

MID-YEAR FINANCIAL REPORT – 2017/18

The Creeks Pipeline Company Limited (CPC) pipeline has been effectively fully operational since 1 July 2017. The system has performed well during this period with no significant interruptions recorded.

During the first six months of the 2017/18 Irrigation season, the pipeline has delivered 4,825 ML (3,063 ML last year) to irrigators throughout the Langhorne Creek and Currency Creek regions.

Delivery figures this year compared to the same time last year have increased by > 36%, which in turn has impacted on sales revenue. Additionally, profit is being boosted by reduced operational cost in the area of power use, this because of operational efficiencies realised through the implementation of recent SARMS projects.

With respect to the first half-year of operations, the Company recorded an after-tax profit of \$188,616 (\$65,492 last year). The level of profit is in line with the F18 budget.

The one and one third flow and volume in use for the past five irrigations seasons has allowed irrigators access to higher flows and volumes in periods of high water demand. These flexible water access conditions have proved very helpful particularly in periods of extreme heat. These expanded access conditions are reviewed on an annual basis and their approval for future seasons beyond 2017/18 cannot be guaranteed.

CPC will shortly be looking to secure a new power contract that is compatible in pricing to the previous twelve months' contract. If successful in acquiring similar terms the new power pricing will hopefully enable CPC to maintain delivery prices on or around current delivery rates.

As in previous years the company will in the coming months be reviewing its water delivery and pricing strategies to ensure we continue to provide a cost-effective service and maintain our high level operational performance.

Please contact me directly on 08 8537 3266 with any queries regarding the interim financial statements or any other CPC operational matters.



Mike Reynolds

General Manager

3 March 2018

**The Creeks Pipeline Company Limited
(ACN 133 867 197)**

**31 December 2017
Interim Financial Report**

The Creeks Pipeline Company Limited

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The Creeks Pipeline Company Limited

Directors' Report

The directors present their report together with the half-year financial report for the six months ended 31 December 2017 and the review report thereon.

Directors

The directors of the Company at any time during or since the end of the interim period are:

Name	Period of directorship
Non-executive	
Mr Ian Mortimer Martens (Chairperson)	Director since 14 December 2008
Ms Dianne Margaret Davidson	Director since 24 October 2008
Mr John Leslie Kerr	Director since 1 January 2010
Mr John Philip Pargeter	Director since 24 October 2008
Mr David James Watkins	Director since 24 October 2008
Mr Craig Hamilton Willson	Director since 24 October 2008

Review of operations

The Company continued providing water delivery services during the period. Water deliveries for the half year totalled 4,825 megalitres (previous half year: 3,063 megalitres).

Revenue of \$1,210,216 was received for the six months (previous half year: \$979,527).

The net profit for the half year ended 31 December 2017 amounted to \$188,616 (previous half year: \$65,492).

Whilst the future volume of water deliveries will be determined by weather and lake conditions, the Company's net financial position will be largely unaffected given fixed costs are recovered through the charging of non-take fees to all customers.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 17 and forms part of the directors' report for the six months ended 31 December 2017.

The Creeks Pipeline Company Limited

Directors' Report (continued)

Rounding off

The Company is not of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and therefore cannot 'round off' any amounts in the half-year financial report and director's report to the nearest thousand dollars. The Company must show the amounts in the directors' report and half-year financial reports at the nearest whole dollar of the amount.

Signed in accordance with a resolution of the directors:



I M Martens
Chairman



L Kerr
Director

Langhorne Creek, S.A.

28 February 2018

The Creeks Pipeline Company Limited

Condensed Interim Statement of Financial Position

As at 31 December 2017

	Note	31 Dec 2017 AUD\$	30 Jun 2017 AUD\$
Assets			
Current assets			
Cash and cash equivalents	13	802,999	724,810
Trade and other receivables	12	421,346	764,869
Inventories		339,681	312,249
Prepayments		83,218	34,394
Investments	14	2,719,665	2,955,687
Other assets	15	368,079	70,467
Total current assets		4,734,988	4,862,476
Non-current assets			
Property, plant and equipment	9	9,222,812	8,803,047
Deferred tax asset	11	1,340,678	1,413,859
Total non-current assets		10,563,490	10,216,906
Total assets		15,298,478	15,079,382
Liabilities			
Current liabilities			
Trade and other payables	16	346,140	306,309
Employee benefits	18	61,373	69,484
Total current liabilities		407,513	375,793
Non-current liabilities			
Deferred tax liability	19	2,239,069	2,240,705
Employee benefits	18	4,771	4,375
Total non-current liabilities		2,243,840	2,245,080
Total liabilities		2,651,353	2,620,873
Net assets		12,647,125	12,458,509
Equity			
Issued capital		10,297,000	10,297,000
Reserves		2,080,000	2,080,000
Retained earnings		270,125	81,509
Total equity		12,647,125	12,458,509

The condensed notes on page 10 to 15 are an integral part of these condensed interim financial statements.

The Creeks Pipeline Company Limited

Condensed Interim Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2017

	<i>Note</i>	31 Dec 2017 AUD\$	31 Dec 2016 AUD\$
Continuing Operations			
Revenue		1,210,216	979,527
Cost of sales		<u>(390,122)</u>	<u>(301,239)</u>
Gross profit		820,094	678,288
Other income		13,828	18,071
Operating and administrative expenses		<u>(610,274)</u>	<u>(646,616)</u>
Results from operating activities		223,648	49,743
Finance income		36,511	43,817
Net finance income		36,511	43,817
Profit before income tax		260,159	93,560
Income tax expense	8	<u>(71,543)</u>	<u>(28,068)</u>
Profit from continuing operations		188,616	65,492
Profit for the period		188,616	65,492
Total comprehensive income for the period		188,616	65,492

The condensed notes on page 10 to 15 are an integral part of these condensed interim financial statements.

The Creeks Pipeline Company Limited

Condensed Interim Statement of Changes in Equity

For the six months ended 31 December 2016

	Share Capital \$	Retained Earnings \$	Infrastructure Replacement Reserve \$	Total Equity \$
Balance at 1 July 2016	10,257,000	83,585	1,730,000	12,070,585
Total comprehensive income for the period				
Profit	-	65,492	-	65,492
Total comprehensive income for the period	-	65,492	-	65,492
Transactions with owners, recorded directly in equity				
<i>Contributions by and distributions to owners</i>				
Issue of ordinary shares	5,000	-	-	5,000
Ordinary shares subscribed but not issued	-	-	-	-
Total contributions by and distributions to owners	5,000	-	-	5,000
<i>Total transactions with owners</i>				
5,000	-	-	-	5,000
Balance at 31 December 2016	10,262,000	149,077	1,730,000	12,141,077

The condensed notes on page 10 to 15 are an integral part of these condensed interim financial statements.

The Creeks Pipeline Company Limited

Condensed Interim Statement of Changes in Equity (continued)

For the six months ended 31 December 2017

	Share Capital	Retained Earnings	Infrastructure Replacement Reserve	Total Equity
Balance at 1 July 2017	\$ 10,297,000	\$ 81,509	\$ 2,080,000	\$ 12,458,509
Total comprehensive income for the period				
Profit	-	188,616	-	188,616
Total comprehensive income for the period	-	188,616	-	188,616
Transactions with owners, recorded directly in equity				
<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	-	-	-	-
Balance at 31 December 2017	10,297,000	270,125	2,080,000	12,647,125

The condensed notes on page 10 to 15 are an integral part of these condensed interim financial statements.

The Creeks Pipeline Company Limited

Condensed Interim Statement of Cash Flows

For the six months ended 31 December 2017

	Note	31 Dec 2017 AUD\$	31 Dec 2016 AUD\$
Cash flows from operating activities			
Profit before income tax for the period		260,159	93,560
Adjustments for:			
Depreciation		135,343	137,888
Accounting loss on sale of non-current assets		36,020	-
Income tax expense	8	<u>(71,543)</u>	<u>(28,068)</u>
		359,979	203,380
Change in assets and liabilities (attributable to the operating activities of the company)			
Decrease in trade and other receivables		343,523	165,772
Increase in prepayments		(48,824)	(45,352)
Increase in inventories and other assets		(325,044)	(397,304)
Increase/(Decrease) in trade and other payables		33,831	(62,133)
Increase/(Decrease) in the provision for employee benefits		(7,715)	3,029
Change in deferred income tax		71,545	28,068
		<u>427,295</u>	<u>(104,540)</u>
Income taxes paid		-	-
Net cash provided by/(used in) operating activities		<u>427,295</u>	<u>(104,540)</u>
Cash flows from investing activities			
Proceeds from grants received		497,000	-
Acquisition of property, plant and equipment	9	(767,108)	(75,543)
Acquisition of intangibles	10	(321,020)	-
Purchase/(Proceeds) of term deposits		236,022	(561,828)
Net cash used in investing activities		<u>(355,106)</u>	<u>(637,371)</u>
Cash flows from financing activities			
Proceeds from the issue of share capital		-	5,000
Proceeds from payment of restricted water agreements		6,000	15,000
Net cash from financing activities		<u>6,000</u>	<u>20,000</u>
Net increase/(decrease) in cash and cash equivalents		78,189	(721,911)
Cash and cash equivalents at 1 July		724,810	1,128,611
Cash and cash equivalents at 31 December	13	<u>802,999</u>	<u>406,700</u>

The condensed notes on page 10 to 15 are an integral part of these condensed interim financial statements.

The Creeks Pipeline Company Limited

Notes to the Condensed Interim Financial Statements

1. Reporting entity

The Creeks Pipeline Company Limited (the "Company") is a company domiciled in Australia. The condensed financial report of the Company for the year ended 30 June 2017 is available upon request from the Company's registered office at 1507 Langhorne Creek Road Langhorne Creek SA 5255.

2. Statement of compliance

This general purpose condensed financial report for the half-year ended 31 December 2017 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2017.

This general purpose condensed financial report for the half-year ended 31 December was approved by the Board of Directors on 28 February 2018.

3. Significant accounting policies

The accounting policies applied by the Company in the half-year financial report are the same as those applied by the Company in its financial report for the year ended 30 June 2017.

4. Estimates

The preparation of the half-year financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the half-year financial report, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 30 June 2017.

5. Financial risk management

The Company's financial risk management objectives and policies are consistent with that disclosed in the financial report for the year ended 30 June 2017.

6. Segment reporting

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

The Creeks Pipeline Company Limited

Notes to the Condensed Interim Financial Statements (continued)

7. Seasonality of operations

In a normal irrigation season the majority of the water taken by customers occurs in the November to March period.

8. Income tax expense

	Note	31 Dec 2017	31 Dec 2016
		AUD \$	AUD \$
Current tax expense			
Current period		-	-
Adjustments for prior periods		-	-
		-	-
Deferred tax expense			
Origination and reversal of temporary differences		425	(14,016)
Current year tax profit/(losses)		71,118	42,084
Total income tax expense		71,543	28,068
Profit for the period		188,616	65,492
Total income tax expense		71,543	28,068
Profit excluding income tax		260,159	93,560
Income tax using a tax rate of 27.5 percent (2016 - 30%)		71,543	28,068
Non-deductible expenses		-	-
Movement in unrecognised temporary differences		-	-
Tax expense		71,543	28,068

9. Property, plant and equipment

Acquisitions and disposals

During the six months ended 31 December 2017, the Company acquired assets with a cost of \$767,108. There were no disposals during the period and there are no capital commitments at the interim balance sheet.

10. Intangibles

Acquisitions and disposals

During the six months ended 31 December 2017, the Company acquired and transferred 100ML of River Murray water rights to the Minister for Agriculture, Food and Fisheries in accordance with the terms of the South Australian River Murray Sustainability Irrigation Industry Improvement Program.

The Creeks Pipeline Company Limited

Notes to the Condensed Interim Financial Statements (continued)

11. Deferred tax asset

Deferred tax asset comprises temporary differences attributable to the following:

	Note	31 Dec 2017	30 Jun 2017
		AUD \$	AUD \$
Provision for annual leave		12,621	13,440
Provision for long service leave		53,523	60,419
Superannuation payable		15,928	11,163
Accrued chairman's and directors' fees and super		26,719	31,270
Unutilised tax losses		4,766,402	5,025,013
		<u>4,875,193</u>	<u>5,141,305</u>
Deferred Tax Asset		<u>1,340,678</u>	<u>1,413,859</u>

12. Trade and other receivables

	Note	31 Dec 2017	30 Jun 2017
Trade receivables due from related parties		37,163	120,646
Other trade receivables		384,183	644,223
		<u>421,346</u>	<u>764,869</u>
Current		421,346	764,869
Non-current		-	-
		<u>421,346</u>	<u>764,869</u>
<u>Days Outstanding</u>			
0-30 days		392,732	760,515
31-60 days		20,024	818
61-90 days		5,394	3,000
90+ days		3,196	536
		<u>421,346</u>	<u>764,869</u>

13. Cash and cash equivalents

	Note	31 Dec 2017	30 Jun 2017
National Australia Bank - Business Cheque Account		636,232	558,454
National Australia Bank - Business Cash Maximiser		166,575	166,164
Cash on hand		192	192
		<u>802,999</u>	<u>724,810</u>

The Creeks Pipeline Company Limited

Notes to the Condensed Interim Financial Statements (continued)

14. Investments

	Note	31 Dec 2017	30 Jun 2017
National Australia Bank - Term Deposit		847,179	1,114,848
National Australia Bank - Term Deposit		1,142,070	1,110,423
National Australia Bank - Term Deposit		222,854	222,854
National Australia Bank - Term Deposit		507,562	507,562
		2,719,665	2,955,687

15. Other assets

	Note	31 Dec 2017	30 Jun 2017
Project costs		5,000	5,000
Accrued income		363,079	65,467
		368,079	70,467

16. Trade and other payables

	Note	31 Dec 2017	30 Jun 2017
Trade payables due to related parties		547	-
Other trade payables		249,642	204,653
Non-trade payables and accrued expenses		95,951	101,656
		346,140	306,309

The Creeks Pipeline Company Limited

Notes to the Condensed Interim Financial Statements (continued)

17. Related parties

Transactions with key management personnel

Key management personnel receive compensation in the form of short-term employee benefits. Key management personnel received total compensation of \$66,536 for the six months ended 31 December 2017.

Other related party transactions

	Directors	Transaction Value 31 Dec 2017 AUD \$	Balance Outstanding 31 Dec 2017 AUD \$
Non-executive			
<u>John Leslie Kerr</u>			
Capital Strategies Pty Ltd			
- Accountancy Fees		7,630	547
<u>David James Watkins</u>			
Rankins Estates Pty Ltd as trustee for Rankins Estate Unit Trust			
Warrendi Pty Ltd and Giles Street Pty Ltd			
- Water Delivery Service		48,873	32,716
<u>Craig Hamilton Willson</u>			
Langhorne Creek Water Company (shared pipeline)			
- Water Delivery Service		13,298	4,447
TOTAL		69,801	37,710

All outstanding balances with these related parties are to be settled in cash within 7 days of the date of issue of the tax invoices. None of the balances are secured.

The Creeks Pipeline Company Limited

Notes to the Condensed Interim Financial Statements (continued)

18. Employee benefits

	Note	<u>31 Dec 2017</u>	<u>30 Jun 2017</u>
Current			
Annual leave		12,621	13,440
Long service leave		48,752	56,044
		<u>61,373</u>	<u>69,484</u>
Non-current			
Long service leave		4,771	4,375
		<u>4,771</u>	<u>4,375</u>
Total		<u>66,144</u>	<u>73,859</u>
Movement			
Opening balance		73,859	61,909
Arising during the period		17,468	34,799
Utilised		(25,183)	(22,849)
Closing balance		<u>66,144</u>	<u>73,859</u>

19. Deferred tax liability

Deferred tax liability comprises temporary differences attributable to:-

	Note	<u>31 Dec 2017</u>	<u>30 Jun 2017</u>
Property, plant and equipment		8,142,069	8,148,020
		<u>8,142,069</u>	<u>8,148,020</u>
Deferred tax liability		2,239,069	2,240,705

20. Subsequent events

There are no subsequent events requiring disclosure.

21. Changes in commitments and contingencies

Under the project agreement with the State Government which facilitated the project's funding and construction, the Company has a contingent liability, specifically:-

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 31 December 2017, the Company had paid \$9.35 million.

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 5 to 15, are in accordance with the Corporations Act 2001 including:
 - a) giving a true and fair view of the Company's financial position as at 31 December 2017 and of its performance for the six month period ended on that date; and
 - b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. 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.

28 February 2018

**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 half-year ended 31 December 2017 there have been:

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

William Buck

William Buck
ABN 38 280 203 274

M. D. King

M. D. King
Partner

Dated at Adelaide this 28th day of February, 2018.

**CHARTERED ACCOUNTANTS
& ADVISORS**

Level 6, 211 Victoria Square
Adelaide SA 5000

GPO Box 11050
Adelaide SA 5001

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The Creeks Pipeline Company Limited

Independent auditor's review report to members

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of The Creeks Pipeline Company Limited (the company) on pages 5 to 16, which comprises the condensed interim statement of financial position as at 31 December 2017, the condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of The Creeks Pipeline Company Limited on pages 5 to 16 is not in accordance with the Corporations Act 2001 including:

- a) giving a true and fair view of the company's financial position as at 31 December 2017 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001.

Responsibilities of the Directors for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including:

- giving a true and fair view of the company's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

**CHARTERED ACCOUNTANTS
& ADVISORS**

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As the auditor of The Creeks Pipeline Company Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of The Creeks Pipeline Company Ltd, would be in the same terms if given to the directors as at the time of this auditor's review report.

William Buck

William Buck
ABN: 38 280 203 274



M.D. King
Partner

Dated this 28th day of February, 2018.

**CHARTERED ACCOUNTANTS
& ADVISORS**

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