

Central Plains Water Trust

Annual Report

**for the year ended
30 June 2014**

Table of contents

Directory	3
Chairperson's report.....	4
Financial statements.....	6
Statement of comprehensive income	7
Statement of changes in equity.....	7
Statement of financial position	8
Statement of cash flows	9
Statement of accounting policies	10
Notes to the financial statements	14
Auditor's report	18

Directory

Trustees

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

Trust settlors

Christchurch City Council
Selwyn District Council

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 2013 – 2014 year has been concluded with the Prime Minister turning the first sod for the construction of Stage 1 of the Scheme. The trustees congratulate Central Plains Water Limited on this achievement.

COMMUNITY LIAISON GROUP APPOINTED

The resource consents required that the Trust appoint a Community Liaison Group (CLG) before the commencement of construction of Stage 1 of the Scheme, with a maximum of 6 members with skills or knowledge in at least one of:

- a. Ngai Tahu culture
- b. Indigenous biodiversity
- c. Recreation on the Waimakiriri and Rakaia rivers
- d. Sustainable irrigated agriculture
- e. Water quality
- f. Community / business
- g. Lowland drainage.

Public advertising for expressions of interest for the CLG positions was carried out in early November 2013, and a meeting to brief the respondents and to choose who to appoint, was held by the trustees on Monday 25 November 2013. The CLG has:

- (a) The opportunity to meet every 6 months, or less frequently as determined by the CLG
- (b) An annual inspection of the Scheme area
- (c) The provision of all information to which the CLG is entitled by virtue of the resource consents.

The main purpose of the meetings of the CLG is to:

- (a) Provide input and feedback into the preparation, implementation, review and amendment of the Farm Management Plan templates;
- (b) Discuss any community concerns regarding the operation of the Scheme
- (c) Review and recommend projects for the distribution of the funds from the Environmental Management Fund to the Trust and the to the Environmental Management Fund Committee.

The CLG will also have the opportunity to review and comment on:

- (a) The initial scheme environmental management plan; and
- (b) The initial Farm Management Plan templates;
- (c) The reviews of any amendments to the Scheme Environmental Management Plan and Farm Plan templates; and
- d) The Annual Environmental Report including the annual overall audit report on compliance with the Farm Management Plans.

The CLG will also be provided with the opportunity to submit information direct to Ecan (Compliance and Enforcement Manager) annually, in relation to the review of the Scheme Environmental Management Plan, and the template for the Farm Management Plans.

The trustees appointed Guy Trafford, Warren Galletly and Olive Webb, and in addition resolved that the two local runanga nominate one representative each to the CLG.

NEW WEBSITE TO BE ESTABLISHED

To fulfill its responsibilities to communicate with the public and to provide for public reporting, the trust's annual public meeting will be replaced by a new website. Costing and funding for this is currently under investigation, and the new website is expected to be ready for the Trust's first annual environmental report in the 2014-2015 year.

The website content will include basic information on Trust's role and functions, explain the 10 year peak for nitrates and other contaminants, explain the Trust's annual report on company environmental performance, and provide a link to the CPWL site for additional detail. The site will have provision for members of the public to ask questions.

WATER USE AGREEMENTS

During the year the trustees reviewed the CPWL Water Use Agreements developed for water users to sign. The trustees were very satisfied that these agreements, together with the other information, guidance and briefings for farmers who will use the water, which had been undertaken by CPWL.

UPDATE ON THE SCHEME

On 29 April 2014, a ceremony was held at Heatherlea to turn the first sod for the construction of Stage 1 of the Scheme, by the Prime Minister Hon John Key, with the speaker of the House of Representatives Hon David Carter and ministers Nathan Guy and Gerry Brownlee, also present, as well as the mayor of Selwyn District Kelvin Coe and two trustees of the Central Plains Water Trust. This was a very significant milestone for the development of the Scheme.

Prior to this a great deal of time and effort was spent by the trustees and the Trust's lawyers in studying and negotiating the documents for execution on behalf of the Trust in respect of the Bank financing for Central Plains Water limited. This was achieved on time, and CPWL's finance was confirmed. This enabled the repayment of funds owing to the Selwyn District Council and others, and for the tenders to be let for Stage 1 construction. As at the time of writing this report, construction was well under way.

As stated in the Trust's Statement of Intent for the 2014 – 15 year, it is now necessary for the Trust's funding arrangements to be reviewed. The Trust's role now is to continue to assist CPWL to construct the Scheme, and following commissioning to monitor all of CPWL's activities, and especially the compliance of water users with CPWL's Water Use Agreements, which will require adherence to the sustainable farming protocols which have been central to the Trust's overall objectives, and which are now also incorporated into the resource consents held by the Trust. For this purpose the Trust will need to conduct independent reviews and operational audits, and these will be funded by CPWL.

However the Trust as a charitable trust, also has other and wider obligations to the community as a whole, especially an obligation to report publicly on CPWL's activities and its compliance with its obligations to the Trust and with the resource consents. In addition, the Trust has an obligation as set out in the Trust deed, in "Providing and facilitating education to the inhabitants of the Region in relation to water issues and sustainable agricultural development"; and it also has an obligation under the MOU between the Trust and CPWL to propose projects to CPWL such as the provision of public recreational opportunities using the Scheme infrastructure, especially the head-race canal and on the use of land owned by CPWL for Scheme purposes.

The costs of publishing an annual report on the results of the Trust's reviews and audits of CPWL's operations, together with the costs of providing educational information and of pursuing public recreational opportunities, are not covered by CPWL's legal obligations, and the trust needs future funding for these if it is to be enabled to carry out its functions as envisaged by the two settlor councils under the trust deed.

As set out in MOU clause 12.1 above "the Parties acknowledge that upon the completion of Stage 1, a fundamental change will take place in the nature of the relationship between the Water Trust and CPWL and in particular: (a) A further updated version of this Memorandum may be entered into". The Trust and CPWL are currently drafting a new MOU as required; and permanent funding of the Trust's functions will be an important aspect of it. While the bulk of the Trust's funding will continue to come from CPWL, and at approximately the same rate as is currently being provided, the Trust's future activities not covered by CPWL's obligations, need now to be settled. The need for the Trust to be demonstrably independent and not totally funded by CPWL is particularly emphasised. Therefore the two settlor councils which established the Trust and continue to control it to the extent of the right to appoint the trustees and to receive reports quarterly and annually, have been requested to consider sharing the burden of funding the Trust, with CPWL, to an appropriate degree.

OTHER MATTERS

The new trust deed dated 9 October 2012, which was amended in accordance with resource consent requirements, has now been executed by the trustees and by Selwyn District Council and the Christchurch City Council. The trust is now proceeding with an application for registration as a charitable trust.

Financial statements

**for the year ended
30 June 2014**

Statement of comprehensive income*for the year ended 30 June 2014*

	Note	30 June 2014 \$	30 June 2013 \$
Revenue			
Management and administration fees	1	80,380	43,998
Total revenue		80,380	43,998
Expenditure			
Trustee honorarium		26,500	25,500
Trustee meeting fees		6,290	5,180
Trustee expenses		2,353	1,926
Administration		50	1,117
Audit fee		5,298	4,750
Legal expenses		36,989	2,625
Insurance		2,900	2,900
Total expenditure		80,380	43,998
Surplus / (deficit) before tax		-	-
Income tax expense		-	-
Surplus / (deficit) after tax		-	-
Other comprehensive income		-	-
Total comprehensive income		-	-

Statement of changes in equity*for the year ended 30 June 2014*

	30 June 2014 \$	30 June 2013 \$
Opening balance 1 July	8,781	8,781
Total comprehensive income	-	-
Closing balance	8,781	8,781

Statement of financial position*as at 30 June 2014*

	Note	30 June 2014 \$	30 June 2013 \$
Equity			
Capital		1	1
Retained earnings		8,780	8,780
TOTAL EQUITY		8,781	8,781
Represented by:			
Current assets			
Cash and cash equivalents		9,768	18,678
GST receivable		1,110	-
Trade and other receivables	2	59,934	10,795
Total current assets		70,812	29,473
Current liabilities			
Trustee fees		5,357	4,439
Withholding tax payable		2,491	2,186
GST payable		-	8,030
Trade and other payables	3	54,183	6,037
Total current liabilities		62,031	20,692
NET ASSETS		8,781	8,781

Statement of cash flows*for the year ended 30 June 2014*

	Note	30 June 2014 \$	30 June 2012 \$
<i>Operating activities</i>			
Receipts from customers		35,927	69,072
Agency cash received		-	4,888
Payments to trustees / suppliers		(37,695)	(53,858)
Agency cash payments		-	(4,888)
Net GST		(7,142)	(1,695)
<i>Net cash from operating activities</i>	8	<u>(8,910)</u>	<u>13,519</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>		<u>-</u>	<u>-</u>
Net increase / (decrease) in cash		<u>(8,910)</u>	<u>13,519</u>
Opening cash and cash equivalents		18,678	5,159
Closing cash and cash equivalents		<u>9,768</u>	<u>18,678</u>

Authorised for issue on behalf of the Trust 1 July 2014 by:

D O'Rourke
Chairperson

David Haslam
Trustee

Statement of accounting policies

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 and Selwyn District Council.

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.

Standards and Interpretation issued and not yet adopted

There are no standards and interpretations issued and not yet adopted that are applicable to the Trust's operations.

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 the notes.

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 Trust has been granted the necessary resource consents for the proposed water management scheme by the consenting authorities and the Trust has granted the company an exclusive license to use the resource consents.

The company has raised sufficient capital from shareholders and bank borrowing to enable it to fund the construction of Stage 1 of the scheme. Construction commenced in March 2014.

The Trust is currently discussing partial funding of its future activities by the settlor councils. Its remaining funding will be provided under contract from the company. Until any agreement is reached with the settlor councils, the Trust will remain dependent on the company's for its future funding.

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 surplus or deficit.

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 surplus or deficit.

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 surplus or deficit. 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 surplus or deficit.

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 de-recognition, 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 surplus or deficit.

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 2014

Note 1: Management and Administration Fees

The management and administration fees are the equivalent to the operational costs of the Trust excluding Resource Consent processing costs charged by Selwyn District Council.

Note 2: Trade and other receivables

	30 June 2014 \$	30 June 2013 \$
Central Plains Water Limited	59,934	10,794
Christchurch City and Selwyn District Councils' capital	<u>1</u>	<u>1</u>
	<u>59,935</u>	<u>10,795</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 are being renegotiated is \$nil (2013: \$nil).

Note 3: Trade and other payables

	30 June 2014 \$	30 June 2013 \$
Payable on behalf of Central Plains Water Limited	-	-
Other payables	<u>54,183</u>	<u>6,037</u>
	<u>54,183</u>	<u>6,037</u>

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

Note 4: Transactions with related parties

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

Central Plains Water Limited

Doug Catherwood is a director of Central Plains Water Limited.

During the year, the Trust provided management and administration services to the company to the value of \$80,380 (2013: \$43,998). At year end the company owed the Trust \$59,934 (excluding GST) (2013: \$10,795) in respect of these services.

As described in Note 9, the Trust provides an agency role to the company and during the year made payments of \$nil (2013: \$nil) on behalf of the company. These payments are reimbursed by the company. At the year end the Trust owed \$nil (2013: \$nil) on behalf of the company.

Selwyn District Council

Selwyn District Council makes payments to suppliers on behalf of the Trust which then reimburses the Council. These payments totalled \$71,626 for the reporting period (2013: \$53,569).

At year end the Trust owed the Council \$39,975 (2013: \$5,994).

Selwyn District Council provided accounting services to 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 as disclosed in the Statement of Comprehensive Income.

Note 5: 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 is with Central Plains Water Limited 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.

Note 6: Statement of commitments

The Trust has no capital or lease commitments as at 30 June 2014 (2013: \$nil).

Note 7: Statement of contingencies

The Trust has no contingent assets or liabilities as at 30 June 2014 (2013: \$nil).

Note 8: Reconciliation of surplus / (deficit) to net cash flow from operating activities

	30 June 2014 \$	30 June 2013 \$
Surplus / (deficit)	-	-
<i>Movement in working capital items:</i>		
Trade and other receivables	(50,249)	5,529
Trade and other payables	41,339	7,990
Revenue in advance	-	-
Net cash flow from operating activities	<u>(8,910)</u>	<u>13,519</u>

Note 9: Agency role of the Trust

The resource consents for the Central Plains Water will remain in the name of Central Plains Water Trust. However, all the costs were incurred and paid for by Central Plains Water Limited. During the year costs associated with the resource consent process totalling \$nil (2013: \$nil) are charged directly to the Trust. Costs of \$nil (2013: \$4,888) were paid by the Trust and recovered from Selwyn District Council and have been recorded in the Statement of Cash Flows to reflect the agency role of the Trust. These agency costs have not been included in the Statement of Comprehensive Income.

Note 10: CPWL Funding

The Trust has entered into Loan Agreements and General Security Agreements with Central Plains Water Limited and various lenders to facilitate the raising of loans by Central Plains Water Limited.

Under the loan agreements with various lenders, the lenders are able to make use of resource consents granted to the Trust if Central Plains Water Limited does not meet the terms of its loans.

Note 11: Events after balance date

(2013: Central Plains Water Limited issued a prospectus to raise capital on 4 September, as noted in the Trusts' accounting policy on Going Concern on page 12 of this report).

Note 12: 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, including security instruments in relation to the company's funding arrangements to which the trust has been a party, , and of other relevant documentation to which it is entitled.

Indicator 2

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

Achievement 2

Priority has been directed towards assisting the company with its funding requirements by making the resource consents available as a security in limited circumstances, so that the construction of Stage 1 could proceed on time. Before doing so the Trustees took legal advice to ensure that the documentation was correct and appropriate, and that the trust had the legal powers necessary under the trust deed.

The Trust has not held a public meeting during the year. The trustees decided that because attendance is so low at such meetings, it was no longer effective to use that means of communicating with the public on issues affecting the trust's work. Instead the trustees have resolved to establish a new website for this purpose. Investigations on the costs and of funding were commenced during the year.

Indicator 3

The Trustees will prepare an annual budget by 30 June and will report the financial results.

Achievement 3

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

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

**To the readers of
Central Plains Water Trust's
financial statements and performance information
for the year ended 30 June 2014**