

**C · P · C**

**THE CREEKS PIPELINE COMPANY LIMITED**

**ACN 133 867 197**

**ANNUAL REPORT 2011**

# CORPORATE DIRECTORY

## **Board of Directors**

Ian Martens (Chairman)

Dianne Davidson

John Kerr

John Pargeter

David Watkins

Craig Willson

## **General Manager**

Mike Reynolds

## **Company Secretary**

Dianne Davidson

## **Corporate Adviser**

Capital Strategies Pty Ltd

## **Auditors**

KPMG

## **Lawyers**

O'Loughlins Lawyers

## **Registered Office**

Lot 51 Wellington Road

Langhorne Creek, SA 5255

## **Other Corporate Information**

Domicile – Australia

State of Incorporation – South Australia

Legal Form – Unlisted Public Company

# CONTENTS

## Page

<b>2.</b>	<b>Chairman's Report</b>
<b>4.</b>	<b>General Manager's Report</b>
<b>6.</b>	<b>Financial Statements</b>
<b>8.</b>	<b>Directors' Report</b>
<b>16.</b>	<b>Statements of Financial Position</b>
<b>17.</b>	<b>Statements of comprehensive income</b>
<b>18.</b>	<b>Statements of changes in equity</b>
<b>19.</b>	<b>Statements of Cash Flows</b>
<b>20.</b>	<b>Notes to the Financial Statements</b>
<b>40.</b>	<b>Directors' Declaration</b>
<b>41.</b>	<b>Independent Auditor's Report</b>
<b>43.</b>	<b>Auditor's Independence Declaration</b>

**THE CREEKS PIPELINE COMPANY LIMITED**  
**ACN 133 867 197**  
**CHAIRMAN'S REPORT – OCTOBER 2011**

I am pleased to present the third Annual Report for The Creeks Pipeline Company Limited.

The Creeks Pipeline Company completed another satisfactory year with all infrastructure operating in line with expectations. The pipeline was operational 98% of the time throughout the year with the only hours of down time being attributed to two scheduled maintenance shutdowns during winter. The operation is a credit to our General Manager, Mike Reynolds and his team in Evan Higgins and Ben Scott and ably assisted in the office by Chris Major.

The Board is well aware of the difficult circumstances which affected most of our shareholders this past year and as already advised, The Creeks Pipeline Company will make a one off rebate to customers equivalent to 40% of the total paid by them in the 2010/2011 peak season. This rebate amounted to \$455,540 and was made possible by deferring allocations to the Infrastructure Replacement Fund.

**FINANCES**

For the year ended 30 June 2011, the company recorded an after tax loss of \$4,949. When the one off rebate of \$455,540 is added back, revenue for the year was much in line with 2009/2010.

In setting prices for 2011/2012, the Board was very mindful of the continuing economic circumstances affecting grape grower shareholders and once again have deferred any allocation to the Infrastructure Replacement Fund. The Board is obviously not able to predict water usage for the next season but given the reduction in charges, the water quality delivered, and the opportunity for accessing a higher flow rate, we expect to meet budget for next year.

## THE BOARD

I wish to acknowledge again the work of all The Creeks Pipeline Company Board for their contribution during the year and availability at any time to assist the company.

## THE FUTURE

The last 12 months have seen many changes to the environment in which the company operates, including the break in the drought leading to a wet summer and improving water quality in Lake Alexandrina. We will be working with customers in the coming year to fully understand the issues arising from improved lake water quality.

The coming season will likely see full water right allocations, however, general industry and economic conditions will require all parties to carefully manage their costs; CPC, in particular, faces escalating electricity costs. The challenge for CPC's Board and Management will be to balance appropriate profitability with continuing to reliably supply River Murray water to customers at a reasonable cost.

Thank you for your continuing support during 2011.

Ian M Martens

Chairman

A handwritten signature in black ink, appearing to read 'Ian Martens', written in a cursive style.

18 October 2011

# THE CREEKS PIPELINE COMPANY LIMITED

ACN 133 867 197

## GENERAL MANAGER'S REPORT

The year ending 30 June 2011 was The Creeks Pipeline Company Limited's second year delivering water under its Agreements with its customers.

During the year the pipeline continued to perform above expectation in both reliability and overall delivery performance. This past season has seen irrigators face some particularly challenging times with regards to environmental conditions, going from little or no water to too much!

The past year has seen the CPC Board being proactive wherever possible in assisting its shareholders and has made some difficult decisions in regards to the provision of rebates and reductions in future pricing. Whilst these one off measures will assist in the short term they cannot be relied upon going forward.

### **General Operations:**

The pipeline was fully operational for 98% of the previous 12 months ending 30<sup>th</sup> June 2011. The only interruptions to operations were due to scheduled maintenance required for completion of warranty work conducted during the winter Off Peak period.

During the year CPC delivered 9730 ML of water, with Langhorne Creek Irrigators taking 96.9% (9,429ML), Currency Creek 2.7% (261ML) and Restricted Water Users 0.4% (40ML) of the total water delivered.

The 5049ML of Peak water entitlement delivered during November - March accounts for 49% of the total 10,214ML Peak water delivery entitlement currently contracted.

At the end of the contract year (June 30) 4,681ML or 41% of the 11,549ML CPC Off-Peak water entitlement contracted was delivered.

The 2010/11 Irrigator water entitlement delivered through the CPC pipeline totaled 9,730ML or 45% of a combined Peak and Off Peak total of 21,763ML water delivery entitlement currently contracted.

CPC's Langhorne Creek office now has a fully functional Workshop and Storage facility this will be of great benefit for the ongoing operations of CPC.

**Restricted Water User Connections:**

99 of the 85 Restricted Water Users are connected and have been taking water with little or no issues being incurred during the year. Quarterly invoicing options have been initiated during the past year whilst meter reading continues on a monthly basis.

**The Year Ahead:**

CPC will continue to improve operational aspects of the pipeline system, however, our focus for 2011/12 will be to continue our commitment to providing a cost effective and reliable water delivery service and to assist shareholders wherever possible to minimise uncertainty in this area of production now and into the future.

I would like to thank all the CPC staff for their efforts in ensuring this second year has gone as smoothly as it has. 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  
September 2011

# **THE CREEKS PIPELINE COMPANY LIMITED**

**ACN 133 867 197**

## **FINANCIAL STATEMENTS**

**PERIOD FROM 1 JULY 2010 TO 30 JUNE 2011**

# Contents

	<b>Page</b>
Statements of financial position	11
Statements of comprehensive income	12
Statements of changes in equity	13
Statements of cash flows	14
Notes to the financial statements	15
Directors' declaration	35
Independent auditor's report	36
Auditor's independence declaration	38

# The Creeks Pipeline Company Limited

## Directors' Report

For the year ended 30 June 2011

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 2011 and the auditor's report thereon.

### 1. 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. His advisory work has included the Petaluma Group for some 22 years prior to its takeover by Lion Nathan Limited and as a Director to several wine companies and vineyard owners and operators.</p> <p>Ian is a Director of Challenger Listed Investments Ltd which is the Responsible Entity of the publicly listed Challenger Infrastructure Fund, Challenger Diversified Property Group and the non-listed Challenger Wine Trust. He is a Chairman of the Audit and Compliance Committee of the Responsible Entity.</p> <p>Ian has retired 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 M Sc, B Ag Sc, Grad. Dip. Bus. Admin., FAATSE, FAIAS, MAICD Director (Ordinary)	<p>Di is a professional agricultural scientist with 35 years experience with irrigated agriculture and horticulture throughout Australia and internationally. She is Managing Director of a private family company, Kirklington Pty Ltd, and manages her own vineyards in the Adelaide Hills and Langhorne Creek regions.</p> <p>Di is a Member of the Murray Darling Basin Authority, a member of the Council of University of Adelaide and a Trustee of Seymour College Foundation. 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>

# The Creeks Pipeline Company Limited

## Directors' Report

For the year ended 30 June 2011

Throughout her professional life Di has worked with government agencies and rural communities, and provides advice in an ongoing capacity to several wine industry and agricultural associations.

John Leslie Kerr  
B.CE, 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 properties/infrastructure projects and private venture/development capital matters. The firm also provides investment management services and advice to property and equity investors.

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

John is also a member of the Finance Committee advising for the University of South Australia.

John Philip Pargeter  
Director (Ordinary)

John is the founding co-owner, director and general manager of Angas Vineyards Joint Venture and also a director/co-manager of a related shared irrigation pipeline (Bremco (SA) Pty Ltd) operating from Lake Alexandrina.

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 whose roles involved grain trading, supply and installation of irrigation systems and irrigation and agricultural project management.

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

John is the Deputy Chairman of the Langhorne Creek Wine Industry Council Inc, a current member and past Chairman of the Langhorne Creek Wine Grapegrowers Association Inc and 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

For the year ended 30 June 2011

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 300 hectares of cool climate grapevines in the Adelaide Hills, Currency Creek, Langhorne Creek and McLaren Vale regions as well as a 5,000 tonne winery in the Adelaide Hills wine region. David is also a shareholder and director of Adelaide Winemakers Pty Ltd which produces the Blackbilly 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 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 is a Director of Bremerton Vintners Pty Ltd, C. H. Willson Nominees Pty Ltd and the Langhorne Creek Water Company Joint Venture. Craig is also Chairman and Managing Director of the Kilpuruna Vineyards Joint Venture, as well as a Director of Family Business Australia.

Craig purchased Bremerton Lodge in 1985 and commenced wine making operations under the Bremerton label in 1988. Bremerton has developed 130 hectares of vineyards and built wineries at Bremerton and Matilda plains. Craig retired as Managing Director of Bremerton Vintners Pty Ltd in September 2008.

# The Creeks Pipeline Company Limited

## Directors' Report

For the year ended 30 June 2011

Prior to purchasing Bremerton Lodge and developing the associated vineyards and winery, Craig was involved in various roles in the media industry commencing in the family business, The Whyalla News and culminating in being Managing Director of the listed SA Regional Media Ltd which was sold to Rural Press Ltd in 1991.

Craig has previously been a Director of Whyalla Credit Union, Australian Central Credit Union Ltd, Royal Automobile Association of South Australia Inc, and was founding chair of the Langhorne Creek Water Company Joint venture, the Langhorne Creek Wine Club, the Langhorne Creek Wine Industry Council and a founder of the Langhorne Creek Winemakers Association.

### 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	8	8
Dianne Margaret Davidson	7	8
John Leslie Kerr	8	8
John Philip Pargeter	7	8
David James Watkins	7	8
Craig Hamilton Willson	8	8

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.

# The Creeks Pipeline Company Limited

## Directors' Report

For the year ended 30 June 2011

### 4. Corporate Governance

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

A CPC Risk Action Plan was developed for the Company during the year and the Board is finalising a formal 'Board Charter' covering Governance Roles, Improving Board Process, Key Board Functions and Continuing Improvement.

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

Total compensation for all non-executive directors, last voted upon by shareholders at the 2009 AGM, is not to exceed \$200,000 per annum. Directors' compensation currently totals \$122,625 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	2011	30,000	-	2,700	-	32,700
	2010	30,000	-	2,700	-	32,700
John Leslie Kerr	2011	22,500	-	2,025	-	24,525
	2010	11,250	-	1,012	-	12,262
Dianne Margaret Davidson	2011	15,000	-	1,350	-	16,350
	2010	15,000	-	1,350	-	16,350
John Philip Pargeter	2011	15,000	-	1,350	-	16,350
	2010	15,000	-	1,350	-	16,350
David James Watkins	2011	15,000	-	1,350	-	16,350
	2010	15,000	-	1,350	-	16,350
Craig Hamilton Willson	2011	15,000	-	1,350	-	16,350
	2010	15,000	-	1,350	-	16,350

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

For the year ended 30 June 2011

### **6 Operating and financial review**

#### **Overview**

The Company commenced operation in November 2009.

During the current year, the Company continued the operation of its pipeline infrastructure and provision of water delivery services. A total of 9.7 gegalitres of water was delivered in the twelve month period to 30 June 2011.

Total revenue for the year was \$1.84 million with the Company generating an after tax loss of \$4,949.

This loss is after a rebate to customers of \$455,540.

### **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 with a view to optimising the commercial prices charged to its customers/shareholders over the period.

# The Creeks Pipeline Company Limited

## Directors' Report

For the year ended 30 June 2011

### 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>
Dianne Margaret Davidson	100,000
John Philip Pargeter	300,000
David James Watkins	600,000
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 \$29,357 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.

# The Creeks Pipeline Company Limited

## Directors' Report

For the year ended 30 June 2011

### 12 Auditor's independence declaration

The auditor's independence declaration is set out on page 34 and forms part of the directors' report for the financial year ended 30 June 2011.

### 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

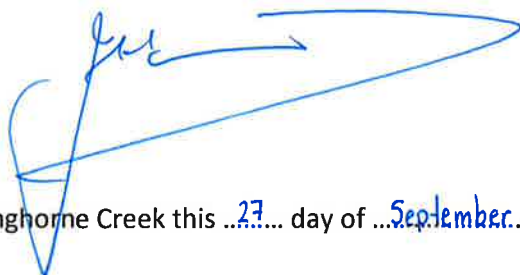
There are no significant environmental regulations that apply directly to the Company.

### 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:

John Kerr  
Director



Dated at Langhorne Creek this 27 day of September 2011.

Dianne Davidson  
Director



Dated at Langhorne Creek this 27 day of September 2011.

# The Creeks Pipeline Company Limited

## Statement of financial position

As at 30 June 2011

	Note	2011	2010
<b>Assets</b>			
Cash and cash equivalents	13	797,939	1,308,671
Trade and other receivables	12	442,405	411,451
Inventories		172,885	172,885
Prepayments		33,474	23,404
Investments	14	767,715	-
Other assets	15	123,759	194,306
<b>Total current assets</b>		<b>2,338,177</b>	<b>2,110,717</b>
Property, plant and equipment	10	9,265,976	9,446,452
<b>Total non-current assets</b>		<b>9,265,976</b>	<b>9,446,452</b>
<b>Total assets</b>		<b>11,604,153</b>	<b>11,557,169</b>
<b>Liabilities</b>			
Trade and other payables	18	451,106	398,445
Employee benefits		12,148	10,756
<b>Total current liabilities</b>		<b>463,254</b>	<b>409,201</b>
Deferred tax liability	11	283,575	285,695
<b>Total non-current liabilities</b>		<b>283,575</b>	<b>285,695</b>
<b>Total liabilities</b>		<b>746,829</b>	<b>694,896</b>
<b>Net assets</b>		<b>10,857,324</b>	<b>10,862,273</b>
<b>Equity</b>			
Share capital	17	10,214,000	10,214,000
Reserves		500,000	500,000
Accumulated profit/(losses)		143,324	148,273
<b>Total equity</b>		<b>10,857,324</b>	<b>10,862,273</b>

The notes on pages 15 to 34 are an integral part of these financial statements.

The Creeks Pipeline Company Limited

Statement of comprehensive income

For the year ended 30 June 2011

	Note	2011	2010
<b>Continuing operations</b>			
Revenue	4	1,836,121	2,387,449
Cost of sales		(1,102,616)	(916,922)
<b>Gross profit</b>		<b>733,505</b>	<b>1,470,527</b>
Other income	5	40,249	304,856
Administrative expenses		(600,197)	(548,480)
Other expenses	6	(246,018)	(253,558)
<b>Results from operating activities</b>		<b>(72,461)</b>	<b>973,345</b>
Finance income	8	65,392	125,255
Finance costs	8	-	(54)
<b>Net finance costs</b>		<b>65,392</b>	<b>125,201</b>
<b>Profit (loss) before income tax</b>		<b>(7,069)</b>	<b>1,098,546</b>
Income tax benefit (expense)	9	2,120	(285,695)
<b>Profit (loss) for the period</b>		<b>(4,949)</b>	<b>812,851</b>
<b>Total comprehensive income for the period</b>		<b>(4,949)</b>	<b>812,851</b>

*The notes on pages 15 to 34 are an integral part of these financial statements.*

The Creeks Pipeline Company Limited

Statement of changes in equity

For the year ended 30 June 2011

	Share Capital	Prepaid Ordinary Share Capital Reserve	(Accumulated Losses)/Retained Earnings	Infrastructure Replacement Reserve	Total Equity
Balance at 1 July 2009	4	9,595,960	(164,578)	-	9,431,386
<b>Total comprehensive income for the period</b>					
Profit	-	-	812,851	-	812,851
Transfer to infrastructure replacement reserve	-	-	(500,000)	500,000	-
Total comprehensive income for the period	-	-	312,851	500,000	812,851
<b>Transactions with owners, recorded directly in equity</b>					
<i>Contributions by and distributions to owners</i>					
Issue of ordinary shares	10,214,000	(9,595,960)	-	-	618,040
Redemption of preference shares	(4)	-	-	-	(4)
Total contributions by and distributions to owners	10,213,996	(9,595,960)	-	-	618,036
Total transactions with owners	10,213,996	(9,595,960)	-	-	618,036
<b>Balance at 30 June 2010</b>	<b>10,214,000</b>	<b>-</b>	<b>148,273</b>	<b>500,000</b>	<b>10,862,273</b>
Balance at 1 July 2010	10,214,000	-	148,273	500,000	10,862,273
<b>Total comprehensive income for the period</b>					
Profit / (loss)	-	-	(4,949)	-	(4,949)
Total comprehensive income for the period	-	-	(4,949)	-	(4,949)
<b>Transactions with owners, recorded directly in equity</b>					
<i>Contributions by and distributions to owners</i>					
Issue of ordinary shares	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
<b>Balance at 30 June 2011</b>	<b>10,214,000</b>	<b>-</b>	<b>143,324</b>	<b>500,000</b>	<b>10,857,324</b>

The notes on pages 15 to 34 are an integral part of these financial statements.

# The Creeks Pipeline Company Limited

## Statement of cash flows

For the year ended 30 June 2011

	Note	2011	2010
<b>Cash flows from operating activities</b>			
Cash receipts from customers		1,845,415	2,344,735
Cash paid to suppliers and employees		(1,588,282)	(1,823,302)
Cash generated from operations		257,133	521,433
Interest received		65,392	125,255
Interest paid		-	(54)
<b>Net cash from/(used in) operating activities</b>	<b>16</b>	<b>322,525</b>	<b>646,634</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(65,542)	(9,816,109)
<b>Net cash used in investing activities</b>		<b>(65,542)</b>	<b>(9,816,109)</b>
<b>Cash flows from financing activities</b>			
Redemption of preference shares		-	(4)
Proceeds from the issue of share capital		-	353,540
Proceeds from payment of restricted water agreements		-	54,000
Purchase of term deposits		(767,715)	-
<b>Net cash used in financing activities</b>		<b>(767,715)</b>	<b>407,536</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(510,732)</b>	<b>(8,761,939)</b>
Cash and cash equivalents at 1 July		1,308,671	10,070,610
<b>Cash and cash equivalents at 30 June</b>	<b>13</b>	<b>797,939</b>	<b>1,308,671</b>

*The notes on pages 15 to 34 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 Lot 51, Wellington 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 27 September 2011.

#### (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

### 3. Significant accounting policies

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

#### (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 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 cost is discussed in note 3(i).

##### (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.

###### *Preference shares*

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon declaration by the directors.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit and loss as accrued.

# The Creeks Pipeline Company Limited

## Notes to the financial statements

### **(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.

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

# The Creeks Pipeline Company Limited

## Notes to the financial statements

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) 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.

### **(d) 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 Creeks Pipeline Company Limited

## Notes to the financial statements

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.

### **(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.

# The Creeks Pipeline Company Limited

## Notes to the financial statements

### **(e) Employee benefits – Annual Leave**

Liabilities for employee benefits for annual leave represent present obligations that are expected to be settled within 12 months of the reporting date, resulting from employees' services provided up to the reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date.

### **(f) 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.

### **(g) 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 profit or loss in proportion to the stage of completion of the transaction at the reporting date.

#### **(iii) Finance income**

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

### **(h) 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

### (i) 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.

### (j) 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.

# The Creeks Pipeline Company Limited

## Notes to the financial statements

### **(k) 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 balance sheet.

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.

### **(l) 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.

### **(m) 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.

### **(n) New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2010, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company, except for AASB 9 *Financial Instruments*, which becomes mandatory for the Company's 2014 financial statements and could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

# The Creeks Pipeline Company Limited

## Notes to the financial statements

### 4. Revenue

	Note	2011	2010
Peak delivery sales		1,659,750	2,130,379
Peak 40% rebate		(455,540)	-
Off-peak delivery sales		582,747	230,562
Restricted water sales		49,164	26,508
Revenue		<u>1,836,121</u>	<u>2,387,449</u>

The Company commenced operation in November 2009.

### 5. Other income

	Note	2011	2010
Application fees		-	1,500
Connection fees and upgrades		23,745	36,768
Restricted water agreements		12,000	240,000
Other		4,504	26,588
		<u>40,249</u>	<u>304,856</u>

### 6. Other expenses

	Note	2011	2010
Depreciation		246,018	165,433
Project establishment costs		-	88,125
		<u>246,018</u>	<u>253,558</u>

### 7. Personnel expenses

	Note	2011	2010
Wages and salaries		397,917	306,132
Contributions to defined contribution plans		35,436	39,684
		<u>433,353</u>	<u>345,816</u>

# The Creeks Pipeline Company Limited

## Notes to the financial statements

### 8. Finance income and finance costs

#### Recognised in profit or loss

	Note	<u>2011</u>	<u>2010</u>
Interest income on loans and receivables		3,316	2,015
Interest income on bank deposits		62,076	123,240
Finance income		<u>65,392</u>	<u>125,255</u>
Interest expense on payables		-	54
Finance costs		-	54
Net finance costs recognised in profit or loss		<u>65,392</u>	<u>125,201</u>

### 9. Income tax expense/benefit

	Note	<u>2011</u>	<u>2010</u>
<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		(887,431)	(545,610)
Change in unrecognised deductible temporary differences		-	-
Current year tax losses		889,551	210,540
Recognition of previously unrecognised tax losses		-	49,375
Total income tax benefit		<u>(2,120)</u>	<u>285,695</u>

# The Creeks Pipeline Company Limited

## Notes to the financial statements

### 9. Income tax expense/benefit (continued)

#### Numerical reconciliation between tax expense and pre-tax accounting profit

	Note	2011	2010
Profit (loss) for the period		(4,949)	812,851
Total income tax benefit		(2,120)	285,695
Profit (loss) excluding income tax		(7,069)	1,098,546
Income tax using a tax rate of 30 per cent		(2,120)	329,563
Non-deductible expenses		-	-
Movement in temporary differences		-	(43,868)
		(2,120)	285,696

The Creeks Pipeline Company Limited  
Notes to the financial statements

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 2009		-	-	-	-	-	-	-
Additions	a	9,316,692	117,452	56,776	28,726	87,886	4,353	9,611,885
Disposals		-	-	-	-	-	-	-
Balance at 30 June 2010		9,316,692	117,452	56,776	28,726	87,886	4,353	9,611,885
<b>Depreciation and impairment losses</b>								
Balance at 1 July 2009		-	-	-	-	-	-	-
Depreciation for the year		132,659	-	11,271	5,211	15,204	1,088	165,433
Disposals		-	-	-	-	-	-	-
Balance at 30 June 2010		132,659	-	11,271	5,211	15,204	1,088	165,433
<b>Carrying amounts</b>								
at 1 July 2009		-	-	-	-	-	-	-
at 30 June 2010		9,184,033	117,452	45,505	23,515	72,682	3,265	9,446,452

**Note a:** The total infrastructure cost of the project to 30 June 2010 was \$89,741,692 of which \$80,425,000 was recouped from the South Australian State Government under the project funding agreements

The Creeks Pipeline Company Limited  
Notes to the financial statements

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 2010		9,316,692	117,452	56,776	28,726	87,886	4,353	9,611,885
Additions	a	-	-	-	4,140	61,403	-	65,543
Disposals		-	-	-	-	-	-	-
Balance at 30 June 2011		9,316,692	117,452	56,776	32,866	149,289	4,353	9,677,428
<b>Depreciation and impairment losses</b>								
Balance at 1 July 2010		132,659	-	11,271	5,211	15,204	1,088	165,433
Depreciation for the year		200,914	-	11,376	5,434	27,206	1,089	246,019
Disposals		-	-	-	-	-	-	-
Balance at 30 June 2011		333,573	-	22,647	10,645	42,410	2,177	411,452
<b>Carrying amounts</b>								
at 1 July 2010		9,184,033	117,452	45,505	23,515	72,682	3,265	9,446,452
at 30 June 2011		8,983,119	117,452	34,129	22,221	106,879	2,176	9,265,976

**Note a:** The total infrastructure cost of the project to 30 June 2011 was \$89,845,829 of which \$80,529,137 was recouped from the South Australian State Government under the project funding agreements

# The Creeks Pipeline Company Limited

## Notes to the financial statements

### 11. Deferred tax assets and liabilities

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Note	2011	2010
Property, plant and equipment		(4,830,530)	(1,879,867)
Provision for annual leave		12,148	10,756
Superannuation payable		10,923	19,754
Accrued chairman's and directors' fees and super		30,656	30,656
Unutilised tax losses		3,831,553	866,383
		<u>(945,250)</u>	<u>(952,318)</u>
Deductible temporary difference at 30%		<u>(283,575)</u>	<u>(285,695)</u>

### 12. Trade and other receivables

	Note	2011	2010
Trade receivables due from related parties		78,918	94,984
Other trade receivables		363,487	316,467
		<u>442,405</u>	<u>411,451</u>
Current		442,405	411,451
Non-current		-	-
		<u>442,405</u>	<u>411,451</u>
<u>Days Outstanding</u>			
0 - 30 days		403,104	399,071
31 - 60 days		986	3,008
61 - 90 days		4,507	3,393
90+ days		33,808	5,979
		<u>442,405</u>	<u>411,451</u>

# The Creeks Pipeline Company Limited

## Notes to the financial statements

### 13. Cash and cash equivalents

	Note	2011	2010
National Australia Bank – Business Cheque Account		797,746	989,666
National Australia Bank – Corporate Cheque Account		-	(20)
National Australia Bank – Business Cash Maximiser		-	318,832
Cash on hand		193	193
Cash and cash equivalents in the statement of cash flows		<u>797,939</u>	<u>1,308,671</u>

### 14. Investments

	Note	2011	2010
National Australia Bank – Term Deposit No. 1		250,000	-
National Australia Bank – Term Deposit No. 2		517,715	-
		<u>767,715</u>	<u>-</u>

### 15. Other assets

	Note	2011	2010
Project costs		5,000	5,000
Water rights		-	59,125
Accrued project contribution		104,000	104,000
Accrued interest		14,759	-
GST refund		-	26,181
		<u>123,759</u>	<u>194,306</u>

# The Creeks Pipeline Company Limited

## Notes to the financial statements

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

	Note	2011	2010
Cash flows from operating activities			
Profit (loss) for the period		(4,949)	812,851
Adjustments for:			
Depreciation		246,019	165,433
		<u>241,070</u>	<u>978,284</u>
Change in inventories		-	(172,885)
Change in trade and other receivables		(30,955)	(393,730)
Change in other assets		44,366	(64,125)
Change in prepayments		(10,070)	(23,404)
Change in trade and other payables		78,842	26,043
Change in deferred tax		(2,120)	285,695
Change in provisions and employee benefits		1,392	10,756
		<u>81,455</u>	<u>(331,650)</u>
Income tax paid		-	-
Net cash from operating activities		<u>322,525</u>	<u>646,634</u>

### 17. Capital and reserves

	Note	2011	2010
On issue at 1 July		10,214,000	4
Issue for cash		-	10,214,000
Redeemed for cash		-	(4)
On issue at 30 June		<u>10,214,000</u>	<u>10,214,000</u>

#### Issuance of ordinary shares

No shares were issued during the year ended 30 June 2011.

# The Creeks Pipeline Company Limited

## Notes to the financial statements

### 17. Capital and reserves (continued)

#### 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.

### 18. Trade and other payables

	Note	2011	2010
Trade payables due to related parties		73,645	-
Other trade payables		63,114	210,052
Department for Water, Land and Biodiversity Conservation		104,000	104,000
Non-trade payables and accrued expenses		210,347	84,393
		<u>451,106</u>	<u>398,445</u>

### 19. 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 2011. 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.

**(ii) 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 2011, the Company had paid \$9.21 million.

# The Creeks Pipeline Company Limited

## Notes to the financial statements

### 20. 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 2010	Purchases	Redeemed	Held at 30 June 2011
<b>Directors</b>				
Dianne Margaret Davidson	100,000	-	-	100,000
John Philip Pargeter	300,000	-	-	300,000
David James Watkins	600,000	-	-	600,000
Craig Hamilton Willson	150,000	-	-	150,000
	<hr/> 1,150,000	-	-	<hr/> 1,150,000

No shares were granted to key management personnel during the reporting period as compensation in 2011.

# The Creeks Pipeline Company Limited

## Notes to the financial statements

### 20. Related parties (continued)

#### Other related party transactions

	Note	Transaction value year ended 30 June		Balance outstanding as at 30 June	
		2011	2010	2011	2010
<b><u>Dianne Margaret Davidson</u></b>					
Water Delivery Service		74,643	8,992	17,535	-
<b><u>John Leslie Kerr</u></b>					
Capital Strategies Pty Ltd – Accountancy Fees		26,567	32,110	618	-
Capital Strategies Pty Ltd – Board Advice	1.	-	28,115	-	-
<b><u>John Philip Pargeter</u></b>					
Water Delivery Service		235,123	12,372	55,492	-
<b><u>David James Watkins</u></b>					
Land Easement Fees	2.	-	5,400	-	-
Water	3.	350	-	-	-
Water Delivery Service		93,235	20,534	-	-
<b><u>Craig Hamilton Willson</u></b>					
Water Delivery Service		-	411	-	-
		<b>429,918</b>	<b>107,934</b>	<b>73,645</b>	<b>-</b>

Note 1 – Professional fees paid up to the date of JL Kerr’s appointment as a director of CPC (FY10)

Note 2 – One off payment of land easement fees associated with land access required for installation of pipe network (FY10)

Note 3 – One off purchase of 35ML of surplus water at commercial rates

# The Creeks Pipeline Company Limited

## Notes to the financial statements

### 20. Related parties (continued)

#### Other related parties

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

### 21. Subsequent events

The Board has determined that no matters occurring between 1 July 2011 and the date of signing this report are significant to require disclosure.

### 22. Auditors' remuneration

	<u>2011</u>	<u>2010</u>
<b>Audit services</b>		
Auditors of the Company		
<i>KPMG Australia:</i>		
Audit and review of financial reports	26,250	25,000
Other regulatory audit services	-	-
	<u>26,250</u>	<u>25,000</u>
<b>Other services</b>		
Auditors of the Company		
KPMG Australia		
Independent accountant and accounting advice	-	15,000
Taxation services	-	22,490
	<u>-</u>	<u>37,490</u>

## Directors' Declaration

In the opinion of the directors of The Creeks Pipeline Company Limited ('the Company'):

- (a) the financial statements and notes and the Remuneration report in the Directors' report, set out on pages 11 to 34, are 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 2011 and of their performance, for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).
- (c) 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:

Dated at Langhorne Creek.....27.....day of.....September.....2011.

John Kerr  
Director

Dianne Davidson  
Director



## **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 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 22 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 is free from material misstatement, whether due to fraud or error. The directors are also responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's financial position and of its performance.

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*.

*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 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (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 on page 7 of the directors' report for the year ended 30 June 2011. 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 auditing standards.

*Auditor's opinion*

In our opinion, the remuneration report of The Creeks Pipeline Company Limited for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Scott Fleming  
Partner

Adelaide

27 September 2011



***Lead 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, in relation to the audit for the financial year ended 30 June 2011 there have been:

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

KPMG

Scott Fleming  
*Partner*

Adelaide

27 September 2011