

**MORVEN GLENAVY IKAWAI
IRRIGATION COMPANY LIMITED AND GROUP**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

MORVEN GLENAVY IKAWAI IRRIGATION COMPANY LIMITED AND GROUP

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MORVEN GLENNAVY IKAWAI IRRIGATION COMPANY LIMITED AND GROUP

Directory

Directors

R.T.C. Murphy (Chairman)
G.C. Van't Klooster
A.R. Gibson
M.J.F. Hurst
M.L. Jensen
R.J. Smith
D.G. Ellis - Appointed 7 December 2016

General Manager

C. Evans

Company Number

435837

Date of Incorporation

26-Jul-89

Registered Office

26 Glenavy Tawai Road
RD 10, Waimate 7980

Accountant

Waimate Accountants Limited
Waimate 7924

Independent Auditor

BDO Christchurch

Solicitors

Anderson Lloyd - Christchurch

MORVEN GLENNAVY IKAWAI

IRRIGATION COMPANY LIMITED AND GROUP

Directors Report

The Board of Directors present their Annual Report including financial statements of the Company and Group for the year ended 31 July 2017.

Principal Activities

Irrigation water supply to farmers and other commercial users and maintaining the irrigation water scheme in the Waimate District. The nature of the business has not changed in the period under review.

Directors Holding Office During the Year

The following Directors acquired shares during the year:

Director	Shareholder	Shares Acquired		
		Quantity	Date	Consideration Paid \$
R.T.C. Murphy (Chairman)	Murphy Farm Ltd	65	11/11/2016	131,950
G.C. Van't Klooster	Van't Klooster Farms Ltd	84	11/11/2016	166,404
D.G. Ellis	Ellis-Lea Farms 2000 Ltd	270	24/08/2016	405,000
B. Hargreaves	Phoenix Dairies Ltd	65	11/11/2016	131,950
M.T. Cochrane	MT & DE Cochrane Family Trust	350	24/08/2016	525,000
P. Mehrtens	Rawcliffe Farms Ltd	200	24/08/2016	300,000
R.B. Hart	RB Hart Family Trust	70	24/08/2016	105,000

G.C. Van't Klooster transferred 100 shares from Van't Klooster Farms Ltd to Tawai Family Trust.

Directors are land holders receiving water from the Company at the same rate as other shareholders. Transactions entered into with Directors of the company where the Director had an interest are disclosed in the Notes to the financial statements.

R.T.C. Murphy, G.C. Van't Klooster, A.R. Gibson, M.J.F. Hurst, M.L. Jensen, and R.J. Smith held office as Morven Glenavy Ikawai Irrigation Company Limited (MGI) Directors and were joined by D.G. Ellis as a Waihaio Downs Irrigation (WDI) representative during the year. No other person held the office of MGI Director at any time during the year. J.C. Kirk, D.G. Ellis, M.T. Cochrane, B.T. Hargreaves, R.B. Hart, and P.L. Mehrtens held the office of Director of WDI in conjunction with the MGI Directors until the WDI Board was disbanded in December 2016.

Schedule of Directors Shareholding as at 31 July 2017

Director	Shareholder	No. Shares
R.T.C. Murphy (Chairman)	Murphy Farm Ltd	1,614 shares
G.C. Van't Klooster	Tawai Family Trust	561 shares
	RUA Farming Company Ltd	371 shares
	Van't Klooster Farms Ltd	382 shares
	Bosterra Ltd	158 shares
A.R. Gibson	Lynburn Dairy Ltd	180 shares
M.J.F. Hurst	Thanet Farm Ltd	397 shares
R.J. Smith	Papamoa Enterprises Ltd	604 shares
D.G. Ellis	Ellis-Lea Farms 2000 Ltd	270 shares

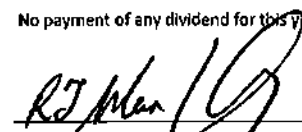
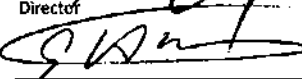
There were two employees of the Company (and the group), who were not Directors and whose remuneration and benefits exceeded \$100,000 during the financial year. One was in the range of \$100,000 to \$110,000 and the second \$170,000 to \$180,000. No other employees of the company or group received remuneration exceeding \$100,000 during the year.

Insurance

The company holds Directors' & Officers' Liability Insurance which covers the 7 company Directors and General Manager. The policy covers these personnel against loss for which the Company is not permitted or required by law to indemnify them arising from any claim first made against them, individually or otherwise, while the policy is held. The policy has a limit of indemnity of \$2,500,000.

Dividends

No payment of any dividend for this year is recommended by the Directors.


 Director

 Director

Dated: 20th November 2017

MORVEN GLENAVY IKAWAI
IRRIGATION COMPANY LIMITED AND GROUP
Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 July 2017

	Note	Group 2017 \$	Group 2016 \$	Parent 2017 \$	Parent 2016 \$
Revenue					
Irrigation Water Charges		1,493,517	1,404,446	1,331,626	1,337,017
Additional Water		22,618	154,245	22,618	154,245
Rental Income		11,585	775	11,585	775
Electricity Recovered		392,566	198,933	56,961	79,275
Interest Recovered		1,219,310	-	-	-
WDI Shared Cost Contribution		-	-	178,221	61,392
Other Operating Income		34,172	19,260	16,274	15,700
Total Revenue		3,173,769	1,777,659	1,617,284	1,648,404
Other Income					
Interest Received - Investments		38,781	49,574	38,743	48,591
Dividends Received - Investments		3,651	3,192	3,247	3,192
Finance Income - Derivative Instrument	9	706,747	-	-	-
		749,180	52,766	41,990	51,783
TOTAL INCOME		3,922,948	1,830,425	1,659,274	1,700,187
Less Expenses					
Audit Fees	21	16,590	19,978	16,590	19,978
Consent & Approval Costs		32,897	32,547	29,346	32,547
Consultancy		19,279	44,660	19,279	44,660
Contribution Costs		102,939	90,912	102,939	90,912
Depreciation	2	1,444,838	242,502	269,073	242,502
Directors Fees	12	80,000	87,500	80,000	75,000
Employee Benefits		586,526	554,200	586,526	554,200
Finance Costs - Loan		1,230,155	-	-	-
Finance Costs - Derivative Instrument	9	-	1,188,542	-	-
I.N.Z Membership		36,264	34,826	36,264	32,186
Insurance		59,883	26,535	24,495	25,286
Kiwisaver Contributions		8,048	5,854	8,048	5,854
Legal		39,389	34,723	30,478	34,723
Loan Impairment	23	-	-	5,168,825	-
Loss on Disposal - Property Plant & Equipment	2	-	40,817	-	40,817
Maintenance		225,135	561,761	193,544	561,761
Other Costs		55,294	69,687	53,035	64,740
Other Electricity		7,451	6,415	7,451	6,415
Project Investigation Costs		109,792	-	109,792	-
Pump Station Electricity		385,763	202,264	54,723	79,276
Quality & Monitoring		156,511	71,221	94,342	71,221
Rates		37,617	31,763	37,617	31,763
Secretarial & Accounting		58,566	137,290	44,069	94,119
Strategy & Farm Plans		64,110	49,014	64,110	48,599
Survey		83,708	-	5,942	-
Vehicle		40,991	36,442	40,991	36,442
TOTAL EXPENSES		4,881,747	3,569,451	7,077,481	2,192,999
PROFIT / (LOSS) BEFORE INCOME TAX		(958,799)	(1,739,026)	(5,418,206)	(492,812)
Income Tax Expense	7	-	-	-	-
PROFIT / (LOSS) AFTER INCOME TAX		(958,799)	(1,739,026)	(5,418,206)	(492,812)
Other Comprehensive Income		-	-	-	-
TOTAL COMPREHENSIVE INCOME		(958,799)	(1,739,026)	(5,418,206)	(492,812)
Profit / (Loss) Attributable to:					
Owners of the Parent		(958,799)	(1,739,026)	(5,418,206)	(492,812)
Total Comprehensive Income Attributable to:					
Owners of the Parent		(958,799)	(1,739,026)	(5,418,206)	(492,812)

The accompanying notes form part of these financial statements. These financial statements have been audited - Please refer to the Auditor's Report

**MORVEN GLENNAVY IKAWAI
IRRIGATION COMPANY LIMITED AND GROUP**

**Statement of Changes in Equity
For the Year Ended 31 July 2017**

	Note	Ordinary Shares \$	Spreading Rights \$	Capital Contributions \$	Retained Earnings \$	Total Equity \$
Morven Glenavy Ikawai Irrigation Company Limited						
Balance at 1 August 2015		13,367,115	-	116,539	(870,463)	12,613,191
Net Profit after Income Tax		-	-	-	(492,812)	(492,812)
Other Comprehensive Income		-	-	-	-	-
Total Comprehensive Income		-	-	-	(492,812)	(492,812)
Transactions with owners in their capacity as owners						
Cash received on shares not yet issued	8	537,752	-	-	-	537,752
Share Issue Costs		(82,287)	-	-	-	(82,287)
Balance at 31 July 2016		13,822,580	-	116,539	(1,363,275)	12,575,844
Balance at 1 August 2016		13,822,580	-	116,539	(1,363,275)	12,575,844
Net Profit after Income Tax		-	-	-	(5,418,206)	(5,418,206)
Other Comprehensive Income		-	-	-	-	-
Total Comprehensive Income		-	-	-	(5,418,206)	(5,418,206)
Transactions with owners in their capacity as owners						
Shares Issued		596,866	-	-	-	596,866
Share Issue Costs		(77,000)	-	-	-	(77,000)
Share Advance Transferred	8	(57,400)	57,400	-	-	-
Cash received on shares not yet issued	8	663,556	-	-	-	663,556
Capital Contributions Transferred	8	-	-	(116,539)	116,539	-
Balance at 31 July 2017		14,948,602	57,400	-	(6,664,943)	8,341,059
Group						
Balance at 1 August 2015		13,367,115	-	116,539	(984,630)	12,499,024
Net Profit after Income Tax		-	-	-	(1,739,025)	(1,739,025)
Other Comprehensive Income		-	-	-	-	-
Total Comprehensive Income		-	-	-	(1,739,025)	(1,739,025)
Transactions with owners in their capacity as owners						
Cash received on shares not yet issued	8	537,752	-	-	-	537,752
Share Issue Costs		(82,287)	-	-	-	(82,287)
Balance at 31 July 2016		13,822,580	-	116,539	(2,723,655)	11,215,464
Balance at 1 August 2016		13,822,580	-	116,539	(2,723,655)	11,215,464
Net Profit after Income Tax		-	-	-	(958,799)	(958,799)
Other Comprehensive Income		-	-	-	-	-
Total Comprehensive Income		-	-	-	(958,799)	(958,799)
Transactions with owners in their capacity as owners						
Shares Issued		596,866	-	-	-	596,866
Share Issue Costs		(77,000)	-	-	-	(77,000)
Share Advance Transferred	8	(57,400)	57,400	-	-	-
Cash received on shares not yet issued	8	663,556	-	-	-	663,556
Capital Contributions Transferred	8	-	-	(116,539)	116,539	-
Balance at 31 July 2017		14,948,602	57,400	-	(3,565,915)	11,440,087

The accompanying notes form part of these financial statements. These financial statements have been audited - Please refer to the Auditor's Report

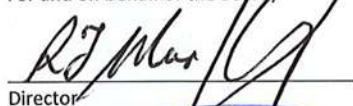
**MORVEN GLENAVY IKAWAI
IRRIGATION COMPANY LIMITED AND GROUP**

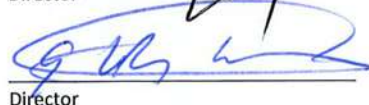
Statement of Financial Position

As at 31 July 2017

	Note	Group 2017 \$	Group 2016 \$	Parent 2017 \$	Parent 2016 \$
Current Assets					
Cash and Cash Equivalents	5	1,043,912	648,483	799,051	448,959
Term Deposits	14	700,000	1,224,729	700,000	1,224,728
Trade and Other Receivables	6	737,720	106,643	808,633	120,305
Prepayments		4,783	4,487	4,783	4,487
Interest Accrued		977	2,402	977	2,402
GST Receivable		56,371	21,475	32,948	11,575
Taxation Refundable	7	11,520	13,472	11,472	13,396
		<u>2,555,283</u>	<u>2,021,690</u>	<u>2,357,865</u>	<u>1,825,851</u>
Non-Current Assets					
Property, Plant & Equipment	2	35,541,951	36,665,184	6,143,825	6,323,272
Capital Works in Progress	3	480,238	-	425,363	-
Intangibles	4	3,972	-	970	-
Investments	17	6,490	6,490	6,490	6,490
Investments in Subsidiary	24	-	-	7,000	4,777,150
		<u>36,032,651</u>	<u>36,671,674</u>	<u>6,583,648</u>	<u>11,106,912</u>
TOTAL ASSETS		<u>38,587,934</u>	<u>38,693,364</u>	<u>8,941,512</u>	<u>12,932,763</u>
Current Liabilities					
Trade & Other Payables		622,476	367,803	479,897	233,263
Employee Entitlements	16	120,556	123,656	120,556	123,656
Interest Accrued		3,984	-	-	-
Environmental Levy Fund		6,406	-	-	-
Derivative Financial Liability	9	481,795	1,188,542	-	-
		<u>1,235,217</u>	<u>1,680,001</u>	<u>600,453</u>	<u>356,919</u>
Non-Current Liabilities					
Loans & Borrowings	9	25,912,630	25,547,898	-	-
Retentions	15	-	250,000	-	-
		<u>25,912,630</u>	<u>25,797,898</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES		<u>27,147,847</u>	<u>27,477,899</u>	<u>600,453</u>	<u>356,919</u>
Shareholders' Equity					
Ordinary Shares	8	14,207,046	7,386,480	14,207,046	7,386,480
Unissued Shares		741,556	6,436,100	741,556	6,436,100
Retained Earnings		(3,565,915)	(2,723,655)	(6,664,943)	(1,363,275)
Capital Contribution from Shareholders		-	116,539	-	116,539
Spreading Rights		57,400	-	57,400	-
		<u>11,440,088</u>	<u>11,215,464</u>	<u>8,341,059</u>	<u>12,575,844</u>
TOTAL EQUITY AND LIABILITIES		<u>38,587,934</u>	<u>38,693,364</u>	<u>8,941,512</u>	<u>12,932,763</u>

For and on behalf of the Board,


Director


Director

Date: 20th November 2017

The accompanying notes form part of these financial statements. These financial statements have been audited - Please refer to the Auditor's Report

MORVEN GLENAVY IKAWAI
IRRIGATION COMPANY LIMITED AND GROUP
Statement of Cash Flows
For the year ended 31 July 2017

	Group 2017	Group 2016	Parent 2017	Parent 2016
Note	\$	\$	\$	\$
Cash Flows from Operating Activities				
<i>Cash was provided from -</i>				
Receipts from Customers	1,979,691	1,734,810	1,504,477	1,593,092
Interest Recovered	1,112,641	-	-	-
Interest Received	40,206	48,254	40,168	47,272
Dividends Received	3,651	3,192	3,247	3,192
Rental Property Income	11,585	775	11,585	775
Taxation Refunded	13,451	33,034	13,396	32,557
GST Receipts	11,488	117,792	-	113,182
	<u>3,172,713</u>	<u>1,937,857</u>	<u>1,572,873</u>	<u>1,790,070</u>
<i>Cash was applied to -</i>				
Payment to Employees	597,568	531,372	597,568	531,372
Payments to Suppliers	1,640,948	1,400,438	1,071,098	1,327,773
Interest Expense	1,241,782	-	-	-
Taxation Payments	11,500	13,452	11,471	13,396
GST Payments	13,682	-	13,682	-
	<u>3,505,479</u>	<u>1,945,262</u>	<u>1,693,819</u>	<u>1,872,541</u>
Net Cash Inflow (Outflow) from Operating Activities	20 (332,766)	(7,405)	(120,946)	(82,471)
Cash Flows from Investing Activities				
<i>Cash was provided from -</i>				
Disposal of Investments	524,729	600,000	524,729	600,000
Sale of Property, Plant & Equipment	-	17,391	-	17,391
	<u>524,729</u>	<u>617,391</u>	<u>524,729</u>	<u>617,391</u>
<i>Cash was applied to -</i>				
Purchase of Investments	-	700,000	398,675	962,325
Purchase of Intangibles	4,167	-	1,059	-
Purchase of Capital Works & Property, Plant & Equipment	785,336	19,378,038	282,194	651,543
	<u>789,503</u>	<u>20,078,038</u>	<u>681,928</u>	<u>1,613,868</u>
Net Cash Inflow (Outflow) from Investing Activities	(264,774)	(19,460,647)	(157,199)	(996,477)
Cash Flows from Financing Activities				
<i>Cash was provided from -</i>				
Issue of Shares	705,237	537,752	705,237	537,752
Drawdown of loans	364,732	18,263,393	-	-
	<u>1,069,969</u>	<u>18,801,145</u>	<u>705,237</u>	<u>537,752</u>
<i>Cash was applied to -</i>				
Shares Issue Costs	77,000	82,287	77,000	82,287
	<u>77,000</u>	<u>82,287</u>	<u>77,000</u>	<u>82,287</u>
Net Cash Inflow (Outflow) from Financing Activities	992,969	18,718,858	628,237	455,465
Net Cash Increase (Decrease) During the Year	395,429	(749,194)	350,093	(623,483)
Cash and Cash Equivalents at 01 August	648,483	1,397,677	448,959	1,072,442
Cash and Cash Equivalents at 31 July	5 1,043,912	648,483	799,051	448,959

The accompanying notes form part of these financial statements. These financial statements have been audited - Please refer to the Auditor's Report

MORVEN GLENNAVY IKAWAI IRRIGATION COMPANY LIMITED AND GROUP

Notes to the Financial statements For the year ended 31 July 2017

1. Statement of Accounting Policies

Reporting Entity

Morven Glenavy Ikawai Irrigation Company Limited ("the Company") is a company incorporated and domiciled in New Zealand under the Companies Act 1993. The company registered as a co-operative company on the 4th of January 2017. The company is registered under the Co-operative Companies Act 1996. It purchased the shareholding of Waihao Downs Irrigation Limited (WDI) in June 2014 and WDI has been a fully owned subsidiary since that date. The 2017 financial information reported consolidates the two companies results.

The directors authorised the financial statements for issue on 20th November 2017.

Basis of preparation

These financial statements have been prepared in accordance with the requirements of the Companies Act 1993, and the Financial Reporting Act 2013. These financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for profit-oriented entities. The Group is a Tier 1 for-profit entity and has elected to report in accordance with NZ IFRS as issued by the New Zealand External Reporting Board (XRB). The financial statements comply with International Financial Reporting Standards (IFRS).

Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on an historical cost basis are followed, with the exception of certain items for which specific accounting policies are identified.

The accrual basis of accounting has been used and the financial statements have been prepared on a going concern basis.

Presentation Currency

These financials are presented in New Zealand dollars (\$) which is the company's and subsidiary's functional currency. All numbers have been rounded to the nearest dollar.

Use of Estimates and Judgements

The preparation of financial statements in conformity with NZ IFRS 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. Where material, information on significant assumptions and estimates is provided in the relevant accounting policy or it will be provided in the relevant note. The estimate and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Subsequent actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected. In particular, information about significant areas of judgment in applying policies that have the most effect on the amount recognised in the financial statements are described in note 10.

Specific Accounting Policies

The following specific accounting policies, which materially affect the measurement of financial performance and the financial position, have been applied.

1.1 Basis of Consolidation

The financial statements of the group are the consolidated financial statements on the basis that Morven Glenavy Ikawai Irrigation Company Limited controls its wholly owned subsidiary Waihao Downs Irrigation Limited.

The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The subsidiary has a 31 July reporting date and consistent accounting policies have been used.

The acquisition method is used to prepare the consolidated financial statements which involves adding together like items of assets, liabilities, income and expenses on a line by line basis. All inter-company transactions have been eliminated on consolidation.

In the parent company separate financial statements of investments in subsidiaries are stated at cost less any impairment losses.

1.2 Property, Plant & Equipment and Depreciation

Items of property, plant & equipment are initially recognised at cost. They are subsequently recorded at cost less accumulated depreciation provided to date and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

Depreciation is charged on a diminishing value basis except for buildings, and the North Extension & Horsnell's Pond, which are depreciated on a straight line basis. Land is not depreciated. Depreciation is at rates expected to fully depreciate the asset to its residual value over the expected life of the asset. Depreciation methods, useful lives and residual values are reviewed at year end and adjusted if appropriate. The following depreciation rates are used in the calculation of depreciation in the current and prior period. Depreciation rates for the current and prior periods are:

Land	0%			
Buildings	15 - 50 yrs	SL		
Irrigation Scheme (MGI)	2% - 10%	DV	&	35 yrs - 50 yrs SL
Irrigation Scheme (WDI)	25 yrs - 50 yrs	SL		
Motor Vehicles	20 - 30%	DV		
Automation	4.8% - 30%	DV		
Plant	9.5% - 80.4%	DV		

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

1.3 Capital Work in Progress

Capital work in progress includes the costs incurred on Property, Plant and Equipment that are directly attributed to the development of the Irrigation Schemes. Capital works in progress are not depreciated until they are ready for their intended use.

1.4 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 Resource 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.

1.5 Impairment of Non-financial Assets

At each reporting date, the carrying amounts of the tangible assets (except for deferred tax assets) are reviewed to determine whether there is any indication of impairment. If any such indication exists for an asset, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

A cash generating unit is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows of other assets or groups of assets.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects 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 expensed immediately in profit or loss. 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.

1.6 Goods and Services Tax (GST)

The statement of profit or loss and other comprehensive income has been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

1.7 Income Taxation

Income tax expense comprises current and deferred tax. Current tax is calculated using the tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Temporary differences arising from transactions, other than business combinations, affecting neither accounting profit nor taxable profit are ignored.

Tax effect accounting is applied on a comprehensive basis to all temporary differences using the liability method.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future tax profits will be available against which temporary differences 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 benefits will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

1.8 Financial Instruments

Financial instruments include cash and cash equivalents, trade and other receivables, advances, trade and other payables, derivatives, and borrowings. All financial instruments are included in the statement of financial position.

Recognition and De-recognition of financial assets and liabilities

Financial assets and financial liabilities are recognised when the group becomes party to the contractual provisions of the instrument. Financial assets record the value attributed at trade date.

Financial assets are derecognised if the group's contractual rights to the cash flows from the financial assets expire, or when the financial asset and all subsequent risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged or expires.

Financial assets and financial liabilities are initially recognised at fair value. The initial measurement of other financial instruments which are not at fair value through profit or loss are also adjusted in respect of transaction costs that are directly attributable to the acquisition or issue of the instrument.

Available for sale financial assets

Available for sale financial assets are non-derivatives, principally equity securities, that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of balance date. The Group's available for sale financial assets consist of equity investments. Purchases of financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Investments are initially recognised at fair value plus transaction costs. Investments in equity instruments that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are recognised and subsequently carried at cost.

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Subsequent measurement of financial assets

The subsequent measurement of financial assets depends on their classification. Financial assets are classified as subsequently measured at their amortised cost or fair value on the basis of both the purpose for which the financial asset was acquired or the nature of the financial assets contractual cash flows. Management determines the classification of financial assets at initial recognition and re-evaluates this designation at each reporting date.

A gain or loss on a financial asset that is measured at amortised cost is recognised in profit or loss, when the financial asset is de-recognised, impaired or re-classified. A gain or loss on a financial asset that is measured at fair value through profit or loss is recognised in profit or loss.

The group has the following categories of financial assets and liabilities:

- Financial liabilities at fair value through profit or loss;
- Other financial liabilities at amortised cost;
- Loans and receivables
- Available for sale financial assets

All financial assets except for those classified fair value through profit or loss are subject to review for impairment at least at each reporting date or when indicators of impairment exist.

Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables are subsequently measured at amortised cost using the effective interest method.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The amount of the loss is recognised in profit or loss.

Cash and cash equivalents and trade debtors and other receivables fall into this category of financial instruments. Trade debtors and other receivables are initially recorded at fair value plus direct attributable transaction cost and subsequently carried at amortised cost using the effective interest method less allowance for impairment. Due allowance is made for impaired receivables if there is objective evidence that the receivable is impaired. When determining whether a financial asset is impaired, objective evidence includes consideration of whether the counter party is in financial difficulty or defaults or delinquency in interest or principal payments or it is probable that the counter party will enter bankruptcy.

Financial Liabilities at fair value through profit or loss

This category comprises only out-of-the-money derivatives. They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of profit or loss and other comprehensive income. The Group does not hold or issue derivative instruments for speculative purposes, but for economic hedging purposes. Other than these derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

Subsequent measurement of financial liabilities

After initial recognition all financial liabilities are measured at amortised cost using the effective interest method, except for financial liabilities fair value through profit or loss. All gains or losses recognised on financial liabilities whether measured at amortised cost or fair value are reported in the profit or loss for the period.

Financial liabilities held by the parent and group includes trade creditors and other payables, loans and borrowings, and derivative financial liabilities.

Impairment of financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are recognised collectively in groups that share similar credit risk characteristics, including any similar significant financial assets assessed individually that were not considered to be individually impaired. All impairment losses are recognised in the profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

1.9 Borrowing Costs

Borrowing costs are capitalised when they are directly attributable to the acquisition, contribution or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Borrowing costs that do not meet the criteria to be capitalised, are expensed and shown in finance costs in the statement of profit or loss and other comprehensive income.

1.10 Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the parent and group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration receivable.

The WDI shared cost contribution is calculated on the basis that the parent company's overhead costs such as employment, vehicles, office expenses and administration is distributed to WDI proportional to the number of shares held over that area.

Parent company overhead costs such as employment, vehicles, office expenses and administration shall be distributed to Waihao Downs Irrigation proportional to the number of shares held over that area.

Irrigation water charges and additional water

Water charges for the parent, Morven Glenavy Ikawai Irrigation Company Ltd, are set by the Board on an annual basis. Water charges were invoiced monthly, except for farmers with less than 10 hectares where charges are invoiced on an annual basis. Additional water is charged on an annual basis at the end of the watering season and is based on water volumes over and above basic allocations.

Water charges for the subsidiary, Waihao Downs Irrigation Ltd, are equal to the parent's spray charges plus other administration costs, insurance and a pump maintenance fee. These invoices were charged monthly. In addition, an environmental levy of \$2 per hectare is payable by irrigators and charged annually at the end of the irrigation season.

Revenue from irrigation charges and additional water is recognised when the significant risks and rewards of ownership have been transferred to the buyer and the recovery of the consideration is probable.

Electricity Recovered

Irrigators on the north extension pressure scheme and Waihao Downs scheme are charged electricity costs on a monthly basis. Revenue from electricity recovered is recognised when the significant risks and rewards of ownership have been transferred to the buyer and the recovery of the consideration is probable.

Rental Income

Revenue from rental of the property at 12 Ruane Street, Glenavy is recognised as it is received over the lease term. The rental of the property is managed by Farmlands Real Estate and the property was rented out during the 2017 year. Subsequently the property has been let to tenants for a further 12 months.

Interest

Interest income comprises interest received and receivable on funds held in interest bearing bank accounts and charged to debtors who have entered into an arrangement for payment of their shares with MGI and is recognised in the profit or loss as it accrues on an effective interest basis.

1.11 Employee Entitlements

A liability for benefits accruing to employees in respect of wages and salaries annual and sick leave is accrued and recognised in the statement of financial position. Short term employee benefits are measured on an undiscounted basis and are expensed as the related services are provided. There are no long term or post employment benefits. All leave is expected to be taken within 12 months of balance date. Contributions to defined contribution schemes are charged to profit or loss in the year that they relate to.

1.12 Share capital

Financial instruments issued by the company are treated as equity to the extent that they do not meet the definition of a financial liability. The company's shares are classified as equity instruments and are recorded when the proceeds are received, net of direct issue expenses.

MORVEN GLENNAVY IKAWAI IRRIGATION COMPANY LIMITED AND GROUP

Notes to the Financial statements

New Standards Effective This Year

NZ IAS 1 (amendment): 'Presentation of Financial Statements' Disclosure Initiative (Amendments to IAS 1)

The NZ IAS 1 (Amendments) standard came into effect this year and the impact of the application is of a disclosure nature only, specifically with the following:

Materiality: The amendments clarify that;

- (1) Information should not be obscured by aggregating or by providing immaterial information.
- (2) Materiality considerations apply to all parts of the financial statements.
- (3) Even when a standard requires a specific disclosure, materiality considerations do apply.

Standards Issued Not Yet Effective

At the date of authorisation of the financial statements of Morven Glenavy Ikawai Irrigation Company Limited and Group for the year ended 31 July 2017, the following Standards were in issue but not yet effective which are applicable to the entity. There are further standards and Interpretations that have been issued, however they are not applicable to the business of the entity and therefore will have no impact on future financial statements.

Standard/Interpretation		Effective Date
NZ IFRS 9 (2014)	<i>Financial Instruments</i>	January 2018
NZ IFRS 15	<i>Revenue from Contracts with Customers</i>	January 2018
NZ IFRS 16	<i>Leases</i>	January 2019

All Standards and interpretations will be adopted at their effective date.

The directors are of the opinion that the impact of the application of the Standards will be as follows:

NZ IFRS 9 (2014) Financial Instruments

NZ IFRS 9 (2014) is the final version of NZ IFRS 9. This version of the Standard replaces the three earlier versions issued in 2009, 2010 and 2013. There are two main differences in this version of the Standard.

- There is an additional category of financial assets called 'fair value through other comprehensive income'. This category is for financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- There has been a change to accounting for the impairment of financial assets. The Standard applies an expected credit loss model (rather than an incurred loss model). The model also applies to commitments to extend credit.

Effective date: Periods beginning on or after 1 January 2018

Management of Morven Glenavy Ikawai Irrigation Company Ltd and Group are yet to fully assess the full impact of the adoption of NZ IFRS 9

NZ IFRS 15 Revenue from Contracts with Customers

The new standard replaces NZ IAS 18, NZ IAS 11 as well as associated NZ IFRICs. NZ IFRS 15 clarifies the principles of revenue recognition and establishes a single framework for revenue recognition. The core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The core principle of NZ IFRS 15 is applied through a five step approach:

1. Identify the contract(s) with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price
5. Recognise revenue when a performance obligation is satisfied.

Additionally, the new requirements add specific guidance for multiple-element arrangements, contract costs and disclosures. The new requirements especially affect entities in the construction, telecommunication, software and real estate industry.

Management of Morven Glenavy Ikawai Irrigation Company Limited and Group are yet to fully assess the full impact of the adoption of NZ IFRS 15.

Effective date: Periods beginning on or after 1 January 2018

NZ IFRS 16 Leases

The main Implications of the new standard on current practice for lessees include:

- ▶ No more operating leases under NZ IFRS 16 (subject certain limited exceptions).
- ▶ All leases (subject certain exceptions) will be capitalised on the balance sheet by recognising a 'right-of-use' asset and a lease liability for the present value of the obligation.
- ▶ No rental expense! i.e. no more straight-line expenses for operating lease costs. All leases will incur a front-end loaded expense, comprising depreciation on the right-of-use asset, and interest on the lease liability.
- ▶ When initially measuring the right-of-use asset and lease liability, non-cancellable lease payments (including inflation-linked payments), as well as payments for option periods which the entity is reasonably certain to exercise, must be included in the present value calculation.

Management of Morven Glenavy Ikawai Irrigation Company Limited and Group are yet to fully assess the full impact of the adoption of NZ IFRS 16.

Effective date: Periods beginning on or after 1 January 2019

2. Property, Plant & Equipment

	2016 Opening Cost	2016 Opening Acc Deprn	2016 Opening Book Value	2016 Additions/ {Disposals}	2016 Gain/(Loss) on Disposal	2016 Closing Cost	2016 Deprn	2016 Closing Acc Deprn	2016 Closing Book Value
MGI									
Land	259,713	-	259,713	5,997	-	265,710	-	-	265,710
Buildings	181,742	39,593	142,149	219,133	-	410,875	195	39,788	371,087
Irrigation Scheme	6,197,652	1,344,356	4,853,296	61,596	-	6,259,248	119,651	1,464,207	4,795,041
Motor Vehicles	185,306	62,420	122,886	76,541	(4,967)	234,831	35,205	75,576	159,255
Automation Plant	782,751	206,365	576,386	36,887	-	819,638	41,383	248,748	570,890
Plant	571,996	392,645	179,351	62,656	(35,850)	595,537	46,868	434,248	161,289
	8,179,160	2,045,379	6,133,781	472,810	(40,817)	8,585,839	242,502	2,262,567	6,323,272
WDI									
Land	-	-	-	216,745	-	216,745	-	-	216,745
Irrigation Scheme	-	-	-	25,804,152	-	25,804,152	-	-	25,804,152
Automation	-	-	-	196,024	-	196,024	-	-	196,024
Plant	-	-	-	105,912	-	105,912	-	-	105,912
Pump Station	-	-	-	4,019,079	-	4,019,079	-	-	4,019,079
	-	-	-	30,341,912	-	30,341,912	-	-	30,341,912
Group Total	8,179,160	2,045,379	6,133,781	30,814,722	(40,817)	38,927,751	242,502	2,262,567	36,665,184
	2017 Opening Cost	2017 Opening Acc Deprn	2017 Opening Book Value	2017 Additions/ {Disposals}	2017 Gain/(Loss) on Disposal	2017 Closing Cost	2017 Deprn	2017 Closing Acc Deprn	2017 Closing Book Value
MGI									
Land	265,710	-	265,710	1,189	-	266,899	-	-	266,899
Buildings	410,875	39,788	371,087	-	-	410,875	8,545	48,333	362,542
Irrigation Scheme	6,259,248	1,464,207	4,795,041	7,750	-	6,266,998	120,803	1,585,010	4,681,988
Motor Vehicles	234,831	75,576	159,255	-	-	234,831	36,523	112,099	122,732
Automation Plant	819,638	248,748	570,890	28,508	-	848,146	44,383	293,131	555,015
Plant	595,537	434,248	161,289	52,179	-	647,716	58,819	493,067	154,649
Capital Works In Progress	-	-	-	425,363	-	425,363	-	-	425,363
	8,585,839	2,262,567	6,323,272	514,989	-	9,100,828	269,073	2,531,640	6,569,188
WDI									
Land	216,745	-	216,745	22,380	-	239,125	-	-	239,125
Irrigation Scheme	25,804,152	-	25,804,152	209,599	-	26,013,751	849,991	849,991	25,163,760
Automation	196,024	-	196,024	-	-	196,024	39,205	39,205	156,819
Plant	105,912	-	105,912	-	-	105,912	31,774	31,774	74,138
Pump Station	4,019,079	-	4,019,079	-	-	4,019,079	254,795	254,795	3,764,284
Capital Works In Progress	-	-	-	54,875	-	54,875	-	-	54,875
	30,341,912	-	30,341,912	286,854	-	30,628,766	1,175,765	1,175,765	29,453,001
Group Total	38,927,751	2,262,567	36,665,184	801,843	-	39,729,594	1,444,838	3,702,405	36,027,189

At reporting date, the carrying amounts of the tangible assets were reviewed to determine whether there is any indication of impairment. No indication of impairment was found and no impairment losses have been recognised. The ANZ bank has a security interest over the WDI assets, see note 9.

3. Capital Works in Progress

Capital works in progress of \$480,238 as at 31 July 2017, relates to various capital expenditure projects associated with the Morven Glenavy Kawai Irrigation and Waiho Downs Irrigation Schemes, including the Lateral 2 and Bells Pond Gates Upgrades and Harrison's Pond Automation and shareholder turnout project. The capital works in progress amounts will be transferred to fixed assets once the related projects are complete (2016: Nil).

4. Intangibles

			Group 2017 \$	Group 2016 \$	Parent 2017 \$	Parent 2016 \$
Resource Consents		Expiry				
Morven Glenavy Kawai Irrigation	CRC041171	2028	-	-	-	-
Morven Glenavy Kawai Irrigation	CRC041626	2039	-	-	-	-
Morven Glenavy Kawai Irrigation	CRC091997	2028	-	-	-	-
Morven Glenavy Kawai Irrigation	CRC093391	2028	-	-	-	-
Morven Glenavy Kawai Irrigation	CRC093392	2028	-	-	-	-
Morven Glenavy Kawai Irrigation	CRC140071	2028	-	-	-	-
Morven Glenavy Kawai Irrigation	CRC140072	2028	-	-	-	-
Morven Glenavy Kawai Irrigation	CRC180498	2028	-	-	-	-
Morven Glenavy Kawai Irrigation	CRC180528	2028	-	-	-	-
Morven Glenavy Kawai Irrigation	CRC180529	2028	-	-	-	-
Morven Glenavy Kawai Irrigation	CRC180530	2028	-	-	-	-
Morven Glenavy Kawai Irrigation	CRC897373	2028	-	-	-	-
Morven Glenavy Kawai Irrigation	CRC897374	2028	-	-	-	-
Morven Glenavy Kawai Irrigation	CRC897375	2028	-	-	-	-
Morven Glenavy Kawai Irrigation	CRC897376	2028	-	-	-	-
Morven Glenavy Kawai Irrigation	CRC897378	2028	-	-	-	-
Morven Glenavy Kawai Irrigation	CRC897380	2028	-	-	-	-
Morven Glenavy Kawai Irrigation	CRC897381D	2028	-	-	-	-
Morven Glenavy Kawai Irrigation	CRC897382	2028	-	-	-	-
Morven Glenavy Kawai Irrigation	CRC897383	2028	-	-	-	-
Morven Glenavy Kawai Irrigation	CRC897384	2028	-	-	-	-
Morven Glenavy Kawai Irrigation	CRC897385	2028	-	-	-	-
Morven Glenavy Kawai Irrigation	CRC897386	2028	-	-	-	-
Morven Glenavy Kawai Irrigation	CRC897387	2028	-	-	-	-
Morven Glenavy Kawai Irrigation	CRC897388	2028	-	-	-	-

Morven Glenavy Ikawai Irrigation	CRC897389	2028	-	-	-	-
Morven Glenavy Ikawai Irrigation	CRC917370	2028	-	-	-	-
Morven Glenavy Ikawai Irrigation	CRC917371	2028	-	-	-	-
Morven Glenavy Ikawai Irrigation	CRC921492	2028	-	-	-	-
Morven Glenavy Ikawai Irrigation	CRC970786	2028	-	-	-	-
Morven Glenavy Ikawai Irrigation	CRC970787	2028	-	-	-	-
Morven Glenavy Ikawai Irrigation	CRC992069	2034	-	-	-	-
Morven Glenavy Ikawai Irrigation	CRC040814	2039	-	-	-	-
Morven Glenavy Ikawai Irrigation	CRC040815	2028	-	-	-	-
Morven Glenavy Ikawai Irrigation	CRC970317	2028	-	-	-	-
Morven Glenavy Ikawai Irrigation	CRC163234	2030	-	-	-	-
Morven Glenavy Ikawai Irrigation	CRC171925	2028	970	-	970	-
Morven Glenavy Ikawai Irrigation	CRC175854	2018	-	-	-	-
Morven Glenavy Ikawai Irrigation	CRC176043	2018	-	-	-	-
Morven Glenavy Ikawai Irrigation	CRC180560	2028	-	-	-	-
Waikato Downs Irrigation	CRC040427	2045	-	-	-	-
Waikato Downs Irrigation	CRC155737	2018	-	-	-	-
Waikato Downs Irrigation	CRC156545	2045	-	-	-	-
Waikato Downs Irrigation	CRC164369	2045	3,002	-	-	-
Waikato Downs Irrigation	CRC180658	2045	-	-	-	-
			<u>3,972</u>	<u>-</u>	<u>970</u>	<u>-</u>

Prior to 2017 resource consents were recognised as a cost of the scheme and capitalised and depreciated over the estimated useful life of the scheme. Resource consents were not split out and recognised separately because of their historic nature which made measuring these unreliable.

From 2017 Resource Consent costs which are associated with a consent of a finite life are recognised at cost, less a write down of amortisation in proportion to the consent life. The amortisation expense on intangible assets with finite lives is recognised as a consent cost in the profit or loss.

During the year consent CRC171925 was purchased at a cost of \$1,058. The useful life of this consent is finite and it has been amortised based on the number of years until it's expiry date (12 yrs SL). The accumulated amortisation at year end was \$88.

During the year consent CRC164369 was purchased at a cost of \$3,109. The useful life of this consent is finite and it has been amortised based on the number of years until it's expiry date (29 yrs SL). The accumulated amortisation at year end was \$107.

5. Cash & Cash Equivalents

		Group 2017	Group 2016	Parent 2017	Parent 2016
	Interest rate	\$	\$	\$	\$
ANZ Cheque Account		358,105	342,225	115,453	144,910
ANZ On-Line Call Account	0.35%	685,807	306,258	683,598	304,049
		<u>1,043,912</u>	<u>648,483</u>	<u>799,051</u>	<u>448,959</u>

6. Trade and Other Receivables

	Group 2017	Group 2016	Parent 2017	Parent 2016
	\$	\$	\$	\$
Total Trade and Other Receivables	<u>737,720</u>	<u>106,643</u>	<u>808,633</u>	<u>120,305</u>
Receivables Due as Follows:				
Not yet due	591,692	81,647	335,136	117,906
Due less than 1 month ago	126,929	20,958	109,292	2,113
Due 2 months ago	18,264	2,796	363,310	45
Due more than 2 months ago	895	241	895	240
	<u>737,720</u>	<u>106,643</u>	<u>808,633</u>	<u>120,305</u>

7. Taxation

	Group 2017	Group 2016	Parent 2017	Parent 2016
	\$	\$	\$	\$
(a) Income Tax Recognition in Profit & Loss				
Net Deficit for the Year before Taxation	(958,799)	(1,739,025)	(5,418,206)	(492,812)
Income Tax Benefit Calculated at 28%	(268,464)	(486,927)	(1,517,098)	(137,987)
Differences:				
Permanent	174,817	28,230	1,475,508	28,230
Deferred Tax associated with timing differences	1,266	(365,306)	1,266	(15,354)
Effect of Unrecognised Tax Benefit	(92,781)	(713,003)	(40,323)	(125,112)
Income Tax Expense	-	-	-	-
(b) Unrecognised Tax Benefit				
Tax Losses Brought Forward (Tax Effect)	(1,101,213)	(388,210)	(439,886)	(314,775)
Net Tax Deficit for the Year at 28%	(92,781)	(713,003)	(40,323)	(325,112)
Tax Losses to Carry Forward	(1,193,994)	(1,101,213)	(480,210)	(439,886)
Tax Charge on Taxable Income	-	-	-	-
(c) Current Tax Assets and Liabilities				
Opening Balance	13,473	33,055	13,396	32,557
Income Tax Paid (Refunded)	(13,452)	(33,034)	(13,396)	(32,557)
Resident Withholding Tax credits	11,500	13,452	11,471	13,396
	(1,952)	(19,582)	(1,925)	(19,161)
Income Tax Receivable	<u>11,521</u>	<u>13,473</u>	<u>11,471</u>	<u>13,396</u>

The total unrecognised tax benefit from tax losses held as at 31 July 2017 is \$1,193,994 (2016: \$1,101,214)

There were no amounts of income tax recognised directly in equity for the financial year ended 31 July 2017 (2016: nil)

(d) Imputation Credit Account

Opening Balance	25,284	43,625	25,228	43,248
Payments/(Receipts) via Inland Revenue	(13,452)	(33,034)	(13,396)	(32,557)
RWT credits attached to Interest Income	11,246	13,230	11,246	13,174
Imputation Credits attached to Dividends Received	1,420	1,241	1,263	1,241
RWT Credits attached to Dividends Received	254	222	225	222
Closing Balance	24,751	25,284	24,566	25,228

(e) Deferred Tax Liabilities

Interest on Capital Works		(238,952)	-	-
Interest Income Accrued	398	(369)	398	(369)
Employee Provisions	868	(14,985)	868	(14,985)
	1,266	(254,306)	1,266	(15,354)

The Group has unrecognised tax losses of \$1,193,994 (2016: \$768,422) which are available to carry forward to offset deferred tax liabilities.

The Group has a deferred tax liability that has arisen on temporary differences. The Group also has tax losses carried forward for which no deferred tax asset has been recognised. The deferred tax asset for losses carried forward has not been recognised as it is not expected that it will be able to be utilised in the near future as the Group is making losses. The deferred tax liability has not been recognised due to the Group having losses carried forward to offset this liability.

8. Shareholder Equity

	Group 2017 \$	Group 2016 \$	Parent 2017 \$	Parent 2016 \$
Ordinary Shares	14,284,046	7,468,767	14,284,046	7,468,767
Unissued Shares - Fully Paid	383,504	6,436,100	383,504	6,436,100
Unissued Shares - Part Paid	358,052	-	358,052	-
Retained Earnings	(3,565,915)	(2,723,655)	(6,664,943)	(1,363,275)
Capital Contribution from Shareholders	-	116,539	-	116,539
Share Issue Costs	(77,000)	(82,287)	(77,000)	(82,287)
Spreading Rights	57,400	-	57,400	-
	11,440,088	11,215,464	8,341,059	12,575,844
Number of Shares Issued				
Opening Balance	23,906	23,906	23,906	23,906
Shares Issued	4,241	-	4,241	-
	28,147	23,906	28,147	23,906
Unissued Shares - 'A' Class				
Opening Balance	4,114	3,844	4,114	3,844
Shares Issued	(3,964)	-	(3,964)	-
Transfer from 'B' Class Shares	3	-	3	-
New shares not yet issued	308	270	308	270
	461	4,114	461	4,114
Unissued Shares - 'B' Class				
Opening Balance	62	62	62	62
Transfer to Spreading Rights	(50)	-	(50)	-
Transfer to 'A' Class Shares	(3)	-	(3)	-
Adjustment Share Type	(9)	-	(9)	-
	-	62	-	62
Total number of shares authorised	28,608	28,082	28,608	28,082

Share capital has been received from future members and from existing members who wish to receive further water from the company. Shares will be issued in due course to these entities when all legal formalities have been completed. Irrigators in the Waihaio Downs Irrigation Scheme will not hold any shares in Waihaio Downs Irrigation Limited but will hold shares in Morven Glenavy (kawa) Irrigation Company Limited.

Share capital was received by Morven Glenavy (kawa) Irrigation Company Limited (MGI) from applicants in the Waihaio Downs Irrigation Scheme (WDI) area and \$5,168,825 of this capital was subsequently loaned to WDI to assist with construction costs of its irrigation scheme. The loan was not expected to be repaid to MGI. The Board resolved at its September 2017 meeting that this intercompany loan as at 31st July 2017 should be repaid and this has been accounted for by way of a loan impairment accordingly.

The company abolished 'B' class shares during the year following a change in the company's constitution. As a result, 50 fully paid unissued 'B' class shares were transferred to 'Spreading Rights' - these rights allow the shareholder to spread water over an additional area. 12 partly paid 'B' class shares were transferred to the equivalent of 3 'A' class shares due to the 'B' class share entitlement.

Capital contributions were received from shareholders in 1997 for the Redcliff upgrade. There was no intention to convert this into shares. During the 2017 year the company recognised the discharging of this historic balance by way of a transfer to retained earnings.

9. Loans and Borrowings

	Group 2017 \$	Group 2016 \$	Parent 2017 \$	Parent 2016 \$
Total term loans	25,912,630	25,547,898	-	-
less current portion	-	-	-	-
Non current portion	25,912,630	25,547,898	-	-
Repayable as follows:				
Between 1 and 2 years	-	-	-	-
Between 2 and 5 years	25,912,630	25,547,898	-	-
Beyond 5 years	-	-	-	-
	25,912,630	25,547,898	-	-

The loans are secured by a registered first ranking General Security Agreement over all the present and after acquired property of Waitao Downs Irrigation Limited. The loans are interest only at BBR 90 day rates plus 1.85% margin fixed on a monthly basis, with the interest only period due to mature 19 December 2017. The interest rates at 31 July 2017 were 3.71% and 3.73%.

During the year the ANZ Bank agreed to extend the interest only period available under the Facility Agreement to 20 August 2018 (previously 20 August 2017).

Interest Rate Swap

The company has entered into the following interest rate swap:

Start Date	Maturity Date	Amount	Interest Rate	2017		2016	
				Mark to Market	Mark to Market		
November 2015	November 2022	9,500,000	3.58%	388,290	786,434		
April 2016	April 2021	5,000,000	2.78%	47,820	154,850		
April 2016	April 2023	5,000,000	3.00%	45,685	247,257		
Unrealised loss on derivative financial instrument					481,795		1,188,541

The group manages its cash-flow interest rate risk by using floating to fixed interest rate swaps. The notional principal amounts of outstanding floating to fixed interest rate swap contracts at 31 July 2017 totalled \$19,500,000 (2016: \$19,500,000). The derivative is used to swap the group's exposure to fair value interest rate risk. The swap item is remeasured to take into account the gain or loss attributed. The swap risk is the change in the fair value of interest rates with gains and losses recognised in the consolidated statement of profit or loss and other comprehensive income.

Under the interest rate swap facility the bank pays interest calculated on a daily balance that is the average NZ dollar Bank Bill Bid rate plus a margin of 1.85%.

10. Accounting Judgements

In the process of applying the company's accounting policies, management has made the following judgements, estimates and assumptions that have the most significant impact on the amounts recognised in these financial statements.

Impairment of Accounts receivable

The company determines whether accounts receivable are impaired on an annual basis and whenever there is an indication of impairment. This requires an estimation of the recoverable amount of accounts receivable. Determining the recoverable amounts of the accounts receivable requires the estimation of the effects of uncertain future events at reporting date. Indicators of impairment include delinquency by a debtor and indications that a debtor will enter bankruptcy. Where there is any evidence of impairment the amount due is written down to the estimated recoverable amount. There was no recognised impairment during the financial year.

Impairment of Plant & Equipment

The company determines whether plant, property and equipment (PPE) are impaired on an annual basis and whenever there is an indication of impairment. This requires an estimation of the recoverable amount of PPE. Determining the recoverable amounts of PPE requires the estimation of the effects of uncertain future events at reporting date. Indicators of impairment include damage to PPE. Where there is any evidence of impairment the amount due is written down to the estimated recoverable amount. There was no recognised impairment during the financial year.

Fair value of investments

The company determines whether shares held in unlisted companies are capable of being reliably measured. Where the investments cannot be reliably tested then the cost price is recorded. Investments were measured at cost during the financial year.

Deferred taxation

The company has decided to disclose deferred tax liabilities in note 7 to the financial statements only. Deferred tax liabilities are not recognised in the financial statements on the basis that accumulated tax losses are available to offset any deferred tax liability for the foreseeable future. In principle, deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which a deferred tax liability can be utilised.

Value of Derivative Financial Liabilities

The value of derivative financial liabilities has been determined using the mark to market calculations provided by the bank. The Directors consider this to be the best estimate of fair value at the reporting date.

11. Contingent Liabilities

At balance date there were no known contingent liabilities (2016: nil).

12. Related Party Transactions

The Directors of the company and Group are land holders receiving water from the company at the same rates as other shareholders. Any transaction between the company and its Directors are at the same rates as other shareholders. No amounts were owing to, or by, the company and Group by Directors at balance date other than in the normal course of business. Related party transactions as follows:

Description of Relationship	2017			2016			
	Transaction Amounts	Payable / Receivable	Terms of Trade	Transaction Amounts	Payable / Receivable	Terms of Trade	
Mr R Murphy is a Director of MGI and of Murphy Farms Limited	Murphy Farms pays a lease for land alongside a company race	379	-	n/a	379	-	n/a
Mr R Murphy is a Director of MGI and of Murphy Farms Limited	MGI paid Murphy Farms for the hire of office facilities while the company office renovations were being completed	-	-	n/a	1,000	-	n/a
Mr R Murphy is a Director of MGI and a partner in the R & M Murphy Partnership	Residential accommodation was rented from R & M Murphy for the General Manager's use	-	-	n/a	1,980	-	n/a
Mr Jon Kirk was a director of WDI during the year and Kirk Irrigation Ltd	MGI holds K Probes for sale to irrigators on consignment for Kirk Farming Ltd	300	-	n/a	-	-	n/a
Mr Jon Kirk was a director of WDI during the year and Kirk Irrigation Ltd	WDI contracted Kirk Irrigation to attend to the supply and installation of the Telemetry of the Irrigation Scheme and to carry out maintenance of Telemetry systems and scheme pumps as required	42,001	11,870	20/08/2017	127,681	1,657	20/08/2016
MGI is a shareholder of Waitaki Irrigators Collective	* MGI pays WIC a contribution to their costs	102,939	-	n/a	120,536	9,172	20/08/2016
MGI is a shareholder of Farmlands	MGI makes monthly purchases with Farmlands for a variety of supplies	46,968	4,514	20/08/2017	167,129	6,378	20/08/2016

* MGI pays WIC a monthly contribution to finance the collective. MGI receives the benefit of the representation of Waitaki Irrigators Collective on a strategic level. All members of the collective pay a share of their costs.

No related party debt was written off or forgiven during the year (2016: nil).

Subsidiary

Share capital was received by Morven Glenavy Ikawai Irrigation Company Limited (MGI) from applicants in the Waitao Downs Irrigation Scheme (WDI) area and \$5,168,825 of this capital was subsequently loaned to WDI to assist with construction costs of its Irrigation scheme. No interest was charged on the advance and the loan was not expected to be repaid to MGI. The Board resolved at its September 2017 meeting that this intercompany loan as at 31st July 2017 should be remitted and this has been accounted for by way of a loan impairment accordingly.

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

	Group 2017 \$	Group 2016 \$	Parent 2017 \$	Parent 2016 \$
R.T.C. Murphy (Chairman)	20,000	20,000	20,000	20,000
G.C. Van't Klooster	15,000	15,000	15,000	15,000
A.R. Gibson	10,000	10,000	10,000	10,000
M.J.F. Hurst	10,000	10,000	10,000	20,000
M.A. Jensen	10,000	10,000	10,000	10,000
R.J. Smith	10,000	10,000	10,000	10,000
D.G. Ellis	5,000	-	5,000	-
R.T.C. Murphy (W/D)	-	7,500	-	-
J.C. Kirk (W/D)	-	5,000	-	-
Total Directors Fees	80,000	87,500	80,000	75,000

Key management personnel short term employee benefits for the year were \$170,940 (2016: \$134,800). This includes a salary, employer Kiwisaver contributions and vehicle benefits. There were no post employment, termination or other long term benefits or share-based payments.

13. Capital Commitments

During the 2017 year Morven Glenavy Ikwai Irrigation commenced work on an upgrade of Lateral 2 with an anticipated project cost of \$637,888. As at 31 July 2017 \$343,893 has been spent on this project which is recorded as Capital Works in Progress. An agreement has been made with the shareholder concerned that the company will recoup up to \$65,000 of this cost, with the value to be determined at the end of the project. Similarly, the company commenced work on the Bells Pond Gates Upgrade and spent \$81,470 to 31 July 2017, recognised as Capital Works in Progress. A further \$27,560 is to be spent on this project. Waihao Downs Irrigation is committed to the settlement sum of \$12,702 to complete the purchase of the land for Baylyn Pond. This is to be paid in September 2017. During the 2017 year Waihao Downs Irrigation commenced work on the supply and installation of automation and control for meters and gates at Harrison's Pond. \$53,866 has been spent to 31 July 2017 and is recorded as Capital Works in Progress. Additional costs anticipated to complete this project are \$13,000 approx. A shareholder turnout project had cost \$1,009 as at balance date and is represented as Capital Works in Progress. The company is committed to the completion of this project as weather allows. (2016: Waihao Downs Irrigation had committed to construction of an irrigation scheme at a budgeted cost of \$31,998,085 with approximately \$30,300,000 spent as at 31 July 2016).

14. Term Deposits

The company has the following funds invested

Term deposits 2017

\$500,000 ANZ Bank receiving interest at 3.60% per annum. Term 271 days due to mature 11th September 2017
 \$200,000 ANZ Bank receiving interest at 3.25% per annum. Term 182 days due to mature 25th September 2017

Term deposits 2016

\$ 24,729 ANZ Bank receiving interest at 3.85% per annum. Term 12 months due to mature 1st August 2016
 \$500,000 ANZ Bank receiving interest at 3.60% per annum. Term 6 months due to mature 15th August 2016
 \$200,000 ANZ Bank receiving interest at 3.22% per annum. Term 6 months due to mature 26th September 2016
 \$500,000 ANZ Bank receiving interest at 3.16% per annum. Term 6 months due to mature 14th December 2016

15. Retentions

The defect liability retentions relating to the construction of the Waihao Downs Irrigation Scheme became payable upon issue of the Final Completion Certificate which was issued in February 2017. Retentions of \$250,000 were paid out on 13 March 2017 so that no retentions were outstanding as at 31st July 2017 (2016: \$250,000).

16. Employee Entitlements

Employee entitlements consist of:

	Group 2017 \$	Group 2016 \$	Parent 2017 \$	Parent 2016 \$
Annual Leave	31,866	27,604	31,866	27,604
Lieu Days	13,382	20,652	13,382	20,652
Sick Leave	33,239	32,955	33,239	32,955
Holiday Pay	17,873	20,680	17,873	20,680
Accrued Wages	24,196	21,764	24,196	21,784
	120,556	123,656	120,556	123,656

All employee entitlements are short-term.

17. Investments

	Group 2017 \$	Group 2016 \$	Parent 2017 \$	Parent 2016 \$
Farmlands	4,490	4,490	4,490	4,490
Waiaki Irrigators Collective Ltd	2,000	2,000	2,000	2,000
	6,490	6,490	6,490	6,490

Waiaki Irrigators Collective Ltd is an unlisted company. The investment is stated at cost because fair value can not be reliably measured.

18. Financial Instruments

18.1 Credit Risk

Where the group has a receivable from another party there is a credit risk in the event of non-performance by that party. Financial instruments which potentially subject the group to risk principally consist of bank balances, account receivables and advances.

The Directors manage the groups credit risk exposure to minimise losses from bad debts through monitoring the credit quality of its counterparties. The Directors do not anticipate non-performance by counterparties. The Groups exposure to credit risk is minimised as the Group only deals with shareholder members regarding the supply of water. The maximum exposure to credit risk at balance date is the carrying amounts of the financial assets.

	Group 2017 \$	Group 2016 \$	Parent 2017 \$	Parent 2016 \$
Cash and Cash Equivalents	1,043,912	648,483	799,051	448,959
Term Deposits	700,000	1,224,729	700,000	1,224,728
Trade and Other Receivables	737,720	106,643	808,633	120,305

Due to their short-term nature, the carrying value of cash and cash equivalents, term deposits, and trade and other receivables approximates their fair value.

All cash and cash equivalents are held with ANZ which has a Standards and Poor's AA- (Outlook Stable) credit rating.

The parent and group do not have any significant concentration of credit risk with Trade and other Receivables. The aging of receivables is shown in note 6.

18.2 Financial Instruments by category

	Loans and Receivables		Available for sale		Loans and Receivables		Available for sale	
	Group	Group	Group	Group	Parent	Parent	Parent	Parent
	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets								
Cash and Cash Equivalents	1,043,912	648,483	-	-	799,051	448,959	-	-
Term Deposits	700,000	1,224,729	-	-	700,000	1,224,728	-	-
Trade and Other Receivables	737,720	106,643	-	-	808,633	120,305	-	-
Equity Investments	-	-	6,490	6,490	-	-	6,490	6,490
	<u>2,481,632</u>	<u>1,979,854</u>	<u>6,490</u>	<u>6,490</u>	<u>2,307,685</u>	<u>1,793,992</u>	<u>6,490</u>	<u>6,490</u>
	Financial liabilities at fair value through profit or loss		Financial liabilities at amortised cost		Financial liabilities at fair value through profit or loss		Financial liabilities at amortised cost	
	Group	Group	Group	Group	Parent	Parent	Parent	Parent
	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$
Financial liabilities								
Trade & Other Payables	-	-	622,476	367,803	-	-	479,897	232,843
Loans & Borrowings	-	-	25,912,630	25,547,898	-	-	-	-
Derivative Financial Liability	481,795	1,188,542	-	-	-	-	-	-
Retentions	-	-	-	250,000	-	-	-	-
	<u>481,795</u>	<u>1,188,542</u>	<u>26,535,106</u>	<u>26,165,701</u>	<u>-</u>	<u>-</u>	<u>479,897</u>	<u>232,843</u>

18.3 Liquidity Risk

Liquidity risk is the risk that the parent and group will experience difficulty in raising sufficient funds to meet contractual obligations as they fall due. The group has sufficient cash on hand to meet its contractual obligations associated with financial liabilities as they fall due. Liquidity risk is continuously monitored.

Maturity Analysis

The following table analyses the parent and groups financial liabilities by the relevant contractual maturity groupings based on the remaining period of liability.

<u>Parent</u>	Carrying Amount	Contractual Cash flow	0 - 1 years	1 - 2 years	2 - 5 years	5 + years
Financial Liabilities 2016						
Trade & Other Payables	233,263	232,843	232,843	-	-	-
Financial Liabilities 2017						
Trade & Other Payables	479,897	479,897	479,897	-	-	-
Group						
	Carrying Amount	Contractual Cash flow	0 - 1 years	1 - 2 years	2 - 5 years	5 + years
Financial Liabilities 2016						
Trade & Other Payables	367,803	367,803	367,803	-	-	-
Derivative Financial Liability	1,188,542	1,188,542	1,188,542	-	-	-
Loans & Borrowings	25,547,898	28,743,940	853,400	1,065,347	26,825,193	-
Retentions	250,000	250,000	250,000	-	-	-
	<u>27,354,243</u>	<u>30,550,285</u>	<u>2,650,745</u>	<u>1,065,347</u>	<u>26,825,193</u>	<u>-</u>
Financial Liabilities 2017						
Trade & Other Payables	622,476	622,476	622,476	-	-	-
Derivative Financial Liability	481,795	481,795	481,795	-	-	-
Loans & Borrowings	25,912,630	26,386,915	26,386,915	-	-	-
Retentions	-	-	-	-	-	-
	<u>27,016,901</u>	<u>27,491,186</u>	<u>27,491,186</u>	<u>-</u>	<u>-</u>	<u>-</u>

18.4 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group's income and carrying value of its financial instruments.

Interest rate risk

The group and parent has exposure to interest rate risk to the extent that it borrows or invests for a fixed term at fixed rates.

Sensitivity Analysis

The sensitivity to the group on profit and equity for a change in interest rates of +/- 1%, as follows:

	2017	2016
1% increase in borrowing interest rates	259,126	255,479
1% decrease in borrowing interest rates	(259,126)	(255,479)

A 1% movement is illustrated as a base so that any multiplication of this movement is easily calculated. 1% is determined as fair based on current economic conditions.

Currency Risk

All transactions are recorded in New Zealand Dollars. The group has been involved with foreign currency transactions relating to payment for the development of electronic software systems by an Australian firm. Minor transactions relating to software updates have taken place with payment by way of credit card recorded in NZ dollars. The group therefore has nominal exposure to currency risk.

19. Capital Management

The group's capital includes share capital, reserves, and retained earnings. The group's policy is to maintain a strong capital base so as to maintain shareholder, creditor and customer confidence and to sustain the future development of the business. The company recognises the need to maintain a strong balance sheet. The group does not have intentions to pay dividends to its shareholders in the next 12 months.

20. Reconciliation of operating cash flows to operating profit

	Group 2017 \$	Group 2016 \$	Parent 2017 \$	Parent 2016 \$
Profit / (Loss) after Income Tax	(958,799)	(1,739,026)	(5,416,206)	(492,812)
Non-cash items				
- Add depreciation	1,444,838	242,502	269,073	242,502
- Add loss on disposal of fixed assets	-	40,817	-	40,817
- Add loan impairment	-	-	5,168,825	-
- Add employee entitlements	-	23,046	-	23,046
- Add unrealised loss - derivative instrument	(706,747)	1,188,542	-	-
- Less supplier rebate	-	(60)	-	(60)
Accruals				
Increase in accruals	35,865	50,303	47,492	4,847
add taxes refunded	13,451	33,034	13,396	32,557
deduct withholding tax	(11,500)	(13,452)	(11,471)	(13,396)
Increase/decrease in creditors	(67,646)	140,720	(71,377)	58,271
Increase / decrease in debtors	(80,832)	(91,847)	(304,996)	(91,847)
GST Differences	(2,196)	117,794	(13,682)	113,183
Net Cash flow from Operating Activities	(332,766)	(7,827)	(120,946)	(82,892)

21. Independent Auditors

BDO Christchurch are the independent Auditors of MGI. The 2017 Audit fees of \$16,590 consist of: (i) Audit Fees payable to BDO Christchurch in respect of the 2017 financial statements of \$14,000. (ii) Audit fees of \$23,090 were paid to BDO Christchurch for the 2016 year and these fees were under accrued in the 2016 financial reports by \$2,590. No other services were provided by BDO Christchurch and no other payments were made to them.

22. Subsequent Events

The board are currently in discussion to provide a loan to Waihao Downs up to \$300,000.

The Directors have decided to commence the collection of capital contribution payments of \$10 per ha per month from the Waihao Downs Irrigation Irrigators from October 2017, to be applied to the ANZ term loan debt as and when appropriate.

23. Investments in Subsidiary

	Parent 2017 \$	Parent 2016 \$
Waihao Downs Irrigation Ltd	7,000	4,777,350
	<u>7,000</u>	<u>4,777,350</u>

Waihao Downs Irrigation Limited became a fully owned subsidiary of Morven Glenavy Ikawal Irrigation Company Limited in June 2014.

MGI received share capital from applicants in the Waihao Downs Irrigation Scheme area and of this \$5,168,825 was advanced to Waihao Downs Irrigation Limited (2016: \$4,777,350) to assist with construction costs of an irrigation scheme. This advance was not expected to be repaid. Following the passing of tax legislation (Taxation (annual rates for 2016-17, closely held companies and remedial matters) Act 2017) which came into law 30 March 2017, the Board resolved at its September 2017 meeting that this intercompany loan as at 31st July 2017 should be remitted and accounted for as a loan impairment accordingly.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MORVEN GLENNAVY IKAWAI IRRIGATION COMPANY LIMITED AND GROUP**

Opinion

We have audited the consolidated financial statements of Morven Glenavy Ikawai Irrigation Company Limited ("the Company") and its subsidiary (together, "the Group"), which comprise the consolidated statement of financial position as at 31st July 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31st July 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") issued by the New Zealand Accounting Standards Board.

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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Directors' Responsibilities for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

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.

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 Warren Johnstone.



BDO Christchurch
Christchurch
New Zealand
20 November 2017