

CENTRAL PLAINS
WATER



**Central Plains Water Limited
Annual Report
For the year ended 30 June 2017**



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Chairman's review

Year in Review

The 2017 financial year has been another extremely busy and positive year for the company with a series of important milestones met.

We achieved another very successful season of irrigation supply to the Stage 1 area of the scheme with the 2016/17 irrigation season completing in mid-April due to low scheme demand in a wet March/April period. This enabled an early start on Stage 2 construction. The scheme infrastructure performed very well with near 100% availability. Use of stored water was well down on the previous year.

It was pleasing to see the continued decrease in groundwater abstraction for irrigation as farmers converted to the scheme's renewable alpine river water supply. This is a key positive outcome for the Selwyn - Waihora catchment, a successful CPWL scheme is an essential part of the Canterbury Land and Water Strategy.

Construction commenced on the Stage 2 area of the scheme in December 2016. The initial focus of contractor Downer EDI to 30 June 2017 has been on finalising detailed design and the procurement and manufacture of pipeline materials. At the time of writing the scheme area is now very busy with construction activity across ten different construction sites. Construction is progressing well, with a busy twelve months ahead to ensure the delivery of first water to the Stage 2 area in September 2018.

A highlight for the year has been the financing and delivery of the Sheffield Scheme. Following a successful capital raise in late 2016, and then loan facility availability in early February 2017, construction activity on the Sheffield Scheme has been frenetic. Despite real challenges, due to the wet winter, contractor Fulton Hogan will commission the Sheffield scheme in October 2017.

Financial Performance and Position

The company is reporting a "Loss for the year" of \$(8.4) million. This Loss reflects notably; a non-cash depreciation charge of \$5.9 million on Stage 1 infrastructure, a non-cash deferred tax liability of \$0.7 million on the tax variance for depreciation and around a net \$1 million of early design and administration costs that cannot be capitalised under financial reporting standards. The company is likely to continue to report accounting losses in the early years of its operation due to the very high depreciation charge from its large asset base.

The company's balance sheet at 30 June 2017 reflects the start of additional construction activity on Stage 2 and Sheffield with total assets increasing to \$249.2 million (2016: \$161.5 million). "Interest bearing liabilities" (bank loans and Crown Irrigation Investments Limited loan) have funded the bulk of the increase in scheme infrastructure and have increased to \$182.3 million (2016: \$147.6 million). "Total Equity" has increased to \$29.9 million following the Stage 2 and Sheffield construction share issues.

Also of note on the balance sheet is the revaluation loss on "Derivative financial instruments" (interest rate hedges) of \$(17.8) million (2016: \$(18.5) million). The company is required under its loan terms to fix interest rates for approximately 5 years. There was a revaluation gain on existing hedges of \$4.9 million, however there was a \$(4.2) million revaluation loss on new hedging put in place for the Stage 2 and Sheffield loan arrangements.

Outlook

The focus for 2017/18 includes commissioning and successfully operating the Sheffield Scheme and completing the construction of Stage 2 to be ready for commissioning in September 2018. There is another very busy year ahead.

People and Supporters

I thank the Board, and staff for their hard work and commitment to another outstanding season of water delivery and their efforts toward the successful construction of the balance of the CPW scheme. I also recognise and thank the support from our commercial suppliers, banks, CIIL and contractors to bring this venture to reality.

Shareholder Support

Thank you to all our shareholders for their continued support throughout the year, particularly the Stage 2 and Sheffield shareholders who have had to make significant equity payments during the year, and in many cases have also had to cope with disruption from construction activity across their properties. The goal is within sight.



Directors' report

The Board of Directors have pleasure in presenting the annual report of Central Plains Water Limited, incorporating the financial statements and the auditor's report, for the year ended 30 June 2017.

Results

The Company reported a loss for the year.

	This Year	Last Year
Net profit (loss) for the year	(8,369,161)	(10,720,015)
Retained earnings (accumulated losses) as at 1 July	(41,602,591)	(30,882,576)
Retained earnings (accumulated losses) as at 30 June	<u>(49,971,752)</u>	<u>(41,602,591)</u>

Cash flow hedge

The Company has recognised a "cash flow hedge reserve" of \$(12,847,493) reflecting the revaluation of unrealised losses on interest rate hedges after tax. The Company was required in 2014 under the terms of its bank loans for Stage 1 to fix 100% of interest rate risk for a five year period. The banking requirement to minimise interest rate risk has been similar for Stages 2 and Sheffield. The actual losses or gains realised will depend on movements in interest rates over the term of the interest rate hedges.

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.

Auditors

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

The Board of Directors of Central Plains Water Limited authorised these financial statements presented on pages 4 to 26 for issue on 26 September 2017.

For and on behalf of the Board.



D J Catherwood
Chairperson

26 September 2017



P J Munro
Director

26 September 2017

Central Plains Water Limited
Statement of comprehensive income
For the year ended 30 June 2017

Statement of comprehensive income

For the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Operating income		15,090,930	15,350,377
Grants received	4	5,008,931	3,293,983
Interest received		184,320	71,232
Water licensing		<u>-</u>	<u>89,400</u>
Total income		<u>20,284,181</u>	18,804,992
Operating expenses		(4,903,705)	(4,713,633)
Depreciation and amortisation expense		(5,892,451)	(4,624,653)
Design expenses		(5,483,249)	(6,939,238)
Directors expenses		(384,791)	(340,419)
Audit expenses		(38,545)	(18,625)
Other administration expenses		(891,735)	(1,373,564)
Finance costs	5	<u>(10,361,689)</u>	<u>(7,979,878)</u>
Total expenses		<u>(27,956,165)</u>	<u>(25,990,010)</u>
Loss before income tax		(7,671,984)	(7,185,018)
Income tax benefit (expense)	7	<u>(697,177)</u>	<u>(3,534,997)</u>
Loss for the year		<u>(8,369,161)</u>	<u>(10,720,015)</u>
Other comprehensive income:			
Changes in fair value of cash flow hedges	18	632,904	(6,253,062)
Income tax benefit on fair value of cash flow hedges		<u>(177,213)</u>	<u>1,750,857</u>
Other comprehensive income for the year, net of tax		<u>455,691</u>	<u>(4,502,205)</u>
Total comprehensive income for the year		<u>(7,913,470)</u>	<u>(15,222,220)</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.



Statement of changes in equity

For the year ended 30 June 2017

Consolidated	Notes	Share Capital \$	Reserve for treasury shares \$	Other reserves \$	Retained earnings \$	Total equity \$
Balance as at 1 July 2015		45,536,162	(32,000)	(6,203,847)	(30,882,576)	8,417,739
Comprehensive income						
Loss for the year		-	-	-	(10,720,015)	(10,720,015)
Other comprehensive income for the year		-	-	(4,502,205)	-	(4,502,205)
Proceeds from construction shares issued		308,000	-	-	-	308,000
Proceeds from pre-construction shares issued		-	-	(286,540)	-	(286,540)
Balance as at 30 June 2016		<u>45,844,162</u>	<u>(32,000)</u>	<u>(10,992,592)</u>	<u>(41,602,591)</u>	<u>(6,783,021)</u>
Balance as at 1 July 2016		45,844,162	(32,000)	(10,992,592)	(41,602,591)	(6,783,021)
Comprehensive income						
Loss for the year		-	-	-	(8,369,161)	(8,369,161)
Other comprehensive income for the year	18	-	-	455,691	-	455,691
Proceeds from ordinary shares issued	17	-	32,000	-	-	32,000
Proceed from Stage 2 construction shares issued	17	32,784,638	-	-	-	32,784,638
Proceed from Sheffield construction shares issued	17	11,751,408	-	-	-	11,751,408
Write off unpaid Pre-construction shares	17	(37,160)	-	-	-	(37,160)
Land acquisition reserve		-	-	49,127	-	49,127
Balance as at 30 June 2017		<u>90,343,048</u>	<u>-</u>	<u>(10,487,774)</u>	<u>(49,971,752)</u>	<u>29,883,522</u>

2017 2016

Number of shares on issue:

Ordinary shares	17	799,398	799,398
Stage 1 construction shares	17	18,291	18,291
Pre-construction shares	17	28,855	29,215
Stage 2 construction shares	17	16,422	-
Sheffield construction shares	17	4,011	-

The above statement of changes in equity should be read in conjunction with the accompanying notes.



Statement of financial position

As at 30 June 2017

	Notes	2017 \$	2016 \$
ASSETS			
Current assets			
Cash and cash equivalents		8,945,397	3,494,521
Trade and other receivables	10	5,706,544	662,434
Share instalments receivable	10	17,750,817	37,161
Current tax receivables		-	455
Other current assets	11	3,136,030	3,295,054
Total current assets		<u>35,538,788</u>	<u>7,489,625</u>
Non-current assets			
Property, plant and equipment	12	211,460,917	152,190,980
Intangible assets	13	1,479,034	162,254
Deferred tax assets	9	764,074	1,638,463
Other investments		200	200
Total non-current assets		<u>213,704,225</u>	<u>153,991,897</u>
Total assets		<u>249,243,013</u>	<u>161,481,522</u>
LIABILITIES			
Current liabilities			
Trade and other payables	14	19,184,395	2,216,320
Interest bearing liabilities	15	776,684	785,180
Derivative financial instruments	16	235,876	254,056
Total current liabilities		<u>20,196,955</u>	<u>3,255,556</u>
Non-current liabilities			
Interest bearing liabilities	15	181,554,671	146,786,400
Derivative financial instruments	16	17,607,865	18,222,587
Total non-current liabilities		<u>199,162,536</u>	<u>165,008,987</u>
Total liabilities		<u>219,359,491</u>	<u>168,264,543</u>
Net assets		<u>29,883,522</u>	<u>(6,783,021)</u>
EQUITY			
Contributed equity	17	90,343,048	45,812,162
Reserves	18	(10,487,774)	(10,992,592)
Retained earnings		(49,971,752)	(41,602,591)
Total equity		<u>29,883,522</u>	<u>(6,783,021)</u>


 D J Catherwood
 Chairperson

26 September 2017


 PJ Munro
 Director

26 September 2017

The above statement of financial position should be read in conjunction with the accompanying notes.



Central Plains Water Limited
Statement of cash flows
For the year ended 30 June 2017

Statement of cash flows

For the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Interest received		185,429	71,232
Receipts from customers		15,594,580	14,797,374
Water licensing		-	89,400
Grant income		5,008,931	3,293,983
Payments to suppliers		<u>(13,163,236)</u>	<u>(17,657,303)</u>
Net cash inflow / (outflow) from operating activities	19	<u>7,625,704</u>	<u>594,686</u>
Cash flows from investing activities			
Purchases of property, plant and equipment		<u>(3,476,100)</u>	(3,499,977)
Capital work in progress		<u>(49,931,850)</u>	<u>(12,099,354)</u>
Net cash inflow / (outflow) from investing activities		<u>(53,407,950)</u>	<u>(15,599,331)</u>
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		43,038	-
Proceeds from issuance of construction shares		26,785,229	-
Proceeds from bank borrowings		44,127,997	16,940,320
Proceed from loans		-	5,155,404
Repayment of contingency reserve account		-	3,000,000
Repayment of bank borrowings		(785,180)	(611,462)
Repayment of loans		(8,583,042)	-
Interest expense		<u>(10,354,920)</u>	<u>(7,979,877)</u>
Net cash inflow / (outflow) from financing activities		<u>51,233,122</u>	<u>16,504,385</u>
Net increase (decrease) in cash and cash equivalents		5,450,876	1,499,740
Cash and cash equivalents at the beginning of the financial year		<u>3,494,521</u>	<u>1,994,781</u>
Cash and cash equivalents at end of year		<u>8,945,397</u>	<u>3,494,521</u>



1 Reporting Entity

Central Plains Water Limited is a company registered under the Companies Act 1993. The consolidated financial statements as at and for the year ended 30 June 2017 are for Central Plains Water Limited (the 'Company') and its subsidiaries Te Pirita Irrigation Limited (non-trading) and Band 4 Water Limited (non-trading) (together 'the Group').

Central Plains Water Limited purpose is the establishment and operation of an irrigation scheme.

The Group is an FMC Reporting Entity in terms of the Financial Markets Conduct Act 2013 and the financial statements have been prepared in accordance with the requirements of the Act and the Financial Reporting Act 2013. The Group has prepared consolidated financial statements in accordance with the Financial Markets Conduct Act 2013, and therefore a separate set of financial statements for the company is not required to be prepared in accordance with the Act.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Company 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 ('NZ IFRS') and other applicable Financial Reporting Standards, as applicable for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards ('IFRS').

Statutory base

Central Plains Water Limited is a company domiciled in New Zealand and registered under the Companies Act 1993. The Company is an issuer for the purposes of the Financial Reporting Act 2013 and its financial statements comply with the Act.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

- **NZ IFRS 16, 'Leases'** which sets out the principles for the recognition, measurement, presentation and disclosure of leases. The full effect of this standard has yet to be assessed for the Company.

At balance date the Company has an active lease on the commercial premises with a term of 3 years expiring September 2019.

Critical accounting estimates

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(b) Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.



2 Summary of significant accounting policies (continued)

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company and the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in New Zealand Dollars (\$), which is the Company's presentation currency and rounded to the nearest dollar (\$0).

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities, as described below. The Company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Interest income

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

(ii) Water licensing income

Water licensing income is recognised when it is probable the economic benefit will flow to the company.

(e) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

(f) Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

(g) Goods and Services Tax (GST)

The profit and loss component of the statement of comprehensive income has been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(i) Trade and other receivables

Trade receivables are amounts due from customers for water licensing or grant income incurred in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.



2 Summary of significant accounting policies (continued)

(j) Investments and other financial assets

Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'cash and cash equivalents' and 'trade and other receivables' in the statement of financial position (notes 2(h) and (i)).

(iii) Available for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit and loss component of the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(k) Derivatives

The Company enters into derivative financial instruments to manage its exposure to interest rate risk, using interest rate swaps.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as hedges of a highly probable forecast transaction (cash flow hedge).

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 16. Movements on the hedging reserve in other comprehensive income are shown in note 18. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss component of the statement of comprehensive income.



2 Summary of significant accounting policies (continued)

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the loan payment that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the profit and loss component of the statement of comprehensive income. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit and loss component of the statement of comprehensive income.

(l) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance date. The quoted market price used for financial assets held by the Company is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows.

(m) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss component of the statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the diminishing value method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

- Motor vehicles	3-5 years
- Office equipment	2-4 years
- Software	2 years
- Plant and equipment	8-10 years
- Water consents	13-23 years
- Scheme Infrastructure	15-50 years

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

(n) Construction work in progress

Construction work in progress is stated at historical cost and includes all costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It excludes costs such as administration and other general overhead costs. Capitalisation of construction work in progress commences from the point the Company considers it probable that the project will go ahead. Construction work in progress includes design and project development costs from that point. All design and project development costs prior to the point at which the project becomes probably are expensed.



2 Summary of significant accounting policies (continued)

(o) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are stated at cost.

(p) Interest bearing liabilities

Interest bearing liabilities are recognised initially at fair value, net of transaction costs incurred. Interest bearing liabilities are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss component of the statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(q) Borrowing costs

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

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 borrowing costs are recognised in the Statement of Comprehensive Income in the period in which they are incurred.

(r) Contributed Equity

Ordinary shares, construction shares and pre-construction shares are classified as equity.

Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effect is included in equity attributable to the Company's equity holders.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The preparation of the consolidated financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and assumptions.

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

(i) *Going concern*

These financial statements have been prepared under the going concern assumption. Stage 1 has completed its second successful year of operations. The Company began construction of the Stage 2 and Sheffield schemes which are due for completion in October 2018 and October 2017 respectively. The Company has water use agreements in place with all construction shareholders that provide the ability to recover the ongoing costs of operations. This enables the Company to have sufficient cash flow to meet loan repayment and liquidity requirements and to operate as a going concern.



4 Grants received

The company has entered into Funding Agreements in April 2016 with the Ministry for Primary Industries to the total value of \$6,640,000 for Stage 2 and \$898,000 for Sheffield from the Irrigation Acceleration Fund. These contracts were novated in June 2016 to Crown Irrigation Investments Limited. The funding agreements provide for reimbursement of 50% of qualifying expenditure on agreed pre-construction work programs required for the Stage 2 and Sheffield development to reach an investment ready state. The grant income must be matched or co-funded by the Company.

During the year, the Stage 2 and Sheffield Irrigation Acceleration Funding Agreements were completed and closed.

5 Finance expenses

	2017 \$	2016 \$
Finance costs		
IRD use of money interest	6,769	-
ANZ & Westpac term loan	5,487,729	4,704,468
Cash flow hedge	4,566,590	2,888,279
Crown Irrigation Investments Limited	257,327	356,613
Selwyn District Council	43,274	30,518
Total finance costs	<u>10,361,689</u>	<u>7,979,878</u>

The Company began capitalising borrowing costs for Stage 2 in December 2016, amounting to \$1,720,037 (2016: nil) and Sheffield in February 2017, amounting to \$366,695 (2016: nil).

6 Financial risk management

(a) Market risk

(i) Interest rate risk

Group policy is to maintain 100% of its borrowings for the first 5 years of operations in fixed rate instruments. This is currently a requirement of its bank borrowings. After year 5, the Group policy is to maintain a declining profile between 75-100% of its borrowings in fixed rate instruments over a period of up to 15 years.

The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

As at the reporting date, the Company had the following interest rate swap contracts outstanding or commencing within the next 5 years:

	30 June 2017		30 June 2016	
	Balance \$'000	% of total loans %	Balance \$'000	% of total loans %
Current or less than 1 year	286,000	70.0%	144,000	69.0%
1 to 2 years	28,000	10.0%	12,000	6.0%
2 to 3 years	49,000	10.0%	12,000	6.0%
3 to 4 years	10,000	2.0%	18,000	8.0%
4 to 5 years	40,000	8.0%	24,000	11.0%
	<u>413,000</u>	<u>100.0%</u>	<u>210,000</u>	<u>100.0%</u>

Refer note 16(a)(i) for further information on revaluation and fixed interest rates.



6 Financial risk management (continued)

(ii) *Summarised sensitivity analysis*

The following table summarises the sensitivity of the Group's financial liabilities to interest rate risk.

Consolidated

	Carrying amount \$'000	Interest rate risk		
		-1%	+1%	
	Profit / OCI \$'000	Equity \$'000	Profit / OCI \$'000	Equity \$'000
30 June 2017				
Financial liabilities				
Derivatives - cash flow hedges	(17,844)	-	(18,468)	- 16,971
Total increase/ (decrease)	(17,844)	-	(18,468)	- 16,971

	Carrying amount \$'000	Interest rate risk		
		-1%	+1%	
	Profit / OCI \$'000	Equity \$'000	Profit / OCI \$'000	Equity \$'000
30 June 2016				
Financial liabilities				
Derivatives - cash flow hedges	(18,477)	-	(7,783)	- 7,252
Total increase/ (decrease)	(18,477)	-	(7,783)	- 7,252

(b) Credit risk

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.

(c) Liquidity risk

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

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 2 months	Between 2 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
30 June 2017					
Interest rate swaps	1,006,871	6,500,160	9,087,817	21,196,094	19,064,993
Trade and other payables	18,635,344	549,052	-	-	-
Interest bearing liabilities	2,772,788	15,329,744	19,683,318	52,982,597	371,365,398
Total	22,415,003	22,378,956	28,771,135	74,178,691	390,430,391
30 June 2016					
Interest rate swaps	703,033	4,204,209	8,849,014	25,423,971	-
Trade and other payables	1,809,990	691,326	-	-	-
Interest bearing liabilities	1,062,884	4,625,375	1,746,487	6,362,532	365,544,780
Total	3,575,907	9,520,910	10,595,501	31,786,503	365,544,780



6 Financial risk management (continued)

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Company's financial assets and liabilities that are measured at fair value at 30 June 2017 and 30 June 2016.

	Level 1 \$	Level 2 \$	Level 3 \$
30 June 2017			
Financial liabilities at fair value through profit or loss			
Derivatives used for hedging			
Interest rate swaps	-	17,843,741	-
Total liabilities	-	17,843,741	-
	Level 1 \$	Level 2 \$	Level 3 \$
30 June 2016			
Financial liabilities at fair value through profit or loss			
Derivatives used for hedging			
Interest rate swaps	-	18,476,643	-
Total liabilities	-	18,476,643	-

(e) Capital risk management

The company's capital includes ordinary share capital, construction capital, pre-construction 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.



6 Financial risk management (continued)

(f) Financial instruments by category

Financial assets as per balance sheet	Loans and receivables \$	Available for sale \$	Total \$
At 30 June 2017			
Cash and cash equivalents	8,945,397	-	8,945,397
Trade and other receivables	23,457,361	-	23,457,361
Available for sale financial assets	-	200	200
	<u>32,402,758</u>	<u>200</u>	<u>32,402,958</u>
At 30 June 2016			
Cash and cash equivalents	3,494,521	-	3,494,521
Trade and other receivables	699,595	-	699,595
Available for sale financial assets	-	200	200
	<u>4,194,116</u>	<u>200</u>	<u>4,194,316</u>
	Derivatives used for hedging \$	Measured at amortised cost \$	Total \$
Financial liabilities as per balance sheet			
At 30 June 2017			
Trade and other payables	-	19,184,396	19,184,396
Derivative financial instruments	17,843,741	-	17,843,741
Borrowings	-	182,331,355	182,331,355
	<u>17,843,741</u>	<u>201,515,751</u>	<u>219,359,492</u>
At 30 June 2016			
Trade and other payables	-	2,216,321	2,216,321
Derivative financial instruments	18,476,643	-	18,476,643
Borrowings	-	147,571,580	147,571,580
	<u>18,476,643</u>	<u>149,787,901</u>	<u>168,264,544</u>

7 Income tax

	2017 \$	2016 \$
(a) Income tax expense		
Current tax	-	-
Deferred tax	<u>(697,177)</u>	<u>(3,534,997)</u>
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	<u>(7,671,984)</u>	<u>(7,185,018)</u>
Income tax @ 28%	<u>(2,148,156)</u>	<u>(2,011,805)</u>
Tax effects of:		
• Expenses not-deductible/(capitalised amounts deductible) for tax purposes	(1,285,179)	(1,575,144)
• Prior year expenses not-deductible/(capitalised amounts deductible) for tax purposes	1,269,737	(1,928,816)
• Current-year losses for which no deferred income tax asset is recognised	<u>2,163,598</u>	<u>5,515,765</u>
Current tax	<u>-</u>	<u>-</u>
Deductible/taxable temporary differences for which a deferred tax liability was recognised	<u>(697,177)</u>	<u>(3,534,997)</u>
(c) Unrecognised tax balances		
Losses brought forward	34,216,513	14,395,199
Adjustments recognised in the current year in relation to the current tax of prior years	(4,429,166)	6,888,628
Net tax deficit for the year	12,261,911	12,810,532
Deductible/(taxable) temporary differences not recognised	-	(141,223)
Prior year deductible/(taxable) temporary differences not recognised	-	263,377
Unrecognised deferred tax balances	<u>42,049,258</u>	<u>34,216,513</u>

(d) Tax (charge)/credit relating to components of other comprehensive income

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	Before tax \$	Tax (expense) / benefit \$	After tax \$
Consolidated			
30 June 2017			
Current tax	-	-	-
Deferred tax (note 9)	632,904	(177,213)	455,691
Other comprehensive income	<u>632,904</u>	<u>(177,213)</u>	<u>455,691</u>
30 June 2016			
Current tax	-	-	-
Deferred tax (note 9)	(6,253,062)	1,750,857	(4,502,205)
Other comprehensive income	<u>(6,253,062)</u>	<u>1,750,857</u>	<u>(4,502,205)</u>

8 Imputation credits

	2017 \$	2016 \$
Imputation credit account		
Balance at beginning of year	4,531	16,697
Resident withholding tax paid	-	-
Tax payments, net of refunds	(477)	(6,840)
Prior year tax adjustment	-	(5,326)
Balance at end of year	<u>4,054</u>	<u>4,531</u>



9 Deferred tax assets (liabilities)

	2017	2016
	\$	\$
The balance comprises temporary differences attributable to:		
Derivatives held for trading	4,996,247	5,173,460
Temporary differences giving rise to deferred tax liability	<u>(4,232,173)</u>	<u>(3,534,997)</u>
Total deferred tax assets (liabilities)	<u>764,074</u>	<u>1,638,463</u>

At 30 June 2017 a deferred tax liability of \$4,232,173 (2016:\$3,534,997) was recognised relating to the temporary differences on property, plant & equipment 'Scheme Infrastructure'.

10 Trade and other receivables

	2017	2016
	\$	\$
Trade receivables	158,784	662,434
Share instalments receivable	17,750,817	37,161
Prepayments	2,750,844	-
Net GST receivable	<u>2,796,916</u>	<u>-</u>
	<u>23,457,361</u>	<u>699,595</u>

As of 30 June 2017, trade receivables of \$158,784 (2016: \$662,434) were fully performing.

(a) Share instalments outstanding

This amount has arisen from transactions outside the usual operating activities of the Company. During 2016 the Company issued construction and pre-construction shares on the 5 November 2013 with 50% payable on the allotment date with the balance payable during next year in two instalments (1 July 2014 and 30 November 2014). During 2017 the Company issued Stage 2 construction shares on the 7 September 2016 with 50% payable on the allotment date with the balance payable on 1 July 2017. At 26 September, the Company has received 99% of share calls outstanding.

(b) Prepayments

This amount comprises loan fees and insurance in relation to the Company's Work in Progress construction asset and are amortised over the expected life of the facility or duration of construction.

11 Other current assets

	2017	2016
	\$	\$
Cash Deposits		
Contingency reserve account	2,000,575	2,001,644
Dry shares provision	<u>1,135,455</u>	<u>1,293,410</u>
	<u>3,136,030</u>	<u>3,295,054</u>

The cash deposits have an interest rate of 0.35% (2016: 1%). These accounts are required to be current and available for use at any time under the Company's loan agreements.

The Contingency reserve account is required under the Company's loan agreements to fund operational expenses if unforeseen circumstances occur which means the Company cannot make revenue.

The Dry Shares Provision was provided under the Company's loan agreements to fund capital expenditure incurred to connect additional customers in Stage 1.



12 Property, plant and equipment

	Construction work in progress \$	Freehold land \$	Office equipment \$	Motor vehicles \$	Other plant and equipment \$	Scheme Infrastructure \$	Total \$
Year ended 30 June 2016							
Opening net book amount	140,615,710	250,000	86,688	170,935	84,027	-	141,207,360
Additions	12,099,354	287,392	38,931	4,844	17,754	3,174,984	15,623,259
Disposals	-	-	(205)	(5,003)	(18,720)	-	(23,928)
Assets included in a disposal group classified as held for sale and other disposals	(152,715,064)	-	-	-	-	152,715,064	-
Depreciation charge	-	-	(45,616)	(34,017)	(11,108)	(4,524,970)	(4,615,711)
Closing net book amount	<u>-</u>	<u>537,392</u>	<u>79,798</u>	<u>136,759</u>	<u>71,953</u>	<u>151,365,078</u>	<u>152,190,980</u>
At 30 June 2016							
Cost	-	537,392	215,373	219,082	85,431	155,890,048	156,947,326
Accumulated depreciation	-	-	(135,575)	(82,323)	(13,478)	(4,524,970)	(4,756,346)
Net book amount	<u>-</u>	<u>537,392</u>	<u>79,798</u>	<u>136,759</u>	<u>71,953</u>	<u>151,365,078</u>	<u>152,190,980</u>
Year ended 30 June 2017							
Opening net book amount	-	537,392	79,798	136,759	71,953	151,365,078	152,190,980
Additions	64,509,452	-	14,409	162,251	7,067	396,081	65,089,260
Disposals	-	-	(92)	-	-	-	(92)
Transfers	-	-	-	-	-	-	-
Depreciation charge	-	-	(32,922)	(41,181)	(9,989)	(5,735,139)	(5,819,231)
Closing net book amount	<u>64,509,452</u>	<u>537,392</u>	<u>61,193</u>	<u>257,829</u>	<u>69,031</u>	<u>146,026,020</u>	<u>211,460,917</u>
At 30 June 2017							
Cost	64,509,452	537,392	227,654	381,334	92,498	156,286,129	222,034,459
Accumulated depreciation	-	-	(166,461)	(123,505)	(23,467)	(10,260,109)	(10,573,542)
Net book amount	<u>64,509,452</u>	<u>537,392</u>	<u>61,193</u>	<u>257,829</u>	<u>69,031</u>	<u>146,026,020</u>	<u>211,460,917</u>

(a) Construction work in progress

Construction work in progress comprises expenditure on Stage 2 \$41,150,000 and Sheffield \$23,350,000 irrigation schemes. During 2016, construction work in progress was capitalised and comprised expenditure on Stage 1 of the irrigation scheme including the headrace from the Rakaia river to Sleemans Road.

(b) Capitalised borrowing costs

During the year, the Company has capitalised borrowing costs amounting to \$2,112,969 (2016: \$2,463,178) on construction work in progress.



13 Intangible assets

	Water consents acquired \$	Computer software \$	Total \$
At 1 July 2015			
Cost	150,000	1,380	151,380
Accumulated amortisation and impairment	-	(116)	(116)
Net book amount	<u>150,000</u>	<u>1,264</u>	<u>151,264</u>
Year ended 30 June 2016			
Opening net book amount	150,000	1,264	151,264
Additions	-	19,932	19,932
Amortisation charge	-	(8,942)	(8,942)
Net book amount	<u>150,000</u>	<u>12,254</u>	<u>162,254</u>
At 30 June 2016			
Cost	150,000	21,312	171,312
Accumulated amortisation	-	(9,058)	(9,058)
Net book amount	<u>150,000</u>	<u>12,254</u>	<u>162,254</u>
Year ended 30 June 2017			
Opening net book amount	150,000	12,254	162,254
Additions	1,390,000	-	1,390,000
Amortisation charge	(67,093)	(6,127)	(73,220)
Closing net book amount	<u>1,472,907</u>	<u>6,127</u>	<u>1,479,034</u>
At 30 June 2017			
Cost	1,540,000	21,312	1,561,312
Accumulated amortisation and impairment	(67,093)	(15,185)	(82,278)
Net book amount	<u>1,472,907</u>	<u>6,127</u>	<u>1,479,034</u>

14 Trade and other payables

	2017 \$	2016 \$
Trade payables	618,333	983,833
Accrued expenses	207,705	1,003,879
Construction work in progress	18,358,357	-
Net GST payable	-	228,608
	<u>19,184,395</u>	<u>2,216,320</u>



15 Interest bearing liabilities

	2017	2016
	\$	\$
Secured		
Bank loans	<u>776,684</u>	785,180
Total current interest bearing borrowings	<u>776,684</u>	<u>785,180</u>
Secured		
Bank loans	169,477,816	138,203,358
Selwyn District Council	-	1,796,607
Crown Irrigation Investments Limited - Stage 1	-	6,786,435
Crown Irrigation Investments Limited - Stage 2	<u>12,076,855</u>	-
Total non-current interest bearing borrowings	<u>181,554,671</u>	<u>146,786,400</u>
Total interest bearing liabilities	<u>182,331,355</u>	<u>147,571,580</u>

As at 30 June 2017, interest rates (including margins) on the Company's borrowings averaged 6.81% (2016: 7.19%). Daily commitment fees are also payable on the undrawn construction facilities.

(a) Bank borrowings

The Company has total borrowings of \$170,254,500 provided by a Term Loan and Construction Facilities from ANZ & Westpac Banks (2016: \$138,988,538). Bank borrowings are secured over the assets of the company. The Term Loan for Stage 1 of \$138,203,000 matures on the 30 November 2021.

The Company has the following undrawn borrowing facilities:

	2017	2016
	\$	\$
Construction facility:		
Stage 2	97,848,501	-
Sheffield	24,100,357	-
Crown Irrigation Investments Limited	<u>52,439,313</u>	-
	<u>174,388,171</u>	-

(b) Crown Irrigation Investments Limited

During the year, the company repaid the Stage 1 subordinated debt facility of \$6,500,000. The subordinated debt facility was repaid on the commencement of Stage 2 construction on the 13 December 2016.

During the year, the company entered into a subordinated debt facility of \$65,000,000 available to fund future additional capacity into the construction of the Stage 2 scheme. As additional shares are sold in the scheme, the capital received is applied as a partial repayment of the loan.

(c) Selwyn District Council

The Company had a subordinated debt facility of \$6,500,000 available to co-fund the Stage 2 and Sheffield scheme to investment ready. The subordinated debt facility was repaid on the commencement of Stage 2 Construction on the 13 December 2016.



16 Derivative financial instruments

	2017 \$	2016 \$
Current liabilities		
Interest rate swaps - cash flow hedges (note(2)(k) & note(6)(a)(i))	<u>235,876</u>	254,056
Non-current liabilities		
Interest rate swaps - cash flow hedges (note(2)(k) & note(6)(a)(i))	<u>17,607,865</u>	18,222,587
Total derivative financial instrument liabilities	<u>17,843,741</u>	18,476,643

(a) Instruments used by the Company

Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

(i) Interest rate swaps

At 30 June 2017, the fixed interest rates vary from 3.51% to 5.51% (2016: 4.14% to 5.51%), and the main floating rate is the New Zealand 90 Day Bank Bill Rate or 90 Day BKBM. Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of 30 June 2017 will be released to the income statement within finance cost as each interest rate swap matures.

17 Contributed equity

	2017 Shares	2016 Shares	2017 \$	2016 \$
(a) Share capital				
Fully paid (no par value)	799,398	788,004	7,991,912	7,683,912
Issue of shares	-	11,394	-	308,000
	<u>799,398</u>	<u>799,398</u>	<u>7,991,912</u>	<u>7,991,912</u>

All ordinary shares share equally in dividends on surplus and on winding up. The ordinary shares hold equal voting rights.

Each ordinary share confers a pro-rata right to take the Scheme's water, estimated on 4 September 2014 to be approximately 500m³ of water per Irrigation Season.

Based on the pro-rata allocation, the Company has previously estimated that the average Shareholder would require 13.13 Ordinary Shares per hectare of their land within the Scheme Area, which would give the Shareholder rights to up to 6,565m³ (656.6mm) of Scheme water per hectare per Irrigation Season, subject to other conditions.

	2017 Shares	2016 Shares	2017 \$	2016 \$
(b) Reserve for treasury shares				
Opening Balance	(3,011)	-	(32,000)	-
Transfer of ordinary shares	-	(3,011)	-	(32,000)
Sale of ordinary shares	3,011	-	32,000	-
Closing balance	<u>-</u>	<u>(3,011)</u>	<u>-</u>	<u>(32,000)</u>



17 Contributed equity (continued)

(c) Stage 1 Construction shares

	2017 Shares	2016 Shares	2017 \$	2016 \$
Total Stage 1 construction shares	<u>18,291</u>	18,291	<u>32,009,250</u>	32,009,250

Stage 1 construction shares confer on the holder a right to use Scheme Infrastructure to the extent necessary to apply 0.6 litres of water per second to Stage 1 Land. However, each Shareholder's right to Scheme water is limited by the number of Ordinary Shares they hold (as set out above).

(d) Pre-construction shares

	2017 Shares	2016 Shares	2017 \$	2016 \$
Opening balance	29,215	29,215	5,843,000	5,843,000
Write off unpaid shares	(360)	-	(37,160)	-
Total Pre-construction shares	<u>28,855</u>	29,215	<u>5,805,840</u>	5,843,000

Pre-construction shares confer on the holder a right to participate on a one-for-one basis, in any subsequent offers by the Company of Stage 2+ Construction Shares. It is anticipated that Stage 2+ Construction Shares will be issued on the same basis as Stage 1 Construction Shares and will confer equivalent rights to use the Stage 1 Infrastructure and Stage 2+ Infrastructure to the extent necessary to irrigate the relevant Shareholder's Stage 2+ Land.

(e) Stage 2 Construction shares

	2017 Shares	2016 Shares	2017 \$	2016 \$
Opening balance	-	-	-	-
Issues of construction shares during the year	16,422	-	32,784,638	-
Closing balance	<u>16,422</u>	-	<u>32,784,638</u>	-

Stage 2 Construction shares confer on the holder a right to use Scheme Infrastructure to the extent necessary to apply 0.52 litres of water per second to Stage 2 Land. However, each Shareholder's right to Scheme water is limited by number of Ordinary Shares they hold (as set out above)

(f) Sheffield Construction shares

	2017 Shares	2016 Shares	2017 \$	2016 \$
Opening balance	-	-	-	-
Issues of construction shares during the year	4,011	-	11,751,408	-
Closing balance	<u>4,011</u>	-	<u>11,751,408</u>	-

Sheffield Construction shares confer on the holder a right to use Scheme Infrastructure to the extent necessary to apply 0.46 litres of water per second to Stage 2 Land. However, each Shareholder's right to Scheme water is limited by number of Ordinary Shares they hold (as set out above)

Total contributed equity			<u>90,343,048</u>	45,812,162
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18 Other reserves

	2017 \$	2016 \$
Cash flow hedge reserve	(12,847,493)	(13,303,184)
Land acquisition reserve	<u>2,359,719</u>	<u>2,310,592</u>
	<u>(10,487,774)</u>	<u>(10,992,592)</u>

Cash flow hedge reserve

Opening balance	(13,303,184)	(8,800,978)
Fair value gains/(losses) in year	632,904	(6,253,062)
Deferred tax	<u>(177,213)</u>	<u>1,750,857</u>
Balance 30 June	<u>(12,847,493)</u>	<u>(13,303,184)</u>

Land acquisition reserve

Opening balance	2,310,592	2,597,131
Addition	49,127	-
Adjustments	-	<u>(286,539)</u>
Balance 30 June	<u>2,359,719</u>	<u>2,310,592</u>

Nature and purpose of reserves

Hedging reserve - cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge. The amounts are recognised in the profit and loss component of the statement of comprehensive income when the associated hedged transactions affect profit or loss (note 2(k)).

Land Acquisition

The land acquisition reserve is used to record capital contributions for land where the cash compensation was lower than the commercial value.

19 Reconciliation of loss after income tax to net cash inflow from operating activities

	2017 \$	2016 \$
Loss for the year	(8,369,161)	(10,720,015)
Depreciation and amortisation	-	-
Deferred tax	5,892,451	4,624,653
Loss on disposal of fixed assets	697,177	3,534,997
Gain on disposal of fixed assets	-	774
Gain on sale of treasury shares	(2,035)	-
Interest paid	(11,038)	-
	<u>10,354,920</u>	<u>7,979,878</u>
Change in operating assets and liabilities	-	-
(Increase) decrease in trade debtors	504,718	(553,003)
(Increase) decrease in prepayment	-	-
(Increase) decrease in future income tax benefit	455	6,840
(Increase) decrease in trade creditors	<u>(1,441,783)</u>	<u>(4,279,437)</u>
Net cash inflow from operating activities	<u>7,625,704</u>	<u>594,687</u>



20 Events occurring after the reporting period

On 1 July 2017 the company received the second instalment of \$1,000 per share from the Stage 2 equity raise of the 16,422 allotted Construction Shares. At 26 September, the Company has received 99% of share calls.

On 21/22 July 2017 the Canal Infrastructure was affected by heavy rain and flooding across the scheme area which caused damage to the canal. The company has lodged an insurance claim which is currently in progress with the insurers. The repair work is estimated to cost \$2,600,000 with an estimated additional \$500,000 of capital expenditure required for storm water management and drainage improvements to the canal. The claim for repair work is expected to be met in full by the insurers and all repairs necessary to bring the scheme back into an operational state will be completed before 30 September 2017.

The Sheffield scheme is on target to be completed for operations in October 2017, a slight delay due to the significant rainfall and flooding in July 2017.

21 Contingencies

As at 30 June 2017 the Company had no contingent liabilities or assets (2016: nil).

22 Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	2017 \$	2016 \$
Other	-	-
Up to 1 year	128,240,548	-
1 to 5 years	5,990,247	-
	<u>134,230,795</u>	<u>-</u>

The Company's contractual commitments to construct the irrigation scheme as at 30 June 2017 are estimated to be \$134m (2016: nil).

The above balances have been committed in relation to future expenditure on capital projects. Amounts already spent have been included as construction work in progress

(b) Guarantees

	2017 \$	2016 \$
Bonds issued in favour of consenting authorities.	<u>4,275,000</u>	<u>275,000</u>

The Company is required to place bank bonds with Selwyn District Council and Environment Canterbury to protect them in the event of non-compliance with resource consents.

The Company has provided the following bonds:

- \$125,000 for Operations;
- \$150,000 for Termination;
- \$3,000,000 for Stage 2 Construction;
- \$1,000,000 for Sheffield Construction.



23 Related party transactions

(a) 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 \$51,656 (2016: \$63,232).

The following director and chair of the company is a trustee of the Trust.

Mr D J Catherwood

(b) Directors

The names of persons who were directors of the company at any time during the financial year are as follows: D J Catherwood; J W Donkers, W J Luff, G S Miller, P J Munro, W J Palmer, G K Stevenson and DL Summerfield.

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 \$1,062,795 (2016: \$663,832). The amount owed by the company at 30 June 2017 was \$8,857 (2016: \$82,916).

(c) Directors Interests

The following directors of the company had a controlling interest in an entity that the company supplied irrigation water to during the financial year to the value below:

	2017 \$	2016 \$
John Donkers		
Chiswick Farm Limited	232,300	198,148
Highbury Farm Limited	225,326	173,858
Praire Farm Limited	262,229	247,361
Willsden Farm Limited	378,102	348,253
Geoffrey Stevenson		
Clovernook Farm Limited	188,937	184,633

24 Group entities

The Parent is the only trading entity. For commercial purposes, The Group is equivalent to The Parent with no separate powers.

In 2009 the Company incorporated Te Pirita Irrigation Limited as a wholly owned subsidiary. There were no transactions in Te Pirita Irrigation Limited during the year. Te Pirita Irrigation Limited has been formed to construct, commission and operate the Te Pirita scheme of 6,000 hectares.

In 2014, Band 4 Water Limited was incorporated and Central Plains Water Limited has a 50% shareholding.



Independent Auditor's Report

To the shareholders of Central Plains Water Limited

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Central Plains Water Limited (the company) and its subsidiaries (the group) on pages 4 to 26:

- i. present fairly in all material respects the Group's financial position as at 30 June 2017 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 30 June 2017;
- the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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



Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report. Other information includes the Chairman's Review, Directors Report and Statutory Information and the other information included in the Annual Report. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Use of this independent auditor's report

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



Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the company, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

- to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page5.aspx.

This description forms part of our independent auditor's report.

Peter Taylor



For and on behalf of
KPMG
Christchurch
26 September 2017

Statutory information

Shares on issue

As at 30 June 2017, the Company had 799,398 ordinary shares issued to 375 holders, 18,291 stage 1 construction shares issued to 83 holders, 28,855 pre-construction shares issued to 188 holders, 16,422 stage 2 construction shares issued to 116 holders & 4,011 Sheffield construction shares issued to 28 holders.

Top 10 ordinary shareholders

Rank	Name	Units at 30 June 2017	% of Units
1.	Purata Farming Limited	41,380	5.18
2.	Canterbury Grasslands Limited	24,524	3.07
3.	WJ Thomas & AA Thomas	22,565	2.82
4.	Southern Pastures (Group)	21,925	2.74
5.	Burnham Farm Limited	11,394	1.43
6.	Fonterra Co-operative Group Limited	9,640	1.21
7.	J & A Gray Family	8,901	1.11
8.	G D Gillanders & Sons Limited	8,800	1.10
9.	Tui Company Limited	8,734	1.09
10.	P & E Limited	8,398	1.05
Totals: Top 10 holders of Ordinary Shares		166,261	20.80
Total Remaining Holders Balance		633,137	79.20

Directors' remuneration

The total remuneration and other benefits to Directors (and past Directors) for services for the year ended 30 June 2017 were:

Director	Position	Ceased / Appointed	Total Remuneration (\$)
D J Catherwood	Chairman		72,000
G K Stevenson			36,000
P J Munro			36,000
W J Palmer			36,000
J W Donkers			36,000
D L Summerfield			36,000
W Luff			36,000
G Miller			36,000
D Crombie		Appointed 21 April 2017	6,000
			330,000



Statutory information (continued)

Directors' interests

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

Douglas Catherwood

Band 4 Water Limited
 Te Pirita Irrigation Limited
 Carlow 1 Limited

John Donkers

Alto Holdings Limited
 Burnham Farm Limited
 Camden Dairy Farms Limited
 Camden Group Services Limited
 Chiswick Farm Limited
 Dairy Farm Management Services Limited
 Dunsandel Groundwater Users Association Incorporated
 Highbury Farm Limited
 INZ Accreditation Limited
 Irrigation NZ Incorporated
 J D Consulting Limited
 Prairie Farm Limited
 Regional Committee of Canterbury Water Management Strategy
 Wigram Brewing Company Limited
 Willsden Farm Limited
 Woolomee Dairies Limited
 Woolomee Farm Limited

Paul Munro

Christchurch City Networks Limited
 CCHL(2) Limited
 CCHL(4) Limited
 CCHL(5) Limited
 Electricity Ashburton Limited
 Portabuild (2007) Limited
 Spanbild Holdings Limited
 Vbase Limited
 Versatile Australia Holdings Limited
 Versatile Properties Limited
 Totalspan Retail Pty Limited
 Spanbild Pty Limited

Derek Crombie

Crombie Projects Limited

William Luff

Enable Services Limited
 Enable Networks Limited
 Harewood Gravels Company Limited
 Issac Construction Limited
 Issac Conservation and Wildlife Trust
 J Ballantyne and Company Limited
 Luff Trading Limited
 Overseer Limited

Grant Miller

Porahui Farms Limited
 St Laurence Trust
 Selwyn District Council Councillor

William Palmer

Budfin Nominees Limited
 Bassett Agriculture Limited
 Gemeo Limited
 Moor-Park Farm Limited
 Otarama Investments 2011 Limited
 Palmer Family Trust
 Montreal Trustees 2015 Limited
 Montreal Trustees 2016 Limited
 Montreal Trustees 2017 Limited
 Sheffield Water Limited

Geoffrey Stevenson

Clovernook Farm Limited
 Clover Park Bloodstock Limited
 Harptree Farm Limited
 Te Pirita Irrigation Limited

Damon Summerfield

Sheffield Water Limited
 Summerfield Farming Co Limited



Statutory information (continued)

Directors' shareholding in Central Plains Water

The Directors' respective ordinary shareholdings in Central Plains Water as at 30 June 2017 is as follows:

	# Held
Doug Catherwood together with associated persons	3,200
• Carlow 1 Limited (director and shareholder)	520
John Donkers	
• Burnham Farm Limited (director and shareholder)	11,394
• Chiswick Farm Limited (director and shareholder)	3,528
• Highbury Farm Limited (director and shareholder)	3,360
• Prairie Farm Limited (director and shareholder)	3,920
• Willsden Farm Limited (director)	5,866
William Palmer – beneficiary and trustee of Palmer Family Trust	1,200
Geoffrey Stevenson	
• Clovernook Farm Limited (director and shareholder)	4,654
• Harptree Farm Limited (director and shareholder)	1,800
Damon Summerfield – director and shareholder of Summerfield Farming Co Limited	2,774

The directors have declared that they do not have any other interest in transactions with the company, apart from those disclosed in Note 23 to the Financial Statements.

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.

Subsidiary company directors

The following Companies were subsidiaries of Central Plains Water Limited as at 30 June 2017.

Te Pirita Irrigation Limited

Directors: Douglas Catherwood, Colin Glass, Geoffrey Stevenson, Gareth Van Der Heyden

Band 4 Water Limited

Directors: Doug Catherwood, Gareth Van Der Heyden



Statutory information (continued)

Employee remuneration

During the year ended 30 June 2017 the following employees and former employees received individual remuneration over \$100,000;

	2017	2016
Remuneration range	Number of employees	
\$100,000 - \$110,000	3	1
\$110,001 - \$120,000	1	1
\$120,001 - \$130,000	-	1
\$130,001 - \$140,000	-	2
\$140,001 - \$150,000	2	-
\$150,001 - \$160,000	1	-
\$160,001 - \$170,000	1	1
\$170,001 - \$180,000	2	1
\$180,001 - \$190,000	-	1
\$190,001 - \$200,000	1	-
\$240,001 - \$250,000	-	1
\$260,001 - \$270,000	1	1
\$270,001 - \$280,000	1	-
\$320,001 - \$330,000	1	-
\$330,001 - \$340,000	-	1

Donations

There were no donations during the 2017 financial year.

Directors' liability insurance

In accordance with section 162 of the Companies Act 1993 we indemnify and insure Directors' against liability to other parties that may arise from their position. This is through the Company and the Directors' entering into Deeds of Access, Insurance and Indemnity. This cover does not apply to any liabilities arising from criminal or reckless acts by our Directors.

Currency

Within this Annual Report, all amounts are in New Zealand dollars unless otherwise specified.

Credit rating

CPWL does not have a credit rating.

Annual shareholder meeting

CPWL's annual shareholder meeting is expected to be held on Tuesday 31 October 2017 in Darfield. We will confirm the details of the time and place by notice to all our shareholders nearer to the date.

Annual report

CPWL's Annual Report is available on our website at www.cpwl.co.nz/communications/company-documents/annual-report/ and will be emailed out to shareholders if requested. We prefer to communicate with our shareholders promptly by email, but any shareholder who does request a hard copy of our Annual Report will be sent one in the regular post.



Statutory information (continued)

Directory

Office

PO Box 9424
Tower Junction
Christchurch 8149
Level 1B, 2 Barry Hogan Place
Riccarton
Christchurch, 8041
Telephone: +64 3 982 4267
Facsimile: +64 3 281 8557
Email: admin@cpwl.co.nz

Registered office

Level 1B, 2 Barry Hogan Place
Riccarton
Christchurch, 8041

Board of directors

D J Catherwood (Chair of the Board)
G K Stevenson
P J Munro – Independent Director
W J Palmer
J W Donkers
D L Summerfield
W J Luff – Independent Director
G S Miller – Independent Director
W D Crombie – Managing Director

Senior management

Derek Crombie – Managing Director
Warren Maslin – Chief Financial Officer
Fiona Crombie – Environmental Manager
Michael Grey – General Manager Design
Penny Hoogerwerf – General Counsel
Mark McKenzie – General Manager Operations

Auditor

KPMG
Level 3, 62 Worcester Boulevard
Christchurch 8013

Lawyers

Buddle Findlay
83 Victoria Street
Christchurch 8013

Bankers

ANZ Bank New Zealand Limited
Westpac Banking Corporation

Share registrar

Link Market Services Limited
138 Tancred Street
Ashburton 7740

Other information

Please visit us at our website www.cpwl.co.nz

