

**WAIKATO CATCHMENT ECOLOGICAL ENHANCEMENT CHARITABLE TRUST (INC)**

**FINANCIAL STATEMENTS**

For the year ended 30 June 2008

**CONTENTS**

	<b>Page</b>
Directory	1
Trustees' Report	2
Statement of Financial Performance	7
Statement of Movements in Equity	8
Statement of Financial Position	9
Notes to the Financial Statements	10
Auditor's Report	12

**WAIKATO CATCHMENT ECOLOGICAL ENHANCEMENT CHARITABLE TRUST (INC)****FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2008****Directory**

<b>Nature of Business</b>	An Incorporated Charitable Trust
<b>Accountants</b>	Accountants on London Limited Chartered Accountants 3 London Street <b>HAMILTON</b>
<b>Bankers</b>	Kiwibank Limited Level 11 155 The Terrace Private Bag 39888 <b>WELLINGTON</b>
<b>Auditors</b>	Owen McLeod & Co 91 Clarence Street PO Box 389 <b>HAMILTON</b>

**WAIKATO CATCHMENT ECOLOGICAL ENHANCEMENT CHARITABLE TRUST (INC)**  
**TRUSTEES' REPORT FOR THE PERIOD**  
**1 JULY 2007 TO 30 JUNE 2008**

### **Executive Summary**

This is the fifth annual report for the Waikato Catchment Ecological Enhancement Charitable Trust (Waikato Catchment Ecological Enhancement Trust). This has been a year of strategic review and planning for the Trust's future direction.

- The Trust received 23 applications for project funding in this year's grant round of which 12 were confirmed for funding with the final decision on a further 3 held-over pending further information. The Trust made grants to projects totaling \$188,395 for 2008 as well as committing to a payments of \$368,305 for 2009 which includes a contribution of \$309,375 to a major wetland development project adjacent to the Waikato River and downstream from the Ohaaki Power Station. Other funded projects were scattered throughout the wider catchment and include ongoing commitments to some wetland projects in the Taupo and Rotorua areas being major grant recipients.
- The trust received a report from Alchemists Ltd which gave an analysis of potential gaps in existing ecological work programmes by key agencies in the Taupo Ecological District. This report indicates that the trust's current allocation of funds to that district is meeting existing needs to foster that district's ecological resources.
- In recognition that the Trust was in its fifth year it was decided that it was relevant to undertake a strategic review of our activities. This process was facilitated during a meeting at Turangi which also allowed trustees to visit and view a number of the project sites in the Taupo area.
- In order to satisfy a requirement of the New Zealand Charities Commission regarding the charitable objectives of the Trust, and acting on legal advice, changes were made to the wording of the Trust's objectives. These changes removed reference to the receipt of monitoring reports from Mighty River Power in order to remove any suggestion that the Trust might have a non-charitable function that provided benefit to Mighty River Power.
- During the year the Trustees have continued to act upon the advice of their investment consultant to maintain their structured portfolio based on secured banking bonds to provide income for investment into projects in 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. Primary Activities of the Trust in 07/08

The Trust utilised its own networks and those of its Trustees and connected organisations to notify its funding round. The Trust received 23 applications for project funding which was greater than the preceding year. While the standard of applications was generally high and many projects had merited, the Trustees maintained their stringent selection criteria such that only projects that provided clear benefits for ecological enhancement and an ability to support habitat or mitigate the adverse effects of the hydro scheme operation were selected for funding. Twelve projects were confirmed for funding. Trustees also expressed keen interest in a further three projects which were of interest but for which further detail and planning was requested before a final commitment to funding could be agreed.

The most significant project supported in this grant round was a wetland development venture promoted by Fish and Game New Zealand – Eastern Region at Ohaaki. WCEET has committed \$326,250 over 3 years to a project of over \$1 million (in partnership with the mitigation fund for Ohaaki Geothermal Power Station) to develop a large new wetland that will enhance wetland values in the upper Waikato River vicinity.

During 2007/08 there was activity relating to the registration of the Trust with the NZ Charities Commission. This stringent process included examination of our Trust deed by the Commission's lawyers who determined that our third objective was invalid:

- 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).

This was construed by the Charities Commission as being a means whereby the Trust provided a service for Mighty River Power which would invalidate the Trust's status as charitable. After correspondence between the Commission and lawyers acting on behalf of the trust, it was agreed that the third objective was not being implemented and did not contribute in any part to the purpose of the Trust. Accordingly the Trust Deed was amended so as to delete it.

This has been a year in which Trustees have taken the opportunity to review the progress made in the past four years and evaluate the Trust's strategic direction and project investment policies. 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 criteria for a Gaps Analysis were established and interested parties invited to submit tenders to undertake such an analysis. The ecological districts of Taupo and Meremere are, in the view of Trustees, under the greatest immediate threat and were awarded priority for such an



approach upon which to base investment decisions. The Trustees decided that, having already supported a number of large projects in the Taupo district and wanting to ensure themselves that there were no further important opportunities in that area, that the Taupo district should be examined in the first instance.

Following an open tender process a contract was awarded to Alchemists Ltd to undertake a gaps analysis study for the Taupo Ecological District. They reported to the Trust in late 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. This report indicated that in fact the immediate opportunities in the Taupo District are being addressed and allows the Trustees to focus on other areas within the catchment.

Alchemists Ltd also provided services to facilitate a business planning workshop to review the Trust's activities and refresh its strategic plan. This meeting was held on 9<sup>th</sup> October 2007 and the review determined four key areas to be addressed as follows:

1. That the Trust structure should allow Trustees to focus more on their governance role with separate operational capability developed, especially with respect to project management
2. That there should be greater prioritisation of the Trust's strategic intent to ensure stronger focus on finding and supporting projects that provide direct mitigation of the impacts of the hydro system with such decisions based on and improved process for cost/benefit analysis where the benefits are determined on the basis of ecological outcomes. This would enable the Trust to be more proactive in finding projects to fund and balancing the ratio of large and small projects.
3. There should be a clearer determination of the role of the Trust in relation to other agencies working within the catchment and how all parties may better work together.
4. There should be a process of reporting and accountability that takes the Trust's targets and priorities into consideration and refines its indicators of success in a framework based on environmental outcomes.

The strategic review and refreshment process was suspended following the meeting on October 2007.

This was mainly because the Trustees' focus turned to the next funding round, however completion of the review has now been set aside for a further period to allow the nature of the co-management agreement between the Crown and iwi for the Waikato River to take shape. The Trust submitted in the early stages of the co-management process and it is likely that further opportunities to work with the parties in the co-management agreement will impact upon the future work of the Trust. Once this becomes clear in 2008/09, Trustees will again reflect on the Trust's role in protecting and enhancing the catchment and incorporate this within the refreshment of future strategy.

There have been no changes to the Trustees during the course of the year. 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
- Cherry Connew – Mighty River Power appointee
- Judy van Rossem - Royal Forest and Bird Protection Society Incorporated appointee

In addition to the Trustees listed above additional support was provided by Helen Broome until April 2008 in the role of Secretary to the Trust. For the remainder of the year this role was fulfilled by Cherry Connew with additional administrative assistance from within Mighty River Power. Mike Hanaray of Accountants on London provided accounting services and Derek Brewster of ABN Amro Craigs continued to provide the Trustees with investment analysis and advice.

#### 4. Trust Milestones for 07/08

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. Maintenance and commencement of an updated the Trust's website at [www.wceet.org.nz](http://www.wceet.org.nz). This included providing advice on project development and the application process.
- iii. News releases through local and regional media in relation to Trust activities and projects being supported.
- iv. Launch of the Trust's fifth funding round on November 1<sup>st</sup> 2007, with applications closing 31 January 2008.
- v. Receipt of 23 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)
- vi. Following consideration of those applications the Trust made grants totalling \$188,395 for 2008 as well as committing to payments of \$368,305 for 2009 distributed across the Trust's area. The grants made are detailed in the following table:

Application Number	Applicant	Funding Commitments				Project Manager
		2008	2009	2010	2011	
2008/3	Hukanui Golf Club	6,340				Gwyn
2008/4	Fish & Game NZ, Eastern Region		309,375	8,437.50	8,437.50	Matt/Cherry
2008/7	Hancock Forest Management (NZ) Ltd	26,650	21,930			Judy
2008/9	Punawhakaata Wetland Trust	10,000	10,000	10,000		Don/Cherry
2008/11	The Cocks Wetland Society	1,683.10				Doug
2008/15	Lower Waikato River Enhancement Society Inc (Waikato RiverCare)	5,000				Doug
2008/16	Auckland/Waikato Fish & Game Council	10,000*				To be confirmed
2008/17	Tui 2000 Incorporated	7,000	7,000	3,000		Vicki/Judy
2008/18	South Waikato District Council	6,000				Don/Cherry
2008/20	Ngaa Muka Development Trust	2,000				Cherry



2008/21	Fish and Game, Eastern Region	56,250	20,000	20,000	20,000	Matt/Vicki
2008/22	Tongariro Natural History Society	47,472				Matt
2008/23	Waipa District Council	10,000				Doug/Judy

### 5. Projects completed in 07/08

Application Number	Applicant	Project Manager	Benefits
2006/7	Wildfowlers Associates of NZ	Gwyn	Riverbank margins stabilised and pond areas formed; tree planting and habitat for waterfowl enhanced in upper Waikato River
2006/10	Maurea Marae Trust	Cherry/Vicki	Riparian planting and river bank enhancement at Maurea Marae, Rangiriri
2006/14	Waikato River Trails	Cherry	Riparian planting along Waikato river bank and margins of Lake Whakamaru
2006/16	NZ Landcare Trust	Gwyn	Planting of peat lake margins with rare Cane Reed at Lake Serpentine and Lake Kaituna
2006/18 & 2007/02	Lake Whakamaru Christian Youth Camp	Don	Riparian planting along Waikato river bank and margins of Lake Whakamaru
2007/05 & 2007/14	Waipa District Council	Doug/Judy	Weed management and restoration planting at Lake Serpentine
2007/08	Tongariro Natural History Society	Matt	Willow management, planting and restoration of wildlife habitat at Waimarino Recreation Reserve, Lake Taupo
2007/10	Moerangi Station	Matt/Paul	Willow management, protection and restoration of wildlife habitat in upper Kuratau River
2007/13	Waipa District Council	Doug/Judy	Planting of land on the margins of Lake Mangakaware Recreation Reserve
2007/15	Tongariro National Trout Centre Society	Gwyn	Completion of an improved fish pass and restoration planting in the environs of the Tongariro National Trout Centre



Gwyneth Verkerk  
CHAIRPERSON



Cherry Connew  
SECRETARY

**WAIKATO CATCHMENT ECOLOGICAL ENHANCEMENT CHARITABLE TRUST (INC)**

**STATEMENT OF FINANCIAL PERFORMANCE**

**FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008</b>	<b>2007</b>
	\$	\$
<b>INCOME</b>		
Mighty River Power Limited – Contribution	175,323	171,886
Interest Received	<u>311,615</u>	<u>233,339</u>
<b>TOTAL INCOME</b>	486,938	405,225
<b>EXPENDITURE</b>		
Administration Expenses	1,996	
Contract Expenses	28,014	5,413
Investment Fees	5,265	4,003
Grants Made	<u>472,923</u>	336,153
<b>TOTAL EXPENDITURE</b>	<u>508,198</u>	<u>345,569</u>
Cash Surplus (Deficit)	(21,260)	59,656
Unrealised Investment Revaluation Surplus (Deficit)	<u>(50,217)</u>	<u>(45,732)</u>
<b>NET SURPLUS (DEFICIT)</b>	<b><u>(71,477)</u></b>	<b><u>13,924</u></b>

*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 2008**

	<b>2008</b>	<b>2007</b>
Opening Balance	2,720,135	2,706,214
Net Surplus (Deficit) for the period	<u>(71,477)</u>	<u>13,924</u>
Total Recognised Revenue and Expenses	<u>(71,477)</u>	<u>13,924</u>
<b>EQUITY AS AT 30 June 2008</b>	<b><u>2,648,658</u></b>	<b><u>2,720,137</u></b>

*The accompanying notes form part of these financial statements*



**WAIKATO CATCHMENT ECOLOGICAL ENHANCEMENT CHARITABLE TRUST (INC)**

**STATEMENT OF FINANCIAL POSITION**

**AS AT 30 JUNE 2008**

	<b>2008</b>	<b>2007</b>
	\$	\$
<b>EQUITY</b>		
Total Equity	<u>2,648,658</u>	<u>2,720,137</u>
<b>represented by:</b>		
<b>CURRENT ASSETS</b>		
Kiwibank Limited – Cheque Account	70,603	3,685
ABN AMRO Craig Cash Management Ltd	225,002	142,594
Mighty River Power Limited		1,449
GST Refund Due	<u>96,916</u>	<u>75,919</u>
Total Current Assets	392,521	223,647
<b>CURRENT LIABILITIES</b>		
Grants Approved – not yet paid	<u>909,708</u>	<u>603,910</u>
Total Current Liabilities	909,708	603,910
Working Capital	(517,187)	(380,263)
<b>INVESTMENTS</b>		
Interest Bearing Bonds	<u>3,165,845</u>	<u>3,100,400</u>
<b>TOTAL NET ASSETS</b>	<u><b>2,648,658</b></u>	<u><b>2,720,137</b></u>

Trustee *S. A. Venter* Date 26/02/09

Trustee *[Signature]* Date 26/2/09

*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 2008

### 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 New Zealand Institute of Chartered Accountants.

#### MEASUREMENT BASIS

The accounting principles recognized 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 is registered with the Charities Commission as a charitable entity under the Charities Act 2005, 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 2008

#### 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 except that grants approved and unpaid as at balance date are recorded in the Statement of Financial inclusive of GST

#### 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 2008

**4 CONTINGENT LIABILITIES**

The Trust did not have any contingent liabilities at 30 June 2008 (2007 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. (Audit fee \$1,500.00)

**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.



27 February 2009

The Chairperson  
Waikato Catchment Ecological Enhancement Charitable Trust Inc  
PO Box 4335  
Hamilton

PO Box 389  
91 Clarence Street  
Hamilton, New Zealand

Telephone (07) 839 1235  
Facsimile (07) 839 1237  
Free phone 0800 269 139

Email;  
owenmcleod@clear.net.nz

Dear Sir/Madam

**Audit Management Letter For The Year Ended 30 June 2008**

**1. Introduction**

We have completed the audit of Waikato Catchment Ecological Enhancement Charitable Trust Inc and enclose the financial statements with the audit report attached.

This letter provides a summary of:

- the audit scope
- the audit opinion
- the issues arising from the audit

You will appreciate that while our audit is carried out in accordance with generally accepted auditing standards, it cannot, and should not, be relied upon to detect every instance of misstatement, fraud, irregularity or inefficiency.

The responsibility for the implementation and monitoring of internal and management controls rests with management and the Trustees.

**2. Audit Scope**

The audit aimed to:

- provide an audit opinion on whether the financial statements fairly reflect the Trust's reported financial results and financial position.
- assess and report on aspects of the Trust's financial management and controls.

**3. Audit Opinion**

We have issued an **unqualified** audit opinion on the financial statements.

**4. Issues Arising From the Audit**

There are no issues to report.

**5. Conclusion**

We wish to acknowledge the friendly assistance provided by your staff during the audit. If there is any further information you require, please do not hesitate to contact me.

Yours faithfully  
OWEN MCLEOD & CO

  
Richard Owen

## 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 7 to 11. The financial report provides information about the past financial performance of the Trust and its financial position as at 30 June 2008. This information is stated in accordance with the accounting policies set out on page 10.

## 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 2008 and of the results of operations for the year ended 30 June 2008.

## 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 7 to 11 fairly reflects the financial position of Waikato Catchment Ecological Enhancement Charitable Trust Inc as at 30 June 2008 and the results of its operations for the year ended on that date.

Our audit was completed on 27 February 2009 and our unqualified opinion is expressed as at that date.

  
OWEN McLEOD & CO  
Chartered Accountants  
Hamilton  
New Zealand