

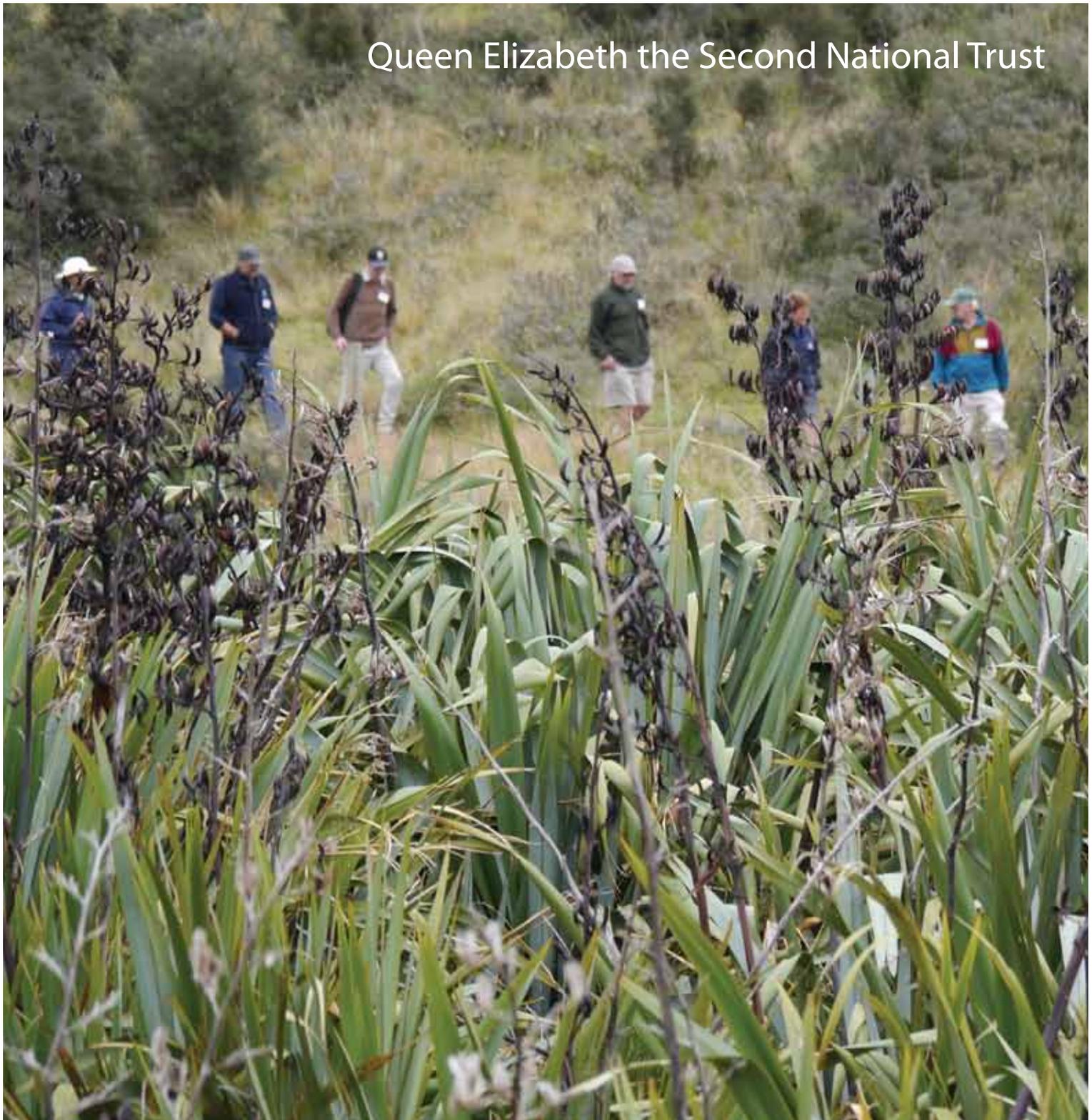


QEI National Trust
Open Space New Zealand
Ngā Kairauhi Papa

C.2

Annual Report 2012

Queen Elizabeth the Second National Trust





QEII National Trust
Open Space New Zealand
Ngā Kairauhi Papa

In 2012 Queen Elizabeth II National Trust jointly celebrates the Queen's diamond jubilee and 35 years of open space covenanting in New Zealand.

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Annual Report 2012 of Queen Elizabeth II National Trust (QEII) Ngā Kairauhi Papa. Presented to the House of Representatives pursuant to section 32 of the Queen Elizabeth the Second National Trust Act 1977.

Cover photo: *The Kit Pawsey Wetland, Canterbury.*

Background photo: *Covenantors' functions held in rural locations throughout the country are highlights of the QEII calendar.*

Facing page: *Regional representatives Miles Giller and Tom Stein in the field.*

Photos: *Tom Barber.*

QEII's work

The QEII National Trust (QEII) is an independent statutory organisation whose core activity is to secure long-term protection of natural and cultural heritage on private land. It was set up in 1977 to "encourage and promote, for the benefit of New Zealand, the provision, protection, preservation and enhancement of open space". Open space means any area of land or body of water that preserves or helps preserve any landscape of aesthetic, cultural, recreational, scenic, scientific, or social interest or value.

QEII helps landowners to identify and protect special features on their land, usually with open space covenants, and acts as a perpetual trustee to ensure the covenanted values remain protected forever.

An open space covenant is a legal protection agreement registered on the title to the land. Each covenant is unique. A covenant can apply to the whole property, with different management areas, or to just part of the property. Conditions can be very specific where vulnerable species or features are being protected. Covenanting is voluntary, but once in place binds the current and all subsequent owners in perpetuity.

Other agreements used in certain situations include *Formal Agreements* where land might not have title such as roadside areas, *Life of the Trees* where individual trees are protected in a managed landscape where they may not be self-generating, and *Kawenata* on Māori land which recognises tino rangatiratanga.

Working in partnership with councils, QEII offers an independent

relationship with landowners, covenant documentation expertise and ongoing monitoring of covenants.

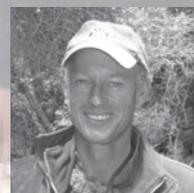
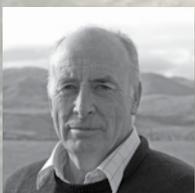
QEII also uses property ownership, either permanent or transitory, to facilitate or secure protection of natural and cultural values. QEII currently owns 29 properties protecting 1,600 hectares. A number of these have been gifted to the Trust because the previous landowners regarded QEII as the most suitable repository for their land. Two properties protected under open space covenants have formal management agreements with councils. Aroha Island is leased to a community group, the Aroha Island Charitable Trust.

QEII plays a key role in the New Zealand Biodiversity Strategy as it is uniquely placed to advance the protection in perpetuity of the threatened environments that occur on private land.

The Trust is managed by a Board of Directors and is supported by 10 staff based in Wellington. Part-time regional representative contractors cover 26 geographical regions throughout the country.

Our special thanks to...

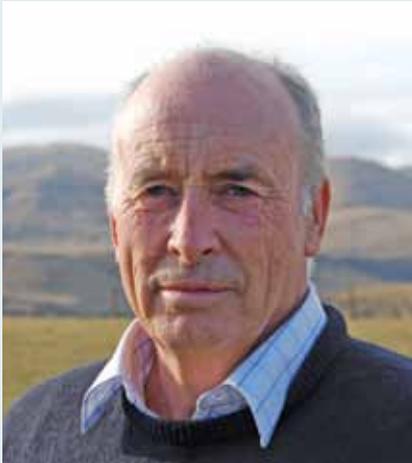
QEII owes a sincere vote of thanks for the support of many organisations and individuals including: R.M. Greenwood, B and C Hewett, R McCaw, G Alexander, Mr D J and Mrs G M Dowrick, Mrs B A Tennyson, A A Sayer, Mrs W Wilks, Nancy L M Ward Estate, Dawn C M Ward Estate, Department of Conservation, Federated Farmers of New Zealand, Landcorp Farming Limited, New Zealand Farm Environment Award Trust, Biodiversity Condition and Advice Fund, Walking Access Commission New Zealand, ASB Community Trust, Tutukaka Landcare Coalition Trust, Landcare Trust, Waiau Trust, Northland Regional Council, Whangarei District Council, Hawke's Bay Regional Council, Waikato Regional Council, Horizons Regional Council, South Taranaki District Council, Masterton District Council, Kapiti Coast District Council, Greater Wellington Regional Council, Marlborough District Council, Kaikoura District Council, Environment Canterbury, Selwyn District Council and Dunedin District Council. Also Richard and Annabelle Subtil, Mandy and Dugald Rutherford and Virginia and Harry Pawsey for hosting covenantors' events during the year.



QEII Board of Directors: James Guild (Chairperson), Megan Balks, Edward Ellison, Bernard Card, James Hunter, Yvonne Sharp.

Report from the Chair

2012 is a special year for the Trust as it marks HRH Queen Elizabeth II's diamond jubilee and 35 years of open space covenanting in New Zealand.



Queen Elizabeth II National Trust was established at a time when the importance of natural and historic features on private land was not appreciated in the main. Private-land conservation has since become more mainstream, recognised as being fundamental in protecting our highly unique and valuable natural and cultural heritage and a core construct of responsible and sustainable land management practices.

Since the Trust was set up in 1977, covenant numbers have increased steadily, protecting on average an additional 3,000 ha per year. It is a pleasant coincidence that the 3,500th open space covenant was registered during the Trust's 35th anniversary year. At a time when environmental sustainability has become an increasingly important factor in consumer decisions, the QEII model demonstrates that production and protection can co-exist very comfortably on New Zealand farms, while the steady growth in covenant numbers clearly demonstrates that more landowners are opting for perpetual protection of sites of significance found on their land.

With over 3,600 covenants now registered and an accompanied increase in covenant administration, legal matters and field tasks, the Trust is dealing with a much larger work programme than it was even only a couple of years ago. A review was instigated during the year to identify changes to be implemented to the Trust's strategic direction and structure to ensure it has the capacity to continue achieving the objectives of its Act well into the future. The scope of the review is as wide as possible and the process will continue into the new financial year.

After 10 years at the helm Margaret McKee stepped down as Chief Executive of the Trust at the end of June this year. Margaret brought the Trust through a period of evolution and growth, establishing professional systems and business practices. Under her management government funding for open space covenanting was nearly doubled, and the volume of covenants increased significantly. Margaret leaves QEII with a good foundation and ready to embrace a new strategic direction. The Board acknowledges Margaret's considerable contribution to open space conservation during her tenure with the Trust.

The Trust also acknowledges Dr Brian Molloy who retired from his position as its high country regional representative at the end of the financial year. Brian became a director of the Queen Elizabeth II National Trust in 1989 and held this position until 1998 when he became the Trust's South Island high country representative. As an esteemed botanist and taxonomist Brian has a unique ability to inspire landowners that they have something worth protecting and has been instrumental in helping establish a considerable number of QEII open space covenants in the high country.

After 35 years, QEII's successful history of conservation on private land through a unique partnership approach is becoming more widely recognised as a winning formula. Our challenge is to preserve those vital elements of trust, respect and stewardship as the organisation grows and assumes an increasingly important role in the protection of New Zealand's open space.

A handwritten signature in dark ink, appearing to read 'James Guild', written in a cursive style.

James Guild

Chair

30 June 2012

Report from the Chief Executive



Standing down after a decade at the helm of the Trust, I write my final year-end report with both pride and humility.

During my time the Trust has evolved from a small agency into a medium-sized enterprise and private-land conservation and the strategic role of QEII is now recognized as mainstream.

The Trust now also operates in a more complex resource management environment and with the ever-increasing volume of registered covenants a different infrastructure and resource capability is needed to deliver effectively. The Trust is ready to renew and refresh its strategic direction and leadership for the next decade.

It has been an honour to work with three chairpersons; Sir Paul Reeves, Sir Brian Lochore and James Guild. I acknowledge and sincerely thank them for their personal guidance and wise counsel.

Sadly Sir Paul passed away during the year as did Richard (Tiny) White, a long-standing QEII representative and figurehead in the greater Gisborne district. I had the privilege of representing QEII at their funerals and it was very evident that the Trust had played a most important part in their lives.

Particular highlights for me over the past ten years include:

- Covenant numbers have almost doubled.
- An increased recognition and respect from government which has seen the Trust's funding boosted.
- The Trust's 25th anniversary function hosted by Governor General Dame Sylvia Cartwright with Professor David Bellamy as guest speaker.
- The field day and covenantors' function hosted by the Trust and attended by HRH Prince Andrew to mark the Act's 30th anniversary.
- Improved technology and the introduction of photopoint monitoring.
- The many regional field days hosted by covenantors all over the country.

I thank the hard working staff and in particular the dedicated regional representatives. In addition, QEII has an enormously wide range of stakeholders without whom the progress it has made over the years would not have been possible.

The covenanted areas protected by the QEII National Trust Act 1977 are as diverse as New Zealand's wonderful and most generous covenantors. I feel honoured to have had the opportunity to be part of the evolution of private-land conservation in New Zealand. Thank you.

A handwritten signature in black ink, appearing to read 'Margaret McKee'.

Margaret McKee

Chief Executive

30 June 2012

Achievements



In 2012 the Trust jointly celebrated the **60th jubilee of Queen Elizabeth II** and **35 years** of open space covenanting in New Zealand

149 covenants covering 3,436 ha were registered this year and an additional **155 covenants covering 8,475 ha** were approved for registration

63 new approvals (an estimated 927 ha) will **protect** acutely or chronically threatened environments

47 new approvals will **protect values** associated with New Zealand's **wetlands and waterways**

10 QEII covenantors were recognised with **Ballance Farm Environment Awards** for sustainable farming practices

Threatened species **protected** in newly approved covenants include the **NZ dotterel, long-finned eel, little blue penguin, Hochstetter's frog, king fern, native mistletoe, rare hebes** and **Hector's tree daisy**

Partnerships and collaborations

QEII works closely with the Department of Conservation, regional and district councils, the Historic Places Trust and other organisations and individuals committed to protecting and enhancing New Zealand's diverse open spaces.

QEII is one of the project partners in the Landcare Research programme Sustaining and Restoring Biodiversity with representation by the Chief Executive on the Governance Board. The research is publicly funded by the New Zealand Ministry of Business, Innovation and Employment. (Formerly the Ministry of Science and Innovation).

The partnership continues between QEII and the New Zealand Farm Environment Award Trust which operates the Ballance Farm Environment Awards. This robust, peer reviewed process has an overall objective of promoting sustainable land management on farms.

QEII supported the biennial Deer Farmers' Environment Awards this year and worked with Massey University to identify the annual recipient of the QEII Athol Patterson Bursary, awarded to students interested in sustainable farming practices.

The Causer covenant encircles the remains of the oldest French building site in Akaroa Harbour. Features like early drains, the sites of other buildings, track lines, fragments of a stone terrace and old plough lines alongside the main building (built c. 1843) provide a valuable insight into one of New Zealand's earliest European settlements. The building is registered with the Historic Places Trust with Category I status. QEII's interest lies with the archaeological, cultural and historic context of the historic house (in accordance with the definition of "open space" set out in the Queen Elizabeth II National Trust Act 1977), with other authorities (in particular the Historic Places Trust and the Akaroa Civic Trust) dealing with the physical and legal protection of the building itself.



The Pipiriki covenant proposal approved this year has one of the highest scientific rankings possible for a Taranaki forest block. It is located in an area almost completely depleted of native vegetation and is a significant and rare example of semi-coastal wetland forest that was once found on the region's poorly drained lahar mounds. The Maori Trustee owners supported by the Taranaki regional and district councils, QEII, Te Puni Kokiri and volunteers are working on restoring areas that have been damaged by stock browsing. Restoration will be greatly aided by a two-year council-funded revegetation project.

Protecting biodiversity on private land

As much of our rare and threatened native biodiversity is found on private land, private landowners are playing a crucial role in protecting New Zealand's at-risk ecosystems and the native species that live in them.

Landowners' commitment to protecting indigenous biodiversity is reflected in the continuing growth of covenant numbers. It took around 20 years to register 1,000 covenants, but the next 1,000 took half that time. At the end of the reporting period a total of 3,659 registered covenants are permanently protecting 99,782.67 ha of New Zealand's heritage.

During this financial year 149 QEII covenants were formally registered protecting 3,436 ha of private land. An additional 155 proposals covering around 8,475 ha have been approved for covenanting and are now going through the registration process.

The covenants registered during the year range from 0.17 ha to 802 ha in size. Natural features protected include landscapes, bush remnants, wetlands and waterways, shrublands, tussock grasslands and threatened species habitats.

National Priorities

A Statement of National Priorities was developed in 2007 by the Department of Conservation and the Ministry for the Environment to guide decision-making around biodiversity protection on private land. The four national priorities in the statement identify the types of ecosystems and habitats most in need of protection. The Trust gives precedence to covenant proposals that fall within the national priorities list.

National Priority 1

To protect indigenous vegetation associated with land environments (Defined by Land Environments of New Zealand at Level IV) that have 20% or less remaining in indigenous cover (see map on page 10).

National Priority 2

To protect indigenous vegetation associated with sand dunes and wetlands; ecosystems types that have become uncommon due to human activity.

National Priority 3

To protect indigenous vegetation associated with "originally rare" terrestrial ecosystem types not already covered by priorities 1 and 2.

National Priority 4

To protect habitats of acutely and chronically threatened indigenous species.

Example priority 1

A block of land in South Canterbury classified as critically underprotected and acutely threatened was approved for covenanting during the year. The area is an excellent example of vegetation that varies with altitude, ranging from grey scrub at the lower altitudes through to broadleaf species and finally into tussockland at higher altitudes. The land sustains the special natural quality of the high country landscape and is an integral part of the upper Rakaia River scenic vista. The block is habitat for skinks and geckos and the Australasian harrier has also been sighted there.



Example priority 2

The recently registered Kit Pawsey wetland covenant in Canterbury is dominated by swamp flax, cabbage trees, sedges, raupo and rushes, and hundreds more species identified by a team of botanists led by QEII regional representative, Miles Giller. Flaxland swamps were once a common feature in the region but land management trends in the 1970s and 80s promoted their drainage. Now wetlands values are better understood and their protection is encouraged. With just 5% of Canterbury's wetlands remaining, the Kit Pawsey wetland is a valuable addition to the region's precious collection of waterways protected in perpetuity by open space covenants.

Example priority 3

A covenant proposal approved during the year occupies a unique position at the entrance to Tauranga Bay on the South Island's West Coast. Part of a regenerating area that was cleared for gold mining between 1860 and 1880, the covenant comprises semi-coastal modified primary forest, riparian margins and wetlands. In time the wetlands will recover to again become part of the forest edge, providing a migration corridor for marine birds nesting there. This coastal and forested area is home to many seabirds including the sooty shearwater and blue penguin. A creek area included in the proposal is a spawning area for giant kokopu, banded kokopu and inanga.



Example priority 4

A newly approved covenant proposal in the Coromandel region is protecting around 190 ha of semi-coastal to lowland forest containing a number of rare and threatened species. Plant species in the forest include Kirk's daisy (*Brachyglottis kirkii*), king fern (*Marrattia salicina*), wood rose (*Dactyloctenium taylorii*) and the giant-flowered broom (*Carmichaelia williamsii*). The forest is habitat for bellbird, North Island fantail, kereru and New Zealand's unique, prehistoric Hochstetter's frog, classified "at risk" and "declining". In Taranaki a dune system covenant was approved that is a breeding ground for the nationally vulnerable Northern New Zealand dotterel. The area is also the habitat of the *Notoreas 'Taranaki'*, an endemic moth that lives on the NZ Daphne (*Pimelea prostrata* Var. *Urvilleana*) only found in South Taranaki and northwest Nelson.

Clockwise from left: Hochstetter's frog (DOC), Kirk's daisy (Peter de Lange, NZPCN), Dactyloctenium (DOC), NZ dotterel (DOC)

Statement of Service Performance

for the year ended 30 June 2012

The core work of the Trust is the protection and management of open space and natural values for the benefit of New Zealand. This statement measures performance against goals set at the commencement of the Memorandum of Understanding signed with the Minister of Conservation in July 2011.

1. Identification and Implementation of Protection for Natural and Historic Places: Implementation of legal protection of natural and historic resources on private or leasehold land.

Open space covenants can protect a range of diverse values: ecological, visual, geological, archaeological, scientific, cultural, recreational, soil and water, and social interest. Covenant proposals are evaluated against set criteria, considering ecological, landscape and other inherent values. When a proposal is approved, registration with Land Information New Zealand is targeted to be complete within two years.

Tasks include: responding to landowner enquiries, evaluation and documentation of proposals, Board assessment, processing of documents, fencing, surveys, preparation of covenant plans and registration with Land Information New Zealand.

The area, size and shape of covenants vary, as do the associated costs, so annual fluctuations in total covenant numbers and hectares can be expected.

Table 1: Numbers and hectares approved for protection and formally protected by registered open space covenants in New Zealand.

Legal protection	2010/2011 Actual		2011/2012 Target		2011/2012 Actual	
	No	Hectares	No	Hectares	No	Hectares
Approved covenants	159	6,917	160	3,200	155	8,475
Registered covenants	160	2,387	180	3,600	149	3,436
Cost	\$2,316,820		\$2,631,175		\$2,239,526*	

* See note page 9



A 7 ha area montane boulder field covenant was approved in March 2012. Located at the base of the Remarkables and beside Lake Wakatipu, close to SH6, the area has significant landscape values seen by hundreds of travellers each day. The owners encourage public access. The boulders are large; some the size of small buses, making the site a popular sightseeing and rock-climbing destination.

Statement of Service Performance continued

For the year ended 30 June 2012

2. Management Services: Natural and Historic Places: Management Services for properties with historical or natural significance, including maintenance work, public access, management advice on covenanted land and maintaining the perpetual trustee role for registered covenants.

Table 2: Numbers and hectares for QEII owned properties and registered covenants monitored in New Zealand.

Management Services	2010/2011 Actual		2011/2012 Target		2011/2012 Actual	
	No	Hectares	No	Hectares	No	Hectares
QEII owned properties	29	1,600	29	1,600	29	1,600
Monitoring of registered covenants	1,700	35,968	1,785	35,700	1,723	38,789
Cost	\$1,658,943		\$1,673,080		\$1,617,442*	

* Note: Outputs 1 and 2 total \$3,856,968. Most of this expenditure is covered by the Trust's government grant totalling \$3,274,000.



QEII National Trust and landowners share a mutual interest to protect open space covenants. QEII is the perpetual trustee working to ensure the covenant's values are protected forever.

QEII employs part-time regional representative contractors to cover 26 geographical regions throughout the country. They visit covenants on average once every two years to monitor their condition and provide support and advice to covenantors when required.

Statistics

Registered and approved covenants

as at 30 June 2012

QEII covenants on Landcare Research Threatened Environments map

Summary – 30 June 2012

Protected open space	Number	Hectares
Registered covenants	3,659	99,782.67
Approved covenants*	435	21,564.92
Formal agreements	33	928.29
Total	4,127	122,275.89

Largest covenant 6,564 ha

Average size 29.6 ha

Altitude range Sea level to 2,200 m

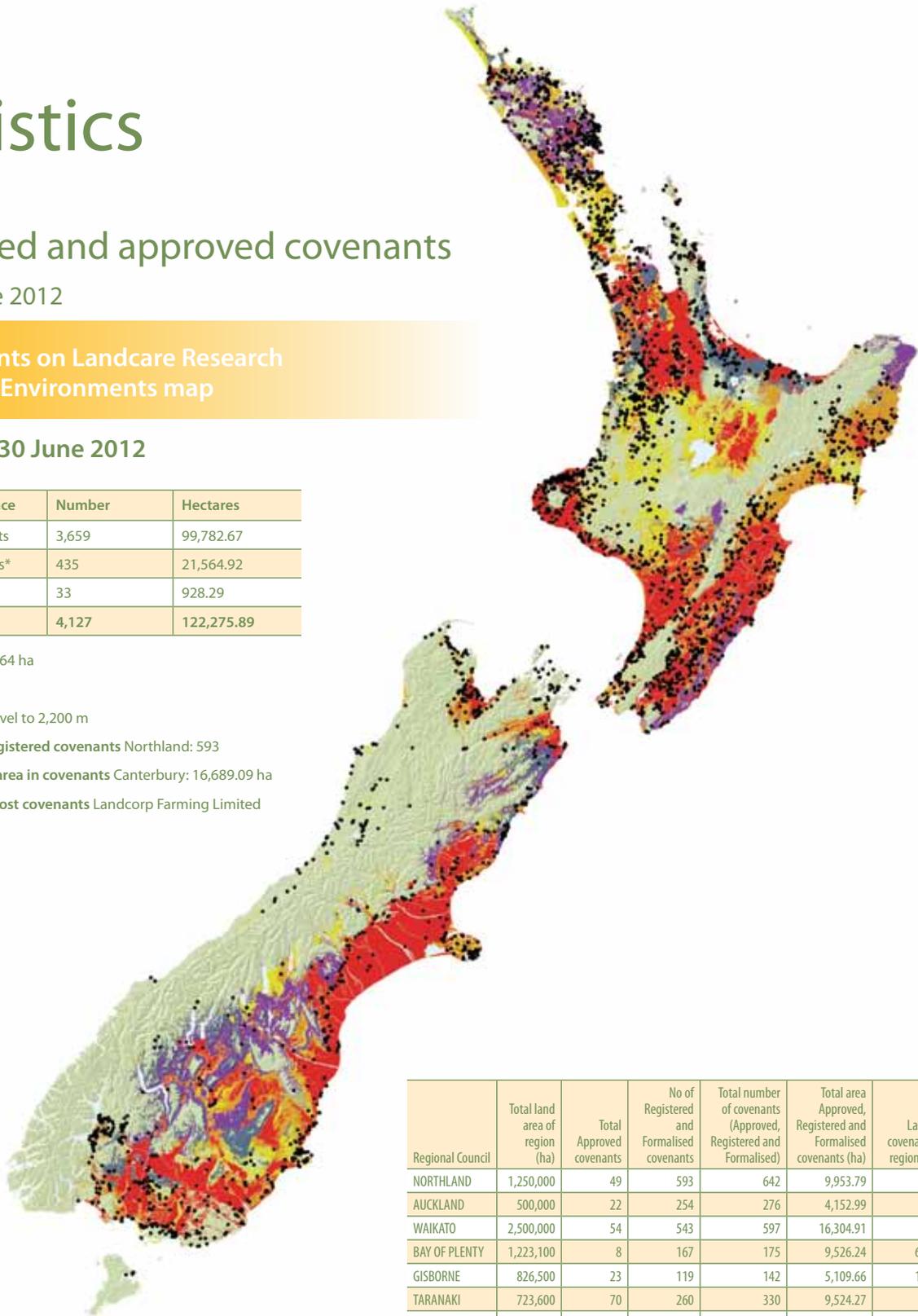
Region with most registered covenants Northland: 593

Region with largest area in covenants Canterbury: 16,689.09 ha

Organisation with most covenants Landcorp Farming Limited

QEII properties 29

* Not yet registered



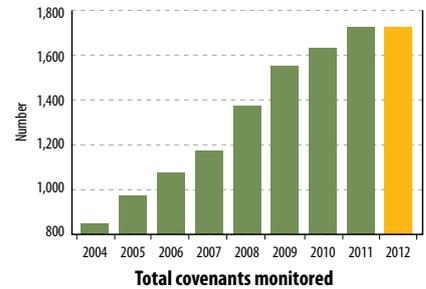
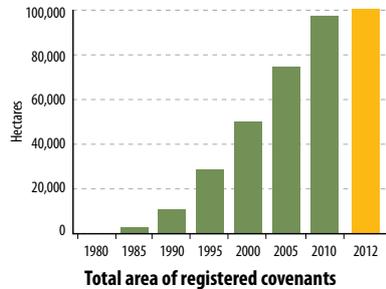
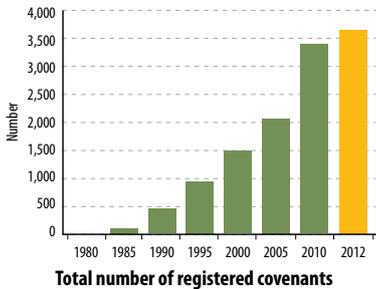
Threat category

- 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
- Registered and approved QEII covenants: symbol represents location only and not actual area of covenanted land.

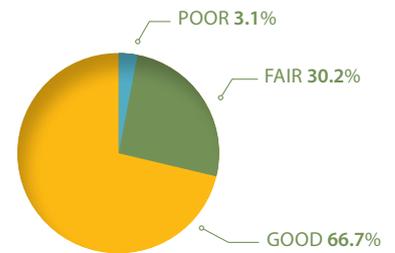
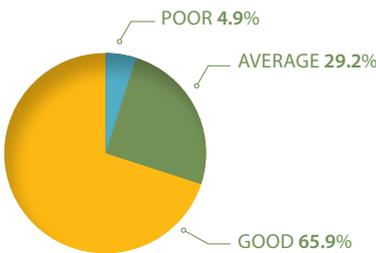
Regional Council	Total land area of region (ha)	Total Approved covenants	No of Registered and Formalised covenants	Total number of covenants (Approved, Registered and Formalised)	Total area Approved, Registered and Formalised covenants (ha)	Largest covenant in region (ha)	Average covenant size (ha)
NORTHLAND	1,250,000	49	593	642	9,953.79	417	15.50
AUCKLAND	500,000	22	254	276	4,152.99	841	15.05
WAIKATO	2,500,000	54	543	597	16,304.91	802	27.31
BAY OF PLENTY	1,223,100	8	167	175	9,526.24	6,564	54.44
GISBORNE	826,500	23	119	142	5,109.66	1,104	35.98
TARANAKI	723,600	70	260	330	9,524.27	334	28.86
HAWKE'S BAY	1,420,000	18	216	234	10,444.35	4,606	44.63
HORIZONS	2,221,500	26	308	334	8,041.59	306	24.08
WELLINGTON	813,000	30	292	322	6,056.00	824	18.81
TASMAN	978,600	14	136	150	2,466.12	641	16.44
NELSON	42,100	1	13	14	304.25	140	21.73
MARLBOROUGH	1,049,500	6	63	69	3,957.36	182	57.35
WEST COAST	2,300,000	20	54	74	2,749.19	619	37.15
CANTERBURY	4,220,000	50	247	297	16,689.09	1,679	56.19
OTAGO	3,200,000	21	166	187	11,120.26	2,735	59.47
SOUTHLAND	3,035,000	23	261	284	5,875.82	214	20.69
Grand Total		435	3,692	4,127	122,275.89		29.63

Statistics continued

Covenants



Monitoring of covenants



Adherence assessment

During the 2011/2012 financial year 1,723 covenants were monitored for adherence.

Monitoring includes an assessment of the condition of the covenant area and confirmation of compliance with the covenant terms.

Good adherence is where the covenant area is in a good condition and the landowner is in compliance with covenant terms.

Average adherence is where the covenant area is in an average condition and the landowner is in compliance with the covenant terms.

Poor adherence is where the covenant area is in a poor condition and/or the landowner is not complying with the covenant terms.

Canopy condition

Where applicable, *canopy condition* assesses the state of the dominant vegetation layer, which will vary according to the type of protected habitat. For instance, a forest canopy is formed by the taller trees and may be affected by possum browse. A tussock grassland canopy is formed by the tussocks and may be affected by grazing or fire.

Poor adherence report – 2011/2012

QEII is the perpetual trustee for covenants. Registered covenants are monitored biennially. Where there has been a breach of a covenant or a covenant area is in a generally poor condition this is recorded and steps are taken to improve the situation.

In some cases, where things do not improve, QEII may resort to legal enforcement.

Of the 1,723 covenants monitored in the 2011/2012 financial year 95.1% were in compliance.

Poor Adherence type	Covenants in Poor Adherence for the first time	Percentage of total number of visits (1,723)	Total Number in Poor Adherence	Percentage of total number of registered and formalised covenants (3,692)
Encroachment	3	0.17%	7	0.19%
Feral animals	18	1.04%	23	0.62%
Fencing	23	1.34%	59	1.60%
Pest plants	19	1.10%	31	0.84%
Farm Stock	22	1.28%	36	0.98%
Total	85	4.93%	156	4.23%

Poor Adherence Level	Covenants in Poor Adherence for the first time	Percentage of total number of visits (1,723)	Total Number in Poor Adherence	Percentage of total number of registered and formalised covenants (3,692)
Level 1-minor, landowner given alert	75	4.35%	140	3.79%
Level 2-low, formal documentation	10	0.58%	15	0.41%
Level 3-medium, visit by management	0	0.00%	1	0.03%
Level 4-serious, legal action pending	0	0.00%	0	0.00%
Total	85	4.93%	156	4.23%

Celebrating 35 years of open space covenanting

In the beginning...

The Trust's first covenantors were Gordon and Celia Stephenson. Their covenant document was signed in 1978 and their covenant was formally registered with the Trust a year later.

Gordon Stephenson (together with the late Charlotte Wallace) was a key instigator in establishing the QEII National Trust, leading Federated Farmers in lobbying the Government to institute a way for farmers to protect special features on their land. He was inspired to do so because he knew there were many landowners who loved the bush and other natural places on their land, but there was no way for them to protect these places in perpetuity while retaining private ownership. Gordon knew that covenants that were tied to the property rather than to the owner would overcome the worry many farmers had that the areas they cherished would be developed once they sold the land. He firmly believed that covenanting had to be voluntary; people making the decision to covenant because "they believe it is the right thing to do and not because they're being paid to do it."

Thirty-five years on and Gordon says he is pretty happy with the progress QEII has made.

"QEII needed to establish itself and prove it could work," he said. "People now have confidence in the system and that is reflected in the growing number of covenants. It's wonderful that QEII can celebrate 3,500-plus covenants in its 35th year."

Gordon's vision and the conservation movement he and Celia triggered in establishing the first open space covenant has changed the way natural and cultural places on private land are valued and preserved in New Zealand.



Gordon and Celia Stephenson were the first people in New Zealand to covenant land with QEII.



Chris and Karley Amon.

35 years on – 3,500th covenant registered

Not only do Chris and Karley Amon have a wetlands covenant of great significance for the Taranaki region, they can also claim fame for having established New Zealand's 3,500th open space covenant.

Their 49 ha covenant borders Lake Waiau Wildlife Management Reserve, just south of Waverley. The reserve is a public conservation area that is listed as a significant wetland and key native ecosystem for the Taranaki region. The Amons' covenant makes a very important contribution to the ecological processes of the lake reserve and its swamplands by extending protection along its western boundary. Only 1% of the region's total wetland area is found outside Egmont National Park, so the covenant is a noteworthy addition to habitat protection in the surrounding countryside. The Taranaki Regional Council has recognised this fact by covering the bulk of the costs to fence off the covenanted area and plant along the margins between the new fence and the wetland.

The Amons' wetland has an amazing array of native species including orchids, flax, raupo and carex grass, together with cabbage trees, mahoe, karamu and toetoe. The nationally endangered Australasian bittern, the spotless crane and the very difficult-to-spot fernbird, have all been sighted there.

Financial Statements

for the year ended 30 June 2012



Approval by the Directors

The Board of Directors has authorised the issue of the Financial Statements of the Queen Elizabeth the Second National Trust set out on pages 14 – 24 for the year ended 30 June 2012.

For and on behalf of the Board of Directors, which authorised the financial report on 11 September 2012.

James Guild
Chair

Dated: 11 September 2012

Patrick Waite
Interim Chief Executive

Dated: 11 September 2012

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2012

2011 Actual \$		Note	2012 Actual \$	2012 Budget \$
Revenue				
3,274,000	Government Grant		3,274,000	3,274,000
426,562	Contestable Funds	10	323,987	350,000
115,827	Donations and Other Grants		71,603	35,000
70,132	Other Revenue		84,811	70,255
3,886,521	Operating Revenue		3,754,401	3,729,255
Expenditure				
799,571	Field Operations		819,262	849,500
1,381,961	Covenant Expenditure	1	1,257,437	1,725,055
426,562	Contestable Funds	10	304,470	350,000
1,173,244	Administration	2	1,242,679	1,142,200
7,434	Property Operations		10,419	15,500
72,984	Public Relations		51,238	86,000
77,153	Depreciation	3	72,702	100,000
3,938,909	Operating Expenses		3,758,207	4,268,255
807,115	Investment Income		621,576	590,000
36,854	Investment Expenses		132,712	36,000
770,261	Net Financial Revenue from Investments	4	488,864	554,000
717,873	Net Surplus before Property Acquisitions/Disposals		485,058	15,000
-	Property Gifted to the Trust		139,000	-
-	Gain on Sale of Property Gifted		41,000	-
-	Expenses Associated with Gifted Property		7,049	-
-	Net Income from Gifted Property	5	172,951	-
717,873	Net Surplus		658,009	15,000
-	Other Comprehensive Income		-	-
717,873	Total Comprehensive Income	1	658,009	15,000

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2012

2011 Actual Total \$		Note	2012 Actual Total \$	2012 Budget Total \$
13,732,291	At 1 July		14,450,164	14,450,164
717,873	Net Surplus for the period		658,009	15,000
-	Other Comprehensive Income		-	-
717,873	Total Comprehensive Income for the period		658,009	15,000
14,450,164	At 30 June		15,108,173	14,465,164

The accompanying accounting policies and notes form an integral part of these financial statements.

Statement of Financial Position

FOR THE YEAR ENDED 30 JUNE 2012

2011 Actual \$		Note	2012 Actual \$	2012 Budget \$
	Equity			
14,450,164	Trust Equity		15,108,173	14,465,164
14,450,164	Total Equity		15,108,173	14,465,164
	Represented by:			
	Current Assets			
555,073	Cash and cash equivalents	6	885,663	750,000
164,221	Accounts and Other Receivables	7	189,035	155,000
9,712,524	Investments	8	10,297,226	9,609,464
10,431,818	Total Current Assets		11,371,925	10,514,464
	Less Current Liabilities			
418,838	Accounts and Other Payables	9	556,234	425,000
334,670	Deferred Revenue	10	403,432	350,000
25,837	Employee Entitlements		63,977	33,500
91,250	Other Current Liabilities		91,250	91,250
870,595	Total Current Liabilities		1,114,893	899,750
9,561,223	Working Capital		10,257,032	9,614,714
	Non Current Assets			
3,078,368	Property, Plant and Equipment	11	3,056,991	3,055,450
1,810,573	Investment Property	13	1,794,150	1,795,000
4,888,941	Total Non Current Assets		4,851,141	4,850,450
14,450,164	Net Assets		15,108,173	14,465,164

The accompanying accounting policies and notes form an integral part of these financial statements.

Statement of Commitments

FOR THE YEAR ENDED 30 JUNE 2012

Covenant Commitments

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

	2012	2011
	\$	\$
	4,172,373	3,524,194

Operating Lease Commitments

A new head office lease agreement was signed on 24 February 2012. The lease commenced on 1 May 2012 following the completion of a new fitout. The annual rent is \$80,000 plus outgoing expenses. The term of the lease is nine years with the right of renewal every three years. The Trust also has a photocopier lease which will expire in April 2016.

	2012	2011
	\$	\$
Less than one year	66,667	17,689
Between one and two years	80,000	9,534
More than two years	560,003	26,653
	706,670	53,876

Property Endowment Commitments

The Trust holds \$353,743 in property endowments, which have been received for specific properties owned by the Trust (2011: \$352,124).

Covenant Endowments

The Trust holds \$1,709,509 in covenant endowments, which have been received for specific covenants (2011: \$1,709,509).

Capital Commitments

The Trust has no capital commitment as at 30 June 2012 (2011: Nil).

Statement of Contingencies

AS AT 30 JUNE 2012

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 fence and the estimated replacement costs. The discount rate is 5% (2011: 5%).

	2012	2011
	\$	\$
	7,627,135	7,761,991

The Trust has a liability to contribute to fencing in some covenant agreements prior to 1995. The fences are mostly maintained by the landowner on a day-to-day basis. It is an objective to reduce this liability over time.

From time-to-time opportunities arise where it is possible to renegotiate the replacement fencing clause with the landowners.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

Statement of Accounting Policies

Reporting Entity

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

The 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 Trust operates in one industry and geographical segment – that being the provision, protection, preservation and enhancement of open space for the benefit and enjoyment of the people of New Zealand.

The financial statements of the Trust are for the year ended 30 June 2012. The financial statements were authorised for issue by the Board of Directors on 11 September 2012.

Statement of Compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate to public benefit entities that apply and qualify for differential reporting concessions.

The Trust qualifies for differential reporting as it is not publicly accountable and is considered to be "small" within the NZ Differential Reporting framework. The Trust has taken advantage of all differential reporting exemptions, except for the exemption available in NZ IAS 18 Revenue that permits qualifying entities to recognise revenue and expenses on a GST inclusive basis.

The financial statements are presented in New Zealand Dollars (NZD). The financial statements are prepared on the historical cost basis except that investments are stated at fair value through profit and loss upon initial recognition.

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

Capital Management

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

Revenue

Revenue is recognised by the Trust as follows.

Grants revenue – recognised as it becomes receivable, except where the grant is for a specific purpose and there is legal or constructive obligation to repay the grant if the specific purpose is not undertaken.

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 revenue – cash donations are recognised when the cash is received; non-cash donations are recognised at their fair value at the time the ownership rights are transferred to the Trust.

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

Other revenue – recognised as earned.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2012

Property, Plant and Equipment

Land and improvements acquired or gifted to the Trust prior to 1 July 2001 are recorded at depreciated book value based on Quotable Value New Zealand Limited valuations performed on these assets in the three years prior to that date. Land and improvements acquired or gifted to the 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 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 Trust are those pertaining to covenants and specific gifts.

Depreciation

Depreciation is charged at the same rate as is allowed by the Income Tax Act 1994 except for buildings.

Depreciation is charged to the Income Statement. Land is not depreciated. The following rates have been used:

Computer and electronic equipment	26-60% diminishing value
Furniture and fittings, plant and equipment	10-50% diminishing value
Improvements (gifted and purchased buildings)	4-10% diminishing value
Land fencing	9.5% diminishing value

Investment Properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and any impairment in value.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit and loss in the year of retirement or disposal.

Transfers are made to an investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from an investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

The following depreciation rate has been used for investment properties:

Improvements	4% diminishing value
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Employee Entitlements

Short-term employee entitlements: Employee entitlements that the Trust expects to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at 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 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 the Trust anticipates it will be used by staff to cover any future absences.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2012

Goods and Services Tax

All amounts are shown exclusive of Goods and Services Tax (GST), except for receivables and payables that are stated inclusive of GST.

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 cost or initially at fair value through profit or loss and any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

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

The Trust holds a significant level of bonds and shares as investments. These financial assets are designated upon initial recognition by the 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. The fair value is quoted at the bid price at balance date.

Financial Risk Management

The Trust's principal financial instruments comprise cash and cash equivalents, and bonds and shares held as part of its normal operations. The Trust has a policy to only invest in highly liquid investments with S&P or equivalent rating of 'AAA to BBB+', and in the case of equities must be recommended by a registered financial planner or be a recognised investment fund for use by charitable trusts. The Trust has various other financial instruments such as receivables and payables, which arise directly from its operations.

Foreign Currency

Transactions in foreign currencies that are settled in the accounting period are translated at the settlement rate.

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.

Accounts Receivable

Accounts and other receivables are measured at their amortised cost less impairment losses.

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.

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 approved by the Board of Directors.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2012

1. Covenant Expenditure

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

	2012 \$	2011 \$
Fencing	743,747	776,665
Survey	503,792	593,690
Weed/pest Control	11,898	8,310
Revegetation	-2,000	3,296
Covenant expenditure	1,257,437*	1,381,961

* Total commitment for the year ended 30 June 2012 is \$2,037,657 (\$780,220 over the actual spend of \$1,257,437).

The Net Surplus of \$658,009 shown in the Statement of Comprehensive Income is a timing difference as the majority has been allocated and committed to new covenants.

2. Administration

The Administration figure includes:

	2012 \$	2011 \$
Directors' fees	20,683	17,788
Audit fees	23,730	33,583
Rent expense	85,020	98,465
Loss on disposal of property, plant and equipment	3,100	3,483
Other administration expenses	1,110,146	1,019,925
Administration	1,242,679	1,173,244

3. Depreciation Expense

Depreciation expense has been charged on the following classes of assets:

	2012 \$	2011 \$
Furniture and fittings, plant and equipment, computer and electronic equipment	38,687	41,819
Improvements	31,238	32,306
Land fencing	2,777	3,028
Depreciation expense	72,702	77,153

4. Net Investment Income

	2012 \$	2011 \$
Interest income	467,573	454,371
Dividend	139,502	115,474
Realised gain	12,047	31,376
Unrealised gain	2,454	205,894
Investment income	621,576	807,115
Investment fees	34,786	32,029
Realised loss	70,076	-
Unrealised loss	27,850	4,825
Investment expenses	132,712	36,854
Net investment income	488,864	770,261

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 of maintaining the investment portfolio.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2012

5. Net Income from Gifted Property

	2012 \$	2011 \$
Property gifted to the Trust	139,000	–
Gain on sale of property gifted	41,000	–
Gifted property income	180,000	–
Expenses associated with gifted property	7,049	–
Net income from gifted property	172,951	–

Gifted property income is the income generated from the sale of the gifted property. The property was initially recorded at fair value.

6. Cash and Cash Equivalents

Cash and cash equivalents of \$885,663 (2011: \$555,073) include term deposits of \$500,000 maturing within three months.

7. Accounts and Other Receivables

	2012 \$	2011 \$
Accounts receivable	185,389	126,351
Less : Provision for bad debts	(4,348)	–
Interest receivable	7,994	6,963
GST receivable	–	30,907
Accounts and Other Receivables	189,035	164,221

8. Investments

	2012 \$	2011 \$
Fixed interest – Corporate bonds	6,784,214	6,213,214
Term deposits	300,000	570,000
Australian/NZ equities	2,395,809	2,029,618
International equities	817,203	899,692
Investments	10,297,226*	9,712,524*

* The market value at 30 June 2012 was \$10,297,226 (2011: \$9,712,524), which includes interest receivable of \$75,349 (2011: \$64,910). Increase in value is due to increases in market value and additional capital contributions.

9. Accounts and Other Payables

	2012 \$	2011 \$
Accounts payable	490,247	382,359
Accrued for trade expenses	59,059	36,479
GST payable	6,928	–
Accounts and Other Payables	556,234	418,838

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2012

10. Deferred Revenue/Contestable Funds

In the financial year 2011/12 the Trust spent a total of \$304,470. This is less than the amount spent in 2010/11 due to a larger number of smaller scale projects, where the individual project focused on weed and/or pest control, works which require less finances than the larger scale fencing projects, which had been a focus of the previous year.

These funds are approved for specific projects as stated in project deeds. The project(s) may take a year or more to complete. At the end of each financial year, the monies received for each project but not spent are reported as deferred revenue.

Total Deed Amount	Project to-date Income	Deferred Revenue 2012	Deferred Revenue 2011
\$	\$	\$	\$
1,771,014	1,562,417	403,432	334,670

Deferred revenue comprises seven contestable fund rounds of 96 individual projects (59 projects completed, 35 remaining in progress and two projects which have been cancelled, with the money to be returned to the Biodiversity Condition Fund at the closing of the round). During the reporting period, two contestable fund rounds were completed and closed (32 projects) and one was initiated (five projects). The estimated project life varies from one to three years to completion, however, projects are highly susceptible to delays due to weather and other circumstances.

Six applications were submitted on behalf of 10 covenants for Round 17 (CON-936), which opened in April 2012. The Trust has requested \$169,013 from the Biodiversity Condition Fund, results of which are anticipated in August 2012. Thirteen projects are in progress with funding from the Environment Canterbury Contestable Fund. A donation of \$50,000 was received from J R C Smiley in 2009/10 to protect the natural features on Mt Algidus Station. This money has not yet been spent.

11. Property, Plant and Equipment

	2012			2011		
	Cost \$	Accumulated Depreciation \$	Net Book Value \$	Cost \$	Accumulated Depreciation \$	Net Book Value \$
Land and improvements (Note 12)	2,643,501	–	2,643,501	2,643,501	–	2,643,501
Improvements – gifted and purchased buildings (Note 12)	512,689	194,612	318,077	513,297	180,451	332,846
Land fencing	90,095	61,822	28,273	87,895	59,045	28,850
Trust property	3,246,285	256,434	2,989,851	3,244,693	239,496	3,005,197
Furniture and fittings, plant and equipment, computer and electronic equipment	427,474	360,334	67,140	438,279	365,108	73,171
Property, plant and equipment	3,673,759	616,768	3,056,991	3,682,972	604,604	3,078,368

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2012

12. Land and Improvements

	2012 \$	2012 \$	2012 \$	2011 \$
	Land	Improvements	Total	Total
Aroha	425,000	286,496	711,496	724,905
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	72,000	7,580	79,580	79,895
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	24,001	134,001	135,046
Tumutumu Bush	115,000	–	115,000	115,000
Waiata Bush	25,000	–	25,000	25,000
Waverley Farm (Note 13)	–	–	–	–
	2,643,501	318,077	2,961,578	2,976,347
Lake Wainamu (Vested)	–	–	–	–
Land and Improvements	2,643,501	318,077	2,961,578	2,976,347

All land and improvements are subject to restrictions on use as set out in the original deeds of gift or covenant.

Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2012

13 Investment property

	2012 \$			2011 \$		
	Land	Improvements	Total	Land	Improvements	Total
Opening balance at 1 July	1,400,000	410,573	1,810,573	–	–	–
Transfers in from Property, plant and equipment	–	–	–	1,400,000	427,680	1,827,680
Depreciation expense	–	16,423	16,423	–	17,107	17,107
Closing balance at 30 June	1,400,000	394,150	1,794,150	1,400,000	410,573	1,810,573
Cost	1,400,000	450,000	1,850,000	1,400,000	450,000	1,850,000
Accumulated depreciation	–	55,850	55,850	–	39,427	39,427
Net carrying amount	1,400,000	394,150	1,794,150	1,400,000	410,573	1,810,573

Investment property is gifted property currently earning income.

14. Financial Instrument Designation

	Loans and Receivables		Fair Value through Profit and Loss (Upon initial recognition)		Financial Liabilities at Amortised Cost	
	2011/12 \$	2010/11 \$	2011/12 \$	2010/11 \$	2011/12 \$	2010/11 \$
Assets:						
Cash and equivalents	885,663	555,073	–	–	–	–
Receivables	189,035	133,314	–	–	–	–
Investments	–	–	10,297,226	9,712,524	–	–
	1,074,698	688,387	10,297,226	9,712,524	–	–
Liabilities:						
Payables	–	–	–	–	490,247	382,359
Other current liabilities	–	–	–	–	91,250	91,250
	–	–	–	–	581,497	473,609

INDEPENDENT AUDITOR'S REPORT
TO THE READERS OF
QUEEN ELIZABETH THE SECOND NATIONAL TRUST'S
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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.

We have audited the financial statements of the Trust on pages 13 to 24, that comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income and statement of changes in equity for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

Opinion

In our opinion the financial statements of the Trust on pages 13 to 24:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Trust's:
 - financial position as at 30 June 2012; and
 - financial performance for the year ended on that date.

Our audit was completed on 11 September 2012. 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 we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, and 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 would affect a reader's 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 Trust's preparation of financial statements that fairly reflect the matters to which they relate. We consider internal control 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 Directors;
- the adequacy of all 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. We have obtained all the information and explanations we have required and 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 preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand, and
- fairly reflect the Trust's financial position and financial performance.

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

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 and section 32 of the Queen Elizabeth the Second National Trust Act 1977.

Independence

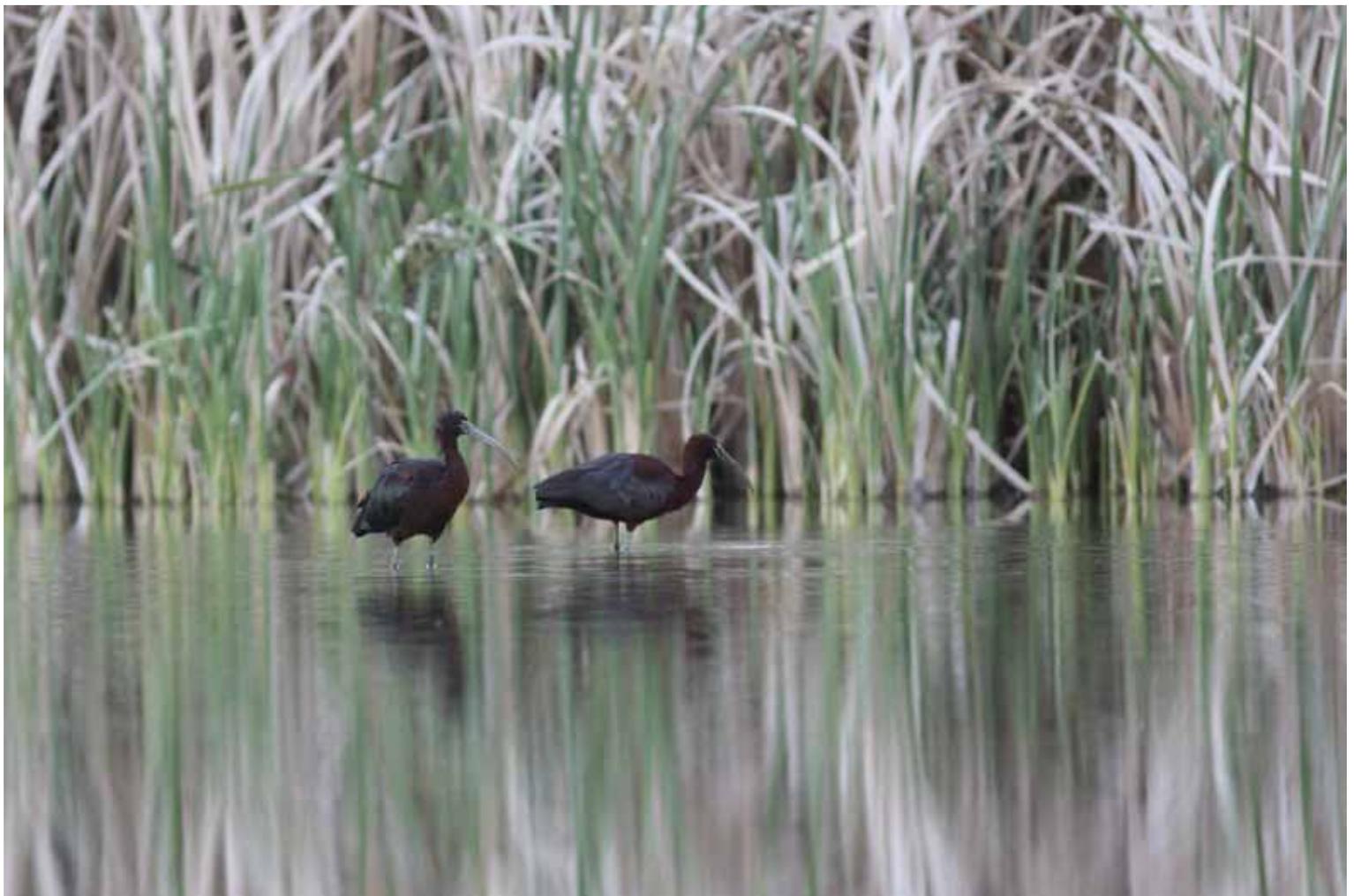
When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the Trust.



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







Directory

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

Office

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Wellington 6140

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E info@openspace.org.nz
www.openspace.org.nz

Board of Directors

Appointed by the Minister of Conservation

James Guild (Chair)
Yvonne Sharp
Bernard Card
Edward Ellison

Elected by members of the Trust

Megan Balks
James Hunter

Chief Executive

Margaret McKee (up to 30 June 2012)

Interim Chief Executive

Patrick Waite (at 1 July 2012)

Accountant

Tony Beret

Auditor

Ernst and Young
On behalf of the Auditor General

Bankers

Bank of New Zealand

Solicitors

GreenwoodRocheChisnall

Insurer

Marsh

The images from page 27 onwards are a selection of photographs submitted for QEII's "My Favourite Covenant" photograph competition held to mark the Trust's 35th anniversary. Page 27 – In memory of Tony Bouzaid, Great Barrier Island – Amelia Geary; Jewelled gecko – Miles Giller (staff category); page 28 – Sandy Beach, Taranaki – the Whiteheads; Ibis and raupo, Marlborough – Will Parsons; inside back cover – Kowhai – Nick Matich (staff category); The sanctuary – Hans Zuur; Fat tui – Ross Cronin; back cover – Cicada – Manuel Czepok. The winner of the competition was Nathan Hall (photo on page 4).



QEII National Trust
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