



## **Financial Accounts**

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For The Year Ended 30 June 2021

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# Ashburton Lyndhurst Irrigation Limited

## Company Directory

<b><i>Registered Office</i></b>	144 Tancred Street, Ashburton
<b><i>Directors</i></b>	Colin Wesley Glass (Chairperson) Andrew James Ronald Grant Randal David Hanrahan Steven Edzo Broeils Bierema Philip Allan Lowe
<b><i>Bankers</i></b>	Bank of New Zealand, Christchurch
<b><i>Accountants</i></b>	Brophy Knight Limited, Ashburton
<b><i>Solicitors</i></b>	Tavendale and Partners Limited, Ashburton
<b><i>Auditors</i></b>	Crowe New Zealand Audit Partnership, Christchurch
<b><i>Date Of Incorporation</i></b>	22-September-1989
<b><i>Capital</i></b>	1,272,486 Ordinary Shares



## Chairman and General Manager’s Report

### For the Year Ended 30 June 2021

At the 2020 Annual Meeting, updates were provided to shareholders on several initiatives. These included:

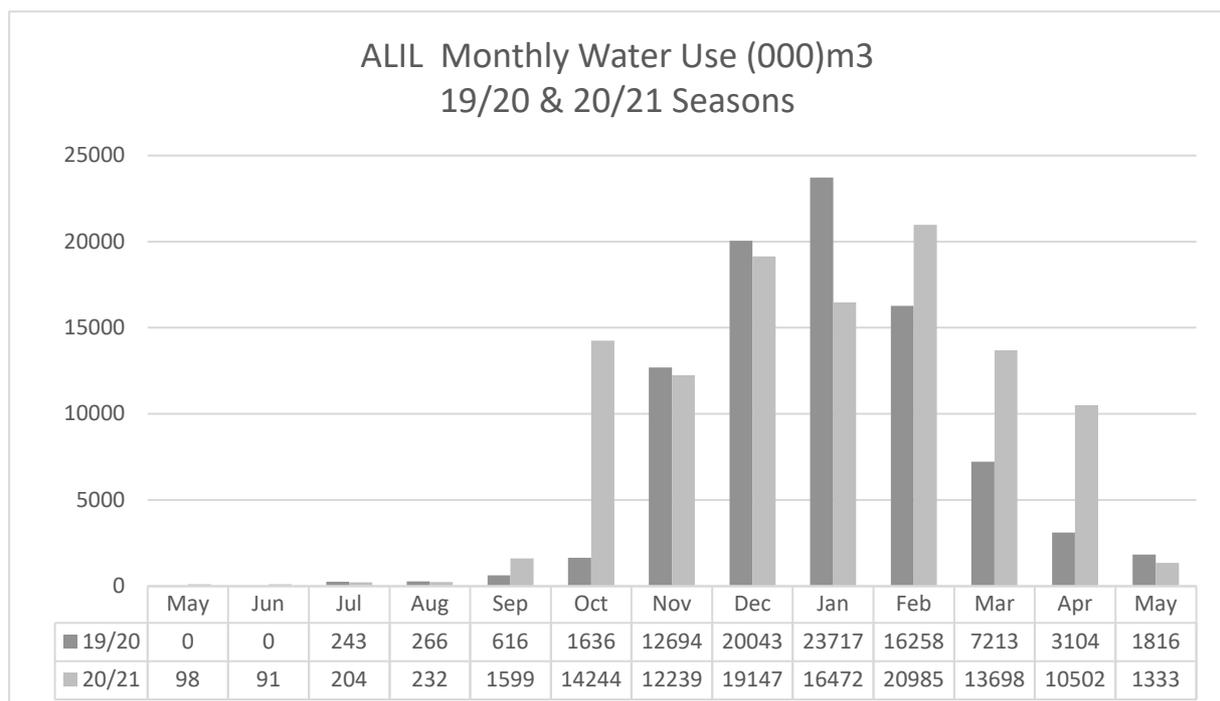
- Continued focus on cost control.
- Renewal of the scheme nutrient consent and continued support to farmers for environmental outcomes.
- Klondyke Storage and Enhanced water supply reliability.
- The trial of stock water supply to scheme shareholders.

All these initiatives have progressed.

#### 2020/21 Irrigation Season

The 2020/21 year was characterised by its uninterrupted length with the fourth full year of pressurised supply delivering water up until 10<sup>th</sup> May. With high demand throughout the season the importance of reliability, particularly over the December to January period was clear.

The 2020/21 season recorded the greatest seasonal demand since the completion of the pressurised system.



*Figure 1: ALIL Supply from RDRML 2019/20 & 2020/21 Monthly water use (000m3)*

ALIL received 110,845,793 cubic meters of water, up from 87,605,101 cubic meters in the prior year. Spread over the scheme's irrigated area this equates to 347mm across the scheme, compared with 273 mm last year.

Shareholder behaviour continues to reflect the reliability of the scheme with efficient spray irrigation applying water when and where it is needed. This was evident in monthly water use, with the peak month for the 2020/21 season of 20,985,000m<sup>3</sup> in February being down on the peak month of January in 2019/20's being 23,716,971.

There were no days of restriction for the season. However, Stored Water from Lake Coleridge, accessed via Barrhill Chertsey Irrigation Limited (BCI), was used on two separate occasions for one day at a time.

## **Water Charges**

Cost control continues to be a major focus for your Board, which enabled Water Charges to be held for most shareholders despite further increases in environmental charges and repairs and maintenance.

The Board negotiated a reduced interest rate margin during the year. This combined with lower wholesale interest rates has resulted in a reduction in debt servicing costs. There are expected to be more benefits in future years as additional fixed cover, taken out at lower rates, replace higher interest rate swaps. These reductions will assist us in offsetting increases in other operating expenses such as RDRML charges associated with the construction of the new Fishscreen at the Rangitata River intake.

## **Land Use and Discharge Consent (LUC)**

For most of the 2020/2021 season ALIL and MHV Water Limited (MHV) operated under the jointly held land use and discharge consent that expired in May 2019. The consent renewal application was lodged and accepted by Environment Canterbury (ECan) as complete within the required timeframe which enabled ALIL to operate under continuance of the old consent.

In June 2021, ECan granted Resource consent CRC185469 to ALIL. The consent term runs until December 2030 and allows ALIL to manage the nutrient loss for both irrigated and unirrigated land within its command area. Whole farm operations can now be managed together under the ALIL consent, regardless of whether the land is irrigated by ALIL or not. The consent also allows the flexibility for the Scheme to choose to manage the nutrient loss for other properties within its command area.

Your Board is pleased to have secured the consent and with-it enhanced certainty for shareholders seeking a degree of flexibility within their farming operations. How the Board will manage the obligations and land use change under the new consent will be communicated to all shareholders shortly.

While the LUC application was granted, Primary Sector Groups and ECan are still working through the changes brought in through the Essential Freshwater Package. This package brings a new National Environmental Standards (NES) that has the effect of restricting land use change to dairy, dairy support and winter grazing, as well as introducing a synthetic nitrogen cap. At this stage any change which triggers a rule under the NES will still require a separate consent from ECan.

The accompanying National Policy Statement, which also formed part of the Essential Freshwater package, requires all regional councils to undertake new planning processes within the next four years to achieve water quality objectives within a generation. ECan are proposing to notify a Plan Change for our area by December 2024.

The environmental monitoring that ALIL has been undertaking within our catchment was a key element in renewing our consent. Holding robust information about the state of the environment within the catchment will also be vital as we enter the Regional Planning process. ALIL has been engaging with other users within the catchment to scope out a wider environmental monitoring program.

The 2020/21 season saw an increase in the percentage of A grade audits, but also resulted in a slight increase in C grades. A B grade is viewed by auditor as ‘working toward’ an A, meaning those on a B who have not made any change or improvement will be downgraded to a C. It is essential that all outstanding actions on audits are completed. Achieving A grade audits will be a key part of ALIL’s consent compliance under the new consent, and our shareholders ‘right to farm’. The audit grades for the year are set out below:

Audit Grade	Farms Audited 2020/21	Farms Audited 2019/20
A+	1 (1%)	3 (4 %)
A	50 (68 %)	41 (60 %)
B	18 (25 %)	23 (34 %)
C	4 (5 %)	1 (1 %)
D	0	0
Total Farms	73	68

**RDRML Consents and Storage**

In 2019 Rangitata Diversion Race Management Limited (RDRML) was successful in gaining consent for 53M cumec of storage at Klondyke below Mayfield Hinds main race take off the RDR. Consent for a new Fishscreen and 10 cumecs of high flow water was granted at the same time.

The 10 cumec high flow consent was subsequently appealed by Nagi Tahu. With the appeal likely heading to the Environment Court, a decision was made by RDRML to relinquish this consent.

The Fish Screen project is now well underway and is due for completion in May 2022.

The process to build and establish a structure for Klondyke has been slower than desired, but the project is now being looked at more closely by RDRML and the interested RDRML Shareholders.

In the interim, ALIL secured access to 500,000 cubic metres of Lake Coleridge Stored Water with BCI at a flow rate of 500 litres per second for the past season. This arrangement avoided two days of scheme restrictions during December & April.

Your Board recognises the importance of scheme reliability for on farm operations and the efficient uses of the scheme water resource. We have had excellent reliability over the last few seasons, supported by accessing the small portion of Coleridge Water through BCI, and we will take steps to maintain this level of service for all shareholders into the future.

Through the issue of an Expression of Interest this year, we have determined that there is in scheme demand for additional water. Interest in the water proved to be of a quantum that would allow water

sales to support the funding of in-scheme storage to sure up our reliability. Further work is currently being completed into the feasibility of the project.

### **Stock Water**

ALIL have now completed their first-year trial, delivering Ashburton District Council (ADC) stock water to shareholders through the piped irrigation infrastructure.

This initial trial has proved successful, with a total of 798,589m<sup>3</sup> of stock water taken from the RDR over the winter period during the 2020/21 season. We are now working closely with ADC to refine the terms of delivery with the intention of concluding the trial at the end of this irrigation season.

### **Director and Staff**

We have enjoyed another year with a stable Director and Staff team. I would like to thank Rebecca the wider ALIL team Mike King, Rachel Pilling, Luke Leitis and Brett Evans and the support of the Irrigo staff, Carmen Foster, Eva Harris and Sarah Hayman for their efforts in continuing to ensure our shareholders receive the greatest level of service and value-for-money.

Colin Glass  
Chairman

Rebecca Whillans  
General Manager

# **Ashburton Lyndhurst Irrigation Limited**

## **Annual Report**

### **For The Year Ended 30 June 2021**

The business of the Company is Water Scheme Management. The nature of the company's business has not changed during the year under review.

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

#### **Directors' Interests**

The following transactions were entered into by the Directors of the Company:

For the year ended 30 June 2021

During the year all the Directors purchased water on the same normal trading terms from Ashburton Lyndhurst Irrigation Limited as other shareholders.

In addition the following entries were recorded in the Directors interest register:

On the 14th July 2020, Colin W Glass declared an interest in options for the sale of surplus shingle to Opuke Hot Pools.

On the 14th July 2020, Colin W Glass declared an interest in the approval and signing of the Water Supply Agreement with Tamlaght Farm Limited.

On the 27th January 2021, Colin W Glass declared an interest in the approval of transfer of 491 shares from J Kjestrup.

On the 27th January 2021, Andrew J R Grant declared an interest in the approval and signing of Water Supply Agreements for shares held by the Trustees of the Alan Grant Trust and the Alison Grant Trust, due to a change of Trustees.

On the 15th March 2021, Colin W Glass declared an interest in discussions around the supply of ALIL water to Ashburton River water users in the area of Taylors Stream.

On the 15th March 2021, Steven E B Bierema declared an interest as Chairman of Irrigo Centre Ltd in discussions held around Irrigo's Information Technology needs and related matters.

On the 19th May 2021, Steven E B Bierema declared an interest as Chairman of Irrigo Centre Ltd in discussions held in relation to the introduction of Rangitata South Irrigation Limited as a shareholder of Irrigo and resulting changes to the Services Agreement and Shareholders Agreement.

On the 19th May 2021, Philip A Lowe declared an interest in the approval and signing of Share Transfer Agreement with Spreadeagle Holdings Limited.

# Ashburton Lyndhurst Irrigation Limited

## Annual Report

### For The Year Ended 30 June 2021

As at 30 June 2021 the Directors have disclosed the following general interests:

<i>Company</i>	<i>Position</i>
Colin W Glass	
Dairy Holdings Limited & subsidiary companies	Chief Executive Officer
DairyNZ Limited	Director
Glass Farms Limited	Director & Shareholder
Glenroy Community Irrigation Company Limited	Director
Pasture Conferences Limited	Director
Rabobank Client Council	Client Council Member
Rakaia Irrigation Limited	Director
RDR Irrigation Limited	Director
Southern Packers Limited	Director
Tamlaght Farm Limited	Director & Shareholder
Tamlaght Farm Partnership	Partner
Te Pirita Irrigation Limited	Director
Tindall Farm Limited	Director & Shareholder
Westward Ho Farming Limited	Director & Shareholder
Westward Ho Limited	Director & Shareholder
Methven Adventures Limited (Opuke Hot Pools)	Shareholder
Andrew J R Grant	
Aberlour Farming Limited	Director & Shareholder
Cooperative Business New Zealand Incorporated	Director
Craigellachie Dairy Farms Limited	Director & Shareholder
Craigellachie Farm Hatfield Limited	Director
Craigellachie Farm Mitcham Limited	Director
Craigellachie Group Advisory Limited	Director
Rangitata Diversion Race Management Limited	Director
Randal D Hanrahan	
GPS-AG (New Zealand) Limited	Director & Shareholder
Irrigation New Zealand Incorporated	Director
Merope Holdings Limited	Director & Shareholder
Waitui Contractors Limited	Director & Shareholder
INZ Accreditation Limited	Director (Chairman)
FEP Dashboard Limited	Director

# Ashburton Lyndhurst Irrigation Limited

## Annual Report

### For The Year Ended 30 June 2021

Steven E B Bierema	
Foundation of Arable Research NZ	Board Member
Irrigo Centre Limited	Director (Chairman)
Rabobank Client Council	Client Council Member
S & F Bierema Family Trust	Trustee
Somerton Fields Limited	Director & Shareholder
Somerton Station Farm Limited	Director & Shareholder
Philip A Lowe	
Phidon Farm Limited	Director & Shareholder
Philip Lowe Family Trust	Trustee
Spring River Farms Partnership Limited	Director & Shareholder
Spring River Holdings Limited	Director & Shareholder
Spreadeagle Holdings Limited	Lessee
RDR Irrigation Limited	Director

#### Use of Company Information

The Board received no notices during the year from Directors requesting to use company information received in their capacity as Directors which would not have been otherwise available to them.

#### Share Dealing

During the year no share transactions involving a director occurred.

At 30 June 2021 the Directors held interests in the following shares:

Andrew J R Grant	20,686 shares (2020: 20,686); Craigellachie Dairy Farms Limited 12,428 (2020: 12,428); Craigellachie Farm Mitcham Limited 8,258 (2020: 8,258)
Colin W Glass	26,852 shares (2020: 26,852); Westward Ho Limited 3,500 shares (2020: 3,500); Westward Ho Farming Company Limited 3,500 shares (2020: 3,500); Jaline Farm Limited 6,697 shares (2020: 6,697); Ketson Holdings Limited 6,635 shares (2020:6,635); Tamlaght Farm Limited 6,520 shares (2020: 6,520).
Randal D Hanrahan	12,674 shares in Merope Holdings Limited (2020: 12,674).
Steven E B Bierema	3,900 shares in Somerton Station Farm Limited (2020: 3,900)
Philip A Lowe	8,167 shares in Spring River Holdings Limited (2020: 8,167).

# Ashburton Lyndhurst Irrigation Limited

## Annual Report

### For The Year Ended 30 June 2021

#### Remuneration and other benefits

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

	<b>2021</b>	<b>2020</b>
Colin W Glass (Chairman)	27,800	27,600
Randal D Hanrahan	13,900	13,800
Andrew J R Grant	13,900	13,800
Steven E B Bierema (Irrigo Director)	18,487	18,354
Philip A Lowe	13,900	13,800
	<u>\$87,987</u>	<u>\$87,354</u>

The Directors of the company as at balance date are listed in the Directory, no other person held the office of Director at any time during the year.

The Company has insured all its Directors against liabilities to other parties that may arise from their positions as directors. At balance date the level of cover is \$5,000,000 for directors and officers liability and \$2,000,000 for defence costs.

#### Employee Remuneration

The number of employees whose total remuneration, including non-cash benefits, was over \$100,000 during the year ended 30 June 2021 are specified in the following bands:

Band	Number of Staff
\$110,000 - \$120,000	1
\$190,000 - \$200,000	1

#### Audit Fees

Audit fees of \$17,269 were paid to Crowe in respect of the audit for the year (2020: \$16,550).

For and on behalf of the Board

	..... <b>Chairman</b>	.....15/09/2021..... <b>Date</b>
	..... <b>Director</b>	.....15/09/2021..... <b>Date</b>

**Ashburton Lyndhurst Irrigation Limited**  
**Statement Of Comprehensive Income**  
**For The Year Ended 30 June 2021**

	Note	2021		2020
		\$	\$	\$
<b>Income</b>				
Water Charges	4		8,079,524	8,070,768
Rentals Received	5		33,738	32,838
Interest Received			25	91
Other Income	6		87,729	51,570
Total Gross Revenue			8,201,016	8,155,267
<b>Less Expenses As Detailed:</b>				
Administration Expenses	7	567,490		567,908
Directors Fees		87,987		87,354
Audit Fees		17,269		16,550
Employment Expenses		499,573		471,768
Operating Expenses	8	989,153		947,942
Piping Stage 1 Interest Expenses	9 & 10	277,265		290,447
Piping Stage 2 Interest Expenses	9 & 12	3,083,102		3,170,477
Ponds & Telemetry Interest Expenses	9	708,689		773,298
Share of R.D.R. Costs	13	308,808		296,278
Turbine Interest Expenses	9 & 11	12,817		15,219
Turbine Scheme Expenses	11	-		13,075
Depreciation & Amortisation		3,422,982		3,413,687
Total ALIL Operating Expenses			9,975,135	10,064,002
Fair Value Movement of Interest Rate Swaps (Current Year)	9	(4,213,574)		-
Ineffective Portion of Interest Rate Swaps (Past Years)	9	9,310,673		-
			5,097,099	-
<b>Operating Loss</b>			(6,871,218)	(1,908,735)
Share Of Associates Profit	31		(12,347)	(6,310)
<b>Profit/(Loss) Before Income Tax</b>			(6,883,565)	(1,915,046)
Less Taxation Expense	17		(2,606,988)	1,115,665
<b>PROFIT/(LOSS) FOR THE YEAR</b>			\$(4,276,577)	\$(3,030,711)

**Ashburton Lyndhurst Irrigation Limited**  
**Statement Of Comprehensive Income**  
**For The Year Ended 30 June 2021**

	Note	2021	2020
		\$	\$
<b>Other Comprehensive Income</b>			
<b>Items that may be subsequently recycled through profit and loss:</b>			
Cash Flow Hedge			
Current Year Gain/(Losses)		-	(1,702,601)
Deferred Tax Effect		-	476,728
Effect of Cessation of Hedge Accounting	9	9,310,673	-
Deferred Tax Effect	17	(2,606,988)	-
<b>Other Comprehensive Income/(Loss) For The Year</b>	<b>27</b>	<b>6,703,685</b>	<b>(1,225,873)</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>		<b>\$2,427,108</b>	<b>\$(4,256,584)</b>

**Ashburton Lyndhurst Irrigation Limited**  
**Statement Of Movements In Equity**  
**For The Year Ended 30 June 2021**

		2020			
	Note	Share Capital	Retained Earnings	Hedging Reserves	Total
		\$	\$	\$	\$
<b>Equity At 1 July 2019</b>		39,029,172	4,040,253	(5,477,812)	37,591,613
Total Comprehensive Income		-	(3,030,711)	(1,225,873)	(4,256,584)
<b>Transactions with Owners:</b>					
Share Capital Issued	27(a)	402,500	-	-	402,500
<b>Equity At 30 June 2020</b>		<u>\$39,431,672</u>	<u>\$1,009,542</u>	<u>\$(6,703,685)</u>	<u>\$33,737,529</u>

		2021			
	Note	Share Capital	Retained Earnings	Hedging Reserves	Total
		\$	\$	\$	\$
<b>Equity At 1 July 2020</b>		39,431,672	1,009,542	(6,703,685)	33,737,529
Total Comprehensive Income		-	(4,276,577)	6,703,685	2,427,108
<b>Equity At 30 June 2021</b>		<u>\$39,431,672</u>	<u>\$(3,267,035)</u>	<u>-</u>	<u>\$36,164,637</u>

**Ashburton Lyndhurst Irrigation Limited**  
**Statement Of Financial Position**  
**As At 30 June 2021**

	Note		2021		2020
		\$	\$	\$	\$
<b>Current Assets</b>					
Cash And Cash Equivalents	20		212,387		265,929
Trade And Other Receivables	21		976,336		1,015,057
Loan Swap Asset	20		1,000		-
Total Current Assets				1,189,724	1,280,986
<b>Non-Current Assets</b>					
Investments In:					
Irrigo Centre Limited	14 & 30	16,882			10,540
Farmlands Co-operative Society Limite	20	500			500
Ashburton Trading Society Limited	20	1,440			1,440
FEP Dashboard Limited	16 & 30	22,355			41,044
RDR Management Limited	13	30,000			30,000
Deferred Tax Asset	18	-			-
Loan Swap Asset	20	62,633			-
			133,810		83,524
<b>Property, Plant, Equipment &amp; Intangible Assets</b>					
Property, Plant And Equipment	22	120,523,446			123,624,908
Intangible Assets	23	512,252			254,623
			121,035,698		123,879,531
Total Non-Current Assets				121,169,508	123,963,055
<b>Total Assets</b>				<b>\$122,359,232</b>	<b>\$125,244,041</b>

**Ashburton Lyndhurst Irrigation Limited**  
**Statement Of Financial Position**  
**As At 30 June 2021**

	Note		2021		2020
		\$	\$	\$	\$
<b>Current Liabilities</b>					
Trade And Other Payables	24		486,312		647,954
Employee Entitlements			19,100		22,129
Current Portion of Loans	20		311,520		81,525,756
Current Portion of Swap Liabilities	20		1,967,815		9,310,673
Total Current Liabilities				2,784,747	91,506,512
<b>Non-Current Liabilities</b>					
Loans	20 & 26	80,528,451			81,525,757
Less: Current Portion	20	(311,520)			(81,525,757)
			80,216,931		-
Loan Swap Liability	20	5,160,732			9,310,673
Less: Current Portion	20	(1,967,815)			(9,310,673)
			3,192,917		-
Total Non-Current Liabilities				83,409,848	-
<b>Equity</b>					
Share Capital			39,431,672		39,431,672
Retained Earnings			(3,267,035)		1,009,542
Hedging Reserve			-		(6,703,685)
Total Equity	27			36,164,637	33,737,529
<b>Total Shareholders' Funds And Liabilities</b>				<b>\$122,359,232</b>	<b>\$125,244,041</b>

For and on behalf of the Board of Directors:

Chairman  \_\_\_\_\_

Dated 15/09/2021

Director  \_\_\_\_\_

Dated 15/09/2021

# Ashburton Lyndhurst Irrigation Limited

## Cashflow Statement

### For the Year Ended 30 June 2021

	Note	2021	2020
		\$	\$
<b>Cash Flows From Operating Activities</b>			
Cash receipts from Customers		8,232,487	7,395,667
Cash paid to Suppliers		(2,021,582)	(1,887,308)
Cash paid to Employees		(479,735)	(478,600)
Cash generated from operations		5,731,170	5,029,759
GST		(96)	4,645
Interest Paid		(4,086,526)	(4,308,579)
Income Tax		11	(13)
		(4,086,611)	(4,303,947)
<b>Net Cash Inflow From Operating Activities</b>		1,644,559	725,812
<b>Cash Flows From Investment Activities</b>			
Cash Receipts from Investments		-	-
Cash Paid for Purchase of Investments		-	(50,037)
Cash Received for Property, Plant, Equipment & Intangibles		41,047	28,862
Cash Paid for Property, Plant, Equipment & Intangibles		(741,870)	(921,643)
Interest Received		27	89
<b>Net Cash Inflow/(Outflow) From Investing Activities</b>		(700,796)	(942,729)
<b>Cash Flows From Financing Activities</b>			
Cash Receipts from Loan Proceeds		366,724	414,000
Cash Receipts from Share Capital	27(a)	-	402,500
Cash Paid for Surrender of Share Capital	27(a)	-	-
Repayment of Loans		(1,364,029)	(1,282,920)
<b>Net Cash Inflow/(Outflow) From Financing Activities</b>		(997,305)	(466,420)
Net Increase/(Decrease) in Cash		(53,542)	(683,337)
Opening Cash Equivalents		265,929	949,266
<b>Closing Cash Equivalents</b>		\$212,387	\$265,929
<b>Reconciliation</b>			
Cash & Cash Equivalents	20	212,387	265,929
<b>Closing Cash</b>		\$212,387	\$265,929

This statement should be read in conjunction with the Notes to the Financial Statements and Audit Report



**Ashburton Lyndhurst Irrigation Limited**  
**Cashflow Statement**  
**For the Year Ended 30 June 2021**

	2021	2020
	\$	\$
<b>Reconciliation With Reporting Trading Profit</b>		
Profit/(Loss) For Year	(4,276,577)	(3,030,711)
<b>Non Cash Items</b>		
Depreciation	3,415,340	3,412,083
Loss on Disposal of Assets	7,642	1,604
Depreciation Recovery Income	(30,926)	(5,548)
Profit from Associates	12,347	6,310
Fair Value Movement of Interest Rate Swaps (Current Year)	(4,213,574)	-
Ineffective Portion of Interest Rate Swaps (Past Years)	9,310,673	-
Movements in Deferred Tax	(2,606,977)	1,115,652
	<u>5,894,525</u>	<u>4,530,101</u>
<b>Movement in net Current Assets / Liabilities</b>		
Increase/(Decrease) in Accounts Payable	(48,813)	(12,629)
Decrease/(Increase) in Accounts Receivable	35,281	(801,664)
Prepayment	40,266	36,159
GST	(96)	4,645
	<u>26,638</u>	<u>(773,489)</u>
<b>Items Classified as investing activities:</b>		
Interest Received	(27)	(89)
	<u>(27)</u>	<u>(89)</u>
<b>Net Cash Inflow/(Outflow) From Operating Activities</b>	<u>\$1,644,559</u>	<u>\$725,812</u>

# Ashburton Lyndhurst Irrigation Limited

## Notes to Financial Statements

### For the Year Ended 30 June 2021

#### Note

#### 1. REPORTING ENTITY

Ashburton Lyndhurst Irrigation Limited ('the Company') is a co-operative company registered under the Co-operative Companies Act 1996 on the 22nd September 1989 and domiciled in New Zealand.

The Company is an issuer for the purposes of the Financial Markets Conduct Act 2013, and is an FMC reporting entity under the Financial Markets Conduct Act 2013. The financial statements of the Company have been prepared in accordance with the Financial Markets Conduct Act 2013.

The Company is a water supply management company receiving its share of water from Rangitata Diversion Race Management Limited and distributing this water through a piped network to its shareholder members. The Company's scheme area is within the Mid Canterbury area.

#### 2. BASIS OF PREPARATION

##### (a) Statement of Compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and other applicable Financial Reporting Standards. They comply with the New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), as appropriate for profit orientated entities.

The information is presented in New Zealand Dollars (NZD) and rounded to the nearest dollar.

The financial statements were approved by the Board of Directors on 15th September 2021.

##### (b) Basis of Measurement

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis are followed by the company, with the exception that certain assets and liabilities specified below have been revalued.

##### Judgement and estimation uncertainty

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of judgement in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note A valuation of property, plant & equipment

Note B intangible assets

Note C financial instruments

Note I impairment

Note J income Tax

Note M determination of fair values

# Ashburton Lyndhurst Irrigation Limited

## Notes to Financial Statements

### For the Year Ended 30 June 2021

#### (c) New or Amended Accounting Standards and Interpretations Adopted

The Company has adopted all of the new or amended Accounting Standards and interpretations issued by the New Zealand Accounting Standards Board ("NZASB") that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or financial position of the Company and hence no adjustment to the opening equity balance at 1 July 2020 was made.

*NZ IAS 1: Presentation of Financial Statements (Classification of liabilities as current or non-current)*

Clarifies how and when an entity should classify a liability as current or non-current, particularly if there are events occurring at reporting date or up until the accounts are authorised for issue. The Company has applied this standard from 1 July 2020. The Company has not been impacted by the adoption of this standard.

#### (d) Going Concern

The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet the mandatory repayment terms of the banking facilities. ALIL's earnings before interest, tax, depreciation and amortisation for the year ended 30 June 2021 was \$5,718,389, and the company is meeting all banking covenants.

Banking facilities of \$80,528,451 are subject to review by 6 October 2022. In due course ALIL will commence discussions with lenders with the intention of extending these facilities for a further period. Management is confident that a lender will be secured into the future.

Management has forward start SWAPS in place and is fully compliant with the company's Treasury Policy. Management acknowledges that uncertainty remains over ALIL's ability to meet its funding requirements and to refinance or repay its banking facilities as they fall due. However, due to ALIL's ability to recover costs from shareholders through water charges, management has a strong expectation that ALIL has adequate resources to continue in operational existence for the foreseeable future.

### 3. SPECIFIC ACCOUNTING POLICIES

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

#### A. Property Plant & Equipment

##### (1) Owned Assets

Except for land and buildings, items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Land and buildings held at 1 July 2006 were revalued to fair value based on a 1 July 2006 valuation completed by an independent valuer and this fair value was treated as its deemed cost at the date of transition to New Zealand equivalents to IFRS. In applying this one off transitional adjustment the Company has applied the cost model in the recognition of its property, plant & equipment assets.

##### (2) Subsequent Costs

Subsequent costs are added to the carrying amount of an item of property, plant and equipment when the cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Comprehensive Income as an expense as incurred.

# Ashburton Lyndhurst Irrigation Limited

## Notes to Financial Statements

### For the Year Ended 30 June 2021

#### (3) Depreciation

Depreciation is provided on the diminishing balance method and straight line method on property, plant & equipment assets. Depreciation is charged to the Statement of Comprehensive Income. Land is not depreciated. The following rates have been used.

Asset Category	Depreciation Rates & Method	Estimated Useful Life
Scheme Structures	3% - 6% diminishing balance method	7 - 50 Years
	2% - 14% straight line method	
Buildings	3% diminishing balance method	50 Years
Plant & Equipment	4% - 67% diminishing balance method	3 - 50 Years
Motor Vehicles	20% - 26% diminishing balance method	8 - 10 Years

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

#### B. Intangible Assets

##### (1) Easement Costs, Legal Cost & Surveying

Easement costs were incurred in 1994, 1995 & 1998 by the Company so that the Company could operate its water delivery system over land not owned by the Company. These costs are recognised as fixed life intangible assets and amortised over the life of the full RDR consent at the time the expenses were incurred.

##### (2) Resource Consents

The Company, along with MHV Water Limited, applied to Environment Canterbury for resource consents to mirror those previously held by Rangitata Diversion Race Management Limited (RDRML), in order to be considered an "Irrigation Scheme" under the Canterbury Land and Water Regional Plan. The consent was granted on the same terms and conditions of that held by RDRML. The costs are recognised as fixed life intangible assets and amortised over the remaining life of the consents at the time the expenses were incurred.

This consent expired on the 26th May 2019. The Company's discharge is operating under RMA section 124 continuance, allowing the operations of the scheme in line with the expired consent.

The Company has applied for a new consent, with the application approved on the 28th June 2021. The consent is for a ten year term expiring on the 31st December 2030. At balance date the consent has not been activated.

Intangible assets have been recorded at their historical cost less amortisation.

The following rates have been used:

Easement, Legal & Surveying	3.30% Straight line	(30 years, with 4 years on average remaining)
Resource Consent	100.00% Straight line	(1 Year; old consent)
Resource Consent	9.50% Straight line	(10 Years; new consent)

#### C. Financial Instruments

##### Recognition, initial measurement and derecognition

Financial instruments are recognised when the Company becomes a party to a financial contract. Financial instruments are measured initially at fair value, adjusted by transaction costs, except for those carried at fair value through profit and loss, which are initially measured at fair value. They include bank funds, bank overdrafts, receivables, payables, investments in and loans to others, and term borrowings.

In addition, the Company is a party to financial instruments to meet its financing needs and to reduce exposure to fluctuations in interest rates. These financial instruments include bank overdraft facilities and swaps.

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

# Ashburton Lyndhurst Irrigation Limited

## Notes to Financial Statements

### For the Year Ended 30 June 2021

#### **Classification and subsequent measurement of financial assets**

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- \* amortised cost
- \* financial instruments at fair value through other comprehensive income (FVTOCI)
- \* financial instruments at fair value through profit and loss (FVTPL)

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within interest expense or interest income, except for impairment of trade receivables which is presented within other expenses.

#### (1) Amortised Cost

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics.

#### (2) Financial assets at Fair Value through Other Comprehensive Income (FVTOCI)

Financial assets at FVTOCI are those assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contract terms give rise on specified dates to cash flows that are solely payments of principal and interest.

The company does not deal in the selling of financial assets and therefore has not classified any financial assets as being FVTOCI.

#### (3) Financial assets at Fair Value through Profit and Loss

Financial assets at FVTPL include financial assets that are neither classified as at amortised cost or at fair value through other comprehensive income. Financial assets are initially recognised at fair value including directly attributable transaction costs.

# Ashburton Lyndhurst Irrigation Limited

## Notes to Financial Statements

### For the Year Ended 30 June 2021

#### **Classification and subsequent measurement of financial liabilities**

The Company's financial liabilities include borrowings, trade and other payables and derivative financial instruments. Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within interest expenses.

#### **Hedge accounting - Ceased with effect from 1 July 2020**

The Company uses interest rate swaps to manage its cash flow interest rate risk. These have been designated as hedge instruments. These arrangements have been entered into to mitigate interest rate risk arising from changes in the interest rates available to the company.

All interest rate swaps are recognised initially at fair value and reported subsequently at fair value in the Statement of Financial Position.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in Derivates are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within interest expense or interest income.

#### **Derivative financial instruments - With effect from 1 July 2020**

The Company uses interest rate swaps to manage its cash flow interest rate risk. These arrangements have been entered into to mitigate interest rate risk arising from changes in the interest rates available to the company.

All interest rate swaps are recognised initially at fair value and reported subsequently at fair value in the Statement of Financial Position.

All interest-related charges and changes in an instrument's fair value that are reported in profit or loss are included within interest expense or interest income.

Refer to Note 26 (ii) for additional information.

#### **D. Revenue**

Water charges are levied on shareholder farmers in accordance with the water supply agreement entered into between the farmer and the Company. Charges are levied in accordance with the rates advised annually at the Annual General Meeting depending on the infrastructure used by the Company to deliver pressurised water to each farmer's farm gate. Charges are set based on the Company's expected maintenance, administration, operating and debt servicing costs for that financial year.

The water charges are recognised over time when the season for water delivery commences and is available for use by the shareholder. Shareholders are invoiced monthly, in arrears.

Interest income is reported on an accrual basis using the effective interest method.

# Ashburton Lyndhurst Irrigation Limited

## Notes to Financial Statements

### For the Year Ended 30 June 2021

#### E. Cash flows

For the purpose of the cash flow statement, cash includes cash on hand and bank overdrafts.

#### F. Employee Entitlements

Liabilities for annual leave are accrued and recognised in the Statement of Financial Position. Annual leave is recorded at the amount expected to be paid for the entitlement earned.

#### G. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in "Interest Expense" (see Note 9).

#### H. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, short term highly liquid investments with maturities of three months or less, and bank overdrafts.

#### I. Impairment

If the recoverable amount of an item of property, plant and equipment is less than its carrying amount, the item is written down to its recoverable amount. The write down of an item recorded at historical cost is recognised as an expense in the Statement of Comprehensive Income. When a revalued item is written down to recoverable amount, the write down is recognised as a downward revaluation to the extent of the corresponding revaluation reserve, and any balance recognised in the Statement of Comprehensive Income.

The carrying amount of an item of property, plant and equipment that has previously been written down to recoverable amount is increased to its current recoverable amount if there has been a change in the estimates used to determine the amount of the write down. The increased carrying amount of the item will not exceed the carrying amount that would have been determined if the write down to recoverable amount had not occurred.

Reversals of impairment write downs are accounted for as follows:

- On property, plant and equipment that are not revalued, the reversal is recognised in profit & loss; and
- On revalued property, plant and equipment, the reversal is recognised as an upward revaluation in equity.

#### 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 equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The deferred tax liability has been calculated at the Company's effective tax rate for the year in which the temporary differences are expected to be utilised.

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 the amounts used for taxation purposes.

A deferred tax asset is recognised 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.

# Ashburton Lyndhurst Irrigation Limited

## Notes to Financial Statements

### For the Year Ended 30 June 2021

#### **K. Goods and Services Tax (GST)**

The Statement of Comprehensive Income and Cash Flow Statement have been prepared so that all components are stated exclusive of GST. All items in the Balance Sheet are stated net of GST, except for receivables and payables, which include GST invoiced.

#### **L. Contingencies & 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

#### **M. 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.

##### **(1) Derivatives**

A derivative is a financial instrument or other contract within the scope of NZ IFRS 9 with all three of the following characteristics:

- a) its value changes in response to the change in a specified interest rate (sometimes called the 'underlying');
- b) it requires no initial net investment or any initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
- c) it is settled at a future date.

The interest rate swaps with the Bank of New Zealand are derivatives and are recorded in the Company's Statement of Financial Position.

#### **N. Investments in associates**

Associates are those entities over which the Company is able to exercise significant influence but which are not subsidiaries. Investments in associates are accounted for using the equity method. The carrying amount of the investment in associates is increased or decreased to recognise the Company's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Company.

# Ashburton Lyndhurst Irrigation Limited

## Notes to Financial Statements

### For the Year Ended 30 June 2021

#### O. Standards and interpretations issued:

The Company has prepared the financial statements in accordance with the New Zealand International Financial Reporting Standards. The following new accounting standards and amendments to existing standards have been issued but not yet adopted by the Company for the year ended 30 June 2021.

#### Going Concern Disclosures

##### Effective for annual reporting periods beginning on or after 30 September 2020

Requires Management to provide additional disclosures about material uncertainties not already disclosed under existing standards, that may impact on the ability for the entity to continue as a going concern. The Company will apply the amendments to these standards from 1 July 2021.

#### Interest Rate Benchmark Reform - Phase 2

##### Effective for annual reporting periods beginning on or after 1 January 2021.

Addresses issues that affect financial reporting during the reform and transition to alternative benchmark rates when applying NZ IFRS 9: Financial Instruments, NZ IAS 39: Financial Instruments: Recognition and Measurement, NZ IFRS 7: Financial Instruments: Disclosures to Derivatives, NZ IFRS 4: Insurance Contracts and NZ IFRS 16: Leases. The Company will apply the amendments to these standards from 1 July 2021.

#### Sale or Contribution of Assets between Associate or Joint Venture

##### Effective for annual reporting periods beginning on or after 1 January 2025.

Clarifies that when an asset is transferred to an Associate or Joint Venture a partial gain or loss is recognised in the reporting entity's accounts. If the asset transferred constitutes a business then a full gain or loss is recognised. The Company will apply the amendments from 1 July 2025.

4. WATER CHARGES	Note	2021	2020
Main Scheme Charges		3,584,088	3,262,581
Piping Scheme Stage 1 Charges	10	533,524	561,359
Turbine Scheme Charges	11	76,904	82,500
Piping Scheme Stage 2 Charges	12	3,885,008	4,164,328
		\$8,079,524	\$8,070,768
		\$8,079,524	\$8,070,768
5. RENTALS RECEIVED		2021	2020
Springfield Farm Lease		7,200	7,200
Ledgerwoods Road		13,038	13,038
Springfield Road Scheme Operator's Cottage		13,500	12,600
		\$33,738	\$32,838
		\$33,738	\$32,838

(1) The Scheme Operator's Cottage is rented to the Company employees. The rental on the Scheme Operator's cottage is negotiated annually as part of their remuneration package.

(2) The Scheme Operator's cottage is not an investment property in terms of NZIAS 40.

# Ashburton Lyndhurst Irrigation Limited

## Notes to Financial Statements

### For the Year Ended 30 June 2021

	2021	2020
<b>6. MISCELLANEOUS INCOME</b>		
BCI Distribution Charge	19,456	17,632
Gain on Disposal of Property, Plant and Equipment	30,927	5,548
Pump Power Contribution Amortisation	6,309	6,309
New Connections Contribution Amortisation	9,947	477
Share Transfer Fee	3,500	2,250
Shingle Sales	8,004	10,802
Other Sundry Income	9,586	8,552
	<b>\$87,729</b>	<b>\$51,570</b>
<b>7. ADMINISTRATION EXPENSES</b>		
Accounting	21,000	19,250
Bank Fees	899	884
Communication, Mail & Stationery	19,677	26,804
Fringe Benefit Tax	20,051	18,460
Insurance & Rates	324,092	308,738
Irrigation New Zealand Subscription	44,800	42,840
Other Subscriptions	10,338	8,468
Office Rental	16,870	14,621
Scheme Administration	64,946	79,251
Secretarial Expenses	8,205	11,722
Water Monitoring Costs	3,265	2,781
Other	33,347	34,089
	<b>\$567,490</b>	<b>\$567,908</b>
<b>8. OPERATING EXPENSES</b>		
Direct Irrigation Costs		
Contracted Stored Water	75,000	75,000
Electricity	302,915	334,702
Repairs & Maintenance	333,668	216,492
	711,583	626,194
Other Operating Costs		
Consultancy Expenses	18,093	20,728
Dwelling Repairs	468	1,663
Efficiency & Resource Consent Costs	33,410	10,522
Environmental Management Expenses	154,841	176,382
Health & Safety Costs	1,617	6,511
Land Lease	8,800	9,600
Legal Fees	14,163	51,258
RDRI Share of Costs	-	287
Vehicle Expenses	44,293	44,097
Other	1,885	700
	277,570	321,748
	<b>\$989,153</b>	<b>\$947,942</b>

# Ashburton Lyndhurst Irrigation Limited

## Notes to Financial Statements

### For the Year Ended 30 June 2021

#### 9. INTEREST EXPENSE

Year Ended 30 June 2020	Turbine Scheme	Piping	Piping	Ponds & Telemetry	Total Interest
		Scheme Stage 1 (Greenline)	Scheme Stage 2		
Bank Table Loan Interest	9,564	130,549	1,710,520	515,594	2,366,227
Plus Interest Rate Swap Debits Paid	5,655	159,898	1,454,020	255,979	1,875,552
Plus Undrawn Loan Facility Fees	-	-	5,937	1,725	7,662
	\$15,219	\$290,447	\$3,170,477	\$773,298	\$4,249,441

Year Ended 30 June 2021	Turbine Scheme	Piping	Piping	Ponds & Telemetry	Total Interest
		Scheme Stage 1 (Greenline)	Scheme Stage 2		
Bank Table Loan Interest	6,316	93,440	1,233,405	373,531	1,706,692
Plus Interest Rate Swap Debits Paid	6,501	183,825	1,824,425	327,803	2,342,554
Plus Undrawn Loan Facility Fees	-	-	25,272	7,355	32,627
	12,817	277,265	3,083,102	708,689	4,081,873
Net Change in fair value of Interest Rate Swap	(8,239)	(232,980)	(3,297,380)	(674,975)	(4,213,574)
Ineffective Portion of Interest Rate Swap	19,547	552,723	7,406,017	1,332,386	9,310,673
	11,308	319,743	4,108,637	657,411	5,097,099
	\$24,125	\$597,008	\$7,191,739	\$1,366,100	\$9,178,972

#### 10. STAGE 1 PIPING SCHEME (GREENLINE)

	Note	2021	2020
Total Scheme Charges Received	4	533,524	561,359
Less:			
Interest	9	277,265	290,447
Principal paid		243,580	212,730
		520,845	503,177
Excess Monies Received over Expenditure		12,679	58,182
Opening Position		178,947	120,765
Closing Position		\$191,626	\$178,947

Within the Company's retained earnings (stated at note 27) there is an amount of \$191,626 (2020: \$178,947), which equates to the cumulative reserve for the stage 1 piping scheme. Funds supporting this are held in the Company assets.

# Ashburton Lyndhurst Irrigation Limited

## Notes to Financial Statements

### For the Year Ended 30 June 2021

<b>11. TURBINE SCHEME</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
Total Scheme Charges Received	<b>4</b>	76,904	82,500
Less:			
Interest	<b>9</b>	12,817	15,219
Repairs		-	13,075
Principal paid		41,560	40,900
		<u>54,377</u>	<u>69,194</u>
Excess Monies Received over Expenditure		22,527	13,306
Opening Position		56,960	43,654
Closing Position		<u>\$79,487</u>	<u>\$56,960</u>

Within the Company's retained earnings (stated at note 27) there is an amount of \$79,487 (2020: \$56,960), which equates to the cumulative reserve for the turbine scheme. Funds supporting this are held in the Company's assets.

<b>12. STAGE 2 PIPING</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
Total Scheme Charges Received	<b>4</b>	3,885,008	4,164,328
Less:			
Interest	<b>9</b>	3,083,102	3,170,477
Principal paid		828,710	790,600
		<u>3,911,812</u>	<u>3,961,077</u>
Excess Monies Received over Expenditure		(26,804)	203,251
Opening Position		(2,301,272)	(2,504,523)
Closing Position		<u>\$(2,328,076)</u>	<u>\$(2,301,272)</u>

Within the Company's retained earnings (stated at note 27) there is a loss amount of \$2,328,076 (2020: \$2,301,272), which equates to the cumulative reserve for the stage 2 piping scheme.

<b>13. RANGITATA DIVERSION RACE MANAGEMENT LIMITED (RDRML)</b>	<b>2021</b>	<b>2020</b>
Annual Contribution	195,507	296,278
5 Year Rolling Average Undercalculation	17,019	-
Environment Court Appeal Cost Contribution	96,282	-
Total Contributions	<u>\$308,808</u>	<u>\$296,278</u>

The company holds 30,000 ordinary shares in RDRML (15%) at a cost price of \$1 per share and is entitled to be represented on its Board by one of 6 Directors. These shares have equal voting rights and share equally in dividends and surplus on winding up. The procedure for sale or disposition of these shares is covered in a shareholder deed dated 14th January 2003, agreed and signed by all shareholders.

The Company is required to pay a share of RDRML operating and capital costs, as disclosed above. At 30 June 2021 the Company owed RDRML \$18,070 (2020: \$29,387) for operational contributions.

RDRML is neither an associate or subsidiary of ALIL.

# Ashburton Lyndhurst Irrigation Limited

## Notes to Financial Statements

### For the Year Ended 30 June 2021

#### 14. IRRIGO CENTRE LIMITED (ICL)

	2021	2020
Service Charge	\$329,309	\$358,100

The Company holds 4,000 shares (20%) (2020:25%) in Irrigo Centre Limited and is entitled to be represented on its Board by one of 4 Directors. The company has been set up to provide administration and environmental services to its four shareholder irrigation companies on a time cost basis and any others on a contract basis. At 30 June 2021 the Company owed ICL \$33,684 (2020: \$36,555) for administration and environmental services including reimbursements for expenses paid on behalf of Ashburton Lyndhurst Irrigation Limited.

Refer to Note 30 for details of the value of the investment in ICL.

#### 15. RDR IRRIGATION LIMITED (RDRI)

The Company holds 24,323 (38.38%) "B" shares in RDR Irrigation Limited along with MHV Water Limited (31,718 "A" and 7,339 "C" Shares) and is represented on the Board of RDRI by two Directors. The company was set up to provide management consultancy services for the shareholders.

During the year ended 30 June 2021 the Company did not pay any monies (2020: \$287) towards RDRI company administration costs. At 30 June 2021 the Company did not owe any monies to RDRI (2020: \$Nil).

During the year ended 30 June 2018 approval was granted by the Inland Revenue Department to make the company inactive, as it no longer trades.

#### 16. FEP DASHBOARD LIMITED

The Company holds 50 shares (50%) in FEP Dashboard Limited along with MHV Water Limited (50 Shares) and is represented on the Board by two Directors. The company has been set up to hold the rights to the software that delivers Farm Environmental Plan (FEP) dashboards.

During the year ended 30 June 2021 the Company did not pay anything (2020: \$Nil) towards FEPD operating costs. At 30 June 2021 the Company did not owe any monies to FEPD (2020: \$Nil).

Refer to Note 30 for details of the value of the investment.

#### 17. TAXATION

##### Tax Reconciliation

	2021	2020
Profit/(loss) before income tax		
- Continuing operations	(6,883,565)	(1,915,046)
Prima Facia income tax at 28%	(1,927,398)	(536,213)
Add (subtract) taxation effect of		
Permanent Differences		
Non-Deductible Expenses	1,305	5,759
Non Taxable Income	(7,645)	-
Adjustment for Equity Accounted Investments	3,457	1,767
	(2,883)	7,526
Timing Difference		
Tax Losses not recognised	736,346	1,644,352
Recognition of Previously Unrecognised Tax Losses	(1,413,053)	-
	(676,707)	1,644,352
Income Tax Expense	\$(2,606,988)	\$1,115,665

# Ashburton Lyndhurst Irrigation Limited

## Notes to Financial Statements

### For the Year Ended 30 June 2021

The income tax expense is represented by	<b>2021</b>	<b>2020</b>
Current Tax	-	-
Deferred Tax	(2,606,988)	1,115,665
Income Tax Expense for current year	<u>\$ (2,606,988)</u>	<u>\$ 1,115,665</u>

Due to the Company ceasing to apply hedge accounting for its interest rate swaps, the company has recognised a tax benefit of \$2,606,988 in relation to the previous value of swaps recognised in Equity, as a Reserve, and reported as a component of Other Comprehensive Income.

#### 18. BALANCE SHEET DEFERRED TAX ASSET / (LIABILITY)

	<b>Depreciation</b>	<b>Swaps</b>	<b>Tax Losses</b>	<b>Other</b>	<b>Total</b>
Balance 1 July 2019	(3,639,318)	2,130,260	2,140,932	7,063	638,937
Charged to Income	(233,597)	-	(881,298)	(770)	(1,115,665)
Charged to Other Comprehensive Income	-	476,728	-	-	476,728
Balance 30 June 2020	<u>\$ (3,872,915)</u>	<u>\$ 2,606,988</u>	<u>\$ 1,259,634</u>	<u>\$ 6,293</u>	<u>-</u>
Balance 1 July 2020	(3,872,915)	2,606,988	1,259,634	6,293	-
Charged to Income	(234,069)	1,427,188	1,413,053	816	2,606,988
Charged to Other Comprehensive Income	-	(2,606,988)	-	-	(2,606,988)
Balance 30 June 2021	<u>\$ (4,106,984)</u>	<u>\$ 1,427,188</u>	<u>\$ 2,672,687</u>	<u>\$ 7,109</u>	<u>-</u>

There are income tax losses of \$13,003,837 available to be carried forward (2020: \$10,371,378).

A deferred tax asset is recognised in relation to tax losses incurred in prior years to the extent that these losses offset deferred tax liabilities. A deferred tax asset has not been recognised in relation to tax losses of \$3,455,875 (2020: \$5,872,689).

There are no unrecognised temporary differences (2020: Nil)

#### 19. IMPUTATION CREDIT ACCOUNT

	<b>2021</b>	<b>2020</b>
Opening Balance	8,657	8,644
Plus Resident Withholding Tax Paid	6	17
Income Tax Paid (Refunded) During the Year	(17)	(4)
Closing Balance	<u>\$ 8,646</u>	<u>\$ 8,657</u>

#### 20. FINANCIAL INSTRUMENTS

##### Credit Risk

To the extent that the Company has a receivable from another party, there is a credit risk in the event of non-performance by that counterparty. Financial instruments which will potentially subject the Company to credit risk principally consist of bank balances, loans, receivables and swaps.

The Company manages its exposure to credit risk to minimise losses from bad debts.

The Company continuously monitors the credit quality of major financial institutions that are counter parties to its financial instruments, and does not anticipate non-performance by the counter parties. The Company from time to time minimises its credit exposure by limiting the amount of funds placed with any one financial institution at any one time.

# Ashburton Lyndhurst Irrigation Limited

## Notes to Financial Statements

### For the Year Ended 30 June 2021

Maximum exposures to credit risk at balance date are the carrying amounts of financial assets:

		2021	2020
Bank Balance	BNZ - Business First Transact	212,386	95,792
	BNZ - Business First OnCall	1	170,137
		<u>\$212,387</u>	<u>\$265,929</u>
Receivables		<u>923,138</u>	<u>948,724</u>

The above maximum exposures are net of any recognised impairment losses on these financial instruments. No collateral is held on the above amounts.

#### Concentrations of Credit Risk

##### Bank Balances

The Company held \$212,387 (2020: \$265,929) worth of cash at balance date as detailed above. It is the Company's policy to only bank with banks registered with the Reserve Bank of New Zealand.

##### Receivables

99% of Trade Receivables (2020: 99%) are owed from shareholder farmers within the scheme catchment. Management regularly reviews outstanding amounts to ensure that no impairment is suffered.

#### Liquidity Risk

Liquidity risk represents the Company's ability to meet its financial obligations on time. For the most part the Company generates sufficient cash flows from its operating activities to make timely payments. It is the Company's policy that it will maintain committed funding facilities at a minimum of 105% of the projected peak debt levels over the ensuing twelve month period.

#### Interest Risk

The Company has exposure to interest rate risk to the extent that it borrows or invests for a fixed term at fixed rates. The Company manages its cost of borrowing by placing limits on the proportion of borrowings at floating rate, and the proportion of fixed rate borrowing that is repriced in any year. These proportions have been decided on separately for the four different scheme loans (stage 1 piping, stage 2 piping, turbine, ponds and telemetry).

It is the Company's treasury policy to minimise interest costs and exposure to possible adverse interest rate movements. This will be achieved through the use of fixed interest rate swaps (including forward starting swaps), fixed rate term borrowings, forward rate agreements and interest rate options.

At balance date the fair value of interest rate contracts outstanding were:

	2021	2020
Interest Rate Swaps:		
Derivatives - Stage 1 Piping	(319,743)	(552,723)
Derivatives - Turbine	(11,308)	(19,547)
Derivatives - Ponds & Telemetry	(657,412)	(1,332,386)
Derivatives - Stage 2 Piping	(4,108,638)	(7,406,017)
Total derivative financial instruments	<u>\$(5,097,100)</u>	<u>\$(9,310,673)</u>

The change in the fair value of the derivative is recognised in the Statement of Comprehensive income. The fair value of the derivatives is the benefit/(cost) that ALIL would receive/(pay) to exit the contacts at Balance date as calculated by the BNZ.

Due to changes in the terms of loan facilities with the Bank of New Zealand during the financial year, the Company has ceased applying hedge accounting (Refer to Note 26(ii)).

# Ashburton Lyndhurst Irrigation Limited

## Notes to Financial Statements

### For the Year Ended 30 June 2021

Details of interest rate swaps held at balance date are:

	Face Value	Effective Date	Expiry Date	Interest Rate	Fair Value
Turbine	204,352	2/09/2013	1/09/2023	4.60%	(11,308)
Stage 1 Piping	5,778,356	2/09/2013	1/09/2023	4.60%	(319,743)
Stage 2 Piping	10,000,000	1/10/2017	3/10/2022	3.84%	(414,884)
Stage 2 Piping	20,000,000	27/02/2015	31/08/2022	4.07%	(833,994)
Stage 2 Piping	10,000,000	27/02/2015	30/11/2022	4.05%	(491,972)
Stage 2 Piping	10,000,000	1/10/2017	30/09/2021	3.54%	(81,424)
Ponds & Telemetry	10,000,000	1/10/2017	30/09/2021	3.54%	(81,424)
Ponds & Telemetry	3,000,000	30/09/2021	30/09/2025	3.91%	(309,473)
Stage 2 Piping	10,000,000	31/08/2022	29/08/2025	4.01%	(738,164)
Ponds & Telemetry	2,000,000	30/09/2021	30/09/2024	3.52%	(143,897)
Stage 2 Piping	10,000,000	30/11/2022	30/11/2026	3.75%	(791,468)
Stage 2 Piping	10,000,000	30/10/2022	31/10/2024	3.54%	(424,860)
Ponds & Telemetry	2,500,000	30/09/2021	29/09/2023	3.28%	(119,337)
Stage 2 Piping	10,000,000	30/10/2024	29/10/2027	3.24%	(331,873)
Ponds & Telemetry	2,000,000	30/09/2024	30/09/2027	3.23%	(66,913)
<b>Total Interest Rate Swaps Liabilities</b>					<b>(5,160,733)</b>
Ponds & Telemetry	1,500,000	30/09/2021	30/09/2024	0.82%	11,305
Ponds & Telemetry	1,000,000	30/09/2020	30/09/2026	0.31%	52,328
<b>Total Interest Rate Swaps Asset</b>					<b>63,633</b>
					<b><u><u>\$(5,097,100)</u></u></b>

Ponds & Telemetry weighted average swap rate	3.20%
Stage 2 Piping weighted average swap rate	3.79%

#### Interest Rate Sensitivity

The Company's policy is to minimise interest rate cash flow risk exposures on long-term borrowings by either entering into interest rate swap agreements or by borrowing at fixed interest rates.

The following analysis illustrates the sensitivity of profit and equity to a reasonable change in interest rates of +/- 0.25%. These changes are considered to be reasonably possible based on current market conditions.

The calculations are based on a change in the average market interest rates for each period and the financial instrument held at each reporting date that are sensitive to changes in interest rates.

All other variables are held constant.

	Profit for the Year		Equity	
	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%
30 June 2021	(37,969)	37,969	(27,337)	27,337
30 June 2020	(42,329)	42,329	(30,477)	30,477

#### Fair Value

The fair values of financial instruments, including bank balances and overdrafts, receivables and payables do not differ to the carrying amounts in the Statement of Financial Performance.

#### Shares in Unlisted Companies:

It is not practical to estimate the fair value of shares in unlisted companies with an acceptable level of reliability.

# Ashburton Lyndhurst Irrigation Limited

## Notes to Financial Statements

### For the Year Ended 30 June 2021

#### Financial Instruments

	2021	2020
<b>Amortised Cost</b>		
Bank Balances	212,387	265,929
Accounts Receivable	923,138	948,724
	<u>1,135,525</u>	<u>1,214,653</u>
<b>Financial assets measured at Fair Value through Profit &amp; Loss</b>		
Shares in Ashburton Trading Society Limited	1,440	1,440
Shares in Farmlands Co-Operative Society Limited	500	500
Interest Rate Swaps	63,633	-
	<u>65,573</u>	<u>1,940</u>
<b>Financial liabilities measured at amortised cost</b>		
Accounts Payable	384,166	548,130
GST Payable	102,146	99,824
BNZ Term Loan	80,528,451	81,525,756
	<u>81,014,763</u>	<u>82,173,710</u>
<b>Financial liabilities measured at Fair Value through Other Comprehensive Income</b>		
Interest Rate Swaps	-	9,310,673
<b>Financial liabilities measured at Fair Value through Profit &amp; Loss</b>		
Interest Rate Swaps	5,160,733	-

#### Financial instruments measured at fair value

The following table presents the Company's financial assets and liabilities measured at fair value in the Statement of Financial Position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial liabilities. The fair value hierarchy has the following levels:

- Level 1:** quoted prices (unadjusted) in active markets for identical assets or 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). The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows using published market swap rates as prepared by Bank of New Zealand.
- Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Year 2020	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Shares in Ashburton Trading Society Limited	-	-	1,440	1,440
Shares in Farmlands Co-Operative Society Limited	-	-	500	500
Interest Rate Swaps	-	-	-	-
<b>Liabilities:</b>				
Interest Rate Swaps	-	9,310,673	-	9,310,673
<b>Year 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets:</b>				
Shares in Ashburton Trading Society Limited	-	-	1,440	1,440
Shares in Farmlands Co-Operative Society Limited	-	-	500	500
Interest Rate Swaps	-	63,633	-	63,633
<b>Liabilities:</b>				
Interest Rate Swaps	-	5,160,733	-	5,160,733

# Ashburton Lyndhurst Irrigation Limited

## Notes to Financial Statements

### For the Year Ended 30 June 2021

#### Maturity Analysis of Liabilities Repayable as follows:

Year 2020	Less than 1 year	Between 1-5 years	Greater than 5 years
<b>Liabilities:</b>			
Payables	647,954	-	-
Swaps *	9,310,673	-	-
Bank Mortgage *	82,991,638	-	-
<b>Total</b>	<b>\$92,950,265</b>	<b>-</b>	<b>-</b>
<b>Year 2021</b>	<b>Less than 1 year</b>	<b>Between 1-5 years</b>	<b>Greater than 5 years</b>
<b>Liabilities:</b>			
Payables	486,312	-	-
Swaps *	2,026,792	4,322,007	-
Bank Mortgage *	1,865,719	80,603,978	-
<b>Total</b>	<b>\$4,378,823</b>	<b>\$84,925,985</b>	<b>-</b>

\* These amounts represent the current principal and interest repayment obligations of the Company based on interest rates and agreements with the Bank of New Zealand in force at Balance Date.

#### 21. TRADE & OTHER RECEIVABLES

	2021	2020
Accounts Receivable	923,138	948,724
Prepayments	53,192	66,315
Income Tax Receivable	6	18
	<b>\$976,336</b>	<b>\$1,015,057</b>

#### 22. PROPERTY, PLANT & EQUIPMENT

	Scheme Structures	Buildings	Plant & Equipment	Motor Vehicle	Land	Total
<b>Year Ended 30 June 2020</b>						
Carrying Amount 1 July 2019	122,339,347	409,807	89,862	114,044	3,674,205	126,627,265
Additions	363,656	-	7,940	59,772	-	431,368
Disposals	-	-	(12,939)	(11,978)	-	(24,917)
Depreciation	(3,342,979)	(12,294)	(21,540)	(31,994)	-	(3,408,807)
Carrying Amount 30 June 2020	<b>\$119,360,024</b>	<b>\$397,513</b>	<b>\$63,323</b>	<b>\$129,844</b>	<b>\$3,674,205</b>	<b>\$123,624,909</b>
<b>30 June 2020</b>						
Cost	133,011,512	522,882	476,440	256,374	3,674,205	137,941,413
Accumulated Depreciation	(13,651,488)	(125,369)	(413,117)	(126,530)	-	(14,316,504)
Carrying Amount	<b>\$119,360,024</b>	<b>\$397,513</b>	<b>\$63,323</b>	<b>\$129,844</b>	<b>\$3,674,205</b>	<b>\$123,624,909</b>

**Ashburton Lyndhurst Irrigation Limited**  
**Notes to Financial Statements**  
**For the Year Ended 30 June 2021**

	Scheme Structures	Buildings	Plant & Equipment	Motor Vehicle	Land	Total
<b>Year Ended 30 June 2021</b>						
Carrying Amount 1 July 2020	119,360,024	397,513	63,323	129,844	3,674,205	123,624,909
Additions	255,987	-	15,930	45,395	11,054	328,366
Disposals	(7,220)	-	(422)	(10,121)	-	(17,763)
Depreciation	(3,348,862)	(11,925)	(19,329)	(31,950)	-	(3,412,066)
Carrying Amount 30 June 2021	\$116,259,929	\$385,588	\$59,502	\$133,168	\$3,685,259	\$120,523,446
<b>30 June 2021</b>						
Cost	133,240,491	522,882	458,078	266,821	3,685,259	138,173,531
Accumulated Depreciation	(16,980,562)	(137,294)	(398,576)	(133,653)	-	(17,650,085)
Carrying Amount	\$116,259,929	\$385,588	\$59,502	\$133,168	\$3,685,259	\$120,523,446

All property of the Company is subject to a General Security Agreement in favour of the Bank of New Zealand.

**23. INTANGIBLE ASSETS**

	Consents in Progress	Resource Consents	Easement Costs	Total
<b>Year Ended 30 June 2020</b>				
Carrying Amount 1 July 2019	152,792	-	17,600	170,392
Additions	87,507	-	-	87,507
Amortisation	-	-	(3,276)	(3,276)
Carrying Amount 30 June 2020	240,299	-	14,324	254,623
<b>30 June 2020</b>				
Cost	240,299	27,130	98,375	365,804
Accumulated Amortisation	-	(27,130)	(84,051)	(111,181)
Carrying Amount	240,299	-	14,324	254,623
<b>Year Ended 30 June 2021</b>				
Carrying Amount 1 July 2020	240,299	-	14,324	254,623
Additions	260,905	-	-	260,905
Transfers from Consents in Progress	(501,204)	501,204	-	-
Amortisation	-	-	(3,276)	(3,276)
Carrying Amount 30 June 2021	-	501,204	11,048	512,252
<b>30 June 2021</b>				
Cost	-	528,334	98,375	626,709
Accumulated Amortisation	-	(27,130)	(87,327)	(114,457)
Carrying Amount	-	501,204	11,048	512,252

**24. TRADE & OTHER PAYABLES**

	Note	2021	2020
Accounts Payables		250,957	455,187
GST Payable		102,146	99,824
Contract Liability	25	133,209	92,943
		\$486,312	\$647,954

# Ashburton Lyndhurst Irrigation Limited

## Notes to Financial Statements

### For the Year Ended 30 June 2021

#### 25. CONTRACT LIABILITY

This Current Liability consists of several arrangements with shareholders:

##### (1). Pump Power

This represents a receipt from a shareholder towards expected future operating costs incurred by the Company in order to deliver pressurised water to the shareholder's farm. The Company retains ownership of the pumping equipment and the receipts will be spread over 10 years from when water was first delivered. As at 30 June 2021 the balance remaining to be brought in as income was \$44,165 (2020: \$50,475).

The balance reflects the amount repayable to the shareholder at the point when the pump is no longer required to deliver pressurised water to the farmer.

##### (2). New Connections

This represents receipts from two shareholders towards costs incurred by the Company to install secondary offtakes to the shareholder's farms. The Company retains ownership of all infrastructure to the farmer's gate and the receipts will be spread over 10 years from when water was first delivered. As at 30 June 2021 the balance remaining to be brought in as income was \$22,667 (2020: \$25,222).

##### (3). Stock Water Offtakes

This represents receipts from shareholders towards costs incurred by the Company to install stock water offtakes to the shareholder's farms along the scheme. The Company retains ownership of all infrastructure to the farmer's gate and the receipts will be spread over 10 years from when the offtakes were installed. As at 30 June 2021 the balance remaining to be brought in as income was \$66,377 (2020: \$17,246).

#### 26. TERM LIABILITIES

- i) Previously ALIL entered into a loan agreement with the Bank of New Zealand (BNZ) to provide additional funding for the construction of stage 2 of the piping scheme.

On the 28 February 2020 ALIL entered into updated loan agreements with the BNZ for the facilities relating to the construction of stage 2 of the piping scheme. These facilities have a maturity date for bank review purposes of 6 October 2022. The loans have an extended repayment profile over a 40 year term.

Under these facilities, ALIL has \$5,212,862 of undrawn funds available at balance date

There are two covenants attached to the BNZ facilities. Following an agreement with the BNZ on the 30 April 2021 the covenants were reset to:

1) Debt servicing coverage ratio (EBITDA / Principal & Interest) to be greater than 1.0x at all times. The ratio is to be measured annually on a 12-month basis on the last day of each financial year.

2) Debt to Tangible Assets of less than 80% at all times. The ratio will be tested annually on the last day of each financial year.

The loans are covered by registered first mortgages of the Company's properties at 266 Springfield Road, Dip Road, Franks Road, Cnr Dromore Methven Road & Braemar Lauriston Road, Cnr Cairnbrae & McKendry's Road, a negative pledge over remaining land assets, a general security agreement, an Assignment of Deed, being the irrigation supply agreement, between the Company and RDRML and a specific charge over 30,000 shares issued by RDRML.

- ii) The Company has forecast future loan interest payments under the facilities with the Bank of New Zealand. Due to changes in the terms of the loan facilities there is not sufficient certainty over the forecast future loan interest payments. The Company has therefore made the decision to discontinue the use of hedge accounting in respect of the cash flow hedge instruments, as outlined in Note 20.

# Ashburton Lyndhurst Irrigation Limited

## Notes to Financial Statements

### For the Year Ended 30 June 2021

27. TOTAL EQUITY	2021	2020
Share Capital	39,431,672	39,431,672
Retained Earnings	(3,267,035)	1,009,542
Hedging Reserve	-	(6,703,685)
Total Equity	<u>\$36,164,637</u>	<u>\$33,737,529</u>

#### (a) Share Capital

##### 2020

	Number of Shares	Share Value
Opening Ordinary Shares	1,268,986	39,029,172
Ordinary shares issued	3,500	402,500
Closing Ordinary Shares	<u>1,272,486</u>	<u>\$39,431,672</u>

##### 2021

	Number of Shares	Share Value
Opening Ordinary Shares	<u>1,272,486</u>	39,431,672
Closing Ordinary Shares	<u>1,272,486</u>	<u>\$39,431,672</u>

Share capital has a par value of \$1 per share. All shares have been fully paid (2020: All shares have been fully paid).

The Company's capital is managed with the objective of issuing new shares to irrigate additional land within its scheme boundaries through water being available through its own efficiencies or that of RDRML. The Company's primary source of working capital funding is through an annual water charge to cover the Company's operational expenditure. The Company is able to pay dividends but its primary focus is to deliver reliable water in the most cost effective manner to its shareholders. There are currently no bank covenants restricting borrowings, other than a requirement to meet certain debt servicing ratios set by the bank. All bank and internal capital management objectives have been met. This has not changed since last year.

Subject to Board approval shareholders are able to sell their shares, typically through a tender process to either existing shareholders not fully contracted or new shareholders within the Scheme area. The Company facilitates this process.

#### Share Issue:

During the year ended 30 June 2020 the Company issued a further 3,500 shares to a farmer within the scheme area, identified as being a shareholder in Barrhill Chertsey Irrigation Limited, that would be better suited receiving water via the Company's network.

#### (b) Retained Earnings

	2021	2020
Balance at beginning of the period	1,009,542	4,040,253
Profit for the year	(4,276,577)	(3,030,711)
Balance at end of the period	<u>\$(3,267,035)</u>	<u>\$1,009,542</u>

#### (c) Hedging Reserve

	2021	2020
Balance at beginning of the period	(6,703,685)	(5,477,812)
Effective Hedge (Loss) during the period	-	(1,225,873)
Movement for Year due to Cessation of Hedge Accounting	6,703,685	-
Balance at end of the period	<u>-</u>	<u>\$(6,703,685)</u>

# Ashburton Lyndhurst Irrigation Limited

## Notes to Financial Statements

### For the Year Ended 30 June 2021

#### 28. CAPITAL COMMITMENTS

There are no capital commitments at balance date (2020: Monadelphous Engineering (NZ) Pty Limited "snag list" items outstanding from retention amounts. Value of these items has been assessed at \$179,704.)

#### 29. CONTINGENCIES & PROVISION

There are no contingencies or provision owed by the Company. (2020: None).

#### 30. ASSOCIATE COMPANY & JOINT VENTURE

The Company holds 4,000 ordinary shares in Irrigo Centre Limited as detailed in Note 14. ICL is an associate where ALIL can exercise significant influence but not control over it. ALIL applies the Equity method when accounting for its interest in ICL.

On the 21st April 2021, ICL issued a further 4,000 shares to a new shareholder at an issue price of \$5.71 per share, diluting ALIL's interest from 25% to 20%.

The Company holds 50 ordinary shares in FEP Dashboard Limited as detailed in Note 16. FEPD is a joint venture where ALIL has joint control of the entity along with MHV Water Limited. ALIL applies the Equity method when accounting for its interest in FEPD.

During the year ended 30 June 2020 ALIL advanced FEPD \$45,038 to cover operating costs incurred and for ALIL's share of development costs for the software. This advance is still outstanding at 30 June 2021.

The Company also holds 24,323 "B" shares in RDR Irrigation Limited (RDRI) as detailed in Note 15. RDRI is an associate where ALIL can exercise significant influence but not control over it. ALIL applies the Equity method when accounting for its interest in RDRI. RDRI is a non-active company and does not currently trade or own any assets.

##### Results of Associates

##### Balance Date

	FEPD		ICL	
	31 March		31 March	
	2021	2020	2021	2020
Revenue	-	27,750	1,497,352	1,475,940
Operating Profit before tax	(29,390)	(7,988)	25,929	(9,266)
Taxation	-	-	(6,520)	-
Total Operating Surplus / (Loss)	<u>\$(29,390)</u>	<u>\$(7,988)</u>	<u>\$19,409</u>	<u>\$(9,266)</u>

No dividends were received from FEPD, ICL, or RDRI during the years ended June 2020 or 2021.

FEPD, ICL and RDRI are private companies, therefore no quoted prices are available for their shares.

A reconciliation of the above summarised financial information to the carrying amount of the investment is summarised below:

2020	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Total Net Assets	% Held	Carrying Amount
ICL	138,104	35,020	(130,963)	-	42,161	25.00%	10,540
FEPD	38,597	46,444	(2,965)	(90,064)	(7,988)	50.00%	(3,994)
							<u>\$6,546</u>
2021	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Total Net Assets	% Held	Carrying Amount
ICL	232,206	27,544	(175,341)	-	84,409	20.00%	16,882
FEPD	29,464	23,222	(90,064)	-	(37,378)	50.00%	(18,689)
							<u>\$(1,807)</u>

# Ashburton Lyndhurst Irrigation Limited

## Notes to Financial Statements

### For the Year Ended 30 June 2021

#### 31. KEY MANAGEMENT PERSONNEL

Key management personnel include the directors of the Company and the General Manager. During the year remuneration has been paid to these personnel as follows:

	2021	2020
Salaries & directors fees	\$280,166	\$262,126

During the year the directors were paid directors fees as detailed in the Annual Report. The amounts owing to directors at 30 June 2021 is \$23,039 (2020: \$22,873).

#### 32. TRANSACTIONS WITH RELATED PARTIES

Directors purchase water from the Company on the same terms and conditions as the members.

The Company is a shareholder in Rangitata Diversion Race Management Limited. Andrew J R Grant was the Company's representative with Steven E B Bierema as his alternate. Refer to note 13 for more detail.

The Company is a shareholder in Irrigo Centre Limited. Steven E B Bierema is the Company's director representative with Andrew J R Grant as his alternate director. Refer to note 14 for more detail.

Colin W Glass and Philip A Lowe are the Company's representatives on the RDR Irrigation Limited board. Refer to note 15 for further details.

The Company is a shareholder in FEP Dashboard Limited. Randal D Hanrahan is the Company's director representative along with the General Manager, Rebecca Whillans. Refer to note 16 for more detail.

#### 33. EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are aware of the current Covid-19 emergency and the New Zealand Government's decision to enter a immediate full Level 4 lockdown with effect from 11:59pm 17th August to 11:59pm 31st August.

ALIL is considered an essential business as it is a utility involved with the supply of water, and as such is able to continue operating throughout all alert levels.

This matter is being addressed with business continuity planning and the Directors have considered that this is a "non-adjusting" subsequent event and there is no impact on the 2021 financial year.

Financial forecasts have been prepared twelve months after the approval date of these reports which show that profitability and cash flows along with cash reserves are adequate to meet the investing and financing cash flow requirements of the Company. For this reason, the Directors continue to adopt the going concern assumption in preparing the financial statements for the year ended 30 June 2021.

**INDEPENDENT AUDITOR'S REPORT**

www.crowe.nz

**To the Shareholders of Ashburton Lyndhurst Irrigation Limited**

**Opinion**

We have audited the financial statements of Ashburton Lyndhurst Irrigation Limited (the Company) on pages 11 to 39, which comprise the statement of financial position as at 30 June 2021, and the statement of comprehensive income, statement of movements in equity and cashflow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2021, and its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

**Key Audit Matters**

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

Key Audit Matter	How we addressed the Key Audit Matter
<p><b>Valuation of Property, Plant &amp; Equipment</b></p> <p>Property, plant and equipment totals \$120.5 million and represent 98% of the Company's total assets.</p> <p>Director judgement is required to determine the useful lives of the scheme assets.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>▪ Reviewing minutes and reports of the Directors and management to identify any critical maintenance discussions;</li> <li>▪ Assessing the nature of costs incurred in capital projects by testing a sample of costs and determining whether the expenditure met the capitalisation criteria;</li> <li>▪ Assessing the nature of costs incurred in repairs and maintenance projects by testing a sample of costs and determining whether the expenditure met the repairs and maintenance criteria;</li> <li>▪ Reviewing the Company's assessment of useful lives allocated to all major assets; and</li> <li>▪ Considered the appropriateness of disclosures in the financial statements.</li> </ul>

## **Information Other Than the Financial Statements and Auditor's Report**

The Directors are responsible for the other information. The other information comprises the information included on pages 1 to 10, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Emphasis of Matter**

Without modifying our opinion, we draw attention to the disclosure in note 33 on page 39 which outlines the possible effects of the Alert Level 4 lockdown as a result of the COVID-19 pandemic. Our opinion is not modified in respect of this matter.

## **Directors' Responsibilities for the Financial Statements**

The Directors are responsible on behalf of the Company for the preparation and fair presentation of the financial statements in accordance with NZ IFRS, 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.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that are of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Restriction on Use**

This report is made solely to the Company's Shareholders, as a body. Our audit has been undertaken so that we might state to the Company's Shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Michael Lee.

For and on behalf of:



**Crowe New Zealand Audit Partnership**  
CHARTERED ACCOUNTANTS

Dated at Christchurch this 15th day of September 2021

*The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.*

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