MORVEN GLENAVY IKAWAI
IRRIGATION COMPANY LIMITED AND GROUP

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2020

2020 Annual General Meeting

Chairman's Report

The irrigation scheme continues to operate effectively by delivering water to shareholders in a timely and ever efficient manner. Our scheme operators make every effort possible to ensure that maintenance, both planned and unplanned, does not disrupt the supply to your businesses. For that reason our supply reliability remains to be a strength of our company. We are extremely fortunate to have a dedicated and reliable operation team and I wish on your behalf to acknowledge and thank them for their efforts.

Aside from irrigation water, MGI delivers an Environmental and administration service to our shareholders. We have been involved in the Environmental space for some time now as a case of necessity. This is an area that continues to grow in time and complexity and for that reason we are continuing to provide value to shareholders by administering farm plans and assisting farmers with advice and support so they can meet the threshold of good environmental practice. Alongside Judith we have recently employed Grace Baldwin to assist in this area. The environmental regulatory framework continues to evolve and we will continue to adapt our service provision to suit the increased obligations.

The granting of the Nutrient Discharge Permit (CRC184153) has still proven to be elusive. Work on this application has at timed consumed a large amount of our staff and Directors time. Although we still do not have the new consent we believe we have made some progress and there is an end in sight. While the consent application is in process our farmers are legally compliant.

COVID-19 was a game changer for a large part of NZ. We were deemed to be an essential service and were able to continue to operate with just a few minor changes to the norm.

Although we are only a small business, the value in what we deliver to your businesses is many times greater. For MGI to do this effectively we need and are fortunate to have staff with the ability and expertise to perform their duties as required. As an employer, it is important that we maintain continuity and avoid unnecessary staff turnover. In respect of that I wish to acknowledge the service length time of some of our longest serving staff members; Judith 6yrs Davey 5.5yrs Craig 5yrs Matt 4yrs Helen 3.5yrs.

Tonight, we have Martin Jenson and Robert Smith retiring from the Board of Directors after service of 9 and 21 year's respectively. I wish on behalf of all shareholders to acknowledge the contribution these two men have made and thank them for their input and engagement. Both Marty and Robert have been part of an almost revolutionary time where irrigation scheme operation and management has moved into a totally different space to where it was just a short time ago.

I wish to welcome Kieran Henshaw and Bruce Murphy to the Board and congratulate them on their appointments. You will both bring useful skills and attributes to the table. To be successful we continually need enthusiastic and dedicated people to perform these roles and I thank you for putting your name forward.

Alan Gibson
Chairman

2020 Annual General Meeting

CEO's Report

We have had a good year financially, with a budget surplus being realised for the financial year ending 31 July 2020, assisted by lower than forecast interest rates. With MGI now having a debt facility, the Board has decided to move away from carrying term deposits as a "rainy day fund" because that cash is better employed to avoid borrowing and therefore reducing the interest costs. This change is not particularly evident in the FY20 financial statement as the strategy has primarily been executed in the second half of 2020.

Because MGI has more than 50 shareholders and we issue shares, we are classed as a reporting entity for the purposes of the Financial Reporting Act 2013. As a result we are required to engage qualified auditors like BDO and to produce an IFRS-level annual financial statement. Unfortunately, this international reporting standard makes the MGI financial statement very hard to follow, particularly as we report at Group level which means the consolidated figures for MGI and WDI. To relate the consolidated figures in the FY20 Financial Statement to each Company entity and also performance against budget, I have created a summary in Table 2. The key points worth noting are:

- The MGI group made a cash surplus of $301,134 relative to budget and before depreciation. This surplus is attributable to close management of expenses and lower interest rates. The surplus has assisted to keep annual fees unchanged and to avoid borrowing.

- Interest costs for MGI were only $65,621 compared with budget of $122,352.

- WDI finished FY20 almost exactly on budget.

The Government has introduced its National Policy Statement and National Environmental Standards for Fresh Water and this has further increased our compliance workload. This Government initiative has also sent Environment Canterbury into a tailspin as they also have to deal with a significant burden of planning changes. It is more important than ever that our farmers strive for the highest level of environmental performance possible otherwise it erodes the MGI co-operatives ability to address the latest challenges. We are not sure that shareholder farmers appreciate that MGI is not responsible for the all the environmental regulation that is being handed down, or the value that MGI delivers by dealing with a lot of it before it hits the farm gate. To address this, we have prepared a special presentation for the AGM that outlines the origin of various regulation and the services that MGI provides.

The MGI scheme-wide nutrient discharge permit (CRC184153) has still not been granted, after nearly 3-years since the application was made. We have worked very hard on this resource consent and managed to reach agreement with ECan on most of the important consent conditions, particularly the consent nutrient load. Because ECan have not actually granted the consent yet we have been unable to inform farmers of the consent load for their individual farms. As summarised in Table 1 below, we are confident that the consent load will deliver adequate headroom to operate in most cases.

As we understand it from ECan, the outstanding issues that we are still trying to resolve so that the consent can be granted are:

- Scheme monitoring plan – MGI is seeking to reduce some of the water quality monitoring burden, which currently could cost us $27,000 per year with a risk of it growing to $69,000 per year.

- Annual EMS Audit – Ecan want us to start auditing the Company environmental management system, which would be a new requirement that will cost around $6,000 per year. We do not think another audit is necessary or warranted.

- Community Drinking Water Management – Ecan want MGI take responsibility for the community drinking water infrastructure, something we have no mandate over or ownership of. MGI is seeking to relax this condition to consider the effects on drinking water supplies only.

Table 1: Potential CRC184153 consent nitrogen load compared with assessment of actual present-day loads.

	Potential Consent Load (tN/year)	2020 Load (tN/year)	Calculated Headroom (tN/year)
Greater Waikakahi Zone	475.3	341.4	133.9
Valley and Tributaries	283.6	174.6	109.1
Whitneys Creek Zone	421.1	280.7	140.4
Waihao Wainono Area	174.8	199.1	-24.3
Morven Sinclairs Area	657.7	580.7	77.0
Northern Streams Area	1.4	1.4	0.0
Total	**2014.0**	**1577.9**	**436.0**

Craig Evans
General Manager

MORVEN GLENAVY IKAWAI IRRIGATION COMPANY LTD

Table 2 Restructured Summary of Profit & Loss with EBITDA and budget comparison (derived from FY20 Financial Statement).

	Group FY20 Actual $	MGI (Parent) FY20 Actual $	Waihao Downs FY20 Actual $	Parent (MGI) FY20 Budget $	Waihao Downs FY20 Budget $
Revenue					
Irrigation Water Charges	$1,853,323	$1,574,849	$278,474	$1,552,067	$181,095
Additional Water	$45,562	$45,562		$0	$0
Recoveries	$1,762,784	$139,754	$1,623,030	$320,742	$1,912,603
Other Income	$469,813	$10,050	$459,763	$44,530	$464,920
Total Revenue	**$4,131,482**	**$1,770,215**	**$2,361,267**	**$1,917,339**	**$2,558,618**
Less Expenses					
Operating	$958,894	$442,458	$516,436	$694,300	$627,842
Administration	$1,111,298	$938,318	$172,981	$1,055,687	$205,157
Total Expenses	**$2,070,192**	**$1,380,775**	**$689,417**	**$1,749,987**	**$832,999**
Earnings before Loan Interest, Tax, Depreciation and Amortization	**$2,061,290**	**$389,440**	**$1,671,850**	**$167,352**	**$1,725,619**
Depreciation	$1,441,078	$368,889	$1,072,189		
Profit/(Loss) before Net Financing and Tax	**$620,212**	**$20,551**	**$599,661**		
Changes in Cash Flow					
Interest Cost	$1,323,811	$65,621	$1,258,191	$122,352	$1,313,171
Principal Cost	$456,060	$0	$456,060	$0	$456,060
Other Net Costs (Income)	-$(19,965)	-$(10,965)	-$(9,000)		
Net Cash Increase (Decrease) during the year	**$301,384**	**$334,784**	**-$(33,400)**	**$45,000**	**-$(43,612)**

MORVEN GLENAVY IKAWAI
IRRIGATION COMPANY LIMITED AND GROUP

Directory

Directors
A.R. Gibson (Chairman)
D.G. Ellis
H.M. Hellewell
M.J.F. Hurst
M.L. Jensen
R.J. Smith
G.C. Van't Klooster

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 GLENAVY IKAWAI
IRRIGATION COMPANY LIMITED AND GROUP

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MORVEN GLENAVY IKAWAI
IRRIGATION COMPANY LIMITED AND GROUP
Directors Report

The Board of Directors present their Annual Report including consolidated financial statements of the Company and Group for the year ended 31 July 2020.

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

No Director's acquired shares during the year.

No Director's disposed of shares during the year.

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.

No other person held the office of MGI Director at any time during the year.

Schedule of Directors Shareholding as at 31 July 2020

Director	Shareholder	No.Shares
G.C. Van't Klooster	Tawai Family Trust	564 shares
	RUA Farming Company Ltd	371 shares
	Van't Klooster Farms Ltd	382 shares
	Bosterra Ltd	378 shares
R.J. Smith	Papamoa Enterprises Ltd	612 shares
M.J.F Hurst	Waterstone Farm Limited	277 shares
D.G. Ellis	Ellis-Lea Farms 2000 Ltd	270 shares
A.R. Gibson	Lynburn Dairy Ltd	180 shares
H.M. Hellewell	Hellewell Family Tust	65 shares

There is one employee of the Company who is not a Director and whose remuneration and benefits exceeded $100,000 during the financial year. The range is $190,000 to $200,000. 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 $5,000,000.

Dividends

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

Director

Director

Dated: 25 November 2020

MORVEN GLENAVY IKAWAI
IRRIGATION COMPANY LIMITED AND GROUP
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 July 2020

	Note	2020 $	2019 $
Operating Revenue			
Irrigation Water Charges		**1,853,323**	1,733,776
Additional Water		**45,562**	41,200
Recoveries	2	**1,762,784**	1,666,767
Total Operating Revenue		**3,661,669**	3,441,742
Other Income	2	**469,813**	643,503
TOTAL INCOME		**4,131,482**	4,085,245
Less Expenses			
Operating	2	**2,399,972**	2,488,611
Administration	2	**1,111,493**	1,023,712
Total Expenses		**3,511,465**	3,512,323
Profit / (Loss) Before Net Financing and Tax		**620,017**	572,922
Finance Income	2	**11,272**	28,610
Finance Costs	2	**(1,992,873)**	(1,807,062)
Net Finance Costs		**(1,981,601)**	(1,778,452)
Profit / (Loss) Before Tax		(1,361,584)	(1,205,530)
Income Tax Expense	7	-	-
Net Profit / (Loss)		**(1,361,584)**	(1,205,530)
Other Comprehensive Income		-	-
Total Comprehensive Income		**(1,361,584)**	(1,205,530)

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

BDO Christchurch

MORVEN GLENAVY IKAWAI
IRRIGATION COMPANY LIMITED AND GROUP
Consolidated Statement of Changes in Equity
For the Year Ended 31 July 2020

	Note	**Ordinary Shares $**	**Spreading Rights $**	**Capital Contributions $**	**Capital Reserves**	**Accumulated Losses $**	**Total Equity $**
Balance at 1 August 2018		**15,507,228**	**57,400**	**135,765**	**792**	**(4,717,983)**	**10,983,202**
Net Profit after Income Tax		-	-	-	-	(1,205,530)	(1,205,530)
Total Comprehensive Income		-	-	-	-	**(1,205,530)**	**(1,205,530)**
Transactions with owners in their capacity as owners							
Shares Issued		484,913	-	-	-	-	484,913
Share Advance Transferred	8	135,765	-	(135,765)	-	-	-
Cash received on shares not yet issued	8	(441,095)	-	-	-	-	(441,095)
		179,583	-	(135,765)	-	-	43,818
Balance at 31 July 2019		**15,686,811**	**57,400**	-	**792**	**(5,923,513)**	**9,821,490**
Balance at 1 August 2019		**15,686,811**	**57,400**	-	**792**	**(5,923,513)**	**9,821,490**
Net Profit after Income Tax		-	-	-	-	(1,361,584)	(1,361,584)
Total Comprehensive Income		-	-	-	-	**(1,361,584)**	**(1,361,584)**
Transactions with owners in their capacity as owners							
Shares Issued		9,000	-	-	-	-	9,000
Balance at 31 July 2020		**15,695,811**	**57,400**	-	**792**	**(7,285,097)**	**8,468,906**

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

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MORVEN GLENAVY IKAWAI
IRRIGATION COMPANY LIMITED AND GROUP
Consolidated Statement of Financial Position
As at 31 July 2020

	Note	2020 $	2019 $
Current Assets			
Cash and Cash Equivalents	5	**1,070,713**	769,579
Term Deposits	14	**300,000**	300,000
Trade and Other Receivables	6	**188,474**	206,866
Prepayments		**87,881**	108,379
Interest Accrued		**2,087**	999
GST Receivable		**45,989**	130,941
Taxation Refundable	7	**3,010**	6,213
		1,698,154	1,522,977
Non-Current Assets			
Property, Plant & Equipment	3	**39,522,494**	37,263,035
Intangibles	4	**3,493**	3,688
Investments	13	**6,611**	6,611
		39,532,598	37,273,334
TOTAL ASSETS		**41,230,751**	38,796,311
Current Liabilities			
Trade & Other Payables		**740,350**	687,052
Employee Entitlements	15	**131,693**	97,571
Accrued Expenses		**178,849**	84,508
Environmental Levy Fund		**4,122**	4,122
Current Portion - Loans & Borrowings	9	**5,470,863**	25,301,340
Current Portion - Derivative Financial Liability	9	**420,298**	376,546
		6,946,176	26,551,140
Non-Current Liabilities			
Loans & Borrowings	9	**24,359,641**	1,592,962
Derivative Financial Liability	9	**1,456,029**	830,719
		25,815,670	2,423,681
TOTAL LIABILITIES		**32,761,845**	28,974,821
Shareholders' Equity	8		
Ordinary Shares		**15,695,811**	15,686,811
Accumulated Losses		**(7,285,097)**	(5,923,513)
Capital Reserves		**792**	792
Spreading Rights	8	**57,400**	57,400
		8,468,906	9,821,490
TOTAL EQUITY AND LIABILITIES		**41,230,751**	38,796,311

For and on behalf of the Board;

Director

Director

Dated: 25 November 2020

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

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MORVEN GLENAVY IKAWAI
IRRIGATION COMPANY LIMITED AND GROUP
Consolidated Statement of Cash Flows
For the year ended 31 July 2020

	Note	2020 $	2019 $
Cash Flows from Operating Activities			
Cash was provided from -			
Receipts from Customers		**3,423,475**	3,038,510
Interest Recovered		**1,215,977**	1,250,878
Interest Received		**6,428**	18,160
Dividends Received		**3,495**	10,036
Rental Property Income		**675**	2,624
Taxation Refunded		**5,264**	6,013
GST Receipts		**361,746**	106,703
		5,017,060	4,432,924
Cash was applied to -			
Payment to Employees		**645,019**	643,805
Payments to Suppliers		**1,576,057**	1,727,914
Interest Expense		**1,235,647**	1,264,615
Taxation Payments		**1,800**	5,085
		3,458,523	3,641,419
Net Cash Inflow (Outflow) from Operating Activities	18	**1,558,538**	791,505
Cash Flows from Investing Activities			
Cash was provided from -			
Disposal of Investments		-	200,000
		-	200,000
Cash was applied to -			
Purchase of Property, Plant & Equipment		4,212,466	2,769,553
		4,212,466	**2,769,553**
Net Cash Outflow from Investing Activities		**(4,212,466)**	(2,569,553)
Cash Flows from Financing Activities			
Cash was provided from -			
Issue of Shares		**9,000**	43,815
Drawdown of loans	9	**3,402,122**	1,592,962
		3,411,122	1,636,777
Cash was applied to -			
Loan Repayments	9	**456,060**	114,462
		456,060	114,462
Net Cash Inflow from Financing Activities		**2,955,062**	1,522,315
Net Cash Increase (Decrease) During the Year		**301,134**	(255,733)
Cash and Cash Equivalents at 01 August		**769,579**	1,025,312
Cash and Cash Equivalents at 31 July	5	**1,070,713**	769,579

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

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MORVEN GLENAVY IKAWAI
IRRIGATION COMPANY LIMITED AND GROUP
Notes to the Financial Statements
For the year ended 31 July 2020

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, and is a FMC entity in terms of the Financial Markets Conduct Act 2013. 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 2020 financial information reported consolidates the two companies results. For the purposes of complying with generally accepted accounting practice in New Zealand (NZ GAAP), the Group is a for-profit entity.

The directors authorised the financial statements for issue on 25 November 2020.

Basis of preparation

These financial statements have been prepared in accordance with NZ GAAP. They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), International Financial Reporting Standards and the requirements of the Financial Markets Conduct Act 2013.

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.

New standards effective from 01 August 2019.

NZ IFRS 16 Leases (NZ IFRS 16), note 1.14
NZ IFRIC 23 Uncertainty over Income Tax Treatments (NZ IFRIC 23), note 1.14

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 in note 10.

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 functional currency of the company and its subsidiary. 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 the impairment of plant and equipment, deferred taxation and the value of derivative financial liabilities, as described in note 10.

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MORVEN GLENAVY IKAWAI
IRRIGATION COMPANY LIMITED AND GROUP
Notes to the Financial Statements
For the year ended 31 July 2020

COVID-19

COVID-19 has harshly impacted many economies around the world over the last nine months. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. The duration and extent of the impact of the COVID-19 outbreak, as well as the effectiveness of government and central bank responses, remains unclear at this time. The Directors consider it not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the company for future periods. COVID-19 might have some impact on the measurement of some assets and liabilities and require disclosure in future reporting periods, but the Directors have considered the consequences of COVID-19 and other events and conditions and determined that they do not create a material impact on the entity's ability to continue as a going concern because the company and the supply of water to shareholders (themselves an essential service) has been classified as an essential service and accordingly no adjustments have been recorded in these financial statements as a result of COVID-19.

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.

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 WDI Irrigation Scheme 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 y SL
Irrigation Scheme (WDI)	25 yrs - 50 y	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.

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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 are identifiable binding arrangements which include Resource Consents that have been amortised between 10-28 years, as described in note 4.

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 property, plant and equipment and intangible 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. The statement of cash flows is inclusive of GST.

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 assets

The group classifies its financial assets into one of the categories below, depending on the purpose for which the asset was acquired. Other than financial assets in a qualifying hedging relationship, the group's accounting policy for each category is as follows:

Amortised cost

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

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within NZ IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's financial assets measured at amortised cost comprise trade and other receivables, term deposits, interest accrued and cash and cash equivalents in the consolidated statement of financial position.

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, and - for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

Financial Liabilities

The group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

The group's accounting policy for each category is as follows:

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 company does not hold or issue derivative instruments for speculative purposes, but for economic hedging purposes. Other than these derivative financial instruments, the company does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

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Other Financial Liabilities

Other financial liabilities include the following items:

Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs, as well as any interest payable while the liability is outstanding.

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value net of transaction costs and subsequently carried at amortised cost using the effective interest method.

1.9 Borrowing Costs

Borrowing costs are capitalised when they are directly attributable to the acquisition, construction 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 company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration receivable.

Irrigation water charges and additional water

Revenue from irrigation water charges are recognised on a point-in-time basis in 12 instalments over the year. Irrigators receive and consume irrigation water as the company provides the water to them. By balance date, all of the irrigation water charges for the season have been charged to the shareholders and recognised in the accounts.

Electricity Recovered

Irrigators on the Morven Glenavy Ikawai Irrigation scheme and Waihao Downs scheme are charged electricity costs on a monthly basis. Electricity charges are based on shareholding for the fixed electricity charges and by water used for the variable charges.

1.11 Other Income

Rental Income

Land operating leases for grazing of $775 was recognised in the year the service was provided.

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.

1.12 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 post-employment benefits and charged to profit or loss in the year that they relate too.

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1.13 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 companies shares are classified as equity instruments and are recorded when the proceeds are received, net of direct issue expenses. Shares are issued to shareholders upon full payment.

1.14 New Standards Effective This Year

New standards impacting the company that have been adopted in the financial statements for the year ended 31 July 2020, these include:

NZ IFRS 16 Leases
NZ IFRIC 23 Uncertainty over Income Tax Positions

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

NZ IFRS 16 Leases

Effective 1 August 2019, NZ IFRS 16 has replaced NZ IAS 17 Leases and NZ IFRIC 4 Determining whether an arrangement contains a lease. NZ IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. NZ IRFS 16 substantially carries forward the lessor accounting in NZ IAS 17, with the distinction between operating leases and finance leases being retained. The company adopted NZ IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application 1 August 2019, without restatement of comparative figures. The company elected to apply the practical expedient to not reassess whether a contract is or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under NZ IAS 17 and NZ IFRIC 4 were not reassessed. The definition of a lease under NZ IFRS 16 was applied only to contracts entered into or changed on or after 1 August 2019.

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

(a) Apply a single discount rate to a portfolio of leases with reasonably simialr characteristics:

(b) Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if NZ IFRS 16 had been applied since the commencement date: and

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

As a lessee, the company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substanially all of the risks and rewards of ownership. Under NZ IFRS 16, the company recognizes right-of-use assets and lease liabilities for most leases. However the company may elect not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new, or for short-term leases with a lease term of 12 months or less.

The total cash outflow for the photocopier lease in the year to 31 July 2020 was $2,540. At the date of adoption of IRFS 16 the company elected not to recognise the right-of-use asset and the lease liability under the low value assets provisions.

The group is a lessor and a lessee. There was no impact on the group as a result of the adoption of NZ IFRS 16.

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NZ IFRIC 23 Uncertainty over Income Tax Positions

NZ IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretations requires:

(a) The company to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution:

(b) The company to determine if it is probable that the tax authorities will accept the uncertain tax treatment: and

(c) If it is not possible 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.

The company elected to apply NZ IFRIC 23 retrospectively with the cumulative effect recorded in retained earnings as at the date of initial application, 1 August 2019. The adoption of NZ IFRIC 23 resulted in no change to the financial statements.

1.15 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 2020, 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.

NZ IAS 1 and NZ IAS 8 Definition of material (amendments to NZ IAS 1 and NZ IAS 8)

This amending standard to NZ IAS 1 and NZ IAS 8 will be adopted by the company for the first time for its financial rporting period ended 31 July 2021. The amendments clarify the definition of material and how the definition should be applied. The impact on the company is not expected to be significant. The effective annual reporting periods begining on or after 1 January 2020.

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2. Revenue and Expenses

Additional information in respect of revenue and expenses included within the Consolidated Statement of Profit or Loss and Other Comprehensive Income is as follows:

	Note	2020 $	2019 $
Recoveries			
Electricity		**544,576**	387,077
Interest		**1,218,208**	1,279,690
		1,762,784	1,666,767
Other Income			
Other Operating Income		**458,189**	502,771
Gain on Sale of Property, Plant & Equipment		-	138,224
Depreciation Recovered		**10,849**	-
Rental Income		**775**	2,508
		469,813	643,503
Operating Expenses			
Consent & Approval Costs		**3,007**	13,981
Contribution Costs		**55,364**	56,548
Depreciation		**1,441,078**	1,426,050
Infrastucture Contributions		-	11,113
Loss on Disposal of Property, Plant & Equipment		**191**	-
Maintenance		**115,575**	226,152
Project Investigation Costs		-	77,302
Pump Station Electricity		**575,883**	393,116
Quality & Monitoring		**60,780**	93,138
Strategy & Farm Plans		**91,032**	110,200
Survey		-	25,584
Vehicle		**57,062**	55,429
		2,399,972	2,488,611
Administration Expenses			
Accounting		**20,000**	21,895
Audit Fees	19	**17,937**	17,390
Consultancy		**4,149**	15,928
Directors Fees		**85,000**	86,667
Electricity		**6,450**	6,221
Employee Benefits		**685,167**	632,374
I.N.Z Membership		**48,294**	35,988
Insurance		**102,241**	46,048
Kiwisaver Contributions		**18,251**	17,906
Legal		**6,175**	14,834
Other Costs		**79,458**	88,918
Rates		**38,372**	39,545
		1,111,493	1,023,712
Finance Income			
Interest Received		**7,516**	17,824
Dividends Received		**3,756**	10,785
		11,272	28,610
Finance Costs			
Interest on Liabilities at Amortised Cost		**1,323,811**	1,265,134
Loss on Revaluation - Derivative Instrument at Fair Value through Profit and Loss		**669,062**	541,928
		1,992,873	1,807,062

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3. Property, Plant & Equipment

	2019 Opening Cost	2019 Opening Acc Depn	2019 Opening Book Value	2019 Additions/ (Disposals)	2019 Transfer Asset Categories	2019 Closing Cost	2019 Depn	2019 Closing Acc Depn	2019 Closing Book Value
MGI									
Land	263,210	-	263,210	(9,278)		253,932	-	-	253,932
Buildings	374,975	56,876	318,099	-		374,975	8,544	65,420	309,555
Irrigation Scheme	7,298,535	1,707,287	5,591,248	20,010		7,318,545	146,853	1,854,139	5,464,406
Motor Vehicles	239,361	144,773	94,587	90,314		329,674	40,484	185,257	144,417
Automation Plant	1,061,626	360,221	701,405	313,189		1,374,816	73,094	433,314	941,501
Plant	668,831	542,053	126,778	26,507		695,338	40,231	582,284	113,054
Capital Works In Progress	198,196	-	198,196	2,518,734		2,716,930	-	-	2,716,930
	10,104,733	2,811,209	7,293,524	2,959,477	0	13,064,210	309,205	3,120,414	9,943,796
WDI									
Land	258,556	-	258,556	-		258,556	-	-	258,556
Irrigation Scheme	26,128,140	1,710,819	24,417,320	15,149		26,143,288	863,793	2,574,612	23,568,676
Automation	196,024	70,569	125,455			196,024	25,091	95,660	100,364
Plant	109,839	54,604	55,235			109,839	16,570	71,175	38,664
Pump Station	4,019,079	492,291	3,526,788	7,247		4,026,326	211,330	703,621	3,322,705
Capital Works In Progress	26,334	-	26,334	3,941		30,275	-	-	30,275
	30,737,971	2,328,284	28,409,688	26,337		30,764,308	1,116,785	3,445,069	27,319,240
Group Total	40,842,704	5,139,493	35,703,212	2,985,814		43,828,518	1,425,990	6,565,483	37,263,035

	2020 Opening Cost	2020 Opening Acc Depn	2020 Opening Book Value	2020 Additions/ (Disposals)	2020 Transfer Asset Categories	2020 Closing Cost	2020 Depn	2020 Closing Acc Depn	2020 Closing Book Value
MGI									
Land	253,932	-	253,932	-		253,932	-	-	253,932
Buildings	374,975	65,420	309,555	-		374,975	7,826	73,245	301,730
Irrigation Scheme	7,318,545	1,854,139	5,464,406	2,835,389		10,153,934	187,938	2,042,077	8,111,857
Motor Vehicles	329,674	185,257	144,417	21,344		351,018	30,277	215,534	135,484
Automation Plant	1,374,816	433,314	941,501	-		1,374,816	72,478	505,792	869,023
Plant	695,338	582,284	113,054	397,176	-	1,092,514	48,651	630,934	461,580
Capital Works In Progress	2,716,930	-	2,716,930	399,087		3,116,017	-	-	3,116,017
	13,064,210	3,120,414	9,943,796	3,652,996	-	16,717,205	347,169	3,467,583	13,249,622
WDI									
Land	258,556	-	258,556			258,556	-	-	258,556
Irrigation Scheme	26,143,288	2,574,612	23,568,676	65,440	135,006	26,343,734	866,331	3,440,944	22,902,791
Automation	196,024	95,660	100,364			196,024	20,073	115,733	80,291
Plant	109,839	71,175	38,664			109,839	11,599	82,774	27,065
Pump Station	4,026,326	703,621	3,322,705	12,375 -	135,006	3,903,695	195,905	899,526	3,004,169
Capital Works In Progress	30,275	-	30,275	(30,275)		-	-	-	-
	30,764,308	3,445,069	27,319,240	47,540		30,811,849	1,093,908	4,538,977	26,272,872
Group Total	43,828,518	6,565,483	37,263,035	3,700,535		47,529,054	1,441,078	8,006,560	39,522,494

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.

Capital works in progress of $3,116,017 as at 31 July 2020 (2019: $2,747,205), relates to various capital expenditure projects associated with Morven Glenavy Ikawai Irrigation. The capital works in progress amounts will be transferred to fixed assets once the related projects are complete. Capital works in progress includes financing costs of $32,150 at the ANZ financing rate of 2.02% (2019: 3.38%).

4. Intangibles

			2020	2019
			$	$
Resource Consents		**Expiry**		
Morven Glenavy Ikawai Irrigation	CRC041171	2028	-	-
Morven Glenavy Ikawai Irrigation	CRC041626	2039	-	-
Morven Glenavy Ikawai Irrigation	CRC091997	2028	-	-
Morven Glenavy Ikawai Irrigation	CRC093391	2028	-	-
Morven Glenavy Ikawai Irrigation	CRC093392	2028	-	-
Morven Glenavy Ikawai Irrigation	CRC140071	2028	-	-
Morven Glenavy Ikawai Irrigation	CRC140072	2028	-	-
Morven Glenavy Ikawai Irrigation	CRC180498	2028	-	-
Morven Glenavy Ikawai Irrigation	CRC180528	2028	-	-
Morven Glenavy Ikawai Irrigation	CRC180529	2028	-	-
Morven Glenavy Ikawai Irrigation	CRC180530	2028	-	-
Morven Glenavy Ikawai Irrigation	CRC897373	2028	-	-
Morven Glenavy Ikawai Irrigation	CRC897374	2028	-	-
Morven Glenavy Ikawai Irrigation	CRC897375	2028	-	-
Morven Glenavy Ikawai Irrigation	CRC897376	2028	-	-
Morven Glenavy Ikawai Irrigation	CRC897378	2028	-	-
Morven Glenavy Ikawai Irrigation	CRC897380	2028	-	-
Morven Glenavy Ikawai Irrigation	CRC897381D	2028	-	-
Morven Glenavy Ikawai Irrigation	CRC897382	2028	-	-
Morven Glenavy Ikawai Irrigation	CRC897383	2028	-	-
Morven Glenavy Ikawai Irrigation	CRC897384	2028	-	-
Morven Glenavy Ikawai Irrigation	CRC897385	2028	-	-

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Morven Glenavy Ikawai Irrigation	CRC897386	2028	-	-
Morven Glenavy Ikawai Irrigation	CRC897387	2028	-	-
Morven Glenavy Ikawai 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	**706**	794
Morven Glenavy Ikawai Irrigation	CRC175854	2018	-	-
Morven Glenavy Ikawai Irrigation	CRC176043	2018	-	-
Morven Glenavy Ikawai Irrigation	CRC180560	2028	-	-
Waihao Downs Irrigation	CRC040427	2045	-	-
Waihao Downs Irrigation	CRC155797	2018	-	-
Waihao Downs Irrigation	CRC156545	2045	-	-
Waihao Downs Irrigation	CRC164369	2045	**2,787**	2,894
Waihao Downs Irrigation	CRC180558	2045	-	-
			3,493	3,688

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.

5. Cash & Cash Equivalents

	Interest rate	2020 $	2019 $
ANZ Cheque Account		**1,010,380**	716,094
ANZ On-Line Call Account	5.00%	**60,332**	53,485
		1,070,713	769,579

6. Trade and Other Receivables

	2020 $	2019 $
Total Trade and Other Receivables	**188,474**	206,866
Receivables Due as Follows:		
Not yet due	**117,569**	133,922
Due less than 1 month ago	**22,506**	24,678
Due 2 months ago	**48,346**	48,266
Due more than 2 months ago	**53**	-
	188,474	206,866

As at 31 July 2020 trade receivables of $70,905 (2019: $72,944) were passed due but not impaired.

7. Taxation

	2020 $	2019 $
(a) Income Tax Recognition in Profit & Loss		
Net Deficit for the Year before Taxation	**(1,361,584)**	(1,205,530)
Income Tax Benefit Calculated at 28%	**(381,244)**	(337,548)
Differences:		
Permanent	**187,337**	113,037
Deferred Tax associated with timing differences	**(8,165)**	(162)
Effect of Unrecognised Tax Benefit	**(202,071)**	(224,673)
Income Tax Expense	**-**	-
(b) Unrecognised Tax Benefit		
Tax Losses Brought Forward (Tax Effect)	**(1,683,483)**	(1,458,810)
Net Tax Deficit for the Year at 28%	**(202,071)**	(224,673)
Tax Losses to Carry Forward	**(1,885,554)**	(1,683,483)
Tax Charge on Taxable Income	**-**	-
(c) Current Tax Assets and Liabilities		
Opening Balance	**6,213**	6,387
Income Tax Paid (Refunded)	**(5,263)**	(6,387)
Resident Withholding Tax credits	**2,060**	6,213
	(3,203)	(174)
Income Tax Receivable	**3,010**	6,213

The total unrecognised tax benefit from tax losses held as at 31 July 2020 is $1,885,499 (2019: $1,683,484)
There were no amounts of income tax recognised directly in equity for the financial year ended 31 July 2020 (2019: nil)

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(d) Imputation Credit Account

Opening Balance	**27,274**	23,440
Payments/(Receipts) via Inland Revenue	**(5,263)**	(6,013)
RWT credits attached to Interest Income	**1,801**	5,085
Imputation Credits attached to Dividends Received	**1,461**	4,194
RWT Credits attached to Dividends Received	**261**	568
Closing Balance	**25,534**	27,274

(e) Deferred Tax Liabilities

2020	Closing Balance	Recognised in Profit & Loss	Opening Balance
Depreciation	**(17,162)**	(25,635)	8,473
Employee Provisions	**11,759**	13,105	(1,346)
Imputation Credits	**409**	3,427	(3,018)
Accruals	**(3,170)**	1,101	(4,271)
	(8,165)	(8,003)	(162)

2019	Closing Balance	Recognised in Profit & Loss	Opening Balance
Depreciation	**8,473**	8,473	-
Employee Provisions	**(1,346)**	(208)	(1,138)
Imputation Credits	**(3,018)**	(3,018)	-
Accruals	**(4,271)**	(4,271)	-
	(162)	976	(1,138)

The Group has unrecognised tax losses of $1,885,499 (2019: $1,683,484) 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

	2020 $	2019 $
Ordinary Shares	**15,695,811**	15,686,811
Retained Earnings	**(7,285,097)**	(5,923,513)
Share Issue Costs	**792**	792
Spreading Rights	**57,400**	57,400
	8,468,906	9,821,490
Number of Shares Issued		
Opening Balance	**28,852**	28,536
Shares Issued	**4**	316
	28,856	28,852
Unissued Shares - 'A' Class		
Opening Balance	**150**	398
Shares Issued	**-**	(248)
	150	150
Total number of shares authorised	**29,006**	29,002

Shares have no par value.
All 28,856 issued shares are fully paid (2019: 28,852 shares issued were fully paid).

Capital Contributions
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 Waihao Downs Irrigation Scheme will not hold any shares in Waihao Downs Irrigation Limited but will hold shares in Morven Glenavy Ikawai Irrigation Company Limited.

Spreading Rights
The company abolished 'B class shares in the previous 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 annulment.

Capital Reserves
Capital reserves of $792 (2019: $792) arising from the gain on disposal of property, plant & equipment is recoded in shareholder equity.

9. Loans and Borrowings

	2020 $	2019 $
Total term loans	**29,830,504**	26,894,302
less current portion	**5,470,863**	25,301,340
Non current portion	**24,359,641**	1,592,962

	2020 $	2019 $
Repayable as follows:		
Between 1 and 2 years	**24,359,641**	-
Between 2 and 5 years	**-**	1,592,962
Beyond 5 years	**-**	-
	24,359,641	1,592,962

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The loans between ANZ (the lender) and Waihao Downs Irrigation Limited (the borrower) are secured by a registered first ranking General Security Agreement over all the present and after acquired property of Waihao Downs Irrigation Limited. The loan for $10,000,000 is interest only and the loan for $14,845,280 is principal and interest. Interest at BBR 90 day rates plus 2.45% margin fixed on a monthly basis. The facility term is 17 December 2021. The interest rates at 31 July 2020 were 2.80% (2019: between 3.65% & 3.66%).

The loans between ANZ (the lender) and Morven Glenavy Ikawai Irrigation Company Limited (the borrower) are secured by a general security agreement over the property of Morven Glenavy Ikawai Irrigation Company Limited. The loan facility limit is $2,800,000 to 31 March 2020, $5,000,000 to 30 June 2020, and $6,250,000 to 01 March 2021. The loan is interest only at BKBM plus 1.70%. At Balance date the company had drawn down loans totalling $4,985,223 at the interest rates of 2.02% (2019: between 3.29% & 3.38%).

The company has a commercial credit card facility to $10,000.

Interest Rate Swap

The company has entered into the following interest rate swap:

Start Date	*Maturity Date*	*Amount*	*Interest Rate*	*2020 Mark to Market*
December 2019	December 2022	5,500,000	2.65%	330,904
December 2019	December 2024	5,500,000	2.90%	645,422
December 2019	December 2026	5,500,000	2.95%	900,002
Unrealised loss on derivative financial instrument				**1,876,327**
		Current		420,298
		Non current portion		1,456,029

Start Date	*Maturity Date*	*Amount*	*Interest Rate*	*2019 Mark to Market*
November 2015	November 2022	9,500,000	3.58%	741,377
April 2016	April 2021	5,000,000	2.78%	137,178
April 2016	April 2023	5,000,000	3.00%	328,711
Unrealised loss on derivative financial instrument				**1,207,266**
		Current		376,546
		Non current portion		830,720

Interest rate swaps are classified as level 2 in the fair value hierarchy. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

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 2020 totalled $16,500,000 (2019: $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%.

Reconciliation of financing liabilities to financing cash flows:

	2019	*Cash Flows*	*Acquisitions*	*Fair Value changes*	*2020*
Long-term Loans & Borrowings	1,592,962	23,181,418		-	24,774,380
Short-term Loans & Borrowings	25,301,340	(20,245,217)		-	5,056,123
Long-term Derivative Financial Liability	830,719	-		625,310	1,456,029
Short-term Derivative Financial Liability	376,546	-		43,752	420,298
Total Liabilities from Financing Liabilities	28,101,567	2,936,201	-	669,062	31,706,830

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 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 (refer note 1.5).

Deferred taxation

The entity 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 as the group has a corresponding deferred tax asset due to accumulated tax losses. 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 (refer note 7).

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 (refer note 9).

11. Contingent Liabilities

At balance date there were no known contingent liabilities (2019: 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 reporting date other than in the normal course of business. Related party transactions as follows:

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Description of Relationship		2020 Transaction Amounts	2020 Payable / Receivable	2020 Terms of Trade	2019 Transaction Amounts	2019 Payable / Receivable	2019 Terms of Trade
Mr G Van't Klooster is a Director of MGI and Treasurer of the Glenavy Community Hall.	MGI hired the hall	35		n/a	320		n/a
MGI is a shareholder of Waitaki Irrigators Collective	*MGI pays WIC a contribution to their costs	44,762	-	n/a	56,548	-	n/a
MGI is a shareholder of Farmlands	MGI makes monthly purchases with Farmlands for a variety of supplies	54,163	6,993	20/08/2020	82,408	3,138	20/08/2019
Water Sales to Directors							
R.T.C. Murphy (Retired)		105,041		n/a	101,056	800	20/08/2019
G.C. Van't Klooster		90,572		n/a	120,906	1750	20/08/2019
A.R. Gibson (Chairman)		12,720		n/a	11,523	75	20/08/2019
M.J.F. Hurst		13,228		n/a	12,036	500	20/08/2019
R.J. Smith		36,844		n/a	34,100	-	n/a
H.M. Hellewell		4,163		n/a	3,723	-	n/a

*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 (2019: nil).

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

	2020 $	2019 $
R.T.C. Murphy (Retired)	-	7,500
G.C. Van't Klooster	12,500	15,000
A.R. Gibson (Chairman)	20,000	17,500
M.J.F. Hurst	10,000	10,000
M.L. Jensen	10,000	10,000
R.J. Smith	10,000	10,000
D.G. Ellis	12,500	10,000
H.M. Hellewell	10,000	6,667
Total Directors Fees	**85,000**	86,667

Key management personnel short term employee benefits for the year were $196,859 (2019: $198,790). This includes a salary, employer Kiwisaver contributions and vehicle benefits of one employee. There were no post employment, termination or other long term benefits or share-based payments.

13. Investments

Waitaki Irrigators Collective Ltd and Farmlands are unlisted companies. The investment is stated at cost because fair value can not be reliably measured.

14. Term Deposits

The company has the following funds invested

Term deposits 2019

$300,000 ANZ Bank receiving interest at 3.20% per annum. Term 182 days due to mature 23rd December 2019.

Term deposits 2020

$300,000 ANZ Bank receiving interest at 2.00% per annum. Term 150 days due to mature 24th August 2020.

15. Employee Entitlements

Employee entitlements consist of:

	2020 $	2019 $
Annual Leave	85,392	54,100
Lieu Days	6,181	5,362
Holiday Pay	30,662	30,660
Accrued Wages	9,458	7,449
	131,693	97,571

All employee entitlements are short-term.

16. Financial Instruments

16.1 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, term deposits, account receivables and accrued interest.

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.

	2020 $	2019 $
Cash and Cash Equivalents	1,070,713	769,579
Term Deposits	300,000	300,000
Trade and Other Receivables	188,474	206,866

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 company does not have any significant concentration of credit risk with Trade and other Receivables suject to impairment assessment. The aging of receivables is shown in note 6.

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16.2 Financial instruments by category

	Financial asset at amortised cost	Financial asset at amortised cosr	Financial assets at fair value through profit or loss	Financial assets at fair value through profit & loss
	2020	2019	2020	2019
	$	$	$	$
Financial assets				
Cash and Cash Equivalents	1,070,713	769,579	-	-
Term Deposits	300,000	300,000	-	-
Trade and Other Receivables	188,474	206,866	-	-
Equity Investments	-	-	6,611	6,611
	1,559,186	1,276,445	6,611	6,611

	Financial liability at amortised cost	Financial liability at amortised cost	Financial liabilities at fair value through profit	Financial liabilities at fair value through profit
	2020	2019	2020	2019
	$	$	$	$
Financial liabilities				
Trade & Other Payables	740,350	687,052		
Loans & Borrowings	29,830,504	26,894,302		
Derivative Financial Liability			1,876,327	1,207,265
	30,570,854	27,581,354	1,876,327	1,207,265

The following table provides an analysis of financial instruments that are measured subsequent to intial recognition at fair value, grouped into level 1 to 3 based on the degree to which the fair value is observable:
Level 1 fair value measurement are those derived from quoted prices in active markets for identical assets and liabilities.
Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices).
Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data.

2020	Level 2	Level 3	Total
Assets			
Investment in Shares	-	6,611	6,611
Liabilities			
Financial Derivatives (interest Rate Swaps)	1,876,327		
2019			
Assets			
Investment in Shares	-	6,611	6,611
Liabilities			
Financial Derivatives (interest Rate Swaps)	1,207,266		

16.3 Liquidity Risk

Liquidity risk is the risk that the company will experience difficulty in raising sufficient funds to meet contractual obligations as they fall due. The company has financing arrangements in place with its bank to ensure there is 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 financial liabilities by the relevant contractual maturity groupings based on the remaining period of liability.

	Carrying Amount	Contractual Cash flow	0 - 1 years	1 - 2 years	2 - 5 years	5 + years
Financial Liabilities 2019						
Trade & Other Payables	687,052	687,052	687,052		-	-
Derivative Financial Liability	1,207,265	1,207,265	376,546	137,178	693,542	
Loans & Borrowings	26,894,302	26,894,302	25,301,340		1,592,962	-
	28,788,619	28,788,619	26,364,938	137,178	2,286,504	-
Financial Liabilities 2020						
Trade & Other Payables	740,350	740,350	740,350		-	-
Derivative Financial Liability	1,876,327	1,876,327	420,298		1,456,029	
Loans & Borrowings	29,830,504	29,830,504	5,470,863	24,359,641	-	-
	32,447,181	32,447,181	6,631,511	24,359,641	1,456,029	-

16.4 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

Cash flow interest rate risk results from items at floating rates and the group manages that by entering into floating to fixed interest rate swaps.

Sensitivity Analysis

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

	2020	2019
1% increase in borrowing interest rates	243,596	15,930
1% decrease in borrowing interest rates	(243,596)	(15,930)

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.

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Currency Risk

All transactions are recorded in New Zealand Dollars. The company 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.

17. Capital Management

The company's capital includes share capital, reserves, and retained earnings. The company'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 financial position. The company does not have intentions to pay dividends to its shareholders in the next 12 months.

18. Reconciliation of operating cash flows to operating profit

	2020 $	2019 $
Profit / (Loss) after Income Tax	**(1,361,584)**	(1,205,530)
Non-cash items		
- Add depreciation	**1,430,229**	1,426,050
- Add loan impairment	-	-
- Add unrealised loss - derivative instrument	**669,062**	541,928
Accruals		
increase in accruals	**84,396**	(230)
add taxes refunded	**5,264**	6,013
deduct withholding tax	**(1,800)**	(5,085)
Employee Benefits	**40,148**	(11,431)
increase/decrease in creditors	**75,285**	(274,014)
increase/decrease in debtors	**14,736**	207,102
GST Differences	**602,802**	106,703
Net Cash flow from Operating Activities	**1,558,538**	791,506

19. Independent Auditors

BDO Christchurch are the independent Auditors of MGI. The 2020 Audit fees of $17,937 consist of: (i) Audit Fees payable to BDO Christchurch in respect of the 2020 financial statements of $16,500, (ii) Audit fees of $17,437 were paid to BDO Christchurch for the 2019 year and these fees were under accrued in the 2019 financial reports by $937. No other services were provided by BDO Christchurch and no other payments were made to them. Refer to note 2.

20. Revenue

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.

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 entity has the ability to cease water delivery if the irrigation charges remain unpaid. The supply of irrigation water is integral to the successful operation of the customers farming operation. Therefore, there is very limited risk of customers defaulting on payment.

Operating revenue comprises of:

	2020 $	2019 $
Irrigation Water Charges	**1,853,323**	1,733,776
Additional Water	**45,562**	41,200
Recoveries - Electricity	**544,576**	387,077
Recoveries - Interest	**1,218,208**	1,279,690
	3,661,669	3,441,743
Other Income		
Rent received	**775**	2,508
Other Operating Income	**458,189**	502,771
	458,964	505,279
Finance Income		
Interest Received	**7,516**	17,824
Dividends Received	**3,756**	10,785
	11,272	28,609

Interest on term bank deposits is recognised in the Statement of Profit and Loss as it accrues using the effective interest rate method.
All customers are located within a single geographical location.

21. Subsequent Events

On the 30th September 2020 the package B upgrade in Capital Work in Progress as at 31 July 2020 (except the Lateral 3a pipeline that has been deferred to 2021- CWIP balance of $134,864) achieved practical completion and passed all testing required for operation in the 2020/2021 Irrigation season.

22. Going Concern

These financial statements have been prepared on the basis that the group is a going concern. At reporting date total group assets exceeded liabilities by $8,468,906 (2019: $9,821,490). The Directors are satisfied the group is solvent and has financing arrangements in place to meet financial obligations as they fall due over the next 12 months.

23. Commitments

The company has committed to $35,000 towards a shareholder's mainline instalation. The offer expires 31 July 2025.

The company has a committed to a shareholder compensation payment of $12,000 for the removal of a borderdyke turnout along with an infrasture contribution of $5,000 to be applied to the new intake and supply pipeline.

In January 2020 the Group committed to scheme upgrades known as Pipeline Package B, for a contracted value of $2.64m. At 31 July 2020 the upgrades were 93% completed with a remaining commitment of $179,587.

During the year the company committed $580,388 for Mainrace Lining. At 31 July 2020 work was 99% completed with a remaining commitment of $6,807.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF MORVEN GLENAVY IKAWAI IRRIGATION COMPANY LIMITED

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 31 July 2020, 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 31 July 2020, 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").

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 *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 or its subsidiary.

Key Audit Matters

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

There are no Key Audit Matters to be communicated.

Other Information

The directors are responsible for the other information. The other information comprises the Director's Report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 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.

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-1/.

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 Warren Johnstone.

BDO Christchurch

BDO Christchurch
Christchurch
New Zealand
25 November 2020