MORVEN GLENAVY IKAWAI
IRRIGATION COMPANY LIMITED AND GROUP

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2021

MORVEN GLENAVY IKAWAI
IRRIGATION COMPANY LIMITED AND GROUP

Directory

Directors
A.R. Gibson (Chairman)
D.G. Ellis (Deputy Chairman)
H.M. Hellewell
M.J.F. Hurst
M.L. Jensen (Ceased 10/12/2020)
R.J. Smith (Ceased 10/12/2020)
G.C. Van't Klooster
K.J. Henshaw (Appointed 10/12/2020)
B.T.C Murphy. (Appointed 10/12/2020)

General Manager
C. Evans

Company Number
435837

Date of Incorporation
26 July 1989

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

Table of Contents

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 2021.

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 Director's acquired shares during the year.

		Shares Acquired		
Director	**Shareholder**	**Quantity**	**Date**	**Consideration Paid $**
G.C. Van't Klooster	Tawai Family Trust	69	7/01/2021	1
	Bosterra Ltd	58	7/01/2021	1
A.R.Gibson	Lynburn Dairy Ltd	175	30/04/2021	1

The following Director's disposed of shares during the year.

		Shares Disposed		
Director	**Shareholder**	**Quantity**	**Date**	
G.C. Van't Klooster	Tawai Family Trust	58	7/01/2021	1
	Bosterra Ltd	69	7/01/2021	1

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 2021

Director	Shareholder	No.Shares
G.C. Van't Klooster	Tawai Family Trust	575 shares
	RUA Farming Company Ltd	371 shares
	Van't Klooster Farms Ltd	382 shares
	Bosterra Ltd	367 shares
B.T.C. Murphy (appointed 10/12/2020)	Murphy Farm Ltd	1,614 shares
R.J. Smith (ceased 10/12/2020)	Papamoa Enterprises Ltd	612 shares
A.R. Gibson	Lynburn Dairy Ltd	355 shares
D.G. Ellis	Ellis-Lea Farms 2000 Ltd	270 shares
M.J.F Hurst	Waterstone Farm Limited	227 shares
K.J. Henshaw (appointed 10/12/2020)	Waihao Fields Trust	75 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 $200,000 to $210,000. 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 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.

Audit Fees

Audit fees paid during the year total $17,937 (2020: $ 17,279).

Dividends

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

AR [signature]

Director

Dated 16-11-21.

[signature]

Director

BDO Christchurch

MORVEN GLENAVY IKAWAI
IRRIGATION COMPANY LIMITED AND GROUP
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 July 2021

	Note	**2021**	2020
		$	$
Operating Revenue			
Irrigation Water Charges		**1,890,901**	1,853,323
Additional Water		**191,860**	45,562
Total Operating Revenue		**2,082,761**	1,898,885
Other Income	2	**2,448,544**	2,232,597
TOTAL INCOME		**4,531,305**	4,131,482
Less Expenses			
Operating	2	**2,989,655**	2,399,972
Administration	2	**1,162,896**	1,111,493
Total Expenses		**4,152,551**	3,511,465
Profit / (Loss) Before Net Financing and Tax		**378,754**	620,017
Finance Income	2	**1,018,455**	11,272
Finance Costs	2	**(1,145,845)**	(1,992,873)
Net Finance Costs		**(127,390)**	(1,981,601)
Profit / (Loss) Before Tax		**251,363**	(1,361,584)
Income Tax Expense	7	-	-
Net Profit / (Loss)		**251,363**	(1,361,584)
Other Comprehensive Income		-	-
Total Comprehensive Income		**251,363**	(1,361,584)

BDO
Christchurch

MORVEN GLENAVY IKAWAI
IRRIGATION COMPANY LIMITED AND GROUP
Consolidated Statement of Changes in Equity
For the Year Ended 31 July 2021

	Note	**Ordinary Shares $**	**Spreading Rights $**	**Capital Contributions $**	**Capital Reserves**	**Accumulated Losses $**	**Total Equity $**
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
Share Advance Transferred	8	-	-	-	-	-	-
Cash received on shares not yet issued	8	-	-	-	-	-	-
		9,000	-	-	-	-	9,000
Balance at 31 July 2020		**15,695,811**	**57,400**	-	**792**	**(7,285,097)**	**8,468,906**
Balance at 1 August 2020		**15,695,811**	**57,400**	**-**	**792**	**(7,285,097)**	**8,468,906**
Net Profit after Income Tax		-	-	-	-	251,363	251,363
Total Comprehensive Income		**-**	**-**	**-**	**-**	**251,363**	**251,363**
Transactions with owners in their capacity as owners							
Shares Issued		177,100	-	-	-	-	177,100
Balance at 31 July 2021		**15,872,911**	**57,400**	-	**792**	**(7,033,734)**	**8,897,369**

BDO Christchurch

MORVEN GLENAVY IKAWAI
IRRIGATION COMPANY LIMITED AND GROUP
Consolidated Statement of Financial Position
As at 31 July 2021

	Note	2021 $	2020 $
Current Assets			
Cash and Cash Equivalents	5	**532,785**	1,070,713
Term Deposits	15	**-**	300,000
Trade and Other Receivables	6	**117,943**	188,474
Prepayments		**86,082**	87,881
Interest Accrued		**-**	2,087
GST Receivable		**31,499**	45,989
Taxation Refundable	7	**1,171**	3,010
		769,480	1,698,154
Non-Current Assets			
Property, Plant & Equipment	3	**40,034,858**	39,522,494
Intangibles	4	**3,298**	3,493
Investments	14	**6,611**	6,611
		40,044,767	39,532,598
TOTAL ASSETS		**40,814,247**	41,230,751
Current Liabilities			
Trade & Other Payables		**580,746**	740,350
Employee Entitlements	16	**145,536**	131,693
Accrued Expenses		**109,479**	178,849
Environmental Levy Fund		**10,011**	4,122
Current Portion - Lease	10	**10,449**	-
Current Portion - Loans & Borrowings	9	**30,148,572**	5,470,863
Current Portion - Derivative Financial Liability	9	**399,502**	420,298
		31,404,295	6,946,175
Non-Current Liabilities			
Lease	10	**47,075**	-
Loans & Borrowings	9	**-**	24,359,641
Derivative Financial Liability	9	**465,508**	1,456,029
		512,583	25,815,670
TOTAL LIABILITIES		**31,916,878**	32,761,845
Shareholders' Equity	8		
Ordinary Shares		**15,872,911**	15,695,811
Accumulated Losses		**(7,033,734)**	(7,285,097)
Capital Reserves		**792**	792
Spreading Rights	8	**57,400**	57,400
		8,897,369	8,468,906
TOTAL EQUITY AND LIABILITIES		**40,814,247**	41,230,751

For and on behalf of the Board;

Director
Date: 16·11·21.

Director
Date: 16/11/21

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 Cash Flows
For the year ended 31 July 2021

	Note	**2021** $	2020 $
Cash Flows from Operating Activities			
Cash was provided from -			
Receipts from Customers		**3,969,412**	3,423,475
Interest Recovered		**1,144,521**	1,215,977
Interest Received		**2,512**	6,428
Dividends Received		**6,248**	3,495
Rental Property Income		**1,094**	675
Taxation Refunded		**3,011**	5,264
GST Receipts		**77,537**	361,746
		5,204,334	5,017,060
Cash was applied to -			
Payment to Employees		**(689,806)**	(645,019)
Payments to Suppliers		**(1,940,288)**	(1,576,057)
Interest Expense		**(1,214,932)**	(1,235,647)
Taxation Payments		**(703)**	(1,800)
		(3,845,730)	(3,458,523)
Net Cash Inflow (Outflow) from Operating Activities	19	**1,358,605**	1,558,538
Cash Flows from Investing Activities			
Cash was provided from -			
Disposal of Investments		**300,000**	-
		300,000	-
Cash was applied to -			
Purchase of Property, Plant & Equipment		**(2,750,096)**	(4,212,466)
		(2,750,096)	(4,212,466)
Net Cash Outflow from Investing Activities		**(2,450,096)**	(4,212,466)
Cash Flows from Financing Activities			
Cash was provided from -			
Issue of Shares		**177,100**	9,000
Drawdown of loans	9	**1,352,072**	3,402,122
		1,529,172	3,411,122
Cash was applied to -			
Loan Repayments	9	**(975,609)**	(456,060)
		(975,609)	(456,060)
Net Cash Inflow from Financing Activities		**553,563**	2,955,062
Net Cash Increase (Decrease) During the Year		**(537,928)**	301,134
Cash and Cash Equivalents at 01 August		**1,070,713**	769,579
Cash and Cash Equivalents at 31 July	5	**532,785**	1,070,713

BDO Christchurch

MORVEN GLENAVY IKAWAI
IRRIGATION COMPANY LIMITED AND GROUP
Notes to the Financial Statements
For the year ended 31 July 2021

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 2021 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 16 November 2021.

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.

There are no new standards effective for the period ended 31 July 2021.

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 11.

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 11.

BDO Christchurch

MORVEN GLENAVY IKAWAI
IRRIGATION COMPANY LIMITED AND GROUP
Notes to the Financial Statements
For the year ended 31 July 2021

COVID-19

COVID-19 has harshly impacted many economies around the world. 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.

All intercompany balances and transactions are eliminated on consolidation.

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		

BDO Christchurch

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. Capital borrowing costs are also included and capitalised, refer note 1.9.

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.

BDO Christchurch

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.

When there is uncertainty concerning the Company's filing position regarding the tax bases of assets or liabilities, the taxability of certain transactions or other tax-related assumptions, then the company:
a) Considers whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution:
b) Determines if it is probable that the tax authorities will accept the uncertain tax treatment; and
c) If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This mesurement 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.

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.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

BDO Christchurch

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.

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.

1.11 Other Income

Rental Income

Land operating leases for grazing of $764 (2020: $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.

BDO Christchurch

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.

1.12 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.

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.

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.

The Company's capital includes share capital and retained earnings. The Company's policy is to maintain a strong capital base to maintain shareholder and creditor connfidence and to sustain the future development onf the business. The Company recognises the need to maintain a strong balance sheet, with adequte gearing to meet its development needs. The Company does not have current intentions to pay dividends to its shareholders but delivers a return to shareholder by way of approriately priced water charges.

All shares have equal entitlements to dividends and any surplus on winding up.

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

BDO
Christchurch

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	2021 $	2020 $
Other Income			
Electricity Recoveries		**799,570**	544,576
Interest Recoveries		**1,123,932**	1,218,208
Other Operating Income		**523,778**	458,189
Depreciation Recovered		**500**	10,849
Rental Income		**764**	775
		2,448,544	2,232,597
Operating Expenses			
Consent & Approval Costs		**7,969**	3,007
Contribution Costs		**105,234**	55,364
Depreciation		**1,592,401**	1,441,078
Infrastucture Contributions		**6,398**	-
Loss on Disposal of Property, Plant & Equipment		**-**	191
Maintenance		**237,564**	115,575
Pump Station Electricity		**813,835**	575,883
Quality & Monitoring		**78,370**	60,780
Strategy & Farm Plans		**100,782**	91,032
Vehicle		**47,102**	57,062
		2,989,655	2,399,972
Administration Expenses			
Accounting		**17,000**	20,000
Audit Fees	20	**17,729**	17,937
Consultancy		**22,175**	4,149
Directors Fees		**85,000**	85,000
Electricity		**6,881**	6,450
Employee Benefits		**711,718**	685,167
I.N.Z Membership		**44,579**	48,294
Insurance		**85,148**	102,241
Kiwisaver Contributions		**18,609**	18,251
Legal		**52,655**	6,175
Other Costs		**76,777**	79,458
Rates		**24,625**	38,372
		1,162,896	1,111,493
Finance Income			
Interest Received		**423**	7,516
Dividends Received		**6,714**	3,756
Gain on Revaluation - Derivative Instrument at Fair Value through Profit and Loss		**1,011,317**	-
		1,018,455	11,272
Finance Costs			
Interest on Liabilities at Amortised Cost		**1,145,845**	1,323,811
Loss on Revaluation - Derivative Instrument at Fair Value through Profit and Loss		**-**	669,062
		1,145,845	1,992,873

BDO Christchurch

3. Property, Plant & Equipment

	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	-	197,754	30,277	62,270	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	-	1,069,516	48,651	607,936	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	-	16,540,943	347,169	3,291,321	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	-	47,352,792	1,441,078	7,830,298	39,522,494

	2021 Opening Cost	2021 Opening Acc Depn	2021 Opening Book Value	2021 Additions/ (Disposals)	2021 Transfer Asset Categories	2021 Closing Cost	2021 Depn	2021 Closing Acc Depn	2021 Closing Book Value
MGI									
Land	253,932	-	253,932	-	-	253,932	-	-	253,932
Buildings	374,975	73,245	301,730	-	-	374,975	7,826	81,071	293,904
Irrigation Scheme	10,153,934	2,042,077	8,111,857	2,375,887	292,487	12,837,159	286,368	2,343,297	10,493,862
Motor Vehicles	197,754	62,270	135,484	54,664	-	252,418	33,141	95,411	157,007
Automation Plant	1,374,816	505,792	869,023	-	- 295,748	1,057,060	48,732	532,516	524,544
Plant	1,069,516	607,936	461,580	794,947	3,261	1,872,189	142,492	754,397	1,117,792
Capital Works In Progress	3,116,017	-	3,116,017	(1,131,151)	-	1,984,867	-	-	1,984,867
	16,540,944	3,291,321	13,249,622	2,094,347	-	18,632,600	518,560	3,806,693	14,825,908
WDI									
Land	258,556	-	258,556	-	-	258,556	-	-	258,556
Irrigation Scheme	26,343,734	3,440,944	22,902,791	-	-	26,343,734	863,786	4,304,730	22,039,004
Automation	196,024	115,733	80,291	-	-	196,024	16,058	131,791	64,233
Plant	109,839	82,774	27,065	-	-	109,839	8,119	90,894	18,945
Pump Station	3,903,695	899,526	3,004,169	9,921	-	3,913,616	185,878	1,085,404	2,828,212
	30,811,849	4,538,977	26,272,872	9,921		30,821,769	1,073,841	5,612,818	25,208,950
Group Total	47,352,792	7,830,297	39,522,494	2,104,268	-	49,454,370	1,592,401	9,419,511	40,034,858

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 $1,984,867 as at 31 July 2021 (2020: $3,116,017), 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 $34,331 at the ANZ financing rate of between 2.02% and 2.76% (2020: $32,150 at 2.02%).

4. Intangibles

Resource Consents		**Expiry**	**2021 $**	2020 $
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	-	-
Morven Glenavy Ikawai Irrigation	CRC897386	2028	-	-
Morven Glenavy Ikawai Irrigation	CRC897387	2028	-	-

BDO Christchurch

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	**618**	706
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	**2,680**	2,787
Waihao Downs Irrigation	CRC180558	2045	-	-
			3,298	3,493

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	**2021 $**	2020 $
ANZ Cheque Account		**503,434**	1,010,380
ANZ On-Line Call Account	5.00%	**29,352**	60,332
		532,785	1,070,712

6. Trade and Other Receivables

	2021 $	2020 $
Total Trade and Other Receivables	**117,943**	188,474
Receivables Due as Follows:		
Not yet due	**117,233**	117,569
Due less than 1 month ago	**710**	22,506
Due 2 months ago	**-**	48,346
Due more than 2 months ago	**-**	53
	117,943	188,474

As at 31 July 2020 trade receivables of $710 (2020: $70,905) were passed due but not impaired.

7. Taxation

	2021 $	2020 $
(a) Income Tax Recognition in Profit & Loss		
Net Deficit for the Year before Taxation	**251,363**	(1,361,584)
Income Tax Benefit Calculated at 28%	**70,382**	(381,244)
Differences:		
Permanent	**(287,896)**	187,337
Deferred Tax associated with timing differences	**(61,096)**	(8,165)
Effect of Unrecognised Tax Benefit	**(278,610)**	(202,072)
Income Tax Expense	**-**	-
(b) Unrecognised Tax Benefit		
Tax Losses Brought Forward (Tax Effect)	**(1,885,555)**	(1,683,483)
Net Tax Deficit for the Year at 28%	**(278,610)**	(202,072)
Tax Losses to Carry Forward	**(2,164,165)**	(1,885,555)
Tax Charge on Taxable Income	**-**	-
(c) Current Tax Assets and Liabilities		
Opening Balance	**3,010**	6,213
Income Tax Paid (Refunded)	**(3,010)**	(5,263)
Resident Withholding Tax Credits	**1,171**	2,060
	(1,839)	(3,203)
Income Tax Receivable	**1,171**	3,010

The total unrecognised tax benefit from tax losses held as at 31 July 2021 is $2,164,165 (2020: $1,885,555)
There were no amounts of income tax recognised directly in equity for the financial year ended 31 July 2021 (2020: nil)

(d) Imputation Credit Account

BDO Christchurch

Opening Balance	**25,534**	27,274
Payments/(Receipts) via Inland Revenue	**(3,010)**	(5,263)
RWT credits attached to Interest Income	**705**	1,801
Imputation Credits attached to Dividends Received	**2,611**	1,461
RWT Credits attached to Dividends Received	**466**	261
Closing Balance	**26,306**	25,534

(e) Deferred Tax Liabilities

2021	**Closing Balance**	**Recognised in Profit & Loss**	**Opening Balance**
Depreciation	**(43,203)**	(26,041)	(17,162)
Employee Provisions	**3,473**	(8,286)	11,759
Imputation Credits	**(1,880)**	(2,289)	409
Accruals	**(19,485)**	(16,315)	(3,170)
	(61,096)	(52,931)	(8,165)

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)

The Group has unrecognised tax losses of $2,164,165 (2020: $1,885,555) 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

	2021	2020
	$	$
Ordinary Shares	**15,872,911**	15,695,811
Retained Earnings	**(7,033,734)**	(7,285,097)
Share Issue Costs	**792**	792
Spreading Rights	**57,400**	57,400
	8,897,369	8,468,906
Number of Shares Issued		
Opening Balance	**28,856**	28,852
Shares Issued	**76**	4
	28,932	28,856
Unissued Shares - 'A' Class		
Opening Balance	**150**	150
Shares Issued	**-**	-
	150	150
Total number of shares authorised	**29,082**	29,006

Shares have no par value.
All 28,932 issued shares are fully paid (2020: 28,856 shares issued were fully paid).

Spreading Rights
The company abolished 'B class shares 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

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

	2021	2020
	$	$
Total term loans	**30,148,572**	29,830,504
less current portion	**30,148,572**	5,470,863
Non current portion	**-**	24,359,641

	2021	2020
	$	$
Repayable as follows:		
Between 1 and 2 years	**-**	24,359,641
Between 2 and 5 years	**-**	-
Beyond 5 years	**-**	-
	-	24,359,641

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 $14,159,640 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 2021 of 2.85% (2020: 2.80%).

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 $4,700,000 to 31 December 2020, $5,500,000 to 30 June 2021, $5,900,000 to 31 December 2021, and $6,500,000 to 1 March 2022. The loan is interest only at BKBM plus 1.70%. At Balance date the company had drawn down loans totalling $5,988,932 at the interest rates between 2.66% to 2.73% (2020: 2.02%).
The company has a commercial credit card facility to $10,000.
Management are in discussions with the Group's lender regarding renewal of both the Waihao Downs Ltd and Morven Glenavy Ikawai Irrigation Ltd Loan Facilities, with

BDO Christchurch

confirmation of an extension of both facilities for a further term of 1 – 2 years expected within two weeks from the date of authorisation of these financial statements.

Interest Rate Swap
The company has entered into the following interest rate swap:

Start Date	*Maturity Date*	*Amount*	*Interest Rate*	*2021 Mark to Market*
December 2019	December 2024	5,500,000	2.90%	**304,499**
December 2019	December 2026	5,500,000	2.95%	**419,393**
December 2019	December 2022	5,500,000	2.65%	**141,119**
Unrealised loss on derivative financial instrument				**865,011**
		Current		**399,502**
		Non current portion		**465,509**

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**

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 2021 totalled $16,500,000 (2020: $16,500,000). 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 2.45%.

Reconciliation of financing liabilities to financing cash flows:

	2020	*Cash Flows*	*Acquisitions*	*Fair Value changes*	*2021*
Long-term Loans & Borrowings	**24,359,641**	(24,359,641)		-	**-**
Short-term Loans & Borrowings	**5,470,863**	24,677,709		-	**30,148,572**
Long-term Derivative Financial Liability	**1,456,029**	-		(990,521)	**465,508**
Short-term Derivative Financial Liability	**420,298**	-		(20,796)	**399,502**
Total Liabilities from Financing Liabilities	**31,706,831**	**318,068**	**-**	**(1,011,317)**	**31,013,582**

10. Right of Use Asset and Lease Liability

Right of use assets are initially measured at cost. Cost is calculated as the initial amount of the lease liability plus any direct cost incurred. In this instance the right to use the asset is the ability to use the motor vehicle during the life of the lease.

The right of use asset is recorded at cost price less accumulated depreciation and any accumulated impairment losses,

The company has elected not to recognise right of use assets and lease liabilities for leases of low value assets. These lease costs are recognised as an expense as incurred.

During the year a Ford Ranger was leased from Orix New Zealand Limited on a 48 month lease arrangement.

	2021 **$**	2020 $
Opening Right to Use Assets	**-**	**-**
New Right to Use Asset Recognised	**54,664**	**-**
Depreciation Expense	**4,556**	**-**
	50,108	-

Lease Liability
The right to use liability is the present value of the expected lease payments associated with the motor vehicle. This lease liability is repaid over the expected life of the lease.

	2021 **$**	2020 $
Opening Lease Liability	**-**	**-**
New Lease Liability Recognised	**62,863**	**-**
Repayments	**5,339**	**-**
	57,524	-

11. 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).

BDO Christchurch

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).

12. Contingent Liabilities

At balance date there were no known contingent liabilities (2020: nil).

There were no known contingent liabilities during the year to 31 July 2020.

13. 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:

		2021			2020		
Description of Relationship		**Transaction Amounts**	**Payable / Receivable**	**Terms of Trade**	**Transaction Amounts**	**Payable / Receivable**	**Terms of Trade**
Mr G Van't Klooster is a Director of MGI and Treasurer of the Glenavy Community Hall.	MGI hired the hall	40		n/a	35		n/a
MGI is a shareholder of Waitaki Irrigators Collective	*MGI pays WIC a contribution to their costs	40,549	-	n/a	44,762	-	n/a
MGI is a shareholder of Farmlands	MGI makes monthly purchases with Farmlands for a variety of supplies	43,880	3,965	20/08/2021	54,163	6,993	20/08/2020
Water Sales to Directors							
A.R. Gibson (Chairman)		16,332		n/a	12,720		n/a
D.G. Ellis		244,132		n/a	-		n/a
H.M. Hellewell		4,707		n/a	4,163		n/a
K.J. Henshaw (appointed 10/12/2020)		256,028		n/a	-		n/a
M.J.F. Hurst		15,764		n/a	13,228		n/a
B.T.C Murphy. (Appointed 10/12/2020)		141,573		n/a	-		n/a
R.T.C. Murphy (Retired)		-		-	105,041		n/a
R.J. Smith (Ceased 10/12/2020)		47,580		n/a	36,844		n/a
G.C. Van't Klooster		122,532		n/a	90,572		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 (2020: nil).

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

	2021	2020
	$	$
D.G. Ellis	**15,000**	12,500
A.R. Gibson (Chairman)	**20,000**	20,000
H.M. Hellewell	**10,000**	10,000
K.J. Henshaw (appointed 10/12/2020)	**6,250**	-
M.J.F. Hurst	**10,000**	10,000
M.L. Jensen (ceased 10/12/2020)	**3,750**	10,000
B.T.C. Murphy (appointed 10/12/2020)	**6,250**	-
R.J. Smith (ceased 10/12/2020)	**3,750**	10,000
G.C. Van't Klooster	**10,000**	12,500
Total Directors Fees	**85,000**	**85,000**

Key management personnel short term employee benefits for the year were $204,843 (2020: $196,859). 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.

14. Investments

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

15. Term Deposits

The company has the following funds invested

Term deposits 2020

$300,000 ANZ Bank receiving interest at 2.00% per annum. Term 182 days due to mature 24th August 2020

Term deposits 2021

The company had no term deposit investment as at 31 July 2021.

BDO Christchurch

16. Employee Entitlements

Employee entitlements consist of:

	2021	2020
	$	$
Annual Leave	**91,813**	85,392
Lieu Days	**2,807**	6,181
Holiday Pay	**37,842**	30,662
Accrued Wages	**13,073**	9,458
	145,536	131,693

All employee entitlements are short-term.

17. Financial Instruments

17.1 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.

	2021	2020
	$	$
Cash and Cash Equivalents	**532,785**	1,070,713
Term Deposits	**-**	300,000
Trade and Other Receivables	**117,943**	188,474

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

17.2 Financial instruments by category

	Financial asset at amortised cost	Financial asset at amortised cost	Financial assets at fair value through profit or loss	Financial assets at fair value through profit & loss
	2021	2020	**2021**	2020
	$	$	$	$
Financial assets				
Cash and Cash Equivalents	**532,785**	1,070,713	**-**	-
Term Deposits	**-**	300,000	**-**	-
Trade and Other Receivables	**117,943**	188,474	**-**	-
Equity Investments	**-**	-	**6,611**	6,611
	650,729	1,559,186	**6,611**	6,611

	Financial liability at amortised cost	Financial liability at amortised cost	Financial liabilities at fair value through	Financial liabilities at fair value through
	2021	2020	**2021**	2020
	$	$	$	$
Financial liabilities				
Trade & Other Payables	**580,746**	740,350		
Loans & Borrowings	**30,148,572**	29,830,504		
Derivative Financial Liability			**865,010**	1,876,327
	30,729,318	30,570,854	**865,010**	1,876,327

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.

2021	**Level 2**	**Level 3**	**Total**
Assets			
Investment in Shares	-	6,611	6,611
Liabilities			
Financial Derivatives (interest Rate Swaps)	865,010		
2020			
Assets			
Investment in Shares	-	6,611	6,611
Liabilities			
Financial Derivatives (interest Rate Swaps)	1,876,327		

17.3 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

BDO Christchurch

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 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	-
Financial Liabilities 2021						
Trade & Other Payables	580,746	580,746	580,746		-	-
Derivative Financial Liability	865,010	865,010	399,502	282,792	182,716	
Loans & Borrowings	30,148,572	30,148,572	30,148,572	-	-	-
	31,594,328	31,594,328	31,128,820	282,792	182,716	-

17.4 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:

	2021	2020
1% increase in borrowing interest rates	**301,486**	243,596
1% decrease in borrowing interest rates	**(301,486)**	(243,596)

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 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.

18. 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.

19. Reconciliation of operating cash flows to operating profit

	2021 $	2020 $
Profit / (Loss) after Income Tax	**251,363**	(1,361,584)
Non-cash items		
- Add depreciation	**1,591,901**	1,430,229
- Add unrealised loss - derivative instrument	**(1,011,317)**	669,062
Accruals		
increase in accruals	**(51,896)**	84,396
add taxes refunded	**3,011**	5,264
deduct withholding tax	**(703)**	(1,800)
Employee Benefits	**21,911**	40,148
increase/decrease in creditors	**154,581**	75,285
increase/decrease in debtors	**45,554**	14,736
GST Differences	**354,200**	602,802
Net Cash flow from Operating Activities	**1,358,604**	1,558,538

20. Independent Auditors

BDO Christchurch are the independent Auditors of MGI. The 2021 Audit fees of $17,937 consist of: (i) Audit Fees payable to BDO Christchurch in respect of the 2021 financial statements of $16,950, (ii) Audit fees of $17,279 were paid to BDO Christchurch for the 2020 year and these fees were under accrued in the 2020 financial reports by $987. No other services were provided by BDO Christchurch and no other payments were made to them. Refer to note 2.

21. 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.

BDO Christchurch

Operating revenue comprises of:

	2021	2020
	$	$
Irrigation Water Charges	**1,890,901**	1,853,323
Additional Water	**191,860**	45,562
Recoveries - Electricity	**799,570**	544,576
Recoveries - Interest	**1,123,932**	1,218,208
	4,006,264	3,661,669
Other Income		
Rent received	**764**	775
Other Operating Income	**523,778**	458,189
	524,541	458,964
Finance Income		
Interest Received	**423**	7,516
Dividends Received	**6,714**	3,756
Gain on Revaluation - Derivative Instrument at Fair Value through Profit and Loss	**1,011,317**	-
	1,018,455	11,272

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.

22. Subsequent Events
There are no events that have occurred after balance date that would have a material impact on the financial position or performance of the company

23. Going Concern
These financial statements have been prepared on the basis that the Group is a going concern. At the reporting date, current liabilities exceed current assets by $30,634,815 (2020: current liabilities exceeded current assets by $5,248,021), which is primarily attributable to the classification of the Group's Loans as current liabilities due to the timing of the expiry of these facilities. Management considers the use of the going concern assumption to remain appropriate on the basis that they expect the bank to renew the facilities for an additional 1-2 years from the current expiry dates. Management have made this assumption based on discussions with the lender to date, which indicate that the annual review and facility extension is likely to be within two weeks of authorising these financial statements.

24. 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.
The company has entered into a contract to purchase six new turbines at a total cost of $218,160.

25. Rooney Liability
MGI engaged Rooney Earthmoving Ltd (REL) to install a mainrace liner in the Bells Pond Mainrace in 2020. There were two liner failure events in January 2021 which resulted in damage to the liner and temporary loss of water supply. MGI and REL are in dispute as to liability in respect of the liner failures, and the dispute has been referred to arbitration. An arbitral decision is expected during the next financial year to 31 July 2022. REL costs to repair the liner were $72,776 (excl) with $54,708 included as an unpaid trade payable.

BDO
Christchurch

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 2021, 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 2021, 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.

Emphasis of Matter

We draw attention to Note 9 to the financial statements which describes management's expectation of loan facility renewal. Our opinion is not modified in respect of this matter.

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, CEO's Report and the Chairperson'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.

A**uditor'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
16 November 2021

CEO Report

We have had a good operational year, with water demand starting early in August 2020 and a relatively dry season overall. The investments in capital upgrades are paying off with less water losses and more efficient water delivery to farmers.

The capital upgrade programme is now around 80% complete and will be substantially complete by September 2022, with just a handful of smaller projects staggered to 2025 in line with borderdyke conversions. The pipeline work has gone exceptionally well thanks to the diligence of Kirk Irrigation and their main subcontractors including Leathwick Contracting, Rob Wilkins Builder and Des Scott Electrical.

The Bells Pond Mainrace was lined with HDPE and that work was completed by July 2020. Unfortunately, there was a weak set of welded seams that pulled apart in early January 2021. No damage occurred at that time and the seams were repaired by the Contractor. However, the repaired seams failed a second time on 25 January, resulting in water getting underneath the liner and it becoming crumpled and displaced downstream. There was up to 6-days of water supply disruption while emergency repairs were being undertaken. The Contract with Rooney Earthmoving Limited requires them to repair any defects in workmanship for 24-months. Unfortunately, REL have referred the dispute to arbitration. Aside from the legal issues and costs, the mainrace liner has been repaired to a good state and appears to be operating well again.

Emrgy Australasia have installed six hydroelectric turbines in the mainrace, these are the first units in New Zealand and it is exciting to see the electricity benefits that our farmers will receive from harnessing the energy of the flowing water in the canal.

Assisted by low interest rates and budget management, MGI has again made a budget surplus for the financial year and we have employed budget surpluses from the previous FY20 year to reduce debt. Table 1 shows the profit & loss statement in management (cash) terms and we have used the surpluses to reduce Waihao Downs debt by $200,000 and MGI debt by $285,500. The FY21 year to 31 July 2021 is the last full year where MGI is on interest-only terms and so we will see principal repayments commence after March 2022.

MORVEN GLENAVY IKAWAI IRRIGATION COMPANY LTD

	Group FY21 Actual $	Parent (MGI) FY21 Actual $	Waihao Downs FY21 Actual $	Parent (MGI) FY21 Budget $	Waihao Downs FY21 Budget $
Revenue					
Irrigation Water Charges	$1,890,901	$1,570,746	$320,155	$1,568,327	$196,666
Additional Water	$191,860	$191,860		$0	$0
Recoveries (excl Intercompany Transfers)	$1,923,503	$314,185	$1,609,317	$228,456	$1,584,478
Other Income	$525,041	$38,202	$493,478	$199,933	$615,830
Adjustment between tax and IFRS accounts		-$3,094	-$3,545		
Total Revenue	**$4,531,305**	**$2,111,899**	**$2,419,405**	**$1,996,716**	**$2,396,974**
Expenses					
Interest Cost	$1,145,845	$148,027	$1,065,285	$146,935	$1,128,188
Other Expenses (excl Intercompany Transfer)	$2,560,150	$1,885,470	$681,289	$1,801,754	$641,012
Adjustment between tax and IFRS accounts		-$48,980	-$25,096		
Total Expenses	**$3,705,995**	**$1,984,517**	**$1,721,478**	**$1,948,689**	**$1,769,200**
Earnings before Loan Interest, Tax, Depreciation and Amortization (EBITDA)	**$825,310**	**$127,381**	**$697,928**	**$48,027**	**$627,774**
Loan Repayments					
Principal downpayments (Scheme Fee)		$0	$485,640	$0	$488,160
Voluntary Debt Reduction from Cash		$285,500	$200,000		
Orix Vehicle Lease		$4,469	$0		
Net Change In Operating Cash Flow		**-$(162,588)**	**$12,288**	**$48,027**	**$139,614**

The Company is currently financed by the ANZ bank. Most every other lender requires an Intercompany Guarantee between MGI and WDI. In April 2019, the resolution to put into place an Intercompany Guarantee so that we could refinance did not pass because it only gained 66% shareholder support (75% was required). The Directors have referred this resolution back to shareholders at the 2 December 2021 annual general meeting, so that we have an opportunity to look for refinancing deals and ensure that we have the best lending terms.

The Government keeps on introducing environmental regulations and in addition to the healthy waterways initiatives from last year, we have Greenhouse Gas (GHG) targets coming at us and now the use of Overseer has been undermined. The GHG issues have been introduced to our Farm Environment Plan template and farmers will begin to see these matters introduced as they approach FEP review and audit cycles. Environment Canterbury have built an entire Regional Plan and consent framework around Overseer, so they have a lot to do to address the Overseer issue. In the meantime, it is "business as usual" for consent compliance, but our new nutrient discharge permit (CRC184153) has not been granted and is on hold until ECan come up with some answers on how to proceed.

Craig Evans
General Manager

MORVEN GLENAVY IKAWAI IRRIGATION COMPANY LTD

Chairman's Report

The irrigation season of 2020/21 will unfortunately be remembered as the year in which our ability to continually supply water was seriously interrupted due to the displacement of the Bells Pond main race liner in January 2021. This was a severe event that had a major negative impact on affected shareholders over a large part of the scheme.

Due to the ongoing legal dispute with the contractor and subsequent legal process, the Board and senior staff have been committed to a particularly large amount of extra work and stress as we endeavour to determine responsibilities to correct the failure and also address past and future liabilities.

I wish to make a special mention of Matt Gill and his team and acknowledge their efforts to reinstate water supply as quickly as possible, Matt was the man who had to take the phone calls from farmers during this shutdown and I know he personally took responsibility to ensure that everything that could be done was done. I would also like to acknowledge shareholders for their patience during this difficult time.

With respect to commercial sensitivity and legal process, we are unable and will not publicly disclose any further detail regarding this dispute.

If we can look past the liner failure, the scheme operated as it should and delivered reliable water to shareholders for a very extended season beginning in August and finishing in May.

MGI are the scheme administrators, including development and implementation of Farm Environment Plans, we are burdened with implementing systems to address regulations that are being imposed by regional and central government. This space continues to be confronting!! Interpretation and implementation of the rules framework are challenging issues for farmers and for MGI to administer. We need to work hard and cohesively in this area to ensure our businesses meet compliance at an ever increasingly high level. Craig will elaborate some more on this in his report.

The upgrades of open channel to pipe supply for spray irrigation has continued and it is now really evident the positive results that are being delivered. The operators are now more able to match water extraction from the river with water delivered to farms. With one relatively large pipeline and a couple of other smaller improvements to be completed, we are nearly finished all the projects that were identified in 2019 to improve scheme efficiency. It will then be some minor tweaking of systems and automation to further drive water delivery efficiencies going forward. All of this work will enhance our position when we prepare for consent renewal in 2028. At the present time we still have 4,083 hectares of borderdyke in the scheme, but there are a large number of conversions to spray planned to occur during the next 12-months.

MGI today has a term debt of circa $31 million, MGI $7, WDI $24. Our ability to look at options to refinance is restricted as all viable financiers require MGI as the parent company to provide an intercompany guarantee to WDI. We put this to a shareholder vote in 2019 and although well supported did not reach the 75% threshold required for approval. We believe that unless this can be achieved then we are seriously restricted in obtaining a better finance package for all shareholders going forward. We know from preliminary discussions with other banks we are a very bankable business however they all require the guarantee for security. Although we do not provide an intercompany guarantee now, it would be naive to think that our current financier would not hold the parent company liable should WDI default on its obligations.

On behalf of the Board and shareholders, I wish to acknowledge all of our office and field staff for their dedication to the job over the past year. We are fortunate to have a skilled and stable team capable of delivering the required services to shareholders. I thank you for your efforts and commitment to MGI.

Lastly, I wish to thank my fellow Directors for their time and effort over the past year, I acknowledge the extra workload that the Board has incurred. I wish to commend you all for your diligence and commitment to the role.

Maurice Hellewell and I are retiring by rotation this evening and are both available for re-election, I thank shareholders in advance for your continued support.

AR

Alan Gibson
Chairman