AMURI IRRIGATION CO

2020 ANNUAL REPORT

FINANCIAL STATEMENTS
For the Year ended 31 May 2020

AMURI IRRIGATION CO

FINANCIAL STATEMENTS

For the Year ended 31 May 2020

CONTENTS

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) E L Francis K J McCone C S Laurie A W Benton M F Satterthwaite N S Anderson
REGISTERED OFFICE:	109 Blenheim Road Christchurch
SHARE REGISTER:	Amuri Irrigation Office 50 Mountainview Road Culverden
BANKERS:	Westpac Bank 3 Waimairi Road Upper Riccarton Christchurch 8442

SOLICITORS:	Anderson Lloyd Level 3, 70 Gloucester Street Christchurch 8013
INDEPENDENT AUDITORS:	BDO Wellington Audit Limited Level 1, Chartered Accountant House 50 Customhouse Quay Wellington
ACCOUNTANTS:	Mackay Bailey Limited 109 Blenheim Road Christchurch

2. ANNUAL REPORT

For The Year Ended 31 May 2020

The Board of Directors present their Annual Report including Financial Statements of the company for the year ended 31 May 2020.

The following Directors held office during the year.

D A Croft (Chairman)
E L Francis
K J McCone
C S Laurie
A W Benton
M F Satterthwaite
N S Anderson

All directors are ordinary residents of New Zealand.

Audit fees paid during the year total $21,800. (2019: $46,000)

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 2020

	2020 $	2019 $
(Loss)/Profit before Income Tax	(2,008,760)	(1,693,903)
Income Tax Benefit/(Expense)	(377,771)	(597,966)
Net (Loss)/Profit for the Year	(2,386,531)	(2,291,869)
Plus Accumulated Losses brought forward	(4,432,943)	(2,141,075)
Leaving Accumulated Losses at 31 May 2020	(6,819,474)	(4,432,944)
Asset Revaluation Reserve	41,369,955	3,031,866

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

For The Year Ended 31 May 2020

STATE OF AFFAIRS

The state of the company's affairs as at 31 May 2020 was.

		2020 $	2019 $
Assets Totalled		144,212,669	92,768,360
These were financed by:			
	Liabilities of	70,363,220	54,870,469
	Equity of	73,849,450	37,897,891
		144,212,669	92,768,360

DIVIDENDS

The Directors recommend that no dividend be declared for the year ended 31 May 2020.

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 26 to the financial statements.

DONATIONS

The Company has made cash donations during 2020 of $4,860 (2019: $12,960). 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 $6,925.

SHARE DEALINGS

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

2. ANNUAL REPORT

For The Year Ended 31 May 2020

DIRECTORS' REMUNERATION AND BENEFITS

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

	2020 $	2019 $
Directors Fees:		
E L Francis	15,000	15,000
K J McCone	15,000	15,000
M F Satterthwaite	15,000	7,500
N S Anderson	15,000	7,500
M Smith (Retired November 2018)	-	7,500
D A Croft (Chairman)	28,000	28,000
A W Benton	15,000	15,000
C S Laurie	25,000	25,000
	128,000	120,500

EMPLOYEE REMUNERATION AND OTHER BENEFITS

During the 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. 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 6|10|20

3. CHAIRMAN'S REPORT

On behalf of the Board I am pleased to present the 30th Annual Report for the year ending 31 May 2020. It's been another busy year for the Company. The team maintained a high level of service to shareholders in terms of both water supply and facilitating improved farm management practices. We have also been active in responding to a dynamic and challenging regulatory environment.

This year's financial results record an operational profit of $154,257 compared with a profit of $539,906 last year. Our accounting policy since 1990 has been to revalue scheme assets regularly and this year was a revaluation year. The revaluation resulted in an overall increase in asset value of $52.9M. The majority of the increase is attributed to updating the cost of the scheme infrastructure. As a result of the revaluation the scheme assets are now valued at over $138M, this has resulted in an increased deferred tax liability.

Our largest operating expenses this year were insurance, interest, booster pumping and repairs and maintenance. Insurance is a significant expense for the Company and we have full replacement cover for non-civil assets (buildings, pumps) and a total loss limit for civil infrastructure (canals and piped) of $40M. Whilst interest costs are significant, they have decreased with falling interest rates. Repairs and maintenance costs were higher than expected due to Balmoral main race repairs. Our high booster pumping expenditure reflected a drier than average year.

Our Company Health and Safety Policy states that "no job is so urgent that there is insufficient time to do it safely". We had an independent health and safety review followed by an independent audit this year to confirm we are meeting our Policy. The review and audit have assisted with the continued improvement of our health and safety processes. Covid-19 saw minimal impact on water delivery with our team all adapting to the challenges of lockdown very well while remaining highly productive.

The 2019/20 irrigation season was characterised with high demand, reliable river flows, and minimal interruptions. However, increased minimum flows in the future will reduce reliability and water storage remains a key focus. Further work is also required to ensure that farmers water orders accurately reflect water taken. There is a significant opportunity cost associated with ordering more water than is used because we end up spilling unused water. Today, used water could be used by another farmer during restrictions, and in the future any unused water needs to be directed into hydropower generation.

The pipe network continues to perform well, although some valves and gearboxes have failed and will be repaired under the warranty provisions of our construction contract. The pressure within the pipe network is lower than expected in some areas and as a result we have invested in increased pump capacity at some pump stations. We will commence a water charge adjustment in the 20/21

3. CHAIRMAN'S REPORT

season for those farmers not receiving 40 metres of pressure during periods of high demand.

We continue to investigate the best combination of a large storage pond and buffer storage ponds to optimise management of water into the future. Making sure that all water taken is used is a key focus and will require investment in buffer storage and only ordering water that is taken.

We have continued to develop the Balmoral storage pond concept design to mitigate the effect of increased environmental flows in the river and provide increased reliability of supply for shareholders. High reliability water supply is critical to allow our farmers to continue to produce food and fibre and for future diversification opportunities. The concept design and geotechnical investigations have been completed. Significant thought has gone into how Balmoral storage can be best be transferred into the Waiau scheme area and options for Waiau buffer storage. We face climate change and regulatory uncertainty and we are looking ahead when considering our storage needs, as well as investing in technical advice and data to support further regulatory processes that may influence reliability.

Hydropower generation continues to be an exciting project for the company that will utilise our existing infrastructure to produce renewable energy which will offset some of the future storage costs. Two potential sites have been advanced to detailed design and consent applications were lodged with ECan to authorise hydropower generation during winter months because currently the consents limit hydropower generation to the irrigation season.

We continued to develop a viable Hurunui scheme to activate the resource consents acquired through our takeover of Hurunui Water Project in FY19. Our motivation for this project remains the same, which is to reduce operating costs for existing shareholders through greater scale, whilst removing the risk of a competing scheme and bringing the social benefit associated with irrigation to the wider Hurunui community.

An initial PDS for a 7,000-9,000 hectare Hurunui scheme was unsuccessful, but provided sufficient market feedback to reconsider the proposal. A second PDS was issued in November 2019 for a smaller scheme and achieved applications for approximately 3,000 hectares. A further offer of share options attracted another 1,000 share options. The additional cost of developing this scheme is being met by the application fees from share and option applications.

The Environmental Collective continues to build on the work of previous years with 71 FEP audits undertaken this year. These showed a theme of continual improvement with 97% of farmers at or on track to meet Good Management Practice (GMP). Work is also well underway to incorporate Winter Management as an additional unit into the FEP auditing framework. During winter 2019, ten farms participated in winter advisory visits which informed the development of the GMP standards outlined in a handbook for Collective members. This work is a great example of us leading our farmers to prepare for increased future regulation under the National Policy Statement for Freshwater Management (NPS-FM) and National Environmental Standards (NES).

Looking ahead we will all need to take further strides to improve water quality. This will involve farmers moving beyond GMP by adopting new technologies and working hard to make very efficient use of resources on their farms. However, on-farm improvements are unlikely to be sufficient on their own and will need to be complemented by edge of field interventions to improve water quality, such as wetlands, bioreactors and shade planting. The enhancement package that you have all funded through the water charge has been recast to focus on delivering edge of field interventions to improve water quality.

Considerable work has gone into various regional and national policy submissions this year. We invested significantly in our submission on the NES and NPS-FM released as part of the governments for Action for Healthy Waterways. The increased government regulation shows the current government is not afraid to regulate farmers, with the 190 kg/ha/year input limit being the clearest example. The Company along with farmer shareholders are leading the way to improve water quality and this will need to continue to show that farmers are making progress towards delivering improved water quality within a generation. Continuing to stretch ourselves to improve practices and reduce our footprint is the best means we have of reducing the risk of further regulations. We appreciate your efforts and encourage you to all keep up the good work.

This year we supported 15 local sporting and community groups through our community fund.

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

David Croft
Chairman

4. AIC: YOUR IRRIGATION COMPANY

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

AIC is made up of three schemes Waiau Plains, Waiareka Downs and the Balmoral scheme with water being taken from the Waiau and Hurunui Rivers which are the largest rivers in the Hurunui District. AIC was incorporated in 1990 to purchase the three schemes off the Crown and 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 and is now largely spray irrigation with only two farms transitioning from borderdyke to spray irrigation.

The Waiau scheme is the largest and was completed in 1978. It takes 11 cubic metres of water per second from the Waiau River at the Leslie Hills Road Bridge.

The Balmoral Scheme was built in 1985 with water diverted from the Hurunui River below the Mandamus confluence into a diversion race on the North Bank.

In 2017, we upgraded most of the Waiau and Balmoral schemes from open race distribution system to a pressured pipe network which allowed an additional 4,700 hectares of land to be irrigated. 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 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.

5. ENVIRONMENTAL RESPONSIBILITIES

FARM ENVIRONMENT PLAN AUDITING RESULTS 2019-20

BACKGROUND

The AIC Environmental Collective currently holds 174 Farm Environment Plans (FEPs) covering over 85,000ha of farmed land in the Amuri, Hawarden and Hanmer Springs area. Almost all larger irrigating farms in the catchment are members of the AIC Environmental Collective, either as AIC shareholders or independent members.

The AIC Environmental Collective was established by Amuri Irrigation Company Limited (AIC) in early 2013. The Collective has an Environmental Management Strategy (EMS) approved by the Canterbury Regional Council (ECan) which meets the requirements for an audited self-management environmental scheme.

2019-20 AUDITING RESULTS

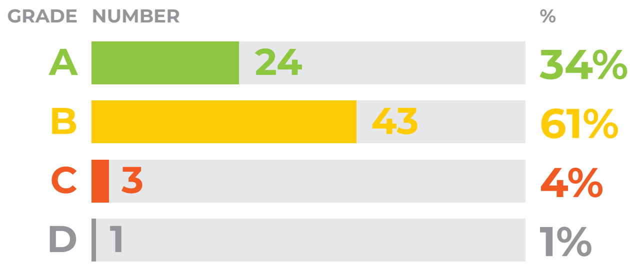
71 audits were completed by a team of four ECan approved auditors between early November 2019 and June 2020. Auditing was suspended in March due to the Covid-19 pandemic with six audits remaining to be completed. Auditing resumed in June when the postponed audits were completed. All audits were completed with fit for purpose Overseer nutrient budget for the 2018-19 season. All audits were repeat audits and undertaken across a range of farm types see Graph 1 below.

Graph 1: Audits by farm type 2019/20

Audits by farm type:	
Dairy	40
Beef & Sheep	19
Dairy Support	12
Other	0
Total audits undertaken	**71**

The distribution of audit grades for the 2019-20 year are shown in Graph 2 below:

Graph 2: Distribution of audit grade



There has been a steady improvement in performance across all five auditing rounds, see Table 3 and Graph 3. below. In 2019-20, 95% of all farms audited are either A or B grade compared to 73% in 2015/16. A fall in the number of B grades from the last auditing round (2018-19) reflects farms progressing from B to A grades. There has also been a steady decline in the number of farms at C grade from 20% in 2015-16 to only 4% in 2019-20.

C AND D GRADES

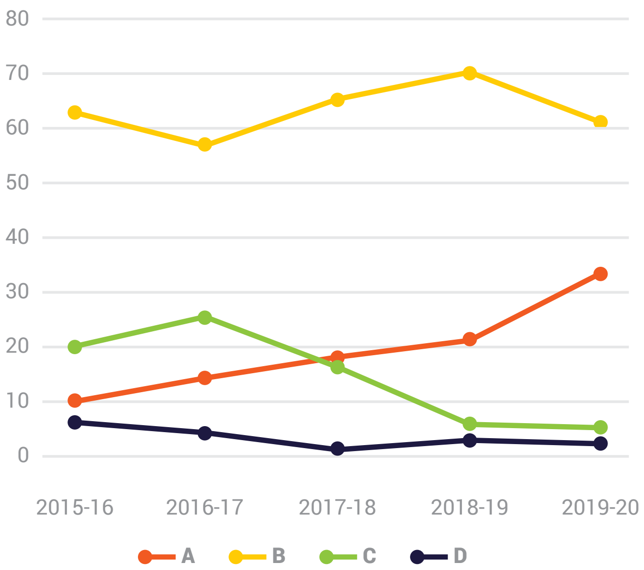
The farm that received a D grade was subject to ECan compliance action, AIC is working with ECan and the Landowner to resolve the situation.

Three farms that were previously at a B grade received C grades for failing to make sufficient progress on actions identified in previous audits. These farms will be audited before March 2021 to assess whether these farms are on track to meet GMP.

Table 1: Distribution of Audit Grade by Year

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

Graph 3: Audit grade trends from 2015-16 to 2019-20



BEYOND GOOD MANAGEMENT PRACTICE

As the Collective continues to move its farmers to GMP, a number of initiatives have been developed by AIC's Environmental Subcommittee that go beyond what is required by GMP. These projects include:

Nutrient Use Efficiency Benchmarking: Using the very latest version of the OverseerFM Nutrient Modelling tool, we will be bench-marking Collective farms on their nitrogen use efficiency and focusing attention on the least efficient farms in their nutrient use and working with them to develop more efficient systems.

Environmental Data Layer: Using our Geographical Information System (GIS) we have brought together a wide range of environmental data in one useful layer to enable environmental risk assessment and management at both a farm and scheme level.

Winter Management GMP: Following nationwide concerns regarding the impact of winter management of stock on the environment, the Collective launched a project to look at various winter management practices and what could be done to reduce the impacts on the area's waterways. A new Winter Management Handbook, including a new Winter Management GMP standard has been published and will be included in FEP Audits from next year.

Irrigation Efficiency Benchmarking: This project utilises various climate and water use data to model irrigation efficiency both for individual farms and the schemes as a whole. Initial results indicate that the AIC schemes and the great majority of individual farms are exceeding Environment Canterbury's irrigation efficiency standards.

6. COMMUNITY SUPPORT

COMMUNITY FUND

This 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:

- Hawarden-Waikari Toy Library
- Waiau Pool
- Galaxy Gym Sports
- Adrian & Sarah Black (Smallbore shooting)
- Amuri Golf Club
- Amuri Area School Yr 10 & 11 STEM Class
- Waiau Pony Club
- Amuri Community Toy Library
- Hendo's Rugby Academy
- Hurunui Pony Club
- Culverden Citizens Committee
- Culverden Tennis Club
- Amuri A&P Association
- Amuri Collie Club
- Waiau Netball Club

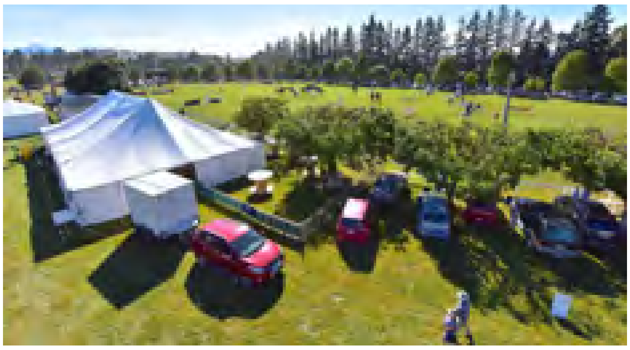
WATER FOR FIRE BRIGADES

During the pipe network upgrade, AIC worked with the local Fire Brigade to locate and install fire hydrants on offtakes in key locations in the Basin to ensure large quantities of reliable water for firefighting purposes was available. AIC met all costs in relation to the installation of these hydrants and ensured that they were fenced in a way that meant easy access for appliances.

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 brought founding shares in AIC in 1990 whereas others were incorporated into the scheme during the pipe network upgrade in 2017. AIC also absorbs any booster pumping and connection 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



7. FINANCIAL STATEMENTS

For The Year Ended 31 May 2020

STATEMENT OF COMPREHENSIVE INCOME

	Note	31 May 2020 $	31 May 2019 $
Revenue	10	7,608,561	6,952,708
Other Income	11	20,061	739,442
Independent Auditors' Remuneration	13	(21,800)	(46,000)
Depreciation	13	(2,121,539)	(2,078,115)
Employee Benefits	13	(1,017,281)	(828,027)
Directors Fees	13	(128,000)	(120,500)
Repairs and Maintenance	13	(675,564)	(311,765)
Administrative Expenses	13	(1,878,177)	(2,137,549)
Impairment of Scheme Assets	3	(360,626)	-
Fair Value Movement in Interest Rate Swaps	9	(1,097,137)	(1,580,260)
Amortisation of Water Consents	4	(174,241)	(101,643)
Loss on Disposal of Assets	3	-	(9,036)
Impairment Reversal of HWP Investment		-	60,649
Operating profit		154,257	539,906
Net finance costs			
Finance income	12	2,474	20,052
Finance expenses	14	(2,165,491)	(2,253,861)
(LOSS)/PROFIT BEFORE INCOME TAX		(2,008,760)	(1,693,904)
Income Tax Benefit/(Expense)	21	(377,771)	(597,966)
NET (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS		(2,386,531)	(2,291,870)
OTHER COMPREHENSIVE INCOME		-	-
Items not subsequently recycled through profit or loss			
Movement in Revaluation Reserves (After Income Tax)		38,338,090	(248,420)
Total other comprehensive income		38,338,090	(248,420)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO SHAREHOLDERS		35,951,559	(2,540,290)

 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 2020

STATEMENT OF CHANGES IN EQUITY

	Note	Share Capital	Property, Plant and Equipment Revaluation Reserve	Accumulated Losses	Total Equity
Balance at 01 June 2018		38,942,317	3,280,286	(2,141,075)	40,081,528
Profit/(Loss) for the year		-	-	(2,291,870)	(2,291,870)
Other Comprehensive Income		-	(248,420)	-	(248,420)
Total comprehensive income		-	(248,420)	(2,291,870)	(2,540,290)
Transactions with owners					
Issue of Shares	5	356,653	-	-	356,653
Total transactions with owners		356,653	-	-	356,653
Balance at 31 May 2019		39,298,970	3,031,866	(4,432,945)	37,897,891
Balance at 01 June 2019		39,298,970	3,031,866	(4,432,945)	37,897,891
Profit/(Loss) for the year		-	-	(2,386,531)	(2,386,531)
Other Comprehensive Income		-	38,338,090	-	38,338,090
Total comprehensive income		-	38,338,090	(2,386,531)	35,951,559
Transactions with owners					
Balance at 31 May 2020		39,298,970	41,369,956	(6,819,476)	73,849,450

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

7. FINANCIAL STATEMENTS

As At 31 May 2020

STATEMENT OF FINANCIAL POSITION

	Note	2020 $	2019 $
CURRENT ASSETS			
Cash and Cash Equivalents	7	1,000,700	1,442,170
Trade and Other Receivables	16	191,123	187,561
Income Tax Receivable	21	780	5,578
		1,192,604	1,635,308
NON-CURRENT ASSETS			
Property, Plant & Equipment	3	138,061,664	87,003,755
Investments in Shares	17	636	636
Construction Work in Progress	2	1,606,828	628,293
Water Consents	4	3,318,493	3,500,368
Right to Use Asset	6	32,445	-
		143,020,066	91,133,052
TOTAL ASSETS		144,212,669	92,768,360
TOTAL EQUITY AND LIABILITIES			
CURRENT LIABILITIES			
Short Term Borrowings	8	918,252	807,012
Short Term Employee Benefits	15	60,980	50,565
Trade Payables	18	280,500	548,272
Other Payables	19	102,087	29,208
Liability - Rooney Group Limited		1,023,646	1,023,646
Current Portion - Interest Rate Swap	9	1,192,473	-
		3,577,938	2,458,704
NON-CURRENT LIABILITIES			
Deferred Tax	21	16,640,481	1,353,452
Interest Rate Swap	9	2,727,577	2,822,913
Westpac Term Loan - Non Current Portion	8	47,384,399	48,235,400
Lease Liability	6	32,824	-
		66,785,281	52,411,765
TOTAL LIABILITIES		70,363,220	54,870,469

 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 2020

STATEMENT OF FINANCIAL POSITION

	Note	2020 $	2019 $
SHAREHOLDERS' EQUITY			
Share Capital	5	39,298,969	39,298,969
Property, Plant and Equipment Revaluation Reserve		41,369,955	3,031,866
Accumulated Losses		(6,819,474)	(4,432,944)
TOTAL EQUITY		73,849,450	37,897,891
TOTAL EQUITY AND LIABILITIES		144,212,669	92,768,360

For and on behalf of the Board:-

Director

Director

Date 6/10/20

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

7. FINANCIAL STATEMENTS

For The Year Ended 31 May 2020

STATEMENT OF CASH FLOWS	Note	2020 $	2019 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipt from Irrigators		7,584,958	6,950,787
Rent Received		-	5,600
Interest Received		2,584	20,054
Insurance Income		-	693,008
Rock Sales		-	35,227
Sundry Income		17,688	-
Income Tax Refunds		4,798	-
GST Received		98,188	-
		7,708,216	7,704,676
Cash was applied to:			
GST Paid		-	(67,775)
Payments to Suppliers		(2,792,965)	(2,124,864)
Payment to Employees		(1,136,241)	(949,297)
Finance Expenses		(2,091,246)	(2,350,265)
Tax Paid		-	(1,523)
		(6,020,452)	(5,493,724)
NET CASH INFLOW FROM OPERATING ACTIVITIES	27	1,687,764	2,210,952
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of Plant and Equipment		31,739	346,791
Cash Balances Acquired in Business Combinations	24	7,635	119,201
		39,374	465,992
Cash was applied to:			
Purchase of Plant & Equipment		(1,335,371)	(7,378,318)
Water Consents Purchased		-	(1,299,900)
		(1,335,371)	(8,678,218)
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(1,295,997)	(8,212,226)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Cash Proceeds from - Share Upgrades & New Shares Issued		-	625,586
Cash was applied to:			
Repayment of Borrowingss		(739,761)	(739,761)
Capital Raising Costs		(77,633)	-
Lease Payments		(15,843)	-
NET CASH (OUTFLOW) FROM FINANCING ACTIVITIES	28	(833,237)	(114,175)
NET (DECREASE) IN CASH HELD AND CASH EQUIVALENTS		(441,470)	(6,115,449)
Add Opening Cash and Cash Equivalents brought forward		1,442,170	7,557,619
ENDING CASH AND CASH EQUIVALENTS CARRIED FORWARD	7	1,000,700	1,442,170

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

8. NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 May 2020

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 6 October 2020.

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

Actual results may differ from these estimates. 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.

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

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 valuations as detailed in note 3.

8. NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 May 2020

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. A valuation has been undertaken in this reporting year. 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.

Nevertheless, any valuation carries a degree of uncertainty and the value of the assets is significant:

	2020 $	2019 $
Freehold Land	295,000	411,143
Buildings	315,000	205,651
Structures and Improvements	137,288,757	86,188,930
	$137,898,757	$86,805,724

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 2020 include:

NZ IFRS 16 Leases

Effective 1 July 2019, NZ IFRS 16 has replaced NZ IAS 17 Leases and NZ IFRIC 4 Determining whether an Arrangement Contains a Lease.

NZ IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. NZ IFRS 16 substantially carries forward the lessor accounting in NZ IAS 17, with the distinction between operating leases and finance leases being retained. The Group does not have leasing activities acting as a lessor.

NZ IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying NZ IFRS 16 to leases previously classified as operating leases under NZ IAS 17:

a. Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;

b. Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under NZ IAS 36 as at the date of initial application; and

c. Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

d. Elected to exclude leases of low value assets and short-term leases of 12 months or less.

e. The transition to NZ IFRS 16 has had an immaterial impact on the prior reporting year and therefore no transition note has been presented.

For The Year Ended 31 May 2020

As a lessee, the Group previously classified leases as operating, or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under NZ IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases.

NZ IFRIC 23 Uncertainty over Income Tax Treatments

NZ IFRIC 23 will be adopted by the company for the first time for its financial reporting period ended 31 May 2020. The main implications of this interpretation are that if the company concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the Company must reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates.

2. CONSTRUCTION WORK IN PROGRESS

As at 31 May 2020 there is Construction Work in Progress totalling $1,606,828. 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 2019 costs associated with this had been recorded as Construction Work in Progress totalling $628,293.

The Work in Progress is carried at cost.

	2020 $	2019 $
Construction Work in Progress		
Opening Balance at Beginning of Period	628,293	425,106
Scheme Piping Costs Incurred in the year to 31 May 2020	-	3,337,199
Transferred to Structures & Improvements	-	(3,762,305)
Waiareka Piping Project	-	-
Hydro Power Project	102,374	141,899
Water Storage Project	295,073	27,523
Master Planning	54,196	-
Hurunui Scheme Project	526,892	458,871
Closing Balance of Construction Work in Progress	$1,606,828	$628,293

8. NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 May 2020

3. PROPERTY, PLANT & EQUIPMENT

All property, plant and equipment is stated at cost less accumulated depreciation and impairment except for land, buildings, and property improvements which are revalued at least every five years to fair value. A revaluation has been 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)

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.

For The Year Ended 31 May 2020

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:

	2020 $	2019 $
Freehold Land	315,965	420,925
Structures and Improvements	81,595,393	83,715,641
Buildings	300,829	199,884

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 impacted 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. 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. NZIFRS 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*

8. NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 May 2020

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)

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.

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

	2020 $
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**

For The Year Ended 31 May 2020

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.

Last Period; Lateral Race 1 of the Balmoral scheme was scrapped as it is no longer in use due to the piping of the scheme in the previous period.

Original assets were scrapped totalling $61,407. This comprises of assets with a carrying value of $9,149 and a reversal of previous revaluations of $52,259.

This gave rise to the following entries in the profit and loss:

- A write off of original cost of $9,149
- A reversal of previous revaluations of $52,259. After adjusting for deferred tax this is shown as $37,626.

Last year the revaluations relating to the land and buildings at Montrose Street and George Street were reversed as the properties were sold.

This gave rise to the following entries in the profit and loss:

- A reversal of previous revaluations of $252,435. After adjusting for deferred tax this is shown as $210,794.

These transactions can be summarised as:

	2019 $
Revaluation Changes to Land	(103,717)
Revaluation Changes to Buildings	(148,718)
Revaluation Changes to Irrigation Structures	(61,408)
	(313,843)
Recognised in Profit and Loss	(9,149)
Revaluation Movements Recognised in Asset Revaluation Reserves	(304,694)
	(313,843)
Revaluation Movements Recognised in Asset Revaluation Reserves	(304,694)
Less Deferred Tax Recognised Directly in Equity	56,274
Movement in Asset Revaluation Reserve Recognised in Other Comprehensive Income	**(248,420)**

8. NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 May 2020

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	227,245	84,949,882	441,584	163,322	163,675	53,846	24,525	6,858	86,030,937
Accumulated Depreciation and Impairment Losses	-	(1,148,541)	(25,831)	(82,818)	(98,029)	(30,522)	(14,671)	(1,543)	(1,401,955)
Carrying Amount	227,245	83,801,341	415,753	80,504	65,646	23,324	9,854	5,315	84,628,982
Year Ended 31 May 2019									
Carrying Amount at 1 June 2018	227,245	83,801,341	415,753	80,504	65,646	23,324	9,854	5,315	84,628,982
Additions	301,398	4,467,515	-	-	79,968	-	4,786	-	4,853,667
Disposals	(13,782)	(9,036)	(56,400)	-	(16,869)	-	-	-	(96,087)
Impairment	-	-	-	-	-	-	-	-	-
Reversal of Previous Revaluations	(103,718)	(52,259)	(148,717)	-	-	-	-	-	(304,694)
Depreciation	-	(2,018,631)	(4,985)	(9,500)	(34,871)	(2,154)	(7,322)	(652)	(2,078,115)
Carrying Amount at 31 May 2019	411,143	86,188,930	205,651	71,004	93,874	21,170	7,318	4,663	87,003,753
31 May 2019									
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	-	(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

For The Year Ended 31 May 2020

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	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

8. NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 May 2020

4. INTANGIBLE ASSETS (WATER CONSENTS)

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

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired.

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

The Hurunui Water Consents have a carrying value of $2,185,040. During the year cost has been reduced by $7,635. During the period an additional HWP tax refund of $7,635 was received. As a result, the components of the business combination changed, resulting in an amendment to the consideration paid for the water consents.

Water consents are amortised over the remaining life of the consent (between 11 and 30 years). This has resulted in an amortisation expense during the period of $174,241 and a reduction in the carrying value of water consents by $174,241.

	2020 $	2019 $
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	599,140	659,285
Waiau Consent CRC174408 Expires 2033	534,313	576,089
Hurunui Consents – (acquired through business combinations) Expire 2050	2,185,040	2,264,994
	$3,318,493	$3,500,368

For The Year Ended 31 May 2020

	2020 $	2019 $
Water Consents At Cost	3,805,018	3,805,018
Adjusted Acquisition Price	(7,635)	-
Accumulated Amortisation	(478,890)	(304,650)
	3,318,493	$3,500,368

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.

As at 1 June 2018	**$**
Opening Balance Brought Forward	1,337,017
Water Consent Additions from External Parties	-
Additions Internally Developed	-
Acquired through business combinations	2,264,994
Revaluations	-
Impairment	-
Amortisation Current Year	(101,643)
Additions Internally Developed	-
Foreign Exchange Rate Movements	-
As at 31 May 2019	3,500,368

As at 1 June 2019	$
Opening Balance Brought Forward	3,500,368
Water Consent Additions from External Parties	-
Additions Internally Developed	-
Acquired through business combinations	(7,635)
Revaluations	-
Impairment	-
Amortisation Current Year	(174,240)
Foreign Exchange Rate Movements	-
As at 31 May 2020	$3,318,493

8. NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 May 2020

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.

On occasion, the Company enters into equity-settled share-based payments. When this occurs, the transaction is valued pursuant to NZ IFRS 2 - Share-based Payments. As such, the value of the equity issued is valued at the fair value of the goods or services received. Where the fair value of the goods or services received cannot be reliably measured, the transaction is valued at the fair value of the equity instruments granted. Specific share-based transactions are discussed further in note 6. There were no share-based payments either this year or last year.

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	2020 $	No's	2019 $
"A" Shares				
Opening Balance	28,142	39,298,969	28,042	38,942,316
New A Shares Issued - Cash	-	-	100	472,075
Capital Raising Costs	-	-	-	(115,422)
Closing Balance	28,142	39,298,969	28,142	$39,298,969

"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.

Fees associated with the share issues during the period amounted to NIL (2019: $115,422). 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

During the period a new lease was signed for the office space at 225 High Street, Christchurch. The lease is for an initial period of one year but has two rights of renewal. The right to use asset is amortised over the expected period of the lease.

For The Year Ended 31 May 2020

	2020 $
Opening Right to Use Assets	-
New Right to Use Asset Recognised	48,667
Amortisation Expense	(16,222)
	$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.

	2020 $
Opening Lease Liability	-
New Operating Lease Liability Recognised	48,667
Repayments	(15,843)
	$32,824

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%

	2020 $	2019 $
Bank of New Zealand - Rapid Repay	12,234	1,485
Westpac - Business Online Saver	23,927	805,583
Westpac - Business Transact	964,539	385,102
Westpac – Term Deposit	-	250,000
Total Cash and Cash Equivalents	$1,000,700	$1,442,170

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 1.47% and 3.55%.

8. NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 May 2020

	2020 $	2019 $
Westpac Term Loan - Current Portion	918,252	807,012

LONG TERM BORROWINGS

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

The facility is secured by way of a general security agreement dated 14 December 2016 over all assets, undertakings and uncalled capital (if any) provided by Amuri Irrigation Company Limited.

The maturity date for the loan is 31 December 2021, the interest rate is 1.81% (expires 29/06/20). The interest rate resets at the end of each quarter. The interest rate for the 30/09/20 period is 1.84%. Principal repayments of $76,521 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.

	2020 $	2019 $
Westpac Term Loan - Non Current Portion	47,384,399	48,235,400

9. 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 $3,920,050 (2019: $2,822,913). The details of the agreements are:

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

$7,100,000 at 3.34% expiring on 28 July 2022

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

$6,400,000 at 3.55% expiring on 28 December 2023

$8,900,000 at 2.98% expiring on 28 July 2023

$8,700,000 at 1.47% expiring on 28 February 2025 (effective from 28 February 2023)

Interest Rate Swaps:
The Company uses derivative financial instruments to economically hedge its exposure to interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately.

Subsequent to initial recognition, derivative financial instruments are stated at fair value, these are considered to be level 2 in the fair value hierarchy.

The gain or loss on remeasurement is recognised immediately in profit or loss.

The value of the interest rate Swaps are provided by Westpac on a market to market basis.

For The Year Ended 31 May 2020

TRADING OPERATIONS

10. OPERATING REVENUE

Revenue Recognition
The majority of the 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.

Operating revenue comprises of:

	2020 $	2019 $
Irrigation Charges	7,151,425	6,867,882
Rock Sales	-	35,227
Farm Plan Income	-	4,900
Collective Membership Fees	42,900	44,700
Overseer Farm Management	28,200	-
NPS Submission Contribution	21,736	-
Share Application Fees	364,300	-
	$7,608,561	$6,952,709

8. NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 May 2020

11. OTHER INCOME

	2020 $	2019 $
Rent Received	-	5,600
Rebates - Farmlands	197	225
Insurance Claim on Flooding Event	-	473,878
Gain on Disposal of Property Plant & Equipment	2,373	259,739
Sundry Income	17,491	-
	$20,061	$739,442

12. FINANCE INCOME

Financial Assets at Amortised Cost	2020 $	2019 $
Interest Received - Inland Revenue	-	44
Interest Received - Westpac Bank	1,399	19,897
Interest Received - Mackay Bailey Trust Account	1,075	111
Finance Income	$2,474	$20,052

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

13. OTHER EXPENSES

Other Expenses include:

13.1. Independent Auditors' Remuneration

	2020 $	2019 $
BDO Wellington - Audit of Annual Financial Statements	21,800	28,000
BDO Christchurch - Interim Audit of Financial Statements	-	18,000
	$21,800	$46,000

For The Year Ended 31 May 2020

13.2. Depreciation (PPE Note 3)

	2020 $	2019 $
Buildings	4,644	4,985
Computer Equipment	4,234	7,974
Motor Vehicles	25,549	34,871
Quarry Improvements	2,028	2,154
Plant & Equipment	7,534	9,500
Structures & Improvements	2,077,550	2,018,631
	$2,121,539	$2,078,115

13.3. Employee Benefits

	2020 $	2019 $
Accident Compensation Levy	4,921	8,250
KiwiSaver Employer Contribution	26,797	19,852
Wages	974,599	793,116
Staff Training & Welfare	3,364	1,815
Recruitment Costs	6,070	2,247
General Manager Expenses	1,530	2,748
	1,017,281	$828,028

13.4. Directors Fees

	2020 $	2019 $
Directors Fees (For detail refer to Note 26)	128,000	120,500

13.5. Repairs & Maintenance

	2020 $	2019 $
Repairs and Maintenance	675,564	311,765

8. NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 May 2020

13.6. Administrative Expenses

	2020 $	2019 $
Accountancy Fees	37,400	68,621
Administration	14,447	21,837
Amortisation of Right to Use Asset	16,222	12,949
Asset Management	25,952	31,088
Computer Expenses	15,011	24,856
Consultancy Fees	-	93
Audited Self Management	87,997	222,170
Biodiversity Investigations	5,161	-
Irrigation Efficiency	15,903	-
Nutrient Management	34,285	-
Directors Expenses	1,926	1,333
Donations	4,860	12,960
Entertainment	-	490
Hurunui Water Project Takeover Costs	-	69,465
Health and Safety	6,012	3,643
Fringe Benefit Tax	11,857	9,637
Financial Modelling	18,238	11,776
House Expenses	2,178	1,975
Insurance	337,599	302,703
Legal Fees	44,302	24,252
Motor Vehicle Expenses	35,524	50,900
Power	7,552	4,274
Booster Pumping Costs	861,891	628,896
Printing & Stationery	7,323	8,487
Quarry Expenses	-	97,041
Rates	10,895	10,962
Resource Consents	26,462	165,114
Regional Plan Review	102,949	234,351
Subscriptions	47,575	37,292
Telephone	5,277	6,511
Travelling - Local	2,696	2,464
Water Monitoring	56,557	70,839
Unsuccessful Hurunui PDS Costs	34,126	-
	$1,878,177	$2,137,549
Total Other Expenses	$5,842,361	$5,521,386

For The Year Ended 31 May 2020

14. FINANCE COSTS

	2020 $	2019 $
Bank Charges	12,745	6,881
Interest - Westpac Term Loan (liabilities at amortised cost)	2,151,688	2,246,980
Interest – Right to use Asset	1,057	-
	$2,165,491	$2,253,861

Financial Liabilities at Fair Value through Profit and Loss	2020 $	2019 $
Fair Value Movement in Interest Rate Swaps	1,097,137	1,580,260
	$1,097,137	$1,580,260

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.

	2020 $	2019 $
Employee Entitlements	60,980	50,565

16. FINANCIAL ASSETS MEASURED AT AMORTISED COST

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within NZ IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables,

8. NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 May 2020

which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

From time to time, the Company elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statement of comprehensive income (operating profit).

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).

	2020 $	**2019 $**
GST Receivable	28,084	63,438
Prepayments	43,507	-
Financial Instruments		
Accounts Receivable	119,533	124,013
Other Receivables - Accrued Interest	-	110
Other Receivables - Insurance Income	-	-
	$119,533	$124,123
Aging of Trade Receivables		
Not Yet Due	38,722	6,749
Overdue 1-30 days	77,882	85,679
Overdue more than 90 days	2,929	31,585
	$119,533	$124,013

None of the trade receivables as at reporting date are considered to be impaired (2019: $nil). No collateral is held by the Company as security for trade receivables. 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.

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

This category comprises in-the-money derivatives and out-of-money derivatives where the time value offsets the negative intrinsic value. They are carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income 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.

	2020 $ @FVP&L	2019 $ @FVP&L
Shares		
Farmlands - Share Capital	636	636
Total Non-Current Investments	$636	$ 636

Last Year: The Company acquired all of the shares in Hurunui Water Project and performed an amalgamation which was complete as at 31 May 2019. For more information concerning this transaction refer to note 24.

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.

	2020 $ @FVP&L	2019 $ @FVP&L
Trade Payables	252,700	528,272
Accrued Auditors' Remuneration	27,800	20,000
	$280,500	$548,272

19. OTHER PAYABLES

	2020 $	2019 $
Directors Fees Payable	27,833	29,208
Accrued Interest	74,254	-
	$102,087	$29,208

Also refer to the Related party disclosures in note 26.

8. NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 May 2020

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:-

	2020 **$**	**2019** **$**
Cash and Cash Equivalents	1,000,700	1,192,170
Trade Receivables	119,533	124,013

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 5.50% of total sales revenue during the year under review (2019: 5.05%) and 0% (2019: 0%) of trade receivables at reporting date. (For the health of trade receivables refer to note 16).

For The Year Ended 31 May 2020

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 2020	Carrying Amount $	Contractual Cashflows $	< than 1 Year $	1-5 Years $	> than 5 Years $
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	-
31 May 2019					
Assets					
Cash and Cash Equivalents	1,442,170	1,692,722	1,692,722	-	-
Trade and Other Receivables	187,561	187,561	187,561	-	-
	1,629,731	1,880,283	1,880,283	-	-
Liabilities					
Trade and Other Payables	548,272	548,272	548,272	-	-
Borrowings	49,042,412	54,771,212	3,047,412	51,723,800	-
Financial Derivatives (interest rate swaps)	2,822,913	2,822,913	-	2,822,913	-
	52,413,597	58,142,397	3,595,684	54,546,713	-

8. NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 May 2020

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 2.96% and 3.55%

A 100 basis point increase in the interest rate would increase expenses by $86,026 a 100 basis point decrease would reduce expenses by $86,026 and equity will change in proportion to the basis point change. The value of the companys financial instruments will change as a result of movements in interest rates. In 2019 a 100 basis point increase in the interest rate would have increased expenses by $93,424, a 100 basis point decrease would have reduced expenses by $93,424.

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 2020	**$**	**$**	**$**	**$**	**$**
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

For The Year Ended 31 May 2020

As at 31 May 2019	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	1,192,170	-	-	-	1,192,170
Trade and Other Receivables	187,561	-	-	-	187,561
Investments in Shares		636	-	-	636
Investments in Term Deposits	-	-	-	-	-
	1,379,731	636	-	-	1,380,367
Liabilities					
Trade Payables	-	-	548,272	-	548,272
Cash & Cash Equivalents	-	-	-	-	-
Borrowings	-	-	49,042,412	-	49,042,412
Financial Derivatives (interest rate swaps)	-	-	-	2,822,913	2,822,913
	-	-	49,590,684	2,822,913	52,413,597

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 2020	Level 2 $	Level 3 $	Total $
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

8. NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 May 2020

31 May 2019	Level 2 $	Level 3 $	Total $
Assets			
Investments in Shares	-	636	636
	-	636	636
Liabilities			
Financial Derivatives (interest rate swaps)	2,822,913	-	2,822,913
	2,822,913	-	2,822,913

Comparison between carrying amount and fair value:

	31 May 2020		31 May 2019	
	Carrying Amount $	Fair Value $	Carrying Amount $	Fair Value $
Assets				
Cash and Cash Equivalents	1,000,700	1,000,700	1,192,170	1,192,170
Trade and Other Receivables	191,123	191,123	187,561	187,561
Investments in Shares	636	636	636	636
	1,192,459	1,192,459	1,380,367	1,380,367
Liabilities				
Trade Payables	280,500	280,500	548,272	548,272
Borrowings	48,302,651	48,302,651	49,042,412	44,962,799
Financial Derivatives (interest rate swaps)	3,920,050	3,920,050	2,822,913	2,822,913
	52,503,201	52,503,201	52,413,597	48,333,984

For The Year Ended 31 May 2020

Maturity profile of financial instruments:

As at 31 May 2020	Within 1 Month	1-3 Months $	3 - 6 Months $	6 - 12 Months $	Greater than 2 Years $	Total $
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						
Cash & Cash Equivalents	-	-	-	-	-	-
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

As at 31 May 2019		$	$	$	$	$
Assets						
Trade and Other Receivables	187,561	-	-	-	-	187,561
Cash and Cash Equivalents	1,442,170	-	-	-	-	1,442,170
Investments in Shares	-	-	-	-	636	636
	1,629,731	-	-	-	636	1,630,367
Liabilities						
Cash & Cash Equivalents	-	-	-	-	-	-
Trade Payables	548,272	-	-	-	-	548,272
Borrowings	255,051	509,502	762,753	1,520,106	51,723,800	54,771,212
Financial Derivatives (interest rate swaps)	-	-	-	-	2,822,913	2,822,913
	803,323	509,502	762,753	1,520,106	54,546,713	58,142,397

8. NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 May 2020

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.

21.1 Income Tax Expense

	2020 $	2019 $
(Loss)/Profit before Income Tax	(2,008,760)	(1,693,904)
Prima facie income tax @ 28%	(562,453)	(474,293)
Non-deductible and timing expenses	840,139	852,371
Non-deductible permanent differences	15,009,342	163,614
Income tax (income)/expense	15,287,028	541,692

For The Year Ended 31 May 2020

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

	2020 $	2019 $
Current Tax	-	-
Deferred tax	377,771	597,966
Income tax (income)/expense	377,771	597,966
Income Tax Recognised in Other Comprehensive Income	(14,909,257)	(56,274)

21.2 Reconciliation of Current Tax Payable

	2020 $	2019 $
Opening Balance Tax Account	(5,577)	(4,055)
Plus		
Refund Received	5,577	4,055
Less		
Resident Withholding Tax Paid	780	5,577
Taxation (Refundable)/Payable	(780)	(5,577)

21.3 Reconciliation of Tax Losses

	2020 $	2019 $
(Loss)/Profit before Income Tax	(2,008,760)	(1,693,904)
Add Back:		
Non-Deductible Expenses	-	8,816
Movement in Non-Deductible Holiday Pay Accruals	16,559	(14,654)
Fair Value of Swaps	1,097,137	1,580,260
Amortisation of Water Consents	174,241	101,643
Non Assessable Insurance Proceeds	-	(473,878)
Impairment of Scheme Assets	360,626	-
Capital Gain on Sale of House	-	(235,617)
Disposal of Old Scheme	-	9,036
Non Deductible PDS Costs	34,126	
Difference in Depreciation Basis	(3,017,054)	(2,905,605)
Tax Losses Brought Forward	(4,465,574)	(841,670)
Tax Losses to be Carried Forward to Future Years	(7,808,699)	(4,465,574)

8. NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 May 2020

21.4 Deferred Tax Assets/(Liability)

	Property Plant and Equipment	Non-deductible Provisions	Unused Tax Losses	Interest Rate Swap	Total
1 June 2018	(1,410,575)	15,204	235,668	347,943	(811,760)
(Charge)/Credit to Income	(792,625)	(12,146)	(235,668)	442,473	(597,966)
(Charge)/Credit to Equity	56,274	-	-	-	56,274
31 May 2019	(2,146,926)	3,058	-	790,416	(1,353,452)
(Charge)/Credit to Income	(683,249)	(1,721)	-	307,198	(377,772)
(Charge)/Credit to Equity	(14,909,257)	-	-	-	(14,909,257)
31 May 2020	(17,739,432)	1,337	-	1,097,614	(16,640,481)

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

	Deferred Tax Assets		Deferred Tax Liabilities		Net Balance	
	2020 $	2019 $	2020 $	2019 $	2020 $	2019 $
Property Plant and Equipment	10,683	5,908	(17,750,115)	(2,152,834)	(17,739,432)	(2,146,926)
Interest Rate Swap	1,097,614	790,416	-	-	1,097,614	790,416
Non-deductible provisions	1,337	3,058	-	-	1,337	3,058
Unused tax losses	-	-	-	-	-	-
	1,109,634	799,382	(17,750,115)	(2,152,834)	(16,640,481)	(1,353,452)

For The Year Ended 31 May 2020

21.5 Imputation Credit Account

At 31 May 2020 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 $259,199.

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

	2020 $	2019 $
Opening Balance 1 June 2019	263,996	262,474
Plus		
Resident Withholding Tax Paid	780	5,577
	$264,776	$268,051
Refund Received	(5,577)	(4,055)
Closing Balance 31 May 2020	$259,199	$263,996

OTHER NOTES

22. ROONEY LIABILITY

A liability of $1,023,646 was recognised in the 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. The possible liability relates to funds advanced to HWP by Rooney Group Limited as part of a preconstruction funding agreement for the irrigation scheme proposed by HWP. In certain circumstances 50% of the preconstruction feasibility funding provided by Rooney Group Limited is repayable. NZIFRS 3 requires the recognition of this liability regardless of the probability of the liability eventuating. The maximum amount payable is $1,023,646 while the minimum amount payable is nil. 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. It is expected that this assessment can be made within the next 12 months.

23. COMMITMENTS

There are no Capital Commitments at 31 May 2020. (2019: nil)

24. BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values as at acquisition date, irrespective of the extent of any non-controlling interests. The excess of the cost of the business combination over the net fair value of the Company's share of the identifiable net assets acquired is recognised as goodwill.

Last year, the Company implemented a successful takeover of Hurunui Water Project Limited (HWP).

The investment in HWP was increased from 4.38% to 100%. HWP was formally amalgamated with the Company on 31 May 2019.

8. NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 May 2020

Amuri Irrigation Company acquired HWP for the purposes of expanding irrigation services in the North Canterbury Region with a view to have an adjacent scheme on the south side of the Hurunui River all managed by Amuri Irrigation Company Limited.

This transaction has been treated as a step acquisition. The key dates are as follows:

- September 2018: The Company enters negotiations with the directors of HWP to purchase the resource consents owned by HWP.
- November 2018: The resource consents owned by HWP are unable to be easily transferred. Therefore a formal takeover was made by the Company to acquire 100% of the shares of HWP.
- December 2018: The directors of HWP endorse the takeover offer
- 25 March 2019: more than 90% of HWP shareholders accept the takeover offer. The Company then moves to compulsory acquire all remaining HWP shares.
- 23 April 2019: The Company ownership in HWP increases to 100%.
- 31 May 2019: HWP is formally amalgamated with the Company.

The takeover of HWP has had no material effect on the Profit and Loss of the Company as HWP did not actively trade. If this business combination had occurred at the start of the period there would have been no impact on the profit and loss as the entity did not trade.

Financial Outlay by the Company	**2020 $**	**2019 $**
Purchase of Shares	-	217
Refinancing existing HWP debts	-	1,323,820
	-	$1,324,037
What Has the Company Received for this Consideration?		
Cash balances	-	119,201
GST Refund Owed	-	3,240
Income Tax Refund	7,635	20,897
Water Consents	(7,635)	2,264,994
Contingent Liability	-	(1,023,646)
Existing equity interest in HWP held by the Company	-	(60,649)
	$-	$1,324,037

The $1,324,037 reflects the cost of acquiring the 95.82% of HWP that the Company did not already own. Therefore, this values the 4.18% that was already owned at $60,649. The Company had previously recorded it's investment in HWP as fully impaired. Therefore, in the current year there is a reversal in this impairment of $60,649.

The impact of this acquisition on the Statement of Financial Position of the Company is:

a) Water Consents have increased by $2,264,994

b) A contingent liability of $1,023,646 has been recognised

c) Cash balances have decreased by $1,180,699

For The Year Ended 31 May 2020

25. SUBSEQUENT EVENTS

This Year; On 7 November 2019, a further PDS was registered for a revised smaller Hurunui irrigation scheme. Applications closed on 28 November 2019. At this stage, funds are held in a Trust account pending the directors confirming they are satisfied with the conditions contained within the PDS. At reporting date, applications had been received for a total of 5,204 shares and initial subscription payments totalling $4,683,600 were held in Trust. The costs ($43,506) related to this round of capital raising are included in Prepayments. Once there is a confirmed outcome to the Hurunui scheme, the costs will be deducted from the capital raised (if successful) or expensed if the new shares are not issued.

Last Year; A Product Disclosure Statement (PDS) was registered with the Financial Markets Authority (FMA) on 31 May 2019. The objective was to receive share applications from landowners to be serviced by a new Hurunui irrigation scheme. This scheme would utilise the consents acquired as part of the Hurunui Water Project transaction. Share applications closed on 26 July 2019. Insufficient share applications were received to viably continue with the scheme as proposed in the PDS. Therefore, all share application funds were returned to prospective shareholders.

26. 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 $250,000 and $260,000 during the period, including employer KiwiSaver contributions and a vehicle allowance. There are no post-employment, termination, or other long term benefits.

	2020 $	2019 $
Water Sales to Directors		
A W Benton	346,776	338,435
D A Croft (Chairman)	130,481	125,693
M F Satterthwaite	66,587	49,688
E L Francis	122,358	114,624
N S Anderson	233,442	246,105
K J McCone	44,520	33,728
M P Smith	-	48,960
	$944,164	$957,233

8. NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 May 2020

Remuneration paid to Directors are:

(See note 19 – Other Payables , for directors fees payable as at 31 May 2020)

	2020 $	2019 $
Directors Fees		
E L Francis	15,000	15,000
K J McCone	15,000	15,000
M F Satterthwaite	15,000	7,500
N S Anderson (Appointed November 2018)	15,000	7,500
D A Croft (Chairman)	28,000	28,000
A W Benton	15,000	15,000
C S Laurie	25,000	25,000
	$128,000	$120,500

No debts have been forgiven or written off.

DIRECTORS RELEVANT INTEREST IN EQUITY SECURITIES AS AT 31 MAY 2020

	2020	2019
M Satterthwaite	150	150
N Anderson	572	572
A Benton	1,241	1,241
D Croft (Chairman)	451	451
EL Francis	761	761
K J McCone	284	284
C S Laurie	-	-
	3,459	3,459

For The Year Ended 31 May 2020

27. RECONCILIATION OF NET PROFIT TO CASHFLOW FROM OPERATING ACTIVITIES

	2020 $	2019 $
Profit/(Loss) before Tax Expense	(2,008,760)	(1,618,830)
Add Non-Cash Items		
Depreciation	2,121,539	2,078,115
Impairment of Scheme Assets	360,626	-
Amortisation of right to use Assets	16,222	-
Capital Gain	-	(259,739)
Fair Value Movement in Interest Rate Swap	1,097,137	1,580,260
Amortisation of Water Consents	174,241	101,643
Disposal of Original Scheme Assets	-	9,036
Gain on Sale of Assets	(2,382)	-
Unsuccessful PDS Costs	34,126	-
	$1,792,749	$1,890,485
Add/(Less) Movements in other Working Capital Items		
Decrease/(Increase) in Accounts Receivable	(23,603)	148,972
Decrease/(Increase) in Accrued Interest	74,364	(96,404)
Increase/(Decrease) in Accounts Payable	(267,772)	335,700
Increase/(Decrease) in Director Fees Payable	(1,375)	4,437
Increase/(Decrease) in GST Refund	98,188	(65,508)
Decrease/(Increase) in Taxation Provision	4,798	(1,523)
Increase/(Decrease) in Employee Entitlements Increase/(Decrease) in Insurance Receivable	10,414	(5,207)
	-	-
	($104,985)	$320,467
Net Cash (Used in)/Provided From Operating Activities	$1,687,764	$2,210,952

8. NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 May 2020

28. RECONCILIATION OF CASH FLOW FROM FINANCING ACTIVITIES

	31 May 2020	Cash Flows	Other - Non Cash Changes	31 May 2019
Short Term Borrowing	918,252	-	111,240	807,012
Long Term Borrowing	47,417,223	(755,604)	(111,240)	48,235,400
Share Capital	39,221,336	(77,633)	-	39,298,969
Total Liabilities From Financing Liabilities	87,556,811	(833,237)	-	$88,341,381

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 2020, 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 2020, 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 (Revised) *Code of Ethics for Assurance Practitioners* 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.

Key audit matter	***How the matter was addressed in our audit***
Valuation of Property, Plant and Equipment Refer to Note 3 *Property, Plant & Equipment* The structural improvement assets were valued at $131.2M (2019:$86.2M). The revaluation gain recognised in the statement of profit or loss and other comprehensive income was $36.3M. The last valuation was carried out in 2015, in line with the accounting policy adopted.	Our procedures included, but were not limited to, the following: • We read the valuation reports provided for the assets and discussed these with the experts engaged. We confirmed that the valuation approach was in accordance with accounting standards and suitable for use in determining the carrying value of the structural assets at 31 May 2020.

We include the valuation of the class of Property, Plant & Equipment for two reasons: 1. The significance to the financial statements: This class of Property, plant and equipment accounts for 95% of the total assets (2019: 93%) making it the most significant balance on the statement of financial position. 2. The complexity of the valuation model: The valuation model is complex and relies on various experts, estimates and underlying assumptions.	• We assessed the valuers' qualification, expertise and their objectivity and we found no evidence to suggest that the objectivity of an Valuer in their performance of the valuations was compromised. • We engaged our own in-house valuation specialists to critique and challenge the work performed and assumptions used by the Valuers. We concluded that the assumptions used in the valuations were supportable in light of available market evidence.

Emphasis of Matter- Material Valuation Uncertainty for Property, Plant and Equipment

We draw attention to Note 3 to the financial statements, which describes the effects of the Coronavirus (COVID-19) global pandemic on the valuation basis for Property, Plant and Equipment. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the Business Directory and 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.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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
6 October 2020

AMURI IRRIGATION CO

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