



# **Amuri Irrigation Company Limited**

## **Financial Statements**

**For the Year ended 31 May 2019**

## **AMURI IRRIGATION COMPANY LIMITED**

### **ANNUAL REPORT**

**For The Year Ended 31 May 2019**

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## **AMURI IRRIGATION COMPANY LIMITED**

### **BUSINESS DIRECTORY As At 31 May 2019**

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 M P Smith (Retired November 2018) A W Benton M F Satterthwaite (Appointed November 2018) N S Anderson (Appointed November 2018)
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 St Christchurch 8013
INDEPENDENT AUDITORS:	BDO Christchurch Level 4, 287-293 Durham Street North Christchurch 8053
ACCOUNTANTS:	Mackay Bailey Ltd 109 Blenheim Road Christchurch

## AMURI IRRIGATION COMPANY LIMITED

### ANNUAL REPORT For The Year Ended 31 May 2019

The Board of Directors present their Annual Report including Financial Statements of the company for the year ended 31 May 2019.

The following Directors held office during the year.

D A Croft (Chairman)  
E L Francis  
K J McCone  
C S Laurie  
M P Smith (Retired November 2018)  
A W Benton  
M F Satterthwaite (Appointed November 2018)  
N S Anderson (Appointed November 2018)

All directors are ordinary residents of New Zealand.

Audit fees paid during the year total \$46,000. (2018: \$20,000)

#### Nature of Business

The business of the company is to Supply of 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 2019

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
(Loss)/Profit before Income Tax	(1,693,903)	(655,288)
Income Tax Benefit/(Expense)	(597,966)	(31,081)
	<hr/>	<hr/>
Net (Loss)/Profit for the Year	(2,291,869)	(686,369)
Plus Accumulated Losses brought forward	(2,141,075)	(1,454,705)
	<hr/>	<hr/>
Leaving Accumulated Losses at 31 May 2019	(4,432,943)	(2,141,075)
	<hr/>	<hr/>
Asset Revaluation Reserve	3,031,866	3,280,286
	<hr/>	<hr/>

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

## AMURI IRRIGATION COMPANY LIMITED

### ANNUAL REPORT For The Year Ended 31 May 2019

#### State of Affairs

The state of the company's affairs as at 31 May 2019 was

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Assets Totalled	92,768,360	94,600,914
	<hr/>	<hr/>
These were financed by:		
Liabilities of	54,870,469	54,519,387
Equity of	37,897,892	40,081,527
	<hr/>	<hr/>
	92,768,360	94,600,914
	<hr/>	<hr/>

#### Dividends

The Directors recommend that no dividend be declared for the year ended 31 May 2019.

#### 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 27 to the financial statements.

#### Donations

The Company has made cash donations during 2019 of \$12,960 (2018: \$6,510). 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.

**AMURI IRRIGATION COMPANY LIMITED**

**ANNUAL REPORT  
For The Year Ended 31 May 2019**

**Directors' Remuneration and Benefits**

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

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Directors Fees:</b>		
E L Francis	15,000	15,000
K J McCone	15,000	15,000
M F Satterthwaite (Appointed November 2018)	7,500	-
N S Anderson (Appointed November 2018)	7,500	-
M Smith (Retired November 2018)	7,500	15,000
D A Croft (Chairman)	28,000	28,000
A W Benton	15,000	15,000
C S Laurie	25,000	25,000
	120,500	113,000

**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 remuneration between \$110,000 - \$120,000 and one employee received between \$230,000 - \$240,000

**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 27/09/2019

## **AMURI IRRIGATION COMPANY LIMITED**

### **CHAIRMAN'S ANNUAL REPORT For The Year Ended 31 May 2019**

On behalf of the Board I am pleased to present the 29<sup>th</sup> Annual Report for the year ending 31 May 2019.

Our year started with a very busy winter maintenance program with the planning and execution of the removal of the stones from the pipe network that had troubled some of our shareholders over the previous irrigation season. This was completed in time for the start of the season and the resulting insurance claim successfully settled. Significant work was also carried out on both Balmoral intakes to finish them to a standard required for a long life.

With the ink still wet, having signed the contract for the piping of the Waiareka scheme in May last year, we successfully completed and commissioned this pipeline ready for the new irrigation season. This was the last stage of the conversion of the existing open race to delivering piped water under pressure.

This summer saw the unusual situation where the Waiau went on restrictions before the Hurunui. The restrictions went on to be the fourth worst on record. The Operations team coped well and it is worth noting that the pipe network has dramatically improved our ability to utilise water during periods of restrictions. If we had to manage the restrictions in our open race network there would have been a more severe impact on farm.

During the year the decision was made to wind back the Montrose rock quarry. With ongoing consenting, H&S and compliance challenges it was decided to put the quarry into recess. There is now a large volume of rock on the quarry floor ready to access if required.

On a financial note, this year the Company achieved an operational profit of \$539,905 compared to a profit of \$442,020 on the same basis last year and has a total asset book value of \$92,768,360. Overall, we recorded a loss of \$1,693,903 which was mainly attributed to two lines in the accounts; the change in the value of the interest rate swaps (a loss of \$1,580,260) and depreciation on the increased asset base. (\$2,078,115). Term debt has lowered to \$48,235,400 from a starting position of \$49,042,412.

During the year we rationalised our property portfolio with the sale of the Rotherham house and Culverden section due to being surplus to our evolving needs. We took to opportunity to purchase the double section next to our office and you can see that is where the spare pipe is being stored.

We continued to investigate the feasibility of water storage and hydropower generation throughout the year. We know how important reliable water is to the social and economic success of our community and the value the country is placing on renewable energy so you will see (\$141,899 and \$27,523 respectively) \$169,422 has been invested in this area.

The takeover of Hurunui Water Project (HWP) following the successful shareholder vote was another milestone for the Company, culminating in the issue of the Hurunui PDS on the last day of the financial year. As part of the Hurunui Scheme feasibility investigations we have made considerable strides towards identifying the optimal way of storing and managing water within the Waiau and Hurunui River catchments.

The Environmental Collective had another successful year and we now have a membership of 176 farms covering 85,687ha. 70 audits were carried out this year bringing the total number of audits since its establishment in 2013 to 276. The number of A and B grades from this year's auditing was 94% with only four farms receiving a C grade. This is well up on our opening auditing results back in 2014/15 when 73% of farms received a grade of A and B even though the Good Management Practice standard continues to be lifted. While this is a good result, we will need to continue to push forward to reduce nitrogen and other contaminant losses so we can continue to swim and fish in our rivers.

We have continued to negotiate a proposed enhancement package with the Hurunui-Waiiau Zone Committee. This has made slow progress but the certainty the proposed package will bring to our shareholders over minimum flow increases and the environmental and social benefits that will be delivered are worth the investment and some patience. To show our commitment to the process we agreed to raise the Waiiau minimum flow by 1 cubic metre per second from February even though the package had not yet been agreed with the Zone Committee. We have been engaged in the Regional Plan review process as Plan Change 1 has been out for consultation. We have also agreed to surrender 38 tonnes of nitrogen allocation to provide dryland farmers more flexibility with their farming businesses.

On behalf of the Board of Directors I would like to thank shareholders for your continued support, especially the Waiareka farmers that experienced the disruption associated with pipe installation. I would also like to thank my fellow directors, management, staff and our advisors.



David Croft  
Chairman

## AMURI IRRIGATION COMPANY LIMITED

### STATEMENT OF COMPREHENSIVE INCOME For The Year Ended 31 May 2019

	Note	31 May 2019 \$	31 May 2018 \$
Revenue	10	6,952,708	6,022,237
Other Income	11	739,442	539,609
Independent Auditors' Remuneration	13	(46,000)	(20,000)
Depreciation	13	(2,078,115)	(1,077,715)
Employee Benefits	13	(828,027)	(784,729)
Directors Fees	13	(120,500)	(113,000)
Repairs and Maintenance	13	(311,765)	(328,901)
Administrative Expenses	13	(2,137,549)	(2,070,207)
Fair Value Movement in Interest Rate Swaps	9	(1,580,260)	(234,610)
Amortisation of Water Consents	4	(101,643)	(109,099)
Loss on Disposal of Assets	3	(9,036)	(368,075)
Impairment Due to Flooding Event	3	-	(1,013,489)
Impairment Reversal of HWP Investment		60,649	-
<b>Operating profit</b>		539,905	442,020
<b>Net finance costs</b>			
Finance income	12	20,052	17,040
Finance expenses	14	(2,253,861)	(1,114,349)
<b>(LOSS)/PROFIT BEFORE INCOME TAX</b>		(1,693,904)	(655,288)
Income Tax Benefit/(Expense)	21	(597,966)	(31,081)
<b>NET (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS</b>		(2,291,870)	(686,369)
<b>OTHER COMPREHENSIVE INCOME</b>		-	-
<b>Items not subsequently recycled through profit or loss</b>			
Reversal of Prior Revaluation (After Income Tax)		(248,420)	(1,499,203)
<b>Total other comprehensive income</b>		(248,420)	(1,499,203)
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO SHAREHOLDERS</b>		(2,540,290)	(2,185,572)

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

## AMURI IRRIGATION COMPANY LIMITED

### STATEMENT OF CHANGES IN EQUITY For The Year Ended 31 May 2019

	Note	Share Capital	Property ,Plant and Equipment Revaluation Reserve	Accumulated Losses	Total Equity
<b>Balance at 01 June 2017</b>		<u>34,299,928</u>	<u>4,779,489</u>	<u>(1,454,706)</u>	<u>37,624,711</u>
Profit/(Loss) for the year		-	-	(686,369)	(686,369)
Other Comprehensive Income		-	<u>(1,499,203)</u>	-	<u>(1,499,203)</u>
<b>Total comprehensive income</b>		-	<u>1,499,203</u>	<u>686,369</u>	<u>2,185,572</u>
<b>Transactions with owners</b>					
Issue of Shares	5	<u>4,642,389</u>	-	-	<u>4,642,389</u>
<b>Total transactions with owners</b>		<u>4,642,389</u>	-	-	<u>4,642,389</u>
<b>Balance at 31 May 2018</b>		<u>38,942,317</u>	<u>3,280,286</u>	<u>(2,141,075)</u>	<u>40,081,528</u>
<b>Balance at 01 June 2018</b>		<u>38,942,317</u>	<u>3,280,286</u>	<u>(2,141,075)</u>	<u>40,081,528</u>
Profit/(Loss) for the year		-	-	(2,291,870)	(2,291,870)
Other Comprehensive Income		-	<u>(248,420)</u>	-	<u>(248,420)</u>
<b>Total comprehensive income</b>		-	<u>(248,420)</u>	<u>(2,291,870)</u>	<u>(2,540,290)</u>
<b>Transactions with owners</b>					
Issue of Shares	5	<u>356,653</u>	-	-	<u>356,653</u>
<b>Total transactions with owners</b>		<u>356,653</u>	-	-	<u>356,653</u>
<b>Balance at 31 May 2019</b>		<u>39,298,970</u>	<u>3,031,866</u>	<u>(4,432,945)</u>	<u>37,897,891</u>

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

## AMURI IRRIGATION COMPANY LIMITED

### STATEMENT OF FINANCIAL POSITION As At 31 May 2019

	Note	2019 \$	2018 \$
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	7	1,442,170	7,557,619
Trade and Other Receivables	16	187,561	647,612
Income Tax Receivable	21	5,578	4,055
		1,635,308	8,209,286
<b>NON-CURRENT ASSETS</b>			
Property, Plant & Equipment	3	87,003,755	84,628,982
Investments in Shares	17	636	523
Construction Work in Progress	2	628,293	425,106
Water Consents	4	3,500,368	1,337,017
		91,133,052	86,391,628
<b>TOTAL ASSETS</b>		92,768,360	94,600,914
<b>TOTAL EQUITY AND LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Short Term Borrowings	8	807,012	739,761
Short Term Employee Benefits	15	50,565	55,772
Trade Payables	18	548,272	2,505,854
Contingent Liability		1,023,646	-
Other Payables	19	29,208	121,175
		2,458,704	3,422,562
<b>NON-CURRENT LIABILITIES</b>			
Deferred Tax	21	1,353,452	811,760
Interest Rate Swap	9	2,822,913	1,242,653
Westpac Term Loan - Non Current Portion	8	48,235,400	49,042,412
		52,411,765	51,096,825
<b>TOTAL LIABILITIES</b>		54,870,469	54,519,387

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

**AMURI IRRIGATION COMPANY LIMITED**

**STATEMENT OF FINANCIAL POSITION  
As At 31 May 2019**

	Note	2019 \$	2018 \$
<b>SHAREHOLDERS' EQUITY</b>			
Share Capital	5	39,298,969	38,942,316
Property, Plant and Equipment Revaluation Reserve		3,031,866	3,280,286
Accumulated Losses		(4,432,943)	(2,141,075)
<b>TOTAL EQUITY</b>		<b>37,897,892</b>	<b>40,081,527</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>92,768,360</b>	<b>94,600,914</b>

For and on behalf of the Board:-

Director 

Director 

Date 27/09/2019

## AMURI IRRIGATION COMPANY LIMITED

### STATEMENT OF CASH FLOWS For The Year Ended 31 May 2019

	Note	31 May 2019 \$	31 May 2018 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Receipt from Irrigators		6,950,787	5,708,093
Rent Received		5,600	12,200
Interest Received		20,054	17,041
Insurance Income		693,008	308,279
Rock Sales		35,227	279,525
Income Tax Refunds		-	29,643
		<u>7,704,676</u>	<u>6,354,781</u>
<b>Cash was applied to:</b>			
GST Paid		(67,775)	(80,500)
Payments to Suppliers		(2,124,864)	(2,382,752)
Payment to Employees		(949,297)	(892,120)
Finance Expenses		(2,350,265)	(1,017,948)
Tax Paid		(1,523)	-
		<u>(5,493,724)</u>	<u>(4,373,320)</u>
<b>NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES</b>	27	<u>2,210,952</u>	<u>1,981,461</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Sale of Plant and Equipment		346,791	-
Cash Balances Acquired in Business Combinations		119,201	-
		<u>465,992</u>	<u>-</u>
<b>Cash was applied to:</b>			
Purchase of Plant & Equipment		(7,378,318)	(33,959,075)
Water Consents Purchased		(1,299,900)	(125,800)
GST on Construction Work in Progress		-	(1,315,183)
Investment in Term Deposits		(250,000)	-
		<u>(8,928,218)</u>	<u>(35,400,058)</u>
<b>NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES</b>		<u>(8,462,226)</u>	<u>(35,400,058)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Cash Proceeds from - Share Upgrades & New Shares Issued	5	625,586	4,911,322
Cash Proceeds From - Borrowings		-	27,613,886
<b>Cash was applied to:</b>			
Repayment of Borrowings		739,761	-
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>	28	<u>(114,175)</u>	<u>32,525,208</u>
<b>NET (DECREASE)/INCREASE IN CASH HELD AND CASH EQUIVALENTS</b>		<u>(6,365,449)</u>	<u>(893,389)</u>
<b>Add Opening Cash and Cash Equivalents brought forward</b>		<u>7,557,619</u>	<u>8,451,008</u>
<b>ENDING CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>	7	<u>1,192,170</u>	<u>7,557,619</u>

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

## AMURI IRRIGATION COMPANY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 May 2019

#### 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 supply of water for irrigation and the sale of rock from the quarry.

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 27 September 2019.

##### 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 regards 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 carried out in compliance with the professional standards of the NZ Institute of Valuers by experienced valuers as detailed in note 3.

**AMURI IRRIGATION COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended 31 May 2019**

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

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

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

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Freehold Land	411,143	227,245
Buildings	205,651	415,753
Structures and Improvements	86,188,930	83,801,341
	<u>\$86,805,724</u>	<u>\$84,444,339</u>

**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**

1.4.1 New Standards Effective This Period

New standards impacting the Company that have been adopted in the financial statements for the period ended 31 May 2019 include:

- NZ IFRS 9 Financial Instruments (NZ IFRS 9); and
- NZ IFRS 15 Revenue from Contracts with Customers (NZ IFRS 15)

There was no impact on any of the line items of the financial statements from the implementation.

Further details regarding these changes are contained in note 10 (NZ IFRS 15) and note 17 (NZ IFRS 9)

1.4.2 Standards Issued But Not Yet Effective

NZ IFRS 16, Leases, applies to periods beginning on or after 1 January 2019.

The adoption of this standard will require the Company to recognise leases as a liability with any lease that has a term of more than 12 months unless the underlying asset is of a low value.

This is not expected to have a material impact on the financial statements as the company does not have any significant 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.

**AMURI IRRIGATION COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended 31 May 2019**

**2. CONSTRUCTION WORK IN PROGRESS**

As at 31 May 2019 there is Construction Work in Progress totalling \$628,293. During the period the Waiareka Piping project was completed while the Hydropower, Water Storage and Hurunui Scheme projects are still in progress.

Last Year Construction work in progress related to the Waiareka Piping project. The Waiareka Piping project was ongoing as at 31 May 2018 and costs associated with this have been recorded as Construction Work in Progress.

The Work in Progress is carried at cost.

	<b>2019</b>	<b>2018</b>
	\$	\$
<b>Construction Work in Progress</b>		
Opening Balance at Beginning of Period	425,106	49,629,406
Scheme Piping Costs Incurred in the year to 31 May 2019	3,337,199	32,234,618
Transferred to Structures & Improvements	(3,762,305)	(81,864,024)
Waiareka Piping Project	-	425,106
Hydro Power Project	141,899	-
Water Storage Project	27,523	-
Hurunui Scheme Project	458,871	-
Closing Balance of Construction Work in Progress	\$628,293	\$425,106

**3. PROPERTY, PLANT & EQUIPMENT**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment except for land, buildings and property improvements which are revalued at least every five years. 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% straight line, 30% diminishing value
Plant & Equipment	10% - 80.4% diminishing value
Motor Vehicles	31.2% diminishing value
Quarry Improvements	4% straight line
Computer Equipment	48% diminishing value
Office Equipment	12% 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.

**AMURI IRRIGATION COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended 31 May 2019**

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

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

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

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

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

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

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

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

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Freehold Land	420,925	123,527
Structures and Improvements	83,715,641	80,885,428
Buildings	199,884	237,878

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

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, Buildings, Structures and Improvements on hand were revalued as at 31 May 2015 using the "Discounted Forecast Free Cash Flows" method of valuation as determined by Peter Seed Limited.

The valuation is considered to be for the highest and best use.

The Valuation undertaken is a level 3 valuation in the fair value hierarchy.

The 2015 revaluation to Property Plant and Equipment resulted in an upward movement to the PP&E Value of \$1,225,587.

The land at 8 St Leonards Road and the residential dwelling at 63 George Street are not considered in the valuation of the irrigation scheme and as a result have been valued separately by Hamish Collins of Quotable Value Limited. The valuation technique was based upon a desktop analysis of pertinent sales data and information held on the QV

## AMURI IRRIGATION COMPANY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 31 May 2019

property database. The Land and Dwelling in George Street along with the land at St Leonards Road has since been sold in the period to 31 May 2019.

The effective date of the valuation was 31 May 2015. The directors believe this valuation which is at Level 3 in the value hierarchy is at fair value.

As at 31 May 2019 no impairment of any items of Property Plant and Equipment has been recognised.

Last Period: The directors acknowledged an impairment to structures and improvements of \$1,013,488. (See specific note regarding impairment due to flooding event.)

No revaluation of Property Plant and Equipment was undertaken in the current or comparative period. However, with the write off of a number of the components of the original scheme due to the piping project, there has been a reversal within the current year of previous revaluations totalling \$205,702 (Last period \$1,499,203). (see note re Write off of the Original Scheme).

#### 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

This Period; Lateral Race 1 of the Balmoral scheme has been scrapped as it is now no longer in use due to the piping of the scheme in the previous period.

Original assets have been 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 has given 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.

**AMURI IRRIGATION COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended 31 May 2019**

Last Period as a part of piping the Waiau and Balmoral schemes a number of assets have been scrapped (predominately lateral races). An assessment has been made as to the proportion of open race scheme retained and utilised compared to the entire original scheme, as a result of the successful piping project, original assets have been scrapped totalling \$2,475,561. This comprises of assets with a carrying value of \$371,838 and a reversal of previous revaluations of \$2,103,723.

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

- A write off of original cost of \$368,075
- A reversal of previous revaluations of \$2,103,723. After adjusting for deferred tax this is shown as \$1,499,203.

**3.7. Impairment Due to Flood Event**

During the period a further insurance claim was settled in regards to the Flood event in June 2017.

Insurance funds totalling \$473,878 were received. The impairment relating to this additional claim was recognised in the 31 May 2018 period.

Last period during the construction period of the piping project, a flooding event was experience in June 2017 and July 2017. Damage was sustained during these flood events which required additional work to be undertaken by the lead contractors Monadelphous Engineering. An insurance claim was lodged and at 31 May 2018 \$527,409 had been either received or receivable in relation to that insurance claim.

Last period the directors agreed an impairment expense of \$1,013,488 should be disclosed as a result of the flood event.

This gave rise to the following entries in the profit and loss during the 31 May 2018 period:

- Insurance income of \$308,278
- Impairment expense due to flooding event of \$1,013,488.

**AMURI IRRIGATION COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 May 2018**



**Note 3 - Property, Plant & Equipment**

	Freehold Land	Structures and Improvements	Buildings	Plant and Equipment	Motor Vehicles	Quarry Improvements	Computer Equipment	Office Furniture	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>01 June 2017</b>									
Cost or Valuation	227,245	6,063,567	440,346	153,808	163,675	53,846	11,704	6,858	7,121,049
Accumulated Depreciation and Impairment Losses	-	(121,270)	(16,294)	(71,253)	(77,798)	(28,368)	(8,457)	(800)	(324,240)
Carrying Amount	227,245	5,942,297	424,052	82,555	85,877	25,478	3,247	6,058	6,796,809
<b>Year Ended 31 May 2018</b>									
Carrying Amount at 1 June 2017	227,245	5,942,297	424,052	82,555	85,877	25,478	3,247	6,058	6,796,809
Additions	-	82,350,104	1,238	9,514	-	-	12,821	-	82,373,677
Disposals	-	(2,450,301)	-	-	-	-	-	-	(2,450,301)
Impairment	-	(1,013,489)	-	-	-	-	-	-	(1,013,489)
Depreciation	-	(1,027,271)	(9,537)	(11,565)	(20,231)	(2,154)	(6,214)	(743)	(1,077,715)
Carrying Amount at 31 May 2018	227,245	83,801,341	415,753	80,504	65,646	23,324	9,854	5,315	84,628,982
<b>31 May 2018</b>									
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	-	(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

**Note 3 - Property, Plant & Equipment**

	Freehold Land	Structures and Improvements	Buildings	Plant and Equipment	Motor Vehicles	Quarry Improvements	Computer Equipment	Office Furniture	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>01 June 2018</b>									
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
<b>Year Ended 31 May 2019</b>									
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	(117,500)	(61,295)	(205,117)	-	(16,869)	-	-	-	(400,781)
Impairment	-	-	-	-	-	-	-	-	-
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
<b>31 May 2019</b>									
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

**AMURI IRRIGATION COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended 31 May 2019**

**4. INTANGIBLE ASSETS**

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. Intangible assets include water consents.

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 Consent was acquired during the year for \$2,264,994 however this has not been amortised as the consent remains unused at 31 May 2019.

Last Year, a further payment was made on the Berman Holdings Limited water consent the purchase price paid during the year was \$125,800. This has been included in the cost price of the Waiau water consent CRC174408.

Water consents are now being amortised over the remaining life of the consent (between 11 and 15 years). This has resulted in an amortisation expense during the period of \$101,643 and a reduction in the carrying value of water consents by \$101,643.

	<b>2019</b>	<b>2018</b>
	\$	\$
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 CRC136343 Expires 2030	659,285	719,264
Waiau Consent CRC174408 Expires 2033	576,089	617,753
Hurunui Water Consent	2,264,994	-
	<b>\$3,500,368</b>	<b>\$1,337,017</b>

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 May 2019

Water Consents At Cost	3,805,018	1,540,024
Accumulated Amortisation	(304,650)	(203,007)
	<u>\$3,500,368</u>	<u>\$1,337,017</u>

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 rights are able to be reviewed by Ecan annually, but any review must be proved by the objector on environmental grounds. The directors have assessed the consents and do not believe that any of them are impaired.

	<b>Water Consents</b>	<b>Total (as Restated)</b>
<b>As at 1 June 2017</b>	<b>\$</b>	<b>\$</b>
Opening Balance Brought Forward	<b>1,320,316</b>	<b>1,320,316</b>
Water Consents Acquired	125,800	125,800
Amortisation Current Year	(109,099)	(109,099)
Additions Internally Developed	-	-
Acquired through business combinations	-	-
Foreign Exchange Rate Movements	-	-
<b>As at 31 May 2018</b>	<b><u>1,337,017</u></b>	<b><u>1,337,017</u></b>
<b>As at 1 June 2018</b>	<b>\$</b>	<b>\$</b>
Opening Balance Brought Forward	<b>1,337,017</b>	<b>1,337,017</b>
Acquired through business combinations	2,264,994	2,264,994
Amortisation Current Year	(101,643)	(101,643)
Additions Internally Developed	-	-
Foreign Exchange Rate Movements	-	-
<b>As at 31 May 2019</b>	<b><u>3,500,368</u></b>	<b><u>3,500,368</u></b>

**AMURI IRRIGATION COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended 31 May 2019**

**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.

	No's	2019 \$	No's	2018 \$
<b>"A" Shares</b>				
Opening Balance	28,042	38,942,316	27,144	34,299,927
New A Shares Issued - Cash	100	356,653	898	4,642,389
Closing Balance	<u>28,142</u>	<u>\$39,298,969</u>	<u>28,042</u>	<u>\$38,942,316</u>

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

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

Shares have no par value.

Fees associated with the share issues during the period amounted to \$115,422 (2018: \$Nil). All shares have equal entitlement to dividends and any surplus on winding up. No Shares have a par value and no shares have been reserved for issue under options or contracts.

**6. SHARE BASED PAYMENTS**

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.

There were no share based payments during the period to 31 May 2019 or in the comparative period.

**AMURI IRRIGATION COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended 31 May 2019**

**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%

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Bank of New Zealand - Rapid Repay	1,485	409,106
Westpac - Business Online Saver	805,583	89,731
Westpac - Business Transact	385,102	7,058,782
Westpac – Term Deposit	250,000	-
Total Cash and Cash Equivalents	\$1,442,170	\$7,557,619

**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 permits) owned by the Company.

See interest rate swaps note below for detail of interest rates on this facility which vary in interest rates between 2.98% and 3.55%.

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Westpac Term Loan - Current Portion	807,012	739,761

**LONG TERM BORROWINGS**

The long term borrowing facility relating to the construction project that was undertaken in the 2017 & 2018 year to pipe the scheme.

The facility was 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.

Direct Deed dated 14 December 2016 Between; Monadelphous Engineering Pty Limited (as Contractor), Westpac, and Amuri Irrigation Company Limited.

The maturity date for the loan is 31 December 2021, the interest rate is 3.22% (expires 28/06/19) Principal repayments of \$67,251 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.

**AMURI IRRIGATION COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended 31 May 2019**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Westpac Term Loan - Non Current Portion	48,235,400	49,042,412

**9. INTEREST RATE SWAPS**

The Company has five interest rate swap agreements in place with Westpac. The fair value of these swap agreements as at reporting date is a liability of \$2,822,913 (2018: \$1,242,653). The details of the agreements are:

- \$8,600,000 at 3.19% expiring on 28 July 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

**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 the counterpart bank on a market to market basis.

**TRADING OPERATIONS**

**10. OPERATING REVENUE**

**Revenue Recognition**

NZ IFRS 15: Transition

The Company is required to adopt NZ IFRS NZ IFRS 15: Revenue from Contracts with Customers from 1 January 2018.

NZ IFRS 15 replaces NZ IAS 18 Revenue. The new standard specifies that revenue is recognised when or as an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- Over time, in a manner that best reflects the entity's performance obligations; or
- At a point in time, when control of the goods or services is transferred to the customer. The Company has concluded that revenue from sale of water charges be recognised over time as there is a continuous supply document as noted below. The only performance obligation related to these contracts is the provision of water.

The adoption of IFRS 15 did not have an impact on the timing of 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 customers

**AMURI IRRIGATION COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended 31 May 2019**

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 customers farming operation. Therefore, there is a very limited risk of customers defaulting on payment.

Rock is sold from the Quarry operated by the Company to external parties. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer and recovery of the consideration is probable. Invoices for rock are raised with payment due on the 20th of the month following invoice. There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred the Company no longer has physical possession, usually will have a present right to payment and retains none of the significant risks and rewards of the goods in question.

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.

Comparatives;

The Company has applied NZ IFRS 15 retrospectively, with the cumulative effect. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy under NZ IAS 18 - Revenue. The prior year policy states that revenue from the sale of goods is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due and associated costs.

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:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Irrigation Charges	6,867,882	5,680,112
Rock Sales	35,227	279,525
Farm Plan Income	4,900	11,000
Collective Membership Fees	44,700	51,600
	<u>\$6,952,709</u>	<u>\$6,022,237</u>

**AMURI IRRIGATION COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended 31 May 2019**

**11. OTHER INCOME**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Rent Received	5,600	12,200
Rebates - Farmlands	225	0
Insurance Claim on Flooding Event	473,878	527,409
Gain on Disposal of Property Plant & Equipment	259,739	0
	<u>739,442</u>	<u>539,609</u>

**12. FINANCE INCOME**

<b>Financial Assets at Amortised Cost</b>		
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Interest Received - Inland Revenue	44	977
Interest Received - Overdue Debtors	-	1,939
Interest Received - Anderson Lloyd	-	2,118
Interest Received - Westpac Bank	19,897	12,007
Interest Received - Mackay Bailey Trust Account	111	-
Finance Income	<u>20,052</u>	<u>17,040</u>

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**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
BDO Christchurch - Audit of Annual Financial Statements	28,000	20,000
BDO Christchurch - Interim Audit of Financial Statements	18,000	-
	<u>46,000</u>	<u>20,000</u>

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

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Buildings	4,985	9,537
Computer Equipment	7,974	6,957
Motor Vehicles	34,871	20,231
Quarry Improvements	2,154	2,154
Plant & Equipment	9,500	11,565
Structures & Improvements	2,018,631	1,027,271
	<u>2,078,115</u>	<u>1,077,715</u>

**AMURI IRRIGATION COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended 31 May 2019**

**13.3. Employee Benefits**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Accident Compensation Levy	8,250	6,298
KiwiSaver Employer Contribution	19,852	16,622
Wages	793,116	746,403
Staff Training & Welfare	1,815	7,600
Recruitment Costs	2,247	2,329
General Manager Expenses	2,748	2,777
Racemen Expenses	-	2,700
	<u>\$828,027</u>	<u>\$784,729</u>

**13.4. Directors Fees**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Directors Fees (For detail refer to Note 26)	120,500	113,000

**13.5. Repairs & Maintenance**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Repairs and Maintenance	311,765	328,901

**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended 31 May 2019**
**13.6. Administrative Expenses**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Accountancy Fees	68,621	39,265
Administration	21,837	10,690
Asset Management	31,088	21,135
Computer Expenses	24,856	16,822
Website Expenses	-	482
Consultancy Fees	93	4,200
Audited Self Management	222,170	268,255
Directors Expenses	1,333	770
Donations	12,960	6,510
Entertainment	490	1,355
Hurunui Water Project Takeover Costs	69,465	-
Health and Safety	3,643	4230
Fringe Benefit Tax	9,637	-
Financial Modelling	11,776	-
House Expenses	1,975	13,561
Insurance	302,703	209,198
Legal Fees	24,252	84,102
Motor Vehicle Expenses	50,900	35,351
Power	4,274	7,752
Booster Pumping Costs	628,896	562,574
Printing & Stationery	8,487	10,202
Quarry Expenses	97,041	185,076
Rates	10,962	8,741
Resource Consents	165,114	117,767
Regional Plan Review	234,351	320,677
Rent	13,520	13,520
Subscriptions	37,292	33,926
Systems Review	-	14,503
Telephone	6,511	7,056
Travelling - Local	2,464	2,265
Water Monitoring	70,839	70,220
	<u>\$2,137,549</u>	<u>\$2,070,205</u>
Total Other Expenses	<u>\$5,521,957</u>	<u>\$4,394,553</u>

**14. FINANCE COSTS**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Bank Charges	6,881	800
Interest - Westpac Term Loan (liabilities at amortised cost)	2,246,980	1,113,548
<b>Financial Liabilities at Fair Value through Profit and Loss</b>		
Fair Value Movement in Interest Rate Swaps	<u>1,580,260</u>	<u>234,610</u>
	<u>\$3,834,121</u>	<u>\$1,348,958</u>

**AMURI IRRIGATION COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For The Year Ended 31 May 2019**

**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. Accruals made in respect of employee benefits expected to be wholly settled within 12 months are recorded at the undiscounted amount expected to be paid for the entitlement earned.

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

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Employee Entitlements	50,565	55,772

**16.1. Financial Instruments**

NZ IFRS 9: Transition

The Company is required to adopt NZ IFRS 9 Financial Instruments from 1 January 2018. NZ IFRS 9 replaces NZ IAS 39 Financial Instruments: Recognition and Measurement. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating the impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from NZ IAS 39.

NZ IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characterised. The standard includes three principal classification categories for financial instruments: measured at amortised cost, fair value through other comprehensive income ('FVOCI') and fair value through profit or loss ('FVTPL'). It eliminates the existing NZ IAS 39 categories of held to maturity, loans and receivables and available for sale. NZ IFRS 9 largely retains the existing requirements in NZ IAS 39 for the classification of financial liabilities.

However, although under NZ IAS 39 all fair value changes of liabilities designated at FVTPL are recognised in profit or loss, under NZ IFRS 9 these fair value changes are generally presented as follows:

- The amount of change in the fair value that is attributable to changes in the credit risk of the liability is present in OCI; and
- The remaining amount of change in the fair value is presented in profit or loss. Based on the Company's assessment, this standard is not expected to have a material impact on the classification of financial assets and financial liabilities.

This is because:

- Financial instruments currently measured at amortised cost are: cash balances and receivables. These instruments meet the solely payments of principal and interest (SPPI) criterion and are held in a held-to-collect business model. Accordingly they will continue to be measured at amortised cost under NZ IFRS 9.
- Financial liabilities will continue to be classified as they are under NZ IAS 39.- The Company did have financial instruments under NZ IAS 39, being available for sale financial assets. These assets will now be measured IFRS 9 requires all equity investments to be measured at fair value. The default approach is for all changes in fair value to be recognised in profit or loss (FVPL). Refer to the note below for the impact. Comparatives.

**AMURI IRRIGATION COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For The Year Ended 31 May 2019**

The Company adopted NZ IFRS 9 with a transition date of 1 January 2018 applying the cumulative catch-up effect. As a result of the adoption of NZ IFRS 9 and the changes in the accounting policy, prior year financial statements were not restated. There were no effects to the Statement of Financial Position, Statement of Changes in Equity or retained earnings as a result of the restatement, there were however adjustments to the 'Classification of Financial Instruments' presented within this note.

The following tables show the adjustments recognised for each line item of the note affected:

	<b>As recorded last period Available For Sale</b>	<b>Restated Prior Period Fair Value Through Profit and Loss</b>
Investment in Shares (Farmlands)	636	636

**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, 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 consolidated statement of financial position (refer note 7 for cash and cash equivalents).

**NOTES TO THE FINANCIAL STATEMENTS**  
For The Year Ended 31 May 2019

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
GST Receivable	63,438	271,162
<b>Financial Instruments</b>		
Accounts Receivable	124,013	157,319
Other Receivables - Accrued Interest	110	-
Other Receivables - Insurance Income	-	219,130
	\$187,561	\$647,611
<b>Aging of Trade Receivables</b>		
Not Yet Due	6,749	35,156
Overdue 1-30 days	85,679	47,588
Overdue more than 90 days	31,585	74,575
	\$124,013	\$157,319

None of the trade receivables as at reporting date are considered to be impaired (2018: \$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 Limited.

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
	<b>@FVP&amp;L</b>	<b>Available for Sale</b>
<b>Shares</b>		
Farmlands - Share Capital	636	523
Hurunui Water Project Shares – 995 Fully Paid Shares	-	378,800
Impairment on Hurunui Water Project Shares	-	(378,800)
Total Non-Current Investments	\$636	\$523

The Company acquired all of the shares in Hurunui Water Project during the year and performed a merger which was complete as at 31 May 2019. Last Year the company owned 4.18% of the shares in the Hurunui Water Project. Refer to note 25 – Business Combinations

**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended 31 May 2019**

**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.

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
	<b>@FVP&amp;L</b>	<b>Available for Sale</b>
Trade Payables	528,272	2,485,854
Accrued Auditors' Remuneration	20,000	20,000
	<u>\$548,272</u>	<u>\$2,505,854</u>

**19. OTHER PAYABLES**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Directors Fees Payable	29,208	24,771
Accrued Interest Payable	-	96,404
	<u>\$29,208</u>	<u>\$121,175</u>

Also refer to the Related party disclosures in note 27.

**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:-

**AMURI IRRIGATION COMPANY LIMITED**

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**For The Year Ended 31 May 2019**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Cash and Cash Equivalents	1,192,170	7,557,619
Trade Receivables	124,013	157,319

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 5.05% of total sales revenue during the year under review (2018: 5.25%) and 0% (2018: 0%) of trade receivables at reporting date. (For the health of trade receivables refer to note 17).

### 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.

	Carrying Amount	Contractual Cashflows	< than 1 Year	1-5 Years	> than 5 Years
	\$	\$	\$	\$	\$
<b>31 May 2019</b>					
<b>Assets</b>					
Cash and Cash Equivalents	1,442,170	1,692,722	1,692,722	-	-
Trade and Other Receivables	187,561	187,561	187,561	-	-
	<u>1,629,731</u>	<u>1,880,283</u>	<u>1,880,283</u>	<u>-</u>	<u>-</u>
<b>Liabilities</b>					
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	-
	<u>52,413,597</u>	<u>58,142,397</u>	<u>3,595,684</u>	<u>54,546,713</u>	<u>-</u>
<b>31 May 2018</b>					
<b>Assets</b>					
Cash and Cash Equivalents	7,557,619	7,557,619	7,557,619	-	-
Trade and Other Receivables	647,612	647,612	647,612	-	-
	<u>8,205,231</u>	<u>8,205,231</u>	<u>8,205,231</u>	<u>-</u>	<u>-</u>
<b>Liabilities</b>					
Trade and Other Payables	2,627,029	2,627,029	2,627,029	-	-
Borrowings	49,782,173	57,820,976	3,049,764	54,771,212	-
Financial Derivatives (interest rate swaps)	1,242,653	1,242,653	-	1,242,653	-
	<u>53,651,855</u>	<u>61,690,658</u>	<u>5,676,793</u>	<u>56,013,865</u>	<u>-</u>

### 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 \$93,424, a 100 basis point decrease would reduce expenses by \$93,424 and equity will change in proportion to the basis point change. The value of the company's financial instruments will change as a result of movements in interest rates. In 2018 a 100 basis point increase in the interest rate would have increased expenses by \$100,822, a 100 basis point decrease would have reduced expenses by \$100,822.

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



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

	31 May 2019		31 May 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$	\$	\$	\$
<b>Assets</b>				
Cash and Cash Equivalents	1,192,170	1,192,170	7,557,619	7,557,619
Trade and Other Receivables	187,561	187,561	157,319	157,319
Investments in Shares	636	636	523	523
	<u>1,380,367</u>	<u>1,380,367</u>	<u>7,715,461</u>	<u>7,715,461</u>
<b>Liabilities</b>				
Trade Payables	548,272	548,272	2,505,854	2,505,854
Borrowings	49,042,412	44,962,799	49,782,173	49,782,173
Financial Derivatives (interest rate swaps)	2,822,913	2,822,913	1,242,653	1,242,653
	<u>52,413,597</u>	<u>48,333,984</u>	<u>53,530,680</u>	<u>53,530,680</u>

**Maturity profile of financial instruments:**

	Within 1	1-3 Months	3 - 6 Months	6 - 12 Months	Greater than 2	Total
	Month				Years	
	\$	\$	\$	\$	\$	
<b>As at 31 May 2019</b>						
<b>Assets</b>						
Trade and Other Receivables	187,561	-	-	-	-	187,561
Cash and Cash Equivalents	1,442,170	-	-	-	-	1,442,170
Investments in Shares	-	-	-	-	636	636
	<u>1,629,731</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>636</u>	<u>1,630,367</u>
<b>Liabilities</b>						
Cash and 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
	<u>803,323</u>	<u>509,502</u>	<u>762,753</u>	<u>1,520,106</u>	<u>54,546,713</u>	<u>58,142,397</u>
<b>As at 31 May 2018</b>						
<b>Assets</b>						
Trade and Other Receivables	157,319	-	-	-	-	157,319
Cash and Cash Equivalents	7,557,619	-	-	-	-	7,557,619
Investment in Shares	-	-	-	-	523	523
	<u>7,714,938</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>523</u>	<u>7,715,461</u>
<b>Liabilities</b>						
Cash and Cash Equivalents	-	-	-	-	-	-
Trade Payables	2,505,853	-	-	-	-	2,505,853
Borrowings	-	-	-	739,761	49,042,412	49,782,173
Financial Derivatives (interest rate swaps)	-	-	-	-	1,242,653	1,242,653
	<u>2,505,853</u>	<u>-</u>	<u>-</u>	<u>739,761</u>	<u>50,285,065</u>	<u>53,530,679</u>

**AMURI IRRIGATION COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For The Year Ended 31 May 2019**

**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.

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.

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**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
(Loss)/Profit before Income Tax	(1,693,904)	(655,288)
	<u>\$0</u>	<u>\$(655,288)</u>
Prima facie income tax @ 28%	(474,293)	(183,481)
Non-deductible and timing expenses	852,371	(186,054)
Non-deductible permanent differences	163,614	(182,408)
<b>Income tax (income)/expense</b>	<u>541,692</u>	<u>\$(551,943)</u>
The income tax (income)/expense is represented by:		
Current Tax		-
Deferred tax	597,966	31,081
<b>Income tax (income)/expense</b>	<u>597,966</u>	<u>\$31,081</u>
<b>Income Tax Recognised in Other Comprehensive Income</b>	<u>\$(56,274)</u>	<u>\$(583,023)</u>

**AMURI IRRIGATION COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended 31 May 2019**

**21.2 Reconciliation of Current Tax Payable**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Opening Balance Tax Account	(4,055)	(33,697)
<b>Plus</b>		
Refund Received	4,055	33,696
<b>Less</b>		
Resident Withholding Tax Paid	5,577	(4,055)
Taxation (Refundable)/Payable	<u>\$(5,577)</u>	<u>\$(4,055)</u>

**21.3 Reconciliation of Tax Losses**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
(Loss)/Profit before Income Tax	(1,693,904)	(655,288)
	0	
Add Back:	0	
Non-Deductible Expenses	8,816	920
Movement in Non-Deductible Holiday Pay Accruals	(14,654)	1,365
Fair Value of Swaps	1,580,260	234,610
Amortisation of Water Consents	101,643	109,099
Non Assessible Insurance Proceeds	(473,878)	(527,409)
Impairment Due to Flooding Event	0	1,013,489
Capital Gain on Sale of House	(235,617)	-
Disposal of Old Scheme	9,036	368,075
Difference in Depreciation Basis		(1,386,532)
	(2,905,605)	
Tax Losses Brought Forward	(841,670)	-
Tax Losses to be Carried Forward to Future Years	<u>(4,465,574)</u>	<u>\$(841,671)</u>

## AMURI IRRIGATION COMPANY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 May 2019

#### 21.4 Deferred Tax Assets/(Liability)

	Property Plant and Equipment	Non-deductible Provisions	Unused Tax Losses	Interest Rate Swap	TOTAL
<b>1 June 2017</b>	(1,660,776)	14,822	-	282,252.00	(1,363,702)
(Charge)/Credit to Income	(332,822)	382	235,668	65,691.00	(31,081)
(Charge)/Credit to Equity	583,023.00	-	-	-	583,023.00
<b>31 May 2018</b>	(1,410,575)	15,204	235,668	347,943.00	(811,760)
(Charge)/Credit to Income	(792,625)	(12,146)	(235,668)	442,473	(597,966)
(Charge)/Credit to Equity	56,274	-	-	-	56,274
<b>31 May 2019</b>	(2,146,926)	3,058	-	790,416	(1,353,452)

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

	Deferred Tax Assets		Deferred Tax Liabilities		Net Balance	
	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$
Property Plant and Equipment	5,908	5,806	(2,152,834)	(1,416,381)	(2,146,926)	(1,410,575)
Interest Rate Swap	790,416	347,943	-	-	790,416	347,943
Non-deductible provisions	3,058	15,204	-	-	3,058	15,204
Unused tax losses	-	235,668	-	-	-	235,668
	799,382	604,621	(2,152,834)	(1,416,381)	(1,353,452)	(811,760)

**AMURI IRRIGATION COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended 31 May 2019**

**21.5 Imputation Credit Account**

At 31 May 2019 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 \$263,996

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

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Opening Balance 1 June 2018	262,474	292,115
<b>Plus</b>		
Resident Withholding Tax Paid	5,577	4,055
	<u>\$268,051</u>	<u>\$296,170</u>
Refund Received	(4,055)	33,696
Closing Balance 31 May 2019	<u>\$263,996</u>	<u>\$262,474</u>

**OTHER NOTES**

**22. CONTINGENT LIABILITIES**

A contingent liability of \$1,023,646 has been recognised. This relates to a contingent liability of HWP that is now the responsibility of the Company. The contingent liability relates to funds advanced to HWP by Rooney Group Limited. In certain circumstances 50% of the preconstruction feasibility funding provided by Rooney Group Limited is repayable. NZIFRS 3 requires the recognition of this contingent liability regardless of the probability of the liability eventuating. The maximum amount payable is \$1,023,646 while the minimum amount payable is nil. The uncertainty regarding the liability is likely to be resolved in the next 12 months.

**23. COMMITMENTS**

There are no Capital Commitments at 31 May 2019.

Last Period;

- a. A Contract was entered into with Dormer Construction Limited for a contract price of \$1,507,408 to pipe the Waiareka Scheme and to construct a pond.
- b. A Contract was been entered into with Waterforce for the construction of a pump station, the contract value is \$365,065 and was a component of Construction Work in Progress at 31 May 2018.

**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.

During the period Company has implemented a successful takeover of Hurunui Water Project Limited (HWP).

**AMURI IRRIGATION COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For The Year Ended 31 May 2019**

During the year the investment in Hurunui Water Project Limited (HWP) was increased from 4.38% to 100%. HWP was formally amalgamated with the Company on 31 May 2019. There were no business combinations entered into in the prior reporting period.

Amuri Irrigation Company acquired Hurunui Water Project Limited 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**

	<b>2019</b>
	<b>\$</b>
Purchase of Shares	217
Refinancing existing HWP debts	1,323,820
	\$1,324,037
	\$1,324,037

**What Has the Company Received for this Consideration?**

	<b>2019</b>
	<b>\$</b>
Cash balances	119,201
GST Refund Owed	3,240
Income Tax Refund	20,897
Water Consents	2,264,994
Contingent Liability	(1,023,646)
Existing equity interest in HWP held by the Company	(60,649)
	\$1,324,037
	\$1,324,037

The \$1,324,037 reflect 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.

**AMURI IRRIGATION COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended 31 May 2019**

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

**25. SUBSEQUENT EVENTS**

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. The Company continues to work with prospective shareholders regarding a smaller Hurunui irrigation scheme.

Last period subsequent to 31 May 2018 a payment was received in June 2018 that related to the flood event insurance claim. As at 31 May 2018 a receivable had been recognised in other receivables for \$219,130 (See note 3, Impairment Due to Flood Event). It was intended that a further claim of approximately \$486,000 will be submitted to the insurance company in regards to this event. At balance date, there is no surety as to whether this additional claim will be accepted.

**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 have received a salary between \$260,000 and \$270,000 during the period, including employer KiwiSaver contributions and a vehicle allowance. There are no post-employment, termination, or other long term benefits.

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Water Sales to Directors</b>		
A W Benton	338,435	273,444
D A Croft (Chairman)	125,693	189,168
M F Satterthwaite	49,688	-
E L Francis	114,624	117,721
N S Anderson	246,105	-
K J McCone	33,728	24,501
M P Smith	48,960	38,495
	<b>\$957,233</b>	<b>\$643,329</b>

**AMURI IRRIGATION COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended 31 May 2019**

Remuneration paid to Directors are:

(See note Other Payables number 19, for directors fees payable as at 31 May 2019)

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Directors Fees</b>		
EL Francis	15,000	15,000
K J McCone	15,000	15,000
M F Satterthwaite (Appointed November 2018)	7,500	-
N S Anderson (Appointed November 2018)	7,500	-
M P Smith (Retired November 2018)	7,500	15,000
D A Croft (Chairman)	28,000	28,000
A W Benton	15,000	15,000
C S Laurie	25,000	25,000
	<u>\$120,500</u>	<u>\$113,000</u>

No debts have been forgiven or written off.

**DIRECTORS RELEVANT INTEREST IN EQUITY SECURITIES AS AT 31 MAY 2019**

	<b>2019</b>	<b>2018</b>
M Satterthwaite	150	-
N Anderson	572	-
M Smith (Retired November 2018)	180	180
A Benton	1,241	1,241
D Croft	451	451
EL Francis	761	761
K J McCone	284	284
C S Laurie	-	-
AN Williamson (Retired 30 November 2016)	-	160
	<u>3,639</u>	<u>3,077</u>

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 May 2019

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

	2019	2018
	\$	\$
<b>Profit/(Loss) before Tax Expense</b>	(1,618,830)	(655,288)
<u>Add Non-Cash Items</u>		
Depreciation	2,078,115	1,077,715
Capital Gain	(259,739)	-
Fair Value Movement in Interest Rate Swap	1,580,260	234,610
Impairment Due to Flooding Event	-	1,013,489
Amortisation of Water Consents	101,643	109,099
Disposal of Original Scheme Assets	9,036	368,075
	<u>\$1,890,485</u>	<u>\$2,802,988</u>
<u>Add/(Less) Movements in other Working Capital Items</u>		
Decrease/(Increase) in Accounts Receivable	148,972	(34,619)
Decrease/(Increase) in Accrued Interest	(96,404)	96,404
Increase/(Decrease) in Accounts Payable	335,700	36,354
Increase/(Decrease) in Director Fees Payable	4,437	2,771
Increase/(Decrease) in GST Refund	(65,508)	(80,500)
Decrease/(Increase) in Taxation Provision	(1,523)	29,643
Increase/(Decrease) in Employee Entitlements	(5,207)	2,838
Increase/(Decrease) in Insurance Receivable	-	(219,130)
	<u>\$320,467</u>	<u>\$(166,239)</u>
Net Cash (Used in)/Provided From Operating Activities	<u>\$2,210,952</u>	<u>\$1,981,461</u>

## 28. RECONCILIATION OF CASH FLOW FROM FINANCING ACTIVITIES

	31 May 2018	Cash Flows	Other - Non Cash Changes	31 May 2019
Short Term Borrowing	739,761	-	67,251	807,012
Long Term Borrowing	49,042,412	(739,761)	(67,251)	48,235,400
Share Capital	38,942,316	625,586	(268,933)	39,298,969
<b>Total Liabilities From Financing Liabilities</b>	<u>\$88,724,489</u>	<u>\$(114,175)</u>	<u>\$(268,933)</u>	<u>\$88,341,381</u>

**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 2019, 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 2019, 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.

**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.

**Other Information**

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p><i>Acquisition of Hurunui Water Project (HWP)</i></p> <p>Refer to Note 24 <i>Business Combinations</i></p> <p>During the year the Company acquired Hurunui Water Project Limited (HWP) for gross purchase consideration of \$1,324,037. This was considered a significant purchase for the Company. Accounting for this transaction is a complex and judgemental exercise, requiring management to determine the fair value of acquired assets and liabilities, in particular determining the allocation of purchase consideration to resource consents. It is due to the size of the acquisition and the estimation process involved in accounting for it that this is a key area of audit focus.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• We read the acquisition offer to understand key terms and conditions;</li> <li>• We evaluated the methodology used for the acquisition accounting against accounting standard requirements and common industry practice for the determination of fair value;</li> <li>• We evaluated the assets and liabilities identified in the acquisition accounting against the terms of the acquisition offer; and</li> <li>• We assessed the adequacy of the Company’s disclosures in respect of business acquisitions.</li> </ul>

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 Michael Rondel.



BDO Christchurch  
Christchurch  
New Zealand  
27 September 2019