFORMANCE

Water Supplied
**131m m³**

FY21 Water Charge*
**$276/ha**

Water Monitoring at
**42 Sites**

Small Group Shareholder Meetings
**16**

Farm Environmental Plan Audits
**67**

Water Quality Samples Taken
**243**

*Water delivered via pressurised pipe network

# 5. STRATEGY

**AIC strives to harness our collective strength to manage the natural resources of the Hurunui-Waiau for the prosperity of farming, family and the community. Our strategic drivers and medium term (five year) targets outlined below.**

## FINANCIAL

- A competitive and sustainable water charge that provides sufficient revenue to achieve our strategy.
- Well managed bank covenants, debt and treasury.
- Additional revenue streams identified and pursued.
- Disciplined financial management.

## REPUTATIONAL

- A successful regional plan review with the support of the community.
- Enhancement projects delivered.
- Stakeholders well informed and valued.
- Strong relationships with Runānga developed.

## ENVIRONMENTAL

- All groundwater drinking water wells meeting drinking water standards.
- Leading farmers to reduce nutrient loss.
- Improving quality in tributary and drain water.
- Strategic intervention based on science and data to mitigate effects. Improving quality in tributary and drain water.

## LEVEL OF SERVICE

- Assets managed in accordance with Asset Management Plan.
- Level of service targets developed and met.
- Storage developed to mitigate impact of increased minimum flows.
- Operational excellence in all aspects of our business.

We will do this by;

- Financial - Hydropower generation will generate revenue to offset storage costs. Where possible, we will pursue the incremental expansion of water use.
- Reputational - Showing proactive leadership to positively influence local and national government and increasing engagement with stakeholders and community.
- Environmental - Gathering quality data to reduce our footprint; implementing technologies to improve water quality, and encouraging improved efficiency and biodiversity.
- Level of Service - Delivering pressurised water with minimal interruption and providing high reliability whilst supporting shareholders.

## CURRENT PRIORITIES

- Operational excellence in our core business.
- Improved water quality through data capture, analysis and taking action.
- Advance Storage, Hurunui Irrigation Scheme and Hydro projects.
- Implementing an Asset Management Plan and associated systems to protect our assets and control costs.
- Providing proactive leadership to support farmers to improve on-farm practice and move beyond GMP.

# 6. ENVIRONMENTAL RESPONSIBILITIES

**The AIC Environmental Collective was established in early 2013 and currently holds 175 Farm Environment Plans (FEPs) covering over 85,000ha of farmed land in the Amuri, Hawarden and Hanmer Springs area.**

## FARM ENVIRONMENT PLAN AUDITING RESULTS 2020-21

67 audits were completed by two Environment Canterbury (ECan) approved auditors Amelia Wood and Dave Lucock of The Agribusiness Group (TAG) between November 2020 - April 2021. There were seven farms audited for the first time, six received an A and one a B. Most of these farms had a direct 1:1 visit prior to their audit being undertaken.

There has been notable change in B grade audits moving to As, which is commendable. Of the 67 farms audited 42 were As and 22 were Bs. There was also one farm which moved from a C to an A. Only 17 farms received a repeat B grade and 31 farms moved from a B to an A during this audit which demonstrates the continuous improvement approach to the FEP programme.

There are two remaining Cs and several farms were recalibrated during the review time period to a B after providing further information. One of the C grade farms has significant actions and will need to be monitored to ensure we can achieve some robust outcomes to improve this grade before the summer of 2022.

This year's results show that continual improvement is being made to meet and in many cases exceed GMP. We continue to see significant capital expenditure being undertaken on-farm to improve farm performance and FEP results.

AIC continues to contribute to a range of extension and educational forums and events to create greater buy-in across the FEP programme. This includes 1:1 discussions, new rule and planning frameworks, newsletters, events and training (irrigation, OverseerFM) and pre audit meetings.

Irrigation management appears to be the area we have the greatest opportunity to lift the 'level of confidence'. It is worthy to note that there has been significant improvement from 45% in the 19/20 season to 70% in the 20/21 season. All targets feed into this, but we are analysing the results to investigate how we can better address performance.

**Table 1: Distribution of Audit Grade by Farm Type**

| | Dairy | | Dairy Support | | Beef and Sheep | | Other | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | No | % | No | % | No | % | No | % | No | % |
| A | 24 | 67% | 6 | 17% | 12 | 33% | 0 | 0% | 42 | 63% |
| B | 11 | 31% | 2 | 6% | 9 | 25% | 1 | 0% | 23 | 34% |
| C | 1 | 3% | 0 | 0% | 1 | 3% | 0 | 0% | 2 | 3% |
| D | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% |
| TOTAL | 36 | | 8 | | 22 | | 1 | | 67 | 100% |

**Table 2: Audit Grade Distribution by Campaign**

| Campaign | A | | B | | C | | D | | Total |
|---|---|---|---|---|---|---|---|---|---|
| | No | % | No | % | No | % | No | % | |
| 2015/16 | 5 | 10% | 31 | 63% | 10 | 20% | 3 | 6% | 49 |
| 2016/17 | 7 | 14% | 29 | 57% | 13 | 25% | 2 | 4% | 51 |
| 2017/18 | 19 | 18% | 69 | 65% | 17 | 16% | 1 | 1% | 106 |
| 2018/19 | 14 | 20% | 52 | 74% | 4 | 6% | 0 | 0% | 70 |
| 2019/20 | 24 | 34% | 43 | 61% | 3 | 4% | 1 | 1% | 71 |
| 2020/21 | 42 | 63% | 23 | 34% | 2 | 3% | 0 | 0% | 67 |
| | | | | | | | | | 414 |

# 7. HEALTH AND SAFETY

**AIC is committed to the continuous improvement of health and safety in our workplace. We endeavour to provide a safe and healthy working environment for workers, contractors and members of the public.**

We strive to conduct our business by minimising and removing undue risk to our workers, contractors and members of the public. The safety and occupational health of our workers is a matter of prime concern to the company.

In meeting this commitment, we will:

- Ensure that no business objective takes priority over health and safety.
- Take all reasonably practicable steps to ensure the safety of every person working in and affected by our business
- Comply with all legislative requirements, codes of practice and safe operating procedures relevant to our workplace.
- Promote a system of continuous improvement in our health and safety practises.
- Identify all existing and new hazards and take all practicable steps to eliminate, isolate or minimise exposure to any hazards.
- Establish and insist that safe methods, work procedures, rules and instructions are always adhered to.
- Ensure that all accidents and incidents are accurately reported and recorded to ensure that all contributing factors are identified and, where appropriate, plans are formulated to take corrective action and improve practices and policies.
- Rehabilitate injured workers to ensure an early and safe return to work.
- Actively encourage employee participation in all matters relating to health and safety.

## Director Site Visits

**4**

## Lost Time Injuries

**0**

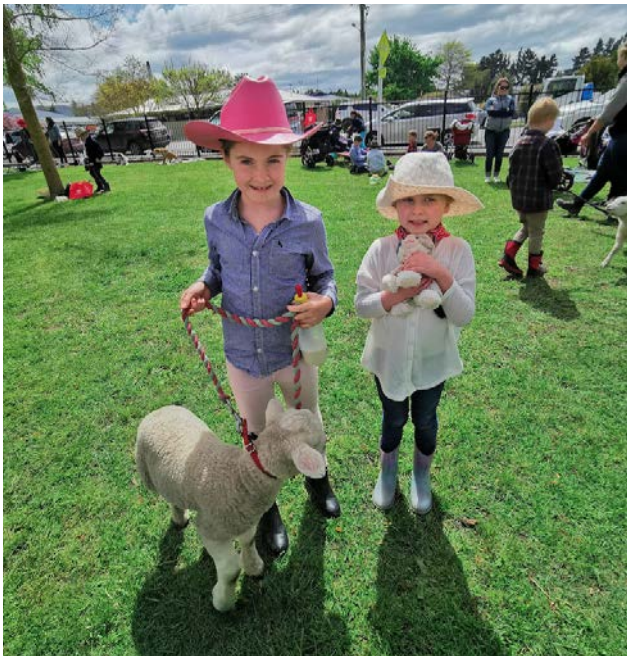
# 8. COMMUNITY SUPPORT

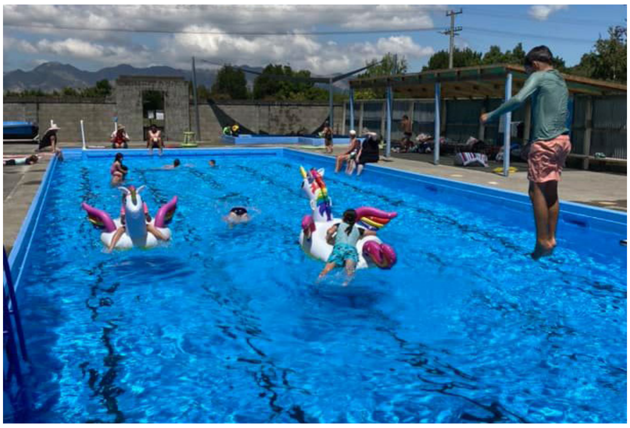
**The AIC Community Fund is distributed twice annually to groups and individuals within the Amuri Basin (Culverden, Rotherham and Waiau).**

Recipients should foster the development of sporting, recreational or social activities within the Basin. Grants of up to $1000 can be applied for in two funding rounds which close in February and August of each year.

In the last year we have granted funding to the following groups:

- Amuri Collie Club
- Connect Hurunui
- Amuri Golf Club
- Amuri Area School Y7 Leadership Programme
- Rotherham Pool
- Hanmer Springs Bowling Club
- Amuri Rural Mums Group
- Amuri Boxing Club
- Hawarden A&P Association
- Culverden Netball Team
- Rotherham School Home and School
- Waiau Community Fireworks Committee
- Culverden-Waiau Smallbore Rifle Club
- Waiau Netball Club
- Hawarden-Waikari Playgroup
- Waiau Pony Club
- New Zealand Hydrology Society - Oxfam Water Appeal





# 9. CHAIRMAN’S REPORT

On behalf of the Board, I am pleased to present the 31st Annual Report for the year ending 31 May 2021. This year will be remembered for its long dry autumn, which again illustrated the unpredictability of the current climate. Water was continuously supplied during this period, highlighting the value of irrigation to our shareholders.

## FINANCIAL RESULT

Our financial results record an operating profit of $2,287,932 compared with $154,257 last year. There was a significant change in the value of the interest rate swaps which moved favourably during the year reducing the liability from $3,920,050 to $2,013,782 resulting in $1,906,268 of income. This reduction was primarily driven by reduced fixed interest rates as swaps were extended. As a long-term asset owner, we hedge our interest rate risk to reduce water charges fluctuations.

Revenue for the year was $7,201,183. This is a 5% decrease from last year, when the 1% water charge increase was offset by receipt of the Hurunui scheme share application fees during the previous year. The comprehensive income for the year was $241,077 which was significantly lower than last year as a result of a revaluation (31 May 2020: $38,137,995). Total debt owing at 31 May 2021 is $47,317,149 ($985,502 of debt was repaid during the year). The overall net decrease in cashflow was $239,109 compared to $441,470 in the prior year and our operating (administrative) costs remained comparable.

## HEALTH AND SAFETY

Health and Safety continues to be a priority for the Company, and we are pleased to confirm that no significant incidents or accidents occurred this year. During the year, we had an independent audit of our systems which has assisted with the continued improvement of our processes.

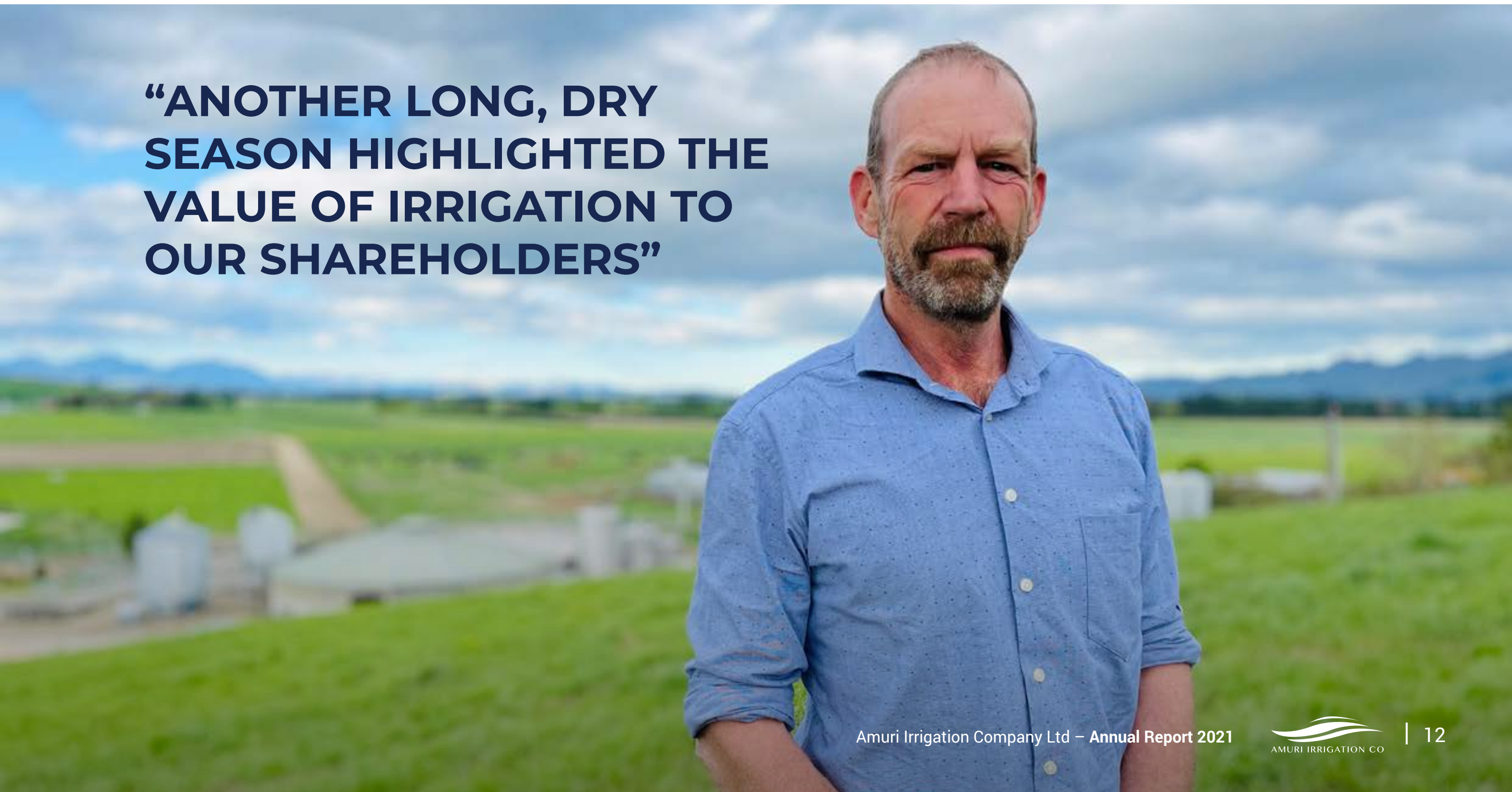
## STRATEGIC DIRECTION

This year a significant piece of work was undertaken to refine and document the Company’s strategy into measurable targets and workstreams. Whilst this work did not result in a significant change to the strategic direction, it did renew our focus and gave the team a clear understanding of the priorities to best deliver value to shareholders. This also illustrated that without greater resourcing, the Company would be unable to meet optimal targets and timeframes and recruitment for three new positions has begun to address this. The strategy was communicated to shareholders in a series of group meetings in late May where a water charge increase for the new financial year was signalled.

## OPERATIONAL EXCELLENCE

The 2020/21 irrigation season was characterised with higher than average demand (approximately 1 in 5 year), reliable river flows and minimal interruptions.

**“ANOTHER LONG, DRY SEASON HIGHLIGHTED THE VALUE OF IRRIGATION TO OUR SHAREHOLDERS”**



The season ran slightly later into mid-May due to low rainfall during the autumn. Irrigation efficiency on-farm will continue to be a focus for the coming season.

The pipe network continues to perform well. Two pipe leak events occurred early in the 20/21 irrigation season without causing significant supply issues and proved useful learning opportunities for the team. The defects period under the construction contract for the pipe network with Monadelphous Engineering New Zealand Pty Ltd has now ended and all issues have been addressed, resulting in the bond being released.

## ENVIRONMENTAL SUSTAINABILITY

The AIC Environmental Collective manages 175 Farm Environment Plans (FEPs) covering 85,000ha of land and includes almost all larger irrigating farms in the upper Hurunui-Waiau catchments. Having these farmers working towards the same goal is critical to the success of our community and we are pleased to be leading farmers to improve their on-farm performance.

To complement on-farm improvements, we are exploring edge of field solutions to reduce nutrient loss and improve water quality. We have engaged Massey University to investigate woodchip bioreactors and are working with NIWA to assess the optimal location and size of wetlands to treat nutrient loss. We believe this work can significantly improve water quality in our catchments.

## FEP AUDITING

The Environmental Collective completed 67 FEP audits this year and results show 97% of audited farmers are meeting, and in many cases exceeding Good Management Practice (GMP). This year marks the introduction of winter audits and Winter Management being incorporated as an additional unit into the FEP auditing framework. Looking ahead, we have some exciting projects planned for the Collective with the rollout of a new FEP database and development of subcatchment groups.

## BALMORAL STORAGE POND

Water storage remains a key focus for the Company as provision of water with a high level of reliability is critical for land use diversification and continued food and fibre production. We have continued to advance the Balmoral storage pond concept design and are preparing technical reports for the consent applications. We have worked closely with the landowner and largest shareholder, Ngāi Tahu Farming to push ahead with this project.

## HYDROPOWER GENERATION

We are excited at the prospect of utilising our existing infrastructure to produce renewable energy. Consent applications have been lodged with Environment Canterbury (ECan) for two sites which have been developed to the detailed design stage and are being reconsidered to address potential effects on fish passage.

## HURUNUI IRRIGATION SCHEME

Construction consents have been applied for and we have continued to work through the PDS conditions to develop a Hurunui scheme. As of 31 May 2021, we were awaiting decisions on our applications to DoC and LINZ for riverbed access for the intake and on resource consent applications with ECan and HDC.

A continuous disclosure process for the PDS share offer was completed in light of the National Environmental Standard for Freshwater 2020. This led to some farmers withdrawing, but this did not materially affect affordability of the project and we remain committed to bringing the social benefit associated with irrigation to the wider Hurunui community.

## COMMUNITY INVOLVEMENT

This year the AIC Community fund supported 16 local sporting and community groups, including the Waiau Playcentre who used the money to erect a shade sail over their sandpit and the Culverden Netball Club who purchased new team uniforms. We were delighted that the Department of Conservation led restoration of the Balmoral Lookout has been completed using funds previously allocated. This has created a fantastic community asset that will endure for many years to come.

We continue to provide water at no cost to five community organisations, including the Amuri A&P Association and Amuri Area School, ensuring that the community has access to excellent grounds for recreational and sporting pursuits.

## THANK YOU

On behalf of the Board of Directors I would like to thank shareholders for your continued support. I would also like to thank the AIC team and our trusted advisors.

David Croft
Chairman

# 10. FINANCIAL STATEMENTS

## For The Year Ended 31 May 2021

### STATEMENT OF COMPREHENSIVE INCOME

| | Note | 31 May 2021<br>$ | 31 May 2020<br>$ |
|---|---|---|---|
| Revenue | 10 | 7,201,183 | 7,608,561 |
| Other Income | 11 | 1,978,643 | 20,061 |
| Independent Auditors' Remuneration | 13 | (34,589) | (21,800) |
| Depreciation | 13 | (3,180,773) | (2,121,539) |
| Employee Benefits | 13 | (1,050,681) | (1,017,281) |
| Directors Fees | 13 | (131,782) | (128,000) |
| Repairs and Maintenance | 13 | (395,051) | (675,564) |
| Administrative Expenses | 13 | (1,874,939) | (1,878,177) |
| Impairment of Scheme Assets | 3 | - | (360,626) |
| Fair Value Movement in Interest Rate Swaps | 9 | - | (1,097,137) |
| Amortisation of Water Consents | 4 | (173,962) | (174,241) |
| Abandoned Capital Projects | | (50,118) | - |
| **Operating profit** | | 2,287,932 | 154,257 |
| **Net finance costs** | | | |
| Finance income | 12 | 195 | 2,474 |
| Finance expenses | 14 | (1,905,608) | (2,165,491) |
| **(LOSS)/PROFIT BEFORE INCOME TAX** | | 382,519 | (2,008,760) |
| Income Tax Benefit/(Expense) | 21 | (141,442) | 1,808,665 |
| **NET (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS** | | 241,077 | (200,095) |
| **OTHER COMPREHENSIVE INCOME** | | - | - |
| **Items not subsequently recycled through profit or loss** | | | |
| Movement in Revaluation Reserves (After Income Tax) | | - | 38,338,090 |
| **Total other comprehensive income** | | - | 38,338,090 |
| **TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO SHAREHOLDERS** | | 241,077 | 38,137,995 |

The statement above is to be read in conjunction with the Notes to the Financial Statements and the Independent Auditors Report.

## For The Year Ended 31 May 2021

## STATEMENT OF CHANGES IN EQUITY

| | Note | Share Capital | Property, Plant and Equipment Revaluation Reserve | Accumulated Losses | Total Equity |
|---|---|---|---|---|---|
| **Balance at 01 June 2019** | | 39,298,970 | 3,031,866 | (4,432,943) | 37,897,891 |
| Profit/(Loss) for the year | | - | - | (200,095) | (200,095) |
| Other Comprehensive Income | | - | 38,338,090 | - | 38,338,090 |
| **Total comprehensive income** | | - | 38,338,090 | (200,095) | 38,137,995 |
| **Transactions with owners** | | | | | |
| **Balance at 31 May 2020** | | 39,298,970 | 41,369,956 | (4,633,038) | 76,035,886 |
| **Balance at 01 June 2020** | | 39,298,970 | 41,369,956 | (4,633,038) | 76,035,886 |
| Profit/(Loss) for the year | | - | - | 241,078 | 241,078 |
| Other Comprehensive Income | | - | - | - | - |
| **Total comprehensive income** | | - | - | 241,078 | 241,078 |
| **Transactions with owners** | | | | | |
| Issue of Shares | 5 | 309,000 | - | - | 309,000 |
| **Total transactions with owners** | | 309,000 | - | - | 309,000 |
| **Balance at 31 May 2021** | | 39,607,970 | 41,369,956 | (4,391,960) | 76,585,964 |

The statement above is to be read in conjunction with the Notes
to the Financial Statements and the Independent Auditors Report.

## As At 31 May 2021

## STATEMENT OF FINANCIAL POSITION

| | Note | 2021 $ | 2020 $ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and Cash Equivalents | 7 | 761,591 | 1,000,700 |
| Trade and Other Receivables | 16 | 400,403 | 191,123 |
| Income Tax Receivable | 21 | 55 | 780 |
| Investments in Term Deposits | | 100,000 | - |
| | | 1,262,050 | 1,192,604 |
| **NON-CURRENT ASSETS** | | | |
| Property, Plant & Equipment | 3 | 135,136,269 | 138,061,664 |
| Investments in Shares | 17 | 636 | 636 |
| Construction Work in Progress | 2 | 2,448,450 | 1,606,828 |
| Water Consents | 4 | 3,144,530 | 3,318,493 |
| Right to Use Asset | 6 | - | 32,445 |
| | | 140,729,885 | 143,020,066 |
| **TOTAL ASSETS** | | 141,991,936 | 144,212,669 |
| **TOTAL EQUITY AND LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Short Term Borrowings | 8 | 1,077,936 | 918,252 |
| Short Term Employee Benefits | 15 | 54,458 | 60,980 |
| Trade Payables | 18 | 304,262 | 280,500 |
| Other Payables | 19 | 97,187 | 102,087 |
| Liability - Rooney Group Limited | 22 | 1,023,646 | 1,023,646 |
| Current Portion - Interest Rate Swap | 9 | 593,546 | 1,192,473 |
| | | 3,151,036 | 3,577,938 |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred Tax | 21 | 14,595,487 | 14,454,045 |
| Interest Rate Swap | 9 | 1,420,236 | 2,727,577 |
| Westpac Term Loan - Non Current Portion | 8 | 46,239,213 | 47,384,399 |
| Lease Liability | 6 | - | 32,824 |
| | | 62,254,936 | 64,598,845 |
| **TOTAL LIABILITIES** | | 65,405,972 | 68,176,784 |

The statement above is to be read in conjunction with the Notes to the Financial Statements and the Independent Auditors Report.

## As At 31 May 2021

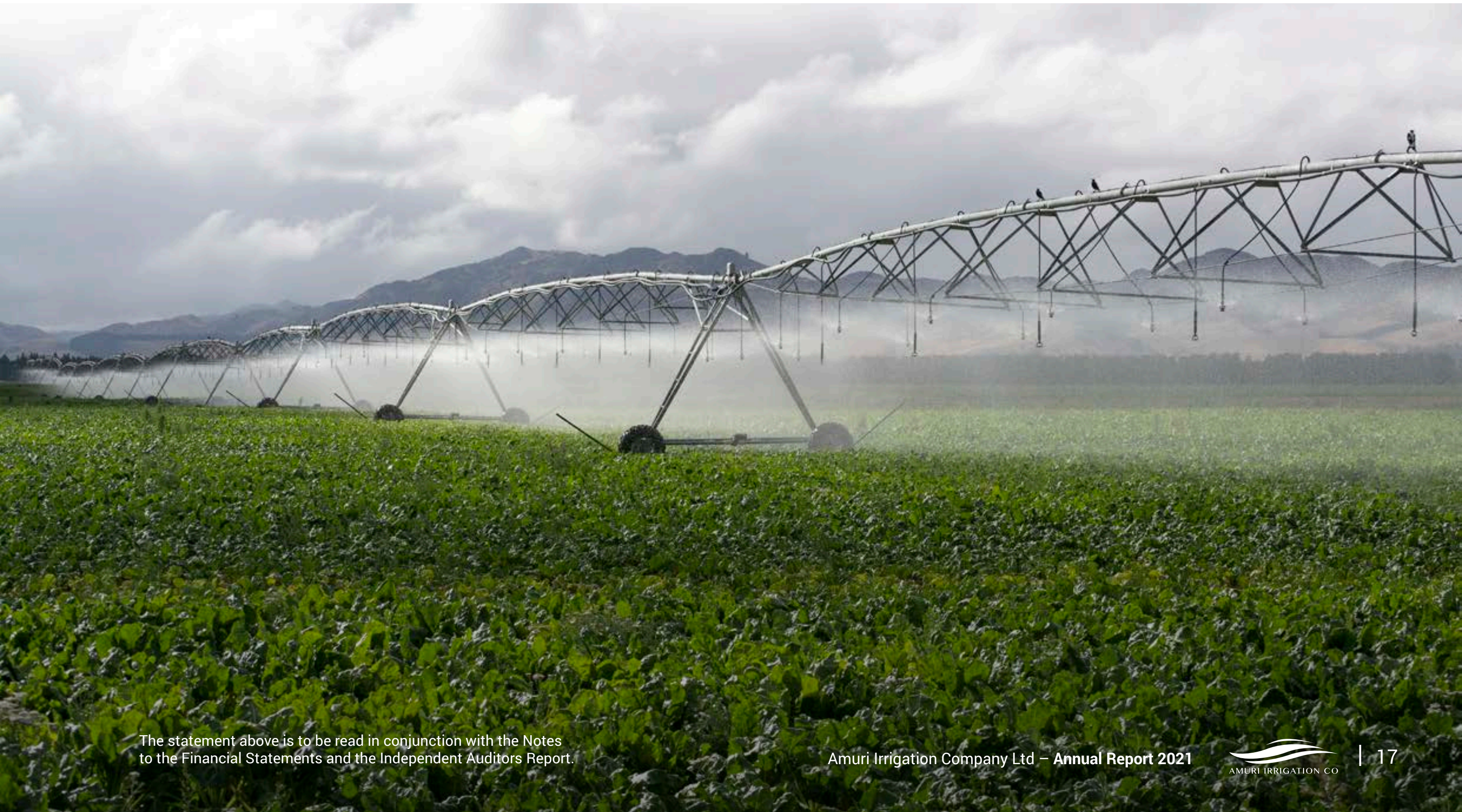
### STATEMENT OF FINANCIAL POSITION

| | Note | 2021<br>$ | 2020<br>$ |
|---|---|---|---|
| **SHAREHOLDERS' EQUITY** | | | |
| Share Capital | 5 | 39,607,970 | 39,298,969 |
| Property, Plant and Equipment Revaluation Reserve | | 41,369,955 | 41,369,955 |
| Accumulated Losses | | (4,391,961) | (4,633,038) |
| **TOTAL EQUITY** | | 76,585,964 | 76,035,886 |
| **TOTAL EQUITY AND LIABILITIES** | | 141,991,936 | 144,212,669 |

For and on behalf of the Board:-

Director ______________________ Director ______________________

Date 28.9.21



The statement above is to be read in conjunction with the Notes to the Financial Statements and the Independent Auditors Report.

## For The Year Ended 31 May 2021

## STATEMENT OF CASH FLOWS

| | Note | 2021 $ | 2020 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Cash was provided from:** | | | |
| Receipt from Irrigators | | 6,969,032 | 7,584,958 |
| Interest Received | | 195 | 2,584 |
| Sundry Income | | 72,376 | 17,688 |
| Income Tax Refunds | | 725 | 4,798 |
| GST Received | | 26,180 | 98,188 |
| | | 7,068,508 | 7,708,216 |
| **Cash was applied to:** | | | |
| Payments to Suppliers | | (2,318,020) | (2,792,965) |
| Payment to Employees | | (1,191,068) | (1,136,241) |
| Finance Expenses | | (1,908,126) | (2,090,189) |
| Interest on Leases | | (299) | (1,057) |
| | | (5,417,513) | (6,020,452) |
| **NET CASH INFLOW FROM OPERATING ACTIVITIES** | 26 | 1,650,995 | 1,687,764 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Sale of Plant and Equipment | | - | 31,739 |
| Cash Balances Acquired in Business Combinations | 24 | - | 7,635 |
| | | - | 39,374 |
| **Cash was applied to:** | | | |
| Purchase of Plant & Equipment | | (1,097,002) | (1,335,371) |
| Investment in Term Deposits | | (100,000) | - |
| | | (1,197,002) | (1,335,371) |
| **NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES** | | (1,197,002) | (1,295,997) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| **Cash was provided from:** | | | |
| Cash Proceeds from - Share Upgrades & New Shares Issued | | 309,000 | - |
| **Cash was applied to:** | | | |
| Repayment of Borrowings | | (985,502) | (739,761) |
| Capital Raising Costs | | - | (77,633) |
| Lease Payments | | (16,600) | (15,843) |
| **NET CASH (OUTFLOW) FROM FINANCING ACTIVITIES** | 27 | (693,102) | (833,237) |
| **NET (DECREASE) IN CASH HELD AND CASH EQUIVALENTS** | | (239,109) | (441,470) |
| **Add Opening Cash and Cash Equivalents brought forward** | | 1,000,700 | 1,442,170 |
| **ENDING CASH AND CASH EQUIVALENTS CARRIED FORWARD** | 7 | 761,591 | 1,000,700 |

The statement above is to be read in conjunction with the Notes to the Financial Statements and the Independent Auditors Report.

# 11. NOTES TO THE FINANCIAL STATEMENTS

## For The Year Ended 31 May 2021

### 1. STATEMENT OF ACCOUNTING POLICIES

**1.1. Reporting Entity**

The financial statements presented here are for Amuri Irrigation Company Limited. The Company is registered under the Companies Act 1993 and is engaged in the business of supplying water for irrigation.

The Company is a Financial Markets Conduct Act entity. These financial statements comply with the requirements of the Financial Reporting Act 2013 and The Financial Markets Conduct Act 2013.

The company is incorporated and domiciled in New Zealand and is a profit-oriented entity.

The financial statements were authorised by the Directors on 28th September 2021.

**1.2. Basis of Preparation**

1.2.1 Statement of Compliance

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") as appropriate, for Tier 1 for-profit entities. The financial statements also comply with International Financial Reporting Standards ("IFRS").

1.2.2 Basis of Measurement
The financial statements have been prepared on the historical cost basis, with the exception that land, buildings, structures, improvements and investments and derivatives have been revalued to fair value.

The information is presented in New Zealand dollars, which is the company's functional and presentation currency, and rounded to the nearest dollar.

1.2.3 Use of Estimates and Judgements
In the process of applying the Company's accounting policies and the accounting standards, a number of judgements and estimates have been made. Accordingly, actual outcomes may differ to these estimates.

Information about judgements, estimates and assumptions which are relevant to an understanding of the financial statements are disclosed in the relevant notes as follows:

- Property, Plant, and equipment (Note 3). The effect of estimation on these financial statements is greatest in the revaluation of land, buildings, and structures and improvements. The directors have obtained independent valuation as detailed in Note 3.

Estimates and underlying assumptions are reviewed on an ongoing basis in regard to the health of receivables, potential impairment of investments, the value of Property Plant and Equipment and the value of derivative financial instruments.

Adjustments to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Revaluations are carried out with sufficient regularity so that the carrying amount of property plant and equipment approximates fair value. If the directors believe that the carrying amount of property plant and equipment is materially different from fair value they will choose to undertake a revaluation. The directors have adopted a revaluation policy of at least once every five years. The Directors believe that the carrying amount approximates fair value at year end.

The directors periodically have the insurance valuation of the scheme reviewed and updated by suitably qualified engineering professionals.

Any valuation carries a degree of uncertainty and the value of the assets concerned is significant:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Freehold Land | 295,000 | 295,000 |
| Buildings | 315,000 | 315,000 |
| Structures and Improvements | 134,379,826 | 137,288,757 |
| | $134,989,826 | $137,898,757 |

## For The Year Ended 31 May 2021

**1.3. Goods and Services Tax**

Financial information in these financial statements is recorded exclusive of GST with exception of trade and other receivables and trade and other payables which are recorded inclusive of GST. GST payable or receivable at the reporting date is included in the appropriate category in the Statement of Financial Position.

**1.4. Standards & Interpretations Issued**

New standards impacting the Company that have been adopted in the financial statements for the period ended 31 May 2021 include:

There are no new standards effective for the period ended 31 May 2021.

## 2. CONSTRUCTION WORK IN PROGRESS

As at 31 May 2021 there is Construction Work in Progress totalling $2,448,450 Construction Work in Progress relates to capital projects that have not yet been completed to a stage where they are able to be utilised by the business. During the period Hydropower, Water Storage, Master Planning and Hurunui Scheme projects are still in progress.

These projects have not been debt funded and as a result, there is no capitalised interest in the totals.

Last Year Construction work in progress related to the Hydropower, Water Storage and the Hurunui Scheme. At 31 May 2020 costs associated with this had been recorded as Construction Work in Progress totalling $1,606,828.

The Work in Progress is carried at cost.

| | 2021 $ | 2020 $ |
|---|---|---|
| **Construction Work in Progress** | | |
| Opening Balance at Beginning of Period | 1,606,828 | 628,293 |
| Hydro Power Project | 24,859 | 102,374 |
| Water Storage Project | 614,563 | 295,073 |
| Master Planning | - | 54,196 |
| Hurunui Scheme Project | 202,200 | 526,892 |
| Closing Balance of Construction Work in Progress | $2,448,450 | $1,606,828 |

## 3. PROPERTY, PLANT & EQUIPMENT

All property, plant and equipment is stated at cost less accumulated depreciation and impairment except for land, buildings and structures & improvements which are revalued at least every five years to fair value. A revaluation was undertaken as at 31 May 2020. Cost includes expenditure that is directly attributable to the acquisition of the item.

Repairs and maintenance are expensed as incurred.

Depreciation is provided for on all property, plant and equipment other than freehold land at depreciation rates calculated to allocate the assets' cost or valuation less estimated residual values, over their estimated useful lives, as follows:

| | |
|---|---|
| Structures & Improvements | Between 1% - 8.5% Straight Line |
| Buildings | 2% - 4% straight line, 30% diminishing value |
| Plant & Equipment | 8% - 80.4% diminishing value |
| Motor Vehicles | 20 - 30% diminishing value |
| Quarry Improvements | 4% straight line |
| Computer Equipment | 48% - 50% diminishing value |
| Office Equipment | 12% - 13% diminishing value |

(These depreciation rates apply to the current and prior period)

## For The Year Ended 31 May 2021

Residual values are estimated at nil for all items of property, plant and equipment in respect of which depreciation has been provided.

When an item of property, plant and equipment is disposed of, any gain or loss is recognised in profit or loss and is calculated as the difference between the net disposal proceeds and the carrying value of the item.

Freehold land and buildings and structures and improvements are revalued on a cyclical basis, at least every five years. These assets are carried at their revalued amounts, being fair value as determined by an independent valuer, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are carried out with sufficient regularity to ensure that the carrying amounts do not differ materially from those which would be determined using fair value at reporting date.

Any accumulated depreciation at the date of the revaluation is eliminated against the carrying amount of the asset and the net amount is restated to the revalued amount.

Any revaluation surplus arising on the revaluation of an asset is credited directly to the asset revaluation reserve.

However, to the extent that a revaluation surplus reverses a revaluation decrease of the same asset previously recognised in profit and loss the revaluation surplus shall be recognised in profit and loss.

Any revaluation deficit arising on the revaluation of an asset is recognised in profit and loss. However, to the extent that a revaluation deficit reverses a revaluation increase of the same asset previously credited to the asset revaluation reserve the revaluation deficit shall be debited directly to the asset revaluation reserve.

Revalued assets are depreciated over the remaining useful life. On the subsequent sale or retirement of a revalued property the attributable revaluation surplus remaining in the asset revaluation reserve, net of any related deferred taxes, is transferred directly to retained earnings.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if required.

The following carrying amounts would have been recognised for revalued assets had they been carried at cost less accumulated depreciation:

| | 2021<br>$ | 2020<br>$ |
|---|---:|---:|
| Freehold Land | 315,965 | 315,965 |
| Structures and Improvements | 81,827,435 | 81,595,393 |
| Buildings | 300,829 | 300,829 |

Westpac Bank has a general security deed dated 14 December 2016 over all assets, undertakings and uncalled capital provided by the Company.

The Freehold Land and Buildings were revalued as at 31 May 2020 by Maxwell Valuations. The properties at 50 and 52-54 Mountainview Road were inspected by Geoff R Maxwell who is a registered valuer. The properties were inspected and assessed in accordance with NZIFRS 13, 16 and NZIAS 40. In forming their valuation opinion, fair value has been defined as:

*The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.*

It is important to note that:

*As at the valuation date the impact of the Coronavirus (COVID19) global pandemic was highly uncertain. Market activity has been heavily impact and there is a major reduction in liquidity, however at the time of valuation it is difficult to determine if this is a short term liquidity issue or a longer term concern. Accordingly, the valuation for the commercial property therefore reported by the valuer is on the basis of " "valuation uncertainty". Consequently, less certainty and a higher degree of caution should be attached to the valuation than normally would be.*

The valuation is considered to be for the highest and best use and is a level 3 valuation in the fair value hierarchy.

## For The Year Ended 31 May 2021

The valuations have given rise to an decrease in land values by $20,965 and an increase in building values by $29,515.

The Irrigation Structures and Improvements were also independently valued as at 31 May 2020.

NZ IAS 16 Property, Plant and Equipment specifies:

*"after recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses".*

The approaches for assessing Fair Value are outlined in NZ IFRS 13 Fair Value Measurement. Appendix B to NZ IFRS 13 sets out how the standard should be applied to assessing Fair Value. The valuation approaches comprise:

- Market approaches based on where the value is based on comparable sales,
- Cost approaches, which are largely equivalent to Optimised Depreciated Replacement Cost (ODRC) and are appropriate for specialised assets, and
- Income based approaches including present value techniques, i.e. discounted cash flow estimates of what is in effect Enterprise Value.

The Board of Directors have taken advice and reviewed all three approaches. After due consideration they elected to adopt a cost based approach being, in this case, optimised depreciated replacement cost (ODRC). This is consistent with the Cost Approach definition in NZ IFRS 13 which states

- The cost approach reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).
- From the perspective of a market participant seller, the price that would be received for the asset is based on the cost to a market participant buyer to acquire or construct a substitute asset of comparable utility, adjusted for obsolescence. That is because a market participant buyer would not pay more for an asset than the amount for which it could replace the service capacity of that asset. Obsolescence encompasses physical deterioration, functional (technological) obsolescence and economic (external)
- Income based approaches including present value techniques, i.e. discounted cash flow estimates of what is in effect Enterprise Value.

The ODRC methodology has been applied in a number of contexts including valuing public sector assets (e.g. in health and education) as well as determining the value of infrastructure assets such as electricity lines businesses, gas pipelines and aeronautical assets at airports. Optimised Depreciated Replacement Cost (ODRC) is conceptually the same as depreciated replacement cost (DRC) apart from additional adjustments being made for surplus capacity or obsolescence. In effect the method assesses the up-to-date cost of replicating the service and capacity of the asset being valued before depreciating the value over its remaining economic (as opposed to physical or accounting) life.

When undertaking an ODRC valuation, practitioners ask the hypothetical question "what would a new entrant have to pay to replicate the utility provided by this asset?"

The following parties contributed their expertise to the calculation of the ODRC

- Walter Lewthwaite of Lewthwaite Consulting Ltd reviewed the scheme in regard to optimisation. Walter is an experienced and qualified water engineer. He has direct experience in the design of numerous New Zealand irrigation schemes. As a result of his review, a number of components of the original open race scheme (such as the labyrinth weirs and distributors) have been removed as they would not need to be replicated if the scheme were replaced.
- Rawlinson's reviewed and updated all the replacement costings. Rawlinsons were the quantity surveyors engaged to certify the accuracy of costs for both AIC and Westpac when the schemes were piped. Replacement cost has been assessed as a factor of original cost, calculated price escalation factors and construction indices. Some items such as pipe, is dependent on foreign exchange rates. The replacement costings utilise current foreign exchange rates as published by the Reserve Bank.
- Peter Seed of Peter Seed Ltd applied appropriate management depreciation rates over the components of the scheme. The useful life of the specific assets range from 12 to 100 years. Peter is an experienced financial modeller and works with a number of infrastructural asset-based businesses.

The 2020 revaluation to Irrigation structures and Improvements resulted in an overall revaluation upwards of $52,888,871.

The effective date of the valuation was 31 May 2020. The directors believe this valuation which is at Level 3 in the value hierarchy is at fair value.

## For The Year Ended 31 May 2021

The impact of the revaluations to Land, Buildings and Irrigation Structures can be summarised as:

| | 2020<br>$ |
|---|---|
| Revaluation Changes to Land | (20,965) |
| Revaluation Changes to Buildings | 18,815 |
| Revaluation Changes to Irrigation Structures | 52,888,871 |
| | **52,886,721** |
| Recognised in Profit and Loss | (360,625) |
| Depreciation Reversals Recognised in Asset Revaluation Reserves | 5,185,515 |
| Revaluation Movements Recognised in Asset Revaluation Reserves | 48,061,832 |
| | **52,886,721** |
| Depreciation Reversals Recognised in Asset Revaluation Reserves | 5,185,515 |
| Revaluation Movements Recognised in Asset Revaluation Reserves | 48,061,832 |
| Less Deferred Tax Recognised Directly in Equity | (14,909,257) |
| Movement in Asset Revaluation Reserve Recognised in Other Comprehensive Income | **38,338,090** |

**3.5. Impairment**

Land, Structures and Improvements and Buildings are revalued to fair value every 5 years and in intervening years they are tested for impairment. If the recoverable amount is less than its carrying amount, the item is written down to its recoverable amount.

The write down of an item recorded at historical cost is recognised as an expense in profit or loss.

Recoverable amount is the higher of fair value less costs to sell and value in use.  In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

**3.6. Write off of Original Scheme**

None of the original scheme has been written off in the current period.

## For The Year Ended 31 May 2021

Note 3 - Property, Plant & Equipment

| | Freehold Land | Structures and Improvements | Buildings | Plant and Equipment | Motor Vehicles | Quarry Improvements | Computer Equipment | Office Furniture | TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **01 June 2018** | | | | | | | | | |
| Cost or Valuation | 411,143 | 89,356,102 | 236,467 | 163,322 | 226,774 | 53,846 | 29,311 | 6,858 | 90,483,823 |
| Accumulated Depreciation and Impairment Losses | - | (3,167,172) | (30,816) | (92,318) | (132,900) | (32,676) | (21,993) | (2,195) | (3,480,070) |
| Carrying Amount | 411,143 | 86,188,930 | 205,651 | 71,004 | 93,874 | 21,170 | 7,318 | 4,663 | 87,003,753 |
| **Year Ended 31 May 2019** | | | | | | | | | |
| Carrying Amount at 1 June 2019 | 411,143 | 86,188,930 | 205,651 | 71,004 | 93,874 | 21,170 | 7,318 | 4,663 | 87,003,753 |
| Additions | - | 288,537 | - | - | 33,558 | - | - | - | 322,095 |
| Disposals | - | - | - | - | (29,366) | - | - | - | (29,366) |
| Reclassification of Assets | (95,178) | - | 95,178 | - | - | - | - | - | - |
| Impairment | (20,965) | (339,660) | - | - | - | - | - | - | (360,625) |
| Revaluations | - | 48,061,498 | 333 | - | - | - | - | - | 48,061,831 |
| Accumulated Depreciation Reversed on Revaluations | - | 5,167,033 | 18,482 | - | - | - | - | - | 5,185,515 |
| Depreciation | - | (2,077,550) | (4,644) | (7,534) | (25,549) | (2,028) | (3,662) | (572) | (2,121,539) |
| Carrying Amount at 31 May 2020 | 295,000 | 137,288,788 | 315,000 | 63,470 | 72,517 | 19,142 | 3,656 | 4,091 | 138,061,664 |
| **31 May 2020** | | | | | | | | | |
| Cost or Valuation | 295,000 | 137,288,788 | 315,000 | 163,322 | 230,966 | 53,846 | 29,311 | 6,858 | 138,383,091 |
| Accumulated Depreciation | - | - | - | (99,852) | (158,449) | (34,704) | (25,655) | (2,767) | (321,427) |
| *Carrying Amount* | 295,000 | 137,288,788 | 315,000 | 63,470 | 72,517 | 19,142 | 3,656 | 4,091 | 138,061,664 |

## For The Year Ended 31 May 2021

Note 3 - Property, Plant & Equipment

| | Freehold Land | Structures and Improvements | Buildings | Plant and Equipment | Motor Vehicles | Quarry Improvements | Computer Equipment | Office Furniture | TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **01 June 2019** | | | | | | | | | |
| Cost or Valuation | 295,000 | 137,288,788 | 315,000 | 163,322 | 230,966 | 53,846 | 29,311 | 6,858 | 138,383,091 |
| Accumulated Depreciation and Impairment Losses | - | - | - | (99,852) | (158,449) | (34,704) | (25,655) | (2,767) | (321,427) |
| Carrying Amount | 295,000 | 137,288,788 | 315,000 | 63,470 | 72,517 | 19,142 | 3,656 | 4,091 | 138,061,664 |
| **Year Ended 31 May 2020** | | | | | | | | | |
| Carrying Amount at 1 June 2020 | 295,000 | 137,288,788 | 315,000 | 63,470 | 72,517 | 19,142 | 3,656 | 4,091 | 138,061,664 |
| Additions | - | 232,042 | - | - | - | - | 23,336 | - | 255,378 |
| Depreciation | - | (3,141,004) | (5,108) | (6,218) | (19,999) | (1,914) | (6,029) | (501) | (3,180,773) |
| Carrying Amount at 31 May 2021 | 295,000 | 134,379,826 | 309,892 | 57,252 | 52,518 | 17,228 | 20,963 | 3,590 | 135,136,269 |
| **31 May 2021** | | | | | | | | | |
| Cost or Valuation | 295,000 | 137,520,830 | 315,000 | 163,322 | 230,966 | 53,846 | 52,647 | 6,858 | 138,638,469 |
| Accumulated Depreciation | 0 | (3,141,004) | (5,108) | (106,070) | (178,448) | (36,618) | (31,684) | (3,268) | (3,502,200) |
| *Carrying Amount* | 295,000 | 134,379,826 | 309,892 | 57,252 | 52,518 | 17,228 | 20,963 | 3,590 | 135,136,269 |

## For The Year Ended 31 May 2021

### 4. INTANGIBLE ASSETS (WATER CONSENTS)

The Company has intangible assets in the form of the water consents that it owns.

The useful lives of the Water Consents are dictated by the conditions of the resource consent. These are then amortised over the remaining period of the consent.

The amortisation period and amortisation method for each water consent is reviewed at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is allowed for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate.

Water consents are amortised over the remaining life of the consent (between 8 and 29 years). This has resulted in an amortisation expense during the period of $173,962 and a reduction in the carrying value of water consents by $173,962.

| | 2021<br>$ | 2020<br>$ |
|---|---:|---:|
| Waiau Consent CRC174408 Expires 2033 | - | - |
| Waiau Consent CRC951304 Expires 2033 | - | - |
| Waiau Consent CRC951305 Expires 2033 | - | - |
| Waiau Consent CRC150585 Expires 2029 | - | - |
| Waiau Consent CRC951306 Expires 2033 | - | - |
| Waiau Consent CRC951307 Expires 2033 | - | - |
| Waiareka Downs Consent CRC951296 Expires 2033 | - | - |
| Waiareka Downs Consent CRC951297 Expires 2033 | - | - |
| Waiareka Downs Consent CRC951298 Expires 2033 | - | - |
| Balmoral Consent CRC951326 Expires 2033 | - | - |
| Balmoral Consent CRC951327 Expires 2033 | - | - |
| Balmoral Consent CRC922094 Expires 2029 | - | - |
| Hurunui Consent CRC142008 Expires 2030 | 539,161 | 599,140 |
| Waiau Consent CRC174408 Expires 2033 | 492,649 | 534,313 |
| Hurunui Consents – (acquired through business combinations) Expire 2050 | 2,112,721 | 2,185,040 |
| | $3,144,531 | $3,318,493 |

## For The Year Ended 31 May 2021

| | 2021 $ | 2020 $ |
|---|---|---|
| Water Consents At Cost | 3,797,383 | 3,805,018 |
| Adjusted Acquisition Price | - | (7,635) |
| Accumulated Amortisation | (652,853) | (478,890) |
| | $3,144,531 | $3,318,493 |

At the time the scheme was purchased from the Government, value was placed on the infrastructure assets rather than the existing water consents. As such, there was no cost attributed to the original consents.

The majority of the water consents were renewed for a term of 35 years, expiring in 2033. The consents referred to as Hurunui consents (acquired through business combinations) involve 10 water and land related consents, the expiry date is 2050.

The consent numbers are as follows (CRC120675, CRC181082, CRC185383, CRC190085, CRC172780, CRC120692, CRC120694, CRC120696, CRC122547, CRC130467)

The conditions are able to be reviewed by Environment Canterbury annually, but any review must be proved by the objector on environmental grounds or a new regional plan. The directors have assessed the consents and do not believe that any of them are impaired.

## CAPITAL RAISING:

## 5. SHARE CAPITAL

All costs incurred that directly relate to the raising of capital (usually legal fees) are offset with the funds generated from the issue of new capital.

The Company's capital includes share capital and retained earnings. The Company's policy is to maintain a strong capital base to maintain shareholder and creditor confidence and to sustain the future development of the business. The Company recognises the need to maintain a strong balance sheet, with adequate gearing to meet its development needs. The Company does not have current intentions to pay dividends to its shareholders but delivers a return to shareholders by way of appropriately priced water charges. The Company is not subject to any externally imposed capital requirements

The Company's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors. There have been no material changes to the Company's management of capital during the year.

| | No's | 2021 $ | No's | 2020 $ |
|---|---|---|---|---|
| **"A" Shares** | | | | |
| Opening Balance | 28,142 | 39,298,969 | 28,142 | 39,298,969 |
| New A Shares Issued - Cash | - | 309,000 | - | - |
| Capital Raising Costs | - | - | - | - |
| Closing Balance | 28,142 | 39,607,970 | 28,142 | $39,298,969 |

## For The Year Ended 31 May 2021

“A” Shares entitle the holder to an allocation of water that relates directly to the number of “A” shares held.

Holders of “A” shares are entitled to one vote for every “A” share held.

Shares have no par value.

Fees associated with the share issues during the period amounted to NIL (2020: $NIL). All shares have equal entitlement to dividends and any surplus on winding up. No Shares have a par value and no shares have been reserved for issue under options or contracts.

## 6. RIGHT TO USE ASSET & LEASE LIABILITY

Right of use assets are initially measured at cost. Cost is calculated as the initial amount of the lease liability plus any direct cost incurred. In this instance the right to use asset is the ability to use the leased office during the life of the lease.

Right of use assets are amortised on a straight-line basis over the life of the lease.

The Company has elected not to recognise right of use assets and lease liabilities for leases of low value assets.

These lease costs are recognised as an expense as incurred.

During the period, the right of renewal for 225 High Street lease was not exercised with the office being vacated by 31 May 2021. Alternative office accommodation at 14a Nga Mahi Road in conjunction with CPW (Central Plains Water) was entered in to on the 1 June 2021.

| | **2021**<br>**$** | **2020**<br>**$** |
|---|---|---|
| Opening Right to Use Assets | 32,445 | - |
| New Right to Use Asset Recognised | - | 48,667 |
| Amortisation Expense | (16,222) | (16,222) |
| Right of renewal not exercised | (16,223) | - |
| | $NIL | $32,445 |

## OPERATING LEASE LIABILITY

The right to use liability is the present value of the expected lease payments associated with the leased office in High Street. This lease liability is repaid over the expected life of the lease.

| | **2021**<br>**$** | **2020**<br>**$** |
|---|---|---|
| Opening Lease Liability | 32,824 | - |
| New Operating Lease Liability Recognised | - | 48,667 |
| Repayments | (16,180) | (15,843) |
| Right of renewal not exercised | (16,644) | - |
| | $NIL | $32,824 |

## For The Year Ended 31 May 2021

## BANKING ARRANGEMENTS

## 7. CASH & CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and call deposits. All balances are available on demand.

The interest rate on the Business Online Saver is 0.1%

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Bank of New Zealand - Rapid Repay | 10 | 12,234 |
| Westpac - Business Online Saver | 750,004 | 23,927 |
| Westpac - Business Transact | 12,204 | 964,539 |
| Westpac – Credit Card | (626) | - |
| Total Cash and Cash Equivalents | $761,591 | $1,000,700 |

## 8. BORROWINGS

### SHORT TERM BORROWINGS

The Short Term Borrowing relates to the Westpac loan facility that was converted to a fixed long term loan facility on 31 May 2018.

The facility is secured by way of a general security agreement over all assets (including all water consents) owned by the Company.

See note 9 for detail of interest rates on this facility which vary in interest rates between 1.81% and 3.38%.

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Westpac Term Loan - Current Portion | 1,077,936 | 918,252 |

### LONG TERM BORROWINGS

The long term borrowing facility relates to the construction project that was undertaken in the 2017 and 2018 years to pipe the schemes.

The facility is secured by way of a general security agreement over all assets (including all water consents) owned by the Company.

The maturity date for the loan is 30 September 2022 and the interest rate is 1.88% (expires 28/06/21).

The interest rate resets at the end of each quarter. Principal repayments of $89,828 are made monthly. Interest bearing borrowings are initially recognised at fair value plus directly attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest rate method.

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Westpac Term Loan - Non Current Portion | 46,239,213 | 47,384,399 |

## For The Year Ended 31 May 2021

### 9. INTEREST RATE SWAPS

To manage interest rate risk the Company uses interest rate swaps.

The Company has six interest rate swap agreements in place with Westpac. These swaps are used by the Company to reduce the risk of interest costs fluctuating because of interest rate changes. The fair value of these swap agreements at reporting date is a liability of $2,013,782 (2020: $3,920,049). The details of the agreements are:

$8,600,000 at 3.19% expiring on 28 August 2024

$7,100,000 at 1.81% expiring on 29 June 2026

$8,700,000 at 3.38% expiring on 28 February 2023

$6,400,000 at 2.47% expiring on 29 June 2027

$8,900,000 at 2.40% expiring on 29 February 2028

$8,700,000 at 1.47% expiring on 28 February 2025

Interest rate swaps are a form of derivative financial instrument.

In accordance with its treasury policy, the Company does not hold interest rate swaps for trading purposes.

Swaps are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition the swaps are stated at fair value, the resulting gain or loss on re-measurement is recognised in profit or loss immediately.

The swaps are considered to be level 2 in the fair value hierarchy, which means they are directly observable as the value of the interest rate swaps are provided by Westpac on a market basis.

## TRADING OPERATIONS

### 10. OPERATING REVENUE

**Revenue Recognition**

The majority of Company revenue is derived from supplying irrigation water to shareholder customers.

The transaction is governed by a water supply agreement between the Company and the customer. The water supply agreement is a continuous supply document binding the Company to supply irrigation water to the customer's irrigation offtake during the irrigation season. Irrigation charges are billed quarterly in advance with payment due on the 20th of the month following. The irrigation charges are dictated by the number of shares owned by the customer, the location of the farm, and the level of pressure which the water is delivered at. The Company has the ability to cease water delivery if the irrigation charges remain unpaid. The supply of irrigation water is integral to the successful operation of the customer's farming operation. Therefore, there is a very limited risk of customers defaulting on payment.

Farm plan income and collective membership fees relate to the environmental monitoring and reporting obligations of the Company and its customer shareholders.

The Company assists members with their farm environment plan requirements and charges an appropriate fee. The customer is obliged to meet the environment plan reporting requirements as stipulated within the water supply agreement. Non-payment or non-compliance can result in the supply of irrigation water being ceased.

All customers are located within a single geographic location. The disaggregation of revenue type is disclosed in the table below:

**Offsetting Income and Expenses**

Income and expenses are not offset unless required or permitted by an accounting standard. Items of income and expenses are offset when offsetting reflects the substance of the transaction or other event. In addition, gains or losses arising from a group of similar transactions are reported on a net basis unless items of gains or losses are material, in which case they are reported separately.

## For The Year Ended 31 May 2021

Operating revenue comprises of:

| | 2021 $ | 2020 $ |
|---|---|---|
| Irrigation Charges | 7,139,023 | 7,151,425 |
| Collective Membership Fees | 62,160 | 42,900 |
| Overseer Farm Management | - | 28,200 |
| NPS Submission Contribution | - | 21,736 |
| Share Application Fees | - | 364,300 |
| | $7,201,183 | $7,608,561 |

During the period, Ecan altered it's interpretation of certain land use rules. As a result, applicants for Hurunui shares were given an opportunity to withdraw their application for shares.

## 11. OTHER INCOME

| | 2021 $ | 2020 $ |
|---|---|---|
| Rebates - Farmlands | - | 197 |
| Gain on Disposal of Property Plant & Equipment | - | 2,373 |
| Sundry Income | 72,375 | 17,491 |
| Fair Value Movement in Interest Rate Swaps | 1,906,268 | - |
| | $1,978,643 | $20,061 |

## 12. FINANCE INCOME

| **Financial Assets at Amortised Cost** | 2021 $ | 2020 $ |
|---|---|---|
| Interest Received - Westpac Bank | 195 | 1,399 |
| Interest Received - Mackay Bailey Trust Account | - | 1,075 |
| Finance Income | $195 | $2,474 |

Interest on short term bank deposits is recognised in profit or loss as it accrues using the effective interest rate method.

## For The Year Ended 31 May 2021

### 13. OTHER EXPENSES

Other Expenses include:

**13.1. Independent Auditors' Remuneration**

| | 2021 $ | 2020 $ |
|---|---|---|
| BDO Wellington - Audit of Annual Financial Statements | 34,589 | 21,800 |
| | $34,589 | $21,800 |

**13.2. Depreciation (PPE Note 3)**

| | 2021 $ | 2020 $ |
|---|---|---|
| Buildings | 5,108 | 4,644 |
| Computer Equipment | 6,530 | 3,662 |
| Motor Vehicles | 19,999 | 25,549 |
| Quarry Improvements | 1,914 | 2,028 |
| Plant & Equipment | 6,218 | 7,534 |
| Structures & Improvements | 3,141,004 | 2,077,550 |
| | $3,180,773 | $2,121,539 |

**13.3. Employee Benefits**

| | 2021 $ | 2020 $ |
|---|---|---|
| Accident Compensation Levy | 7,353 | 4,921 |
| KiwiSaver Employer Contribution | 26,949 | 26,797 |
| Wages | 1,004,179 | 974,599 |
| Staff Training & Welfare | 7,346 | 3,364 |
| Recruitment Costs | 4,853 | 6,070 |
| General Manager Expenses | - | 1,530 |
| | 1,050,681 | 1,017,281 |

**13.4. Directors Fees**

| | 2021 $ | 2020 $ |
|---|---|---|
| Directors Fees (For detail refer to Note 25) | 131,782 | 128,000 |

**13.5. Repairs & Maintenance**

| | 2021 $ | 2020 $ |
|---|---|---|
| Repairs and Maintenance | 395,051 | 675,564 |

## For The Year Ended 31 May 2021

### 13.6. Administrative Expenses

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Accountancy Fees | 45,045 | 37,400 |
| Administration | 14,416 | 14,447 |
| Amortisation of Right of Use Asset | 16,222 | 16,222 |
| Asset Management | 5,463 | 25,952 |
| Computer Expenses | 9,410 | 15,011 |
| Audited Self Management | 103,111 | 87,997 |
| Biodiversity Investigations | - | 5,161 |
| Irrigation Efficiency | 4,250 | 15,903 |
| Nutrient Management | 40,360 | 34,285 |
| Mitigation | 105,562 | - |
| Hydrology Advice | 10,453 | - |
| Directors Expenses | 8,296 | 1,926 |
| Donations | 9,284 | 4,860 |
| Health and Safety | 6,248 | 6,012 |
| Fringe Benefit Tax | 11,896 | 11,857 |
| Financial Modelling | 17,721 | 18,238 |
| Valuation Fees | 18,785 | - |
| House Expenses | - | 2,178 |
| Insurance | 308,450 | 337,599 |
| Legal Fees | 9,933 | 44,302 |
| Motor Vehicle Expenses | 40,268 | 35,524 |
| Power | 4,823 | 7,552 |
| Booster Pumping Costs | 751,935 | 861,891 |
| Office Expenses | 16,396 | 7,323 |
| Rates | 46,671 | 10,895 |
| Resource Consents | 69,283 | 26,462 |
| Regional Plan Review | 885 | 102,949 |
| Subscriptions | 47,888 | 47,575 |
| Telephone | 3,778 | 5,277 |
| Travelling - Local | 3,124 | 2,696 |
| Water Monitoring | 85,412 | 56,557 |
| Unsuccessful Hurunui PDS Costs | - | 34,126 |
| Share Application Fees (Refunded) | 58,500 | - |
| Entertainment | 1,070 | - |
| | $1,874,939 | $1,878,177 |
| Total Other Expenses | $6,667,815 | $5,842,361 |

During the period, Ecan altered it’s interpretation of certain land use rules. As a result, applicants for Hurunui shares were given an opportunity to withdraw their application for shares. This resulted in application fees begin refunded totalling $58,500. This has not affected the company in any other way.

## 14. FINANCE COSTS

| | 2021 $ | 2020 $ |
|---|---|---|
| Bank Charges | 12,639 | 12,745 |
| Interest - Westpac Term Loan (liabilities at amortised cost) | 1,887,258 | 2,151,688 |
| Interest – Right to use Asset | 299 | 1,057 |
| Interest – Westpac Cheque | 4,383 | - |
| Interest – Farmlands | 332 | - |
| Interest – IRD Use of Money | 696 | - |
| | $1,905,608 | $2,165,491 |

| | 2021 $ | 2020 $ |
|---|---|---|
| **Financial Liabilities at Fair Value through Profit and Loss** | | |
| Fair Value Movement in Interest Rate Swaps | - | 1,097,137 |

For increases in fair value movements in interest rate swaps see note 11.

## 15. SHORT TERM EMPLOYEE BENEFITS

Allowance is made for benefits accruing to employees in respect of salaries and wages and annual leave when it is probable that settlement will be required and they are capable of being measured reliably. This liability comprises of annual leave owed at balance date. It is anticipated that the leave accrued will be utilised within the next 12 months. As such, the value of the leave liability has not been discounted and is recorded at its full value.

Short term employee benefits comprise of annual leave payable as at reporting date.

| | 2021 $ | 2020 $ |
|---|---|---|
| Employee Entitlements | 54,458 | 60,980 |

## For The Year Ended 31 May 2021

### 16. FINANCIAL ASSETS MEASURED AT AMORTISED COST

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position (refer note 7 for cash and cash equivalents).

Trade receivables are amounts due from customers for products sold and services provided. Trade receivables are recognised initially at their transaction price and subsequently measured at the amount expected to be collected.

Estimates are used in determining the level of receivables that may not be collected. The Company recognises a provision for impairment on trade receivables if there is a concern if something will not be collected.

| | 2021 $ | 2020 $ |
|---|---|---|
| GST Receivable | 16,749 | 28,084 |
| Prepayments | 43,507 | 43,507 |
| **Financial Instruments** | | |
| Accounts Receivable | 340,147 | 119,533 |
| | $400,403 | $191,124 |
| **Aging of Trade Receivables** | | |
| Not Yet Due | 57,899 | 38,722 |
| Overdue 1-30 days | 272,865 | 77,882 |
| Overdue more than 90 days | 9,382 | 2,929 |
| | $340,147 | $119,533 |

None of the accounts receivable as at reporting date are considered to be impaired (2020: $nil). No collateral is held by the Company as security for accounts receivable. Payment is due on the 20th of the month following invoice. Receivables are considered fully collectable as the supply of water for irrigation is an essential service for local farmers in the North Canterbury region. Any unpaid water charges may be charged interest at a rate of 14.08% per the water supply agreements. Customers who fail to pay outstanding amounts risk having their water turned off until the amount is paid in full.

## For The Year Ended 31 May 2021

### 17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (FVP&L)

The fair value is the price that would be received when selling an asset or paid when transferring a liability in an orderly transaction between market participants at the measurement date.

They are carried in the statement of financial position at fair value with changes in profit or loss in the finance income or expense line.

Financial assets recognised at fair value through profit and loss include the equity investment in Farmlands Co-operative Society Limited.

| | 2021<br>$<br>@FVP&L | 2020<br>$<br>@FVP&L |
|---|---|---|
| **Shares** | | |
| Farmlands - Share Capital | 636 | 636 |
| Total Non-Current Investments | $636 | $636 |

### 18. TRADE PAYABLES

Trade payables are initially recognised at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, trade and other payables are measured at amortised cost using the effective interest rate method. All trade payables are on standard terms and are paid on the 20th of the month following invoice unless otherwise specified.

| | 2021<br>$<br>@FVP&L | 2020<br>$<br>@FVP&L |
|---|---|---|
| Trade Payables | 276,462 | 252,700 |
| Accrued Auditors' Remuneration | 27,800 | 27,800 |
| | 304,262 | $280,500 |

### 19. OTHER PAYABLES

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Directors Fees Payable | 25,750 | 27,833 |
| Accrued Interest | 71,437 | 74,254 |
| | $97,187 | $102,087 |

Also refer to the Related party disclosures in note 25.

## 20. FINANCIAL INSTRUMENTS

Financial instruments are transacted on a commercial basis to derive an interest / cost with terms and conditions having due regard to the nature of the transaction and the risks involved.

### 20.1. Credit Risk

To the extent that the company has a receivable from another party there is a credit risk in the event of non-performance by that counter party.

Financial instruments which potentially subject the company to credit risk principally consist of bank balances and trade receivables.

The company manages its exposure to credit risk to minimise losses from bad debts. Credit evaluations are performed on all customers requiring credit and generally the company does not require collateral.

The credit quality of the company's trading bank Westpac Bank is continuously monitored and non-performance by that counter party is not anticipated. Westpac Bank has a Standard and Poor credit rating of AA-.

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

| | 2021 $ | 2020 $ |
|---|---|---|
| Cash and Cash Equivalents | 761,591 | 1,000,700 |
| Trade Receivables | 340,147 | 119,533 |

The above maximum exposures are net of any recognised impairment losses (if applicable) on these financial instruments.

No collateral is held on the above amounts.

### 20.2. Concentrations of Credit Risk

The company is not exposed to any significant concentrations of credit risk beyond the fact that its receivables are concentrated within a relatively small geographic area and belong to a single industry type.

The company's sales revenue is widely dispersed over a large number of customers. The largest customer accounted for 6.17% of total sales revenue during the year under review (2020: 5.50%) and 2.5% (2020: 0%) of trade receivables at reporting date. (For the health of trade receivables refer to note 16).

## For The Year Ended 31 May 2021

**Liquidity Risk**

Liquidity risk represents the company's ability to meet its financial obligations on time.

The company generally generates sufficient cash flows from its operating activities to make timely payments.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of cash flows. The amount disclosed in the table are contractual undiscounted cash flows.

| 31 May 2021 | Carrying Amount $ | Contractual Cashflows $ | < than 1 Year $ | 1-5 Years $ | > than 5 Years $ |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and Cash Equivalents | 761,591 | 761,591 | 761,591 | - | - |
| Trade and Other Receivables | 340,147 | 340,147 | 340,147 | - | - |
| | 1,101,738 | 1,101,738 | 1,101,738 | - | - |
| **Liabilities** | | | | | |
| Trade and Other Payables | 401,449 | 401,449 | 401,449 | - | - |
| Borrowings | 47,317,149 | 51,129,717 | 2,865,498 | 48,264,219 | - |
| Financial Derivatives (interest rate swaps) | 2,013,782 | 2,013,782 | 593,546 | 1,420,236 | - |
| | 49,732,380 | 53,544,948 | 3,860,493 | 49,684,455 | - |
| **31 May 2020** | | | | | |
| **Assets** | | | | | |
| Cash and Cash Equivalents | 1,000,700 | 1,000,700 | 1,000,700 | - | - |
| Trade and Other Receivables | 191,123 | 191,123 | 191,123 | - | - |
| | 1,191,823 | 1,191,823 | 1,191,823 | - | - |
| **Liabilities** | | | | | |
| Trade and Other Payables | 382,587 | 382,587 | 382,587 | - | - |
| Borrowings | 48,302,651 | 51,511,086 | 2,953,494 | 48,557,592 | - |
| Financial Derivatives (interest rate swaps) | 3,920,050 | 3,920,050 | 1,192,473 | 2,727,577 | - |
| | 52,605,288 | 55,813,723 | 4,528,554 | 51,285,169 | - |

## For The Year Ended 31 May 2021

**Liquidity Forecast**
Management manages its liquidity risk by monitoring short term and medium term cash flows for up to 2 years in the future.

**Currency Risk**
The company does not have exposure to foreign exchange risk.

**Interest Rate Risk**
Interest rate risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The interest rates on borrowings vary between 1.81% and 3.38%.

In 2021 a 100 basis point increase in the interest rate would have increased expenses by $76,171, a 100 basis point decrease would have reduced expenses by $76,171.

The policy of the company is to economically hedge its interest rate risk through the use of interest rate swaps.

**Classification of financial instruments:**

| | Financal Assets at Amortised Cost | Financial Assets at fair value through profit or loss | Financial Liabilities at amortised cost | Financial Liabilities at fair value through profit or loss | Total |
|---|---|---|---|---|---|
| **As at 31 May 2021** | **$** | **$** | **$** | **$** | **$** |
| **Assets** | | | | | |
| Cash and Cash Equivalents | 761,591 | - | - | - | 761,591 |
| Trade and Other Receivables | 400,403 | - | - | - | 400,403 |
| Investments in Shares | - | 636 | - | - | 636 |
| Investments in Term Deposits | 100,000 | - | - | | 100,000 |
| | 1,261,994 | 636 | - | | 1,262,630 |
| **Liabilities** | | | | | |
| Trade Payables | - | - | 304,262 | - | 304,262 |
| Borrowings | - | - | 47,317,149 | - | 47,317,149 |
| Financial Derivatives (interest rate swaps) | - | - | - | 2,013,782 | 2,013,782 |
| | - | - | 47,621,411 | 2,013,782 | 49,635,193 |

## For The Year Ended 31 May 2021

| As at 31 May 2020 | Loans and Receivables $ | Available for Sale $ | Financial Liabilities at amortised cost $ | Financial Liabilities at fair value through profit or loss $ | Total $ |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and Cash Equivalents | 1,000,700 | - | - | - | 1,000,700 |
| Trade and Other Receivables | 191,123 | - | - | - | 191,123 |
| Investments in Shares | - | 636 | - | - | 636 |
| | 1,191,823 | 636 | - | | 1,192,459 |
| **Liabilities** | | | | | |
| Trade Payables | - | - | 382,587 | - | 382,587 |
| Cash & Cash Equivalents | - | - | - | | - |
| Borrowings | - | - | 48,302,651 | - | 48,302,651 |
| Financial Derivatives (interest rate swaps) | - | - | - | 3,920,050 | 3,920,050 |
| | - | - | 48,685,238 | 3,920,050 | 52,605,288 |

Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets and liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data.

The basis of valuation is discussed in note 3.

| 31 May 2021 | Level 2 $ | Level 3 $ | Total $ |
|---|---|---|---|
| **Assets** | | | |
| Investments in Shares | - | 636 | 636 |
| | - | 636 | 636 |
| **Liabilities** | | | |
| Financial Derivatives (interest rate swaps) | 2,013,782 | - | 2,013,782 |
| | 2,013,782 | - | 2,013,782 |

| 31 May 2020 | Level 2<br>$ | Level 3<br>$ | Total<br>$ |
|---|---|---|---|
| **Assets** | | | |
| Investments in Shares | - | 636 | 636 |
| | - | 636 | 636 |
| **Liabilities** | | | |
| Financial Derivatives (interest rate swaps) | 3,920,050 | - | 3,920,050 |
| | 3,920,050 | - | 3,920,050 |

**Comparison between carrying amount and fair value:**

| | 31 May 2021 | | 31 May 2020 | |
|---|---|---|---|---|
| | Carrying Amount<br>$ | Fair Value<br>$ | Carrying Amount<br>$ | Fair Value<br>$ |
| **Assets** | | | | |
| Cash and Cash Equivalents | 761,591 | 761,591 | 1,000,700 | 1,000,700 |
| Trade and Other Receivables | 400,403 | 400,403 | 191,123 | 191,123 |
| Investments in Shares | 636 | 636 | 636 | 636 |
| | 1,162,630 | 1,162,630 | 1,192,459 | 1,192,459 |
| **Liabilities** | | | | |
| Trade Payables | 304,262 | 304,262 | 280,500 | 280,500 |
| Borrowings | 47,317,149 | 47,317,149 | 48,302,651 | 48,302,651 |
| Financial Derivatives (interest rate swaps) | 2,013,782 | 2,013,782 | 3,920,050 | 3,920,050 |
| | 49,635,193 | 49,635,193 | 52,503,201 | 52,503,201 |

## For The Year Ended 31 May 2021

**Maturity profile of financial instruments:**

| | Within 1 Month | 1-3 Months | 3 - 6 Months | 6 - 12 Months | Greater than 2 Years | Total |
|---|---|---|---|---|---|---|
| **As at 31 May 2021** | | $ | $ | $ | $ | $ |
| **Assets** | | | | | | |
| Trade and Other Receivables | 400,403 | - | - | - | - | 400,403 |
| Cash and Cash Equivalents | 761,591 | - | - | - | - | 761,591 |
| Investments in Shares | - | - | - | - | 636 | 636 |
| | 1,161,994 | - | - | - | 636 | 1,162,630 |
| **Liabilities** | | | | | | |
| Trade Payables | 304,262 | - | - | - | - | 304,262 |
| Borrowings | 89,828 | 179,656 | 269,484 | 538,968 | 46,239,213 | 47,317,149 |
| Financial Derivatives (interest rate swaps) | | | | 593,546 | 1,420,236 | 2,013,782 |
| | 394,090 | 179,656 | 269,484 | 1,132,514 | 47,659,449 | 49,635,193 |
| **As at 31 May 2020** | | $ | $ | $ | $ | $ |
| **Assets** | | | | | | |
| Trade and Other Receivables | 191,123 | - | - | - | - | 191,123 |
| Cash and Cash Equivalents | 1,000,700 | - | - | - | - | 1,000,700 |
| Investments in Shares | - | - | - | - | 636 | 636 |
| | 1,191,823 | - | - | - | 636 | 1,192,459 |
| **Liabilities** | | | | | | |
| Trade Payables | 280,500 | - | - | - | - | 280,500 |
| Borrowings | 247,285 | 493,937 | 739,323 | 1,472,949 | 48,557,592 | 51,511,086 |
| Financial Derivatives (interest rate swaps) | 98,408 | 196,816 | 295,224 | 590,448 | 2,739,154 | 3,920,050 |
| | 626,193 | 690,753 | 1,034,547 | 2,063,397 | 51,296,746 | 55,711,636 |

## For The Year Ended 31 May 2021

## 21. TAXATION AND DEFERRED TAX

Taxation charged against profits is based on the estimated tax payable for the current period.

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. The accounting standard require two key assumptions when calculating deferred tax. Firstly that all assets will be sold at some future point (i.e the irrigation scheme is sold) and secondly that a capital gains tax would be payable on everything except for land.

In principle, deferred tax liabilities are recognised from taxable temporary timing differences. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. If it were not for these assumptions, the calculated liability would be significantly lower.

When there is uncertainty concerning the Company's filing position regarding the tax bases of assets or liabilities, the taxability of certain transactions or other tax-related assumptions, then the Company:

a) Considers whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;

b) Determines if it is probable that the tax authorities will accept the uncertain tax treatment; and

c) If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority. The company intends to settle its current tax assets and liabilities on a net basis.

The directors have previously not recognised the deferred tax asset associated with the tax losses however in the current period it was decided that the deferred tax asset should be recognised in the current and prior period in respect of the tax losses. The impact of applying this treatment to the 2020 year is a reduction in the deferred tax liability from $16,640,481 to $14,454,045.

### 21.1 Income Tax Expense

| | 2021 $ | 2020 $ |
|---|---|---|
| (Loss)/Profit before Income Tax | 382,519 | (2,008,760) |
| Prima facie income tax @ 28% | 107,106 | (562,453) |
| Non-deductible and timing expenses | 894,753 | 840,139 |
| Non-deductible permanent differences | (860,417) | 12,822,906 |
| **Income tax (income)/expense** | 141,442 | (13,100,592) |

## For The Year Ended 31 May 2021

The income tax (income)/expense is represented by:

| | 2021 $ | 2020 $ |
|---|---|---|
| Current Tax | - | - |
| Deferred tax | 141,442 | 377,771 |
| Recognition of deferred tax asset on losses (prior period) | | (2,186,436) |
| **Income tax (income)/expense** | 141,442 | (1,808,665) |
| **Income Tax Recognised in Other Comprehensive Income** | $NIL | ($14,909,257) |

### 21.2 Reconciliation of Current Tax Payable

| | 2021 $ | 2020 $ |
|---|---|---|
| Opening Balance Tax Account | (780) | (5,577) |
| **Plus** | | |
| Refund Received | 780 | 5,577 |
| **Less** | | |
| Resident Withholding Tax Paid | 55 | 780 |
| Taxation (Refundable)/Payable | ($55) | ($780) |

### 21.3 Reconciliation of Tax Losses

| | 2021 $ | 2020 $ |
|---|---|---|
| (Loss)/Profit before Income Tax | 382,519 | (2,008,760) |
| **Add Back:** | | |
| Movement in Non-Deductible Holiday Pay Accruals | (1,746) | 16,559 |
| Fair Value of Swaps | (1,906,268) | 1,097,137 |
| Amortisation of Water Consents | 173,962 | 174,241 |
| Impairment of Scheme Assets | - | 360,626 |
| Non Deductible PDS Costs | - | 34,126 |
| Difference in Depreciation Basis | (1,945,457) | (3,017,054) |
| Tax Losses Brought Forward | (7,808,699) | (4,465,574) |
| Tax Losses to be Carried Forward to Future Years | (11,105,689) | (7,808,699) |

## For The Year Ended 31 May 2021

### 21.4 Deferred Tax Assets/(Liability)

| | Property Plant and Equipment | Non-deductible Provisions | Unused Tax Losses | Interest Rate Swap | Total |
|---|---|---|---|---|---|
| **1 June 2019** | (2,146,926) | 3,058 | - | 790,416 | (1,353,452) |
| (Charge)/Credit to Income | (683,249) | (1,721) | 2,186,436 | 307,198 | 1,808,664 |
| (Charge)/Credit to Equity | (14,909,257) | - | - | - | (14,909,257) |
| **31 May 2020** | (17,739,432) | 1,337 | 2,186,436 | 1,097,614 | (14,454,045) |
| (Charge)/Credit to Income | (544,756) | 13,911 | 923,157 | (533,755) | (141,443) |
| (Charge)/Credit to Equity | - | - | - | - | - |
| **31 May 2021** | (18,284,188) | 15,248 | 3,109,593 | 563,859 | (14,595,487) |

**Recognised deferred tax assets and liabilities are attributable to the following:**

| | Deferred Tax Assets | | Deferred Tax Liabilities | | Net Balance | |
|---|---|---|---|---|---|---|
| | 2021 $ | 2020 $ | 2021 $ | 2020 $ | 2021 $ | 2020 $ |
| Property Plant and Equipment | 10,646 | 10,683 | (18,294,834) | (17,750,115) | (18,284,188) | (17,739,432) |
| Interest Rate Swap | 563,859 | 1,097,614 | - | - | 563,859 | 1,097,614 |
| Non-deductible provisions | 15,248 | 1,337 | - | - | 15,248 | 1,337 |
| Unused tax losses | 3,109,593 | 2,186,436 | - | - | 3,109,593 | 2,186,436 |
| | 3,699,346 | 3,296,070 | (18,294,834) | (17,750,115) | (14,595,487) | (14,454,045) |

## For The Year Ended 31 May 2021

### 21.5 Imputation Credit Account

At 31 May 2021 the balance in the company's Imputation Credit Account (representing the maximum amount of tax credits available to be attached to future dividends paid by the company) amounted to $258,474.

The movements in the company's ICA for the year were:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Opening Balance 1 June 2020 | 259,199 | 263,996 |
| **Plus** | | |
| Resident Withholding Tax Paid | 55 | 780 |
| | $259,254 | $264,776 |
| Refund Received | (780) | (5,577) |
| Closing Balance 31 May 2021 | $258,474 | $259,199 |

## OTHER NOTES

## 22. ROONEY LIABILITY

A liability of $1,023,646 was recognised in a prior period. This relates to a possible liability of Hurunui Water Project Ltd (HWP) that due to the amalgamation with AIC has become the responsibility of AIC. Once a final construction design of the Hurunui scheme is confirmed, an assessment can be made as to whether any of this liability is repayable.

## 23. COMMITMENTS

The Company has entered a contract commencing 1 June 2021 to lease office space located at 14A Nga Mahi Road Sockburn, from Central Plains Water Limited for $10,000 per year. The termination date of the lease is 31 July 2027. Last year (2020) there were no capital commitments.

## 24. BUSINESS COMBINATIONS

On 17 August 2021, following the detection of COVID-19 in the community, the New Zealand Government ordered an economy-wide lockdown, during which all non-essential businesses and organisations would not be permitted to operate. The lockdown, which commenced at 11:59pm on 17 August, ended for regions outside of Auckland at 11:59pm 7 September. The Company's staff were largely able to work from home throughout the lockdown period and as an Essential Business have been able to continue with essential infrastructure works, repairs and maintenance whilst adhering to the Government mandated safety protocols for Essential Businesses.

As Amuri Irrigation Company Limited is an essential service the directors have agreed that there is no material impact.

In September 2021 the directors are reviewing a proposed share issue to several existing shareholders. If confirmed, a total of 64 additional shares will be issued for a total of $441,600.

## 25. RELATED PARTY TRANSACTIONS

Any transactions between the Company and related parties have been in the ordinary course of the Company's business trading on normal commercial terms. Transactions involved are Directors' remuneration, water sales and consultancy fees.

Shareholders are related parties of the company and all shareholders pay water charges to the company.

There is one employee considered to be key management personnel of the Company. They received a salary between $280,000 and $290,000 during the period, including employer KiwiSaver contributions and a vehicle allowance. There are no post-employment, termination, or other long term benefits.

| | 2021 $ | 2020 $ |
|---|---|---|
| **Water Sales to Directors** | | |
| A W Benton | 340,944 | 346,776 |
| D A Croft (Chairman) | 138,785 | 130,481 |
| M F Satterthwaite | 59,648 | 66,587 |
| E L Francis | 119,895 | 122,358 |
| N S Anderson | 232,017 | 233,442 |
| K J McCone | 78,952 | 44,520 |
| G A C Gould | 61,160 | - |
| | $1,031,401 | $944,164 |

| | 2021 $ | 2020 $ |
|---|---|---|
| **Amounts in Receivables by Directors at 31 May 2021** | | |
| D A Croft (Chairman) | 40,692 | - |
| N S Anderson | 64,420 | - |
| G A C Gould | 17,584 | - |
| | $122,695 | - |

These amounts have been fully paid since balance date.

Remuneration paid to Directors are:
(See note 19 – Other Payables, for directors fees payable as at 31 May 2021)

## For The Year Ended 31 May 2021

| | 2021 $ | 2020 $ |
|---|---|---|
| **Directors Fees** | | |
| EL Francis | 15,000 | 15,000 |
| K J McCone | 15,000 | 15,000 |
| M F Satterthwaite | 15,000 | 15,000 |
| N S Anderson | 15,000 | 15,000 |
| D A Croft (Chairman) | 28,000 | 28,000 |
| A W Benton (Retired 26 November 2020) | 7,500 | 15,000 |
| C S Laurie | 28,782 | 25,000 |
| G A Gould (Appointed 26 November 2020) | 7,500 | - |
| | $131,782 | $128,000 |

**DIRECTORS RELEVANT INTEREST IN EQUITY SECURITIES AS AT 31 MAY 2021**

| | 2021 | 2020 |
|---|---|---|
| M Satterthwaite | 150 | 150 |
| N Anderson | 572 | 572 |
| A Benton (Retired 26 November 2020) | 1,241 | 1,241 |
| D Croft (Chairman) | 451 | 451 |
| EL Francis | 761 | 761 |
| K J McCone | 284 | 284 |
| GAC Gould (Appointed 26 November 2020) | 220 | |
| C S Laurie | - | - |
| | 3,679 | 3,459 |

## For The Year Ended 31 May 2021

## 26. RECONCILIATION OF NET PROFIT TO CASHFLOW FROM OPERATING ACTIVITIES

| | 2021 $ | 2020 $ |
|---|---|---|
| **Profit/(Loss) before Tax Expense** | 382,519 | (2,008,760) |
| Add Non-Cash Items | | |
| Depreciation | 3,180,773 | 2,121,539 |
| Impairment of Scheme Assets | - | 360,626 |
| Amortisation of right to use Assets | 16,222 | 16,222 |
| Fair Value Movement in Interest Rate Swap | (1,906,268) | 1,097,137 |
| Amortisation of Water Consents | 173,962 | 174,241 |
| Gain on Sale of Assets | - | (2,382) |
| Unsuccessful PDS Costs | - | 34,126 |
| | $1,847,208 | $1,792,749 |
| Add/(Less) Movements in other Working Capital Items | | |
| Decrease/(Increase) in Accounts Receivable | (209,278) | (23,603) |
| Decrease/(Increase) in Accrued Interest | (2,817) | 74,364 |
| Increase/(Decrease) in Accounts Payable | 23,762 | (267,772) |
| Increase/(Decrease) in Director Fees Payable | (2,083) | (1,375) |
| Increase/(Decrease) in GST Refund | - | 98,188 |
| Decrease/(Increase) in Taxation Provision | 725 | 4,798 |
| Increase/(Decrease) in Employee Entitlements | (6,522) | 10,414 |
| | $(196,213) | $(104,985) |
| Net Cash (Used in)/Provided From Operating Activities | $1,650,995 | $1,687,764 |

## 27. RECONCILIATION OF CASH FLOW FROM FINANCING ACTIVITIES

| | 31 May 2021 | Cash Flows | Other - Non Cash Changes | 31 May 2020 |
|---|---|---|---|---|
| Short Term Borrowing | 1,077,936 | - | 159,684 | 918,252 |
| Long Term Borrowing | 46,239,213 | 985,502 | (159,684) | 47,384,399 |
| Lease Liability | - | 16,600 | 15,924 | 32,824 |
| Share Capital | 39,607,970 | (309,000) | - | 39,298,969 |
| **Total Liabilities From Financing Liabilities** | 86,925,119 | 693,102 | 15,924 | 87,634,444 |

# INDEPENDENT AUDITOR'S REPORT
# TO THE SHAREHOLDERS OF AMURI IRRIGATION COMPANY LIMITED

## Opinion

We have audited the financial statements of Amuri Irrigation Company Limited ("the Company"), which comprise the statement of financial position as at 31 May 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 May 2021, and its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS").

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

There were no Key Audit Matters to be communicated as a result of our audit.

## Other Information

The directors are responsible for the other information. The other information comprises the Business Directory, Annual Report and Chairman's Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Directors' Responsibilities for the Financial Statements

The directors are responsible on behalf of the Company for the preparation and fair presentation of the financial statements in accordance with NZ IFRS, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible on behalf of the Company for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at: https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2/.

This description forms part of our auditor's report.

## Who we Report to

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

The engagement partner on the audit resulting in this independent auditor's report is Mark Bewley.

BDO Wellington Audit Limited

**BDO WELLINGTON AUDIT LIMITED**
Wellington
New Zealand
28 September 2021

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