Central Plains Water Limited
Annual Report
For the year ended 30 June 2019

Central Plains Water Ltd, 14A Nga Mahi Road, Sockburn, Christchurch | PO Box 9424, Tower Junction | Ph (03) 982 4267

Contents

Chairmans' review

Year in Review

This year represents the achievement of the long-term dream of shareholders and the company alike in completing a state-of-the-art irrigation scheme to enhance agricultural activities in Canterbury and increase water security while improving environmental outcomes for the area. Achieving this dream of irrigation has taken many years of hard work and support from everyone involved in the scheme, from shareholders to the company's employees, our main contractors and staff on farm.

This year has seen the completion of the final major stage of construction with Stage 2 and the successful operation of the whole scheme. With the completion of Stage 2, the company now has 21 km of open canal, 359 km of underground pipeline ranging from 300mm to 2500mm diameter, 29 pump stations totaling 11 Megawatts of installed capacity delivering water to 315 farm connections. This is an amazing asset that all stakeholders and people involved can be immensely proud of.

Company History

The company formally began its journey back in 2003 with its incorporation. From there consents were granted and designs proposed for how the scheme would look. The on-ground construction of the scheme has taken over 5 years and was built in 3 stages starting with Stage 1 with the first share offering in 2013. From there, detailed design began, funding agreements were finalised with construction beginning early 2014. The water began flowing to Stage 1 shareholders in the 2015/16 irrigation season.

The company then went out to shareholders within the Sheffield area to fill the northern most area of the scheme. The shareholder support and demand for irrigation enabled construction to begin in early 2017 with delivery of water beginning in 2017/18 irrigation season. The Sheffield scheme had its own challenges, being the only part supplied by the Waimakariri River and involving its own storage.

The company built on the success of Stage 1 with the design and share offer for Stage 2 in May 2016. Again, shareholder and Crown Irrigation Investments Limited support and demand for the scheme then saw the construction of Stage 2 begin in 2017. Construction of Stage 2 saw many challenges due to all the water being piped, but water was supplied to shareholders in time for the 2018/19 irrigation season.

All said and done, shareholders have contributed an amazing $92 million in equity to enable the company to deliver the latest and most advanced irrigation scheme valued at more than $422 million (includes design and construction costs). At peak demand, the scheme can currently deliver 28,000 liters per second, irrigating 50,000 hectares.

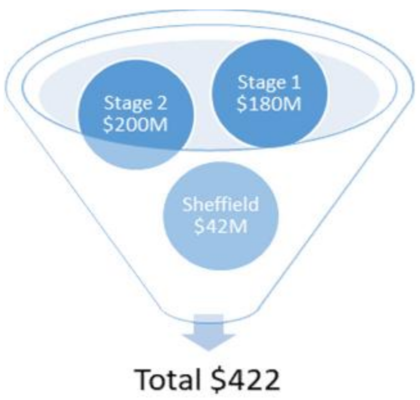
Financial Performance and Position

The Company is reporting an accounting "Loss for the year" of $(4.8) million. The loss is half of the previous year and represents the Company moving into full operations. A key driver of this result is non-cash depreciation of $9.6 million reflecting the completion of scheme infrastructure costing $380 million. It is important to note that the Company continues to operate within its operating budgets and reports positive cash flows and cash reserves from operations through tight control of expenditure and continually investigating and implementing cost saving measures where available.

Shareholders can be reassured that the company is in a strong financial position for the future with interest rate certainty, strong funding arrangements and current asset position.

The financial position of the company at 30 June 2019 now reflects the completion of the 3 major construction stages over the last 5 years. The assets book value is now $355 million with a total value of $422 million (includes design and construction costs). The balance of funding was provided by debt with loans of $330 million.

Capital costs



Summary of Balance Sheet

Chairmans' review (continued)

Operational Performance

With the addition of Stage 2 this season we saw water delivery increase to 108 M m^3 for the scheme including 58 M m^3 of stored water via Lake Coleridge and the Sheffield storage pond. For the fourth season of Stage 1 operations, we again saw a different demand profile for water from previous seasons with temperature, rainfall, wind and river flows continually changing and impacting both river flows and on farm requirements.

Ordering of water (and stored water) needs to remain a high priority for shareholders to both increase efficiency of water use and minimise stored water costs on partial or full restriction days. Order utilisation for the season was high at 93% but this still leaves room for improvement.

Environmental Sustainability

A key advantage of joining CPW is the ability to use alpine water instead of using ground water. Consequently, we have observed a reduction in ground water take of 68% for CPW shareholders over the last 4 years.

This season saw 145 Farm Environment Plan Audits completed with 93% achieving an A or B result for Good Management Practice. CPW also spent over $180k on environmental initiatives through the Environmental Management Fund which is administered by the Central Plains Water Trust. The initiatives include planting, stream enhancement and the biodiversity corridor to connect the mountains to the ocean. CPW also undertakes extensive work relating to lizard habitats, land rehabilitation and replanting native vegetation as well as fish recovery work to ensure their safety. After the irrigation season ended, CPW staff & family undertook a planting day alongside the Sheffield storage pond beside State Highway 73 with 1,000 trees planted.

Outlook

The 2019/20 irrigation season sees the company come together as one of the largest single irrigation schemes in New Zealand irrigating close to maximum design. There are several areas that are key for continued success of the company, including continued share sales to achieve full uptake, refinancing the company debt to secure reductions in financing costs and the ramifications of the latest national water policy statement. CPW is well positioned with our current consent conditions but acknowledge the impacts on the industry of any changes and we will work with other industry groups to manage the outcomes on behalf of our shareholders.

CPW is looking forward to continuing our partnership with the people who make up the backbone of the central Canterbury landscape and increasing efficiencies and profitability for all stakeholders.

People and Supporters

As the newly appointed chairman, I would like to thank Doug Catherwood for his stewardship and support over the years. I would also like to thank the Board, and staff for their hard work and commitment to another outstanding season of water delivery and the successful construction of the CPW scheme. We were able to retain staff to the end of construction and through the final transition of the company to full operations enabling significant cost and time savings. I also recognise and thank the support from our commercial suppliers, Banks, CIIL and Contractors, especially the hard work from Downer with the final stage of the scheme largely completed during the year.

Shareholder Support

Thank you to all our Shareholders for their continued support throughout the year and a special thanks to the key stakeholders in Stage 2 who dealt with GRP work and outages during the year.

Chairmans' review (continued)

Central Plains Water Development Statistics				
	Sheffield	Stage 1	Stage 2	**Total**
Infrastructure				
Area (Ha)	4,500	23,000	20,000	**47,500**
Farmer connections	35	130	150	**315**
Delivery rate (mm/day)	4.00	5.20	4.50	**-**
Pipework (km)	39	130	190	**359**
Open channel canal (km)	2	19	-	**21**
Storage capacity (M m^3)	2.15	-	-	**2.15**
Pump stations/installed capacity (MW)	7 / 3	10 / 3.3	12 / 4.4	**29 / 10.7**
Pressure Reducing Valve Stations	1	7	3	**11**
Construction				
Construction months	10	17	22	**49**
Total construction man hours	130,000	900,000	700,000	**1,730,000**
Average workforce	65	265	159	**163**
Financial				
Capital cost ($M)	42	180	200	**422**
Average monthly spend ($M)	4.4	10.9	9.8	**8.4**
Peak monthly spend ($M)	7.7	20.5	16.7	**-**
Estimated on farm irrigation investment ($M)	26.3	49.0	112.0	**187.3**
Land access				
Land titiles crossed	83	180	527	**790**
Land access agreements for construction	40	104	230	**374**

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 2019.

Results

The Company reported a loss for the year.

	This Year	Last Year
Net surplus (deficit) for the year	**(4,766,177)**	(9,573,134)
Retained earnings (accumulated losses) as at 1 July	**(59,544,886)**	(49,971,752)
Retained earnings (accumulated losses) as at 30 June	**(64,311,063)**	(59,544,886)

Cash flow hedge

The Company has recognised a "cash flow hedge reserve" of $(38,928,053) reflecting the revaluation of unrealised losses on interest rate hedges. The Company was required under the terms of it's bank loans to fix 100% of interest rate risk for a five year period from the beginning of each construction phase. The Company is required to maintain the hedged position to minimise interest rate risk for the shareholders. 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 32 for issue on 24 September 2019.

For and on behalf of the Board.

G K Stevenson
Chairperson

24 September 2019

G Miller
Director

24 September 2019

Statement of comprehensive income

For the year ended 30 June 2019

	Notes	**2019** **$**	2018 $
Operating income		**34,903,054**	19,080,388
Interest received		**21,179**	168,572
Insurance Income		**-**	1,785,840
Total income		**34,924,233**	21,034,800
Operating expenses		**(10,474,429)**	(8,800,107)
Depreciation and amortisation expense	11, 12	**(9,636,709)**	(6,083,726)
Design expenses		**-**	(90,978)
Directors expenses		**(439,996)**	(426,918)
Audit expenses		**(25,875)**	(28,825)
Other administration expenses		**(1,227,790)**	(1,240,517)
Finance costs	1	**(15,126,013)**	(10,885,969)
Total expenses		**(36,930,812)**	(27,557,040)
Profit / (Loss) before income tax		**(2,006,579)**	(6,522,240)
Income tax benefit (expense)	2	**(2,759,598)**	(3,050,894)
Profit / (Loss) for the period		**(4,766,177)**	(9,573,134)
Other comprehensive income:			
Changes in fair value of cash flow hedges	14(a)	**(15,957,819)**	(5,126,494)
Income tax benefit on fair value of cash flow hedges		**4,468,189**	1,435,418
Other comprehensive income for the year, net of tax		**(11,489,630)**	(3,691,076)
Total comprehensive income for the year		**(16,255,807)**	(13,264,210)

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 2019

Consolidated	Notes	Share Capital $	Other reserves $	Retained earnings $	Total equity $
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	14(a)	-	(3,691,076)	-	(3,691,076)
Proceed from Stage 2 construction shares issued	13(d)	1,094,700	-	-	1,094,700
Proceed from Sheffield construction shares issued	13(e)	315,000	-	-	315,000
Land acquisition reserve	14(b)	-	329,680	-	329,680
Balance as at 30 June 2018		91,752,748	(13,849,170)	(59,544,886)	18,358,692
Balance as at 1 July 2018		91,752,748	(13,849,170)	(59,544,886)	18,358,692
Comprehensive income					
Loss for the year		-	-	(4,766,177)	(4,766,177)
Other comprehensive income for the year	14(a)	-	(11,489,630)	-	(11,489,630)
Proceed from Stage 2 construction shares issued	13(d)	302,500	-	-	302,500
Proceed from Sheffield construction shares issued	13(e)	60,000	-	-	60,000
Land acquisition reserve	14(b)	-	94,393	-	94,393
Balance as at 30 June 2019		92,115,248	(25,244,407)	(64,311,063)	2,559,778

		2019	2018
Number of shares on issue:			
Ordinary shares	13(a)	**799,398**	799,398
Stage 1 construction shares	13(b)	**18,291**	18,291
Pre-construction shares	13(c)	**29,030**	29,030
Stage 2 construction shares	13(d)	**17,103**	16,956
Sheffield construction shares	13(e)	**4,136**	4,116

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

Statement of financial position

As at 30 June 2019

	Notes	2019 $	2018 $
ASSETS			
Current assets			
Cash and cash equivalents		**8,223,155**	3,477,116
Trade and other receivables	5	**1,029,997**	2,020,523
Share instalments receivable	5	**328,667**	962,333
Other current assets	10	**5,525,072**	3,520,455
Total current assets		**15,106,891**	9,980,427
Non-current assets			
Property, plant and equipment	11	**355,473,711**	346,865,024
Intangible assets	12	**1,291,710**	1,385,373
Deferred tax assets	7	**857,189**	-
Other investments		**200**	200
Total non-current assets		**357,622,810**	348,250,597
Total assets		**372,729,701**	358,231,024
LIABILITIES			
Current liabilities			
Trade and other payables	6	**1,936,473**	7,980,057
Interest bearing liabilities*	8	**3,215,503**	308,070,639
Derivative financial instruments	9	**818,366**	422,298
Total current liabilities		**5,970,342**	316,472,994
Non-current liabilities			
Interest bearing liabilities*	8	**326,089,893**	-
Derivative financial instruments	9	**38,109,688**	22,547,936
Deferred tax liabilities	7	**-**	851,402
Total non-current liabilities		**364,199,581**	23,399,338
Total liabilities		**370,169,923**	339,872,332
Net assets		**2,559,778**	18,358,692

* As at 30 June 2018, all interest bearing liabilities where 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)

		2019 $	2018 $
EQUITY			
Contributed equity	13	**92,115,248**	91,752,748
Reserves	14	**(25,244,407)**	(13,849,170)
Retained earnings		**(64,311,063)**	(59,544,886)
Total equity		**2,559,778**	18,358,692

G K Stevenson
Chairperson

24 September 2019

G Miller
Director

24 September 2019

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 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Interest received		**18,082**	168,592
Receipts from customers		**34,820,496**	18,551,050
Insurance income		**-**	1,785,840
Payments to suppliers		**(17,327,915)**	(13,714,676)
Net cash inflow / (outflow) from operating activities	3	**17,510,663**	6,790,806
Cash flows from investing activities			
Purchases of property, plant and equipment		**(511,562)**	(18,091,383)
Proceeds from sale of property, plant and equipment		**53,896**	-
Capital work in progress		**(17,410,348)**	(126,775,702)
Net cash inflow / (outflow) from investing activities		**(17,868,014)**	(144,867,085)
Cash flows from financing activities			
Proceeds from issuance of construction shares		**996,167**	18,198,183
Proceeds from bank borrowings		**20,575,147**	126,246,306
Repayment of bank borrowings		**(1,341,911)**	(1,007,741)
Interest expense		**(15,126,013)**	(10,828,750)
Net cash inflow / (outflow) from financing activities		**5,103,390**	132,607,998
Net increase (decrease) in cash and cash equivalents		**4,746,039**	(5,468,281)
Cash and cash equivalents at the beginning of the financial year		**3,477,116**	8,945,397
Cash and cash equivalents at end of year		**8,223,155**	3,477,116

1 Finance expenses

Note disclosure

	2019 $	2018 $
Finance costs		
ANZ & Westpac term loan	**8,096,158**	5,768,693
Interest Rate Swap	**6,304,594**	5,117,276
Crown Irrigation Investments Limited	**725,261**	-
Total finance costs	**15,126,013**	10,885,969

During the construction of Sheffield, completed in 2018, interest of $983,410 has been capitalised. The Company began capitalising borrowing costs for Stage 2 in December 2016, during 2019 amounting to $4,822,433 (2018: $6,306,556).

2 Income tax

Accounting policy

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.

Note disclosure

	2019 $	2018 $
(a) Income tax expense		
Current tax	**-**	-
Deferred tax	**(2,759,598)**	(3,050,894)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	**(2,006,579)**	(6,522,240)
Income tax @ 28%	**(561,842)**	(1,826,227)
Tax effects of:		
• Expenses not-deductible/(capitalised amounts deductible) for tax purposes	**(3,209,032)**	(2,657,042)
• Prior year expenses not-deductible/(capitalised amounts deductible) for tax purposes	**14,205**	(657)
• Current-year losses for which no deferred income tax asset is recognised	**3,756,669**	4,483,926
Current tax	**-**	-
Deductible/taxable temporary differences for which a deferred tax liability was recognised	**(2,759,598)**	(3,050,894)
(c) Unrecognised tax balances		
Losses brought forward	**58,063,277**	42,049,258
Adjustments recognised in the current year in relation to the current tax of prior years	**(20,733)**	2,345
Net tax deficit for the year	**13,467,406**	16,011,674
Unrecognised tax losses at June 2019	**71,509,950**	58,063,277

2 Income tax (continued)

(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 2019			
Current tax	-	-	-
Deferred tax (note 7)	(15,957,819)	4,468,189	(11,489,630)
Other comprehensive income	(15,957,819)	4,468,189	(11,489,630)
30 June 2018			
Current tax	-	-	-
Deferred tax (note 7)	(5,126,494)	1,435,418	(3,691,076)
Other comprehensive income	(5,126,494)	1,435,418	(3,691,076)

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

Note disclosure

	2019 $	2018 $
Profit for the year	**(4,766,177)**	(9,573,134)
Depreciation and amortisation	**9,636,709**	6,083,726
Deferred tax	**2,759,598**	3,050,894
Loss on disposal of fixed assets	**82,241**	17,798
Gain on disposal of fixed assets	**(500)**	(30,000)
Interest paid	**15,126,013**	10,885,969
Change in operating assets and liabilities		
(Increase) decrease in trade debtors	**(97,964)**	(438,848)
Increase (decrease) in trade creditors	**(5,229,257)**	(3,205,599)
Net cash inflow from operating activities	**17,510,663**	6,790,806

4 Imputation credits

Note disclosure

	2019 $	2018 $
Imputation credit account		
Balance at beginning of year	**4,054**	4,054
Balance at end of year	**4,054**	4,054

5 Current assets - Trade and other receivables

Accounting policy

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.

Note disclosure

	2019 $	2018 $
Trade receivables	**569,802**	471,840
Net GST receivable	**-**	682,311
Prepayments	**460,195**	866,372
Trade and other receivables	**1,029,997**	2,020,523
Share instalments receivable	**328,667**	962,333
Total receivables	**1,358,664**	2,982,856

As of 30 June 2019, trade receivables of $569,802 (2018: $471,840) were fully performing.

(a) Share instalments receivable

This amount has arisen from transactions outside the usual operating activities of the Company. The balance relates to Sheffield construction shares payable pro-rata over the following 4 months and Stage 2 construction shares payable.

(b) Prepayments

This amount comprises insurance on the infrastructure and loan fees for the extension and alignment of the banking facility maturity. These amounts are amortised over the term of the agreement or expected life of the facility.

6 Current liabilities - Trade and other payables

Accounting policy

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.

Note disclosure

	2019 $	2018 $
Trade payables	**748,322**	813,331
Accrued expenses	**811,900**	539,934
Construction payables	**-**	6,626,792
Net GST payable	**376,251**	-
	1,936,473	7,980,057

7 Non-current assets - Deferred tax assets (liabilities)

Note disclosure

	2019 $	2018 $
The balance comprises temporary differences attributable to:		
Derivatives	**10,899,855**	6,431,666
Temporary differences giving rise to deferred tax liability	**(10,042,666)**	(7,283,068)
Total deferred tax assets (liabilities)	**857,189**	(851,402)

At 30 June 2019 a deferred tax liability of $10,042,666 (2018: $7,283,068) was recognised relating to the temporary differences on property, plant & equipment ‘Scheme Infrastructure’.

8 Interest bearing liabilities

Accounting policy

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.

Note disclosure

	2019	2018
	$	$
Secured		
Bank loans	**3,215,503**	257,877,596
Crown Irrigation Investments Limited	**-**	50,193,043
Total secured current interest bearing borrowings	**3,215,503**	308,070,639
Total current interest bearing borrowings	**3,215,503**	308,070,639
Secured		
Bank loans	**267,110,639**	-
Crown Irrigation Investments Limited	**58,979,254**	-
Total non-current interest bearing borrowings	**326,089,893**	-
Total interest bearing liabilities	**329,305,396**	308,070,639

As at 30 June 2019, interest rates (including margins) on the company's borrowings averaged 5.29% (2018: 6.0%). 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 was 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 Syndicated Facility Agent returning the Bank Loans and Crown Irrigation Investments Limited Loan to its original non current classification.

(a) Bank borrowings

The Company has total borrowings of $270,326,142 provided by a Term Loan and Construction Facility from ANZ, Westpac & China Construction Banks (2018: $257,877,596). 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:

	2019	2018
	$	$
Construction facility:		
Stage 2	**8,000,000**	34,093,379
Sheffield	**-**	-
Crown Irrigation Investments Limited	**-**	13,272,987
	8,000,000	47,366,366

(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.

9 Derivative financial instruments

Accounting policy

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 9. Movements on the hedging reserve in other comprehensive income are shown in note 15. 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 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.

Note disclosure

	2019 **$**	2018 $
Current liabilities		
Interest rate swaps - cash flow hedges (note 16(a)(i))	**818,366**	422,298
Non-current liabilities		
Interest rate swaps - cash flow hedges (note 16(a)(i))	**38,109,688**	22,547,936
Total derivative financial instrument liabilities	**38,928,054**	22,970,234

(a) Instruments used by the Company

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.

9 Derivative financial instruments (continued)

(i) Interest rate swaps

At 30 June 2019, the fixed interest rates vary from 2.30% to 5.51% (2018: 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 2019 will be released to the income statement within finance cost as each interest rate swap matures.

10 Other current assets

Note disclosure

	2019 **$**	2018 $
Contingency reserve account	**4,502,799**	2,501,276
Dry shares provision	**1,022,273**	1,019,179
	5,525,072	3,520,455

The cash deposits have an interest rate of 0.10% (2018: 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.

11 Non-current assets - Property, plant and equipment

Accounting Policy

(i) 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	10 years
- Office equipment	3-20 years
- Software	4 years
- Plant and equipment	5-15 years
- Water consents	15-33 years
- Scheme infrastucture	8-50 years

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

(ii) 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.

11 Non-current assets - Property, plant and equipment (continued)

Note disclosure	**Construction work in progress $**	**Freehold land $**	**Office equipment $**	**Motor vehicles $**	**Other plant and equipment $**	**Scheme Infrastructure $**	**Total $**
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
Year ended 30 June 2019							
Opening net book amount	164,482,768	277,392	42,836	226,770	88,931	181,746,327	346,865,024
Additions	17,663,365	-	32,892	3,059	30,318	751,413	18,481,047
Disposals	-	(277,392)	(304)	(50,087)	-	-	(327,783)
Transfers	(182,146,133)	-	-	-	-	182,146,133	-
Depreciation charge	-	-	(18,742)	(42,969)	(18,317)	(9,464,549)	(9,544,577)
Closing net book amount	-	-	56,682	136,773	100,932	355,179,324	355,473,711
At 30 June 2019							
Cost	-	-	264,844	244,852	152,669	380,802,660	381,465,025
Accumulated depreciation	-	-	(208,162)	(108,079)	(51,737)	(25,623,336)	(25,991,314)
Net book amount	-	-	56,682	136,773	100,932	355,179,324	355,473,711

(a) Construction work in progress

During 2019, construction work in progress was capitalised and comprised expenditure on the Stage 2 irrigation scheme.

(b) Capitalised borrowing costs

During the year, the Company has capitalised borrowing costs amounting to $4,822,433 (2018: $7,289,966) on construction work in progress.

12 Non-current assets - Intangible assets

Note disclosure

	Water consents acquired $	Computer software $	Total $
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)
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	(157,690)	(18,249)	(175,939)
Net book amount	1,382,310	3,063	1,385,373
Year ended 30 June 2019			
Opening net book amount	1,382,310	3,063	1,385,373
Disposals	-	(1,530)	(1,530)
Amortisation charge	(90,600)	(1,533)	(92,133)
Closing net book amount	1,291,710	-	1,291,710
At 30 June 2019			
Cost	1,540,000	-	1,540,000
Accumulated amortisation and impairment	(248,290)	-	(248,290)
Net book amount	1,291,710	-	1,291,710

13 Contributed equity

Accounting policy

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.

Note disclosure

	2019 Shares	2018 Shares	**2019 $**	2018 $
(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) Stage 1 Construction shares

	2019 Shares	2018 Shares	**2019 $**	2018 $
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).

(c) Pre-construction shares

	2019 Shares	2018 Shares	**2019 $**	2018 $
Opening balance	**29,030**	28,855	**5,843,000**	5,805,840
Re allocation of unpaid shares	**-**	175	**-**	-
Closing balance of ordinary shares issued	**29,030**	29,030	**5,843,000**	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+ Construction Shares.

13 Contributed equity (continued)

(d) Stage 2 Construction shares

	2019 Shares	2018 Shares	**2019 $**	2018 $
Opening balance	**16,956**	16,422	**33,879,338**	32,784,638
Issues of construction shares during the year	**147**	534	**302,500**	1,094,700
Closing balance of ordinary shares issued	**17,103**	16,956	**34,181,838**	33,879,338

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)

(e) Sheffield Construction shares

	2019 Shares	2018 Shares	**2019 $**	2018 $
Opening balance	**4,116**	4,011	**12,066,408**	11,751,408
Issues of construction shares during the year	**20**	105	**60,000**	315,000
Closing balance of ordinary shares issued	**4,136**	4,116	**12,126,408**	12,066,408

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)

			2019 $	2018 $
Total contributed equity			**92,115,248**	91,752,748

14 Other reserves

Note disclosure

	2019 **$**	2018 $
Cash flow hedge reserve	**(28,028,199)**	(16,538,569)
Capital contrbution reserves	**280,000**	280,000
Land acquisition reserves	**2,503,792**	2,409,399
	(25,244,407)	(13,849,170)

(a) Cash flow hedge reserve

	2019	2018
Opening balance	**(16,538,569)**	(12,847,493)
Fair value gains/(losses) in year	**(15,957,819)**	(5,126,494)
Deferred tax	**4,468,189**	1,435,418
Movement	**(11,489,630)**	(3,691,076)
		)
Balance 30 June	**(28,028,199)**	(16,538,569)

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(d)).

(b) Land acquisition reserve

	2019	2018
Opening balance	**2,409,399**	2,359,719
Addition	**94,393**	49,680
Balance 30 June	**2,503,792**	2,409,399

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

	2019	2018
Opening balance	**280,000**	-
Addition	**-**	280,000
Balance 30 June	**280,000**	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.

15 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. The Scheme has now been successfully completed and commissioned into full operations for all 3 stages. 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.

16 Financial risk management

(a) Market risk

(i) Interest rate risk
Group policy is to maintain 90 -105% 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 2019		30 June 2018	
	Balance $'000	**% of total loans %**	Balance $'000	% of total loans %
Less than 1 year	284,000	66.0%	286,000	70.0%
1 to 2 years	49,000	11.0%	28,000	10.0%
2 to 3 years	22,000	5.0%	49,000	10.0%
3 to 4 years	64,000	15.0%	10,000	2.0%
4 to 5 years	12,000	3.0%	40,000	8.0%
	431,000	100.0%	413,000	100.0%

The above balances include $431m (2018: $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 2019	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial liabilities					
Derivatives - cash flow hedges	(38,928)	-	(18,610)	-	17,313
Total increase/ (decrease)	(38,928)	-	(18,610)	-	17,313

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

(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.

16 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 2019	**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	1,311,901	5,350,741	6,159,309	19,911,433	8,385,132
Trade and other payables	1,345,468	226,005	-	-	-
Interest bearing liabilities	2,257,320	16,656,018	17,061,910	49,154,011	680,524,392
Total	4,914,689	22,232,764	23,221,219	69,065,444	688,909,524

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

16 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 2019 and 30 June 2018. See note 11 for disclosures of the land and buildings that are measured at fair value and

30 June 2019	**Level 1 $**	**Level 2 $**	**Level 3 $**
Financial liabilities at fair value through profit or loss			
Derivatives used for hedging			
Interest rate swaps	-	38,928,053	-
Total liabilities	-	38,928,053	-

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	-

(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.

16 Financial risk management (continued)

(f) Financial instruments by category

Financial assets as per balance sheet	Amortised cost $	Fair Value through OCI $	Total $
At 30 June 2019			
Cash and cash equivalents	8,223,155	-	8,223,155
Trade and other receivables	1,305,330	-	1,305,330
Available for sale financial assets	-	200	200
	9,528,485	200	9,528,685
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

Financial liabilities as per balance sheet	Derivatives used for hedging $	Measured at amortised cost $	Total $
At 30 June 2019			
Trade and other payables	-	1,936,476	1,936,476
Derivative financial instruments	38,433,480	-	38,433,480
Borrowings	-	329,305,396	329,305,396
	38,433,480	331,241,872	369,675,352
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

17 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.

18 Contingencies

As at 30 June 2019 the Company had no contingent liabilities or assets (2018: nil).

19 Commitments

Note disclosure

(a) Capital commitments

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

	2019 $	2018 $
Up to 1 year	**1,269,284**	9,229,838
1 to 5 years	**-**	-
	1,269,284	9,229,838

The Company's contractual commitments to construct the irrigation scheme as at 30 June 2019 are estimated to be $1m (2018: $9m).

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 or capitalised to the assets.

(b) Guarantees

	2019 $	2018 $
Bonds issued in favour of consenting authorities.	**3,845,000**	3,845,000

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:

- $275,000 for Stage 1 Operations;
- $410,000 for Sheffield Operations;
- $160,000 for Stage 2 Operations;
- $3,000,000 for Stage 2 Construction.

20 Events occurring after the reporting period

(a) No events occurring subsequent to reporting period

21 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 $163,085 (2018: $57,106). The amount owed by the company at 30 June 2019 was $36,903 (2018: $nil).

The following director 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 $289,483 (2018: $173,714). The amount owed by the company at 30 June 2019 was $3,450 (2018: $7,779).

(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:

	2019 **$**	2018 $
John Donkers		
Burnham Farm Limited	**405,404**	-
Chiswick Farm Limited	**265,882**	251,836
Highbury Farm Limited	**254,927**	243,385
Praire Farm Limited	**297,308**	290,450
Willsden Farm Limited	**431,233**	421,799
Geoffrey Stevenson		
Clovernook Farm Limited	**224,066**	206,485
Damon Summerfield		
Summerfield Farming Co Limited	**163,922**	106,956
William Palmer		
Palmer Family Trust	**61,470**	40,108
Doug Catherwood		
Carlow 1 Limited	**40,041**	38,399
D & J Catherwood	**78,381**	-

22 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 2019 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.

23 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 been applied in preparing these financial statements. None of these has a significant effect on the financial statements of the Company, except the following set out below:

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

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

Critical accounting estimates

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 15.

(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.

23 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) 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.

(f) 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.

(g) Investments and other financial assets

Classification

The Company classifies its financial assets in the following categories: amortised cost, at fair value through other comprehensive income, and at fair value through profit or loss. Management determines the classification of its financial assets at initial recognition.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

(i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

23 Summary of significant accounting policies (continued)

(ii) Fair value through other comprehensive income (FVOCI)

Assets that are held for collection of contractual cashflows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains and losses and impairment expenses in other expenses.

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

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other gains/(losses) in the period in which it arises.

(h) 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.

(i) 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.

Independent Auditor's Report

To the shareholders of Central Plains Water Limited

Report on the audit of 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 6 to 32:

i. present fairly in all material respects the Group's financial position as at 30 June 2019 and its financial performance and cash flows for the year ended on that date; and

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

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 30 June 2019;
- 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 provided no other services to the group. 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.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $1,200,000 determined with reference to a benchmark of group total assets. We chose the benchmark because, in our view, this is a key measure of the group's performance. A reduced materiality of $500,000 was deemed appropriate for revenue and operating expenses which has been determined with reference to total revenue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
Capitalisation and Carrying value of Property, plant and equipment ($355.5m – refer to note 11)	
During the year the group substantially completed Stage 2 of the Central Plains Water Irrigation scheme. We consider capitalisation and carrying of value property, plant and equipment to be a key audit matter due to the financial significance of the scheme assets to the Company's financial statements and to the allocation of value between the Group and Shareholders in determining water charges. Judgement is applied in respect of the costs capitalised and whether these costs meet the definition of being directly attributable to the asset developed and providing future economic benefit. The group recognise property, plant and equipment at historical cost. Judgement is applied in determining when to start depreciating, the rate of depreciation to use, and the assessment of whether the financial performance of the group represents an indicator of impairment of scheme infrastructure assets.	Our audit procedures included the following: - Agreeing a sample of asset additions to supporting evidence of the amount capitalised and comparing the nature of expenditure to the asset recognition requirements. - For construction work in progress completed during the year, sighted third party practical completion certification to agree the timing of scheme assets being available for use and hence the commencement of depreciation. - Comparing the depreciation rates applied to new assets capitalised within the period to similar assets from Stage 1 of scheme. - Challenging management's assessment of the carrying value of scheme infrastructure assets. This included forming an independent assessment that no indicators of impairment of the scheme infrastructure assets existed, specifically considering the financial performance of the group compared to the operating cash flows, the operational performance of the scheme, and the demand for water shares. We have no matters to report as a result of our procedures.

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

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

Our objective is:

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

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

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

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

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

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

27 September 2019

Statutory information

Shares on issue

As at 30 June 2019 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 209 holders, 17,103 stage 2 construction shares issued to 125 holders & 4,136 Sheffield construction shares issued to 29 holders.

Top 10 ordinary shareholders

Rank	Name	Units at 30 June 2019	% 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	8,659	1.08
10.	P & E Limited	8,398	1.05
Totals: Top 10 holders of Ordinary Shares		164,426	20.57
Total Remaining Holders Balance		634,972	79.43

Directors' remuneration

The total remuneration and other benefits to Directors (and past Directors) for services for the year ended 30 June 2019 were:

Director	**Position**	**Ceased / Appointed**	**Total Remuneration ($)**
D J Catherwood		Ceased Chairman 31-Mar-19	63,000
G K Stevenson	Chairman	Appointed Chairman 31-Mar-19	45,000
P J Munro		Ceased 28-Feb-2019	24,000
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
			348,000

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
- Central Plains Water Trust

John Donkers

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

William Luff

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

Derek Crombie

- Crombie Projects Limited
- Tait Contel Charitable Trust

Grant Miller

- Porahui Farms Limited
- St Laurence Trust
- Selwyn District Council Councillor

Paul Munro

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

William Palmer

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

Statutory information (continued)

Damon Summerfield

Sheffield Water Limited

Summerfield Farming Co Limited

Geoffrey Stevenson

Clovernook Farm Limited

Clover Park Bloodstock Limited

Harptree Farm Limited

Te Pirita Irrigation Limited

Directors' shareholding in Central Plains Water

The Directors' respective ordinary shareholdings in Central Plains Water as at 30 June 2019 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)	8,659
• 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 21 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 2019.

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 2019 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	1
$130,001 - $140,000	1
$140,001 - $150,000	2
$150,001 - $160,000	1
$160,001 - $170,000	1
$200,001 - $210,000	1
$210,001 - $220,000	1
$260,001 - $270,000	2
$340,001 - $350,000	1
$360,001 - $370,000	1

The above remuneration includes one-off retention payments to secure key staff to complete construction activities and the smooth transition to operations.

Donations

There were no donations during the 2019 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 31 October 2019 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
14A Nga Mahi Road
Sockburn
Christchurch, 8042
Telephone: +64 3 982 4267
Facsimile: +64 3 281 8557
Email: admin@cpwl.co.nz

Registered office

14A Nga Mahi Road
Sockburn
Christchurch, 8042

Board of directors

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

Senior management

Derek Crombie – Managing Director
Mark Pizey – General Manager
Mark McKenzie – General Manager Operations
Andrew Berryman – Company Accountant
Fiona Crombie – Environmental Manager
Robyn Fitchett – Legal Advisor

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