

# **ACTON FARMERS IRRIGATION CO-OPERATIVE LIMITED**

**2017**

**ANNUAL REPORT**

## **ACTON FARMERS IRRIGATION CO-OPERATIVE LIMITED**

---

### **INDEX TO FINANCIAL STATEMENTS**

<b>DIRECTORY</b>	<b>1</b>
<b>CHAIRPERSON'S REPORT</b>	<b>2</b>
<b>ANNUAL REPORT</b>	<b>4</b>
<b>STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>	<b>6</b>
<b>STATEMENT OF CHANGES IN EQUITY</b>	<b>7</b>
<b>STATEMENT OF FINANCIAL POSITION</b>	<b>8</b>
<b>STATEMENT OF CASH FLOWS</b>	<b>9</b>
<b>NOTES TO THE FINANCIAL STATEMENTS</b>	<b>10</b>
<b>LIST OF SHAREHOLDERS</b>	<b>31</b>
<b>INDEPENDENT AUDITORS REPORT</b>	<b>33</b>

## **ACTON FARMERS IRRIGATION CO-OPERATIVE LIMITED**

---

### **DIRECTORY**

<b>Nature of Business</b>	Irrigation Water Supply
<b>Address</b>	C/- Irrigo Centre Limited 18 Kermode Street Ashburton 7772
<b>Registered Office</b>	C/- Tavendale and Partners Limited 243 Tancred Street Ashburton, 7700
<b>Directors</b>	Steven James Booker (Chairperson) Neil Antony Brown Dean Robert Pye Daniel Peter Lovett Simon Timothy Bonifant
<b>Share Capital</b>	3,000 Ordinary Shares
<b>Shareholders</b>	As per list of shareholders (pages 31-32)
<b>Accountants</b>	HC Partners LP Chartered Accountants 39 George Street Timaru 7910
<b>Independent Auditor</b>	Crowe Horwath 173 Spey Street Invercargill 9810
<b>Solicitors</b>	C/- Tavendale and Partners Limited 243 Tancred Street Ashburton, 7700
<b>Bankers</b>	ANZ Ashburton 7741
<b>Company Number</b>	2345700
<b>Date of Incorporation</b>	9 November 2009
<b>Date Registered as a Co-operative Company</b>	22 December 2009

## **ACTON FARMERS IRRIGATION CO-OPERATIVE LIMITED**

---

### **CHAIRPERSON'S REPORT for the year ended 30 June 2017**

One of the highlights for Acton Farmers Irrigation during this financial year was the completion and commissioning of the pipe installation down Kyle Road.

The project was completed on time and to budget and apart from a couple of small control issues it has performed well throughout the season. One of the main drivers for piping this particular leg was to capture the significant water losses that we had been experiencing due to leaking races.

The Board were also able to drop the water charges of those Shareholders who take unpressurised water to \$600 per litre per second and set the pressurised rate at \$1000 per litre per second.

The Board continue to focus on repaying debt at a rate faster than required as this puts us in a better position if we wish to further develop the scheme.

From a financial perspective Acton generated income after expenses of \$312,285, which was largely all used to repay debt.

In addition \$1.1m was outlaid on the pipe installation down Kyle Road which was funded by a combination of the issue of the last of the Acton shares previously held by Acton (\$0.37m) and bank borrowings (\$0.98m).

The cash position of Acton had improved by the difference being \$255,474.

Another focus for the Board this year has been to develop a comprehensive Health and Safety Policy and a set of templates to help keep any contractors working on the scheme safe from harm. Directors will be making site visits to ensure that our policies are being followed and hazards have been minimised as much as possible. As shareholders could you please ensure access for the raceman is safe and he is aware of any new hazards that may exist.

With changing environmental rules, growing public pressure and talks of a water tax, AFIC shareholders have been making excellent progress on improving their environmental footprint. We have just completed all 51 FEP updates for the season, with 98% of shareholders providing their information to complete a nutrient budget. The feedback from Belinda and the nutrient budget consultants is that shareholders have been co-operative, well prepared and engaged in the process.

In the 2016/17 season 24 audits were completed, with 3 A and 3 C grades and 18 B grades. Key issues picked up in the audits were irrigation system calibration and irrigation scheduling – approximately 50% of B graded properties could achieve an "A" if they completed a bucket test and have a soil water budget or invested in soil moisture monitoring tools.

Overall, feedback from auditors is that shareholders understand what they need to do and are well on their way to making progress towards Good Management Practice (GMP).

Shareholder attendance to our workshops has been great, particularly with the irrigation calibration workshop, and uptake of the use of Environment Canterbury's bucket testing students last summer far exceeded the average for the area.

We hope to continue with proving workshops and one on one support and fully expect Acton shareholders will meet GMP by our 2020 timeframe.

Kevin Birchler-Stockdill continues to operate the Acton scheme as an independent contractor. Kevin's efficient manner has resulted in the safe and efficient running of the scheme. I wish to thank Kevin for his hard work throughout the season.

I would like to thank Carmen Trumper for all of her hard work throughout the year. Carmen is part of the Irrigo team who provide the Board with our administration requirements.

I would also like to thank the Acton Directors for their hard work and dedication over the last 12 months. As a board we aim to continue to improve our scheme for the benefit of all shareholders and deliver cost effective water to your farms.

A handwritten signature in black ink, appearing to read 'S. Booker', written in a cursive style.

Steve Booker  
Chairman

# ACTON FARMERS IRRIGATION CO-OPERATIVE LIMITED

## ANNUAL REPORT

### Principal activities

The Company's principal activities during the period were:

- Operation of the Acton Irrigation Scheme

### Results

	2017	2016
Operating Profit/(Loss) after income tax	\$225,067	\$553,004

### Dividends

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

### Directors

Directors holding office during the year were:

- Steven James Booker (Chairperson)
- Neil Antony Brown
- Dean Robert Pye
- Daniel Peter Lovett
- Simon Timothy Henty Bonifant

### Share dealings

There were no share dealings during the year.

Directors held interests in the following shares in the Company at 30 June 2017:

Name	Number of Shares	Consideration	Date Purchased	Nature of Interest	Shareholders
Steven James Booker	45	\$50,175	07/10/11	Director & Shareholder	Rotokaia Farm Ltd
Dean Robert Pye	50	\$55,750	01/06/16	Director & Shareholder	Berry Farm Ltd
	20	\$22,300	07/10/11	Trustee	Thornlea Family Trust
	45	\$50,175	01/06/16	Trustee	Thornlea Family Trust
Daniel Peter Lovett	80	\$89,200	07/10/11	Director & Shareholder	Riverside Farming Ltd
	60	\$66,900	07/10/11	Director & Shareholder	Pendene Holdings Ltd
	60	\$66,900	07/10/11	Director & Shareholder	Cleargrove Holdings (2008) Ltd
Simon Timothy Henty Bonifant	45	\$50,175	07/10/11	Director & Shareholder	Bonifant Partnership Ltd

### Directors interests

Directors have declared interests in the following transactions with the Company during the year:

- Water supply to director shareholders is on the same terms and conditions as all shareholders

**Remuneration and other benefits**

Remuneration and other benefits paid or due and payable to directors for services as a director and in any other capacity, during the year, is as follows:

	2017	2016
Steven James Booker (Chairperson)	16,000	16,000
Neil Antony Brown	8,000	8,000
Dean Robert Pye	8,000	8,000
Daniel Peter Lovett	8,000	8,000
Simon Timothy Henty Bonifant	8,000	8,000
	<u>48,000</u>	<u>48,000</u>

The Company carries director liability insurance against liabilities to other parties that may arise from their positions as directors. This insurance is paid through Crombie Lockwood and gives indemnity cover of up to \$250,000.

**Employee Remuneration**


No employees or former employees of the Company received remuneration or other benefits in their capacity as employees exceeding \$100,000 per annum.


**Donations**

The company did not make any donations during the period.

**Auditors**

It is proposed that Crowe Horwath continue in office in accordance with Section 200 of the Companies Act 1993. Fees totalling \$10,000 + GST were payable to Crowe Horwath during the year. Crowe Horwath has not provided any non-audit services during the year.

  
Chairperson  
Date 14/09/17

  
Director  
Date 14/9/2017

# ACTON FARMERS IRRIGATION CO-OPERATIVE LIMITED

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017	2016
Operating revenue	5	2,335,737	2,399,650
Direct operating expenses	6	(442,419)	(389,428)
<b>Gross profit</b>		<b>1,893,318</b>	<b>2,010,222</b>
Other income	7	1,368	297,624
Administration expenses	9	(134,824)	(120,965)
Standing charges	10	(30,131)	(21,647)
Other operating expenses	12	(928,369)	(725,770)
<b>Profit from operations</b>		<b>801,362</b>	<b>1,439,464</b>
Finance income	11	-	-
Finance expense	11	(489,871)	(671,512)
Share of profit/(loss) : associate	19	793	78
<b>Profit before tax</b>		<b>312,285</b>	<b>768,031</b>
Tax expense	13	(87,218)	(215,027)
<b>Profit from continuing operations</b>		<b>225,067</b>	<b>553,004</b>
<b>Total comprehensive income</b>		<b>225,067</b>	<b>553,004</b>
<b>Profit for the year attributable to: Equity holders of the company</b>		<b>225,067</b>	<b>553,004</b>
<b>Total comprehensive income attributable to : Equity holders of the company</b>		<b>225,067</b>	<b>553,004</b>





# ACTON FARMERS IRRIGATION CO-OPERATIVE LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Share capital	Treasury stock	Retained earnings/ accumulated loss	Total equity
<b>2017</b>					
Balance at 1 July 2016		3,531,525	(60,210)	787,163	4,258,478
Profit/(loss) after income tax		-	-	225,067	225,067
Total comprehensive income		-	-	225,067	225,067
		3,531,525	(60,210)	1,012,230	4,483,545
Transactions with owners					
Shares issued	14.1	318,330	60,210	-	378,540
Total transactions with owners		318,330	60,210	-	378,540
Balance at 30 June 2017	14	3,849,855	-	1,012,230	4,862,085
<b>2016</b>					
Balance at 1 July 2015		3,345,000	(110,385)	234,159	3,468,774
Profit/(loss) after income tax		-	-	553,004	553,004
Total comprehensive income		-	-	553,004	553,004
		3,345,000	(110,385)	787,163	4,021,778
Transactions with owners					
Shares issued	14.1	186,525	50,175	-	236,700
Total transactions with owners		186,525	50,175	-	236,700
Balance at 30 June 2016	14	3,531,525	(60,210)	787,163	4,258,478



# ACTON FARMERS IRRIGATION CO-OPERATIVE LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	2017	2016
<b>Current assets</b>			
Cash and cash equivalents	15	71,465	-
Trade and other receivables	16	599,188	578,308
GST		-	31,884
		<u>670,653</u>	<u>610,192</u>
<b>Non-current assets</b>			
Property, plant and equipment	17	10,549,572	10,067,570
Intangible assets	18	4,698,555	4,956,289
Investments in associates	19	9,542	8,749
Other investments	20	10,598	10,598
		<u>15,268,267</u>	<u>15,043,206</u>
<b>Total assets</b>		<u>15,938,920</u>	<u>15,653,398</u>
<b>Current liabilities</b>			
Cash and cash equivalents	15	-	184,009
Trade and other payables	23	112,142	62,498
GST		20,082	-
Income tax payable	13	26,506	61,116
Loans and borrowings	21	600,000	600,000
Interest rate swaps	21	108,278	228,371
		<u>867,008</u>	<u>1,135,994</u>
<b>Non-current liabilities</b>			
Loans and borrowings	21	10,166,460	10,240,269
Deferred tax liability	22	43,368	18,656
		<u>10,209,828</u>	<u>10,258,925</u>
<b>Total liabilities</b>		<u>11,076,836</u>	<u>11,394,919</u>
<b>Equity</b>			
Share capital	14	3,849,855	3,471,315
Reserves	14.2	1,012,229	787,164
<b>Total equity</b>		<u>4,862,084</u>	<u>4,258,479</u>
<b>Total liabilities and equity</b>		<u>15,938,920</u>	<u>15,653,398</u>

For and on behalf of the Board:

Chairperson

Date 14/06/17

Director

Date 14/9/2017



# ACTON FARMERS IRRIGATION CO-OPERATIVE LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017	2016
<b>Cash flows from operating activities</b>			
<i>Cash was provided from:</i>			
Receipts from customers		2,696,120	2,403,865
Interest received		1,368	1,534
Income tax received		13,150	-
GST refund		55,505	-
		<u>2,766,143</u>	<u>2,405,399</u>
<i>Cash was disbursed to:</i>			
Payments to suppliers		(561,415)	(539,282)
Rent		(250)	(250)
Interest paid		(612,292)	(632,958)
Income tax paid		(110,266)	(137,911)
GST payment		-	(98,942)
		<u>(1,284,223)</u>	<u>(1,409,343)</u>
<b>Net cash in/(out) flows from operating activities</b>	24	<u>1,481,920</u>	<u>996,056</u>
<b>Cash flows from investing activities</b>			
<i>Cash was disbursed to:</i>			
Purchase of property, plant and equipment		(1,148,148)	(1,115,064)
Purchase of intangible assets		(4,489)	(273,570)
Purchase of shares		-	(10,098)
		<u>(1,152,637)</u>	<u>(1,398,732)</u>
<b>Net cash (out)/in flows from investing activities</b>		<u>(1,152,637)</u>	<u>(1,398,732)</u>
<b>Cash flows from financing activities</b>			
<i>Cash was provided from:</i>			
Share Capital Call		-	236,700
Borrowings drawn down		976,191	650,793
		<u>976,191</u>	<u>887,493</u>
<i>Cash was disbursed to:</i>			
Borrowings repayments		(1,050,000)	(850,000)
		<u>(1,050,000)</u>	<u>(850,000)</u>
<b>Net cash (out)/in flows from financing activities</b>		<u>(73,809)</u>	<u>37,493</u>
<b>Net increase (decrease) in cash and cash equivalents held</b>		<u>255,474</u>	<u>(365,183)</u>
Cash and cash equivalents at the beginning of the period		(184,009)	181,174
Cash and cash equivalents at the end of the period	15	<u>71,465</u>	<u>(184,009)</u>



# ACTON FARMERS IRRIGATION CO-OPERATIVE LIMITED

---

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

### 1 Nature of operations

Acton Farmers Irrigation Co-Operative Limited's principal business activity is the operation of an irrigation scheme to distribute water for irrigation and stock water in the Acton area.

### 2 General information and statement of compliance

These financial statements are for Acton Farmers Irrigation Co-operative Limited and its equity accounted associate Irrigo Centre. The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP) and the requirements of the Companies Act 1993 and the requirements of the Financial Reporting Act 2013. They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other financial reporting standards as appropriate for Tier 1 for-profit entities. The financial statements comply with International Financial Reporting Standards.

Acton Farmers Irrigation Co-Operative Limited is a Tier 1 for-profit entity for the purpose of preparing the financial statements.

Acton Farmers Irrigation Co-operative Limited (the Company) is a Co-operative Company incorporated in New Zealand and was initially registered under the Companies Act 1993. It was re-registered under the Co-operative Companies Act 1996. The Company is domiciled in New Zealand.

The address of its registered office is Tavendale and Partners Limited, 243 Tancred Street, Ashburton, New Zealand and its principle place of business is Irrigo Centre Ltd, 18 Kermod Street, Ashburton, New Zealand.

The financial statements for the year ended 30 June 2017 were approved and authorised for issue by the board of directors on 14 September 2017.

### 3 Changes in accounting policies

#### 3.1 New and revised standards that are effective for periods beginning on or after 1 July 2015

The Company has no new standards to adopt this year.

#### 3.2 Accounting standards issued but not yet effective and not adopted early by the Company

##### *NZ IFRS 9 Financial Instruments*

NZ IFRS 9 effective date is 1 January 2018 and will be adopted by Acton Farmers Irrigation Co-Operative Limited for the first time for its financial reporting period ended 30 June 2019.

The adoption of NZ IFRS 9 will result in all financial assets being measured at amortised cost or financial instruments at fair value through Other Comprehensive Income.

The prior categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets at fair value through Profit and Loss will be eliminated.

Classification of the financial asset as either being at fair value or amortised cost is made on initial recognition. In order for a financial asset to qualify as being at amortised cost it must have the following features

- The entities business model (as determined by key management personnel) must be to hold financial assets in order to collect contractual cash flows and
- The instrument itself must have terms that give rise to cash flows that are solely principal and interest on the principal outstanding.

If these two features are not present the financial asset is carried at fair value.



On adoption of NZ IFRS 9 the company will have to relook at all financial assets to determine whether or not they are required to be at amortised cost or fair value

The adoption of NZ IFRS 9 will not affect the current classification and measurement requirements of financial liabilities. NZ IFRS 9 retains the current eligibility conditions for irrevocably designating (at initial recognition) a financial liability as measured at fair value through profit or loss, with gains and losses included in profit or loss. However, there is an exception for financial liabilities other than loan commitments and financial guarantee contracts, where the changes in fair value attributable to changes in the credit risk of the liability must be presented in other comprehensive income, with the remaining gain or loss then taken to profit or loss.

The adoption of NZ IFRS 9 will also eliminate the exception from the fair value measurement requirement in relation to derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument that is not reliably measurable – previously an entity was able to simply account for these at cost.

#### **NZ IFRS 15 Revenue from Contracts with Customers**

NZ IFRS 15 will be adopted by Acton Farmers Irrigation Co-Operative Limited for the first time for its financial reporting period ended 30 June 2018. The adoption of NZ IFRS 15 will result in certain revenue streams being brought forward and others being delayed, depending on contractual terms and analysis of the 5 step approach to revenue recognition.

The Company will assess the potential impact on its financial statements resulting from the application of NZ IFRS 15 prior to the date of adoption.

#### **NZ IFRS 16 Leases**

NZ IFRS 16 will be adopted by Acton Farmers Irrigation Co-Operative Limited for the first time for its financial reporting period ended 30 June 2019. The adoption of NZ IFRS 16 will remove the distinction between operating and finance leases for lessees and bring almost all leases on balance sheet, recognising a right-of-use asset and a corresponding lease liability.

The Company will assess the potential impact on its financial statements resulting from the application of NZ IFRS 16 prior to the date of adoption

## **4 Summary of accounting policies**

### **4.1 Overall considerations**

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

The financial statements have been prepared using the measurement bases specified by NZ IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

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

### **4.2 Investments in associates**

Associates are those entities over which the Company is able to exert significant influence, but which are not subsidiaries.

Investments in associates are accounted for using the equity method.

Any goodwill or fair value adjustment attributable to the Company's share in the associate is not recognised separately and is included in the amount recognised as investment.

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.

Unrealised gains and losses on transactions between the Company and its associate are eliminated to the extent of the Company's interest in the entity. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

When an associate has a different reporting date adjustments will be made for the effects of significant differences or transactions between the Company and associate's reporting dates.

### **4.3 Revenue**

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

#### **Irrigation scheme charges**

Irrigation scheme charges comprise of full and deferred scheme charges and operation charges and are recognised in the period to which it relates or as services are rendered in accordance with the contractual arrangements.

#### **Coleridge stored water**

Coleridge stored water charges comprise charges to the users of the Coleridge stored water and are recognised in the period to which it relates or as services are rendered in accordance with the contractual arrangements.

#### **ADC contribution**

ADC Contribution comprises of a contribution from Ashburton District Council for a raceman and is recognised in the period to which it relates or as services rendered in accordance with the contractual arrangements.

#### **Interest**

Interest income comprises interest received and receivable on funds held in interest bearing bank accounts and charged on overdue debtor invoices and is recognised using the effective interest method.

#### **Sundry income**

Sundry Income comprises of expenses for repairs and call outs on charged to shareholders and are recognised when it is invoiced.

### **4.4 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 'finance costs' (see Note 11).

### **4.5 Share capital**

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Company's ordinary shares are classified as equity instruments.

### **4.6 Intangible assets**

#### **Water licence**

Water Licences acquired by the Company have finite useful lives and are measured at cost less accumulated amortisation and any impairment losses.

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

The estimated useful lives for the current and comparative period are as follows:

- Water Licence 19-20 years

Useful lives, residual values and amortisation rates are reviewed at each reporting date and adjusted as appropriate.

#### **Easements**

Easements acquired by the Company have infinite useful lives and are measured at cost less any impairment losses.

Impairment testing is performed annually by reviewing circumstances which lead to the impairment of the easements.

### **4.7 Property, plant and equipment**

The Company has three classes of property, plant and equipment:

- Acton Irrigation scheme
- Equipment





- Office equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset

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

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance is expensed as incurred.

Depreciation is provided for on a diminishing value basis on all tangible property, plant and equipment at depreciation rates calculated to allocate the assets' cost less estimated residual value, over their useful lives.

Depreciation rates used in current and prior year

- Acton Irrigation scheme 4 - 40%
- Equipment 40%
- Office equipment 50%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Impairment testing is performed annually by reviewing circumstances which lead to the impairment of the property, plant and equipment.

## 4.8 Financial instruments

### Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transaction costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

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

### Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- Cash and cash equivalents
- Loans and receivables
- Financial assets at fair value through profit or loss (FVTPL)
- Available-for-sale (AFS) financial assets

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 the Statement of Profit or Loss and Other Comprehensive Income

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.



### **Loans and receivables**

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 allowance for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

### **Financial assets at FVTPL**

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

### **AFS financial assets**

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion on any of the other categories of financial assets. The Company's AFS financial assets include investments in unlisted companies.

Shares in unlisted companies cannot be reliably valued. They are therefore carried at cost less any impairment losses. Should any impairment losses be suffered, they will not be reversed even if the circumstances leading to the impairment are resolved.

All other available-for-sale financial assets are measured at fair value. Gains or losses arising from the change in fair value is recognised in other comprehensive income except for impairment losses and foreign exchange gains and losses until the financial asset is derecognised or when there is objective evidence that the asset is impaired, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

### **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 gains or losses recognised on financial liabilities (other than derivative liabilities) whether measured at amortised cost or fair value are reported in the profit or loss for the period.

## **4.9 Impairment**

### **4.9.1 Financial assets**

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables, AFS Financial Assets, but also incorporate other types of contractual monetary asset).

Impairment allowances are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net; such allowances are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of profit or loss and other comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.



From time to time, the Company elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

AFS Financial Assets are measured at cost less any impairment charges as their fair value cannot currently be estimated correctly. Any impairment charges are recognised in the statement of profit or loss and other comprehensive income.

#### **4.9.2 Non-financial assets**

Impairment tests on other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets (e.g. property, plant and equipment) are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs').

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income.

#### **4.10 Income tax**

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise that obligation to, or claim from Inland Revenue (IRD) relating to the current or prior periods, that are unpaid at reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. A calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or will affect tax or accounting profit

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that is probable that they will be able to be utilised against future taxable income, based on the Company's forecast of future taxable operating results which adjusted for significant non-taxable income and expenses and specific limits to use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity respectively.

#### **4.11 Goods and services tax**

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the IRD. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a net basis.

#### **4.12 Presentation currency**

The information is presented in New Zealand dollars, which is the Company's functional currency. All numbers presented have been rounded to the nearest dollar.



#### 4.13 Significant management judgement in applying accounting policies and estimation uncertainty

The preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Where material, information on significant assumptions and estimates is provided in the relevant accounting policy or will be provided in the relevant note (note 30).

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Subsequent actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected.

### 5 Operating revenue

	2017	2016
Irrigation scheme charges	2,157,958	2,248,635
Coleridge stored water	138,679	111,915
ADC contribution: Raceman	39,100	39,100
	<u>2,335,737</u>	<u>2,399,650</u>

### 6 Direct operating expenses

	2017	2016
Coleridge stored water	138,180	89,496
Consent administration & convenience charges	28,336	33,336
Scheme operation costs	112,017	148,779
Repairs and maintenance	81,953	66,215
Other direct operating expenses	81,933	51,602
	<u>442,419</u>	<u>389,428</u>

### 7 Other income

	2017	2016
Interest received (Receivables)	1,368	1,534
Sundry income	0	296,090
	<u>1,368</u>	<u>297,624</u>

### 8 Directors' fees

	Note	2017	2016
Steven James Booker (Chairperson)	25	16,000	16,000
Neil Antony Brown	25	8,000	8,000
Dean Robert Pye	25	8,000	8,000
Daniel Peter Lovett	25	8,000	8,000
Simon Timothy Bonifant	25	8,000	8,000
		<u>48,000</u>	<u>48,000</u>

### 9 Administration expenses

	Note	2017	2016
Accountancy fees		11,780	16,723
Audit fees		9,806	12,045
Bank fees		2,527	4,529
Directors fee	8	48,000	48,000
Health and safety expenses		2,800	0
Legal fees		19,710	1,768
Administration fees	19.1	28,949	28,071
AGM expenses		185	243
			16



Share registry expenses	2,813	0
Subscriptions	5,912	5,702
Telephone and tolls	1,958	1,655
Other administration expenses	384	2,229
	<u>134,824</u>	<u>120,965</u>

Crowe Horwath has not provided any non-audit services during the year (2016: Nil). The audit fees relate to the provision of services to audit the financial statements.

## 10 Standing charges

	2017	2016
Insurance	17,726	19,661
Rates	12,155	1,736
Rent	250	250
	<u>30,131</u>	<u>21,647</u>

## 11 Finance income and expense

Finance costs for the reporting periods consist of the following:

	2017	2016
Interest expenses for borrowings at amortised cost		
Bank loan	609,230	627,659
Inland Revenue	734	5,789
Current Year unrealised (gains)/losses on interest rate swaps	(120,093)	38,063
	<u>489,871</u>	<u>671,512</u>

## 12 Other operating expenses

	Note	2017	2016
Depreciation	17	666,146	464,542
Amortisation	18	262,223	261,228
		<u>928,369</u>	<u>725,770</u>

## 13 Income tax expense

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effect tax rate of Acton Farmers Irrigation Co-Operative Limited at 28% (2016: 28%) and the reported tax expense in profit or loss are as follows:

	2017	2016
Profit/(Loss) before tax	312,285	768,031
Domestic tax rate	28%	28%
Expected tax expense	87,440	215,049
Add/(subtract) taxation effect of permanent differences:		
Share of profit/loss : Associate	(222)	(22)
Non-taxable income	-	-
	<u>(222)</u>	<u>(22)</u>
Actual tax expense (income)	<u>87,218</u>	<u>215,027</u>
Tax expense comprises:		
Current tax	62,506	143,085
Deferred tax	24,712	71,942
Tax expense	<u>87,218</u>	<u>215,027</u>



Note 22 provides information on deferred tax assets and liabilities.

Reconciliation with Statements of Financial Position:

	2017	2016
Income tax payable per above	87,218	215,027
Less :		
Provisional tax payments	36,000	81,969
RWT		-
Deferred tax	24,712	71,942
	<u>60,712</u>	<u>153,911</u>
Income tax payable/(refund due) per statements of financial position	<u>26,506</u>	<u>61,116</u>

There are no income tax losses or unrecognised temporary differences carried forward (2016: Nil).

There are no unrecognised temporary differences associated with investments in subsidiaries and associates (2016: Nil).

### 13.1 Imputation credit account

	2017	2016
Balance at beginning of year	257,102	110,955
Income tax payment during the year	140,929	146,147
RWT received on interest received during the year	-	-
Other credits	-	-
Income tax refunded during the year	-	-
Balance at end of the year	<u>398,031</u>	<u>257,102</u>
Plus : after reporting date transactions:		
Income tax payable on provision for tax	26,506	61,116
Imputation credits available to shareholders at reporting date	<u>424,537</u>	<u>318,218</u>

## 14 Equity

### 14.1 Share capital

	2017 Shares	(\$)	2016 Shares	(\$)
Ordinary shares				
Opening balance	3,000	3,531,525	3,000	3,345,000
Share Allocation ex Treasury Stock		318,330		186,525
Closing balance	3,000	3,849,855	3,000	3,531,525
Less uncalled Treasury Stock		0		60,210
Total share capital		<u>3,849,855</u>		<u>3,471,315</u>

All authorised shares have been issued and have been fully paid this year. During the year the Directors resolved to transfer 54 of the uncalled Treasury Stock to an existing shareholder. All ordinary shares have equal voting rights and share equally in dividends and surplus on winding up.

At reporting date all share calls had been paid.

### 14.2 Reserves

#### Retained Earnings

	2017	2016
Opening balance	787,163	234,159



Current Year profit/loss after tax  
Closing balance

225,067	553,004
1,012,230	787,163

## 15 Cash and cash equivalents

Cash and cash equivalents consist of the following:

	2017	2016
ANZ	71,465	(184,009)
Total	71,465	(184,009)

The Company has a bank overdraft facility available on demand. The bank overdraft is secured by a first ranking general security agreement over all present and after acquired property of the Company.

The current overdraft limit is \$200,000 (2016: \$200,000). The current interest rate charged on the overdraft facility is 9.50% (2016: 9.40%).

The interest rate applicable to the debit balance of the bank account is 0% (2016: 0%).

## 16 Trade and other receivables

Trade and other receivables consist of the following:

	2017	2016
Trade receivables	599,188	578,308
Total receivables	599,188	578,308

All trade receivables are due 20<sup>th</sup> of the month following invoicing. Interest is charged on overdue invoices. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

	2017	2016
Gross trade receivables	599,188	578,308
Individually impaired debts	-	-
Allowance for collectively impaired debts	-	-
Total trade and related party receivables (Note 25)	599,188	578,308

Individually impaired trade debts relates to customers for whom there is objective evidence of inability to pay, e.g. the appointment of a receiver or a formal approach to compromise with creditors. Generally, no collateral is held for trade debts.

Analysis of unimpaired trade receivables that are past due is given in Note 28.2.

The carrying amount of receivables whose terms have been renegotiated, that would otherwise be past due or impaired is Nil (2016: Nil).

## 17 Property, plant and equipment

	Irrigation scheme	Equipment	Office equipment	Total
<b>Cost or valuation</b>				
Balance at 1 July 2015	11,805,685	1,485	521	11,807,691
Additions	1,115,064	-	-	1,115,064
<b>Balance at 30 June 2016</b>	<b>12,920,749</b>	<b>1,485</b>	<b>521</b>	<b>12,922,755</b>
Balance at 1 July 2016	12,920,749	1,485	521	12,922,755
Additions	1,146,235	-	1,913	1,148,148
<b>Balance at 30 June 2017</b>	<b>14,066,984</b>	<b>1,485</b>	<b>2,434</b>	<b>14,070,903</b>
<b>Accumulated depreciation</b>				
Balance at 1 July 2015	2,389,512	653	478	2,390,643

Depreciation charge for the year	464,187	333	22	464,542
<b>Balance at 30 June 2016</b>	<b>2,853,699</b>	<b>986</b>	<b>500</b>	<b>2,855,185</b>
Balance at 1 July 2016	2,853,699	986	500	2,855,185
Depreciation charge for the year	665,380	200	566	666,146
<b>Balance at 30 June 2017</b>	<b>3,519,079</b>	<b>1,186</b>	<b>1,066</b>	<b>3,521,331</b>
<b>Net book value</b>				
At 1 July 2015	9,416,173	832	43	9,417,048
At 30 June 2016	10,067,050	499	21	10,067,570
At 30 June 2017	10,547,905	299	1,368	10,549,572

All of the Company's property, plant and equipment are used as security for bank loans (Note 21.3).

There has been no impairment of the Company's property, plant and equipment during the year (2016: Nil).

## 18 Intangibles

	Water licence	Other intangibles	Total
<b>Cost or valuation</b>			
Balance at 1 July 2015	5,772,000	39,259	5,811,259
Additions	228,000	45,570	273,570
<b>Balance at 30 June 2016</b>	<b>6,000,000</b>	<b>84,829</b>	<b>6,084,829</b>
Balance at 1 July 2016	6,000,000	84,829	6,084,829
Additions	0	4,489	4,489
<b>Balance at 30 June 2017</b>	<b>6,000,000</b>	<b>89,318</b>	<b>6,089,318</b>
<b>Accumulated amortisation</b>			
Balance at 1 July 2015	867,312	-	867,312
Amortisation charge for the year	261,228	-	261,228
<b>Balance at 30 June 2016</b>	<b>1,128,540</b>	<b>-</b>	<b>1,128,540</b>
Balance at 1 July 2016	1,128,540	-	1,128,540
Amortisation charge for the year	262,223	-	262,223
<b>Balance at 30 June 2017</b>	<b>1,390,763</b>	<b>-</b>	<b>1,390,763</b>
<b>Net book value</b>			
At 1 July 2015	4,904,688	39,259	4,943,947
At 30 June 2016	4,871,460	84,829	4,956,289
At 30 June 2017	4,609,237	89,318	4,698,555

### Water licence

The Company entered into a Licence Agreement with Barrhill Chertsey Irrigation Limited ("BCI") and Acton Irrigation Limited ("AIL"), a subsidiary from 22 September 2011 until 30 June 2013, when it amalgamated with the Company.

Under the Agreement, BCI has granted a Licence to AIL to use up to 3.0 cumecs of water from the Resource Consents held by BCI at a cost of \$2 million per cumec. The amount recorded as an intangible asset is the cost of the current amount of water being used by the Company of 3 cumecs (2016: 3 cumecs).

The Water Licence is regarded as having a finite useful life which matches the period to which resource consents have been granted, 28 January 2035. It will be amortised over the useful life beginning 22 September 2011 being the date the Company exercised its right to purchase Acton Irrigation Limited and therefore take over ownership of the irrigation scheme or from the date when additional water licence is purchased.

### Other intangible assets



The Company has obtained easements which give them the right to convey water indefinitely. The easements have an indefinite useful life and are impairment tested annually. Included in the carrying amount of the easement costs at 30 June 2017 is the initial cost of the easement including legal fees and surveying costs. Management considers that these values have not been impaired at all during the year and therefore are still recorded at their initial value.

All of the Company's intangible assets are used as security for bank loans (Note 21.3).

## 19 Investments accounted for using the equity method

### 19.1 Investment in associate

The Company has one material associate, Irrigo Centre Limited

Name of associate	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interests held by the Company	
			2017	2016
Irrigo Centre Limited	New Zealand	Administration Services	20%	20%

The investment in Irrigo Centre is accounted for using the equity method in accordance with NZ IAS 28.

The statement of financial position for Irrigo Centre Limited at 31 March 2017 shows:

	2017	2016
Current assets	114,650	78,156
Non-current assets	26,635	28,983
<b>Total assets</b>	<b>141,285</b>	<b>107,139</b>
Current liabilities	(93,570)	(63,392)
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>(93,570)</b>	<b>(63,392)</b>
These balances include		
Cash and cash equivalents	44,119	30,334
Financial liabilities (excluding trade and other payables and provisions)	-	-

The statement of financial performance for Irrigo Centre Limited at 31 March 2017 shows:

	2017	2016
Revenue	728,590	531,833
Profit for the year	3,965	388
Other comprehensive income for the year	-	-
Total comprehensive income	3,965	388
Depreciation and amortisation	9,200	8,263
Interest income	35	73
Interest expenses	-	-
Tax expenses	3,354	982

A reconciliation of the above summarised financial information to the carrying amount of the investment in Irrigo Centre Limited is set out below:

	2017	2016
Total net assets of Irrigo Centre Limited	47,714	43,746
Proportion of ownership interests held by the Company	20%	20%
Carrying amount of the investment in Irrigo Centre Limited	9,542	8,749
Opening carrying amount	8,749	8,672
Share of current year profit/(loss)	793	77
Closing carrying amount	9,542	8,749





No dividends were received from Irrigo Centre Limited during the years 2017 and 2016.

Irrigo Centre Limited is a private company; therefore no quoted market prices are available for its shares.

At reporting date \$7,774 was owed to Irrigo Centre Limited (2016: \$9,728).

Administration fees were paid to Irrigo Centre Limited of \$28,949 (2016: \$28,071) per Note 9.

These Administration Fees are recorded on normal commercial terms.

Any loans to related parties are non-interest bearing and are repayable on demand.

At reporting date no allowance was made for impairment of the associate.

## 20 Other investments

	2017	2016
Shares : ATS	500	500
Shares : BCIUACT	10,098	10,098
Total investments	10,598	10,598

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

This investment is an AFS financial asset. The shares are denominated in NZD and are not publicly traded.

## 21 Financial assets and liabilities

### 21.1 Categories of financial assets and liabilities

Note 4.8 provides a description of each category of financial assets and financial liabilities and the related accounting policies. The carrying amounts of financial assets and financial liabilities in each category are as follows

30 June 2017	AFS <i>(carried at cost)</i>	Derivatives through profit and loss	Loans and receivables <i>(carried at amortised cost)</i>	Liabilities at Amortised Cost	Total
<b>Financial assets</b>					
Cash and cash equivalents	-	-	71,465		71,465
Trade and other receivables	-	-	599,188		599,188
Derivative financial instruments	-	-	-		-
Other investments	10,598	-	-		10,598
	10,598	-	670,653		681,251
<b>Financial liabilities</b>					
Trade and other payables	-	-	-	112,142	112,142
Derivative financial instruments	-	108,278	-	-	108,278
Current borrowings	-	-	-	600,000	600,000
Non-current borrowings	-	-	-	10,166,460	10,166,460
	-	108,278	-	10,878,602	10,986,880





30 June 2016	AFS <i>(carried at cost)</i>	Derivatives through profit and loss	Loans and receivables <i>(carried at amortised cost)</i>	Liabilities at Amortised Cost	Total
<b>Financial assets</b>					
Cash and cash equivalents	-	-	-	-	-
Trade and other receivables	-	-	578,308	-	578,308
Derivative financial instruments	-	-	-	-	-
Other investments	10,598	-	-	-	10,598
	<u>10,598</u>	<u>-</u>	<u>579,308</u>	<u>-</u>	<u>588,906</u>
<b>Financial liabilities</b>					
Cash and cash equivalents	-	-	184,009	-	184,009
Trade and other payables	-	-	-	62,500	62,500
Derivative financial instruments	-	228,371	-	-	228,371
Current borrowings	-	-	-	600,000	600,000
Non-current borrowings	-	-	-	10,240,269	10,240,269
	<u>-</u>	<u>228,371</u>	<u>184,009</u>	<u>10,902,769</u>	<u>11,315,149</u>

A description of the Company's financial instrument risks, including risk management policies are given in Note 28. The methods used to measure financial assets and liabilities reported at fair value and cost are described in Note 29.1.

## 21.2 Derivative financial instruments

The Company's financial instruments are measured at fair value and are summarised below:

	2017	2016
Interest rate swaps	-	-
Derivative financial assets	-	-
Interest rate swaps	108,278	228,371
Derivative financial liabilities	108,278	228,371
	<u>(108,278)</u>	<u>(228,371)</u>

The Company uses interest rate swaps to mitigate interest rate exposure arising from borrowings. All interest rate swaps have been designated as forward exchange contracts.

During 2017 a gain of \$120,093 (2016: loss of \$38,063) was recognised in profit or loss.

## 21.3 Borrowings

Borrowings include the following financial liabilities:

	Current 2017	2016	Non-current 2017	2016
<b>Carrying amount at amortised cost:</b>				
Bank loan	600,000	600,000	10,166,460	10,240,269
	<u>600,000</u>	<u>600,000</u>	<u>10,166,460</u>	<u>10,240,269</u>

All borrowings are denominated in NZD.

### Borrowings at amortised cost:

The bank loan is secured by a first ranking general security agreement over all present and after acquired property of the company. The current loan expires on 20 September 2018 and the terms will be negotiated at that time to continue repaying the loan under the current structure. The carrying amount of the bank loan is considered to be a reasonable approximation of the fair value.



Current interest rates are

\$8,266,460 3.84% (2016: 4.31%)

\$2,500,000 5.31% (2016: 5.31%)

## 21.4 Other financial instruments

The carrying amount of the following financial assets and liabilities is considered a reasonable approximation of fair value:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables

## 22 Deferred taxation asset and liabilities

Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
Interest rate swaps	(30,318)	63,944	-	-	(30,318)	(63,944)
Contribution to irrigation system	-	-	73,686	82,600	73,686	82,600
Net tax (assets)/liabilities	(30,318)	63,944	73,686	82,600	43,368	18,656

Movement in deferred tax balances during the year

	Interest rate swaps	Contribution to irrigation scheme	Total
1 July 2015	(53,286)	-	(53,286)
Recognised in profit or loss	(10,658)	82,600	71,942
30 June 2016	(63,944)	82,600	18,656
Recognised in profit or loss	33,626	(8,914)	24,712
30 June 2017	(30,318)	73,686	43,368

## 23 Trade and other payables

Trade and other payables recognised consist of the following:

	2017	2016
Trade Payables	99,445	47,474
Interest Payable/Accrual	12,697	15,026
Total Payables	112,142	62,500

All amounts are short-term. The carrying values of trade payables are considered to be a reasonable approximation of fair value.

## 24 Reconciliation of cash flows from operating activities

	2017	2016
Profit for the year	225,067	553,004
Items not involving cash flow		
Depreciation	666,146	464,542
Amortisation	262,223	261,228
Share of profit/loss : associate	(793)	(78)
Interest rate swaps – unrealised gains/(losses)	(120,093)	38,063
	1,032,550	1,316,759
Impact of changes in working capital items		



Trade and other receivables	360,383	(291,874)
Trade and other payables	43,380	(7,002)
GST payable	55,505	(98,942)
Income tax payable	(34,610)	5,173
Deferred tax	24,712	71,942
	<u>449,370</u>	<u>(320,703)</u>
Net cash flow from operating activities	1,481,920	996,056

## 25 Transactions with related parties

### Key management personnel

During the year the Company provided water to the director shareholders on the same terms and conditions as all members. The shareholders relationship with the scheme is to pay water charged in exchange for water services provided. Amounts received for the water during the year was:

	2017	2016
Steven James Booker	40,418	43,427
Dean Robert Pye	97,530	47,358
Daniel Peter Lovett	139,992	151,872
Simon Timothy Bonifant	34,737	37,356

Amounts owing to the company at reporting date were:

	2017	2016
Steven James Booker	3,019	3,019
Dean Robert Pye	9,008	4,360
Daniel Peter Lovett	13,416	13,416
Simon Timothy Bonifant	3,019	3,019

All amounts owing to the director shareholders are due on the 20<sup>th</sup> of the following month. If these amounts are unpaid then interest is payable at 12% per annum.

### Shareholders

The Company received \$2,157,958 in irrigation scheme charges during the year (Note 5) from its shareholders (2016: \$2,248,635).

### Associate

The Company has incurred administration expenses from Irrigo Centre Limited for the year totalling \$28,949 (2016: \$28,071).

No related party debts have been written off or provided as doubtful. All related party balances are unsecured.

### Key management personnel compensation

	Note	2017	2016
Salaries		-	-
Directors' fees	8	48,000	48,000
Post-employment benefits		-	-
Share-based payments		-	-
Pension fund contributions		-	-
Termination benefits		-	-
Total compensation		<u>48,000</u>	<u>48,000</u>

The Company has a related party relationship with its key management personnel. Key management personnel are made up of the Parent's Board of Directors.

## 26 Contingent liabilities

There are no contingent liabilities at reporting date. The directors consider that general scheme repairs and maintenance of \$100,000 is likely to be required during the year to 30 June 2018. (2016: Nil)



## 27 Commitments

There are no commitments at reporting date.

## 28 Financial instrument risk

### Risk management objectives and policies

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarised in Note 22.1. The main types of risk are market risk, credit risk and liquidity risk.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risk to which the Company is exposed are described below.

### 28.1 Market risk

The Company is exposed to market risk through its use of financial instruments and specifically to interest rate risk and certain other price risks.

#### 28.1.1 Interest rate sensitivity

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. The Company's policy is that between 65 and 85% of interest rates on borrowings are fixed for a minimum of 12 months. The Company uses interest rate swaps to manage interest rate risk. These swaps have a fixed margin. By managing interest rate risk the Company aims to moderate the impact of short-term fluctuations in interest rates. Over longer periods changes in rates will have an impact on profit.

At reporting date the principal or contract amounts of interest rate contracts outstanding were:

	2017	2016
Interest Rate Swaps	5,000,000	7,500,000

The interest rate swap terms are as follows

\$2,500,000 20 December 2013 to 20 December 2017

\$2,500,000 23 December 2014 to 20 December 2018

Note 29.1 shows the fair value of the interest rate swaps.

The following analysis illustrates the sensitivity of profit and equity to reasonably possible change in interest rates of +/- 1% (2016: +/- 1%). These changes are considered to be reasonably possible based on the current market conditions. The calculations are based on a change in average market interest rate 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.

	2017		2016	
	Profit	Equity	Profit	Equity
1% increase in market borrowing interest rates	107,665	77,519	108,402	78,049
1% decrease in market borrowing interest rates	(107,665)	(77,519)	(108,402)	(78,049)

#### 28.1.2 Currency Risk

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

#### 28.1.3 Other Market Price Risk

The Company does not have any other market price risks.

### 28.2 Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company is exposed to this for receivables from customers, advances, other investments etc. The Company's maximum exposure to credit risk limited to the carrying amount of financial assets recognised at the reporting date, summarised below.

	2017	2016
Cash & cash equivalents	71,465	-
Trade and other receivables	599,188	578,308

Derivative financial instruments

Other investments

Total

	-	-
	10,598	10,598
	681,251	588,906

Some of the unimpaired trade receivables are past due as at the reporting date. Information on financial assets past due but not impaired are as follows:

	2017	2016
Overdue 0-31 days	6,129	4,627
Overdue 31-92 days	2,012	4,594
Overdue 93-184 days	4,025	27,231
Overdue more than 184 days	-	-
	12,166	36,452

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

- Continuously monitoring 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;
- Limiting the amount of funds placed with any one financial institution at any one time.

The Company's exposure to credit risk is minimised as the Company only deals with shareholder members regarding the supply of water. Shareholders must pay their fees to continue receiving water from the scheme. In the case of land sales all fees must be up to date before any shares are transferred to the new owner.

The Company's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

In respect of trade and other receivables, the Company is not exposed to any significant credit risk exposure to any single counterparty. Trade receivables are related to transactions with shareholders. As such the credit quality of trade receivables is considered to be good.

The credit risk for cash and cash equivalents and derivative financial instruments is considered negligible, since the counterparties are reputable banks with high quality external credit ratings, ANZ has a Standards and Poor's AA- credit rating.

### 28.3 Liquidity risk

Liquidity risk is the risk that the Company might be unable to meet its obligations. For the most part the Company generates sufficient cash flows from its operating activities to make timely payments. It does however maintain committed credit lines to cover any shortfalls. The Company have a total bank overdraft facility of \$200,000 (2016: \$200,000). Of this \$Nil (2016: \$184,009) has been borrowed by the Company at the reporting date.

As at 30 June 2017, the Company's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current		Non-Current	
30 June 2017	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
Bank overdraft	-	-	-	-
Trade and other payables	112,142	-	-	-
Borrowings	543,423	536,561	10,282,167	-
	655,565	536,561	10,282,167	-

The liquidity risk for the 2017 year reflects the maturity of the Company's borrowings on 20 September 2018. At this date the Company will negotiate the terms of the loan so that they continue under the current repayment structure.

This compares to the maturity of the Company's non-derivative financial liabilities in the previous reporting period as follows:

	Current		Non-Current	
30 June 2016	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
Bank overdraft	184,009	-	-	-

Trade and other payables	62,499	-	-	-
Borrowings	609,135	600,481	10,953,604	-
	<u>855,643</u>	<u>600,481</u>	<u>10,953,604</u>	<u>-</u>

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

In assessing and managing liquidity risks of its derivative financial instruments, the Company consider both contractual inflows and outflows. As at 30 June 2017, the contractual cash flows of the Groups derivative financial assets and liabilities are as follows:

30 June 2017	Current	
	Within 6 months	6 to 12 months
Interest rate swaps		
- Cash outflows	108,278	-
- Cash inflows	-	-
	<u>108,278</u>	<u>-</u>

This compares to the contractual cash flows of the Group's derivative financial assets and liabilities in the previous reporting period as follows:

30 June 2016	Current	
	Within 6 months	6 to 12 months
Interest rate swaps		
- Cash outflows	228,371	-
- Cash inflows	-	-
	<u>228,371</u>	<u>-</u>

Derivative financial instruments reflect interest rate swaps.

## 29 Fair value measurement

### 29.1 Fair value measurement of financial instruments

Financial assets and financial liabilities measure at fair value in the statements of financial position are grouped into three Levels of fair value and hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- 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 or indirectly
- Level 3 : unobservable inputs for the asset or liability

30 June 2017	Level 1	Level 2	Level 3	Total
<b>Financial liabilities</b>				
Interest rate swaps	-	(108,278)	-	(108,278)
<b>Total liabilities</b>	-	(108,278)	-	(108,278)
<b>Net fair value</b>	-	(108,278)	-	(108,278)

30 June 2016	Level 1	Level 2	Level 3	Total
<b>Financial liabilities</b>				
Interest rate swaps	-	(228,371)	-	(228,371)
<b>Total liabilities</b>	-	(228,371)	-	(228,371)

<b>Net fair value</b>	-	(228,371)	-	(228,371)
-----------------------	---	-----------	---	-----------

There were no transfers between Level 1 and Level 2 in 2017 or 2016.

#### Measurement of fair value of financial instruments

The estimated fair values of financial instruments are considered to be materially the same as their carrying amounts disclosed in the Statements of Financial Position.

The following methods and assumptions were used to estimate the fair value of the class of financial instruments.

#### Interest rate swaps (Level 2)

The fair values of the Company's interest rate swaps are estimated using the mark to market valuation method. Under the new NZ IFRS fair value requirements there is a requirement to adjust for credit risk of an entity if it is in a liability position or credit risk of a counterparty if in an asset position.

### 29.2 Cost measurement of non-financial assets

30 June 2017	Level 1	Level 2	Level 3	Total
<b>Property, plant and equipment</b>				
Irrigation Scheme	-	-	10,547,905	10,547,905
Equipment	-	-	299	299
Office equipment	-	-	1,368	1,368
<b>Intangible Assets</b>				
Water Licence	-	-	4,609,237	4,609,237
Easements	-	-	89,318	89,318

### 30 Judgement and estimation uncertainty

The Company makes certain estimates and assumption regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below (note 4.13).

#### Water licence

The Water Licence has been assessed at cost price of \$6,000,000 (2016: \$6,000,000). Amortisation of the value of the licence has commenced as noted under intangible assets in the specific accounting policies notes. Changes to the value of the Water Licence could have a significant impact on profit.

#### Fair Value of interest rate swaps

The Company uses interest rate swaps to manage its cashflow 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.

The fair value of the interest rate swaps has been determined at reporting date by reference to prices published by banks at that date using the mark to market valuation method. Any changes to the fair value of the interest rate swaps are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

#### Property, plant and equipment and Investments

The property, plant and equipment of the Company are valued at cost less depreciation. The Company carried its investments at cost. These have not been revalued to current values in the accounts so any gains or losses due to disposal will be recognised in the Statement of Profit or Loss and Other Comprehensive Income as detailed in Note 4.7 and 17.

#### Trade and other receivables

In the 2017 year there have been no non-recoverable receivables (2016 : Nil). If there were in the future this would be reflected in the Statement of Profit or Loss and Other Comprehensive Income as detailed in Note 16 and 28.2.



### **31 Significant events subsequent to reporting date**

There have been no significant events after reporting date (2016: Nil).

### **32 Capital management policies and procedures**

The Company's capital is managed with the objectives of maintaining adequate working capital so that all obligations can be met on time, keeping the risk from high gearing to a moderate level. All components of equity are regarded as "capital". All Bank and internal capital management objectives have been met. This has not changed since last year.

There were no externally imposed capital requirements.

The directors review working capital requirements and obligations on a monthly basis.





## **ACTON FARMERS IRRIGATION CO-OPERATIVE LIMITED**

---

### **List of Shareholders**

<b>Shareholders names</b>	<b>Shares held</b>	<b>2017</b>	<b>2016</b>
AH Baxter Limited	40	44,600	44,600
AJ Hunt Limited	40	44,600	44,600
Bassett Farms Limited	45	50,175	50,175
Batley Farm Limited	50	55,750	55,750
BBCA Farms Limited	145	161,675	161,675
Bell, IC	38	42,370	42,370
Berry Farm Ltd	50	55,750	55,750
Bloomfield Farming Company Limited	40	44,600	44,600
Bonifant Partnership Limited	45	50,175	50,175
Bränfield Farm Limited	45	50,175	50,175
Burleigh Farm Limited	40	44,600	44,600
Burrowes, MD & JG	30	33,450	33,450
Cleargrove Holdings (2008) Limited	60	66,900	66,900
Conway Park Limited	225	437,400	437,400
Copland, WT & AW	30	33,450	33,450
De Hagert Limited	48	53,520	53,520
Derrylln Limited	90	100,350	100,350
Duncan, RH & SC	50	55,750	55,750
Glynn Lea Farming Company Limited	35	39,025	39,025
Hewson, RS & RA & HC Trustees Limited	27	30,105	30,105
Hollyfort Farm Limited	50	55,750	55,750
KG Properties (Dorie) Limited	40	44,600	44,600
Kyle View Limited	32	35,680	35,680
Lambie, PG & SM	60	66,900	66,900
Le Poutre-Kroef Farm Limited	45	50,175	50,175
Long Lane Farm Limited	110	122,650	122,650
Longmain Farm Limited	45	50,175	50,175
Lowestoft Farm Limited	115	446,555	68,015
Maw, GC	40	44,600	44,600
McArthur, CA & Estate MK	70	78,050	78,050
McArthur, RFG & BM	18	20,070	20,070
McLachlan, Shirley	30	33,450	33,450
McLachlan, LGB	111	123,765	123,765
McManus, MJ & SM	50	55,750	55,750
Mitchell, DJ	40	44,600	44,600
Pendene Farm Limited	45	50,175	50,175
Pendene Holdings Limited	60	66,900	66,900
Pinegrove Ag Limited	45	50,175	50,175
Porter Fields Limited	35	39,025	39,025
Rhodes Hills Limited	45	50,175	50,175
Riverside Farming Limited	80	89,200	89,200

Rolchamp Farm Limited	20	22,300	22,300
Rotokaia Farm Limited	45	50,175	50,175
Snake Gully Farm Limited	40	44,600	44,600
Stewart Partnership	30	33,450	33,450
Stewart Partnership	30	33,450	33,450
Tahuri Farm Limited	72	80,280	80,280
Terracostosa Limited	58	64,670	64,670
Terraverde Limited	24	26,760	26,760
Thornlea Trust	65	72,475	72,475
Tindall, LS, OA & AS	15	16,725	16,725
TipTree Limited	30	33,450	33,450
Tregynon Trust	45	50,175	50,175
Turley Farms Limited	35	39,025	39,025
Waiburland Trust	45	50,175	50,175
Watson, SG & MG	45	50,175	50,175
Wedmore Farm Limited	37	41,255	41,255
Woodvale Farm Limited	25	27,875	27,875
Strathallan Nominee Company	-	-	-
Total Shareholders	3,000	3,849,855	3,471,315