

CENTRAL PLAINS
WATER



**Central Plains Water Limited
Annual Report
For the year ended 30 June 2016**



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Chairman's review

Year in Review

The 2016 financial year has seen the company deliver a very successful first season of irrigation supply to Stage 1 of the scheme. It was pleasing to see at this very early stage in scheme operations 75% of groundwater abstraction for irrigation was discontinued during the inaugural Stage 1 irrigation season as farmers converted to scheme water.

We have also made excellent progress during the year towards beginning construction of both Stage 2 and Sheffield. At the time of writing a Special General Meeting had just been held where over 200 shareholders voted unanimously to proceed with the remainder of the Stage 2 scheme (20,000 Ha) and with the Sheffield Scheme (4,250 Ha).

Subject to successfully concluding construction contracts and funding agreements for Stage 2 we expect to begin ordering long lead items and mobilising contractors by the end of this calendar year. The timeframe proposed for mobilising Sheffield is similar, but is subject to a successful share offer, which closes on 30 September.

Financial Performance and Position

The company is reporting a "Loss for the year" of \$(10.7) million. This includes a non-cash depreciation charge of \$4.6 million, a deferred tax liability of \$3.5 million on the tax variance for depreciation and a net \$3.6 million of design costs that have not been able to be capitalised into "Stage 2 Construction Work in Progress" under financial reporting standards.

The company's balance sheet at 30 June 2016 reflects the completion of the construction activity with total assets increasing to \$161.5 million (2015: \$154m) the major asset being "scheme infrastructure" of \$151 million (2015: \$141m). Increased "Interest bearing liabilities" (bank debt & Crown Irrigation Investments Limited) have funded the bulk of the scheme infrastructure and have increased to \$148 million (2015: \$125m).

Also of note on the balance sheet is the revaluation loss on "derivative financial instruments" (interest rate hedges) increasing to \$(18) million (2015: \$(12)m). The company was required under its borrowing terms to fix interest rates for the 2 years period of construction and the first 3 years of operations. Base market interest rates have dropped significantly during this period. Our remaining hedges are in the 4.14 - 5.51% range resulting in this further \$(4.5) million loss on revaluation.

"Total equity" at 30 June 2016 is \$(6.8) million (2015: \$8.4m), this negative equity is short lived given the successful Stage 2 equity raise. This resulted in a \$31 million equity injection in August 2016.

Outlook

The focus for 2016/2017 includes the continued reliable and efficient delivery of water to our Stage 1 irrigators. Farm Environment Plan audits are underway and will be complete for Stage 1 irrigators by the end of March 2017. This will ensure the full suite of farm related environmental compliance has been implemented in relation to scheme operations.

We will also be again entering an extremely busy period of construction and are targeting the first supply of water to Sheffield shareholders toward the end of September 2017, and Stage 2 shareholders in September 2018.

Staff

I thank all the staff for their work and commitment to an outstanding first season of water delivery and the excellent progress made to move the balance of the scheme towards being construction ready.

Shareholder Support

I thank all Stage 1 shareholders for their continued support through the first irrigation season and look forward to another year servicing your irrigation needs. I also thank all Stage 2 and Sheffield shareholders for their significant support in enabling work to continue towards the completion of the balance of the CPW scheme.



Directors' report

The Board of Directors have pleasure in presenting the annual report of Central Plains Water Limited, incorporating the financial statements and the auditors' report, for the year ended 30 June 2016.

Results

The Company sustained a loss for the year.

	This Year	Last Year
Net profit (loss) for the year	(10,720,015)	(4,483,628)
Retained earnings (accumulated losses) as at 1 July	(30,882,576)	(26,398,948)
Retained earnings (accumulated losses) as at 30 June	<u>(41,602,591)</u>	<u>(30,882,576)</u>

Cash flow hedge

The Company has also recognised a "cash flow hedge reserve" of \$(13,303,184) reflecting the revaluation of unrealised losses on interest rate hedges. The Company was required in 2014 under the terms of its bank loans to fix 100% of interest rate risk for a five year period. 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 28 for issue on 29 September 2016.

For and on behalf of the Board.


Director

29 September 2016


Director

29 September 2016

Central Plains Water Limited
Statement of comprehensive income
For the year ended 30 June 2016

Statement of comprehensive income

For the year ended 30 June 2016

		Consolidated	
	Notes	2016	2015
		\$	\$
Operating income		15,350,377	-
Grants received	4	3,293,983	73,051
Interest received		71,232	60,300
Water licensing		89,400	89,400
Total income		18,804,992	222,751
Operating expenses		(4,713,633)	(361,702)
Depreciation and amortisation expense		(4,624,653)	(119,503)
Design expenses		(6,939,238)	(1,826,083)
Directors expenses		(340,419)	(255,679)
Audit expenses		(18,625)	(15,750)
Other administration expenses		(1,373,564)	(2,127,626)
Finance costs	5	(7,979,878)	(36)
Total expenses		(25,990,010)	(4,706,379)
Loss before income tax		(7,185,018)	(4,483,628)
Income tax benefit (expense)	7	(3,534,997)	-
Loss for the period		(10,720,015)	(4,483,628)
Other comprehensive income:			
Changes in fair value of cash flow hedges	20	(6,253,062)	(9,034,071)
Income tax benefit on fair value of cash flow hedges		1,750,857	2,529,540
Other comprehensive income for the year, net of tax		(4,502,205)	(6,504,531)
Total comprehensive income for the year		(15,222,220)	(10,988,159)

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



Central Plains Water Limited
Statement of changes in equity
For the year ended 30 June 2016

Statement of changes in equity

For the year ended 30 June 2016

Consolidated	Notes	Share Capital \$	Reserve for treasury shares \$	Other reserves \$	Retained earnings \$	Total equity \$
Balance as at 1 July 2014		45,490,162	-	(2,296,447)	(26,398,948)	16,794,767
Comprehensive income						
Loss for the year		-	-	-	(4,483,628)	(4,483,628)
Other comprehensive income		-	-	(6,504,531)	-	(6,504,531)
Land acquisition reserve		-	-	2,597,131	-	2,597,131
Transfer to treasury shares		32,000	(32,000)	-	-	-
Proceeds from construction shares issued		14,000	-	-	-	14,000
Balance as at 30 June 2015		<u>45,536,162</u>	<u>(32,000)</u>	<u>(6,203,847)</u>	<u>(30,882,576)</u>	<u>8,417,739</u>
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	20	-	-	(4,502,205)	-	(4,502,205)
Proceeds from ordinary shares issued	19	308,000	-	-	-	308,000
Land acquisition reserve		-	-	(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>

	2016	2015
Number of shares on issue:		
Ordinary shares	19	799,398
Construction shares	19	18,291
Pre-construction shares	19	29,215

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



Central Plains Water Limited
Statement of financial position
As at 30 June 2016

Statement of financial position

As at 30 June 2016

		Consolidated	
		2016	2015
	Notes	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		3,494,521	1,994,781
Trade and other receivables	10	662,434	2,221,567
Share instalments receivable	10	37,161	73,541
Current tax receivables	11	455	7,295
Other current assets	12	3,295,054	-
Total current assets		<u>7,489,625</u>	<u>4,297,184</u>
Non-current assets			
Other non-current assets	12	-	5,185,265
Property, plant and equipment	13	152,190,980	141,207,360
Intangible assets	14	162,254	151,264
Deferred tax assets	9	1,638,464	3,422,603
Other investments	15	200	200
Total non-current assets		<u>153,991,897</u>	<u>149,966,692</u>
Total assets		<u>161,481,522</u>	<u>154,263,876</u>
LIABILITIES			
Current liabilities			
Trade and other payables	16	2,216,320	8,828,647
Interest bearing liabilities	17	785,180	427,900
Derivative financial instruments	18	254,056	96,622
Total current liabilities		<u>3,255,556</u>	<u>9,353,169</u>
Non-current liabilities			
Interest bearing liabilities	17	146,786,400	124,366,008
Derivative financial instruments	18	18,222,587	12,126,960
Total non-current liabilities		<u>165,008,987</u>	<u>136,492,968</u>
Total liabilities		<u>168,264,543</u>	<u>145,846,137</u>
Net assets		<u>(6,783,021)</u>	<u>8,417,739</u>



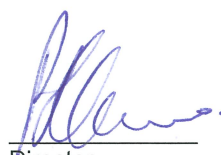
Statement of financial position (continued)

		Consolidated	
		2016	2015
		\$	\$
EQUITY			
Contributed equity	19	45,812,162	45,504,162
Reserves	20	(10,992,592)	(6,203,847)
Retained earnings		(41,602,591)	(30,882,576)
Total equity		<u>(6,783,021)</u>	<u>8,417,739</u>



Director

29 September 2016



Director

29 September 2016

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 2016

Statement of cash flows

For the year ended 30 June 2016

		Consolidated	
		2016	2015
	Notes	\$	\$
Cash flows from operating activities			
Interest received		71,232	73,199
Receipts from customers		14,797,374	-
Water licensing		89,400	89,400
Grant income		3,293,983	-
Payments to suppliers		<u>(17,657,303)</u>	<u>(4,434,173)</u>
Net cash inflow / (outflow) from operating activities	21	<u>594,687</u>	<u>(4,271,574)</u>
Cash flows from investing activities			
Purchases of property, plant and equipment		(3,499,977)	(161,545)
Capital work in progress		<u>(12,099,354)</u>	<u>(118,077,204)</u>
Net cash inflow / (outflow) from investing activities		<u>(15,599,331)</u>	<u>(118,238,749)</u>
Cash flows from financing activities			
Proceeds from issuance of construction shares		-	14,046,625
Proceeds from issuance of pre-construction shares		-	3,812,054
Proceeds from bank borrowings		16,940,320	104,207,194
Proceeds from loans		5,155,404	-
Proceeds from contingency reserve account		3,000,000	-
Repayment of bank borrowings		(611,462)	-
Interest expense		<u>(7,979,878)</u>	<u>-</u>
Net cash inflow / (outflow) from financing activities		<u>13,504,384</u>	<u>122,065,873</u>
Net increase (decrease) in cash and cash equivalents		1,499,740	(444,450)
Cash and cash equivalents at the beginning of the financial year		<u>1,994,781</u>	<u>2,439,231</u>
Cash and cash equivalents at end of year		<u>3,494,521</u>	<u>1,994,781</u>



1 Reporting Entity

Central Plains Water Limited is a company registered under the Companies Act 2013. The consolidated financial statements as at and for the year ended 30 June 2016 are for Central Plains Water Limited (the 'Company') and its subsidiary 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.

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.

(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).



2 Summary of significant accounting policies (continued)

(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.

(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.



2 Summary of significant accounting policies (continued)

(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 18. Movements on the hedging reserve in other comprehensive income are shown in note 20. 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.

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 forecast sale 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.



2 Summary of significant accounting policies (continued)

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
- 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 probable are expensed.

(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.



2 Summary of significant accounting policies (continued)

(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 of the scheme has successfully completed its first year operations and subsequent to the Company's balance date the Company has completed a successful equity raise and share allotment of Stage 2 construction shares. 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.



4 Government grants

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.

5 Finance expenses

	2016 \$	2015 \$
Finance costs		
ANZ & Westpac term loan	4,704,468	36
Cash flow hedge	2,888,279	-
Crown Irrigation Investments Limited	356,613	-
Selwyn District Council	30,518	-
Total finance costs	<u>7,979,878</u>	<u>36</u>

During the construction of Stage 1, interest of \$2,463,178 (2015: \$6,256,885) has been capitalised.

6 Financial risk management

(a) Market risk

(i) Interest rate risk

Group policy is to maintain 100% of its borrowings for 5 years in fixed rate instruments. This is currently a requirement of it's bank borrowings.

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:

	30 June 2016		30 June 2015	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Less than 1 year	5.17%	144,000	5.11%	124,000
1 to 2 years	5.37%	12,000	5.25%	26,000
2 to 3 years	5.40%	12,000	5.37%	12,000
3 to 4 years	4.85%	18,000	5.40%	12,000
4 to 5 years	4.21%	24,000	5.51%	12,000
		<u>210,000</u>		<u>186,000</u>

The above balances include \$210m (2015: \$186m) forward start swap contracts for various periods and do not reflect the current active contracts held at any one point in time.



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 2016					
Financial liabilities					
Derivatives - cash flow hedges	(18,477)	-	(7,783)	-	7,252
Total increase/ (decrease)	(18,477)	-	(7,783)	-	7,252

Consolidated

	Carrying amount \$'000	Interest rate risk			
		-1%		+1%	
		Profit / OCI \$'000	Equity \$'000	Profit / OCI \$'000	Equity \$'000
30 June 2015					
Financial liabilities					
Derivatives - cash flow hedges	12,224	-	(7,085)	-	6,567
Total increase/ (decrease)	12,224	-	(7,085)	-	6,567

(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 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
30 June 2015					
Interest rate swaps	375,865	2,067,251	2,548,761	6,856,015	2,300,010
Trade and other payables	8,670,040	158,609	-	-	-
Interest bearing liabilities	-	9,892,591	10,338,887	41,355,546	354,968,416
Total	9,045,905	12,118,451	12,887,648	48,211,561	357,268,426



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 2016 and 30 June 2015.

	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	-
	Level 1 \$	Level 2 \$	Level 3 \$
30 June 2015			
Financial liabilities at fair value through profit or loss			
Derivatives used for hedging			
Interest rate swaps	-	12,223,582	-
Total liabilities	-	12,223,582	-

6 Financial risk management (continued)

(e) Financial instruments by category

Financial assets as per balance sheet	Loans and receivables \$	Available for sale \$	Total \$
At 30 June 2016			
Cash and cash equivalents	3,494,521	-	3,494,521
Trade and other receivables	700,050	-	700,050
Available for sale financial assets	-	200	200
	<u>4,194,571</u>	<u>200</u>	<u>4,194,771</u>

At 30 June 2015			
Cash and cash equivalents	1,994,781	-	1,994,781
Trade and other receivables	2,302,403	-	2,302,403
Available for sale financial assets	-	200	200
	<u>4,297,184</u>	<u>200</u>	<u>4,297,384</u>

Financial liabilities as per balance sheet	Derivatives used for hedging \$	Measured at amortised cost \$	Total \$
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>

At 30 June 2015			
Trade and other payables	-	8,828,649	8,828,649
Derivative financial instruments	12,223,582	-	12,223,582
Borrowings	-	124,793,908	124,793,908
	<u>12,223,582</u>	<u>133,622,557</u>	<u>145,846,139</u>

(f) 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.



7 Income tax

	2016 \$	2015 \$
(a) Income tax expense		
Current tax	-	-
Deferred tax	(3,534,997)	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	(7,185,018)	(4,483,628)
Income tax @ 28%	(2,011,805)	(1,255,416)
Tax effects of:		
• Expenses not-deductible/(capitalised amounts deductible) for tax purposes	(1,575,144)	89,335
• Prior year expenses not-deductible/(capitalised amounts deductible) for tax purposes	(1,928,816)	89,335
• Current-year losses for which no deferred income tax asset was recognised	5,515,765	1,166,081
• Deductible/taxable temporary differences for which a deferred tax liability was recognised	(3,534,997)	-
	(3,534,997)	-
(c) Unrecognised tax balances		
Losses brought forward	14,395,199	10,967,589
Adjustments recognised in the current year in relation to the current tax of prior years	6,888,628	(966,683)
Net tax deficit for the year	12,810,532	4,394,293
Deductible/(taxable) temporary differences not recognised	(141,223)	-
Prior year deductible/(taxable) temporary differences not recognised	263,377	-
Unrecognised deferred tax balances	34,216,513	14,395,199

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.

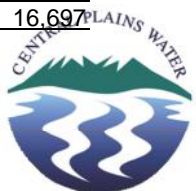
(d) Tax (charge)/credit relating to components of other comprehensive income

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

	Before tax \$	Tax (expense) / benefit \$	After tax \$
Consolidated			
30 June 2016			
Current tax	-	-	-
Deferred tax (note 9)	(6,253,062)	1,750,857	(4,502,205)
Other comprehensive income	(6,253,062)	1,750,857	(4,502,205)
30 June 2015			
Current tax	-	-	-
Deferred tax (note 9)	(9,034,071)	2,529,534	(6,504,531)
Other comprehensive income	(9,034,071)	2,529,534	(6,504,531)

8 Imputation credits

	2016 \$	2015 \$
Imputation credit account		
Balance at beginning of year	16,697	17,072
Resident withholding tax paid	-	156
Tax payments, net of refunds	(6,840)	(3,903)
Prior year tax adjustment	(5,326)	3,372
Balance at end of year	4,531	16,697



9 Deferred tax assets (liabilities)

	Consolidated	
	2016	2015
	\$	\$
The balance comprises temporary differences attributable to:		
Cash flow hedges (note 20)	5,173,460	3,422,603
Temporary differences giving rise to deferred tax liability	<u>(3,534,997)</u>	-
Total deferred tax assets (liabilities)	<u>1,638,460</u>	<u>3,422,603</u>

At 30 June 2016 a deferred tax liability of \$3,534,997 (2015:\$nil) was recognised relating to the temporary differences on property, plant & equipment 'Scheme Infrastructure'.

10 Trade and other receivables

	Consolidated	
	2016	2015
	\$	\$
Trade receivables	662,433	73,051
Share instalments receivable	37,161	73,541
Prepaid loan fees	-	136,417
Net GST receivable	-	2,012,099
	<u>699,594</u>	<u>2,295,108</u>

As of 30 June 2016, trade receivables of \$662,433 (2015: \$73,051) were fully performing.

(a) Share instalments outstanding

This amount has arisen from transactions outside the usual operating activities of the Company. 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).

(c) Prepaid loan fees

This amount comprises loan fees incurred at the inception of the Construction Facility to be amortised over the expected life of the facility.

11 Current tax receivables

	Consolidated	
	2016	2015
	\$	\$
Excess of tax paid for current period over amount due	<u>455</u>	<u>7,295</u>



12 Other assets

	Consolidated	
	2016	2015
	\$	\$
Other current assets		
Contingency reserve account	2,001,644	-
Dry shares provision	<u>1,293,410</u>	<u>-</u>
	<u>3,295,054</u>	<u>-</u>
Other non-current assets		
Contingency reserve account	<u>-</u>	<u>5,185,265</u>

The deposits have an interest rate of 1% (2015: 2.5%).

The Contingency reserve account is required under the Funding Agreement to fund operational expenses if unforeseen circumstances occur which means the Company cannot make revenue (2015: \$5m required under the Syndicated Facility Agreement for the period of stage 1 construction).

The Dry shares provision was provided under the Funding Agreement to fund capital expenditure incurred to connect additional customers in Stage 1.

13 Property, plant and equipment

Year ended 30 June 2015

	Construction work in progress \$	Freehold land \$	Office equipment \$	Motor vehicles \$	Other plant and equipment \$	Scheme Infrastructure \$	Total \$
Opening net book amount	16,701,745	250,000	115,535	185,337	-	-	17,252,617
Additions	123,913,965	-	48,586	25,182	86,397	-	124,074,130
Depreciation charge	-	-	(77,433)	(39,584)	(2,370)	-	(119,387)
Closing net book amount	140,615,710	250,000	86,688	170,935	84,027	-	141,207,360

At 30 June 2015

Cost	140,615,710	250,000	177,483	226,410	86,397	-	141,356,000
Accumulated depreciation	-	-	(90,795)	(55,475)	(2,370)	-	(148,640)
Net book amount	140,615,710	250,000	86,688	170,935	84,027	-	141,207,360

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)
Transfers	(152,715,064)	-	-	-	-	152,715,064	-
Depreciation charge	-	-	(45,616)	(34,017)	(11,108)	(4,524,970)	(4,615,711)
Closing net book amount	-	537,392	79,798	136,759	71,953	151,365,078	152,190,980

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	-	537,392	79,798	136,759	71,953	151,365,078	152,190,980

(a) Construction work in progress

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 \$2,463,178 (2015: \$6,256,885) on construction work in progress.



14 Intangible assets

	Water consents acquired \$	Computer software \$	Total \$
Year ended 30 June 2015			
Opening net book amount	-	-	-
Additions	150,000	1,380	151,380
Accumulated amortisation	-	(116)	(116)
Net book amount	<u>150,000</u>	<u>1,264</u>	<u>151,264</u>
At 30 June 2015			
Cost	150,000	1,380	151,380
Accumulated amortisation	-	(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)
Closing 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 and impairment	-	(9,058)	(9,058)
Net book amount	<u>150,000</u>	<u>12,254</u>	<u>162,254</u>

15 Shares

	Consolidated 2016 \$	2015 \$
Farmlands Co-operative Society shares	<u>200</u>	<u>200</u>

16 Trade and other payables

	Consolidated 2016 \$	2015 \$
Trade payables	983,833	374,203
Accrued expenses	1,003,879	623,556
Construction work in progress	-	7,830,888
Net GST payable	<u>228,608</u>	<u>-</u>
	<u>2,216,320</u>	<u>8,828,647</u>



17 Interest bearing liabilities

	Consolidated	
	2016	2015
	\$	\$
Secured		
Bank loans	<u>785,180</u>	<u>427,900</u>
Total current interest bearing borrowings	<u>785,180</u>	<u>427,900</u>
Secured		
Bank loans	<u>138,203,358</u>	<u>120,938,370</u>
Selwyn District Council	<u>1,796,607</u>	<u>-</u>
Crown Irrigation Investments Limited	<u>6,786,435</u>	<u>3,427,638</u>
Total non-current interest bearing borrowings	<u>146,786,400</u>	<u>124,366,008</u>
Total interest bearing liabilities	<u>147,571,580</u>	<u>124,793,908</u>

(a) Bank borrowings

The Company has total borrowings of \$138,988,538 provided by a Term Loan from ANZ & Westpac Banks (2015: \$121,366,270 provided from a Syndicated Facility totalling \$142,600,000 from ANZ and Westpac Banks). Bank borrowings are secured over the assets of the company. The Term Loan matures on the 9 April 2019.

The average interest rate to 30 June 2016 on the Construction Facility is 7.05% (2015: 5.76%), it excludes line fees and swaps.

The Company has the following undrawn borrowing facilities:

	2016	2015
	\$	\$
Construction facility	-	16,133,730
Bridge facility	<u>-</u>	<u>5,100,000</u>
	<u>-</u>	<u>21,233,730</u>

(b) Crown Irrigation Investments Limited

The company has fully drawn the subordinated debt facility of \$6,500,000. The subordinated debt facility has a repayment date that is the earlier of the commencement of Stage 2 construction or the expiry date being 9 September 2019.

The average interest rate to 30 June 2016 on the Loan is 7.00% (2015: 7.00%).

(c) Selwyn District Council

The company has an undrawn subordinated debt facility of \$6,500,000 available to co fund the Stage 2 and Sheffield scheme to investment ready. The subordinated debt facility has a repayment date that is the earlier of the first construction finance drawdown or 31 October 2019 or such date as the parties agree.

The average interest rate to 30 June 2016 on the Loan is 10.00% (2015: 10.00%).

18 Derivative financial instruments

	Consolidated	
	2016	2015
	\$	\$
Current liabilities		
Interest rate swaps - cash flow hedges (note(2)(k))	<u>254,056</u>	<u>96,622</u>
Non-current liabilities		
Interest rate swaps - cash flow hedges (note(2)(k))	<u>18,222,587</u>	<u>12,126,960</u>
Total derivative financial instrument liabilities	<u>18,476,643</u>	<u>12,223,582</u>

(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 2016, the fixed interest rates vary from 4.14% to 5.51% (2015: 4.69% 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 2016 will be released to the income statement within finance cost as each interest rate swap matures.

19 Contributed equity

	2016 Shares	2015 Shares	2016 \$	2015 \$
(a) Share capital				
Fully paid (no par value)	788,004	784,993	7,683,912	7,651,912
Issue of shares	11,394	-	308,000	-
Transfer of reserve for treasury shares	-	3,011	-	32,000
	<u>799,398</u>	<u>788,004</u>	<u>7,991,912</u>	<u>7,683,912</u>

All ordinary shares share equally in dividends on surplus and on winding up. The ordinary shares hold equal voting rights. The company holds 3,011 shares in Central Plains Water Limited.

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.

	2016 Shares	2015 Shares	2016 \$	2015 \$
(b) Reserve for treasury shares				
Opening balance	(3,011)	-	(32,000)	-
Transfer of ordinary shares	-	(3,011)	-	(32,000)
Closing balance	<u>(3,011)</u>	<u>(3,011)</u>	<u>(32,000)</u>	<u>(32,000)</u>

(c) Construction shares

	2016 Shares	2015 Shares	2016 \$	2015 \$
Opening balance	18,291	18,283	32,009,250	31,995,250
Issues of construction shares during the year	-	8	-	14,000
Closing balance	<u>18,291</u>	<u>18,291</u>	<u>32,009,250</u>	<u>32,009,250</u>

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

	2016 Shares	2015 Shares	2016 \$	2015 \$
Total pre-construction shares	<u>29,215</u>	<u>29,215</u>	<u>5,843,000</u>	<u>5,843,000</u>

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.

Total contributed equity	<u>45,812,162</u>	<u>45,504,162</u>
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20 Other reserves

	2016 \$	2015 \$
Cash flow hedge reserve	(13,303,184)	(8,800,978)
Land acquisition reserves	<u>2,310,591</u>	<u>2,597,131</u>
	<u>(10,992,593)</u>	<u>(6,203,847)</u>

Cash flow hedge reserve

Opening balance	(8,800,978)	(2,296,447)
Fair value gains/(losses) in year	(6,253,062)	(9,034,071)
Deferred tax	<u>1,750,857</u>	<u>2,529,540</u>
Balance 30 June	<u>(13,303,184)</u>	<u>(8,800,978)</u>

Land acquisition reserve

Opening Balance	2,597,131	-
Addition	-	2,597,131
Adjustments	<u>(286,540)</u>	<u>-</u>
Closing balance	<u>2,310,591</u>	<u>2,597,131</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.



21 Reconciliation of profit after income tax to net cash inflow from operating activities

	2016 \$	2015 \$
Profit for the year	(10,720,015)	(4,483,628)
Depreciation and amortisation	4,624,653	119,503
Deferred tax	3,534,997	-
Loss on disposal of fixed assets	774	-
Interest in financing activities	7,979,878	-
Change in operating assets and liabilities		
(Increase) decrease in trade debtors	(553,003)	56,192
(Increase) decrease in prepayment	-	545,667
(Increase) decrease in future income tax benefit	6,840	13,061
(Increase) decrease in trade creditors	(4,279,437)	(522,369)
Net cash inflow from operating activities	<u>594,687</u>	<u>(4,271,574)</u>

22 Events occurring after the reporting period

On 30 August 2016 the company completed a successful Stage 2 equity raise and allotted 15,409 Construction Shares at a share price of \$2,000, with \$1,000 paid on application and a further \$1,000 instalment payable on 1 July 2017.

On 15 September 2016 the company held a Special General Meeting to pass resolutions to proceed with Stage 2 and Sheffield. The resolutions were passed unanimously. Stage 2 construction is due to start December 2016 with irrigation commencing September 2018. Sheffield construction is due to start November 2016 with irrigation commencing September 2017. Construction and funding negotiations are currently underway and are expected to be completed by October 2016.

23 Contingencies

As at 30 June 2016 the Company had no contingent liabilities or assets (2015: nil).

24 Commitments

(a) Capital commitments

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

	2016 \$	2015 \$
Up to 1 year	-	14,496,510
1 to 5 years	-	-
	<u>-</u>	<u>14,496,510</u>

The Company's contractual commitments to construct the irrigation scheme as at 30 June 2016 are estimated to be nil (2015: \$14.5m).

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 (refer to note 13).



24 Commitments (continued)

(b) Guarantees

	2016 \$	2015 \$
Bonds issued in favour of consenting authorities.	<u>275,000</u>	<u>3,000,000</u>

25 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 \$63,232 (2015: \$22,229).

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 D L 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 \$663,832 (2015: 293,362). The amount owed by the company at 30 June 2016 was \$82,916 (2015: \$23,445).

Mr P J Munro, a director of the company, was a partner in Deloitte. During the reporting period the company entered into normal commercial transactions with Deloitte. These transactions totalled \$88,444 (2015: \$55,365). The amount owed by the company at 30 June 2016 was \$nil (2015: 5,367).

(c) Directors Interests

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

	2016 \$	2015 \$
John Donkers		
Chiswick Farm Limited	198,148	-
Highbury Farm Limited	173,858	-
Praire Farm Limited	247,361	-
Willsden Farm Limited	348,253	-
Geoffrey Stevenson		
Clovernook Farm Limited	184,633	-

26 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

We have audited the accompanying consolidated financial statements of Central Plains Water Limited and its subsidiaries ("the group") on pages 4 to 28. The financial statements comprise the consolidated statement of financial position as at 30 June 2016, the consolidated 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.

This report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in the 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 company's shareholders as a body, for our audit work, this report or any of the opinions we have formed.

Directors' responsibility for the consolidated financial statements

The directors are responsible on behalf of the company 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements 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 group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the consolidated 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 group.



Opinion

In our opinion, the consolidated financial statements on pages 4 to 28 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the consolidated financial position of Central Plains Water Limited as at 30 June 2016 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

A handwritten signature in blue ink, appearing to read 'KPMG'.

29 September 2016
Christchurch



Statutory information

Shares on issue

As at 30 June 2016 we had 799,398 ordinary shares issued to 365 holders, 18,291 construction shares issued to 84 holders and 29,215 pre-construction shares issued to 177 holders.

Top 10 ordinary shareholders

Rank	Name	Units at 30 June 2016	% of Units
1.	Purata Farming Limited	41,380	5.18
2.	WJ Thomas & AA Thomas	27,185	3.40
3.	Canterbury Grasslands Limited	20,800	2.60
4.	Southern Pastures (Group)	18,925	2.37
5.	Burnham Farm Limited	11,394	1.43
6.	Fonterra Co-operative Group Limited	10,000	1.25
7.	Hollands Farm Limited	8,901	1.11
8.	GD Gillanders & Sons Limited	8,800	1.10
9.	Tui Company Limited	8,734	1.09
10.	P & E Limited	8,244	1.03
Totals: Top 10 holders of Ordinary Shares		164,363	20.56
Total Remaining Holders Balance		635,035	79.44

Directors' remuneration

The total remuneration and other benefits to Directors (and past Directors) for services for the year ended 30 June 2016 were:

Director	Position	Ceased / Appointed	Total Remuneration (\$)
D J Catherwood	Chairman		72,000
G K Stevenson	Deputy Chairman		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		Appointed 18 March 2016	9,000
			297,000

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	Carlow 1 Limited
Te Pirita Irrigation Limited	

John Donkers

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

William Luff

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

Grant Miller

Porahui Farms Limited	St Laurence Trust
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Paul Munro

Electricity Ashburton Limited	Orion New Zealand Limited
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William Palmer

Budfin Nominees Limited	Bassett Agriculture Limited
Gemeo Limited	Moor-Park Farm Limited
Otarama Investments 2011 Limited	Palmer Family Trust
Sheffield Water Limited	West Coast Honey 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
Summerfield Finance Limited	



Statutory information (continued)

Directors' shareholding in Central Plains Water

The Directors' respective ordinary shareholdings in Central Plains Water as at 30 June 2016 is as follows:

	# Held
Doug Catherwood together with associated persons	3,720
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
• Praire 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	2,776

The directors have declared that they do not have any other interest in transactions with the company, apart from those disclosed in Note 25 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 2016.

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 2016 the following employees and former employees received individual remuneration over \$100,000;

Remuneration range	Number of employees
\$100,000 - \$110,000	1
\$110,000 - \$120,000	1
\$120,000 - \$130,000	1
\$130,000 - \$140,000	2
\$160,000 - \$170,000	1
\$170,000 - \$180,000	1
\$180,000 - \$190,000	1
\$240,000 - \$250,000	1
\$260,000 - \$270,000	1
\$330,000 - \$340,000	1

Donations

There were no donations during the 2016 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 Thursday 3 November 2016 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.cpwll.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.

Directory

Office

PO Box 9424
Tower Junction
Christchurch 8149
Unit 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

Unit 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 (Selwyn District Council appointee 18 March 2016)

Senior management

Derek Crombie – Chief Executive Officer
Warren Maslin – Chief Financial Officer
Susan Goodfellow – General Manager Environmental
Michael Grey – General Manager Design
Penny Hoogerwerf – General Manager Land & Legal
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

