

**NEW ZEALAND
FOOD INNOVATION (WAIKATO)
LIMITED**

Annual Report 2019



FOODWAIKATO



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DIRECTORY

As at 30 June 2019

Nature of Business	Development and operating of a pilot spray dryer in the Waikato Region						
Address	Waikato Innovation Park Ruakura Lane Hamilton 3216						
Registered Office	Waikato Innovation Park Ruakura Lane Hamilton 3216						
Authorised Capital	210 Ordinary Shares						
Directors	Barry Harris Earl Rattray David Stanley Erica Lloyd (Ceased 4 October 2018) Peter Hobman Matthew Kenny (Appointed 4 October 2018)						
Shareholders	<table><tr><td>Waikato Innovation Growth Limited</td><td>147 Ordinary Shares</td></tr><tr><td>Callaghan Innovation</td><td>63 Ordinary Shares</td></tr><tr><td></td><td><u>210</u></td></tr></table>	Waikato Innovation Growth Limited	147 Ordinary Shares	Callaghan Innovation	63 Ordinary Shares		<u>210</u>
Waikato Innovation Growth Limited	147 Ordinary Shares						
Callaghan Innovation	63 Ordinary Shares						
	<u>210</u>						
Auditors	Audit New Zealand on behalf of the Auditor-General PO Box 256 Hamilton 3240						
Bankers	BNZ 354 Victoria Street Hamilton						
Solicitors	Tompkins Wake 430 Victoria Street Hamilton						
IRD Number	105-220-731						

ANNUAL REPORT

For the Year Ended 30 June 2019

Approval and issue of financial statements

On this date the Directors approve and issue the annual report including the attached financial statements for New Zealand Food Innovation (Waikato) Limited for the year ended 30 June 2019.

Auditor

An auditor has been appointed.

For and on behalf of the Board




Director

28 August 2019

Director

28 August 2019

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2019

		Group \$000		Company \$000	
	NOTE	2019	2018	2019	2018
Income					
Revenue	4	9,589	7,143	9,589	7,143
Cost of sales		(2,957)	(358)	(2,957)	(358)
Gross profit		6,632	6,785	6,632	6,785
Share of profit/(loss) from associate	16	(7)	(19)	-	(19)
Sale of consents	5	1,610	-	1,610	-
Cost of consents	5	(395)	-	(395)	-
Expenses					
Operating expenses		(2,745)	(2,715)	(2,745)	(2,715)
Lease payments	25	(23)	(23)	(23)	(23)
Personnel costs	6	(2,023)	(1,769)	(2,023)	(1,769)
Depreciation	18	(1,187)	(1,177)	(1,187)	(1,177)
Audit fees	7	(40)	(19)	(35)	(19)
Directors fees		(161)	(139)	(161)	(139)
Other gains and losses	9	(47)	(20)	(47)	(20)
Write-down of inventories		(30)	-	(30)	-
Total expenses		(6,256)	(5,862)	(6,251)	(5,862)
Finance income	8	1	-	1	-
Finance costs	8	(223)	(319)	(223)	(319)
Net finance costs		(222)	(319)	(222)	(319)
Profit/(loss) before tax		1,362	585	1,374	585
Subvention payment received/(paid)		(65)	-	(65)	-
Income tax	10	(28)	(170)	(30)	(170)
Profit/(loss) for the year, net of tax		1,269	415	1,279	415
Other comprehensive income					
Gain/(loss) on property revaluation		2,160	-	2,160	-
Income tax on other comprehensive income		(605)	-	(605)	-
Total other comprehensive income, net of tax		1,555	-	1,555	-
Total comprehensive income for the year		2,824	415	2,834	415

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2019

Group	NOTE	\$000 Share capital	\$000 Revaluation reserve	\$000 Retained earnings	\$000 Total equity
Balance as at 1 July 2017		3,333	3,788	(363)	6,758
<i>Total comprehensive income</i>					
Profit for the year		-	-	415	415
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	415	415
<i>Transaction with owners of the company</i>					
Proceeds from shares issued	11	4,000	-	-	4,000
Balance as at 30 June 2018		7,333	3,788	52	11,173
Balance as at 1 July 2018		7,333	3,788	52	11,173
<i>Total comprehensive income</i>					
Profit for the year		-	-	1,269	1,269
Other comprehensive income for the year		-	1,555	-	1,555
Total comprehensive income for the year		-	1,555	1,269	2,824
Balance as at 30 June 2019		7,333	5,343	1,321	13,997

Company	NOTE	\$000 Share capital	\$000 Revaluation reserve	\$000 Retained earnings	\$000 Total equity
Balance as at 1 July 2017		3,333	3,788	(363)	6,758
<i>Total comprehensive income</i>					
Profit for the year		-	-	415	415
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	415	415
<i>Transaction with owners of the company</i>					
Proceeds from shares issued	11	4,000	-	-	4,000
Balance as at 30 June 2018		7,333	3,788	52	11,173
Balance as at 1 July 2018		7,333	3,788	52	11,173
<i>Total comprehensive income</i>					
Profit for the year		-	-	1,279	1,279
Other comprehensive income for the year		-	1,555	-	1,555
Total comprehensive income for the year		-	1,555	1,279	2,834
Balance as at 30 June 2019		7,333	5,343	1,331	14,007

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

		Group \$000		Company \$000	
	NOTE	2019	2018	2019	2018
ASSETS					
Non-current assets					
Related parties loans	20	26	-	28	-
Investment in associates	16	2,619	-	-	-
Investment in subsidiaries	17	-	-	2,626	-
Property, plant and equipment	18	20,016	18,899	20,016	18,899
Assets under construction		40	15	40	15
Intangible asset	19	1	1	1	1
Total non-current assets		22,702	18,915	22,711	18,915
Current assets					
Cash and cash equivalents	12	82	266	82	266
Inventories	13	1,483	2,329	1,483	2,329
Trade and other receivables	14	915	858	915	858
Prepayments		102	313	102	313
Total current assets		2,582	3,766	2,582	3,766
Total assets		25,284	22,681	25,293	22,681
EQUITY AND LIABILITIES					
Equity					
Share capital	11	7,333	7,333	7,333	7,333
Revaluation reserve	11	5,343	3,788	5,343	3,788
Retained earnings		1,321	52	1,331	52
Total equity		13,997	11,173	14,007	11,173
Non-current liabilities					
Deferred tax liabilities	10	2,238	1,583	2,240	1,583
Deferred income	21	2,487	2,617	2,487	2,617
Term loans	23	4,274	4,574	4,274	4,574
Other loans	24	350	450	350	450
Provisions	22	168	356	168	356
Total non-current liabilities		9,517	9,580	9,519	9,580
Current liabilities					
Payables and accruals	15	716	700	713	700
Short term employee entitlements		268	276	268	276
Deferred income	21	296	302	296	302
Other loans	24	490	650	490	650
Total current liabilities		1,770	1,928	1,767	1,928

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	NOTE	Group \$000		Company \$000	
		2019	2018	2019	2018
Total liabilities		11,287	11,508	11,286	11,508
Total equity and liabilities		25,284	22,681	25,293	22,681

The accompanying notes form part of these financial statements.

Director
28 August 2019

Director
28 August 2019

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2019

		Group \$000		Company \$000	
	NOTE	2019	2018	2019	2018
Cash flow from operating activities					
Receipts from customers		9,440	7,108	9,440	7,108
Payments to suppliers and employees		(7,358)	(7,333)	(7,358)	(7,333)
Interest received		1	-	1	-
Interest paid		(245)	(319)	(245)	(319)
Tax payments		(16)	(242)	(16)	(242)
Subvention payment received/(paid)		(65)	-	(65)	-
GST (net)*		(163)	341	(163)	341
Net cash from operating activities	26	1,594	(445)	1,594	(445)
Cash flow from investing activities					
Purchase of property, plant and equipment		(177)	(529)	(177)	(529)
Purchase of assets under construction		(25)	272	(25)	272
Investment in associate		(1,016)	-	-	-
Investment in subsidiary		-	-	(1,016)	-
Net cash from/(used in) investing activities		(1,218)	(257)	(1,218)	(257)
Cash flow from financing activities					
Proceeds from borrowing		2,040	2,160	2,040	2,160
Repayment of borrowings		(2,600)	(5,400)	(2,600)	(5,400)
Proceeds from issue of shares		-	4,000	-	4,000
Net cash from/(used in) financing activities	27	(560)	760	(560)	760
Net increase/(decrease) in cash and cash equivalents		(184)	58	(184)	58
Cash and cash equivalents at 1 July		266	208	266	208
Cash and cash equivalents at 30 June	12	82	266	82	266

*The GST (net) component of operating activities reflects the net GST transactions with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

1. REPORTING ENTITY

New Zealand Food Innovation (Waikato) Limited (the "Company") is a company domiciled and incorporated in New Zealand under the Companies Act 1993, and a Council-Controlled Organisation under the Local Government Act 2002 with effect from the 9th October 2013. The Company's parent entity is Waikato Innovation Growth Limited and the ultimate parent entity is Hamilton City Council.

The financial statements of New Zealand Food Innovation (Waikato) Limited are for the year ended 30 June 2019. The financial statements were authorised for issue by the Board of Directors on the 28 August 2019. The owners or others do not have the power to amend the financial statements after issue.

2. BASIS OF PREPARATION

a. Statement of Compliance

The financial statements for the Company have been prepared in accordance with the requirements of the Companies Act 2013 and the Local Government Act 2002. New Zealand Food Innovation (Waikato) Limited is a for-profit entity.

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards - Reduced Disclosure Regime ("NZ IFRS RDR"), and other applicable Financial Reporting Standards, as appropriate for profit oriented entities. The Company qualifies for NZ IFRS (RDR) as it does not have public accountability and it is not a large for-profit public sector entity. The Company has elected to apply NZ IFRS (RDR) and has applied disclosure concessions.

New and amended standards adopted this year

- NZ IFRS 15 - Revenue from Contracts with Customers

In the current year, the Group has applied NZ IFRS 15 Revenue from Contracts with Customers (as amended in 2016). NZ IFRS 15 introduces a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of these new requirements as well as their impact on the Entity's financial statements are described below.

The Group has applied NZ IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in NZ IFRS 15.C5(a), and (b), or for modified contracts in NZ IFRS 15.C5(c) but using the expedient in NZ IFRS 15.C5(d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application, i.e. 1 January 2017.

NZ IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Group has adopted the terminology used in NZ IFRS 15 to describe such balances, as applicable.

The Group's accounting policies for its revenue streams are disclosed in detail in Revenue recognition. Apart from providing more extensive disclosures on the Group's revenue transactions, the application of NZ IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group. There has been no amount of adjustment required as determined in Management's assessment of the impact of the Standard.

- NZ IFRS 9 Financial Instruments

In the current year, the Group has applied NZ IFRS 9 Financial Instruments that are effective for an annual period that begins on or after 1 July 2018. Under NZ IFRS 9, financial assets are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

The Group has applied the classification and measurement requirements of NZ IFRS 9 to its financial instruments which were previously in accordance with NZ IAS 39. The transition to the new standard has not resulted in a change to the classification or measurement of financial assets held by the Group as at 1 July 2018.

NZ IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under NZ IAS 39. The Group applies the simplified approach permitted by NZ IFRS 9, which requires the Group to measure the loss allowance at an amount equal to lifetime expected credit losses from initial recognition of the trade and other receivables. The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospects of recovery. These amount are recognised in the profit and loss statements.

All regular purchases or sales of financial assets are recognised and derecognised on a trade date basis. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred.

b. Preparation of Group Financial Statements

On the 22nd of December 2017 Waikato Innovation Growth Limited acquired 70% of New Zealand Food Innovation (Waikato) Limited voting equity due to the restructure of Waikato Innovation Park Limited. Waikato Innovation Park Limited transferred their 105 shares in New Zealand Food Innovation (Waikato) Limited to Waikato Innovation Growth Limited for \$1.

The Group financial statements have been prepared as though the merged entities have always been under common control

c. Basis of Measurement

The financial statements have been prepared on an historical basis except for property, plant and equipment which is measured to fair value.

d. Functional and Presentational currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

e. Use of Estimates and Judgements

The preparation of the financial statements in conformity with NZ IFRS RDR 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. Actual results may differ from these estimates.

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

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following:

Note 18: Property, plant and equipment

Note 21: Deferred income

Note 22: Provisions

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently to all periods presented in these financial statements.

a. Basis of Consolidation

The consolidated financial statements are prepared adding together like items of assets, liabilities, equity, income and expenses on a line-by-line basis. All significant intragroup balances, transactions, income and expenses are eliminated on consolidation.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Subsidiaries

Subsidiaries are those entities that are controlled by the Company. Subsidiaries are consolidated from the date control is transferred to the Group. They are de-consolidated from the date that control ceases. All significant intercompany accounts and transactions are eliminated on consolidation. Control exists when the Company has power over the entity, exposure or rights to variable returns from its involvement with the entity, and the ability to use its power over the entity to offset the amount of the entity's returns.

Investments in subsidiaries are recorded at cost less the amount of estimated value of impairment in the parent company's financial statements.

The Company holds 100% shares in its subsidiary NZFIW D2 LP Limited and there is no significant restriction on its ability to access or use assets or settle liabilities, of the group. The reporting period for NZFIW D2 LP Limited is for the 10 months ending 30 June 2019.

Associates

An associate is an investee, not being a subsidiary or joint venture arrangement, over which the group has the capacity to exercise significant influence through participation in the financial and operating policy decisions of the investee.

Associates are recognised using the equity method which recognises the Group's share of the associate's net surplus or deficit in the profit or loss and its share of other comprehensive income. The Group's associate is:

- **Melody Dairies Limited Partnership.** Melody Dairies Limited Partnership (MDLP) is 10% owned by NZFIW D2 LP Limited. Significant judgement and assumptions have been used to determine that New Zealand Food Innovation (Waikato) Limited Group (NZFIW Group) has significant influence over MDLP. NZFIW Group has a representation on the board of directors of MDLP. Due to the existing Management Agreement between NZFIW Group and MDLP, NZFIW Group is considered providing essential technical information to MDLP. As a result, it has been determined that NZFIW Group has significant influence over MDLP and therefore should account for it as an associate under NZ IAS 28 Investments in Associates and Joint Ventures. Melody Dairies Limited Partnership's principle place of business is 12 Melody Lane, Hamilton.
- **Melody Dairies GP Limited.** Melody Dairies GP Limited (MDGPL) is 10% owned by New Zealand Food Innovation (Waikato) Limited (NZFIW). Significant judgement and assumptions have been used to determine that NZFIW has significant influence over MDGPL. NZFIW has a representation on the board of directors of MDGPL. As a result, it has been determined that NZFIW has significant influence over MDGPL and therefore should account for it as an associate under NZ IAS 28 Investments in Associates and Joint Ventures. MDGPL is dormant.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

b. Revenue

The Company recognises revenue from the rendering of spray dryer services and from rendering of sales of goods. Spray drying is a method of producing a dry powder from a liquid provided by customers by quickly drying this with a hot gas. The Company enters into a contract with the customer for usage of the spray dryer for a fixed period of time and the consideration includes the daily charge rates and utility costs oncharged. The Company enters into a contract with the customer to produce product per minimum quantity specified.

The Company satisfies its performance obligations as services are rendered. Payment terms are the customer must pay the amount due or before the 20th day of the month of invoice. No obligations for returns, refunds and other similar obligation or types and warranties and related obligations are attached to the contracts.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer. The Group recognises revenue when it transfers control of the service to a customer.

Judgements around the timing of satisfaction of performance obligations, the transaction price and amounts allocated to performance obligations are determined per the contracts.

The directors are satisfied that control has been transferred and that recognition of the revenue in the current year is appropriate as the performance obligations are satisfied at a point in time, and there is no contractual liability for unsatisfied performance obligations at year end.

The Group recognises sale of consents revenue when it transfers the control of the consents to the customer.

Interest income is accounted for on an accrual basis.

Grants received are recognised in the Statement of Comprehensive Income when the requirements under the grant agreement have been met. Any grants for which the requirements under the grant agreement have not been completed are carried as liabilities until all the conditions have been fulfilled.

Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the Statement of Financial Position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

c. Finance Costs

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other finance costs are recognised in profit or loss in the period in which they are incurred.

d. Foreign Currency Translation

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the date of the transactions.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

e. Cash and Cash Equivalents

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

f. Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

g. Trade and Other Receivables

Trade and other receivables are stated initially at fair value and subsequently measured at amortised cost, less expected credit losses. Bad debts are written off during the period in which they are identified. Trade and Other Receivables are classed as 'Trade and other receivables' financial instruments (Note 28).

h. Intangible Assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Trademarks	10 years
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i. Property, Plant & Equipment

Property, plant & equipment is measured at fair value less subsequent depreciation. Computer and office equipment is recognised at cost price less depreciation and impairment losses.

Depreciation is calculated on a straight line basis to allocate the cost or revalued amounts over the estimated useful lives, as follows:

Buildings	25 years
Plant & Equipment	20 years
Computer hardware	3-5 years
Office Equipment	20 years

The assets' residual values, depreciation method and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Revaluation

Property, plant & equipment is revalued with sufficient regularity and at least every three years to ensure that its carrying amount does not differ materially from fair value.

The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from fair value. If there is evidence supporting a material difference, then the off-cycle asset classes are revalued.

Property, plant and equipment revaluation movements are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income but is recognised in the profit or loss. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the profit or loss will be recognised first in the profit or loss up to the amount previously expensed, and then recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

j. Work in progress

Work in progress is valued at cost.

k. Payables and accruals

Payables and accruals are recognised when the Group becomes obligated to make future payments resulting from the purchase of goods or services. They are recognised initially at fair value and subsequently at amortised cost.

l. Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST receivable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the balance sheet.

m. Income Tax

Income tax expense includes components relating to both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, and any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive income or directly in equity.

n. Short-term employee entitlements

Employee benefits that are due to be settled within 12 months after the end of the year in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave and bonuses. Short-term employee entitlement obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

o. Provisions

A provision is recognised if, as a result of a past event, the Group 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. The unwinding of the discount is recognised as a finance cost.

p. Impairment

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

4. REVENUE	Group \$000		Company \$000	
	2019	2018	2019	2018
Revenue from contracts for the sale of goods	3,543	415	3,543	415
Revenue from contracts for the rendering of services	5,852	6,549	5,852	6,549
Revenue from the rendering of services	15	-	15	-
Deferred Grant income	179	179	179	179
Total operating revenue	9,589	7,143	9,589	7,143

Timing of revenue recognition - At point in time.

5. OTHER INCOME	Group \$000		Company \$000	
	2019	2018	2019	2018
Sale of consent	1,610	-	1,610	-
less cost of consent	(395)	-	(395)	-
Total other income	1,215	-	1,215	-

6. PERSONNEL COSTS	Group \$000		Company \$000	
	2019	2018	2019	2018
Salaries and wages	1,987	1,737	1,987	1,737
Defined contribution plan	36	32	36	32
Total personnel costs	2,023	1,769	2,023	1,769

Annual remuneration by band for employees

	2019 Number	2018 Number
< \$100,000	21	23
\$100,000 - \$109,999	-	-
\$110,000 - \$119,999	3	1
\$120,000 - \$129,999	1	1
\$130,000 - \$139,999	1	-
\$140,000 - \$149,999	-	-
\$150,000 - \$159,999	1	1
Total Employees	27	26

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

	Group \$000		Company \$000	
	2019	2018	2019	2018
7. AUDIT FEES				
Audit fee for 2018/19 year	33	-	28	-
Audit fee for 2017/18 year	7	19	7	19
Total audit fees	40	19	35	19

	Group \$000		Company \$000	
	2019	2018	2019	2018
8. FINANCE COSTS				
<i>Finance income</i>				
Interest income	1	-	1	-
Total finance income	1	-	1	-
<i>Finance costs</i>				
Bank fees	(5)	(5)	(5)	(5)
Interest on bank overdraft	-	(1)	-	(1)
Interest on bank borrowings	(218)	(313)	(218)	(313)
Total finance costs	(223)	(319)	(223)	(319)
Net finance costs	(222)	(319)	(222)	(319)

	Group \$000		Company \$000	
	2019	2018	2019	2018
9. OTHER GAINS AND LOSSES				
Net foreign exchange gain/(loss)	(31)	(20)	(31)	(20)
Loss on disposal of fixed assets	(16)	-	(16)	-
Total other gains and losses	(47)	(20)	(47)	(20)

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

	Group \$000		Company \$000	
10. INCOME TAX	2019	2018	2019	2018
<i>Current tax</i>				
Current year	(2)	(126)	(2)	(126)
Adjustment for prior years	24	-	24	-
	22	(126)	22	(126)
<i>Deferred tax</i>				
Current year	(44)	(44)	(46)	(44)
Adjustment for prior year	(6)	-	(6)	-
Total income tax expense recognised	(28)	(170)	(30)	(170)
<i>The income tax expense for the year can be reconciled to the accounting profit as follows:</i>				
Profit before tax	1,362	585	1,374	585
Income tax expense at 28%	(381)	(164)	(385)	(164)
Effect of income that is exempt from tax	451	(6)	451	(6)
Effect of expenses that are not deductible in determining	(116)	-	(114)	-
Adjustment for prior year - subvention payment	18	-	18	-
Income tax expense recognised in profit or loss	(28)	(170)	(30)	(170)

Deferred tax balances

Group (\$000)	Opening Balance	Recognised in profit or loss	Recognised in other comprehensive income	Closing balance
<i>Deferred tax assets/(liabilities) in relation to:</i>				
Property, plant and equipment	(2,340)	15	(605)	(2,930)
Provisions	(5)	(17)	-	(22)
Deferred income	762	(50)	-	712
Tax losses	-	2	-	2
Balance as at 30 June 2019	(1,583)	(50)	(605)	(2,238)

Group (\$000)	Opening Balance	Recognised in profit or loss	Recognised in other comprehensive income	Closing balance
<i>Deferred tax assets/(liabilities) in relation to:</i>				
Property, plant and equipment	(2,356)	16	-	(2,340)
Provisions	4	(9)	-	(5)
Deferred income	812	(50)	-	762
Balance as at 30 June 2018	(1,540)	(43)	-	(1,583)

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

Deferred tax balances

Company (\$000)

Deferred tax assets/(liabilities) in relation to:

Property, plant and equipment

Provisions

Deferred income

Balance as at 30 June 2019

Opening Balance	Recognised in profit or loss	Recognised in other comprehensive income	Closing balance
(2,340)	15	(605)	(2,930)
(5)	(17)	-	(22)
762	(50)	-	712
(1,583)	(52)	(605)	(2,240)

Company (\$000)

Deferred tax assets/(liabilities) in relation to:

Property, plant and equipment

Provisions

Deferred income

Balance as at 30 June 2018

Opening Balance	Recognised in profit or loss	Recognised in other comprehensive income	Closing balance
(2,356)	16	-	(2,340)
4	(9)	-	(5)
812	(50)	-	762
(1,540)	(43)	-	(1,583)

11. EQUITY

Share capital

Ordinary shares (105 shares)

Balance 1 July

Shares issues (60 shares)

Transfer of preference shares

less uncalled shares

Total Ordinary shares

Preference shares (45 shares)

Balance 1 July

Transfer of shares to Ordinary shares

less uncalled shares

Total Preference shares

Total issued and called shares 30 June

Ordinary Shares

All ordinary shares carry equal voting rights and entitle the holder to participate in dividends, and the right to share in any surplus on winding up. The shares have no par value.

210 shares have been issued, 110 shares have been fully paid and 100 shares are uncalled.

Group \$000		Company \$000	
2019	2018	2019	2018
4,334	334	4,334	334
-	4,000	-	4,000
3,000	-	3,000	-
(1)	(1)	(1)	(1)
7,333	4,333	7,333	4,333
3,000	3,000	3,000	3,000
(3,000)	-	(3,000)	-
-	-	-	-
-	3,000	-	3,000
7,333	7,333	7,333	7,333

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

Preference Shares

On the fourth anniversary of the Completion Date (20 December 2018) the preference shares have converted on a 1:1 basis to Ordinary shares per the Subscription and Shareholders' agreement. Preference shares had no par value.

	Group \$000		Company \$000	
Revaluation Reserve	2019	2018	2019	2018
Property				
Opening balance	(168)	(168)	(168)	(168)
Revaluation	198	-	198	-
Income tax on revaluation surplus	(55)	-	(55)	-
Closing balance	(25)	(168)	(25)	(168)
Plant and equipment				
Opening balance	3,956	3,956	3,956	3,956
Revaluation	1,962	-	1,962	-
Income tax on revaluation surplus	(549)	-	(549)	-
Closing balance	5,369	3,956	5,369	3,956
Total revaluation reserve	5,343	3,788	5,343	3,788

This reserve relates to the revaluation of property, plant and equipment.

	Group \$000		Company \$000	
12. CASH AND CASH EQUIVALENTS	2019	2018	2019	2018
BNZ Bank account	82	266	82	266
Total cash and cash equivalents	82	266	82	266

The Company has an overdraft facility with BNZ with a limit of \$250,000.

	Group \$000		Company \$000	
13. INVENTORIES	2019	2018	2019	2018
Goods in transit	395	247	395	247
Raw materials	1,086	911	1,086	911
Finished goods	2	1,171	2	1,171
Total inventories	1,483	2,329	1,483	2,329

The cost of inventories recognised as an expense during the year was \$2,956,168 (2018: \$357,868).

The amount of inventories write-down recognised as an expense during the year was \$30,286 (2018: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

	Group \$000		Company \$000	
14. TRADE AND OTHER RECEIVABLES	2019	2018	2019	2018
Contract assets	763	705	763	705
Trade receivables	2	-	2	-
Related parties receivables	24	100	24	100
Income tax receivable	91	53	91	53
Other receivables	35	-	35	-
Total trade and other receivables	915	858	915	858

	Group \$000		Company \$000	
15. PAYABLES AND ACCRUALS	2019	2018	2019	2018
Trade payables	633	597	633	597
Accruals	80	100	76	100
Other payables	4	2	4	2
Total payables and accruals	717	699	713	699

	Group \$000		Company \$000	
16. INVESTMENT IN ASSOCIATES	2019	2018	2019	2018
New Zealand Food Innovation Network Ltd				
<i>Interest held by the group</i>	-	25%	-	25%
Opening balance	-	19	-	19
Share of revenue and expenses	-	(19)	-	(19)
Balance 30 June	-	-	-	-
Melody Dairies Limited Partnership				
<i>Interest held by the group</i>	10%	-	-	-
Opening balance	-	-	-	-
Addition during the year	2,626	-	-	-
Share of revenue and expenses	(7)	-	-	-
Balance 30 June	2,619	-	-	-
Melody Dairies GP Limited				
<i>Interest held by the group</i>	10%	-	10%	-
Balance 30 June	-	-	-	-
Total investment in associates	2,619	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

	Group \$000		Company \$000	
	2019	2018	2019	2018
17. INVESTMENT IN SUBSIDIARIES				
<i>Shares at cost</i>				
NZFIW D2 LP Limited	-	-	2,626	-
Total investment in subsidiaries	-	-	2,626	-

18. PROPERTY, PLANT AND EQUIPMENT

Group \$000	Property	Plant & Equipment	Computer & Office	Total
For the year ended 30 June 2018				
Opening net book amount	3,619	15,909	14	19,542
Additions	6	514	14	534
Depreciation charge	(175)	(1,001)	(1)	(1,177)
Closing net book amount	3,450	15,422	27	18,899
As at 30 June 2018				
Cost or valuation	4,396	20,077	29	24,502
Accumulated depreciation	(946)	(4,655)	(2)	(5,603)
Net book amount	3,450	15,422	27	18,899
For the year ended 30 June 2019				
Opening net book amount	3,450	15,422	27	18,899
Additions	12	144	8	164
Disposals	-	(20)	-	(20)
Revaluation	198	1,962	-	2,160
Depreciation charge	(177)	(1,004)	(6)	(1,187)
Closing net book amount	3,483	16,504	29	20,016
As at 30 June 2019				
Cost or valuation	3,483	16,504	37	20,024
Accumulated depreciation	-	-	(8)	(8)
Net book amount	3,483	16,504	29	20,016

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

Company \$000	Property	Plant & Equipment	Computer & Office	Total
For the year ended 30 June 2018				
Opening net book amount	3,619	15,909	14	19,542
Additions	6	514	14	534
Depreciation charge	(175)	(1,001)	(1)	(1,177)
Closing net book amount	3,450	15,422	27	18,899
As at 30 June 2018				
Cost or valuation	4,396	20,077	29	24,502
Accumulated depreciation	(946)	(4,655)	(2)	(5,603)
Net book amount	3,450	15,422	27	18,899
For the year ended 30 June 2019				
Opening net book amount	3,450	15,422	27	18,899
Additions	12	144	8	164
Disposals	-	(20)	-	(20)
Revaluation	198	1,962	-	2,160
Depreciation charge	(177)	(1,004)	(6)	(1,187)
Closing net book amount	3,483	16,504	29	20,016
As at 30 June 2019				
Cost or valuation	3,483	16,504	37	20,024
Accumulated depreciation	-	-	(8)	(8)
Net book amount	3,483	16,504	29	20,016

Property, plant & equipment was valued by North Langley & Associates Ltd, an independent registered valuer on 26 February 2019. The valuation technique used was the Optimised Depreciated Replacement Cost as the spray dryer has specialised equipment and comparable sale information is limited. North Langley & Associates Ltd are a reputable valuation company specialising in the valuation of plant, machinery and equipment

There was no impairment in 2019. (2018: NIL) No borrowing costs were capitalised during the year. (2018: NIL)

19. INTANGIBLE ASSETS	Group \$000		Company \$000	
	2019	2018	2019	2018
<i>Cost - Trademark</i>				
Balance 1 July 2018	1	1	1	1
Additions	-	-	-	-
Amortisation	-	-	-	-
Balance 30 June 2019	1	1	1	1

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

	Group \$000		Company \$000	
20. RELATED PARTIES LOANS	2019	2018	2019	2018
NZFIW D2 LP Limited	-	-	2	-
Waikato Innovation Growth Limited	26	-	26	-
Total related parties loans	26	-	28	-

New Zealand Food Innovation (Waikato) Limited is owned by Waikato Innovation Growth (70%) and Callaghan (30%). New Zealand Food Innovation (Waikato) Limited has paid operating costs on behalf of Waikato Innovation Growth Limited.

NZFIW D2 LP Limited is owned by New Zealand Food Innovation (Waikato) Limited (100%). The related parties amount relates to day-to-day expenses paid by New Zealand Food Innovation (Waikato) Limited on behalf of NZFIW D2 LP Limited.

	Group \$000		Company \$000	
21. DEFERRED INCOME	2019	2018	2019	2018
Original Grant	3,794	3,794	3,794	3,794
less Deferred Grant recognised prior years	(1,074)	(895)	(1,074)	(895)
	2,720	2,899	2,720	2,899
Opening balance	2,720	2,899	2,720	2,899
less Deferred Grant recognised	(179)	(179)	(179)	(179)
Total deferred grant	2,541	2,720	2,541	2,720
Revenue received in advance	242	199	242	199
Total deferred income	2,783	2,919	2,783	2,919
Current portion	296	302	296	302
Non current portion	2,487	2,617	2,487	2,617
Total deferred income	2,783	2,919	2,783	2,919

Deferred grant relates to Government Grants provided to develop the Spray Dryer Facility (part of property, plant and equipment). The Deferred grant is written off over 20 and 25 years respectively for the Spray Dryer Facility being the estimated useful life of the assets.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

	Group \$000		Company \$000	
	2019	2018	2019	2018
22. PROVISIONS				
<i>Nu-Mega Ingredients (NZ) Limited contract</i>				
Opening balance	196	191	196	191
Charged to profit or loss	-	5	-	5
Unused amounts reversed	(196)	-	(196)	-
Balance 30 June	-	196	-	196
<i>Silo contracts</i>				
Opening balance	160	-	160	-
On acquisition	-	160	-	160
Charge to profit or loss	8	-	8	-
Balance 30 June	168	160	168	160
Total provisions	168	356	168	356

NZFIW entered into a contract with the following customers, Central Dairy Goat, Spring Sheep Dairy, NZ Nutritional Goat and Maui Milk for use of Silo 4 for five years and to each loan NZFIW \$65,000 for the building of Silo 4 at the factory. NZFIW will reimburse the customers \$43,333 on the 30th June 2022. Should the Customer still be manufacturing at the FoodWaikato site beyond May 2022 the repayment will be made at the end of the year, that the Customer stops manufacture at Food Waikato. NZFIW has created a provision (discounted to present value) for \$43,333 of the loan.

	Group \$000		Company \$000	
	2019	2018	2019	2018
23. TERM LOANS				
BNZ 92346126-03 loan	4,274	4,574	4,274	4,574
	4,274	4,574	4,274	4,574
Current portion	-	-	-	-
Non current portion	4,274	4,574	4,274	4,574
Total term loan	4,274	4,574	4,274	4,574

Term loans have perfected security interest in all present and after acquired property of New Zealand Food Innovation (Waikato) Limited.

	2019		2018	
	Interest rate	Maturity Date	Interest rate	Maturity Date
BNZ 92346126-03 loan	5.07%	August 2021	5.14%	August 2021

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

	Group \$000		Company \$000	
24. OTHER LOANS	2019	2018	2019	2018
Bonds	840	1,100	840	1,100
Total other loans	840	1,100	840	1,100
Total current portion	490	650	490	650
Total non current portion	350	450	350	450
Total other loans	840	1,100	840	1,100

25. CAPITAL COMMITMENTS AND OPERATING LEASES

The following amounts have been committed to by the Company but are not recorded in either the Statement of Comprehensive Income or the Statement of Financial Position.

	Group \$000		Company \$000	
Operating leases	2019	2018	2019	2018
Non-cancellable operating lease commitments as lessee				
No later than one year	23	23	23	23
Later than one year and no later than five years	93	93	93	93
Later than five years	301	301	301	301
	417	417	417	417

Operating lease amounts relates to the lease of land at Ruakura Road. The lease represents the first 20 years of a 1 x 20 and 1 x 30 year lease entered into in July 2017.

Total lease expense for 2019 was \$23,162 (2018: \$23,162).

Capital commitments

As at 30 June 2019 New Zealand Food Innovation (Waikato) Limited has capital commitments of \$9,848 to Combined Technologies Limited for the completion of a Store Management System. (2018: \$34,593)

NZFIW D2 LP Limited has capital commitments of \$656,698 to Melody Dairies Limited Partnership for capital drawdown. (2018: NIL)

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

	Group \$000		Company \$000	
	2019	2018	2019	2018
26. RECONCILIATION OF PROFIT/(LOSS) FOR THE YEAR TO NET CASH				
Profit/(loss) for the year	1,269	415	1,279	415
Add/(less) non-cash items				
Sale of consent	(1,610)	-	(1,610)	-
Cost of consent	395	-	395	-
Interest - Provisions	(23)	-	(23)	-
Losses	16	-	16	-
Depreciation and amortisation	1,187	1,177	1,187	1,177
Share of associates (surplus)/deficit	7	19	-	19
Deferred income	(287)	(179)	(287)	(179)
Total non-cash items	(315)	1,017	(322)	1,017
Add/(less) movements in working capital				
Revenue received in advance	(15)	(43)	(15)	(43)
Trade debtors and other receivables	(17)	238	(17)	238
Prepayments	(184)	(232)	(184)	(232)
Income tax expense & subvention payment in profit/loss	28	170	30	170
Payables and accruals	16	220	13	220
Short term employee entitlements	(8)	-	(8)	-
Inventories	846	(2,230)	846	(2,230)
Related parties	(26)	-	(28)	-
Total movement in working capital	640	(1,877)	637	(1,877)
Net cash flow from operating activities	1,594	(445)	1,594	(445)

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

28. FINANCIAL INSTRUMENTS	Group \$000		Company \$000	
	2019	2018	2019	2018
Financial assets at amortised cost				
Cash and cash equivalents	82	266	82	266
Trade and other receivables	789	625	789	625
Related parties	28	-	28	-
Total financial assets at amortised cost	899	891	899	891
Financial liabilities at amortised cost				
Payables and accruals	713	700	713	700
Other loans	840	1,100	840	1,100
Term loans	4,274	4,574	4,274	4,574
Provisions	168	356	168	356
Total financial liabilities at amortised cost	5,995	6,730	5,995	6,730

The Group has no financial liabilities classified at fair value through profit or loss, financial assets classified at fair value through profit or loss; or fair value through other comprehensive income.

Net gains or net losses on financial assets measured at amortised costs are recognised through the profit or loss and includes interest or dividend income.

Net gains or net losses on financial liabilities at amortised cost are recognised in the profit or loss and includes interest expense.

Per NZ IFRS 7, the entity should disclose the following information for each class of financial assets and financial liabilities as at the date of initial application:

- The original measure category and carrying amount determined in accordance with NZ IAS 39.

Company \$000	Loans and receivables	Assets at fair value through profit or loss	Derivatives used for hedging	Available-for- sale	Total
Assets per balance sheet					
Cash and cash equivalents	266	-	-	-	266
Trade and other receivables	625	-	-	-	625
Balance as at 30 June 2018	891	-	-	-	891

Company \$000	Liabilities at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet				
Payables and accruals	-	-	700	700
Other loans	-	-	1,100	1,100
Term loans	-	-	4,574	4,574
Provisions	-	-	356	356
Balance as at 30 June 2018	-	-	6,730	6,730

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

29. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties on normal commercial terms during the year:

Callaghan Innovation

The Company made sales of \$80,004 (2018: \$80,000) to New Zealand Food Innovation Network Ltd for Business Development Manager services. No amount is outstanding at balance date (2018: NIL).

Hamilton City Council

The Company's ultimate parent entity is Hamilton City Council. The Company paid \$131,720 (2018: \$189,059) to Hamilton City Council for trade waste and application fees. No amount is outstanding at balance date (2018: NIL).

Waikato Innovation Growth Limited

The Company has paid operating costs of \$86,759 (2018: \$76,083) on behalf of Waikato Innovation Growth Limited. No amount is outstanding at balance date (2018: \$230).

The Company has paid expenses of \$68,597 (2018: NIL) to Waikato Innovation Growth Limited for insurances.

New Zealand Food Innovation (Waikato) paid a subvention payment of \$64,773 (2018: NIL) to Waikato Innovation Growth Limited for the 2018 tax year.

NZFIW D2 LP Limited

The Company made sales of \$1,609,820 to NZFIW D2 LP Limited for consent costs in accordance with an agreement with NZFIW D2 LP Limited.

The Company has paid operating costs of \$1,786 on behalf of NZFIW D2 LP Limited. No amount is outstanding at balance date.

The Company has paid \$1,016,361 to NZFIW D2 LP Limited for capital amounts for Melody Dairies Limited Partnership.

Melody Dairies Limited Partnership

Melody Dairies Limited Partnership has paid \$190,959 to New Zealand Food Innovation (Waikato) Limited for project management and have reimbursed \$302,460 for project costs paid by the Company previously. A balance of \$23,940 inclusive is outstanding at 30 June 2019.

New Zealand Food Innovation Network Ltd

The Company held 25% in the associate New Zealand Food Innovation Network Ltd in 2017/2018, the associate ceased operations in 2018/2019. The Company made no sales in 2019 (2018: \$15,000) to New Zealand Food Innovation Network Ltd for Business Development Manager services. No amount is outstanding at balance date (2018: NIL).

Key Management Personnel Disclosure

Key management personnel compensation	2019: \$560,227	2018: \$466,039
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Other

Stuart Gordon the CE of NZFIW is the CE of Waikato Innovation Park Limited which provides management services and ground lease to NZFIW. During the year Waikato Innovation Park Limited charged NZFIW \$160,758 GST exclusive for these services (2018: \$158,770). A balance of \$8,068 inclusive is owing at 30 June 2019 (2018: \$24,030)

Peter Hobman is a Director and Shareholder of Working Foods International (NZ) Limited which provides consultancy work. Peter Hobman completed no consultancy work in 2019 (2018: \$25,941) and no balance was outstanding at 30 June 2019 (2018: NIL).

Matt Kenny is a Director of New Zealand Food Innovation Auckland Limited which provides CRM and innovation network support. During the year New Zealand Food Innovation Auckland Limited charged the Company \$3,676 GST exclusive for these services (2018: \$7,109). A balance of \$182 inclusive is owing at 30 June 2019 (2018: \$1,755)

Matt Kenny is a Director of New Zealand Food Innovation (South Island) Limited. During the year New Zealand Food Innovation (South Island) Limited charged the Company \$408 GST exclusive for exhibitors stand fees (2018: NIL). No amount is outstanding at balance date. (2018: NIL)



NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

Shane Kells an employee of NZFIW (resigned 31 August 2018) is a Director and Shareholder of Commercial Compliance Limited which provides consultancy work. During the year Commercial Compliance Limited charged NZFIW \$19,460 GST exclusive (2018: \$8,760) for consultancy work; A balance of \$1,150 inclusive is owing at 30 June 2019 (2018: NIL).

30. CONTINGENCIES

No contingencies have been identified at balance date (2018: NIL).

PERFORMANCE TARGETS AND RESULTS

For the Year Ended 30 June 2019

The Company's prepares an annual Statement of Corporate Intent, which is approved by the Shareholders and incorporates financial and performance measure for the ensuing year. This is in accordance with section 64(5) of the Local Government Act 2002. The 2018/19 Statement of Corporate Intent was approved by Hamilton City Council.

Budget and actual results	2019	2019	2018	2018
	Actual	\$000 Statement of Corporate Intent \$000	Actual \$000	Statement of Corporate Intent \$000
Revenue NZFIW	11,200	7,461	7,143	6,104
EBITDA NZFIW	2,783	1,963	2,081	-

Key objectives and actual results to 30 June 2019

Key objectives	Actual results
1. 267 days of product development production via the spray dryer contributing \$55 million to the regional economy.	242.5 days of production days 24.5 under budget while contributing \$33.3m to the regional economy through exports
2. Commitment by private capital to establish increased spray drying capacity alongside the existing dryer in 2018/2019.	New Spray dryer partnership and construction Agreement for \$53.9m signed in December 2018. To date June 2019 \$20.0m capital contributed with a further \$12.9m to be contributed in the next financial year.
3. A 10% minority interest in new spray dryer is planned to increase open access space for the sheep industry customers. \$1.4 million will available within the company's own cash flow	NZFIW has contributed to date June 2019 \$1.0m and will contribute a further \$0.6m in the next financial year for its 10% share of Melody Dairies LP
4. Assist with the development of new valued added sheep milk industry products and the international launch of one substantial new product.	While trials and product development has been undertaken by various companies, the launch with a strategic partner of added value sheep milk product has been delayed to September 2019.

