

CENTRAL PLAINS WATER TRUST

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2010

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DIRECTORY

For the year ended 30 June 2010

Trustees

Doug Catherwood
Dick Davison
David Haslam
Denis O'Rourke (Chairperson)
Viv Smart (appointed by Ngai Tahu)
Clare Williams (appointed by Ngai Tahu)

Trust Settlers

Christchurch City Council (50%)
Selwyn District Council (50%)

Auditors

Audit New Zealand
On behalf of the Auditor-General
PO Box 2
CHRISTCHURCH

Solicitors

Lane Neave
PO Box 13149
CHRISTCHURCH

CHAIRPERSON'S REPORT

The Resource Consents

The resource consent process has so far taken almost 10 years with the 'take' consents for the Rakaia and Waimakariri Rivers having been lodged in 2001. The 'use' consent was lodged with ECan November 2005, and both the 'take' and 'use' consents were notified by ECan June 2006. In addition, Land Use and Land Designation Consents were lodged with Selwyn District Council in May 2006 and notified November 2006. Both consent processes were then brought to a single hearing held between February and October 2008. The Scheme was revised in April 2009 when the Commissioners gave notice that they would not approve the Waianiwaniwa Dam and Reservoir.

Following the final hearing of submissions on the revised Scheme during 2010, a favourable decision on the revised Scheme was received on 1 June 2010.

With regard to the Waimakariri River, the take was reduced from the 40 cumecs originally applied for to 24 cumecs. This is to be shared 1:1 with the river, so that to take 24 cumecs there needs to be 48 cumecs available above a base-line of 65-113 cumecs. This protects the natural character of the river and its use for recreation. Because CPW already has another 1 cumec of "A" Permit water, it has 25 cumecs in total from the Waimakariri. However one of the resource consent conditions places a 'holiday rule' on takes when the river is in a preferred range for recreational users at weekends between 1 October and 15 March each year, plus Easter and every day between 21 December and 15 February each year (there is a twelve hour period when the take is restricted if the unmodified flow lies between 80 and 95 cumecs). This complex condition is not needed with 1:1 sharing, and it is the position of both CPW Limited and the Trust that it should be removed.

For the Rakaia River, the 40 cumecs originally applied for were granted, but availability depends on other users. If all existing consent holders are taking, the water available to Ashburton Community Water Trust and CPW is 34 cumecs at 1:1 sharing (so that, as for the Waimakariri, for every cumec taken one has to be left in the river). This will be shared between CPW and ACWT as per the existing agreement under which CPW gets 56% of what is available. Glenroy irrigators also have 2 cumecs and are part of CPW, so 36 cumecs are potentially available to CPW.

Appeals

The Rakaia take consent is for 25 years (the same as for ACWT's consent). The Trust wants this changed to a 35 year consent (same as for its Waimakariri consent). Other changes needed by CPW are: clarification of fish screen mesh size, removal of 'the holiday rule', and a number of technical and administrative issues.

From the original 1400 objectors, appeals have been lodged by Ngai Tahu, Fish and Game (fish screen issues), a group of gravel extractors, Christchurch City Council, and J. Deans (canal construction issues). CPW Limited advises that its discussions with these appellants are proceeding satisfactorily, and that it is expected that agreement will be possible, thus avoiding the need for a long and expensive Environment Court hearing. Reference to the Court may then only be needed for a small number of technical issues. In addition CPW Limited may need to pursue and respond to appeals in respect of the Notice of Requirement process under which the

company would purchase the necessary land (this is not a resource consents issue and thus not one for the Trust either).

The Future

Subject to the resolution of the appeals, the Scheme will be consented to:

- Irrigate 60,000 ha of the Central Plains as originally envisaged
- Have 2 Intakes of 25 & 40 cumecs
- Have a 58 km head-race canal as originally planned
- Be a run of river scheme with on farm storage (less reliability than would have been possible with the Waianiwaniwa dam and reservoir).

Implementation of the full Scheme is planned for 2012 to 2016, but this can be accelerated if a lengthy appeal process can be avoided. In addition CPW Limited has reached agreement with Synlait under which CPW will have an additional 6 cumecs of Rakaia water which is already consented and is usable immediately. This means that up to 10,000 ha could be irrigated within the next two years. This would in turn mean that partial construction of the Scheme (distribution canals only) might commence from the takes at both the Waimakariri and Rakaia ends, so that the Te Pirita area on the north side of the Rakaia and the Sheffield area on the south side of the Waimakariri could commence irrigation prior to construction of the main headrace.

The total cost to implement the Scheme is estimated at:

- Construction costs \$175-200 million.
- On farm costs \$300 million.

Funding options to finance the final design and construction stage are currently being actively investigated along with options for the ownership of the infrastructure; and CPW Limited has advised that it is likely to issue a further prospectus before the end of the current year to raise \$3 million working capital.

For and on behalf of Central Plains Water Trust.

Denis O'Rourke

Chairperson

Central Plains Water Trust

13 September 2010.

FINANCIAL STATEMENTS

For the year ended 30 June 2010

STATEMENT OF COMPREHENSIVE INCOME**For the year ended 30 June 2010**

	30 June 2010	30 June 2009
	\$	\$
Revenue		
Management and administration fees	47,445	58,471
Total revenue	<u>47,445</u>	<u>58,471</u>
Expenditure		
Trustee honorarium	26,000	30,500
Trustee meeting fees	12,025	13,227
Trustee expenses	3,628	3,718
Administration	188	341
Audit fee	2,784	4,664
Legal expenses	-	3,331
Insurance	2,820	2,690
Total expenditure	<u>47,445</u>	<u>58,471</u>
Surplus/(deficit) before tax	<u>-</u>	<u>-</u>
Income tax expense	-	-
Surplus/(deficit) after tax	<u>-</u>	<u>-</u>
Other comprehensive income	-	-
Total comprehensive income	<u>-</u>	<u>-</u>

STATEMENT OF CHANGES IN EQUITY**For the year ended 30 June 2010**

	30 June 2010	30 June 2009
	\$	\$
Opening balance 1 July	8,781	8,781
Total comprehensive income	-	-
Closing balance 30 June	<u>8,781</u>	<u>8,781</u>

STATEMENT OF FINANCIAL POSITION**As at 30 June 2010**

	30 June 2010	30 June 2009
	\$	\$
Equity		
Capital	1	1
Retained earnings	8,780	8,780
	<hr/>	<hr/>
TOTAL EQUITY	8,781	8,781
	<hr/> <hr/>	<hr/> <hr/>
Represented by:		
Current assets		
Cash and cash equivalents	8,898	13,696
GST receivable	125	595
Trade and other receivables	520,565	297,589
	<hr/>	<hr/>
Total current assets	529,588	311,880
	<hr/>	<hr/>
Current liabilities		
Trustee fees	8,199	12,529
Withholding tax payable	3,407	3,824
Other trade creditors	509,201	286,746
	<hr/>	<hr/>
Total current liabilities	520,807	303,099
	<hr/>	<hr/>
NET ASSETS	8,781	8,781
	<hr/> <hr/>	<hr/> <hr/>

Authorised for issue on behalf of the Trust **DATE 2010** by:

D O'Rourke
Chairperson

David Haslam
Trustee

STATEMENT OF CASH FLOWS**For the year ended 30 June 2010**

	30 June 2010	30 June 2009
	\$	\$
<i>Operating activities</i>		
Receipts from customers	-	38,821
Agency cash received	120,000	840,000
Payments to trustees/suppliers	(50)	(37,061)
Agency cash payments	(120,000)	(840,000)
Net GST	(4,748)	2,185
<i>Net cash from operating activities</i>	<u>(4,798)</u>	<u>3,945</u>
<i>Investing activities</i>		
Purchase of investments	-	-
Proceeds from investments	-	-
<i>Net cash from investing activities</i>	<u>-</u>	<u>-</u>
<i>Net cash from financing activities</i>	-	-
Net increase/(decrease) in cash	(4,798)	3,945
Opening cash and cash equivalents	13,696	9,751
Closing cash and cash equivalents	<u>8,898</u>	<u>13,696</u>

STATEMENT OF ACCOUNTING POLICIES

For the year ended 30 June 2010

Statement of reporting entity

Central Plains Water Trust was formed through a Declaration of Trust on 15 April 2003. The Trust is a Council Controlled Organisation, as defined by Section 6 of the Local Government Act 2002. The Trust is jointly controlled by Christchurch City Council (50%) and Selwyn District Council (50%).

The financial statements of CPWT are for the year ended 30 June 2010. The financial statements were authorised for issue by the Trustees on **DATE 2010**.

Basis of preparation

The financial statements of the Trust have been prepared in accordance with the requirements of the Local Government Act 2002 and Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with the New Zealand equivalent to International Financial Reporting Standards (NZ IFRS).

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

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

The financial statements are presented in New Zealand dollars and the functional currency of the Trust is New Zealand dollars.

The Trust has designated itself as a public benefit entity for the purposes of NZ IFRS.

Changes in accounting policies

There have been no changes in accounting policies during the year.

The Trust has adopted NZ IAS 1 Presentation of Financial Statements (Revised 2007) during the financial year. The standard introduces a statement of comprehensive income that allows readers to analyse changes in equity resulting from non-owner changes separately from transactions with owners.

Standards and Interpretation issued and not yet adopted

Standards, interpretations, and amendments that have been issued, but are not yet effective, that the Trust has not adopted include:

- ▶ NZ IFRS 9 Financial Instruments. This standard will eventually replace IAS 39 Financial Instruments: Recognition and Measurement. The new standard is required to be adopted for the year ended 30 June 2014 and the Trust has not yet assessed the effect of the new standard and expects that it will not be early adopted.

Going concern

The financial statements of the Trust have been prepared under the going concern assumption.

The Trust is reliant on Central Plains Water Limited to fund both its operating expenses and its liabilities under the agency arrangements described in note 7.

Central Plains Water Limited has been formed to investigate, construct and operate a water management scheme for the Central Canterbury Plains. The Company is undertaking this through a series of discrete projects, each of which is required to be funded prior to commencement. The Company is currently in the process of obtaining the necessary resource consents for the proposed water management scheme.

The Company's ability to its costs beyond the consent process is dependent on its ability to raise funds from its existing shareholders or other sources.

If further funding beyond the resource consent process is not obtained, the Company would cease to operate as a going concern.

If the Company was unable to continue in operational existence, the Trust would lose its only source of funding. In such circumstances, other sources of funding would need to be obtained, so that the Trust could continue to carry out its functions effectively.

Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

Revenue

Revenue is measured at the fair value of consideration received or receivable.

Revenue from a contract to provide services is recognised by reference to stage of completion of the contract at year end balance date.

Interest income is recognised using the effective interest method.

Revenue in Advance

Revenue in Advance is recognised as revenue when expenditure is incurred. This practice is based on the Reimbursement Agreement with Central Plains Water Limited dated 6 May 2004.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Trade and other receivables

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

A provision for impairment of receivables is established when there is objective evidence that they will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

Financial assets

The Trust classifies its financial assets into the following categories: financial assets at fair value through surplus or deficit, held-to-maturity investments, loans and receivables and financial assets at fair value through other comprehensive income. The classification depends on the purpose for which the investments were acquired. The Trustees' or management determine the classification of investments at initial recognition and re-evaluate this designation at every reporting date.

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the statement of comprehensive income.

Purchases and sales of investments are recognised on trade-date, the date on which the Trust commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Trust has transferred substantially all the risks and rewards of ownership.

The fair value of any financial instruments that are not traded in an active market is determined using valuation techniques. The Trust does not have any financial assets of this nature at this time.

The four categories of financial assets are:

1. *Financial assets at fair value through surplus or deficit*

This category has two sub-categories: Financial assets held for trading and those designated at fair value through surplus or deficit at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by the Trustees'. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance date.

After initial recognition, they are measured at their fair values. Gains or losses on re-measurement are recognised in the statement of comprehensive income.

Currently, the Trust does not hold any financial assets in this category.

2. *Loans and receivables*

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition, they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the statement of comprehensive income. Loans and receivables are classified as 'trade and other receivables' in the statement of financial position.

Currently, the Trust has trade and other receivables in this category.

3. *Held to maturity investments*

Held to maturity investments are assets with fixed or determinable payments and fixed maturities that the Trust has the positive intention and ability to hold to maturity.

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the statement of comprehensive income.

Currently, the Trust does not hold any financial assets in this category.

4. *Financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income are those that are designated as fair value through comprehensive income or are not classified in any of the other categories above.

This category encompasses:

- ▶ Investments that the Trust intends to hold long-term but which may be realised before maturity; and
- ▶ Shareholdings that the Trust holds for strategic purposes.

After initial recognition, these investments are measured at their fair value with valuations performed by an independent valuer with sufficient regularity to ensure no investments are included at a valuation that is materially different from fair value. The valuation changes are recognised and held in a revaluation reserve.

On derecognition, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the surplus or deficit.

Currently, the Trust does not hold any financial assets in this category.

Impairment of Financial Assets

At each balance date, the Trust assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the statement of comprehensive income.

Income Tax

Up to 30 June 2008 the Trust was a Charitable Trust exempt from income tax under sections CW34 and CW35 of the Income Tax Act 2004. The Trust has not registered as a charitable entity under the Charities Act 2005 and its charitable tax exemption lapsed on 1 July 2008.

As the Trust does not trade, and its costs are reimbursed under a Reimbursement Agreement with Central Plains Water Limited, the Trust does not have any tax expense, liabilities or assets.

Goods and Service Tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 30 June 2010****1. Trade and other receivables**

	2010 \$	2009 \$
Central Plains Water Limited	520,564	297,588
Selwyn District Council	-	-
GST receivable	125	595
Interest receivable	-	-
Christchurch City and Selwyn District Councils (Capital)	1	1
	<u>520,690</u>	<u>298,184</u>

Trade and other receivables are non-interest bearing and their carrying value approximates their fair value. The Trust does not consider that there is a need to provide for any impairment of its trade and other receivables. The carrying amount of receivables that would otherwise be past due and whose terms have been renegotiated is \$55,257.

2. Trade and other payables

	2010 \$	2009 \$
Payable on behalf of Central Plains Water Limited	440,382	241,653
Other payables	68,819	45,093
Trustees of Central Plains Water Trust	8,199	12,529
Withholding tax payable	3,407	3,824
	<u>520,807</u>	<u>303,099</u>

Trade and other payables are non-interest bearing and their carrying value approximates their fair value.

3. Transactions with related parties

During the reporting period the Trust entered into the following transactions with related parties:

Central Plains Water Limited

The following Trustee is also a director of Central Plains Water Limited:

- ▶ Doug Catherwood

During the year, the Trust provided management and administration services to the company to the value of \$47,445 (2009: \$58,471). At year end the company owed the Trust \$74,043 (excluding GST) (2009: \$52,676) in respect of these services.

As described in note 7, the Trust provides an agency role to the company and during the year made payments of \$120,000 (2009: \$840,000) on behalf of the company. These payments were reimbursed by the company. At the year end the Trust owed \$440,382 (2009: \$241,653) on behalf of the company and the company owes the Trust an equal amount.

Selwyn District Council

Selwyn District Council makes payments to suppliers on behalf of the Trust which then reimburses the council. These payments totalled \$41,733 for the reporting period (2009: \$45,573).

At year end the Trust owed the Council \$64,529 (2009: \$40,393).

Selwyn District Council completed accounting services for the Trust for which no charge was made.

Trustees

There were no transactions directly with the Trustees other than the payment of honorarium, meeting fees and expenses disclosed in the statement of comprehensive income.

4. Financial instruments

Market risk

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Trust is not exposed to price risk as it does not hold any instruments which are publicly traded.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Trust is not exposed to currency risk, as it does not enter into foreign currency transactions.

Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. The Trust does not currently have any investments or borrowings so it is not exposed to interest rate risk.

Credit risk

Credit risk is the risk that a third party will default on its obligation to the Trust, causing the Trust to incur a loss. The Trust's largest receivable balance relates to its agency role on behalf of Central Plains Water Limited plus the amount owed by the company in respect of the Trust's services. The Trust assesses the probability of non-payment as low.

The Trust invests funds only in deposits with registered banks.

Liquidity risk

Liquidity risk is the risk that the Trust will encounter difficulty raising liquid funds to meet its commitments as they fall due. The Trust has an agreement in place with Central Plains Water Limited that allows the Trust to claim reimbursement for its expenditure from the company. The Trust manages its short term liquidity risk through an arrangement with Selwyn District Council whereby the Council makes payment on behalf of the Trust. The Trust reimburses the Council once it has received payment from Central Plains Water Limited.

Statement of commitments

The Trust has no capital or lease commitments as at 30 June 2010 (2009: Nil).

5. Statement of contingencies

The Trust has no contingent assets or liabilities as at 30 June 2010 (2009: Nil).

6. Reconciliation of surplus/(deficit) to net cash flow from operating activities

	30 June 2010	30 June 2009
	\$	\$
Surplus/(deficit)	-	-
Movement in working capital items:		
Trade and other receivables	(222,506)	(72,283)
Trade and other payables	217,708	76,228
Revenue in advance	-	-
Net cash flow from operating activities	<u>(4,798)</u>	<u>3,945</u>

7. Agency role of the Trust

The resource consent for the Central Plains Water Scheme is currently in progress and is, and will remain, in the name of Central Plains Water Trust. However, all the costs are being incurred and paid for by Central Plains Water Limited. During the year costs associated with the resource consent process totalling \$318,729 (2009: \$897,681) were charged directly to the Trust. Costs of \$120,000 were paid by the Trust and recovered from the company and have been recorded in the Statement of Cash Flows to reflect the agency role of the Trust. Costs of \$440,382 are recorded in the statement of financial position as a payable on behalf of the company and a receivable from the company. These agency costs have not been included in the statement of comprehensive income.

8. CPWL Funding

The Trust has entered into Loan Agreements and General Security Agreements with Central Plains Water Limited, various lenders and the settlers of the Trust (Selwyn District Council and Christchurch City Council) to facilitate the raising of loans by Central Plains Water Limited. The Loan Agreements set out the rights of the lenders in relation to the application for, and issuing of, the resource consents required for the scheme under the Resource Management Act.

Under the Loan Agreements, if at any time before resource consents are granted and all rights of appeal have expired, Central Plains Water Limited elects not to proceed or is unable to proceed for a continuous period of 6 months or more with the application for resource consents and the amount owed to the lenders has not been repaid, Central Plains Water Limited shall assign all of its rights in respect of the application for resource consents to the lenders under the terms of the Loan Agreement. In this event, the Loan Agreement provides the lenders with:

- ▶ the same rights as Central Plains Water Limited had to conduct the application for the resource consents in the name of the Trust on the same terms and conditions in respect of the conduct of the application and subsequent use of the resource consents as currently apply between Central Plains Water Limited and the Trust;
- ▶ if the Trust and lenders agree that it is not possible for the lenders to conduct the application for the resource consents in the name of the Trust, the right to conduct the application for resource consents in their own name;

but so that the lenders shall only be entitled to take water pursuant to the resource consents up to but not exceeding the volume cap.

Trustees were satisfied that concluding the Loan Agreements was in the best long term interests of the Trust.

9. Events after balance date

There no events after balance date that require disclosure in the financial statements.

10. Performance information

Indicator 1

To provide assistance to Central Plains Water Limited and monitor progress obtaining the necessary resource consents for the Central Plains irrigation scheme on behalf of the Trust.

Achievement 1

The Trust has monitored progress with regard to the various resource consent applications, funding and other priority matters through regular reports, briefings and meetings between the company, the Trust, project management and consultants.

The Trust has also monitored legal matters undertaken by the company and where necessary has obtained independent legal advice, and has obtained and recorded copies of all agreements in relation to the Scheme which concern the Trust and the consent process and in relation to legal proceedings and settlements, and of other relevant documentation to which it is entitled.

Indicator 2

To consult, and develop scheme recreational opportunities and environmental community enhancers.

Achievement 2

Priority has been directed towards consent hearings and the presentation of evidence. During the hearings attention was given to the ways in which it would be possible to align scheme parameters with amenity values of both rivers and with the recreation expectations of the community. This is ongoing as part of the appeal process. Discussions are being held by the company

with recreational interests with a view to reaching agreement so as to avoid the need for a full Environment Court appeal hearing.

Indicator 3

The Trustees' will prepare an annual budget and will report the financial results.

Achievement 3

The Trust prepared and adopted an annual budget for the year ended 30 June 2009 as part of the revenue in advance provided by Central Plains Water Limited.

Financial statements were provided to the settlors for the quarters ending 30 September, 31 December, 31 March and 30 June.

AUDITOR'S REPORT