

Kaikoura Enhancement Trust

Annual Report 2021 - 2022

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Directory

For the year ended 30 June 2022

Registered Office Kaikoura Enhancement Trust
PO Box 6
Kaikoura 7300

Trustees T Blunt (Appointed on 26 March 2014)
D Millton (Appointed 5 Feb 2020)
R Roche (Appointed 5 Feb 2020)

Trust Settlor Kaikoura District Council

Charities Commission Number CC43926

Date of Incorporation 04-May-2009

Auditor Audit New Zealand on behalf of Auditor-General

Banker Westpac Trust
West End
Kaikoura

Solicitor Hardy Jones Clark
PO Box 646
Blenheim

Signed

.....
T. Blunt

.....
K. Heays

.....
R. Roche



.....
K. Heays

Dated: 30 November 2023

Objectives of the Trust

For the year ended 30 June 2022

Principal objective of council-controlled organisation

- (1) *The principal objective of a council-controlled organisation is to:*
- a. *Achieve the objectives of its shareholders, both commercial and non-commercial, as specified in the statement of intent; and*
 - b. *Be a good employer; and*
 - c. *Exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and*
 - d. *If the council-controlled organisation is a council-controlled trading organisation, conduct its affairs in accordance with sound business practice.*
- (2) *In subsection (1)(b), good employer has the same meaning as in clause 36 of Schedule 7.*

From section 59 of the Local Government Act (2002)

The objects or purposes of this Trust are exclusively charitable. In addition to the statutory objective, the objectives of the Trust are:

- a. The collection and disposal of waste in an ecologically sound manner including but not limited to management of refuse facilities and including sewerage treatment programmes.
- b. To protect, enhance and sustain the natural and physical resources of the Kaikoura District particularly through sustainable waste management practices and more widely to encourage development of similar practice in other areas.
- c. The establishment, improvement and promotion of recycling programmes and programmes generally to reduce waste.
- d. Raise public awareness of the effects of alternative waste disposal methods through education and generally to create public awareness of sustainable management of resources.
- e. To make grants or provide other assistance for the research, development, distribution, and implementation of alternative waste disposal methods, including waste reduction methods.
- f. To promote ecologically sound waste management processes and practices generally.
- g. To do all such things as may be necessary and consistent with creating a better living environment whilst sustaining the natural environment for future generations.

Statement of Service Performance

For the year ended 30 June 2022

What we did

Following the November 2016 earthquake, the Kaikōura Enhancement Trust (KET) was the recipient of \$597,800 from the Ministry for Primary Industries (MPI) to complete the Kaikōura Plains Recovery Project.

The project has included significant land remediation and drainage works on affected farms, with some contributions from landowners towards the costs. The project has also involved landowner education about how to manage the effects of the earthquake on their land uses, particularly where waterways have moved, and surrounding farmland has different attributes post-quake.

Some remaining funds were then subcontracted to Environment Canterbury for stream surveying of the Middle Creek Catchment to identify key factors which may have negative impacts on the waterway's ecology and water quality, and to provide actions on the ground to improve or mitigate those factors.

Surveying of the stream took place between March – July 2021, with 30km of waterways and connected drainways surveyed. A report has now been completed and presented to Environment Canterbury in September 2021, which analyses the results of the stream survey.

Key factors identified over the course of this survey include – critical sources of contaminants such as overland flow paths, bank slumping, stock access, spring heads, discharge sites, and crossing points, as well as physical attributes such as aquatic plants, riparian coverage, pest plants, fish barriers and blockages.

Ongoing work is now being undertaken to address these factors, and Environment Canterbury is working on a one-on-one basis with landowners to co-ordinate and guide on the ground action to improve the water quality of the catchment.

The Kaikōura Plains Recovery Project is being managed by Environment Canterbury and, largely due to wet conditions on farm delaying works, is expected to be completed this 2022 calendar year.

The following performance targets have been adopted in KET's Statement of Intent 2021-2022.

Performance targets

Activity	Measure	Target	Achieved
Kaikōura Plains Recovery Project is completed during the year	Project complete	100%	90%
Kaikōura Stream Walk Project is completed during the year	Project complete	100%	100%

Consolidated Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2022

	Note	Group	
		2022 (\$000)	2021 (\$000)
Revenue	1	2,379	2,828
Total revenue		2,379	2,828
Direct costs		(1,861)	(2,038)
Gross surplus/(deficit)		518	791
Operating expenses	2	(456)	(405)
Finance costs	3	(2)	(1)
Depreciation	6	(147)	(164)
Loss/(gain) on disposal of PPE		(3)	(2)
Total expenses		(608)	(571)
Operating surplus/(deficit) and total comprehensive revenue and expense before Tax		(89)	220
Income Tax for the year	15	28	(66)
Net surplus/(deficit) after Tax		(61)	153
Dividend for the year		-	-
Total comprehensive revenue and expense after Dividend		(61)	153

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

	Group	
	2022	2021 (\$000)
Equity at start of year	1,055	902
Total comprehensive revenue and expense for year	(61)	153
Equity at end of year	994	1,055

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

For the year ended 30 June 2022

	Note	Group	
		2022 (\$000)	2021 (\$000)
Assets			
Current assets			
Cash & cash equivalents	4	276	341
Debtors & other receivables	5	212	306
Income tax	18	26	-
Total current assets		514	647
Non-current assets			
Investment in subsidiary		-	-
Property, plant & equipment	6	895	957
Deferred tax asset		7	-
Total non-current assets		902	957
Total assets		1,416	1,604
Liabilities			
Current liabilities			
GST due for payment		38	58
Trade & other payables	7	132	141
Employee benefit liabilities	8	156	191
Terms loans	9	20	20
Tax Payable		-	44
Dividend Payable		-	-
Total current liabilities		347	452
Non-current liabilities			
Term loans	9	55	75
Deferred tax liability	15	17	21
Total non-current liabilities		72	96
Total liabilities		419	548
Net assets		997	1,055
Equity			
Retained earnings	12	997	1,055
Total equity		997	1,055

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

	Group	
	2022 (\$000)	2021 (\$000)
Operating Activities		
Cash was provided from		
Receipts from customers	2,430	2,600
Grants & subsidies received	32	53
Interest received	-	-
	2,462	2,653
Cash was applied to		
Payments to suppliers and employees	(2,331)	(2,331)
Grants paid	-	-
Interest paid	(2)	-
Net GST	(19)	2
Income Tax expense	(69)	(60)
	(2,422)	(2,389)
Net cash flows – operating activities	40	264
Investing Activities		
Cash was provided from		
Sale of property, plant & equipment	9	-
	9	-
Cash was applied to		
Purchase of fixed assets	(94)	(310)
	(94)	(310)
Net cash flows – investing activities	(85)	(310)
Financing Activities		
Cash was provided from		
Term loans & finance leases received	-	87
	-	87
Cash was applied to		
Term loan and finance lease repayments	(20)	(2)
Dividends paid	-	-
	(20)	(2)
Net cash flows – financing activities	(20)	85
Net change in cash flows	(65)	39
Opening cash at 1 July	341	302
Closing cash at 30 June	276	341
	Note 4	

The accompanying notes form part of these financial statements.

Consolidated Statement of Accounting Policies

For the year ended 30 June 2022

Reporting entity

The Kaikoura Enhancement Trust (the Trust) is a charitable trust incorporated in New Zealand under the Charitable Trusts Act 1957 and is domiciled in New Zealand. The Trust is controlled by Kaikoura District Council (KDC) and was formed in 2001. The Trust in turn owns 100% of Innovative Waste Kaikoura Ltd (IWK). IWK has a contract in place with KDC to operate the Kaikoura resource recovery centre & landfill, and to provide maintenance services to KDC for stormwater, wastewater and water supply.

The Kaikoura Enhancement Trust has been identified as a Council Controlled Organisation as defined by Section 6 of the Local Government Act 2002.

The primary purpose of the Trust is to protect, enhance and sustain the district's natural resources through sustainable waste management practices, rather than for financial return. Accordingly, the Trust has designated itself and group as public benefit entities for financial reporting purposes.

The financial statements for the group are for the year ended 30 June 2022 and were authorised for issue by the Trustees on the 29th November 2023.

The Trust and IWK are, in turn, consolidated with financial statements of the Kaikōura District Council, the parent of the whole group, and published in the Kaikōura District Council's annual report.

Measurement Base

The financial statements of the group have been prepared on an historical basis, except as noted otherwise below. Kaikōura District Council are reviewing the ongoing value and relevancy for the Kaikōura Enhancement Trust and a decision on its ongoing requirement is anticipated by the end of December 2023. When a decision is made, all the rights, assets and liabilities of the Trust will be transferred to Council. The statements have been prepared on the disestablishment basis and the accounting policies have been applied consistently throughout the period. No changes have been made to the recognition and measurement basis, or presentation of assets and liabilities in these financial statements due to the disestablishment basis of preparation.

The financial statements have been prepared in accordance with NZ PBE IPSAS Tier 2 RDR accounting standards. They comply with New Zealand generally accepted accounting practices (NZ GAAP).

These financial statements comply with PBE Standards Reduced Disclosure Regime, and other applicable Financial Reporting Standards, as appropriate for public benefit entities. The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of the group is New Zealand dollars.

Consolidated Statement of Accounting Policies

For the year ended 30 June 2022

Subsidiaries

The Trust consolidates as subsidiaries in the Group financial statements all entities where the Trust has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the entity. The entity meeting these criteria is Innovative Waste Kaikoura Ltd (IWK), a wholly owned subsidiary of the Trust.

Basis of consolidation

The purchase method is used to prepare the consolidated financial statements, which involves adding together like items of assets, liabilities, equity, income and expenses on a line-by-line basis. All significant intragroup balances, transactions, income and expenses are eliminated on consolidation.

Changes in Accounting Policies

There have been no changes to accounting policies during the financial year. Policies have been applied on a consistent basis with those of the previous reporting period.

Significant Accounting Policies

In the preparation of these financial statements, the specific accounting policies are as follows:

(a) Property, Plant & Equipment

The group has the following classes of Property, Plant & Equipment. Depreciation is calculated using the straight-line basis, apart from site development, to allocate their cost over their useful life. Depreciation is applied as follows:

Asset type	2022 (%)
Site development	0.0%
Buildings	2.0% - 22.65%
Motor vehicles	6.5% - 13.5%
Office equipment	5.0% - 67.0%
Plant & equipment (yard)	4.0% - 33.0%

All property & equipment is stated at cost less depreciation and impairment, except for land that is not depreciated.

Leased assets are depreciated over the unexpired term of the lease or over the estimated useful life, whichever is shorter.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Consolidated Statement of Accounting Policies

For the year ended 30 June 2022

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 benefits or service potential associated with the item will flow to the company and the cost of the item can be measured reliably.

An item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a 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 disposals are included in the surplus or deficit.

Subsequent Costs

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

(b) Impairment

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 company would, if deprived of the asset, replace its remaining future economic benefits or service potential. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of an asset is reduced to its recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment is recognised in surplus or deficit.

(c) Goods & Services Tax

The Trust is not registered for GST. IWK is registered for GST. The amounts disclosed in the group financial statements are added together such that they are stated exclusive of GST where they pertain to IWK, and inclusive of GST where they pertain to the Trust; with the exception of receivables and payables, which are stated entirely on a GST inclusive basis.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of receivables or payables in the Statement of Financial Position. Commitments and contingencies are disclosed exclusive of GST.

Consolidated Statement of Accounting Policies

For the year ended 30 June 2022

(d) Income Tax

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax. Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surplus.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable surpluses will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

Current tax and deferred tax is charged or credited to the surplus or deficit, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

(e) Leases

Operating Leases

Operating leases are those which all the risks and benefits are substantially retained by the lessor. Operating lease payments are expensed in the periods the amounts are payable.

Lease incentives received are recognised in the surplus or deficit over the lease term as an integral part of the total lease expense.

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 lease term, the company recognises finance leases as assets and liabilities in the Balance Sheet at the lower of the fair value of the leased item or the present value of the minimum lease payments.

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

Consolidated Statement of Accounting Policies

For the year ended 30 June 2022

(f) Cash and Cash Equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less plus bank overdrafts. Bank overdrafts are shown on the balance sheet as current liabilities within short term borrowings.

(g) Financial Assets

Financial assets are initially recognised at fair value on the trade date, which includes transaction costs when the contractual rights or obligations exist. After initial recognition, financial instruments are measured as set out below:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition they are measured at amortised cost using the effective interest method.

Impairments

The company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are recognised in the surplus or deficit. Impairment is established when there is evidence that the company will not be able to collect amounts due according to the original terms.

De-recognition of Financial Instruments

The de-recognition of a financial instrument takes place when the company sells the instrument, or all cash flows attributable to the instrument are passed to an independent third party.

(h) Revenue

Revenue is measured at the fair value of consideration received.

Grants

Grants 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.

Other Revenue

Products held for sale are recognised when a product is sold to the customer. Sales are usually in cash or by credit card. The recorded revenue is the gross amount of the sale, including credit card fees payable for the transaction. Such fees are included in gate expenses.

Consolidated Statement of Accounting Policies

For the year ended 30 June 2022

Where a physical asset is donated or vested in the company for nil or nominal consideration the fair value of the asset received is recognised as revenue. Assets vested in the company are recognised as revenue when control over the asset is obtained.

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

Interest income is recognised using the effective interest method.

Revenue from a contract to provide services is recognised by reference to stage of completion of the contract at year-end balance date.

(i) Receivables

Trade and other receivables are recorded at their fair value less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the company 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.

(j) Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditure expected using an appropriate discount rate.

(k) Employee Entitlements

A liability for holiday pay entitlements is recognised in the balance sheet.

Where the payment is expected to be longer than 12 months of balance date, the liability is recorded at its present value. Where the payment is expected to be less than 12 months, the provision is the amount expected to be paid.

These include 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.

(l) Finance Costs

Finance costs are recognised as an expense in the period in which they are incurred.

Consolidated Statement of Accounting Policies

For the year ended 30 June 2022

(m) Creditors and Other Payables

Short-term creditors and other payables are recorded at their face value.

(n) Borrowings

Borrowings are initially recognised at their fair value plus transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after balance date. Borrowings where the company has an unconditional right to defer settlement of the liability for at least 12 months after balance date are classified as non-current liabilities.

Statement of Compliance

For the year ended 30 June 2022

The financial statements have been prepared in accordance with Tier 2 PBE accounting standards Reduced Disclosure Regime on the basis that the group does not have public accountability (as defined) and has total annual expenses of less than \$30 million.

These financial statements comply with PBE standards.

Notes to the Financial Statements

For the year ended 30 June 2022

1. Operating revenue

	Group	
	2022 (\$000)	2021 (\$000)
Total sales	2,344	2,769
Grants received	32	53
Grants received (Kaikōura District Council)	3	3
Interest received	-	-
Other revenue	-	3
Total other revenue	35	59
Total revenue	2,379	2,828

2. Operating expenses

	Group	
	2022 (\$000)	2021 (\$000)
General expenses	343	337
Audit fees	30	29
Bad debts	-	2
Insurance	41	37
Rents	12	-
Repairs & maintenance	-	-
Total operating expenses	456	405

3. Finance costs

	Group	
	2022 (\$000)	2021 (\$000)
Interest charges	2	1
Total finance costs	2	1

Notes to the Financial Statements

For the year ended 30 June 2022

4. Cash and cash equivalents

	Group	
	2022 (\$000)	2021 (\$000)
Cash at bank	276	341
Cash on hand	-	-
Total cash & cash equivalents	276	341

5. Debtors and other receivables

	Group	
	2022 (\$000)	2021 (\$000)
Accounts receivable	198	291
Payments in advance	14	15
	212	306

Trade debtors are shown net of impairment losses arising from the likely non-payment of a small number of customers. At 30 June 2022 all overdue receivables had been assessed for impairment and appropriate provisions applied. The aging of receivables are as follows:

	2022			2021		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Not past due < 30 days	180	-	180	276	-	276
Past due 30-60 days	11	-	11	11	-	11
Past due 60-90 days	2	-	2	-	-	-
Past due > 90 days	-	-	-	-	-	-
	193	-	193	287	-	287

Movement in the provision for impairments of receivables as follows

Group	2022	2021
Opening Balance	-	-
Plus: Increase of provision	-	-
Less: Receivables written off	-	-
Balance as at 30 June	-	-

All receivables are from exchange transactions. No receivables are considered impaired (2021: nil).

Notes to the Financial Statements

For the year ended 30 June 2022

6. Property, plant & equipment

	Group	
	2022 (\$'000)	2021 (\$'000)
Land & Buildings		
Cost		
Balance at 1 July	371	371
Additions	-	-
Balance at 30 June	371	371
Depreciation		
Balance at 1 July	155	145
Current year depreciation	4	9
Balance at 30 June	159	155
Total cost less accumulated depreciation	212	216
Motor Vehicles		
Cost		
Balance at 1 July	575	360
Additions	61	218
Disposals	(75)	(3)
Balance at 30 June	561	575
Depreciation		
Balance at 1 July	204	163
Current year depreciation	54	44
Disposals	(67)	(3)
Balance at 30 June	191	204
Total cost less accumulated depreciation	370	372
Plant & Equipment		
Cost		
Balance at 1 July	1,096	1,090
Additions	33	84
Disposals	(112)	(11)
Balance at 30 June	1,017	1,163
Depreciation		
Balance at 1 July	732	694
Current year depreciation	85	113
Disposals	(109)	(75)
Balance at 30 June	708	732
Total cost less accumulated depreciation	309	432

Notes to the Financial Statements

For the year ended 30 June 2022

	Group	
	2022 (\$000)	2021 (\$000)
Total Property, Plant & Equipment		
Cost		
Balance at 1 July	1,996	1,823
Additions	94	303
Disposals	(188)	(130)
Balance at 30 June	1,903	1,996
Depreciation		
Balance at 1 July	1,039	1,004
Current year depreciation	145	164
Disposals	(176)	(129)
Balance at 30 June	1,008	1,039
Total cost less accumulated depreciation	895	957

No impairment losses have been recognised for property, plant and equipment (2021: nil). The net carrying costs held under finance lease are nil (2021: \$).

7. Trade and other payables

	Group	
	2022 (\$000)	2021 (\$000)
Accounts payable and accrued expenses	132	141
Accounts payable and accrued expenses	132	141

8. Employee benefits and liabilities

	Group	
	2022 (\$000)	2021 (\$000)
Payroll accruals	44	63
Provision for annual leave	112	128
Fringe benefit tax payable	-	-
Total Employee benefits and liabilities	156	191

Notes to the Financial Statements

For the year ended 30 June 2022

9. Borrowings

	Group	
	2022 (\$000)	2021 (\$000)
Term loan		
Kaikōura District Council	75	95
	75	95
Repayable as follows		
Not later than 1 year	20	20
Later than 1 year and not later than 5 years	55	75
	75	95

The bank loans are secured over the whole of IWK's undertakings.

10. Operating lease commitments

	Group	
Non-cancellable operating leases	2022 (\$000)	2021 (\$000)
Not later than 1 year	-	-
Later than 1 year and not later than 5 years	-	-
	-	-

11. Related parties

Kaikoura District Council

The Kaikoura District Council provides management, administration, and accounting services to the Trust for which no charge is made. The Kaikoura District Council pays all audit fees relating to the Trust's financial statements on the Trust's behalf, and in 2022 this amounted to \$3,297 (2021: \$3,204).

Key management personnel consists of the Trustees. There were no transactions with the Trustees, or entities in which they may have an interest.

Notes to the Financial Statements

For the year ended 30 June 2022

Innovative Waste Kaikoura Ltd

IWK's Director(s) received no remuneration during the year (2021: Nil). No related party debts have been written off or forgiven during the year (2021: Nil).

As of July 2022, IWK has contracts with Kaikoura District Council to provide landfill management and contractual maintenance services for KDC's stormwater, sewerage and water supply infrastructure.

The Kaikōura Enhancement Trust has had no receipts or payments directly with Innovative Waste Kaikōura Ltd. All related party transactions within the group have been between IWK and the parent of the group, Kaikōura District Council.

Kaikōura District Council

The total value of related party transactions for the current year and prior year with the Kaikoura District Council is as follows:

	2022 (\$000)	2021 (\$000)
Sales to Kaikoura District Council		
Landfill management fees	180	180
Kerbside recycling fees, collection fees and emptying of public rubbish bins	73	121
Three waters maintenance and other sales	1,428	1,355
	1,681	1,656
Expenses from Kaikoura District Council		
Rental costs	-	-
Other purchases	46	7
	46	7

Kaikoura District Council receivables of \$159,692 (2021: \$247,577).

Kaikoura District Council payables of \$17,078 (2021: \$11,385).

12. Retained earnings

	Group	
	2022 (\$000)	2021 (\$000)
Retained earnings opening balance	1,055	902
Net surplus/(deficit)	61	153
Available for appropriation	994	1,055
Dividends paid or provided for	-	-
Retained earnings closing balance	994	1,055

Notes to the Financial Statements

For the year ended 30 June 2022

13. Financial instruments categories

	Group	
	2022 (\$000)	2021 (\$000)
Financial assets		
Cash and cash equivalents	276	341
Debtors and other receivables	212	303
Total cash and receivables	488	644
Financial liabilities		
Trade and other payables	347	137
Borrowings – secured and unsecured	75	95
Total financial liabilities at amortized cost	422	232

14. Contingent assets and liabilities

As at 30 June 2022 there are no known contingent assets or liabilities (2021: \$Nil). The Trust has not granted securities in respect of liabilities payable by any other party whatsoever.

15. Taxation

	Group Only	2022 (\$000)	2021 (\$000)
Components of tax expense recognised in statement of comprehensive revenue and expense:			
Current taxation		-	68
Deferred taxation		(28)	(2)
Income tax expense			66
Components of deferred tax recognised directly in equity		-	-
Income tax expense		(28)	66
Relationship between tax expense and accounting profit:			
Surplus/(deficit) before tax		(62)	196
Tax at 28%		(17)	55
Add/Less tax effect of (Non-taxable Income)/Non-deductible Expenditure		(11)	11
		(28)	66

Notes to the Financial Statements

For the year ended 30 June 2022

15. Taxation continued	Group Only	2022 (\$000)	2021 (\$000)
Movement in tax (refund)/payable:			
Balance at the start of the year		44	35
Taxation (paid)/ (refunded)		(69)	(60)
Provided for this year		-	68
Balance at the end of the year		(26)	44

Movement in temporary differences

	Balance 01-Jul-20	Recognised in income	Recognised in equity	Balance 30-Jun-21
Property, Plant & Equipment	(53)	3	-	(50)
Losses to carry forward	-	-	-	-
Employee benefits	30	(1)	-	29
	(23)	2	-	(21)

	Balance 01-Jul-21	Recognised in income	Recognised in equity	Balance 30-Jun-22
Property, Plant & Equipment	(50)	13	-	(38)
Losses to carry forward	-	19	-	19
Employee benefits	29	(4)	-	(26)
	(21)	28	-	7

16. Significant events after balance date

Proposal to disestablish KET

The Kaikōura District Council are reviewing the ongoing value and relevancy for the Kaikōura Enhancement Trust and a decision on its ongoing requirement is anticipated by the end of December 2023. When a decision is made, all the rights, assets and liabilities of the Trust will be transferred to the Council.

Other than this proposal, and the Three Waters reform impacts (Note 19), there have been no other significant events after balance date.

17. Financial year

The financial year of the Trust starts on 1 July and finishes on 30 June. The Trust's Deed has not been updated to reflect the correct financial year and balance date.

18. Impact of COVID-19

The Trust assesses that COVID-19 has a minimal impact on its operational results for the current and previous years. On the 17th of August 2021, Innovative Waste Kaikōura (a subsidiary of Kaikōura Enhancement Trust) was impacted by the Government's nationwide COVID Level 4 lockdown. As an essential service, the recycling facility continued to operate during this time and the refuse stations also continued to operate for essential customers only. Innovative Waste Kaikōura's shop was closed and didn't reopen until the return to Level 2 on the 8th of September 2021. Innovative Waste Kaikōura experienced a loss of revenue during the first two weeks of the lockdown and received a wage subsidy from the government for this period.

19. Three Waters Service Delivery

Until the election of October 2023, the Labour-led New Zealand Government was in the process of implementing a water services reform programme that is intended to ensure all New Zealanders have safe, clean and affordable water services. The Government believed this will be achieved by establishing new public entities to take on the delivery of drinking water, wastewater and stormwater services across New Zealand. Post-election, with National to lead a coalition that has collectively promised to rescind much of the three-waters reform legislation that has been enacted to date. Until that legislation is actually rescinded, and the form of any new legislation is known, the Group takes the view that the current legislation remains in force.

The Trust considers that the water services reform will have minimal impact on its service delivery objectives or its organisational structure, as the Trust does not deliver water services. The impact on IWK is also not significant, as less than 50% of its total revenue is derived from water services. The company is regarded as a multipurpose council-controlled organisation, providing numerous services to the Council and other customers, therefore the water reform will not impact IWK's financial sustainability.

20. Breach of statutory reporting deadline

The Trust did not meet the timing requirement of section 41 and 42C (2)(a) of the Charities Act 2005 for completing an annual return that includes the Trust's audited financial statements, and the annual report was not completed before the close of 30 November 2022 as required by section 67(5)(b) of the Local Government Act 2002. This was partly due to an auditor shortage in New Zealand and the consequential effects of Covid-19, including lockdowns.

Appendix A: Innovative Waste Kaikoura Statement of Service Performance

For the year ended 30 June 2022

Innovative Waste assesses its performance against a series of key performance indicators.

Performance targets

Annual Target 2021-2023	Actual performance 2021/2022
Client satisfaction	
98% of all urgent or callouts, applicable to the contract are responded to within one hour or two hours respectively from the time of the notification to the time that service personnel depart to the site.	Results not available. The Asset Management system used to capture all calls is not yet fully operational. All urgent callouts are responded to immediately.
98% of all non-urgent call outs, applicable to the contract are responded to within 48 hours from the time the notification to the time that service personnel attend site	Results not available. All non-urgent callouts are responded to within 24 hours.
Service requests received about recycling collections is less than 20 per year.	Achieved. One service request was received.
Compliance with and provision of all KPI information as per contracts	Measure not relevant for 2022 New contract for 3 Waters started 1 July 2020 (3 year term) – no further KPIs than service response attached. New contract for Resource Recovery implemented 1 October 2021 (5 year term) and has KPIs attached.
Obtaining an unqualified audit opinion	Not achieved Not achieved due to audit qualification over the failure to capture information about response times to callouts.
Service performance	
Zero abatement notices or infringements issued to KDC for non-compliance with resource consent conditions.	Achieved No non-compliance notices or infringements issued to KDC.
The number of complaints received per year being due to a service request not being actioned appropriately is less than 10.	Achieved Three (3) complaints were received.
Health & safety	
5% reduction in TRIF (Total Recordable Incident Frequency) accident rates	Achieved (39% reduction) TRIFR rate for 2020/21 was 131.48 (18 TRI x 200,000/27,116 (hours worked)). TRIFR rate for 2021/22 was 79.86 (12 TRI x 200,000/30,053 (hours worked)).

LTIFR (LTI per 200,000 hours worked) <6	Achieved LTIFR rate for 2021/22 was 0.00 (1 LTI x 200,000/30,053 (hours worked)).
Staff engagement	
Increase baseline of staff engagement through annual survey by 10% (2020/21 4.0).	Not achieved Average engagement score of 3.9
Financial Performance Targets	
	Achievement:
Revenue \$2,308,499	\$2,293,079 Not achieved
Net Profit After Tax \$170,175	(\$32,441) Not achieved
Return on Equity 10%	(3%) Not achieved
Equity \$1,021,296	\$972,486 Not achieved
Liquidity ratio (excl Holiday pay accrual) > 1.31	2.24 Achieved
Wages as a % of revenue < 53.38%	48.23% Achieved
R & M as a % of revenue < 6.38%	1.54% Achieved
Landfill diversion	
55% diversion of recyclable material from landfill	Achieved 55.9%

Independent Auditor's Report

To the readers of Kaikōura Enhancement Trust Group's financial statements and performance information for the year ended 30 June 2022

The Auditor-General is the auditor of Kaikōura Enhancement Trust (the Trust) and its controlled entities (collectively referred to as 'the Group'). The Auditor-General has appointed me, Dereck Ollsson, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the Group on his behalf.

We have audited:

- The consolidated financial statements of the Group on pages 5 to 24, that comprise the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive revenue and expense, consolidated statement of changes in equity, consolidated statement of cash flows, and consolidated statement of accounting policies for the year ended on that date and the notes to the financial statements that include other explanatory information; and
- the performance information of the Group on pages 4 and 25 to 26.

Opinion

Unmodified opinion on the financial statements

In our opinion, the financial statements of the Group on pages 5 to 24 which have been prepared on a disestablishment basis:

- present fairly, in all material respects:
 - its financial position as at 30 June 2022; and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards Reduced Disclosure Regime.

Qualified opinion on the performance information

In our opinion, except for the possible effects of the matter described in the *Basis for our opinion* section of our report, the performance information of the Group on pages 4 and 25 to 26 presents fairly, in all material respects, the Group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Group's objectives for the year ended 30 June 2022.

Our audit was completed late

Our audit was completed on 30 November 2023. This is the date at which our opinion is expressed. We acknowledge that our audit was completed later than required by section 67(5)(b) of the Local Government Act 2002 (the Act) and section 41 and 42C(2)(a) of the Charities Act 2005. This was due to an auditor shortage in New Zealand and the consequential effects of Covid-19, including lockdowns.

The basis for our opinion is explained below. We also draw attention to other matters.

In addition, we outline the responsibilities of the Trustees and our responsibilities relating to the financial statements and the performance information, we comment on other information and we explain our independence.

Basis for our opinion

Performance information – Our work was limited over some performance measures

Pages 25 to 26 of the Group's annual report includes the performance information of Innovative Waste Kaikōura Limited (the Company), which is a subsidiary of the Trust. The Company did not maintain adequate systems to record information about the callouts, service requests, complaints or incidents, and could not provide adequate documentation to support the reported results for some of the performance measures. Our work over the following material performance measures was therefore limited:

- Client satisfaction: 98% of all urgent callouts responded to within 1 to 2 hours.
- Client satisfaction: 98% of all non-urgent call outs responded to within 48 hours of notification.
- Service Performance: Number of complaints received per year.
- Health and Safety: 5% reduction in Total Recordable Incident Frequency (TRIF) accident rates.

There were no practicable audit procedures that we could apply to obtain assurance over the reported results for these performance measures for the current year.

Our work over the Company's reported performance for urgent and non-urgent call outs, service requests about recycling collection, and service request complaints was limited in the previous year for the same reasons as outlined above. Accordingly, we expressed a qualified opinion on the Group's performance information for the year ended 30 June 2021.

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Emphasis of matter – The financial statements have been prepared on a disestablishment basis

Without further modifying our opinion, we draw attention to note 16 on page 23 which outlines that the financial statements have been prepared on a disestablishment basis. This is because Kaikoura District Council (the District Council) are reviewing the future of the Trust, and a decision will be made by the end of December 2023 on whether operations will be transferred to the District Council. No changes have been made to the recognition and measurement basis, or the presentation of assets and liabilities in these financial statements because these will be transferred to the District Council at their carrying value. We consider the disestablishment basis to be appropriate.

Other matter – Comparability of forecast financial statements with the historical financial statements

Without further modifying our opinion, we draw attention to the fact that the forecast financial statements included in the Group's 2022 statement of intent are only for the Trust and not the Group, and therefore are not comparable with the financial statements presented for the year ended 30 June 2022, which are for the Group. No comparison between the forecast financial statements and historic financial statements has been presented in the annual report.

Although the Act requires the Group's annual report to include a comparison of the performance of the Group with the statement of intent, and an explanation of any material variances, the Act does not expressly require the annual report to include forecast financial statements for the Group for comparison with the historical financial statements. However, comparison of forecast financial statements with actual financial results is an essential element of accountability. For forecast financial statements to be relevant and comparable, they should be prepared on the same basis as the Group's historical financial statements.

Responsibilities of the Trustees for the financial statements and the performance information

The Trustees are responsible for the preparation and fair presentation of financial statements for the Group that comply with generally accepted accounting practice in New Zealand. The Trustees are also responsible for preparing the performance information for the Group.

The Trustees are responsible for such internal control as they determine is necessary to enable them to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Trustees are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. If the Trustees conclude that the going concern basis of accounting is inappropriate, the Trustees are responsible for preparing financial statements on a disestablishment basis and making appropriate disclosures.

The Trustees' responsibilities arise from the Local Government Act 2002, the Charities Act 2005, and the Trust Deed.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements and the performance information.

For the budget information reported in the performance information, our procedures were limited to checking that the information agreed to the Group's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.

- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance.
- We conclude on the appropriateness of the use of the disestablishment basis of accounting by the Trustees.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the performance information. We are responsible solely for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Trustees are responsible for the other information. The other information comprises the information included on pages 1 to 4 but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor of the Trust and its subsidiary, we have no relationship with, or interests in, the Group.

A handwritten signature in black ink, appearing to read 'Dereck Ollsson', written in a cursive style.

Dereck Ollsson
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand