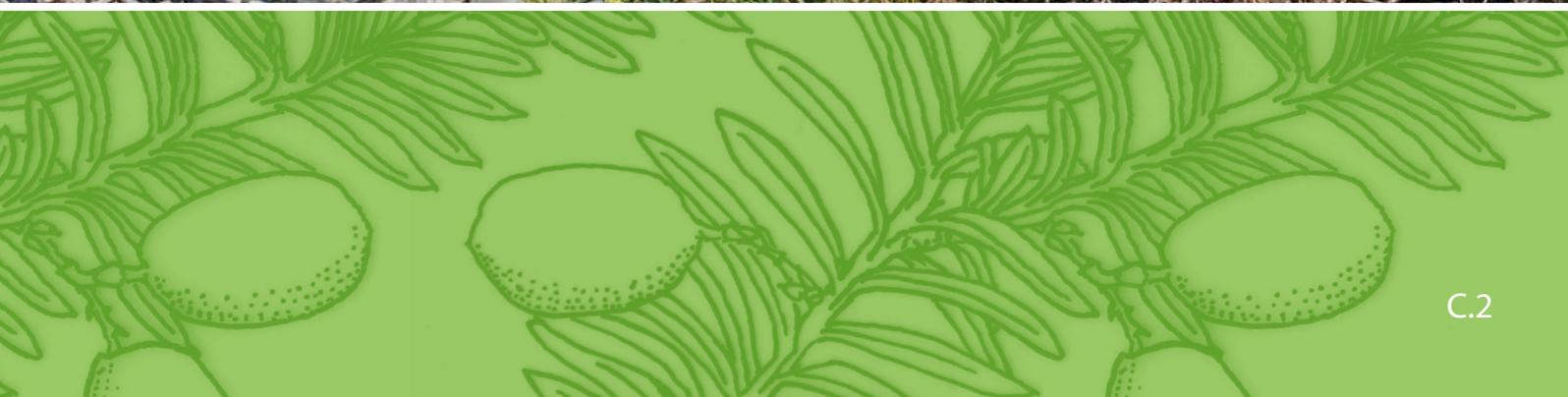


# Annual Report 2015

Queen Elizabeth II National Trust



QEII National Trust  
Open Space New Zealand  
Ngā Kairauhī Papa



# Our mission

Partnering to protect special places on private land  
for the benefit of present and future generations

## Our vision

Growing the network of  
protected places in New Zealand

Annual Report 2015 of Queen Elizabeth II National Trust (the National Trust) / Ngā Kairauhi Papa. Presented to the House of Representatives pursuant to section 32 of the Queen Elizabeth the Second National Trust Act 1977.

Queen Elizabeth the Second National Trust is an independent statutory organisation and a registered charitable entity under the Charities Act 2005. Registration number: CC28488.

**Office:** QEII National Trust, Level 4, 138 The Terrace, PO Box 3341, Wellington 6140

**T:** 04 472 6626 **E:** [info@openspace.org.nz](mailto:info@openspace.org.nz) [www.openspace.org.nz](http://www.openspace.org.nz)

**Patron:** His Excellency Lieutenant General, The Right Honourable Sir Jerry Mateparae GNZM, QSO, Governor-General of New Zealand.

**Chief Executive:** Mike Jebson

**Finance and Business Manager:** Tony Beret

**Auditor:** Ernst and Young on behalf of the Auditor General

**Bankers:** Bank of New Zealand

**Solicitors:** Gibson Sheat Lawyers

**Insurer:** AON New Zealand

Cover photo: The Harris family next to their wetland covenant, Ashburton. Line drawings on cover (miro and dragonfly): Eleanor Burton.

This page: A section of the Taieri scroll plain (see page 13 for story)

This document is printed on an environmentally responsible paper produced using elemental chlorine-free (ECF) pulp sourced from sustainable and legally harvested farmed trees, and manufactured under the strict ISO14001 Environmental Management System. ISSN 2324-5948 (print), ISSN 2324-5956 (online).

# Contents

Joint report from the Chair and the Chief Executive .....	4
Our Board of Directors.....	5
Who we are and what we do.....	6
Our partnership with landowners .....	7
Working with others.....	8
Encouraging research and learning .....	9
Operating as a perpetual trustee for covenants .....	9
Growing the network of protected places in New Zealand .....	10
Promoting our work .....	10
Prioritising protection .....	11
Examples of covenant approvals supporting national priorities for biodiversity protection on private land .....	12
Statistics .....	14
Statement of service performance.....	16
Financial statements .....	17
Notes to the financial statements .....	22
Auditor's report .....	28
Thank you .....	31

# Joint report from the Chair and the Chief Executive

We are proud to report that the year just gone has been one of the most successful in the National Trust's 38-year history of working to protect special areas of land for the benefit of all New Zealanders.

This year the National Trust broke all previous records for the area of land registered under covenant protection in a single year. We also celebrated our 4000th covenant registration.

## Record area protected

A major achievement this year was the registration of the Mahu Whenua covenants in Central Otago. Comprising four adjoining covenants, the Mahu Whenua covenants protect 51,554ha of high country landscape and associated natural and cultural features and values. The covenants are the largest area ever protected by private covenanting in New Zealand, and the first whole landscape to be protected by the National Trust.

The registration of the Mahu Whenua covenants was a complex process and we are grateful for the support of the Department of Conservation, Heritage New Zealand, the Commissioner for Crown Lands, Land Information New Zealand, the New Zealand Walking Access Commission, and the Queenstown Lakes District Council. We would especially like to acknowledge the input of Russell Hamilton and Willy Sussman on behalf of the property owner, Robert (Mutt) Lange. We were delighted to work with Mutt's team to support his vision of securing the permanent protection of this special area for the benefit of present and future generations.

We would also like to acknowledge the Central Lakes Trust, whose financial support helped meet a significant portion of our surveying costs, and Steel and Tube, who have agreed a sponsorship deal to help with fencing costs.

## 4000th covenant registered

In May, we celebrated the registration of our 4000th covenant at an event hosted by former Board Director, Bill Garland, and his wife Sue on their Waikato farm. The covenant was established by Keith and Margaret Ormsby, the second on their Te Awamutu dairy farm. Waikato is sometimes termed the birthplace of the National Trust and it is a happy coincidence that the Ormsbys' covenant is not far from the site of the National Trust's very first covenant, registered almost 40 years ago by its key founder, Gordon Stephenson, and his wife Celia.

We thank Fonterra and the Department of Conservation for sponsoring the event through their joint Living Water Programme.

## This year's targets

The National Trust met its targets set out in the Memorandum of Understanding with the Minister of Conservation. A total of 113 covenants were registered this year, protecting 54,354ha. Given that the National Trust usually covenants around 3600ha a year, this year's total is equivalent to 15 years of annual targets, and has

well and truly broken the previous record of 9507ha registered during the 1995 – 1996 financial year. A further 111 covenants were approved, bringing the National Trust's total area of land protected to 181,346ha.

## Resourcing covenanting

The National Trust's direct financial support from the Crown through Vote Conservation is \$4.274 million a year (GST excluded). With that Crown investment, we leverage a huge investment from private landowners through income forgone, commitment to fencing maintenance and replacement, and weed and pest control in their covenants.

It costs around \$22,000 to progress the average covenant (around 40ha in size) to the point of registration. About 40% of this cost is the National Trust's contribution to fencing (which generally matches the landowner's contribution) and 16% is for surveying to define the area to be protected. The balance includes field work, ecological assessments, and the legal and processing costs required to approve and register the covenant.

While we have made strenuous efforts to improve efficiencies in how we operate, there are limits to what can be achieved from an already tight budget. Unfortunately, we are having to turn down good covenant proposals every year because we do not have the funds to resource all the covenant proposals we are being offered.

We are trying to secure additional third-party funds to meet the demand but are finding this difficult in the current financial climate. We will continue our efforts in this area. We need to increase our funding to administer the growing network of covenants and to continue partnering with landowners to protect more natural and cultural heritage sites on private land.

## Indefeasibility of the covenant agreement

The National Trust has an ongoing relationship with landowners as the perpetual trustee in the covenant agreement. We monitor covenants on a regular basis as part of this function, and work with landowners to find the best practical solution to improve a covenant's condition if issues are identified during monitoring visits. On very rare occasions, deliberate or attempted serious breaches of the covenant agreement have been taken to court after lengthy negotiations with the landowner have failed to achieve a satisfactory outcome.

This year, the legal status of the covenant agreement was tested in the High Court for the second time in 12 months. A landowner challenged the legality of the covenant protecting an area of indigenous forest he had purchased because it prevented him from developing it. He lost the case, and the High Court reconfirmed the 'indefeasibility' ruling. The Court made that ruling in the original case brought to it by the same landowner, declaring that National Trust covenants are permanent and cannot be annulled.



## New Board Director

In June, Bruce Wills was appointed to the Board by the Minister of Conservation. Bruce sits on numerous boards and trusts including chairing the NZ Poplar & Willow Research Trust and the East Coast Ballance Farm Environmental Awards. He is also on the Board of Motu Research and is a trustee of the Todd Foundation. He recently stepped down from 6 years on the Board of Federated Farmers New Zealand, the last 3 years of which he served as its National President. Suffice it to say, Bruce has hit the ground running as a new Board member, and his wealth of experience has already been of great benefit to our Board deliberations and business decisions.

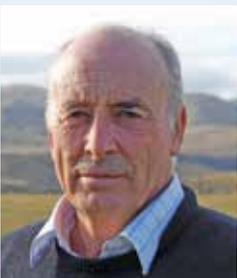
## Raising our profile

Good media coverage of the milestone celebrations mentioned above and the indefeasibility ruling has helped raised awareness of our organisation. So too have other events, such as the Ballance Farm Environment Awards (BFEA) programme that recognises landowners who demonstrate excellent sustainable land management practices on their farms. Covenantors are regularly amongst those recognised with awards from this programme.

National Trust covenantors make a huge voluntary contribution towards protecting our rural landscapes and threatened natural heritage in the lowland modified areas of New Zealand where it is least protected and most at risk. This is something we want New Zealanders to better understand, appreciate, and support.

Looking to the future, the National Trust has a considerable challenge to raise this awareness at all levels – from political decision makers, through to landowner partners, possible commercial alliances, and potential urban supporters – and to harness this support in new ways that can safeguard the National Trust's future. We need to tap into New Zealanders' passion to preserve their natural and cultural heritage and provide the mechanisms to allow them to contribute to our work on a national scale. Over the next year the National Trust will be refining its strategic direction and planning how it can be resourced to continue playing its vital role of safeguarding this country's special places.

**James Guild**  
Chair



**Mike Jebson**  
Chief Executive



## Our Board of Directors

From left to right:

**Megan Balks** is a lecturer and researcher of soil and environmental sciences at Waikato University. Megan and her husband have a sheep farm on Mt Pirongia near Te Awamutu with 24ha of lowland forest protected with National Trust covenants. Megan was elected to the Board by National Trust members.

**Gina Solomon** is of Ngāi Tahu and Ngāti Kurī descent, and lives in Peketa, south of Kaikōura. She sits on a number of boards and trusts concerned with water management and conservation. Gina was appointed to the Board by the Minister of Conservation after consultation with the Minister of Māori Development.

**James Guild** (Chair) is a high country farmer with extensive experience in agribusiness, game animal management, and conservation. The Guild family has a National Trust covenant on their property near Darfield in Canterbury, protecting 94ha of braided shingle riverbed, sedgeland, tussockland and shrubland. James was appointed to the Board by the Minister of Conservation.

**Sue Yerex** lives in Turangi and runs a beef and sheep farm in partnership with her husband. She has a background in agricultural commerce and horticulture. Sue serves on a number of private and voluntary trusts, boards and charities, including two that advocate for the care of Lake Taupo and its water. Sue was appointed to the Board by the Minister of Conservation.

**Bruce Wills** is a former president of Federated Farmers and serves on a number of boards and trusts including the NZ Poplar & Willow Research Trust and the East Coast Region Ballance Farm Environmental Awards. Around 164ha of the Wills' family farm near Napier is protected with National Trust covenants. Bruce was appointed to the Board by the Minister of Conservation.

**James Hunter** is a sheep and beef farmer at Porangahau in coastal Hawke's Bay. He is a former Rural Bank appraiser and Central Hawke's Bay District councillor. Fifty hectares of bush and wetland areas on the Hunters' farm are protected with National Trust covenants. James was elected to the Board by National Trust members.



**A section of the Mahu Whenua covenants registered this year. The covenants are protecting around 51,554ha of high country landscape near Queenstown**

## Who we are and what we do

The National Trust is a registered charity and an independent statutory organisation.

We work in partnership with landowners to help them legally and permanently protect special natural and cultural features on their land with open space covenants.

We want to inspire all New Zealanders to support protecting and improving natural and cultural heritage values on private land. We work with central and local government, stakeholder organisations, universities, and many other committed trusts, groups, and individuals to advance this goal.

The National Trust is governed by a board of directors and is supported by 16 full- and part-time staff based in Wellington. Part- and full-time regional representatives are contracted to cover 28 geographic regions throughout the country.

Our current annual operating budget is around \$5 million. Most of this amount (\$4.274 million excluding GST) is received by government grant through Vote Conservation funds. The balance is received from donations, member subscriptions, successful contestable funding bids, bequests, and fundraising.

The National Trust's legal powers and functions are drawn from the Queen Elizabeth the Second National Trust Act 1977.



Regional representative, Chris Floyd (left), presents John Duder with a sign for his covenant, the first on Kawau Island

## Our partnership with landowners

The National Trust works in partnership with landowners who want to legally and permanently protect special natural and cultural features on their land with covenants. This partnership is independent from local and central government.

We assess landowners' covenant proposals, organise surveying (if a proposal is approved), help landowners with initial fencing costs, and do all the legal work required to register the covenant on the land title.

Landowners retain ownership of their covenants and are responsible for managing them.

We have an ongoing relationship with covenantors as the perpetual trustee partner. We provide management support and advice and ensure the covenant agreement is respected by all owners.

Once covenants are registered, our regional representatives monitor their condition on a regular basis. We also negotiate and approve specific variations covenantors may seek to their covenant agreements, as long as they are not contrary to the purposes and objectives of their covenants and do not compromise covenant values.

We are not funded to help covenantors financially with managing their covenants. We meet this need partly by finding third-party support for covenantors whenever we can, for example, by applying on their behalf for funding grants or by developing sponsorship agreements.



Covenantor Sandy Page on the left, Ngaire Tyson (NZ Landcare Trust) at the back, and Vincent von Mulert-Carvell and Finn Delamere carrying kiwi to a 'meet a kiwi' community day at the Pages' covenant near Whangarei. Photo — Malcolm Pullman

## Working with others

We work closely with the Department of Conservation, regional and district councils, universities, the New Zealand Walking Access Commission, Heritage New Zealand, sponsors, and many other organisations, trusts, community groups, and individuals committed to protecting and enhancing New Zealand's natural and cultural heritage. Their engagement and support contributes significantly to the protection, enhancement, and understanding of biodiversity and other special features found on private land.

We have an ongoing partnership with the New Zealand Farm Environment Trust, and are a sponsor of the Ballance Farm Environment Awards administered by the Trust. The overall objective of these awards is to promote sustainable land management practices on farms.

We are committed to supporting community conservation initiatives and to working with others to rally greater support for covenants and our work.

Groups, organisations, and individuals we have worked with this year include:

“ We are committed to supporting community conservation initiatives and to working with others to rally greater support for covenants and our work. ”

Manawahē Kōkako Trust; Moehau Environment Group; Mahakirau Estate Society; Māna Manu Trust; Kauri Dieback Fora; Kiwis for Kiwi; WWF; Whenuakite Kiwi Care Group; Forest and Bird; botanical societies; Te Wherowhero Lagoon Restoration Trust; Million Metres Streams programme; Weedbusters; Landcare Research; QEII Club Warkworth; Patte and Roger Williams; the Rodney District Local Board; the Page family; Brian Rance; North Tec, Hancock Forest Management, Rayonier Matariki Forests, Ngatiwai Trust Board, Reconnecting Northland, New Zealand Landcare Trust; Dr Ross Ramsay and Southern Institute of Technology Bachelor of Environmental Management students; school volunteer groups; and BNZ volunteers.



Regional representative, Miles Giller, talking to Landcare Research taxonomist, Dr David Glenny, while members of the Canterbury Botanical Society learn to use the Landcare Copromsa ID App that Dr Glenny helped develop



## Encouraging research and learning

The National Trust was set up to encourage and promote the protection, understanding, and appreciation of natural and cultural features on private land. We achieve this primarily through covenanting. When possible, we also support research programmes that promote an understanding of how covenants benefit the environment and society or determine ways to better protect, manage, and enhance covenants. The National Trust and its covenantors are collaborating with diverse education and research institutions on multi-year projects in covenants, including:

- beetle releases for biocontrol of *Tradescantia*
- a study on the benefits of native biodiversity in farming landscapes
- a native species breeding programme in the Marlborough Sounds
- lessons in seed-setting and propagation in Wairarapa
- a pest management project targeting mustelid, possum, cat, and rat populations in Northland
- a research project in the Bay of Plenty looking to determine why kōkako populations are static in what appear to be favourable habitat conditions.

We work closely with Massey University on the QEII Athol Patterson Bursary. The bursary is a result of a bequest to the National Trust from the estate of Professor Athol Patterson and was set up under his name to support students at Massey University interested in learning about sustainable farming practices.

We have an important relationship with Canterbury University where the current recipient of our \$50,000 per annum QEII National Trust Dr Brian Molloy Doctoral Scholarship is resident.

We have also had preliminary discussions with Otago University regarding opportunities for students to carry out research on the Mahu Whenua covenants near Queenstown. Proposed research topics have the potential to help Soho Property Limited (the covenant owner) and the National Trust with managing and restoring areas within the vast (51,554ha) landscape protected by the covenants.

## Operating as a perpetual trustee for covenants

Landowners are responsible for managing their covenants and the National Trust operates as a perpetual trustee to make sure the terms and conditions of covenant agreements are respected forever. We monitor covenants regularly as part of this function. This year, 1743 covenants were monitored by our regional representatives.

If issues are identified during monitoring, we work with landowners to try and find the best practical solution to improve the covenant's condition.

On very rare occasions, deliberate or attempted serious breaches of covenant agreements have had to be settled in court after lengthy negotiations with the landowner have failed to achieve a satisfactory outcome.

This year the National Trust asked the High Court to reconfirm the status of a covenant agreement after a property speculator challenged it for the second time because it was preventing him from developing 400ha of covenanted forest he had purchased on the Coromandel Peninsula. The judge reconfirmed a previous High Court ruling that the covenant had the protection of 'indefeasibility' and was therefore unable to be challenged.

“ The National Trust operates as a perpetual trustee to make sure the terms and conditions of covenant agreements are respected forever. ”



**Gordon and Celia Stephenson with Margaret and Keith Ormsby, who registered the National Trust's 4000th covenant this year. Photo: Fairfax NZ**



**National Trust Patron, His Excellency, Sir Jerry Mateparae, unveiling a plaque at the official opening of the Mahu Whenua covenants**

## Growing the network of protected places in New Zealand

Our national parks generally protect biodiversity in high upland areas of New Zealand — areas that were often too hard to access or too difficult to develop. The National Trust plays an important role protecting biodiversity in our country's modified, privately owned, lowland landscapes. This is where some of New Zealand's richest biodiversity is represented, but where it is least protected and most at risk.

The National Trust's vision is to grow the network of protected places on privately owned land and to enhance connectivity between covenants and other protected places, so New Zealand's native plants and animals can flourish within our productive landscapes.

We registered 113 open space covenants during the financial year, adding 54,354ha to the covenant network. We approved another 111 proposals covering around 2400ha.

We also celebrated our 4000th registration this year and the area registered (54,354ha) is an all-time record for the National Trust. The previous record was 9507ha, registered in the 1995 – 1996 financial year.

At 30 June 2015, the number of registered covenants totalled 4082, protecting 163,310ha. The area of registered and approved covenants together totalled 181,346.6ha, an area similar in size to Stewart Island/Rakiura or the greater Auckland region.

## Promoting our work

Raising awareness of the National Trust and promoting the altruistic conservation work of its covenantors is an important communications goal for us.

Covenanting with the National Trust is entirely voluntary (unless required under conditions of the Resource Management Act 1991 or the Overseas Investment Act 2005), and there is no financial compensation for landowners setting aside land to establish a covenant. While the National Trust covers the legal and surveying costs and up to 50% of the fencing costs to establish a covenant, landowners make a significant, ongoing financial and physical contribution towards the care of their covenants. They also forgo any development rights on their covenanted land.

As a community, covenantors are making a huge contribution towards protecting our threatened, vulnerable, and rare biodiversity in the lowland areas of New Zealand where it is least protected and most at risk. This is something we want New Zealanders to understand, appreciate, and support.

Wide media coverage of two significant milestones we celebrated this year has helped raised awareness of the National Trust and its covenantors:

- the registration and opening of Soho Property Limited's Mahu Whenua covenants protecting 51,554ha of iconic high country near Queenstown
- the registration of the National Trust's 4000th covenant by Te Awamutu dairy farmers, Keith and Margaret Ormsby.

**As a community, covenantors are making a huge contribution towards protecting our threatened, vulnerable, and rare native biodiversity.**





## Prioritising protection

National Trust covenants protect diverse environments and values including landscape features, forest remnants, wetlands, dunelands, threatened species habitat, geological sites, historic and culturally important sites, and public access.

It costs the National Trust \$22,000 on average to formally establish a covenant. Given this, and the rising costs associated with administering and monitoring the growing network of covenants, we can currently afford to establish around 110 covenants a year. The demand from landowners to covenant land is higher than this number, so we prioritise proposals carefully.

As agreed in our Memorandum of Understanding with the Minister of Conservation, we give precedence to covenant proposals with land and biodiversity values identified in the *New Zealand Biodiversity Strategy 2000* as most in need of protection.

The Biodiversity Strategy's 'Statement of National Priorities', developed in 2007 by the Department of Conservation and the Ministry for the Environment, identifies four ecosystem and habitat types most in need of protection on private land. Our annual target is that 90% of all new covenant approvals support at least one of the four national priorities and/or offer connectivity to other protected areas. Landowner motivation and the long-term sustainability of a site are also taken into

### The four national priorities for biodiversity protection on private land

- 1 To protect indigenous vegetation associated with land environments that have 20% or less remaining in indigenous cover.
- 2 To protect indigenous vegetation associated with sand dunes and wetlands — ecosystems that have become uncommon due to human activity.
- 3 To protect indigenous vegetation associated with 'naturally uncommon' ecosystems — ecosystems that are naturally unusual or rare.
- 4 To protect habitats of acutely and chronically threatened indigenous species.

consideration when prioritising proposals. The balance of covenants protect significant landscapes, cultural, and geological features.

## Examples of covenant approvals supporting national priorities for biodiversity protection on private land



### Uncommon coastal cliff covenant

A covenant approved in Marlborough will protect regenerating shrublands, limestone communities, herbfields, and sandy shores. An assortment of locally endemic and threatened plants are present, including the button daisy (*Craspedia uniflora* var. cf. *grandis*) and a huge population of the coastal mat daisy (*Raoulia* aff. *hookeri*) – possibly the largest population in New Zealand. The site includes calcicol plants that are adapted to limestone cliff environments, a ‘naturally uncommon’ ecosystem. The site has high scenic values in an area where less than 10% of indigenous vegetation remains. Middens and old hangi site diggings have also been found, indicators of past Māori occupation.

**National priorities: 1, 3, 4**

**Estimated area: 58ha**



### Connectivity and rare species in Otago

A covenant proposal approved this year will extend protection in a critically underprotected environment (see threatened environments map on page 14 for environment classifications) and provide for greater connectivity with other covenants on the Otago Peninsula. It contains kānuka and broadleaf species that are rare on the peninsula and will protect the habitat of the rare jewelled gecko.

**National priorities: 1, 4**

**Estimated area: 1.8ha**



### Birds, plants, and visual features in Southland

A high-quality beech forest covenant proposal in Southland was approved this year, containing regenerating tōtara, broadleaf, and scrubland with coprosma and mānuka stands. It contains a number of plant and bird species that are threatened or regionally uncommon, such as the New Zealand falcon/kārearea and the New Zealand pipit/pīhoihoi. It has the largest known population in northern Southland of the plant *Olearia lineata*, which is in decline. The covenant also protects important landscape features.

**National priority: 4**

**Estimated area: 51ha**



Photo: DOC

### Bush remnant protects threatened birdlife

The approval of a block of bush in Manuwatu will provide excellent connectivity through a variety of habitats to link to the Whanganui river in the west and Erua Forest in the north. The high altitude and large rainfall in this area creates a lush, slow-growing environment that shelters birdlife such as the threatened North Island brown kiwi, North Island robin/toutouwai, red-crowned parakeet/kākāriki and the threatened New Zealand bush falcon/kārearea, as well as a large population of kereru.

**National priority: 4**

**Estimated area: 5.8ha**



Photo: Otago District Council

Upper Taieri scroll plain

### Unique ecosystem and landscape

A Central Otago covenant proposal approved this year incorporates part of the Upper Taieri scroll plain. A scroll plain is an ecosystem and landform that owes its origin to a meandering (scrolling) river that changes its course during flooding, leaving lakes and depressions that hold water for varying periods of time. The Upper Taieri River scroll plain is New Zealand's best example of this landform type because of its size and the complexity of its meander pattern. The proposal protects an area with outstanding landscape, geomorphological, and ecosystem service values, and wildlife including the threatened grey duck/pārerā, black-fronted tern/tarapiroe, and banded dotterel/tuturiwhatu.

**National priorities: 2, 4**

**Estimated area: 67ha**



Photo: NZFE Trust

### Milestone covenant registration

Ōtorohanga dairy farmers Keith and Margaret Ormsby have two covenants on their property. Their second covenant was approved and registered this year – the 4000th to be registered by the National Trust. This significant milestone was celebrated at a covenants' event in May where the Ormsbys were guests of honour. The Ormsbys' covenants are within 4km of the Pirongia Forest Park, border the Walter Scott Reserve owned by Forest and Bird, and have good connectivity to a scattering of other bush pockets nearby. Their covenants protect forest remnants and critically underprotected wetland areas.

**National priorities: 1, 2**

**Protected area: 3.5ha**



The Harris family next to their wetland covenant

### Significant wetland with scarce plants

The Canterbury Plains in the Ashburton District is one of the most transformed landscapes in New Zealand, with not much protected outside its braided rivers. A covenant was approved this year that will protect a small coastal wetland near Ashburton. It is one of the very few swamps remaining in the area. This regionally significant wetland has a full suite of typical local swamp plants that are now scarce in the Ashburton district due to extensive draining of wetlands there in the late 1800s.

**National priorities: 1, 2, 4**

**Estimated area: 1ha**



*Tupeia antarctica* (white mistletoe)

### Unique plant associations in unusual forest type

Regular disturbance by flooding and consequent deposits of highly fertile silt have given rise to an extremely unusual forest type, a block of which has been approved for covenanting in the Eastern Wairarapa ecological district. The unique vegetation is dominated by kahikatea, with pōkākā, mātai, kōwhai, and a large component of divaricate species. *Coprosma pedicellata* (at risk–declining) and *Teucrium parvifolium* (at risk–declining) are present on the flats, and *Tupeia antarctica* (at risk–declining) has been observed on a hill face. *Korthalsella lindsayi* is scattered and parasitic on *Melicope simplex* and *Lophomyrtus obcordata*. Experts believe the association of these species in this ecological district is unique to the site.

**National priorities: 1, 4**

**Estimated area: 12ha**

# Statistics

## Registered and approved covenants as at 30 June 2015

### National Trust covenants on Landcare Research Threatened Environments map Summary – 30 June 2015

Regional Council	Total land area in region (ha)	Total approved covenants	Total registered and formalised* covenants	Total number of covenants approved, registered and formalised	Total area approved, registered and formalised covenants (ha)**	Total area registered and formalised covenants (ha)	Largest registered covenant in the region (ha)	Average covenant size (ha)** includes all approved, registered and formalised	Median covenant size (ha)** includes all approved, registered and formalised
Auckland	500,000	17	276	293	4,538.36	4,160.16	840.78	15.49	3.0
Bay of Plenty	1,223,100	8	170	178	9,539.14	9,314.58	6,563.53	53.59	4.4
Canterbury	4,220,000	58	287	345	18,923.08	12,414.04	1,679.45	54.85	8.1
Gisborne	826,500	13	133	146	5,047.75	4,342.20	1,103.78	34.57	9.1
Hawke's Bay	1,420,000	10	237	247	10,695.54	10,511.74	4,606.00	43.30	10.1
Horizons	2,221,500	41	334	375	8,942.99	7,479.89	352.25	23.85	8.1
Marlborough	1,049,500	3	74	77	3,983.23	3,115.03	1,055.68	51.73	6.1
Nelson	42,100	1	14	15	305.80	302.30	139.50	20.39	5.9
Northland	1,250,000	42	638	680	10,368.71	9,460.84	417.36	15.25	3.9
Otago	3,200,000	23	182	205	63,186.25	62,497.50	21,909.62	308.23	8.0
Southland	3,035,000	29	306	335	7,812.11	6,646.71	808.67	23.32	9.3
Taranaki	723,600	47	337	384	9,085.71	7,715.93	753.90	23.66	3.0
Tasman	978,600	14	150	164	2,696.82	2,446.01	515.62	16.44	4.0
Waikato	2,500,000	43	594	637	17,222.22	15,554.60	801.63	27.04	6.9
Wellington	813,000	25	317	342	6,207.16	5,843.59	824.35	18.15	4.4
West Coast	2,300,000	16	66	82	2,791.73	2,433.59	619.11	34.05	12.0
<b>Totals</b>		<b>390</b>	<b>4115</b>	<b>4505</b>	<b>181,346.60</b>	<b>164,238.71</b>		<b>40.25</b>	<b>5.9</b>

\*Formalised = a landscape protection agreement with a territorial authority (eg, district council) over land that has no legal title.

\*\*Areas are approximate as not all approved covenants have been formally surveyed.

Protected open space	Number	Hectares
Registered covenants	4082	163,310.42
Approved covenants	390	17,107.89
Formal agreements	33	928.29
<b>Total</b>	<b>4505</b>	<b>181,346.60</b>

**Largest registered covenant** – 21,910ha

**Largest covenant approved this year** – 2350ha

**Average size of registered and approved covenants** – 40.2ha

**Altitude range** – sea level to 2200m

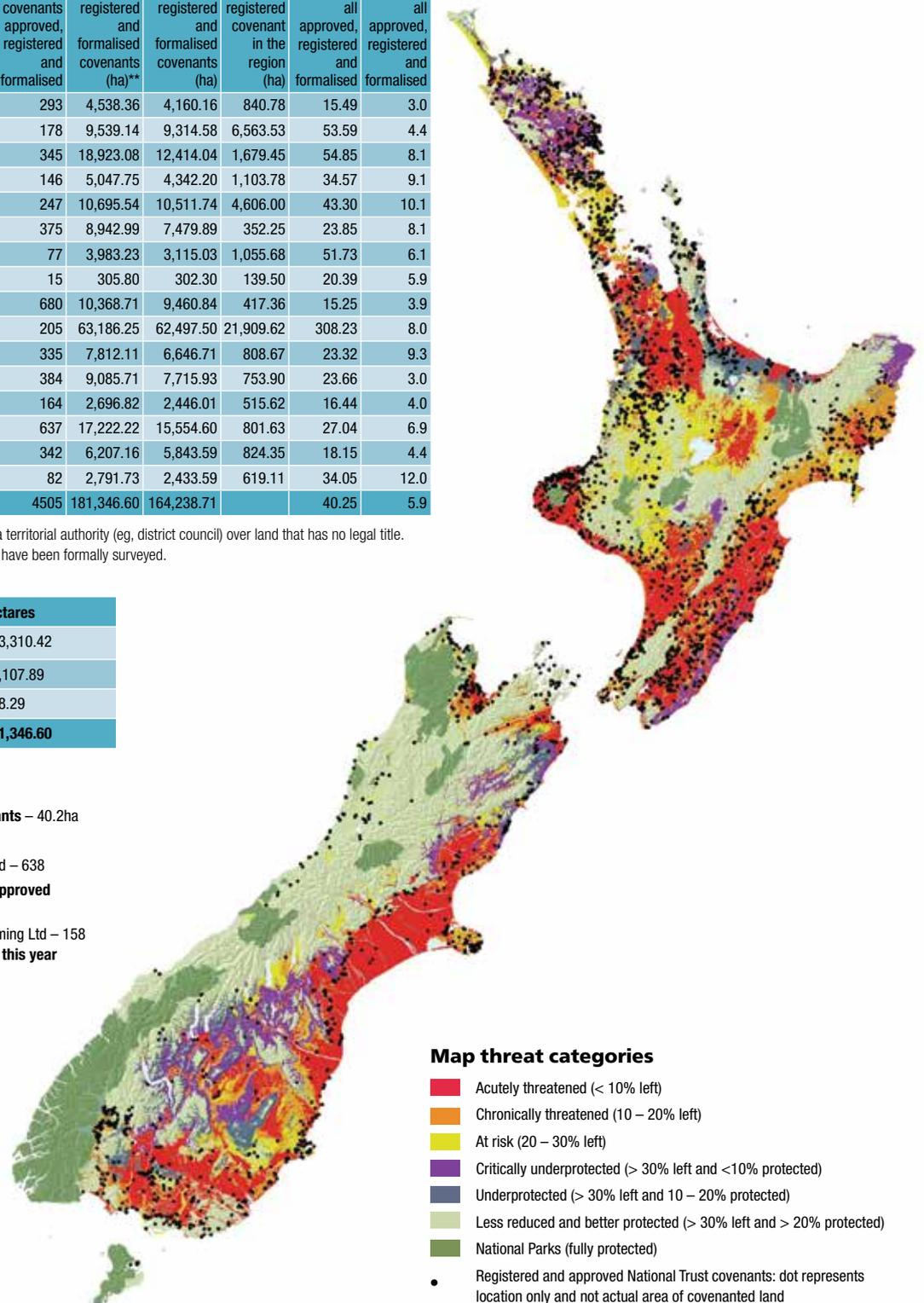
**Region with most registered covenants** Northland – 638

**Region with the largest area in registered and approved covenants** Otago – 63,186.3ha

**Organisation with most covenants** Landcorp Farming Ltd – 158

**Regional Council with most covenant approvals this year** Horizons – 19

**National Trust-owned properties** – 27

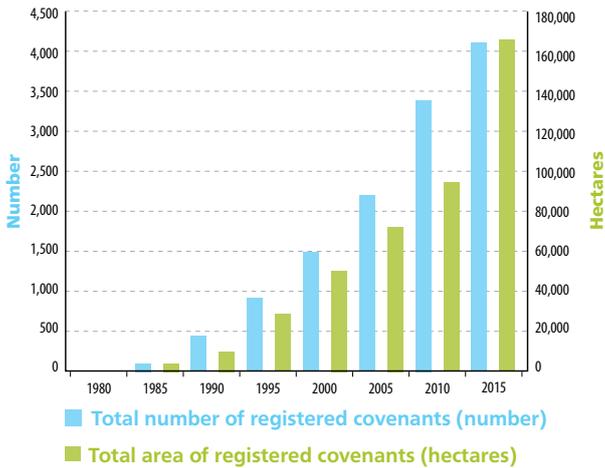


#### Map threat categories

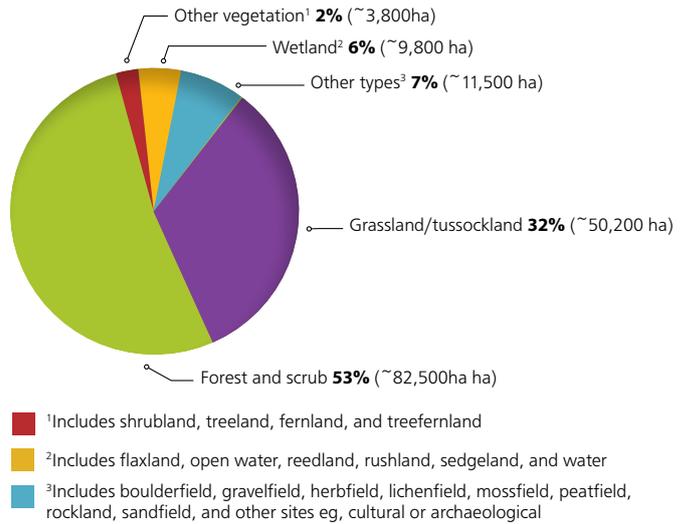
- Acutely threatened (< 10% left)
- Chronically threatened (10 – 20% left)
- At risk (20 – 30% left)
- Critically underprotected (> 30% left and < 10% protected)
- Underprotected (> 30% left and 10 – 20% protected)
- Less reduced and better protected (> 30% left and > 20% protected)
- National Parks (fully protected)
- Registered and approved National Trust covenants: dot represents location only and not actual area of covenanted land

## Statistics continued

### Registered covenants



### Land cover type



## Monitoring

National Trust monitoring visits are focused on meeting with landowners or land managers to discuss covenant management, check compliance with the covenant agreement, and make an assessment of the covenant's condition.

A covenant may be recorded as 'requires attention' if the terms and conditions of the covenant agreement are not being met (legal compliance issue) or if the covenant's values are deteriorating (condition issue) despite the landowner complying with those terms and conditions.

Where a covenant is recorded as 'requires attention', the National Trust will discuss options with the landowner to improve the covenant's condition or address a non-compliance issue. In some cases the National Trust may seek assistance from other stakeholders on behalf of the landowner.

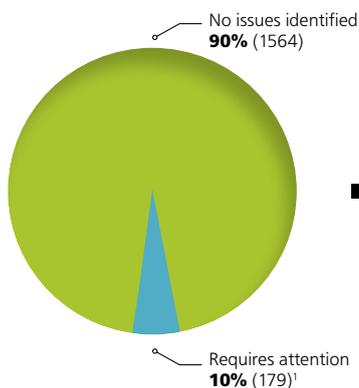
If the issue is a result of a serious breach of the covenant agreement (a significant legal compliance issue) and discussions with the landowner have been unproductive, the National Trust may take legal action as a last resort.

### Monitoring results

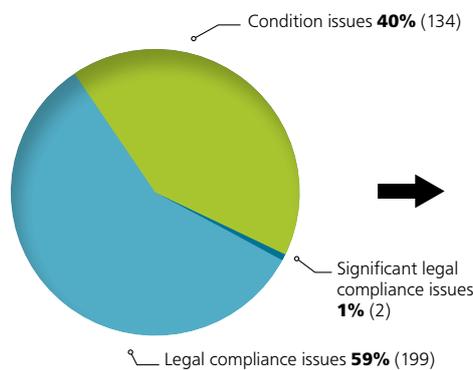
National Trust regional representatives monitored 1743 registered covenants during the 2014 – 2015 financial year. Of those, 179 were deemed to require attention because of condition issues or legal compliance issues.

Two covenants on the same property had serious legal compliance issues (also reported in the previous financial year). The National Trust was compelled to refer this case to the High Court after extensive negotiations with the landowner failed to achieve a satisfactory outcome. The Court ruled in favour of the National Trust and has ordered the landowner to pay for the complete restoration of the severely damaged covenants.

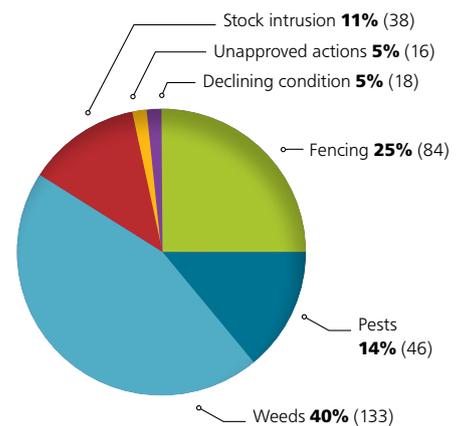
### Monitoring results – summary



### Requires attention category<sup>2</sup>



### Nature of issues requiring attention<sup>2</sup>



<sup>1</sup>An additional 71 covenants were identified as requiring attention. They are not included in the monitoring statistics, however, as the issues are related to a landscape-wide problem (eg, old man's beard or feral goats) that is beyond the control and ability of landowners to reasonably manage. A coordinated regional approach involving all stakeholder organisations and landowners is needed to effectively manage such issues. The National Trust is committed to supporting or coordinating this approach whenever it can.

<sup>2</sup>Some covenants have more than one issue requiring attention. The number of issues raised (335) is therefore higher than the number of covenants reported as requiring attention (179).

# Statement of service performance

for the year ended 30 June 2015

The National Trust's operating expenditure for the reporting period was just over \$5 million. Most of this amount (\$4.274 million excluding GST) is funded by government grant with the balance received from donations, funding bids, and other raised funds.

This statement measures the National Trust's performance against goals set in its 2014 – 2015 Memorandum of Understanding signed with the Minister of Conservation.

## Covenancing process

Open space covenants protect a range of values including: ecological, visual, geological, archaeological, scientific, cultural, recreational, soil and water, and social interest. The area, size, and shape of covenants vary, as do the associated costs, so annual fluctuations in covenant statistics can be expected.

Covenant proposals are evaluated against set criteria such as ecological significance, national priorities for biodiversity protection on private land, connectivity to other protected places, sustainability of the site, and landowner motivation. When a proposal is approved, registration of the covenant on the land title is targeted to be complete within 2 years.

The covenancing process involves responding to landowner enquiries, evaluating and documenting proposals, assessing proposals for approval, preparing documentation for approved proposals, fencing, surveying, preparing covenant management plans, and registering covenants on land titles with Land Information New Zealand. Once registered, covenants are monitored on a regular basis.

## Service performance report

**Table 1** — The implementation of legal protection of natural and historic resources on private or leasehold land (and associated cost)

Legal protection	2013/2014 Actual		2014/2015 Target		2014/2015 Actual	
	Number	Hectares	Number	Hectares	Number	Hectares
Approved covenants	117	55,199	110	3600	111	2386
Registered covenants	122	3355	115	no target <sup>1</sup>	113	54,354
<b>Cost</b>	<b>2,453,921</b>		<b>2,671,720</b>		<b>2,451,852</b>	

**Table 2** — Monitoring numbers and hectares for registered covenants and National Trust-owned properties (and associated cost)

Management services	2013/2014 Actual		2014/2015 Target		2014/2015 Actual	
	Number	Hectares	Number	Hectares	Number	Hectares
National Trust-owned properties	27	1396	27	no target	27	1436
Monitored registered covenants	1723	39,972	1800	no target	1743	42,477
<b>Cost</b>	<b>2,124,720</b>		<b>2,485,839</b>		<b>2,610,630</b>	

**Table 3** — Other activities

Activity	Target 2014/2015 <sup>2</sup>	Actual 2014/2015
New covenants approved that secure protection of one or more of the four national priorities for biodiversity protection on private land and/or add to a protected corridor or protected landscape	90%	90%
Number of regional covenantor events	4	4
Number of existing covenants identified each year and put forward as a high priority for third-party support for management	100	107

<sup>1</sup>No target was set for the area for covenant registrations, however, the final area registered (54,354ha) was a record for the National Trust. The previous highest registration total in one year was 9507ha registered in the 1995 – 1996 financial year.

<sup>2</sup> These are new goals set in the 2014 – 2015 Memorandum of Understanding with the Minister of Conservation so no comparative information is available from 2013 – 2014.





# Financial statements

for the year ended 30 June 2015

## Approval of the financial statements

The Board of Directors has authorised the issue of the financial statements of the Queen Elizabeth the Second National Trust set out on pages 18 – 27 for the year ended 30 June 2015.

For and on behalf of the Board of Directors, which authorised the financial report on 22 September 2015.

James Guild  
Chair

Dated: 22 September 2015

Mike Jebson  
Chief Executive

Dated: 22 September 2015

# Statement of comprehensive income

for the year ended 30 June 2015

2014 Actual \$		Note	2015 Actual \$	2015 Budget \$
	<b>Revenue</b>			
3,274,000	Government grant		4,274,000	4,274,000
214,713	Contestable funds	10	466,126	300,000
48,168	Donations and other grants		357,438	35,000
55,774	Other revenue		113,455	43,656
<b>3,592,655</b>	<b>Operating revenue</b>		<b>5,211,019</b>	<b>4,652,656</b>
	<b>Expenditure</b>			
1,240,763	Field operations		1,376,604	1,534,721
1,091,337	Covenant expenditure	1	976,454	1,212,000
210,315	Contestable funds	10	466,126	300,000
1,630,867	Administration	2	1,915,682	1,821,338
12,330	Property operations		26,946	32,000
80,451	Public relations		75,516	74,500
88,858	Depreciation	3	99,323	135,000
<b>4,354,921</b>	<b>Operating expenses</b>		<b>4,936,651</b>	<b>5,109,559</b>
979,485	Investment income		1,650,427	650,000
144,736	Investment expenses		61,019	48,000
<b>834,749</b>	<b>Net investment income</b>	4	<b>1,589,408</b>	<b>602,000</b>
<b>72,483</b>	<b>Net surplus before property acquisitions/disposals</b>		<b>1,863,776</b>	<b>145,097</b>
-	Property gifted to the National Trust		-	-
(68,185)	Loss on gifted property	5	-	-
-	Expenses associated with gifted property		-	-
<b>(68,185)</b>	<b>Net loss from gifted property</b>		<b>-</b>	<b>-</b>
<b>(4,298)</b>	<b>Net surplus/(deficit)</b>		<b>1,863,776</b>	<b>145,097</b>
<b>(10,800)</b>	Other comprehensive income		-	-
<b>(6,502)</b>	<b>Total comprehensive income/(expenses)</b>		<b>1,863,776</b>	<b>145,097</b>

# Statement of changes in equity

for the year ended 30 June 2015

2014 Actual total \$		Note	2015 Actual total \$	2015 Budget total \$
15,575,454	At beginning of period		15,568,952	15,568,952
(6,502)	Net surplus/(deficit) for the period		1,863,776	145,097
-	Other comprehensive income		-	-
(6,502)	Total comprehensive income/(expenses) for the period		1,863,776	145,097
<b>15,568,952</b>	<b>At 30 June</b>		<b>17,432,728</b>	<b>15,714,049</b>



# Statement of financial position

as at 30 June 2015

2014 Actual \$		Note	2015 Actual \$	2015 Budget \$
	<b>Equity</b>			
15,568,952	National Trust equity		17,432,728	15,714,049
<b>15,568,952</b>	<b>Total equity</b>		<b>17,432,728</b>	<b>15,714,049</b>
	Represented by:			
	<b>Current assets</b>			
675,158	Cash and cash equivalents	6	796,399	572,353
105,168	Accounts and other receivables	7	180,108	110,000
39,182	Prepaid expenses		26,350	-
12,686,077	Investments	8	14,421,644	13,250,000
<b>13,505,585</b>	<b>Total current assets</b>		<b>15,424,501</b>	<b>13,932,353</b>
	<b>Less current liabilities</b>			
555,219	Accounts and other payables	9	512,747	650,000
371,675	Deferred revenue	10	416,588	450,000
48,224	Employee entitlements		50,175	70,000
91,250	Other current liabilities		91,250	91,250
<b>1,066,368</b>	<b>Total current liabilities</b>		<b>1,070,760</b>	<b>1,261,250</b>
<b>12,439,217</b>	<b>Working capital</b>		<b>14,353,741</b>	<b>12,671,103</b>
	<b>Non-current assets</b>			
2,955,850	Property, plant and equipment	11	2,935,274	2,902,946
173,885	Intangible assets	11	143,713	140,000
<b>3,129,735</b>	<b>Total non-current assets</b>		<b>3,078,987</b>	<b>3,042,946</b>
<b>15,568,952</b>	<b>Net assets</b>		<b>17,432,728</b>	<b>15,714,049</b>

# Statement of cash flows

for the Year Ended 30 June 2015

2014 Actual \$		2015 Actual \$	2015 Budget \$
	<b>Cash flow from operating activities</b>		
	Cash was provided from:		
3,439,429	Receipts from operations	4,717,787	4,647,493
48,168	Donations and bequests	357,438	35,000
453,009	Interest received	414,847	400,000
199,437	Dividends received	259,104	250,000
55,774	Other revenue	113,455	43,656
4,195,817		5,862,631	5,376,149
	Cash was applied to:		
(3,207,246)	Payments to suppliers	(3,799,203)	(3,777,817)
(961,353)	Payments to employees	(1,110,938)	(1,087,792)
(4,168,599)		(4,910,141)	(4,865,609)
<b>27,218</b>	<b>Net cash flow from/(used in) operating activities</b>	<b>952,490</b>	<b>510,540</b>
	<b>Cash flow from investing activities</b>		
	Cash was disbursed to:		
(286,563)	Investment purchases	(1,735,567)	(563,923)
(228,396)	Fixed asset purchase	(48,574)	(49,422)
(514,959)		(1,784,141)	(613,345)
<b>(514,959)</b>	<b>Net cash flow from/(used in) investing activities</b>	<b>(1,784,141)</b>	<b>(613,345)</b>
-	<b>Net cash flow from/(used in) financing activities</b>	-	-
<b>(487,741)</b>	<b>Net (decrease)/increase in cash held</b>	<b>(831,651)</b>	<b>(102,805)</b>
925,808	Opening cash at start of year	675,158	675,158
237,091	Net unrealised gains on investments	952,892	-
675,158		796,399	572,353
	<b>Reconciliation of operating cash flow with operating surplus</b>		
	Net cash flow from operating activities:		
(6,502)	Net surplus/(deficit)	1,863,776	145,097
	Add/(deduct) non-cash items:		
88,858	Depreciation	99,323	135,000
(152,415)	Gain/loss on investment	(952,892)	-
78,985	Loss on sale of gifted asset	-	-
<b>15,428</b>		<b>(853,569)</b>	<b>136,211</b>
	<b>Add/(deduct) movements in other working capital items:</b>		
55,305	(Increase)/decrease in accounts receivable	(67,252)	(4,832)
87,244	Increase/(decrease) in accounts payable	(42,472)	94,781
(5,272)	Decrease/(increase) in interest income	(7,689)	-
(104,589)	Increase/(decrease) in deferred revenue	44,913	78,325
24,786	Increase/(decrease) in employee entitlements	1,951	21,776
(39,182)	(Increase)/decrease in prepayments	12,832	39,182
<b>27,218</b>	<b>Net cash outflow from operating activities</b>	<b>952,490</b>	<b>510,540</b>
<b>27,218</b>	<b>Net cash flow from/(used in) operating activities</b>	<b>952,490</b>	<b>510,540</b>



# Statement of commitments

for the year ended 30 June 2015

## Covenant commitments

Covenant commitments are funds committed to approved covenants still in progress and working towards registration with Land Information New Zealand.

2015	2014
\$	\$
4,131,034	3,939,503

## Operating lease commitments

A new Wellington office lease agreement was signed on 24 February 2012. The lease commenced on 7 May 2012 following the completion of a new fitout. The annual rent is \$80,000 plus outgoing expenses. The term of the lease is 9 years with a right of renewal every 3 years. The National Trust also has a photocopier lease that will expire in April 2016. Monthly copier charges are based on actual usage.

Less than 1 year  
Between 1 and 2 years  
More than 2 years

2015	2014
\$	\$
80,000	80,000
80,000	80,000
306,670	386,670
<b>466,670</b>	<b>546,670</b>

## Property endowment commitments

The National Trust holds \$348,635 in property endowments that have been received for specific properties owned by the National Trust (2014: \$351,129).

## Covenant endowments

The National Trust holds \$1,709,509 in covenant endowments that have been received for specific covenants (2014: \$1,709,509).

## Capital commitments

The National Trust has no capital commitment as at 30 June 2015.

# Statement of contingencies

as at 30 June 2015

## Contingent liability for fencing replacement contributions

For calculation purposes, the contingent liability is based on maximum liabilities over 100 years at NPV based on the calculation of the length of fences and the estimated replacement costs. The discount rate is 6% (2014: 5%).

2015	2014
\$	\$
8,841,388	9,302,464

The National Trust has a liability to contribute to fencing in perpetuity in some covenants agreed before 1995. The fences are mostly maintained by landowners on a day-to-day basis. It is our objective to reduce this liability over time. From time to time, opportunities arise where it is possible to renegotiate the replacement fencing clause with landowners. This financial year the reimbursement amount for pre-95 fencing is \$165,863.

# Notes to the financial statements

for the year ended 30 June 2015

## Statement of accounting policies

### Reporting entity

Queen Elizabeth the Second National Trust (the National Trust) is domiciled in New Zealand.

The National Trust's financial statements have been prepared in accordance with Section 41 of the Public Finance Act 1989 and the Queen Elizabeth the Second National Trust Act 1977.

The National Trust operates in one industry across New Zealand – it provides, protects, preserves, and enhances open space for the benefit and enjoyment of the people of New Zealand.

The financial statements of the National Trust are for the year ended 30 June 2015, and were authorised for issue by the Board of Directors on 22 September 2015.

### Statement of compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). This is the first year that the National Trust has applied PBE Standards (PBE FRS 46, 40–42).

As a public entity, under the Public Audit Act 2001, Section 2, we have adopted the new PBE accounting standards that came into being on 1 July 2014. The National Trust falls into PBE standard tier 2 as its expenditure is between \$2m and \$30m and, in accordance with the XRB A1 Accounting Standards Framework, is not publically accountable. This means that the National Trust is allowed to prepare financial statements under PBE Standards with Reduced Disclosure Requirements rather than full PBE Standards.

In adopting the new PBE standards, we do not believe any material adjustments are needed for previous year's financial statement line items. Nor are we aware of corrections of errors. Changes in accounting policies resulting from the transition to PBE standards have been updated accordingly.

The financial statements are presented in New Zealand dollars (NZD). They are prepared on the historical cost basis except the investments, which are stated at fair value through profit and loss.

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

### Capital management

The National Trust's capital is represented by its net assets. It manages and maintains its capital by prudently managing revenue, expenses, and assets and liabilities to ensure it effectively achieves its objectives and purpose, while still remaining a going concern.

### Revenue

National Trust revenue is mainly from non-exchange transactions.

**Grants revenue from Government or government agencies** – grants revenue is recognised as it becomes receivable, except where a grant is for a specific purpose and there is a legal obligation to repay it if the specific purpose is not undertaken. In this situation, revenue is deferred until the obligations are performed.

**Interest and dividend revenue (investment income)** – interest income is recognised as earned; dividend income is recognised when the right to receive payment is established.

**Donations and other grants revenue** – cash donations are recognised when received; non-cash donations are recognised at their fair value at the time that ownership rights are transferred to the National Trust.

**Membership/sponsorship revenue** – membership/sponsorship revenue is recognised when the cash is received.

**Other revenue** – recognised as earned.

### Property, plant and equipment

Land and improvements acquired or gifted to the National Trust before 1 July 2001 are recorded at depreciated book value based on Quotable Value New Zealand Limited valuations performed on these assets in the 3 years before that date. Land and improvements acquired or gifted to the National Trust since 1 July 2001 are recorded at cost for acquired assets, or at fair value for gifted assets.

The cost of new fencing on National Trust properties is capitalised in the year of completion.

Property, plant and equipment (other than land) are measured at cost, less accumulated depreciation and impairment losses.

Land is not depreciated.

### Restrictions on assets

The only restrictions on assets held by the National Trust are those pertaining to covenants and specific gifts.



# Notes to the financial statements

for the year ended 30 June 2015

## Depreciation

On adoption of PBE Standards, the depreciation rates applied to assets reflect the allocation of the cost of the asset over its useful life. This has been accounted for as a change in estimation from 1 July 2014 on adoption of PBE Standards.

The following rates have been used, based on useful life:

Computer and electronic equipment	3 years – straight line
Intangible assets	5 years – straight line
Furniture and fittings, plant and equipment	10 years – straight line
Improvements (gifted and purchased buildings)	25 years – straight line
Land fencing	40 years – straight line

## Employee entitlements

Short-term employee entitlements: Employee entitlements that the National Trust expects to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at the current rate of pay. These include salaries and wages accrued up to balance date; annual leave earned, but not yet taken at balance date; retiring and long-service leave entitlements expected to be settled within 12 months; and sick leave. The National Trust recognises a liability for sick leave to the extent that compensated absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that the National Trust anticipates it will be used by staff to cover any future absences.

## Goods and services tax

All amounts are shown exclusive of goods and services tax (GST), except where receivables and payables are stated as GST inclusive.

## Financial instruments

Non-derivative financial instruments comprise investments, accounts and other receivables, cash and cash equivalents, accounts and other payables, and other current liabilities.

Non-derivative financial instruments are recognised at fair value. Financial instruments not at fair value are recognised through profit or loss, with transactions costs attributable to the acquisition.

A financial instrument is recognised if the National Trust becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if our contractual rights to the cash flows from the financial asset expire or if we transfer the financial asset to another party without retaining control or retaining substantially all risks and rewards of the asset.

The National Trust holds a significant level of bonds and shares as investments. These financial assets are designated upon initial recognition by the National Trust as at fair value through profit or loss. Subsequent to initial recognition, financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss. Fair value is quoted at bid price at balance date.

Accounts and other receivables are classified as loans and receivables and are recognised at amortised cost using the effective interest method less impairment. Accounts and other payables and other current liabilities are classified as other liabilities and are carried at amortised cost using the effective interest method.

## Foreign currency

Transactions in foreign currencies are translated at the rates on the date of the transaction.

Transactions in foreign currency that are not settled in the accounting period (resulting in monetary assets and liabilities denominated in foreign currencies at balance date) are translated to NZD at the foreign exchange rate ruling at that date. Foreign exchange differences arising on their translation are recognised in the profit or loss.

## Financial risk management

The National Trust's principal financial instruments comprise cash and cash equivalents and bonds and shares held as part of its normal operations. We have a policy to only invest in highly liquid investments with a Standard & Poor's or equivalent rating of 'AAA to BBB+'. Equities must be recommended by a registered financial planner or be a recognised investment fund for use by charitable trusts.

The National Trust has various other financial instruments such as receivables and payables, which arise directly from its operations.

## Leases

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are charged as expenses in the periods in which they are incurred.

# Notes to the financial statements

for the year ended 30 June 2015

## Commitments

Future expenses and liabilities to be incurred on contracts that have been entered into at balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

## Contingent liabilities

Contingent liabilities are disclosed at the point at which the contingency is evident.

## Budget figures

The budget figures are those that were approved by the Board of Directors.

### 1. Covenant expenditure

Covenant expenditure relates to fencing, survey, and legal costs incurred on approved covenants as they progress towards registration.

Fencing
Survey
Weed and pest control
Revegetation

2015	2014
\$	\$
609,157	602,721
352,119	466,993
12,432	14,082
2,746	7,541
<b>976,454*</b>	<b>1,091,337</b>

\* Total commitment for the year ended 30 June 2015 was \$1,117,312

### 2. Administration

Administration includes:

Directors' fees
Remuneration of four key management personnel
Audit fees
Other expenses paid to auditors
Rental expenses
Loss on disposal of property, plant and equipment
Other administration expenses

2015	2014
\$	\$
28,779	28,140
523,265	442,628
29,200	28,358
5,000	-
86,012	83,856
1,257	3,340
1,242,169	1,044,545
<b>1,915,682</b>	<b>1,630,867</b>

### 3. Depreciation

Depreciation has been charged on the following classes of asset:

Furniture and fittings, plant and equipment, computer and electronic equipment
Intangible assets
Improvements
Land fencing

2015	2014
\$	\$
40,149	35,090
45,623	36,933
12,969	14,374
582	2,461
<b>99,323</b>	<b>88,858</b>



# Notes to the financial statements

for the year ended 30 June 2015

## 4. Net investment income

	2015 \$	2014 \$
Interest income	390,692	423,305
Dividends	259,104	199,437
Realised gain	31,843	34,976
Unrealised gain	968,788	321,767
Investment income	1,650,427	979,485
Investment fees	45,124	42,766
Realised loss	15,895	17,294
Unrealised loss	-	84,676
Investment expenses	61,019	144,736
<b>Net investment income</b>	<b>1,589,408</b>	<b>834,749</b>

Investment income comprises interest, dividend income, and changes in the fair value of financial assets at fair value through profit or loss and foreign currency gains.

Investment expenses comprise foreign currency losses and changes in the fair value of financial assets at fair value through profit or loss.

Investment expenses also include any fees and transaction costs associated with maintaining the investment portfolio.

## 5. Net income/(loss) from gifted property

	2015 \$	2014 \$
Property gifted to National Trust	-	-
Gain/(loss) on gifted property	-	(68,185)
Expenses associated with gifted property	-	-
<b>Net income/(loss) from gifted property</b>	<b>-</b>	<b>(68,185)</b>

## 6. Cash and cash equivalents

Cash and cash equivalents of \$796,399 (2014: \$675,158).

## 7. Accounts and other receivables

	2015 \$	2014 \$
Accounts receivable	161,915	94,662
Interest receivable	18,193	10,506
	<b>180,108</b>	<b>105,168</b>

## 8. Investments

Details of investments are as follows:

	2015 \$	2014 \$
Fixed interest - corporate bonds	7,692,631	5,913,955
Term deposits	200,000	1,250,000
Australian/NZ equities	4,251,950	3,949,294
International equities	2,277,063	1,572,828
<b>Total investments</b>	<b>14,421,644*</b>	<b>12,686,077</b>

\* The market value at 30 June 2015 was \$14,421,644 (2014: \$12,686,077), which includes interest receivable of \$82,622 (2014: \$58,770). Investment growth reflects market value increases.

# Notes to the financial statements

for the year ended 30 June 2015

## 9. Accounts and other payables

	2015 \$	2014 \$
Accounts payable	416,006	530,293
Accrued trade expenses	96,741	24,926
	<b>512,747</b>	<b>555,219</b>

## 10. Deferred revenue/contestable funds

In keeping with our policy, project funds that have been approved, received, but not spent are reported as deferred revenue (ie, the project may take a year or more to complete). In the 2014 – 2015 financial year, we spent \$466,126 of contestable funds.

	Total deed amount \$	Project income to date \$	Deferred revenue 2015 \$	Deferred revenue 2014 \$
	<b>2,353,289</b>	<b>2,100,562</b>	<b>416,588</b>	<b>371,675</b>

Deferred revenue comprises:

- 70 individual projects from seven contestable fund rounds from the Biodiversity Condition and Advice Fund (44 projects completed and 26 remaining in progress)
- 4 individual projects from Lotteries Environment and Heritage Fund (all active)
- 43 individual projects from Regional Council Funds (all active).

During the reporting period, two contestable funds were closed with money returned to the Department of Conservation – \$4,841 (related to Round 13 projects) and \$17,040 (related to Round 14 projects) were refunded in January 2015. These were fencing projects that came in under budget after landowners decided to reduce proposed covenant areas.

The newly formed Community Conservation Partnership Fund (CCPF) was initiated during the reporting period. \$136,944 was granted for five projects. Estimated project life takes from 1–3 years to complete, however, projects are highly susceptible to delays because of weather and other unforeseen circumstances.

## 11. Property, plant and equipment

	2015					
	Cost \$	Accumulated depreciation \$	New acquisitions \$	Disposals \$	YTD depreciation \$	Net book value \$
Land and improvements (Note 12)	2,571,501	-	-		-	2,571,501
Improvements - gifted and purchased buildings (Note 12)	500,689	(216,981)	2,326		(12,969)	273,065
Land fencing	88,195	(64,864)	-		(582)	22,749
National Trust property	3,160,385	(281,845)	2,326		(13,551)	2,867,315
Furniture and fittings, plant and equipment computer and electronic equipment	225,419	(148,110)	32,056	(1,257)	(40,149)	67,959
<b>Total property, plant and equipment</b>	<b>3,385,804</b>	<b>(429,955)</b>	<b>34,382</b>	<b>(1,257)</b>	<b>(53,700)</b>	<b>2,935,274</b>
<b>Intangible assets*</b>	<b>216,306</b>	<b>(42,419)</b>	<b>15,449</b>	<b>-</b>	<b>(45,623)</b>	<b>143,713</b>

\*The National Trust has invested in developing a new web-based covenant management system to improve its covenanting processes. The development of the application is completed. There was no contractual commitment at the time of reporting. \$15,499 was spent on enhancing the application in the 2014 – 2015 financial year.



# Notes to the financial statements

for the year ended 30 June 2015

## 12. Land and improvements

	2015 \$ Land	2015 \$ Improvements	2015 \$ Total	2014 \$ Total
Aroha	425,000	251,830	676,830	686,589
Awapikopiko Reserve	42,000	-	42,000	42,000
Bowman's Bush	63,000	-	63,000	63,000
Dunns Bush	150,000	-	150,000	150,000
Ernest Morgan Forest Reserve	140,000	-	140,000	140,000
Hann Bush	18,000	-	18,000	18,000
Hartree Forest	-	-	-	-
L'Anson Reserve	434,000	-	434,000	434,000
Ira Menzies Duneland	250,000	-	250,000	250,000
Mara Point	80,000	-	80,000	80,000
Maungaruahine Bush	74,000	-	74,000	74,000
Miro Bay	100,000	-	100,000	100,000
Mokotahi Hill	9,000	-	9,000	9,000
Parkinson's Bush	143,000	-	143,000	143,000
Pouawa Sandhills	66,000	-	66,000	66,000
Robbs Bush	33,500	-	33,500	33,500
Robert Houston Memorial Reserve	50,000	-	50,000	50,000
Sheps Park	1	-	1	1
Snells Bush	36,000	-	36,000	36,000
Spencer Reserve	16,000	-	16,000	16,000
Sunset Bay	45,000	-	45,000	45,000
Tata Headland	17,000	-	17,000	17,000
Taupo Swamp	98,000	-	98,000	98,000
Te Harakiki Swamp	32,000	-	32,000	32,000
Tokatea	110,000	21,234	131,234	132,120
Tumutumu Bush	115,000	-	115,000	115,000
Waiata Bush	25,000	-	25,000	25,000
	2,571,501	273,064	2,844,565	2,855,210
Lake Wainamu (vested)	-	-	-	-
<b>Total land and improvements</b>	<b>2,571,501</b>	<b>273,064</b>	<b>2,844,565</b>	<b>2,855,210</b>

All land (including improvements) is subject to restrictions on use as set out in the original deeds of gift or covenant.

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE READERS OF**  
**QUEEN ELIZABETH THE SECOND NATIONAL TRUST'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

The Auditor-General is the auditor of Queen Elizabeth the Second National Trust (the Trust). The Auditor-General has appointed me, David Morrow, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements of the Trust on her behalf.

**Opinion**

We have audited the financial statements of the Trust on pages 18 to 27, that comprise the statement of financial position as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion, the financial statements of the Trust:

- present fairly, in all material respects:
  - its financial position as at 30 June 2015; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity Standards with disclosure concessions.

Our audit was completed on 22 September 2015. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Directors and our responsibilities, and explain our independence.

**Basis of opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Trust's financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Trustees;
- the adequacy of the disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. Also, we did not evaluate the security and controls over the electronic publication of the financial statements.

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

### **Responsibilities of the Directors**

The Directors are responsible for the preparation and fair presentation of financial statements for the Trust that comply with generally accepted accounting practice in New Zealand and the Public Benefit Entity Standards.

The Directors' responsibilities arise from section 32 of the Queen Elizabeth the Second National Trust Act 1977.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Trustees are also responsible for the publication of the financial statements, whether in printed or electronic form.

### **Responsibilities of the Auditor**

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001.

### **Independence**

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to the audit, we have carried out an assignment in the area of accounting advice, which are compatible with those independence requirements. Other than the audit and this assignment, we have no relationship with or interests in the Trust.



David Morrow  
Ernst & Young  
On behalf of the Auditor-General  
Wellington, New Zealand



Covenantors' field days are held four times throughout the year. They are a highlight of the National Trust's calendar. The events are great networking occasions where covenantors, associates, and the National Trust's directors and staff meet one another, discuss covenanting matters, and share knowledge and best practice.

Photo: Malcolm Pullman





## Thank you

The National Trust acknowledges the generosity and efforts of all covenantors who are voluntarily maintaining and enhancing their covenants for the benefit of New Zealand.

We sincerely thank the many individuals and organisations who have supported our work throughout the year, including: Department of Conservation, Federated Farmers of New Zealand, New Zealand Farm Environment Trust, Biodiversity Condition and Advice Fund, the Community Conservation Partnership Fund, Lotteries WWI Commemorations Environment and Heritage Fund, New Zealand Walking Access Commission, Heritage New Zealand, Friends of Mokotahi, Taranaki Tree Trust, Tutukaka Landcare Coalition Trust, Landcare Trust, Waiau Trust, Southland Fish & Game, Heddon Bush and Limehills schools Southland, Northland Regional Council, Auckland Council, Whangarei District Council, Horizons Regional Council, Waikato Regional Council, Waikato River Authority, South Taranaki District Council, New Plymouth District Council, Taranaki Regional Council, Bay of Plenty Regional Council, Hawke's Bay Regional Council, Masterton District Council, Kapiti Coast District Council, Greater Wellington Regional Council, Carterton District Council, Wellington City Council, Hutt City Council, Marlborough District Council, Kaikoura District Council, Environment Canterbury, Selwyn District Council, Dunedin District Council, Southland District Council, Environment Southland, Queenstown Lakes District Council,

all the National Trust's financial members and donors including: Yllis Perrin Estate, Rosemary Louise Roma Estate, DL Holloway, The Taitua Charitable Trust, RM Greenwood, Hewett Trust, Effulgent, Pam Bramwell, Michael Halliday, Mr IA Price, and everyone who responded to the National Trust's 2014 appeal. Thank you also to everyone who has generously donated their time to help with National Trust projects.

We sincerely thank the covenantors who have waived the pre-95 fencing obligation in their covenant agreement. The names below are of those whose covenant agreement variations were registered this financial year:

Ringwood Farm Limited, The Lodge at Struan Farm Limited, R.T. Fullerton-Smith & Co Limited, and Manaia Properties Limited.

The National Trust acknowledges the support of Steel & Tube, Central Lakes Trust, and DOC/Fonterra's Living Water Programme.



One strength of the covenanting process is that covenants are entered into without the inducement of grants or compensation, with no pressure to sign, but simply because of a conviction that it is the right thing to do. The other strength is that we end up with every one of these treasured places having its own guardian or ranger. This is true kaitiakitanga in action.

*Gordon Stephenson — a key founder of the National Trust and, together with Celia Stephenson, the first to register a covenant with it.*



[www.openspace.org.nz](http://www.openspace.org.nz)



**QEII National Trust**  
Open Space New Zealand  
Ngā Kairauhī Papa