

Central Plains Water Trust

Annual Report

**for the year ended
30 June 2015**

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Directory

Trustees

Denis O'Rourke (Chairperson)
Clare Williams (appointed by Ngai Tahu)
Viv Smart (appointed by Ngai Tahu)
Olive Webb
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**Chairperson's report**

It has been a momentous year for the Central Plains Water Scheme, with Stage 1 having been opened by the Prime Minister at the headrace canal on a rainy day on 14 August 2015 in the company of many politicians, shareholders and guests, including me. With a long hot summer drought already being predicted, the Stage 1 water users will be glad that water is now flowing.



The trustees have also been engaged in drafting a new Memorandum of Agreement with Central Plains Water Limited, and the final draft was approved by the Trust Board on 31 August 2015. Following approval by the CPWL Board the document will be signed. This will secure the Trust's financial and operational future. The trustees have also investigated the establishment of a new website and monitoring process, so that it can effectively carry out its functions under the trust deed following the commissioning of Stage 1. This work is ongoing.

The new MoA provides for the process and means for the Trust to monitor the company's operation of the Scheme and of the water users' compliance with the resource consents. The essence of this is the implementation of the requirements of the Matrix of Good Management (which supercedes the Sustainability Protocol in the original MoA). For these purposes the new MoA provides for funding for the Trust of an operational audit which the Trust will use to produce its annual Environmental Scheme Performance Report, as set out in the following part of the new MoA:

"The Water Trust will:

- monitor CPWL's operation of the Scheme in respect of its use of the Resource Consents, as a part of the production of its Environmental Scheme Performance Report;
- monitor Scheme users' compliance with the terms of Water Use Agreements to ensure compliance with the terms of the Resource Consents;
- advise CPWL of any actual or suspected breach of the terms of a Water Use Agreement and request that CPWL take appropriate steps to require that such breach be remedied; and
- monitor CPWL's and Scheme water users' pursuance of the standards as set out in the region's Matrix of Good Management.

“TO FACILITATE THE WATER TRUST’S MONITORING FUNCTION (AS SET OUT IN CLAUSE 6.1), CPWL WILL:

- *PROVIDE SUCH INFORMATION AS MAY BE REASONABLY REQUIRED TO ALLOW CPWT TO PREPARE ITS ENVIRONMENTAL SCHEME PERFORMANCE REPORT; AND*
- *PERMIT THE WATER TRUST TO CONDUCT AN ANNUAL REVIEW OF ITS OPERATIONS FOR THE PURPOSES OF VERIFYING COMPLIANCE WITH ITS OBLIGATIONS UNDER THIS MEMORANDUM, AND PROVIDE SUCH ASSISTANCE, ACCESS AND INFORMATION AS MAY REASONABLY BE REQUIRED FOR THIS PURPOSE.*

“IN THE EVENT THAT CPWL HAS COMMITTED A MATERIAL BREACH OF THE TERMS OF THIS MEMORANDUM, OR THE WATER TRUST REASONABLY SUSPECTS THAT CPWL HAS COMMITTED OR WILL COMMIT SUCH A BREACH, CPWT MAY CONDUCT AN INDEPENDENT AUDIT OF CPWL’S COMPLIANCE WITH THIS MEMORANDUM. CPWL WILL MEET THE REASONABLE COSTS OF SUCH AUDIT.

“THE PARTIES WILL USE THEIR BEST ENDEAVOURS TO AVOID DUPLICATION IN THE REPORTING AND MONITORING FUNCTIONS OF THE WATER TRUST AND THOSE CARRIED OUT BY THE CONSENT AUTHORITIES DIRECTLY.

“REPRESENTATIVES OF THE WATER TRUST AND CPWL WILL MEET QUARTERLY IN EACH FINANCIAL YEAR BETWEEN 1 JULY AND 30 JUNE IN THE FOLLOWING YEAR TO DISCUSS THE ONGOING CONDUCT OF THE SCHEME BY CPWL AND SUCH OTHER MATTERS RELEVANT TO THE TERMS OF THIS MEMORANDUM EITHER PARTY MAY WISH TO RAISE FOR DISCUSSION.

Last year the trustees formally applied for registration as a charitable trust under the Charitable Trusts Act, following the execution by the settlors of the revised 2012 trust deed (the Christchurch City Council executed the document late in 2014). While the Charities Commission (which administered the Act prior to the Department of Internal Affairs taking over in 2013) had indicated that it would grant approval subject to the new deed being executed by all parties, the Department has now advised that it will not grant approval. The trustees considered legal advice on the matter, and while disagreeing with the Department, and while not withdrawing the application, the Trust will not progress it further at this stage. Such registration is only for the purposes of the Charitable Trusts Act, the main advantage of which is tax exempt status. Since the Trust is unlikely to record a significant profit, this is not a major issue. The Trust remains a charitable trust under the general law.

During the year long serving trustee David Haslam resigned as a trustee due to ill health. We wrote to David then, expressing our sincere thanks for his very long term interest and contribution to irrigation in Canterbury, but especially for the many years of service to the Trust since (and before) its inception in 2003. The value of his contribution in many ways was deeply appreciated over the long and sometimes trying and difficult years it has taken to get the Scheme to the point of completion of Stage 1. The Trustees regretfully recorded David’s death later in the year. Olive Webb has been appointed as a trustee in his place.

The headrace canal during construction:



Financial statements

**for the year ended
30 June 2015**

Entity information

for the year ended 30 June 2015

Legal Name

Central Plains Water Trust (the Trust).

Type of entity and legal basis

The Trust was formed by the declaration of Trust Deed dated 15 April 2003. The Trust is jointly controlled by Selwyn District Council and Christchurch City Council and is a council controlled organisation as defined in Section 6 of the Local Government Act 2002.

The Trust's purpose or mission

The primary objective of the Trust is to promote the development of agriculture in the Central Canterbury Plains area of New Zealand for the benefit of all of the inhabitants of the Canterbury Region.

Structure of the Trust's operations, including governance arrangements

The Trust comprises a Board of six Trustees who oversee the governance of the Trust, a Chairperson who is responsible for the day-to-day operations of the Trust and reporting to the Trustees. The Trustees are appointed by the Settlers (Selwyn District Council and Christchurch City Council together).

Main sources of the Trust's cash and resources

Operating grants received from the Central Plains Water Trust is the primary source of funding to the Trust.

Statement of financial performance*for the year ended 30 June 2015*

	Note	30 June 2015 \$	30 June 2014 \$
Revenue			
Management and administration fees	1	52,923	80,395
Total revenue		52,923	80,395
Expenditure			
Trustee honorarium		25,188	26,500
Trustee meeting fees		5,180	6,290
Trustee expenses		2,072	2,368
Administration		68	50
Audit fee		5,352	5,298
Legal expenses		12,063	36,989
Insurance		3,000	2,900
Total expenditure		52,923	80,395
Surplus / (deficit) before tax		-	-
Income tax expense		-	-
Surplus / (deficit) after tax		-	-

Statement of financial position*as at 30 June 2015*

	Note	30 June 2015 \$	30 June 2014 \$
Trust equity			
Contributed capital		1	1
Accumulated surpluses		8,780	8,780
TOTAL TRUST EQUITY		8,781	8,781
Represented by:			
Current assets			
Bank accounts and cash		42,838	9,768
GST receivable		156	1,110
Debtors and prepayments	2	13,668	59,949
Total current assets		56,662	70,827
Current liabilities			
Trustee fees		4,960	5,372
Withholding tax payable		2,229	2,491
Creditors and accrued expenses	3	40,692	54,183
Total current liabilities		47,881	62,046
TOTAL ASSETS LESS TOTAL LIABILITIES		8,781	8,781

Statement of cash flows*for the year ended 30 June 2015*

	Note	30 June 2015 \$	30 June 2014 \$
<i>Operating activities</i>			
Receipts from customers		113,925	35,927
Interest revenue received		-	-
Payments to trustees / suppliers		(70,156)	(37,695)
Net GST		(10,699)	(7,142)
<i>Net cash from operating activities</i>	8	<u>33,070</u>	<u>(8,910)</u>
<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 for the year		<u>33,070</u>	<u>(8,910)</u>
Add opening bank accounts and cash		9,768	18,678
Closing bank accounts and cash		<u>42,838</u>	<u>9,768</u>

Authorised for issue on behalf of the **Trust xx August 2015** by:

D O'Rourke
Chairperson

Doug Catherwood
Trustee

Statement of accounting policies

for the year ended 30 June 2015

Basis of preparation

The Board has elected to apply PBE SFR-A (PS) *Public Benefit Entity Simple Format Reporting – Accrual (Public Sector)* on the basis that the Trust does not have public accountability (as defined) and has total annual expenses of less than \$2 million.

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that the Trust will continue to operate in the foreseeable future.

Goods and services tax (GST)

All items in the financial statements are stated exclusive of GST, except for debtors and creditors, 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 debtors or creditors 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.

Significant accounting policies

The following significant accounting policies have been applied in preparing the financial statements for the year ended 30 June 2015 and the comparative information presented for the year ended 30 June 2014.

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.

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 revenue is recorded as it is earned during the year.

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.

Bank accounts and cash

Bank accounts and cash comprise cash on hand, cheque or saving accounts and deposits held at call with banks.

Debtors

Debtors are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a bad debt expense.

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.

Tier 2 PBE Accounting Standards applied

The Trust has not applied any Tier 2 Accounting Standards in preparing its financial statements.

Changes in Accounting Policies and Transition to the New PBE SFR – A (PS) Standard

This is the first set of financial statements prepared using the new PBE SFR-A (PS) standard, and comparative information for the year ended 30 June 2014 has been restated to comply with the new standard. There have been no significant adjustments arising on transition.

Notes to the financial statements

for the year ended 30 June 2015

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: Debtors and prepayments

	30 June 2015 \$	30 June 2014 \$
Central Plains Water Limited	13,668	59,949
Christchurch City and Selwyn District Councils' capital	<u>1</u>	<u>1</u>
	<u><u>13,669</u></u>	<u><u>59,950</u></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 (2014: \$nil).

Note 3: Creditors and accrued expenses

	30 June 2015 \$	30 June 2014 \$
Other payables	<u>40,692</u>	<u>54,183</u>
	<u><u>40,692</u></u>	<u><u>54,183</u></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 and David Haslam are directors of Central Plains Water Limited.

During the year, the Trust provided management and administration services to the company to the value of \$52,924 (2014: \$80,380). At year end the company owed the Trust \$13,668 (excluding GST) (2014: \$59,934) in respect of these services.

As described in Note 8, the Trust provides an agency role to the company and during the year made payments of \$nil (2014: \$nil) on behalf of the company. These payments are reimbursed by the company. At the year end the Trust owed \$nil (2014: \$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 \$55,885 for the reporting period (2014: \$71,626).

At year end the Trust owed the Council \$41,174 (2014: \$39,975).

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 Financial Performance.

Note 5: Statement of commitments

The Trust has no capital or lease commitments as at 30 June 2015 (2014: \$nil).

Note 6: Statement of contingencies

The Trust has no contingent assets or liabilities as at 30 June 2015 (2014: \$nil).

Note 7: Reconciliation of surplus / (deficit) to net cash flow from operating activities

	30 June 2015	30 June 2014
	\$	\$
Surplus / (deficit)	-	-
<i>Movement in working capital items:</i>		
Trade and other receivables	47,235	(50,264)
Trade and other payables	(14,165)	41,354
Net cash flow from operating activities	<u>33,070</u>	<u>(8,910)</u>

Note 8: 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 (2014: \$nil) are charged directly to the Trust. Costs of \$nil (2014: \$nil) 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 9: 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 10: Events after balance date

There have been no significant post balance date events. (2014: nil)

Note 11: 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.

The Trust has also assisted the Company in attending and participating in mediation meetings and other discussions with appellants in the appeal process in the Environment Court.

Indicator 2

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

Achievement 2

Priority has been directed towards consent hearings and the mediation of appeals in the Environment Court. In that process the Trust has been able to ensure that environmental recreational educational and social benefits have been addressed in accordance with the Trust's objects.

The Trust has also held a public meeting on 13 December 2011 in which its activities and the progress of the water scheme generally have been discussed.

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 settlers 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 2015