

WAIKATO CATCHMENT ECOLOGICAL ENHANCEMENT CHARITABLE TRUST (INC)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

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WAIKATO CATCHMENT ECOLOGICAL ENHANCEMENT CHARITABLE TRUST (INC)**FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2007****Directory****Nature of Business**

An Incorporated Charitable Trust

AccountantsAccountants on London Limited
Chartered Accountants
1 London Street
HAMILTON**Bankers**Kiwibank Limited
Level 11
155 The Terrace
Private Bag 39888
WELLINGTON**Auditors**Owen McLeod & Co
91 Clarence Street
PO Box 389
HAMILTON

WAIKATO CATCHMENT ECOLOGICAL ENHANCEMENT CHARITABLE TRUST (INC)

TRUSTEES' REPORT FOR THE PERIOD

1 JULY 2006 TO 30 JUNE 2007

Executive Summary

This is the fourth annual report for the Waikato Catchment Ecological Enhancement Charitable Trust (Waikato Catchment Ecological Enhancement Trust). This has been a year of consolidation for the Trust both in its governance and its day to day management.

- The Trust received 15 applications for project funding in this year's grant round. Applications were of a high standard with project outcomes well focussed on the Trust's objectives. The Trust made grants to projects totalling \$231,015. Projects were scattered throughout the wider catchment, with large wetland projects in the Taupo and Rotorua areas being major grant recipients.
- The Trust furthered its intention to develop a proactive stance in allocating funds to foster those ecological resources that will have greatest impact on the sustainability of the Lake Taupo and Waikato River catchments in order to identify an area or areas for major strategic investment. In the next step along this pathway, the trust commissioned Alchemists Ltd to provide an analysis of potential gaps in existing ecological work programmes by key agencies in the Taupo Ecological District. Their report is expected in the second half of 2007.
- During the year the Trustees acted upon the advice of their investment consultant to purchase secured banking bonds and have now built a structured portfolio to generate income over the coming years.

1. Background

The Waikato Catchment Ecological Enhancement Trust was formed with the execution of the Trust's Trust Deed on 13 June 2003. The Trust originated from the process of replacing the resource consents for the continued operation of the Waikato Hydro System. Mighty River Power, the owner and operator of the Waikato Hydro Scheme applied under the Resource Management Act (RMA) to replace the expiring resource consents that authorise the operation of the Hydro Scheme. Those organisations who are parties to this Trust worked together to develop an appropriate response in RMA terms to those applications. They recognised that there are a variety of ecological changes occurring in Lake Taupo, the Waikato River and hydro lake environments as a result of natural processes, other activities in the catchment and the operation of the Hydro Scheme.

The formation of this Trust was a significant part of the response of those organisations to developing a practical means of achieving:

- an acceptable response to the ongoing ecological changes occurring throughout the Lake Taupo and Waikato River catchments;
- an acceptable response to changes associated with the operation of the Waikato hydro system; and,
- wider ecological benefits in the Lake Taupo and Waikato River catchments.

2. Purposes of the Trust

The Waikato Catchment Ecological Enhancement Trust was established for the following charitable purposes:

- 1) To foster and enhance the sustainable management of the ecological resources in the Lake Taupo and Waikato River catchments;
- 2) To mitigate adverse effects of the operation of the Hydro Scheme on the ecological environments in the Lake Taupo and Waikato River catchments;
 - (i) identifying important habitats and/or species;
 - (ii) identifying risks and threats to those identified habitats and/or species;
 - (iii) identifying practical means to enhance important habitats and/or species;

- (iv) establishing an enduring and beneficial working partnership between Mighty River Power and the Trust; and
- 3) To receive monitoring reports on key ecological indicators in order to:
- (a) identify ecological changes, their causes and implications (including determining the extent of Mighty River Power's influence on these changes);
 - (b) identify whether ecological changes are in accordance with Mighty River Power's predictions of ecological changes associated with its operations as set out in the Assessment of Environmental Effects (Taupo Waikato Resource Consents Application and Assessment of Environmental Effects, March 2001, Section 7.7, and its supporting documents).

3. Primary Activities of the Trust in 06/07

This has been a year in which Trustees have continued to consolidate the Trust activities as well as refining strategies and priorities to achieve its first two key objectives which are:

- o to foster and enhance the sustainable management of the ecological resources in the Lake Taupo and Waikato River catchments; and,
- o to mitigate adverse effects of the operation of the Hydro Scheme on the ecological environments in the Lake Taupo and Waikato River catchments;

Although the number of applications for funding received was markedly reduced from previous years (only 15 compared to 33 in each previous year) the standard was of high quality and applicants generally presented clear project management plans. While applicants' descriptions of the longer term benefits of their projects were more considered than in previous years, many did not identify how they would contribute to mitigation of effects of the hydro scheme. This deficiency was, in part, due to the nature and location of projects that are not relevant to the direct impacts of the hydro scheme; however our ongoing ability to find practical measures of mitigation needs further consideration. The need for robust systems of measurement to mark progress towards mitigation of adverse effects of the hydro scheme has previously been identified as an issue for the Trust and is an area that continues to challenge Trustees.

Previous reports have highlighted Trustees intention to identify key locations in which investment to foster ecological resources that will have greatest impact on the sustainability of the Lake Taupo and Waikato River catchments. This past year we have taken a significant step in this direction by establishing criteria for a Gaps Analysis then inviting interested parties to submit tenders undertaking such an analysis. The ecological districts of Taupo and Meremere are, in the view of Trustees, under the greatest immediate threat and have been awarded priority in examining this approach upon which to base investment decisions. Alchemists Ltd were the successful applicants and have been commissioned to undertake a study of the Taupo Ecological District. They will report back to the Trust later in 2007 with an analysis of work projects being undertaken by the various agencies in the district, and an indication of those areas that are most vulnerable and hence where Trust investment would be of most value. If a suitable project can be identified then the Trustees will consider making a significant contribution along with exploring opportunities to leverage from other projects/organisations working in that specific area. If this approach to identifying areas for investment proves successful then a further analysis in the Meremere Ecological District will be undertaken.

There was one change in the Trustees during the course of the year. Tim Densem, a Mighty River Power appointee, was replaced by Cherry Connew in March 2006.

The Trustees for this financial year were:

- Gwyneth Verkerk – Advisory Committee for Regional Environment appointee (chair)
- Vicki Carruthers - Director General of the Department of Conservation appointee (vice chair)
- Doug Emmett - Fish and Game Auckland Waikato Region appointee
- Matt McDougall - Fish and Game Eastern Region appointee
- Don Scarlet – Mighty River Power appointee
- Paul Green – Director General of the Department of Conservation appointee
- Tim Densem - Mighty River Power appointee (to March 2007)
- Cherry Connew – Mighty River Power appointee (from March 2007)
- Judy van Rossem - Royal Forest and Bird Protection Society Incorporated appointee

Helen Broome continued throughout the year in the role of Secretary to the Trust, and Mike Hanaray of Accountants on London providing accounting services. Derek Brewster of ABN Amro Craigs continues to provide the Trustees with investment analysis and advice.

4. Trust Milestones for 06/07

Key milestones for the Trust this year have been:

- i. Development of criteria for Gaps Analysis in the Meremere and Taupo Ecological Districts with letting of a tender for this activity.
- ii. Maintained and updated the Trust's website at www.wceet.org.nz. This included providing advice on project development and the application process.
- iii. Development of signage standards for use at project sites that will ensure that Trust contributions to projects is recognised.
- iv. News releases through local and regional media in relation to Trust activities and projects being supported.
- v. Launch of the Trust's fourth funding round on November 1st 2006, with applications closing 31 January 2007.
- vi. Receipt of 15 applications in response to the Trust's fourth funding round. These application were considered by a sub-committee of Trustees and recommendations made to the full Trust (15 March 2007)
- vii. Following consideration of those applications the Trust made grants totalling \$231,015 to 15 projects distributed across the Trust's area. The grants made are detailed in the following table:

Gwyneth Verkerk
CHAIRPERSON

Helen Broome
SECRETARY

APPENDIX I

SUMMARY OF GRANTS

Application	Applicant	Funding Commitments				Project Manager
		2007	2008	2009	2010	
2007/1	Fish & Game NZ Eastern Region	59,994	2,080	1,520		Vicki/Paul
2007/2	Lake Whakamaru Christian Youth Camp	6,234				Don
2007/3	Fish & Game NZ Eastern Region, Rotorua Gun Dog Club, Rotorua District Council	16,964	650	650		Matt
2007/4	Pukawa Wildlife Management Group	2,015	2,000			Gwyneth
2007/5 & 2007/14	Waipa District Council	25,000				Gwyneth/Judy/Doug
2007/6	Advocates for the Tongariro River	4,000	4,000			Paul
2007/8	Tongariro Natural History Society	17,971				Matt
2007/9	NZ Landcare Trust	5,000				Gwyneth/Judy/Doug
2007/10	Moerangi Project	45,000				Matt
2007/11	New Progress Enterprises Charitable Trust	5,950				Gwyneth
2007/12	Advocates for the Tongariro Rover	5,000	15,000			Paul
2007/13	Waipa District Council	4,000				Gwyneth/Judy/Doug
2007/15	Tongariro National Trout Centre Society	6,887				Gwyn

APPENDIX II

SUMMARY OF BENEFITS FROM PROJECTS COMPLETED IN 2006/07

PROJECT	OUTPUT	OUTCOME
Scoping report for enhancing Hardcastle Lagoon (2004/16)	Scoping report to assess the engineering and financial feasibility of enhancing Hardcastle Lagoon through minimising the effects of the hydro operations	Report completed and received by WCEET: decision that the project would be too expensive to progress further at this stage
Hakarimata Restoration Trust (2004/19)	Planting and pest control	Pest removal from the Hakarimata Scenic Reserve and restoration planting of native species
Ecosourced Waikato (2004/26 and 2005/18)	Plant identification and seed sourcing for propagation for restoration projects	Species identified for restoration; sources of seed identified; seed collected; dissemination of seed and information
National Wetland Trust (2004/27)	Brochure to enable visitor interpretation of wetland trail at National Wetlands Centre, Rangiriri wetland	Visitors to the Wetlands Centre have interpretive information available
Hamilton Fish & Game and NIWA (2005/1)	Rehabilitation of Lake Koromatua	Weed control, planting native trees and shrubs, development of access ways
Department of Conservation (2005/5)	Wilding pine clearance on lake edge margins of Lake Ohakuri	Reduction in seed rain from a pest species
Tongariro National Trout Centre Society (2005/8 and 2007/15)	Development and construction of a fish pass in Waihukahuka Stream within the Centre's grounds	Enhancement of the Centre's education programme to show fish pass structures can benefit fresh water biodiversity. The Centre receives 70,000 visitors/yr including many children who are educated in water quality and biodiversity
Punawhakaatu Wetland Trust (2005/9 & 2006/9)	Weed clearing and development of wetland areas	Reduction in seed rain from weed species and planting of 6000 plants in restoration plan
Upper Whirinaki Wetland Restoration Project (2005/10)	Wetland area restoration in the Whirinaki Arm of the Ohakuri Dam	Excavation of sediment from pond areas, development and planting; protection for sediment runoff, increased wildlife corridor, restoration of biodiversity
Blythen Wetland Society (2005/13)	Weed control, maintenance of waterways/canals on the south-western banks of the Mangatawhiri River between Mercer and Pokeno	Spraying/clearing of weeds, improved breeding habitat for wetland fowl

PROJECT	OUTPUT	OUTCOME
Fish & Game Auckland/Waikato Region (2005/23)	Scoping project to assess the feasibility of restoring 100 ha of marginal farmland into wetland adjacent to SH1 near Meremere	Project report received; no further decision made
New Enterprises Charitable Trust (2005/24)	Plant propagation for provision to restoration projects	3000 native plants made available to restoration projects
Environment Waikato (2005/26)	Feasibility study for means of removal of sediment from Waikato Peat Lakes	Report completed and published on the EW website
Waikato RiverCare (LWRES) (2005/22 and 2006/1)	Taupiri Riverbank restoration project	Restoration of river banks, suppression of exotic weeds, increased indigenous biodiversity of plants, development of a wildlife corridor along the lower Waikato River that links wetlands, lakes and forested areas, education of school children assisting in the project in planting and its benefits, education of public that pass the site
Advocates for the Tongariro River (2006/2, 2007/6 and 2007/12)	Weed control and planting on banks of Tongariro River at Turangi	1km of river esplanade cleared of pines and 300 natives planted
Tongariro Natural History Society (2006/4)	Waimarino Recreation Reserve Wetland Restoration Project	Weed (willow) control on 25ha and restoration planting in selected areas; biodiversity enhancement and pest management
Mangakino Pouakani Subcommittee (2006/12)	Development of Mangakino Recreational Reserve	Clearing of weeds, development of access, native restoration planting
Waikato River Trails (2006/14)	River trail extension and enhancement of habitat on the north bank of the Waikato River near Whakamaru	Clearing of weeds, development of access and restoration planting
NZ Landcare Trust (2006/16)	Investigation and development of propagation requirements for the endangered cane reed	Recovery of plant stocks and investigation of propagation techniques; planting of 0.5ha of endangered cane reed on riparian margins of Lake Serpentine along with supporting vegetation
Lake Whakamaru Christian Youth Camp (2006/18)	Lake Whakamaru Camp Revegetation Programme on 20ha adjacent to the Waikato River south of Whakamaru	Enhanced ecosystems for water fowl and other aquatic species, bank stabilisation in the area, education of children in sustainable land development
Fish & Game Eastern Region (2007/1)	Kapenga Wetland with excavation and development of pond areas and replanting	Development of 2 ha habitat for NZ dabchick, grey duck and other dabbling waterfowl and enhanced opportunities for bittern and fern bird

WAIKATO CATCHMENT ECOLOGICAL ENHANCEMENT CHARITABLE TRUST (INC)

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	\$	\$
INCOME		
Mighty River Power Limited – Contribution	171,886	165,308
Interest Received	<u>233,339</u>	<u>216,267</u>
TOTAL INCOME	405,225	381,575
EXPENDITURE		
Contract Expenses	5,413	
Investment Fees	4,003	
Grants Made	<u>336,153</u>	269,727
TOTAL EXPENDITURE	<u>345,569</u>	<u>269,727</u>
Cash Surplus	59,656	111,848
Investment Revaluation	<u>(45,732)</u>	<u>-</u>
NET SURPLUS	<u>13,924</u>	<u>111,848</u>

The accompanying notes form part of these financial statements



WAIKATO CATCHMENT ECOLOGICAL ENHANCEMENT CHARITABLE TRUST (INC)

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
Opening Balance	2,706,214,	2,594,366
Net Surplus for the period	<u>13,924</u>	<u>111,848</u>
Total Recognised Revenue and Expenses	<u>13,924</u>	<u>111,848</u>
EQUITY AS AT 30 June 2006	<u>2,720,137</u>	<u>2,706,214</u>

The accompanying notes form part of these financial statements



WAIKATO CATCHMENT ECOLOGICAL ENHANCEMENT CHARITABLE TRUST (INC)

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2007

	2007	2006
	\$	\$
EQUITY		
Total Equity	<u>2,720,137</u>	<u>2,706,214</u>
represented by:		
CURRENT ASSETS		
Kiwibank Limited – Cheque Account	3,685	-
Kiwibank Limited - Term Deposit Account	-	3,098,418
ABN AMRO Craig Cash Management Ltd	142,594	
Mighty River Power Limited	1,449	1,324
GST Refund Due	<u>75,919</u>	<u>50,514</u>
Total Current Assets	223,647	3,150,256
CURRENT LIABILITIES		
Kiwibank Limited – Cheque Account	-	7,951
Grants Approved – not yet paid	<u>603,910</u>	<u>436,091</u>
Total Current Liabilities	603,910	444,042
Working Capital	(380,263)	2,706,214
INVESTMENTS		
Interest Bearing Bonds	<u>3,100,400</u>	<u>-</u>
TOTAL NET ASSETS	<u>2,720,137</u>	<u>2,706,214</u>

Trustee *S. Verbeek* Date *27/03/08*

Trustee *J. Scahill* Date *27/03/08*



The accompanying notes form part of these financial statements

WAIKATO CATCHMENT ECOLOGICAL ENHANCEMENT CHARITABLE TRUST (INC)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

1 STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

The Waikato Catchment Ecological Enhancement Charitable Trust (Inc) was incorporated under the Charitable Trusts' Act 1957, on 22 August 2003. These financial statements have been prepared in accordance with the generally accepted accounting practice as defined by Financial Reporting Standards and Statements of Standard Accounting Practice as issued by the Institute of Chartered Accountants of New Zealand.

MEASUREMENT BASIS

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position have been applied on an historical cost basis.

DIFFERENTIAL REPORTING

These Financial Statements have been prepared by applying differential reporting exemptions. The Waikato Catchment Ecological Enhancement Charitable Trust (Inc) qualifies for these exemptions on the grounds that it is not publicly accountable and is not large.

2 SPECIFIC ACCOUNTING POLICIES

The following specific accounting policies, which significantly affect the Trust's measurement of results and financial position, have been applied:

1. Taxation

The Trust has been granted Charitable status for the purposes of the Revenue Acts, and in particular is exempt from income tax under Section CB4(1)(c) of the Income Tax Act 1994. Accordingly, no provision for taxation has been made on the net income derived during the period to 30 June 2007

2. Goods and Services Tax

The Trust is registered for Goods and Services Tax purposes and the Financial Statements have been prepared on a GST exclusive basis

3. Investments

Investments are recorded at market value as at balance date.

4. Changes in Accounting Policy

There have been no changes in Accounting Policies. All policies have been applied on a basis consistent with those applied in previous years.

3 COMMITMENTS

Outstanding Grants approved but not paid as at balance date have been accrued as Creditors. There are no other commitments at 30 June 2007

4 CONTINGENT LIABILITIES

The Trust did not have any contingent liabilities at 30 June 2007 (2006 NIL)



5 RELATED PARTY TRANSACTIONS

Funding for operations to date has been received from Mighty River Power Limited (MRP) under the terms provided for in the Memorandum of Understanding (MoU) of 15 October 2002 between MRP and the Trust. As part of the MoU, MRP has agreed to provide administrative support including the payment of administrative and audit expenses.

6 EVENTS SUBSEQUENT TO BALANCE DATE

There are no material events subsequent to balance date.

7 PARTNERSHIPS OR JOINT VENTURES

The reporting entity has no interest in joint ventures or partnerships.



Audit Report

To: The Readers of the financial report of Waikato Catchment Ecological Enhancement Charitable Trust Inc.

We have audited the financial report on pages 8 to 12. The financial report provides information about the past financial performance of the Trust and its financial position as at 30 June 2007. This information is stated in accordance with the accounting policies set out on page 11.

Trustees Responsibilities

The Trustees are responsible for the preparation of a financial report, which fairly reflects the financial position of the Trust as at 30 June 2007 and of the results of operations for the year ended 30 June 2007.

Auditor's Responsibilities

It is our responsibility to express an independent opinion on the financial report presented by the Trustees and report our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial report. It also includes assessing:

- the significant estimates and judgements made by the Trustees in the preparation of the financial report, and
- whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations, which we considered necessary. We obtained sufficient evidence to give reasonable assurance that the financial report is free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial report.

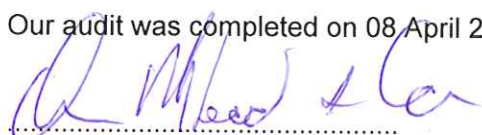
Other than in our capacity as auditors we have no relationship with or interests in the Trust.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion the financial report on pages 8 to 12 fairly reflects the financial position of Waikato Catchment Ecological Enhancement Charitable Trust Inc as at 30 June 2007 and the results of its operations for the year ended on that date.

Our audit was completed on 08 April 2008 and our unqualified opinion is expressed as at that date.



OWEN McLEOD & CO
Chartered Accountants
Hamilton
New Zealand