

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

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

MORVEN GLENAVY IKAWAI IRRIGATION COMPANY LIMITED AND GROUP

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MORVEN GLENAVY IKAWAI IRRIGATION COMPANY LIMITED AND GROUP

Directory

Directors

R.T.C. Murphy (Chairman)

G.C. Van't Klooster

A.R. Gibson

M.J.F. Hurst

M.L. Jensen

R.J. Smith

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

Raymond Sullivan McGlashan - Timaru

Anderson Lloyd - Christchurch

MORVEN GLENAVY IKAWAI IRRIGATION COMPANY LIMITED AND GROUP

Directors Report

The Board of Directors present their Annual Report including financial statements of the Company and Group for the year ended 31 July 2016.

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 acquired any interest in shares in the company during the year. R.T.C Murphy (Chairman) sold 180 shares via his company Murphy Farms Ltd.

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

R.T.C Murphy, G.C. Van't Klooster, A.R. Gibson, M.J.F Hurst, M.L. Jensen, and R.J. Smith held office as Morven Glenavy Ikawai Irrigation Company Limited (MGI) Directors during the year. No other person held the office of MGI Director at any time during the year. These Directors along with J.C.Kirk, D.G. Ellis, M.T. Cochrane, B.T. Hargreaves, R.B. Hart, and P.L. Mehrtens held the office of Director of Waihāo Downs Irrigation (WDI).

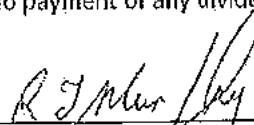
Schedule of Directors Shareholding as at 31 July 2016

Director	Shareholder	No. Shares
R.T.C. Murphy (Chairman)	Murphy Farm Ltd	1,549 shares
G.C. Van't Klooster	Tawal Family Trust	461 shares
	RUA Farming Company Ltd	371 shares
	Van't Klooster Farms Ltd	398 shares
A.R. Gibson	Lynburn Dairy Ltd	180 shares
M.J.F. Hurst	Thanet Farm Ltd	397 shares
R.J. Smith	Papamoa Enterprises Ltd	604 shares

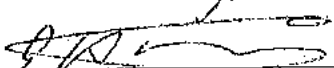
There was one employee of the Company (and the group), who was not a Director and whose remuneration and benefits were in the range of \$110,000 to \$120,000 during the financial year. No other employees of the company or group received remuneration exceeding \$100,000 during the year.

Dividends

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



Director



Director

Dated: 23/11/2016

MORVEN GLENAVY IKAWAI
IRRIGATION COMPANY LIMITED AND GROUP
Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 July 2016

	Note.	Group 2016 \$	Group 2015 \$	Parent 2016 \$	Parent 2015 \$
Revenue					
Irrigation Water Charges		1,404,446	1,328,886	1,337,017	1,328,886
Additional Water		154,245	279,228	154,245	279,228
Rental Income	19	775	2,435	775	2,435
Electricity Recovered		198,933	82,167	79,275	82,167
WDI Shared Cost Contribution		-	-	61,392	-
Other Operating Income		19,260	20,221	15,700	20,221
Total Revenue		1,777,659	1,712,937	1,648,404	1,712,937
Other Income					
Interest Received		49,574	117,378	48,591	115,422
Dividends Received		3,192	2,477	3,192	2,477
		52,766	119,854	51,783	117,899
TOTAL INCOME		1,830,425	1,832,791	1,700,187	1,830,836
Less Expenses					
Audit Fees	21	19,978	3,500	19,978	3,500
Consent & Approval Costs		32,547	19,116	32,547	19,116
Consultancy		44,660	56,326	44,660	45,283
Contribution Costs		90,912	82,008	90,912	82,008
Depreciation	2	242,502	201,158	242,502	201,158
Directors Fees	11	87,500	87,500	75,000	75,000
I.N.Z Membership		34,826	30,922	32,186	30,042
Insurance		26,535	26,127	25,286	24,877
Kiwsaver Contributions		5,854	2,331	5,854	2,331
Legal		34,723	27,988	34,723	18,848
Loss on Disposal of Fixed Asset	2	40,817	6,672	40,817	6,672
Maintenance		561,761	618,861	561,761	618,861
Other Costs		69,687	108,136	64,740	78,078
Other Electricity		6,415	6,253	6,415	6,253
Pump Station Electricity		202,264	82,156	79,276	82,156
Quality & Monitoring		71,221	55,341	71,221	55,341
Rates		31,763	4,892	31,763	4,892
Secretarial & Accounting		137,290	121,193	94,119	78,049
Employee Benefits		554,199	413,153	554,200	413,152
Strategy & Farm Plans		49,014	99,606	48,599	94,519
Finance Costs - Derivative Instrument	8	1,188,542	-	-	-
Vehicle		36,442	40,729	36,442	40,729
TOTAL EXPENSES		3,569,450	2,093,967	2,192,999	1,980,864
PROFIT / (LOSS) BEFORE INCOME TAX		(1,739,025)	(261,176)	(492,812)	(150,028)
Income Tax Expense	6	-	-	-	-
PROFIT / (LOSS) AFTER INCOME TAX		(1,739,025)	(261,176)	(492,812)	(150,028)
Other Comprehensive Income		-	-	-	-
TOTAL COMPREHENSIVE INCOME		(1,739,025)	(261,176)	(492,812)	(150,028)
Profit / (Loss) Attributable to:					
Owners of the Parent		(1,739,025)	(261,176)	(492,812)	(150,028)
Total Comprehensive Income Attributable to:					
Owners of the Parent		(1,739,025)	(261,176)	(492,812)	(150,028)

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

MORVEN GLENAVY IKAWAI
IRRIGATION COMPANY LIMITED AND GROUP
Statement of Changes in Equity
For the Year Ended 31 July 2016

	Ordinary Shares \$	Unissued Shares \$	Capital Contributions \$	Retained Earnings \$	Waihao Downs Irrigation Equity \$	Total Equity \$
<u>Morven Glenavy Ikawai Irrigation Company Limited</u>						
Balance at 1 August 2014	7,476,543	4,442,473	116,539	(720,435)	-	11,315,120
Net Profit after Income Tax	-	-	-	(150,028)	-	(150,028)
Other Comprehensive Income	-	-	-	-	-	-
Total Comprehensive Income	-	-	-	(150,028)	-	(150,028)
Transactions with owners in their capacity as owners						
Cash received on shares not yet issued	-	1,448,099	-	-	-	1,448,099
* Shares Repurchased	(7,776)	7,776	-	-	-	-
Balance at 31 July 2015	7,468,767	5,898,348	116,539	(870,463)	-	12,613,190
Balance at 1 August 2015	7,468,767	5,898,348	116,539	(870,463)	-	12,613,191
Net Profit after Income Tax	-	-	-	(492,812)	-	(492,812)
Other Comprehensive Income	-	-	-	-	-	-
Total Comprehensive Income	-	-	-	(492,812)	-	(492,812)
Transactions with owners in their capacity as owners						
Share Issue Costs	(82,287)	-	-	-	-	(82,287)
Cash received on shares not yet issued	-	537,752	-	-	-	537,752
Balance at 31 July 2016	7,386,480	6,436,100	116,539	(1,363,275)	-	12,575,844
<u>Group</u>						
Balance at 1 August 2014	7,476,543	4,442,473	116,539	(720,434)	(3,020)	11,312,101
Net Profit after Income Tax	-	-	-	(261,176)	-	(261,176)
Other Comprehensive Income	-	-	-	-	-	-
Total Comprehensive Income	-	-	-	(261,176)	-	(261,176)
Transactions with owners in their capacity as owners						
Cash received on shares not yet issued	-	1,448,099	-	-	-	1,448,099
Waihao Downs Irrigation	-	-	-	(3,020)	3,020	-
* Shares Repurchased	(7,776)	7,776	-	-	-	-
Balance at 31 July 2015	7,468,767	5,898,348	116,539	(984,630)	-	12,499,024
Balance at 1 August 2015	7,468,767	5,898,348	116,539	(984,630)	-	12,499,024
Net Profit after income Tax	-	-	-	(1,739,025)	-	(1,739,025)
Other Comprehensive Income	-	-	-	-	-	-
Total Comprehensive Income	-	-	-	(1,739,025)	-	(1,739,025)
Transactions with owners in their capacity as owners						
Share Issue Costs	(82,287)	-	-	-	-	(82,287)
Cash received on shares not yet issued	-	537,752	-	-	-	537,752
Balance at 31 July 2016	7,386,480	6,436,100	116,539	(2,723,655)	-	11,215,464

* In 2015, the company entered into an agreement to purchase the land at 24 Horsnells Road, Waimate, for the pond. Irrigation shares relating to that land were repurchased by the company at the then current rate.

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

**MORVEN GLENAVY IKAWAI
IRRIGATION COMPANY LIMITED AND GROUP**
Statement of Financial Position
As at 31 July 2016

	Note	Group 2016 \$	Group 2015 \$	Group 2014 \$	Parent 2016 \$	Parent 2015 \$	Parent 2014 \$
Current Assets							
Cash and Cash Equivalents	4	648,063	1,397,677	4,918,151	448,539	1,072,441	4,907,616
Term Deposits	13	1,224,729	1,124,729	1,522,858	1,224,728	1,124,729	1,522,858
Trade and Other Receivables	5	106,643	20,845	34,981	120,305	20,845	34,987
Prepayments		4,487	1,760	-	4,487	-	-
Interest Accrued		2,402	1,083	1,355	2,402	1,083	1,355
GST Receivable		21,475	376,263	24,849	11,575	156,911	21,547
Taxation Refundable	6	13,472	33,055	31,828	13,396	32,557	31,790
		<u>2,021,270</u>	<u>2,955,412</u>	<u>6,534,022</u>	<u>1,825,431</u>	<u>2,408,566</u>	<u>6,520,153</u>
Non-Current Assets							
Property, Plant & Equipment	2	36,665,184	6,133,781	4,999,114	6,323,272	6,133,781	4,999,114
Capital Works In Progress	3	-	13,685,003	-	-	-	-
Investments	16	6,490	6,430	6,297	6,490	6,430	6,291
Investments in Subsidiary	24	-	-	-	4,777,150	4,514,825	7,000
		<u>36,671,674</u>	<u>19,825,214</u>	<u>5,005,411</u>	<u>11,106,912</u>	<u>10,655,036</u>	<u>5,012,405</u>
TOTAL ASSETS		<u>38,692,944</u>	<u>22,780,626</u>	<u>11,539,433</u>	<u>12,932,343</u>	<u>13,063,602</u>	<u>11,532,558</u>
Current Liabilities							
Trade & Other Payables		367,883	2,073,958	227,332	232,843	371,566	217,438
Employee Entitlements	15	123,656	78,845	69,895	123,656	78,845	69,895
Derivative Financial Liability	8	1,188,542	-	-	-	-	-
		<u>1,679,981</u>	<u>2,152,803</u>	<u>297,227</u>	<u>356,499</u>	<u>450,411</u>	<u>287,333</u>
Non-Current Liabilities							
Loans & Borrowings	8	25,547,898	7,284,505	-	-	-	-
Retentions	14	250,000	844,294	-	-	-	-
		<u>25,797,898</u>	<u>8,128,799</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES		<u>27,477,479</u>	<u>10,281,602</u>	<u>297,227</u>	<u>356,499</u>	<u>450,411</u>	<u>287,333</u>
Shareholders' Equity							
Ordinary Shares	7	7,386,480	7,468,767	7,476,543	7,386,480	7,468,767	7,476,543
Unissued Shares		6,436,100	5,898,348	4,442,473	6,436,100	5,898,348	4,442,473
Retained Earnings		(2,723,655)	(984,630)	(790,329)	(1,363,275)	(870,463)	(790,330)
Capital Contribution from Shareholders		116,539	116,539	116,539	116,539	116,539	116,539
Waihae Downs Irrigation Equity		-	-	(3,020)	-	-	-
		<u>11,215,464</u>	<u>12,499,024</u>	<u>11,242,206</u>	<u>12,575,844</u>	<u>12,613,191</u>	<u>11,245,225</u>
TOTAL EQUITY AND LIABILITIES		<u>38,692,944</u>	<u>22,780,626</u>	<u>11,539,433</u>	<u>12,932,343</u>	<u>13,063,602</u>	<u>11,532,558</u>

For and on behalf of the Board;


Director


Director

Date: 23/11/2016

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

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

**Statement of Cash Flows
For the year ended 31 July 2016**

	Group 2016	Group 2015	Parent 2016	Parent 2015
<i>Note</i>	\$	\$	\$	\$
Cash Flows from Operating Activities				
<i>Cash was provided from -</i>				
Receipts from Customers	1,734,810	1,698,326	1,593,092	1,698,326
Interest Received	48,254	117,649	47,272	115,694
Dividends Received	3,192	2,477	3,192	2,477
Rental Property Income	775	2,435	775	2,435
Taxation Refunded	33,034	31,801	32,557	31,790
GST Receipts	117,792	-	113,182	-
	<u>1,937,857</u>	1,852,688	<u>1,790,070</u>	1,850,722
<i>Cash was applied to -</i>				
Payment to Employees	531,372	337,758	531,372	337,758
Payments to Suppliers	1,400,858	1,454,446	1,328,193	1,367,970
Taxation Payments	13,452	33,028	13,396	32,557
GST Payments	-	111,311	-	111,539
	<u>1,945,682</u>	1,936,543	<u>1,872,961</u>	1,849,824
Net Cash Inflow (Outflow) from Operating Activities	20 (7,825)	(83,855)	(82,891)	898
Cash Flows from Investing Activities				
<i>Cash was provided from -</i>				
Disposal of investments	600,000	422,858	600,000	422,858
Sale of Fixed Assets	17,391	21,739	17,391	21,739
	<u>617,391</u>	444,597	<u>617,391</u>	444,597
<i>Cash was applied to -</i>				
Purchase of Investments	700,000	24,729	962,325	4,532,554
Purchase of Capital Works & Fixed Asset	19,378,038	12,589,092	651,543	1,196,215
	<u>20,078,038</u>	12,613,821	<u>1,613,868</u>	5,728,769
Net Cash Inflow (Outflow) from Investing Activities	(19,460,647)	(12,169,224)	(996,477)	(5,284,172)
Cash Flows from Financing Activities				
<i>Cash was provided from -</i>				
Issue of Shares	537,752	1,455,875	537,752	1,455,875
Drawdown of loans	18,263,393	7,284,505	-	-
	<u>18,801,145</u>	8,740,380	<u>537,752</u>	1,455,875
<i>Cash was applied to -</i>				
Shares Issue Costs	82,287	-	82,287	-
Shares Repurchased	-	7,776	-	7,776
	<u>82,287</u>	7,776	<u>82,287</u>	7,776
Net Cash Inflow (Outflow) from Financing Activities	18,718,858	8,732,604	455,465	1,448,100
Net Cash Increase (Decrease) During the Year	(749,614)	(3,520,475)	(623,903)	(3,835,175)
Cash and Cash Equivalents at 01 August	1,397,675	4,918,150	1,072,442	4,907,616
Cash and Cash Equivalents at 31 July	4 648,061	1,397,675	448,539	1,072,442

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

MORVEN GLENNAVY IKAWAI IRRIGATION COMPANY LIMITED AND GROUP

Notes to the Financial statements

For the year ended 31 July 2016

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. 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 2016 financial information reported consolidates the two companies results.

The directors authorised the financial statements for issue on 23 November 2016.

Basis of preparation

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

These financial statements are the Groups' first to be prepared in accordance with NZ IFRS. NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards have been applied in preparing these financial statements. The 2015 comparative information had been presented as special purpose reports. When preparing these 2016 financial statements, management has amended certain accounting methods to comply with NZ IFRS. The comparative figures in respect of 2015 were restated to reflect these adjustments.

Reconciliations and descriptions of the effect of transition from special purpose reporting to NZ IFRS on the Groups' statement of financial position and statement of profit or loss and other comprehensive income are given in note 23.

Summary of Significant Accounting Policies

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

Measurement Base

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

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

Presentation Currency

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

Use of Estimates and Judgements

The preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Where material, information on significant assumptions and estimates is provided in the relevant accounting policy or it will be provided in the relevant note. The estimate and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Subsequent actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected. In particular, information about significant areas of judgment in applying policies that have the most effect on the amount recognised in the financial statements are described in note 9.

Specific Accounting Policies

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

1.1 Basis of Consolidation

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

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

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

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

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

1.2 Property, Plant & Equipment and Depreciation

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

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

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

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

1.3 Capital Work in Progress

Capital work in progress includes the costs incurred on fixed assets that are directly attributed to the development of the Irrigation Schemes along with borrowing costs. Capital works in progress are not depreciated until they are ready for their intended use.

1.4 Impairment of Non-financial Assets

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

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

An impairment loss is expensed immediately in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.5 Goods and Services Tax (GST)

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

1.6 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.

1.7 Financial Instruments

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

Recognition and De-recognition of financial assets and liabilities

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

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

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

Available for sale financial assets

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

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

Subsequent measurement of financial assets

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

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

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

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

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

Cash and cash equivalents

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

Loans and receivables

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

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

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

Subsequent measurement of financial liabilities

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

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

Impairment of financial Assets

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

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

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

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

1.8 Borrowing Costs

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

1.9 Revenue

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

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

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

Irrigation water charges and additional water

Water charges for the parent, Morven Glenavy Ikawai Irrigation Company Ltd, are set by the Board on an annual basis. Water charges are invoiced monthly as at 1st of the month, except for farmers with less than 10 hectares where charges are invoiced on an annual basis on 1st August. Additional water is charged on an annual basis at the end of the watering season and is based on watering hours over and above basic allocations.

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

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

Electricity Recovered

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

Rental Income

Revenue from rental of the property at 12 Ruane Street, Glenavy is recognised on a straight-line basis over the lease term. The property ceased to be rented out in the year under review and was used for additional office space.

Interest

Interest income comprises interest received and receivable on funds held in interest bearing bank accounts and charged on overdue debtor invoices and is recognised in the profit or loss as it accrues on an effective interest basis.

1.10 Employee Entitlements

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

1.11 Share capital

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

**MORVEN GLENNAVY IKAWAI
IRRIGATION COMPANY LIMITED AND GROUP
Notes to the Financial statements**

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 2016, the following Standards were in issue but not yet effective which are applicable to the entity. There are further standards and Interpretations that have been issued, however they are not applicable to the business of the entity and therefore will have no impact on future financial statements.

Standard/Interpretation		Effective Date
Annual Improvements	<i>Annual Improvements to NZ IFRSs 2012-2014 Cycle</i>	January 2016
NZ IAS 1	<i>Presentation of Financial Statements</i>	January 2016
NZ IAS 7	<i>Disclosure Initiative</i>	January 2017
NZ IAS 16 NZ IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to NZ IAS 16 and NZ IAS 38)</i>	January 2016
NZ IFRS 9 (2014)	<i>Financial Instruments</i>	January 2018
NZ IFRS 15	<i>Revenue from Contracts with Customers</i>	January 2018
NZ IFRS 15	<i>Disclosure concessions for NZ IFRS 15</i>	January 2018
NZ IFRS 15	<i>Revenue from Contracts with Customers – Clarifications to NZ IFRS 15</i>	January 2018
NZ IFRS 16	<i>Leases</i>	January 2019

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

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

Annual Improvements to NZ IFRSs 2012-2014 Cycle

The affected NZ IFRS standards in terms of the Improvements to NZ IFRSs 2012-2014 Cycle are as follows:

- NZ IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Reclassification of an asset or disposal group from being held for sale to being held for distribution to owners, or vice versa.
- NZ IFRS 7 Financial Instruments: Disclosures - Clarification of whether a servicing contract for a transferred financial asset gives rise to continuing involvement.
- NZ IFRS 7 Financial Instruments: Disclosures - Applicability of amendments to NZ IFRS 7 on offsetting financial assets and liabilities to condensed interim financial statements.
- NZ IAS 19 Employee Benefits: The currency of 'high quality corporate bonds' used to determine the discount rate in Defined Benefit Plans.
- NZ IAS 34 Interim Financial Reporting - Requirements if the disclosures in paragraph 16A of NZ IAS 34 are included 'elsewhere' in an interim report.

Management of Morven Glenavy Ikawai Irrigation Company Limited and Group are yet to fully assess the full impact of the adoption of the Annual Improvements, but the impact is not likely to have a material impact on the financial statements of the entity.

Effective date: Periods beginning on or after 1 January 2016

- For NZ IFRS 5 amendments – prospective
- For NZ IFRS 7 and NZ IAS 34 amendments – retrospective
- For NZ IAS 19 amendments – retrospective (earliest period presented)

NZ IAS 1 (amendments) Disclosure Initiative

The amendment changes a number of aspects of NZ IAS 1 Presentation of Financial Statements namely:

a) Materiality Aggregation or disaggregation should not obscure useful information. Materiality applies to each of the primary financial statements, the notes and each specific disclosure required by IFRSs.

b) Line items in primary financial statements - Additional guidance for line items to be presented in primary statements and new requirements regarding the use of subtotals.

c) Notes to the financial statements - Determination of the order of the notes should include consideration of understandability and comparability of financial statements. It has been clarified that the order listed in IAS 1.114(c) is illustrative only.

d) Accounting policies - Removal of the examples in IAS 1.120 in respect of income taxes and foreign exchange gains and losses.

In addition, the following amendments to IAS 1 arose from a submission received by the IFRS Interpretations Committee:

e) Equity accounted investments - An entity's share of other comprehensive income would be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as single line items within those two groups.

Management of Morven Glenavy Ikawai Irrigation Company Limited and Group are yet to fully assess the full impact of the adoption of NZ IAS 1 Disclosure Initiatives.

Effective date: Periods beginning on or after 1 January 2016

NZ IAS 7 (amendments) Disclosure initiative

The amendment requires entities to provide information about changes in liabilities arising from financing activities for both changes from financing cash flows and the impact of other non-cash flow changes (such as foreign exchange gains or losses).

Effective date: Periods beginning on or after 1 January 2017

NZ IFRS 9 (2014) Financial Instruments

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

There are two main differences in this version of the Standard.

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

Effective date: Periods beginning on or after 1 January 2018

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

NZ IFRS 15 Revenue from Contracts with Customers

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

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

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

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

Effective date: Periods beginning on or after 1 January 2018

NZ IFRS 15 Revenue from Contracts with Customers – Disclosure concessions

This standard has been issued to reflect disclosure concessions in NZ IFRS 15 Revenue from Contracts with Customers for those entities that are eligible for and elect to apply those concessions.

Effective date: Periods beginning on or after 1 January 2018

NZ IFRS 16 Leases

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

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

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

Effective date: Periods beginning on or after 1 January 2019

2. Property, Plant & Equipment

	2015 Opening Cost	2014 Opening Acc Depn	2015 Opening Book Value	2015 Additions/ (Disposals)	2015 Gain/(Loss) on Disposal	2015 Closing Cost	2015 Depn	2015 Closing Acc Depn	2015 Closing Book Value
MGI									
Land	247,650	-	247,650	12,063	-	259,713	-	-	259,713
Buildings	120,585	39,593	80,992	61,157	-	181,742	-	39,593	142,149
Irrigation Scheme	5,077,636	1,243,686	3,833,950	1,120,016	-	6,197,652	102,660	1,344,356	4,853,296
Motor Vehicles	121,663	64,015	57,648	86,296	(6,672)	185,306	14,386	62,420	122,886
Automation Plant	748,565	166,514	582,051	34,186	-	782,751	39,851	206,365	576,386
Plant	543,217	348,384	194,833	28,779	-	571,966	44,251	392,645	179,351
	6,859,316	1,860,202	4,999,114	1,342,497	(6,672)	8,179,160	201,158	2,045,379	6,133,781
WDI	-	-	-	-	-	-	-	-	-
Group Total	6,859,316	1,860,202	4,999,114	1,342,497	(6,672)	8,179,160	201,158	2,045,379	6,133,781
	2016 Opening Cost	2016 Opening Acc Depn	2016 Opening Book Value	2016 Additions/ (Disposals)	2016 Gain/(Loss) on Disposal	2016 Closing Cost	2016 Depn	2016 Closing Acc Depn	2016 Closing Book Value
MGI									
Land	259,713	-	259,713	5,997	-	265,710	-	-	265,710
Buildings	181,742	39,593	142,149	229,133	-	410,875	195	39,788	371,087
Irrigation Scheme	6,197,652	1,344,356	4,853,296	61,586	-	6,259,248	119,851	1,464,207	4,795,041
Motor Vehicles	185,306	62,420	122,886	76,541	(1,967)	234,831	35,205	75,576	159,255
Automation Plant	782,751	206,365	576,386	36,887	-	819,638	42,383	248,748	570,890
Plant	571,966	392,645	179,351	62,656	(35,860)	595,537	44,868	434,248	161,289
	8,179,160	2,045,379	6,133,781	472,810	(40,817)	8,585,839	242,502	2,262,567	6,323,272
WDI	-	-	-	-	-	-	-	-	-
Land	-	-	-	216,745	-	216,745	-	-	216,745
Irrigation Scheme	-	-	-	25,804,152	-	25,804,152	-	-	25,804,152
Automation	-	-	-	196,024	-	196,024	-	-	196,024
Plant	-	-	-	105,912	-	105,912	-	-	105,912
Pump Station	-	-	-	4,019,079	-	4,019,079	-	-	4,019,079
	-	-	-	30,341,912	0	30,341,912	-	-	30,341,912
Group Total	8,179,160	2,045,379	6,133,781	30,814,722	(40,817)	38,927,751	242,502	2,262,567	36,665,184

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 6.

Resource consents have been recognised as a cost of the scheme and have been capitalised and depreciated over the estimated useful life of the scheme. Resource consents have not been split out and recognised separately because of their historic nature which makes measuring these unreliable.

3. Capital Works In Progress

Capital works in progress of \$13,685,003 as at 31 July 2015, related to the capital expenditure associated with the Waitoa Downs Irrigation Scheme. The irrigation scheme became operational July 2016 and the capital works in progress amounts were transferred to fixed assets, see note 2.

4. Cash & Cash Equivalents

	Interest rate	Group 2016 \$	Group 2015 \$	Parent 2016 \$	Parent 2015 \$
ANZ Cheque Account		342,225	242,028	144,910	13,853
ANZ On-Line Call Account	1 - 2.5%	308,258	1,155,649	304,049	1,058,588
ANZ Visa Account		(420)	-	(420)	-
		648,063	1,397,677	448,539	1,072,441

5. Trade and Other Receivables

	Group 2016 \$	Group 2015 \$	Parent 2016 \$	Parent 2015 \$
Total Trade and Other Receivables	106,643	20,845	120,305	20,845
Receivables Due as Follows:				
Not yet due	82,647	14,184	117,906	34,184
Due less than 1 month ago	20,958	3,724	2,113	3,124
Due 2 months ago	2,796	3,531	45	3,531
Due more than 2 months ago	241	6	240	6
	106,643	20,845	120,305	20,845

6. Taxation

	Group 2016 \$	Group 2015 \$	Parent 2016 \$	Parent 2015 \$
(a) Income Tax Recognition in Profit & Loss				
Net Deficit for the Year before Taxation	(1,739,025)	(261,176)	(192,812)	(150,026)
Income Tax Benefit Calculated at 28%	(486,927)	(73,128)	(137,987)	(42,006)
Differences:				
Permanent	28,230	3,540	28,230	3,540
Deferred Tax associated with timing differences	(254,306)	(20,161)	(15,354)	22,153
Effect of Unrecognised Tax Benefit	(713,003)	(89,751)	(125,112)	(16,315)
Income Tax Expense	-	-	-	-

(b) Unrecognised Tax Benefit				
Tax Losses Brought Forward (Tax Effect)	(388,210)	(298,460)	(314,775)	(298,460)
Net Tax Deficit for the Year at 28%	(713,003)	(89,751)	(125,112)	(16,315)
Tax Losses to Carry Forward	(1,101,213)	(388,210)	(439,886)	(314,775)
Tax Charge on Taxable Income	-	-	-	-

(c) Current Tax Assets and Liabilities				
Opening Balance	33,055	31,839	32,557	31,828
Income Tax Paid (Refunded)	(33,034)	(31,839)	(32,557)	(31,828)
Resident Withholding Tax credits	13,452	33,055	13,396	32,557
	(19,582)	1,216	(19,161)	729
Income Tax Receivable	13,473	33,055	13,396	32,557

The total unrecognised tax benefit from tax losses held as at 31 July 2016 is \$770,023 (2015: \$388,210). There were no amounts of income tax recognised directly in equity for the financial year ended 31 July 2016 (2015: nil).

(d) Imputation Credit Account				
Opening Balance	43,625	41,429	43,148	41,418
Payments/(Receipts) via Inland Revenue	(33,034)	(31,801)	(32,557)	(31,790)
RWF credits attached to Interest Income	13,230	32,862	13,174	32,385
Imputation Credits attached to Dividends Received	1,241	968	1,241	969
RWT Credits attached to Dividends Received	222	172	222	172
Closing Balance	25,284	43,625	25,228	43,148
(e) Deferred Tax Liabilities				
Interest on Capital Works	(238,952)	(12,314)	-	-
Interest Income Accrued	(869)	76	(369)	76
Employee Provisions	(14,985)	22,077	(14,985)	22,077
	(254,306)	(20,161)	(15,354)	22,153

The Group has unrecognised tax losses of \$1,101,213 (2015: \$388,210) which are available to carry forward to offset deferred tax liabilities. The deferred tax liability has not been recognised as it is probable that the temporary differences will not reverse in the foreseeable future.

7. Shareholder Equity

	Group 2016 \$	Group 2015 \$	Parent 2016 \$	Parent 2015 \$
Ordinary Shares	7,468,767	7,468,767	7,468,767	7,468,767
Unissued Shares - Fully Paid	6,436,100	5,818,348	6,436,100	5,818,348
Unissued Shares - Part Paid	-	80,000	-	80,000
Retained Earnings	(2,723,655)	(984,630)	(1,363,275)	(870,468)
Capital Contribution from Shareholders	116,539	116,539	116,539	116,539
Share Issue Costs	(82,287)	-	(82,287)	-
	11,215,464	11,499,024	12,575,044	12,633,191
Number of Shares Issued				
Ordinary Shares	23,906	23,906	23,906	23,906
Unissued Shares				
Opening Balance	3,906	3,642	3,906	3,642
New shares not yet Issued	270	264	270	264
	4,176	3,906	4,176	3,906
Total number of shares authorized	28,082	27,812	28,082	27,812

In June 2014, Waiheo Downs Irrigation Limited (WDI) became a fully owned subsidiary of Morven Glenavy Itkawai Irrigation Company Limited (MGI) when WDI's shares were purchased. WDI had 7,000 ordinary shares which were unpaid at the time of purchase. The shares were fully paid up immediately after purchase.

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. New irrigators in the Waiheo Downs Irrigation Scheme will not hold any shares in Waiheo Downs Irrigation Limited but will hold shares in Morven Glenavy Itkawai Irrigation Company Limited.

Share capital has been received by Morven Glenavy Itkawai Irrigation Company Limited (MGI) from applicants in the Waiheo Downs Irrigation Scheme (WDI) area amounting to \$4,851,000 and \$4,770,150 of this capital has subsequently been loaned to WDI to assist with construction costs of its irrigation scheme. The balance advanced to WDI as at balance date was \$4,507,825. The loan is not expected to be repaid to MGI, and has therefore been included in the cost price of the investment in subsidiary in the parent.

Capital Reserves are made up of balances introduced by the Crown on the purchase of the purchase of the scheme in 1991. Capital contributions were received from shareholders for the Redcliff upgrade. There is no intention to convert this into shares.

8. Loans and Borrowings

	Group 2016 \$	Group 2015 \$	Parent 2016 \$	Parent 2015 \$
Total term loans	25,547,898	7,284,505	-	-
less current portion	-	-	-	-
Non current portion	25,547,898	7,284,505	-	-

	Group 2016 \$	Group 2015 \$	Parent 2016 \$	Parent 2015 \$
Repayable as follows:				
Between 1 and 2 years	-	-	-	-
Between 2 and 5 years	25,547,898	-	-	-
Beyond 5 years	-	7,284,505	-	-
	<u>25,547,898</u>	<u>7,284,505</u>	<u>-</u>	<u>-</u>

The loans are secured by a registered first ranking General Security Agreement over all the present and after acquired property of Waihao Downs Irrigation Limited. The loans are interest only at the rate of 4.17% and mature 19th December 2017.

Interest Rate Swap

The company has entered into the following interest rate swap:

Start Date	Maturity Date	Amount	Interest Rate	Mark to Market
November 2015	November 2022	9,500,000	3.58%	786,434
April 2016	April 2021	5,000,000	2.78%	154,850
April 2016	April 2023	5,000,000	3.00%	247,257
Unrealised loss on derivative financial instrument				<u>1,188,541</u>

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 2016 totalled \$19,500,000 (2015: nil). 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 1.50%.

9. Accounting Judgements

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

Impairment of Accounts receivable

The company determines whether accounts receivable are impaired on an annual basis and whenever there is an indication of impairment. This requires an estimation of the recoverable amount of accounts receivable. Determining the recoverable amounts of the accounts receivable requires the estimation of the effects of uncertain future events at reporting date. Indicators of impairment include delinquency by a debtor and indications that a debtor will enter bankruptcy. Where there is any evidence of impairment the amount due is written down to the estimated recoverable amount.

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.

Fair value of Investments

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

Deferred taxation

The company has decided to disclose deferred tax liabilities in note 6 to the financial statements only. Deferred tax liabilities are not recognised in the financial statements on the basis that accumulated tax losses are available to offset any deferred tax liability for the foreseeable future.

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.

10. Contingent Liabilities

At balance date there were no known contingent liabilities (2015: nil)

11. Related Party Transactions

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

Description of Relationship	2016			2015			
	Transaction Amounts	Payable / Receivable	Terms of Trade	Transaction Amounts	Payable / Receivable	Terms of Trade	
Mr R Murphy is a Director of MGI and of Murphy Farms Limited	Murphy Farms pays a lease for land alongside a company race	379	-	n/a	379	-	n/a
Mr R Murphy is a Director of MGI and of Murphy Farms Limited	MGI paid Murphy Farms for the hire of office facilities while the company office renovations were being completed	1,060	-	n/a	-	-	n/a
Mr R Murphy is a Director of MGI and a partner in the R & M Murphy Partnership	Residential accommodation was rented from R & M Murphy for the General Manager's use.	1,980	-	n/a	-	-	n/a
Mr R Smith is a Director of MGI and of Papamoa Enterprises Limited	The MGI owned residential property was rented to Papamoa Enterprises Limited with the tenancy ceasing at October 2014.	-	-	n/a	1,060	-	n/a
Mr Jon Kirk is a director of WDI and of Kirk Irrigation Limited	WDI contracted Kirk Irrigation to attend to the supply and installation of the Telemetry of the Irrigation Scheme	127,681	1,657	20/08/2016	-	-	n/a
MGI is a shareholder of Waitaki Irrigators Collective	*MGI pays WIC a contribution to their costs	120,536	9,172	20/08/2016	82,008	13,636	20/08/2015
MGI is a shareholder of Farmlands	MGI makes monthly purchases with Farmlands for a variety of supplies	167,129	6,378	20/08/2016	51,806	21,337	20/08/2015

*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 (2015: nil).

Subsidiary

Share capital has been received by the Morven Glenavy Ikawal Irrigation Company Limited from applicants in the Waihao Downs Irrigation Scheme. This capital has subsequently been loaned to Waihao Downs Irrigation Limited to assist with the construction costs of its irrigation scheme. Morven Glenavy Ikawal Irrigation Company Limited advanced funds totalling \$4,770,150 (2015: \$4,507,825) to Waihao Downs Irrigation Ltd. No interest is charged on the advance. The advance is not expected to be repaid, and on this basis it has been treated as an increase in the cost price of the investment in the subsidiary in the parent financial statements.

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

	Group 2016 \$	Group 2015 \$	Parent 2016 \$	Parent 2015 \$
R.T.C. Murphy (Chairman)	20,000	20,000	20,000	20,000
G.C. Van't Klooster	15,000	15,000	15,000	15,000
A.R. Gibson	10,000	10,000	10,000	10,000
M.J.F. Hurst	10,000	10,000	10,000	10,000
M.J. Jensen	10,000	10,000	10,000	10,000
R.J. Smith	10,000	10,000	10,000	10,000
K.T.C. Murphy (WDI)	7,500	7,500	-	-
J.C. Kirk (WDI)	5,000	5,000	-	-
Total Directors Fees	87,500	87,500	75,000	75,000

Short term employee benefits for the year were \$114,800 (2015: nil).

12. Capital Commitments

Waihaio Downs Irrigation has committed to construction of an irrigation scheme at a budgeted cost of \$31,998,085 with approximately \$30,300,000 spent as at 31 July 2016 (2015: \$13m1).

13. Term Deposits

The company has the following funds invested

Term deposits 2016

- \$ 24,729 ANZ Bank receiving interest at 3.85% per annum. Term 12 months due to mature 1st August 2016
- \$500,000 ANZ Bank receiving interest at 3.60% per annum. Term 6 months due to mature 15th August 2016
- \$200,000 ANZ Bank receiving interest at 3.23% per annum. Term 6 months due to mature 26th September 2016
- \$500,000 ANZ Bank receiving interest at 3.16% per annum. Term 6 months due to mature 14th December 2016

Term deposits 2015

- \$ 24,729 ANZ Bank receiving interest at 3.85% per annum.
- \$600,000 ANZ Bank receiving interest at 4.35% per annum.
- \$500,000 ANZ Bank receiving interest at 4.20% per annum.

14. Retentions

The main contractor involved in the construction of the Waihaio Downs Irrigation Scheme has deducted retentions totalling \$250,000 as at 31st July 2016 (2015: \$844,294). Defect Liability Retentions become payable upon issue of the Final Completion Certificate. The final completion certificate will not be issued until the Defects notification period ends following 90 consecutive days of irrigating.

15. Employee Entitlements

Employee entitlements consist of:

	Group 2016 \$	Group 2015 \$	Parent 2016 \$	Parent 2015 \$
Annual Leave	27,604	23,300	27,604	23,300
Lieu Days	20,652	18,189	20,652	18,189
Sick Leave	32,955	28,614	32,955	28,614
Holiday Pay	20,680	8,742	20,680	8,742
Accrued Wages	21,764	-	21,764	-
	123,656	78,845	123,656	78,845

All employee entitlements are short-term

16. Investments

	Group 2016 \$	Group 2015 \$	Parent 2016 \$	Parent 2015 \$
Ferrilands	4,490	4,430	4,490	4,430
Waihaio Irrigators Collective Ltd	2,000	2,000	2,000	2,000
	6,490	6,430	6,490	6,430

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

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, account receivables and advances.

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

	Group 2016 \$	Group 2015 \$	Parent 2016 \$	Parent 2015 \$
Cash and Cash Equivalents	648,063	1,897,677	448,539	1,072,441
Term Deposits	1,224,729	1,124,729	1,224,728	1,124,729
Trade and Other Receivables	106,643	20,845	120,305	20,845

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

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

The parent and group do not have any significant concentration of credit risk with Trade and other Receivables. The aging of receivables is shown in note 5.

17.2 Financial Instruments by category

	Loans and Receivables				Available for sale				Loans and Receivables				Available for sale			
	Group		Group		Group		Group		Parent		Parent		Parent		Parent	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets																
Cash and Cash Equivalents	848,063	1,397,677	-	-	-	-	448,539	1,072,441	-	-	-	-	-	-	-	-
Term Deposits	1,224,729	1,124,729	-	-	-	-	1,224,728	1,124,729	-	-	-	-	-	-	-	-
Trade and Other Receivables	106,643	20,845	-	-	-	-	120,305	20,845	-	-	-	-	-	-	-	-
Equity Investments	-	-	6,490	6,430	-	-	-	-	6,490	6,430	-	-	-	-	-	-
	<u>1,979,434</u>	<u>2,543,251</u>	<u>6,490</u>	<u>6,430</u>	<u>6,490</u>	<u>6,430</u>	<u>1,793,572</u>	<u>2,218,015</u>	<u>6,490</u>	<u>6,430</u>	<u>6,490</u>	<u>6,430</u>	<u>6,490</u>	<u>6,430</u>	<u>6,490</u>	<u>6,430</u>
Financial liabilities																
	Financial liabilities at fair value through profit or loss				Financial liabilities at amortised cost				Financial liabilities at fair value through profit or loss				Financial liabilities at amortised cost			
	Group		Group		Group		Group		Parent		Parent		Parent		Parent	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial liabilities																
Trade & Other Payables	-	-	367,383	2,073,958	-	-	-	-	-	-	232,843	371,566	-	-	-	-
Loans & Borrowings	-	-	25,547,898	7,284,505	-	-	-	-	-	-	-	-	-	-	-	-
Derivative Financial Liability	1,188,542	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retentions	250,000	844,294	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<u>1,438,542</u>	<u>844,294</u>	<u>25,915,281</u>	<u>9,358,463</u>	<u>25,915,281</u>	<u>9,358,463</u>	<u>25,915,281</u>	<u>9,358,463</u>	<u>232,843</u>	<u>371,566</u>	<u>232,843</u>	<u>371,566</u>	<u>232,843</u>	<u>371,566</u>	<u>232,843</u>	<u>371,566</u>

17.3 Liquidity Risk

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

Maturity Analysis

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

	Carrying Amount	Contractual Cash flow	Maturity			
			0 - 1 years	1 - 2 years	2 - 5 years	5 + years
Parent						
Financial Liabilities 2015						
Trade & Other Payables	371,566	371,566	371,566	-	-	-
Financial Liabilities 2016						
Trade & Other Payables	232,843	232,843	232,843	-	-	-
Group						
Financial Liabilities 2015						
Trade & Other Payables	2,073,958	2,073,958	2,073,958	-	-	-
Derivative Financial Liability	-	-	-	-	-	-
Loans & Borrowings	7,284,505	8,195,796	151,321	303,763	7,740,912	-
Retentions	844,294	844,294	844,294	-	-	-
	<u>10,202,757</u>	<u>11,114,048</u>	<u>3,069,373</u>	<u>303,763</u>	<u>7,740,912</u>	<u>-</u>
Financial Liabilities 2016						
Trade & Other Payables	367,383	367,383	367,383	-	-	-
Derivative Financial Liability	1,188,542	1,188,542	1,188,542	-	-	-
Loans & Borrowings	25,547,898	28,743,940	853,400	1,065,347	26,825,193	-
Retentions	250,000	250,000	250,000	-	-	-
	<u>27,353,823</u>	<u>30,549,865</u>	<u>2,659,325</u>	<u>1,065,347</u>	<u>26,825,193</u>	<u>-</u>

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

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

Sensitivity Analysis

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

	2016	2015
±% increase in borrowing interest rates	255,479	72,845
±% decrease in borrowing interest rates	(255,479)	(72,845)

Currency Risk

All transactions are recorded in New Zealand Dollars. The group has had no foreign currency transactions. The group has no exposure to currency risk.

18. Capital Management

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

19. Total Operating Revenue

Rent Received

The company owns the property at 12 Ruane Street, Glenavy, which was rented out on a short term basis in the 2015 year. Subsequently the property has been used as additional office space while the depot is renovated.

20. Reconciliation of operating cash flows to operating profit

	Group 2016 \$	Group 2015 \$	Parent 2016 \$	Parent 2015 \$
Profit / (Loss) after Income Tax	(1,739,025)	(261,176)	(492,812)	(150,029)
Non-cash items				
- Add depreciation	242,502	201,158	242,502	201,158
- Add loss on disposal of fixed assets	40,817	6,672	40,817	6,672
- Add employee entitlements	23,046	78,845	23,046	78,845
- Add unrealised loss - derivative instrument	1,188,542	-	-	-
- Less supplier rebate	(60)	(139)	(60)	(139)
Accruals				
increase in accruals	50,103	20,091	4,847	(11,904)
add taxes refunded	33,034	31,801	32,557	31,790
deduct withholding tax	(13,452)	(33,028)	(13,396)	(32,557)
Increase/decrease in creditors	140,720	(32,355)	58,271	(26,384)
Increase / decrease in debtors	(91,847)	14,986	(91,847)	14,984
GST Differences	117,794	(111,308)	113,183	(111,539)
Net Cash flow from Operating Activities	(7,826)	(83,855)	(82,892)	898

21. Independent Auditors

Audit fees of \$4,978 were paid to Mitchell Audit for the 2015 year. These fees were under accrued in the 2015 financial reports. No other services were provided by Mitchell Audit and no other payments were made to them.

BDO Christchurch are the Independent Auditors of the 2016 financial statements. Audit fees payable to BDO Christchurch in respect of the 2016 financial statements are \$18,500. No other services were provided by BDO Christchurch and no other payments were made to them.

22. Subsequent Events

The Directors' approved two share issues, subject to completion of the documentation required for compliance with the Financial Markets Conduct Act:

- The shares for the WDI area (3234) shares were issued on 24 August 2016 and registered on the Companies Office register at that time.
- The shares for the MGI backlog (942 shares) have not been issued pending completion of FMCA documentation.

The Directors of Morven Glenavy Ikawai Irrigation Company Limited approved making an application to register as a co-operative company pursuant to the Co-operative Companies Act 2006.

The Directors of Morven Glenavy Ikawai Irrigation Company Limited resolved to support the Hunter Downs Irrigation project by entering into the following key contracts on reasonable terms to be negotiated by the Board:

- An engineering, design and construction contract to upgrade the intake works at Bulls Pond, upgrade the main race to the Plough, rebuild Lateral 3 from the Plough to Murphy's Pond to increase its capacity from 3 cumecs to 10 cumecs, and other associated works.
- A Water Supply Agreement of up to 7 cumecs of water from the upgraded race system to Hunter Downs Water.
- An Operating Services Contract to operate the Hunter Downs Irrigation scheme on behalf of Hunter Downs Water.

On the basis that the contracts set out in 1), 2) and 3) will provide significant financial benefit to MGI.

23. First-time adoption of NZ IFRS

The financial statements of Morven Glenavy Ikawai Irrigation Company Limited and group were reported under a special purpose framework for the year ended 31 July 2015. Special purpose reporting differs to NZ IFRS in the following respects:

- Bank borrowings in relation to the construction of the Waihiao Downs Irrigation scheme were expensed in the profit or loss statement under special purpose reporting. Under NZ IFRS bank borrowing have been reclassified and included in capital works in progress and subsequently fixed assets.
- Deferred tax liability was not recognised under special purpose reporting. Under NZ IFRS the deferred tax liability is calculated, the effect of which is shown in note 4.
- Employee benefits were not recognised under special purpose reports. Under NZ IFRS employee benefits have been recognised.

23.1 Reconciliation of equity reported under previous special purpose reporting to equity under NZ IFRS.

(a) At the date of transition to NZ IFRS: 1st August 2014

Group	Share Capital \$	Shares to be Issued \$	Forfeited Share Reserve \$	Capital Contributions \$	Capital Reserves \$	Retained Earnings \$	Waihiao Downs Irrigation Equity \$	Total Equity \$
Special Purpose	7,476,543	4,442,473	4,101	116,539	330,743	(1,055,278)	(3,020)	11,312,101
<u>Effect of Transition</u>								
Capital Reserves from the Crown	-	-	-	-	(330,743)	330,743	-	-
Forfeited Shares	-	-	(4,101)	-	-	4,101	-	-
Recognition of Employee Entitlements	-	-	-	-	-	(69,895)	-	(69,895)
NZ IFRS	7,476,543	4,442,473	-	116,539	-	(790,329)	(3,020)	11,242,206
Parent								
Special Purpose	7,476,543	4,442,473	4,101	116,539	330,743	(1,055,279)	-	11,315,120
<u>Effect of Transition</u>								
Capital Reserves from the Crown	-	-	-	-	(330,743)	330,743	-	-
Forfeited Shares	-	-	(4,101)	-	-	4,101	-	-
Recognition of Employee Entitlements	-	-	-	-	-	(69,895)	-	(69,895)
NZ IFRS	7,476,543	4,442,473	-	116,539	-	(790,330)	-	11,245,225

(b) At the end of the last reporting period under previous special purpose: 31st July 2015

Group	Share Capital \$	Shares to be Issued \$	Forfeited Share Reserve \$	Capital Contributions \$	Capital Reserves \$	Retained Earnings \$	Waihiao Downs Irrigation Equity \$	Total Equity \$
Special Purpose	7,468,767	5,898,348	4,101	116,539	330,743	(1,391,750)	-	12,426,748
<u>Effect of Transition</u>								
Capital Reserves from the Crown	-	-	-	-	(330,743)	330,743	-	-
Capitalisation of Borrowing Costs	-	-	-	-	-	151,121	-	151,121
Recognition of Employee Entitlements	-	-	-	-	-	(78,845)	-	(78,845)
Forfeited Shares	-	-	(4,101)	-	-	4,101	-	-
NZ IFRS	7,468,767	5,898,348	-	116,539	-	(984,630)	-	12,499,024

Parent	Share Capital	Shares to be Issued	Forfeited Share Reserve	Capital Contributions	Capital Reserves	Retained Earnings	Waihao Downs Irrigation Equity	Total Equity
	\$	\$	\$	\$	\$	\$	\$	\$
Special Purpose	7,468,767	5,898,348	4,101	116,539	330,743	(1,126,461)	-	12,692,037
Effect of Transition								
Capital Reserves from the Crown	-	-	-	-	(330,743)	330,743	-	-
Recognition of Employee Entitlements	-	-	-	-	-	(78,845)	-	(78,845)
Forfeited Shares	-	-	(4,101)	-	-	4,101	-	-
NZ IFRS	7,468,767	5,898,348	-	116,539	-	(870,462)	-	12,613,192

The forfeited shares relate to a land transaction in the early 1990's of approximately 100 shares where there was uncertainty regarding payment for these shares. The forfeited shares are not calculated under NZ IFRS and are moved to Retained Earnings accordingly.

23.2 Reconciliation of total comprehensive income reported under special purpose reporting to equity under NZ IFRS for 31 July 2015.

Group	Special Purpose	Effect of transition	NZ IFRS
Total Income	1,832,791	-	1,832,791
Expenses	(2,166,242)	72,276	(2,093,967)
Profit/ (loss) for year	(333,452)	72,276	(261,176)

Comprising of:

Capitalisation of Borrowing Costs	151,121
Recognition of Employee Entitlements	(78,845)
	72,276

Group	Special Purpose	Effect of transition	NZ IFRS
Total Income	1,830,836	-	1,830,836
Expenses	(1,902,019)	(78,845)	(1,980,864)
Profit/ (loss) for year	(71,183)	(78,845)	(150,028)

Comprising of:

Recognition of Employee Entitlements	(78,845)
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24. Investments in Subsidiary

	Parent 2016	Parent 2015
	\$	\$
Waihao Downs Irrigation Ltd	4,777,150	4,514,825
	4,777,150	4,514,825

Waihao Downs Irrigation Limited became a fully owned subsidiary of Mowea Glenasy (kawa) Irrigation Company Limited in June 2014.

MGI received share capital from applicants in the Waihao Downs Irrigation Scheme area and of this \$4,770,150 was advanced to Waihao Downs Irrigation Limited (2015: \$4,507,825) to assist with construction costs of an irrigation scheme. This advance is not expected to be repaid. The Directors are considering the reclassification of the advance as additional share capital. Under present tax law, debt remission within a wholly owned group of companies produces taxable income to the debtor (WDI) but no tax deduction is available to the creditor (MGI). The Inland Revenue's finding is that the capitalisation of debt into shares is prima facie tax avoidance. The amount of debt capitalised is reconstructed as debt remission income to the debtor. Following submissions from NZ Institute of Chartered Accountant & the NZ Law Society the Inland Revenue has agreed in principle that the asymmetric tax outcome is unfair within wholly owned groups. A change in tax legislation is required to resolve this matter and is with the government for enactment.