

**The Lake Taupo Protection Trust
Statement of Financial Performance
For the Year Ended 30 June 2009**



	Note	Actual 2009	Budget 2009	Actual 2008
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		650,543	1,633,357	1,161,872
Lease Income		48,749	45,000	-
Donated assets		-	-	550
Total income		6,625,292	7,604,357	7,088,422
Expenses				
Advertising & marketing		6,353	24,000	11,406
Depreciation & amortisation	8	18,243	6,227	566
Employee benefit costs	2	292,041	278,962	57,983
Finance costs	3	45,976	-	94
Impairment losses	8	1,295,332	-	-
Impairment on sale of properties	10	5,774,450	5,675,000	-
Operating lease expense		52,234	39,800	5,122
Nitrogen Reduction Payments	9	3,681,213	3,700,000	-
Trustee fees	4	108,775	109,700	105,099
Other expenses	5	927,935	1,249,364	616,483
Total expenses		12,202,552	11,083,053	796,754
Surplus (Deficit)		(5,577,260)	(3,478,696)	6,291,668

Explanations of major variances against budget are detailed in note 23.

**The Lake Taupo Protection Trust
Statement of Changes in Equity
For the Year Ended 30 June 2009**



Balance at 1 July as previously reported
Surplus (Deficit) for the year
Total recognised income / (expense)
Balance at 30 June

Note	Actual 2009	Budget 2009	Actual 2008
	15,714,988	15,704,063	9,423,320
	(5,577,260)	(3,478,696)	6,291,668
	10,137,728	12,225,367	15,714,988
13	10,137,728	12,225,367	15,714,988

The accompanying notes form part of these financial statements.

**The Lake Taupo Protection Trust
Statement of Financial Position
As At 30 June 2009**



	Note	Actual 2009	Budget 2009	Actual 2008
ASSETS				
Current assets				
Cash & cash equivalents	6	1,022,830	1,145,333	15,765,924
GST refund due from IRD		110,748	2,255,901	-
Debtors and other receivables	7	36,875	445,883	105,939
Deposit paid on property	16	314,500	-	-
Property held for sale	16	251,392	-	-
Prepayments		-	4,333	2,167
Total current assets		1,736,345	3,851,450	15,874,030
Non-current assets				
Property held for sale	16	4,389,703	3,010,000	-
Property, plant & equipment	8	4,337,144	5,724,522	14,271
Total non-current assets		8,726,847	8,734,522	14,271
Total assets		10,463,192	12,585,972	15,888,301
LIABILITIES				
Current liabilities				
GST payable to IRD		-	-	5,706
Deposit received on sale of property		5,000	-	-
Creditors & other payables	11	284,771	360,606	148,422
Employee entitlements	12	19,631	-	4,796
Total current liabilities		309,402	360,606	158,924
Non-current liabilities				
Employee entitlements	12	16,062	-	14,388
Total non-current liabilities		16,062	-	14,388
Total liabilities		325,464	360,606	173,312
Net assets		10,137,728	12,225,366	15,714,988
Trust Equity				
Contributed capital	13	10	10	10
Retained surpluses	13	10,137,718	12,225,356	15,714,978
Total equity		10,137,728	12,225,366	15,714,988

Chairman
Dated:

J. Shore
13.08.09.

The accompanying notes form part of these financial statements.

**The Lake Taupo Protection Trust
Statement of Cash Flows
For the Year Ended 30 June 2009**



	Note	Actual 2009	Budget 2009	Actual 2008
Cash flows from operating activities				
Council operating grants		3,666,375	3,666,375	3,786,857
Government grants		3,000,375	3,000,375	3,000,375
Interest received		756,482	1,342,053	1,157,729
Receipts from other revenue		52,957	50,625	-
Payments to suppliers and employees		(1,422,272)	(1,686,045)	(998,387)
Payments for Nitrogen Reduction		(4,851,150)	(4,162,500)	-
Interest paid		(45,976)	-	(94)
Goods and services tax (net)		231,064	(593,772)	(664,271)
Net cash from operating activities	14	<u>1,387,855</u>	<u>1,617,111</u>	<u>6,282,209</u>
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		5,000	-	-
Purchase of property, plant and equipment		(17,112,319)	(16,183,125)	(16,073)
Goods and services tax on assets (net)		976,370	0	0
Net cash from investing activities		<u>(16,130,949)</u>	<u>(16,183,125)</u>	<u>(16,073)</u>
Cash flows from financing activities				
Proceeds from borrowings		1,762,000	-	-
Repayments of borrowings		(1,762,000)	-	-
Net cash from financing activities		<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash, cash equivalents and bank overdrafts		<u>(14,743,094)</u>	<u>14,566,014</u>	<u>6,266,136</u>
Cash, cash equivalents and bank overdrafts at the beginning of the year		15,765,924	15,711,347	9,499,788
Cash, cash equivalents and bank overdrafts at end of year	6	<u>1,022,830</u>	<u>1,145,333</u>	<u>15,765,924</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 2009

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, Environment Waikato, 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 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 2009. The financial statements were authorised for issue by the Board of Trustees on the 13 August 2009.

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 23.

Standards and interpretations issued but not yet effective

Any standards, interpretations, and amendments applicable to the Trust that have been issued, but are not yet effective, have been adopted in preparing the financial statements.

SIGNIFICANT ACCOUNTING POLICIES

Revenue

Revenue is measured at the fair value of consideration received.

Grants

Grants received from Environment Waikato, 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 financial performance over the lease term as an integral part of the total lease income.

Other Revenue

Land held for sale 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 balance sheet 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 financial performance 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 balance sheet.

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 method.

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 balance sheet 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 financial performance.

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.



**The Lake Taupo Protection Trust
Notes to the Financial Statements
For the Year Ended 30 June 2009**



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	5 years	(20% - 36%)
Buildings	14 to 20 years	(2% - 7%)

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 income statement.

Employee entitlements

Short-term entitlements

Entitlements that the Trust expects to be settled within 12 months of balance 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.

The Trust recognises the full liability for sick leave that staff are entitled to at balance date.

Long-term entitlements

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave, have been calculated on an 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 balance sheet.

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 9 June 2008 and later endorsed by the Joint Committee on 19th June 2009.

Income Tax

The Lake Taupo Protection Trust has been granted exemption by Inland Revenue Department for Income Tax and Withholding Tax on Interest and Dividends.

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 balance 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.

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 income statement, and carrying amount of the asset in balance sheet. The Trust minimises the risk of this estimation uncertainty by:

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

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 8.

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 2009	Actual 2008
Salaries and wages	275,533	38,798
Increase/ (decrease) in employee benefit liabilities	16,509	19,185
Total employee benefit costs	292,041	57,983

3 Finance costs

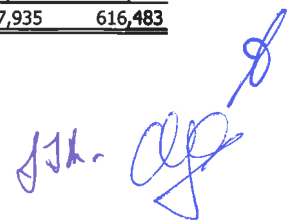
	Actual 2009	Actual 2008
Interest on borrowings	45,976	0
Interest on Bank Overdraft	0	94
Total Finance Costs	45,976	94

4 Trustee fees

	Actual 2009	Actual 2008
Trustee Fees	89,500	90,099
Meeting Fees	19,275	15,000
Total Trustee Fees	108,775	105,099

5 Other expenses

	Actual 2009	Actual 2008
<i>Fees to Auditors:</i>		
Audit fees for financial statement audit (2007)	0	3,858
Audit fees for financial statement audit (2008)	(500)	13,840
Audit fees for financial statement audit (2009)	23,000	0
Website development expenses	5,750	5,000
Service Level Agreement - Environment Waikato	0	110,000
Implementation Expenses	637,039	432,134
Other Expenses	262,646	51,651
Total Other Expenses	927,935	616,483



**The Lake Taupo Protection Trust
Notes to the Financial Statements
For the Year Ended 30 June 2009**



6 Cash & Cash Equivalents

	Actual 2009	Actual 2008
Cash at Bank and On Hand	1,022,830	315,331
Short-Term Deposits maturing three months or less from date of acquisition	0	15,450,593
Total Cash and Cash Equivalents	1,022,830	15,765,924
Net Cash and Cash Equivalents and bank overdrafts for the purposes of the Statement of Cashflows.	1,022,830	15,765,924

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

7 Debtors & other receivables

	Actual 2009	Actual 2008
Gross debtors and other receivables	36,875	0
Accrued Interest on Short Term Deposits & Call Accounts	0	105,939
Total debtors & other receivables	36,875	105,939

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 (2008 \$nil).

The status of receivables as at 30 June 2009 and 2008 are as follows:

	2009			2008		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	34,875	0	34,875	105,939	0	105,939
Past Due 1-30 days	1,000	0	1,000	0	0	0
Past Due 31-60 days	1,000	0	1,000	0	0	0
Total	36,875	0	36,875	105,939	0	105,939

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

	Furniture & fittings	Buildings	Land	Total
Cost				
Balance at 1 July 2007	0	0	0	0
Additions	14,837	0	0	14,837
Disposals	0	0	0	0
Balance at 30 June 2008	14,837	0	0	14,837
Balance at 1 July 2008	14,837	0	0	14,837
Additions	1,041	475,556	5,159,851	5,636,448
Disposals	0	0	0	0
Balance at 30 June 2009	15,878	475,556	5,159,851	5,651,285
Accumulated depreciation and impairment losses				
Balance at 1 July 2007	0	0	0	0
Depreciation expense	566	0	0	566
Impairment losses	0	0	0	0
Disposals	0	0	0	0
Balance at 30 June 2008	566	0	0	566
Balance at 1 July 2008	566	0	0	566
Depreciation expense	3,568	14,675	0	18,243
Impairment losses	0	0	1,295,332	1,295,332
Disposals	0	0	0	0
Balance at 30 June 2009	4,134	14,675	1,295,332	1,314,141
Carrying amounts				
At 1 July 2007	0	0	0	0
At 30 June and 1 July 2008	14,271	0	0	14,271
At 30 June 2009	11,744	460,881	3,864,519	4,337,144

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

The Trust intends to sell the land and buildings in the near future, these properties will be sold with covenants on certificates of titles restricting nitrogen discharge.

J.H. C.P.

9 Nitrogen Reduction Payments

This expenditure relates to the purchase of properties and / or 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 (2008 - \$0).

10 Impairment on sale of properties

This expenditure relates to the properties previously purchased for the nitrogen component, these properties are now subject to a sale agreement (note 16). The bulk of this impairment losses relates to nitrogen acquired with the original land acquisition (2008 - \$0).

11 Creditors & other payables

	Actual 2009	Actual 2008
Creditors	77,051	11,910
Related party payables	176,898	119,412
Accrued expenses	30,822	17,100
Total creditors & other payables	284,771	148,422

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

12 Employee entitlements

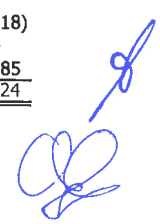
	Actual 2009	Actual 2008
Accrued salaries and wages	1,900	-
Annual leave	15,947	3,531
Sick leave	17,846	15,654
Total employee benefit liabilities	35,693	19,185
Comprising:		
Current	19,631	4,796
Non-current	16,062	14,388
Total employee benefit liabilities	35,693	19,185

13 Reconciliation of Equity

	Actual 2009	Actual 2008
Contributed Capital		
Balance at 1 July	10	10
Capital Contribution	0	0
Balance at 30 June	10	10
Retained Surpluses		
Balance at 1 July	15,714,978	9,423,310
Surplus (deficit) for the year	(5,577,260)	6,291,668
Balance at 30 June	10,137,718	15,714,978
Total Equity	10,137,728	15,714,988

14 Reconciliation of net surplus (deficit) after tax to cash from operating activities.

	Actual 2009	Actual 2008
Surplus (deficit) after tax	(5,577,260)	6,291,668
Add / (less) non-cash items		
Depreciation and amortisation expense	18,243	566
Impairment Losses	7,069,782	-
Donated assets income		(550)
Add / (less) movements in working capital items		
Debtors & other receivables	69,064	116,339
Debtors (GST)	(34,375)	
Prepayments	2,167	(2,167)
Deposit Paid on Property (not yet Settled)	(314,500)	
Creditors & other payables	138,226	(144,618)
GST on Fixed Assets not yet claimed	-	-
Employee benefits	16,508	19,185
Net Cash from Operating activities	1,387,855	6,280,424

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15 Capital Commitments & Operating Leases

	Actual 2009	Actual 2008
Capital commitments		
Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment.	2,830,500	0
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	50,736	46,815
Later than one year and not later than 5 years	48,851	91,612
Later than 5 years	-	-
Total non-cancellable operating leases	<u>99,587</u>	<u>138,428</u>

A significant portion of the total non-cancellable operating lease amount relates to the lease of an office building. The lease expires in May 2011, with an option to extend or vacate the premises at the lease renewal date of May 2011.

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

	Actual 2009	Actual 2008
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	160,400	-
Later than one year and not later than 5 years	252,428	-
Later than 5 years	-	-
Total non-cancellable operating leases	<u>412,828</u>	<u>-</u>

16 Contingencies

Contingent Assets

The Trust has the following known contingent assets (2008 - \$0).

The Trust made a nitrogen reduction payment of \$3.6million to BHHL on the basis that nitrogen reductions will be reduced by 9 kilograms per hectare. Should the vendor default on their obligations, the Trust has forestry rights to go onto the land and plant the forest and do whatever is necessary to reduce the nitrogen discharge rate and can charge these costs back to the vendor. This forestry right has been suspended so long as the vendor afforests the land and continuously maintains the reforestation of the land. An agreement to purchase the land conditional on the default of the vendor was also secured to further protect the Trust risk exposure.

The Trust has an unconditional offer to purchase a property, on which the Trust has paid a deposit of \$314,500, with final settlement of \$2,830,500 (plus GST if any) to be paid on 21 December 2009. Further to this the trust has entered into an unconditional agreement to sell this property with settlement being March 2011.

The Trust has an unconditional agreement to sell a property for \$275,000, which is higher than its carrying value of \$250,000. A deposit of \$5000 has been received and is due to be settled on 1 June 2010. Further to this the Trust has another sale agreement to sell the properties which make up the balance of the non-current assets property held for sale with the settlement date being March 2011.

Contingent Liabilities

The Trust has the following known contingent liabilities: (2008- \$0).

In relation to the Contingent asset listed above the Trust has an option to and the option to exercise forestry rights - this is conditional on BHHL vendor default on their obligations under the Nitrogen Reduction Payment contract.

The trust has an unconditional offer to purchase a property. A deposit of \$314,500 has been paid, with final settlement of \$2,830,500 (plus GST if any) to be paid on 21 December 2009.

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 Environment Waikato (EW), 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

Environment Waikato \$2,133,000 (2008- \$2,133,000).

Taupo District Council \$1,126,000 (2008 - \$1,126,000).

Government Grants

Ministry for the Environment \$2,667,000 (2008 - \$2,667,000).

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 2009**



Expenses

Environment Waikato \$589,904 (2008 - \$615,076). This includes bills paid on behalf of the Trust, and later reimbursed to EW by the Trust. During the year the Trust borrowed funds from Environment Waikato on a short term basis, these funds have now been repaid. Interest of \$26,763 was paid in relation to this short term loan. All transactions are at arms length.

Taupo District Council \$6,295 (2008 - \$727). 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.

Colin Horton is associated with Agricultural Developments Ltd. During the current financial year transactions amounting to \$0 (2008 - \$5,492) (excluding GST) have been approved by the board.

Other than Trustee Remuneration Kensington Swan - Auckland, whom Gerald Fitzgerald is associated with, have billed the Trust \$0 (2008 - \$5,586) (excluding GST) for work relating to executive employment agreements.

John Kneebone's son-in-law is a partner at Deloitte Hamilton. This partner is not directly involved with the Trust activities as a separate partner at Deloitte oversees the Trusts accounting functions and advise. All transactional with Deloitte are at arms length and normal commercial terms. During the current financial year transactions amounting to \$50,877 (2008 - \$0) (excluding GST) have been approved by the board.

Balance Sheet (GST Inclusive)

Creditor & Other Payables

Environment Waikato \$155,243 (2008 - \$101,615).
ZLM Ltd \$0 (2008 - \$7,706)
J T Kneebone \$0 (2008 - \$224)
Kensington Swan \$2,087 (2008 - \$1,866)
Taupo District Council \$0 (2008- \$818)
Trustee Fees Due \$6,192 (2008- \$7,183)
Deloitte \$13,376 (2008 - \$0)

18 Key management personnel compensation

	Actual 2009	Actual 2008
Salaries and other short-term employee benefits	292,041	57,983
Total key management personnel compensation	292,041	57,983

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

19 Events after the Balance Sheet Date

There were no significant events after balance date.

20 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 2009	Actual 2008
Loans & Receivables		
Cash & Cash Equivalents (note 6)	1,022,830	15,765,924
Debtor & Other Receivables (note 7)	36,875	105,939
Total Loans & Receivables	1,059,705	15,871,863
Financial Liabilities measured at amortised cost		
Creditor & other payables (note 11)	284,771	148,422
Total Financial Liabilities measured at amortised cost	284,771	148,422

21 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 6), investments (nil this year) and debtor and other receivables (note 7). 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.

22 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.

23 Explanation of Significant Variances Against Budget

Explanations for significant variations from the Trust's budgeted figures in the 2008/2009 year are as follows:

Income Statement

Interest Income is less than budgeted by \$982,814 for two key reasons. Firstly the Trust based the interest it would earn at 8.5% pa, slightly above the Official Cash rate. The financial crisis has had a significant impact on OCR which has reduced to 3% during this financial year. Secondly the budget had assumed that all Nitrogen reduction payments and land settlements would occur 1 June 2009, however these occurred earlier.

Finance Costs - the Trust had not intended to acquire the properties as early as they did. As a result the Trusts borrowed funds on a short term to fund the GST on land acquisition.

Other expenses are \$321,429 lower than budget. The major variance relates to Implementation Expenses which are \$157,461 lower than budget, as less farms than expected have come forward to be benchmarked.

Statement of Changes in Equity

The Equity for the year is \$2,087,638 less than budgeted due to the increased deficit.

Balance Sheet

Current assets - specifically, GST refund Due from IRD - is less than budgeted as the farms and nitrogen acquisitions were budgeted to occur in June 2009, however these were brought earlier in the year.

Additionally the Trust acquired more property than originally budgeted and this is reflected in the increased assets it is holding at balance date in particular:

~ Deposit paid on property of \$314,500;

~ Property held for sale (current and non-current) \$251,392 and \$4,389,703, against a total budget of \$3,010,000.

Statement of Cash flows

The reduced expenditure and increased interest have flowed through to the statement of Cash flows.

