

**The Lake Taupo Protection Trust
Statement of Comprehensive Income
For the Year Ended 30 June 2011**



	Note	Actual 2011	Budget 2011	Actual 2010
Income				
Council operating grants		3,259,000	3,259,000	3,259,000
Government grants		2,667,000	2,667,000	2,667,000
Interest		242,409	30,000	113,808
Lease Income		114,186	62,088	98,515
Profit on sale of assets	7	1,098,228	-	850,430
Nitrogen Clawback Income		29,000	-	-
Total income		7,409,823	6,018,088	6,988,753
Expenses				
Advertising & marketing		9,194	2,854	1,256
Depreciation & amortisation	7	3,448	-	3,780
Employee benefit costs	2	326,122	278,004	266,349
Impairment losses	7	-	-	3,515,481
Operating lease expense		52,549	35,004	50,303
Nitrogen Reduction Payments	8	7,000,000	14,508,240	5,560,000
Trustee fees	3	131,658	144,708	136,555
Other expenses	4	825,227	757,011	809,681
Total expenses		8,348,198	15,725,821	10,343,405
Total Comprehensive Income (Loss)		(938,375)	(9,707,733)	(3,354,652)

Explanations of major variances against budget are detailed in note 24.

**The Lake Taupo Protection Trust
Statement of Changes in Equity
For the Year Ended 30 June 2011**



	Actual 2011	Budget 2011	Actual 2010
Balance at 1 July as previously reported	6,783,076	19,903,841	10,137,728
Total Comprehensive income (loss) previously reported	(938,375)	(9,707,733)	(3,354,652)
Total recognised income / (expense)	5,844,701	10,196,108	6,783,076
Balance at 30 June	5,844,701	10,196,108	6,783,076

The accompanying notes form part of these financial statements.

**The Lake Taupo Protection Trust
Statement of Financial Position
As At 30 June 2011**



	Note	Actual 2011	Budget 2011	Actual 2010
ASSETS				
Current assets				
Cash & cash equivalents	5	6,729,613	3,640,025	2,491,732
GST refund due from IRD		80,513	207,660	39,639
Debtors and other receivables	6	41,609	2,534,003	-
Property held for sale	18	3,595,000	4,040,826	-
Prepayments	16	850,000	4,632	977,778
Total current assets		11,296,735	10,427,146	3,509,149
Non-current assets				
Prepayments	16	1,640,000	-	-
Property held for sale	18	-	-	3,595,000
Property, plant & equipment	7	6,756	9,743	4,001,091
Total non-current assets		1,646,756	9,743	7,596,091
Total assets		12,943,491	10,436,889	11,105,240
LIABILITIES				
Current liabilities				
Creditors & other payables	10	1,190,894	220,558	1,117,830
Employee entitlements	11	35,673	20,223	15,446
Nitrogen Reduction Payable	8	2,138,889	-	544,444
Total current liabilities		3,365,456	240,781	1,677,720
Non-current liabilities				
Employee entitlements	11	-	-	-
Nitrogen Reduction Payable	8	3,733,334	-	2,644,444
Total non-current liabilities		3,733,334	-	2,644,444
Total liabilities		7,098,790	240,781	4,322,164
Net assets		5,844,701	10,196,108	6,783,076
Trust Equity				
Contributed capital	12	10	10	10
Retained surpluses	12	5,844,691	10,196,098	6,783,066
Total equity		5,844,701	10,196,108	6,783,076

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 2011**



	Note	Actual 2011	Budget 2011	Actual 2010
Cash flows from operating activities				
Council operating grants		3,687,488	3,666,375	3,666,375
Government grants		3,000,375	3,000,375	3,000,375
Interest received		215,521	33,750	116,308
Receipts from other revenue		130,176	69,849	110,829
Payments to suppliers and employees		(872,469)	(955,930)	(1,288,473)
Payments for Nitrogen Reduction		(6,668,222)	(2,548,990)	(3,767,500)
Goods and services tax (net)		(478,875)	(789,779)	(508,019)
Net cash from operating activities	13	<u>(986,006)</u>	<u>2,475,650</u>	<u>1,329,895</u>
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		5,874,068	-	3,270,227
Purchase of property, plant and equipment		(1,280)	-	(3,194,700)
Goods and services tax on assets (net)		(648,901)	-	63,480
Net cash from investing activities		<u>5,223,887</u>	<u>-</u>	<u>139,007</u>
Cash flows from financing activities				
Proceeds from borrowings		-	-	-
Repayments of borrowings		-	-	-
Net cash from financing activities		<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash, cash equivalents and bank overdrafts				
		4,237,881	2,475,650	1,468,902
Cash, cash equivalents and bank overdrafts at the beginning of the year		2,491,732	1,164,374	1,022,830
Cash, cash equivalents and bank overdrafts at end of year	5	<u>6,729,613</u>	<u>3,640,025</u>	<u>2,491,732</u>

The GST (net) component of operating and investment activities reflects the net GST paid and received with the Inland Revenue Department. The GST component has been presented on a net basis, as gross amount do not provide meaningful information for financial statement purposes.

1 Statement of Significant Accounting Policies for the year Ended 30 June 2011

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. Accordingly the Trust has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Accounting Standards (NZ IFRS).

The financial statements of the Trust are for the year ended 30 June 2011. The financial statements were authorised for issue by the Board of Trustees on the 31 July 2011.

Basis of preparation

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).

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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

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 24.

Standards, amendments, and interpretations issued that are not yet effective and have not been early adopted

Standards, amendments, and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Trust, are:

NZ IFRS 9 *Financial Instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus or deficit. The new standard is required to be adopted for the year ended 30 June 2014. The Trust has not yet assessed the effect of the new standard and expects it will not be early adopted.

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.

Lease Revenue

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

Lease incentives received are recognised in the statement of comprehensive income over the lease term as an integral part of the total lease

Other Revenue

Land sales are recognised when title is transferred to the customer.

Volunteers

Volunteer services received are not recognised as revenue or expenditure as the Trust is unable to reliably measure the fair value of the services received.

Leases

Finance Leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the term, the trust recognises leases as assets and liabilities in the statement of financial position at the lower of fair value of the lease item or the present value of minimum lease payments.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Trust will obtain ownership at the end of the term, the asset is fully depreciated over the shorter of the lease term and its useful life.

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 an expenses on a straight-line basis over the lease term.

Lease incentives received are recognised in the statement of comprehensive income over the lease term as an integral part of the total lease expense.

Advertising & marketing costs

Advertising costs are expensed when the related service has been rendered.

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

Debtor and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, 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 initially measured at fair value and subsequently measured at amortised cost using the effective interest

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 financial performance.

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 financial performance.

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 at no cost, or for nominal cost, 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 income.

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% - 36% Straight line depreciation rate
Buildings	0% Straight line depreciation rate

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 comprehensive income statement.

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 includes salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

Long-term entitlements

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave, have been calculated on a actuarial basis. The calculations are based on:

- likely future entitlement accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- the present value of estimated future cash flows.

The discount rate is based on the weighted average of interest rates for government stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the long-term increase in remuneration for employees.

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, including 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 figures are those approved by the Trustees during the financial year. The budget figures have been prepared in accordance with NZ IFRS, using accounting policies that are consistent with those adopted by the Trust for the preparation of the financial statements. The budget was approved by the Board of Trustees on 29 June 2010 and endorsed by the Joint Committee.

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:

Property, plant and equipment useful lives and residual values

At each reporting date the Trust reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the Trust to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Trust, and expected disposal proceeds from the future sale of the asset.

**The Lake Taupo Protection Trust
Notes to the Financial Statements
For the Year Ended 30 June 2011**



An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the statement of comprehensive income, and carrying amount of the asset in statement of financial position. The Trust minimises the risk of this estimation uncertainty by:

- physical inspection of
- asset replacement
- review of second hand market prices for similar assets; and
- analysis of prior asset

The Trust has not made significant changes to past assumptions concerning useful lives and residual values. The carrying amounts of property, plant and equipment are disclosed in a note 7.

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.

2 Employee benefit costs

	Actual 2011	Actual 2010
Salaries and wages	305,894	286,596
Increase/ (decrease) in employee benefit liabilities	20,227	(20,247)
Total employee benefit costs	326,122	266,349

3 Trustee fees

	Actual 2011	Actual 2010
Trustee Fees	113,107	119,225
Meeting Fees	18,551	17,330
Total Trustee Fees	131,658	136,555

4 Other expenses

	Actual 2011	Actual 2010
<i>Fees to Auditors:</i>		
Audit fees for financial statement audit (2010)	-	26,500
Audit fees for financial statement audit (2011)	26,500	-
<i>Other Expenses:</i>		
Website development expenses	1,482	761
Implementation Expenses	440,572	341,251
Other Expenses	356,673	441,169
Total Other Expenses	825,227	809,681

5 Cash & Cash Equivalents

	Actual 2011	Actual 2010
Cash at Bank and On Hand	6,729,613	2,491,732
Net Cash and Cash Equivalents and bank overdrafts for the purposes of the Statement of Cashflows.	6,729,613	2,491,732

The carrying value of cash at bank and short-term deposits with maturity dates of three months or less approximates their fair value.

**The Lake Taupo Protection Trust
Notes to the Financial Statements
For the Year Ended 30 June 2011**



6 Debtors & other receivables

	Actual 2011	Actual 2010
Gross debtors and other receivables	41,609	-
Related Party Receivables	-	-
Less provision for impairment	-	-
Total debtors & other receivables	41,609	-

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 (2010 \$nil).

The status of receivables as at 30 June 2011 and 2010 are as follows:

	2011		2010		
	Gross	Net	Gross	Impairment	Net
Not past due	41,609	41,609	-	-	-
Total	41,609	41,609	-	-	-

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.

7 Property, plant and equipment

	Furniture & fittings	Buildings	Land	Total
Cost				
Balance at 1 July 2009	15,878	475,556	5,159,851	5,651,285
Additions	1,511	1,597,476	5,910,005	7,508,992
Disposals	(500)	(475,556)	(5,159,851)	(5,635,907)
Balance at 30 June 2010	16,889	1,597,476	5,910,005	7,524,370
Balance at 1 July 2010	16,889	1,597,476	5,910,005	7,524,370
Additions	1,113	-	-	1,113
Disposals	-	(1,597,476)	(5,910,005)	(7,507,481)
Balance at 30 June 2011	18,002	-	-	18,002
Accumulated depreciation and impairment losses				
Balance at 1 July 2009	4,134	14,675	1,295,332	1,314,141
Depreciation expense	3,780	-	-	3,780
Impairment losses	-	1,212,476	2,303,005	3,515,481
Disposals	(117)	(14,675)	(1,295,332)	(1,310,124)
Balance at 30 June 2010	7,797	1,212,476	2,303,005	3,523,278
Balance at 1 July 2010	7,797	1,212,476	2,303,005	3,523,278
Depreciation expense	3,448	-	-	3,448
Impairment losses	-	-	-	-
Disposals	-	(1,212,476)	(2,303,005)	(3,515,481)
Balance at 30 June 2011	11,245	-	-	11,245
Carrying amounts				
At 1 July 2009	11,744	460,881	3,864,519	4,337,144
At 30 June and 1 July 2010	9,092	385,000	3,607,000	4,001,092
At 30 June 2011	6,756	-	-	6,756

The accompanying notes form part of these financial statements.

**The Lake Taupo Protection Trust
Notes to the Financial Statements
For the Year Ended 30 June 2011**



During the year the Trust disposed of four properties with a combined book value of \$3,992,000 for a sales price of \$5,090,228 (GST excl & less selling expenses) leaving a profit on sale of assets of \$1,098,228.

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

8 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:

	Actual 2011	Actual 2010
Committed and disbursed nitrogen payments	5,828,888	3,348,889
Committed but unpaid nitrogen payments	2,683,333	3,188,889
Less Nitrogen Prepayment	(1,512,222)	(977,778)
Total committed nitrogen payments during the year	7,000,000	5,560,000

Nitrogen Reduction Payments Outstanding

	Actual 2011	Actual 2010
Opening Balance	3,188,889	-
Plus committed nitrogen payments during 2011	7,000,000	5,560,000
Nitrogen Prepayment still to be recognised	1,512,222	977,778
Less amounts paid	(5,828,888)	(3,348,889)
Plus amounts no longer payable	-	-
Closing balance	5,872,223	3,188,889
Committed to pay as follows;		
Current:	2,138,889	544,444
Non-current:		
Between 1 and 2 years	1,427,778	544,444
Between 2 and 3 years	461,112	544,444
Between 3 and 5 years	922,222	622,222
Over 5 years	922,222	933,333
Total Non-current	3,733,334	2,644,443
	5,872,223	3,188,887

9 Impairment on sale of properties

This expenditure relates to the properties previously purchased for the nitrogen component, these properties were sold during the year ended 30 June 2011. The bulk of this impairment losses relates to nitrogen acquired with the original land acquisition. The impairment calculations have been based on desk top assessments provided by Curnow Tizard, registered valuers.

10 Creditors & other payables

	Actual 2011	Actual 2010
Creditors	1,060,464	1,025,807
Related party payables	109,155	91,266
Accrued expenses	21,275	757
Total creditors & other payables	1,190,894	1,117,830

**The Lake Taupo Protection Trust
Notes to the Financial Statements
For the Year Ended 30 June 2011**



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

11 Employee entitlements

	Actual 2011	Actual 2010
Accrued salaries and wages	3,985	2,837
Annual leave	31,688	12,609
Total employee benefit liabilities	<u>35,673</u>	<u>15,446</u>
Comprising:		
Current	35,673	15,446
Non-current	-	-
Total employee benefit liabilities	<u>35,673</u>	<u>15,446</u>

12 Reconciliation of Equity

	Actual 2011	Actual 2010
Contributed Capital		
Balance at 1 July	10	10
Capital Contribution	-	-
Balance at 30 June	<u>10</u>	<u>10</u>
Retained Surpluses		
Balance at 1 July	6,783,066	10,137,718
Surplus (deficit) for the year	(938,375)	(3,354,652)
Balance at 30 June	<u>5,844,691</u>	<u>6,783,066</u>
Total Equity	<u>5,844,701</u>	<u>6,783,076</u>

13 Reconciliation of net deficit to cash from operating activities.

	Actual 2011	Actual 2010
Deficit for the year	(938,375)	(3,354,652)
Add / (less) non-cash items		
Depreciation and amortisation expense	3,448	3,780
Impairment Losses	-	3,515,481
Depreciation Recovered & Capital Gain	(1,098,228)	(850,430)
Add / (less) items classified as investing or financing activities		
(Gains) / losses on disposal of property, plant and equipment	-	-
Add / (less) movements in working capital items		
Debtors & other receivables	(41,609)	(36,875)
Debtors (GST)	(134,772)	34,375
GST	(40,874)	-
Prepayments	(1,512,222)	(977,778)
Creditors & other payables	73,064	822,352
Creditors (Land Sales & Asset Purchases)	-	(995,000)
Nitrogen Reduction Payable	2,683,335	3,188,889
Employee benefits	20,227	(20,247)
Net Cash from Operating activities	<u>(986,006)</u>	<u>1,329,895</u>

14 Capital Commitments & Operating Leases

	Actual 2011	Actual 2010
Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment.	-	-
Operating leases as lessee		
The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:		
Not later than one year	45,562	47,704
Later than one year and not later than 5 years	77,003	4,837
Later than 5 years	-	-
Total non-cancellable operating leases	122,566	52,541

A significant portion of the total non-cancellable operating lease amount relates to the lease of an office building. The lease expires in May 2014, with an option to extend or vacate the premises at the lease renewal date of May 2014.

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

	Actual 2011	Actual 2010
Operating leases as lesser		
The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:		
Not later than one year	-	68,089
Later than one year and not later than 5 years	-	-
Later than 5 years	-	-
Total non-cancellable operating leases	-	68,089

15 Contingencies

Contingent Assets

The trust does not have any contingent assets as at 30 June 2011.

Contingent Liabilities

As outlined in note 8, the Trust has entered into agreements with external parties within the Lake Taupo catchment, 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. At balance date the Trust has a total contingent liability of \$20,250,000 which is contingent on third parties meeting the conditions outlined in their Nitrogen Reduction Agreements.

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

	Conditions expected to be met		Cashflows	
	2011	2010	2011	2010
Within 12 Months	4,590,000	977,778	4,590,000	977,778
Between 1 and 2 years	4,850,000	1,502,778	4,850,000	1,502,778
Between 2 and 3 years	1,368,800	1,502,778	1,368,800	1,502,778
Between 3 and 5 years	6,901,200	3,005,556	6,901,200	3,005,556
Over 5 years	2,540,000	2,933,334	2,540,000	2,933,334
Shown as a prepayment	-	-	-	-
Amount not yet paid	20,250,000	9,922,224	20,250,000	9,922,224

The accompanying notes form part of these financial statements.

16 Prepayments

	Actual 2011	Actual 2010
Nitrogen Payments (Current)	850,000	977,778
Nitrogen Payments (Non- Current)	1,640,000	-
Total Prepayments	2,490,000	977,778

Prepayments classified as current relate to Nitrogen Reduction Agreements where conditions of the agreements are expected to be met within 12 months of balance date. Prepayments classified as non-current relate to Nitrogen Reduction Agreements where conditions of the agreements are expected to be met beyond 12 months from balance date.

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.

The following transactions (GST exclusive) were carried out with related parties during the year:

Income

Council Operating Grants

Waikato Regional Council \$2,133,000 (2010- \$2,133,000).

Taupo District Council \$1,126,000 (2010 - \$1,126,000).

Government Grants

Ministry for the Environment \$2,667,000 (2010 - \$2,667,000).

Expenses

Waikato Regional Council \$396,432 (2010 - \$296,948). This includes bills paid on behalf of the Trust, and later reimbursed to WRC by the Trust. All transactions are at arms length. J Kneebone's son is also a councillor at Waikato Regional Council and the Chairman of the Waikato Regional Council Catchment Services Committee.

Taupo District Council \$9,511 (2010 - \$9,025). This is for rates & resource consents. All transactions are at arms length.

In addition to Trustee remuneration, meeting attendance fees, Vehicle mileage and reasonable out of pocket expenses the following transactions have been carried out at arms length and have been approved by the board.

J Hura (Puketapu No.3A Block & Oraukura 3 Block Nitrogen Deal) \$977,778 (2010 - \$977,778) This is for the reduction of nitrogen discharge. All transactions are at arms length.

J Hura (Waihi Pukawa Ahu Whenua Trust) \$850,000 (2010 - \$0) This is for the reduction of nitrogen discharge. All transactions are at arms length.

John Kneebone's son-in-law is a partner at Deloitte Hamilton. This partner is not involved with the Trust activities as a separate partner at Deloitte oversees the Trusts accounting functions and provides advice. All transactions with Deloitte are at arms length and normal commercial terms. During the current financial year transactions amounting to \$64,747 (2010 - \$72,692) (excluding GST) have been approved by the board.

J Rickman is a shareholder and director of ZLM Limited. The only transactions during the year with ZLM Limited were for trustee fees and meeting attendance. All transactions are at arms length.

G Fitzgerald is a shareholder and director of Kensington Swan. The only transactions during the year with Kensington Swan were for trustee fees, meeting attendance and travel expenditure. All transactions are at arms length.

**The Lake Taupo Protection Trust
Notes to the Financial Statements
For the Year Ended 30 June 2011**



Statement of Financial Position (GST Inclusive)

Creditor & Other Payables

Waikato Regional Council \$80,566 (2010 - \$55,267).
Trustee Fees Due \$13,135 (2010- \$20,698)
Deloitte \$15,454 (2010 - \$72,692)

18 Property Held for Sale

	Actual 2011	Actual 2010
Current	3,595,000	-
Total Current	<u>3,595,000</u>	<u>-</u>
Non-Current	-	3,595,000
Total Non-Current	<u>-</u>	<u>3,595,000</u>
Total property held for sale	<u><u>3,595,000</u></u>	<u><u>3,595,000</u></u>

19 Key management personnel compensation

	Actual 2011	Actual 2010
Salaries and other short-term employee benefits	326,122	266,349
Total key management personnel compensation	<u>326,122</u>	<u>266,349</u>

Key management personnel include the Chief Executive and the one other employee of the Trust's management team.

20 Events after the Reporting Date

There were no significant events after the reporting date.

21 Categories of Financial Assets & Liabilities

The carrying amounts of financial assets and liabilities of each of the NZ IAS 39 categories are as follows:

	Actual 2011	Actual 2010
Loans & Receivables		
Cash & Cash Equivalents (note 5)	6,729,613	2,491,732
Debtors & Other Receivables (note 6)	41,609	-
Total Loans & Receivables	<u>6,771,222</u>	<u>2,491,732</u>
Financial Liabilities measured at amortised cost		
Creditor & other payables (note 10)	1,190,894	1,117,830
Total Financial Liabilities measured at amortised cost	<u>1,190,894</u>	<u>1,117,830</u>

22 Financial Instrument Risks

The Trust has policies to manage the risks associated with financial instruments. The Trust is risk averse and seeks to minimise exposure from its treasury activities. The Trust has established Borrowing and Investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

Market Risk

The interest rates on the Trust's investments and Trust's borrowings would be disclosed in the notes, but at present there are none.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Trust's exposure to fair value interest rate risk is limited to its borrowings and short-term bank deposits.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose the Trust to cash flow interest rate risk.

The Trust currently has no variable interest rate debt or investments.

The Trust's investment policy requires a spread of investment maturity dates to limit exposure to short-term interest rate movements.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Trust is not exposed to currency risk, as it does not enter into foreign currency transactions.

Credit Risk

Credit risk is the risk that a third party will default on its obligation to the Trust, causing the Trust to incur a loss.

Due to the timing of its cash inflows and outflows, the Trust invests surplus cash with registered banks. The Trust's Investment policy limits the amount of credit exposure to any one institution.

The Trust has processes in place to review the credit quality of customers prior to the granting of credit.

The Trust's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash equivalents (note 5), investments (nil this year) and debtor and other receivables (note 6). There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

The Trust has no significant concentrations of credit risk, as it has a large number of credit customers and only invests funds with registered banks with specified credit ratings.

Liquidity risk

Liquidity risk is the risk that the Trust will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Trust aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, the Trust maintains a target level of investments that must mature within specified timeframes.

The maturity profiles of the Trust's interest bearing investments and borrowings would be disclosed in the notes, if the Trust had any.

The Trust manages its borrowings in accordance with its Borrowing policy.

23 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.

24 Explanation of Significant Variances Against Budget

Explanations for significant variations from the Trust's budgeted figures in the 2010/2011 year are as follows:

Statement of Comprehensive Income

Interest Income is more than budgeted by \$212,409 due to increased funds being held in the call account due to land being sold and settled during this financial year.

Nitrogen Reduction Payments were \$7,508,240 less than budget. This is due to less Nitrogen Reduction Agreements being entered into during the period than what the Trust had planned.

Profit on sale of assets is shown as \$1,098,228 more than budget. Profit on sale of assets occurred due to the sale price of the land being sold for more than the written down value. This was not budgeted for in the original budget.

Statement of Changes in Equity

The Equity for the year is \$4,351,407 less than budgeted due to the decrease in the deficit for the year which is mainly due to less Nitrogen Reduction Payments being made during the year and a profit being made on the sale of assets. The Opening Equity Balance was also \$13,120,765 different from the actual closing 2010 equity.

Statement of Financial Position

Current assets are more than budgeted as there is currently more funds in the bank account due to the property sales in 2011.

Additionally the Trust entered into more Nitrogen acquisitions which has meant there is more payables accrued in the liabilities than was originally budgeted.

Statement of Cash flows

The increased expenditure and property sales have flowed through to the statement of Cash flows.