

WAIKATO CATCHMENT ECOLOGICAL ENHANCEMENT CHARITABLE TRUST

FINANCIAL REPORT for the Year Ended 30 June 2013

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WAIKATO CATCHMENT ECOLOGICAL ENHANCEMENT CHARITABLE TRUST

BUSINESS DIRECTORY **For The Year Ended 30 June 2013**

Nature of Business:	Sustainable Management
Place of Business:	Hamilton
Settlor:	Mighty River Power
Bankers:	SBS Bank
Trustees:	Gwyneth Verkerk Judy van Rossem Dave Lumley Doug Emmett Matt McDougall Don Scarlet Lucy Roberts
Solicitors:	Chapman Tripp
Accountants:	BDO Waikato Ltd Hamilton
Discretionary Beneficiaries:	New Zealand Charitable Organisation

WAIKATO CATCHMENT ECOLOGICAL ENHANCEMENT CHARITABLE TRUST (INC)
TRUSTEES' REPORT FOR THE PERIOD
1 JULY 2012 TO 30 JUNE 2013

Executive Summary

This is the tenth annual report for the Waikato Catchment Ecological Enhancement Charitable Trust (Waikato Catchment Ecological Enhancement Trust, 'the Trust').

- The Trust received 21 applications for projects requesting \$807,171 in funds. Fourteen projects were confirmed for funding totalling \$469,843 for work to be carried out over the next five year.
- The investment fund continues to maintain its value and provide income for investment into projects in the coming years.
- Trustees took the opportunity during the year to visit and view riparian enhancement projects along the Waikato River below Ngaruawahia and at Lake Waahi, and to inspect a prototype pest-fish barrier installed near Lake Serpentine.

1. Background

The Waikato Catchment Ecological Enhancement Trust was formed with the execution of the 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 Waikato Hydro Scheme on the ecological environments in the Lake Taupo and Waikato River catchments;
- 3) To maintain and enhance:
 - a. Indigenous biodiversity; and
 - b. Sports fishery and game bird populations, in the Lake Taupo and Waikato River catchments through appropriate and sustainable species and habitat management by:
 - i. Identifying important habitats and/or species;
 - ii. Identifying risks and threats to those identified habitats and/or species;
 - iii. Identifying most practicable means to ameliorate or resolve risks and threats to habitats and species in the catchment;
 - iv. Identifying practical means to enhance important habitats and/or species;
 - v. Establishing an enduring and beneficial working partnership between Mighty River Power and the Trust.

3. Primary Activities of the Trust in 2012/2013

Over the past year, the Trust has continued its principal activity which is to invest in projects throughout the Waikato River catchment that meet the Trust's objectives. The Trust operated its annual funding round as in previous years, with notifications through its community networks. Sixteen projects were received through this process, with nine projects confirmed for funding notified in March 2013. Four additional projects were approved for funding in 2012/13 in conjunction with Waikato River Authority (WRA). The total funds committed were \$469,843, allocated to the fourteen projects over the five years from 2013 to 2017. As in 2012, asynchrony between WCEET and WRA funding rounds has meant that further projects were considered in a separate process for funding in 2013/14. Seven projects were identified that met Trust objectives, and provisional support was given pending the outcome of their WRA proposals.

The Trust's primary goal is to foster and enhance the sustainable management of the ecological resources in the Lake Taupo and Waikato River catchments. This has been manifest by supporting a diverse range of projects, the balance of which reflects trustees' over-riding preference for "works on the ground". Ecological enhancement projects can take time to bear fruit; but a decade is a suitable interval to reflect on progress. There has been a strong focus on wetland protection and planting for enhancement. When we now return to those early plantings, the further biodiversity benefits that these capture, by improving habitat for fish and birds, are clearly evident. As work continues, benefits will accrue at a faster rate. There is promise that progress in the next ten years will be even more exciting.

There is growing awareness within the community of the need to protect water resources. This has occurred alongside the development of the Waikato River co-management agreement and the work of the Waikato River Authority. The Trust continues to look for partnerships in jointly funded projects and supports many community-based projects. Apart from enabling participation in planting activities, this has resulted in growth in both community capability and

the knowledge base about successful implementation of riparian and wetland restoration projects. Such growth is an important step to ensure that sufficient plants can be generated and that there is infrastructure to support and manage works throughout the region. The WRA has added substantial momentum to the rate of physical works to deliver change, and the next ten years should bring even greater benefits.

The Trust's conservative approach to investment and the sound advice of our investment consultant has maintained the value of our investment portfolio while ensuring satisfactory returns despite ongoing international economic difficulties. Our website continues to provide our face to the community and provides ongoing updates about the Trust's objectives and activities, as well as detailing our funding programme.

The Trustees for this financial year were:

- Gwyneth Verkerk – Advisory Committee for Regional Environment appointee (Chair)
- Judy van Rossem – Royal Forest and Bird Protection Society Incorporated appointee (Vice Chair)
- Shannon Patterson – Director General of the Department of Conservation appointee (retired effective 30/11/2012)
- Lucy Roberts – Director General of the Department of Conservation appointee – replacing Shannon Patterson
- Dave Lumley – Director General of the Department of Conservation appointee
- Doug Emmett – Fish and Game Auckland Waikato Region appointee
- Matt McDougall – Fish and Game Eastern Region appointee
- Don Scarlet – Mighty River Power appointee
- Michelle Archer – Mighty River Power appointee (retired effective 30/06/2013)

Vicki Carruthers continued as the Environment Waikato Observer on the Trust, but retired effective 30/06/2013. The trustees thank Vicki for her extensive contribution which even extends to before the Trust's inception when, as a Department of Conservation representative, Vicki was a member of the group that worked to resolve the resource consent issues, and has served actively since the Trust was established. After seven years as a foundation trustee, (Department of Conservation representative), including four years as Vice Chair, Vicki was appointed as the Environment Waikato Observer, a role which she has now filled for three years. The Trust has greatly benefited from Vicki's leadership during this time and the strong focus on the protection of indigenous biodiversity is testament to Vicki's efforts.

The Trust would also like to note the retirement of Michelle Archer. For the past four years she has had a dual role, as trustee (Mighty River Power appointee) and administration executive, and has made an extensive contribution which the Trustees acknowledge and thank her for. Helen Walker and Bernard Lamusse from BDO have provided accounting services. Steve Laurie of Craigs Investments provided the Trustees with investment analysis.

4. Trust Milestone for 2012/2013

Key Milestones for the Trust this year have been:

- I. Launch of the Trust's tenth funding in November 2012 with applications closing 31 January 2013.
- II. Receipt of 16 applications for the tenth funding round. These applications were considered by the Trustees on 5 March 2013.
- III. In addition to the normal application process, WCEET provided support to five projects for their applications to the Waikato River Authority (WRA). Four of these projects were subsequently given WRA funding.
- IV. In total, the Trust approved grants to 14 projects totalling \$469,843 over the next five years as detailed below:

Application Number	Applicant	Funding Commitments				
		2013	2014	2015	2016	2017
2013/01	Whaingaroa Harbour Care	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
2013/02	Ngati Haua Mahi Trust	\$20,000				
2013/03	Tauhara No. 2 Trust	\$20,000				
2013/05	Waahi Pa	\$10,000				
2013/07	Lower Mangapiko Streamcare Group Inc	\$6,555	\$7,107	\$7,659		
2013/08	Eastern Region Fish & Game	\$9,500				
2013/10	Waikato RiverCare	\$37,663	\$28,865	\$5,405		
2013/11	Waikato Regional Council	\$9,200				
2013/12	Thomas and Ruth McCaughan	\$10,083	\$2,806			
2013/14	Maungatautari Ecological Island Trust	\$25,000				
2013/16	Mandy and John Villacorte	\$10,000				
2013/18	Auckland Waikato Fish & Game	\$25,000				
2013/19	Waikato Raupatu River Trust	\$54,450	\$49,450			
2013/20	Ngati Rongomai Trust	\$22,100	\$9,000			

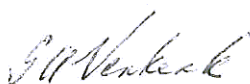
5. Projects Completed in 2012/2013

During the year fifteen projects were signed off as completed:

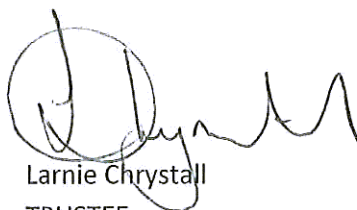
Application Number	Applicant	Project
2010/02	Auckland/Waikato Fish & Game	Lake Arapuni Trout Monitoring project
2010/04	Environment Waikato	Lake Mangahia Wetland Restoration
2010/08	McKenzie Block Users Group	McKenzie Block Enhancement and Planting project
2010/09	Lower Mangapiko Streamcare Group	Montefiore Reserve Enhancement project
2010/10	Waikato RiverCare	Lower Waikato Riparian Enhancement – various sites
2010/12	Mangakotukutuku Streamcare Group	Mangakotukutuku Stream fish passage project
2011/02	National Wetland Trust	Lake Serpentine Predator-free Sanctuary
2011/05	Ngati Tahu-Ngati Whoa Rununga Trust	Te Toke Road Enhancement project 1
2011/12	Waikato RiverCare	Lower Waikato Riparian Enhancement – various sites
2011/13	Environment Waikato	Lake Waahi Riparian Planting project
2011/19	Mighty River Power	Karapiro Downstream Eel Bypass project
2012/01	Waikato RiverCare	Lower Waikato Riparian Enhancement – various sites
2012/11	Ngati Tahu-Ngati Whoa Rununga Trust	Te Toke Road Enhancement project 2
2012/12	Ngati Tahu-Ngati Whoa Rununga Trust	Tutukau Wilding Pines project
2013/02	Ngati Tahu-Ngati Whoa Rununga Trust	Mangonua Stream Riparian project

6. Summary

The 2012/2013 year marks the first ten years of the Waikato Catchment Ecological Enhancement Trust. We look forward to the next ten years and the further changes that this will bring to support biodiversity and water quality in the region.



Gwyneth Verkerk
CHAIRPERSON



Larnie Chrystall
TRUSTEE

WAIKATO CATCHMENT ECOLOGICAL ENHANCEMENT CHARITABLE TRUST

STATEMENT OF FINANCIAL PERFORMANCE

For The Year Ended 30 June 2013

	This Year		Last Year	
	\$	%	\$	%
INCOME				
Mighty River Power	201,110	42.8	199,119	42.8
Grant Written Back	26,087	5.6	-	-
Interest Received	242,271	51.6	265,728	57.2
	<u>469,468</u>	<u>100.0</u>	<u>464,847</u>	<u>100.0</u>
Less: EXPENSES				
Administrative Fees	524	0.1	84	0.0
Advertising	-	-	1,310	0.3
Management Fee - Craigs	4,339	0.9	4,357	0.9
Grants Approved	443,827	94.5	212,378	45.7
Bank Charges	18	0.0	3	0.0
Realised Loss on Sale of Investments	22,975	4.9	23,929	5.1
	<u>471,683</u>	<u>100.5</u>	<u>242,061</u>	<u>52.1</u>
CASH DEFICIT	<u>(2,215)</u>	<u>(0.5)</u>	<u>222,786</u>	<u>47.9</u>
Plus: NON-CASH EXPENSES				
Unrealised Gain on Investment	30,066	6.4	(59,807)	(12.9)
	<u>(30,066)</u>	<u>(6.4)</u>	<u>59,807</u>	<u>12.9</u>
NET SURPLUS BEFORE BENEFICIARIES DISTRIBUTION	<u>27,851</u>	<u>5.9</u>	<u>162,979</u>	<u>35.1</u>
Less Distribution to Beneficiaries	-	-	-	-
NET SURPLUS BEFORE TAXATION	<u>27,851</u>	<u>5.9</u>	<u>162,979</u>	<u>35.1</u>
Income Tax Expense	-	-	-	-
NET SURPLUS AFTER TAXATION	<u><u>27,851</u></u>	<u><u>5.9</u></u>	<u><u>162,979</u></u>	<u><u>35.1</u></u>

This Statement should be read with the Notes to the Financial Statements.



WAIKATO CATCHMENT ECOLOGICAL ENHANCEMENT CHARITABLE TRUST

STATEMENT OF MOVEMENTS IN EQUITY For The Year Ended 30 June 2013

	This Year \$	Last Year \$
Trust Opening Equity	2,908,138	2,745,159
Residual Income Current Year	27,851	162,979
Total Recognised Revenues & Expenses for the Period	27,851	162,979
Movements in Trust Capital	-	-
Movements in Trustees Income Account	-	-
Equity at End of Period	<u>2,935,989</u>	<u>2,908,138</u>

This Statement should be read with the Notes to the Financial Statements.



WAIKATO CATCHMENT ECOLOGICAL ENHANCEMENT CHARITABLE TRUST

STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	This Year \$	Last Year \$
CURRENT ASSETS		
SBS Bank	2,778	107,135
Craigs Cash Management Account	164,018	161,647
G S T	149,545	135,581
	<u>316,341</u>	<u>404,363</u>
Less: CURRENT LIABILITIES		
Grant Approved & Unpaid	859,406	1,044,005
	<u>859,406</u>	<u>1,044,005</u>
WORKING CAPITAL DEFICIT	<u>(543,066)</u>	<u>(639,642)</u>
INVESTMENTS		
Craigs Investments	2,572,619	3,347,477
Westpac Term Deposit	805,931	200,303
BNZ Term Deposit	100,505	-
	<u>3,479,055</u>	<u>3,547,780</u>
NET ASSETS	<u><u>2,935,989</u></u>	<u><u>2,908,138</u></u>
REPRESENTED BY:		
Trust Capital Account	-	-
Trust Income Account	2,935,989	2,908,138
	<u><u>2,935,989</u></u>	<u><u>2,908,138</u></u>

G.W. White
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Chairperson

05/12/13
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Date

This Statement should be read with the Notes to the Financial Statements.



WAIKATO CATCHMENT ECOLOGICAL ENHANCEMENT CHARITABLE TRUST

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For The Year Ended 30 June 2013

1 STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

These are the financial statements of Waikato Catchment Ecological Enhancement Charitable Trust . Waikato Catchment Ecological Enhancement Charitable Trust is a Trust established and domiciled in New Zealand by trust deed. These financial statements of Waikato Catchment Ecological Enhancement Charitable Trust have been prepared in accordance with generally accepted accounting practice in New Zealand.

Measurement Base

The financial statements of Waikato Catchment Ecological Enhancement Charitable Trust have been prepared on an historical cost basis, except as noted otherwise below. The information is presented in New Zealand dollars.

Differential Reporting

Waikato Catchment Ecological Enhancement Charitable Trust is a qualifying entity in that it qualifies for Differential Reporting as it is not publicly accountable and there is no separation between the owners and the governing body (or, is not large as defined under the Framework for differential reporting). All differential reporting exemptions have been applied.

Investments

Investments are valued at market value.

Taxation

The Trust is registered as a Charitable entity under the Charities Act 2005 and is exempt from taxation.

Goods and Services Tax

Waikato Catchment Ecological Enhancement Charitable Trust is registered for GST and the accounts have been prepared on a GST exclusive basis with the exception of Accounts Receivable and Accounts Payable which are shown GST inclusive.



WAIKATO CATCHMENT ECOLOGICAL ENHANCEMENT CHARITABLE TRUST

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For The Year Ended 30 June 2013

Changes in Accounting Policies

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in previous year.

Comparative Figures

The comparative figures shown are for a twelve month period.

2 NATURE OF BUSINESS

The business of the trust is Sustainable Management. The nature of the trust's business has not changed during the year under review.

3 RELATED PARTIES TRANSACTIONS

Funding for operations to date has been received from Mighty River Power Ltd (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 \$2,500 (2012: \$2,500)). Some grants are paid to organisations represented by current trustees.

4 COMMITMENTS

Capital Commitments

The Trust has no contracts for capital expenditure or lease commitments at 30 June 2013. (2012:\$Nil).

5 CONTINGENT LIABILITIES

The Trust has no contingent assets or liabilities at 30 June 2013. (2012:\$Nil)

6 SIGNIFICANT EVENTS OCCURRING AFTER BALANCE DATE

There have been no events occurring after Balance Date that would have a significant effect on the Trust.



INDEPENDENT AUDITOR'S REPORT

To the Members of Waikato Catchment Ecological Enhancement Trust

Report on the Financial Statements

We have audited the financial statements of Waikato Catchment Ecological Enhancement Trust on pages 7 to 11, which comprise the Financial Position as at 30 June 2013 and the Statement of financial performance and Statement of Movements in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Waikato Catchment Ecological Enhancement Trust's Responsibility for the Financial Statements

The trustees are responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting practice in New Zealand and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, Waikato Catchment Ecological Enhancement Trust.

Opinion

In our opinion, the financial statements on pages 7 to 11 present fairly, in all material respects, the financial position of Waikato Catchment Ecological Enhancement Trust as at 30 June 2013, and its financial performance for the year then ended in accordance with generally accepted accounting practice in New Zealand.

A handwritten signature in blue ink, appearing to read 'R K Owen', with a stylized, flowing script.

R K Owen

6 December 2013

Owen McLeod & Co
Hamilton