

**C P C**

**THE CREEKS PIPELINE COMPANY LIMITED**

**ACN 133 867 197**

**ANNUAL REPORT 2016**

# CORPORATE DIRECTORY

## **Board of Directors**

Ian Martens (Chairman)

Dianne Davidson AM

John Kerr

John Pargeter

David Watkins

Craig Willson

## **General Manager**

Mike Reynolds

## **Company Secretary**

Dianne Davidson AM

## **Corporate Adviser**

Capital Strategies Pty Ltd

## **Auditors**

William Buck

## **Lawyers**

O'Loughlins Lawyers

Last & Co Lawyers

Mark Esau Barrister & Solicitor

## **Registered Office**

1507 Langhorne Creek Road

Langhorne Creek SA 5255

## **Other Corporate Information**

Domicile – Australia

State of Incorporation – South Australia

Legal Form – Unlisted Public Company

THE CREEKS PIPELINE COMPANY LIMITED

ACN 133 867 197

CHAIRMAN'S REPORT

2016 ANNUAL GENERAL MEETING

I am pleased to present the eighth Annual Report for The Creeks Pipeline Company Limited (CPC).

As outlined in the General Manager's Report, CPC completed another satisfactory year delivering some 12.3 gigalitres to its customers, compared to 10.7 gigalitres last year.

For the year ended 30 June 2016, the Company recorded an after tax profit of \$74,064 (last year a profit of \$260,099). This was significantly less than budget, brought about by the extraordinary increase in power costs from 1 January 2016. With the Company setting water delivery prices in May each year, this cost overrun was absorbed by CPC.

Power costs now represent approximately 50% of our total expenses.

In view of the reduced result, it has not been possible to transfer any amount to the Infrastructure Replacement Reserve for this financial year.

As already advised by our General Manager in his May Newsletter, our Water Delivery Fees for 2016/2017 have been increased from the 1<sup>st</sup> of July 2016 and we are budgeting for a modest surplus for the 2016/2017 year.

The issue with power pricing in South Australia is very much on the public agenda and realistically we do not see any reductions in the shorter term. CPC has forward contracts at the current rates until the 31<sup>st</sup> of December 2018.

During the year, CPC was successful in securing SARMS funding for three projects involving new chlorination and communication systems together with a new booster pumping station. All have been successfully implemented and Logicamms (external consultants) have been engaged to review our system performance post implementation of these projects.

The CPC system provides critical infrastructure to its customers which needs to be considered as part of each of your long term strategic planning considerations. Given this, during the coming year, we will commence planning for the June 2019 contract renewal with all CPC customers. I anticipate communicating proposed concepts with shareholders/customers in the June 2017 quarter and look forward to discussing further at that time.

Again, many thanks for the work of the CPC Board and the dedicated Management Team.

Thank you for your continuing support.



Ian Martens  
Chairman

21 October 2016

# THE CREEKS PIPELINE COMPANY LIMITED

ACN 133 867 197

## GENERAL MANAGER'S REPORT

The year ending 30 June 2016 was The Creeks Pipeline Company Limited's seventh year delivering water under the Water Delivery Agreements with our shareholders.

During the year, the pipeline continued to perform at the high level that we have experienced since its inception. This past irrigation season has seen irrigators experiencing good growing conditions with drier weather generally across the region with water use substantially up compared to the previous year.

The CPC Board and management continue to adopt a proactive approach to the overall direction of the company, wherever possible seeking to identify options to ensure overheads and operational costs are kept at sustainable levels.

Increasing power cost and the management of this issue will be at the forefront of CPC financial planning. As we enter into a potentially sustained period of higher power cost, these costs will be managed as best we can but future rises may need to be factored into delivery rates into the future.

### **General Operations:**

The pipeline was fully operational for 99% of the 12 months ending 30th June 2016.

During this year CPC delivered 12,268 ML of water in total, with Langhorne Creek Irrigators taking 93% (11,361 ML), Currency Creek 7% (839 ML) and Restricted Water Users (67 ML) of the total water delivered.

The total amount of water delivered for the year was 1,612 ML above the previous year.

6,751 ML of Peak water was delivered during November - March being 66% of the 10,257 ML of Peak water volume contracted through Water Delivery Agreements. 5,449 ML of Off-Peak water was delivered during the year being 47% of the 11,515 ML of Off-Peak water volume contracted through Water Delivery Agreements.

CPC has successfully implemented its 3 SARMS projects, the projects included a chlorination system at Pump Station 1, a remote sensing system allowing monitoring across a major portion of the system and a boosting station on the northern spur that will enable an overall reduction in operating pressure across the pipeline.

The 3 projects should deliver significant operational improvement by increasing efficiency and reducing water wastage.

It will also address issues of flow resistance and leakage minimisation while decreasing power usage and accompanying costs.

Installation of remote sensing system will allow monitoring across a major portion of the system to detect leakage and has the added benefit of allowing access to water use data for invoicing and monitoring of overall operational performance at near real time.

Installation of a boosting station on the northern spur will allow an overall reduction in operating pressure across the pipeline without affecting water delivery. This is achieved by enabling the system to operate at lower pressures for long periods of time thus reducing power usage requirements.

**The Year Ahead:**

During the coming year CPC will progress our management plans to set out a path through to the end of the current agreements this document will form the foundation for the future operations of CPC.

As in previous years we will remain committed to providing a cost effective and reliable water delivery.

I would like to take this opportunity to again thank the CPC staff for their efforts in ensuring this seventh year went as smoothly as it did. I look forward to working with customers and staff during the year ahead.

A handwritten signature in black ink, appearing to read 'Mike Reynolds', with a long horizontal flourish extending to the right.

**MIKE REYNOLDS**  
General Manager  
21<sup>st</sup> October 2016

The Creeks Pipeline Company Limited

30 June 2016  
Annual Report

# The Creeks Pipeline Company Limited

## Contents

<b>Directors' report</b> .....	<b>3</b>
Statement of Financial Position .....	11
Statement of Profit or Loss and Other Comprehensive Income .....	12
Statement of Changes in Equity .....	13
Statement of Cash Flows.....	15
Notes to the Financial Statements.....	16
<b>Directors' declaration</b> .....	<b>37</b>
<b>Lead auditor's independence declaration</b>	<b>38</b>
<b>Auditor's report</b>	<b>39</b>

# The Creeks Pipeline Company Limited

## Directors' report

The directors present their report together with the financial report of The Creeks Pipeline Company Limited ("the Company"), for the financial year ended 30 June 2016 and the auditor's report thereon.

## Directors

The directors of the Company at any time during or since the end of the financial year are:

<b>Name, qualifications and independence status</b>	<b>Experience, special responsibilities and other directorships</b>
Ian Mortimer Martens FCA, FAICD Chairman Director (Independent)	<p>Ian is a Chartered Accountant and retired as a Partner of BDO Chartered Accountants in December 1999, having been a partner of the firm for 33 years. He has continued as a consultant to the Firm and as a Director/Advisor to a number of private companies.</p> <p>Ian retired in November 2012 as a Director of Challenger Listed Investments Ltd which was the Responsible Entity of the publicly listed Challenger Infrastructure Fund, the Challenger Diversified Property Group and the Challenger Wine Trust. He was Chairman of the Audit and Compliance Committee of the Responsible Entity.</p> <p>Ian also retired in 2009 as a Board Member of the Royal Automobile Association of South Australia Inc. after 20 years of service including 7 years as Chairman of its Audit, Risk and Compliance Committee and 6 years as Chairman of RAA Insurance Ltd.</p> <p>He has an interest in a vineyard in the Adelaide Hills.</p>
Dianne Margaret Davidson AM M Sc, B Ag Sc, Grad. Dip. Bus. Admin., FAATSE, FAIAS, MAICD Director (Independent)	<p>Di is a professional agricultural scientist with 35 years' experience with the irrigated agriculture and horticulture industries throughout Australia and internationally.</p> <p>Di is a Member of the Murray Darling Basin Authority (2009-current), Deputy Chancellor and member of the Council of University of Adelaide and a Director of the Plant Biosecurity CRC.</p> <p>She was a member of the first Premier's Climate Change Council in South Australia, served as a Director of the Royal Automobile Association of South Australia for seven years, and as Chair of Seymour College for 6 years.</p> <p>Throughout her professional life Di has sat on numerous government committees and advisory bodies, and worked with government agencies and rural communities.</p>

# The Creeks Pipeline Company Limited

## Directors' report (continued)

John Leslie Kerr  
B.EC, FCA, F.FIN  
Director (Independent)

John is a Director of Capital Strategies Pty Ltd, an Adelaide based corporate advisory practice. He specialises in the provision of corporate advice to property/infrastructure projects and private venture/development capital matters. The firm also provides asset and investment management services and advice to private investors.

John previously qualified as a chartered accountant with Touche Ross (now KPMG) and worked in their management consulting division.

John is also Chair of the Women's & Children's Health Research Institute Inc.

John Philip Pargeter  
Director (Ordinary)

John is the founding Co-owner of Angas Vineyards Joint Venture.

Prior to establishing Angas Vineyards Joint Venture (a 222 hectare vineyard located at Langhorne Creek), John worked in various managerial roles in Australia and overseas. His roles involved grain trading, supply and installation of irrigation systems and irrigation and agricultural project management.

John was a founding member of the Langhorne Creek Drought Taskforce and Langhorne Creek Alternative Water Options Steering Committee, past Chairman of the Angas Bremer Water Management Committee Inc., and past Chairman of the River Murray-Darling Basin National Resources Management-Water Allocation Plan Advisory Committee.

John is a past Chairman of the Langhorne Creek Wine Industry Council Inc., past Chairman of the Langhorne Creek Wine Grapegrowers Association Inc. and has been an active participant in the Langhorne Creek Environmental Management in Viticulture program.

John studied viticulture at Charles Sturt University.

# The Creeks Pipeline Company Limited

## Directors' report (continued)

David James Watkins  
B AgS, Grad. Dip. AgS  
Director (Ordinary)

David is President of the Currency Creek Wine Region Association and a shareholder and director of Fleurieu Vintners Pty Ltd which currently owns and operates 425 hectares of cool climate grapevines in the Adelaide Hills, Currency Creek, Langhorne Creek and McLaren Vale regions as well as the 10,000 tonne Boar's Rock Winery at McLaren Vale and a 5,000 tonne winery at Clarendon in the Adelaide Hills wine region. David is also a Shareholder and Director of Adelaide Winemakers Pty Ltd which produces the Quorum, Blackbilly, Clarence Hill and Landcross range of wines.

After completing his studies in Australia and New Zealand, David has worked as an agribusiness consultant in Australia and overseas.

David worked in joint venture project management and venture capital provision in roles which combined appraisal, evaluation, negotiation and management of new venture capital investment opportunities with active board participation in the investee companies and the subsequent exit from the deals in accordance with the original plans.

After a profitable track record, the NSW Government chose to privatise the New South Wales Investment Corporation of which David was its General Manager and David played a major role in a subsequent leveraged buyout that saw management and directors successfully purchase the enterprise.

David has also previously been engaged as a Contract Lecturer by the International Graduate School of Management, University of South Australia to develop and teach the "Entrepreneurship and New Business Ventures" unit for the International Master of Business Administration Degree in Hong Kong, Kuala Lumpur and Singapore.

Craig Hamilton Willson  
Director (Ordinary)

Craig Willson has been in Langhorne Creek for 30 years having moved from Whyalla and being involved in Media from 1963 to 1994.

He purchased Bremerton Lodge farm in 1985, established Bremerton Vintners Pty Ltd, gradually planted 120 acres of vineyard and built Matilda Plains Winery in 2001/02.

Craig is a Director of various family company's and supports his two daughters who are now running the Family vineyards and winery.

He was the inaugural Chairman and remains a director of the Langhorne Creek Water Company Joint Venture.

# The Creeks Pipeline Company Limited

## Directors' report (continued)

### 2. Company Secretary

Dianne Margaret Davidson was appointed to the position of company secretary on 24 October 2008.

### 3. Directors' meetings

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings	
	A	B
Ian Mortimer Martens	6	6
Dianne Margaret Davidson	6	6
John Leslie Kerr	6	6
John Philip Pargeter	5	6
David James Watkins	4	6
Craig Hamilton Willson	5	6

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the year

Under the Company's Constitution, the Board shall comprise not less than four (4) nor more than eight (8) members. Further, there must be at least one (1) Independent Director at all times; such person not having any material interest in land or business activities in the region serviced by the pipeline and whose independent contribution benefits the Company.

### 4. Corporate Governance

The Creeks Pipeline Company Corporate Governance Plan, where relevant, aligns with the Corporate Governance principles developed by the Australian Stock Exchange.

The Board has operated within a CPC Risk Management Plan and 'Board Charter' which was reviewed and updated where necessary during 2016.

No compliance matters have arisen.

# The Creeks Pipeline Company Limited

## Directors' report (continued)

### 5. Non-executive director remuneration (Audited)

Directors' compensation currently totals \$128,787 (FY2015: \$126,883) per annum.

Details of the nature and amount of each major element of remuneration of each director of the Company and other key management personnel are:

		Short-term		Other long term	Termination benefits	Total \$
		Salary & Fees \$	Non-monetary benefits \$	Super-annuation benefits \$	\$	
<b>Directors</b>						
<b>Non-executive</b>						
Ian Mortimer Martens	2016	31,364	-	2,979	-	34,343
	2015	30,900	-	2,935	-	33,835
John Leslie Kerr	2016	23,522	-	2,234	-	25,756
	2015	23,175	-	2,201	-	25,376
Dianne Margaret Davidson	2016	15,682	-	1,490	-	17,172
	2015	15,450	-	1,468	-	16,918
John Philip Pargeter	2016	15,682	-	1,490	-	17,172
	2015	15,450	-	1,468	-	16,918
David James Watkins	2016	15,682	-	1,490	-	17,172
	2015	15,450	-	1,468	-	16,918
Craig Hamilton Willson	2016	15,682	-	1,490	-	17,172
	2015	15,450	-	1,468	-	16,918

Director remuneration arrangements do not involve any short term incentive work bonuses, past employment arrangements or share based payments.

Each key management person held the position described above for the entire reporting period.

# The Creeks Pipeline Company Limited

## Directors' report (continued)

### 6. Operating and financial review

#### Overview

The Company commenced operation in November 2009.

The Company continued the operation of its pipeline infrastructure and provision of water delivery services. A total of 12.3 gegalitres (FY2015: 10.6 gegalitres) of water was delivered in the twelve month period to 30 June 2016.

During the year, the Company received grant monies under the South Australian River Murray Sustainability Irrigation Industry Improvement Program. Under this program, the Company transferred 167ML of River Murray water rights in return for funding to facilitate installation of a chlorination system at Pump Station 1, installation of a remote sensing system and installation of a boosting station on the northern spur line.

Total revenue for the year was \$2.32 million (FY2015: \$2.25 million) with the Company generating an after tax profit of \$72,064 (FY2015: \$260,099).

The Board has determined not to make an allocation from Retained Earnings to the Infrastructure Replacement Reserve in the current year (FY2015: \$250,000).

### 7. Dividends

No dividends have been paid or proposed during the year.

### 8. Events subsequent to reporting date

No matters have arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

### 9. Likely developments

The Board anticipates continuing to improve operating systems and outcomes during the year.

# The Creeks Pipeline Company Limited

## Directors' report (continued)

### 10. Directors' interests

The relevant interest of each director in the shares issued by the Company at the date of this report is as follows:

<b>The Creeks Pipeline Company Limited</b>	
	<b>Ordinary Shares</b>
John Philip Pargeter	300,000
David James Watkins	698,000
Craig Hamilton Willson	150,000

### 11. Indemnification & Insurance of Officers

The Company has agreed to indemnify all of the directors of the Company against all liabilities to another person that may arise from their position as directors of the Company except where the liability arises out of conduct involving lack of good faith. The agreement stipulates that the Company will meet the future amount of any such liabilities, including costs and expenses.

The Company has paid premiums amounting to \$25,601 (FY2015: \$25,601) to insure against such liabilities. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

### 12. Lead auditor's independence declaration

The auditor's independence declaration is set out on page 38 and forms part of the directors' report for the financial year ended 30 June 2016.

### 13. Rounding of amounts

The Company is not of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission and therefore the financial report cannot be rounded off. The Company must show the amounts in the Directors' report and financial report at the nearest whole dollar.

### 14. Environmental regulations

There are no significant environmental regulations that apply directly to the Company.

# The Creeks Pipeline Company Limited

## Directors' report (continued)

### 15. State of affairs

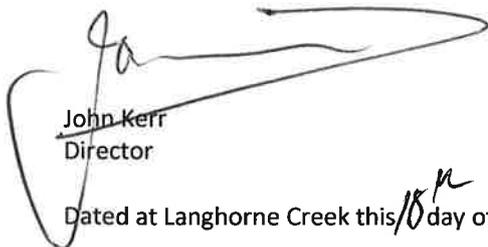
There were no significant changes in the state of affairs of the Company during the past financial year other than as disclosed in the financial statements.

This report is made in accordance with a resolution of the directors:



Ian Martens  
Chairman

Dated at Langhorne Creek this 18<sup>th</sup> day of October, 2016



John Kerr  
Director

Dated at Langhorne Creek this 18<sup>th</sup> day of October, 2016

# The Creeks Pipeline Company Limited

## Statement of Financial Position

As at 30 June 2016

	<i>Note</i>	2016 \$	2015 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	<b>14</b>	1,128,611	721,850
Trade and other receivables	<b>13</b>	551,229	692,112
Inventories		269,035	241,846
Prepayments		34,153	48,975
Investments	<b>15</b>	2,379,912	2,296,664
Other assets	<b>16</b>	62,793	77,766
<b>Total current assets</b>		<b>4,425,733</b>	<b>4,079,213</b>
<b>Non-current assets</b>			
Property, plant and equipment	<b>10</b>	8,708,409	8,572,623
Intangibles	<b>11</b>	-	334,000
Deferred tax asset	<b>12</b>	1,660,643	1,717,493
<b>Total non-current assets</b>		<b>10,369,052</b>	<b>10,624,116</b>
<b>Total assets</b>		<b>14,794,785</b>	<b>14,703,329</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	<b>19</b>	216,529	207,181
Employee benefits	<b>21</b>	50,343	10,491
<b>Total current liabilities</b>		<b>266,872</b>	<b>217,672</b>
<b>Non-current liabilities</b>			
Deferred tax liability	<b>20</b>	2,445,762	2,471,728
Employee benefits	<b>21</b>	11,566	25,408
<b>Total non-current liabilities</b>		<b>2,457,328</b>	<b>2,497,136</b>
<b>Total liabilities</b>		<b>2,724,200</b>	<b>2,714,808</b>
<b>Net assets</b>		<b>12,070,585</b>	<b>11,988,521</b>
<b>Equity</b>			
Issued capital	<b>18</b>	10,257,000	10,247,000
Reserves		1,730,000	1,730,000
Retained earnings		83,585	11,521
<b>Total equity</b>		<b>12,070,585</b>	<b>11,988,521</b>

*The notes on page 16 to 36 are an integral part of these financial statements.*

# The Creeks Pipeline Company Limited

## Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2016

	<i>Note</i>	2016 \$	2015 \$
<b>Continuing Operations</b>			
Revenue	4	2,318,682	2,205,130
Cost of sales		<u>(1,459,515)</u>	<u>(1,210,915)</u>
<b>Gross profit</b>		<b>859,167</b>	<b>994,215</b>
Other income	5	57,351	63,161
Administrative expenses		(563,410)	(538,656)
Other expense	6	<u>(330,720)</u>	<u>(242,766)</u>
<b>Results from operating activities</b>		<b>22,388</b>	<b>275,954</b>
Finance income	8	<u>80,560</u>	<u>95,616</u>
<b>Net finance income</b>		<b>80,560</b>	<b>95,616</b>
<b>Profit before income tax</b>		<b>102,948</b>	<b>371,570</b>
Income tax expense	9	<u>(30,884)</u>	<u>(111,471)</u>
<b>Profit from continuing operations</b>		<b>72,064</b>	<b>260,099</b>
<b>Profit for the period</b>		<b>72,064</b>	<b>260,099</b>

*The notes on page 16 to 36 are an integral part of these financial statements.*

# The Creeks Pipeline Company Limited

## Statement of Changes in Equity

For the year ended 30 June 2015

	Share Capital \$	Retained Earnings \$	Infrastructure Replacement Reserve \$	Total Equity \$
Balance at 1 July 2014	10,247,000	1,422	1,480,000	11,728,422
<b>Total comprehensive income for the period</b>				
Profit	-	260,099	-	260,099
Transfer to infrastructure replacement reserve	-	(250,000)	250,000	-
Total comprehensive income for the period	-	10,099	250,000	260,099
<b>Transactions with owners, recorded directly in equity</b>				
<i>Contributions by and distributions to owners</i>				
Issue of ordinary shares	-	-	-	-
Ordinary shares subscribed but not issued	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-
Total transactions with owners	-	-	-	-
<b>Balance at 30 June 2015</b>	<b>10,247,000</b>	<b>11,521</b>	<b>1,730,000</b>	<b>11,988,521</b>

The notes on page 16 to 36 are an integral part of these financial statements.

# The Creeks Pipeline Company Limited

## Statement of Changes in Equity (continued)

For the year ended 30 June 2016

	Share Capital \$	Retained Earnings \$	Infrastructure Replacement Reserve \$	Total Equity \$
Balance at 1 July 2015	10,247,000	11,521	1,730,000	11,988,521
<b>Total comprehensive income for the period</b>				
Profit	-	72,064	-	72,064
Transfer to infrastructure replacement reserve	-	-	-	-
Total comprehensive income for the period	-	72,064	-	72,064
<b>Transactions with owners, recorded directly in equity</b>				
<i>Contributions by and distributions to owners</i>				
Issue of ordinary shares	10,000	-	-	10,000
Ordinary shares subscribed but not issued	-	-	-	-
Total contributions by and distributions to owners	10,000	-	-	10,000
Total transactions with owners	10,000	-	-	10,000
<b>Balance at 30 June 2016</b>	<b>10,257,000</b>	<b>83,585</b>	<b>1,730,000</b>	<b>12,070,585</b>

The notes on page 16 to 36 are an integral part of these financial statements.

# The Creeks Pipeline Company Limited

## Statement of Cash Flows

For the year ended 30 June 2016

	<i>Note</i>	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Cash receipts from customers		2,514,620	2,552,724
Cash paid to suppliers and employees		<u>(1,999,963)</u>	<u>(1,822,777)</u>
Cash generated from operations		514,657	729,947
Interest received		76,858	92,480
<b>Net cash from operating activities</b>	<b>17</b>	<b><u>591,515</u></b>	<b><u>822,427</u></b>
<b>Cash flows from investing activities</b>			
Proceeds on sale of property, plant and equipment		-	10,200
Proceeds on sale of intangibles		285,570	-
Proceeds from grants received		463,192	-
Acquisition of intangibles		-	<u>(334,000)</u>
Acquisition of property, plant and equipment		<u>(866,268)</u>	<u>(2,855)</u>
<b>Net cash used in investing activities</b>		<b><u>(117,506)</u></b>	<b><u>(326,655)</u></b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital		10,000	-
Proceeds from payment of restricted water agreements		6,000	18,000
Purchase of term deposits		<u>(83,248)</u>	58,768
<b>Net cash from financing activities</b>		<b><u>(67,248)</u></b>	<b><u>76,768</u></b>
<b>Net decrease in cash and cash equivalents</b>		<b>406,761</b>	<b>572,540</b>
Cash and cash equivalents at 1 July		721,850	149,310
<b>Cash and cash equivalents at 30 June</b>	<b>14</b>	<b><u>1,128,611</u></b>	<b><u>721,850</u></b>

*The notes on page 16 to 36 are an integral part of these financial statements.*

# The Creeks Pipeline Company Limited

## Notes to the Financial Statements

### 1. Reporting entity

The Creeks Pipeline Company Limited (“the Company”) is a company domiciled in Australia. The address of the Company’s registered office is 1507 Langhorne Creek Road Langhorne Creek SA 5255. The Company primarily is involved in the supply of water delivery services.

### 2. Basis of preparation

#### (a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were authorised by the Board of Directors on 18 October 2016.

#### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

#### (c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Company’s functional currency.

#### (d) Use of estimates and judgements

The preparation of financial statements in conformity with AASBs 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

# The Creeks Pipeline Company Limited

## Notes to the Financial Statements (continued)

### 3. Significant accounting policies

#### (a) Financial instruments

##### (i) Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents comprise cash balances and at call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and costs is discussed in note 3(k).

##### (ii) Share capital

###### *Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

#### (b) Property, plant and equipment

##### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs (see below). Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

# The Creeks Pipeline Company Limited

## Notes to the Financial Statements (continued)

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

### (ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

### (iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- infrastructure (pipelines) 75 years
- pump stations 25 years
- plant and equipment 5 - 12 years
- fixtures and fittings 5 - 10 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

### (c) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

# The Creeks Pipeline Company Limited

## Notes to the Financial Statements (continued)

### (d) Intangible assets

#### (i) Other intangible assets

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

#### (ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

### (e) Impairment

#### (i) Financial assets (including receivables)

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor will enter bankruptcy.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

# The Creeks Pipeline Company Limited

## Notes to the Financial Statements (continued)

### (ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### (f) Employee benefits

#### (i) Short-term employee benefits

Provision is made for the Company's obligation for short-term employee benefits. Short-term employee benefits that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages and salaries. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Company's obligations for short-term employee benefits such as wages and salaries are recognised as a part of current trade and other payables in the statement of financial position. The Company's obligations for employees' annual leave and long service leave entitlements are recognised in the statement of financial position.

#### (ii) Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the re-measurement of obligations due to change in assumptions for other long-term employee benefits, the net change in the obligations due to change in employee benefits expense in the periods in which the changes occur.

# The Creeks Pipeline Company Limited

## Notes to the Financial Statements (continued)

The Company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

### **(g) Provisions**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

### **(h) Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

### **(i) Revenue**

Revenue is measured at the fair value of the consideration received or receivable, net of the amount of goods and services tax (GST) payable to the taxation authority.

#### **(i) Sale of water**

Revenue from the sale of water is recognised (net of discounts and allowances) when water passes through the customer's meter and the risks and rewards of ownership have therefore passed to the customer.

#### **(ii) Services**

Revenue from services rendered is recognised in the profit or loss in proportion to the stage of completion of the transaction at the reporting date.

### **(j) Government grants**

Government grants that compensate the Company for the cost of an asset are recognised as a reduction in the cost of the asset. Depreciation is based on the net carrying amount of the asset.

# The Creeks Pipeline Company Limited

## Notes to the Financial Statements (continued)

### (k) Finance income

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

### (l) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income tax expenses that arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised. The Company does not distribute non-cash assets as dividends to its shareholders.

### (m) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

# The Creeks Pipeline Company Limited

## Notes to the Financial Statements (continued)

### (n) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the Company that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

### (o) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

### (p) Segment reporting

The single individual business segment in which the Company operates is the management of a pipeline network to supply irrigation water in the Langhorne Creek and Currency Creek regions of South Australia.

### (q) Presentation of financial statements

The Company applies revised AASB 101 *Presentation of Financial Statements* (2007), which became effective as of 1 January 2009. As a result, the Company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income.

### (r) New accounting standards and interpretations

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Company, together with an assessment of the potential impact of such pronouncements on the Company when adopted in future periods, are discussed below.

- AASB 9: Financial Instruments (December 2014) and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018).

These Standards will be applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, and revised recognition and de-recognition requirements for financial instruments.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Company's financial instruments it is impracticable at this stage to provide a reasonable estimate of such impact.

# The Creeks Pipeline Company Limited

## Notes to the Financial Statements (continued)

- AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018).

This Standard, when effective, will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers. The core principle of AASB 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step model:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract; and
- recognise revenue when (or as) the performance obligation is satisfied.

AASB 15 also requires enhanced disclosures regarding revenue. This Standard will require retrospective restatements and is available for early adoption. Although the directors anticipate that the adoption of AASB 15 may have an impact on the Company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impacts.

- AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 116 allow a lessee to either retrospectively apply the Standard to comparatives in with AASB: 108: Accounting Policies, Changes in Accounting Estimates and Errors or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

# The Creeks Pipeline Company Limited

## Notes to the Financial Statements (continued)

### 4. Revenue

	Note	2016 \$	2015 \$
Peak delivery sales		1,598,590	1,533,133
Off-peak delivery sales		642,802	600,994
Restricted water sales		77,290	71,003
		<b>2,318,682</b>	<b>2,205,130</b>

### 5. Other income

	Note	2016 \$	2015 \$
Connection fees and upgrades		25,643	42,673
Restricted water agreements		6,000	18,000
Other		25,708	2,488
		<b>57,351</b>	<b>63,161</b>

### 6. Other expenses

	Note	2016 \$	2015 \$
Depreciation		267,290	242,766
Loss on sale of non-current assets		63,430	-
		<b>330,720</b>	<b>242,766</b>

During the year, the Company participated in the South Australian River Murray Sustainability Irrigation Industry Improvement Program. Under this program, the Company transferred 167ML of Eligible Water Access Entitlements to the SA Minister for Agriculture, Food and Fisheries in return for \$285,570 and access to industry assistance funding of \$463,192.

### 7. Personnel expenses

	Note	2016 \$	2015 \$
Wages and salaries		412,033	414,869
Contributions to superannuation plans		55,937	51,553
		<b>467,970</b>	<b>466,422</b>

# The Creeks Pipeline Company Limited

## Notes to the Financial Statements (continued)

### 8. Finance income

	Note	2016 \$	2015 \$
Interest income on loans and receivables		3,702	3,136
Interest income on bank deposits		76,858	92,480
Finance income		<u>80,560</u>	<u>95,616</u>
Net finance income recognised in profit or loss		<u><b>80,560</b></u>	<u><b>95,616</b></u>

### 9. Income tax expense/benefit

	2016 \$	2015 \$
<b>Current tax expense</b>		
Current period	-	-
Adjustments for prior periods	-	-
	<u>-</u>	<u>-</u>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	34,524	54,429
Current year tax losses	<u>(65,408)</u>	<u>(165,900)</u>
<b>Total income tax (expense)/benefit</b>	<u><b>(30,884)</b></u>	<u><b>(111,471)</b></u>
Profit/(loss) for the period	72,064	260,099
Total income tax expense	<u>30,884</u>	<u>111,471</u>
Profit/(loss) excluding income tax	<u>102,948</u>	<u>371,570</u>
Income tax using a tax rate of 30 percent	30,884	111,471
Non-deductible expenses	-	-
Movement in unrecognised temporary differences	-	-
Tax expense/(benefit)	<u><b>30,884</b></u>	<u><b>111,471</b></u>

# The Creeks Pipeline Company Limited

## Notes to the Financial Statements (continued)

### 10. Property, plant and equipment

	Note	Infrastructure \$	Land and Easements \$	Motor Vehicles \$	Furniture and Fixtures \$	Plant and Equipment \$	Software \$	Total \$
<b>Cost or deemed cost</b>								
Balance at 1 July 2014	<i>a</i>	9,468,013	117,452	129,406	37,036	164,702	6,981	9,923,590
Additions		-	-	-	-	2,611	244	2,855
Disposals		-	-	(38,952)	-	-	-	(38,952)
Balance at 30 June 2015		9,468,013	117,452	90,454	37,036	167,313	7,225	9,887,493
<b>Depreciation and impairment losses</b>								
Balance at 1 July 2014		942,370	-	48,289	21,228	86,491	4,965	1,103,343
Additions		206,967	-	20,128	2,248	12,799	624	242,766
Disposals		-	-	(31,239)	-	-	-	(31,239)
Balance at 30 June 2015		1,149,337	-	37,178	23,476	99,290	5,589	1,314,870
<b>Carrying amounts</b>								
at 1 July 2014		8,525,643	117,452	81,117	15,808	78,211	2,016	8,820,247
at 30 June 2015		<b>8,318,676</b>	<b>117,452</b>	<b>53,276</b>	<b>13,560</b>	<b>68,023</b>	<b>1,636</b>	<b>8,572,623</b>

**Note a:** The total infrastructure cost of the project to 30 June 2015 was \$90,134,150 of which \$80,666,137 was recouped from the South Australia State Government under project funding agreements. Refer note 3(j) for the Company's accounting policy in relation to the treatment of government grants to compensate for the cost of an asset.

A fixed charge exists over the Company's irrigation pipeline and associated infrastructure, arising under the Project Agreement with the Minister for Water Security, in relation to the contractual rights and entitlements to access and use part of the capacity of the Company's irrigation pipeline.

# The Creeks Pipeline Company Limited

## Notes to the Financial Statements (continued)

### 10. Property, plant and equipment (continued)

	Note	Infrastructure \$	Land and Easements \$	Motor Vehicles \$	Furniture and Fixtures \$	Plant and Equipment \$	Software \$	Total \$
<b>Cost or deemed cost</b>								
Balance at 1 July 2015	<i>a</i>	9,468,013	117,452	90,454	37,036	167,313	7,225	9,887,493
Additions		263,439	-	44,423	-	94,946	268	403,076
Disposals		-	-	-	-	-	-	-
Balance at 30 June 2016		<u>9,731,452</u>	<u>117,452</u>	<u>134,877</u>	<u>37,036</u>	<u>262,259</u>	<u>7,493</u>	<u>10,290,569</u>
<b>Depreciation and impairment losses</b>								
Balance at 1 July 2015		1,149,337	-	37,178	23,476	99,290	5,589	1,314,870
Additions		225,951	-	24,060	1,870	14,798	611	267,290
Disposals		-	-	-	-	-	-	-
Balance at 30 June 2016		<u>1,375,288</u>	<u>-</u>	<u>61,238</u>	<u>25,346</u>	<u>114,088</u>	<u>6,200</u>	<u>1,582,160</u>
<b>Carrying amounts</b>								
at 1 July 2015		<u>8,318,676</u>	<u>117,452</u>	<u>53,276</u>	<u>13,560</u>	<u>68,023</u>	<u>1,636</u>	<u>8,572,623</u>
at 30 June 2016		<u><b>8,356,164</b></u>	<u><b>117,452</b></u>	<u><b>73,639</b></u>	<u><b>11,690</b></u>	<u><b>148,171</b></u>	<u><b>1,293</b></u>	<u><b>8,708,409</b></u>

**Note a:** The total infrastructure cost of the project to 30 June 2016 was \$90,530,869 of which \$80,799,417 was recouped from the South Australia State Government under project funding agreements. Refer note 3(j) for the Company's accounting policy in relation to the treatment of government grants to compensate for the cost of an asset.

A fixed charge exists over the Company's irrigation pipeline and associated infrastructure, arising under the Project Agreement with the Minister for Water Security, in relation to the contractual rights and entitlements to access and use part of the capacity of the Company's irrigation pipeline.

# The Creeks Pipeline Company Limited

## Notes to the Financial Statements (continued)

### 11. Intangibles

	Note	2016 \$	2015 \$
Water rights at cost		-	334,000
		<b>-</b>	<b>334,000</b>

### 12. Deferred tax asset

Deferred tax asset comprises temporary differences attributable to:-

	Note	2016 \$	2015 \$
Provision for annual leave		11,972	10,491
Provision for long service leave		49,936	25,408
Superannuation payable		10,469	12,138
Accrued chairman's and directors' fees, super and audit fee		31,376	27,189
Unutilised tax losses		5,431,722	5,649,750
		<b>5,535,475</b>	<b>5,724,976</b>
<b>Deferred tax asset</b>		<b>1,660,643</b>	<b>1,717,493</b>

### 13. Trade and other receivables

	Note	2016 \$	2015 \$
Trade receivables due from related parties		37,047	78,597
Other trade receivables		514,182	613,515
		<b>551,229</b>	<b>692,112</b>
Current		551,229	692,112
Non-current		-	-
		<b>551,229</b>	<b>692,112</b>
<u>Days Outstanding</u>			
0 - 30 days		538,364	667,736
31 - 60 days		4,156	11,462
61 - 90 days		8,664	5,799
90+ days		45	7,115
		<b>551,229</b>	<b>692,112</b>

# The Creeks Pipeline Company Limited

## Notes to the Financial Statements (continued)

### 14. Cash and cash equivalents

	Note	2016 \$	2015 \$
		<u>          </u>	<u>          </u>
National Australia Bank - Business Cheque Account		714,124	212,718
National Australia Bank - Business Cash Maximiser		414,295	508,940
Cash on hand		192	192
		<u><b>1,128,611</b></u>	<u><b>721,850</b></u>

### 15. Investments

	Note	2016 \$	2015 \$
		<u>          </u>	<u>          </u>
National Australia Bank - Term Deposit		1,083,346	1,044,692
National Australia Bank - Term Deposit		1,080,098	1,041,560
National Australia Bank - Term Deposit		216,468	210,412
		<u><b>2,379,912</b></u>	<u><b>2,296,664</b></u>

### 16. Other assets

	Note	2016 \$	2015 \$
		<u>          </u>	<u>          </u>
Project costs		5,000	5,000
Accrued income		57,793	71,766
Deposits paid		-	1,000
		<u><b>62,793</b></u>	<u><b>77,766</b></u>

# The Creeks Pipeline Company Limited

## Notes to the Financial Statements (continued)

### 17. Reconciliation of cash flows from operating activities

	Note	2016 \$	2015 \$
Cash flows from operating activities			
Profit/(loss) for the period		72,064	260,099
Adjustments for:			
Depreciation		267,290	242,766
(Profit)/Loss on sale of non-current assets		63,430	(2,487)
		<u>402,784</u>	<u>500,378</u>
Change in trade and other receivables		140,883	301,780
Change in inventories		(27,189)	(28,798)
Change in other assets		14,973	4,506
Change in prepayments		(178)	(15,349)
Change in trade and other payables		3,348	(76,860)
Change in deferred tax		30,884	111,472
Change in provisions and employee benefits		26,010	25,298
		<u>188,731</u>	<u>322,049</u>
Income tax paid		-	-
<b>Net cash from operating activities</b>		<b><u>591,515</u></b>	<b><u>822,427</u></b>

### 18. Capital and reserves

	Note	2016	2015
On issue at 1 July		10,247,000	10,247,000
Issue for cash		10,000	-
Redeemed for cash		-	-
On issue at 30 June		<u>10,257,000</u>	<u>10,247,000</u>

#### Ordinary shares and preference shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, rank equally with respect to the Company's residual assets and are entitled to one vote per share at meetings of the Company.

#### Infrastructure replacement reserve

The reserve has been established to provide for future infrastructure requirements associated with the major operating assets.

# The Creeks Pipeline Company Limited

## Notes to the Financial Statements (continued)

### 19. Trade and other payables

	Note	2016 \$	2015 \$
Other trade payables		91,191	99,668
Non-trade payables and accrued expenses		125,338	107,513
		<b>216,529</b>	<b>207,181</b>

### 20. Deferred tax liability

Deferred tax liability comprises temporary differences attributable to:-

	Note	2016 \$	2015 \$
Property, plant and equipment		8,152,540	8,239,093
		8,152,540	8,239,093
Deferred tax liability		<b>2,445,762</b>	<b>2,471,728</b>

### 21. Employee benefits

	Note	2016 \$	2015 \$
<b>Current</b>			
Annual leave		11,972	10,491
Long service leave		38,371	-
		<b>50,343</b>	<b>10,491</b>
<b>Non-current</b>			
Long service leave		11,566	25,408
		11,566	25,408
Total		<b>61,909</b>	<b>35,899</b>
<b>Movement</b>			
Opening balance		35,899	10,601
Arising during the year		47,214	48,409
Utilised		(21,204)	(23,111)
Closing balance		<b>61,909</b>	<b>35,899</b>

# The Creeks Pipeline Company Limited

## Notes to the Financial Statements (continued)

### 22. Operating lease commitments

Non-cancellable operating leases contracted for but not recognised in the financial statements

	Note	2016 \$	2015 \$
Due within one year		17,899	17,774
Due within one to five years		37,585	55,484
Due later than five years		-	-
		<b>55,484</b>	<b>73,258</b>

The property lease commitment is a non-cancellable operating lease with an eight-year term, with rent payable monthly in advance.

Contingent rental provisions within the lease agreement require that the minimum lease payments shall be increased by 2% per annum.

### 23. Contingencies

Under the project agreements with the State Government which facilitated the project's funding and construction, the Company has two contingent financial liabilities, specifically:-

**(i) Liability for residual project costs.**

The Company received the final invoice for project construction cost in June 2012. The Company was entitled to claim funding for these costs under a Recoupment Deed with the State Government. As a result, there was no net cost to the Company. No further claims are anticipated.

**(i) Liability to pay additional amounts under the Project Agreement.**

In the event the Company raises additional share capital and allots new or increased peak delivery entitlement to that shareholder, then the capital raised (net of costs) is to be paid to the State Government. This liability will cease when total payments by the Company under the agreement total \$11.50 million. At 30 June 2016, the Company had paid \$9.35 million (FY2015: \$9.35 million).

During the year, the Company received applications for a further 10,000 shares which were issued in the period July 2015 to November 2015 to parties requiring access to new or increased water delivery services.

# The Creeks Pipeline Company Limited

## Notes to the Financial Statements (continued)

### 24. Related parties

#### Individual director's compensation disclosures

Information regarding individual director's compensation as required by Corporations Regulations 2M.3.03 is provided in the directors' report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

#### Movement in shares

The movement during the reported period in the number of ordinary shares in the Company held directly, indirectly or beneficially, by each key management person, including the related parties, is as follows:

	Held at 1 July 2015	Purchased	Sold	Held at 30 June 2016
<b>Directors</b>				
Dianne Margaret Davidson	100,000	-	100,000	-
John Philip Pargeter	300,000	-	-	300,000
David James Watkins	698,000	-	-	698,000
Craig Hamilton Willson	150,000	-	-	150,000
	<hr/> 1,248,000	-	100,000	<hr/> 1,148,000

No shares were granted to key management personnel during the reporting period as compensation in 2016.

# The Creeks Pipeline Company Limited

## Notes to the Financial Statements (continued)

### Other related party transactions

	Note	Transaction value year ended 30 June		Balance outstanding as at 30 June	
		2016 \$	2015 \$	2016 \$	2015 \$
<b><u>Dianne Margaret Davidson</u></b>					
<b>Kirklington Pty Ltd</b>					
<i>Revenue / Debtor</i>					
– Water Delivery Service		-	15,180	-	15,180
<b><u>John Leslie Kerr</u></b>					
<b>Capital Strategies Pty Ltd</b>					
<i>Expense / Creditor</i>					
– Accountancy Fees		10,845	9,204	496	398
<b><u>John Philip Pargeter</u></b>					
<b>Angas Vineyards Joint Venture</b>					
<i>Revenue / Debtor</i>					
– Water Delivery Service		80,128	88,973	7,901	8,663
<b><u>David James Watkins</u></b>					
<b>Rankins Estate Pty Ltd as trustee for Rankins Estate Unit Trust</b>					
<b>Warrendi Pty Ltd and Giles Street Pty Ltd</b>					
<i>Revenue / Debtor</i>					
– Water Delivery Service		146,689	133,664	25,289	46,380
<i>Expense / Creditor</i>					
– Settlement of Water Penalties		10,908	-	-	-
<b><u>Craig Hamilton Willson</u></b>					
<b>Langhorne Creek Water Company (shared pipeline)</b>					
<i>Revenue / Debtor</i>					
– Water Delivery Service		33,852	37,064	3,856	8,374
<b>TOTAL</b>		<b>282,422</b>	<b>284,085</b>	<b>37,542</b>	<b>78,995</b>

### Other related parties

Contributions to superannuation funds on behalf of employees are disclosed in note 7.

# The Creeks Pipeline Company Limited

## Notes to the Financial Statements (continued)

### 25. Subsequent events

The Board has determined that no matters occurring between 1 July 2016 and the date of signing this report are significant to require disclosure.

### 26. Auditors' remuneration

	Note	2016 \$	2015 \$
<b>Audit services</b>			
Auditors of the Company			
<i>William Buck:</i>			
Audit and review of financial reports		17,900	16,950
Other regulatory audit services		-	-
		<u>17,900</u>	<u>16,950</u>

# The Creeks Pipeline Company Limited

## Directors' declaration

In the opinion of the directors of the Company:

1. the financial statements and notes set out on pages 11 to 36, are in accordance with the Corporations Act 2001 including:
  - a) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
  - b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a);
3. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



---

I M Martens  
Chairman



J L Kerr  
Director

Langhorne Creek, S.A.

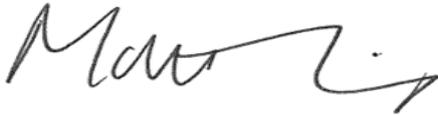
**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C  
OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF  
THE CREEKS PIPELINE COMPANY LIMITED**

I declare that, to the best of my knowledge and belief during the year ended 30 June 2016 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

**William Buck**  
ABN 38 280 203 274



**M. D. King**  
Partner

Dated this 18<sup>th</sup> day of October 2016  
Adelaide

**CHARTERED ACCOUNTANTS  
& ADVISORS**

Level 6, 211 Victoria Square  
Adelaide SA 5000

GPO Box 11050  
Adelaide SA 5001

Telephone: +61 8 8409 4333

[williambuck.com](http://williambuck.com)

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CREEKS PIPELINE COMPANY LIMITED

### Report on the Financial Report

We have audited the accompanying financial report of The Creeks Pipeline Company Limited (the Company), which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### *Directors' Responsibility for the Financial Report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Independence*

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

#### CHARTERED ACCOUNTANTS & ADVISORS

Level 6, 211 Victoria Square  
Adelaide SA 5000

GPO Box 11050  
Adelaide SA 5001

Telephone: +61 8 8409 4333  
[williambuck.com](http://williambuck.com)

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CREEKS PIPELINE COMPANY LIMITED (CONT)

### *Auditor's Opinion*

In our opinion:

- a) the financial report of The Creeks Pipeline Company Limited is in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

### **Report on the Remuneration Report**

We have audited the Remuneration Report included in page 7 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Auditor's Opinion*

In our opinion, the Remuneration Report of The Creeks Pipeline Company Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

### *Matters Relating to the Electronic Presentation of the Audited Financial Report*

This auditor's report relates to the financial report of The Creeks Pipeline Company Limited for the year ended 30 June 2016 included on The Creeks Pipeline Company Limited's web site. The company's directors are responsible for the integrity of the company's web site. We have not been engaged to report on the integrity of the company's web site. The auditor's report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

William Buck

**William Buck**

ABN 38 280 203 274

A handwritten signature in black ink, appearing to read 'M. D. King', with a stylized flourish at the end.

**M. D. King**

Partner

Dated the 18<sup>th</sup> day of October 2016  
Adelaide