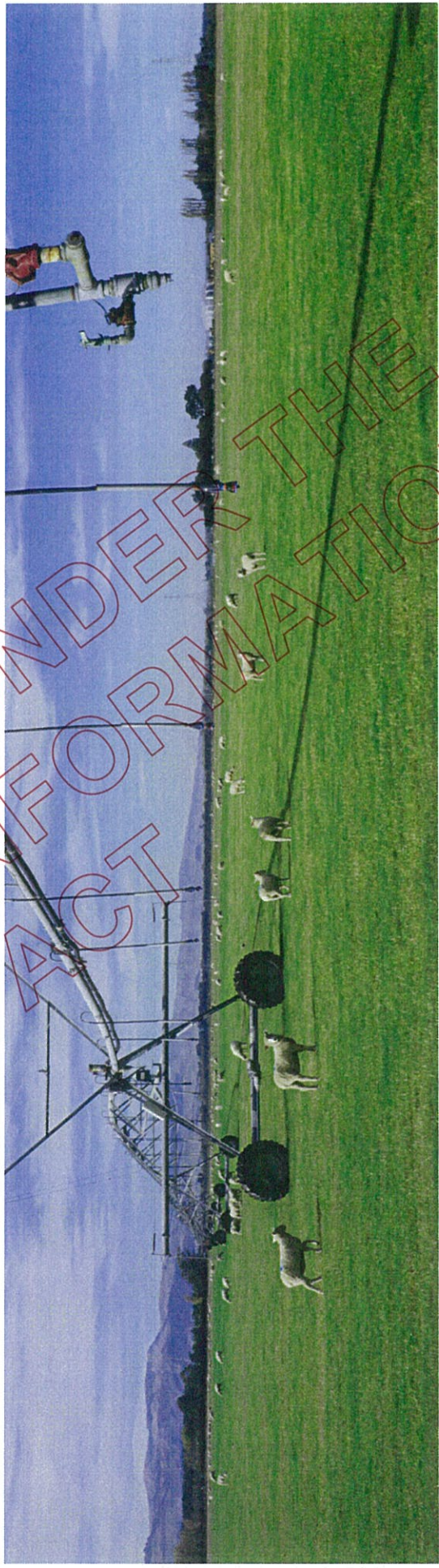




Crown Irrigation Investments

Investment update – Central Plains Water
February 2014



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IRRIGATION INTERNAL USE ONLY

Purpose of pack

- ◊ To brief the Board on the proposed \$6.5 million subordinated loan to CPW including:
 - ◊ Update on scheme development and timeline
 - ◊ Scheme financials
 - ◊ Scheme economic benefits
 - ◊ How the security works
 - ◊ Proposed CIIL terms
 - ◊ CIIL economics
 - ◊ Risks
 - ◊ Next steps
 - ◊ Financial reporting implications

Management is seeking approval to agree a term sheet. The board will receive a full investment paper in the next two months, and the terms sheet will be subject to full board approval.

Update on scheme development

Financing

- o s 9(2)(b)(i), s 9(2)(ba)(i)
- o amount of capital required
- o from CIII to \$6.5 million.
- o
- o
- o s 9(2)(b)(ii), s 9(2)(ba)(i)
- o
- o
- o
- o
- o

Design and construction (D&C)

- o Preferred contractors selected
- o CPW currently negotiating final prices and terms.
- o s 9(2)(b)(ii), s 9(2)(ba)(i)

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Scheme timeline

s 9(2)(b)(ii), s 9(2)(ba)(i)

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Sources and uses of funds

s9(2)(b)(ii), s9(2)(ba)(i), s9(2)(j)

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Scheme economic benefits

s 9(2)(b)(ii), s 9(2)(ba)(i), s 9(2)(j)

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How the security works

- Investment rationale - excess capacity in the headrace to be built during Stage 1 construction that is needed for Stage 2 (ie Stage 2 uptake), plus residual Stage 1 uptake.

- For co-ops uptake = equity

-

-

$s^j(z)(j)$

-

-

-

-

Indicative CIL economics

s 9(2)(b)(ii), s 9(2)(ba)(i), s 9(2)(j)

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Indicative CIL economics

s 9(2)(b)(ii), s 9(2)(ba)(i), s 9(2)(j)

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Indicative CILL economics

s9(2)(b)(i), s9(2)(j)

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o o o o o

Key CIIL terms

Facility amount	\$6,500,000	s 9(z)(b)(ii), s 9(z)(j)
Target Financial close	At latest 30 June 2014.	
Drawdown		s 9(z)(b)(i), s 9(z)(j)
Interest rate mechanism		s 9(z)(b)(ii), s 9(z)(j)
Payment of interest		s 9(z)(b)(ii), s 9(z)(j)
Tenor	~June 2019.	
Repayment		s 9(z)(b)(ii), s 9(z)(j)

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Key CIL terms (contd.)

Prepayment	s 9(2)(b)(ii), s 9(2)(j)
Covenants	s 9(2)(b)(ii), s 9(2)(j)
Costs	s 9(2)(b)(ii), s 9(2)(j)

Subordination & inter-creditor matters

Fully subordinated to senior debt providers.

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CII investment mandate

Consistent with CIIIL investment mandate

- Management consider that the proposed mezzanine debt instrument is consistent with the CIIIL investment objective and investment principles.
- Board paper contains an assessment relative to CIIIL investment principles

s9(2)(b)(ii), s9(2)(j)

Risks

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s9(2)(b)(i), s9(2)(j)

Risks (contd.)

- o
- o s 9(2)(b)(ii), s 9(2)(j)

Other comments

- o The conditions precedent allow up to four months for comprehensive CILL due diligence and board approval.
- o s 9(2)(b)(ii), s 9(2)(j)

Next steps

Next steps to finalise terms sheet

- In negotiations with CPW and banks to finalise minor terms and CPs
- With a delegation from the Board, the CHL Chief Executive intends to send a commitment letter with a finalised terms sheet (including conditions precedent) to CPW ~ 3 March

Conditions Precedent

- The terms sheet will be subject to the following CPs
 - Final board approval
 - Due diligence
 - s 9(2)(b)(ii), s 9(2)(j)
 -
 -

Next steps

Next steps post terms sheet

- ◊ Due diligence (refer Annex 4)
- ◊ Documentation
- ◊ Approvals

Approvals

- ◊ Shareholder approval will not be required for this transaction as the proposed investment will not meet the major transactions threshold in the Companies Act 1993.
- ◊ The Board will receive a full investment case paper, the due diligence reports and loan agreement. Expert advisors will be available as required.

Timeline

- ◊ Targeting full investment paper to the Board in April

Financial reporting implications

Out of scope of request

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Annex 1: Key terms of senior debt providers

s 9(2)(b)(ii), s 9(2)(b)(xi)

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Annex 2: Indicative scheme P&L

s 9(2)(b)(ii), s 9(2)(ba)(i), s 9(2)(j)

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Annex 3: Indicative scheme cash flows

s9(2)(b)(i), s9(2)(b)(ii), s9(2)(c)

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Annex 4: Due Diligence

s9(2)(b)(ii), s9(2)(j)

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