

Central Plains Water Limited

Annual Report

For the year ended 30 June 2011

Central Plains Water Limited

Annual Report

For the year ended 30 June 2011

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Central Plains Water Limited

Business Directory

As at 30 June 2011

Incorporated: 23 May 2003

Company Number: 1304001

IRD Number: 085-693-689

Nature of Business: The establishment of a community irrigation scheme

Registered Office: Deloitte
60 Grove Road
Christchurch

Directors: D J Catherwood
J W Donkers
P G Morrison
W J Palmer
G K Stevenson
P J Munro (appointed 23 August 2011)

Bankers: Rabobank
Level 12
The Terrace
Wellington

Solicitors: Buddle Findlay
425 St Asaph Street
Christchurch

Auditors: KPMG
Level 3
62 Worcester Boulevard
Christchurch

Accountants: Deloitte
60 Grove Road
Christchurch

Wholly Owned Subsidiary: Te Pirita Irrigation Limited

Central Plains Water Limited

Chairman's Review For the year ended 30 June 2011

During the year under review, Central Plains Water Limited continued to make steady progress towards our objective of an affordable and environmentally sustainable irrigation scheme, serving the upper plains of Central Canterbury.

2011 in particular has seen the efforts of the project team committed to resolving appeals through Environment Court Facilitated Mediation process. At the time of writing we have made good progress on all appeals and anticipate having the outstanding appeals agreed in principle within the coming weeks.

Establishing reliable water is key to the success of the scheme. As previously communicated, the scheme in its present consented form is run of river supply only. We have been working hard to progress alternative storage options and thereby provide security and reliability of supply that matches the reliability levels of the scheme prior to removing the storage component.

The project team has been working on a number of options that will contribute to establishing the reliability required for the scheme, namely:

- Appeals have been resolved on the Synlait consent for the Band 2 and 3 subservient water and the Environment Court has signed off the consent;
- Discussions are proceeding with TrustPower on the use of stored water in Lake Coleridge for scheme irrigation;
- Discussions with Rakaia River users are ongoing to improve efficient use of the Rakaia water;
- Developing a water sharing agreement with Barhill Chertsey Irrigation Ltd for the use of Band 4 Rakaia River water; and
- Investigations into alternative water storage options within the scheme area.

These are all positive initiatives, and we will continue to work closely with Environment Canterbury and the Selwyn District Council to ensure that we are developing these options in line with the intent of the Canterbury Water Management Strategy, and the Zone Implementation Plan.

Preliminary designs for stage one of the scheme are being developed which include a 5000-hectare Te Pirita area and the larger 20,000ha area between the Selwyn and Rakaia Rivers. Stage 1 would utilize the existing consented water (unallocated Band 2 & 3 water), and other already consented water.

CPWL has appointed Murray & Company Limited ("Murray & Co") as Financial Advisor. Murray & Co has undertaken an Initial Funding Study for CPW, looking at the viability of multiple operating and capital structure scenarios. To date, Murray & Co has also considered the economic price of off-take and potential funding providers.

A wide range of options exist for funding the scheme. However, a considerable amount of work is required to develop these. Obtaining the requisite funding on competitive terms will be critical to the viability of the Project and is a major priority of the Board now that the Project is close to concluding the consenting phase.

Murray & Co are also working with CPWL to prepare a submission to the Irrigation Acceleration Funder (IAF), which will be submitted to MAF at the end of November 2011.

Central Plains Water Limited

Chairman's Review For the year ended 30 June 2011

We have had great success and support from you with the second share rights issue. All shareholders have paid the partly paid share instalment. Of the \$3m raised, approximately \$2m (including the final instalment of the share rights issue, due in December 2011) funding is available to continue with the next phase of the project.

While it has taken longer to reach this point than anticipated, we have gained considerable momentum in the recent months with the resolution of most of the appeals. This has enabled us to focus energy and resources on the preliminary design stage. We can finally begin to reward your commitment to the vision of a surface water irrigation scheme for the Central Plains and look forward to more discussions with you in the future as we move toward development of the scheme.



Pat Morrison
Chair
Central Plains Water Limited

Central Plains Water Limited

Directors' Report For the year ended 30 June 2011

Nature of Business

The business of the company is the establishment of a community irrigation scheme. The company's business has not changed during the year under review.

Results

The Company sustained a loss for the year.

	<i>This Year</i>	<i>Last Year</i>
	\$	\$
Net surplus (deficit) for the year	(1,805,333)	(2,218,233)
Retained earnings (accumulated losses) as at 1 July 2010	(14,175,728)	(11,957,495)
Retained earnings (accumulated losses) as at 30 June 2011	(15,981,061)	(14,175,728)

State of Affairs

The board of directors are of the opinion that the state of affairs of the company is satisfactory.

Dividend

No dividend was paid during the year.

Financial Statements

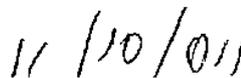
The financial statements for the year ended 30 June 2011 are attached to this report.

Auditors

KPMG have indicated their willingness to continue in office in accordance with Section 200 of the Companies Act 1993.



For and on behalf of the board
P G Morrison
Chairman



Date

Central Plains Water Limited

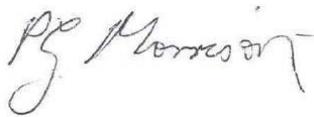
Approval of Annual Report For the year ended 30 June 2011

Authorisation for Issue

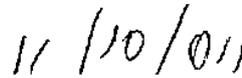
The directors authorise the issue of these financial statements for the year ended 30 June 2011.

Approval by Directors

The Directors are pleased to present the financial statements Central Plains Water Limited for the year ended 30 June 2011.



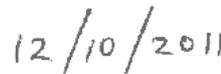
P G Morrison
Chairman



Date



W J Palmer
Director



Date

Central Plains Water Limited

Statement of Comprehensive Income For the year ended 30 June 2011

	<i>Group & Parent</i>	<i>Group & Parent</i>
	<i>This Year</i>	<i>Last Year</i>
	\$	\$
OTHER INCOME		
Interest received	38,479	5,288
Water intake income	18,700	50,000
Grant income	42,020	-
Other income	14 73,704	-
TOTAL INCOME	172,904	55,288
EXPENSES		
Directors' fees	14 -	91,875
Consenting costs	245,809	585,273
Depreciation	91	-
Engineering and environmental	151,489	368,278
Interest	5 817,161	668,584
KPMG audit fees	9,030	8,200
Other expenses	296,752	271,443
Project management	370,867	243,612
Relationship management	87,039	36,255
TOTAL EXPENSES	1,978,237	2,273,521
NET DEFICIT FOR THE YEAR	(1,805,333)	(2,218,233)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME	\$(1,805,333)	\$(2,218,233)

Central Plains Water Limited

Statement of Changes in Equity For the year ended 30 June 2011

<i>GROUP & PARENT</i>	<i>Share Capital</i>	<i>Retained Earnings</i>	<i>Total</i>
	\$	\$	\$
Balance at 1 July 2009	4,257,294	(11,957,495)	(7,700,202)
Total comprehensive income for the year	-	(2,218,233)	(2,218,233)
Issue of ordinary shares	225,000	-	225,000
	<u>225,000</u>	<u>(2,218,233)</u>	<u>(1,993,233)</u>
Balance at 30 June 2010	<u>4,482,294</u>	<u>(14,175,728)</u>	<u>(9,693,434)</u>
Total comprehensive income for the year	-	(1,805,333)	(1,805,333)
Issue of ordinary shares	2,345,584	-	2,345,584
Balance at 30 June 2011	<u>6,827,878</u>	<u>(15,981,061)</u>	<u>(9,153,183)</u>

Central Plains Water Limited

Statement of Financial Position For the year ended 30 June 2011

	<i>Group & Parent</i>	<i>Group & Parent</i>
	<i>This Year</i>	<i>Last Year</i>
	\$	\$
CURRENT ASSETS		
Cash at bank	770,878	895,927
Short-term investments	750,000	-
Accounts receivable and other receivables	2 1,385	89,267
Tax refund due	3 4,300	4,476
Accrued interest	1,438	-
	<u>1,528,001</u>	<u>989,670</u>
NON CURRENT ASSETS		
Property, plant and equipment	11 222,135	22,000
TOTAL ASSETS	<u>1,750,136</u>	<u>1,011,670</u>
CURRENT LIABILITIES		
Accounts payable and accruals	6 340,680	954,138
	<u>340,680</u>	<u>954,138</u>
NON CURRENT LIABILITIES		
Term loans	8 10,562,640	9,750,966
TOTAL LIABILITIES	<u>10,903,319</u>	<u>10,705,104</u>
NET ASSETS (LIABILITIES)	<u>(9,153,183)</u>	<u>(9,693,434)</u>
EQUITY		
Share capital	7 6,827,878	4,482,294
Retained earnings (accumulated deficit)	<u>(15,981,061)</u>	<u>(14,175,728)</u>
TOTAL EQUITY (DEFICIT)	<u>(9,153,183)</u>	<u>(9,693,434)</u>

Central Plains Water Limited

Statement of Cash Flows For the year ended 30 June 2011

	<i>Group & Parent</i>	<i>Group & Parent</i>
	<i>This Year</i>	<i>Last Year</i>
	\$	\$
OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Interest received	37,217	4,714
Water intake income	18,700	-
Grant income	42,020	-
Other income	1,204	-
	<u>99,141</u>	<u>4,714</u>
<i>Cash was applied to:</i>		
Payments to suppliers	1,619,547	1,518,840
<i>Net cash outflow from operating activities</i>	9 (1,520,406)	(1,514,126)
INVESTING ACTIVITIES		
<i>Cash was applied to:</i>		
Deposit on land	-	22,000
Capital investments	200,226	-
	<u>200,226</u>	<u>22,000</u>
<i>Net cash inflow (outflow) from investing activities</i>	(200,226)	(22,000)
FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Loans received	-	2,100,000
Shares issued	2,345,583	225,000
<i>Net cash inflow from financing activities</i>	2,345,583	2,325,000
<i>Net increase (decrease) in cash held</i>	624,951	788,874
Cash at beginning of year	895,927	107,053
<i>Cash at end of year</i>	1,520,878	895,927
Comprising:		
Cash at bank	770,878	895,927
Short-term investments	750,000	-
	<u>1,520,878</u>	<u>895,927</u>

Central Plains Water Limited

Notes to the Financial Statements For the year ended 30 June 2011

1. **SUMMARY OF ACCOUNTING POLICIES**

Statement of Compliance

The company is incorporated in New Zealand. The company is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

The company is an issuer in terms of the Financial Reporting Act 1993.

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

The financial statements comply with NZ IFRS, which ensures they meet International Financial Reporting Standards ("IFRS"). The financial statements were authorised for issue by the directors on 12 October 2011.

Basis of Preparation

The financial statements have been prepared on the basis of historical cost.

Cost is based on the fair value of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2011 and the comparative information presented in these financial statements for the year ended 30 June 2010.

The financial statements are prepared in NZD to the nearest dollar.

SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

Borrowing Costs

Borrowing costs are recognised as an expense in the period which they are incurred.

Cash and Cash Equivalents

Cash and cash equivalents comprise, cash in banks. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Central Plains Water Limited

Notes to the Financial Statements For the year ended 30 June 2011

Financial Assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

The company has classified certain shares and options as financial assets at fair value through profit or loss. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

Financial Instruments Issued by the Company

Debt and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Debt is classified as current unless the company has the unconditional right to defer settlement of the debt for at least 12 months after the end of the reporting period.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments.

Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit or loss over the period of the borrowing using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the borrowings, or where appropriate, a shorter period, to the net carrying amount of the borrowings.

Central Plains Water Limited

Notes to the Financial Statements For the year ended 30 June 2011

Going Concern

The company was formed to investigate, construct and operate a water management scheme for the Central Canterbury Plains. The company is undertaking this through a series of discrete projects, each of which is required to be funded prior to commencement. The company is currently in the process of attempting to obtain the necessary resource consents for the proposed water management scheme. As a result of discussions with the Commissioners, the company has made changes to the proposed scheme, and submitted these for the necessary resource consents.

If the resource consents are obtained by the company, it is possible there will be appeals against the consents. The company's ability to fund legal and other costs beyond the initial resource consent hearing is dependent on its ability to raise further funds from existing shareholders or other sources. The amount of such further funds required cannot be reliably estimated at this time. The financial statements have been prepared under the going concern assumption.

If the resource consents are not obtained, or are lost on appeal, or further funding beyond the resource consent hearing is not obtained, the company would cease to operate as a going concern.

If the company was unable to continue in operational existence for the foreseeable future, adjustments may have to be made to reflect the fact that assets and liabilities may need to be realised at amounts other than those at which they are currently recorded in the balance sheet, and the company may have to provide for further liabilities that may arise. In addition, the company would then, under agreements that it has, reclassify long-term liabilities as current liabilities and equity.

Goods and Services Tax

All balances are presented net of goods and services tax (GST), except for receivables and payables which are presented inclusive of GST.

Income Tax

Current tax

Income tax for the period is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. Income tax is calculated using tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Until resource consents are obtained there are no probable future tax profits and therefore no deferred tax asset has been recognised.

Payables

Trade payables and other accounts payable are recognised when the company becomes obliged to make future payments resulting from the purchase of goods and services.

Central Plains Water Limited

Notes to the Financial Statements For the year ended 30 June 2011

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

Interest income received is stated inclusive of withholding tax and recorded as earned.

Contributions to expenses have been recognised when it is probable the economic benefits will flow to the company.

Water intake income is recognised when it is probable the economic benefits will flow to the company.

Resource Consents

All costs associated with the application for resource consents are recognised as expenses in the period in which they are incurred.

Capital Management

The Board of Directors monitor the capital through monthly forecast projections, monitoring cash inflows and outflows a year in advance.

Standards and Interpretations in Issue Not Yet Adopted

At 30 June 2011, a number of standards and interpretations were in issue but not yet effective. Initial application of the following standards and interpretations is not expected to have any material impact to the financial statements:

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
NZ IFRS 9 - Financial Instruments	1 January 2013	30 June 2014
NZ IFRIC 14 - Amendments to Prepayments of a Minimum Funding Requirement	1 January 2011	30 June 2012
NZ IAS 24 - Amendments to Related Party Disclosures	1 January 2011	30 June 2012
Improvements to New Zealand Equivalents to International Financial Reporting Standards 2010 - Improvements to other standards	1 January 2011	30 June 2012
NZ IAS 12 - Amendments to Deferred Tax: Recovery of Underlying Assets	1 January 2012	30 June 2012
NZ IAS 1 - Amendments to the Presentation of Items of Other Comprehensive Income	1 July 2012	30 June 2013
NZ IFRS 10 - Consolidated Financial Statements	1 January 2013	30 June 2013
NZ IFRS 11 - Joint Arrangements	1 January 2013	30 June 2013
NZ IFRS 12 - Disclosure of Interests in Other Entities	1 January 2013	30 June 2013
NZ IFRS 13 - Fair Value Measurement	1 January 2013	30 June 2013
NZ IAS 19 - Employee Benefits	1 January 2013	30 June 2013
NZ IAS 27 - Separate Financial Statements	1 January 2013	30 June 2013
NZ IAS 28 - Investments in Associates and Joint Ventures	1 January 2013	30 June 2013

Central Plains Water Limited

Notes to the Financial Statements For the year ended 30 June 2011

2. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	<i>This Year</i>	<i>Last Year</i>
	\$	\$
Accounts receivable	1,385	56,250
GST receivable	-	33,017
	<u>1,385</u>	<u>89,267</u>

3. INCOME TAX

	<i>This Year</i>	<i>Last Year</i>
	\$	\$
(a) Reconciliation of taxable income (loss)		
Net surplus (deficit) for the year	(1,805,333)	(2,218,233)
Income tax on net surplus before taxation at current rate of 30%	(541,600)	(732,017)
Taxation effect of permanent differences		
Non deductible expenses	230,449	395,337
Unrecognised tax benefit	311,151	336,680
Tax charge on taxable income	<u>-</u>	<u>-</u>
(b) Current tax assets and liabilities		
Tax charge on taxable income	-	-
Less tax paid		
Resident withholding tax paid	196	573
Prior year tax refund due	4,103	3,903
	<u>4,300</u>	<u>4,476</u>
Tax refund due	<u>(4,300)</u>	<u>(4,476)</u>
(c) Unrecognised tax losses		
Tax losses		
Losses brought forward	3,132,237	2,111,995
Plus		
Net tax deficit for the year	1,068,419	1,020,242
Tax losses available to carry forward	<u>4,200,656</u>	<u>3,132,237</u>

There is a possibility tax losses may be lost in the future before they are able to be used due to a possible change in shareholder continuity or change in business activity as the company has not yet commenced operations.

Central Plains Water Limited

Notes to the Financial Statements For the year ended 30 June 2011

	<i>This Year</i>	<i>Last Year</i>
	\$	\$
<i>(d) Imputation credit account</i>		
Opening balance	573	-
<i>Plus</i>		
Resident withholding tax paid	196	573
	<u>769</u>	<u>573</u>
<i>Less</i>		
Income tax refunded	373	-
Closing balance	<u>396</u>	<u>573</u>

This balance is a disclosure balance only and does not form part of the statement of financial position.

4. **BUSINESS COMBINATIONS**

The company has incorporated Te Pirita Irrigation Limited as a wholly owned subsidiary. The financial statements are not consolidated as there were no material transactions during the year. Te Pirita Irrigation Limited has been formed to construct, commission and operate the Te Pirita scheme of 6,000 hectares. If the construction of the company scheme headrace has not commenced by 2020 then all the shares in Te Pirita Irrigation Limited vest in the users of the Te Pirita scheme.

5. **INTEREST EXPENSES**

Of the \$817,161 recorded in the Statement of Comprehensive Income, \$811,674 relates to accrued interest payable on terms loans.

6. **ACCOUNTS PAYABLE AND ACCRUALS**

	<i>This Year</i>	<i>Last Year</i>
	\$	\$
Central Plains Water Trust creditor	-	440,385
GST payable	6,169	-
Other accruals	29,411	222,711
Trade creditors	305,099	291,043
	<u>340,680</u>	<u>954,138</u>

The average credit period on purchases of services is 30 days. The company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. Environment Canterbury Regional Council provided a \$260,000 credit note per agreement to offset the remaining amount payable.

Central Plains Water Limited

Notes to the Financial Statements For the year ended 30 June 2011

7. CAPITAL

	<i>This Year</i>	<i>Last Year</i>
	\$	\$
Capital		
730,282 fully paid ordinary shares (2010: 390,732) (a)	6,827,878	4,482,294
(a) Fully paid ordinary shares	Quantity	\$
Balance as at 1 July 2009	372,732	4,257,294
Shares issued	18,000	225,000
Balance as at 30 June 2010	390,732	4,482,294
Shares issued	339,550	2,345,583
Balance as at 30 June 2011	730,282	6,827,877

All shares share equally in dividends on surplus and on winding up. The ordinary shares hold equal voting rights. During the year the company raised capital through a share issue totalling \$3,186,357. At balance date \$2,345,584 had been paid.

8. NON CURRENT LIABILITIES

	<i>Principal</i>	<i>Accrued Interest</i>	<i>Total</i>
	\$	\$	\$
This Year			
CEDF Trustee Limited (formerly CDC)	416,667	183,676	600,343
Selwyn District Council	1,678,723	738,800	2,417,523
Other Approved Lenders	5,800,000	1,744,773	7,544,774
	\$7,895,390	\$2,667,250	\$10,562,640
Last Year			
CEDF Trustee Limited (formerly CDC)	416,667	167,336	584,003
Selwyn District Council	1,678,723	672,966	2,351,689
Other Approved Lenders	5,800,000	1,015,273	6,815,274
	\$7,895,390	\$1,855,575	\$9,750,966

Central Plains Water Limited

Notes to the Financial Statements For the year ended 30 June 2011

The company has loans from Canterbury Economic Development Fund Trustee Limited of \$600,343 (2010: \$584,003) and Selwyn District Council of \$2,417,523 (2010: \$2,351,689) (the Lenders). Under the loan agreements the funds will be treated as suspensory loans unless and until the water management scheme is commissioned.

Interest on the Lenders' loans is to be accrued from October 2004 until the date the facility is repaid or when the lender converts the facility into shares. The interest rate on the loans is defined as midway between "offer" and "bid" of the 12 month swap rate as published on the Reuters FISSWAP page at 11am on the business day on which the interest rate is set, plus a margin of 50 basis points. Interest is currently accrued on these loans at 3.32%. All lenders have agreed to add all accrual interest to the loan balances.

The loans will not be repayable in cash until the scheme has been commissioned. At this stage:

- If the scheme proceeds and construction is funded by debt and equity finance, the lenders will have the option to convert their loans into shares (of an agreed class) in any associated and/or related company which may be or is to be the infrastructure owning entity which will be associated with Central Plains Water Limited. Rights to water do not attach to these shares. If lenders do not elect to convert their loans into shares the loans shall be repaid in cash over an agreed period of time.

- If the scheme proceeds and construction is wholly debt financed the lenders will have no right to convert the loan into shares in the associated and/or related company and the loans are to be repaid in cash over an agreed period of time.

There are no specific maturity dates for the loans as repayment depends on the progress of the scheme and options chosen by the company and the lenders. If the scheme does not proceed, the loans apart from accrued interest will be converted into ordinary shares in the company on a dollar for dollar basis.

Included in the approved lenders were loans from related parties, e.g. Clovernook Farm Limited (G S Stevenson - Director) of \$64,094 (2010: \$59,094), Chiswick Farm Limited (J W Donkers - Director) of \$33,293 (2010: \$30,693), Praire Farm Limited (J W Donkers - Director) of \$38,415 (2010: \$35,415), Willsden Farm Limited (J W Donkers - Director) of \$56,342 (2010: \$51,942), Carlow Farm Limited (D J Catherwood - Director) of \$61,548 (2010: \$56,548), Synlait Limited (Shareholder) of \$661,315 (2010: \$601,315), Sheffield Irrigation Limited (W J Palmer - Director) of \$1,158,795 (2010: \$1,038,795).

Loans from approved lenders have the following terms and conditions as part of their loan agreement. Interest on the approved lenders' loans are to be accrued from the drawdown dates until the date the facility is repaid which is to be within 3 months of the operational date of the scheme. The interest rate on the loan is fixed at between 10% - 13.50% per annum until the third anniversary of the drawdown. On the third anniversary of drawdown the approved lender shall adjust the interest rate to the current floating interest rate payable at the time. In consideration of the approved lender entering into the agreement with the company the company grants the approved lender a sub-licence to use resource consents (with certain restrictions) to the extent reasonably necessary to allow the approved lender to irrigate the approved lender's land.

Should the company be unable to continue to seek resource consents, or cease to do so for more than 6 months without repaying the loan, the approved lenders will have the option to continue with the consent application in the name of the Central Plains Water Trust or, with the consent of the Trust, in their own name. Unless the Trust elects not to proceed with the application for the resource consents the ownership of the resource consent will always remain in its name.

Central Plains Water Limited

Notes to the Financial Statements For the year ended 30 June 2011

9. RECONCILIATION OF NET PROFIT

<i>With cash flow from operating activities</i>	Group & Parent This Year \$	Group & Parent Last Year \$
Net deficit for the year	(1,805,333)	(2,218,233)
Add non-cash items:		
Interest expense	811,674	668,584
Depreciation	91	-
	<u>811,765</u>	<u>668,584</u>
	(993,568)	(1,549,649)
Add (less) movements in other working capital items:		
Accounts receivable and other receivables	86,444	(64,182)
Tax refund due	176	(574)
Accounts payable and accruals	(613,458)	100,278
	<u>(526,838)</u>	<u>35,522</u>
Net cash outflow from operating activities	(1,520,406)	(1,514,127)

Central Plains Water Limited

Notes to the Financial Statements For the year ended 30 June 2011

10. FINANCIAL INSTRUMENTS

Currency risk

The company has no exposure to currency risk.

Interest rate risk

The value of the financial instruments will fluctuate due to changes in market interest rates. This could impact on the cost of borrowing. The interest rates on the company's borrowings are disclosed in note 7.

Credit risk

In the normal course of its business the company incurs credit risk from trade debtors and transactions with financial institutions.

The company does not have any significant concentrations of credit risk. It does not require any collateral or security to support financial instruments as it only deposits with, or loans to, banks and other financial institutions with high credit ratings. It does not expect the non-performance of any obligations at balance date.

Liquidity risk

Liquidity risk is the risk that the company may encounter difficulty in raising funds at short notice to meet its commitments.

Capital management

The company's capital includes share capital and retained earnings. The company is not subject to any externally imposed capital requirements. There have been no material changes in the company's management of capital during the period.

Sensitivity analysis

At 30 June 2011 it is estimated that a general increase of one percent in interest rates would increase the company's deficit for the year by approximately \$76,941 (2010: \$66,395).

Fair values

The carrying value is considered by the directors to be the fair value for all on-balance sheet financial instruments.

Central Plains Water Limited

Notes to the Financial Statements For the year ended 30 June 2011

CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	<i>Loans & Receivables</i>	<i>Financial Liabilities at Amortised Cost</i>	<i>Total</i>
As at 30 June 2011	\$	\$	\$
Assets			
Cash at bank	1,520,878	-	1,520,878
Accounts receivable and accruals	2,823	-	2,823
Total financial assets	<u>1,523,701</u>	<u>-</u>	<u>1,523,701</u>
Non financial assets			226,435
Total assets			\$1,750,136
Liabilities			
Accounts payable and accruals	-	340,680	340,680
Loans	-	10,562,640	10,562,640
Total financial liabilities	<u>-</u>	<u>10,903,320</u>	<u>10,903,320</u>
Non financial liabilities			<u>-</u>
Total liabilities			<u><u>\$10,903,320</u></u>
	<i>Loans & Receivables</i>	<i>Financial Liabilities at Amortised Cost</i>	<i>Total</i>
As at 30 June 2010	\$	\$	\$
Assets			
Cash at bank	895,927	-	895,927
Accounts receivable and accruals	89,267	-	89,267
Total financial assets	<u>985,194</u>	<u>-</u>	<u>985,194</u>
Non financial assets			26,476
Total assets			\$1,011,670
Liabilities			
Accounts payable and accruals	-	954,139	954,139
Loans	-	9,750,964	9,750,964
Total financial liabilities	<u>-</u>	<u>10,705,103</u>	<u>10,705,103</u>
Non financial liabilities			<u>-</u>
Total liabilities			<u><u>\$10,705,103</u></u>

Central Plains Water Limited

Notes to the Financial Statements For the year ended 30 June 2011

11. PROPERTY, PLANT AND EQUIPMENT

	<i>Cost</i>	<i>Depreciation</i>	<i>Accum Depn</i>	<i>Book Value</i>
	\$	\$	\$	
This Year				
Land	220,000	-	-	220,000
Office equipment	2,226	91	91	2,135
	\$222,226	\$91	\$91	\$222,135
	<hr/>	<hr/>	<hr/>	<hr/>
Last Year				
Land	22,000	-	-	22,000
	\$22,000	-	-	\$22,000
	<hr/>	<hr/>	<hr/>	<hr/>

12. EVENTS SUBSEQUENT TO BALANCE DATE

The directors are not aware of any matters or circumstances since the end of the financial year, not otherwise dealt with in the financial statements that significantly or may significantly affect the operations of the company.

13. SEGMENT REPORTING

The company operates predominantly in one industry to investigate, construct, and operate a water enhancement scheme.

All operations are carried out within New Zealand.

14. DIRECTORS' REMUNERATION AND OTHER BENEFITS

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

	<i>Accrued \$</i>	<i>Paid \$</i>	<i>Total \$</i>
D J Catherwood			
J W Donkers	3,750	3,750	7,500
P G Morrison	3,750	3,750	7,500
W J Palmer	7,500	7,500	15,000
G K Stevenson	3,750	3,750	7,500
	3,750	3,750	7,500
	22,500	22,500	45,000
	<hr/>	<hr/>	<hr/>

Directors fees of \$166,250 that had been accrued until 31 December 2010 was written off as they are no longer going to be paid. \$93,750 of the write off went against this years director fees and the remaining \$72,500 was included in other income.

15. CAPITAL COMMITMENTS

There are no capital commitments at year end (30 June 2010: \$Nil).

Central Plains Water Limited

Notes to the Financial Statements For the year ended 30 June 2011

16. **CONTINGENT LIABILITIES**

The company has a contingent liability of \$Nil as at 30 June 2011 (2010: \$14,498).

17. **RELATED PARTIES**

During the reporting period Central Plains Water Limited entered into the following transactions with related parties:

Selwyn District Council

The Selwyn District Council holds one share in the company. The company made payments to Selwyn District Council for land use consent applications. These payments were \$Nil for the reporting period (2010: \$78,514). The amount owed by the company to the council at 30 June 2011 was \$Nil (2010: \$6,514). At balance date there was an outstanding loan balance to the Council of \$1,678,722 (2010: \$1,678,722) and interest of \$738,800 has been accrued on this loan balance (2010: \$672,966).

Christchurch City Council

The Christchurch City Council holds one share in the company. Christchurch City Council provided management support for the company for which no charge was made in the current year. During the year the Selwyn District Council took over the outstanding Christchurch City Council loan balance. At balance date there was no outstanding loan balance to the Council.

Central Plains Water Trust

Central Plains Water Trust is an associate of the Christchurch City Council and Selwyn District Council. The trust provided services and assistance to the company to the value of \$52,355 (2010: \$55,256).

The following director of the company is a trustees of the Trust:
Mr D J Catherwood

Directors

Mr W J Palmer, a director of the company, is a partner in Buddle Findlay. During the reporting period the company entered into normal commercial transactions with Buddle Findlay. These transactions totalled \$323,345 (2010: \$389,497). The amount owed by the company at 30 June 2011 was \$57,065 (2010: \$76,390).

The Ritso Society Incorporated

Central Plains Water Limited made no payments to The Ritso Society Incorporated during the year. The amount owed by the company at 30 June 2011 was \$Nil.

The following directors of the company are members of Ritso:

Mr P G Morrison
Mr J W Donkers
Mr D J Catherwood
Mr G K Stevenson

Approved Lenders

Included in the non current liabilities are a number of loans from related parties. These related parties have been identified in 7.



Independent Auditor's Report

To the Shareholders of Central Plains Water Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Central Plains Water Limited ("the company and group") on pages 6 to 22. The financial statements comprise the statement of financial position as at 30 June 2011, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

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

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

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

Other than in our capacity as auditors we have no relationship with, or interests in, the company or group.



Opinion

In our opinion the financial statements on pages 6 to 22:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the company and group as at 30 June 2011 and of its financial performance and cash flows for the year then ended.

Emphasis of matter

In forming our unmodified opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the ability of the company and group to successfully obtain resource consents and further funding. The Directors are presently uncertain about the outcome of these matters.

The financial statements have been prepared on a going concern basis, the validity of which depends upon obtaining further funding from existing shareholders and other sources. If the company and group was unable to continue in operational existence for the foreseeable future, adjustments may have to be made to reflect the fact that assets may need to be realised at amounts other than those at which they are currently recorded in the statement of financial position, and the company and group may have to provide for further liabilities that may arise. In addition, the company and group may have to reclassify non-current assets and non-current liabilities as current assets and liabilities. Further details of the circumstances of this material uncertainty are described in note 1 of the financial statements. Our opinion is not qualified in this respect.

Report on other legal and regulatory requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Central Plains Water Limited as far as appears from our examination of those records.

12 October 2011

Christchurch

Central Plains Water Limited

Statutory Disclosure Statement For the year ended 30 June 2011

DIRECTORS INTERESTS

General Disclosures:

The following general disclosures of interest have been given by directors of the company pursuant to Section 140(2) of the Companies Act 1993.

William Palmer

<i>Name of Company</i>
Waddington Farm Limited Budfin Nominees Limited Otarama Investments Limited

Patrick Morrison

<i>Name of Company</i>
Pauri Bank Farm Limited

John Donkers

<i>Name of Company</i>
Camden Dairy Farms Limited Dairy Farm Management Services Limited My Farmside Limited Chiswick Farm Limited Praire Farm Limited Wigram Brewing Company Limited Camtelco Limited Alto Holdings Limited Baycity Communications Limited Baycity Communications Holdings Limited Baycity Technologies Limited Baycity Dairy Limited Farmside Limited Farmside Technologies Limited Burnham Farm Limited

Douglas Catherwood

<i>Name of Company</i>
Carlow Farm Limited Te Pirita Irrigation Limited

Geoff Stevenson

<i>Name of Company</i>
Clovernook Farm Limited Hartree Farm Limited Loves Road Holdings Limited Te Pirita Irrigation Limited

Central Plains Water Limited

Statutory Disclosure Statement For the year ended 30 June 2011

Specific Disclosures:

There are no specific disclosures of interest which have been given by directors of the company pursuant to Section 140(1) of the Companies Act 1993.

Directors and Former Directors

The persons listed below held office as directors during the year. No other persons held the office of director at any time during the year.

D J Catherwood
J W Donkers
P G Morrison
W J Palmer
G K Stevenson
P J Munro (appointed 23 August 2011)

Interest Register

Mr D J Catherwood together with his associated persons owns 3,200 shares in the company.

Mr P G Morrison owns 4,000 shares in the company.

Mr W J Palmer is a beneficiary and trustee of the Palmer Family Trust which owns 2,200 shares in the company.

Mr G K Stevenson is a director and shareholder of:

- Harptree Farm Limited which owns 1,800 shares in the company; and
- Clovernook Farm Limited which owns 4,254 shares in the company.

Mr J W Donkers is a director of Willsden Farm Limited which owns 10,284 shares in the company and a director and shareholder of:

- Chiswick Farm Limited which owns 6,318 shares in the company;
- Praire Farm Limited which owns 6,906 shares in the company; and
- Burnham Farm Limited which owns 4,560 shares in the company.

The directors have declared that they do not have any other interest in transactions with the company, apart from those disclosed in Note 16 to the Financial Statements.

Use of Company Information

There were no notices from the directors of the company requesting to use company information in their capacity as directors which would not have otherwise been available to them.

Central Plains Water Limited

Statutory Disclosure Statement For the year ended 30 June 2011

Share Dealing

During the reporting period the following directors have acquired further direct and indirect interests in the company.

Mr D J Catherwood together with his associated persons acquired a further 1,600 shares in the company.

Mr P G Morrison acquired a further 2,000 shares in the company.

Mr W J Palmer is a beneficiary and trustee of the Palmer Family Trust which acquired a further 1,200 shares in the company.

Mr G K Stevenson is a director and shareholder of Harptree Farm Limited which acquired a further 900 shares in the company and Clovernook Farm Limited which acquired a further 2,127 shares in the company.

Mr J W Donkers is a director of Willsden Farm Limited which acquired a further 5,142 shares in the company. Mr Donkers is also a director and shareholder of Chiswick Farm Limited which acquired a further 3,159 shares in the company, Praire Farm Limited which acquired a further 3,453 shares in the company and Burnham Farm Limited which acquired a further 2,280 shares in the company.

Donations

There were no donations made during the 2011 financial year.

Directors' Benefits

The directors have not received or become entitled to receive any benefits other than a benefit included in directors' fees as shown in financial statements.

Directors' Insurance

The company has arranged policies for directors' liability, which ensures that generally the directors will incur no monetary loss as a result of actions undertaken by them as directors.