Central Plains Water Limited
Annual Report
For the year ended 30 June 2018

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Contents

Chairmans' review

Year in Review

The 2018 financial year almost brings us to the end of the first stage of our long journey, with the company starting 14 years ago in 2004 and the start of Stage 1 construction over four years ago in early 2014. This Company, with the enormous support from its shareholders, has substantially completed New Zealand's largest privately funded infrastructure project (over $400 million spent to date) in years with the only rivals being publicly funded projects. CPWL and its shareholders should be immensely proud of this achievement and be ready to reap the benefits both on farm and for the whole region with increases in productivity and security in your investment.

Stage 1 and now Sheffield area of the scheme have achieved another successful season of irrigation supply with the 2017/18 season finishing on 30th April. The infrastructure delivered over 90 million m^3 water including 32 million m^3 of stored water to 152 customers with no significant outages.

As a result of the rainfall event in July 2017, the Stage 1 Canal sustained damage causing delays to the construction of off-take 5 and Stage 2. The Company's insurers supported the Company to reinstate the asset back to operating condition for the irrigation season and the Company has completed additional works to secure the infrastructure for future events.

Construction continued this year on the Stage 2 area of the scheme. At the time of writing, all infrastructure is installed and testing and commissioning of GRP and HDPE lines, PrV's and Pump stations are underway to ensure the delivery of irrigation water to Stage 2 for this season.

A highlight for the year has been the delivery of the Sheffield Scheme, and a successful irrigation season. Despite the real challenges faced due to the wet 2017 winter, water was available to all shareholders by December 2017 and the scheme was delivered on budget.

Financial Performance and Position

The company is reporting a "Loss for the year" of $(9.6) million. This Loss reflects notably; a non-cash depreciation charge of $6.1 million on Scheme infrastructure. The company is likely to continue to report accounting losses in the early years of its operation due to the depreciation charge from its large asset base. However it is important to note that the Company continues to operate within its operating budgets and reports a positive cash flow position from operations.

The company's balance sheet at 30 June 2018 reflects the completion of the Sheffield scheme and the construction activity on Stage 2 with total assets increasing to $358 million (2017: $249 million). Increases in scheme infrastructure have been funded by "Interest bearing liabilities" increasing by $126 million during the year.

Also of note on the balance sheet is the revalued amount of "Derivative financial instruments" (interest rate hedges) of $(23) million (2017: $(17.8) million). The company is required under its loan terms to fix interest rates for approximately 5 years from the start of construction. The revaluation loss was as a result of unfavorable movements in the long run interest rate expectations impacted by both uncontrollable external factors. However these losses are not realised if the debt continues to the end of the hedge period.

Outlook

The focus for 2018/19 irrigation season is the successful operations of the Stage 2 Scheme on top of the continued operations of the rest of the scheme. This signals a change for the Company from a construction to a 100% water delivery business. We look forward to another very busy delivery season ahead.

People and Supporters

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

Shareholder Support

Thank you to all our Shareholders for their continued support throughout the year, particularly the Stage 2 shareholders who are eagerly awaiting the first delivery of water and in many cases have had to cope with disruption from construction activity across their properties. The goal is within sight.

Directors' report

The Board of Directors have pleasure in presenting the annual report of Central Plains Water Limited, incorporating the financial statements and the auditors' report, for the year ended 30 June 2018.

Results

The Company reported a loss for the year.

	This Year	Last Year
Net surplus (deficit) for the year	**(9,573,134)**	(8,369,161)
Retained earnings (accumulated losses) as at 1 July	**(49,971,752)**	(41,602,591)
Retained earnings (accumulated losses) as at 30 June	**(59,544,886)**	(49,971,752)

Cash flow hedge

The Company has recognised a "cash flow hedge reserve" of $(16,538,569) reflecting the revaluation of unrealised losses on interest rate hedges. The Company was required under the terms of it's bank loans for Stage 1 to fix 100% of interest rate risk for a five year period. The banking requirement to minimise interest rate risk is the same for Stages 2 and Sheffield. The actual losses or gains realised will depend on movements in interest rates over the term of the interest rate hedges.

State of Affairs

The Board of Directors are of the opinion that the state of affairs of the Company is satisfactory.

Dividend

No dividend was paid during the year.

Auditors

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

The Board of Directors of Central Plains Water Limited authorised these financial statements presented on pages 4 to 30 for issue on 28 September 2018.

For and on behalf of the Board.

D J Catherwood
Chairperson

28 September 2018

P J Munro
Director

28 September 2018

Statement of comprehensive income

For the year ended 30 June 2018

	Notes	2018 $	2017 $
Operating income		**19,080,388**	15,090,930
Grants received		**-**	5,008,931
Interest received		**168,572**	184,320
Insurance income		**1,785,840**	-
Total income		**21,034,800**	20,284,181
Operating expenses		**(8,800,107)**	(4,903,705)
Depreciation and amortisation expense		**(6,083,726)**	(5,892,451)
Design expenses		**(90,978)**	(5,483,249)
Directors expenses		**(426,918)**	(384,791)
Audit expenses		**(28,825)**	(38,545)
Other administration expenses		**(1,240,517)**	(891,735)
Finance costs	5	**(10,885,969)**	(10,361,689)
Total expenses		**(27,557,040)**	(27,956,165)
Loss before income tax		**(6,522,240)**	(7,671,984)
Income tax benefit (expense)	7	**(3,050,894)**	(697,177)
Loss for the period		**(9,573,134)**	(8,369,161)
Other comprehensive income:			
Changes in fair value of cash flow hedges	18	**(5,126,494)**	632,904
Income tax benefit on fair value of cash flow hedges		**1,435,418**	(177,213)
Other comprehensive income for the year, net of tax		**(3,691,076)**	455,691
Total comprehensive income for the year		**(13,264,210)**	(7,913,470)

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

Statement of changes in equity

For the year ended 30 June 2018

Consolidated	Notes	Share Capital $	Reserve for treasury shares $	Other reserves $	Retained earnings $	Total equity $
Balance as at 1 July 2016		45,844,162	(32,000)	(10,992,592)	(41,602,591)	(6,783,021)
Comprehensive income						
Loss for the year		-	-	-	(8,369,161)	(8,369,161)
Other comprehensive income for the year	18	-	-	455,691	-	455,691
Proceeds from construction shares issued	17(b)	-	32,000	-	-	32,000
Proceed from Stage 2 construction shares issued	17(e)	32,784,638	-	-	-	32,784,638
Proceed from Sheffield construction shares issued	17(f)	11,751,408	-	-	-	11,751,408
Write off unpaid Pre-construction shares	17(d)	(37,160)	-	-	-	(37,160)
Land acquisition reserve	18	-	-	49,127	-	49,127
Balance as at 30 June 2017		90,343,048	-	(10,487,774)	(49,971,752)	29,883,522
Balance as at 1 July 2017		90,343,048	-	(10,487,774)	(49,971,752)	29,883,522
Comprehensive income						
Loss for the year		-	-	-	(9,573,134)	(9,573,134)
Other comprehensive income for the year	18	-	-	(3,691,076)	-	(3,691,076)
Proceed from Stage 2 construction shares issued	17(e)	1,094,700	-	-	-	1,094,700
Proceed from Sheffield construction shares issued	17(f)	315,000	-	-	-	315,000
Land acquisition reserve	18	-	-	49,680	-	49,680
Capital contribution reserve	18	-	-	280,000	-	280,000
Balance as at 30 June 2018		91,752,748	-	(13,849,170)	(59,544,886)	18,358,692

		2018	2017
Number of shares on issue:			
Ordinary shares	17	**799,398**	799,398
Stage 1 construction shares	17	**18,291**	18,291
Pre-construction shares	17	**29,030**	28,855
Stage 2 construction shares	17	**16,956**	16,422
Sheffield construction shares	17	**4,116**	4,011

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

Statement of financial position

As at 30 June 2018

	Notes	2018 $	2017 $
ASSETS			
Current assets			
Cash and cash equivalents		**3,477,116**	8,945,397
Trade and other receivables	10	**2,020,523**	5,706,544
Share instalments receivable	10	**962,333**	17,750,817
Other current assets	11	**3,520,455**	3,136,030
Total current assets		**9,980,427**	35,538,788
Non-current assets			
Property, plant and equipment	12	**346,865,024**	211,460,917
Intangible assets	13	**1,385,373**	1,479,034
Deferred tax assets	9	**-**	764,074
Other investments		**200**	200
Total non-current assets		**348,250,597**	213,704,225
Total assets		**358,231,024**	249,243,013
LIABILITIES			
Current liabilities			
Trade and other payables	14	**7,980,057**	19,184,395
Interest bearing liabilities *	15	**308,070,639**	776,684
Derivative financial instruments	16	**422,298**	235,876
Total current liabilities		**316,472,994**	20,196,955
Non-current liabilities			
Interest bearing liabilities *	15	**-**	181,554,671
Derivative financial instruments	16	**22,547,936**	17,607,865
Deferred tax liabilities	9	**851,402**	-
Total non-current liabilities		**23,399,338**	199,162,536
Total liabilities		**339,872,332**	219,359,491
Net assets		**18,358,692**	29,883,522

** As at 30 June 2018, all interest bearing liabilities are reclassified as current due to a minor technical breach of a banking covenant. Subsequent to balance date, the breach was remedied and the Company was granted a waiver from the Facility Agent returning the interest bearing liabilities to their original non-current classification.*

Statement of financial position (continued)

EQUITY			
Contributed equity	17	**91,752,748**	90,343,048
Reserves	18	**(13,849,170)**	(10,487,774)
Retained earnings		**(59,544,886)**	(49,971,752)
Total equity		**18,358,692**	29,883,522

D J Catherwood
Chairperson

28 September 2018

PJ Munro
Director

28 September 2018

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

Statement of cash flows

For the year ended 30 June 2018

	Notes	2018 $	2017 $
Cash flows from operating activities			
Interest received		**168,592**	185,429
Receipts from customers		**18,551,050**	15,594,580
Insurance income		**1,785,840**	-
Grant income		**-**	5,008,931
Payments to suppliers		**(13,714,676)**	(13,163,236)
Net cash inflow / (outflow) from operating activities	19	**6,790,806**	7,625,704
Cash flows from investing activities			
Purchases of property, plant and equipment		**(18,091,383)**	(3,476,100)
Capital work in progress		**(126,775,702)**	(49,931,850)
Net cash inflow / (outflow) from investing activities		**(144,867,085)**	(53,407,950)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**-**	43,038
Proceeds from issuance of construction shares		**18,198,183**	26,785,229
Proceeds from bank borrowings		**126,246,306**	44,127,997
Repayment of bank borrowings		**(1,007,741)**	(785,180)
Repayment of loans		**-**	(8,583,042)
Interest expense		**(10,828,750)**	(10,354,920)
Net cash inflow / (outflow) from financing activities		**132,607,998**	51,233,122
Net increase (decrease) in cash and cash equivalents		**(5,468,281)**	5,450,876
Cash and cash equivalents at the beginning of the financial year		**8,945,397**	3,494,521
Cash and cash equivalents at end of year		**3,477,116**	8,945,397

1 Reporting Entity

Central Plains Water Limited is a company registered under the Companies Act 1993. The consolidated financial statements as at and for the year ended 30 June 2018 are for Central Plains Water Limited (the 'Company') and its subsidiaries Te Pirita Irrigation Limited (non-trading) and Band 4 Water Limited (non-trading) (together 'the Group').

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

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

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

Statutory base

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

Historical cost convention

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

New standards and interpretations not yet adopted

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

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

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

Critical accounting estimates

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

(b) Principles of consolidation

(i) Subsidiaries

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

2 Summary of significant accounting policies (continued)

(c) Foreign currency translation

(i) Functional and presentation currency

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

(d) Revenue recognition

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

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

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

(e) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.
Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

(f) Income tax

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

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

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

(g) Goods and Services Tax (GST)

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

(h) Cash and cash equivalents

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

(i) Trade and other receivables

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

2 Summary of significant accounting policies (continued)

(j) Investments and other financial assets

Classification

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

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

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

(ii) Loans and receivables

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

(iii) Available for sale financial assets

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

Recognition and measurement

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

(k) Derivatives

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

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

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

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

(i) Cash flow hedge

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

2 Summary of significant accounting policies (continued)

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

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

(l) Fair value estimation

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

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

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

(m) Property, plant and equipment

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

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

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

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

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

(n) Construction work in progress

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

2 Summary of significant accounting policies (continued)

(o) Trade and other payables

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

Trade payables are stated at cost.

(p) Interest bearing liabilities

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

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

(q) Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(r) Contributed Equity

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

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

3 Critical accounting estimates and judgements

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

(a) Critical accounting estimates and assumptions

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

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

(i) Going concern
These financial statements have been prepared under the going concern assumption. Stage 1 has completed its third successful year of operations and The Company completed construction on the Sheffield scheme and operated its first successful irrigation season. The Company continued construction of the Stage 2 scheme which is due for completion in October 2018. The Company has water use agreements in place with all construction shareholders that provide the ability to recover the ongoing costs of operations. This enables the Company to have sufficient cash flow to meet loan repayment and liquidity requirements and to operate as a going concern.

4 Government grants

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

During 2017, the Stage 2 and Sheffield Irrigation Acceleration Funding Agreements were completed and closed.

5 Finance expenses

	2018 $	2017 $
Finance costs		
IRD use of money interest	**-**	6,769
ANZ & Westpac term loan	**5,768,693**	5,487,729
Cash flow hedge	**5,117,276**	4,566,590
Crown Irrigation Investments Limited	**-**	257,327
Selwyn District Council	**-**	43,274
Total finance costs	**10,885,969**	10,361,689

During the construction of Sheffield, completed in 2018, interest of $983,410 (2017: $366,695) has been capitalised. The Company began capitalising borrowing costs for Stage 2 in December 2016, during 2018 amounting to $6,306,556 (2017: $1,720,037).

6 Financial risk management

(a) Market risk

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

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

As at the reporting date, the Company had the following interest rate swap contracts outstanding:

	30 June 2018		30 June 2017	
	Balance $'000	**% of total loans %**	Balance $'000	% of total loans %
Less than 1 year	286,000	70.0%	286,000	70.0%
1 to 2 years	28,000	10.0%	28,000	10.0%
2 to 3 years	49,000	10.0%	49,000	10.0%
3 to 4 years	10,000	2.0%	10,000	2.0%
4 to 5 years	40,000	8.0%	40,000	8.0%
	413,000	100.0%	413,000	100.0%

The above balances include $413m (2017: $413m) of interest rate swap contracts for various periods and do not reflect the current active contracts held at any one point in time.

(ii) Summarised sensitivity analysis
The following table summarises the sensitivity of the Group's financial liabilities to interest rate risk.

Consolidated		**Interest rate risk**			
		-1%		**+1%**	
30 June 2018	**Carrying amount $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**
Financial liabilities					
Derivatives - cash flow hedges	(22,970)	-	(18,464)	-	17,066
Total increase/ (decrease)	(22,970)	-	(18,464)	-	17,066

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

(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.

6 Financial risk management (continued)

(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.

30 June 2018	**Less than 2 months**	**Between 2 and 12 months**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Interest rate swaps	999,834	4,845,728	4,274,733	10,121,259	5,489,950
Trade and other payables	7,336,055	644,002	-	-	-
Interest bearing liabilities	1,282,595	6,598,313	9,475,446	31,352,267	409,009,097
Total	9,618,484	12,088,043	13,750,179	41,473,526	414,499,047

30 June 2017	**Less than 2 months**	**Between 2 and 12 months**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Interest rate swaps	1,006,871	6,500,160	9,087,817	21,196,094	19,064,993
Trade and other payables	18,635,344	549,052	-	-	-
Interest bearing liabilities	2,772,788	15,329,744	19,683,318	52,982,597	371,365,398
Total	22,415,003	22,378,956	28,771,135	74,178,691	390,430,391

(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 2018 and 30 June 2017. See note 12 for disclosures of the land and buildings that are measured at fair value and

6 Financial risk management (continued)

30 June 2018	Level 1 $	Level 2 $	Level 3 $
Financial liabilities at fair value through profit or loss			
Derivatives used for hedging			
Interest rate swaps	-	22,970,234	-
Total liabilities	-	22,970,234	-

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

(e) Capital risk management

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

(f) Financial instruments by category

Financial assets as per balance sheet	Loans and receivables $	Available for sale $	Total $
At 30 June 2018			
Cash and cash equivalents	3,477,116	-	3,477,116
Trade and other receivables	2,982,856	-	2,982,856
Available for sale financial assets	-	200	200
	6,459,972	200	6,460,172
At 30 June 2017			
Cash and cash equivalents	8,945,397	-	8,945,397
Trade and other receivables	23,457,361	-	23,457,361
Available for sale financial assets	-	200	200
	32,402,758	200	32,402,958

Financial liabilities as per balance sheet	Derivatives used for hedging $	Measured at amortised cost $	Total $
At 30 June 2018			
Trade and other payables	-	7,980,056	7,980,056
Derivative financial instruments	22,970,234	-	22,970,234
Borrowings	-	308,070,639	308,070,639
	22,970,234	316,050,695	339,020,929
At 30 June 2017			
Trade and other payables	-	19,184,396	19,184,396
Derivative financial instruments	17,843,741	-	17,843,741
Borrowings	-	182,331,355	182,331,355
	17,843,741	201,515,751	219,359,492

7 Income tax

	2018 $	2017 $
(a) Income tax expense		
Current tax	**-**	-
Deferred tax	**(3,050,894)**	(697,177)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	**(6,522,240)**	(7,671,984)
Income tax @ 28%	**(1,826,227)**	(2,148,156)
Tax effects of:		
• Expenses not-deductible/(capitalised amounts deductible) for tax purposes	**(2,657,042)**	(1,285,179)
• Prior year expenses not-deductible/(capitalised amounts deductible) for tax purposes	**(657)**	1,269,737
• Current-year losses for which no deferred income tax asset is recognised	**4,483,926**	2,163,598
Current tax	**-**	-
Deductible/taxable temporary differences for which a deferred tax liability was recognised	**(3,050,240)**	(697,177)
(c) Unrecognised tax balances		
Losses brought forward	**42,049,258**	34,216,513
Adjustments recognised in the current year in relation to the current tax of prior years	**2,345**	(4,429,166)
Net tax deficit for the year	**16,011,674**	12,261,911
Unrecognised deferred tax balances	**58,063,277**	42,049,258

(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 2018			
Current tax	**-**	**-**	**-**
Deferred tax (note 9)	**(5,126,494)**	**1,435,418**	**(3,691,076)**
Other comprehensive income	**(5,126,494)**	**1,435,418**	**(3,691,076)**
30 June 2017			
Current tax	**-**	**-**	**-**
Deferred tax (note 9)	**632,904**	**(177,213)**	**455,691**
Other comprehensive income	**632,904**	**(177,213)**	**455,691**

8 Imputation credits

	2018 **$**	2017 $
Imputation credit account		
Balance at beginning of year	**4,054**	4,531
Tax payments, net of refunds	**-**	(477)
Balance at end of year	**4,054**	4,054

9 Deferred tax assets (liabilities)

	2018 **$**	2017 $
The balance comprises temporary differences attributable to:		
Derivatives held for trading	**6,431,666**	4,996,247
Temporary differences giving rise to deferred tax liability	**(7,283,068)**	(4,232,173)
Total deferred tax assets (liabilities)	**(851,402)**	764,074

At 30 June 2018 a deferred tax liability of $7,283,068 (2017:$4,232,173) was recognised relating to the temporary differences on property, plant & equipment 'Scheme Infrastructure'.

10 Trade and other receivables

	2018 **$**	2017 $
Trade receivables	**471,840**	158,784
Share instalments receivable	**962,333**	17,750,817
Prepayments	**866,372**	2,750,844
Net GST receivable	**682,311**	2,796,916
	2,982,856	23,457,361

As of 30 June 2018, trade receivables of $471,840 (2017: $158,784) were fully performing.

(a) Share instalments outstanding

This amount has arisen from transactions outside the usual operating activities of the Company. During 2017 the Company issued Stage 2 construction shares on the 7 September 2016 with 50% payable on the allotment date with the balance payable on 1 July 2017. At the time of writing The Company has received 100% of Stage 2 share calls outstanding. The balance is for Sheffield construction shares payable pro-rata over the following 16 months.

(b) Prepayments

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

11 Other current assets

	2018 **$**	2017 $
Contingency reserve account	**2,501,276**	2,000,575
Dry shares provision	**1,019,179**	1,135,455
	3,520,455	3,136,030

The cash deposits have an interest rate of 0.35% (2017: 0.35%).

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.

The Dry Shares Provision was provided under the Funding Agreement to fund capital expenditure incurred to connect additional customers in Stage 1 and Sheffield schemes.

12 Property, plant and equipment

	Construction work in progress $	Freehold land $	Office equipment $	Motor vehicles $	Other plant and equipment $	Scheme Infrastructure $	Total $
Year ended 30 June 2017							
Opening net book amount	-	537,392	79,798	136,759	71,953	151,365,078	152,190,980
Additions	64,509,452	-	14,409	162,251	7,067	396,081	65,089,260
Disposals	-	-	(92)	-	-	-	(92)
Depreciation charge	-	-	(32,922)	(41,181)	(9,989)	(5,735,139)	(5,819,231)
Closing net book amount	64,509,452	537,392	61,193	257,829	69,031	146,026,020	211,460,917
At 30 June 2017							
Cost	64,509,452	537,392	227,654	381,334	92,498	156,286,129	222,034,459
Accumulated depreciation	-	-	(166,461)	(123,505)	(23,467)	(10,260,109)	(10,573,542)
Net book amount	64,509,452	537,392	61,193	257,829	69,031	146,026,020	211,460,917
Year ended 30 June 2018							
Opening net book amount	64,509,452	537,392	61,193	257,829	69,031	146,026,020	211,460,917
Additions	141,243,456	-	6,383	43,431	29,853	308,846	141,631,969
Disposals	-	(220,000)	-	(17,798)	-	-	(237,798)
Transfers	(41,270,140)	(40,000)	-	-	-	41,310,140	-
Depreciation charge	-	-	(24,740)	(56,692)	(9,953)	(5,898,679)	(5,990,064)
Closing net book amount	164,482,768	277,392	42,836	226,770	88,931	181,746,327	346,865,024
At 30 June 2018							
Cost	164,482,768	277,392	234,038	388,507	122,351	197,905,115	363,410,171
Accumulated depreciation	-	-	(191,202)	(161,737)	(33,420)	(16,158,788)	(16,545,147)
Net book amount	164,482,768	277,392	42,836	226,770	88,931	181,746,327	346,865,024

(a) Construction work in progress

Construction work in progress comprises expenditure on Stage 2 $164,400,000 irrigation scheme. During 2017, construction work in progress was capitalised and comprised expenditure on Stage 2 and Sheffield irrigation schemes.

(b) Capitalised borrowing costs

During the year, the Company has capitalised borrowing costs amounting to $7,289,966 (2017: $2,112,969) on construction work in progress.

13 Intangible assets

	Water consents acquired $	Computer software $	Total $
At 1 July 2016			
Cost	150,000	21,312	171,312
Accumulated amortisation and impairment	-	(9,058)	(9,058)
Net book amount	150,000	12,254	162,254
Year ended 30 June 2017			
Opening net book amount	150,000	12,254	162,254
Additions	1,390,000	-	1,390,000
Amortisation charge	(67,093)	(6,127)	(73,220)
Net book amount	1,472,907	6,127	1,479,034
At 30 June 2017			
Cost	1,540,000	21,312	1,561,312
Accumulated amortisation	(67,093)	(15,185)	(82,278)
Net book amount	1,472,907	6,127	1,479,034
Year ended 30 June 2018			
Opening net book amount	1,472,907	6,127	1,479,034
Additions	-	-	-
Amortisation charge	(90,597)	(3,064)	(93,661)
Closing net book amount	1,382,310	3,063	1,385,373
At 30 June 2018			
Cost	1,540,000	21,312	1,561,312
Accumulated amortisation and impairment	(157,690)	(18,249)	(175,939)
Net book amount	1,382,310	3,063	1,385,373

14 Trade and other payables

	2018 **$**	2017 $
Trade payables	**813,331**	618,332
Accrued expenses	**539,934**	207,706
Construction work in progress	**6,626,792**	18,358,357
	7,980,057	19,184,395

15 Interest bearing liabilities

	2018 **$**	2017 $
Secured		
Bank loans	**257,877,596**	776,684
Crown Irrigation Investments Limited	**50,183,043**	-
Current interest bearing borrowings	**308,070,639**	776,684
Secured		
Bank loans	**-**	169,477,816
Crown Irrigation Investments Limited	**-**	12,076,855
Non-current interest bearing borrowings	**-**	181,554,671
Total interest bearing liabilities	**308,070,639**	182,331,355

As at 30 June 2018, interest rates (including margins) on the company's borrowings averaged 6.0% (2017: 6.8%). Daily commitment fees are also payable on the undrawn construction facilities.

As at 30 June 2018, $257,877,596 Bank loans and $50,183,043 Crown Irrigation Investments Limited Loan are reclassified as current due to a minor technical breach of a banking covenant. Subsequent to balance date, the breach was remedied and the Company was granted a waiver from the Facility Agent returning the Bank loans and Crown Irrigation Investments Limited Loan to their original non-current classification.

(a) Bank borrowings

The Company has total borrowings of $257,877,596 provided by a Term Loan and Construction Facility from ANZ, Westpac & China Construction Banks (2017: $170,254,500). Bank borrowings are secured over the assets of the company. The Term Loan matures on the 30 November 2021.

The Company has the following undrawn borrowing facilities:

	2018 **$**	2017 $
Construction facility:		
Stage 2	**34,093,379**	97,848,501
Sheffield	**-**	24,100,357
Crown Irrigation Investments Limited	**13,272,987**	52,439,313
	47,366,366	174,388,171

(b) Crown Irrigation Investments Limited

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

16 Derivative financial instruments

	2018 $	2017 $
Current liabilities		
Interest rate swaps - cash flow hedges (note 2(k) & note 6(a)(i))	**422,298**	235,876
Non-current liabilities		
Interest rate swaps - cash flow hedges (note 2(k) & note 6(a)(i))	**22,547,936**	17,607,865
Total derivative financial instrument liabilities	**22,970,234**	17,843,741

(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 2018, the fixed interest rates vary from 3.51% to 5.51% (2017: 3.51% 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 2018 will be released to the income statement within finance cost as each interest rate swap matures.

17 Contributed equity

	2018 Shares	2017 Shares	2018 $	2017 $
(a) Share capital				
Fully paid (no par value)	**799,398**	799,398	**7,991,912**	7,991,912

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

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

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

(b) Reserve for treasury shares

	2018 Shares	2017 Shares	2018 $	2017 $
Opening Balance	**-**	(3,011)	**-**	(32,000)
Sale of ordinary shares	**-**	3,011	**-**	32,000
Closing balance	**-**	-	**-**	-

17 Contributed equity (continued)

(c) Stage 1 Construction shares

	2018 Shares	2017 Shares	2018 $	2017 $
Total Stage 1 construction shares	**18,291**	18,291	**32,009,250**	32,009,250

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

(d) Pre-construction shares

	2018 Shares	2017 Shares	2018 $	2017 $
Opening balance	**28,855**	29,215	**5,805,840**	5,843,000
Re allocation of unpaid shares	**175**	-	**-**	-
Write off unpaid shares	**-**	(360)	**-**	(37,160)
Closing balance	**29,030**	28,855	**5,805,840**	5,805,840

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 & Sheffield Construction Shares.

(e) Stage 2 Construction shares

	2018 Shares	2017 Shares	2018 $	2017 $
Opening balance	**16,422**	-	**32,784,638**	-
Issues of construction shares during the year	**534**	16,422	**1,094,700**	32,784,638
Closing balance	**16,956**	16,422	**33,879,338**	32,784,638

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

(f) Sheffield Construction shares

	2018 Shares	2017 Shares	2018 $	2017 $
Opening balance	**4,011**	-	**11,751,408**	-
Issues of construction shares during the year	**105**	4,011	**315,000**	11,751,408
Closing balance	**4,116**	4,011	**12,066,408**	11,751,408

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

	2018 $	2017 $
Total contributed equity	**91,752,748**	90,343,048

18 Reserves

	2018 **$**	2017 $
Cash flow hedge reserve	**(16,538,569)**	(12,847,493)
Land acquisition reserve	**2,409,399**	2,359,719
Capital contribution reserve	**280,000**	-
	(13,849,170)	(10,487,774)

(a) Cash flow hedge reserve

Fair value gains/(losses) in year	**(5,126,494)**	632,904
Deferred tax	**1,435,418**	(177,213)
Movements in other Comprehensive income	**(3,691,076)**	455,691

Opening balance	**(12,847,493)**	(13,303,184)
Movements in other Comprehensive income	**(3,691,076)**	455,691
Balance 30 June	**(16,538,569)**	(12,847,493)

Nature and purpose of 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)).

(b) Land Acquisition reserve

Opening balance	**2,359,719**	2,310,592
Addition	**49,680**	49,127
Balance 30 June	**2,409,399**	2,359,719

Nature and purpose of Land Acquisition reserve

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

(c) Capital Contribution reserve

Opening balance	**-**	-
Addition	**280,000**	-
Balance 30 June	**280,000**	-

Nature and purpose of Capital Contribution reserve

The capital contribution reserve is used to record capital contributions for infrastructure connected to the scheme that is run and operated by the company but the interested party does not hold the relevant share class.

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

	2018 **$**	2017 $
Profit for the year	**(9,573,134)**	(8,369,161)
Depreciation and amortisation	**6,083,726**	5,892,451
Deferred tax	**3,050,894**	697,177
Loss on disposal of fixed assets	**17,798**	-
Gain on disposal of fixed assets	**(30,000)**	(2,035)
Gain on sale of treasury shares	**-**	(11,038)
Interest paid	**10,885,969**	10,354,920
Change in operating assets and liabilities		
(Increase) decrease in trade debtors	**(438,848)**	504,718
(Increase) decrease in future income tax benefit	**-**	455
(Increase) decrease in trade creditors	**(3,205,599)**	(1,441,783)
Net cash inflow from operating activities	**6,790,806**	7,625,704

20 Events occurring after the reporting period

The Stage 2 scheme is on target to be completed for operations in October 2018.

21 Contingencies

As at 30 June 2018 the Company had no contingent liabilities or assets (2017: nil).

22 Commitments

(a) Capital commitments

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

	2018 **$**	2017 $
Other	**-**	-
Up to 1 year	**9,229,838**	128,240,548
1 to 5 years	**-**	5,990,247
	9,229,838	134,230,795

The Company's contractual commitments to construct the irrigation scheme as at 30 June 2018 are estimated to be $9m (2017: $134m).

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

(b) Guarantees

	2018 **$**	2017 $
Bonds issued in favour of consenting authorities.	**3,845,000**	4,275,000

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

The Company holds the following bonds:

- $290,000 for Operations;
- $555,000 for Termination;
- $3,000,000 for Stage 2 Construction.

23 Related party transactions

(a) Central Plains Water Trust

Central Plains Water Trust is an associate of the Christchurch City Council and Selwyn District Council. The trust provided services and assistance to the company to the value of $57,106 (2017: $51,656).

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, D L Summerfield and W D Crombie.

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 totaled $173,714 (2017: $1,062,795). The amount owed by the company at 30 June 2018 was $7,779 (2017: $8,857).

(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:

	2018	2017
	$	$
John Donkers		
Chiswick Farm Limited	**251,836**	232,300
Highbury Farm Limited	**243,385**	225,326
Praire Farm Limited	**290,450**	262,229
Willsden Farm Limited	**421,799**	378,102
Geoffrey Stevenson		
Clovernook Farm Limited	**206,485**	188,937
Damon Summerfield		
Summerfield Farming Co Limited	**106,956**	-
William Palmer		
Palmer Family Trust	**40,108**	-

24 Group entities

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

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

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

KPMG

Independent Auditor's Report

To the shareholders of Central Plains Water Limited

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Central Plains Water Limited (the company) and its subsidiaries (the group) on pages 4 to 28:

i. present fairly in all material respects the Group's financial position as at 30 June 2018 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

— the consolidated statement of financial position as at 30 June 2018;

— the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and

— notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

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

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

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

Our firm has also provided other services to the group in relation to a Cyber Security Risk Assessment. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

Other information

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

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

Use of this independent auditor's report

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

Responsibilities of the Directors for the consolidated financial statements

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

— the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards);

— implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and

— assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

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

Our objective is:

— to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and

— to issue an independent auditor's report that includes our opinion.

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

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

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-5/

This description forms part of our independent auditor's report.The engagement partner on the audit resulting in this independent auditor's report is Peter Taylor

For and on behalf of

KPMG

KPMG
Christchurch

1 October 2018

Statutory information

Shares on issue

As at 30 June 2018 we had 799,398 ordinary shares issued to 390 holders, 18,291 stage 1 construction shares issued to 87 holders, 29,030 pre-construction shares issued to 205 holders, 16,956 stage 2 construction shares issued to 127 holders & 4,116 Sheffield construction shares issued to 29 holders.

Top 10 ordinary shareholders

Rank	Name	Units at 30 June 2018	% of Units
1.	Purata Farming Limited	41,380	5.18
2.	Canterbury Grasslands Limited	25,424	3.18
3.	WJ Thomas & AA Thomas	22,565	2.82
4.	Southern Pastures (Group)	21,925	2.74
5.	Fonterra Co-operative Group Limited	9,640	1.21
6.	J & A Gray Family	8,901	1.11
7.	G D Gillanders & Sons Limited	8,800	1.10
8.	Tui Company Limited	8,734	1.09
9.	Burnham Farm Limited	8,679	1.09
10.	P & E Limited	8,398	1.05
Totals: Top 10 holders of Ordinary Shares		164,446	20.80
Total Remaining Holders Balance		634,952	79.20

Directors' remuneration

The total remuneration and other benefits to Directors (and past Directors) for services for the year ended 30 June 2018 were:

Director	Position	Ceased / Appointed	Total Remuneration ($)
D J Catherwood	Chairman		72,000
G K Stevenson			36,000
P J Munro			36,000
W J Palmer			36,000
J W Donkers			36,000
D L Summerfield			36,000
W Luff			36,000
G Miller			36,000
D Crombie	Managing Director		36,000
			360,000

Statutory information (continued)

Directors' interests

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

Douglas Catherwood

- Band 4 Water Limited
- Te Pirita Irrigation Limited
- Carlow 1 Limited

John Donkers

- Burnham Farm Limited
- Camden Dairy Farms Limited
- Camden Group Services Limited
- Chiswick Farm Limited
- Craigmore Farming GP Limited
- Craigmore Dairy II GP Limited
- Dairy Farm Management Services Limited
- Dunsandel Groundwater Users Association Incorporated
- Highbury Farm Limited
- INZ Accreditation Limited
- Irrigation NZ Incorporated
- J D Consulting Limited
- Prairie Farm Limited
- Wigram Brewing Company Limited
- Willsden Farm Limited
- Woolomee Dairies Limited
- Woolomee Farm Limited

William Palmer

- Budfin Nominees Limited
- Gemeo Limited
- Moor-Park Farm Limited
- Otarama Investments 2011 Limited
- Palmer Family Trust
- Montreal Trustees 2015 Limited
- Montreal Trustees 2016 Limited
- Montreal Trustees 2017 Limited
- Montreal Trustees 2018 Limited
- Sheffield Water Limited

Derek Crombie

- Crombie Projects Limited
- Tait Contel Trust Incorporated
- Manuherikia River Limited

Paul Munro

- Christchurch City Networks Limited
- CCHL(2) Limited
- CCHL(4) Limited
- CCHL(5) Limited
- Electricity Ashburton Limited
- Portabuild (2007) Limited
- Spanbild Holdings Limited
- Spanbild Investments Limited
- Spanbild New Zealand Limited
- Spanbild Projects Limited
- Vbase Limited
- Versatile Australia Holdings Limited
- Versatile Properties Limited
- Verve Apartments (General Partner) Limited

William Luff

- Christchurch Symphony Orchestra Trust
- Enable Services Limited
- Enable Networks Limited
- Harewood Gravels Company Limited
- Isaac Construction Limited
- Isaac Conservation Trustees Limited
- J Ballantyne and Company Limited
- Lighthouse Vision Trust
- Luff Trading Limited
- Overseer Limited
- South Island Aggregates Limited

Statutory information (continued)

Grant Miller

St Laurence Trust

Selwyn District Council Councilor

Damon Summerfield

Sheffield Water Limited

Summerfield Farming Co Limited

Geoffrey Stevenson

Addington Pastures Limited

Clovernook Farm Limited

Clover Park Bloodstock Limited

Harptree Farm Limited

Te Pirita Irrigation Limited

Statutory information (continued)

Directors' shareholding in Central Plains Water

The Directors' respective ordinary shareholdings in Central Plains Water as at 30 June 2018 is as follows:

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

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

Specific disclosures:

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

Subsidiary company directors

The following Companies were subsidiaries of Central Plains Water Limited as at 30 June 2018.

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 2018 the following employees and former employees received individual remuneration over $100,000;

Remuneration range	Number of employees
$100,000 - $110,000	3
$110,001 - $120,000	3
$130,001 - $140,000	1
$140,001 - $150,000	3
$150,001 - $160,000	1
$160,001 - $170,000	1
$170,001 - $180,000	1
$190,001 - $200,000	1
$280,001 - $290,000	1
$310,001 - $320,000	1

Donations

There were no donations during the 2018 financial year.

Directors' liability insurance

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

Currency

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

Credit rating

CPWL does not have a credit rating.

Annual shareholder meeting

CPWL's annual shareholder meeting is expected to be held on Tuesday 30 October 2018 in Darfield. We will confirm the details of the time and place by notice to all our shareholders nearer to the date.

Annual report

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

Statutory information (continued)

Directory

Office

PO Box 9424

Tower Junction

Christchurch 8149

Level 1B, 2 Barry Hogan Place

Riccarton

Christchurch, 8041

Telephone: +64 3 982 4267

Facsimile: +64 3 281 8557

Email: admin@cpwl.co.nz

Registered office

Level 1B, 2 Barry Hogan Place

Riccarton

Christchurch, 8041

Board of directors

D J Catherwood (Chair of the Board)

G K Stevenson

P J Munro – Independent Director

W J Palmer

J W Donkers

D L Summerfield

W J Luff – Independent Director

G S Miller – Independent Director

W D Crombie – Managing Director

Senior management

Derek Crombie – Managing Director

Mark Pizey – General Manager

Mark McKenzie – General Manager Operations

Michael Grey – General Manager Design

Fiona Crombie – Environmental Manager

Auditor

KPMG

Level 5, 79 Cashel Street

Christchurch 8013

Lawyers

Buddle Findlay

83 Victoria Street

Christchurch 8013

Bankers

ANZ Bank New Zealand Limited

Westpac Banking Corporation

China Construction Bank

Share registrar

Link Market Services Limited

138 Tancreds Street

Ashburton 7740

Other information

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