



**QE II National Trust**

For open space in New Zealand

*Nga Kairauhi Papa*

## **Annual Report 2006**

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# **Queen Elizabeth the Second National Trust**

**Nga Kairauhi Papa**



## Contents

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	<i>page</i>
1. Chairperson's and Chief Executive's Report	1
2. What We Do	4
3. Covenant Highlights	6
4. Protecting Biodiversity	7
5. Collaboration and Partnerships	8
6. Statement of Service Performance	9
7. Financial Statements	11
8. Notes to Financial Statements	15
9. Auditor's Report	20
10. Directory	back cover

Annual Report 2006  
Queen Elizabeth the Second National Trust (QEII)  
Nga Kairauhi Papa  
Presented to the House of Representatives pursuant to Section 32  
of the Queen Elizabeth the Second National Trust Act 1977.



# Chairperson's and Chief Executive's Report

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**Protecting open space for the benefit and enjoyment of New Zealand's future generations has never been more important.**

As a country, we face serious issues relating to changing land use, multiple land use objectives, farm productivity, climate change effects, fresh water quality, high value landscapes and threatened habitats and species. Getting the balance right is a challenge for us all.

QEII plays a vital role in achieving that balance - especially within productive working landscapes. Our model of open space protection on private land is well demonstrated as being highly cost effective and rigorous. Inherent in the model's success is landowner involvement and commitment and the respect for private property rights.

Many of New Zealand's most threatened environments occur on private land and the Trust is uniquely placed to make the greatest contribution to protecting these areas. The mosaic of covenants spread throughout the country provide a reservoir of biodiversity and some insurance against climate change and biosecurity risks that we may face in the future.

The value of QEII's contribution towards protecting treasured environments and implementing national environmental policies, including the Biodiversity Strategy, far outweighs the modest \$2.87million annual Government funding.

QEII has had another year of outstanding achievement. The key outcomes of new covenant approvals, registrations and covenant monitoring have progressed smoothly within a measured and accountable environment. Of the monitored covenants, 98.4% met the agreed covenant terms and conditions and poor adherence, at 1.6%, was at its lowest recorded level. We continue to see a steady stream of new proposals from all over the country and the diversity is impressive.

We sincerely thank all those organisations and individuals around the country who support our work and the work of our covenantors. Local government plays an increasing part and we have a number of formal funding partnerships in place for fencing assistance and pest control. Most councils now offer some form of rates relief for landowners with QEII covenants.

In the year ahead we look forward to further improving our efficiency by embracing more science and technology. This will include progressing our partnership with Landcare Research and implementing a new database. Managing fencing and survey costs, which accounts for over fifty percent of expenditure, is an ongoing challenge. Fence materials and fence styles appropriate for covenant protection, as well as labour costs, are all issues. We are also seeing more irregularly shaped covenants, which result in longer fence lines per covenant and hence a greater cost per covenant.

This coming year we farewell two Directors elected by the membership, Bill Garland and Geoff Walls, who will have served their maximum nine-year terms of office in March 2007. Both have made an outstanding contribution to QEII. Bill has brought an in-depth understanding of the farming psyche and pragmatism, and Geoff has persistently

**continued over...**



**Sir Brian Lochore,  
Chairperson**



**Margaret McKee,  
Chief Executive**

## Chairperson's and Chief Executive's Report continued

encouraged a greater appreciation and recognition of our ecological and cultural heritage. Two new directors will be elected in February. The role of the Directors is to provide best practice governance by having a clear view of the Trust's purpose and strategy, and ensuring effective management accountability and risk management. The nomination and voting process is important and we encourage those of you eligible to partake purposefully.

Taking the Directors' meetings into the regions has great merit in seeing issues first-hand. The covenantors' functions held at Whitianga, Moeraki, Hawke's Bay and Apiti have been a delight and the highlight of our year. Covenants connect people and places, reflecting the deep ties that many people feel for the land. The stories are intimate with an underlying understanding that healthy functioning ecosystems provide the best hope for our wellbeing now and in the future. It is a privilege to be involved and we extend our heartfelt thanks.

**Sir Brian Lochore**  
*Chairperson*  
19th September 2006

**Margaret McKee**  
*Chief Executive*  
19th September 2006

### Highlights

- Covenantors' gatherings in: Whitianga-Coromandel, Moeraki-North Otago, Apiti-Northern Manawatu and Havelock North.
- Record number of covenant registrations: 235 protecting 5,041 hectares.
- Record number of covenants monitored: 1,066.
- Poor adherence to covenant terms and conditions at lowest recorded level: 1.6%.

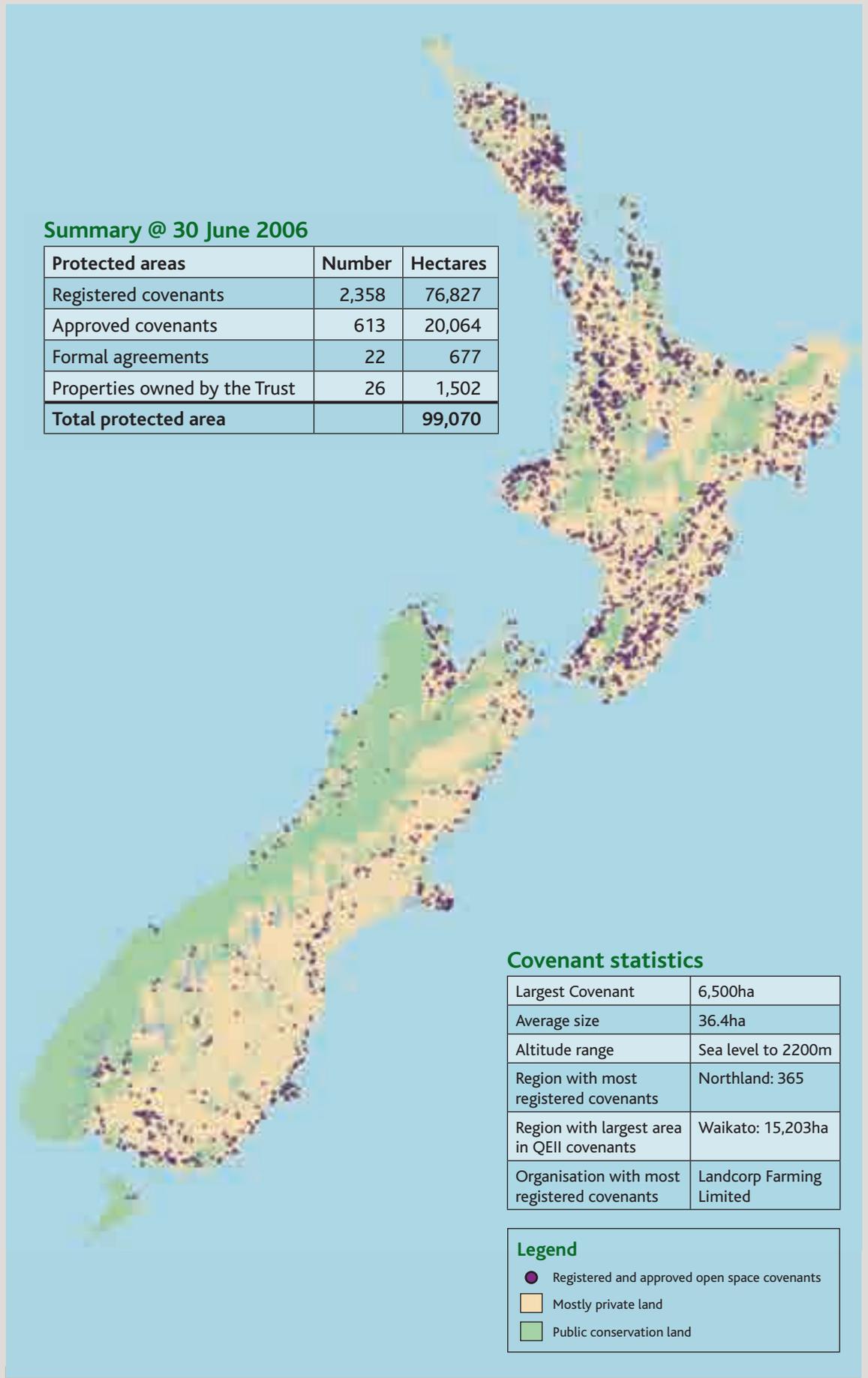
### Biodiversity highlights

- 155 new approved covenants, 3,588 hectares, are known to have threatened species present.
- 145 new approved covenants, 3,581 hectares, will protect threatened ecosystems including wetlands, dunelands, coastal and semi coastal forest, limestone country and primary lowland forest.
- 103 new approved covenants, 1,420 hectares, are in acutely or chronically threatened areas as defined by Land Environments of New Zealand.
- 54 new covenant approvals, 1,525 hectares, are in the six districts where significant loss of indigenous cover in threatened environments is ongoing; Gisborne, Central Otago, Far North, Hastings, Marlborough and Southland.

## Distribution of registered and approved covenants as at 30 June 2006

### Summary @ 30 June 2006

Protected areas	Number	Hectares
Registered covenants	2,358	76,827
Approved covenants	613	20,064
Formal agreements	22	677
Properties owned by the Trust	26	1,502
<b>Total protected area</b>		<b>99,070</b>



### Covenant statistics

Largest Covenant	6,500ha
Average size	36.4ha
Altitude range	Sea level to 2200m
Region with most registered covenants	Northland: 365
Region with largest area in QEII covenants	Waikato: 15,203ha
Organisation with most registered covenants	Landcorp Farming Limited

### Legend

- Registered and approved open space covenants
- Mostly private land
- Public conservation land

Note: the symbols on the map indicate location only and do not represent the actual area of protected land.

## What we do

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The QEII National Trust is an independent statutory organisation whose core activity is to secure long-term protection of natural and cultural heritage on private land.

QEII helps landowners recognise and protect special features on their land including landscapes, wetlands, lakes, forests, populations of threatened species, coastlines, geological features and cultural heritage sites. The Trust offers a range of tools for protection.

An open space covenant is the most commonly used. It is a legal protection agreement registered on the title of 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. A covenant is voluntary, but once in place, binds the current and all subsequent owners in perpetuity. The landowner retains ownership of the land and management responsibilities. Some covenants have a primary objective of allowing public access to a special area but, in most cases, public access is subject to the landowner's prior permission.

Variable term agreements are used in certain situations:

- Kawenata covenants, on Maori land which recognises tino rangatiratanga;
- Life of the Trees covenants, where individual trees are protected in a managed landscape where they may not be self-regenerating;
- Formal landscape protection agreements where land might not have title, such as roadside areas.

QEII also uses property ownership, either permanent or transitory, to facilitate or secure protection of natural and cultural values. QEII currently owns 26 properties, comprising 1,502 hectares. A number of these have been gifted to the Trust because the previous landowner has regarded QEII as the most suitable repository for their land. Three properties, protected under open space covenants, have been divested to councils in the last four years.

QEII works in partnership with councils, offering an 'independent' relationship with landowners, covenant documentation expertise and ongoing monitoring of covenants. As an environmental and resource management tool QEII covenanting is robust, simple and highly cost-effective.

The Trust is supported by a staff of 13, based in Wellington, and 26 regional representative contractors (11 full-time equivalents) located throughout the country.

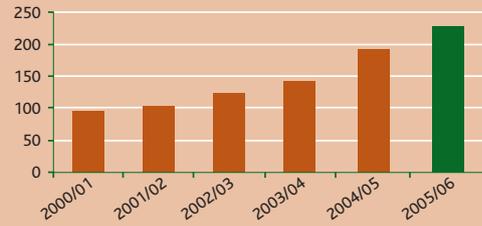


Territories of the 26 regional representatives.

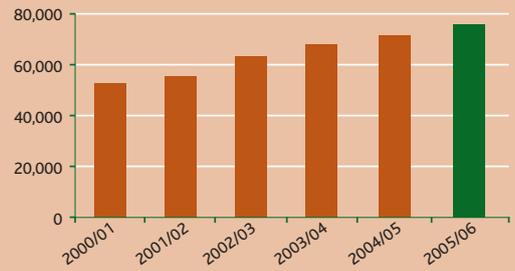
# Statistics

## Covenants

Number registered annually



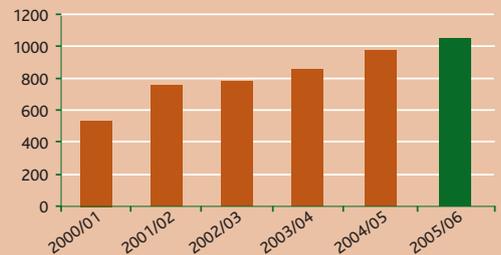
Area of registered covenants



## Monitoring

During the 2005/06 financial year, 1066 covenants were monitored. Some key results are summarised as follows.

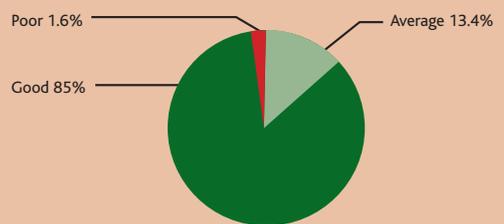
Number of covenants monitored



**Adherence** is an assessment of how well the agreed covenant terms and conditions are being met.

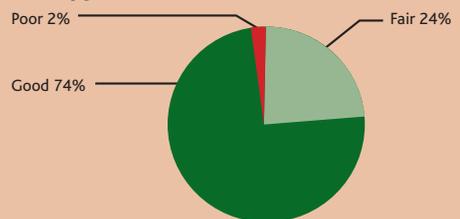
- Good:* Exceeds the terms and conditions.
- Average:* Satisfies the terms and conditions.
- Poor:* Remedial action required to ensure terms and conditions are being met.

Adherence 2005-2006



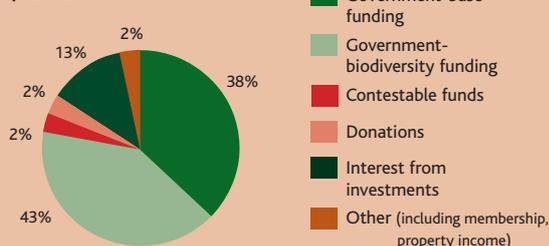
**Canopy condition** assesses the state of the dominant vegetation layer, which will vary according to the type of protected habitat. For instance, a forest canopy is formed by the taller trees and may be affected by possum browse. A tussock grassland canopy is formed by the tussocks and may be impacted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

Canopy

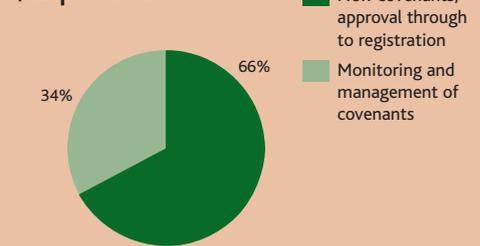


## Financial statistics

\$ Income



\$ Expenditure



## Covenant Highlights



### Gift to all New Zealanders

In an extraordinary gesture of generosity, Pierre and Jackie Chatelangat have gifted their 840ha farm, bordering the Kaipara Harbour, to the Auckland Regional Council to become a regional farm park. QEII facilitated the gifting following the registration of an open space covenant to protect the property's landscape, archaeological features and natural character.



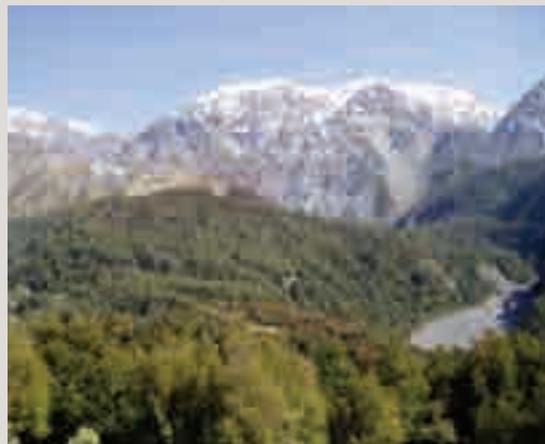
### Unique limestone habitat

Blands Bluff is the only site of its kind in mid-Canterbury. Its unusual geology, rare and threatened plants, and abundant insect and lizard life, are protected with an 11.4ha covenant.



### Access and kiwi protection in one

A 4ha covenant protects Kiwi habitat and also provides a public pathway from Long Beach (foreground) to Waitata Bay (centre right) in the Bay of Islands.



### Protection for endangered seabird

Only two breeding colonies of the endangered Hutton's shearwater (*Puffinus huttoni*) remain in the world, both at high altitudes in the rugged Seaward Kaikoura Range. Don and Robyn Cameron have protected one colony under an 863ha open space covenant.

## Protecting Biodiversity

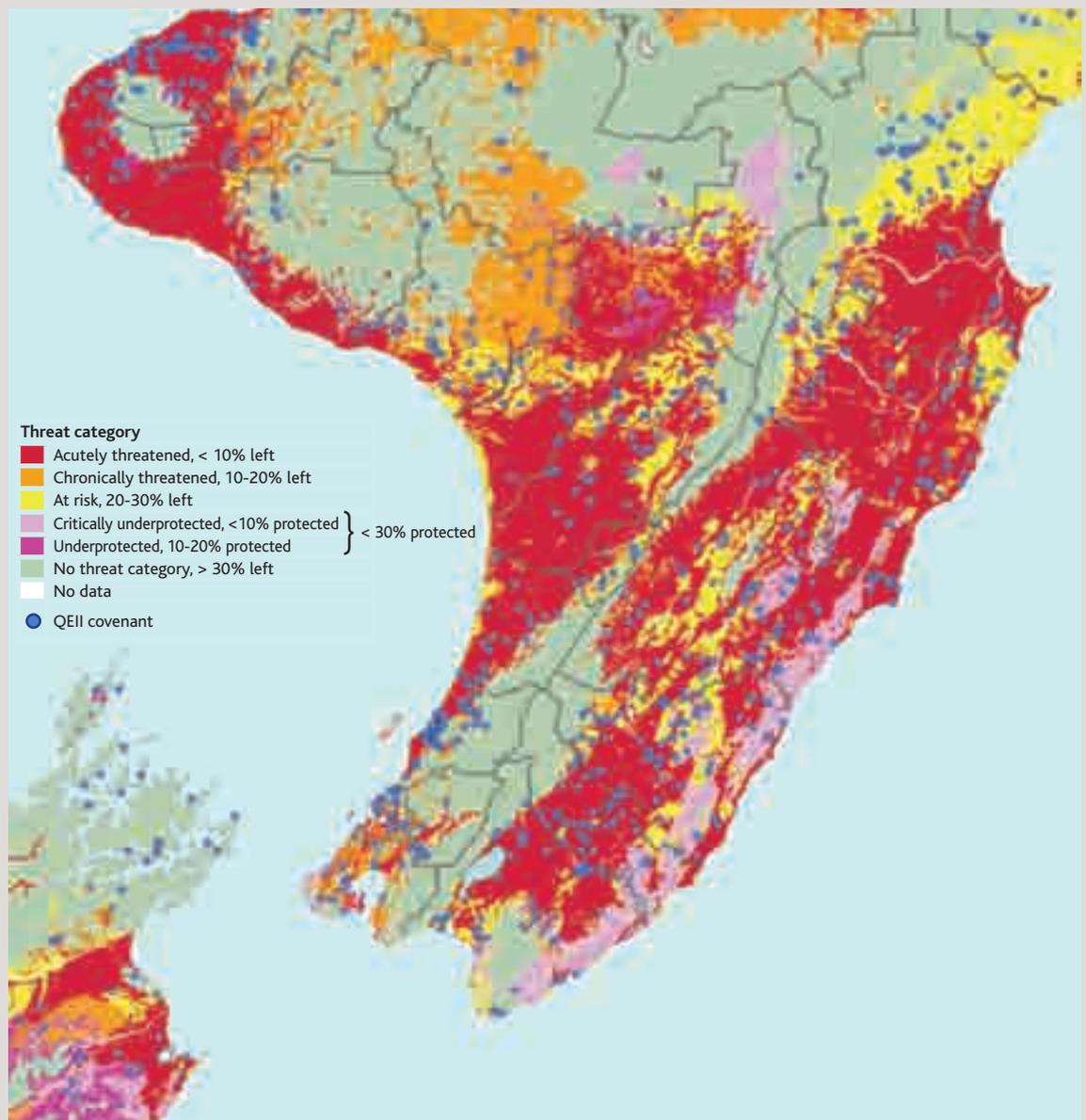
QEII National Trust plays a key role in the New Zealand Biodiversity Strategy as it is uniquely placed to advance the protection in perpetuity of the threatened environments that occur on private land.

The majority of New Zealand is privately owned and most of that land is in the lowland areas, which have high economic value and have been intensively developed. Much of the threatened indigenous flora and fauna, and their habitats, occur on the lowlands and can only be protected through the goodwill and action of private landowners. Small remnants of natural habitat often sit nestled in farmland and these remnants are vital for maintaining biodiversity. With covenant protection, they provide the opportunity to restore ecological corridors and protect catchments.

This year QEII received \$1.55m of Government funding targeted specifically for biodiversity protection.

### Protecting threatened environments

Landcare Research has used Land Environments of New Zealand (LENZ) and Land Cover Database (LCDB) vegetation mapping to identify the threatened environments within New Zealand. Over 75% of QEII covenants occur in threatened environments.



QEII covenants in the lower North Island shown on Landcare Research threatened environments map.

## Collaboration and Partnerships



### Covenantors get together

Alec Olsen, farmer and regional councillor, hosted a QEII field day in his 52ha riparian forest covenant beside the Mangaone River in Hawke's Bay.



### Working with councils

QEII works closely with regional and district councils. Hawke's Bay Regional Council Biosecurity Manager is pictured with QEII regional representatives on Te Mata Peak as he describes the council's extensive pest control programme in the area.

### Our thanks to...

The Trust owes a sincere vote of thanks for the support of many organisations and individuals including: AgResearch, ASB Trust, Auckland Regional Council, Biodiversity Condition and Advice Fund, Canterbury Regional Council, Department of Conservation, Environment Bay of Plenty, Environment Waikato, Far North District Council, Federated Farmers, Fields Pond Foundation, Foundation of Research, Science and Technology, Gisborne District Council, Greater Wellington Regional Council, Hawke's Bay Regional Council, H.B and PE Williams Charitable Trust, New Zealand Historic Places Trust, Horizons Regional Council, Kaikoura District Council, Kaipara District Council, Kapiti Coast District Council, LandcareResearch, Landcorp Farming Ltd, Local Government New Zealand, Marlborough District Council, Ministry of Agriculture & Forestry, Ministry for the Environment, Nelson Botanical Society, Nelson City Council, New Plymouth District Council, New Zealand Farm Forestry Association, New Zealand Lottery Grants Board, New Zealand National Parks and Conservation Foundation, NIWA, North Shore City Council, Northland Regional Council, NZ Native Forests Restoration Trust, Otago Regional Council, Otago Tree Trust, Pam McConnell, Papanoa Lions, Porirua City Council, Royal Forest & Bird Protection Society, Showdown Productions, Southland Regional Council, South Taranaki District Council, Taranaki Regional Council, Taranaki Tree Trust, Tasman District Council, Tasman Environmental Trust, TIFBS, N. Williams Memorial Trust, Waiau Fisheries and Wildlife Habitat Enhancement Trust, Waitakere District Council, Wellington Botanical Society, Whangarei District Council, World Wide Fund for Nature, and the Yellow Eyed Penguin Trust.

# Statement of Service Performance for the Year Ended 30 June 2006

This statement measures performance against goals set at the commencement of the Purchase Agreement signed with the Minister of Conservation in July 2005.

## 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, educational, soil and water, and social interest. Covenant proposals are evaluated against set criteria. 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, survey, preparation of covenant plans and registration with Land Information New Zealand.

The area, size and shape of covenants vary enormously, as do the associated costs, and annual fluctuations in total covenant numbers and hectares can be expected. At 30 June 2006 there were 613 covenants with approved status progressing towards registration.

	2004/05 Actual		2005/06 Estimate		2005/06 Actual	
	No.	Hectares	No.	Hectares	No.	Hectares
Approved covenants	332	9,963	300	7,500	266*	5,319
Registered covenants	194	4,766	190	4,750	235	5,041
Cost	\$1,981,135		\$2,178,651		\$2,179,755	

\* Funds available could only support 266 new proposals this year. Fencing costs per covenant have increased due to :

- Increase in fencing costs – materials, labour and transport.
- More irregular shaped covenants with longer boundaries due to
  - Increase in riparian covenants
  - A trend for multiple block covenants
  - More sophisticated farming practices with more paddock subdivision
  - Fewer large covenants.
- Focus on high biodiversity areas and rare ecosystems which tend to be smaller and more expensive to establish.

## Statement of Service Performance continued

### 2. Management Services: Natural and Historic Places:

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

QEII maintains the perpetual trustee role for covenants. Registered covenants are monitored not less than once every 24 months to ensure the agreed covenant objectives are being met by the landowner. This year 98.4% of covenants visited met covenant conditions and 1.6% of covenants visited had poor adherence where remedial action was required.

Property ownership, either permanent or transitory, is sometimes appropriate to secure protection. The Trust currently owns 26 properties with natural, cultural, scientific and aesthetic values. They are managed in accordance with approved management plans. During the year one property, Durslade, was divested and returned to the original donor for family reasons.

#### Service Performance

	2004/05 Actual		2005/06 Estimate		2005/06 Actual	
	No.	Hectares	No.	Hectares	No.	Hectares
QEII owned properties	27	1,582	27	1,582	26	1,502
Monitoring of registered covenants	971	-	1,060	26,500	1,066	38,965
Cost	\$1,297,427		\$1,049,277		\$1,117,473	



## Statement of Financial Performance for the Year Ended 30 June 2006

2005 Actual \$		2006 Actual \$	2006 Budget \$
	<b>Revenue</b>		
1,318,222	Government Grant - Base Funding	1,319,000	1,318,777
1,555,556	Government Grant - Biodiversity	1,555,000	1,555,000
312,226	Contestable Funds	78,567	200,340
177,902	Donations and Other Grants	54,370	68,520
436,330	Interest from Investments	444,726	440,000
95,093	Other Revenue	62,373	55,700
<b>3,895,329</b>	<b>Total Revenue</b>	<b>3,514,036</b>	<b>3,638,337</b>
	<b>Expenditure</b>		
974,134	Field Operations	931,121	922,000
883,935	Covenant Expenditure (Note 2)	1,024,737	1,090,000
312,226	Contestable Funds	275,291	200,000
784,789	Administration (Note 1)	789,510	731,228
102,901	Property Operations	80,381	76,200
144,568	Public Relations	131,988	133,500
76,009	Depreciation (Note 8)	64,200	75,000
<b>3,278,562</b>	<b>Total Expenditure</b>	<b>3,297,228</b>	<b>3,227,928</b>
<b>616,767</b>	<b>Net Surplus before Property Acquisitions/ Disposals (See Note Below)</b>	<b>216,808 *</b>	<b>410,409</b>
	<b>Surplus/ (Deficit) on Property Acquisitions/ Disposals</b>		
(530,265)	Property Gifted out by Trust	(314,339)	(314,339)
-	Property Gifted to Trust	-	-
<b>86,502</b>	<b>Net Surplus/ (Deficit)</b>	<b>(97,531)</b>	<b>96,070</b>

\* This sum is committed within the new covenant commitments but is not spent at the time of reporting.

## Statement of Movements in Equity for the Year Ended 30 June 2006

2005 Actual \$		2006 Actual \$	2006 Budget \$
9,330,000	Funds brought forward as at 1 July	9,416,502	9,416,502
86,502	Net Surplus/(Deficit) for the year	(97,531)	96,070
86,502	Total recognised revenues and expenses for the year	(97,531)	96,070
<b>9,416,502</b>	<b>Trust Funds as at 30 June 2006 (Note 3)</b>	<b>9,318,971</b>	<b>9,512,572</b>

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

## Statement of Financial Position as at 30 June 2006

2005 Actual \$		2006 Actual \$	2006 Budget \$
9,416,502	<b>Capital</b> Trust Reserves (Note 3)	9,318,971	9,512,572
<b>9,416,502</b>	<b>Total Capital</b>	<b>9,318,971</b>	<b>9,512,572</b>
	Represented by:		
	<b>Current Assets</b>		
23,954	Cash and Bank	16,874	30,000
-	Interest Receivable	248	-
77,754	Accounts Receivable	68,054	80,000
6,189,158	Investments (Note 4)	6,535,668	6,500,000
7,038	GST Receivable	9,110	15,000
<b>6,297,904</b>	<b>Total Current Assets</b>	<b>6,629,954</b>	<b>6,625,000</b>
	<b>Less Current Liabilities</b>		
228,079	Accounts Payable	216,562	173,988
-	Directors' Fees Payable	-	-
68,860	Deferred Revenue	161,511	73,440
57,826	Employee Entitlements	84,890	60,000
<b>354,765</b>	<b>Total Current Liabilities</b>	<b>462,963</b>	<b>307,428</b>
<b>5,943,139</b>	<b>Working Capital</b>	<b>6,166,991</b>	<b>6,317,572</b>
	<b>Non Current Assets</b>		
3,473,363	Fixed Assets (Note 5)	3,151,980	3,195,000
<b>9,416,502</b>	<b>Net Assets</b>	<b>9,318,971</b>	<b>9,512,572</b>

For and on behalf of the Board of Directors, which authorised the issue of the financial report on 19th September 2006.



**Sir Brian Lochore**  
Chairperson  
19th September 2006



**Margaret McKee**  
Chief Executive  
19th September 2006

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

## Statement of Cash Flows for the Year Ended 30 June 2006

2005 Actual \$		2006 Actual \$	2006 Budget \$
	<b>Cash Flows from Operating Activities</b>		
	Cash was provided from:		
3,172,097	Receipts from Operations	2,952,567	3,074,117
177,902	Donations and Bequests	54,370	68,520
483,643	Interest Received	475,261	481,247
57,312	Other Revenue	163,646	58,284
<u>3,890,954</u>		<u>3,645,844</u>	<u>3,682,168</u>
	Cash was applied to:		
(3,156,830)	Expenditure on Operations	(3,211,378)	(3,194,012)
(46,391)	GST Paid	(2,275)	(14,222)
<u>(3,203,221)</u>		<u>(3,213,653)</u>	<u>(3,208,234)</u>
<b>687,733</b>	<b>Net Cash Flow from/(used in) Operating Activities</b>	<b>432,191</b>	<b>473,934</b>
	<b>Cash Flows from Investing Activities</b>		
	Cash was disbursed to:		
(1,234,185)	Investments	(377,292)	(352,089)
(35,921)	Purchase of Fixed Assets	(61,979)	(115,799)
<u>(1,270,106)</u>		<u>(439,271)</u>	<u>(467,888)</u>
<b>(1,270,106)</b>	<b>Net Cash Flow from/(used in) Investing Activities</b>	<b>(439,271)</b>	<b>(467,888)</b>
-	<b>Cash Flows from Financing Activities</b>	-	-
<b>(582,373)</b>	<b>Net (Decrease)/Increase in Cash Held</b>	<b>(7,080)</b>	<b>6,046</b>
606,327	Opening Cash at Start of Year	23,954	23,954
<u>23,954</u>	Closing Cash at End of Year	<u>16,874</u>	<u>30,000</u>
<u>23,954</u>	<b>Cash Carried Forward</b>	<u>16,874</u>	<u>30,000</u>
<b>23,954</b>	Cash and Bank	<b>16,874</b>	<b>30,000</b>
	<b>Reconciliation of Operating Cash Flows with Operating Surplus</b>		
86,502	Net Cash Flow from Operating Activities:		
	Net Surplus\ (Deficit)	(97,531)	96,070
	Add/ (Deduct) Non-Cash Items:		
76,009	Depreciation	64,200	75,000
1,462	Loss on Sale of Fixed Assets	4,823	-
530,265	Property Gifted out by the Trust	314,339	319,162
<u>607,736</u>		<u>383,362</u>	<u>394,162</u>
	<b>Add/(Deduct) Movements in other Working Capital Items:</b>		
(10,667)	(Increase)/ Decrease in Accounts Receivable	9,700	(2,245)
25,914	Increase/ (Decrease) in Accounts Payable	(11,517)	(54,092)
47,313	Decrease/(Increase) in Interest Receivable	30,534	41,247
(28,602)	Increase/(Decrease) in Deferred Revenue	92,651	4,580
790	Increase/(Decrease) in Employee Entitlements	27,064	2,174
(44,511)	(Increase)/Decrease in Net GST Receivable	(2,072)	(7,962)
3,173	Decrease/(Increase) in Publication Stock	-	-
302	(Increase)/Decrease in Prepayments	-	-
(217)	(Increase)/Decrease in Rent Received in Advance	-	-
<u>687,733</u>	<b>Net Cash Outflow from Operating Activities</b>	<u>432,191</u>	<u>473,935</u>
<b>687,733</b>	<b>Net Cash Flow from/(used in) Operating Activities</b>	<b>432,191</b>	<b>473,934</b>

The accompanying notes form part of these financial statements.

## Statement of Commitments for the Year Ended 30 June 2006

### Covenant Commitments

Covenant commitments are funds committed to approved covenants still in progress.

2006 \$	2005 \$
3,444,342	3,064,246
<b>3,444,342</b>	<b>3,064,246</b>

### Operating Lease Commitments

The National Trust's Head Office operating lease agreement extends to 31 July 2011 with the right of renewal for one further term of 3 years.

1 year  
1-2 years  
2-5 years  
> 5 years

2006 \$	2005 \$
67,253	66,628
67,253	67,253
201,760	201,760
5,605	72,858
<b>341,871</b>	<b>408,499</b>

### Property Endowment Commitments

The Trust holds \$344,779 in property endowments, which have been received by the Trust for use on specific properties owned by the Trust (2005: \$340,419).

### Covenant Endowments

The Trust holds \$1,709,509 in covenant endowments, which have been received by the Trust for use on specific covenants (2005: \$1,709,509).

### Capital Commitments

The Trust has a capital commitment of \$72,610 as at 30 June 2006 to develop software to replace the current Covenant Database. Additional commitments of \$86,520 may be required to complete the project in 2006/7.

## Statement of Contingencies as at 30 June 2006

Contingent liability for long term fencing replacement contribution for covenants over next 35-40 years.

2006 \$	2005 \$
7,000,000	7,000,000
<b>7,000,000</b>	<b>7,000,000</b>

QEII has a financial liability to contribute to fencing in covenant agreements prior to 1995. The fences are mostly maintained by the landowner on a day to day basis.

## Statement of Accounting Policies

### Reporting Entity

The Queen Elizabeth the Second National Trust is a statutory body.

The Trust's financial statements have been prepared in accordance with section 41 of the Public Finance Act 1989.

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.

### Measurement System

The financial statements have been prepared on a historical cost basis, adjusted by the revaluation of certain fixed assets prior to July 2001.

### Accounting Policies

The financial statements are prepared in accordance with the requirements of the Queen Elizabeth the Second National Trust Act 1977. The general accounting policies recognised as appropriate for the measurement and reporting of results, cash flows and financial position have been followed in the preparation of these financial statements.

### 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 revenue** - recognised as earned.

**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. Recognition is not dependent on whether or not donations have specific purposes attached to them.

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

**Other revenue** - recognised as earned.

### Land, Improvements and Fencing

Land and improvements acquired or gifted to the Trust prior to 1 July 2001 are recorded at depreciated book values 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 fair value (based on the most recent Quotable Value New Zealand Limited valuation), for gifted assets.

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

### Other Fixed Assets

Other fixed assets are initially recorded at cost and are then depreciated over their estimated useful lives.

### Restrictions on Assets

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

### Depreciation

The depreciation rates are provided for on a diminishing value and straight line basis at the Inland Revenue Department's prescribed depreciation rates. The depreciation rates used for the major classes of assets are:

Computer & Electronic Equipment	18-48%	DV
Furniture and Fittings, Plant and Equipment	4-60%	DV
Improvements (Gifted and Purchased Buildings)	4-7.5%	DV
Motor Vehicles	18%	DV
Land Fencing	9.5%	SL
Land	0%	

## Notes to the Financial Statements for the Year Ended 30 June 2006 continued

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### Employee Entitlements

Provision is made in respect of the Trust's liability for annual leave, long service leave and retirement leave. All leave has been calculated on an actual entitlement basis at current rates of pay at balance date.

### Goods and Services Tax

The financial statements are prepared on a GST exclusive basis, with the exception of accounts receivable and accounts payable, which include GST invoiced.

### Investments

Investments are stated at market value.

### Financial Instruments

The Trust is party to financial instruments as part of its normal operations. These financial instruments include bank balances, investments and accounts receivable. All financial instruments are recognised in the Statement of Financial Position.

### Accounts Receivable

Accounts receivable are recorded at estimated realisable value.

### 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.

### Statement of Cash Flows

Cash means cash balances on hand and cash held in bank accounts.

Operating activities include cash received from all income sources of the Trust and record the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise capital injection by, or repayment of, capital to the Crown and hire purchase repayments.

### Budget Figures

The budget figures are those which were approved by the Board.

### Changes in Accounting Policies

There have been no changes in accounting policies during the financial year.

### Comparative Figures

Certain comparative information in these financial statements has been reclassified to reflect current year disclosure.

## Notes to the Financial Statements for the Year Ended 30 June 2006 continued

### 1. Administration

The Administration figure includes:

	2006 \$	2005 \$
Directors' Fees	19,595	20,306
Audit Fees	24,854	18,000
Rent Expense	66,872	62,238
Loss on Disposal of Fixed Assets	4,823	1,462
Other Administration Expenses	673,366	682,783
	<b>789,510</b>	<b>784,789</b>

### 2. Covenant Expenditure and Commitments

Covenant expenditure relates to fencing, survey and legal costs incurred on approved covenants as they progress towards registration. At the time of approval the funds are allocated, but the expenditure usually takes place in the following year(s).

Total covenant expenditure committed in the current financial year, but not incurred, at 30 June 2006 was \$1,213,146 (2005: \$760,040).

### 3. Trust Reserves

	2006 \$	2005 \$
Revaluation Reserve		
Opening Balance	2,084,687	2,084,687
Movement in Current Year	-	-
Transfers to Retained Earnings	-	-
Closing Balance	2,084,687	2,084,687
Retained Earnings		
Opening Balance	7,331,815	7,245,313
Net Surplus/ (Deficit)	(97,531)	86,502
Transfer from Other Reserves	-	-
Closing Balance	7,234,284	7,331,815
Analysis of Trust Funds		
Revaluation Reserve	2,084,687	2,084,687
Retained Earnings	7,234,284	7,331,815
Closing Trust Reserves	<b>9,318,971</b>	<b>9,416,502</b>

### 4. Investments

Details of investments are as follows:

	2006 \$	2005 \$
Call Accounts	979,352	490,927
Term Deposits	-	633,521
Shares	443,110	-
Bonds	5,000,206	5,064,710
Property Units	113,000	-
<b>Total Investments</b>	<b>6,535,668 *</b>	<b>6,189,158</b>

\* The market value at 30 June 2006 was \$6,535,668 which includes interest receivable of \$80,464 (2005: \$111,083). The investment portfolio has been diversified to include Property Units and Shares. The Trust only invests in highly liquid investments.

## Notes to the Financial Statements for the Year Ended 30 June 2006 continued

### 5. Fixed Assets

	Cost or Revaluation \$	Accumulated Depreciation \$	Net Book Value 2006 \$	Net Book Value 2005 \$
Land and Improvements (Note 6)	3,255,692	279,602	2,976,090	3,293,110
Land Fencing	96,726	44,596	52,130	74,992
Trust Property	3,352,418	324,198	3,028,220	3,368,102
Furniture & Fittings, Motor Vehicles, Equipment Leasehold Improvements	366,148 5,134	242,807 4,715	123,341 419	104,328 933
	371,282	247,522	123,760	105,261
<b>Total Fixed Assets</b>	<b>3,723,700</b>	<b>571,720</b>	<b>3,151,980</b>	<b>3,473,363</b>

### 6. Land and Improvements

	2006 \$ Land	2006 \$ Improvements	2006 \$ Total	2005 \$ Total
Aroha	425,000	322,247	747,247	761,485
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
Durslade	-	-	-	301,101
Ernest Morgan Forest Reserve	140,000	-	140,000	140,000
Hann Bush	18,000	-	18,000	18,000
Hartree Forest	72,000	9,683	81,683	82,086
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
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	30,660	140,660	141,938
Waiata Bush	25,000	-	25,000	25,000
	2,528,500	362,590	2,891,090	3,208,110
Tumutumu Bush (title yet to be obtained)	85,000	-	85,000	85,000
Lake Wainamu (vested)	-	-	-	-
<b>Total Land and Improvements</b>	<b>2,613,500</b>	<b>362,590</b>	<b>2,976,090</b>	<b>3,293,110</b>

## 7. Financial Instruments

The following methods were used to determine the value of each class of financial instrument:

Cash, bank and receivables - the carrying amount of cash, bank and receivables balances is equivalent to their fair value.

Investments - investments are stated at market value.

In the normal course of its business, the Trust incurs credit risk from accounts receivable and transactions with financial institutions.

The Trust does not require any collateral or security to support financial instruments with financial institutions that the Trust deals with as these entities have high credit ratings. For its other financial instruments, the Trust has diversified the investment portfolio and does not have significant concentration of credit risks.

## 8. Depreciation Expense

Depreciation expense was charged on the following classes of assets:

	2006	2005
	\$	\$
Improvements	16,729	27,144
Land Fencing	8,874	7,983
Furniture & Fittings, Motor Vehicles, Equipment	38,083	40,368
Leasehold Improvements	514	514
	<b>64,200</b>	<b>76,009</b>



## AUDIT REPORT

### TO THE READERS OF QUEEN ELIZABETH THE SECOND NATIONAL TRUST FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

The Auditor-General is the auditor of the Queen Elizabeth the Second National Trust (the "Trust"). The Auditor-General has appointed me, Marcus Henry, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements of the Trust, on his behalf, for the year ended 30 June 2006.

#### Unqualified Opinion

In our opinion the financial statements of the Trust on pages 9 to 19:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
  - the Trust's financial position as at 30 June 2006;
  - the results of its operations and cash flows for the year ended on that date; and
  - its service performance achievements measured against the performance targets adopted for the year ended on that date.

The audit was completed on 19 September 2006, and 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 Board and the Auditor, and explain our independence.

#### Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

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.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.



Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

### **Responsibilities of the Board and the Auditor**

The Board is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the Trust as at 30 June 2006. They must also fairly reflect the results of its operations and cash flows and service performance achievements for the year ended on that date. The Board's responsibilities arise from the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and the Public Finance Act 1989.

### **Independence**

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

Other than the audit, we have no relationship with or interest in the Queen Elizabeth the Second National Trust.

A handwritten signature in dark ink, appearing to read 'Marcus P. Henry', with a long, sweeping underline.

Marcus P. Henry  
Ernst & Young  
On behalf of the Auditor-General  
Wellington, New Zealand

## Directory

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### Office

QEII National Trust  
Level 4  
138 The Terrace  
PO Box 3341  
Wellington  
Tel: 04 472 6626  
qe2@qe2.org.nz  
www.openspace.org.nz

### Board of Directors

*Appointed by Government*

Sir Brian Lochore      Chairperson  
Dr Susan Bennett  
Mrs Yvonne Sharp  
Mrs Lorraine Stephenson

*Elected by members*

Mr Bill Garland      Deputy Chairperson  
Mr Geoff Walls

### Chief Executive

Margaret McKee

### Accountant

Tony Beret

### Auditor

Ernst and Young  
on behalf of the Auditor General

### Bankers

Bank of New Zealand

### Solicitors

GreenwoodRocheChisnal  
McBride Davenport James

### Insurer

Marsh

