

CENTRAL PLAINS WATER TRUST

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2008

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DIRECTORY

For the year ended 30 June 2008

Trustees

Doug Marsh (Chairperson)
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

Summary

- ▶ Resource consent and land designation hearing commenced February 2008 anticipated conclusion September 2008.
- ▶ Regional Council hearing cost escalation has placed further burden on CPW financial resources.
- ▶ Sustainable Farming Code of Practice concluded
- ▶ Ngai Tahu Property Ltd filed appeal on consent priority with the Supreme Court. Hearing scheduled to be heard October 2008.
- ▶ High Court decision granting Synlait priority to water from Rakaia River
- ▶ Trust's charitable status lapsed 1st July 2008.

The year under review has been satisfying from the point of view that finally after seven years hearings for scheme resource consents commenced. While considerable pressure has been placed on the concept unwavering commitment by Trustees to the water enhancement vision for the future has characterised progress. The year has been extremely challenging for all parties both beneficiaries as well as those affected.

The consent hearing process, dealing with legal challenges and Commissioner requests for additional information have been priorities during the year under review.

Central Plains Water Ltd who is charged by the Trust for the conduct of the consents appointed new counsel Mr. M Casey QC. replacing Dr. E Wiley QC who was appointed to the High Court bench.

There have been diversions, challenges and issues raised by parties opposed the scheme that has been dealt with a greater level of detail than is normally required for a consent process. This demonstrates the robustness of the hearings as well as serious intent of the Commissioners to understand the diverse and complex issues involved. Addressing information needs of commissioners has been demanding on CPW limited resources and exacerbated by the continuing need to balance controversial aspects of opposition submitters which has been reported in the media. The company and project management team have been working assiduously on an unremitting request for information deluge by consent hearing commissioners.

CPW Trustees maintained a strong presence at the hearings in support of the company but also and importantly to better understand community anxieties, environmental concerns and issues and mitigation opportunities arising from community and institutional submitters.

The indicative timetable for the consent process is as follows;

Anticipated end of consent hearing	September 2008
Interim decision	February 2009
Discussion on conditions	February 2009 - May 2009
Final Decision	May 2009
Appeals lodged/Notices served	June 2009
Appeal Parties established	June 2009 - August 2009
Environment Court call over	October 2009
Hearing date set for	March 2010
Hearing	March 2010 - July 2010
Environment Court Decision	December 2010
Technical work	June 2009 - July 2010

The Trust will be actively involved in the evidence in rebuttal to ensure that challenges made to the Trust's role and its ability, as owner of the consents, to ensure consent conditions are adhered to, are appropriately addressed and represented to Commissioners.

Another dominant theme in the final quarter has been Regional Council revised estimates of hearing costs which have risen significantly as a consequence of extended duration of the hearing. The hearing duration increased 50% on estimates provided to the Central Plains Water Trust.

During the submission process there were claims that the Central Plains Water Trust had not properly consulted. The facts do not support the allegations.

From the scheme's inception there has been a genuine commitment from Central Plains Water Trust to engage with stakeholders. There have been numerous occasions over the years for those affected to seek out information or to attend public meetings. Central Plains Water Ltd technical advisors have consistently taken on board feedback from a variety of sources and modified or changed the scheme's design (where possible) to reduce adverse impacts of the scheme.

Effective communications has characterised the Central Plains Water Trust's performance. It has held in excess of 185 workshops, consultative briefings with stakeholders. It has released reports on key aspects of the concept to affected parties. Central Plains Water has disseminated information regularly via public meetings, media interviews, press releases "fact sheets" a web site and FAQ answers

Trustees have regularly presented to community service and business groups, educational institutes, recreational groups, regulatory bodies, politicians and key interest group meetings.

There have been numerous occasions and encouragement over the years for affected parties to seek out information, access CPW web site, attend public meeting or talk to trustees or representatives of the company.

Communicating and consultation remains a monitoring priority for CPW Trust. Meetings have taken place with key interest groups and Councils. Other meetings, with the objective of working towards third party agreements prior and during the hearings have been held with affected parties.

Synlait - High Court Decision on Priority

Synlait's application to take 6.0 cumecs from the Rakaia was decided by the High Court giving Synlait priority over Central Plains Water.

The Central Plains Water scheme represents the last chance in Canterbury for the community to not only secure the rights to the use of water for irrigation, but also to generate significant economic, recreational and environment benefits that can flow from a community owned scheme. This is due to Central Plains Water's consents being community-owned through the Central Plains Water Trust established by the Christchurch City and Selwyn District Councils. The High Court decision sought by Synlait demonstrates the threat to the Canterbury community of losing for all time, the control of Canterbury waters to overseas corporate interests.

The wider benefits to the Canterbury community include the obvious regional economic flow on effects (2,700 new jobs and an estimated \$350 million contribution to GDP each year), a range of environmental enhancements, and comprehensive recreational amenities on the lake and waterways that Central Plains Water plans to construct.

If Central Plains is not successful the remaining water will fall into corporate owned farming schemes. These alternative schemes can not provide hundreds of farmers with an alternative to continuing to deplete Canterbury's aquifers, to restore flows in the region's lowland streams or control nitrate contamination in groundwater.

While the Synlait legal result was a major disappointment for the Trust the High Court decision does not necessarily mean the Central Plains Water concept is no longer viable.

The favourable outcome of the Court of Appeal's decision on Ngai Tahu's challenge to CPW priority announced 20th March 2008 means that the High Court decision in favour of Synlait is open to challenge.

Ngai Tahu Appeal on Priority.

Ngai Tahu Property Ltd filed appeal on priority with the Supreme Court. Hearing scheduled to be heard October 2008.

Central Plains Water Ltd will be defending Ngai Tahui appeal court decision and appealing the High court Synlait decision

Sustainable Farming Protocol

The Sustainable farming Cod of Practice and Farm Management Plan was concluded and launched during the year.

Trust Charitable Status.

The Trust regrets to inform that charitable status lapsed 1st July 2008.

As reported previously the Charities Commission took the view that the Trust's objects were not charitable. New objects were proposed by Trustees and in February 2008 the Commission advised that the amendments that the Trust was proposing to make to its Trust Deed were charitable. The Trust formally requested 4 April 2008 Christchurch City Council's consent to the proposed amendments under clause 18 of the Trust Deed and to execute a deed of variation. While SDC has notified the Trust of its approval, CCC has yet to decide.

Without charitable entity status securing financial assistance and grants will be more difficult and the Trust will be unable to rely on receiving its existing income tax or gift duty exemptions. There has been adverse comment as to the loss of the Trust's charitable status

Trustee Retirements

Mr. D O'Rourke and Ngai Tahu nominated Trustee Ms C Williams retire by rotation at June year end and offer themselves for re-election.

The Trust commends the valued contribution and tireless efforts made by retiring Trustees. The Trust on behalf of the community records its thanks and appreciation.

Conclusion

The focus of Trust activities during the important milestone of resource consent hearings comprises monitoring the work of the company, scrutinising submissions, testing the science and synergy with Trust Deed objects.

The Trust acknowledges the financial administrative assistance received from the Selwyn District Council.

Trustees join with me in thanking all the many individuals, groups and bodies who have contributed their knowledge, experience, enthusiasm, expertise and support for the Trust's vision for Canterbury Region water enhancement.

For and on behalf of Central Plains Water Trust.

Doug G Marsh
Chairperson

FINANCIAL STATEMENTS

For the year ended 30 June 2008

STATEMENT OF FINANCIAL PERFORMANCE**For the year ended 30 June 2008**

	30 June 2008	30 June 2007
	\$	\$
Revenue		
Management and administration fees	88,795	61,987
Interest revenue	4,105	4,675
	<hr/>	<hr/>
Total revenue	92,900	66,662
Expenditure		
Trustee honorarium	30,500	27,500
Trustee meeting fees	29,786	21,553
Trustee expenses	8,951	6,853
Administration	1,122	-
Audit fee	6,100	2,900
Legal expenses	9,821	666
Insurance	2,515	2,515
	<hr/>	<hr/>
Total expenditure	88,795	61,987
Surplus/(deficit)	4,105	4,675

STATEMENT OF CHANGES IN EQUITY**For the year ended 30 June 2008**

	30 June 2008	30 June 2007
	\$	\$
Opening balance	4,676	1
Surplus/(deficit) for the period	4,105	4,675
	<hr/>	<hr/>
Total recognised revenues and expenses for the period	4,105	4,675
	<hr/>	<hr/>
Closing balance	8,781	4,676

STATEMENT OF FINANCIAL POSITION**As at 30 June 2008**

	30 June 2008	30 June 2007
	\$	\$
Equity		
Capital	1	1
Retained earnings	8,780	4,675
	<u>8,781</u>	<u>4,676</u>
TOTAL EQUITY		
	<u><u>8,781</u></u>	<u><u>4,676</u></u>
Represented by:		
Current assets		
Cash and cash equivalents	9,751	16,810
Investments	-	54,443
Interest receivable	-	218
GST receivable	3,107	1,346
Trade and other receivables	222,794	-
Prepayments	-	2,494
	<u>235,652</u>	<u>75,311</u>
Total current assets		
	<u>235,652</u>	<u>75,311</u>
Current liabilities		
Trustee fees	18,244	15,282
Withholding tax payable	4,605	3,820
Other trade creditors	204,022	4,075
Revenue in advance - CPWL	-	47,458
	<u>226,871</u>	<u>70,635</u>
Total current liabilities		
	<u>226,871</u>	<u>70,635</u>
NET ASSETS		
	<u><u>8,781</u></u>	<u><u>4,676</u></u>

Authorised for issue on behalf of the Trust on 20 October 2008 by:

D G Marsh
Chairperson

D O'Rourke
Trustee

STATEMENT OF CASH FLOWS**For the year ended 30 June 2008**

	30 June 2008	30 June 2007
	\$	\$
<i>Operating activities</i>		
Receipts from customers	-	-
Agency cash received	278,075	79,604
Interest received	4,322	4,675
Payments to trustees/suppliers	(66,482)	(46,198)
Agency cash payments	(278,075)	(79,604)
Net GST	658	1,465
<i>Net cash from operating activities</i>	<u>(61,502)</u>	<u>(40,058)</u>
<i>Investing activities</i>		
Purchase of investments	(2,690)	(54,443)
Proceeds from investments	57,133	
<i>Net cash from investing activities</i>	<u>54,443</u>	<u>(54,443)</u>
<i>Net cash from financing activities</i>		
	-	-
Net increase/(decrease) in cash	(7,059)	(94,501)
Opening cash and cash equivalents	16,810	111,311
Closing cash and cash equivalents	<u>9,751</u>	<u>16,810</u>

STATEMENT OF ACCOUNTING POLICIES

For the year ended 30 June 2008

Statement of reporting entity

Central Plains Water Trust was formed through a Declaration of Trust on 4 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 2008. The financial statements were authorised for issue by the Trustees' on 20 October 2008.

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. 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 9.

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, and unless other sources of funding can be obtained, the Trust would be unable to continue in operational existence.

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 their 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 status and tax exemption lapsed on 1 July 2008.

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 2008****1. Other financial assets**

	2008 \$	2007 \$
Short-term deposits with maturities of 4-12 months	-	54,443
	<u>-</u>	<u>54,443</u>

The deposit at 30 June 2007 had a 120 day maturity and an effective interest rate of 7.70% per annum.

2. Trade and other receivables

	2008 \$	2007 \$
Central Plains Water Limited	222,793	-
Selwyn District Council	-	2,493
GST receivable	3,107	1,346
Interest receivable	-	218
Christchurch City and Selwyn District Councils (Capital)	1	1
	<u>225,901</u>	<u>4,058</u>

Trade and other receivables are non-interest bearing and their carrying value approximates their fair value. There are no receivables that are past due and the Trust does not consider that there is a need to provide for any impairment of its trade and other receivables.

3. Trade and other payables

	2008 \$	2007 \$
Payable on behalf of Central Plains Water Limited	183,972	-
Other payables	20,050	4,075
Trustees of Central Plains Water Trust	18,244	15,282
Withholding tax payable	4,605	3,820
	<u>226,871</u>	<u>23,177</u>

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

4. Revenue in advance

The Trust provides assistance to Central Plains Water Limited (the company) to raise the capital required to carry on its business and obtain the resource consents necessary for the operation of the scheme. The Trust has also promised to make the resource consents available to the company on various terms.

In consideration for this the company has agreed to reimburse the Trust for all Trustee payments incurred up to the date the resource consents are obtained. This agreement is documented in the Reimbursement Agreement dated 6 May 2004.

During the 2005/2006 financial year the company advanced the budgeted expenditure of the Trust until 31 March 2008 to the Trust. The revenue in advance amount of \$47,458 at 30 June 2007 represents the remaining balance of the company's advance at that time. The revenue in advance provided by the company was fully utilised during the financial year ended 30 June 2008.

5. 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 \$88,795 (2007: \$61,987). At year end the company owed the Trust \$38,821 in respect of these services. At 30 June 2007 the Trust had received revenue in advance for these services of \$47,458.

As described in note 11, the Trust provides an agency role to the company and during the year made payments of \$278,075 (2007: \$79,604) on behalf of the company. These payments were reimbursed by the company. At the year end the Trust owed \$183,972 (2007: nil) 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 who then reimburse the council. These payments total \$74,869 for the reporting period (2007: \$45,791).

At year end the Trust owed the council \$1,340. At 30 June 2007 the council owed the Trust \$2,493 in relation to over reimbursement of expenditure.

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

6. 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. As described in note 4 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 2008 (2007: Nil).

7. Statement of contingencies

The Trust has no contingent assets or liabilities as at 30 June 2008 (2007: Nil).

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

	30 June 2008	30 June 2007
	\$	\$
Surplus/(deficit)	4,105	4,675
Movement in working capital items:		
Trade and other receivables	(221,843)	(3,219)
Trade and other payables	203,694	20,473
Revenue in advance	(47,458)	(61,987)
Net cash flow from operating activities	<u>(61,502)</u>	<u>(40,058)</u>

9. 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 \$461,867 (2007: \$79,604) were charged directly to the Trust. Costs of \$278,075 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. The remaining costs of \$183,972 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.

10. CPWL Funding

On 29 October 2007, the Trust entered into a Loan Agreement and a General Security Agreement with Central Plains Water Limited, Dairy Holdings Limited and the settlors of the Trust (Selwyn District Council and Christchurch City Council) to facilitate the raising of a loan by Central Plains Water Limited from one of its shareholders, Dairy Holdings Limited. The Loan Agreement sets out the rights of Dairy Holdings Limited in relation to the application for, and issuing of, the resource consents required for the scheme under the Resource Management Act.

Under the Loan Agreement, 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 Dairy Holdings Limited has not been repaid, Central Plains Water Limited shall assign all of its rights in respect of the application for resource consents to Dairy Holdings Limited under the terms of the Loan Agreement. In this event, the Loan Agreement provides Dairy Holdings Limited 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 Dairy Holdings Limited agree that it is not possible for Dairy Holdings Limited to conduct the application for the resource consents in the name of the Trust, the right to conduct the application for resource consents in its own name;

but so that Dairy Holdings Limited 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 Agreement was in the best long term interests of the Trust.

11. Events after balance date

CPWL Funding

The Trust executed final loan agreements on 30 July 2008 approving additional borrowings entered into by Central Plains Water Limited, with various farmer shareholders under the same template loan agreement and General Security Agreement between the company and Dairy Holdings Limited and the settlors of the Trust (Selwyn District Council and Christchurch City Council) as summarised in note 10 above.

12. Performance information

Indicator 1

To provide assistance to Central Plains Water Limited and monitor progress of accumulating scientific studies necessary to support the application hearing process for 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.

Indicator 2

Monitor the SFF project 05/177 to complete a sustainability code in consultation with core stakeholders.

Achievement 2

The Trust's role, as consistent with Trust Deed objects, as guardian incorporating the Ngai Tahu Iwi role of kaitiaki is to protect and enhance the environment; ensure sustainable use of the land and existing water bodies, including groundwater as part of the living system.

The Trust determined that the Sustainable Farming Code of Practice was the mechanism to deliver this outcome.

The Sustainability Code of Practice setting out the policies procedures and awareness raising that Central Plains Water Ltd (CPWL) will follow in the development, operation and maintenance of the Central Plains Water enhancement scheme. The Code will ensure that both the scheme operators and the water users can achieve high environmental standards and sustainable outcomes.

The Sustainability Farming Code of Practice was finalised and launched by stakeholders during the year under review.

The Sustainability Code of Practice and farm Management Plan is an integral part of the Memorandum of Agreement License to Use Water agreements between Central Plains Water Trust and Central Plains Water Limited anticipates specifically developed to meet the Trust's objectives.

Indicator 3

To develop and implement scheme recreational opportunities and environmental community enhancers.

Achievement 3

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 4

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

Achievement 4

The Trust has prepared an annual budget as part of the revenue in advance provided by Central Plains Water Limited (refer to note 4).

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

AUDITOR'S REPORT