



NEW ZEALAND FOOD INNOVATION (WAIKATO) LIMITED

Annual Report 2020



FOODWAIKATO





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DIRECTORY

As at 30 June 2020

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 Peter Hobman Matthew Kenny
Shareholders	Waikato Innovation Growth Limited 147 Ordinary Shares Callaghan Innovation <u>63 Ordinary Shares</u> 210
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 2020

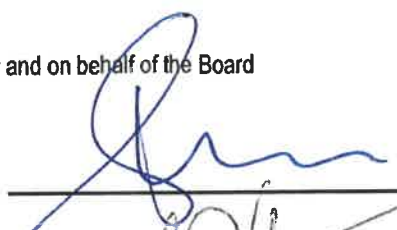
Approval and issue of financial statements

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 2020.

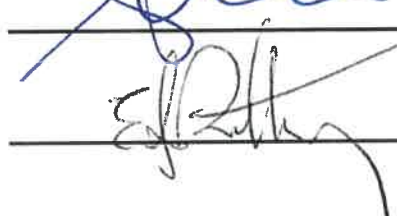
Auditor

An auditor has been appointed.

For and on behalf of the Board



Director



Director

22 October 2020

22 October 2020

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2020

		Group \$000		Company \$000	
	NOTE	2020	2019	2020	2019
Income					
Revenue	4	8,195	9,589	8,195	9,589
Cost of sales		(1,298)	(2,957)	(1,298)	(2,957)
Gross profit		6,897	6,632	6,897	6,632
Share of profit/(loss) from associates	17	(12)	(7)	-	-
Covid-19 government wage subsidy	5	77	-	77	-
Sale of consents	5	-	1,610	-	1,610
Cost of consents	5	-	(395)	-	(395)
Expenses					
Operating expenses		(3,007)	(2,745)	(3,003)	(2,745)
Lease payments	26	-	(23)	-	(23)
Personnel costs	6	(2,518)	(2,023)	(2,518)	(2,023)
Depreciation	8	(992)	(1,187)	(992)	(1,187)
Audit fees	7	(50)	(40)	(42)	(35)
Directors fees		(173)	(161)	(173)	(161)
Bad and doubtful debts		(50)	-	(50)	-
Other gains and losses	10	(10)	(47)	(10)	(47)
Write-down of inventories		-	(30)	-	(30)
Total expenses		(6,800)	(6,256)	(6,788)	(6,251)
Finance income	9	-	1	-	1
Finance costs	9	(297)	(223)	(297)	(223)
Net finance costs		(297)	(222)	(297)	(222)
Profit/(loss) before tax		(135)	1,362	(111)	1,374
Subvention payment received/(paid)		(28)	(65)	(28)	(65)
Income tax	11	43	(28)	40	(30)
Profit/(loss) for the year, net of tax		(120)	1,269	(99)	1,279
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		(120)	2,824	(99)	2,834

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2020

Group	NOTE	\$000 Share capital	\$000 Revaluation reserve	\$000 Retained earnings	\$000 Total equity
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
Balance as at 1 July 2019		7,333	5,343	1,321	13,997
<i>Total comprehensive income</i>					
Profit for the year		-	-	(120)	(120)
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	(120)	(120)
Balance as at 30 June 2020		7,333	5,343	1,201	13,877

Company	NOTE	\$000 Share capital	\$000 Revaluation reserve	\$000 Retained earnings	\$000 Total equity
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
Balance as at 1 July 2019		7,333	5,343	1,331	14,007
<i>Total comprehensive income</i>					
Profit for the year		-	-	(99)	(99)
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	(99)	(99)
Balance as at 30 June 2020		7,333	5,343	1,232	13,908

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		Group \$000		Company \$000	
	NOTE	2020	2019	2020	2019
ASSETS					
Non-current assets					
Related parties loans	22	12	26	25	28
Investment in associates	17	3,604	2,619	-	-
Investment in subsidiaries	18	-	-	3,623	2,626
Property, plant and equipment	19	19,554	20,016	19,554	20,016
Right of use assets	21	377	-	377	-
Assets under construction		10	40	10	40
Intangible asset	20	1	1	1	1
Total non-current assets		23,558	22,702	23,590	22,711
Current assets					
Cash and cash equivalents	13	175	82	175	82
Inventories	14	350	1,483	350	1,483
Trade and other receivables	15	810	915	808	915
Accrued income		7	-	7	-
Prepayments		106	102	106	102
Total current assets		1,448	2,582	1,446	2,582
Total assets		25,006	25,284	25,036	25,293
EQUITY AND LIABILITIES					
Equity					
Share capital	12	7,333	7,333	7,333	7,333
Revaluation reserve	12	5,343	5,343	5,343	5,343
Retained earnings		1,201	1,321	1,232	1,331
Total equity		13,877	13,997	13,908	14,007
Non-current liabilities					
Deferred tax liabilities	11	2,184	2,238	2,188	2,240
Deferred income	23	2,204	2,487	2,204	2,487
Term loans	24	4,675	4,274	4,675	4,274
Other loans	25	310	350	310	350
Lease liabilities	26	384	-	384	-
Provisions	27	172	168	172	168
Total non-current liabilities		9,929	9,517	9,933	9,519

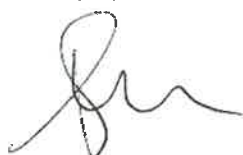
The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2020 (Continued)

		Group \$000		Company \$000	
	NOTE	2020	2019	2020	2019
Current liabilities					
Payables and accruals	16	438	716	433	713
Short term employee entitlements		233	268	233	268
Deferred income	23	289	296	289	296
Other loans	25	240	490	240	490
Total current liabilities		1,200	1,770	1,195	1,767
Total liabilities		11,129	11,287	11,128	11,286
Total equity and liabilities		25,006	25,284	25,036	25,293

The accompanying notes form part of these financial statements.



Director **Barry Harris**
22 October 2020



Director **Peter Hobman**
22 October 2020

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2020

		Group \$000		Company \$000	
	NOTE	2020	2019	2020	2019
Cash flow from operating activities					
Receipts from customers		7,908	9,440	7,908	9,440
Payments to suppliers and employees		(6,208)	(7,358)	(6,208)	(7,358)
Interest received		-	1	-	1
Interest paid		(275)	(245)	(275)	(245)
Tax payments		69	(16)	69	(16)
Subvention payment received/(paid)		(28)	(65)	(28)	(65)
GST (net)*		16	(163)	16	(163)
Net cash from operating activities	30	1,482	1,594	1,482	1,594
Cash flow from investing activities					
Purchase of property, plant and equipment		(476)	(177)	(476)	(177)
Purchase of assets under construction		(4)	(25)	(4)	(25)
Investment in associate		(997)	(1,016)	-	-
Investment in subsidiary		-	-	(997)	(1,016)
Net cash from/(used in) investing activities		(1,477)	(1,218)	(1,477)	(1,218)
Cash flow from financing activities					
Proceeds from borrowings		12,820	2,040	12,820	2,040
Repayment of borrowings		(12,709)	(2,600)	(12,709)	(2,600)
Repayment of lease liabilities		(23)	-	(23)	-
Net cash from/(used in) financing activities	31	88	(560)	88	(560)
Net increase/(decrease) in cash and cash equivalents		93	(184)	93	(184)
Cash and cash equivalents at 1 July		82	266	82	266
Cash and cash equivalents at 30 June	13	175	82	175	82

*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 2020

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 2020. The financial statements were authorised for issue by the Board of Directors on the 22 October 2020. 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 16 - Leases

In the current year, the Group has applied NZ IFRS 16 Leases (as issued by the IASB in January 2016). NZ IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard deals with the recognition, measurement, presentation and disclosure of leases and replaces NZ IAS 17 Leases (NZ IAS 17).

The new standard introduces a single model for lessees which recognises all leases on the balance sheet through an asset representing the right to use the leased item during the lease term and a liability for the obligation to make lease payments. This removes the distinction between operating and finance leases and aims to provide users of the financial statements relevant information to assess the effect that leases have on the balance sheet, income statement and cash flows of the reporting entity. One of the key judgements in applying the new requirements relates to the assessment of whether an option to extend or terminate the lease contract will be exercised. Lessor accounting remains largely unchanged from NZ IAS 17 for the Group.

The Group reviewed leases where the Group is the lessee and these leases primarily relate to land and infrastructure leases.

The Group intends to use the modified retrospective approach with the right of use (ROU) asset being equal to the lease liability as at commencement date for all existing leases at 1 July 2019.

The ROU assets are subsequently depreciated using the straight line method over the shorter of the estimated lives of the ROU assets or the remaining estimated lease term. The estimated useful lives of ROU assets are determined on the same basis as similar owned assets within property, plant and equipment. The lease liabilities are initially measured at the present value of the unpaid lease payments at commencement date, discounted using a discount rate.

The discount rates used are the Group's incremental borrowing rate (IBR). The Group's IBR will be the average of the IBR rates obtained from financial institutions for each asset type based on terms similar to the lease term and for similar assets.

The Group will be applying the following practical expedients when applying the new lease standard NZ IFRS 16 to leases previously classified as operating leases under NZ IAS 17:

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

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.

- The use of a single discount rate to a portfolio of leases with similar characteristics
- Not recognising ROU assets and liabilities for leases with less than 12 months of lease term.
- Not recognising ROU assets and liabilities if the leased asset is consider a low value asset.

The estimated impact of adopting NZ IFRS 16 from the period 1 July 2019 is shown below:

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 July 2019 is 4.61%.

	\$000
Operating lease commitment at 30 June 2019	416,916
Adjustments on transition	-
Adjusted undiscounted operating lease commitment as at 1 July 2019	416,916
Discounted using incremental borrowing rate as at 1 July 2019	388,887

	1 July 2019
Balance sheet	\$000
Right of use assets	388,887
Lease liabilities	(388,887)
	-

We do not anticipate the net impact on the consolidated income statement to be material. The estimated impact of the changes under NZ IFRS 16 would be to increase net cashflow from operating activities and increase cash used by financing activities.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

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 19: Property, plant and equipment

Note 23: Deferred income

Note 27: Provisions

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 intra-group 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 inter-company 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

• 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

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.

e. Leases

Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The right of use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The right of use assets are presented as a separate line in the consolidated statement of financial position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is re-measured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

f. 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.

g. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

h. 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).

i. 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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j. 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 it's 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.

k. Work in progress

Work in progress is valued at cost.

l. 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.



NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

m. 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.

n. 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.

o. 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.

p. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

q. 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 2020

4. REVENUE

	Group \$000		Company \$000	
	2020	2019	2020	2019
Revenue from contracts for the sale of goods	1,685	3,543	1,685	3,543
Revenue from contracts for the rendering of services	6,317	5,852	6,317	5,852
Revenue from the rendering of services	14	15	14	15
Deferred grant income	179	179	179	179
Total operating revenue	8,195	9,589	8,195	9,589

Timing of revenue recognition - At point in time.

5. OTHER INCOME

	Group \$000		Company \$000	
	2020	2019	2020	2019
Covid-19 government wage subsidy	77	-	77	-
Sale of consent	-	1,610	-	1,610
less cost of consent	-	(395)	-	(395)
Total other income	77	1,215	77	1,215

6. PERSONNEL COSTS

	Group \$000		Company \$000	
	2020	2019	2020	2019
Salaries and wages	2,393	1,987	2,393	1,987
Defined contribution plan	48	36	48	36
Covid-19 government wage subsidy payment	77	-	77	-
Total personnel costs	2,518	2,023	2,518	2,023

Annual remuneration by band for employees

	2020 Number	2019 Number
< \$100,000	31	21
\$100,000 - \$109,999	2	-
\$110,000 - \$119,999	2	3
\$120,000 - \$129,999	-	1
\$130,000 - \$139,999	2	1
\$140,000 - \$149,999	1	-
\$150,000 - \$159,999	-	1
\$160,000 - \$169,999	1	-
Total Employees	39	27

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

7. AUDIT FEES

	Group \$000		Company \$000	
	2020	2019	2020	2019
Audit fee for 2019/20 year	41	-	33	-
Audit fee for 2018/19 year	9	33	9	28
Audit fee for 2017/18 year	-	7	-	7
Total audit fees	50	40	42	35

8. DEPRECIATION

	Group \$000		Company \$000	
	2020	2019	2020	2019
Property, plant and equipment depreciation	980	1,187	980	1,187
Right of use asset depreciation	12	-	12	-
Total depreciation	992	1,187	992	1,187

9. FINANCE COSTS

	Group \$000		Company \$000	
	2020	2019	2020	2019
<i>Finance income</i>				
Interest income	-	1	-	1
Total finance income	-	1	-	1
<i>Finance costs</i>				
Bank fees	(14)	(5)	(14)	(5)
Interest on bank borrowings	(265)	(218)	(265)	(218)
Interest on lease liabilities	(18)	-	(18)	-
Total finance costs	(297)	(223)	(297)	(223)
Net finance costs	(297)	(222)	(297)	(222)

10. OTHER GAINS AND LOSSES

	Group \$000		Company \$000	
	2020	2019	2020	2019
Net foreign exchange gain/(loss)	(9)	(31)	(9)	(31)
Loss on disposal of fixed assets	(1)	(16)	(1)	(16)
Total other gains and losses	(10)	(47)	(10)	(47)

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

11. INCOME TAX

Current tax

Current year

Adjustment for prior years

Deferred tax

Current year

Adjustment for prior year

Total income tax expense recognised

The income tax expense for the year can be reconciled to the accounting profit as follows:

Profit before tax

Income tax expense at 28%

Effect of income that is exempt from tax

Effect of expenses that are not deductible in determining taxable profit

Adjustment for prior year - subvention payment

Adjustment for prior year - other

Income tax expense recognised in profit or loss

Deferred tax balances

Group (\$000)

Deferred tax assets/(liabilities) in relation to:

Property, plant and equipment

Provisions

Deferred income

Tax losses

Balance as at 30 June 2020

Group (\$000)

Deferred tax assets/(liabilities) in relation to:

Property, plant and equipment

Provisions

Deferred income

Tax losses

Balance as at 30 June 2019

	Group \$000		Company \$000	
	2020	2019	2020	2019
Current tax				
Current year	-	(2)	-	(2)
Adjustment for prior years	(11)	24	(14)	24
	(11)	22	(14)	22
Deferred tax				
Current year	32	(44)	30	(46)
Adjustment for prior year	22	(6)	24	(6)
Total income tax expense recognised	43	(28)	40	(30)
<i>The income tax expense for the year can be reconciled to the accounting profit as follows:</i>				
Profit before tax	(135)	1,362	(111)	1,374
Income tax expense at 28%	38	(381)	31	(385)
Effect of income that is exempt from tax	-	451	-	451
Effect of expenses that are not deductible in determining taxable profit	(3)	(116)	(1)	(114)
Adjustment for prior year - subvention payment	8	18	8	18
Adjustment for prior year - other	-	-	2	-
Income tax expense recognised in profit or loss	43	(28)	40	(30)

	Opening Balance	Recognised in profit or loss	Recognised in other comprehensive income	Closing balance
Group (\$000)				
<i>Deferred tax assets/(liabilities) in relation to:</i>				
Property, plant and equipment	(2,930)	(74)	-	(3,004)
Provisions	(22)	5	-	(17)
Deferred income	712	(50)	-	662
Tax losses	2	173	-	175
Balance as at 30 June 2020	(2,238)	54	-	(2,184)

	Opening Balance	Recognised in profit or loss	Recognised in other comprehensive income	Closing balance
Group (\$000)				
<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)

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

Deferred tax balances

Company (\$000)

Deferred tax assets/(liabilities) in relation to:

Property, plant and equipment

Provisions

Deferred income

Tax losses

Balance as at 30 June 2020

	Opening Balance	Recognised in profit or loss	Recognised in other comprehensive income	Closing balance
Property, plant and equipment	(2,932)	(49)	-	(2,981)
Provisions	(22)	5	-	(17)
Deferred income	712	(50)	-	662
Tax losses	-	148	-	148
Balance as at 30 June 2020	(2,242)	54	-	(2,188)

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
Property, plant and equipment	(2,340)	15	(605)	(2,930)
Provisions	(5)	(17)	-	(22)
Deferred income	762	(50)	-	712
Balance as at 30 June 2019	(1,583)	(52)	(605)	(2,240)

12. EQUITY

Share capital

Ordinary shares (105 shares)

Balance 1 July

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	
	2020	2019	2020	2019
Balance 1 July	7,334	4,334	7,334	4,334
Transfer of preference shares	-	3,000	-	3,000
less uncalled shares	(1)	(1)	(1)	(1)
Total Ordinary shares	7,333	7,333	7,333	7,333
Balance 1 July	-	3,000	-	3,000
Transfer of shares to Ordinary shares	-	(3,000)	-	(3,000)
less uncalled shares	-	-	-	-
Total Preference shares	-	-	-	-
Total issued and called shares 30 June	7,333	7,333	7,333	7,333



NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

Revaluation Reserve	Group \$000		Company \$000	
	2020	2019	2020	2019
Property				
Opening balance	(25)	(168)	(25)	(168)
Revaluation	-	198	-	198
Income tax on revaluation surplus	-	(55)	-	(55)
Closing balance	(25)	(25)	(25)	(25)
Plant and equipment				
Opening balance	5,369	3,956	5,369	3,956
Revaluation	-	1,962	-	1,962
Income tax on revaluation surplus	-	(549)	-	(549)
Closing balance	5,369	5,369	5,369	5,369
Total revaluation reserve	5,343	5,343	5,343	5,343

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

13. CASH AND CASH EQUIVALENTS

	Group \$000		Company \$000	
	2020	2019	2020	2019
BNZ Bank account	175	82	175	82
Total cash and cash equivalents	175	82	175	82

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

14. INVENTORIES

	Group \$000		Company \$000	
	2020	2019	2020	2019
Goods in transit	-	395	-	395
Raw materials	350	1,086	350	1,086
Finished goods	-	2	-	2
Total inventories	350	1,483	350	1,483

The cost of inventories recognised as an expense during the year was \$1,296,745 (2019: \$2,956,168).

No inventory write-downs were recognised as an expense during the year (2019: \$30,286).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

	Group \$000		Company \$000	
	2020	2019	2020	2019
15. TRADE AND OTHER RECEIVABLES				
Contract assets	769	763	769	763
Trade receivables	-	2	-	2
Provision for doubtful debt	(50)	-	(50)	-
Related parties receivables	80	24	80	24
Income tax receivable	9	91	9	91
Other receivables	2	35	-	35
Total trade and other receivables	810	915	808	915
	Group \$000		Company \$000	
	2020	2019	2020	2019
16. PAYABLES AND ACCRUALS				
Trade payables	318	633	318	633
Accruals	101	80	96	76
Other payables	19	4	19	4
Total payables and accruals	438	717	433	713
	Group \$000		Company \$000	
	2020	2019	2020	2019
17. INVESTMENT IN ASSOCIATES				
Melody Dairies Limited Partnership				
<i>Interest held by the group</i>	10%	10%	-	-
Opening balance	2,619	-	-	-
Additions during the year	997	2,626	-	-
Share of revenue and expenses	(12)	(7)	-	-
Balance 30 June	3,604	2,619	-	-
Melody Dairies GP Limited				
<i>Interest held by the group</i>	10%	10%	10%	10%
Balance 30 June	-	-	-	-
Total investment in associates	3,604	2,619	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

18. INVESTMENT IN SUBSIDIARIES

Shares at cost

NZFIW D2 LP Limited

Total investment in subsidiaries

Group \$000		Company \$000	
2020	2019	2020	2019
-	-	3,623	2,626
-	-	3,623	2,626

19. PROPERTY, PLANT AND EQUIPMENT

Group \$000

For the year ended 30 June 2019

Opening net book amount

Additions

Disposals

Revaluation

Depreciation charge

Closing net book amount

Property	Plant & Equipment	Computer & Office	Total
3,450	15,422	27	18,899
12	144	8	164
-	(20)	-	(20)
198	1,962	-	2,160
(177)	(1,004)	(6)	(1,187)
3,483	16,504	29	20,016

As at 30 June 2019

Cost or valuation

Accumulated depreciation

Net book amount

3,483	16,504	37	20,024
-	-	(8)	(8)
3,483	16,504	29	20,016

For the year ended 30 June 2020

Opening net book amount

Additions

Disposals

Depreciation charge

Closing net book amount

3,483	16,504	29	20,016
323	127	69	519
-	(1)	-	(1)
(144)	(829)	(7)	(980)
3,662	15,801	91	19,554

As at 30 June 2020

Cost or valuation

Accumulated depreciation

Net book amount

3,806	16,630	107	20,543
(144)	(829)	(16)	(989)
3,662	15,801	91	19,554

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

Company \$000	Property	Plant & Equipment	Computer & Office	Total
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
For the year ended 30 June 2020				
Opening net book amount	3,483	16,504	29	20,016
Additions	323	127	69	519
Disposals	-	(1)	-	(1)
Depreciation charge	(144)	(829)	(7)	(980)
Closing net book amount	3,662	15,801	91	19,554
As at 30 June 2020				
Cost or valuation	3,806	16,630	107	20,543
Accumulated depreciation	(144)	(829)	(16)	(989)
Net book amount	3,662	15,801	91	19,554

No valuation was completed in 2020. 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 2020 (2019: NIL). No borrowing costs were capitalised during the year (2019: NIL).

	Group \$000		Company \$000	
20. INTANGIBLE ASSETS	2020	2019	2020	2019
<i>Cost - Trademark</i>				
Balance 1 July	1	1	1	1
Additions	-	-	-	-
Amortisation	-	-	-	-
Balance 30 June	1	1	1	1

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

	Group \$000		Company \$000	
	2020	2019	2020	2019
21. RIGHT OF USE ASSETS				
<i>Property - Land</i>				
Cost 1 July	389	-	389	-
Additions	-	-	-	-
Cost 30 June	389	-	389	-
Accumulated depreciation 1 July	-	-	-	-
Charge for the year	12	-	12	-
Accumulated depreciation 30 June	12	-	12	-
Carrying amount 30 June	377	-	377	-

New Zealand Food Innovation (Waikato) Limited leases land from Waikato Innovation Park Limited. The lease term is 33 years. The contract started 1 July 2018 and had renewal terms of 20+10+5.

	Group \$000		Company \$000	
	2020	2019	2020	2019
22. RELATED PARTIES LOANS				
NZFIW D2 LP Limited	-	-	13	2
Waikato Innovation Growth Limited	12	26	12	26
Total related parties loans	12	26	25	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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

23. DEFERRED INCOME	Group \$000		Company \$000	
	2020	2019	2020	2019
Original grant	3,794	3,794	3,794	3,794
less deferred grant recognised in prior years	(1,253)	(1,074)	(1,253)	(1,074)
	2,541	2,720	2,541	2,720
Opening balance	2,541	2,720	2,541	2,720
less deferred grant recognised	(179)	(179)	(179)	(179)
Total deferred grant	2,362	2,541	2,362	2,541
Revenue received in advance	131	242	131	242
Total deferred income	2,493	2,783	2,493	2,783
Current portion	289	296	289	296
Non-current portion	2,204	2,487	2,204	2,487
Total deferred income	2,493	2,783	2,493	2,783

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.

24. TERM LOANS	Group \$000		Company \$000	
	2020	2019	2020	2019
BNZ 92346126-03 loan	-	4,274	-	4,274
BNZ 92346126-04 loan	4,675	-	4,675	-
	4,675	4,274	4,675	4,274
Current portion	-	-	-	-
Non-current portion	4,675	4,274	4,675	4,274
Total term loan	4,675	4,274	4,675	4,274

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

	2020		2019	
	Interest rate	Maturity Date	Interest rate	Maturity Date
BNZ 92346126-03 loan	-	-	5.07%	August 2021
BNZ 92346126-04 loan	4.44%	November 2022	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

	Group \$000		Company \$000	
	2020	2019	2020	2019
25. OTHER LOANS				
Bonds	550	840	550	840
Total other loans	550	840	550	840
Total current portion	240	490	240	490
Total non-current portion	310	350	310	350
Total other loans	550	840	550	840

	Group \$000		Company \$000	
	2020	2019	2020	2019
26. LEASE LIABILITIES				
Opening balance	389	-	389	-
Cash flows	(23)	-	(23)	-
Non-cash movement	18	-	18	-
Balance 30 June	384		384	
Total lease liabilities	384	-	384	-

	Group \$000		Company \$000	
	2020	2019	2020	2019
<i>Amounts recognised in Statement of Comprehensive Income</i>				
Expenses relating to short-term leases	58	-	58	-
Expenses relating to leases of low value assets	1	-	1	-
	59	-	59	-

Non-cancellable operating lease commitments as lessee are as follows:

	Group \$000		Company \$000	
	2020	2019	2020	2019
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	278	301	278	301
	394	417	394	417

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

	Group \$000		Company \$000	
	2020	2019	2020	2019
27. PROVISIONS				
<i>Nu-Mega Ingredients (NZ) Limited contract</i>				
Opening balance	-	196	-	196
Unused amounts reversed	-	(196)	-	(196)
Balance 30 June	-	-	-	-
<i>Silo contracts</i>				
Opening balance	168	160	168	160
On acquisition	-	-	-	-
Charge to profit or loss	4	8	4	8
Balance 30 June	172	168	172	168
Total provisions	172	168	172	168

NZFIW entered into a contract with the following customers, Central Dairy Goat, Spring Sheep Dairy, NZ Nutritional Goat and Maui Milk for the 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 manufacturing at Food Waikato. NZFIW has created a provision (discounted to present value) for \$43,333 of the loan.

	Group \$000		Company \$000	
	2020	2019	2020	2019
28. FINANCIAL INSTRUMENTS				
Financial assets at amortised cost				
Cash and cash equivalents	175	82	175	82
Trade and other receivables	789	789	789	789
Related parties	25	28	25	28
Total financial assets at amortised cost	989	899	989	899
Financial liabilities at amortised cost				
Payables and accruals	433	713	433	713
Other loans	550	840	550	840
Term loans	4,675	4,274	4,675	4,274
Provisions	172	168	172	168
Total financial liabilities at amortised cost	5,830	5,995	5,830	5,995

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.



NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

29. CAPITAL COMMITMENTS

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.

As at 30 June 2020 New Zealand Food Innovation (Waikato) Limited has capital commitments of \$1,143 to Combined Technologies Limited for the completion of an Attach to Lots software (2019: \$9,848).

As at 30 June 2020 New Zealand Food Innovation (Waikato) Limited has capital commitments of \$14,425 to Portacom for the purchase of a multipurpose unit (2019: NIL).

NZFIW D2 LP Limited has no capital commitments to Melody Dairies Limited Partnership for capital drawdown in 2020 (2019: \$656,698).

	Group \$000		Company \$000	
	2020	2019	2020	2019
30. RECONCILIATION OF PROFIT/(LOSS) FOR THE YEAR TO NET CASH				
Profit/(loss) for the year	(120)	1,269	(99)	1,279
Add/(less) non-cash items				
Sale of consent	-	(1,610)	-	(1,610)
Cost of consent	-	395	-	395
Interest - provisions	22	(23)	22	(23)
Bad and doubtful debt	50	-	50	-
Losses	1	16	1	16
Depreciation and amortisation	992	1,187	992	1,187
Share of associates (surplus)/deficit	12	7	-	-
Deferred income	(290)	(287)	(290)	(287)
Total non-cash items	787	(315)	775	(322)
Add/(less) movements in working capital				
Revenue received in advance	-	(15)	-	(15)
Accrued income	(7)	-	(7)	-
Trade debtors and other receivables	(61)	(17)	(63)	(17)
Prepayments	(4)	(184)	(4)	(184)
Income tax expense & subvention payment in profit/loss	(43)	28	(40)	30
Payables and accruals	(188)	16	(186)	13
Short term employee entitlements	(29)	(8)	(30)	(8)
Inventories	1,133	846	1,133	846
Related parties	14	(26)	3	(28)
Total movement in working capital	815	640	806	637
Net cash flow from operating activities	1,482	1,594	1,482	1,594

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

31. RECONCILIATION OF FINANCING ACTIVITIES

Group \$000

Financing activities

Term loans	4,274	401	-	4,675
Other loans	840	(290)	-	550
Provisions	168	-	4	172
Lease liabilities	389	(23)	18	384
Total liabilities from financing activities	5,671	88	22	5,781

2019	Cash flows	Non-cash changes	2020
4,274	401	-	4,675
840	(290)	-	550
168	-	4	172
389	(23)	18	384
5,671	88	22	5,781

Group \$000

Financing activities

Term loans	4,574	(300)	-	4,274
Other loans	1,100	(260)	-	840
Provisions	356	-	(188)	168
Total liabilities from financing activities	6,030	(560)	(188)	5,282

2018	Cash flows	Non-cash changes	2019
4,574	(300)	-	4,274
1,100	(260)	-	840
356	-	(188)	168
6,030	(560)	(188)	5,282

Company \$000

Financing activities

Term loans	4,274	401	-	4,675
Other loans	840	(290)	-	550
Provisions	168	-	4	172
Lease liabilities	389	(23)	18	384
Total liabilities from financing activities	5,671	88	22	5,781

2019	Cash flows	Non-cash changes	2020
4,274	401	-	4,675
840	(290)	-	550
168	-	4	172
389	(23)	18	384
5,671	88	22	5,781

Company \$000

Financing activities

Term loans	4,574	(300)	-	4,274
Other loans	1,100	(260)	-	840
Provisions	356	-	(188)	168
Total liabilities from financing activities	6,030	(560)	(188)	5,282

2018	Cash flows	Non-cash changes	2019
4,574	(300)	-	4,274
1,100	(260)	-	840
356	-	(188)	168
6,030	(560)	(188)	5,282

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

32. 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 \$80,000 (2019: \$80,004) to Callaghan Innovation for Business Development Manager services. No amount is outstanding at balance date (2019: NIL).

The Company has paid \$470 (2019: \$457) to Callaghan Innovation for Directors travel expense to board meetings. No amount is outstanding at balance date (2019: NIL).

Hamilton City Council

The Company's ultimate parent entity is Hamilton City Council. The Company paid \$162,896 (2019: \$131,720) to Hamilton City Council for trade waste. A balance of \$45,649 inclusive is outstanding at balance date (2019: NIL).

Waikato Innovation Growth Limited

The Company has paid operating costs of \$14,759 (2019: \$86,759) on behalf of Waikato Innovation Growth Limited. No amount is outstanding at balance date (2019: NIL).

The Company has paid no expenses in 2020 (2019: \$68,597) to Waikato Innovation Growth Limited for insurances.

New Zealand Food Innovation (Waikato) paid a subvention payment of \$28,383 (2019: \$64,773) to Waikato Innovation Growth Limited for the 2019 tax year.

NZFIW D2 LP Limited

In 2019 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. No sales were made in 2020.

The Company has paid operating costs of \$11,139 (2019: \$1,786) on behalf of NZFIW D2 LP Limited. No amount is outstanding at balance date (2019: NIL).

The Company has paid \$997,106 (2019: \$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 \$137,292 (2019: \$190,959) to New Zealand Food Innovation (Waikato) Limited for project management and have reimbursed \$474,791 (2019: \$302,460) for project costs paid by the Company previously. A balance of \$79,716 inclusive is outstanding at 30 June 2020 (2019: \$23,940).

The Company received on behalf of Melody Dairies Limited Partnership \$77,326 from the Covid-19 government wage subsidy (2019: NIL).

Key Management Personnel Disclosure

Key management personnel compensation	2020: \$620,826	2019: \$560,227
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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 \$307,716 GST exclusive for these services (2019: \$160,758). A balance of \$27,780 inclusive is owing at 30 June 2020 (2019: \$8,068).

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 \$3,044 GST exclusive for these services (2019: \$3,676). A balance of \$182 inclusive is owing at 30 June 2020 (2019: \$182).

Matt Kenny is a Director of New Zealand Food Innovation (South Island) Limited. During the year New Zealand Food Innovation (South Island) Limited charged NZFIW \$485 (2019: \$408). No amount is outstanding at balance date (2019: NIL).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

33. CONTINGENCIES

No contingencies have been identified at balance date (2019: NIL).

34. COVID-19 IMPACT DISCLOSURES

On 11 March 2020, the World Health Organisation declared the outbreak of Covid-19 a pandemic and two weeks later the New Zealand Government declared a State of National Emergency. The country was in lockdown at Alert Level 4 from 26 March to 27 April, and then remained in lockdown at Alert Level 3 until 13 May.

NZFIW was certified by MPI as an essential business during this period and therefore continued to operate albeit under enhanced tracking and social distancing regime.

After 13 May, NZFIW continued as normal. The effect on our operations is reflected in these financial statements, based on the information available to the date these financial statements are signed. There may be secondary implications that affect the NZFIW in the future due to the effect Covid-19 might have on customers in the medium term. However interviews with our key customers have disclosed to date no significant issues.

We have also disclosed in the financial statements our significant assumptions and judgements regarding the future potential impacts that may have a material impact on. These uncertainties might have a material impact in future.

The main impacts on the NZFIW financial statements due to Covid-19 are explained below:

- Revenue – Management and IP fee revenue from Melody Dairies LP was negatively affected by \$234,195 because commissioning was delayed by three months due to Covid-19

- Operating expenses - NIL

- Impairment of tangible and intangible assets - an impairment assessment has been completed for tangible and intangible assets. The result of this assessment was future cash flows have forecasted to be the same as before Covid-19. Therefore, our assessment is a nil impairment.

PERFORMANCE TARGETS AND RESULTS

For the Year Ended 30 June 2020

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 2019/20 Statement of Corporate Intent was approved by Hamilton City Council.

Budget and actual results	2020 Actual \$000	2020 Statement of Corporate Intent \$000	2019 Actual \$000	2019 Statement of Corporate Intent \$000
EBITDA NZFIW	1,177	1,956	-	-
Revenue NZFIW	-	-	11,200	7,461
NZFIW Cash from operating activities	1,482	856	-	-
Capital expenditure	519	650	164	700
Investment in Melody Dairies	3,604	1,670		

Key objectives and actual results to 30 June 2020

Key objectives	Actual results
1. 284 days of product development production via the spray dryer contributing exceeding \$60 million to the regional economy.	276 days of production via the spray dryer and exports from the spray dryer were estimated at \$45.2 m. We estimate \$218 m of capital investment has been made "on farm" as a result of the NZFIW spray dryer.
2. Commitment by private capital to establish increased spray drying capacity alongside the existing dryer in 2019/2020.	Over \$32m of private capital was raise to establish Melody Dairies Limited Partnership spray dryer. The commissioning of the dryer was completed on the 30th June 2020.
3. A 10% minority interest in new spray dryer is planned to increase open access space for the sheep industry customers. \$1.67 million will available within the company's own cash flow.	NZFIW purchased 6% of the shares in Melody Dairies Limited Partnership. It also obtained a further 5% through the intellectual property we contributed to build the plant.
4. Assist with the development of new valued added sheep milk industry products and the international launch of one substantial new product.	The launch of infant formula for sheep milk was delayed to the 2020/21 year. However we were audited by Danone the largest infant formula seller internationally. This audit allowed Maui Milk to sell its products to Danone to produce infant formula.
5. Income receiving from managing Melody Dairies expects to amount to a net of \$400k.	Covid -19 delayed the construction of Melody Dairies Limited Partnership by 2 months. This means the management fee payments were delayed to 1st July 2020. We did receive \$297,000 of project management fee.