



# **Chairman's Report**

## **On Trust operations**

### **For the Year Ended 30<sup>th</sup> June 2020**



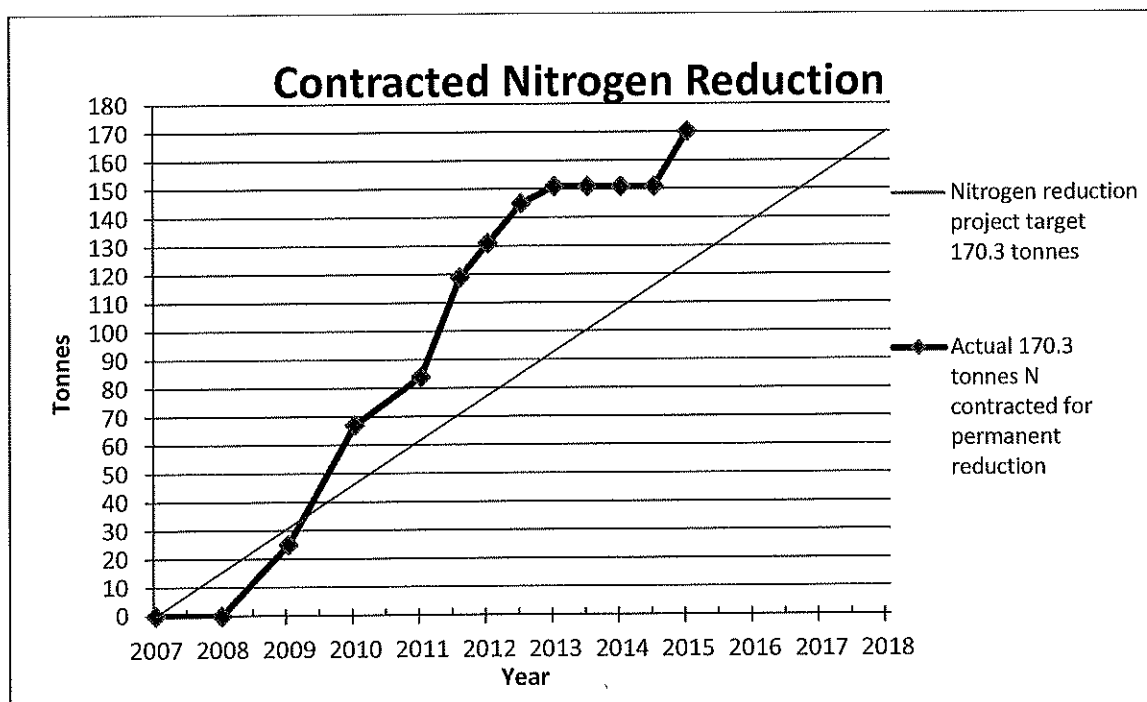
# Report

## 1.0 Background

- 1.1 As background, the Lake Taupo Protection Trust was formed and became operative at the time of establishment of the Lake Taupo Protection Project on 9<sup>th</sup> February 2007. The Trust's role is maintenance of water quality in Lake Taupo through a reduction in the manageable nitrogen (N) levels entering into Lake Taupo by 20%.
- 1.2 The Trust commenced its activities with the use of the public fund based on the 20% N reduction figure which was estimated to be 153,000kgs. Post a review of the project in 2011 and in consideration of the final figures on the total nitrogen obtained from the benchmarking exercise undertaken by Waikato Regional Council, the projects nitrogen reduction target was increased to 170,300kgs.
- 1.3 The effect of that increase was that the original funding allocation was insufficient to acquire the increased N target amount 173,300kgs. As a consequence in April 2013, the Lake Taupo Protection Project Joint Committee (the Joint Committee) overseeing the project, received confirmation of additional Crown funding which then enabled the two local authorities to subsequently release additional funds to enable the project to progress to the increased N reduction target.

## 2.0 Contracted Agreements for the Nitrogen Reductions

- 2.1 The Trust completed the final nitrogen reduction agreement on 29<sup>th</sup> June 2015 to achieve the projects overall 'contracted' N reduction target of 170,300 kgs. During the ensuing four year period the remaining annual N reduction payments were completed and 'on farm' N reductions were achieved in accordance with the N reduction agreements.



## 3.0 Trust operations:

### Nitrogen reduction agreements:

- 3.1 The N reduction agreements have continued to be monitored for compliance throughout the year. The Trust has received and processed a number of requests from contracted parties during the reporting period. Some requests have required careful thought and consideration and decision making by Trustees. In addition Waikato Regional Council confirmed in writing

to the Trust that all parties it had contracted with were compliant with their N discharge allowance.

- 3.2 The Trust had two file matters in the spotlight both requiring different degrees of remedial planting; one of which is now compliant. The other matter is ongoing and the parties are currently engaging on the back of formal remedies having been instigated. A conclusion is anticipated during the incoming financial year.

#### 4.0 **Financial position:**

- 4.1 The Trust remained in a positive position at balance date having operated on residual funds with very limited income derived from term deposit activities. Alongside the annual budget the Trust maintained a cash flow projection which enabled the Trust to monitor the big picture view of its expenses and liabilities to ensure it could sustain its operating costs.
- 4.2 The Trust reported and confirmed to the Joint Committee throughout the reporting period that it had sufficient residual funds to cover operating costs for the year ended 30 June 2020 and the incoming financial year ending 30 June 2021.

#### 5.0 **Audit:**

- 5.1 Audit New Zealand has continued to scrutinize financial transactions and nitrogen reduction agreements for compliance purposes and in doing so provides an external review at arm's length together with an independent opinion. The annual audit process provides assurance to the Joint Committee and the general public alike that the expenditure of the public fund has been correctly managed and applied.

#### 6.0 **Research:**

- 6.1 The Trust made its final co-funder payment to the research project "Nitrogen leaching from Lucerne grazed by stock" in the second half of the year. This concluded the Trust's research ability as the public fund was largely expended in the acquisition of Nitrogen.

#### 7.0 **Project transition planning:**

- 7.1 Trustees and staff participated in and provided operational information to assist with the ongoing Lake Taupo Protection Project transition work undertaken by project partners and the Trust throughout the year.
- 7.2 The Trust maintained its long shared view that one of the cornerstone elements of the project's success to date has been the independence (in one sense) of the Trust operating free from the political and daily management influences of the Joint Committee and its members and highlighted the benefit of being able to get on and do the tasks at hand. The Trust also signaled the one constant in the project at governance level has been the constant change in membership over the term of the project. Consequently it is the view of trustees that the future co-governance entity should comprise a body that is independent of any one party's control or influence and is able to provide consistency in its makeup. In the Trust's view the aforementioned factors have benefited the project and contributed to its success to date.
- 7.3 A number of future governance and management options were considered by the Joint Committee during the year; next steps for the incoming financial year will include consultation on the future governance and management options and funding through Taupo District and Waikato Regional Councils long term planning processes. In the interim period the Joint Committee endorsed the Trust's Statement of Intent for the incoming year on a business as usual basis.

#### 8.0 **Trustees and staff:**

- 8.1 The Trust continues to operate with 4 trustees and 1 staff member during the reporting period (having downsized in 2015 from 7 trustees and 2 staff, to the current level).

## 9.0 **Looking ahead:**

### 9.1 The Trust will continue to:

- Focus on ongoing compliance with the nitrogen reduction agreements and process any requests in relation to those agreements; and
- Management of available funds and meeting the approved budget for the year ahead; and
- Be operationally ready to the extent that it can be and in readiness to respond to either a wind up, transition to another agency, or continuation decision.
- Report quarterly to the Joint Committee as required by the project documents and any other topical matters that may arise; and
- Report to the Joint Committee the cash flow position should it fall below \$200K; and
- Support and assist member agencies with the planning associated with the future management of nitrogen reduction agreements and the transition process.
- The Trust awaits a decision on its future post 30 June 2021.

## 10.0 **Project transition decision** (post 30 June 2021):

### 10.1 The two funding Councils will be consulting with their constituents during on the projects future options including funding during their long term plan process which will be undertaken in the incoming financial year. The outcome of this process will be known in May 2021. Once the decision is made as to what the preferred future option is, the Settlers acting through the Joint Committee will inform the Trust and at that point the Trust will respond accordingly.

## 11.0 **Thanks:**

### 11.1 I wish to acknowledge and thank my fellow Trustees Sue Yerex, Jerry Rickman, and Gerald Fitzgerald, and the trust manager Marion Peck for their collective support and commitment, dedication and effort over the past 12-months.

I also acknowledge the contributions of the Joint Committee and staff from the member agencies for their collective commitment, focus, and efforts during the past year.

I also wish to acknowledge the recent passing of former Chair John Kneebone and to acknowledge the huge contribution he made to the success of this project both in its formative years and implementation.

## 12.0 **Nature and Scope of Activities**

### ➤ **Fund Management**

### 12.1 The Trust's Treasury Policy (incorporating Liability Management and Investment Policies) guides the Trust investments and financial transactions; this was reviewed, and approved by the Trust in May 2020.

### 12.2 As stated above the Trust operates a cash flow projection which projects operating costs up to 30<sup>th</sup> June 2021. This document allows Trustees to measure progress and compliance in their governance role.

## 13.0 **Future Direction**

### ➤ **Annual Business Plan**

### 13.1 The Trust has in place an approved annual business plan to manage and assist with its operations for the ensuing financial year; this is an internal document which will also be referenced for performance management purposes with staff. Progress is tracked monthly through staff reporting to Trustees.

## 14.0 Administration

- **Report six monthly to the Joint Committee on progress both financial and qualitative.**

14.1 The Trust fulfilled its 6-monthly reporting requirements to the Joint Committee and complied with the reporting timeframes.

- **Statement of Intent (SOI)**

14.2 The Trust undertook the SOI process in accordance with the requirements of Clause 14 of the Trust Deed. The draft SOI for the financial year ending 30 June 2021 was presented to the Joint Committee at its April 2020 meeting. The final SOI was approved by the Trust in May 2020, and endorsed by the Joint Committee in June 2020.

- **Meetings**

14.3 The Lake Taupo Protection Trust held 12 meetings and other as required meetings throughout the year. The Trust dealt with a number of matters related to the nitrogen reduction agreements, progressed two partial breaches one of which is now compliant; the other matter is ongoing. The Trust chair and manager contributed at project level to conversations and attended meetings and workshops related to future governance and management options of the project and kept trustees up to date.

- **Service Level Agreements**

14.4 The Trust retained the ongoing external services for the provision of accounting and legal services, and forestry consultant services to a lesser degree on an 'as required' basis.

## 15.0 Ratio of Consolidated Shareholder Funds

15.1 Because of the nature of the Trust's business there was no specific target ratio of consolidated shareholders' funds to total assets.

## 16.0 Accounting Policies

16.1 Trust operations which involved purchasing Nitrogen reductions over time and allowing nitrogen reductions to take place over that time has had specialist accounting advice to ensure that the Trust met the requirements of GAAP and PBE IPSAS.

## 17.0 Estimate of Distribution to Shareholders

17.1 Other than agreed services there were no distributions to Funding Bodies or beneficiaries and none are envisaged.

## 18.0 Operational Performance Objectives for the Financial Year ended 30 June 2020

Action	Performance
The Trust will operate in alignment with the Trust Deed, the Statement of Intent, annual operating targets and in compliance with the provisions applicable to it under the Local Government Act.	Achieved.
The Trust will report the cash flow projection to the Joint Committee.	Achieved; reported June 2020.
Continue to administer Trust Nitrogen Reduction	Achieved.

Agreements for compliance.	
Operate and report on the outcomes of nitrogen research projects approved by the Trust.	Achieved. The Trust's investment into research projects within the catchment has concluded.
Continue to undertake responsibilities identified for the Trust under the Taupo Catchment Compliance Monitoring Plan and generally support the operation of those Plans by the other joint parties including the Trust's support of the Lake Taupo Protection Project's Communication Plan.	Achieved; ongoing.

### Statement of Intent (SOI) Targets & Performance against targets

Actions	Performance Measures	Performance against Targets
Oversee the financial position of the Trust to meet and maintain a positive projected cash flow projection.	Cash flow projection in place updated and reported to Trustees quarterly; and trust operations performed to achieve a positive financial outcome.	Achieved. The cash flow projection was reported to Trustees on a quarterly basis.  The cash flow is currently projecting some residual funds at 30 June 2021 (on the basis that the Trust has no financial surprises).
Report the cash flow projection to the Joint Committee (to show the ability of the project to complete within budget).	Cash flow projection reported to the Joint Committee before balance date.	Achieved. Cash flow reported to the June 2020 meeting of the Joint Committee.
Keep the Joint Committee up to date with any planned or proposed monitoring activities in relation to the nitrogen reduction agreements as prescribed in The Deed of Variation (Monitoring Deed) – Schedule of Changes.	Joint Committee up to date with any Trust monitoring activities undertaken or in the pipeline by way of report(s).	Achieved. The Trust reported quarterly to the Joint Committee on compliance with nitrogen reduction agreements.
Ensure that all nitrogen reduction contracts are being complied with to achieve the overall Nitrogen reduction target of 170,300 kgs and where relevant in conjunction with Waikato Regional Council.	Nitrogen reduction agreements are compliant; any contractual failure is addressed to achieve repatriation of any loss of nitrogen reduction.	Achieved.  All parties the Trust contracted with were compliant with their annual nitrogen discharge allowance as confirmed by Waikato Regional Council.  Trustees were updated monthly and the Joint Committee quarterly. Two parties had partial remedial planting to

Actions	Performance Measures	Performance against Targets
		undertake. One party is now compliant. The Trust instigated legal proceedings with the other party; communication between the parties is now underway and ongoing.
Monitor/track that compliance monitoring results are received on an ongoing basis for LTPT N reduction deals.	Monitoring compliance results received in accordance with monitoring plan timelines; Audit NZ notified of the results.	Achieved.
Report to trustees on compliance monitoring results (received from Waikato Regional Council) for LTPT N reduction purchases.	Trustees up to date with compliance monitoring results.	Achieved.
Manage Trust funded research projects that have been previously approved by the Trust.	Research outcomes reported on.	Achieved.
Participation and assistance in the annual audit of the Trust.	Positive audit result.	Achieved.
Carry out Trust responsibilities identified in the Taupo Catchment Compliance Monitoring Plan and provide support in the operation of the plan with other joint parties which includes the Trusts support of the Lake Taupo Protection Projects Communication Plan.	Trust actions completed and the Taupo Catchment Compliance monitoring plan supported on an ongoing basis.	Achieved; ongoing.
Provide ongoing support as required in the operation of the Lake Taupo Catchment Compliance Framework.	Support provided as requested to achieve the aims of the Lake Taupo Catchment Compliance Framework.	Ongoing.
Provide assistance and support and participate in the project transition planning process as required.	Project transitioning process progresses and implemented.	Achieved; ongoing.

Clayton Stent  
Chairman

**The Lake Taupo Protection Trust**  
**Statement of Comprehensive Revenue and Expense**  
**For the Year Ended 30 June 2020**



	Note	Actual 2020	Budget 2020	Actual 2019
<b>Revenue from Non-Exchange Transactions</b>				
Council operating grants		-	-	-
Government grants		-	-	-
Total Revenue from Non-Exchange Transactions		-	-	-
<b>Revenue from Exchange Transactions</b>				
Interest		37,073	15,000	47,746
Total Revenue from Exchange Transactions		37,073	15,000	47,746
<b>Total Revenue</b>		37,073	15,000	47,746
<b>Expenses</b>				
Depreciation & amortisation	8	1,207	1,440	2,249
Employee benefit costs	2	106,016	98,500	100,148
Operating lease expense		28,478	30,480	28,921
Nitrogen Reduction Payments	9	-	-	4,065,275
Trustee fees	3	61,000	69,782	61,000
Other expenses	4,22	121,157	571,232	168,579
Total expenses		317,858	771,434	4,426,172
<b>Operating Surplus</b>		(280,785)	(756,434)	(4,378,426)
Other gains/losses		-	-	-
<b>Net Surplus for the year attributable to trust beneficiaries</b>		(280,785)	(756,434)	(4,378,426)
Other Comprehensive Revenue		-	-	-
<b>Total Comprehensive Revenue and (Expense) for the year attributable to trust beneficiaries</b>		(280,785)	(756,434)	(4,378,426)

Explanations of major variances against budget are detailed in note 22.



**The Lake Taupo Protection Trust**  
**Statement of Changes in Net Assets/Equity**  
**For the Year Ended 30 June 2020**



	Note	Actual 2020	Budget 2020	Actual 2019
<b>Balance at 1 July</b>		1,532,605	1,462,221	5,911,031
Surplus for the year		(280,785)	(756,434)	(4,378,426)
Other Comprehensive revenue and expense		-	-	-
Total Comprehensive revenue and expense for the period		(280,785)	(756,434)	(4,378,426)
<b>Balance at 30 June</b>	12	<u>1,251,820</u>	<u>705,787</u>	<u>1,532,605</u>

Explanations of major variances against budget are detailed in Note 22.

**The Lake Taupo Protection Trust**  
**Statement of Financial Position**  
**As At 30 June 2020**



	Note	Actual 2020	Budget 2020	Actual 2019
<b>ASSETS</b>				
<b>Current assets</b>				
Cash & cash equivalents	5	98,226	192,080	221,486
Term Investments	6	1,215,000	500,000	1,355,378
GST refund due from IRD		5,719	57,189	7,837
Debtors and other receivables from exchange transactions	7	3,466	13,278	6,986
Debtors and other receivables from non-exchange transactions	7	-	-	-
Prepayments	16	3,481	7,765	6,203
Total current assets		1,325,892	770,312	1,597,890
<b>Non-current assets</b>				
Prepayments	16	-	-	186
Property, plant & equipment	8	2,135	2,187	3,341
Total non-current assets		2,135	2,187	3,527
<b>Total assets</b>		<b>1,328,027</b>	<b>772,499</b>	<b>1,601,417</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Creditors & other payables	10	51,546	45,516	44,914
Employee entitlements	11	24,661	21,196	23,898
Total current liabilities		76,207	66,712	68,812
<b>Total liabilities</b>		<b>76,207</b>	<b>66,712</b>	<b>68,812</b>
<b>Net assets</b>		<b>1,251,820</b>	<b>705,787</b>	<b>1,532,605</b>
<b>Trust Equity</b>				
<b>Equity attributable to the beneficiaries of the Trust</b>				
Contributed capital	12	10	10	10
Accumulated comprehensive revenue and expense	12	1,251,810	705,777	1,532,595
<b>Total equity</b>		<b>1,251,820</b>	<b>705,787</b>	<b>1,532,605</b>

Explanations of major variances against budget are detailed in Note 22.

Chairman  
Dated:

The accompanying notes form part of these financial statements.

**The Lake Taupo Protection Trust**  
**Statement of Cash Flows**  
**For the Year Ended 30 June 2020**



	Note	Actual 2020	Budget 2020	Actual 2019
<b>Cash flows from operating activities</b>				
Council operating grants - Non exchange transactions		-	-	-
Government grants - Non exchange transactions		-	-	-
Interest received - Exchange transactions		40,594	15,000	40,940
Payments to suppliers and employees		(306,349)	(769,992)	(382,462)
Payments for Nitrogen Reduction		-	-	-
Goods and services tax (net)		2,117	17,042	231,483
Net cash from operating activities	13	(263,638)	(737,950)	(110,039)
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		-	-	(1,615)
Change in term deposit investments		140,378	(500,000)	(605,378)
Net cash from investing activities		140,378	(500,000)	(606,993)
<b>Cash flows from financing activities</b>				
Proceeds from borrowings		-	-	-
Repayments of borrowings		-	-	-
Net cash from financing activities		-	-	-
<b>Net increase (decrease) in cash, cash equivalents and bank overdrafts</b>		(123,260)	(1,237,950)	(717,032)
Cash, cash equivalents and bank overdrafts at the beginning of the year		221,486	1,430,030	938,518
<b>Cash, cash equivalents and bank overdrafts at end of year</b>	5	<b>98,226</b>	<b>192,080</b>	<b>221,486</b>

Other explanations of major variances against budget are detailed in Note 22.

## **1 Statement of Significant Accounting Policies for the year Ended 30 June 2020**

### **Reporting Entity**

The Lake Taupo Protection Trust (the Trust) is a charitable trust incorporated in New Zealand, on 9 February 2007, under the Charitable Trusts Act 1957 and the Charities Act 2005 and is domiciled in New Zealand. The Trust is controlled by the Trustees, Taupo District Council, Waikato Regional Council, and the Ministry for the Environment, and is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002, by virtue of the Council's right to appoint the Board of Trustees.

The primary objective of the Trust is the maintenance of water quality in Lake Taupo through a reduction in nitrogen levels in the Lake Taupo Catchment Area. The Trust's purposes are for the benefit of people in the communities surrounding Lake Taupo and of New Zealand. As the Trust's primary objective is to provide services for community and social benefit, rather than making a financial return, the Trust is a public benefit entity for the purpose of financial reporting.

The financial statements of the Trust are for the year ended 30 June 2020. The financial statements were authorised for issue by the Board of Trustees on the [Date to be confirmed].

As at 30th June 2020 Nitrogen Reduction Agreements are in place and have achieved the overall reduction target of 170.3 tonnes. All Nitrogen Reduction Agreements were compliant with their Total Annual Nitrogen Discharge Allowance as confirmed in writing by Waikato Regional Council to the Trust.

### **Future of the Trust**

\* In May 2020 the Lake Taupo Protection Project Joint Committee (the Joint Committee) confirmed the Trust's Statement of Intent on a business as usual basis for the year ending 30 June 2021.

\* Trustees have previously been notified in writing by the Joint Committee chair that their term of office is up to 30 June 2021 or when the Trust winds up, whichever comes first.

\* The Settlers of the Lake Taupo Protection acting through the Joint Committee are considering future governance and management options for the Lake Taupo Protection Project (post 30 June 2021). This process requires the two funding Councils to the project (Taupo District and Waikato Regional Councils) to consult on the future governance and management options with their ratepayers. The outcome of the long term plan process won't be confirmed until May 2021. The Settlers acting through the Joint Committee will inform the Trust of their preferred option thereafter. The Trust will respond accordingly to either a wind up, transition to another agency, or continuation decision.

Based on current financial projections the Trust forecasts that it has sufficient funds to operate up to 30 June 2021 or part thereof.

### **Basis of preparation**

The financial statements have been prepared on a going concern basis, and accounting policies have been applied consistently throughout the period.

#### *Statement of compliance*

The financial statements of the Trust have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

The financial statements have been prepared in accordance with Tier 2 PBE Standards. The Trust is eligible to report in accordance with Tier 2 PBE Standards due to the Trust not being publicly accountable or large, as defined by the *External Reporting Board (XRB) Standard A1: Application of Accounting Standards*. 'Large' is defined as the entity having expenses greater than \$30million.

#### *Measurement base*

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

#### *Functional & presentation currency*

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of the Trust is New Zealand dollars.

Explanations of major variances against budget are detailed in note 22.

## **SIGNIFICANT ACCOUNTING POLICIES**

### **Revenue**

Revenue is measured at the fair value of consideration received.

### *Grants*

Grants received from Waikato Regional Council, Taupo District Council and the Ministry for the Environment are the primary source of funding to the Trust and are restricted for the purposes of the Trust meeting its objectives as specified in the trust deed.

Council, government and non-government grants are recognised as revenue when they become receivable unless there is an obligation to return the funds if conditions of the grant are not met. If there is such an obligation the grants are initially recorded as grants received in advance, and recognised as revenue when conditions of the grant are satisfied.

### *Interest*

Interest income is recognised using the effective interest method.

### **Leases**

#### *Operating Leases*

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term.

### **Cash and cash equivalents**

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

Bank overdrafts are shown within borrowings as a current liability in the statement of financial position.

### **Debtors and other receivables**

Short term debtors and other receivables are recorded at their face value, less any provision for impairment.

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

### **Creditors and other payables**

Creditors and other payables are recorded at their face value.

### **Investments**

Investments in bank deposits are initially measured at fair value plus transaction costs.

After initial recognition investments in bank deposits are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the Statement of Comprehensive Revenue and Expense.

At each reporting date the Trust assesses whether there is any objective evidence that an investment is impaired. Any impairment losses are recognised in the Statement of Comprehensive Revenue and Expense.

### **Property, Plant & Equipment**

Property, Plant & Equipment are shown at cost, less accumulated depreciation and impairment losses.

#### *Additions*

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefit or service potential associated with the item will flow to the Trust and the cost of an item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at fair value when control over the asset is obtained.

#### *Disposals*

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposal are included in the Statement of Comprehensive Revenue and Expense.

#### *Subsequent costs*

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefit or service potential associated with the item will flow to the Trust and the cost of an item can be measured reliably.

#### *Depreciation*

Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write off the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Furniture and fittings	8.5% - 67% Straight line depreciation rate
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The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

### **Impairment of non-financial assets**

Assets with a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Trust would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. The total impairment is recognised in the Statement of Comprehensive Revenue and Expense.

### **Employee entitlements**

#### *Short-term entitlements*

Entitlements that the Trust expects to be settled within 12 months of the reporting date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date.

#### **Good and Service Tax (GST)**

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

#### **Budget figures**

The budget was approved by the Board of Trustees on 20th May 2019 and endorsed by the Joint Committee. The budget figures have been prepared in accordance with PBE IPSAS, using accounting policies that are consistent with those adopted by the Trust for the preparation of the financial statements.

#### **Income Tax**

The Lake Taupo Protection Trust is exempt from income tax as they are a registered charity with the Charities Commission.

#### **Critical accounting estimates and assumptions**

In preparing these financial statements the Trust has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

##### *Compliance of Nitrogen Reduction Agreements*

Critical assumptions are made in relation to the nitrogen reduction agreements in that an assumption is made that the land owner is either complying with the legal agreement or will in the future comply with the agreement for on-going nitrogen reduction. Many of the nitrogen reduction agreements have post settlement conditions to be completed over time, such as afforestation of the property, or a reduction in the level of nitrogen by less intensive farming activities. While assumptions are needed to be made before there is evidence that either the nitrogen reduction activities have reduced the nitrogen being emitted to the appropriate level, or that the correct area has been afforested, these assumptions are supported by the requirements of the resource consent and the on-going monitoring of the nitrogen reductions by Waikato Regional Council.

The nitrogen reduction expense is recorded in the financial statements when it is understood that the third parties have met their nitrogen reduction obligations as per their nitrogen reduction agreements. If a nitrogen reduction payment is made to a landowner per their payment schedule but the nitrogen reduction obligations have not been met then the payment is recorded as a prepayment until these obligations have been met and then the payment is recorded as an expense. When the Trust enters into nitrogen reduction agreements with the land owners and the nitrogen reduction agreements have obligations that are not due to be met until dates in the future, the Trust will record the expected liability as a contingent liability on the assumption that it is likely that the landowner will meet the conditions. These contingent liabilities are listed in note 15 of the financial statements.

#### **Critical judgements in applying the Trust accounting policies**

The Trustees must exercise their judgement when recognising grant income to determine if conditions of the grant contract have been satisfied. This judgement will be based on the facts and circumstances that are evidence for each grant contract.

**The Lake Taupo Protection Trust**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2020**



**2 Employee benefit costs**

	Actual 2020	Actual 2019
Salaries and wages	102,188	97,632
KiwiSaver contributions	3,065	2,929
Increase/ (decrease) in employee benefit liabilities	763	(413)
Total employee benefit costs	106,016	100,148

**3 Trustee fees**

	Actual 2020	Actual 2019
Trustee Fees	61,000	61,000
Total Trustee Fees	61,000	61,000

**4 Other expenses**

	Actual 2020	Actual 2019
<i>Fees to Auditors:</i>		
Audit fees for financial statement audit (2019)	-	22,677
Audit fees for financial statement audit (2020)	23,146	-
<i>Other Expenses:</i>		
Website development/maintenance expenses	44	618
Research Expenses	13,043	30,435
Legal Expenses	25,879	34,090
Other Expenses	59,045	80,759
Total Other Expenses	121,157	168,579

**5 Cash & Cash Equivalents**

	Actual 2020	Actual 2019
Cash at Bank and On Hand	98,226	221,486
BNZ Term Deposit	-	-
Net Cash and Cash Equivalents and bank overdrafts for the purposes of the Statement of Cashflows.	98,226	221,486

The carrying value of cash at bank and short-term deposits with maturity dates of three months or less approximates their fair value.  
Term deposits with maturities of less than 3 months at acquisition are required to be disclosed as cash and cash equivalents.

**6 Term Investment**

	Actual 2020	Actual 2019
BNZ Term Deposit	350,000	405,378
BNZ Term Deposit	415,000	500,000
BNZ Term Deposit	450,000	450,000
Net Cash and Cash Equivalents and bank overdrafts for the purposes of the Statement of Cashflows.	1,215,000	1,355,378

The start date of the \$350,000 BNZ term deposit was 4th March 2020 and it matures on the 4th September 2020. Interest rate is 2.45%.  
The start date of the \$415,000 BNZ term deposit was 30th June 2020 and it matures on the 1st February 2021. Interest rate is 1.75%.  
The start date of the \$450,000 BNZ term deposit was 2nd June 2020 and it matures on the 5th January 2021. Interest rate is 2.01%.



**The Lake Taupo Protection Trust**  
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**7 Debtors & other receivables**

	<b>Actual 2020</b>	<b>Actual 2019</b>
Gross debtors and other receivables from exchange transactions	3,466	6,986
Related Party Receivables	-	-
Less provision for impairment	-	-
<b>Total debtors &amp; other receivables</b>	<b>3,466</b>	<b>6,986</b>

*Fair Value*

Debtors and other receivables are non-interest bearing and receipt is normally on 30 day terms. Therefore, the carrying value of debtors and other receivables approximates their fair value.

*Impairment*

The carrying amount of receivable that would otherwise be past due or impaired whose terms have been renegotiated is \$0 (2019 \$nil).

The status of receivables as at 30 June 2020 and 2019 are as follows:

	<b>2020</b>			<b>2019</b>		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	3,466	-	3,466	6,986	-	6,986
<b>Total</b>	<b>3,466</b>	<b>-</b>	<b>3,466</b>	<b>6,986</b>	<b>-</b>	<b>6,986</b>

The trust holds no collateral or other credit enhancements for financial instruments that give rise to credit risk, including those instruments that are overdue or impaired.

**8 Property, plant and equipment**

	<b>Furniture &amp; fittings</b>	<b>Total</b>
<b>Cost</b>		
Balance at 1 July 2018	17,090	17,090
Additions	1,616	1,616
Disposals	(153)	(153)
<b>Balance at 30 June 2019</b>	<b>18,553</b>	<b>18,553</b>
Balance at 1 July 2019	18,553	18,553
Additions	-	-
Disposals	-	-
<b>Balance at 30 June 2020</b>	<b>18,553</b>	<b>18,553</b>
<b>Accumulated depreciation and impairment losses</b>		
Balance at 1 July 2018	13,115	13,115
Depreciation expense	2,249	2,249
Impairment losses	-	-
Disposals	(153)	(153)
<b>Balance at 30 June 2019</b>	<b>15,211</b>	<b>15,211</b>
Balance at 1 July 2019	15,211	15,211
Depreciation expense	1,207	1,207
Impairment losses	-	-
Disposals	-	-
<b>Balance at 30 June 2020</b>	<b>16,418</b>	<b>16,418</b>
<b>Carrying amounts</b>		
At 1 July 2018	3,975	3,975
At 30 June and 1 July 2019	3,342	3,342
<b>At 30 June 2020</b>	<b>2,135</b>	<b>2,135</b>

There are no restrictions over the Trust's property, plant and equipment, nor is any property, plant and equipment pledged as security for liabilities.

## **9 Nitrogen Reduction Payments and Commitments**

This expenditure relates to agreements with external parties within the Lake Taupo catchment. These payments are designed to compensate the external parties in changing their farming practices in order to reduce nitrogen discharges. In accordance with the Trust's accounting policy, an expense is recorded when the third parties have met certain conditions.

The Trust expects that all conditions will ultimately be met, with an expected expense profile as follows:

	<b>Actual 2020</b>	<b>Actual 2019</b>
Committed and disbursed nitrogen payments	-	0
Movement in nitrogen payable	-	0
Less: Movement in nitrogen prepayment	-	4,065,275
<b>Total Nitrogen Payment for the Year</b>	<b>-</b>	<b>4,065,275</b>

### ***Nitrogen Reduction Payments Outstanding***

	<b>Actual 2020</b>	<b>Actual 2019</b>
Opening Balance	-	-
Plus committed nitrogen payments during 2020	-	-
Nitrogen Prepayment still to be recognised	-	-
Less amounts paid	-	-
Plus amounts no longer payable	-	-
<b>Closing balance</b>	<b>-</b>	<b>-</b>
Committed to pay as follows;		
Current:	-	-
Non-current:		
Between 1 and 2 years	-	-
Between 2 and 3 years	-	-
Between 3 and 5 years	-	-
Over 5 years	-	-
<b>Total Non-current</b>	<b>-</b>	<b>-</b>

## **10 Creditors & other payables**

	<b>Actual 2020</b>	<b>Actual 2019</b>
Creditors	12,233	5,620
Related party payables	7,766	7,747
Accrued expenses	31,547	31,547
<b>Total creditors &amp; other payables</b>	<b>51,546</b>	<b>44,914</b>

Creditors and other payables are non interest bearing and are normally settled in 30 day terms, therefore the carrying value approximates their fair value.

**The Lake Taupo Protection Trust**  
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**For the Year Ended 30 June 2020**



**11 Employee entitlements**

	<b>Actual 2020</b>	<b>Actual 2019</b>
Accrued salaries and wages	751	3,755
Annual leave	23,910	20,143
<b>Total employee benefit liabilities</b>	<b>24,661</b>	<b>23,898</b>
Comprising:		
Current	24,661	23,898
Non-current	-	-
<b>Total employee benefit liabilities</b>	<b>24,661</b>	<b>23,898</b>

**12 Reconciliation of Equity**

	<b>Actual 2020</b>	<b>Actual 2019</b>
<b>Contributed Capital</b>		
Balance at 1 July	10	10
Capital Contribution	-	-
<b>Balance at 30 June</b>	<b>10</b>	<b>10</b>
<b>Retained Surpluses</b>		
Balance at 1 July	1,532,595	5,911,021
Surplus (deficit) for the year	(280,785)	(4,378,426)
<b>Balance at 30 June</b>	<b>1,251,810</b>	<b>1,532,595</b>
<b>Total Equity</b>	<b>1,251,820</b>	<b>1,532,605</b>

**13 Reconciliation of net deficit to cash from operating activities.**

	<b>Actual 2020</b>	<b>Actual 2019</b>
<b>Surplus/(Deficit) for the year</b>	<b>(280,785)</b>	<b>(4,378,426)</b>
<b>Add / (less) non-cash items</b>		
Depreciation and amortisation expense	1,207	2,249
Depreciation Recovered & Capital Gain	-	-
<b>Add / (less) movements in working capital items</b>		
Debtors & other receivables	3,519	(6,806)
GST	2,118	231,483
Prepayments	2,908	4,066,651
Creditors & other payables	6,632	(24,777)
Nitrogen Reduction Payable	-	-
Employee benefits	763	(413)
<b>Net Cash from Operating activities</b>	<b>(263,638)</b>	<b>(110,039)</b>

#### 14 Capital Commitments & Operating Leases

	Actual 2020	Actual 2019
Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment.	-	-
<b>Operating leases as lessee</b>		
The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:		
Not later than one year	21,858	28,669
Later than one year and not later than 5 years	1,493	5,368
Later than 5 years	-	-
<b>Total non-cancellable operating leases</b>	<b>23,351</b>	<b>34,037</b>

A significant portion of the total non-cancellable operating lease amount relates to the lease of an office building and vehicle. The office building lease expires in July 2021. The vehicle lease expires November 2020.

There are no restrictions placed on the Trust by any of its leasing arrangements.

#### 15 Contingencies

##### Contingent Assets

The trust does not have any contingent assets as at 30 June 2020. (2019: Nil)

##### Contingent Liabilities

The trust does not have any contingent liabilities as at 30 June 2020. (2019: Nil)

#### 16 Prepayments

	Actual 2020	Actual 2019
Insurance (Current)	3,295	5,090
Computer Lease (Current)	186	1,113
Total Current Prepayments	3,481	6,203
Computer Lease (Non-Current)	-	186
Total Non- Current Prepayments	-	186
<b>Total Prepayments</b>	<b>3,481</b>	<b>6,389</b>

Prepayments classified as current relate to insurance, computer lease and employee entitlements. Prepayments classified as non-current relate to computer lease.

## **17 Related Party Transactions**

For the purpose of these financial statements the trust has limited the related parties to the original settlers and trustees.

The Trust was settled by Waikato Regional Council (WRC), Taupo District Council (TDC) and Ministry for the Environment (MFE). A significant amount of operating grants are received from these parties in order for the Trust to deliver its objectives as specified in the Trust deed.

All transactions with related parties were on normal commercial or standard terms.

## **18 Categories of Financial Assets & Liabilities**

The carrying amounts of financial assets and liabilities of each of the PBE IPSAS 29 categories are as follows:

	<b>Actual 2020</b>	<b>Actual 2019</b>
<b>Loans &amp; Receivables</b>		
Cash & Cash Equivalents (note 5)	98,226	221,486
Term Deposit Investment (note 6)	1,215,000	1,355,378
Debtors & Other Receivables (note 7)	3,466	6,986
<b>Total Loans &amp; Receivables</b>	<b>1,316,692</b>	<b>1,583,850</b>
<b>Financial Liabilities measured at amortised cost</b>		
Creditor & other payables (note 10)	51,546	44,914
<b>Total Financial Liabilities measured at amortised cost</b>	<b>51,546</b>	<b>44,914</b>

## **19 Key management personnel compensation**

	<b>Actual 2020</b>	<b>Actual 2019</b>
<i>Board Members</i>		
Remuneration	61,000	61,000
Full-time equivalent members	0.08	0.10
<i>Senior Management Team</i>		
Remuneration	106,016	100,148
Full-time equivalent members	1.00	1.00
<b>Total key management personnel remuneration</b>	<b>167,016</b>	<b>161,148</b>
<b>Total full-time equivalent personnel</b>	<b>1.08</b>	<b>1.10</b>

## **20 Capital Management**

The Trust's capital is its equity, which comprises Trust capital and retained surpluses. Equity is represented by net assets.

The trust deed requires the Board of Trustees to manage its revenue, expenses, assets, liabilities, investments, and general financial dealings prudently. The Trust's equity is largely managed as a by-product of managing revenue, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing the Trust's equity is to ensure the Trust effectively achieves its objectives and purpose, whilst remaining a going concern.

## **21 Events after the Reporting Date**

There were no significant events after the reporting date.

## **22 Explanation of Significant Variances Against Budget**

Explanations for significant variations from the Trust's budgeted figures in the 2019/2020 year are as follows:

<b><u>Statement of Comprehensive Income</u></b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>
<b>Interest</b>	37,073	12,000	25,073
Interest Income is more than budgeted by \$25,073 due to increased funds being held in the call account and term deposits.			
<b>Other Expenses</b>	121,157	571,232	(450,075)

Other Expenses are less than budgeted by \$450,075 due to the budget including Project Transition costs of \$100,000, Contingency costs of \$173,913, Legal fees for Windup of \$65,000 and Monitoring Plan expenses of \$34,783 of which none was spent during the year ended 30 June 2020.

### **Statement of Changes in Equity**

<b>Total Equity</b>	1,251,820	705,787	546,033
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The Equity for the year is \$546,033 more than budgeted due to the decrease in the loss for the year which is mainly due to lower expenses during the period.

### **Statement of Cash flows**

<b>Interest received - Exchange transactions</b>	40,594	15,000	25,594
Interest Income is more than budgeted by \$25,594 due to increased funds being held in the call account and term deposits.			
<b>Payments to suppliers and employees</b>	(306,349)	(769,992)	463,643

Payments to suppliers and employees are \$463,643 lower than budget. This is due to reduced costs during the year, especially in project transition costs, contingency and monitoring costs.

## **23 Impact of Covid**

On March 11, 2020, the World Health Organisation declared the outbreak of a coronavirus (Covid-19) a pandemic and two weeks later the New Zealand Government declared a State of National Emergency. The global Covid-19 pandemic has had a significant impact on the majority of organisations and their people across the globe. New Zealand was at Alert Level 4 from late March 2020, resulting in a four-week nationwide lockdown. The country has gradually moved to Alert Level 1. The lockdown has caused economic uncertainties in many industries.

We assessed the impact of this event on the Trust. We also reviewed our financial statements on a line by line basis. We concluded the impact of the Covid-19 pandemic is minimal on the Trust's operations and activities. The main factors contributing to our conclusion are:

- \* Our main revenue is secured from interest on investment from term deposits
- \* Our receivables relate to interest on investments. There are no indicators for impairment.
- \* Our payables relate to well established businesses and are mainly legal, accounting and audit expenses. Our total current assets exceed our total current liabilities.
- \* Our main financial assets consist cash and cash equivalents and term investments that do not need to be fair valued. We also do not have any significant property, plant and equipment that needs fair valuation.