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THE CREEKS PIPELINE COMPANY LIMITED

ACN 133 867 197

ANNUAL REPORT 2019

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

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 – October 2019

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

As outlined in the General Manager's report, CPC delivered a record 14 gigalitres (GL) to its customers, compared with 12 GL last year and 8.7 GL in 2016/17.

For the year ended 30 June 2019, the company recorded an after tax profit of $286,430 (last year $412,838). An amount of $300,000 was allocated from the retained earnings to the Infrastructure Replacement Reserve (last year $400,000).

As shareholders are aware, new 10 year contracts between CPC and shareholders were entered into commencing 1 July 2019. All but one shareholder chose to continue with CPC under the new contract.

On the 24 June 2019, we received a signed agreement from the relevant State Government Ministers releasing CPC from the State's interest in the Reserve Capacity and its Deed of Fixed Charge over CPC's assets. This was replaced with a requirement to provide capacity to a 'Crown Entity' if CPC had that capacity available and it did not restrict the ability of CPC to comply with its contractual obligations to its customers.

As shareholders are also aware, CPC has now been able to offer the one and one third flow rates on the existing contracts and also additional shares and capacity to shareholders who wish to take up the offer. Expression of interest responses were received for a volume greater than is currently available. The Board is hopeful after the recent request for confirmed contractible volumes, these will fall within the currently available volume or close to it. Respondents will be advised of the outcome shortly.

During the year, the Board had a number of discussions on planning for Board renewal. As a result, the Board is recommending a reduction in the number on the Board to five Directors. This will require approval by a resolution of shareholders, which will be put to the 2019 Annual General Meeting and is included in these papers.

This year will be my last AGM as I will be retiring from the Board before the 2020 AGM. The Board has resolved not to appoint a replacement for me, but to appoint the Deputy Chair John Kerr, as the new Independent Chair.

I have thoroughly enjoyed my time with CPC and working with the other Directors, the General Manager, Michael Reynolds and all the staff. I think most would agree CPC is in a very sound position and well placed for the years to come, as long as there is water coming down the Murray. Thank you for your support.

Ian M Martens

Chairman

29 October 2019

THE CREEKS PIPELINE COMPANY LIMITED

ACN 133 867 197

General Manager's Report – October 2019

The year ending 30 June 2019 was The Creeks Pipeline Company Limited's tenth and final year delivering water under the Water Delivery Agreements with our shareholders. As I write this report you will have all signed your Second Water Delivery Agreement which continues until 30 June 2029.

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 dry warm weather generally across the region with water delivery broke all previous levels.

The ongoing high power prices continue to be managed as best we can but potential further rises are never far away and may need to be factored into delivery rates into the future. CPC has secured power supply agreements with our current provider through to 31 December 2021 giving us some short term security in this cost area.

General Operations:
The pipeline was fully operational for 100% of the 12 months ending 30th June 2019.

During this year CPC delivered 14,231 ML of water in total, with Langhorne Creek Irrigators taking 13,035 ML, Currency Creek 1,115 ML and Restricted Water Users 81 ML of the total water delivered.

The total amount of water delivered for the year was 2,211 ML above the previous year.

8,369 ML of Peak water was delivered during November - March being 81% of the 10,357 ML of Peak water volumes contracted through Water Delivery Agreements. 5,781 ML of Off-Peak water was delivered during the year being 50% of the 11,493 ML of Off-Peak water volumes contracted through Water Delivery Agreements.

The Year Ahead:
During the coming year CPC will be continue the ongoing proactive management and maintenance of your system to ensure your water is delivered as efficiently and cost effectively as is possible.

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

MIKE REYNOLDS
General Manager
29th October 2019

The Creeks Pipeline Company Limited
ACN 133 867 197

30 June 2019
Annual Report

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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 2019 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:

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Ian Mortimer Martens FCA, FAICD Chairman Director (Independent)	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. 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. 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. He has an interest in a vineyard in the Adelaide Hills.
Dianne Margaret Davidson AM M Sc, B Ag Sc, Grad. Dip. Bus. Admin., FAATSE, FAIAS, MAICD Director (Independent)	Di is a professional agricultural scientist with wide and valuable experience with the irrigated agriculture and horticulture industries throughout Australia and internationally. Di has also served as Member of the Murray Darling Basin Authority (2009-2018) and a Director of the Plant Biosecurity CRC (2014-2018). Di was a member of the Council of The University of Adelaide for 12 years, including 4 years as Deputy Chancellor (2013-2016). 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 7 years, and as Chair of Seymour College for 6 years. Throughout her professional life Di has sat on numerous government committees and advisory bodies, and worked with government agencies regional and rural communities.

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. Via Capital Family Office, 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 a Director of Barossa Infrastructure Ltd and Aged Care and Housing Group Inc.
John Philip Pargeter Director (Independent)	John is the founding Co-owner of Angas Vineyards Joint Venture, which he retired from in June 2017. 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 Grape Growers Association Inc. and has been an active participant in the Langhorne Creek Environmental Management in Viticulture program. John studied viticulture at Charles Sturt University.
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 455 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 of Adelaide Winemakers which produces the Old Gentlemen, Quorum, The Peer and Landcross range of wines.

Directors' report (continued)

David James Watkins (continued)

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 a farmer and irrigator at Langhorne Creek for 33 years. He purchased Bremerton Lodge farm in 1985, moving from Whyalla where he had been involved in the family media company for 21 years. His first 8 years at Langhorne Creek also involved the media, as General Manager of The Victor Harbor Times and Managing Director of listed SA Regional Media Limited.

He established Bremerton Vintners Pty Ltd in 1988, planted 120 acres of vineyard over an 8 year period and built Matilda Plains Winery in 2001/02.

Craig is a Director of various family companies and supports his two daughters who now own and run Bremerton Vintners Pty Ltd, whilst Craig and his wife Mignonne have interests in 155 hectares of vineyard.

Craig was a founder and the inaugural Chairman of The Langhorne Creeks Winemakers Association, The Langhorne Creek Wine Industry Council and The Langhorne Creek Water Company Joint Venture.

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	7	7
Dianne Margaret Davidson AM	5	7
John Leslie Kerr	7	7
John Philip Pargeter	6	7
David James Watkins	6	7
Craig Hamilton Willson	7	7

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 2019.

No compliance matters have arisen.

Directors' report (continued)

5. Non-executive director remuneration (Audited)

Directors' compensation currently totals $135,733 (FY2018: $133,072) 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		
		Salary & Fees $	Non-monetary benefits $	Super-annuation benefits $	Termi-nation benefits $	Total $
Directors						
Non-executive						
Ian Mortimer Martens	2019	33,055	-	3,140	-	36,195
	2018	32,407	-	3,079	-	35,486
John Leslie Kerr	2019	24,791	-	2,355	-	27,146
	2018	24,305	-	2,309	-	26,614
Dianne Margaret Davidson	2019	16,528	-	1,570	-	18,098
	2018	16,204	-	1,539	-	17,743
John Philip Pargeter	2019	16,528	-	1,570	-	18,098
	2018	16,204	-	1,539	-	17,743
David James Watkins	2019	16,528	-	1,570	-	18,098
	2018	16,204	-	1,539	-	17,743
Craig Hamilton Willson	2019	16,528	-	1,570	-	18,098
	2018	16,204	-	1,539	-	17,743

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.

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 14.0 gigalitres (FY2018: 11.9 gigalitres) of water was delivered in the twelve month period to 30 June 2019.

Total revenue for the year was $3.13 million (FY2018: $2.89 million) with the Company generating an after tax profit of $286,430 (FY2018: $412,838).

The Board has determined to allocate $300,000 (FY2018: $400,000) from Retained Earnings to the Infrastructure Replacement Reserve as part of a program to set aside funds for possible future asset replacement.

During the year, the Company offered new ten year Second Water Delivery Contracts to all existing customers commencing on 1 July 2019.

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:

	The Creeks Pipeline Company Limited
	Ordinary Shares
David James Watkins	698,000
Craig Hamilton Willson	190,000

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 $26,583 (FY2018: $26,314) 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 43 and forms part of the directors' report for the financial year ended 30 June 2019.

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 27th day of August 2019

John Kerr
Director

Dated at Langhorne Creek this 27th day of August 2019

The Creeks Pipeline Company Limited

Statement of Financial Position

As at 30 June 2019

	Note	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	13	1,110,365	704,610
Trade and other receivables	12	358,050	728,542
Inventories		331,189	363,320
Prepayments		27,360	36,000
Investments	14	3,740,959	3,010,008
Other assets	15	66,579	58,203
Total current assets		**5,634,502**	**4,900,683**
Non-current assets			
Property, plant and equipment	10	8,950,074	9,277,223
Deferred tax asset	11	1,107,605	1,241,948
Total non-current assets		**10,057,679**	**10,519,171**
Total assets		**15,692,181**	**15,419,854**
Liabilities			
Current liabilities			
Trade and other payables	18	178,765	245,108
Employee benefits	20	49,604	65,795
Total current liabilities		**228,369**	**310,903**
Non-current liabilities			
Deferred tax liability	19	2,246,023	2,222,564
Employee benefits	20	12	40
Total non-current liabilities		**2,246,035**	**2,222,604**
Total liabilities		**2,474,404**	**2,533,507**
Net assets		**13,217,777**	**12,886,347**
Equity			
Issued capital	17	10,357,000	10,312,000
Reserves		2,780,000	2,480,000
Retained earnings		80,777	94,347
Total equity		**13,217,777**	**12,886,347**

The notes on page 16 to 41 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 2019

	Note	2019 $	2018 $
Continuing Operations			
Revenue	4	3,127,997	2,886,360
Cost of sales		(1,940,452)	(1,546,879)
Gross profit		**1,187,545**	**1,339,481**
Other income	5	104,889	42,231
Administrative expenses		(631,281)	(578,018)
Other expenses	6	(314,185)	(313,451)
Results from operating activities		**346,968**	**490,243**
Finance income	8	97,267	76,363
Net finance income		**97,267**	**76,363**
Profit before income tax		**444,235**	**566,606**
Income tax expense	9	(157,805)	(153,768)
Profit from continuing operations		**286,430**	**412,838**
Profit for the period		**286,430**	**412,838**

The notes on page 16 to 41 are an integral part of these financial statements.

The Creeks Pipeline Company Limited

Statement of Changes in Equity

For the year ended 30 June 2018

	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	-	412,838	-	412,838
Transfer to infrastructure replacement reserve	-	(400,000)	400,000	-
Total comprehensive income for the period	-	12,838	400,000	412,838
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Issue of ordinary shares	5,000	-	-	5,000
Ordinary shares subscribed but not issued	10,000	-	-	10,000
Total contributions by and distributions to owners	15,000	-	-	15,000
Total transactions with owners	15,000	-	-	15,000
Balance at 30 June 2018	**10,312,000**	**94,347**	**2,480,000**	**12,886,347**

The notes on page 16 to 41 are an integral part of these financial statements.

Statement of Changes in Equity (continued)

For the year ended 30 June 2019

	Share Capital $	Retained Earnings $	Infrastructure Replacement Reserve $	Total Equity $
Balance at 1 July 2018	10,312,000	94,347	2,480,000	12,886,347
Total comprehensive income for the period				
Profit	-	286,430	-	286,430
Transfer to infrastructure replacement reserve	-	(300,000)	300,000	-
Total comprehensive income for the period	-	(13,570)	300,000	286,430
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Issue of ordinary shares	30,000	-	-	30,000
Ordinary shares subscribed but not issued	15,000	-	-	15,000
Total contributions by and distributions to owners	45,000	-	-	45,000
Total transactions with owners	45,000	-	-	45,000
Balance at 30 June 2019	**10,357,000**	**80,777**	**2,780,000**	**13,217,777**

The notes on page 16 to 41 are an integral part of these financial statements.

The Creeks Pipeline Company Limited

Statement of Cash Flows

For the year ended 30 June 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Cash receipts from customers		3,596,042	2,952,749
Cash paid to suppliers and employees		(2,621,905)	(2,234,533)
Cash generated from operations		974,137	718,216
Interest received		92,605	73,532
Net cash from operating activities	***16***	**1,066,742**	**791,748**
Cash flows from investing activities			
Proceeds on sale of intangibles		-	285,000
Proceeds from grants received		215,000	212,000
Acquisition of intangibles		-	(321,020)
Acquisition of property, plant and equipment		(202,036)	(963,607)
Net cash from / (used in) investing activities		**12,964**	**(787,627)**
Cash flows from financing activities			
Proceeds from the issue of share capital		45,000	15,000
Proceeds from payment of restricted water agreements		12,000	15,000
Purchase of term deposits		(730,951)	(54,321)
Net cash (used in) financing activities		**(673,951)**	**(24,321)**
Net increase / (decrease) in cash and cash equivalents		**405,755**	**(20,200)**
Cash and cash equivalents at 1 July		704,610	724,810
Cash and cash equivalents at 30 June	***13***	**1,110,365**	**704,610**

The notes on page 16 to 41 are an integral part of these financial statements.

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 27 August 2019.

(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.

(e) Changes in significant accounting policies

The Company has applied AASB 15: Revenue from Contracts with Customers and AASB 9: Financial Instruments from 1 July 2018.

Notes to the Financial Statements (continued)

Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

The details of new significant accounting policies and the nature of the changes to previous accounting policies are set out in Notes 3(a), 3(e) and 3(i).

The adoption of AASB 15 and AASB 9 have not had a material impact on the Company.

3. Significant accounting policies

(a) Financial instruments

AASB 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 Financial Instruments: Recognition and Measurement.

There is no impact to the Company on the adoption of AASB 9.

(i) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

(ii) Classification and subsequent measurement

Financial liabilities

Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit or loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: *Business Combinations* applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

Notes to the Financial Statements (continued)

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability, that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if it is:

- incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationship).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and is not subsequently reclassified to profit or loss. Instead, it is transferred to retained earnings upon derecognition of the financial liability.

If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

on the basis of the two primary criteria:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

Notes to the Financial Statements (continued)

A financial asset is subsequently measured at fair value through other comprehensive income if it meets the following conditions:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the conditions of amortised cost and the fair value through other comprehensive income's measurement condition are subsequently measured at fair value through profit or loss.

The Company initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance to the documented risk management or investment strategy and information about the groupings was documented appropriately, so as the performance of the financial liability that was part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis; and
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

Equity instruments

At initial recognition, as long as the equity instrument is not held for trading or is not a contingent consideration recognised by an acquirer in a business combination to which AASB 3 applies, the Company made an irrevocable election to measure any subsequent changes in fair value of the equity instruments in other comprehensive income, while the dividend revenue received on underlying equity instruments investments will still be recognised in profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the Company's accounting policy.

Notes to the Financial Statements (continued)

(iii) Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities
A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets
A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for the derecognition of a financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Company no longer controls the asset (i.e. it has no practical ability to make unilateral decisions to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Notes to the Financial Statements (continued)

(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 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.

Notes to the Financial Statements (continued)

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.

(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

AASB 9 replaces the 'incurred loss' model in AASB 39 with an 'expected credit loss' model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at fair value through other comprehensive income, but not to investments in equity instruments. Under AASB 9 credit losses are recognised earlier than under AASB 39.

For assets in the scope of the AASB 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company does not expect to recognise any impairment in relation to trade receivables based on past history. The Company has not experienced any credit loss over the history of its operations and does not expect to in the future.

The Company recognises a loss allowance for expected credit losses on:
- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables;
- contract assets (e.g. amount due from customers under contracts);
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Notes to the Financial Statements (continued)

Loss allowance is not recognised for:
- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Company use the following approaches to impairment, as applicable under AASB 9:
- the general approach;
- the simplified approach;
- the purchased or originated credit impaired approach; and
- low credit risk operational simplification.

General approach
Under the general approach, at each reporting period, the Company assessed whether the financial instruments are credit impaired, and if:
- the credit risk of the financial instrument increased significantly since initial recognition, the Company measured the loss allowance of the financial instruments at an amount equal to the lifetime expected credit losses; and
- there was no significant increase in credit risk since initial recognition, the Company measured the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

Simplified approach
The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:
- trade receivables or contract assets that results from transactions that are within the scope of AASB 15: *Revenue from Contracts with Customers*, that contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables was used taking into consideration various data to get to an expected credit loss (i.e. diversity of its customer base, appropriate groupings of its historical loss experience, etc).

Purchased or originated credit impaired approach
For a financial asset that is considered to be credit impaired (not on acquisition or originations), the Company measured any change in its lifetime expected credit loss as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

Notes to the Financial Statements (continued)

Evidence of credit impairment includes:

- significant financial difficulty of the issuer or borrower;
- a breach of contract (e.g. default or past due event);
- where a lender has granted to the borrower a concession, due to the borrower's financial difficulty, that the lender would not otherwise consider;
- it is probable the borrower will enter bankruptcy or other financial reorganisation; and
- the disappearance of an active market for the financial asset because of financial difficulties.

Low credit risk operational simplification approach
If a financial asset is determined to have low credit risk at the initial reporting date, the Company assumed that the credit risk has not increased significantly since initial recognition and, accordingly, can continue to recognise a loss allowance of 12-month expected credit loss.

In order to make such determination that the financial asset has low credit risk, the Company applied its internal credit risk ratings or other methodologies using a globally comparable definition of low credit risk.

A financial asset is considered to have low credit risk if:

- there is a low risk of default by the borrower;
- the borrower has strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term, may, but not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

A financial asset is not considered to carry low credit risk merely due to existence of collateral, or because a borrower has a lower risk of default than the risk inherent in the financial assets, or lower than the credit risk of the jurisdiction in which it operates.

Recognition of expected credit losses in financial statements
At each reporting date, the Company recognised the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. The amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (e.g. loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

Notes to the Financial Statements (continued)

(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 incorporated anticipate 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 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.

Notes to the Financial Statements (continued)

(i) Revenue

On 1 July 2018, the Company adopted AASB 15 'Revenue from Contracts with Customers', replacing the previous standard, AASB 118 'Revenue'.

AASB 15 has introduced a single, principle-based five step recognition and measurement model for revenue recognition. The new revenue model in AASB 15 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:

1. Identify the contract with a customer;
2. Identify the separate performance obligations;
3. Determine the transaction price;
4. Allocate the transaction price to each performance obligation identified in Step 2; and
5. Recognise revenue when a performance obligation is satisfied.

Where there is variable consideration in calculating a transaction price, revenue will only be recognised if it is highly probable that a significant revenue reversal will not subsequently occur. AASB 15 applies to contracts with customers except for revenue arising from items such as financial instruments, insurance contracts and leases.

The Company has applied AASB 15 using the cumulative effective method. Therefore, the comparative information has not been restated and continues to be presented under AASB 118 and AASB 111.

There is no impact to the Company on the adoption of AASB 15.

(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.

Revenue is only recognised where it is highly probable that a significant reversal of revenue will not occur.

The Company's payment terms are 30 days from the invoice date and accordingly there is no financing element to the Company's sales.

Once water passes through the customer's meter, the Company recognises a receivable as this represents the point in time at which the Company's right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Notes to the Financial Statements (continued)

(ii) Services

Revenue from the provision of services is recognised at a point in time which is the completion of all repair work.

The amount of revenue recognised is the amount as agreed in writing between the parties prior to the service being provided in the repair contract. Any variations to this contract price is agreed with the customer prior to the work being performed.

A receivable in relation to these services is recognised when a bill has been issued, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(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.

(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.

Notes to the Financial Statements (continued)

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.

(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.

Notes to the Financial Statements (continued)

(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 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.

The directors do not believe the adoption of AASB 16 will have a material impact on the Company as current operating leases are insignificant.

Notes to the Financial Statements (continued)

4. Revenue

	Note	2019 $	2018 $
Peak delivery sales		2,120,869	2,002,956
Off-peak delivery sales		914,212	786,953
Restricted water sales		92,916	96,451
		3,127,997	**2,886,360**

5. Other income

	Note	2019 $	2018 $
Connection fees and upgrades		92,889	27,231
Restricted water agreements		12,000	15,000
		104,889	**42,231**

6. Other expenses

	Note	2019 $	2018 $
Depreciation		314,185	277,431
Loss on sale of non-current assets		-	36,020
		314,185	**313,451**

7. Personnel expenses

	Note	2019 $	2018 $
Wages and salaries		505,179	475,078
Contributions to superannuation plans		47,997	59,231
		553,176	534,309

Notes to the Financial Statements (continued)

8. Finance income

	Note	2019 $	2018 $
Interest income on loans and receivables		4,662	2,831
Interest income on bank deposits		92,605	73,532
Finance income		97,267	76,363
Net finance income recognised in profit or loss		**97,267**	**76,363**

9. Income tax expense/benefit

	2019 $	2018 $
Deferred tax expense		
Origination and reversal of temporary differences	(28,473)	16,862
Current year tax losses	(129,332)	(170,630)
Total income tax (expense)/benefit	**(157,805)**	**(153,768)**
Profit for the period	286,430	412,838
Total income tax expense	157,805	153,768
Profit excluding income tax	444,235	566,606
Income tax using a tax rate of 27.5 percent	122,165	155,816
Non-deductible expenses	-	-
Movement in unrecognised temporary differences	35,640	(2,048)
Tax expense/(benefit)	**157,805**	**153,768**

Notes to the Financial Statements (continued)

10. Property, plant and equipment

	Note	Infrastructure $	Land and Easements $	Land and Buildings $	Motor Vehicles $	Furniture and Fixtures $	Plant and Equipment $	Software $	Total $
Cost or deemed cost									
Balance at 1 July 2017	a	10,100,114	117,452	-	134,877	44,079	275,759	7,493	10,679,774
Additions		306,617	12,000	349,945	54,195	-	28,850	-	751,607
Disposals		-	-	-	-	-	-	-	-
Balance at 30 June 2018		10,406,731	129,452	349,945	189,072	44,079	304,609	7,493	11,431,381
Depreciation and impairment losses									
Balance at 1 July 2017		1,615,986	-	-	79,648	28,014	146,307	6,772	1,876,727
Additions		237,198	-	-	15,084	3,902	20,526	721	277,431
Disposals		-	-	-	-	-	-	-	-
Balance at 30 June 2018		1,853,184	-	-	94,732	31,916	166,833	7,493	2,154,158
Carrying amounts									
at 1 July 2017		8,484,128	117,452	-	55,229	16,065	129,452	721	8,803,047
at 30 June 2018		**8,553,547**	**129,452**	**349,945**	**94,340**	**12,163**	**137,776**	-	**9,277,223**

Note a: The total infrastructure cost of the project to 30 June 2018 was $91,418,148 of which $81,011,417 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 Company entered into a Deed of Grant with the Minister for Agriculture, Food and Fisheries in October 2017 for $0.71 million. Under this agreement, the Minister agreed to contribute to costs paid for by the Company in undertaking projects that improve irrigation efficiency and optimisation.

Notes to the Financial Statements (continued)

10. Property, plant and equipment (continued)

	Note	Infrastructure $	Land and Easements $	Land and Buildings $	Motor Vehicles $	Furniture and Fixtures $	Plant and Equipment $	Software $	Total $
Cost or deemed cost									
Balance at 1 July 2018	a	10,406,731	129,452	349,945	189,072	44,079	304,609	7,493	11,431,381
Additions		(68,367)	6,000	17,200	5,591	-	26,612	-	(12,964)
Disposals		-	-		-	-	-	-	-
Balance at 30 June 2019		10,338,364	135,452	367,145	194,663	44,079	331,221	7,493	11,418,417
Depreciation and impairment losses									
Balance at 1 July 2018		1,853,184	-	-	94,732	31,916	166,833	7,493	2,154,158
Additions		251,174	-	2,086	26,026	2,731	32,168	-	314,185
Disposals		-	-	-	-	-	-	-	-
Balance at 30 June 2019		2,104,358	-	2,086	120,758	34,647	199,001	7,493	2,468,343
Carrying amounts									
at 1 July 2018		8,553,547	129,452	-	94,340	12,163	137,776	-	9,277,223
at 30 June 2019		**8,234,006**	**135,452**	**365,059**	**73,905**	**9,432**	**132,220**	-	**8,950,074**

Note a: The total infrastructure cost of the project to 30 June 2019 was $91,564,781 of which $81,226,417 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 over the Company's irrigation pipeline and associated infrastructure was released by the Minister for Water Security on 30 June 2019.

The Company entered into a Deed of Grant with the Minister for Agriculture, Food and Fisheries in October 2017 for $0.71 million. Under this agreement, the Minister agreed to contribute to costs paid for by the Company in undertaking projects that improve irrigation efficiency and optimisation. These projects were finalised in August 2018.

Notes to the Financial Statements (continued)

11. Deferred tax asset

Deferred tax asset comprises temporary differences attributable to:-

	Note	2019 $	2018 $
Provision for annual leave		18,022	11,445
Provision for long service leave		31,595	54,390
Superannuation payable		5,677	11,680
Accrued chairman's and directors' fees, super and audit fee		36,622	32,625
Unutilised tax losses		3,935,738	4,406,038
		4,027,654	4,516,178
Deferred tax asset		**1,107,605**	**1,241,949**

12. Trade and other receivables

	Note	2019 $	2018 $
Trade receivables due from related parties		42,795	50,688
Other trade receivables		315,255	677,854
		358,050	**728,542**
Current		358,050	728,542
Non-current		-	-
		358,050	**728,542**
Days Outstanding			
0 - 30 days		328,859	683,189
31 - 60 days		4,491	12,235
61 - 90 days		17,067	21,229
90+ days		7,633	11,889
		358,050	**728,542**

13. Cash and cash equivalents

	Note	2019 $	2018 $
National Australia Bank - Business Cheque Account		291,601	387,154
National Australia Bank - Business Cash Maximiser		818,572	317,264
Cash on hand		192	192
		1,110,365	**704,610**

Notes to the Financial Statements (continued)

14. Investments

	Note	2019 $	2018 $
National Australia Bank - Term Deposits		3,740,959	3,010,008
		3,740,959	**3,010,008**

15. Other assets

	Note	2019 $	2018 $
Project costs		5,000	5,000
Accrued income		61,579	53,203
		66,579	**58,203**

16. Reconciliation of cash flows from operating activities

	Note	2019 $	2018 $
Cash flows from operating activities			
Profit/(loss) for the period		286,430	412,838
Adjustments for:			
Depreciation		314,185	277,431
Loss on sale of non-current assets		-	36,020
		600,615	726,289
Change in trade and other receivables		370,492	36,327
Change in inventories		32,131	(51,071)
Change in other assets		(8,376)	12,264
Change in prepayments		8,640	(1,606)
Change in trade and other payables		(78,343)	(76,201)
Change in deferred tax		157,802	153,770
Change in provisions and employee benefits		(16,219)	(8,024)
		466,127	65,459
Income tax paid		-	-
Net cash from operating activities		**1,066,742**	**791,748**

Notes to the Financial Statements (continued)

17. Capital and reserves

	Note	2019	2018
On issue at 1 July		10,312,000	10,297,000
Issue for cash		45,000	15,000
Redeemed for cash		-	-
On issue at 30 June		**10,357,000**	**10,312,000**

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.

18. Trade and other payables

	Note	2019 $	2018 $
Other trade payables		90,692	154,394
Non-trade payables and accrued expenses		88,073	90,714
		178,765	**245,108**

19. Deferred tax liability

Deferred tax liability comprises temporary differences attributable to:-

	Note	2019 $	2018 $
Property, plant and equipment		8,167,359	8,082,048
		8,167,359	8,082,048
Deferred tax liability		**2,246,023**	**2,222,562**

Notes to the Financial Statements (continued)

20. Employee benefits

	Note	2019 $	2018 $
Current			
Annual leave		18,022	11,445
Long service leave		31,582	54,350
		49,604	65,795
Non-current			
Long service leave		12	40
		12	40
Total		49,616	65,835
Movement			
Opening balance		65,835	73,859
Arising during the year		35,201	42,486
Utilised		(51,420)	(50,510)
Closing balance		**49,616**	**65,835**

21. Operating lease commitments

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

	Note	2019 $	2018 $
Due within one year		2,324	2,535
Due within one to five years		-	2,324
Due later than five years		-	-
		2,324	**4,860**

The 2018 payments relate to a property which was subsequently purchased by the company on 31 July 2017.

Notes to the Financial Statements (continued)

22. 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.

(ii) **Liability to pay additional amounts under the Project Agreement.**
The Project Agreement ended on 30 June 2019. No further payments are anticipated.

Notes to the Financial Statements (continued)

23. 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 2018	Purchased	Sold	Held at 30 June 2019
Directors				
David James Watkins	698,000	-	-	698,000
Craig Hamilton Willson	190,000	-	-	190,000
	888,000	-	-	888,000

No shares were granted to key management personnel during the reporting period as compensation in 2019.

Notes to the Financial Statements (continued)

Other related party transactions

	Note	Transaction value year ended 30 June		Balance outstanding as at 30 June	
		2019	2018	2019	2018
		$	$	$	$
John Leslie Kerr					
Capital Strategies Pty Ltd					
Expense / Creditor					
– Accountancy Fees		29,244	23,479	694	135
David James Watkins					
Rankins Estate Pty Ltd as trustee for Rankins Estate Unit Trust					
Warrendi Pty Ltd and Giles Street Pty Ltd					
Revenue / Debtor					
– Water Delivery Service		160,175	137,086	27,747	23,357
Craig Hamilton Willson					
Langhorne Creek Water Company (shared pipeline)					
Blackwell Vineyards Pty Ltd					
Revenue / Debtor					
– Water Delivery Service		87,089	63,347	15,048	27,331
TOTAL		**276,508**	**223,912**	**43,489**	**50,823**

Other related parties

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

Notes to the Financial Statements (continued)

24. Subsequent events

The Board has determined that no matters occurring between 1 July 2019 and the date of signing this report are significant to require disclosure.

25. Auditors' remuneration

	Note	2019 $	2018 $
Audit services			
Auditors of the Company			
William Buck:			
Audit and review of financial reports		17,791	18,648
Other regulatory audit services		-	-
		17,791	18,648

Directors' declaration

In the opinion of the directors of the Company:

1. the financial statements and notes set out on pages 11 to 41, 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 2019 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 2019 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 27th August 2019
Adelaide

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Report on the Audit of the Financial Report

Opinion

We have audited the financial report of The Creeks Pipeline Company Ltd. (the Company), which comprises the statement of financial position as at 30 June 2019, 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, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Company, 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 2019 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our independent auditor's report.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on page 7 of the directors' report for the year ended 30 June 2019. 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.

In our opinion, the Remuneration Report of The Creeks Pipeline Company Limited for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

William Buck

William Buck
ABN 38 280 203 274

M. D. King
Partner

Dated this 27th day of August 2019
Adelaide