

2022 ANNUAL REPORT

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2022



AMURI IRRIGATION COMPANY

AT A GLANCE

DURING FY22, AMURI IRRIGATION COMPANY HAS CONTINUED TO FOCUS ON GROWING OUR SCIENTIFIC KNOWLEDGE, HELPING FARMERS IMPROVE THEIR ENVIRONMENTAL PERFORMANCE AND ADVANCING KEY INFRASTRUCTURE PROJECTS.

\$139,888,122

Asset Value

110Mm³

Water Supplied

\$1,397,684

Operating Profit

\$293/ha

Current Water Charge

\$7,611,253

Revenue

3

Major Infrastructure Projects

A 74% B 25% C 1%

Distribution of FEP Audit Grades

8

New Environmental Initiatives

99%

Farms On Track to Meet GMP

94

Water Monitoring Sites

\$338,465

Investment in Scientific Research

0

Significant Health & Safety Incidents

CONTENTS

WELCOME TO OUR 2022 ANNUAL REPORT

4

Chairman's Report

7

Company Overview

7

Strategy

8

Environmental Responsibilities

9

Community Support

10

A Focus on Safety

11

Financial Report

Business Directory	11
Statement of Comprehensive Income	14
Statement of Changes in Equity	15
Statement of Financial Position	16
Statement of Cash Flows	18

19

Notes to the Financial Statements

43

Independent Auditor's Report

Cover Page Image: Sun rising over Amuri Basin looking south along the Waiau Uwha River from above State Highway 7 and Morna Downs

CHAIRMAN'S REPORT

FOR THE YEAR ENDING 31 MAY 2022

On behalf of the Board, I am pleased to present the 32nd Annual Report.

Strategic Direction

Last year's strategy reset has been put into action this year. We have continued to focus on growing our scientific knowledge, helping farmers continue to improve their environmental performance and advancing key infrastructure projects.

Our strategy identified the need for greater resourcing within the team and we have since recruited four new team members.

Health and Safety

Health and Safety remains a priority for the Company, and we are pleased to confirm that no significant incidents or accidents occurred this year. The lingering effects of Covid-19 continued to test team working arrangements and introduce uncertainty into forward planning. The team managed this risk by creating work bubbles which resulted in no impact on the level of service.

Operational Excellence

This year will be remembered as one of the wetter ones, accompanied by reliable river flows, the Balmoral Scheme made it through the season unrestricted while Waiau had partial restrictions for 4 days.

The pipe network continues to perform well requiring little maintenance. Our quality infrastructure enables our team to continue providing a high level of service to shareholders with minimal interruptions.

Cleaning the Waiau and Balmoral silt ponds for the first time in four years was a significant operational expense. Before our infrastructure upgrade, we cleaned out the Waiau silt pond annually and the reduced frequency of pond cleaning highlights the benefit of very efficient infrastructure, accurate water ordering and gate automation.

Financial Result

This year's financial report shows a pleasing financial result with a comprehensive income of \$1,397,684. The main highlights being the favourable movement of interest rate swaps during the year which highlighted the effectiveness of our Treasury Policy. Total borrowings have also reduced from \$46,239,213 last year to \$44,764,300. A decision was made to impair all costs associated with the Hurunui Scheme for construction works after the PDS share offer ended, thereby removing them from the Balance Sheet and expensing them through the Statement of Comprehensive Income.

After identifying areas of capacity within the scheme, 64 shares were issued to two existing shareholders and the equity received was used to pay down debt.

FY22 also marked a move to HDI Global as our lead insurer (60%) with QBE supporting them (40%). HDI has a focus on infrastructure and better meets our needs by offering Business Interruption insurance and more favourable deductibles within our policy. We have already had a visit from their Sydney based engineer.

Environmental Sustainability

A significant focus of this year's environmental workload has been gathering more information on the hydrology and dynamics of water in the Amuri Basin. To do this, we have expanded our groundwater monitoring programme and we are investigating the effects of elevated nitrate concentrations in drains. We have developed piezometric contour maps for the Basin to illustrate the movement of groundwater.

FEP audit results continue to show strong environmental outcomes. This year marked the first year of FEP auditing over the winter period. Several B grades moved to A grades and 99% of farms audited were found to be at, or on track to reach, Good Management Practices.

The pace of national policy and regulation continues to be relentless. AIC has regularly submitted on environmentally focused legislation or partnered with IrrigationNZ in these processes. We continue to prepare for the implementation of the revised intensive winter grazing regulations and Freshwater-Farm Plans.

Community Involvement

We continue to provide water at no cost to five community organisations including the Amuri Polo Club and Culverden Rugby Club, ensuring that the local community has access to excellent grounds for sporting pursuits. We also provide access to water for firefighting purposes.

The AIC Community fund continues to provide support to local sporting and community groups, including the Culverden Netball Club who are currently fundraising to build a clubroom at the Amuri Area School courts.



David Croft - Chairman

Hurunui Irrigation Scheme

This year proved challenging for the project as construction consent applications were limited notified by Environment Canterbury with one submission being received.

Considerable effort was made to engage with the submitter to address their concerns with no success. This led to the decision not to extend the PDS conditional date in May 2022, resulting in PDS share application deposits being returned to applicants. Application fees paid by share applicants were retained to assist with covering our costs incurred.

While we have not been successful to date, there have been some milestones reached. We obtained concessions for infrastructure to cross Crown and public conservation land. In August 2021 a Memorandum of Understanding (MOU) was signed with Ngāi Tūāhuriri Rūnanga and Ngāi Tahu Farming. Developing productive and effective working relationships with mana whenua is essential to deliver on our strategy.

The MOU provides the framework for a strong working relationship between Ngāi Tūāhuriri and AIC to collaborate on FEPs, environmental and cultural monitoring programmes and how the large HWP consents will be managed. The MOU paves the way for seeking sensible long-term outcomes through the upcoming 2024 Regional Plan review.

Hydropower Generation

Field investigations were conducted as we prepare to submit further information to Environment Canterbury for our consent applications for renewable energy generation over winter months.

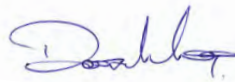
Balmoral Storage Facility

This remains a priority project for us to achieve some of our environmental goals. Investigations into the suitability of the proposed site continued throughout the year. Fault line investigations and terrace aging confirmed that the proposed site is suitable for large scale storage.

An embankment trial was undertaken to test how material will compact and give confidence to potential contractors (two of whom attended the trial). Design work for the 10Mm3 pond has been advanced in tandem with assessments of environmental effects being prepared for the consent applications.

Thank You

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



David Croft
Chairman, Amuri Irrigation Company
27 September 2022



Waiiau Main Race and Silt Pond

AMURI IRRIGATION COMPANY OUR YEAR FY22



AIC: YOUR IRRIGATION COMPANY

Amuri Irrigation Company Limited (AIC) is a farmer owned company which owns and operates three irrigation schemes in the Amuri Basin, North Canterbury.

It draws water from the Waiau Uwha and Hurunui Rivers to irrigate 28,000 hectares of land via a modern pressurised pipe network with a comparatively low water charge.

AIC's purpose is to harness the collective strength of its farmers to manage and utilise the natural resources of the Hurunui-Waiau for the prosperity of farming, family and the community. This strategy has moved the company beyond just supplying water to shareholders; AIC is now working to support its farmers' environmental performance and exploring water quality improvements while carefully managing its intergenerational assets.

AIC has 131 shareholders and supplies 147 farms, of which 60% of the irrigated land is used for dairy farming and the remainder is dairy support, cropping, sheep, beef and arable farming. The three schemes are managed by a small team based largely in an office in Culverden.

AIC is an integral part of the community, supporting local groups by providing sponsorship and funding and delivering pressurised water at no cost to a local school, showgrounds, golf, rugby and polo club. It also allows the local fire brigade to access water from a number of offtakes scattered across the Amuri Basin.

AIC's outlook is a long term one, and we look forward to delivering value to shareholders and supporting our community to thrive now and into the future.

STRATEGY

AIC strives to harness our collective strength to manage the natural resources of the Hurunui-Waiau for the prosperity of farming, family and the community.



Financial

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

Hydropower will generate revenue to offset storage costs. Where possible, we will pursue the incremental expansion of water use.



Reputational

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

We will show proactive leadership to positively influence local and national government and increase engagement with stakeholders and community.



Level of Service

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

We will deliver pressurised water with minimal interruption and provide high reliability whilst supporting shareholders.



Environmental

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

We will gather quality data to reduce our footprint; implement technologies to improve water quality, and encourage improved efficiency and biodiversity.

ENVIRONMENTAL RESPONSIBILITIES

The AIC Environmental Collective holds 176 Farm Environment Plans (FEPs) covering over 85,000ha of farmed land in the Amuri, Hawarden and Hanmer Springs area. Almost all larger irrigating farms in the catchment are members of the Environmental Collective, as AIC shareholders or independent members.

2021/22 Auditing Results

69 audits were completed between May 2021 and April 2022 by two ECan approved auditors through our continued partnership with The Agribusiness Group. This was the first year that winter audits were undertaken; 16 winter audits were completed, resulting in 14 A grades and 2 B grades.

We re-audited a number of A grade farms from 2015/2016 and prioritised a direct 1:1 pre-audit visit with these farmers. This year we trialled implementing an audit follow up for more timebound actions to provide additional assistance and increase auditor confidence. We continue to be well supported by Fonterra in developing the FEPs through the Tiaki system.

There has been a notable change with B grades moving to A grades; several farms provided further information during the post-audit review timeframe, allowing their final grade to lift to an A grade. There is one C grade which has already received additional support and monitoring to ensure improved outcomes are achieved within the next auditing season.

The audit grades are very pleasing and Collective members should be proud of the continual improvements being made to meet and, in many cases, exceed Good Management Practices (GMP). We continue to see significant capital expenditure being undertaken on-farm to improve farm performance and FEP results.

Chart 1: Distribution of Audit Grade



Chart 3: Distribution of Audit Grade by Season

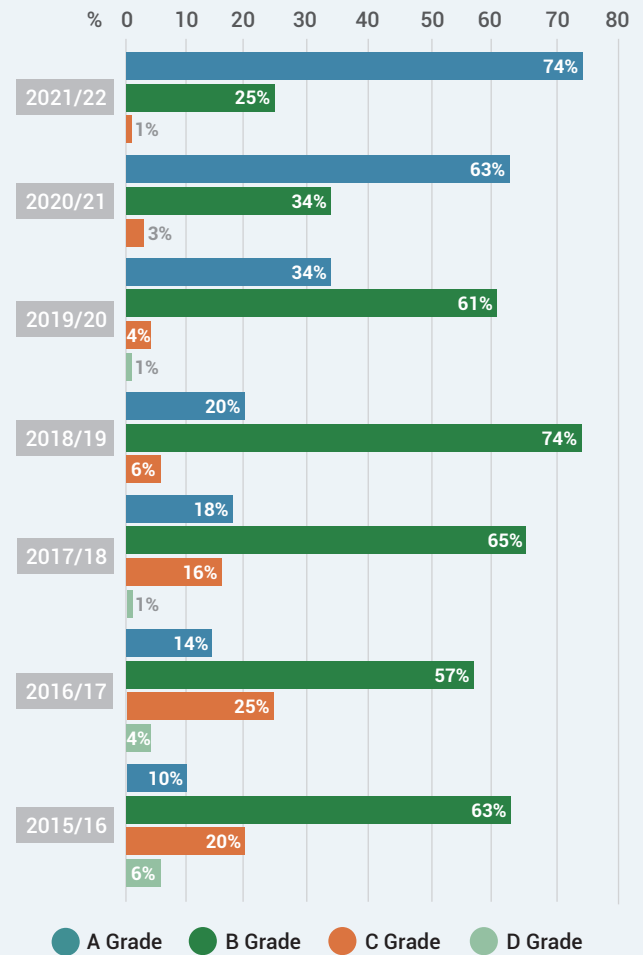


Chart 2: Distribution of Audit Grade by Farm System

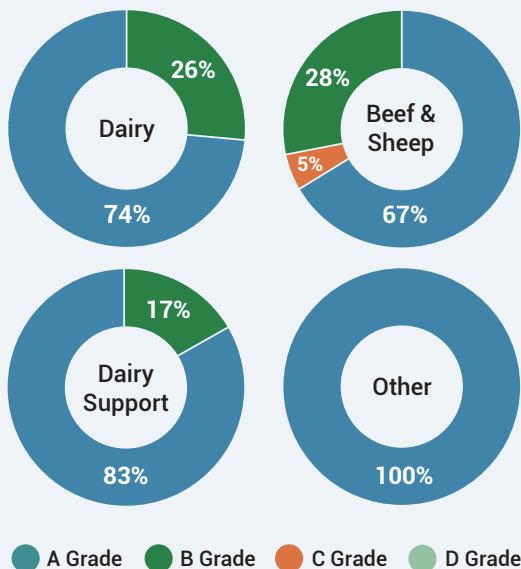
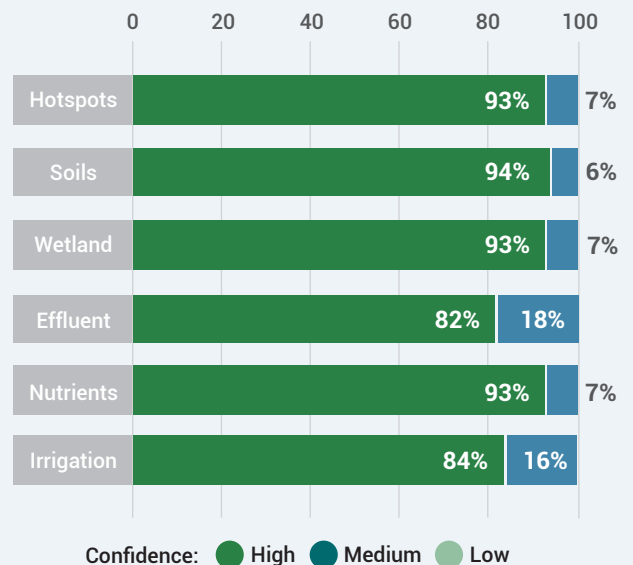


Chart 3: Performance by Management Area





Waiau School

COMMUNITY SUPPORT

AIC is an integral part of the community, supporting local groups by providing sponsorship and funding and delivering pressurised water at no cost to a local school, showgrounds, golf, rugby and polo club.

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

- Amuri Area School
- Amuri Boxing Group
- Amuri Golf Club
- Amuri Lions
- Amuri A&P Association
- Amuri Toy Library
- Culverden Netball Club
- Galaxy Gym Sports
- Hanmer Springs Bowling Club
- Waiau Tennis Club
- Waiau School - Year 6 Leaders
- Working Bees Garden Club
- Waiau Kids Club
- Waiau Netball Club



Culverden Netball Club



Working Bees Garden Club



Proposed Balmoral Storage Facility Site

A FOCUS ON SAFETY

AIC is committed to providing a safe and healthy working environment for our team, our contractors and our community.

This commitment is supported by our investment in training and education for our team; fostering our safety culture; ongoing monitoring and compliance with relevant regulatory requirements; managing our critical risks well; working with contractors we know and trust, and continuing to put in place the right organisational systems, processes and plans.

SAFETY IN ACTION: Balmoral Storage Facility Embankment Trial

In February, a planned earthworks trial at the proposed Balmoral Storage Facility site allowed AIC to obtain data to inform the design and select a best fit construction methodology.

The works were completed under AIC's control. Riley Consultants were on site as Project Engineer guiding the physical works undertaken by Dwyer Lewis Earthworks Limited.

AIC prepared a comprehensive Site Specific Safety Plan incorporating task analysis and safe working procedures supplied by Dwyer Lewis, one of our preferred contractors with a long history of successfully completing earthworks and heavy machinery works for AIC.

Each day started with a toolbox talk to document the day's work, identify any new hazards and put in place appropriate control measures. Our Project Manager, Andrew Spencer, completed regular site inspections throughout the duration of the works.

No incidents or accidents were recorded, in no small part due to establishing a culture of safety on site and a focus on communication throughout the trial.



AMURI IRRIGATION COMPANY FINANCIAL REPORT



BUSINESS DIRECTORY

COMPANY

CH 446906

DATE OF INCORPORATION

5 April 1990

NATURE OF BUSINESS

Supply Water for Irrigation

INDEPENDENT AUDITOR

BDO Wellington Audit
Level 1, Chartered Accountant
House
50 Customhouse Quay

REGISTERED OFFICE

50 Mountainview Road
Culverden 7392

SHARE REGISTER

50 Mountainview Road
Culverden 7392

DIRECTORS

D A Croft (Chair)
C S Laurie
E L Francis
G A C Gould
K J McCone
M F Satterthwaite
N S Anderson

BANKER

Westpac Bank
The Terrace, Level 4
81 Cashel Street
Christchurch 8140

ACCOUNTANT

Mackay Bailey
109 Blenheim Road
Christchurch 8041

SOLICITOR

Anderson Lloyd
Level 3, 70 Gloucester St
Christchurch 8013

FINANCIAL REPORT

The Board of Directors present their Annual Report including Financial Statements of the company for the year ended 31 May 2022.

DIRECTORS

The following Directors held office during the year:

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

All directors are ordinary residents of New Zealand.

AUDIT FEES

Audit fees in respect of the 2022 financial year totalling \$33,661 have been paid or accrued.

NATURE OF BUSINESS

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

RESULTS FOR THE YEAR ENDED 31 MAY 2022

	2022 \$	2021 \$
Profit before Income Tax	2,008,880	382,519
Income Tax Expense	(611,196)	(141,442)
Net Profit for the Year	1,397,684	241,077
Plus Accumulated Losses brought forward	(4,391,961)	(4,633,038)
Leaving Accumulated Losses at 31 May	(2,994,277)	(4,391,961)
Asset Revaluation Reserve	41,369,955	41,369,955

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

STATE OF AFFAIRS

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

	2022 \$	2021 \$
Assets Totalled	139,888,122	141,991,935
These were financed by:		
Liabilities of	61,462,874	65,405,971
Equity of	78,425,248	76,585,964
	\$139,888,122	\$141,991,935

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 24 to the Financial Statements.

DIVIDENDS

The Directors recommend that no dividend be declared for the year ended 31 May 2022.

SHARE DEALINGS

No Director acquired or disposed of any interest in shares in the company during the year. Subsequent to year end, there have been share dealings as detailed in Note 24.

DONATIONS

The Company has made cash donations during 2022 of \$6,770. This is reported in the Statement of Comprehensive Income.

The Company also makes water available to the following shareholders and community groups who are not invoiced a water charge: Amuri A&P Association, Amuri Area School, Amuri Polo Club, Culverden Golf Club and Culverden Rugby Football Club.

The value of this uncharged water is \$7,325.

DIRECTORS' REMUNERATION AND BENEFITS

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

Directors' Fees	2022 \$	2021 \$
D A Croft (Chairman)	28,000	28,000
A W Benton	-	7,500
C S Laurie	30,240	28,782
E L Francis	15,000	15,000
G A C Gould	15,000	7,500
K J McCone	15,000	15,000
M F Satterthwaite	15,000	15,000
N S Anderson	15,000	15,000
	\$133,240	\$131,782

EMPLOYEE REMUNERATION AND OTHER BENEFITS

The number of employees and former employees whose remuneration and other benefits were more than \$100,000 during the period are as follows:

Remuneration Range	2022	2021
\$100,000 - \$110,000	-	1
\$110,000 - \$120,000	2	1
\$120,000 - \$130,000	1	-
\$140,000 - \$150,000	-	1
\$150,000 - \$160,000	1	-
\$310,000 - \$320,000	-	1
\$320,000 - \$330,000	1	-
	5	4

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

27/09/2022

Date

STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 31 May 2022

	Note	31 May 2022 \$	31 May 2021 \$
Revenue	9	7,611,253	7,201,183
Finance Income	10	20,525	195
Other Income		(184)	72,375
Fair Value Movement in Interest Rate Swaps	8	4,072,451	1,906,268
Gain from the derecognition of Liability – Rooney Group Limited	21	1,023,646	-
Repairs and Maintenance		(611,855)	(395,051)
Depreciation	3	(3,189,797)	(3,180,773)
Amortisation of Water Consents	4	(173,961)	(173,962)
Employee Benefits	11	(1,227,950)	(1,050,681)
Impairment of Construction Work in Progress	2, 20	(1,223,005)	-
Other Expenses	12	(2,420,512)	(2,091,427)
Finance Costs	13	(1,871,731)	(1,905,608)
Profit before Income Tax		2,008,880	382,519
Income Tax Expenses	19	(611,196)	(141,442)
Net Profit for the Year Attributable to Shareholders		1,397,684	241,077
Other Comprehensive Income		-	-
Total Comprehensive Income Attributable to Shareholders		\$1,397,684	\$241,077

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

STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 May 2022

	Note	Share Capital	Property, Plant and Equipment Revaluation Reserve	Accumulated Losses	Total Equity
		\$	\$	\$	\$
Balance at 01 June 2020		39,298,970	41,369,955	(4,633,038)	76,035,887
Profit for the year		-	-	241,077	241,077
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income		-	-	241,077	241,077
Issue of Shares	5	309,000	-	-	309,000
Total Transactions with Owners		309,000	-	-	309,000
Balance at 31 May 2021		39,607,970	41,369,955	(4,391,961)	76,585,964
Profit for the year		-	-	1,397,684	1,397,684
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income		-	-	1,397,684	1,397,684
Issue of Shares	5	441,600	-	-	441,600
Total Transactions with Owners		441,600	-	-	441,600
Balance at 31 May 2022		40,049,570	41,369,955	(2,994,277)	78,425,248

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

STATEMENT OF FINANCIAL POSITION

For the Year ended 31 May 2022

	Note	31 May 2022 \$	31 May 2021 \$
Current Assets			
Cash and Cash Equivalents	6	496,782	761,591
Trade and Other Receivables	15	158,624	400,403
Income Tax Receivable	19	5,747	55
Investments in Term Deposits		600,000	100,000
Interest Rate Swap	8	328,473	-
		1,589,626	1,262,049
Non-Current Assets			
Property, Plant & Equipment	3	132,077,440	135,136,269
Investments in Shares	16	636	636
Construction Work in Progress	2, 20	1,519,656	2,448,450
Water Consents	4	2,970,569	3,144,531
Interest Rate Swap	8	1,730,195	-
		138,298,496	140,729,886
Total Assets		139,888,122	141,991,935
Current Liabilities			
Borrowings	7	1,033,313	1,077,936
Trade and Other Payables	17	368,512	401,449
Short Term Employee Benefits	14	90,066	54,458
Liability – Rooney Group Limited	21	-	1,023,646
Interest Rate Swap	8	-	593,546
		1,491,891	3,151,035
Non-Current Liabilities			
Deferred Tax	19	15,206,683	14,595,487
Interest Rate Swap	8	-	1,420,236
Borrowings	7	44,764,300	46,239,213
		59,970,983	62,254,936
Total Liabilities		61,462,874	65,405,971

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

STATEMENT OF FINANCIAL POSITION

For the Year ended 31 May 2022

	Note	31 May 2022 4	31 May 2021 \$
Shareholders' Equity			
Share Capital	5	40,049,570	39,607,970
Property, Plant and Equipment Revaluation Reserve		41,369,955	41,369,955
Accumulated Losses		(2,994,277)	(4,391,961)
		78,425,248	76,585,964
Total Equity and Liabilities		139,888,122	141,991,935

For and on behalf of the Board:

Director

Director

27/09/2022

Date

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

STATEMENT OF CASH FLOWS

For the Year ended 31 May 2022

	Note	31 May 2022 \$	31 May 2021 \$
Cash Flows from Operating Activities			
Cash was provided from:			
Receipt from Irrigators		7,830,774	6,969,032
Interest Received		14,778	195
Sundry Income		(184)	72,376
Income Tax Refunds		55	725
GST Received		-	26,180
		7,845,423	7,068,508
Cash was applied to:			
Payments to Suppliers		(2,799,100)	(2,318,020)
Payment to Employees		(1,323,301)	(1,191,068)
Finance Expenses		(1,938,149)	(1,908,126)
Interest on Leases		-	(299)
GST Paid		(18,285)	-
		(6,078,835)	(5,417,513)
Net Cash Inflow from Operating Activities	25	1,766,588	1,650,995
Cash Flows from Investing Activities			
Cash was provided from:			
Investment in Term Deposits		100,000	-
		100,000	-
Cash was applied to:			
Purchase of Plant & Equipment		(453,463)	(1,097,002)
Investment in Term Deposits		(600,000)	(100,000)
		(1,053,463)	(1,197,002)
Net Cash (Outflow) from Investing Activities		(953,463)	(1,197,002)
Cash Flows from Financing Activities			
Cash was provided from:			
Share Upgrades & New Shares Issued		441,600	309,000
		441,600	309,000
Cash was applied to:			
Repayment of Borrowings		(1,519,534)	(985,502)
Lease Payments		-	(16,600)
		(1,519,534)	(1,002,102)
Net Cash (Outflow) from Financing Activities	25	(1,077,934)	(693,102)
Opening Cash and Cash Equivalents brought forward		761,591	1,000,700
Ending Cash and Cash Equivalents carried forward	7	496,782	761,591

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

A night photograph of the Milky Way galaxy, showing a vibrant band of stars and dust stretching across the sky. The galaxy's colors transition from purple and blue at the top to pink and orange near the horizon. Below the galaxy, a calm river reflects the light from the stars and a bright light source on the horizon. In the foreground, a concrete intake structure with several vertical pillars and yellow-and-black hazard stripes is visible on the right side. The sky is dark blue, and the overall scene is serene and majestic.

AMURI IRRIGATION COMPANY NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 May 2022

1. STATEMENT OF ACCOUNTING POLICIES

1.1. Reporting Entity

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

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

The company is incorporated and domiciled in New Zealand and is a profit-oriented entity. The financial statements were authorised by the Directors on 27th September 2022.

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 Judgement

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

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

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

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 impaired, 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 there is no evidence of an impairment in the value of Property, Plant and Equipment. There is no evidence of physical damage of the assets and there have not been any adverse effects in technology or environment.

Estimates and underlying assumptions are reviewed on an ongoing basis in regard to the recoverability of receivables, potential impairment of investments, the value of Property Plant and Equipment and the value of derivative financial instruments. There were no changes in the current period.

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

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

	2022 \$	2021 \$
Freehold Land	295,000	295,000
Buildings	304,784	309,892
Structures and Improvements	131,343,469	134,379,826
	\$131,943,253	\$134,984,718

1.3. Goods and Services Tax

Financial information in these financial statements is recorded exclusive of GST with exception of trade receivables and trade 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 and Interpretations Issued

The Company adopted all mandatory new and amended NZ IFRS Standards and Interpretations and there has been no material impact on the Company's financial statements.

There are no new standards, amendments or interpretations that have been issued and are not yet effective that are expected to have a significant impact on the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 May 2022

2. CONSTRUCTION WORK IN PROGRESS

Construction Work in Progress relates to capital projects that have not yet been completed to a stage where they are able to be utilised by the business.

These projects have not been debt funded and as a result, there is no capitalised interest in the totals. The Work in Progress is carried at cost.

During the period Hydropower, Water Storage, Master Planning and Hurunui Scheme projects are still in progress.

A submission from an interested party in relation to the construction consent applications for the Hurunui Scheme was received in October 2021. Engagement with the party during the period did not address the concerns raised in their submission so the Hurunui Scheme PDS conditional date was allowed to pass.

The company does not consider the end of the share offer to be the end of a Hurunui Scheme and will continue to work to activate the consents. However, the uncertainty of not having secured construction consents means that the Construction Work in Progress relating to the Hurunui Scheme has been fully impaired.

It has been removed from the Balance Sheet and expensed through the Statement of Comprehensive Income. It continues to be disclosed in the Notes to the Financial Statements as a contingent asset, see Note 20.

At 31 May 2021 Construction Work in Progress related to Hydropower, Water Storage, Master Planning and the Hurunui Scheme.

Construction Work in Progress

Opening Balance at Beginning of Period

Hydro Power Project

Water Storage Project

Hurunui Scheme Project

Impairment

Closing Balance of Construction Work in Progress

	2022 \$	2021 \$
Opening Balance at Beginning of Period	2,448,450	1,606,828
Hydro Power Project	37,360	24,859
Water Storage Project	256,851	614,563
Hurunui Scheme Project	-	202,200
Impairment	(1,223,005)	-
Closing Balance of Construction Work in Progress	\$1,519,656	\$2,448,450

3. PROPERTY, PLANT AND EQUIPMENT

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

Depreciation is provided for on all Property, Plant and Equipment other than freehold land at depreciation rates calculated to allocate the assets' cost or valuation less estimated residual values, over their estimated useful lives, as follows. These depreciation rates apply to the current and prior period.

Residual values are estimated at nil for all items of Property, Plant and Equipment in respect of which depreciation has been provided.

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

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

Structures & Improvements

Buildings

Plant & Equipment

Motor Vehicles

Quarry Improvements

Computer Equipment

Office Equipment

Between 1% - 8.5% Straight Line

2% - 4% straight line, 30% diminishing value

8% - 80.4% diminishing value

20 - 30% diminishing value

4% straight line

48% - 50% diminishing value

12% - 13% diminishing value

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 May 2022

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.

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

	2022 \$	2021 \$
Freehold Land	315,965	315,965
Structures and Improvements	81,937,433	81,827,435
Buildings	300,829	300,829

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

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

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

It is important to note that:

As at the valuation date the impact of the Coronavirus (COVID19) global pandemic was highly uncertain. Market activity has been heavily impacted and there is a major reduction in liquidity, however at the time of valuation it is difficult to determine if this is a short term liquidity issue or a longer term concern.

Accordingly, the valuation for the commercial property therefore reported by the valuer is on the basis of "valuation uncertainty". Consequently, less certainty and a higher degree of caution should be attached to the valuation than normally would be.

The valuation is considered to be for the highest and best use and is a Level 3 valuation in the fair value hierarchy, which means the fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data.

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 valuations gave rise to a decrease in land values by \$20,965 and an increase in building values by \$29,515.

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

NZ IAS 16 Property, Plant and Equipment specifies:

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

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

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

The Board of Directors have taken advice and reviewed all three approaches. After due consideration they elected to adopt a cost based approach being, in this case, optimised depreciated replacement cost (ODRC).

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 May 2022

This is consistent with the Cost Approach definition in NZ IFRS 13 which states:

- *The cost approach reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).*
- *From the perspective of a market participant seller, the price that would be received for the asset is based on the cost to a market participant buyer to acquire or construct a substitute asset of comparable utility, adjusted for obsolescence. That is because a market participant buyer would not pay more for an asset than the amount for which it could replace the service capacity of that asset. Obsolescence encompasses physical deterioration, functional (technological) obsolescence and economic (external).*

The ODRC methodology has been applied in a number of contexts including valuing public sector assets (e.g. in health and education) as well as determining the value of infrastructure assets such as electricity lines businesses, gas pipelines and aeronautical assets at airports.

Optimised Depreciated Replacement Cost (ODRC) is conceptually the same as depreciated replacement cost (DRC) apart from additional adjustments being made for surplus capacity or obsolescence. In effect the method assesses the up-to-date cost of replicating the service and capacity of the asset being valued before depreciating the value over its remaining economic (as opposed to physical or accounting) life.

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

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

3.1. 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.

3.2. Write Off of Original Scheme

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

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

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

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

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).

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 May 2022

3. Property, Plant and Equipment

	Freehold Land	Structures and Improvements	Buildings	Plant and Equipment	Motor Vehicles	Quarry Improvements	Computer Equipment	Office Furniture	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 01 June 2020	295,000	137,288,788	315,000	163,322	230,966	53,846	29,311	6,858	138,383,091
Cost or Valuation	-	-	-	(99,852)	(158,449)	(34,704)	(25,555)	(2,767)	(321,427)
Accumulated Depreciation	\$295,000	\$137,288,788	\$315,000	\$63,470	\$72,517	\$19,142	\$3,656	\$4,091	\$138,061,664
Carrying Amount	-	232,042	-	-	-	-	23,336	-	255,378
Additions	-	(3,141,004)	(5,108)	(6,218)	(19,999)	(1,914)	(6,029)	(501)	(3,180,773)
Depreciation	\$295,000	\$134,379,826	\$309,892	\$57,252	\$52,518	\$17,228	\$20,963	\$3,590	\$135,136,269
Carrying Amount at 31 May 2021	295,000	137,520,830	315,000	163,322	230,966	53,846	52,647	6,858	138,638,469
Cost or Valuation	-	(3,141,004)	(5,108)	(106,070)	(178,448)	(36,618)	(31,684)	(3,268)	(3,502,200)
Accumulated Depreciation	\$295,000	\$134,379,826	\$309,892	\$57,252	\$52,518	\$17,228	\$20,963	\$3,590	\$135,136,269
Carrying Amount at 31 May 2021	-	109,998	-	27,000	12,522	-	9,732	-	159,252
Additions	-	-	-	(28,221)	(11)	-	(52)	-	(28,284)
Disposals	-	(3,146,355)	(5,108)	(4,365)	(16,855)	(1,914)	(14,760)	(440)	(3,189,797)
Depreciation	\$295,000	\$131,343,469	\$304,784	\$51,666	\$48,174	\$15,314	\$15,883	\$3,150	\$132,077,440
Carrying Amount at 31 May 2022	295,000	137,630,828	315,000	103,909	168,773	53,846	57,508	6,858	138,631,722
Cost or Valuation	-	(6,287,359)	(10,216)	(52,243)	(120,599)	(38,532)	(41,625)	(3,708)	(6,554,282)
Accumulated Depreciation	\$295,000	\$131,343,469	\$304,784	\$51,666	\$48,174	\$15,314	\$15,883	\$3,150	\$132,077,440
Carrying Amount at 31 May 2022	-	109,998	-	27,000	12,522	-	9,732	-	159,252
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Cost or Valuation	-	(6,287,359)	(10,216)	(52,243)	(120,599)	(38,532)	(41,625)	(3,708)	(6,554,282)
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Carrying Amount at 31 May 2022	-	109,998	-	27,000	12,522	-	9,732	-	159,252
Additions	-	-	-	(28,221)	(11)	-	(52)	-	(28,284)
Disposals	-	(3,146,355)	(5,108)	(4,365)	(16,855)	(1,914)	(14,760)	(440)	(3,189,797)
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Cost or Valuation	-	(6,287,359)	(10,216)	(52,243)	(120,599)	(38,532)	(41,625)	(3,708)	(6,554,282)
Accumulated Depreciation	\$295,000	\$131,343,469	\$304,784	\$51,666	\$48,174	\$15,314	\$15,883	\$3,150	\$132,077,440
Carrying Amount at 31 May 2022	-	109,998	-	27,000	12,522	-	9,732	-	159,252
Additions	-	-	-	(28,221)	(11)	-	(52)	-	(28,284)
Disposals	-	(3,146,355)	(5,108)	(4,365)	(16,855)	(1,914)	(14,760)	(440)	(3,189,797)
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Carrying Amount at 31 May 2022	295,000	137,630,828	315,000	103,909	168,773	53,846	57,508	6,858	138,631,722
Cost or Valuation	-	(6,287,359)	(10,216)	(52,243)	(120,599)	(38,532)	(41,625)	(3,708)	(6,554,282)
Accumulated Depreciation	\$295,000	\$131,343,469	\$304,784	\$51,666	\$48,174	\$15,314	\$15,883	\$3,150	\$132,077,440
Carrying Amount at 31 May 2022	-	109,998	-	27,000	12,522	-	9,732	-	159,252
Additions	-	-	-	(28,221)	(11)	-	(52)	-	(28,284)
Disposals	-	(3,146,355)	(5,108)	(4,365)	(16,855)	(1,914)	(14,760)	(440)	(3,189,797)
Depreciation	\$295,000	\$131,343,469	\$304,784	\$51,666	\$48,174	\$15,314	\$15,883	\$3,150	\$132,077,440
Carrying Amount at 31 May 2022	295,000	137,630,828	315,000	103,909	168,773	53,846	57,508	6,858	138,631,722
Cost or Valuation	-	(6,287,359)	(10,216)	(52,243)	(120,599)	(38,532)	(41,625)	(3,708)	(6,554,282)
Accumulated Depreciation	\$295,000	\$131,343,469	\$304,784	\$51,666	\$48,174	\$15,314	\$15,883	\$3,150	\$132,077,440

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 May 2022

4. INTANGIBLE ASSETS (WATER CONSENTS)

The Company has intangible assets in the form of the water consents that it owns. The useful lives of the Water Consents are dictated by the conditions of the resource consent. These are then amortised over the remaining period of the consent.

The amortisation period and amortisation method for each water consent is reviewed at each reporting date.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is allowed for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate.

Water consents are amortised over the remaining life of the consent (between 8 and 29 years). This has resulted in an amortisation expense during the period of \$173,961 and a reduction in the carrying value of water consents by \$173,961.

	2022 \$	2021 \$
Waiau Consent CRC174408 Expires 2033	-	-
Waiau Consent CRC951304 Expires 2033	-	-
Waiau Consent CRC951305 Expires 2033	-	-
Waiau Consent CRC193291 Expires 2029	-	-
Waiau Consent CRC193262 Expires 2033	-	-
Waiau Consent CRC193263 Expires 2033	-	-
Waiareka Downs Consent CRC951296 Expires 2033	-	-
Waiareka Downs Consent CRC951297 Expires 2033	-	-
Waiareka Downs Consent CRC951298 Expires 2033	-	-
Balmoral Consent CRC951326.1 Expires 2033	-	-
Balmoral Consent CRC951327 Expires 2033	-	-
Hurunui Consent CRC142008 Expires 2030	479,182	539,161
Waiau Consent CRC174408 Expires 2033	450,985	492,649
Hurunui Consents Expires 2050 (acquired through business combinations)	2,040,402	2,112,721
	\$2,970,569	\$3,144,531
Water Consents at Cost	3,797,383	3,797,383
Accumulated Amortisation	(826,814)	(652,853)
	\$2,970,569	\$3,144,531

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. At 31 May 21 the consents referred to as Hurunui consents (acquired through business combinations) involved 10 water and land related consents, with an expiry date of 2050.

The consent numbers were as follows: CRC120675, CRC181082, CRC185383, CRC190085, CRC172780, CRC120692, CRC120694, CRC120696, CRC122547, CRC130467.

During the period, the CRC190085, CRC172780 and CRC122547 were allowed to lapse as they were never considered to have value to the Company.

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 May 2022

CAPITAL RAISING

5. SHARE CAPITAL

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

The Company's capital includes share capital and retained earnings. The Company's policy is to maintain a strong capital base to maintain shareholder and creditor confidence and to sustain the future development of the business. The Company recognises the need to maintain a strong balance sheet, with adequate gearing to meet its development needs.

The Company does not have current intentions to pay dividends to its shareholders but delivers a return to shareholders by way of appropriately priced water charges. The Company is not subject to any externally imposed capital requirements.

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

	Numbers	2022 \$	Numbers	2021 \$
"A" Shares				
Opening Balance	28,142	39,607,970	28,142	39,298,970
New A Shares Issued - Cash	64	441,600	-	309,000
Capital Raising Costs	-	-	-	-
Closing Balance	28,206	\$40,049,570	28,142	\$39,607,970

"A" Shares entitle the holder to an allocation of water that relates directly to the number of "A" shares held. Holders of "A" shares are entitled to one vote for every "A" share held.

Shares have no par value.

Fees associated with the share issues during the period amounted to NIL (2021: \$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.

BANK ARRANGEMENTS

6. CASH AND CASH EQUIVALENTS

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

	2022 \$	2021 \$
Bank deposits with Bank of New Zealand	-	10
Bank deposits with Westpac	501,449	762,208
Westpac – Credit Cards	(4,667)	(626)
Total Cash and Cash Equivalents	\$496,782	\$761,591

7. BORROWINGS

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. The borrowing facility relates to the construction project that was undertaken in the 2017 and 2018 years to pipe the schemes. It was converted to a fixed long term loan facility on 31 May 2018.

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

On 28 April 2022 the Company accepted an offer from Westpac to reorganise its borrowing facilities into two Multi Option Credit Line Facilities.

- Facility A has a limit of \$27,500,000 and expires on 30 September 2023.
- Facility B has a limit of \$22,000,000 and expires on 30 September 2024.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 May 2022

On 1 August 2022 the first drawdown from this facility was made and the outstanding's under the old facility were paid in full, after which the old facility was immediately cancelled.

On 1 August 2022, the overdraft facility was reduced from \$2,000,000 to \$200,000.

Interest rates on the Westpac facility are based on bank bill rates plus a margin. Swaps are used by the Company to reduce the risk of interest costs fluctuating because of interest rate changes. See Note 8 for details.

	2022 \$	2021 \$
Westpac Facility - Current Portion	1,033,313	1,077,936
Westpac Facility – Non-Current Portion	44,764,300	46,239,213
	\$45,797,613	\$47,317,149
Westpac Facility Unused	2,000,000	-
Total Westpac Facility	\$47,797,613	\$47,317,149

8. INTEREST RATE SWAPS

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

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

The swaps are considered to be level 2 in the fair value hierarchy, which means the fair value measurements are those derived inputs other than quoted prices included within a level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices). They are directly observable as the value of the interest rate swaps are provided by Westpac on a market basis.

The Company has six interest rate swap agreements in place with Westpac. The fair value of these swap agreements at reporting date is an asset of \$2,058,668 (2021: liability of \$2,013,782).

The details of the agreements are:

\$8,600,000 at 3.57% expiring on 28 August 2025
\$7,100,000 at 2.27% expiring on 28 June 2027
\$8,700,000 at 3.38% expiring on 28 February 2023
\$6,400,000 at 2.77% expiring on 28 June 2028
\$8,900,000 at 2.68% expiring on 28 February 2029
\$8,700,000 at 2.43% expiring on 28 February 2026

Interest rate swaps are a form of derivative financial instrument.

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

TRADING OPERATIONS

9. OPERATING REVENUE

Revenue Recognition

The majority of irrigation company revenue is derived from supplying irrigation water to shareholder customers. The transaction is governed by a water supply agreement between the Company and the customer. The water supply agreement is a continuous supply document binding the Company to supply irrigation water to the customer's irrigation offtake during the irrigation season. Irrigation charges are billed quarterly in advance with payment due on the 20th of the month following.

The irrigation charges are dictated by the number of shares owned by the customer, the location of the farm, and the level of pressure which the water is delivered at. The Company has the ability to cease water delivery if the irrigation charges remain unpaid.

The supply of irrigation water is integral to the successful operation of the customer's farming operation. Therefore, there is a very limited risk of customers defaulting on payment.

Farm plan income and collective membership fees relate to the environmental monitoring and reporting obligations of the Company and its customer shareholders. The Company assists members with their farm environment plan requirements and charges an appropriate fee.

The customer is obliged to meet the environment plan reporting requirements as stipulated within the water supply agreement. Non-payment or non-compliance can result in the supply of irrigation water being ceased.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 May 2022

All revenue is recognised on an over time basis.

This is because the customer simultaneously receives and consumes all of the economic benefits and because the provision of water supply and farm plan income and collective membership fees has no alternative use to the company and the contracts in place give rise to an enforceable right to payment.

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.

Operating revenue comprises of:

All revenue is derived from fixed price contracts and therefore the amount of revenue earned from each contract is determined by reference to those contracts with limited judgement required.

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

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.

Irrigation Charges

Collective Membership Fees

	2022 \$	2021 \$
Irrigation Charges	7,552,733	7,139,023
Collective Membership Fees	58,520	62,160
	\$7,611,253	\$7,201,183

10. FINANCE INCOME

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

Interest Received - Westpac Bank

Interest Received – PDS Share Applicant Fees Held on Deposit

Finance Income

	2022 \$	2021 \$
Interest Received - Westpac Bank	1,170	195
Interest Received – PDS Share Applicant Fees Held on Deposit	19,355	-
	\$20,525	\$195

11. EMPLOYEE BENEFITS

Accident Compensation Levy

KiwiSaver Employer Contribution

Wages

Staff Training & Welfare

Recruitment Costs

	2022 \$	2021 \$
Accident Compensation Levy	7,612	7,353
KiwiSaver Employer Contribution	30,800	26,949
Wages	1,153,591	1,004,179
Staff Training & Welfare	22,386	7,346
Recruitment Costs	13,561	4,853
	\$1,227,950	\$1,050,681

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 May 2022

12. OTHER EXPENSES

Other Expenses include:

12.1 Independent Auditor's Remuneration

	2022 \$	2021 \$
BDO Wellington - Audit of Annual Financial Statements	33,661	34,589
	\$33,661	\$34,589

12.2 Directors' Fees

	2022 \$	2021 \$
Directors Fees	133,292	131,782
	\$133,292	\$131,782

12.3 Loss on Disposal of Assets

	2022 \$	2021 \$
Loss on Disposal of Assets	28,284	-
	\$28,284	\$-

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 May 2022

12.4 Other Expenses

	2022 \$	2021 \$
Abandoned Capital Projects	-	50,118
Accountancy & Financial Fees	32,558	62,766
Administration	16,190	14,416
Amortisation of Right of Use Asset	-	16,222
Asset Management	8,639	5,463
Audited Self-Management	93,069	103,111
Booster Pumping Costs	691,470	751,935
Computer Expenses	20,956	9,410
Directors Expenses	11,531	8,296
Donations	6,770	9,284
Enhancement Package	222,824	-
Entertainment	392	1,070
Fringe Benefit Tax	13,160	11,896
Hydrology Advice	880	10,453
Health and Safety	15,288	6,248
Hurunui Equity Raising Costs	43,507	-
Hurunui Scheme Costs	95,296	-
Insurance	313,783	308,450
Irrigation Efficiency	-	4,250
Legal Fees	28,798	9,933
Mitigation	-	105,562
Motor Vehicle Expenses	53,506	40,268
Nutrient Benchmarking	47,592	-
Nutrient Management	26,419	40,360
Office Expenses	19,291	16,396
Power	21,290	4,823
Rates	53,073	46,671
Rent	10,492	-
Resource Consents	100,856	69,283
Regional Plan Review	88,964	885
Share Application Fees (Refunded)	-	58,500
Subscriptions	48,515	47,888
Telephone	6,514	3,778
Travelling - Local	1,366	3,124
Valuation Fees	-	18,785
Water Monitoring	132,286	85,412
	\$2,225,275	\$1,925,056
Total Other Expenses	\$2,420,512	\$2,091,427

During 2021, Ecan altered its interpretation of certain land use rules. As a result, applicants for Hurunui shares were given an opportunity to withdraw their application for shares. This resulted in application fees being refunded totalling \$58,500. This has not affected the company in any other way.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 May 2022

13. FINANCE COSTS

	2022 \$	2021 \$
Bank Charges	12,587	12,639
Interest on Borrowings	1,859,144	1,891,974
Interest – Right to use Asset	-	299
Interest – IRD Use of Money	-	696
	\$1,871,731	\$1,905,608

14. SHORT TERM EMPLOYEES BENEFITS

Allowance is made for benefits accruing to employees at balance date 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.

It is anticipated that the salaries and wages will be paid and leave accrued will be utilised within the next 12 months. As such, the value of the liability has not been discounted and is recorded at its full value.

	2022 \$	2021 \$
Employee Entitlements	\$90,066	\$54,458

15. TRADE AND OTHER RECEIVABLES

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position (refer Note 6 for cash and cash equivalents). Trade receivables are amounts due from customers for products sold and services provided. Trade receivables are recognised initially at their transaction price and subsequently measured at the amount expected to be collected.

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

None of the accounts receivable as at reporting date are considered to be impaired (2021: \$nil). No collateral is held by the Company as security for accounts receivable. Payment is due on the 20th of the month following invoice.

Receivables are considered fully collectable as the supply of water for irrigation is an essential service for local farmers in the North Canterbury region. Any unpaid water charges may be charged interest at a rate of 14.08% per the water supply agreements. Customers who fail to pay outstanding amounts risk having their water turned off until the amount is paid in full.

	2022 \$	2021 \$
Non-Financial Instruments		
GST Receivable	35,034	16,749
Prepayments	2,964	43,507
Financial Instruments		
Trade Receivables	120,626	340,147
	\$158,624	\$400,403
Aging of Trade Receivables		
Not Yet Due	52,956	57,899
Overdue 1-30 days	67,670	272,865
Overdue more than 90 days	-	9,383
	\$120,626	\$340,147

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 May 2022

16. INVESTMENTS IN SHARES

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

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

Financial assets recognised at fair value through profit and loss include the equity investment in Farmlands Co-operative Society Limited. The investment is considered to be level 3 in the fair value hierarchy.

	2022 \$	2021 \$
Shares		
Farmlands - Share Capital	636	636
Total Non-Current Investments	\$636	\$636

17. TRADE AND OTHER PAYABLES

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.

	2022 \$	2021 \$
Trade Payables	297,745	276,462
Accrued Expenses	8,265	-
Accrued Auditors' Remuneration	29,400	27,800
Directors Fees Payable	28,083	25,750
Accrued Interest	5,019	71,437
	\$368,512	\$401,449

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 May 2022

18. 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. The Company holds the following financial instruments, classified as either Financial Assets/Liabilities at Amortised Cost or Financial Assets/Liabilities at Fair Value through Profit or Loss (FVP&L):

	Financial Assets (Liabilities) at Amortised Cost	Financial Assets (Liabilities) at FVP&L Level 2	Financial Assets (Liabilities) at FVP&L Level 3	Total
	\$	\$	\$	\$
31 May 2022				
Assets				
Cash and Cash Equivalents	496,782	-	-	496,782
Investments in Term Deposits	600,000	-	-	600,000
Trade Receivables	120,626	-	-	120,626
Investments in Shares	-	-	636	636
Financial Derivatives (Interest Rate Swaps)	-	2,058,668	-	2,058,668
	\$1,217,408	\$2,058,668	\$636	\$3,276,712
Liabilities				
Trade and Other Payables	335,410	-	-	335,410
Borrowings	45,797,613	-	-	45,797,613
	\$46,133,023	\$-	\$-	\$46,133,023
31 May 2021				
Assets				
Cash and Cash Equivalents	761,591	-	-	761,591
Investments in Term Deposits	100,000	-	-	100,000
Trade Receivables	340,147	-	-	340,147
Investments in Shares	-	-	636	636
	\$1,201,738	\$-	\$636	\$1,202,374
Liabilities				
Trade and Other Payables	304,262	-	-	304,262
Borrowings	47,317,149	-	-	47,317,149
Financial Derivatives (Interest Rate Swaps)	-	2,013,782	-	2,013,782
	\$47,621,411	\$2,013,782	\$-	\$49,635,193

18.1 Fair Value Estimations

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 May 2022

18.2 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's credit rating of AA-.

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

	2022 \$	2021 \$
Cash and Cash Equivalents	496,782	761,591
Trade Receivables	120,626	340,147

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.

18.3 Concentrations of Credit Risk

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

The company's sales revenue is widely dispersed over a large number of customers.

The largest customer accounted for 6.6% of total sales revenue during the year under review (2021: 6.17%) and 0.0% (2021: 2.5%) of trade receivables at reporting date.

For the recoverability of trade receivables refer to Note 15.

18.4 Liquidity Risk

Liquidity risk represents the company's ability to meet its financial obligations on time. Management manages its liquidity risk by monitoring short term and medium term cash flows. The company generally generates sufficient cash flows from its operating activities to make timely payments.

The table overleaf 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 May 2022

18. Financial Instruments

	Carrying Amount	Contractual Cash Flows	< than 1 Year	Between 1-2 Years	Between 2-5 Years	Over 5 Years
	\$	\$	\$	\$	\$	\$
31 May 2022						
Assets						
Cash and Cash Equivalents	496,782	496,782	496,782	-	-	-
Term Deposits	600,000	600,000	600,000	-	-	-
Trade and Other Receivables	120,626	120,626	120,626	-	-	-
Financial Derivatives (Interest Rate Swaps)	2,058,668	2,058,668	328,473	425,514	1,059,247	245,434
	\$3,276,076	\$3,276,076	\$1,545,881	\$425,514	\$1,059,247	\$245,434
Liabilities						
Trade and Other Payables	368,512	368,512	368,512	-	-	-
Borrowings	45,797,613	49,335,661	3,235,451	28,679,709	17,420,501	-
	\$46,166,125	\$49,704,173	\$3,603,963	\$28,679,709	\$17,420,501	\$-
31 May 2021						
Assets						
Cash and Cash Equivalents	761,591	761,591	761,591	-	-	-
Term Deposits	100,000	100,000	100,000	-	-	-
Trade and Other Receivables	340,147	340,147	340,147	-	-	-
	\$1,201,738	\$1,201,738	\$1,201,738	\$-	\$-	\$-
Liabilities						
Trade and Other Payables	401,449	401,449	401,449	-	-	-
Borrowings	47,317,149	51,129,717	2,865,498	48,264,219	-	-
Financial Derivatives (Interest Rate Swaps)	2,013,782	2,013,782	593,546	1,420,236	-	-
	\$49,732,380	\$53,544,948	\$3,860,493	\$49,684,455	\$-	\$-

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 May 2022

18.5 Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company has a very small exposure to currency risk.

18.6 Interest Rate Risk

Interest rate risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rates on borrowings vary between 1.76% and 4.88%.

In 2022 a 150 basis point increase in the interest rate would have increased expenses by \$102,861. In 2021, a 100 basis point increase in the interest rate would have increased expenses by \$81,099.

In 2022 a 150 basis point decrease in the interest rate would have reduced expenses by \$102,861. In 2021, a 100 basis point decrease in the interest rate would have reduced expenses by \$81,099.

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

19. 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. If it were not for these assumptions, the calculated liability would be significantly lower.

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

- a) Considers whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- b) Determines if it is probable that the tax authorities will accept the uncertain tax treatment; and
- c) If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 May 2022

19.1 Income Tax Expense

	2022 \$	2021 \$
Profit before Income Tax	\$2,008,880	\$382,519
Prima facie Income Tax @ 28%	562,486	107,105
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
- Amortisation of Water Consents	48,710	48,710
Adjustments for current tax of prior periods	-	(14,373)
Income Tax Expense	\$611,196	\$141,442
The Income Tax Expense is represented by:		
Current Tax	-	-
Deferred Tax	611,196	141,442
Income Tax Expense	\$611,196	\$141,442
Income Tax Recognised in Other Comprehensive Income	\$-	\$-

19.2 Reconciliation of Current Tax Payable

	2022 \$	2021 \$
Opening Balance Tax Account	(55)	(780)
Plus		
Refund Received	55	780
Less		
Resident Withholding Tax Paid	5,747	55
Taxation (Refundable)/Payable	(\$5,747)	(\$55)

19.3 Reconciliation of Tax Losses

	2022 \$	2021 \$
Profit before Income Tax	2,008,880	382,519
Add Back:		
Movement in Non-Deductible Holiday Pay Accruals	303	(1,746)
Fair Value of Swaps	(4,072,451)	(1,906,268)
Amortisation of Water Consents	173,961	173,962
Difference in Depreciation Basis	(1,954,542)	(1,945,457)
Tax Losses Brought Forward	(11,105,689)	(7,808,699)
Tax Losses to be Carried Forward to Future Years	\$(14,949,538)	\$(11,105,689)

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 May 2022

19.4 Deferred Tax Assets/(Liability)

	Opening Balance \$	Charged to Income \$	Closing Balance \$
Balance at 31 May 2022			
Property Plant and Equipment	(18,294,833)	(547,273)	(18,842,106)
Property Plant and Equipment	10,646	-	10,646
Non-deductible Provisions	15,248	85	15,333
Unused Tax Losses	3,109,593	1,076,278	4,185,871
Interest Rate Swap	563,859	(1,140,286)	(576,427)
	\$(14,595,487)	\$(611,196)	\$(15,206,683)
Balance at 31 May 2021			
Property Plant and Equipment	(17,750,115)	(544,718)	(18,294,833)
Property Plant and Equipment	10,683	(37)	10,646
Non-deductible Provisions	1,337	13,911	15,248
Unused Tax Losses	2,186,436	923,157	3,109,593
Interest Rate Swap	1,097,614	(533,755)	563,859
	\$(14,454,045)	\$(141,442)	\$(14,595,487)

19.5 Imputation Credit Account

At 31 May 2022 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 \$264,166.

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

	2022 \$	2021 \$
Opening Balance 1 June	258,474	259,199
Plus Resident Withholding Tax Paid	5,747	55
	\$264,221	\$259,254
Less Refund Received	(55)	(780)
Closing Balance 31 May	\$264,166	\$258,474

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 May 2022

OTHER NOTES

20. CONTINGENT ASSET

The Company has impaired all the costs associated with the Hurunui Scheme from Construction Work in Progress. See Note 2 for more details. The Company continues to work on a Hurunui Scheme. However, the contingent asset has not been recognised as Construction Work in Progress at 31 May 2022 because the necessary construction consents have not yet been granted by the Regional Council.

One submission was received on these consent applications and the party wished to be heard. The construction applications remain on hold while discussions take place with the submitter. The decision of the Council and the willingness of the submitter to engage and withdraw their right to be heard are not wholly within the control of the Company.

Contingent Assets

Balance incurred in previous periods, previously included within Construction Work in Progress

Costs incurred during the period

2022 \$	2021 \$
1,223,005	-
95,296	-
\$1,321,641	\$-

21. CONTINGENT LIABILITY

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

The uncertainty surrounding the construction consents and the subsequent impairment of the Construction Work in Progress suggests that there is not sufficient evidence to support an outflow of resources and the liability has been written off in the period.

Although the liability can be measured with sufficient reliability, legal advice suggests that an outflow of resources is not probable.

Contingent Liabilities

Rooney Group Limited Contingent Liability

2022 \$	2021 \$
1,023,646	-
\$1,023,646	\$-

22. COMMITMENTS

The Company entered a contract commencing 1 June 2021 to occupy office space located at 14A Nga Mahi Road Sockburn, from Central Plains Water Limited for \$10,000 per year. The termination date of the license to occupy is 31 July 2027.

On July 2022, the license to occupy was amended to include additional space at the same location for a further \$7,500 per year.

At 31 May 2022, the Company had a capital commitment totalling \$79,560 for a Piezometer (2021: None).

23. SUBSEQUENT EVENTS

Subsequent to year end a new facility was drawn down. Refer Note 7 for details.

Directors purchased shares. Refer Note 24.3 for details.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 May 2022

24. 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 include Directors' remuneration and water sales.

24.1 Shareholders

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

24.2 Key Management Personnel

The compensation of the Directors and executives, being the key management personnel of the Company, is set out below. There are no termination, or other long term benefits.

	2022 \$	2021 \$
Salaries and Short-Term Employee Benefits	498,724	435,527
Kiwisaver Contribution	10,214	8,683
	\$508,938	\$444,210

24.3 Transactions with Entities Controlled by Directors

The Company entered into various transactions with entities controlled by Directors. The value of these transactions are summarised below:

	2022 \$	2021 \$
Water Sales During the Year		
D A Croft (Chairman)	182,699	138,785
E L Francis	134,574	119,895
G A C Gould	64,460	61,160
K J McCone	134,634	78,952
M F Satterthwaite	64,471	59,648
N S Anderson	243,252	232,017
	\$1,186,105	\$1,031,401
Amounts Receivable as at Year End	\$8,586	\$122,695

	2022 \$	2021 \$
Other Purchases During the Year		
D A Croft (Chairman)	661	-
	\$661	\$-

A W Benton retired as a Director on 26 November 2020. In the 2021 year, the company entered into Water Sales with entities controlled by him totalling \$340,944.

Directors Fees have been disclosed separately under the annual report and the Directors fees payable as at 31 May 2022 are disclosed in Note 17.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 May 2022

24.4 Directors Relevant Interest in Equity Securities at at 31 May

	2022	2021
D A Croft (Chairman)	451	451
C S Laurie	-	-
E L Francis	761	761
G A C Gould (Appointed 26 November 2020)	220	220
K J McCone	284	284
M F Satterthwaite	227	227
N S Anderson	572	572
	3,756	3,756

A W Benton retired as a Director on 26 November 2020. At this point, his relevant interest in equity securities was 1,241.

On 28 June 2022, N S Anderson purchased 77 shares from M F Satterthwaite. On 26 July 2022 D A Croft purchased a further 183 shares and K J McCone purchased a further 234 shares.

25. RECONCILIATION OF NET PROFIT TO CASHFLOW FROM OPERATING ACTIVITIES

	2022 \$	2021 \$
Profit/(Loss) before Tax Expense	\$2,008,880	\$382,519
Add Non-Cash Items		
Depreciation	3,189,797	3,180,773
Loss on Disposal of Assets	28,284	-
Amortisation of right to use Assets	-	16,222
Fair Value Movement in Interest Rate Swap	(4,072,451)	(1,906,268)
Amortisation of Water Consents	173,961	173,962
Gain from the derecognition of Liability – Rooney Group Limited	(1,023,646)	-
Impairment of Construction Work in Progress	1,223,005	-
	\$1,527,830	\$1,847,208
Add/(Less) Movements in other Working Capital Items		
Decrease/(Increase) in Accounts Receivable	260,064	(209,278)
Decrease/(Increase) in Accrued Interest	(66,418)	(2,817)
Increase/(Decrease) in Accounts Payable	31,148	23,762
Increase/(Decrease) in Director Fees Payable	2,333	(2,083)
Increase/(Decrease) in GST Refund	(18,285)	-
Decrease/(Increase) in Taxation Provision	(5,692)	725
Increase/(Decrease) in Employee Entitlements	35,608	(6,522)
	\$238,758	\$(196,213)
Net Cash (Used in)/Provided from Operating Activities	\$1,766,588	\$1,650,995

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 May 2022

	31 May 2021	Cash Flows	Other - Non Cash Changes	31 May 2022
	\$	\$	\$	\$
Short Term Borrowing	1,077,936	(1,077,936)	1,033,313	1,033,313
Long Term Borrowing	46,239,213	(441,600)	(1,033,313)	44,764,300
Share Capital	39,607,970	441,600	-	40,049,570
Total Liabilities From Financing Liabilities	\$86,925,119	\$(1,077,936)	\$-	\$85,847,183

AMURI IRRIGATION COMPANY INDEPENDENT AUDITOR'S REPORT



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 2022, 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 2022, and its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards (“**NZ IFRS**”).

Basis for Opinion

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

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

Key Audit Matters

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

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

Other Information

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

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

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

Directors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

This description forms part of our auditor's report.

Who we Report to

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

BDO Wellington Audit Limited

BDO WELLINGTON AUDIT LIMITED
Wellington
New Zealand
27 September 2022



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