



QEI National Trust
Open Space New Zealand
Ngā Kairauhi Papa

Annual Report 2010

Queen Elizabeth the Second National Trust



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Annual Report 2010

Queen Elizabeth the Second 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: High Peak Station: A classic open space covenant in Canterbury with significant ecological and landscape values

Photo: Lorelee Hyde

The Guild family protected a braided shingle riverbed, sedgeland, tussockland and shrubland alongside the Selwyn River with a 94ha covenant in 1996. Canterbury covenantors found out about the covenant and its management at a QEII event in November 2009. Light monitored grazing on the river flats helps to control exotic grasses; a pragmatic way of conserving the native vegetation.

Below: Nelson and Tasman covenantors with QEII directors and staff at Tukurua Swamp in Golden Bay

Photo: Lorelee Hyde

Covenantors' functions held in provincial locations throughout the country are highlights of the QEII calendar. These events provide the opportunity for directors and staff to meet landowners and to hear and see local issues first-hand. Gerard Hindmarsh and Melanie Walker welcomed QEII to their 1.4ha Tukurua Swamp covenant near Takaka in May 2010.



Chair and Chief Executive's Report

New Zealand's natural environment is at the heart of our heritage and our social and economic wellbeing. While the world continues to change, the challenge of preserving environmental resilience becomes more crucial than ever. A key threat is the loss of our natural habitats on private land. The Trust provides a low cost, versatile and proven mechanism to secure protection of our natural heritage through open space covenants.

As well as allowing production and protection to be integrated within working farms, covenants also support a shift from a strictly preservation model to one producing numerous beneficial outcomes. While the Trust provides the mechanism, incentives and encouragement, it is the landowner who is the ultimate driver and owner of the process.

There are now over 3,350 covenants protecting nearly 95,000 hectares of our natural heritage in perpetuity. This, along with the longstanding and independent relationship the Trust has with landowners, is a sound endorsement of the excellence of the QEII model in protecting our special areas.

Within the stewardship programme, 1,651 covenants were monitored during the year with 97% meeting agreed terms and conditions. The number of breaches is small and appropriate remedial action is taken in each case. Any change of covenant ownership is managed carefully. Regular monitoring is fundamental to ensuring the ongoing high level of compliance with covenant conditions.

We have worked with the Surveyor-General to change our survey specifications for new covenants. Adopting new digital technology and systems provides more robust survey definitions. This implementation coincided with new Rules for Cadastral Survey, resulting in a delay in the completion of some surveys and registrations. We expect to rectify this during a catch up phase over the next year.

One of the year's challenges has been a public campaign spreading misleading information about the covenanting process, including statements that covenants in the South Island high country do not require fencing or do not exclude stock. In fact, each and every covenant is unique and is considered on a case by case basis backed by scientific research and established good practice. There is considerable evidence supporting light monitored summer grazing as a conservation management tool in some grassland situations. Where required, covenants have robust fencing provisions in place. The issue of public access was also raised. The majority of covenants are on private land where giving permission for access is a right of the landowner. However, where covenants are negotiated as part of a commercial transaction, unrestricted access in perpetuity is included as a mandatory outcome where desirable.

The governance of the Trust continues to be strong. We welcome Megan Balks from the Waikato as a newly elected Director with James Hunter returning for his second elected term. Megan is a soil scientist and covenantor and brings with her a wealth of knowledge. We also recognise and thank Joanne Ritchie who completed a three-year term as a Director in March.

Our board meetings this year took us to Matapouri, Porirua, Methven, Masterton and Takaka. As always, these meetings were a huge privilege, providing an invaluable opportunity to share in New Zealand's rich and diverse landscapes with local people from a wide range of backgrounds.

We thank the Minister of Conservation, the Honourable Kate Wilkinson, for her ongoing support and for the additional \$400,000 Government funding during the year. As well, we thank staff and regional representatives for their ongoing enthusiasm, dedication and hard work.

Most importantly, we thank landowners for their vision and foresight in protecting special places on their land for the benefit of future generations. It is our pleasure to work in partnership with you all and share in your passion for your land and our country.

Sir Brian Lochore



Chair

14 September 2010



Margaret McKee



Chief Executive

14 September 2010



QEII highlights

- Covenantor gatherings at Matapouri in Whangarei, Porirua in Wellington, Methven in Canterbury, Masterton in the Wairarapa and Takaka in Golden Bay.
- Number of covenants registered this year: 169 protecting 3,322 hectares.
- Record number of covenants monitored: 1,651
- Nearly 109,000 hectares of New Zealand's unique natural and cultural heritage protected in perpetuity by the wonderful vision and commitment of over 3,800 private landowners.



Photo: Loralee Hyde



Photo: Loralee Hyde



Photo: Margaret McKee

Biodiversity highlights

- 50 new approved covenants (509 hectares) will protect indigenous vegetation associated with wetlands or 'originally rare' terrestrial ecosystems.
- 85 new approved covenants (2,654 hectares) will protect primary forest – coastal, semi-coastal, lowland and montane.
- 77 new approved covenants (973 hectares) are in acutely or chronically threatened areas as defined by Land Environments of New Zealand (Level IV).
- 38 new approved covenants (962 hectares) are in five districts where significant loss of indigenous cover in threatened environments is ongoing: Far North, Gisborne, Masterton, Marlborough and Southland.
- Threatened and at risk indigenous species known to be present in new approved covenants include thirty-one vascular plant, twenty-three bird, four freshwater fish, one freshwater invertebrate, four terrestrial invertebrate, two frog and five reptile species.

Top: QEII directors and staff, along with Whangarei landowners who protect natural features with open space covenants, gathered at Tawapou Farm in Matapouri on 22 July 2009. Since 1993, the Bowden family has protected ten outstanding blocks of coastal cliffs and pohutukawa forest remnants with covenants totalling 33 hectares. Pictured: Guy Bowden and Sir Brian Lochore discussed the extensive weed and pest control undertaken by the family.

Middle: Wellington covenantors, along with others involved with the Trust, enjoyed a visit to Pikarere Farm in Titahi Bay on 16 September 2009 for an overview of a kohekohe remnant being protected with a covenant by the Stevenson family. Pictured: Dr Jan Wright, the Parliamentary Commissioner for the Environment, and Dr Grant Blackwell (centre, front row) were among the guests at the gathering in the new woolshed at Pikarere Farm.

Bottom: As a result of a generous bequest to QEII from the Estate of Professor Athol Patterson, a bursary has been set up to support students at Massey University interested in sustainable farming practices. At an awards ceremony on 18 May 2010, the inaugural QEII Athol Patterson Bursary was awarded to Thomas Harvey from Glen Orkney, a high country farm in Marlborough. From left, Thomas Harvey with David Hopkins, a trustee of Professor Patterson's estate, and James Hunter, QEII Director, who presented the award.

Registered and approved covenants as at 30 June 2010

QEI covenants on Landcare Research Threatened Environments Map

Summary – 30 June 2010

Protected open space	Number	Hectares
Registered covenants	3,347	93,889
Approved covenants	489	14,194
Formal agreements	30	849
Total	3,866	108,932

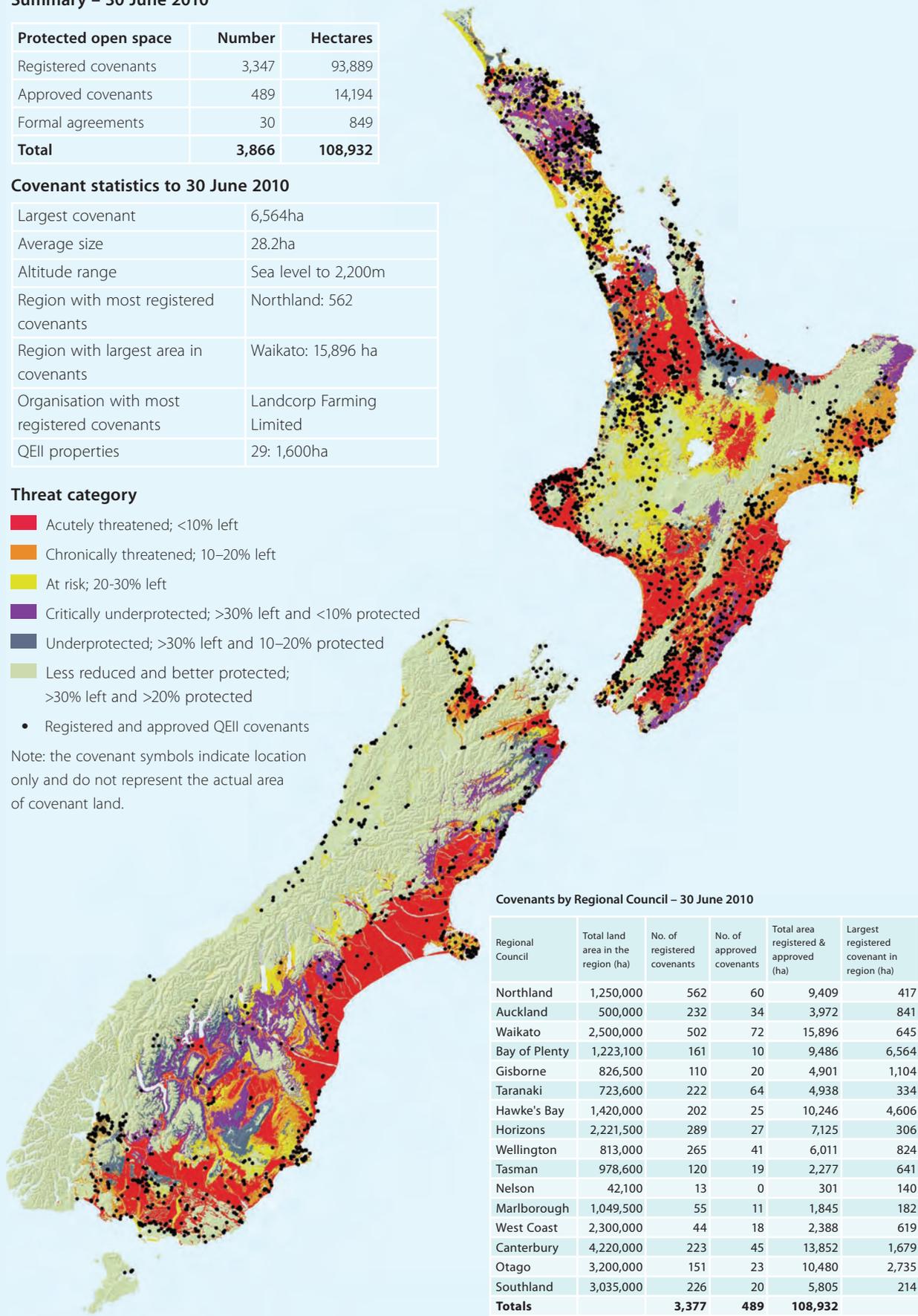
Covenant statistics to 30 June 2010

Largest covenant	6,564ha
Average size	28.2ha
Altitude range	Sea level to 2,200m
Region with most registered covenants	Northland: 562
Region with largest area in covenants	Waikato: 15,896 ha
Organisation with most registered covenants	Landcorp Farming Limited
QEI properties	29: 1,600ha

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 QEI covenants

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



Covenants by Regional Council – 30 June 2010

Regional Council	Total land area in the region (ha)	No. of registered covenants	No. of approved covenants	Total area registered & approved (ha)	Largest registered covenant in region (ha)	Average covenant size (ha)
Northland	1,250,000	562	60	9,409	417	15.1
Auckland	500,000	232	34	3,972	841	14.9
Waikato	2,500,000	502	72	15,896	645	27.7
Bay of Plenty	1,223,100	161	10	9,486	6,564	55.5
Gisborne	826,500	110	20	4,901	1,104	37.7
Taranaki	723,600	222	64	4,938	334	17.3
Hawke's Bay	1,420,000	202	25	10,246	4,606	45.1
Horizons	2,221,500	289	27	7,125	306	22.5
Wellington	813,000	265	41	6,011	824	19.6
Tasman	978,600	120	19	2,277	641	16.4
Nelson	42,100	13	0	301	140	23.1
Marlborough	1,049,500	55	11	1,845	182	28.0
West Coast	2,300,000	44	18	2,388	619	38.5
Canterbury	4,220,000	223	45	13,852	1,679	51.7
Otago	3,200,000	151	23	10,480	2,735	60.2
Southland	3,035,000	226	20	5,805	214	23.6
Totals		3,377	489	108,932		28.2

What we do

QEII National Trust was set up in 1977 to encourage and promote, for the benefit of New Zealand, the provision, protection, preservation and enhancement of open space.

The Trust offers landowners legal protection of natural and cultural features, usually in the form of an open space covenant, and acts as a perpetual trustee to ensure the values remain protected forever.

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 to identify and protect special features on their land including landscapes, forest remnants, wetlands, lakes, threatened species habitats, coastlines, geological features and cultural heritage sites.

An open space covenant is the most common means of protection. It is a legal protection document 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.

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.

Other means of protection 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.

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.

Working in partnership with councils, QEII offers 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 12 staff based in Wellington. Part-time regional representative contractors cover 26 geographical regions throughout the country.

Many habitats and features are found only on privately owned land and can be protected only with the goodwill and action of private landowners. 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.

Our thanks to ...

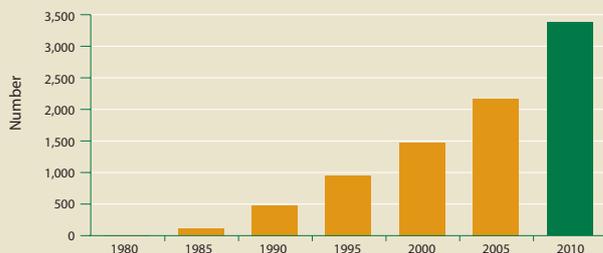
W & H Allen, Auckland Regional Council, Biodiversity Condition and Advice Fund, M Cohn, Department of Conservation, D & G Dowrick, J Dudin, L East, Environment Bay of Plenty, Environment Canterbury, Environment Southland, Environment Waikato, Far North District Council, Federated Farmers of New Zealand, Fencing Contractors Association of New Zealand, Fonterra, C Free, Greater Wellington Regional Council, S Hall, Hawke's Bay Regional Council, B & C Hewett, High Peak Station, Horizons Regional Council, Estate of JRG Hughes, Invercargill City Council, Kaikoura District Council, Kaipara District Council, Kapiti Coast District Council, N Kelly, Landcare Research, Landcorp Farming Limited, W Lehmborg, Local Government New Zealand, Marlborough District Council, A Masters, New Zealand Farm Environment Award Trust, Northland Regional Council, NZ Native Forests Restoration Trust, Otago Regional Council, Pikarere Farm, R Scott, J Simmons, J Smiley, C Smith, South Taranaki District Council, Takaka Hill Walkway, Taranaki Regional Council, Taranaki Tree Trust, Tawapou Farm, Tukurua Swamp, Waiapu Fisheries and Wildlife Habitat Enhancement Trust, Wairere Farm, Whangarei District Council, W Wilks, C & T Williams.

The Trust was saddened by the loss of long time QEII benefactor, Alan Houston, in July 2009 and Covenant Life Member and former QEII director, Charlotte Wallace, in December 2009.

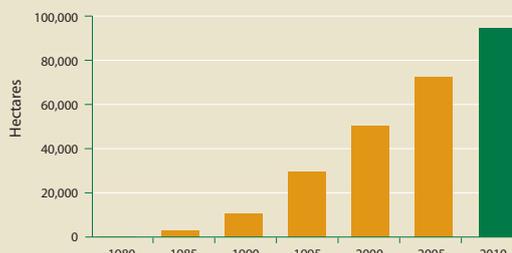
Statistics

Covenants

Total number of registered covenants



Total area of registered covenants



Monitoring

During the 2009/10 financial year, 1,651 covenants were monitored. Some key results are summarised as shown.

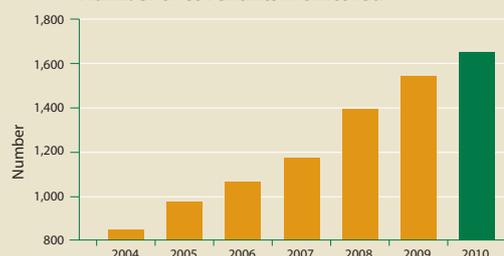
Adherence is an assessment of how well the agreed covenant terms and conditions are being met.

- Good:* Exceeds the terms and conditions
- Average:* Satisfies the terms and conditions
- Poor:* Where covenant terms and conditions have been breached.

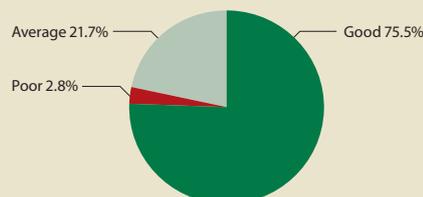
Results show standards of adherence are not affected by changes in ownership. Poor adherence is split equally between originating covenantors and subsequent owners of covenants. Appropriate and remedial action is taken quickly for each occurrence.

Canopy condition, where applicable, 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.

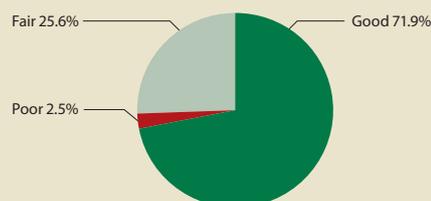
Number of covenants monitored



Adherence 2009–2010

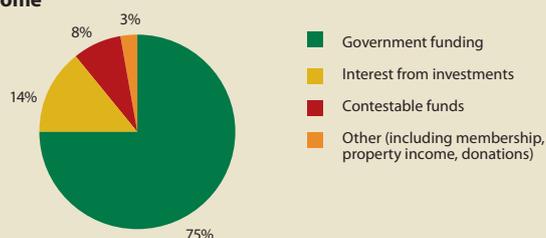


Canopy condition

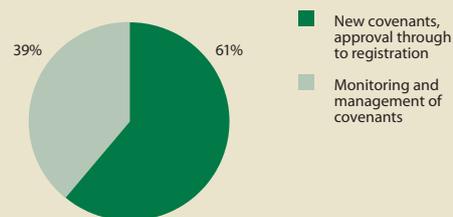


Financial statistics

\$ Income



\$ Expenditure



Protecting biodiversity on private land

The Trust continues to give precedence to covenant proposals that fall within the national priorities for protecting rare and threatened native biodiversity on private land. These covenants are representative of the 169 registered during the year.



Photos: Lynda Fleming

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.

Primary lowland forest in Franklin

Three gully remnants of some of the last remaining swamp forest in the Awhitu Ecological District have been protected with a 7ha covenant by Peter Honey on his dairy grazing property south of Waiuku. Sheltered from the prevailing westerlies and buffered by kanuka, the forest is dominated by pukatea and kahikatea along with tawa, rewarewa, kahikatea, rimu and mahoe. Seedlings are regenerating now that stock are excluded by 7-wire fences.



Photo: Rob Campbell

National Priority 2: To protect indigenous vegetation associated with sand dunes and wetlands; ecosystem types that have become uncommon due to human activity.

Coastal Otago saltmarsh

On the Merton Arm of the Waikouaiti Estuary north of Dunedin, Ian and Wendy Ritchie have protected an area of saltmarsh on their sheep and cattle property with a 12.5ha covenant. To ensure stock no longer damage saltmarsh species such as *Samolus repens*, glasswort and *Selliera radicans*, the covenant has been fenced with contributions from QEII and the landowners. The community group River-Estuary Care: Waikouaiti-Karitane is revegetating riparian areas to help improve water quality.



Photo: Malcolm MacKenzie

National Priority 3: To protect indigenous vegetation associated with 'originally rare' terrestrial ecosystem types not already covered by priorities 1 and 2.

Karst landscape in the King Country

Karst landscapes of bluffs, caves and rock outcrops create unique ecosystems that are a priority for protection. On the southern side of Kawhia Harbour, Murray and Joyce Thomas and their son Jack have protected a steep limestone bluff and a semi-coastal forest remnant on their 850ha sheep and beef farm with a 5.6ha covenant. Funded by QEII and the landowners, 8-wire fencing has been constructed to exclude stock from the karst formations and native vegetation.



Photo: Malcolm Pullman

National Priority 4: To protect habitats of acutely and chronically threatened indigenous species.

Threatened species habitat in Whangarei

North-west of Whangarei, Duncan and Jean Macky have protected habitat of North Island brown kiwi (Nationally Vulnerable) with a 29ha covenant. QEII, Northland Regional Council, Whangarei District Council and the landowners contributed to the costs of fencing the bush. The Department of Conservation helps with kiwi monitoring and mustelid control. Pictured: Jean Macky, QEII Regional Representative Nan Pullman, Duncan Macky and Pete Graham from the Department of Conservation monitor the condition of a kiwi chick.

Collaborations and partnerships

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 space.



Photo: Sandra Jones

Threatened plants survey in Waitakere

With Biodiversity Advice Funding, 37 sites including 18 covenants were surveyed for threatened plants under a joint QEII and Waitakere City Council project. The objectives were to collect information for long term monitoring of the plants and prepare a recovery management plan for each site. In February 2010, QEII Regional Representative Dan Godoy and Auckland Botanical Society volunteers Anne Grace and Sandra Jones surveyed a Titirangi covenant owned by Auckland Regional Council that has a population of giant maidenhair *Adiantum formosum* (Relict).



Photo: Neil Phillips

Sharing knowledge on managing animal pests

Umutekai Wetland near New Plymouth is a flagship biodiversity project involving QEII, Taranaki Regional Council and proactive landowners who are committed to weed and pest control. Three neighbouring dairy farmers protect a total of 47ha with covenants. At a field day on 31 January 2010 at Alison Rumball's covenant, George Gallop from Taranaki Regional Council demonstrated the use of traps for predator control. Taranaki Tree Trust, Department of Conservation, Fish and Game and QEII Regional Representative Neil Phillips also made presentations.



Photo: Bill Wallace

Collecting plant specimens from Tararua covenants

Te Papa adds new specimens to its collection of dried plants each year. In April 2010, a group from Te Papa along with QEII Regional Representative Bill Wallace collected and photographed plant specimens from two covenants; the 48ha Te Tumu Bush covenant inland from Akitio protected by the Hartgill family in 1991 and the 38ha covenant put in place in 2001 by the Small family in Puketoi. Pictured: Leon Perrie, Te Papa's Curator of Botany, and Jean-Claude Stahl, Te Papa's Natural Environment Photographer, record *Diplazium australe*.



Photos: Miles Giller

Protecting North Canterbury dryland biodiversity

Cleared in the past by fires, a gully with a wide range of regenerating dryland shrubland species in the upper reaches of the Motunau River near Omihi was protected by Hugh and Yolanda Turnbull with the 22ha Chiltern Hills covenant in September 2009. To enhance the sustainability of the ecosystem and aid successional development to podocarp-hardwood forest, stock are now excluded by fencing constructed with contributions from the Biodiversity Condition Fund, Environment Canterbury, Meridian Energy, QEII and the landowners. Inset: *Coprosma crassifolia*.

Other partnerships

- 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 Foundation for Research, Science and Technology.
- 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.

Integrating farm production and protection

Farmers around the country continue to protect natural features with covenants, restoring and enhancing native habitats while retaining profitability. Fencing protected areas where required to exclude stock also helps to improve water quality in catchment areas.



Photo: Malcolm Pullman

▲ Sustainable land use in Whangarei

Inspired by the protection of Atiu Creek Farm in Kaipara by Pierre and Jackie Chatelanat, Sandy and Ian Page used a similar model to protect the open space values and multiple uses of their property north-east of Whangarei. They put the 162ha Tahere Farm covenant in place in December 2009. Bounding the Taheke River, the covenant covers a 51ha block of native forest fenced off in the 1980s, pasture, managed plantations of pine and cypress and several small blocks of native shrublands and wetlands.



Photo: Brian Molloy

▲ Olearia shrubland in Central Otago

West of Patearoa, John Gibson (pictured) protected *Olearia odorata* shrubland on Oliverburn Farm with a 0.6ha covenant in September 2009. Central Otago District Council protected adjacent shrubland along Puketoi Runs Road with a 5.4ha Landscape Protection Agreement. Brian Molloy, QEII High Country Regional Representative, says as far as he knows, these remnants are all that is left of this plant community on the Maniototo Basin floor. The shrubland is habitat for a proliferation of native moths and insects that depend on the indigenous shrubs.



Photos: Malcolm Piper

▲ Poverty Bay restoration project

On Papatu Station west of Gisborne, rare kahikatea and pukatea treeland was protected with the 2.5ha Papatu White Pine Bush covenant in May 2010. On highly productive alluvial flats, the forest had been severely depleted by grazing stock that have now been excluded by an 8-wire (1 electric) fence funded by QEII and the landowners. With contributions from the Biodiversity Condition Fund, QEII and the landowners, 4,645 hardy plants including flaxes and cabbage trees were planted in June to help restore the site.



Photo: Gay Munro Inset: Graeme Watson

▲ Southland primary forest remnants

On their 535ha sheep farm north of Winton, Neil and Lyn Collie protected two podocarp-broadleaf forest remnants with a 6.8ha covenant in March 2010. One block on a ridge adjoining Taylors Bush Reserve has been fenced for some years and is regenerating well. The other remnant in a steep gully is habitat for white mistletoe *Tupeia antarctica* (Declining). Stock are now excluded from the kahikatea, kowhai marbleleaf, lancewood and fuchsia with fencing funded by QEII, Biodiversity Southland/NZ Landcare Trust and the landowners.

Diversity of protection

The covenants registered during the year range from 0.03ha to 269.7ha in size. Natural and cultural features protected include landscapes, bush remnants, wetlands, shrublands, tussock grasslands, threatened species habitats and cultural and archaeological sites.



Photo: Malcolm Piper

▲ Restoring East Cape biodiversity

Dame Anne and Jeremy Salmond's first covenant on Longbush near Gisborne in 2002 protected an 11ha forest remnant. They put a further 105ha covenant in place in October 2009 to protect retired steep hill country. The Salmonds have fenced the covenants and put extensive weed and pest control programmes in place. Biodiversity Condition Funding has enabled areas between remaining forest remnants to be revegetated and North Island robins to be reintroduced. The Renee Orchiston Collection of harakeke planted at Longbush provides special varieties for weaving. A track system is being developed in the covenants for ease of public access.



Photo: Miles Giller

▲ Banks Peninsula landscape

On a steep ridge at Hickory Bay, Edith Jones protected a mosaic of grassland, shrubland and regenerating podocarp-hardwood forest in March 2010. The covenants total 141ha, including an area of near-primary podocarp forest originally protected by Doug and Pam Hueston in 1997. Edith purchased the land expressly to encourage further regeneration to native forest. Species include *Coprosma wallii* (Declining), *Aciphylla subflabellata* (Declining) and *Hebe strictissima* (Naturally Uncommon). Successional plant species such as thirteen *Coprosma* species provide a generous food source for fruit-eating birds. Pictured: Edith and her dog Ellie on the Hickory Bay covenant ridge.



Photo: Margaret McKee

▲ Hawke's Bay archaeological site

Troy Duncan, QEII Hawke's Bay Regional Representative, Mason Chambers and Bill Dodds with four Māori pits in front of Mason's home near Havelock North. On an elevated site above the Tukituki River, the pits have connections with the nearby Kaiwaka Pā archaeological site. Mason protected them in perpetuity with The Horseshoe Pits covenant in October 2009.



Photo: Trevor Thompson

▲ Preserving South Wairarapa duneland

To preserve a key coastal site from development, the late Hugh Prickett (pictured) put the 16.6ha Whangaimoana covenant in place in August 2009. With typical native dune species including spinifex, toetoe, New Zealand spinach, tauhinu and pingao (Relict), the area is a breeding site for banded dotterel (Nationally Vulnerable). The dunes are being restored with assistance from Greater Wellington Regional Council, South Wairarapa District Council, South Wairarapa Rotary Club and Pirinoa School.

Statement of Service Performance

for the Year Ended 30 June 2010

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 2009.

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, 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, 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	2008/09 Actual		2009/10 Estimate		2009/10 Actual	
	No.	Hectares	No.	Hectares	No.	Hectares
Approved covenants	216	3,466	160	4,000	177	3,929
Registered covenants	278	4,320	200	5,000	169 ⁽¹⁾	3,322 ⁽²⁾
Cost	\$2,281,838		\$2,504,074		\$2,423,577 ⁽¹⁾	

- The target for registered covenants was not met due to delays with surveys related to the New Rules for Cadastral Survey introduced by the Surveyor-General in May 2010. There is expected to be a catch up phase with registrations in the latter half of 2010. This has also resulted in survey costs being below budget.
- The number of hectares is less than estimated due to the high variability in covenant size. Average size is trending down, partly due to Government priorities for protecting rare and discrete areas.

Generally, fencing costs per covenant have increased due to:

- An increase in fencing costs – materials, labour and transport.
- More irregular 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.
- A focus on high biodiversity areas and rare ecosystems which tend to be smaller and more expensive to establish.



Photo: Mark Sutton

Protecting water catchments on Mararoa Station

Landcorp Farming Limited has continued to protect forest remnants, shrublands, tussock grasslands and wetlands with 20 covenants registered during the year protecting 742ha and 16 new covenants approved (380ha). On Mararoa Station near Te Anau, six covenants totalling 320ha are in place on the 5,440ha sheep, beef and deer property including the 25ha Tim's Gully covenant registered in May 2010 (pictured). Landcorp, QEII and the Waiiau Fisheries and Wildlife Enhancement Trust funded the covenant fencing. Along with Landcorp, Mararoa Station Managers Tim and Trish Smith won the 2010 Southland Ballance Farm Environment Water Quality and Massey University Discovery Awards.

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, 97% of covenants visited met covenant conditions and 3% of covenants visited had poor adherence where there had been a breach of covenant terms and conditions. Appropriate and remedial action is taken quickly for each occurrence.

Property ownership, either permanent or transitory, is sometimes appropriate to secure protection. The Trust currently owns 29 properties with natural, cultural, scientific and aesthetic values. They are managed in accordance with approved management plans.

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

Management Services	2008/09 Actual		2009/10 Estimate		2009/10 Actual	
	No.	Hectares	No.	Hectares	No.	Hectares
QEII owned properties	29	1,686	28	1,608	29 ⁽¹⁾	1,600 ⁽²⁾
Monitoring of registered covenants	1,542	40,421	1,500	37,500	1,651	37,153
Cost	\$1,484,321		\$1,357,511		\$1,526,407	

1. The Waverley Farm property was due to be sold but has now been leased for three years.
2. There has been an adjustment to the Hartree Forest property where there was an historical error with the area having been overstated by 86 hectares.

Monitoring a classic High Country open space covenant

In Waikerikeri Valley near Clyde, a spectacular schist rockland landscape is protected by Richard and Jacqui Parsons with the 252ha Waikerikeri covenant. With high landscape, historical and biodiversity values, the covenant is a highly representative example of a Central Otago schist landscape covered with grey scrub.

An area alongside Waikerikeri Creek was heavily infested with hawthorn, willow, elder, sweet brier and wild currant. With contributions from the Biodiversity Condition Fund, the landowner and QEII, sixty hectares were treated with the herbicide Answer® to control the weeds and allow the grey scrub to recover. Nine hectares of willows were treated with Roundup®. The QEII High Country Regional Representative monitors the recovery of the regenerating native grey scrub species during regular visits to the covenant.



Photo: Brian Molloy

Statement of Comprehensive Income for the Year Ended 30 June 2010

2009 Actual \$		Note	2010 Actual \$	2010 Budget \$
Revenue				
2,874,000	Government Grant		3,274,000	3,274,000
266,919	Contestable Funds	10	354,979	168,590
523,571	Donations and Other Grants		46,203	45,000
27,354	Other Revenue		60,877	47,064
3,691,844	Operating Revenue		3,736,059	3,534,654
Expenditure				
731,017	Field Operations		750,761	753,000
1,240,915	Covenant Expenditure	1	1,463,933	1,510,000
267,535	Contestable Funds	10	354,979	168,590
1,095,133	Administration	2	1,122,990	1,150,173
22,931	Property Operations		25,445	32,822
121,581	Public Relations		119,906	122,000
82,901	Depreciation	3	74,414	75,000
3,562,013	Operating Expenses		3,912,428	3,811,585
475,969	Investment Income		618,203	450,000
165,688	Investment Expenses		37,556	50,000
310,281	Net Financial Revenue from Investments	4	580,647	400,000
440,112	Net Surplus before Property Acquisitions/Disposals		404,278	123,069
2,963,577	Property Gifted to the Trust		–	–
38,458	Expenses Associated to Gifted Property		–	–
2,925,119	Net Income from Gifted Property	5	–	–
3,365,231	Net Surplus	1	404,278	123,069
–	Other Comprehensive Income		–	–
3,365,231	Total Comprehensive Income	1	404,278	123,069

Statement of Changes in Equity for the Year Ended 30 June 2010

2009 Actual \$		Note	2010 Actual \$	2010 Budget \$
9,962,782	At 1 July		13,328,013	13,328,013
3,365,231	Net Surplus for the period		404,278	123,069
–	Other Comprehensive Income		–	–
3,365,231	Total Comprehensive Income for the period		404,278	123,069
13,328,013	At 30 June		13,732,291	13,451,082

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

Statement of Financial Position as at 30 June 2010

2009 Actual \$		Note	2010 Actual \$	2010 Budget \$
Equity				
13,328,013	Trust Equity		13,732,291	13,451,082
13,328,013	Total Equity		13,732,291	13,451,082
Represented by:				
Current Assets				
50,994	Cash and cash equivalents	6	1,166,855	25,000
251,187	Accounts and Other Receivables	7	150,969	125,000
8,796,621	Investments	8	8,201,723	9,200,000
9,098,802	Total Current Assets		9,519,547	9,350,000
Less Current Liabilities				
419,427	Accounts and Other Payables	9	339,079	375,000
176,959	Deferred Revenue	10	211,494	200,000
24,787	Employee Entitlements		27,391	25,000
91,250	Other Current Liabilities		91,250	91,250
712,423	Total Current Liabilities		669,214	691,250
8,386,379	Working Capital		8,850,333	8,658,750
Non Current Assets				
4,958,884	Property, Plant and Equipment	11	3,071,528	4,809,582
–	Investment Property	13	1,827,680	–
4,958,884	Total Non Current Assets		4,899,208	4,809,582
Non Current Liabilities				
17,250	Employee Entitlements		17,250	17,250
13,328,013	Net Assets		13,732,291	13,451,082

For and on behalf of the Board of Directors, which authorised the issue of the financial report on 14 September 2010.



Sir Brian Lochore

Chair

14 September 2010



Margaret McKee

Chief Executive

14 September 2010

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

Statement of Commitments for the Year Ended 30 June 2010

Covenant Commitments

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

2010 \$	2009 \$
3,433,694	3,249,100

Operating Lease Commitments

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

	2010 \$	2009 \$
Less than one year	97,865	97,865
Between one and two years	8,155	97,865
More than two years	–	8,155
	106,020	203,885

Property Endowment Commitments

The Trust holds \$351,902 in property endowments, which have been received for specific properties owned by the Trust (2009: \$358,022).

Covenant Endowments

The Trust holds \$1,709,509 in covenant endowments, which have been received for specific covenants (2009 \$1,709,509).

Capital Commitments

The Trust has no capital commitment as at 30 June 2010 (2009: Nil).

Statement of Contingencies as at 30 June 2010

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% (2009: 5%).

2010 \$	2009 \$
6,944,400	6,555,318

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 2010

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 2010. The financial statements were authorised for issue by the directors on 14 September 2010.

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 qualify for and apply differential reporting concessions.

The Trust qualifies for differential reporting as it is not publicly accountable and is considered to be "small" under 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.

New Accounting Standards and Interpretations

(i) Changes in accounting policy and disclosures.

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Trust has adopted the following new and amended New Zealand equivalents to International Financial Reporting Standards and Interpretations as of 1 July 2009:

> NZ IAS 1 *Presentation of Financial Statements (revised 2007)* effective 1 January 2009

NZ IAS 1 *Presentation of Financial Statements (revised)*

The revised standard separates owner and non-owner changes in equity. The Statement of Changes in Equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new Statement of Comprehensive Income. The Statement of Comprehensive Income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Trust has elected to present one statement.

Notes to the Financial Statements

for the Year Ended 30 June 2010 continued

Accounting Standards Issued But Not Yet Effective

The following standards have been issued but are not yet effective in the 2010 financial statements:

Reference	Title	Summary	Application Date of Standard*	Application Date for Trust*	Impact
Improvements to NZ Equivalents to IFRS	Amendments to New Zealand Accounting Standards arising from the Annual Improvements Project	The amendments to some standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting.	1 January 2010	1 July 2010	Presentation and disclosure only
NZ IFRS 9	Financial Instruments	This standard is part of the IASB's project to replace IAS 39 Financial Instruments: <i>Recognition and Measurement</i> . The standard applies to financial assets, their classification and measurement. All financial assets are required to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs and subsequently measured at amortised cost or fair value.	1 January 2013	1 July 2013	Presentation and disclosure only
NZ IAS 24	Related Party Disclosures (Revised 2009)	This Standard makes amendments to NZ IAS 24 <i>Related Party Disclosures</i> . The amendments simplify the definition of a related party and provide a partial exemption from the disclosure requirements for government-related entities.	1 January 2011	1 July 2011	Disclosure only

* Designates the beginning of the applicable annual reporting period unless otherwise stated.

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, whilst 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 & 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. 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.

Notes to the Financial Statements

for the Year Ended 30 June 2010 continued

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 & 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 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 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 of sale.

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.

Long-term employee entitlements: Entitlements that are payable beyond 12 months, such as long service leave and retirement leave, have been calculated on an actuarial basis. The calculations are based on the likely future entitlements accruing to staff, based on years of service, years to entitlements, the likelihood that staff reach the point of entitlement and contractual entitlements information.

Notes to the Financial Statements

for the Year Ended 30 June 2010 continued

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 retaining substantially all the 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 the balance date.

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 the 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 Income Statement.

Accounts Receivable

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

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.

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 that were approved by the Board.

Notes to the Financial Statements

for the Year Ended 30 June 2010 continued

1. Covenant Expenditure

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

	2010 \$	2009 \$
Fencing	1,016,195	681,719
Survey	433,740	539,950
Weed/Pest Control	11,845	14,145
Revegetation	2,153	5,101
	1,463,933*	1,240,915

* Total commitment for the year ended 30 June is \$1,823,416 (\$359,483 over the actual spend of \$1,463,933). The Net Surplus of \$404,278 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:

	2010 \$	2009 \$
Directors' Fees	20,925	20,980
Audit Fees	26,081*	29,800
Rent Expense	98,164	95,193
Loss on Disposal of Property, Plant & Equipment	1,389	11,647
Other Administration Expenses	976,431	937,513
	1,122,990	1,095,133

* Reversal of accrual (IFRS related) of \$3,000 from last year that did not materialise.

3. Depreciation Expense

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

	2010 \$	2009 \$
Furniture and Fittings, Plant and Equipment, Computer and Electronic Equipment	37,552	57,812
Improvements	33,516	21,391
Land Fencing	3,346	3,698
	74,414	82,901

4. Net Investment Income

	2010 \$	2009 \$
Interest Income	466,060	427,729
Dividend	86,029	48,240
Realised Gain	45,977	–
Unrealised Gain	20,137	–
Investment Income	618,203	475,969
Investment Fees	37,556	26,838
Realised Loss	–	18,201
Unrealised Loss	–	120,649
Investment Expenses	37,556	165,688
Net Investment Income	580,647	310,281

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

Investment Expenses also includes any fees and transaction costs of maintaining the investment portfolio.

Notes to the Financial Statements

for the Year Ended 30 June 2010 continued

5. Net Income from Gifted Property

	2010 \$	2009 \$
Property Gifted to the Trust		
White Road Farm and Waverley Farm, Waverley	–	2,963,577*
Income from Property Gifted In	–	2,963,577
Associated Expenses		
Legal Costs	–	12,041
Valuations	–	5,488
Advertising and Real Estate Commissions	–	35,304
Gain on Sales of Property	–	(14,375)
Total Associated Expenses	–	38,458
Net Income from Gifted Property	–	2,925,119

* Two farms were bequeathed to the Trust from the Estate of Athol James Patterson. White Road Farm was sold in May 2009 for \$1,198,964. Farm Road property (Waverley Farm) continues to be owned by the Trust at 30 June 2010.

6. Cash and cash equivalents

Cash and cash equivalents of \$1,166,855 (2009: \$50,994) includes term deposits of \$984,502 maturing within three months.

7. Accounts and Other Receivables

	2010 \$	2009 \$
Accounts Receivable	121,841	241,245
Interest Receivable	12,532	9,942
Prepaid Expenses	3,373	–
GST Receivable	13,223	–
	150,969	251,187

8. Investments

Details of Investments are as follows:

	2010 \$	2009 \$
Fixed Interest – Corporate Bonds	5,745,296	6,225,857
Fixed Interest – NZ Government Bonds	–	336,050
Australian/NZ Equities	1,608,696	806,735
International Equities	847,731	940,391
Cash Management Accounts	–	487,588
Total Investments	8,201,723*	8,796,621

* The market value at 30 June 2010 was \$8,201,723 (2009: \$8,796,621) which includes interest receivable of \$52,651 (2009: \$61,919).

Notes to the Financial Statements

for the Year Ended 30 June 2010 continued

9. Accounts and Other Payables

	2010 \$	2009 \$
Accounts Payable	277,082	355,202
Accrued for Trade Expenses	61,997	52,000
GST Payable	–	12,225
	339,079	419,427

10. Deferred Revenue

Deferred Revenue refers to funds received from contestable funding bids from the New Zealand Biodiversity Condition and Advice Funds, but not yet spent.

The Contestable funds expenditure is higher than last year due to the large number of big projects progressing well. This is due to suitable weather conditions for planting and weed control. The revenue matches the expenditure as the unspent portion is recorded as deferred revenue.

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 2010 \$	Deferred Revenue 2009 \$
	1,969,510	1,532,209	211,494	176,959

This comprises eleven contestable fund rounds (113 individual projects completed; 57 remain in progress); eight Regional Council projects (2 completed; 6 remain in progress) and a donation of \$50,000 received from JRC Smiley with a request to reserve the funds to protect the natural features on Mt Algidus Station by way of a Trust open space covenant.

During the reporting period, four contestable funding rounds were completed and closed (86 projects) and two were initiated (23 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.

11. Property, Plant and Equipment

	Cost \$	2010 Accumulated Depreciation \$	Net Book Value \$	Cost \$	2009 Accumulated Depreciation \$	Net Book Value \$
Land and Improvements (Note 12)	2,643,501	–	2,643,501	4,043,501	–	4,043,501
Improvements – Gifted and Purchased Buildings (Note 12)	505,325	170,660	334,665	956,868	160,257	796,611
Land Fencing	87,895	56,017	31,878	87,895	52,671	35,224
Trust Property	3,236,721	226,677	3,010,044	5,088,264	212,928	4,875,336
Furniture and Fittings, Plant and Equipment, Computer and Electronic Equipment	447,838	386,354	61,484	459,378	375,830	83,548
Total Property, Plant & Equipment	3,684,559	613,031	3,071,528	5,547,642	588,758	4,958,884

Notes to the Financial Statements

for the Year Ended 30 June 2010 continued

12. Land and Improvements

	2010 \$ Land	2010 \$ Improvements	2010 \$ Total	2009 \$ Total
Aroha	425,000	300,398	725,398	740,416
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	8,224	80,224	80,567
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	26,043	136,043	137,128
Tumutumu Bush	115,000	–	115,000	115,000
Waiata Bush	25,000	–	25,000	25,000
Waverley Farm (Note 13)	–	–	–	1,845,500
	2,643,501	334,665	2,978,166	4,840,112
Lake Wainamu (Vested)	–	–	–	–
Total Land and Improvements	2,643,501	334,665	2,978,166	4,840,112

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

for the Year Ended 30 June 2010 continued

13. Investment Property

	2010			2009		
	Land	Improvements	Total	Land	Improvements	Total
Opening balance at 1 July	–	–	–	–	–	–
Transfers in from Property, Plant & Equipment	1,400,000	445,500	1,845,500	–	–	–
Depreciation Expense	–	17,820	17,820	–	–	–
Closing balance at 30 June	1,400,000	427,680	1,827,680	–	–	–
Cost	1,400,000	450,000	1,850,000	–	–	–
Accumulated Depreciation	–	22,320	22,320	–	–	–
Net Carrying Amount	1,400,000	427,680	1,827,680	–	–	–

On 1 August 2009, the Trust leased the Waverley Farm property to the owner of a neighbouring farm for a period of three and a half years. The Farm has therefore been transferred from Property, Plant and Equipment to Investment Property.

14. Financial Instrument Designation

	Loans & Receivables		Fair Value through Profit and Loss (Upon initial recognition)		Financial Liabilities at Amortised Cost	
	2009/10 \$	2008/09 \$	2009/10 \$	2008/09 \$	2009/10 \$	2008/09 \$
Assets:						
Cash and Equivalents	1,166,855	50,994	–	–	–	–
Receivables	134,373	251,187	–	–	–	–
Investments	200,000	–	8,001,723	8,796,621	–	–
	1,501,228	302,181	8,001,723	8,796,621	–	–
Liabilities:						
Payables	–	–	–	–	277,082	355,202
Other Current Liabilities	–	–	–	–	91,250	91,250
	–	–	–	–	368,332	446,452



Chartered Accountants

AUDIT REPORT

TO THE READERS OF THE QUEEN ELIZABETH THE SECOND NATIONAL TRUST'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

The Auditor-General is the auditor of the Queen Elizabeth the Second National Trust (the Trust). The Auditor-General has appointed me, Grant Taylor, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements of the Trust, on her behalf, for the year ended 30 June 2010.

Unqualified opinion

In our opinion the financial statements of the Trust on pages 10 to 23:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
 - the Trust's financial position as at 30 June 2010; and
 - the results of its operations for the year ended on that date.

The audit was completed on 14 September 2010, and is the date at which our opinion is expressed.

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

Auditor's Report continued



Chartered Accountants

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 judgments made by the Directors;
- 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 the opinion above.

Responsibilities of the Directors and the Auditor

The Directors are responsible for preparing the financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Trust as at 30 June 2010 and the results of its operations for the year ended on that date. The Directors' responsibilities arise from section 32 of the Queen Elizabeth the Second National Trust Act 1977.

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 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.

A handwritten signature in blue ink, appearing to read 'Grant Taylor'.

Grant Taylor
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

QEII National Trust
Level 4, 138 The Terrace
PO Box 3341
Wellington 6140
Tel: 04 472 6626
Email: info@openspace.org.nz
www.openspace.org.nz

Board of Directors

Appointed by Government

Sir Brian Lochore Chair
Yvonne Sharp Deputy Chair
Bernard Card
Edward Ellison

Elected by members

Megan Balks (from 1 April 2010)
James Hunter
Jo Ritchie (until 31 March 2010)

Chief Executive

Margaret McKee

Accountant

Tony Beret

Auditor

Ernst and Young
on behalf of the Auditor General

Bankers

Bank of New Zealand

Solicitors

GreenwoodRocheChisnal

Insurer

Marsh

Helmut Pleiter protected the 270ha Te Wairua o te kohu covenant east of Urenui in Taranaki in April 2010. The 8-wire fence protecting the lowland primary forest, habitat of North Island brown kiwi (Nationally Vulnerable), was constructed with contributions from QEII, the New Plymouth District Council, the landowner and neighbouring landowners, Lou and Marisa Newton, who have an approved covenant.

Photo: Neil Phillips

