

CENTRAL PLAINS WATER TRUST

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2009

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DIRECTORY

For the year ended 30 June 2009

Trustees

Doug Marsh (Chairperson, resigned 14 August 2009)

Doug Catherwood

Dick Davison

David Haslam

Denis O'Rourke

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

Buddle Findlay

PO Box 322

CHRISTCHURCH

CHAIRPERSON'S REPORT

Resource Consent Application Hearing.

The resource consent hearing for the proposed Central Plains Water (CPW) irrigation scheme concluded October 2008, and in April 2009 the Commissioners issued a minute that the CPW applications for consent for the storage elements of the scheme would most likely be declined, however they commented that the Waimakariri and Rakaia water takes could probably be granted (albeit for lesser rate and volume from the Waimakariri).

At a further hearing 11 May 2009, submissions from affected parties were heard and the Commissioners issued another decision by way of minute on 7 July 2009. In this minute they expressed their preliminary views on the Waimakariri river water take and requested that CPW Trust provide further information for an amended scheme without the Waianiwanawa dam and reservoir, and the upper intake and tunnel; and required additional information on the following:

- Changes to the location or extent of the areas proposed for irrigation.
- Changes to the maximum or average rates or volumes of water applied to land.
- CPW's reasonable need for the maximum and average rates of take from the Waimakariri and Rakaia rivers at particular flows and times.
- Changes to the proposed take regimes for each river, including any additional changes CPW proposes to minimise adverse effects on the environment and any proposed changes to reflect possible sharing arrangements with other consent holders.
- Changes to ground water mounding and lowland drainage effects as a result of less irrigation from the rivers and the same or more from existing groundwater sources.
- Changes to lowland stream flows as a result of less irrigation from the rivers and more or the same from existing groundwater sources.
- Changes to predictions of contaminant levels to groundwater, lowland streams and Te Waihora as a result of less irrigation from the rivers and more or the same from existing groundwater sources.
- Impacts of the reduced scheme on reliability and efficiency of water use.
- Matters relating to the removal of the reservoir from the scheme and/or which is in response to any other developments which have occurred since September 2008.
- Changes to the headrace route, or to intake structures, or to their design.

The Commissioners did not identify a flow regime but conveyed values that required protecting. "Flat lining" of the river needed to be avoided, and CPW needed to demonstrate how its proposed flow regime (whether flow sharing or with a gap) would be consistent with the values prescribed.

There was much discussion at the hearing about how the CPW application for 40 cumecs of essentially 'B' block water could be modified to better address recreational needs. As a result CPW has moved to an amended take of 25 cumecs at 1:1 sharing above 63 cumecs from the Waimakariri River.

However, ECan is now notified a plan change to the Waimakariri River Plan that proposes a much more restrictive 'B' block rule. The key change affecting CPW is the proposal to introduce a 30 cumec gap between the 'A' and 'B' block, i.e. 'B' block abstraction would not be allowed below 93 cumecs. CPW will make submissions for a 1:1 sharing above 63 cumecs rather than the 30 cumec gap above 63 cumecs being proposed by ECan. The amended take regime being proposed by CPW (25 cumecs and 1:1 sharing above 63 cumecs) is understood to be neutral in terms of environmental effects and with a no less favourable recreational effect than the 30 cumec gap Ecan proposal.

The amended scheme will be based on run-of-river flows from the Rakaia and Waimakariri rivers. It will rely on a higher use of groundwater within the scheme boundaries than was envisaged in the original scheme, in which it was assumed that the availability of reliable surface water would allow groundwater takes to be effectively eliminated.

To ensure and improve reliability, options that may be considered include:

- On farm storage.
- The use of the distribution network to make groundwater available to land lacking a groundwater source.
- Groundwater re-charge, especially during Winter.
- Access to higher reliability water through agreements with existing consent holders or the lapse of current consents.

There are other positives that will accrue from the amended proposal:

- Reduced capital cost
- Reduced environmental impacts
- Improved groundwater volumes:
 - Under the amended scheme existing irrigators would continue to use their current wells to back up the surface water supply. Seepage from the run-of-river regime will still supplement groundwater supplies, but the downstream effects of raised groundwater levels will be less than what was proposed under the original storage scheme. This will reduce concerns that elevated groundwater levels have the potential to cause flooding in lowland areas.
 - CPW is conducting further groundwater modeling to accurately assess the impacts of the amended scheme.
- Better flows in lowland streams:
 - Under the amended scheme lowland stream flows will still improve. Groundwater recharge from river-sourced irrigation water will increase groundwater pressure and help restore flows in lowland streams, especially in drought years. The impact will be most significant in the Irwell and Selwyn rivers.
- Nitrate levels – limited effect:
 - While the CPW scheme will result in more intensified farming, the effect of any additional nitrate entering the groundwater will be offset by the sheer volume of additional fresh water the scheme will introduce from the Waimakariri and Rakaia rivers.
 - Less nitrate will enter groundwater as the area of new intensive farming would be substantially reduced compared with the original

- scheme. However this will be countered by a reduction in the amount of new clean scheme water entering groundwater to dilute nitrates.
- CPW has met with ECan and experts in groundwater (representing groups who submitted at the original hearing) and an agreed programme of action to clearly understand the impacts of the amended scheme on nitrate levels is commencing. This work will be presented at the October 12 hearing.
 - Christchurch drinking water – safe:
 - Christchurch City Council and ECan experts now support CPW's evidence that the scheme presents minimal risk of contaminating Christchurch's drinking water. Under the amended scheme this will not change.
 - Water draining from the scheme area will drain into aquifers which flow in a south-easterly direction and bypass the Christchurch city aquifers.
 - CPW welcomes the independent report prepared for the Canterbury Mayoral Forum on nitrates discharge to groundwater. This reinforces the view that any intensification of farming on the Canterbury Plains is not going to affect Christchurch's deep aquifer wells. The report concluded that "the model predictions of the effects of an example of relatively widespread land use intensification suggested that deep groundwater would remain a high quality source of drinking water".
 - Waimakariri and Rakaia Rivers – natural low flows & braided character unchanged:
 - Under the amended scheme, the Waimakariri will never be lower than its natural low flows. No irrigator can take water from the river when it drops below its minimum flow levels as prescribed in the Waimakariri River Regional Plan.
 - Synergy with the Canterbury Strategic Water Strategy:
 - The CPW scheme is consistent with the Mayoral Forum Strategic water Study (see below).

Reconvened Hearing Date 5 October 2009.

A re-convened hearing date of Monday 5 October has been set. At that hearing CPW will provide details of an amended scheme without storage. CPW will also present evidence showing the alternative scheme's effects are minor or can be mitigated.

While the character and nature of the amended scheme will remain consistent with the original application, submitters, together with Environment Canterbury and Selwyn District Council, will have the opportunity to comment.

An initial decision from the Commissioners is anticipated early 2010, but will most likely be appealed by either CPW or submitters, to the Environment Court. In that event an Environment Court decision might not occur before late 2011.

Sustainability Protocol

Unlike other proposed irrigation schemes, CPW has developed a leading Sustainability Protocol which requires farmers to commit to a Water User Agreement and produce sustainable Farm Plans.

Each year shareholders will have to prove to CPW that they're using water and applying fertiliser in a sustainable manner. There will be appropriate provisions in the Water User Agreement to ensure that environmental management processes are implemented and enforced.

The CPW Trust will formally report to the wider community on its progress via an Annual Environmental Compliance Report containing information on Farm Plan audits. Once the scheme has provided water for two years it will also produce a public Sustainability Report.

Today's modern irrigation technology is very efficient and the cost of fertiliser use has driven optimal use which, in turn, very significantly reducing the environmental impact of nitrates flushing into groundwater.

Technology now allows farmers to accurately determine how much nitrogen is in the soil and how much any given crop will convert, before adding more fertiliser. Remote weather stations automatically link to systems that check evapo-transpiration rates and soil moisture holding capacity, further assisting farmers to optimise their application of water and fertiliser.

Legal proceedings pertaining to "Priority".

The Trust is monitoring Central Plains Water Limited's continuing dialogue with other parties, especially Synlait and Ngai Tahu, on priority issues. A more collaborative approach is being realised, and the Trust is pleased with the progress which has been made.

Synlait Limited - Heads of Agreement.

The Trust has advised Councils of the background to a Heads of Agreement (HOA) between CPW Ltd and Synlait Limited (Synlait) to negotiate advanced construction of an early stage of the CPW irrigation scheme on the north bank of the Rakaia River using resource consents already held by Synlait and others.

Background information

- The water proposed to be used in the initial scheme is water sourced from consents already held by Synlait (subject to appeal processes) and from consents already held by other parties.
- The HOA is still a concept subject to formal agreement which has not yet been executed.
- If in the event that an agreement is executed, the Synlait shareholding will represent a minor 4% portion of the whole scheme.
- There will be a favorable consequence accruing to the parties involved as well as the community:
 - One less objector.
 - Court action between the parties resolved.
 - Commonality of strategic direction and focus.
 - Economies of scale.
 - Adverse effects more easily mitigated.
 - Relieving pressure from ground water.

The Heads of Agreement signed with Synlait, if realised in a formal agreement, would see 6 cumecs of band 2/3 water available for use in a north bank scheme that would include both Synlait and CPW shareholder land.

Ngai Tahu Appeal on Priority.

CPW has settled an agreement with Ngai Tahu Property Limited (NTPL) which brings to an end the Supreme Court action over priority to water from the Waimakariri.

The agreement enables sharing the water applied for by NTPL, and more importantly allows CPW to become part of the A permit water users group.

CPW Funding

The pressure on financial resources for the Company has been exacerbated by the latest turn of events, however the end of the initial resource consent hearing has marked a budget milestone; and it was always anticipated that further funding would be required for subsequent stages. Actions are accordingly being taken to deal with funding and pre-conditions relating to formal processes for this to occur.

CANTERBURY WATER MANAGEMENT STRATEGY

The initiative of the Mayoral forum is commended by the Trust, which made a submission in response to the public consultation document. Central Plains Water endorses the fundamental principles outlined in it, and in particular the principle that water is a public resource and must be managed with integrity in accordance with sustainability imperatives.

This is in harmony with Central Plains Water's Sustainability Protocol that governs prudent use of nitrate application and water efficiency through a Water User Agreement and Sustainable Farming Plans. The Trust's license for the use of water requires environmental management best processes are implemented and enforced.

The CPW Trust submitted in favour of Option D in the Forum's consultation document, to advance infrastructure with strong requirements for environmental restoration and protection, as the most preferred option; but CPW also supports many of the other initiatives and proposals outlined in the other options.

Studies of the long-term economic effect of irrigated agriculture confirm that one-third of the employment created from irrigation occurs on farms, with the other two-thirds is spread through rural and urban communities – notably businesses involved in transport, logistics, food processing and other service industries.

Being able to irrigate, even during a prolonged drought, gives farmers the confidence to invest in the production of higher value agricultural outputs.

The Opuha Dam project, which supplies irrigation to a significant farming area north-west of Timaru, is now widely recognised as having major benefits for the South Canterbury community. In October 2008 Opuha won the supreme award at the Canterbury Resource Management Awards. Judges said the project contributes to the sustainable management of resources by taking water and using it in a way that enables people and communities to provide for their social and economic wellbeing. The CPW scheme holds the same promise for the Central Plains.

Following the end of the financial year the Trust accepted the resignation of its chairman Doug Marsh as a trustee on 1 September 2009. Doug has also resigned as a director of Central Plains Water Limited. The writer was elected as chairman of the Trust Board under the provisions of the deed of trust. The trustees wish to take this opportunity to record their sincere appreciation to Doug for his ten years of service to

the Trust and for his untiring efforts and dedication to the promotion of sustainable water use in the Central Plains.

For and on behalf of Central Plains Water Trust.

A handwritten signature in black ink, appearing to read 'Denis O'Rourke', with a long horizontal line extending to the right.

Denis O'Rourke
Chairman
Central Plains Water Trust
30 September 2009.

FINANCIAL STATEMENTS

For the year ended 30 June 2009

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2009

	30 June 2009 \$	30 June 2008 \$
Revenue		
Management and administration fees	58,471	88,795
Interest revenue	-	4,105
	<hr/>	<hr/>
Total revenue	58,471	92,900
Expenditure		
Trustee honorarium	30,500	30,500
Trustee meeting fees	13,227	29,786
Trustee expenses	3,718	8,951
Administration	341	1,122
Audit fee	4,664	6,100
Legal expenses	3,331	9,821
Insurance	2,690	2,515
	<hr/>	<hr/>
Total expenditure	58,471	88,795
Surplus/(deficit) before tax	-	4,105
Income tax expense	-	-
	<hr/>	<hr/>
Surplus/(deficit) after tax	-	4,105

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2009


	30 June 2009 \$	30 June 2008 \$
Opening balance	8,781	4,676
Surplus/(deficit) for the period	-	4,105
	<hr/>	<hr/>
Total recognised revenues and expenses for the period	-	4,105
	<hr/>	<hr/>
Closing balance	8,781	8,781

STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

	30 June 2009	30 June 2008
	\$	\$
Equity		
Capital	1	1
Retained earnings	8,780	8,780
	<u>8,781</u>	<u>8,781</u>
TOTAL EQUITY	<u><u>8,781</u></u>	<u><u>8,781</u></u>
Represented by:		
Current assets		
Cash and cash equivalents	13,696	9,751
GST receivable	595	3,107
Trade and other receivables	297,589	222,794
	<u>311,880</u>	<u>235,652</u>
Total current assets	<u>311,880</u>	<u>235,652</u>
Current liabilities		
Trustee fees	12,529	18,244
Withholding tax payable	3,824	4,605
Other trade creditors	286,746	204,022
	<u>303,099</u>	<u>226,871</u>
Total current liabilities	<u>303,099</u>	<u>226,871</u>
NET ASSETS	<u><u>8,781</u></u>	<u><u>8,781</u></u>

Authorised for issue on behalf of the Trust 1 December 2009 by:


D O'Rourke
Chairperson

David Haslam
Trustee

STATEMENT OF CASH FLOWS

For the year ended 30 June 2009

	30 June 2009	30 June 2008
	\$	\$
<i>Operating activities</i>		
Receipts from customers	38,821	-
Agency cash received	840,000	278,075
Interest received	-	4,322
Payments to trustees/suppliers	(37,061)	(66,482)
Agency cash payments	(840,000)	(278,075)
Net GST	2,185	658
<i>Net cash from operating activities</i>	<u>3,945</u>	<u>(61,502)</u>
<i>Investing activities</i>		
Purchase of investments	-	(2,690)
Proceeds from investments	-	57,133
<i>Net cash from investing activities</i>	<u>-</u>	<u>54,443</u>
<i>Net cash from financing activities</i>	-	-
Net increase/(decrease) in cash	3,945	(7,059)
Opening cash and cash equivalents	9,751	16,810
Closing cash and cash equivalents	<u><u>13,696</u></u>	<u><u>9,751</u></u>

STATEMENT OF ACCOUNTING POLICIES

For the year ended 30 June 2009

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 2009. The financial statements were authorised for issue by the Trustees on 1 December 2009.

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.

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 IAS 1 presentation of financial statements (revised 2007) that is effective for reporting periods beginning on or after 1 January 2009. This standard may require some formatting changes to the Trust's financial statements.
- ▶ NZ IAS 23 borrowing costs (revised 2007) that is effective for reporting periods beginning on or after 1 January 2009. The Accounting Standards Review Board has, however, deferred the mandatory adoption of NZ IAS 23 by public benefit entities and the Trust does not intend to adopt the revised standard. This standard is unlikely to have any impact on the Trust as it does not borrow to construct or acquire assets.
- ▶ NZ IFRS 3 business combinations (revised 2008) that is effective for reporting periods beginning on or after 1 July 2009. The standard is unlikely to have any impact on the Trust.

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 attempting to obtain the necessary resource consents for the proposed water management scheme.

If the resource consents are obtained by the Company, it is possible there will be appeals against the consents. The Company's ability to fund legal and other costs beyond the initial resource consent hearing is dependent on its ability to raise funds from its existing shareholders or other sources.

If the resource consents are not obtained, or are lost on appeal, or further funding beyond the resource consent hearing 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.

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 profit or loss, held-to-maturity investments, loans and receivables and financial assets at fair value through equity. 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 profit or loss in which case the transaction costs are recognised in the statement of financial performance.

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 profit or loss*

This category has two sub-categories: Financial assets held for trading and those designated at fair value through profit or loss 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 financial performance.

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 financial performance. 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 financial performance.

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

4. *Financial assets at fair value through equity*

Financial assets at fair value through equity are those that are designated as fair value through equity 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.

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 financial performance.

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 2009

1. Trade and other receivables

	2009 \$	2008 \$
Central Plains Water Limited	297,588	222,793
Selwyn District Council	-	-
GST receivable	595	3,107
Interest receivable	-	-
Christchurch City and Selwyn District Councils (Capital)	1	1
	<u>298,184</u>	<u>225,901</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 \$29,338.

2. Trade and other payables

	2009 \$	2008 \$
Payable on behalf of Central Plains Water Limited	241,653	183,972
Other payables	45,093	20,050
Trustees of Central Plains Water Trust	12,529	18,244
Withholding tax payable	3,824	4,605
	<u>303,099</u>	<u>226,871</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's are also directors of Central Plains Water Limited:

- ▶ Doug Marsh
- ▶ Doug Catherwood

During the year, the Trust provided management and administration services to the company to the value of \$58,471 (2008: \$88,795). At year end the company owed the Trust \$52,676 (excluding GST) (2008: \$38,821) 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 \$840,000 (2008: \$278,075) on behalf of the company. These payments were reimbursed by the company. At the year end the Trust owed \$241,653 (2008: \$183,972) 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 \$45,573 for the reporting period (2008: \$74,869).

At year end the Trust owed the council \$40,393 (2008: \$1,340).

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 financial performance.

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.

Statement of commitments

The Trust has no capital or lease commitments as at 30 June 2009 (2008: Nil).

5. Statement of contingencies

The Trust has no contingent assets or liabilities as at 30 June 2009 (2008: Nil).

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

	30 June 2009	30 June 2008
	\$	\$
Surplus/(deficit)	-	4,105
Movement in working capital items:		
Trade and other receivables	(72,283)	(221,843)
Trade and other payables	76,228	203,694
Revenue in advance	-	(47,458)
Net cash flow from operating activities	<u>3,945</u>	<u>(61,502)</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 \$897,681 (2008: \$461,867) were charged directly to the Trust. Costs of \$840,000 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 \$241,653 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 Financial Performance.

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 of accumulating scientific studies necessary to support 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 met formally and informally on 28 occasions during the year under review.

The Trust has also monitored legal matters undertaken by the company and the preparation of scientific and technical studies that support the consent application, and has obtained and recorded copies of all agreements in relation to the Scheme 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 develop and implement scheme recreational opportunities and environmental community enhancers.

Achievement 2

The Trust commissioned research in 2007 to identify recreational opportunities. During 2008 priority has been directed towards consent hearings and the presentation of evidence. In support of that evidence the Trust and the company engaged in consultative meeting with river recreational users. As a consequence of these meetings evidence in rebuttal will reinforce the role of the Trust and align scheme parameters with amenity values of both rivers and recreation expectations of the community.

Indicator 3

The Trustees' will develop and adopt an annual budget and will report the financial results by providing financial statements to the settlers' quarterly - for the quarter year to 30 September, 31 December, 31 March and an audited statement for the year ended 30 June.

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 settlers for the quarters ending 30 September, 31 December, 31 March and 30 June.

11. Statutory deadline

Under the Local Government Act 2002, a Council Controlled Organisation is required to publish its annual report within three months of the financial year end. Due to circumstances beyond its control, the Trust did not achieve this deadline.

Audit Report

To the readers of Central Plains Water Trust's Financial statements and performance information For the year ended 30 June 2009

The Auditor-General is the auditor of Central Plains Water Trust (the Trust). The Auditor-General has appointed me, Ian Lothian, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the Trust, on her behalf, for the year ended 30 June 2009.

Unqualified opinion

In our opinion:

- The financial statements of the Trust on pages 11 to 24:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the Trust's financial position as at 30 June 2009; and
 - the results of its operations and cash flows for the year ended on that date.
- The performance information of the Trust on pages 23 to 24 fairly reflects the achievements measured against the performance targets adopted for the year ended 30 June 2009.

The audit was completed on 1 December 2009, and is the date at which our opinion is expressed.

The basis of our opinion, which refers to a fundamental uncertainty about the validity of the going concern basis on which the financial statements have been prepared, is explained below. In addition, we outline the responsibilities of the Trustees and the Auditor, and explain our independence.

Basis of opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and performance information did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and performance information. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Trustees;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all required disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information.

We evaluated the overall adequacy of the presentation of information in the financial statements and performance information. We obtained all the information and explanations we required to support our opinion above.

Fundamental uncertainty about the validity of the going concern basis on which the financial statements have been prepared.

In forming our unqualified opinion, we have considered the adequacy of the disclosures made in the Statement of Accounting Policies on page 15 concerning the ability of the Trust to continue as a going concern.

The financial statements have been prepared on a going concern basis, the validity of which depends upon continued funding from Central Plains Water Limited or other sources. Central Plains Water Limited's continued existence depends upon obtaining resource consents and obtaining further funding from existing shareholders or other sources. If Central Plains Water Limited was unable to continue to provide funding and no funding was available from other sources, the Trust would be unable to continue its current operations into the foreseeable future.

If the Trust were unable to continue in operational existence for the foreseeable future, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the amount at which they are currently recorded in the Statement of Financial Position. In addition, the Trust may have to provide for further liabilities that might arise.

Responsibilities of the Trust and the Auditor

The Trustees are responsible for preparing the financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Trust as at 30 June 2009 and the results of its operations and cash flows for the year ended on that date. The Trustees are also responsible for preparing performance information that fairly reflects service performance achievements for the year ended 30 June 2009. The Trustees' responsibilities arise from the Local Government Act 2002 and clause 15 of the Trust Deed.

We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the Trust.



Ian Lothian
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

Matters Relating to the Electronic Presentation of the Audited Financial Statements and Performance Information

This audit report relates to the financial statements and performance information of the Trust for the year ended 30 June 2009 included on the Trust's website. The Trustees are responsible for the maintenance and integrity of the Trust's website. We have not been engaged to report on the integrity of the Trust's website. We accept no responsibility for any changes that may have occurred to the financial statements and performance information since they were initially presented on the website.

The audit report refers only to the financial statements and performance information named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and performance information. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and performance information and the related audit report dated 1 December 2009 to confirm the information included in the audited financial statements and performance information presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.