

# **CENTRAL PLAINS WATER TRUST**

## **ANNUAL REPORT**

**FOR THE YEAR ENDED 30 JUNE 2011**

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## **DIRECTORY**

For the year ended 30 June 2011

### **Trustees**

Doug Catherwood

Dick Davison

David Haslam

Denis O'Rourke (Chairperson)

Viv Smart (appointed by Ngai Tahu)

Clare Williams (appointed by Ngai Tahu)

### **Trust Settlers**

Christchurch City Council

Selwyn District Council

### **Auditors**

Audit New Zealand

On behalf of the Auditor-General

PO Box 2

CHRISTCHURCH

### **Solicitors**

Lane Neave

PO Box 13149

CHRISTCHURCH

## CHAIRPERSON'S REPORT

### The Resource Consents

The resource consent process has so far taken over 10 years with the 'take' consents for the Rakaia and Waimakariri Rivers having been lodged in 2001. The 'use' consent was lodged with ECan November 2005, and both the 'take' and 'use' consents were notified by ECan June 2006. In addition, Land Use and Land Designation Consents were lodged with Selwyn District Council in May 2006 and notified November 2006.

Both consent processes were brought to a single hearing held between February and October 2008. The Scheme was revised in April 2009 when the Commissioners gave notice that they would not approve the Waianiwaniwa Dam and Reservoir.

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

With regard to the Waimakariri River, the take was reduced from the 40 cumecs originally applied for to 24 cumecs. This is to be shared 1:1 with the river, so that to take 24 cumecs there needs to be 48 cumecs available above a base-line of 65-113 cumecs. This protects the natural character of the river and its use for recreation. Because CPW already has another 1 cumec of "A" Permit water, it has 25 cumecs in total from the Waimakariri. However one of the resource consent conditions places a 'holiday rule' on takes when the river is in a preferred range for recreational users at weekends between 1 October and 15 March each year, plus Easter and every day between 21 December and 15 February each year (there is a twelve hour period when the take is restricted if the unmodified flow lies between 80 and 95 cumecs).

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

### Appeals

The Rakaia take consent was originally only granted for 25 years (the same as for ACWT's consent). Through the appeal mediation process it has been agreed that this will be changed to a 35 year consent (same as for its Waimakariri consent). Other changes agreed upon include a method of preventing fish entering the scheme's canals, and a number of technical and administrative issues.

From the original 1400 objectors, appeals were lodged by Ngai Tahu, North Canterbury Fish and Game Council, Fulton Hogan Limited and a group of gravel extractors, Christchurch City Council, Selwyn District Council, and three individual appellants (Deans, Bull, and Austin), as well as the Trust's own appeal.

All appeals have been submitted to the Environment Court's mediation process, and this has proceeded satisfactorily. It is expected that final agreement will be possible and that the resource consents will be issued before the end of 2011. In addition CPW Limited has responded to appeals in respect of the Notice of Requirement process and that these will also have been settled by negotiation and agreement at the same time.

### The Future

Subject to the confirmation of the resource consents by the Environment Court, the Scheme now will:

- Irrigate 60,000 ha of the Central Plains as originally envisaged

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

In addition CPW Limited has reached agreement with Synlait under which CPW has an additional 6 cumecs of Rakaia water already consented and usable immediately.

Trustpower is continuing its campaign for an amendment of the Rakaia Conservation Order to allow it to store and release a greater volume of Lake Coleridge water for power generation. The result would be for CPW to have an opportunity to use that water if the terms and conditions are acceptable and economic

The total cost to implement the Scheme is estimated at:

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

Implementation of the scheme is planned to commence in mid 2012. The first portion of the scheme to receive irrigation is likely to be the Te Pirita area of about 20, 000 hectares (approximately one third of the total scheme), by building a section of the headrace canal from the Rakaia River and a piped distribution system. Then it is expected to start at the other end with a section of headrace to be built from the Waimakariri for irrigation of the Sheffield area.

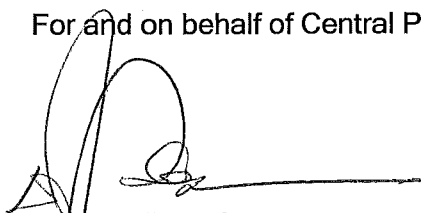
During the year CPW Limited issued a further prospectus to raise approximately \$3 million working capital. This was fully subscribed. Funding options to finance the final design and construction stage are currently being actively investigated.

The government has recently announced its new capital funding programme for irrigation projects such as the CPW Scheme. CPWL representatives are investigating how the government's programme will be implemented. The government's new \$30 million fund to investigate water scheme establishment and structure issues will also be discussed. CPW has already registered its interest and should be the first in line. This is obviously very timely for the CPW scheme.

CPWL and CPWT have not yet settled on a future structure for the Scheme, and much will depend on discussions with the government and other interested parties.

At the same time CPWT and CPWL will also begin a process to review the various agreements between them in the light of the final consents when these are known with certainty later this year.

For and on behalf of Central Plains Water Trust.



**Denis O'Rourke**  
Chairperson  
Central Plains Water Trust  
21 November 2011

**FINANCIAL STATEMENTS**  
**For the year ended 30 June 2011**

*STATEMENT OF COMPREHENSIVE INCOME*

For the year ended 30 June 2011

	30 June 2011	30 June 2010
	\$	\$
<b>Revenue</b>		
Management and administration fees	43,025	47,445
<b>Total revenue</b>	<u>43,025</u>	<u>47,445</u>
<b>Expenditure</b>		
Trustee honorarium	26,500	26,000
Trustee meeting fees	7,215	12,025
Trustee expenses	2,057	3,628
Administration	38	188
Audit fee	4,395	2,784
Legal expenses	-	-
Insurance	2,820	2,820
<b>Total expenditure</b>	<u>43,025</u>	<u>47,445</u>
<b>Surplus/(deficit) before tax</b>	<u>-</u>	<u>-</u>
Income tax expense	-	-
<b>Surplus/(deficit) after tax</b>	<u>-</u>	<u>-</u>
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<u>-</u>	<u>-</u>

*STATEMENT OF CHANGES IN EQUITY*

For the year ended 30 June 2011

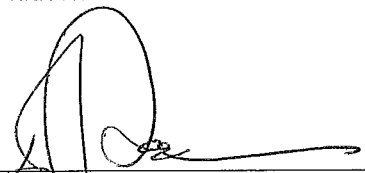
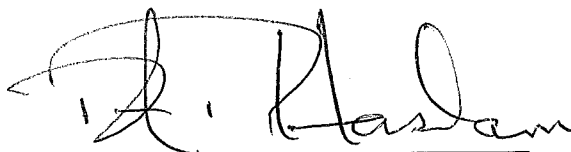
	30 June 2011	30 June 2010
	\$	\$
<b>Opening balance 1 July</b>	8,781	8,781
Total comprehensive income	-	-
<b>Closing balance 30 June</b>	<u>8,781</u>	<u>8,781</u>

*STATEMENT OF FINANCIAL POSITION*

As at 30 June 2011

	Note	30 June 2011	30 June 2010
		\$	\$
<b>Equity</b>			
Capital		1	1
Retained earnings		8,780	8,780
<b>TOTAL EQUITY</b>		<b>8,781</b>	<b>8,781</b>
Represented by:			
<b>Current assets</b>			
Cash and cash equivalents		4,892	8,898
GST receivable	1	125	125
Trade and other receivables	1	21,884	520,565
<b>Total current assets</b>		<b>26,901</b>	<b>529,588</b>
<b>Current liabilities</b>			
Trustee fees		6,789	8,199
Withholding tax payable		3,065	3,407
Other trade creditors		8,266	509,201
<b>Total current liabilities</b>	2	<b>18,120</b>	<b>520,807</b>
<b>NET ASSETS</b>		<b>8,781</b>	<b>8,781</b>

Authorised for issue on behalf of the Trust 21 November 2011 by:


D O'Rourke  
Chairperson

David Haslam  
Trustee



*STATEMENT OF CASH FLOWS*

For the year ended 30 June 2011

	Note	30 June 2011	30 June 2010
		\$	\$
<i>Operating activities</i>			
Receipts from customers		95,239	-
Agency cash received		469,541	120,000
Payments to trustees/suppliers		(106,373)	(50)
Agency cash payments		(469,541)	(120,000)
Net GST		7,128	(4,748)
<i>Net cash from operating activities</i>	6	<u>(4,006)</u>	<u>(4,798)</u>
<i>Investing activities</i>			
Purchase of investments		-	-
Proceeds from investments		-	-
<i>Net cash from investing activities</i>		<u>-</u>	<u>-</u>
<i>Net cash from financing activities</i>			
		-	-
Net increase/(decrease) in cash		(4,006)	(4,798)
Opening cash and cash equivalents		8,898	13,696
<b>Closing cash and cash equivalents</b>		<u><u>4,892</u></u>	<u><u>8,898</u></u>

## *STATEMENT OF ACCOUNTING POLICIES*

### **Statement of reporting entity**

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

The financial statements of CPWT are for the year ended 30 June 2011. The financial statements were authorised for issue by the Trustees on 21 November 2011.

### **Basis of preparation**

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

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

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

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

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

### *Changes in accounting policies*

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

### *Standards and Interpretation issued and not yet adopted*

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

- ▶ NZ IAS 24 Related Party Disclosures (effective 2012). The revised standard amends the definition of a related party.
- ▶ NZ IFRS 7 Financial Instrument Disclosures (effective 2012). The amendments change disclosure requirements to better enable users to evaluate an entity's exposure to risk.
- ▶ NZ IAS 1 Presentation of Financial Statements (effective 2012). The amendments clarify disclosures in relation to components of equity.
- ▶ FRS 44 New Zealand Additional Disclosures and Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (effective 2012). The purpose of the amendment is to harmonise Australia and New Zealand's accounting standards with source IFRS.

The Trust has not yet assessed the effect of the new standards.

## 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 Company has been granted the necessary resource consents for the proposed water management scheme by the consent authorities and is now in the process of dealing with appeals in the Environment Court, which it expects to settle through mediation.

The Company's ability to fund costs beyond the consent process is dependent on its ability to raise funds from its existing shareholders or other sources. Further funding has been obtained by the Company from its shareholders for the purpose of finalising the resource consents, now at the appeal stage, and to provide working capital.

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. The Company's future funding liability is to be negotiated with it by the Trust during the coming year.

If the Company was unable to continue in operational existence, the Trust would lose that 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.

If the Trust was unable to obtain such additional funding, it may be unable to continue in operational existence. In this event, adjustments may have to be made to the financial statements 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.

## Significant accounting policies

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

### Revenue

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

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

Interest income is recognised using the effective interest method.

### Revenue in Advance

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

### Cash and cash equivalents

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

### Trade and other receivables

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

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

### Financial assets

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

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

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

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

The four categories of financial assets are:

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

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

After initial recognition, they are measured at their fair values. Gains or losses on re-measurement are recognised in the surplus or deficit.

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

## 2. *Loans and receivables*

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

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

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

## 3. *Held to maturity investments*

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

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

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

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

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

This category encompasses:

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

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

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

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

## **Impairment of Financial Assets**

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

## Income Tax

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

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

## Goods and Service Tax (GST)

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

*NOTES TO THE FINANCIAL STATEMENTS*

For the year ended 30 June 2011

## 1. Trade and other receivables

	2011	2010
	\$	\$
Central Plains Water Limited	21,883	520,564
GST receivable	125	125
Christchurch City and Selwyn District Councils (Capital)	1	1
	<u>22,009</u>	<u>520,690</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 (2010: \$55,257).

## 2. Trade and other payables

	2011	2010
	\$	\$
Payable on behalf of Central Plains Water Limited	-	440,382
Other payables	8,266	68,819
Trustees of Central Plains Water Trust	6,789	8,199
Withholding tax payable	3,065	3,407
	<u>18,120</u>	<u>520,807</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*

Doug Catherwood is also a director of Central Plains Water Limited.

During the year, the Trust provided management and administration services to the company to the value of \$43,025 (2010: \$47,445). At year end the company owed the Trust \$21,883 (excluding GST) (2010: \$74,043) 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 \$469,541 (2010: \$120,000) on behalf of the company. These payments were reimbursed by the company. At the year end the Trust owed \$nil (2010: \$440,382) 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 \$34,007 for the reporting period (2010: \$41,733).

At year end the Trust owed the Council \$3,823 (2010: \$64,529).

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

#### *Trustees*

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



#### 4. Financial instruments

##### Market risk

###### *Price risk*

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

###### *Currency risk*

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

###### *Interest rate risk*

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

###### *Credit risk*

Credit risk is the risk that a third party will default on its obligation to the Trust, causing the Trust to incur a loss. The Trust's largest receivable balance is with Central Plains Water Limited in respect of the Trust's services. Although the Trust assesses the probability of non-payment as low, as indicated in in the statement of accounting policies (under going concern), Central Plains Water Limited's ability to fund costs beyond the consent process is dependent on its ability to raise funds from its existing shareholders or other sources.

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. As noted in the statement of accounting policies, if Central Plains Water Limited was unable to continue in operational existence, the Trust would lose that source of funding. The Trust manages its short term liquidity risk through an arrangement with Selwyn District Council whereby the Council makes payment on behalf of the Trust. The Trust reimburses the Council once it has received payment from Central Plains Water Limited.

##### Statement of commitments

The Trust has no capital or lease commitments as at 30 June 2011 (2010: Nil).

#### 5. Statement of contingencies

The Trust has no contingent assets or liabilities as at 30 June 2011 (2010: Nil).

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

	30 June 2011	30 June 2010
	\$	\$
Surplus/(deficit)	-	-
Movement in working capital items:		
Trade and other receivables	498,681	(222,506)
Trade and other payables	(502,687)	217,708
Revenue in advance	-	-
Net cash flow from operating activities	<u>(4,006)</u>	<u>(4,798)</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 \$29,159 (2010: \$318,729) were charged directly to the Trust. Costs of \$469,541 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 \$nil (2010: \$440,382) are recorded in the statement of financial position as a payable on behalf of the company and a receivable from the company. These agency costs have not been included in the statement of comprehensive income.

## 8. CPWL Funding

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

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

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

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

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

#### 9. Events after balance date

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

#### 10. Performance information

##### *Indicator 1*

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

##### *Achievement 1*

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

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

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, and 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 consulted with the Selwyn District Council on its future district planning processes so that the expected social environmental and economic effects of the water scheme can be taken into account.

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

*Indicator 3*

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

*Achievement 3*

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

**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.

**Independent Auditor's Report****To the readers of  
Central Plains Water Trust's  
financial statements and statement of service performance  
for the year ended 30 June 2011**

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 statement of service performance of the Trust on her behalf.

We have audited:

- the financial statements of the Trust on pages 7 to 20, that comprise the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the Trust on pages 19 to 20.

**Opinion**

In our opinion:

- the financial statements of the Trust on pages 7 to 20:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect the Trust's:
    - financial position as at 30 June 2011; and
    - financial performance and cash flows for the year ended on that date; and
- the statement of service performance of the Trust on pages 19 to 20:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects the Trust's service performance achievements measured against the performance targets adopted for the year ended 30 June 2011.

***Emphasis of Matter - validity of the going concern basis on which the financial statements have been prepared***

Without modifying our opinion, we draw attention to the disclosures made on page 11 about the ability of the Trust to continue as a going concern being dependent on continued funding from Central Plains Water Limited or other sources. Whether the Trust will continue to receive funding is uncertain at this stage. The validity of the going concern assumption on which the financial statements are prepared depends on the Trust continuing to receive funding from Central Plains Water Limited or other sources. We consider the disclosures to be adequate.

Our audit was completed on 21 November 2011. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Trustees and our responsibilities, and we explain our independence.

**Basis of opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and statement of service performance are free from material misstatement.

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Trust's preparation of the financial statements and statement of service performance that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Trustees;
- the adequacy of all disclosures in the financial statements and statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

### **Responsibilities of the Trustees**

The Trustees are responsible for preparing financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- fairly reflect the Trust's financial position, financial performance and cash flows; and
- fairly reflect its service performance achievements.

The Trustees are also responsible for such internal control as it determines is necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error.

The Trustees' responsibilities arise from the Local Government Act 2002 and clause 15 of the Trust Deed.

### **Responsibilities of the Auditor**

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you based on our audit. Our 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