

# **Central Plains Water Limited**

## **Annual Report**

**For the year ended 30 June 2012**

# Central Plains Water Limited

## Annual Report

### For the year ended 30 June 2012

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# Central Plains Water Limited

## Business Directory

### As at 30 June 2012

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**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  
50 Hazeldean Road  
Christchurch

**Directors:** D J Catherwood  
J W Donkers  
P G Morrison  
W J Palmer  
G K Stevenson  
P J Munro  
D L Summerfield  
G R Wilson  
T M Muller

**Bankers:** Rabobank  
Level 12  
The Terrace  
Wellington

**Solicitors:** Buddle Findlay  
245 St Asaph Street  
Christchurch

**Auditors:** KPMG  
Level 3  
62 Worcester Boulevard  
Christchurch

**Accountants:** Deloitte  
50 Hazeldean Road  
Christchurch

**Wholly Owned Subsidiary:** Te Pirita Irrigation Limited

# Central Plains Water Limited

## Chairman's Review For the year ended 30 June 2012

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The past year has finally seen the completion of the Resource Consenting process and the issue of Consent's required to construct and operate the scheme.

The time taken to resolve the various appeals has been frustrating but in the end substantially faster and less expensive than the alternative Environment Court option.

In addition to securing the consents the Company has made good progress on the following:

- Assisting TrustPower to notify the Rakaia Water Conservation Order to enable Lake Coleridge to store water;
- Developing agreements with TrustPower to secure stored water
- Developing funding from Selwyn District Council and the Ministry for Primary Industries' (MPI) Irrigation Acceleration Fund (IAF) to complete the design process and appoint a contractor;
- Develop water sharing options with other Rakaia consent holders to maximise the resource;
- Participate in an extensive Environment Canterbury/Selwyn Waihora Zone Committee process to establish future controls on nutrients and groundwater usage;

Funding for the next stage of design is available subject to some conditions and we are progressing with detailed design and contractor appointments as soon as practicable. The intention is to have construction underway by September 2013 and water available for the Stage 1 area by 2014/2015 season.

The scheme will be constructed in stages to ensure shareholder up take matches storage availability. The first stage will cover 20,000Ha in the area generally between Greendale/Selwyn River and the Rakaia River. A sub-scheme in the Sheffield/Springfield area is possible using some stockwater infrastructure.

Our intention is to develop future stages of the scheme to match farmer demand and this is likely to spread construction over about a 5 year timeframe.

I now look forward with confidence that the vision and support you have provided over the last 10 years will be a reality and the scheme construction will be underway within 12 months.



Pat Morrison  
**Chair**  
Central Plains Water Limited

# Central Plains Water Limited

## Directors' Report For the year ended 30 June 2012

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### **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><b>This Year</b></i> \$	<i><b>Last Year</b></i> \$
Net surplus (deficit) for the year	<b>(2,295,157)</b>	(1,805,333)
Retained earnings (accumulated losses) as at 1 July 2011	<b>(15,981,061)</b>	(14,175,728)
Retained earnings (accumulated losses) as at 30 June 2012	<b>(18,276,218)</b>	(15,981,061)

### **State of Affairs**

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

### **Dividend**

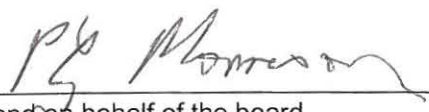
No dividend was paid during the year.

### **Financial Statements**

The financial statements for the year ended 30 June 2012 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.

  
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For and on behalf of the board  
P G Morrison  
Chairman

26 September 2012.  
Date

# Central Plains Water Limited

## Approval of Annual Report For the year ended 30 June 2012


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### **Authorisation for Issue**

The directors authorise the issue of these financial statements for the year ended 30 June 2012.

### **Approval by Directors**

The Directors are pleased to present the financial statements Central Plains Water Limited for the year ended 30 June 2012.



P G Morrison  
Chairman

26 September 2012

Date



W J Palmer  
Director

26 September 2012

Date

# Central Plains Water Limited

## Statement of Comprehensive Income For the year ended 30 June 2012

	<i>Group &amp; Parent</i>	<i>Group &amp; Parent</i>
	<i>This Year</i>	<i>Last Year</i>
	\$	\$
<b>OTHER INCOME</b>		
Interest received	45,773	38,479
Water intake income	20,000	18,700
Grant income	28,261	42,020
Other income	14 1,105	73,704
<b>TOTAL INCOME</b>	<b>95,139</b>	<b>172,904</b>
<b>EXPENSES</b>		
Directors' fees	14 137,500	-
Consenting costs	164,215	245,809
Depreciation	2,426	91
Engineering and environmental	169,863	151,489
Interest	5 802,599	817,161
KPMG audit fees	9,450	9,030
Other expenses	570,973	296,752
Project management	520,774	370,867
Relationship management	12,496	87,039
<b>TOTAL EXPENSES</b>	<b>2,390,296</b>	<b>1,978,237</b>
<b>NET DEFICIT FOR THE YEAR</b>	<b>(2,295,157)</b>	<b>(1,805,333)</b>
Other comprehensive income	-	-
<b>TOTAL COMPREHENSIVE INCOME/(DEFICIT)</b>	<b>\$(2,295,157)</b>	<b>\$(1,805,333)</b>



# Central Plains Water Limited

## Statement of Changes in Equity For the year ended 30 June 2012

<b>GROUP &amp; PARENT</b>	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Total</b>
	\$	\$	\$
<b>Balance at 1 July 2010</b>	4,482,294	(14,175,728)	(9,693,434)
Total comprehensive income/(deficit) for the year	-	(1,805,333)	(1,805,333)
Issue of ordinary shares	2,345,584	-	2,345,584
	<u>2,345,584</u>	<u>(1,805,333)</u>	<u>540,251</u>
<b>Balance at 30 June 2011</b>	<u>6,827,878</u>	<u>(15,981,061)</u>	<u>(9,153,183)</u>
Total comprehensive income/(deficit) for the year	-	(2,295,157)	(2,295,157)
Issue of ordinary shares	854,434	-	854,434
<b>Balance at 30 June 2012</b>	<u><b>7,682,312</b></u>	<u><b>(18,276,218)</b></u>	<u><b>(10,593,906)</b></u>





# Central Plains Water Limited

## Statement of Financial Position For the year ended 30 June 2012

		<i>Group &amp; Parent</i>	<i>Group &amp; Parent</i>
		<i>This Year</i>	<i>Last Year</i>
		\$	\$
<b>CURRENT ASSETS</b>			
Cash at bank		652,658	770,878
Short-term investments		-	750,000
Accounts receivable and other receivables	2	33,620	1,385
Tax refund due	3	13,894	4,300
Accrued interest		-	1,438
		<u>700,171</u>	<u>1,528,001</u>
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	11	253,874	222,135
<b>TOTAL ASSETS</b>		<u>954,045</u>	<u>1,750,136</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable and accruals	6	182,712	340,680
Term loans – Current Portion	8	1,279,123	-
		<u>1,461,835</u>	<u>340,680</u>
<b>NON CURRENT LIABILITIES</b>			
Term loans	8	10,086,116	10,562,640
<b>TOTAL LIABILITIES</b>		<u>11,547,951</u>	<u>10,903,319</u>
<b>NET ASSETS (LIABILITIES)</b>		<u>(10,593,906)</u>	<u>(9,153,183)</u>
<b>EQUITY</b>			
Share capital	7	7,682,312	6,827,878
Retained earnings (accumulated deficit)		<u>(18,276,218)</u>	<u>(15,981,061)</u>
<b>TOTAL EQUITY (DEFICIT)</b>		<u>(10,593,906)</u>	<u>(9,153,183)</u>



# Central Plains Water Limited

## Statement of Cash Flows For the year ended 30 June 2012

	<i>Group &amp; Parent</i>	<i>Group &amp; Parent</i>
	<i>This Year</i>	<i>Last Year</i>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
<b>Cash was provided from:</b>		
Interest received	36,179	37,217
Water intake income	20,000	18,700
Grant income	28,261	42,020
Other income	1,104	1,204
	<u>85,544</u>	<u>99,141</u>
<b>Cash was applied to:</b>		
Payments to suppliers	1,774,033	1,619,547
<b>Net cash outflow from operating activities</b>	<b>9 (1,688,489)</b>	<b>(1,520,406)</b>
<b>INVESTING ACTIVITIES</b>		
<b>Cash was applied to:</b>		
Capital investments	34,165	200,226
<b>Net cash inflow (outflow) from investing activities</b>	<b>(34,165)</b>	<b>(200,226)</b>
<b>FINANCING ACTIVITIES</b>		
<b>Cash was provided from:</b>		
Shares issued	854,434	2,345,583
<b>Net cash inflow from financing activities</b>	<b>854,434</b>	<b>2,345,583</b>
<b>Net increase (decrease) in cash held</b>	<b>(868,220)</b>	<b>624,951</b>
Cash at beginning of year	1,520,878	895,927
<b>Cash at end of year</b>	<b>652,658</b>	<b>1,520,878</b>
<b>Comprising:</b>		
Cash at bank	652,658	770,878
Short-term investments	-	750,000
	<u>652,658</u>	<u>1,520,878</u>



# Central Plains Water Limited

## Notes to the Financial Statements For the year ended 30 June 2012

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### 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 26 September 2012.

#### **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 2012 and the comparative information presented in these financial statements for the year ended 30 June 2011.

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 2012

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### ***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 2012

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### **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. Subsequent to balance date, the company has resolved all appeals to the granting of the consents and the proposed water management scheme is now consented.

The company is now preparing to raise the necessary funding to complete the scheme design and project planning prior to the construction phase. The financial statements have been prepared under the going concern assumption.

If the further funding required 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 further funding is 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.

### **Property, Plant and Equipment**

Property, Plant and Equipment are recognised at cost less aggregate depreciation. Depreciation has been calculated in accordance with the entities expected useful lives of the assets. Gains and losses on disposal of Property, Plant and Equipment are taken into account in determining the operating result for the year.

The following depreciation rates have been applied:

Land	0.0% E
Office Equipment	50.0% DV





# Central Plains Water Limited

## Notes to the Financial Statements For the year ended 30 June 2012

### **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 2012, 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:

<b>Standard / Interpretation</b>	<b>Effective for annual reporting periods beginning on or after</b>	<b>Expected to be initially applied in the financial year ending</b>
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
NZ IAS 32 - Amendments to Offsetting Financial Assets and Financial Liabilities.	1 January 2014	30 June 2014
NZ IFRS 9 - Financial Instruments	1 January 2015	30 June 2015



# Central Plains Water Limited

## Notes to the Financial Statements For the year ended 30 June 2012

### 2. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	<i>This Year</i>	<i>Last Year</i>
	\$	\$
Accounts receivable	-	1,385
GST receivable	33,620	-
	<u>33,620</u>	<u>1,385</u>

### 3. INCOME TAX

	<i>This Year</i>	<i>Last Year</i>
	\$	\$
<b>(a) Reconciliation of taxable income (loss)</b>		
Net surplus (deficit) for the year	(2,295,157)	(1,805,333)
Income tax on net surplus before taxation at current rate of 28% (2011: 30%)	(642,644)	(541,600)
<b>Taxation effect of permanent differences</b>		
Non deductible expenses	242,978	230,449
Unrecognised tax benefit	399,665	311,151
<b>Tax charge on taxable income</b>	<u>-</u>	<u>-</u>
<b>(b) Current tax assets and liabilities</b>		
Tax charge on taxable income	-	-
<b>Less tax paid</b>		
Resident withholding tax paid	(9,794)	(196)
Prior year tax refund due	(4,100)	(4,103)
<b>Tax refund due</b>	<u>(13,894)</u>	<u>(4,300)</u>
<b>(c) Unrecognised tax losses</b>		
<b>Tax losses</b>		
Losses brought forward	4,200,656	3,132,237
<b>Plus</b>		
Net tax deficit for the year	1,427,377	1,068,419
<b>Tax losses available to carry forward</b>	<u>5,628,033</u>	<u>4,200,656</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 2012

	<i>This Year</i>	<i>Last Year</i>
	\$	\$
<b>(d) Imputation credit account</b>		
Opening balance	396	573
<b>Plus</b>		
Resident withholding tax paid	9,794	196
	<b>10,190</b>	<b>769</b>
<b>Less</b>		
Income tax refunded	200	373
Closing balance	<b>9,990</b>	<b>396</b>

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 consolidated, however there were no transactions in Te Pirita Irrigation Limited during the period. 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

All of the \$802,599 recorded in the Statement of Comprehensive Income relates to accrued interest payable on terms loans.

### 6. ACCOUNTS PAYABLE AND ACCRUALS

	<i>This Year</i>	<i>Last Year</i>
	\$	\$
GST payable	-	6,169
Other accruals	66,145	29,411
Trade creditors	116,567	305,099
	<b>182,712</b>	<b>340,680</b>

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.





# Central Plains Water Limited

## Notes to the Financial Statements For the year ended 30 June 2012

### 7. CAPITAL

	<i>This Year</i>	<i>Last Year</i>
	\$	\$
<b>Capital</b>		
787,404 fully paid ordinary shares (2011: 730,282) (a)	<b>7,682,312</b>	6,827,878
<b>(a) Fully paid ordinary shares</b>	<b>Quantity</b>	<b>\$</b>
Balance as at 1 July 2010	<b>390,732</b>	4,482,294
Shares issued	<b>339,550</b>	2,345,583
Balance as at 30 June 2011	<b>730,282</b>	6,827,877
Shares issued	<b>57,122</b>	854,434
Balance as at 30 June 2012	<b>787,404</b>	7,682,312

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

### 8. TERM LOANS

	<i>Principal</i>	<i>Accrued Interest</i>	<i>Total</i>
	\$	\$	\$
<b>This Year</b>			
<b>Current Portion</b>			
Sheffield Water Limited	1,000,000	279,123	1,279,123
<b>Total Current Portion</b>	<b>1,000,000</b>	<b>279,123</b>	<b>1,279,123</b>
<b>Non Current Portion</b>			
CEDF Trustee Limited (formerly CDC)	416,667	197,815	614,482
Selwyn District Council	1,678,723	795,761	2,474,484
Other Approved Lenders	4,800,000	2,197,150	6,997,150
<b>Total Non Current Portion</b>	<b>6,895,390</b>	<b>3,190,726</b>	<b>10,086,116</b>
<b>Total Term Loans</b>	<b>\$7,895,390</b>	<b>\$3,469,849</b>	<b>\$11,365,239</b>
<b>Last Year</b>			
<b>Non Current Portion</b>			
CEDF Trustee Limited (formerly CDC)	416,667	183,676	600,343
Selwyn District Council	1,678,723	738,800	2,417,523
Sheffield Water Limited	1,000,000	158,795	1,158,795
Other Approved Lenders	4,800,000	1,585,979	6,385,979
<b>Total Term Loans</b>	<b>\$7,895,390</b>	<b>\$2,667,250</b>	<b>\$10,562,640</b>

# Central Plains Water Limited

## Notes to the Financial Statements For the year ended 30 June 2012

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The company has loans from Canterbury Economic Development Fund Trustee Limited of \$614,482 (2011: \$600,343) and Selwyn District Council of \$2,474,484 (2011: \$2,417,523) (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 3.1475%. 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.

The company has a loan from Sheffield Water Limited (D L Summerfield – Director, W J Palmer – Shareholder) of \$1,279,123 (2011: \$1,158,795). The terms and conditions of the loan agreement state that interest should be calculated on a daily basis at 12% per annum until the date the loan is repaid. The company is required to repay the loan on 31 January 2013. The security interest of this loan is over the Waimakariri "A" water resource consent. This loan is currently being renegotiated and is expected to be on terms which will result in the loan becoming non-current.

Included in the approved lenders were loans from related parties; Clovernook Farm Limited (G S Stevenson – Director and Shareholder) of \$69,107 (2011: \$64,094), Chiswick Farm Limited (J W Donkers – Director and Shareholder) of \$35,900 (2011: \$33,293), Praire Farm Limited (J W Donkers – Director and Shareholder) of \$41,423 (2011: \$38,415), Willsden Farm Limited (J W Donkers - Director) of \$60,754 (2011: \$56,342), Carlow Farm Limited (D J Catherwood – Director and Shareholder) of \$66,562 (2011: \$61,548), Synlait Limited (Shareholder) of \$721,479 (2011: \$661,315), Fonterra (Shareholder) of \$2,902,096 (2011: \$2,631,356).

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.

# Central Plains Water Limited

## Notes to the Financial Statements For the year ended 30 June 2012

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.

### 9. RECONCILIATION OF NET PROFIT

<i>With cash flow from operating activities</i>	<i>Group &amp; Parent This Year \$</i>	<i>Group &amp; Parent Last Year \$</i>
<i>Net deficit for the year</i>	<b>(2,295,157)</b>	<b>(1,805,333)</b>
<i>Add non-cash items:</i>		
Interest expense	<b>802,599</b>	811,674
Depreciation	<b>2,426</b>	91
	<b>805,025</b>	811,765
	<b>(1,490,132)</b>	(993,568)
<i>Add (less) movements in other working capital items:</i>		
Accounts receivable and other receivables	<b>(30,796)</b>	86,444
Tax refund due	<b>(9,594)</b>	176
Accounts payable and accruals	<b>(157,967)</b>	(613,458)
	<b>(198,357)</b>	(526,838)
<i>Net cash outflow from operating activities</i>	<b>(1,688,489)</b>	<b>(1,520,406)</b>



# Central Plains Water Limited

## Notes to the Financial Statements For the year ended 30 June 2012

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### 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 8.

#### **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 2012 it is estimated that a general increase of one percent in interest rates would increase the company's deficit for the year by approximately \$79,126 (2011: \$76,941).

#### **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 2012

### CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	<i>Loans &amp; Receivables</i>	<i>Financial Liabilities at Amortised Cost</i>	<i>Total</i>
<b>As at 30 June 2012</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Assets</b>			
Cash at bank	652,658	-	652,658
Accounts receivable and accruals	33,620	-	33,620
<b>Total financial assets</b>	<b>686,278</b>	<b>-</b>	<b>686,278</b>
Non financial assets			267,767
<b>Total assets</b>			<b>\$954,045</b>
<b>Liabilities</b>			
Accounts payable and accruals	-	182,712	182,712
Loans	-	11,365,239	11,365,239
<b>Total financial liabilities</b>	<b>-</b>	<b>11,547,951</b>	<b>11,547,951</b>
Non financial liabilities			-
<b>Total liabilities</b>			<b>\$11,547,951</b>
	<i>Loans &amp; Receivables</i>	<i>Financial Liabilities at Amortised Cost</i>	<i>Total</i>
<b>As at 30 June 2011</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Assets</b>			
Cash at bank	1,520,878	-	1,520,878
Accounts receivable and accruals	2,823	-	2,823
<b>Total financial assets</b>	<b>1,523,701</b>	<b>-</b>	<b>1,523,701</b>
Non financial assets			226,435
<b>Total assets</b>			<b>\$1,750,136</b>
<b>Liabilities</b>			
Accounts payable and accruals	-	340,680	340,680
Loans	-	10,562,640	10,562,640
<b>Total financial liabilities</b>	<b>-</b>	<b>10,903,320</b>	<b>10,903,320</b>
Non financial liabilities			-
<b>Total liabilities</b>			<b>\$10,903,320</b>



# Central Plains Water Limited

## Notes to the Financial Statements For the year ended 30 June 2012

### 11. PROPERTY, PLANT AND EQUIPMENT

	<b>Cost</b>	<b>Depreciation</b>	<b>Accum Depn</b>	<b>Book Value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	
<b>This Year</b>				
Land	250,000	-	-	250,000
Office equipment	6,391	2,426	2,517	3,874
	<b>\$256,391</b>	<b>\$2,426</b>	<b>\$2,517</b>	<b>\$253,874</b>
<b>Last Year</b>				
Land	220,000	-	-	220,000
Office equipment	2,226	91	91	2,135
	<b>\$222,226</b>	<b>\$91</b>	<b>\$91</b>	<b>\$222,135</b>

### 12. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to balance date the scheme has resolved all appeals to the granting of the resource consents and the consents have been issued. The consents are held by the Central Plains Water Trust and the company holds a licence to utilise the consents.

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:

	<b>Accrued \$</b>	<b>Paid \$</b>	<b>Total \$</b>
D J Catherwood	3,750	11,250	15,000
J W Donkers	3,750	11,250	15,000
P G Morrison	7,500	22,500	30,000
T M Muller	3,750	7,500	11,250
W J Palmer	3,750	11,250	15,000
P J Munro	3,750	10,000	13,750
G K Stevenson	3,750	11,250	15,000
D L Summerfield	3,750	7,500	11,250
G R Wilson	3,750	7,500	11,250
	<b>37,500</b>	<b>100,000</b>	<b>137,500</b>



# Central Plains Water Limited

## Notes to the Financial Statements For the year ended 30 June 2012

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During 2011 directors fees of \$166,250 that had been accrued until 31 December 2010 were written off as the director agreed that they were no longer payable. \$93,750 of the write off was made against last year's director fees with the remaining \$72,500 included in other income.

### 15. CAPITAL COMMITMENTS

There are no capital commitments at year end (30 June 2011: \$Nil).

### 16. CONTINGENT LIABILITIES

The company has no contingent liabilities at year end (30 June 2011: \$Nil).

### 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. At balance date there was an outstanding loan balance to the Council of \$1,678,723 (2011: \$1,678,723). Interest of \$795,761 has been accrued on this loan balance (2011: \$738,800).

#### **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 \$45,706 (2011: \$52,355).

The following director of the company is a trustee 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 \$186,815 (2011: \$323,345). The amount owed by the company at 30 June 2012 was \$30,141 (2011: \$57,065).

Mr P J Munro, a director of the company, is a partner in Deloitte. During the reporting period the company entered into normal commercial transactions with Deloitte. These transactions totalled \$39,582 (2011: \$41,479). The amount owed by the company at 30 June 2012 was \$2,100 (2011: \$6,949).

#### **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 2012 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 note 8.





## Independent auditor's report

### To the shareholders of Central Plains Water Limited

#### Report on the company and group financial statements

We have audited the accompanying financial statements of Central Plains Water Limited ("the company") and the group, comprising the company and its subsidiaries, on pages 5 to 21. The financial statements comprise the statements of financial position as at 30 June 2012, 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, for both the company and the group.

#### *Directors' responsibility for the company and group financial statements*

The directors are responsible for the preparation of company and group financial statements in accordance with generally accepted accounting practice in New Zealand 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 company and group 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 company and group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the company and group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company and group 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'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'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 auditor we have no relationship with, or interests in, the company.



***Opinion***

In our opinion the financial statements on pages 5 to 21:

- 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 the group as at 30 June 2012 and of the financial performance and cash flows of the company and the group 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 obtain further funding. The Directors are presently uncertain about the outcome of this matter.

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 and liabilities 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 would then, under agreements that it has, reclassify non-current liabilities as current liabilities and equity. Further details of the circumstances of this material uncertainty are described in note 1 of the financial statements. Our opinion is not qualified in respect of this matter.

**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.



26 September 2012  
Christchurch

# Central Plains Water Limited

## Statutory Disclosure Statement For the year ended 30 June 2012

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### **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
Otarama Investments 2011 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 Technologies Limited
Baycity Dairy Limited
Farmside Limited
Farmside Technologies Limited
Burnham Farm Limited
Willsden Farm Limited

#### **Douglas Catherwood**

<i>Name of Company</i>
Carlow Farm Limited
Carlow 1 Limited
Te Pirita Irrigation Limited

#### **Geoff Stevenson**

<i>Name of Company</i>
Clovernook Farm Limited
Harptree Farm Limited
Lowes Road Holdings Limited
Te Pirita Irrigation Limited

# Central Plains Water Limited

## Statutory Disclosure Statement For the year ended 30 June 2012

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### **Paul Munro**

Name of Company
Deloitte Limited
Orion New Zealand Limited

### **Damon Summerfield**

Name of Company
Sheffield Water Limited
Plains Food Limited
Summerfield Farming Co Limited

### **Todd Muller**

Name of Company
The New Zealand Institute for Plant and Food Research Limited

### **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  
D L Summerfield  
G R Wilson  
T M Muller

### **Interest Register**

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

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

Mr G R Wilson together with associated persons owns 3,200 shares in the company.

Mr W J Palmer is a beneficiary and trustee of the Palmer Family Trust which owns 1,700 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.

# Central Plains Water Limited

## Statutory Disclosure Statement For the year ended 30 June 2012

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

Mr D L Summerfield is a director and shareholder of Summerfield Farming Co Limited which owns 2,776 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.

### ***Share Dealing***

During the reporting period there were no share dealings in the company by the directors.

### ***Donations***

There were no donations made during the 2012 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.