North Otago Irrigation Company Limited

Annual Report

For the Year Ended 30 June 2016

North Otago Irrigation Company Limited
Annual Report
For the Year Ended 30 June 2016

Contents

	Page
Independent Auditor's Report	1
Company Directory	2
Directors' Report	3 - 4
Chairman's Report	5 – 6
CEO's Report	7 - 8
Directors Responsibility Statement	9
Statement of Comprehensive Income	10
Statement of Changes in Equity	11
Statement of Financial Position	12 - 13
Statement of Cash Flows	14 - 15
Notes to the Financial Statements	16 - 46

Crowe Horwath

Crowe Horwath
New Zealand Audit Partnership
Member Crowe Horwath International

44 York Place
Dunedin 9016 New Zealand
PO Box 188
Dunedin 9054 New Zealand
Tel +64 3 477 5790
Fax +64 3 474 1564
www.crowehorwath.co.nz

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of North Otago Irrigation Company Limited

Report on the Financial Statements

We have audited the financial statements of North Otago Irrigation Company Limited on pages 10 to 46, which comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors are responsible on behalf of the entity for the preparation and fair presentation of the financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion, the financial statements on pages 10 to 46 present fairly, in all material respects, the financial position of North Otago Irrigation Company Limited as at 30 June 2016, and the financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards.

Crowe Horwath.

Crowe Horwath New Zealand Audit Partnership
CHARTERED ACCOUNTANTS
10 October 2016

Company Directory

For the Year Ended 30 June 2016

Nature of business	Irrigation Scheme Construction & Operation
Registered office	Harvie Green Wyatt 229 Moray Place, Dunedin
Address for service	Harvie Green Wyatt 229 Moray Place, Dunedin
Directors	K O Diprose W L Hamilton G A Isbister G P Plunket M H M Ross J A Wright K Y Robinson (appointed 4 November 2015)
Accountants	Harvie Green Wyatt Dunedin
Bankers	ASB Rural Corporate, Dunedin
Solicitors	Berry & Co Oamaru
Auditors	Crowe Horwath New Zealand Audit Partnership Dunedin
Business location	North Otago

Directors' Report

For the Year Ended 30 June 2016

The Board of Directors present their Annual Report including financial statements of the company for the year ended 30 June 2016.

As required by section 211 of the Companies Act 1993 we disclose the following information:

The business of the company is construction & operation of an irrigation scheme.

The Board received notices during the year from directors that they had an interest in transactions or proposed transactions by the company.

Directors' remuneration and other benefits paid during the year or due and payable are as follows:

	2016	2015
K O Diprose	$12,000	$12,000
W L Hamilton	$24,000	$24,000
G A Isbister	$12,000	$12,000
G P Plunket	$12,000	$12,000
M H M Ross	$12,000	$12,000
J A Wright	$12,000	$12,000
K Y Robinson	$9,000	$Nil

One employee received remuneration and benefits of between $230,000 and $240,000 during the year (2015: one between $220,000 and $230,000).

No donations were made by the company during the year.

At the end of the year W L Hamilton, K O Diprose, G A Isbister, G P Plunket, M H M Ross, J A Wright and K Y Robinson held office as directors.

Amounts due and payable to the auditors are as follows:

	2016	2015
Auditing financial statements	$17,500	$16,500
Other assurance services pertaining to the prospectus	$Nil	$2,750
Total fees paid to audit firm	$17,500	$19,250

Directors' Report

For the Year Ended 30 June 2016

Interest Register	No interests were declared during the year.
Share Dealings	Isa Holdings Limited was issued 80 shares during the year. Parautika Farms Limited was issued 4 shares during the year.

For and on behalf of the Board

Director ______________ Director ______________

Date 10th October 2016

Chairman's Report

For the Year Ended 30 June 2016

It is my pleasure to present you with my annual report for the 2015-2016 year. For those of you who are part of the expansion project and are on the brink of receiving water, this is a very significant time for you and I look forward to seeing what you all create with the opportunity that water brings. Getting to this point is also very satisfying for many others who have over the years looked forward to water being available to as large an area of North Otago as possible. We still have a way to go but it is becoming a reality.

Expansion project

This year has seen a large scar that is approximately 114Km in length extend across our land as we have laid pipe, this has impacted on many of you and significantly so in some cases, thank you for your patience and cooperation. The expansion project is a significant piece of work that has moved very quickly in the past few months with up to 10 crews working across the scheme. With most of the pipe now installed we are on track and moving into commissioning the scheme progressively from north to south. There will be challenges for sure, but we also have confidence in the programme.

Environment

I was encouraged to see a good representation of our farmers at the recent planting morning at Enfield. It was an initiative of the Kakanui Community Catchment Project to foster pride in the region. The planting and information sign is part of a rest area alongside the A20 cycleway. The information sign was sponsored by NOIC. The KCCP is coming to an end, but catchment care needs to be expanded. I would encourage us all to support NOSLaM who are looking to carry on this type of work. Pride in our region is something we need to continue to demonstrate.

Reflection

Our shared vision states that we are "to deliver reliable and cost effective water, to the widest possible area of North Otago for the benefit of the water users, the community and the Environment". I would like to reflect for a moment on how we make sure that we benefit the community. Being part of a community project of this scale and significance brings many people together, we get to know and appreciate a wider range of people, and conversely, there are always conflicts along the way which can drive people apart, where this has happened we need to work at drawing back together. We have created the foundations for a diverse community. We have irrigation farmers living alongside dry-land farmers, intensification of farming means that more people and different people will live in our community, we must welcome and include new people and redefine our community. If we do it well our community should be prosperous and vibrant, visitors will come to enjoy cycling through our countryside or swimming in our river. People will be attracted to come, to live and work in our region, our children will have a strong attachment to where they were brought up.

Appreciation
A special thank you to Robyn and the team. I acknowledge the significant workload and responsibility that you have all taken on and that at times has seemed daunting, you are very much appreciated.

Thank you to my fellow directors, your input and support have been crucial in what has been a very busy year.

For us all, now is a good time to take stock and appreciate what is being achieved as we commission each section of the scheme, let's make sure we celebrate together, well done to you all.

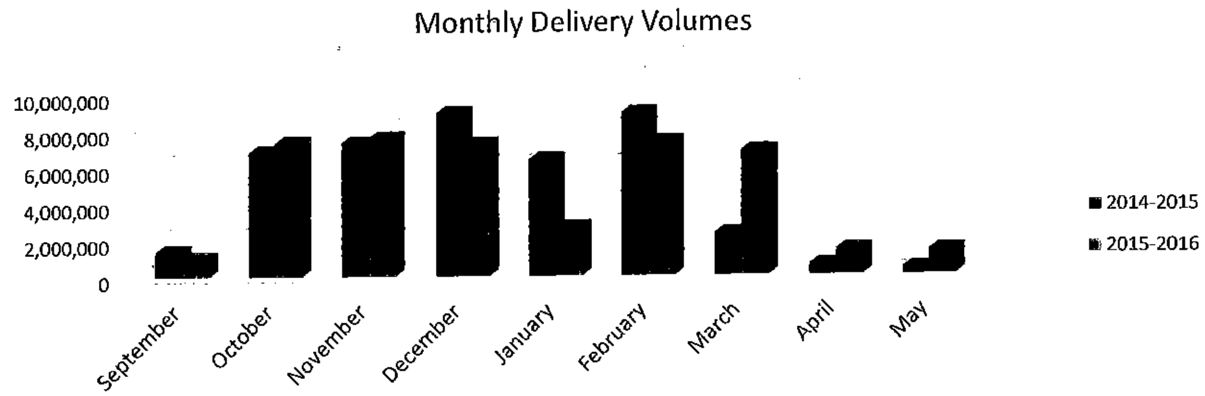
Leigh Hamilton
Chairman

CEO's Report

For the Year Ended 30 June 2016

The 2015-2016 year was one of considerable challenge for the team as our resources were stretched through the efforts of simultaneously managing a significant expansion project whilst keeping the ordinary business of the company running. Almost every facet of the organization has been impacted and this has had flow-on effects for our suppliers, our service providers, our employees (and their families) and of course for our customers and shareholders. I am not sure we recognized just how comprehensive and significant the implementation of the long awaited expansion would be; which is probably a good thing as it may have been too daunting to contemplate otherwise. That being said, I am most appreciative of the patience and resilience exhibited by those involved and assure you it is our goal to emerge from this extended transition phase a stronger and more resilient organization.

We again managed to deliver over 43 million m^3 of water although it was over a slightly expanded irrigation season compared to 2014 – 2015 with relatively large volumes still being required in the last trimester as highlighted in the following graph.



The table below gives some analysis of the volumes delivered since 2011 on a m^3 per 'operative' share basis. We can see that the last two seasons have seen a significant uplift in per share demand requiring a commensurate uplift in scheme performance. Although disappointing to have to deploy any rostering at all in the scheme, the rostering policy and plan developed last winter proved to be helpful in guiding decisions as we faced some constraints to what the system could deliver over November and December. Steve and his team have worked very hard to ensure water continues to flow and have focused this last winter on several small capital projects to enhance performance further in the coming seasons.

	2011-2012	*2012-2013*	*2013-2014*	*2014-2015*	*2015-2016*
Water Volume Delivered	17,969,562	26,119,776	17,991,767	43,187,780	43,059,761
Operative Shares	10,749	11,329	11,739	12,366	12,426
m^3 Delivered per Operative Share	1,672	2,306	1,533	3,492	3,465

A significant victory at the end of the year was the achievement through the collective efforts of all the irrigators off the Waitaki of a favourable result for Plan Change 3 – Waitaki Catchment Water Allocation Regional Plan. Through the efforts of Policy Manager Elizabeth Soal, the Directors of Waitaki Irrigators Collective (WIC), and those that came before the formalisation of a collective, our scheme now has a secured future reliability and I note here our appreciation of their efforts.

Financial Review

This year Total Revenue was substantially the same as the previous year, excluding IAF grant funding, at $10.5 million. Fixed charges remained static, operating charges were slightly higher and water usage charges slightly lower. Other operating revenues were generated through rent income of $7 thousand and interest income of $32 thousand.

Power and network charges continue to comprise the largest part of the $6.9 million of Total Expenses incurred. Excluding power, network charges, and depreciation expense Direct Expenses decreased by $288 thousand. New this year, the Valuer-General dictated that irrigation scheme infrastructure should become part of district valuation rolls and although we successfully delayed the implementation of this at a district level through the efforts of WIC, the ORC and ECan decided to go ahead and apply a rate against our scheme value in their regions respectively and we incurred over $11 thousand in unbudgeted rate expense.

In terms of a valuation of the scheme assets, the Directors agreed that it made no sense to carry out a revaluation in the midst of an expansion and so it was decided the next valuation would take place on 1st July 2017.

As requested at last year's Annual Meeting, the expenses related to power, and recoveries on water usage are presented below in a more transparent format. One may expect that with a similar volume of water delivered a similar power expense should be seen; however, it is the pattern of demand by month and by area, as well as the relative power charge negotiated for each month that dictated overall expense.

	2014 - 2015		*2015 - 2016*	
Total Power Expenses	$3,448,177		$3,604,782	
Power Expense		2,645,790		2,820,606
Network Charges		802,387		784,176
Power Income Collected Net of Creek Rebate	$3,440,980		$3,303,889	

Both the ASB and WDC facilities were refinanced during the year and an additional $25.8 million of borrowings were drawn to finance the expansion construction. We continue to employ an active interest rate management strategy, with the result being a reduction in average Interest expense for ASB from 7.16% to 5.66%. This reduction in interest rate has continued into the new financial year not only with ASB funds, but with the WDC facility that has interest set for the coming year at 3.56% versus 4.45% in 2015 – 2016. No principle is currently being paid although debt will be paid down with share call deposits as received.

This year we recorded a fair value loss on our interest rate swaps of $2.95 million and a gain on forward exchange contracts placed to protect us against US dollar procurement of pipe for the expansion of $600 thousand, leaving us with an overall loss on derivatives of $2.36 million. Adding the operational and derivative loss together the Company had a total loss for the year before tax of $2.27 million but a net profit prior to other gains or losses of $88 thousand.

The Team

We started the year with six full-time employees and two part-time; and currently have eight full-time, one half- time and one part-time project based staff. The big changes have been in the addition of a Shareholder Relations Administrator and the increase in operational staff in preparation for the new infrastructure. Thanks to all, whether full or part-time, for the continued dedication and effort in what has been a tumultuous year. We can't promise a totally smooth transition over the next twelve months but we can offer you our best efforts and the motivation of bringing you a report on an expanded yet cohesive NOIC at this time next year.

Thank you for your on-going support.

Robyn Wells
Chief Executive

Directors Responsibility Statement

For the Year Ended 30 June 2016

The Directors of North Otago Irrigation Company Limited are pleased to present to shareholders the financial statements for the Company for the year ended 30 June 2016.

The Directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which fairly reflects the financial position for the Company as at 30 June 2016 and the results of their operations and cash flows for the year ended on that date.

The Directors consider the financial statements of the company have been prepared using accounting policies which have been consistently applied and supported by reasonable judgments and estimates and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

The financial statements are signed on behalf of the Board by:

Director ____________ Director ____________

Date: 10th October 2016 Date: 10th October 2016

Statement of Comprehensive Income
For the Year Ended 30 June 2016

	Note	**2016** $	2015 $
Revenue	2	10,463,223	10,633,356
Direct expenses	3a	(6,847,166)	(6,919,548)
Employment expenses	3b	(761,512)	(679,474)
Operating profit		2,854,545	3,034,334
Finance income	4	138,948	81,348
Finance costs	4	(2,905,182)	(3,059,695)
		(2,766,234)	(2,978,347)
Net profit prior to other gains and tax		88,311	55,987
Other gains (losses)	5	(2,358,869)	724,375
Profit (loss) before income tax		(2,270,558)	780,362
Income tax (expense)/credit	8	526,509	(218,684)
Profit (loss) for the year		$(1,744,049)	$561,678
Other comprehensive income		-	-
Total comprehensive income for the year		$(1,744,049)	$561,678

CROWE HORWATH NEW ZEALAND

The accompanying notes form part of these financial statements

Statement of Changes in Equity
For the Year Ended 30 June 2016

2016

	Note	Retained Earnings	Share Capital	Asset Revaluation Reserve	Treasury Stock	Total Equity
Opening Balance 1 July 2015		(11,270,207)	28,622,248	8,855,679	(5,550)	26,202,170
Profit/(loss) for the year		(1,744,049)	-	-	-	(1,744,049)
Other comprehensive income movements for the year		-	-	-	-	-
Total comprehensive income for the year		(1,744,049)	-	-	-	(1,744,049)
Issue of Share Capital	10	-	8,136,770	-	-	8,136,770
Total transactions with owners recorded directly in equity		-	8,136,770	-	-	8,136,770
Balance 30 June 2016		(13,014,256)	36,759,018	8,855,679	(5,550)	$32,594,891

2015

	Note	Retained Earnings	Share Capital	Asset Revaluation Reserve	Treasury Stock	Total Equity
Opening Balance 1 July 2014		(11,831,885)	26,664,558	8,855,679	(5,550)	23,682,802
Profit/(loss) for the year		561,678	-	-	-	561,678
Other comprehensive income movements for the year		-	-	-	-	-
Total comprehensive income for the year		561,678	-	-	-	561,678
Issue of Share Capital	10	-	1,957,690	-	-	1,957,690
Total transactions with owners recorded directly in equity		-	1,957,690	-	-	1,957,690
Balance 30 June 2015		(11,270,207)	28,622,248	8,855,679	(5,550)	$26,202,170

The accompanying notes form part of these financial statements

Statement of Financial Position
As at 30 June 2016

	Note	**2016** **$**	2015 $
Current assets			
Cash & cash equivalents		1,499,978	1,917,661
Derivative Financial Instruments	26	-	1,613,542
Trade & other receivables	20	1,674,509	917,928
Inventories	21	239,468	139,816
Income tax receivable		28,663	3,321
		3,442,618	4,592,268
Non-current assets			
Intangible Assets	23	229,836	244,591
Property, Plant and equipment	22	116,249,920	74,252,159
Investments	25	2,622	2,577
		116,482,378	74,499,327
TOTAL ASSETS		$119,924,996	$79,091,595
Current liabilities			
Trade & other payables	14	7,784,626	1,532,685
Employee benefits	19	53,553	54,843
Current portion of borrowings	18	-	47,646,135
Deferred Tax	8	-	526,509
Derivative Financial Instruments	26	5,994	70,968
		7,844,173	49,831,140
Non-current liabilities			
Term borrowings	18	73,403,258	-
Derivative Financial Instruments	26	6,082,674	3,058,286
		79,485,932	3,058,286
TOTAL LIABILITIES		$87,330,105	$55,889,425
TOTAL NET ASSETS		$32,594,891	$26,202,170

CROWE HORWATH NEW ZEALAND

The accompanying notes form part of these financial statements

Statement of Financial Position Cont.
As at 30 June 2016

	Note	**2016** **$**	2015 $
Equity	9		
Share capital		36,759,018	28,622,248
Retained earnings (losses)		(13,014,256)	(11,270,207)
Property, Plant & Equipment revaluation reserve		8,855,679	8,855,679
Treasury Stock		(5,550)	(5,550)
TOTAL EQUITY		$32,594,891	$26,202,170

For and on behalf of the Board, who authorise these financial statements for issue on 10th October 2016

Director W L Hamilton

Director

CROWE HORWATH NEW ZEALAND

Statement of Cash Flows
For the Year Ended 30 June 2016

	Note	2016 $	2015 $
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		10,396,891	10,384,241
Rent received		6,672	7,758
Interest received		141,347	83,465
CIF and IAF Grants		-	270,211
Other		32,289	64,485
GST received		-	14,991
Income tax refunded		3,321	-
		10,580,520	10,825,151
Cash was disbursed to:			
Payments to suppliers		(5,289,409)	(5,409,739)
Payments to and on behalf of employees		(751,096)	(664,302)
Interest paid		(2,307,126)	(2,673,041)
Capitalised interest paid		(411,752)	-
GST paid		(393,754)	-
RWT paid		(28,663)	(3,316)
		(9,181,800)	(8,750,398)
Net cash flows from operating activities	27	$1,398,720	$2,074,753
Cash flows from investing activities			
Cash was disbursed to:			
Purchase of irrigation scheme infrastructure		(38,106,484)	(3,237,524)
Purchase of unlisted shares and advances		(45)	(77)
		(38,106,529)	(3,237,601)
Net cash flows (outflows) from investing activities		$(38,106,529)	$(3,237,601)

CROWE HORWATH NEW ZEALAND

The accompanying notes form part of these financial statements

Statement of Cash Flows (continued)
For the Year Ended 30 June 2016

	Note	2016 $	2015 $
Cash flows from financing activities			
Cash was provided from:			
Call on Shares and Shares issued		7,946,450	1,883,139
Share deposits received, not yet issued		3,586,553	-
Borrowings		25,757,123	-
		36,290,126	1,883,139
Cash was disbursed to:			
Repayment of borrowings		-	(300,200)
		-	(300,200)
Net cash flows from financing activities		$36,290,126	$1,582,939
Net increase (decrease) in cash held		(417,683)	420,091
Cash & cash equivalents at the beginning of year		1,917,661	1,497,570
Cash & cash equivalents at end of year		$1,499,978	$1,917,661

CROWE HORWATH NEW ZEALAND

The accompanying notes form part of these financial statements

Notes to and forming part of the financial statements
For the Year Ended 30 June 2016

1 Reporting entity

North Otago Irrigation Company Limited ('the company') is a profit oriented company incorporated and domiciled in New Zealand, registered under the Companies Act 1993.

The Company is an issuer for the purposes of the Financial Reporting Act 2013. Its principal activity is the construction and operation of an irrigation scheme.

The financial statements for the year ended 30 June 2016 were authorised for issue with a resolution of the directors on 10th October 2016.

Basis of Preparation

The financial statements of the Company have been prepared in accordance with generally accepted accounting practice in New Zealand and the requirements of the Companies Act 1993 and the Financial Reporting Act 2013. The financial statements have also been prepared on an historical cost basis, except for derivative financial instruments, which have been measured at fair value and irrigation infrastructure which is carried at optimised depreciated replacement cost.

The financial statements are presented in New Zealand dollars which is the company's functional currency.

Statement of Compliance

These financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities.

Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. Certain comparatives have been reclassified to conform with the current year's presentation.

a) Property, plant, and equipment

(i) Recognition and measurement

Except for irrigation infrastructure, items of property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses. Land is not depreciated.

The initial cost includes the purchase price and any costs directly attributable to bringing the asset to the state of being ready for use in location. These costs can include installation costs, borrowing costs, cost of obtaining resource consents etc. Any feasibility costs are expensed.

CROWE HORWATH NEW ZEALAND

Notes to and forming part of the financial statements
For the Year Ended 30 June 2016

The company has four classes of property, plant and equipment:

- Freehold land;
- Freehold buildings/structures, plant and equipment;
- Irrigation Infrastructure
- Capital work in progress.

(ii) Irrigation Infrastructure recognition and measurement

Infrastructure assets are initially stated at cost. On a three yearly basis, such assets are valued by an independent valuer, the valuation approach being optimised depreciated replacement cost. The depreciated replacement cost includes, among other things, estimates and assumptions about the useful lives, replacement costs and residual value of the assets and water resources consents term.

Any gain arising from a change in the value of the assets is recognised in the statement of comprehensive income as other comprehensive income. A loss is only recognised in other comprehensive income to the extent that a gain has previously been recognised for that asset, with any residual recognised in profit and loss.

The most recent valuation was 1 July 2012. With the Kakanui extension currently being developed it was decided that the next valuation will take place on 1st July 2017.

(iii)Subsequent expenditure

Subsequent expenditure is added to the gross carrying amount of an item of property, plant or equipment, if that expenditure increases the future economic benefits of the asset beyond its existing potential, or is necessarily incurred to enable future economic benefits to be obtained and its cost can be measured reliably.

(iv) Disposal of property, plant or equipment

When an item of such is disposed of, the gain or loss is recognised in the Statement of Comprehensive Income at the difference between the net sale price and the net carrying amount of the item.

(v) Depreciation

Depreciation is calculated on a straight line basis to allocate the cost of an asset, less its residual value, over its useful life. The estimated useful lives of significant asset categories are:

• Freehold buildings, structures, pipe work and components	15-50 years
• Mechanical plant	30 years
• Electrical equipment	25 years
• Irrigation Infrastructure	15 – 100 years

CROWE HORWATH NEW ZEALAND

Notes to and forming part of the financial statements
For the Year Ended 30 June 2016

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

b) Intangible Assets

Intangible assets acquired by the company, which have finite useful lives, are measured at cost less accumulated amortisation and any impairment losses.

Amortisation is recognised on a straight-line basis over the estimated useful life of the asset, from the date they are available for use, and disclosed within expenses.

The following amortisation rates have been applied to each class of intangible assets:

Water Permit	20 - 23 years.

Residual values and useful lives are reviewed at each reporting date.

Disposals
Gains or losses on disposal are determined by comparing the proceeds with the carrying amount of the intangible asset and reported in the statement of comprehensive income.

c) Inventories
Inventories comprise spare parts and other consumables which are used to repair and maintain the Company's infrastructure assets. Inventories are stated at the lower of cost and net realisable value. Cost is based on first-in first-out.

d) Financial Instruments

(i) Non-derivative financial instruments
The company is party to financial instruments as part of its normal operations. These financial instruments include cash and cash equivalents, trade and other receivables, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value on transaction date plus, for instruments not at fair value through the statement of comprehensive income, any directly attributable transactions costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the company becomes party to the contractual provisions of the instrument. Financial assets are derecognised if the company's contractual rights to the cash flows from the financial assets expire or if the company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are

CROWE HORWATH NEW ZEALAND

Notes to and forming part of the financial statements
For the Year Ended 30 June 2016

accounted for at trade date. Financial liabilities are derecognised if the company's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits.

Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

Interest-bearing borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade and other payables
Trade and other payables are stated at cost.

(ii) Derivative financial instruments
The Company uses derivative financial instruments including forward exchange contracts and interest rate swaps for the primary purpose of reducing its exposure to fluctuations in foreign currency rates and interest rates.

A specific accounting treatment is required for derivatives designated as hedging instruments in cash flow hedge relationships. To qualify for hedge accounting, the hedge relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness. All other derivative financial instruments are accounted for at fair value through profit or loss.

In accordance with the treasury policy, the Company does not hold or issue derivatives financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value. When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in fair value are recognised immediately in profit and loss. As the derivatives held by the Company do not qualify for hedge accounting, the gain or loss on re-measurement to fair value is recognised in the statement of comprehensive income.

Notes to and forming part of the financial statements
For the Year Ended 30 June 2016

e) Impairment

The carrying amount of company assets are reviewed at each balance date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds it recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the statement of comprehensive income.

(i) Impairment of receivables

Accounts receivable for the company are valued at their anticipated realisable value after writing off amounts considered to be irrecoverable and making adequate provision for doubtful debts.

f) Provisions

A provision is recognised if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(i) Employee Entitlements

Short-term employee benefits
Employee benefits, previously earned from past services, that the Company expect to be settled within 12 months or reporting date are measured based on accrued entitlements at current rate of pays.

These include salaries and wages accrued up to the reporting date and annual leave earned, but not yet taken at the reporting date.

g) Revenue

Revenue is measured at the fair value of the consideration received or receivable, and recovery of the consideration is probable.

Revenue from services rendered is recognised in the Statement of Comprehensive Income in proportion to the stage of completion of the transaction at the reporting date.

CROWE HORWATH NEW ZEALAND

Notes to and forming part of the financial statements
For the Year Ended 30 June 2016

h) Lease Payments

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

i) Finance Income and Expenses

Finance income comprises interest income on funds invested, dividend income, and change in the fair value of financial assets at fair value through the statement of comprehensive income. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the company's right to receive payment is established.

j) Income Tax Expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reported date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable 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 benefit will be realised.

k) Determination of Fair Values

A number of the company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Derivative Financial Instruments

The fair value of interest rate swap contracts and forward exchange contracts is determined by using quoted rates at balance date

CROWE HORWATH NEW ZEALAND

(ii) Irrigation Infrastructure

Irrigation infrastructure is valued at optimised depreciated replacement cost as determined by independent valuers.

(iii) Other Non-Derivative Financial Instruments

The carrying values less impairment provisions of trade receivables and payables are assumed to approximate their fair value.

The carrying values of loans and borrowings approximate their fair values.

l) New NZ IFRS standards and interpretations issued but not yet adopted

At the date of authorisation of these financial statements, certain new standards and interpretations to existing standards have been published but not yet effective, and have not been adopted early by the Company.

Management anticipates that all pronouncements will be adopted in the first accounting period beginning on or after the effective date of the new standard. Information on new standards, amendments and interpretations that are expected to be relevant to the Company financial statements is provided below. Certain other new standards and interpretations issued but not yet effective, that are not expected to have a material impact on the Company's financial statements have not been disclosed.

(a) NZ IFRS 9 – Financial instruments (effective for annual periods beginning on or after 1 January 2018)

The IASB finalised the reform of financial instruments accounting and issued IFRS 9 which contains requirements for a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology, and c) general hedge accounting.

Management have yet to assess the impact the standard is likely to have on the recognition and measurement of financial assets and liabilities held by the Company. However, the implementation of the new standard is not expected to result in material changes to the measurement of financial instruments of the Company, only classification and presentation of financial instruments and disclosures.

CROWE HORWATH NEW ZEALAND

Notes to and forming part of the financial statements
For the Year Ended 30 June 2016

(b) NZ IRFS 15 – Revenue from Contracts with Customers (effective date from 1 January 2018)

The new standard establishes principles for reporting about the nature, amount, timing and uncertainty of revenue arising from an entity's contracts with customers. It prescribes when an entity will recognise revenue, how much revenue to recognise, *and* what disclosures to make about revenue.

Based on the short-period of the average revenue contract entered into by the Company, the new standard is not expected to have a significant impact on the timing of current revenue recognition. However the Directors are still conducting further analysis of the impact of this new standard.

(c) Disclosure initiative – Amendments to IAS (effective for accounting periods commencing on or after 1 January 2016)

The amendments issued in December 2014 are designed to encourage professional judgement in determining what information to disclose in the annual financial statements.

The Board will review the financial statements on an annual basis based on the flexibility provided by the amendments to NZ IAS 1.

m) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

(i) Impairment of non-financial assets

The company assesses impairment of all assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. These include performance, technology, economic and political environments and future use expectations. If an impairment trigger exists the recoverable amount of the asset is determined. Further detail with respect to this can be seen in note 17(b).

Notes to and forming part of the financial statements
For the Year Ended 30 June 2016

(ii) Depreciated replacement cost of infrastructure assets

Independent valuers are used to determine the optimised depreciated replacement cost of infrastructure assets. The values are estimated amounts for the replacement cost of a modern equivalent asset.

(iii) Estimated useful lives of infrastructure assets

Useful lives for infrastructure assets are estimated based on the typical total useful life for each particular type of asset. Remaining useful lives have been determined using the total useful life less the period of service.

(iv) Resource consent lives

The useful lives of the infrastructure assets is dependent on renewal of the Company's water rights resource consents, which are currently set to expire in 2030 to 2033. The independent valuer's valuation is based on the assumption the existing resource consent will be renewed. The valuation assigns standard lives of components of the scheme between 15 and 100 years.

(v) Tax Losses

Tax losses available to the company have not been recognised as a deferred tax asset as it is not considered probable that future taxable profits will be available against which the asset could be utilised.

n) Changes in Accounting Policies

There were no changes in Accounting policies during the year. All Accounting policies have been applied on a basis consistent with the prior year, expect for the revaluation of irrigation infrastructure.

o) Government Grants

Government grants are recognised in profit or loss in the period in which the expense is recognised for the related costs for which the grant is intended to compensate, so long as all conditions attaching to the grant have been complied with. Unrecognised grant income is recorded as a liability in the statement of financial position.

Notes to and forming part of the financial statements
For the Year Ended 30 June 2016

2 Revenue

	Note	**2016** $	2015 $
Revenue			
Fixed		4,125,915	4,125,509
Operating		2,990,349	2,844,368
Water Usage		3,303,889	3,440,980
Total revenue		10,420,153	10,410,857
Other revenue			
Rent revenue		6,672	7,758
IAF Grants		-	183,447
Depreciation Recovered		4,109	-
Other revenue		32,289	31,294
Total other revenue		43,070	222,499
Total operating revenues		$10,463,223	$10,633,356

CROWE HORWATH NEW ZEALAND

Notes to and forming part of the financial statements
For the Year Ended 30 June 2016

		Note	**2016**	2015
			$	$
3	**Expenses**			
	a) Direct expenses			
	ACC levies		4,857	8,392
	Accounting fees		53,411	54,886
	Audit fees	6	17,500	16,500
	Other assurance services	6	-	2,750
	Bank fees		1,948	1,581
	Consultants' fees		31,460	4,897
	Depreciation	22	1,590,867	1,532,057
	Losses on Disposal		895	-
	Directors' expenses		26,314	18,123
	Water permit amortisation		14,755	14,755
	Entertainment – deductible		-	1,106
	Entertainment -non deductible		-	101
	Environmental		44,772	58,313
	Fringe benefit tax		6,252	5,414
	Insurance		237,276	255,040
	Legal expenses - deductible		74,860	48,262
	Motor vehicle expenses		61,842	57,043
	Office expenses		40,478	31,508
	Power		3,604,782	3,448,177
	Professional Development		67	385
	Rates		11,167	-
	Recruitment and relocation expenses		699	7,965
	Rental		27,806	28,146
	Repairs and maintenance		658,199	561,818
	Scheme Development - Kakanui IAF		142,240	412,986
	- Project Management		-	105,934
	- Other		3,696	93,678
	Scheme Operations		100,549	63,797
	Telephone		6,195	6,854
	Waitaki Irrigators Collective costs		58,786	43,807
	Other expenses		25,493	35,273
			$6,847,166	$6,919,548
	b) Employment expenses			
	Directors' fees	7	93,000	84,000
	Salaries		668,512	595,474
			$761,512	$679,474

CROWE HORWATH NEW ZEALAND

Notes to and forming part of the financial statements
For the Year Ended 30 June 2016

		Note	2016 $	2015 $
4	**Finance income and costs**			
	Financing income			
	Interest income on bank deposits		138,948	81,348
	Total finance income		138,948	81,348
	Financing expenditure			
	ASB Bank loans interest		(2,653,668)	(2,509,998)
	WDC loan interest		(727,297)	(549,697)
	Capitalised interest		475,783	-
			(2,905,182)	(3,059,695)
	Total net finance costs		**$(2,766,234)**	**$(2,978,347)**
5	**Other gains/(losses)**			
	Fair value gain/(loss) on interest rate swaps at fair value through the profit and loss		(2,953,421)	(889,167)
	Fair value gain (loss) on Forward Exchange Contracts at fair value through the profit and loss		594,552	1,613,542
	Total other gains		$(2,358,869)	$724,375
6	**Auditor's remuneration**			
	Financial statements audit		17,500	16,500
	Other assurance services pertaining to the prospectus		-	2,750
	Total auditor's remuneration		$17,500	$19,250
7	**Directors' compensation**			
	Directors' fees		93,000	84,000
	Total Directors' compensation		$93,000	$84,000

CROWE HORWATH NEW ZEALAND

Notes to and forming part of the financial statements
For the Year Ended 30 June 2016

8 Income Tax

	2016 $	2015 $
Tax Expense		
Profit/(loss) for the year before tax	(2,270,557)	780,362
Income tax at 28%	(635,756)	218,502
Plus/(less) tax effect of:		
Expenses not deductible for tax purposes	-	182
Tax losses not recognised	109,247	-
Tax expense	$(526,509)	$218,684

Deferred tax asset/(liability)

2016	Opening Asset (Liability)	Charged to Income	Closing Asset (Liability)
Property, Plant & Equipment	(2,852,993)	(129,261)	(2,982,254)
Employee Benefits	15,356	(361)	14,995
Tax losses	2,311,128	656,131	2,967,259
	(526,509)	526,509	-

2015	Opening Asset (Liability)	Charged to Income	Closing Asset (Liability)
Property, Plant & Equipment	(2,724,539)	(128,454)	(2,852,993)
Employee Benefits	10,269	5,087	15,356
Tax losses	2,406,447	(95,318)	2,311,128
	(307,824)	(218,685)	(526,509)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable.

Imputation credits	**2016**	2015
Imputation credits available for use in subsequent reporting periods	28,693	3,351

Notes to and forming part of the financial statements
For the Year Ended 30 June 2016

9 Total equity

	Note	2016 $	2015 $
Share capital	10	36,759,018	28,622,248
Retained earnings (losses)	12	(13,014,256)	(11,270,207)
Property, Plant & Equipment Revaluation reserve	11	8,855,679	8,855,679
Treasury stock	10	(5,550)	(5,550)
Total equity		$32,594,891	$26,202,170

10 Share capital

	2016 Shares	($)	2015 Shares	($)
Ordinary shares				
Opening Balance	12,366	28,622,248	11,726	26,664,558
Shares issued in year	3,313	8,136,770	640	1,957,690
Closing Balance	15,679	$36,759,018	12,366	$28,622,248
Total share capital		$36,759,018		$28,622,248

15,679 ordinary shares have been issued of 20,000 authorised for issue. All ordinary shares have equal voting rights and share equally in dividends and surplus on winding up and no par value.

Share Repurchase held as Treasury Stock
Treasury stock of 3 shares valued at $5,550 was held at 30 June 2016.
There have been no movements during the year.

11,934 shares as at 30 June 2016 have been issued and fully paid.

3,745 shares relating to the Kakanui Extension have been issued but not fully paid as at 30 June 2016. The unpaid capital relates to the final call on these shares and has not been called as at 30 June 2016. The unpaid capital amounts to $7,864,500 and is not payable to the Company until such time as it is called.

CROWE HORWATH NEW ZEALAND

Notes to and forming part of the financial statements
For the Year Ended 30 June 2016

11 Property, plant & equipment revaluation reserve

	2016	2015
	$	$
Balance at beginning of year	8,855,679	8,855,679
Net change in fair value of property, plant and equipment	-	-
Balance at end of year	$8,855,679	$8,855,679

12 Retained earnings (losses)

	2016	2015
Balance at beginning of year	(11,270,207)	(11,831,885)
Other comprehensive income (loss)	(1,744,049)	561,678
Balance at end of year	$(13,014,256)	$(11,270,207)

13 Distributions to owners

There have been no distributions to shareholders.

14 Trade & other payables

	2016	2015
Current		
Trade payables	4,547,757	951,864
Sundry payables and accruals	340,846	148,579
Deposits in advance	2,896,023	432,242
Total payables	$7,784,626	$1,532,685

CROWE HORWATH NEW ZEALAND

Notes to and forming part of the financial statements
For the Year Ended 30 June 2016

15 Financial Instruments

(a) *Classfication of financial instruments*

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and liabilities.

2016	Financial Assets at fair value through profit and loss	Loans and Receivables	Financial Liabilities at amortised cost	Total
Financial assets				
Cash and cash equivalents	1,499,978			1,499,978
Trade debtors and other receivables		1,674,509		1,674,509
Investments	2,622			2,622
TOTAL	1,502,600	1,674,509		3,177,109
Financial Liabilities				
Trade creditors and other payables			7,838,178	7,838,178
Loans and borrowings			73,403,258	73,403,258
Interest Rate Swaps	6,082,674			6,082,674
Forward Exchange Contracts	5,994			5,994
TOTAL	6,088,668		81,241,436	87,330,104

(b) *Classification of financial instruments*

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and liabilities.

2015	Financial Assets at fair value through profit and loss	Loans and Receivables	Financial Liabilities at amortised cost	Total
Financial assets				
Cash and cash equivalents	1,917,661			1,917,661
Trade debtors and other receivables		917,928		917,928
Investments	2,577			2,577
Forward Exchange Contracts	1,613,542			1,613,542
TOTAL	3,533,780	917,928		4,451,708
Financial Liabilities				
Trade creditors and other payables			1,587,528	1,587,528
Loans and borrowings			47,646,135	47,646,135
Interest Rate Swaps	3,129,254			3,129,254
TOTAL	3,129,254		49,233,663	52,362,917

CROWE HORWATH NEW ZEALAND

Notes to and forming part of the financial statements
For the Year Ended 30 June 2016

(c) *Financial Instrument Risk Management*

The Company has exposure to the following risks from its use of financial instruments.

- Credit Risk
- Liquidity Risk
- Market Risk

Credit Risk

Financial instruments which potentially subject the company to credit risk principally consist of bank balances and accounts receivable. The carrying amount of these financial instruments represents the maximum exposure to credit risk. Management has a credit policy in place under which each new customer is individually analysed for credit worthiness. In order to determine which customers are classified as having payment difficulties the company applies a mix of duration and frequency of default and makes provision for estimated balances considered to be impaired. The company does not require collateral in respect of trade and other receivables. Cash handling is only carried out with the counterparties that have an investment grade credit rating.

Further detail in relation to the credit quality of financial assets is provided note 19.

Liquidity Risk

Liquidity risk represents the company's ability to meet its contractual obligations. The company evaluates its liquidity requirements on an ongoing basis. In general, the company generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls and meet capital expenditure requirements.

Market Risk

Market risk is the risk that market prices, such as Foreign Exchange Rates and Interest Rates will affect the Company's income or the value of it's holding in other instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk is the risk that the fair value of financial instruments will fluctuate due to a change in foreign exchange.

Most of the Company transactions are carried out in NZD. Exposures to currency rates arise from the Company's purchase of irrigation infrastructure in USD after balance date.

To mitigate the Company's exposure to foreign currency risk, non-NZD cash flows are monitored and forward exchange contracts are entered into in accordance with the Company's risk management policies.

CROWE HORWATH NEW ZEALAND

Notes to and forming part of the financial statements
For the Year Ended 30 June 2016

The company enters into derivative arrangements in the ordinary course of business to manage interest rate risks.

The company uses interest rate swaps to hedge its exposure to interest rate risk arising from financing activities by providing a mix of fixed and floating rate exposure. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Interest rate swap contracts are recognised in the statement of financial position at their fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedging relationship.

The principal or contract amount of interest rate swap contracts outstanding at balance date was $42,617,300 (2015: $30,195,500).

Sensitivity Analysis

The following sensitivity analysis assumes the total amount of borrowings outstanding at year end was outstanding for the whole year. If interest rates were 50 basis points higher/lower and all other variables were held constant the company's loss would have been $367,016 higher / lower (2015: $253,877).

The following sensitivity analysis illustrates the sensitivity of profit in regard to the Company's forward exchange contracts. It assumes a +/- 2% change in the NZD/USD exchange rate for the year ended 30 June 2016. The percentage movement has been determined based on the average exchange rate market volatility for the previous 12 months. Based on an increase/decrease in the NZ/USD exchange by 2% the profit for the year would be $2,551 lower/higher (2015: $312,527).

16 Capital Risk Management

The Company's capital includes share capital, debt, reserves and retained earnings. The company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence. The Directors' objective is to ensure the entity continues as a going concern.

Refer to note 18 for the Company's debt financing and note 10 for the Company's share capital, including changes from the prior period.

The Company meets its objectives for managing capital through its investment decisions on the acquisition, disposal and development of assets.

CROWE HORWATH NEW ZEALAND

Notes to and forming part of the financial statements
For the Year Ended 30 June 2016

The Company's policy is to maintain the following debt ratios and limited:

	Target	**Actual**
Equity contribution rate	Minimum 25%	27%
Debt percentage	60 - 75%	66%
Debt Service Cover Ratio	> 1.0	To be calculated from 30 June 2018

The exception to the above policy is when there is a temporary movement away from these ratios as approved by the board and lenders to the Company so as to allow the Company to build expansion infrastructure with overbuild for future uptake.

The Company has a financial covenant to maintain a Debt Service Cover Ratio of not less than 1 at all times. This covenant will be tested for the year ending 30 June 2018 and each financial year thereafter and was therefore not a covenant for the year to 30 June 2016.

17 Measurement of Fair Value

(a) The carrying amount is considered to be the fair value for each financial instrument.

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) – Financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2) - Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation technique with significant non-observable inputs (level 3) - Financial instruments valued using models where one or more significant inputs are not observable.

The carry values of the financial assets and liabilities recorded in the financial statements approximate their fair values.

Financial Instruments in level 2

Where derivatives are traded either on exchanges or liquid over-the-counter markets the Company uses the closing price at the reporting date. Normally, the derivatives entered into by the Company are not traded in active markets. The fair value of these contracts are estimated using a valuation technique that maximizes the use of observable market inputs, e.g. market exchange and interest rates (level 2). Derivatives entered into by the Company consist of foreign currency forward contracts and interest rate swaps.

There were no transfers between different levels and no financial instruments fall under levels 1 or 3.

Notes to and forming part of the financial statements
For the Year Ended 30 June 2016

Maturity Profile of Financial Instruments

The maturity profiles of the Company's financial instruments are disclosed below

As at 30 June 2016	Effective Ave Interest Rate	Maturity Dates						Non Interest Bearing	Total
		0-1 Yrs	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	5+ Yrs		
Financial Assets									
Cash & Cash Equivalents		1,499,978						494,944	1,499,978
Trade & Other Receivables		1,674,509						1,674,509	1,674,509
Forward Exchange Contracts									
Financial liabilities									
Trade & Other Payables		4,987,410						4,987,410	4,987,410
Borrowings – ASB	5.66%						56,403,258		56,403,258
Borrowings – WDC	4.45%						17,000,000		17,000,000
Interest Rate Derivatives						423,136	5,659,538		6,082,674
Forward Exchange Contracts		5,994							5,994

As at 30 June 2015	Effective Ave Interest Rate	Maturity Dates						Non Interest Bearing	Total
		0-1 Yrs	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	5+ Yrs		
Financial Assets									
Cash & Cash Equivalents		1,917,661						518,416	1,917,661
Trade & Other Receivables		917,928						917,928	917,928
Forward Exchange Contracts		1,613,542						1,613,542	1,613,542
Financial liabilities									
Trade & Other Payables		1,532,685						1,532,685	1,532,685
Borrowings – ASB	7.19%	34,603,258							34,603,258
Borrowings – WDC	4.38%	13,042,877							13,042,877
Interest Rate Derivatives		70,968					3,058,286		3,129,254

CROWE HORWATH
NEW ZEALAND

Notes to and forming part of the financial statements
For the Year Ended 30 June 2016

(b) Measurement of Fair Value – Non Financial Assets

The accounting policies and disclosures require the determination of fair value. Fair values have been determined for measurement and disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset of liability.

Disclosures are specifically provided below for non-financial assets which are subject to annual fair value re-measurement after initial recognition.

Below analyses the non-financial assets carried at fair value, by a valuation method. The different levels have been defined as below as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets of liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Property, plant and equipment

An independent valuation of the Irrigation Infrastructure was performed by valuers to determine the fair value as at 1 July 2012

2016	Level 1 $	Level 2 $	Level 3 $	Total $
Irrigation Infrastructure			69,840,257	69,840,257
Total carrying amount			69,840,257	69,840,257

There were no transfers between levels 1 and 3 during the year

2015	Level 1 $	Level 2 $	Level 3 $	Total $
Irrigation Infrastructure			70,865,461	70,865,461
Total carrying amount			70,865,461	70,865,461

There were no transfers between levels 1 and 3 during the year

Valuation Techniques used to derive level 3 fair values

CROWE HORWATH NEW ZEALAND

Notes to and forming part of the financial statements
For the Year Ended 30 June 2016

The Level 3 fair value of irrigation infrastructure has been derived using optimised depreciated replacement cost. The most significant inputs into this valuation approach include the calculation of replacement costs, assumptions about the useful lives, residual value, and the term of the consents to extract water from the Waitaki River. The replacement costs have been largely determined using recent cost information based on similar projects, local council pipe installation rates, and the original installations costs in 2005 escalated by the capital goods price index between 2005 and 2012. The useful lives have been derived from observable sources including the Commerce Commission guidelines for electrical equipment and various council asset valuation databases and are disclosed per the depreciation policy. Irrigation equipment has been assumed to have nil residual value due to its specific nature and use. It has been assumed that the local council will renew consents at the time of expiry.

A significant increase (decrease) in the suspected useful life of the Irrigation Infrastructure would result in a significantly higher (lower) fair value measurement.

While a full valuation has not been carried out since 1 July 2012, the directors obtained an impairment and valuation assessment from Rationale Limited as at 1 July 2016. The valuation assessment being on the same basis and using consistent assumptions to those applied in Rationale's 2012 full valuation. A full valuation was to have occurred on 1 July 2015 however with the expansion development scheduled it was decided by the directors that the next valuation will take place on 1 July 2017 after completion of the expansion development program. The directors and Rationale Limited have determined that the carrying value of the Company's Irrigation Infrastructure is not impaired as at 30 June 2016 nor is any uplift in value required to its carrying value as at that date.

Edward Guy of Rationale Ltd was the principal valuer. His relevant qualifications are as follows:-

-Graduate BE (Civil) – University of Auckland 1992
-Graduate BCom – University of Auckland 1994
-Certificate of Proficiency Stage 3 Plant and Machinery Valuation – University of Auckland 1998

The valuation approach undertaken established an Optimised Depreciated Replacement Cost (ODRC) of the Company's infrastructure of $65,855,303 as at 1 July 2012.

Revaluations
The Company engaged Rationale Limited, an accredited valuer that uses the International Valuation Standards Committee, International Valuation Standards as a reference, to determine the fair value of the Irrigation Infrastructure.

The effective date of the revaluation was 1 July 2012

If irrigation infrastructure had been measured at cost less accumulated depreciation and impairment the carrying amount would have been	Company **2016**	2015

Notes to and forming part of the financial statements
For the Year Ended 30 June 2016

	$	$
Irrigation Infrastructure	76,687,177	76,088,959
Total Carrying amount under the cost model	59,221,699	62,009,782

18 Borrowings

	2016 $	2015 $
Current		
ASB loans (secured)	-	34,603,258
WDC loan (secured)	-	13,042,877
	$-	$47,646,135
Non Current		
ASB loans (secured)	56,403,258	-
WDC loan (secured)	17,000,000	-
	$73,403,258	$-
Total Borrowings	$73,403,258	$47,646,135

Repayable as follows:

	2016 Less than 1 year	2015 Less than 1 year	**2016** Between 1-5 years	2015 Between 1-5 years	**2016** Greater than 5 years	2015 Greater than 5 years
ASB loans (secured)	-	34,603,258	-	-	56,403,258	-
WDC Loan (secured)	-	13,042,877	-	-	17,000,000	-
Total	$-	$47,646,135	$-	$-	$73,403,258	$-

A new loan facility was agreed with the ASB Bank Limited on the 30th April 2015 of $75,800,000 commencing on the date of the initial drawdown. The first drawdown and therefore the commencement of the facility was the 3rd of July 2015. On this date the existing loans, were repaid with the new facility. The new facility is interest only until the 3rd of July 2020 and expires 31st of October 2030. The interest rate averaged 5.66% for the year ended 30 June 2016 (2015: 7.19%).

The Waitaki District Council advanced the company a loan of $17,000,000 and expires on 30th June 2022. Interest on the loan is charged at the Waitaki District Council's average cost of borrowings based on its average cost of capital as disclosed in the term loan agreement.

CROWE HORWATH NEW ZEALAND

Notes to and forming part of the financial statements
For the Year Ended 30 June 2016

Interest is calculated and paid monthly. The average interest rate for the period was 4.45% (2015: 4.38%).

The Waitaki District Council Loan and ASB Bank Limited Loans are secured over all present and after-acquired property. They are ranked equally over the property.

19 Employee entitlements

	2016	2015
	$	$
Balance at beginning of year	54,843	36,674
Additional provision (reduction)	(1,290)	18,169
Balance at end of year	$53,553	$54,843
This is represented by:		
Current liability	53,553	54,843
Non-current liability	-	-
Balance at end of year	$53,553	$54,843

20 Trade & Other Receivables

Trade receivables	722,635	848,535
Sundry receivables	32,158	15,833
Prepayments	50,200	53,560
GST refund	869,516	-
Total receivables and prepayments	$1,674,509	$917,928

Credit Risk

The following table details the aging of the company's trade receivables at balance date.

	2016		2015	
	Gross	**Impairment**	Gross	Impairment
	$	**$**	$	$
Not yet due	697,989	-	692,721	-
Overdue 0-31 days	3,656	-	23,766	-
Overdue 32-92 days	20,818	-	43,388	-
Overdue 93-184 days	173	-	88,661	-
Total Trade receivables	$722,635	-	$848,535	-

CROWE HORWATH NEW ZEALAND

Notes to and forming part of the financial statements
For the Year Ended 30 June 2016

21 Inventories

	2016	2015
	$	$
Parts and Spares	239,468	139,816
Balance at end of year	$239,468	$139,816

22 Property, plant and equipment

2016	Land (Cost) $	Buildings Plant & Equipment (Cost) $	Irrigation Infrastructure (Valuation) $	Capital Work in Progress (Cost) $	Total $
Gross carrying amount					
Balance 1 July 2015	1,314,625	545,734	75,081,977	1,746,798	78,689,134
Additions	5,251	24,569	617,883	43,063,438	43,711,141
Revalued during year	-	-	-	-	-
Disposals	-	(21,056)	(104,226)	(21,500)	(146,782)
Balance 30 June 2016	$1,319,876	$549,247	$75,595,634	$44,788,736	$122,253,493
Accumulated depreciation and impairment					
Balance 1 July 2015	-	(220,458)	(4,216,516)	-	(4,436,974)
Current year depreciation	-	(47,897)	(1,542,970)	-	(1,590,867)
Revalued during year	-	-	-		-
Disposals	-	20,159	4109	-	24,268
Balance 30 June 2016	-	$(248,194)	$(5,755,377)	-	$(6,003,573)
Carrying amount 30 June 2016	$1,319,876	$301,053	$69,840,257	$44,788,736	$116,249,920

CROWE HORWATH NEW ZEALAND

Notes to and forming part of the financial statements
For the Year Ended 30 June 2016

Property, plant and equipment

2015	Land (Cost) $	Buildings Plant & Equipment (Cost) $	Irrigation Infrastructure (Valuation) $	Capital Work in Progress (Cost) $	Total $
Gross carrying amount					
Balance 1 July 2014	1,274,310	443,677	72,896,573	484,772	75,099,332
Additions	40,314	102,057	2,185,404	1,641,311	3,969,086
Revalued during year	-	-	-	-	-
Disposals	-	-	-	(379,285)	(379,285)
Balance 30 June 2015	$1,314,624	$545,734	$75,081,977	$1,746,798	$78,689,133
Accumulated depreciation and impairment					
Balance 1 July 2014	-	(171,586)	(2,733,332)	-	(2,904,918)
Current year depreciation	-	(48,872)	(1,483,184)	-	(1,532,056)
Revalued during year	-	-	-	-	-
Disposals	-	-	-	-	-
Balance 30 June 2015	-	$(220,458)	$(4,216,516)	-	$(4,436,974)
Carrying amount 30 June 2015	$1,314,625	$325,276	$70,865,461	$1,746,798	$74,252,159

Interest of $475,783 has been capitalised during the current year (2015:Nil).

CROWE HORWATH NEW ZEALAND

Notes to and forming part of the financial statements
For the Year Ended 30 June 2016

23. Intangible Assets

The company's intangible assets comprise acquired Water Permits.

Movements for intangible assets are as follows:

2016	Water Permits $
Gross carrying amount	
Balance 1 July 2015	315,000
Additions- separately acquired	-
Balance 30 June 2016	315,000
Amortisation and impairment	
Balance 1 July 2015	70,409
Amortisation	14,755
Balance 30 June 2016	85,164
Carrying amount 30 June 2016	$229,836

2015	Water Permits $
Gross carrying amount	
Balance 1 July 2014	315,000
Additions- separately acquired	-
Balance 30 June 2014	315,000
Amortisation and impairment	
Balance 1 July 2014	55,654
Amortisation	14,755
Balance 30 June 2015	70,409
Carrying amount 30 June 2015	$244,591

All intangible assets are included in the floating charge security in favour of the company's lenders.

CROWE HORWATH NEW ZEALAND

Notes to and forming part of the financial statements
For the Year Ended 30 June 2016

24 Share-based Transactions

There was one share based transaction during the year.
Meadowbrook Farm Limited was issued 45 shares at a value of $189,000 on settlement on the easement mediation.

25 Investments

	2016	2015
	$	$
Investments in unlisted companies	2,622	2,577
Total Investments	$2,622	$2,577

Investments in unlisted companies are stated at cost because fair value cannot be reliably measured.

26 Derivative financial instruments

	2016		2015	
	Assets	**Liabilities**	Assets	Liabilities
Interest Rate Swaps	-	6,082,674	-	3,129,254
Forward Foreign Exchange Contracts	-	5,994	1,613,542	-
Total	-	**6,088,668**	1,613,542	3,129,254
Less non-current portion:				
Interest Rate Swaps	-	6,082,674	-	3,058,286
Forward Foreign Exchange Contracts	-	-	-	-
	-	6,082,674	-	3,058,286
Current Portion	-	**5,994**	1,613,542	70,968

a) Forward exchange contracts
The notional principal amounts of the outstanding forward exchange contracts at 30 June 2016 were $137,065 (2015:$14,366,330). The forward exchange contracts are designated as fair value through the profit and loss with gains and losses recognised in the Statement of Comprehensive Income per note 5.

b) Interest rate swaps
The notional principal amounts of the outstanding interest rate swap contracts at 30 June 2016 were $42,617,300 (2015 $36,637,700). The interest rate swaps are designated as fair value through the profit and loss with gains and losses recognised in the Statement of Comprehensive Income per note 5.

Notes to and forming part of the financial statements
For the Year Ended 30 June 2016

27 Reconciliation of reported surplus after taxation with cash flows from operating activities

	Note	2016	2015
		$	$
Net after tax profit/(loss) for the year		(1,744,048)	561,678
Adjustments for:			
Capitalised interest accrued		-	549,697
Depreciation	22	1,590,867	1,532,057
Depreciation recovered		(4,109)	-
Losses on disposal		895	-
Amortisation of intangible property	23	14,755	14,755
Fair value loss (gain) on financial instruments		2,953,421	889,167
Fair value loss (gain) on forward exchange contracts		(594,552)	(1,613,542)
Changes in assets and liabilities:			
Increase (decrease) in payables		244,251	(172,767)
Increase (decrease) in taxation payable		(526,509)	218,685
(Increase) decrease in inventory		(99,653)	(12,820)
GST received (paid)		(393,753)	14,991
(Increase) decrease in receivables		(17,503)	96,168
Resident Withholding Tax Paid		(28,663)	(3,316)
Income Tax refunded		3,321	-
Net cash flows from operating activities		$1,398,720	$2,074,753

28 Imputation credit account

	2016	2015
Balance at beginning of year	3,351	35
Resident withholding tax received	28,663	3,316
Income tax payments/(refunds) during the year	(3,321)	-
Balance at end of year	$28,693	$3,351

29 Related parties

a) Inter entity transactions and balances	2016	2015
Services provided to Waitaki Irrigators Collective Limited	Nil	Nil
Services received from Waitaki Irrigators Collective Limited	58,786	43,807
Amounts receivable from Waitaki Irrigators Collective Limited	Nil	Nil
Amounts due to Waitaki Irrigators Collective Limited	Nil	Nil

Transactions with directors are conducted on normal commercial terms no more favourable than other shareholders.

The company has a 16.67% equity interest in Waitaki Irrigators Collective Limited.

CROWE HORWATH NEW ZEALAND

Notes to and forming part of the financial statements
For the Year Ended 30 June 2016

(b) Key Management and Directors

Sales to North Otago Irrigation Company Limited

Receiving Entity	Related Party Name	Nature of Relationship	Amount for the Year	Owing at Balance Date	Description of Transactions
Plateau Works Ltd	W L Hamilton	Director	$5,365	$Nil	Contracting on scheme repairs
Waitaki District Council	M H M Ross	CEO	$727,297	$17M	Loan for the development of irrigation infrastructure.

Purchases from North Otago Irrigation Company Limited

Receiving Entity	Related Party Name	Relationship	Amount for the Year	Owing at Balance Date	Description of Transactions
Kowhai Dairy Ltd	K O Diprose	Director/Shareholder	$180,013	$12,317	Shareholder water and overheads charges
Maheno Farms Ltd	K O Diprose	Director/Shareholder	$106,546	$2,544	Shareholder water and overheads charges
Parautika Farms Ltd	W L Hamilton	Shareholder	$429,026	$28,152	Shareholder water and overheads charges
Isa Holdings Limited	G A Isbister	Director/Shareholder	$470,268	$31,143	Shareholder water and overheads charges
Abercairney Farms Ltd	G A Isbister	Lessee	$112,896	$7,390	Shareholder water and overheads charges
Totara Dairies Ltd	K Y Robinson	Director/Shareholder	$133,438	$10,018	Shareholder water and overheads charges

Notes to and forming part of the financial statements
For the Year Ended 30 June 2016

30 Key Management Compensation

	2016 $	2015 $
Salaries and other short term benefits	226,269	213,510
Total Key Management Personnel compensation	$226,269	$213,510

31 Contingent liabilities

There are no contingent liabilities at year end.

32 Commitments

Capital Commitments

	2016	2015
Estimated commitments for the acquisition of property, plant and equipment contracted for at balance date but not provided for.	$15,537,028	$52,427,158

Operating Lease Commitments

Lease commitments under non-cancellable operating leases:

Less than one year	11,984	23,969
Between 1 and 5 years	-	11,984
Total operating lease commitments	$11,984	$35,953

Operating lease commitments relate to buildings and equipment. They:

- are for various terms with rights of renewal: and
- have normal provisions for periodic rent reviews to market rates.

33 Events after Balance Date

There are no events after balance date to disclose.

CROWE HORWATH NEW ZEALAND