

WAIKATO CATCHMENT ECOLOGICAL ENHANCEMENT CHARITABLE TRUST

FINANCIAL REPORT for the Year Ended 30 June 2014

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WAIKATO CATCHMENT ECOLOGICAL ENHANCEMENT CHARITABLE TRUST

BUSINESS DIRECTORY **For The Year Ended 30 June 2014**

| | |
|------------------------------|---|
| 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 Larnie Chrystall |
| 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 2013 TO 30 JUNE 2014

Executive Summary

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

- The Trust received 30 applications for projects requesting \$1,116,535 in funds. Of these, 23 projects were confirmed for funding with a total investment of \$573,774 to 2019.
- The investment fund continues to maintain its value and 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 Deed on 13 June 2003. The Trust originated out of the resource consent process for Mighty River Power's 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 2013/2014

In 2013/14 the Trust's principal activity was to invest in projects throughout the Waikato River catchment that met the Trust's objectives. The Trust operated its annual funding round as in previous years, with notifications through its community networks.

Thirty applications for projects were received through this process, with 23 projects confirmed for funding and notified in March 2014. All but four of the projects are funded for multiple years, a trend which has been emerging in recent years as applicants develop comprehensive projects that include their follow-up management and pest control programmes.

Twelve projects will be managed by the Fish and Game (Auckland and Waikato Region). These projects will develop wetland habitat on privately-owned farms in the lower Waikato catchment. Funding of smaller scale projects of this nature on private land carry some risk in terms that works will not be completed or that the investment will not be protected into perpetuity. By utilising experienced personnel from a partner organisation to coordinate applications and manage project implementation, Trustees have some assurance that projects of this nature will be maintained and so continue to deliver to Trust objectives.

Trustees were also pleased to commit further funds to Project Tongariro as they advance their work to restore the wetlands on the southern margins of Lake Taupo. At present the focus of this work is the Eastern Te Matapuna Wetland. The Trust has supported willow and wilding pine control and restoration plantings in this important wetland area for some years, and changes are now obvious to even the casual observer. It is gratifying to see the way that the local community has gathered together to support this work. The Project Tongariro team is to be congratulated for the way in which they have engaged their wider community and gathered the resources to protect this important area of Lake Taupo margin.

Many New Zealanders express concerns that the quality of water in our rivers and streams continues to deteriorate, and controversy surrounds implementation of the National Policy Statement for Freshwater Management. In Waikato, we have further obligations to meet the objectives of the

Vision and Strategy for the Waikato River. With its primary goal to foster and enhance the sustainable management of the ecological resources in the Lake Taupo and Waikato River catchments, the Trust needs to consider its future activities within the developing policy framework which, it would seem, will lead to an escalation of riparian restoration activity.

The Trust has maintained a strong preference to fund plants and planting, and it is pleasing to see that project investment is also creating nursery employment opportunities and other skill development within the emerging restoration industry. While we generally understand that riparian protection and wetland enhancement will be needed to prevent surface contaminant flow into waterways, we must not underestimate the sheer scale of the task ahead in the Waikato catchment. Our experience tells us that these things take time to reach maturity, and fulfillment of the final goal will likely become an inter-generational activity.

While the timeframes to deliver meaningful for water quality improvement may be daunting, the work required to achieve it will be of immense and almost immediate benefit by creating habitat for indigenous biodiversity, sport fish and game bird populations. Some indigenous populations, e.g. tui, appear to be responding to habitat improvement at an exponential rate, as they gain access to expanded feeding areas; but wildlife managers warn that population increase is only sustainable if there is a sufficient area of suitable habitat. Any major habitat expansion will need to involve private land-owners, and it is unfair to expect large areas of developed land to be set aside for this purpose. It seems important therefore to promote the concept of connectivity, which is naturally enhanced by riparian plantings.

The Trust's conservative approach to investment and the sound advice of our investment advisors 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 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)
- Lucy Roberts – Director General of the Department of Conservation appointee
- 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
- Larnie Chrystall - Mighty River Power appointee (Secretary; replacing Michelle Archer: retired 30/06/13)

Keri Neilson has been the Waikato Regional Council Observer on the Trust.

Helen Walker and Bernard Lamusse from BDO have provided accounting services. Steve Laurie of Craigs Investments provided the Trustees with investment analysis.

Trust Milestones for 2013/2014

Key milestones for the Trust this year have been:

- i. Launch of the Trust's 11th funding in November 2013 with applications closing 31 January 2014.
- ii. Receipt of 30 applications for the 11th funding round. These applications were considered by the Trustees on 11 March 2014.
- iii. In total, the Trust supported 23 projects with a total investment of \$573,774 out to 2019 as detailed below:

| Applicat ion Number | Project | Funding Commitments | | | | | |
|---------------------------|--|---------------------|---------|---------|---------|---------|---------|
| | | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| 2014/01 | Mangaorua Stream Restoration | \$10000 | | | | | |
| 2014/02 | Glenim Family Farm Lower Wetland Restoration | \$2500 | | | | | |
| 2014/03 | Waikato Regional Council - Lake Mangahia Wetland Restoration | \$7265 | \$6548 | \$4604 | | | |
| 2014/04 | Oraukura Willow Control | \$16969 | \$11404 | \$9587 | \$6990 | | |
| 2014/05 | Whareroa Station Wetland Restoration | \$20188 | \$16364 | \$7015 | \$2375 | | |
| 2014/07 | Project Tongariro - Eastern Te Matapuna Wetland Restoration Project | | \$40000 | \$40000 | \$40000 | \$40000 | \$40000 |
| 2014/08 | Milne restoration planting project | | \$10000 | \$10000 | \$10000 | | |
| 2014/09 | Pirongia Te Aroaro o Kahu Restoration Society Inc Mangakaraa Project | \$8000 | \$8000 | | | | |
| 2014/11 | Lake Taupo Forest Trust - Waimarino River Whio Protection | \$13300 | | | | | |
| 2014/12 | Mangaohoi Stream Care Group | \$1800 | \$1800 | \$1800 | | | |
| 2014/13 | Tamahere Mangaone Restoration Trust | \$5000 | \$7500 | \$7500 | | | |
| 2014/16 | Stuart Eyre Wetland Restoration (AWFG) | \$14650 | \$1900 | \$200 | \$200 | \$200 | |
| 2014/18 | Colin Sherrard Wetland Development (AWFG) | | \$15000 | \$2000 | \$1250 | \$500 | |
| 2014/19 | Stevens Wetland Restoration (AWFG) | \$5000 | \$1200 | \$200 | \$200 | \$200 | |
| 2014/20 | Lees Wetland Creation (AWFG) | \$7685 | \$15000 | \$200 | \$200 | | |
| 2014/21 | Tucker Wetland Restoration (AWFG) | | \$14950 | \$3400 | \$200 | \$200 | |
| 2014/22 | Caldwell Predator Control (AWFG) | \$4380 | | | | | |
| 2014/23 | Marsh Wetland Restoration (AWFG) | \$4600 | \$600 | \$200 | \$200 | | |
| 2014/26 | D Saxton Wetland Restoration (AWFG) | | \$19550 | \$200 | \$200 | | |
| 2014/27 | Smith Wetland Restoration (AWFG) | | \$25500 | \$200 | \$200 | | |
| 2014/28 | Heaghan Wetland Restoration (AWFG) | | \$7500 | \$200 | \$200 | | |
| 2014/29 | Parker Wetland Creation (AWFG) | | \$8000 | \$200 | \$200 | | |
| 2014/30 | S Saxton Wetland Creation (AWFG) | | \$10200 | \$200 | \$200 | | |

Note: This Statement is to be read in conjunction with the accompanying Notes and the Accountant's Disclaimer

4. Projects completed in 2013/2014

During the year eight projects were signed off as completed:

| Application Number | Applicant | Project |
|--------------------|--|--|
| 2009/02 | Peter Buckley | Wetland Park - Whangamarino |
| 2011/20 | Department of Conservation | Exotic Fish Barrier Feasibility Study and Design – Stage 2 |
| 2013/08 | Eastern Region Fish and Game | Parnwell Wetland |
| 2013/11 | Waikato Regional Council | Lake Waahi – Riparian Planting Project |
| 2013/22 | Ngati Haua Mahi Trust | Mangaonua Stream |
| 2013/23 | Ngati Haua Mahi Trust | Maniapoto Paa Project |
| 2013/24 | Ngati Haua Mahi Trust and Waipa District Council | Karapiro Stream Riparian Enhancement Project |
| 2013/27 | Maniapoto Maori Trust Board | Mangapu River Riparian Restoration Project |

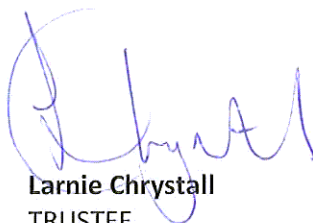
5. Summary

Waikato Catchment Ecological Enhancement Trust has maintained its strong focus to support projects that meet its primary objectives. As projects are implemented and as restoration plantings grow, they increasingly bring pleasure.

On behalf of the Trustees, we thank the many people bringing projects to fruition at the sharp end of the spade. You are making a difference out there, and we congratulate you for your contribution and commitment to the work of the Trust.



Gwyneth Verkerk
CHAIRPERSON



Larnie Chrystall
TRUSTEE

Waikato Catchment Ecological Enhancement Charitable Trust
Trustees' Report
For the Year Ended 30 June 2014

| | | |
|----|-------------|-------------|
| | <i>2014</i> | <i>2013</i> |
| IT | | |

WAIKATO CATCHMENT ECOLOGICAL ENHANCEMENT CHARITABLE TRUST

STATEMENT OF FINANCIAL PERFORMANCE For The Year Ended 30 June 2014

| | This Year | | Last Year | |
|--|-------------------------|----------------------|----------------------|-------------------|
| | \$ | % | \$ | % |
| INCOME | | | | |
| Mighty River Power | 202,518 | 46.7 | 201,110 | 42.8 |
| Grant Written Back | 36,837 | 8.5 | 26,087 | 5.6 |
| Sundry Income | 1,000 | 0.2 | - | - |
| Interest Received | 193,747 | 44.6 | 242,271 | 51.6 |
| | <u>434,102</u> | <u>100.0</u> | <u>469,468</u> | <u>100.0</u> |
| Less: EXPENSES | | | | |
| Administrative Fees | 84 | 0.0 | 524 | 0.1 |
| Management Fee - Craigs | 4,674 | 1.1 | 4,339 | 0.9 |
| Grants Approved | 842,005 | 194.0 | 443,827 | 94.5 |
| Bank Charges | - | - | 18 | 0.0 |
| Realised Loss on Sale of Investments | 1,269 | 0.3 | 22,975 | 4.9 |
| | <u>848,032</u> | <u>195.4</u> | <u>471,683</u> | <u>100.5</u> |
| DEFICIT | <u>(413,930)</u> | <u>(95.4)</u> | <u>(2,215)</u> | <u>(0.5)</u> |
| Plus: | | | | |
| Unrealised Gain/(Loss) on Investment | (8,693) | (2.0) | 30,066 | 6.4 |
| | <u>8,693</u> | <u>2.0</u> | <u>(30,066)</u> | <u>(6.4)</u> |
| NET DEFICIT BEFORE BENEFICIARIES DISTRIBUTION | <u>(422,623)</u> | <u>(97.4)</u> | <u>27,851</u> | <u>5.9</u> |
| Less Distribution to Beneficiaries | - | - | - | - |
| NET DEFICIT BEFORE TAXATION | <u>(422,623)</u> | <u>(97.4)</u> | <u>27,851</u> | <u>5.9</u> |
| Income Tax Expense | - | - | - | - |
| NET DEFICIT AFTER TAXATION | <u><u>(422,623)</u></u> | <u><u>(97.4)</u></u> | <u><u>27,851</u></u> | <u><u>5.9</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 2014

| | This Year \$ | Last Year \$ |
|--|------------------|------------------|
| Trust Opening Equity | 2,935,989 | 2,908,138 |
| Residual Income Current Year | (422,623) | 27,851 |
| Total Recognised Revenues & Expenses for the Period | (422,623) | 27,851 |
| Movements in Trust Capital | - | - |
| Movements in Trustees Income Account | - | - |
| Equity at End of Period | <u>2,513,366</u> | <u>2,935,989</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 2014

| | This Year \$ | Last Year \$ |
|----------------------------------|-------------------------|-------------------------|
| CURRENT ASSETS | | |
| SBS Bank | 13,022 | 2,778 |
| Craigs Cash Management Account | 176,659 | 164,018 |
| Accrued Income | 232,896 | - |
| G S T | 166,186 | 149,545 |
| | <u>588,763</u> | <u>316,341</u> |
| Less: CURRENT LIABILITIES | | |
| Grant Approved & Unpaid | 1,457,930 | 859,406 |
| | <u>1,457,930</u> | <u>859,406</u> |
| WORKING CAPITAL DEFICIT | <u>(869,167)</u> | <u>(543,066)</u> |
| INVESTMENTS | | |
| Craigs Investments | 3,079,326 | 2,572,619 |
| Westpac Term Deposit | 101,356 | 805,931 |
| BNZ Term Deposit | 201,851 | 100,505 |
| | <u>3,382,533</u> | <u>3,479,055</u> |
| NET ASSETS | <u><u>2,513,366</u></u> | <u><u>2,935,989</u></u> |
| REPRESENTED BY: | | |
| Trust Capital Account | - | - |
| Trust Income Account | 2,513,366 | 2,935,989 |
| | <u><u>2,513,366</u></u> | <u><u>2,935,989</u></u> |


.....

Chairperson


.....

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 2014

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 2014

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 (2013: \$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 2014. (2013:\$Nil).

5 CONTINGENT LIABILITIES

The Trust has no contingent assets or liabilities at 30 June 2014. (2013:\$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 2014 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 2014, and its financial performance for the year then ended in accordance with generally accepted accounting practice in New Zealand.



R K Owen

17 November 2014

Owen McLeod & Co
Hamilton