



QUEEN ELIZABETH II
NATIONAL TRUST
ANNUAL REPORT 2018



QEII **NATIONAL TRUST**

Ngā Kairauhi Papa Forever protected



TOP: QEII Board, Reps and Staff on Great Barrier Island field trip – Georgie McLeod.

MIDDLE: Landcorp's Haycocks Station, Oreti Saddle – Mark Sutton.

BOTTOM: Mara Point, Great Barrier Island – Georgie McLeod.

**ANNUAL REPORT 2018 OF
QUEEN ELIZABETH II NATIONAL
TRUST, NGĀ KAIRAUHI PAPA (QEII
NATIONAL TRUST).**

PRESENTED TO THE HOUSE OF REPRESENTATIVES PURSUANT TO SECTION 32 OF THE QUEEN ELIZABETH THE SECOND NATIONAL TRUST ACT 1977.

QUEEN ELIZABETH II NATIONAL TRUST is a statutory organisation independent from government and managed by a Board of Directors. We are a registered charitable entity under the Charities Act 2005. Registration number CC28488.

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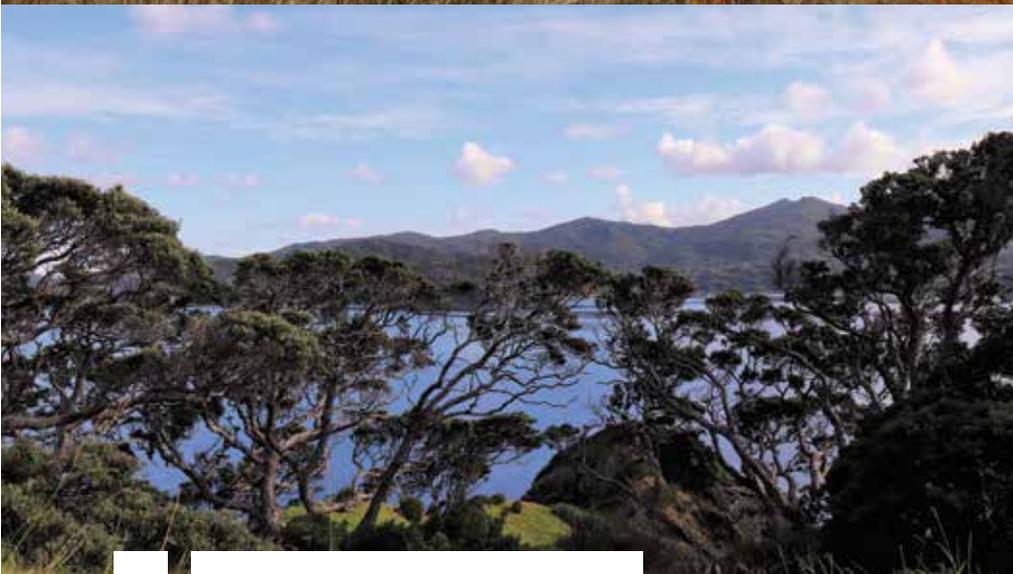
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We are proud to be at the forefront of private land conservation in New Zealand. Our members and covenantors are our strength and we are working to grow our membership and engagement with our covenantors.

This year we took the opportunity to celebrate our 40th anniversary milestone all over New Zealand.

To mark the occasion formally, we had the honour of being hosted at Government House by our Patron, Her Excellency The Rt Hon Dame Patsy Reddy. This event was attended by covenantors and QEII taonga from around the country. The evening was a wonderful way to acknowledge our growth from the plucky little Trust founded by farmers all those years ago, to the efficient, savvy and forward-thinking private land conservation and protection organisation we are today. The event really highlighted for me that our strength is in our partnerships and the people who choose to protect their land, and the biodiversity and other values within it, for future generations.

This year we were pleased to publish *Forever Protected*, 40 years of QEII National Trust – a comprehensive history of QEII. Our history *Forever Protected* was launched at Government House with a copy presented to the Governor General. We were also able to provide all of our QEII members with a copy as a small token to recognise their commitment to the work that we do.

A real focus for this year has been on lifting the public profile of QEII. We are well known in rural areas, but we are now looking to also tell our story to urban New Zealanders. Part of this journey has been the rebrand, which rolled out last year. We are currently busy getting our new logo updated onto all of our covenant gate signs and interpretation panels as well as rolling out new QEII branded uniforms for our regional representatives. We also updated our *Open Space* magazine and we are now using it as a platform to tell the stories of the amazing people who choose to protect their land as well as provide useful information to covenantors.

In line with our strategy to raise our public profile, we launched a new website in April. We are proud to say that it is a modern, user-friendly and interactive website that allows members and the public alike to engage with us and our work.

We always aim to work in partnership with landowners to resolve any issues, but when the core values of protection are under threat, we will move to fight to uphold the intentions of the original land owner. We have had several threats to the integrity of covenants over the last few years and the Board has been resolute in its determination to defend our legal protection systems. Earlier this year we were in the highest court of New Zealand defending protected land against the threat of being developed. We are pleased to announce the Supreme Court upheld the protection provided by the covenant which is an outstanding precedent attesting to the legal robustness of QEII covenants.

Our 2018 financial statements show a \$4.3m surplus for the year ended 30 June 2018. This 2018 surplus is due mainly to three factors. The Trust was the unexpected beneficiary of substantial legacies for \$2.7m which were left to QEII by two of our wonderful covenanting landowners; a revaluation of pre-1995 fencing liability resulting in a \$0.7m decrease in the liability; and higher than expected realised and unrealised gains on our investment portfolio of \$1.3m. Putting aside these factors our normalised financial result was a small surplus of \$35k very close to that which was budgeted of \$9k.

Financial and organisational sustainability is paramount to QEII, and we are hugely grateful and honoured when people choose to contribute to our work financially through estate giving. It is this kind of contribution that allows us to do much of our additional work outside of the work agreed to in the annual memorandum of understanding with the Minister of Conservation. We continued our support for stewardship work in covenants through the contestable Stephenson Fund. This year we were pleased to distribute \$187,834 (+GST) towards stewardship within covenants. These legacies will provide even greater scope to support stewardship of covenants in future. QEII continues to report strong balance of equity which we need to continue to build on to continue financing QEII National Trust and protecting open spaces forever.

Our Board remains unchanged in this financial year and I would like to thank the board directors and QEII staff for their work during the past year, it has been another successful year partnering with landowners to protect our precious biodiversity on private land.

James Guild
CHAIR



We are pleased to report that we continue to increase the amount of protected private land with 112 new covenants registered this year covering 4,126.5 ha across the country. We have maintained our long-term average of registering two covenants a week this year, reaching a total of 4,476 registered covenants.

As governments and the public alike are placing more value on biodiversity protection, the value of private land conservation is an area of growing interest internationally. The Queen's Commonwealth Canopy (QCC) is a forest conservation initiative involving 53 Commonwealth countries. It was established in 2015 to recognise her Majesty the Queen's service to the Commonwealth. With the support of the Government, QEII has a proud three-year involvement with the QCC programme by establishing a special class of covenant to protect significant areas of indigenous forest. This year we approved 12 QCC forest covenants protecting 1,200 hectares of closed canopy bush land which will be protected forever and be part of this Commonwealth-wide forest conservation initiative.

QEII has been working with the International Union for the Conservation of Nature (IUCN) on the best practice guidelines for private land conservation and the various models of protection internationally. I am pleased to report that the QEII model is one of the most efficient, user friendly, robust and successful models in use internationally today. The value in our model is that our land owners are motivated to protect their land voluntarily and for a range of reasons. Often, in other countries financial incentives (subsidies or major tax incentives) are relied on to encourage new protection. In many instances overseas, the protection can be overturned by government ministers for mining or other purposes or is hard to legally enforce. Comparatively, the QEII model is immune from ministerial interference, is legally robust and has the benefit of motivated land owners, this is our strength and what makes the way we work so special.

We are proud to have stepped up our advocacy for covenantors in the Auckland region around the issue of rates relief. While the Auckland council has now changed its policy to remove rates relief for covenanted land, we worked to support covenantors to make submissions, and highlighted the issue in the media. We are currently working on a nationwide campaign around how covenants should be supported by local authorities, promoting our QEII policy that all QEII covenants should be recognised as non-rateable.

As the leading private land conservation organisation in NZ, we know we have a crucial role to play in protecting our precious biodiversity and the importance of biosecurity in that work. Our reps always have biosecurity in mind when visiting protected properties around the country, but with recent biosecurity threats like Myrtle Rust and Kauri Dieback seemingly on the rise, we are pleased to have launched our official QEII biosecurity protocols online and in the field this year.

Our covenants protect land, along with the precious habitat and biodiversity within them, which includes some of New Zealand's most threatened native species. Some of the threatened plants in covenants that are nationally critical are the pygmy button daisy, Taiko gentian, Holloway's broom and Awahokomo poa. Threatened freshwater fish protected include Eldon's galaxias, Gollum galaxias, Shortjaw galaxias and Taieri flathead galaxias. Protecting private land via a QEII National Trust covenant, coupled with managing the areas against threats, is the most efficient and effective way to help protect the habitat of threatened animal and plant species.

As the area of protected land under our ongoing stewardship grows, so too does QEII National Trust. Our head office has undergone a restructure to more effectively align our head office with the best delivery of land protection and stewardship. As a result, we have created several new positions to help us provide the best support for our work in the regions and in our partnerships with private land owners. This work is to prepare QEII for the future as it increases its support to covenanting landowners.

I would like to thank our regional representatives and staff for their commitment and professionalism in partnering with landowners to protect their land. The relationships forged in the name of private land conservation are strong and growing and we are working hard to continue QEII's long tradition of successful partnerships for protection.

Mike Jebson

CHIEF EXECUTIVE

WHO WE ARE AND WHAT WE DO

*Our land, our uniqueness,
forever protected, for the future.*

*Tō tātou whenua, tō tātou ahurei,
ake ake ake, taonga, hoki te heke mai.*

We work in partnership with landowners to protect native biodiversity on their properties, forever. The landowner retains ownership of the land they are protecting. We provide the legal protection.

Our mission is to partner with landowners to protect special places on private land for the benefit of present and future generations.

Our vision is to inspire new protection and stewardship and to inspire New Zealanders to work with, and support us, to protect private land.

Driven by the foresight and advocacy of farmer leaders, we were formally established as a registered charity and independent statutory organisation in 1977. We are governed by a Board of Directors, four are appointed by the Minister of Conservation and two are elected from QEII membership. We have around 20 people in our head office in Wellington – this team covers legal, ecological advice, health and safety, communications, finance and policy, and coordinates nationwide activities. Our 27 Regional Representatives nationwide work directly with covenanting land owners.

Our annual operating budget is approximately \$6 million, of which approximately 80% this year was government funded grant through Vote Conservation and administered through a Memorandum of Understanding with the Minister of Conservation. The remainder of our funding comes from income from our investments, memberships, contestable funding, other grants, and through the generosity of our members and other passionate private land conservationists.

We partner to protect a huge variety of different ecosystems and other taonga found on private land. We prioritise protection of wetlands, sand dune systems, indigenous lowland ecosystems and the habitats of endangered species, as these have suffered the biggest loss. Protecting these ecosystems on private land is vitally important for the future biodiversity of New Zealand.

Covenanted numbers

112
4,126.5 ha

New registrations
protected this year

New proposals approved
113 (3,524 estimated ha) will be protected

4,476
Total registered covenants

184,211 ha

Total area (approved and registered covenants
and formal agreements)

Our partnerships are our strength

Almost 70% of New Zealand is privately owned or managed, meaning that protecting biodiversity on private and Crown Pastoral Lease land is critical to reversing the decline of New Zealand's unique biodiversity. This is the area of New Zealand where there has been by far the biggest loss of biodiversity due to land development and what biodiversity remains is increasingly important.

There are over 1,000 threatened native species in New Zealand. Many of our threatened plants and animals are found on private land and depend on protection and management for their survival. QEII covenants protect species including the nationally critical kaki or black stilt, the world's rarest penguin the hoiho, and our rarest kiwi, the rowi. Our partnerships with private land owners protect these and many other precious taonga.

Protecting private land via a QEII National Trust covenant is the most efficient and effective way to help protect the habitat of threatened animal and plant species.

This year we protected 4,126.5 ha over 112 registered covenants. We have also approved 113 covenants that will protect a further 3,524.6 ha.

Protecting the land, forever

Land protected by QEII covenant remains in the ownership of the land owner, they also remain responsible for complying with the conditions agreed in the covenant. All covenants are regularly monitored by our regional reps so we can provide advice to land owners to support their stewardship of their protected lands.

We are the trustee of land protected by QEII covenant. In this role, we monitor around all of these covenants every year to check the condition of the covenant and discuss any management issues with the landowner. Most of the time this is an opportunity to congratulate and encourage the achievements of the landowner and to offer advice where sought or needed.

There are a minority of monitoring visits where there are differences between what is required in the covenant agreement and what is happening on the ground, resulting in the covenant values being impacted. In these instances, we work with the landowner to find the best solution.

In 2017/18 we monitored 1,975 covenants and found issues on 332 (17%). As a result of all covenant visits over the year, a total of 344 covenants were identified as having an unresolved issue requiring attention. Of these, 110 had an issue which was a landscape wide problem, beyond the reasonable control of the landowner. A further 66 covenants visited had an issue previously identified which has now been resolved.

Summary of monitoring results:

1,975 **covenants** monitored this year

83% had **no issues** requiring attention

344 visited covenants **require attention**

66 had an issue which is **now resolved**

The Stephenson Fund

QEII established The Stephenson Fund in 2017 to support landowners with the ongoing management and enhancement of their protected land. The Stephenson Fund is named for Gordon and Celia Stephenson, who were visionaries and founders of QEII and the first people to register a QEII covenant on their property.

The Fund is a minimum of \$150,000 available annually and is funded by donations, bequests and investment income. We hope to see the fund grow over time.

32 projects were funded last financial year, including 6 projects involving more than one covenant. The total amount approved during the year by QEII was \$222,914 + GST, with landowners and other stakeholders committing a further \$435,396 + GST. The collective project expenditure totalled \$658,310 + GST.

It has been very rewarding to be able to support and encourage landowners, especially after events such as the Kaikoura earthquake. We're looking forward to funding more projects in the next financial year.

Summary of what was funded in round 2 and 3 of the Fund.

STEPHENSON FUND STATISTICS

Operational staff	2
Fencing (m)	9662
Number of plants	8208
Number of pest plant species controlled	Over 28
Infrastructure	16 Gannets Solar broadcast system, 2 interpretation panels, 1 water blaster, pig trap, wetland gravity water reticulation system
Number of traps	396

REGION

North Island	22
South Island	10
Total	32

Working with others

We work closely with many individuals committed to protecting and enhancing New Zealand's landscapes and biodiversity, as well as some regional and district councils, the Department of Conservation, Land Information New Zealand, Ministry for Primary Industries, Heritage New Zealand, Crown Research Agencies, PĀMU, Native Forest Restoration Trust and many other national and local environmental NGOs, and groups and organisations. The engagement and practical support and advice received from others is crucial for the protection and enhancement of protected places on private land.

This year we received assistance for biodiversity protection from local and regional Councils, NZ Lottery Grants Board and the Million Metres Streams Project. In particular, we thank Environment Canterbury for their considerable contribution towards protecting and restoring biodiversity in covenants in Canterbury this year.

Funding from the Lottery Grants Board helped fund the introduction of six pairs of North Island Kokako to the Manawahe Kokako population to help boost genetics and reverse population decline. It is a joint project with The Manawahe Kokako Trust, Manawahe Eco Trust volunteers, QEII covenantors, Regional council and the Department of Conservation. The Lottery Grants Board have also contributed to a multi-agency project to restore coastal vegetation and control pest animal and plant species at Cape Turnagain.

QEII continues to collaborate with universities and research organisations to promote science that will benefit conservation on private land. Imogen Dumville was this year's recipient of the Athol Patterson Bursary, established to support students at Massey University who demonstrate a commitment to environmental studies and sustainable farming practices. We are also a national Sponsor of the NZ Farm Environment Awards.

We are currently working in partnership with the University of Otago, Taege Engineering, Soho Properties Limited, NZ Biological Heritage Science Challenge and DOC to research cost-effective ways of establishing native forests, using native tree seeds inoculated with beneficial native fungi. We're hoping the outcome will be a significantly cheaper and more effective method for native tree establishment at large scale over difficult (including steep) terrain. This research supports the Government's goal to plant one billion trees between 2018 and 2027. While the research partners have funded stage one of this research we have applied for funding from Te Uru Rakau (Forestry New Zealand) to take this research to the next stage.



TOP: Honeymoon Valley Landcare volunteers

MIDDLE: Imogen Dumville receiving her certificate from Massey University's Vice-Chancellor and Professor, Jan Thomas.

BOTTOM: The children of Kumeroa-Hopelands School attending a planting day at QEII's Awapikopiko Reserve, August 2017.

A • Amber McEwan (Riverscapes Freshwater Ecology Ltd) • Amelia Geary (Forest and Bird) • Arrowtown Business and Promotion Association, • Arrowtown Village Association, • Arrowtown Wilding Group, • Ashburton District Council, • Astrid Van Meeuwen-Dijkgraaf (Wildlands) • Auckland Council Environment Initiative Fund, • Auckland Council, • Awhitu Landcare • **B** • Balance Farm Environment awards • Bay of Plenty Regional Council, • Beef and Lamb • Bev Abbott (Wellington Botanical Society) • Biodiversity Northland, • Brian Rance (DOC Southland), • Brian Warburton • **C** • Canterbury Botanical Society, • Canterbury University • Carterton District Council, • Christchurch City Council • Clyde Community Nursery • **D** • David and Michael Bergin • David Brailsford, French Farm • Delia Small • Department of Conservation (DOC) (scientists and species specialists), • Department of Conservation (Hauraki and Coromandel Districts) • Department of Conservation (Kaipara Coast) • Department of Conservation Funds Team, • Department of Conservation Mahaanui Field Base. • DOC's GIS team, • Dr Brian Molloy • Dr Karen Verdurmen (Kauri Dieback surveyor), • Dr Nick Singers (Ecological Solutions Ltd) • Dr Ursula Cochran - GNS Science • Dunedin City Council • **E** • East Taranaki Environment Trust • Elizabeth Pishief (Archaeologist) • Environment Canterbury (ECan), • Environment Southland • **F** • Far North District Council, • Fish and Game NZ, • Fonterra-DOC Living Water, • Forest and Bird nursery, Wellington • Forest and Bird, • Forest Bridge Trust • Friends of Mokotahi Hill, • Friends of Te Mata Park • **G** • Geoff de Lisle (Birds New Zealand) • Gisborne District Council, • Graham and Joy Hodder • Greater Wellington Regional Council • **H** • Hauraki-Coromandel Predator Free Community Trust • Hawke's Bay Botanical Society, • Hawke's Bay Regional Council, • Heritage NZ Pouhere Taonga, • Hermann Frank • Horizons Regional Council • **J** • Jim Campbell (Ducks Unlimited) • Joe Cribbens (Defend NZ) • John Barkla (DOC Otago and Southland) • **K** • Kaipara District Council • Kapiti Coast District Council • Karen Grammer (Northland Regional Council) • Katrina Hansen (Northland Regional Council) • Kerikeri Shadehouse Volunteers, • Kevin Jones (Archaeologist), • Kiwi Coast Think Tank, • Kiwis for Kiwi • **L** • Land Information NZ, • Landcare Research, • Laura Shaft (Northland Regional Council • Leon Symes • Lincoln University • Lisa Forester (Northland Regional Council) • Lottery Grants Board, • Lynne Butler • **M** • Mahakirau Forest Estate Society, • Mark Dunn, • Mark McAlpine (DOC) • Massey University Scholarships Committee, • Masterton District Council, • Mid and South Canterbury Community Trust, • Moehau Environment Group • **N** • New Plymouth District Council, • Ngāi Tahu, • Nic Caviale Delzescaux • Northland Regional Council, • NZ Landcare Trust • **O** • Otari botanical gardens • Otatara Landcare Group • **P** • Pat Enright • Pete Graham (Northland Regional Council Biosecurity Team) • Peter de Lange (Unitech Institute of Technology) • Piripi Rangihaeata, • Predator Free New Zealand, • Predator Free Plimmerton, • Project Kiwi • **Q** • Queen's Commonwealth Canopy initiative, • Queenstown Lakes District Council, • Queenstown Trails Trust • **R** • Rodney Straka (Scrubgrowers Ltd) • Rolf Fuchs – (Department of Conservation Whangarei Office) • **S** • Selwyn District council • Shona McCahon (Author, Forever protected – 40 years of QEII National Trust), • Sinclair Wetlands Management Group, • South Canterbury Conservation Trust, • South Invercargill Lions Club, • South Taranaki District Council, • Southern Ecological Restoration Network • Southland Community Nursery • Steel and Tube, • Stratford District Council • Sustainable Business Network's Million Metres Stream project • **T** • Estate of SM Talbot • Tahurangi Nursery Team • Taranaki Fish and Game • Taranaki Regional Council, • Tararua District Council • Thames Coast Kiwi Care Group, • Thames-Coromandel District Council • The Wildside project Banks Peninsula Conservation Trust, • Estate of DA Thom • Trent Bell (EcoGecko Consultants Limited) • Trevor Lund • Tutukaka Landcare Coalition • **U** • University of Otago • **W** • Waiau Trust, • Waikato Biodiversity Forum, • Waikato Regional Council Environment Initiative Fund, • Waikato Regional Council, • Waikato River Authority, • Wairarapa Federated Farmers, • Wairarapa Forest and Bird, • Waitaki District Council • Walking Access Commission, • Weedbusters NZ, • Wellington City Council, • Whangarei District Council, • Whenuakite Kiwi Care Group • Wild For Taranaki

We thank our financial members for their loyal support.
We thank those who generously gifted money to the QEII this year.

Prioritising protection

There are four National Priorities that we use to guide the prioritisation of proposals that we can process towards covenanting in any given year. Our MoU with the Minister of Conservation also requires that 90% of our new protected land must meet one or more of the four national priorities for biodiversity protection on private land.

This year we received funding to process and approve 126 new covenants, plus or minus 14 and approved 113 covenants in the 2017/18 year. Here is the break down of National Priority areas covered by our new approvals this year:

48%

National Priority 1: Protects indigenous vegetation in land environments that have 20% or less remaining in indigenous cover. Land Environments New Zealand is a national classification system which is used to map areas of similar habitat. Any land environments that have been reduced to less than 20% of their original extent are prioritised for protection.

25%

National Priority 2: Protects indigenous vegetation associated with sand dunes and wetlands; Less than 9% of the original extent of wetlands and less than 11% of natural dunelands remain nationwide, making these two ecosystem types high priority ecosystems.

12%

National Priority 3: Protects indigenous vegetation associated with 'originally rare' terrestrial ecosystem types. Originally rare ecosystems are ecosystem types not commonly found in all regions of NZ. There are 72 types falling into six categories which have been identified in NZ: coastal, geothermal, induced by native invertebrates, inland and alpine, subterranean or semi-subterranean, and wetlands.

63%

National Priority 4: Protects habitats of New Zealand's most threatened indigenous species of plants and animals. The threat status of native species are determined by specific criteria in the New Zealand Threat Classification System lists created by the Department of Conservation.

65%

Of the 113 proposals approved in the 2017/18 financial year 65% also added to a **protected corridor/landscape** by being contiguous with or close to a protected area or by adding value to a landscape where protected areas are sporadic.

10%

10% also met the criteria to become Queen's Commonwealth Canopy Covenants meaning that the covenant met at least one of the above targets as well as protecting a significant area of closed canopy indigenous forest.

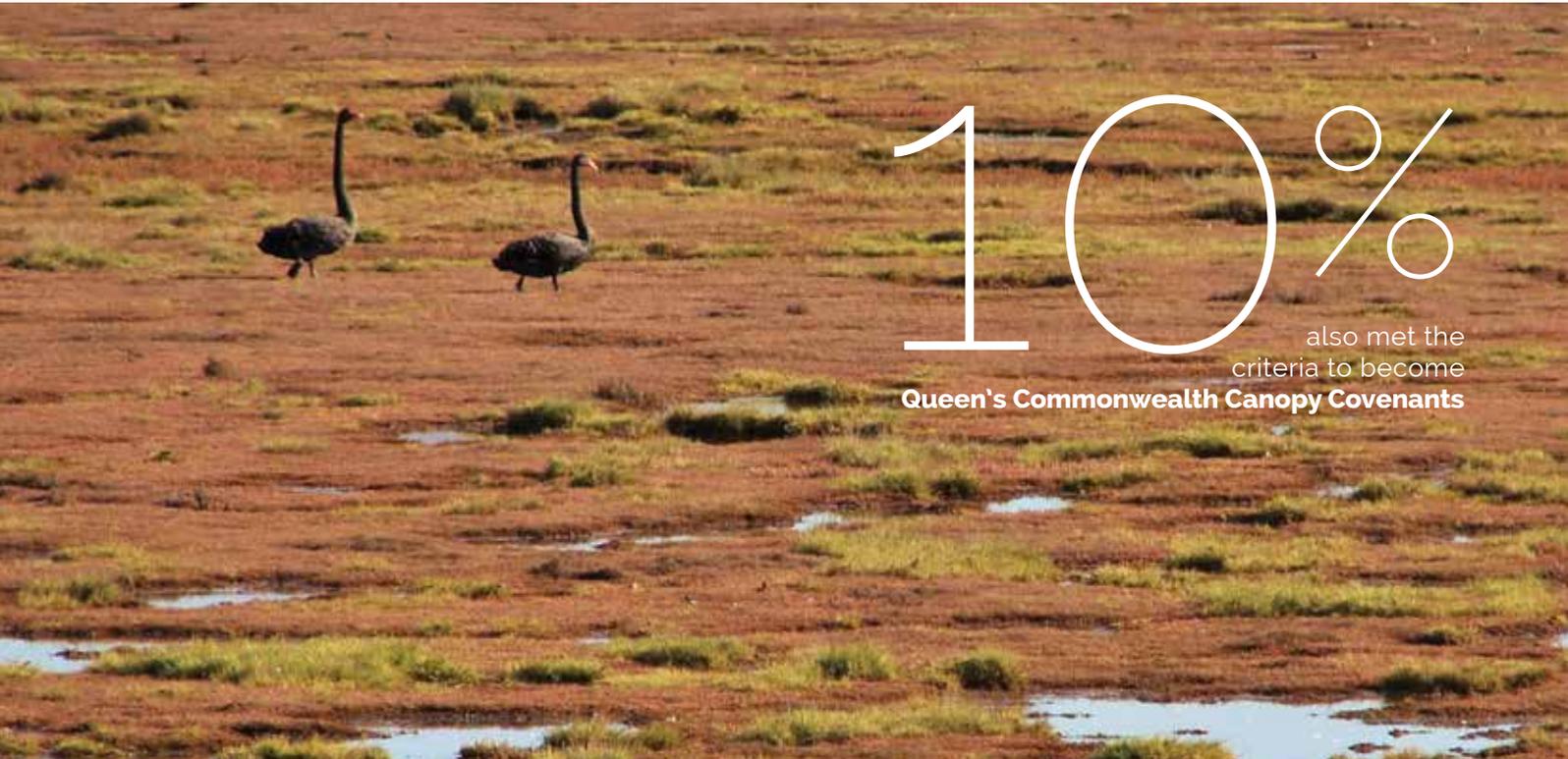
Other factors that we consider when assessing new covenants include looking at how representative the area's current vegetation assemblages are compared to a pre-human time-frame. Because some areas in original condition are increasingly rare, the secondary communities are also considered important in these areas.

Long term sustainability is important and is determined by how diverse the proposal area is, how close to other protected areas it is and the size and shape of the protected areas. Large regular-shaped areas buffered by other native vegetation are more tolerant of external threats such as wind, temperature, humidity and nutrient fluctuations.

The diversity of habitats and species that live there and the rarity of the type of habitat, plants or animals is also a consideration for ranking a proposal area.

At approval, a covenant can be allocated a one-off establishment grant which can be used for weed or pest animal control, or revegetation assistance.

A Statement of National Priorities for Protecting Rare and Threatened Native Biodiversity on Private Land was issued by the Minister for Conservation and the Minister for the Environment in 2007. This statement guides local authorities, communities and private landowners with the types of ecosystems and habitats that are in most need of protection.



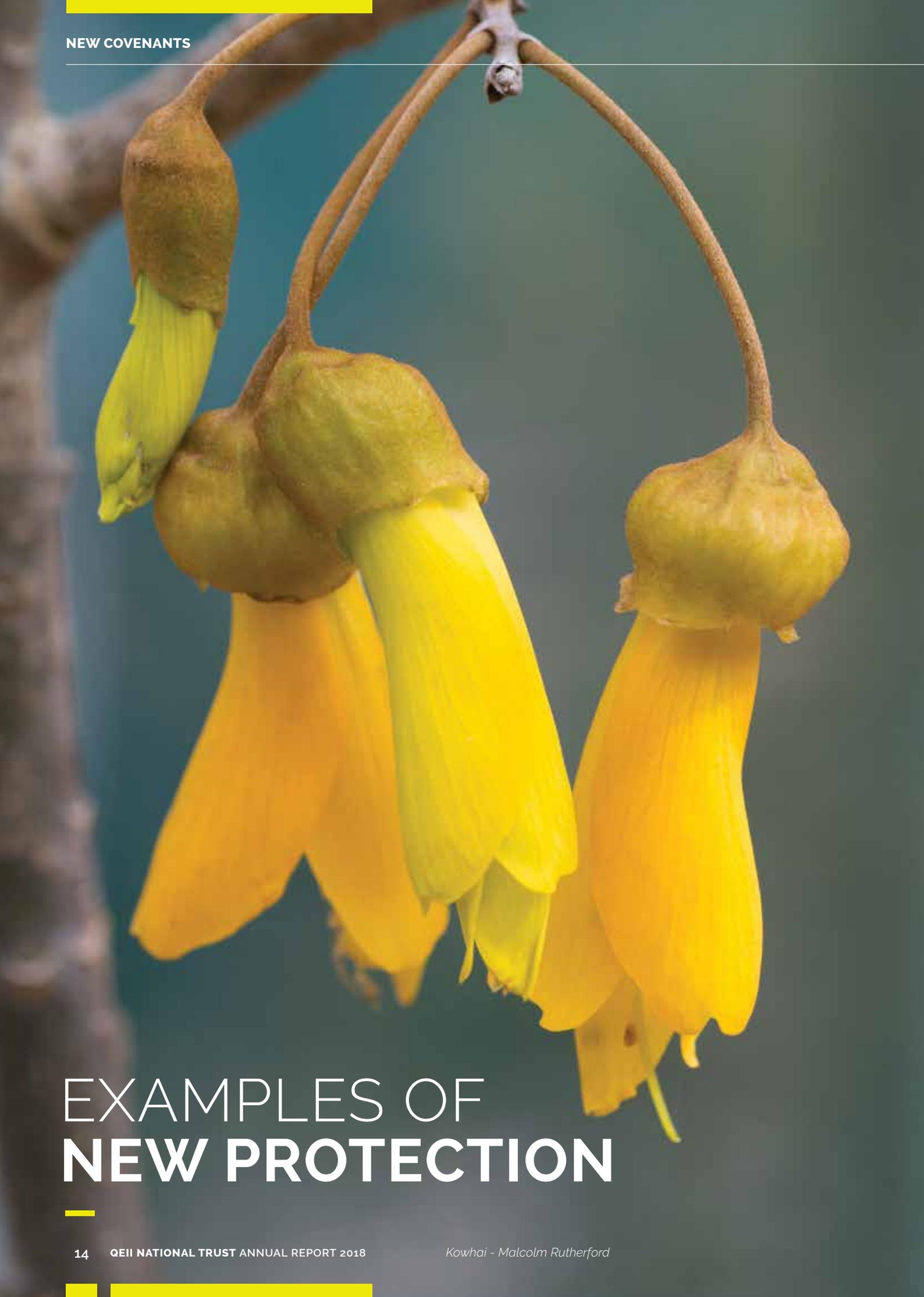
10% also met the criteria to become **Queen's Commonwealth Canopy Covenants**

Queen's Commonwealth Canopy (QCC)

The QCC is an initiative to mark Queen Elizabeth II's long reign and leadership of the Commonwealth. The QCC aims to create a network of native forest throughout the Commonwealth, and QEII is the link to the QCC in New Zealand.

From 2015/16 the Government funded a three year project for QEII to approve additional forest covenants annually that satisfy international criteria as part of the Commonwealth wide QCC programme as well as met the standard for as a QEII covenant. In the 2017/18 year we put forward 12 approved QEII covenants for endorsement as QCC covenants by international reviewers.

Name	Area protected (ha)	Location
Landcorp - Ian's Bush Covenant - Dale	4.4	Te Anau, Southland
Landcorp - Railton's Covenant - Mahiwi	613	Wairoa, Hawke's Bay
Faulkner Covenant Area	235.2	Clarke River Valley, Nelson
Wildest Dreams	16	Parua Bay, Whangarei
Blackmore Bush	8.5	Riverton, Southland
Vujcich Kamahi, Swamp Maire Forest	15.5	Inglewood, New Plymouth
Jupp Covenant: Bean Dog's Bush	13	Waitara, New Plymouth
Fisher Family Bush	3.7	Opunake, New Plymouth
Thomas	109.7	Taumarunui, King Country
Landcorp - Mangamingi Bush - Mangamingi	109.3	Reporoa, South Waikato
Orari Gorge	47.4	Orari Gorge, Canterbury
Landcorp - Guthries Bush - Mangatoa	23.9	Kaikohe, Northland



EXAMPLES OF **NEW PROTECTION**

Taranaki – Karen and Bob Schumacher

In the rugged hills of eastern Taranaki, Karen and Bob Schumacher registered their first forest covenant to protect kiwi on their farm in 2004. The forest, which covers 70 hectares, is also home for long-tailed bat, North Island robin and many other indigenous forest species.

In 2009, the Schumachers covenanted a further two remnants of tawa-podocarp forest on their home farm south of Inglewood. This forest type formerly covered much of the Taranaki ring plain and these remnants together with other small fragments of this lowland forest type combine to provide habitat for a range of native bush birds and act as stepping stones between the forest on Mount Taranaki and the hills to the east. Of particular interest in these blocks is swamp maire (*Syzygium maire*) which although not uncommon in Taranaki is now threatened by myrtle rust.

The Schumachers third covenant of 12 hectares was added in November 2017. This forest block is only 150 metres south of the original covenant and the pasture between the two blocks is no barrier to kiwi or flighted birds. It is also home to Redwood the kiwi, who is fitted with a transmitter. One of his chicks has been gifted to another project to help with their breeding programme.

The Schumachers work has expanded to many neighbouring farms and is now part of the East Taranaki Environment Trust's Purangi Kiwi Project.

Extensive pest animal and predator control now covers 13,000 hectares and includes stoat, rat, possum and feral goat control, creating a safe habitat for kiwi, long-tailed bats, North Island robin and New Zealand falcon. Kōkako were recently released into a core area with suitable habitat.

These covenants meet National Priority 4 as they protect the habitat of a number of threatened species.

FROM LEFT:

Looking into the edge of the huge rimu and northern rātā forest

Maru - the oldest known kiwi in the area who recently died at around 50 years old

Otunahe walk through the 70ha forest covenant





FROM TOP:
 Top of the pā site looking toward Lake Te Roto Kare
 Area of extensive terraces, platforms and pits
 Google Earth image of covenanted area on the Oueroa pā site

Hawkes Bay – Williams family

West of Napier near Lake Te Roto Kare is Oueroa pā. Oueroa is not the earliest or largest pā in the district, but is of significance because it was the first without any major bloodshed. This allowed a stable climate from which today’s chiefly lines of the Ngāti Kahungunu people in the Heretaunga region are descended from. Predominant marae of these descendants today are Omāhu, Waiohiki, Moteo, and Wharerangi. Initial occupation of the area pre-dates the arrival of Ngāti Kahungunu.

The Williams family has farmed the area since the late 1880’s and have preserved the pā from development and managed the area to preserve it’s archaeological values.

Within the covenant there are terraces, palisades, whare platforms and storage pits as well as high landscape and skyline values. The archaeological features make Oueroa one of the largest and most elaborate Māori archaeological sites in the Hawke’s Bay.

To continue to maintain the values of the site, 28 hectares surrounding the pā have been covenanted. The objectives of the covenant include protecting the archaeological values, preventing destructive farming practises, maintaining the landscape values of the pā, providing a visual landscape reference for descendants of Oueroa and preventing subdivision of the covenant area. Grazing by sheep and a light class of cattle will continue on the land.

Ngāti Kahungunu is acknowledged as having cultural, historical and spiritual significance to Oueroa pā.

Although most land we protect is ecologically based, we have registered 14 other covenants with pā sites. Sites with aesthetic, cultural, recreational, scenic, scientific, or social interest or value can be protected under the Queen Elizabeth the Second National Trust Act 1977.

Kaipara, Northland - Amesbury family

Jill and Ross Amesbury have recently registered their third covenant on their cattle farm in Kaipara. This covenant of 13 hectares adds to two blocks which have a combined total of 18 hectares. Jill and Ross decided to add additional areas because they "want to leave something good behind us". Jill and Ross have since retired and sold most of the farm but their son Steve, manages the covenants and carries out pest control.

The forest is dominated by kahikatea, tōtara and taraire and has kauri rickers; rickers are an adolescent growth stage of kauri between 30 to 50 years old. Around 10% of covenant is a raupo-cabbage tree wetland.

Protecting these forest blocks is important as less than 20% of this forest type remains in Northland and less than 5% remains in the Otamatea Ecological District. Protecting kauri on private land is also important because kauri dieback (*Phytophthora agathidicida*) is widespread in many public areas. Preventative measures such as isolating kauri from infected trees may help save this species from extinction.

All three covenants will continue to improve and mature because they are near Hukatere Scenic Reserve, the last remaining area of mature kauri-kahikatea forest in the ecological district. Forest bird species such as tui and kūkupa (wood pigeon) will help distribute seeds between the covenanted blocks and reserve.

This covenant meets National Priority 1 as it is located in an area classified as Chronically Threatened (10-20% indigenous vegetation remaining). It meets National Priority 2 by protecting indigenous vegetation associated with wetlands. It meets National Priority 4 as it protects the habitat of threatened species: kauri has a threat status of Nationally Vulnerable. The covenant also adds to a protected landscape.

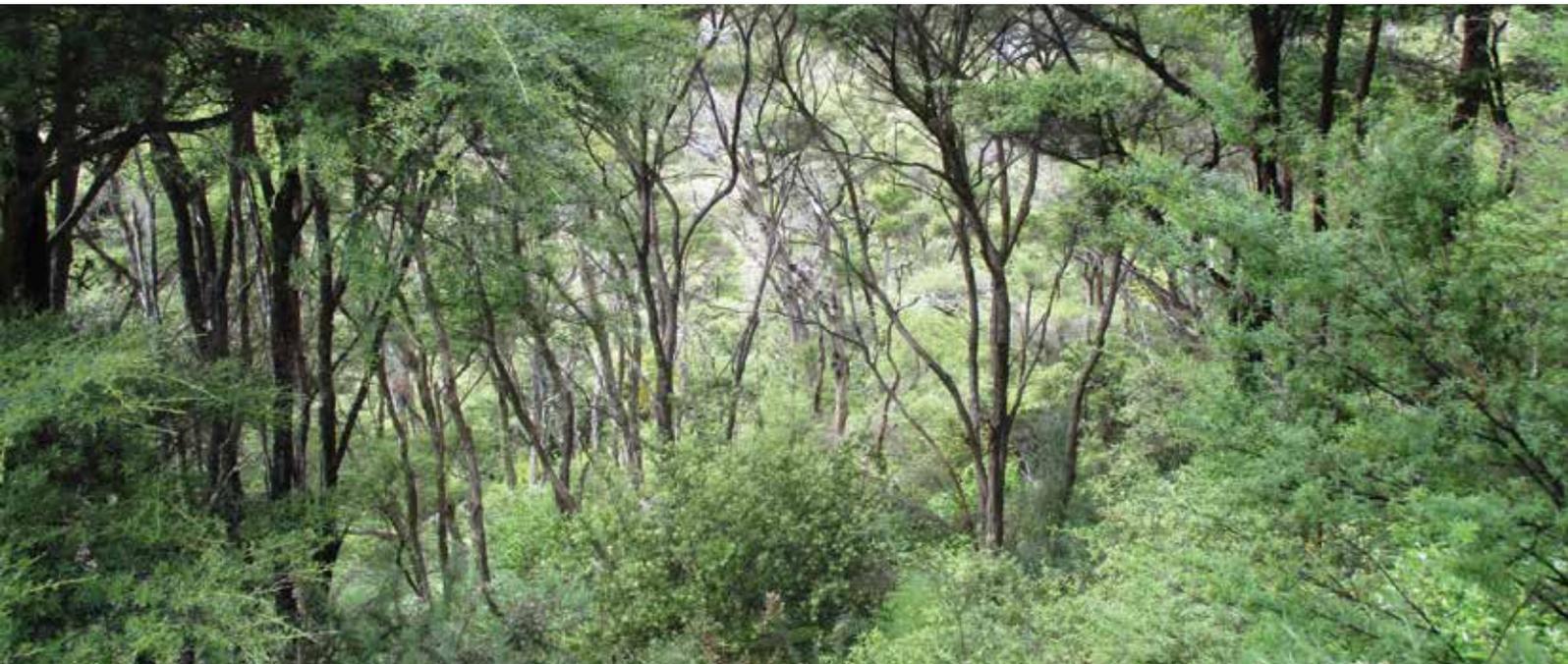
This covenant is also a Queen's Commonwealth Canopy covenant (QCC).



ABOVE: Overview of Amesbury forest block – Nick Matich

Kowhai - Malcolm Rutherford

BELOW: Understorey of Amesbury forest block – Nick Matich





Haycocks Station – Oreti Saddle

Pāmu (Landcorp Farming Limited) is a State-Owned Enterprise and farms over 60,000 hectares nationwide and has 194 covenants over 7,500 hectares equating to around 5% of area farmed.

The Oreti Saddle covenant on Haycocks, a sheep, beef and deer farm of 6,890 hectares, was registered in February this year. It is a large covenant of 164 hectares split by Mavora Lakes Road, is adjacent to another covenant of 23 hectares and is almost completely surrounded by Department of Conservation land.

The protected land is largely covered in red and hard tussock interspersed with small streams, natural springs and range of different wetland types; fens, seeps and swales. In the wetland, there is sphagnum moss and a range of wetland sedges and small herbaceous plants. Some small areas of remnant mountain beech remain and there is areas of mingimingi, matagouri, mānuka and bog pine (*Halocarpus bidwillii*) on drier areas signalling that some areas will eventually return to beech forest over a very long time period.

There are two nationally threatened species in the covenant; *Carex capillacea* and dryland sow thistle (*Sonchus novae-zelandiae*) are both classified as 'Nationally vulnerable'. There are also four species classified as 'At Risk' with declining populations nationwide: New Zealand pipit, *Coprosma brunnea*, slender wine sedge (*Carex tenuiculmis*), and tufted hair grass (*Deschampsia cespitosa*)

This covenant meets National Priority 2 by protecting indigenous vegetation associated with wetlands. It also meets National Priority 3 because it protects vegetation associated with several originally rare terrestrial ecosystems; Inland outwash gravels, ephemeral wetlands, seepages and flushes and moraines. Lastly, it meets National Priority 4 as it protects the habitat of many threatened species.

The outstanding landscape's values add to the overall high biodiversity values of this covenant and it is highly visible to anyone travelling along this road.

TOP: Old fencepost

MIDDLE RIGHT: *Hebe propinqua* flowers

MIDDLE LEFT: *Coprosma dumosa* drupes

BOTTOM: Haycocks Oreti saddle small wetland with sedges and red tussock – Mark Sutton

Covenant statistics

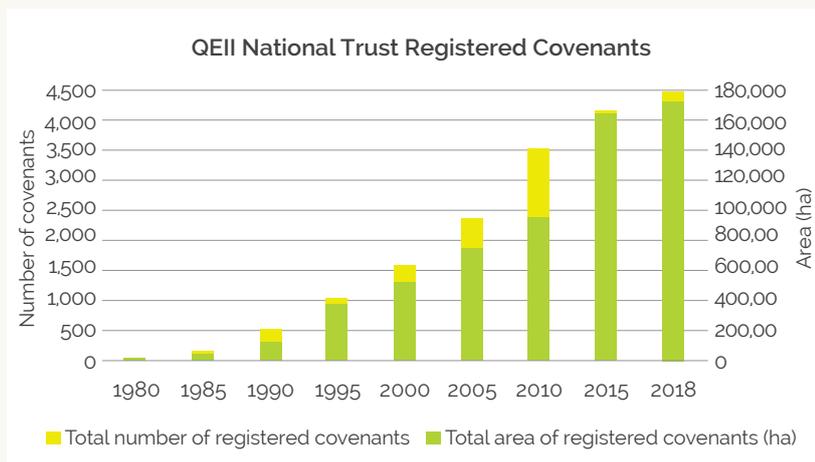
Regional Council	Total land area in region (ha)*	Total Approved covenants	Total number of registered and formalised** covenants	Total number of approved, registered and formalised covenants	Total area of approved, registered and formalised (ha)***	Total area of registered and formalised (ha) covenants	Largest registered covenant (ha)	Average registered covenant size (ha)	Median registered covenant size (ha)
Auckland	494,162	7	284	291	3,943.2	3,812.8	840.8	12.9	2.8
Bay of Plenty	1,207,050	7	178	185	9,514.0	9,313.9	6,563.5	53.1	4.1
Canterbury	4,450,760	53	329	382	16,906.4	13,962.6	1,679.4	43.8	8.1
Gisborne	838,582	11	139	150	5,202.9	4,435.8	1,103.8	32.1	9.1
Hawke's Bay	1,413,721	6	251	257	11,430.7	10,739.2	4,606.0	43.0	10.1
Manawatu-Wanganui	2,222,059	31	370	401	8,889.5	7,930.2	352.3	21.4	7.5
Marlborough	1,045,765	4	80	84	4,504.1	4,330.9	1,055.7	52.6	7.7
Nelson	42,441	1	16	17	317.6	314.1	139.5	19.6	5.9
Northland	1,250,032	30	704	734	10,591.8	10,067.9	420.6	14.3	3.7
Otago	3,120,863	23	201	224	64,021.4	63,254.1	21,909.6	317.8	8.3
Southland	3,119,495	18	347	365	10,016.5	9,337.6	1,456.6	27.1	9.2
Taranaki	725,436	53	389	442	9,719.9	8,829.9	915.5	22.8	2.9
Tasman	961,623	8	164	172	3,234.5	2,969.2	399.9	18.2	3.9
Waikato	2,389,990	44	631	675	17,546.5	16,300.6	801.6	25.4	6.8
Wellington	804,866	15	343	358	6,287.7	6,144.6	824.3	17.7	4.6
West Coast	2,324,381	7	83	90	2,088.6	1,874.9	202.3	22.6	10.1
All Regions		318	4,509	4,827	184,210.8	173,618.3	21,909.6	38.6	5.6

Protected open space	Number	Area (ha)
Registered covenants	4,476	172,690.0
Approved covenants**	318	10,592.5
Formal agreements*	33	928.3
TOTAL**	4,827	184,210.8

* Data sourced from Stats NZ Tatauranga Aotearoa

** Formalised covenants include landscape protection agreements with a territorial authority (e.g. district council) over land that has no legal title, as well as 15 QEII National Trust properties with no registered covenant established prior to the Trust's ownership.

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



38.6 ha
average registered covenant size

QEII National Trust covenants and Landcare Research Threatened Environments (2012)

95% of registered covenants are ≤ 100 ha

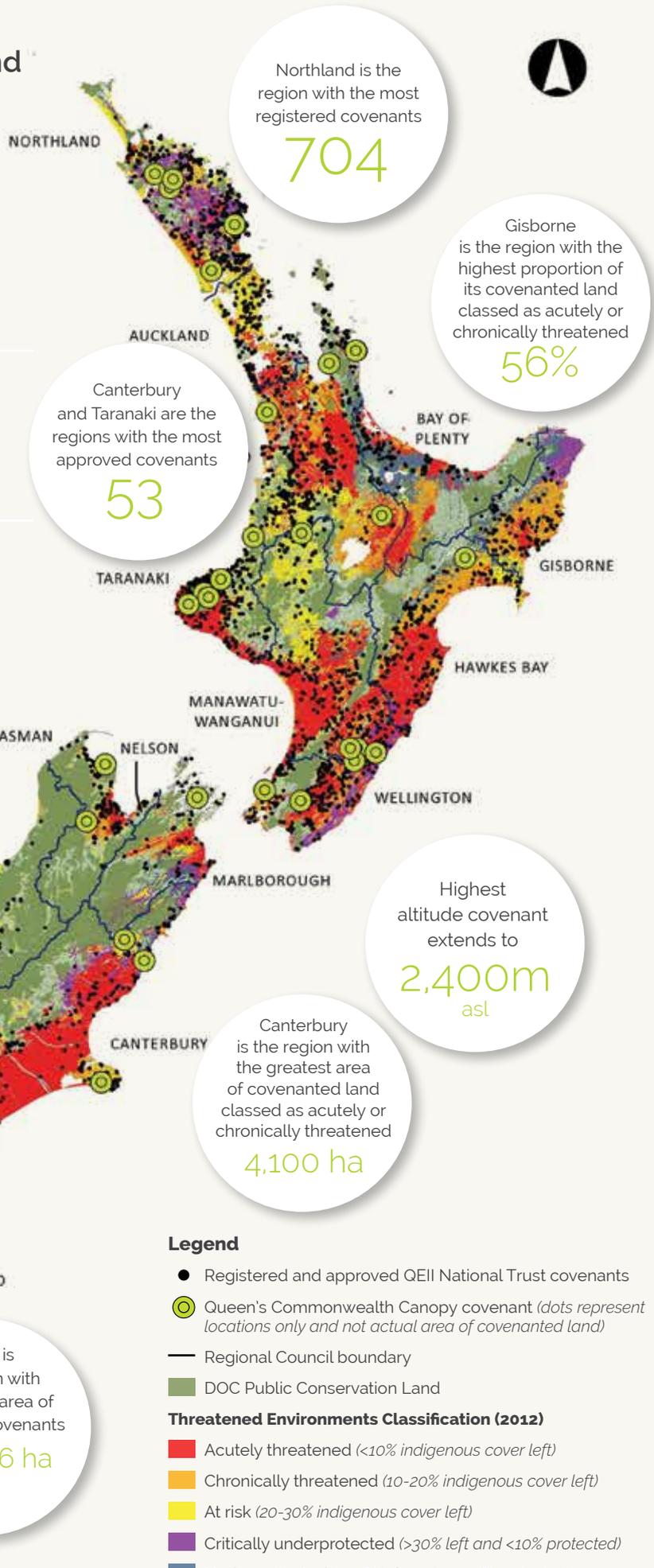
QEII National Trust-owned properties:

- 27 properties (1,436 ha) (15 formalised & 12 registered covenants).
- 1 license to occupy (85 ha)

Organisations with the most covenants:

- Pāmu (Landcorp Farming Ltd)
- 194 registered covenants (7,547 ha)

Regional Council boundaries sourced from Stats NZ, licensed for re-use under the Creative Commons Attribution 4.0 International licence

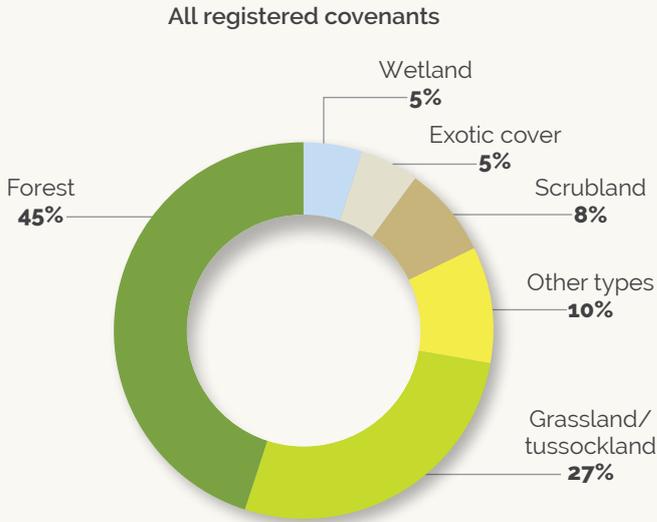


Legend

- Registered and approved QEII National Trust covenants
 - ⊙ Queen's Commonwealth Canopy covenant (dots represent locations only and not actual area of covenanted land)
 - Regional Council boundary
 - DOC Public Conservation Land
- Threatened Environments Classification (2012)**
- Acutely threatened (<10% indigenous cover left)
 - Chronically threatened (10-20% indigenous cover left)
 - At risk (20-30% indigenous cover 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)



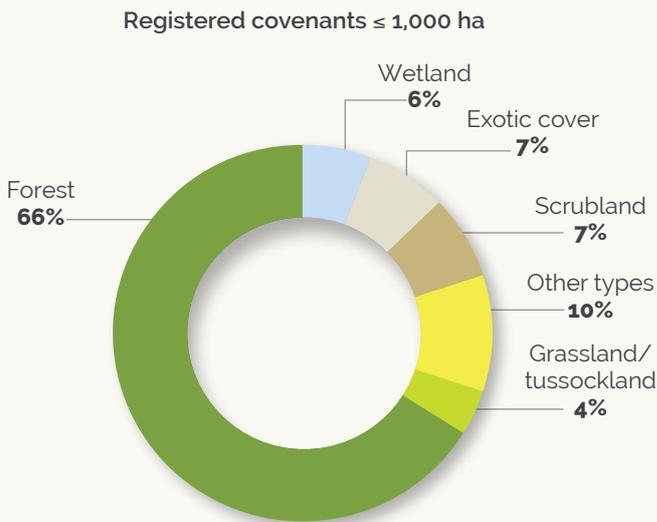
Landcover type



Grouping the vegetation types recorded for all registered covenants into 6 broad landcover categories, shows that 45% of covenanted land is forest and 27% grassland/tussockland.

93% of covenanted grassland/tussockland (approximately 42,800 ha) is located in the 16 largest covenants, each over 1,000 ha in size.

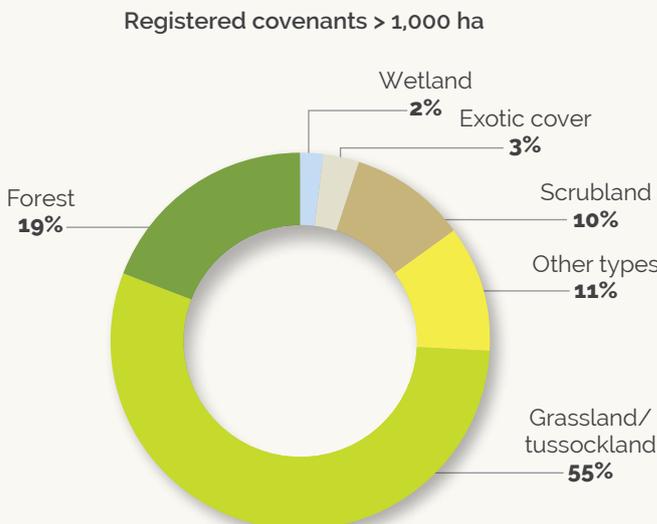
81% of covenanted forest (approximately 63,000 ha) is located in covenants ≤ 1,000 ha in size, as illustrated below.



99.6%

of registered covenants (4,460) are ≤ 1,000 ha

- representing **56%** of registered covenant land
- **66%** of this covenanted land is classed as forest, representing **81%** of all QEII covenanted forests (approximately 63,000 ha), spread across all regions of New Zealand
- of the 112 covenants registered in 2017/18, 111 were <1,000 ha, comprising **49%** forest by area (approximately 1,300 ha)



0.4%

of registered covenants (16) are >1,000 ha

- representing **44%** of registered covenant land
- **55%** of this covenanted land is classed as grassland/tussockland, representing **93%** of all QEII covenanted grassland/tussockland (approximately 42,800 ha)
- most of these large areas of covenanted grassland/tussockland (**99%**) are located in alpine to submontane regions of the South Island

Monitoring report summary

Total number of covenants monitored 2017/18	1,975
(includes covenant monitoring visits, compliance visits and fencing inspections)	

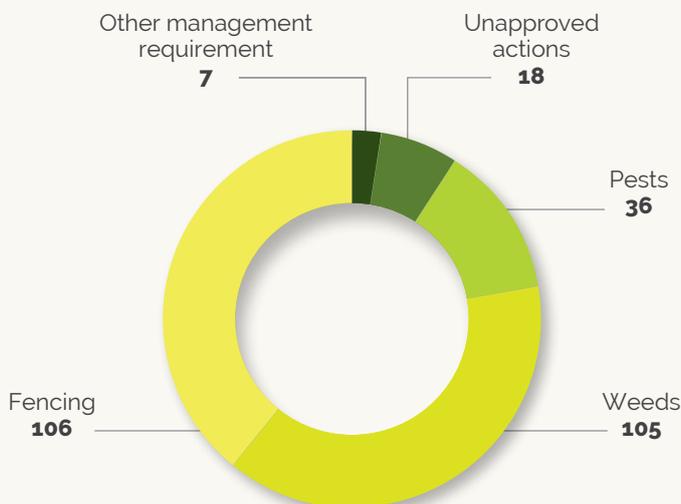
Breakdown of covenants with issues identified as requiring attention in 2017/18¹

The figures below are the number of covenants visited in 2017/18 which were identified as requiring attention, where the issues remained unresolved by the end of the year. In addition, the table also shows the number of covenants visited where an outstanding issue requiring attention was confirmed as being resolved.

	Number of covenants identified as requiring attention - issues unresolved	Number of covenants identified as requiring attention - issues resolved
Covenants with conditions issues only e.g. weeds, pest animals	110	16
Covenants with legal compliance issues only e.g. fencing, unapproved activities	96	43
Covenants with both condition and legal compliance issues	28	7
TOTAL	234	66

Issue	No. of covenants with unresolved issues	No. of covenants with resolved issues
Fencing	106	45
Weeds	105	17
Pests	36	11
Unapproved actions	18	6
Other management requirement	7	1

Nature of unresolved issues requiring attention²



¹ There are an additional 110 covenants identified as requiring attention but marked as exempt because of a landscape-wide issue beyond the reasonable control of the landowner. A coordinated regional approach involving all stakeholder organisations and landowners is needed to effectively manage these issues. QEII National Trust is committed to supporting this approach wherever it can.

² Some covenants have more than one issue requiring attention. The QEII National Trust has let landowners know about the issue(s) and provided advice on how best to address them. Resolution time frames will vary depending on the nature of the issues.

Statement of Service Performance

New implementation of legal protection of natural and historic resources on private or leasehold land

	2016/17 Actual		2017/18 Target		2017/18 Actual	
	Number	Area (ha)	Number	Area (ha)	Number	Area (ha)
Legal protection						
Approved covenants including QCC covenants	125	3,788.0	112-140	1,800-3,600	113	3,524.6
Approved QCC covenants	19	743.0	12-20	No target	12	1,220.1
Registered covenants including QCC covenants	120	2,820.2	105-115	1,800-3,000	112	4,126.5
Registered QCC covenants	-	-	-	-	11	627.3

Monitoring numbers and hectares for registered covenants

	2016/17 Actual		2017/18 Target		2017/18 Actual	
	Number	Area (ha)	Number	Area (ha)	Number	Area (ha)
Monitored registered covenants	1,902	98,993.4	1,850	No target	1,975	42,491.9

Other activities

	2017/18 Target	2017/18 Actual
Percentage of all new non-QCC covenants approved that secure protection of one or more of the four national priorities for biodiversity protection on private land and/or add to a protected corridor or protected landscape	90%	99%
Percentage of QCC covenants approved that secure protection of one or more of the four national priorities for biodiversity protection on private land and/or add to a protected corridor/landscape	100%	100%
Number of Queen Elizabeth II National Trust Properties managed by the National Trust for 'open space' outcomes	26	27*
Provision of advice to new owners following change of covenant ownership in regards covenant values and stewardship and legal responsibilities for covenant management	>300	320
Number of covenants (including proposed covenants) identified each year and put forward as a priority for third party support for protection/management	-	166
Number of regional/local covenant events held each year to raise covenantor commitment and knowledge to manage covenants	4	6
Number of registered covenants where the Queen Elizabeth II National Trust has exercised functions as the Statutory Trustee. Functions include: requests for variations and activity approvals; Resource Management Act and related activity affecting covenants; significant covenant stewardship support; and compliance and enforcement action.	>300	559

*As of July 2018 the number of Queen Elizabeth II National Trust Properties managed by the National Trust for 'open space' outcomes is 26, as one property was returned to the family of the original owner.

2018 FINANCIAL STATEMENTS

Approval of the financial statements

The Board of Directors has authorised the issue of the financial statements of the Queen Elizabeth II National Trust set out in pages 25–36 for the year ended 30 June 2018.

For and on behalf of the Board of Directors, which authorised the financial report on 24 September 2018.

James Guild

CHAIR



Dated: 24 September 2018

Bruce Wills

DIRECTOR



Dated: 24 September 2018

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 Actual \$	2018 Budget \$	2017 Actual \$
Revenue				
Government grant		4,674,000	4,674,000	4,674,000
Contestable funds		468,095	350,000	438,136
Donations and other grants		2,806,704	20,000	314,640
Other revenue		59,334	48,000	141,418
Operating revenue		8,008,133	5,092,000	5,568,194
Expenditure				
Field operations		1,860,630	1,555,314	1,552,652
Covenants	1	235,718	1,165,000	206,167
Contestable funds		480,843	350,000	438,136
Administration	2	2,538,246	2,163,500	1,988,905
Property operations		88,741	236,000	81,929
Public relations		219,583	155,000	101,811
Depreciation and amortisation	3	131,283	130,000	139,330
Operating expenditure		5,555,044	5,754,814	4,508,930
Investment income	4	2,181,519	672,000	1,308,300
Investment expenses	4	349,904	0	282,350
Net investment income		1,831,615	672,000	1,025,950
Total comprehensive revenue and expenditure		4,284,704	9,186	2,085,214

Explanation of total comprehensive revenue and expenditure

The National Trust concluded the financial year ended 30 June 2018 with total comprehensive revenue and expenditure of \$4,284,704 against a budgeted total comprehensive revenue and expenditure of \$9,186. The difference between budgeted and actual total comprehensive revenue and expenditure results primarily from three unbudgeted factors outside of the National Trust's control.

They are as follows:

1. The receipt of considerable and generous bequests totaling \$2.73m from two estates during the 2018 year.
2. The reduction in the pre-1995 fencing provision of \$0.7m due to an actuarial valuation being completed by Deloitte as updated data regarding the pre-1995 fencing provision is now available. Refer to Note 12 for further information.
3. The net effect of the realised and unrealised gains/losses on the investment portfolio was a gain of \$1.3m recognised as income in the Statement of Comprehensive Revenue and Expenditure. Refer to Note 4 for further information.

The accompanying notes on pages 28–36 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	2018 Actual \$	2018 Budget \$	2017 Actual \$
At the beginning of the period	13,144,628	13,144,628	11,059,414
Total comprehensive revenue and expenditure	4,284,704	9,186	2,085,214
At the end of the period	17,429,332	13,153,814	13,144,628

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	2018 Actual \$	2017 Actual \$
Equity			
National Trust Equity		17,429,332	13,144,628
Total Equity		17,429,332	13,144,628
Represented by:			
Current assets			
Cash and cash equivalents		797,363	1,208,204
Accounts and other receivables	5	711,475	355,618
Investments	6	20,373,567	16,189,838
Total current assets		21,882,405	17,753,660
Less current liabilities			
Accounts and other payables	7	890,433	484,111
Deferred revenue	8	498,948	474,882
Employee entitlements		113,750	114,956
Pre-1995 fencing provision	12	605,215	112,000
Other current liabilities		20,000	0
Total current liabilities		2,128,346	1,185,949
Working capital		19,754,059	16,567,711
Non-current assets			
Accounts receivable	5	0	50,000
Property, plant and equipment	9	3,137,660	3,180,949
Intangible assets	11	41,182	83,775
Total non-current assets		3,178,842	3,314,724
Non-current liabilities			
Pre-1995 fencing provision	12	5,503,569	6,737,807
Total non-current liabilities		5,503,569	6,737,807
Net assets		17,429,332	13,144,628

The accompanying notes on pages 28–36 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	2018 Actual \$	2017 Actual \$
Cashflows from operating activities		
Receipts from operations	5,142,095	5,325,827
Donations and bequests received	426,525	223,390
Interest received	440,108	416,093
Dividends received	231,428	220,807
Other revenue received	58,950	141,418
Payments to suppliers	(4,060,972)	(4,043,215)
Payments to employees	(1,513,334)	(1,311,558)
Net cash flow from operating activities	724,800	972,762
Cash flows from investing activities		
Proceeds from sale of financial instruments	4,618,398	2,521,448
Purchase of financial instruments	(5,708,638)	(3,271,256)
Purchase of property, plant and equipment	(45,401)	(329,951)
Purchase of intangible assets	0	(18,568)
Net cash flow used in investing activities	(1,135,641)	(1,098,327)
Net cash flows from financing activities	0	0
Net increase/(decrease) in cash and cash equivalents	(410,841)	(125,565)
Cash and cash equivalents at beginning of period	1,208,204	1,333,769
Cash and cash equivalents at end of period	797,363	1,208,204

STATEMENT OF COMMITMENTS AS AT 30 JUNE 2018

	2018 \$	2017 \$
Covenant commitments		
Covenant commitments are funds committed to approved covenants still in progress and working towards registration with Land Information New Zealand.	3,918,996	3,832,683

		2018 \$	2017 \$
Operating lease commitments			
A Deed of Rent Review was signed in August 2018 which was effective from 7 May 2018. The annual rent was increased from \$80,000 to \$90,798 per annum plus ongoing expenses. The term of the lease is nine years with a right of renewal every three years.			
	Less than 1 year	90,798	80,000
	Between 1 and 2 years	90,798	80,000
	More than 2 years	77,613	146,670
		259,209	306,670

Capital commitments

The National Trust has no capital commitments as of 30 June 2018 (2017: nil).

STATEMENT OF CONTINGENCIES AS AT 30 JUNE 2018

The National Trust has no contingent liabilities as at 30 June 2018 (2017: nil).

The accompanying notes on pages 28–36 form an integral part of these financial statements.

Accounting Policies

Reporting entity

Queen Elizabeth the Second National Trust (the National Trust) is a registered charitable trust that is domiciled in New Zealand and governed by the Queen Elizabeth the Second National Trust Act 1977.

The principal activity of the National Trust is to provide, protect, preserve and enhance open space for the benefit and enjoyment of the people of New Zealand.

The financial statements of the National Trust for the year ended 30 June 2018 were authorised for issue by the Board on 24 September 2018.

Statement of compliance

The financial statements have been prepared in accordance with Queen Elizabeth the Second Trust Act 1977 which requires compliance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP").

As the primary objective of the National Trust is to protect special places for the benefit of present and future generations, rather than making a financial return, the National Trust is a public benefit entity for the purpose of financial reporting.

The financial statements of the National Trust have been prepared in accordance with Tier 2 Public Benefit Entity ("PBE") standards and disclosure concessions have been applied. The National Trust is eligible to report in accordance with Tier 2 PBE standards because it does not have public accountability and its expenditure is between \$2m and \$30m and therefore not considered large in accordance with XRB A1 Accounting Standards Framework.

Measurement base

The financial statements have been prepared on a historical cost basis, except for investments which have been measured at fair value.

The financial statements are presented in New Zealand dollars.

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

Capital management

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

Revenue

The National Trust's revenue is mainly from non-exchange transactions. They are as follows:

- **Grants revenue from Government or government agencies** - grants revenue is recognised as it becomes receivable, except where a grant is for a specific purpose and there is an obligation to repay it if the specific purpose is not undertaken. In this situation, revenue is deferred until the obligations are performed.
- **Interest and dividend revenue (investment income)** - interest income is recognised as earned, dividend income is recognised when the right to receive payment is established.
- **Donations and other grants revenue** - cash donations are recognised when received, non-cash donations are recognised at their fair value at the time that ownership rights are transferred to the National Trust.
- **Membership/sponsorship revenue** - membership/sponsorship revenue is recognised when the cash is received.

Property, plant and equipment

Land and improvements acquired or gifted to the National Trust are recorded at cost for acquired assets, or at fair value for gifted assets.

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

Property, plant and equipment (other than land) is measured at cost, less accumulated depreciation and impairment losses. Land is not depreciated.

Restrictions on assets

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

Depreciation

Depreciation is charged on a straight-line basis over the useful life of the assets. Depreciation is charged at rates calculated to allocate the cost of the asset less any estimated residual values over its remaining useful life:

- | | |
|---|-------------------|
| - Computer and electronic equipment | 3 years |
| - Intangible assets | 5 years |
| - Furniture and fittings, plant and equipment | 5 - 10 years |
| - Buildings and improvements (gifted and purchased buildings) | 25-50 years |
| - Land fencing | 40 years |
| - Leasehold improvements | Life of the Lease |

Employment entitlements

Employee entitlements that the National Trust expects to be settled within 12 months of the balance date are measured at undiscounted nominal values based on accrued entitlements at the current rate of pay. These includes salaries and wages accrued up to balance date and annual leave earned, but not yet taken at balance date.

Provisions

Provisions are recognised when the National Trust has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The expense relating to any provision is presented in the Statement of Comprehensive Revenue and Expenditure.

Goods and services tax

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

Financial instruments

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

Non-derivative financial instruments are recognised at fair value. Financial instruments not at fair value are recognised through the Statement of Comprehensive Revenue and Expenditure, with transaction costs attributable to the acquisition.

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

The National Trust holds a significant level of bonds and shares as investments. These financial assets are designated upon initial recognition by the National Trust as at fair value through the Statement of Comprehensive Revenue and Expenditure.

Subsequent to initial recognition, financial instruments at fair value through the Statement of Comprehensive Revenue and Expenditure are measured at fair value, and changes therein are recognised in the Statement of Comprehensive Revenue and Expenditure. Fair value is quoted at market value at balance date.

Cash and cash equivalents include cash on hand, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less from the date of acquisition.

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

Foreign currency

Transactions in foreign currencies are translated at the rates on the date of the transaction. Transactions in foreign currency that are not settled in the accounting period, resulting in monetary assets and liabilities denominated in foreign currencies at balance date, are translated to NZD at the foreign exchange rate ruling at that date. Foreign exchange differences arising on their translation are recognised in the Statement of Comprehensive Revenue and Expenditure.

Financial risk management

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

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

Leases

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

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 shown in the financial statements are those that were approved by the Board of Directors.

Comparative year figures

Some comparative year figures have been reclassified to be consistent with their classification in 2018.

1. Covenant expenditure

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

	2018 Actual \$	2017 Actual \$
Fencing	522,260	536,829
Fencing - movement in pre-1995 fencing provision	(898,389)	(861,791)
Survey	406,999	448,792
Weed and pest control	16,514	40,036
Revegetation	500	1,498
The Stephenson Fund	187,834	40,803
Total covenant expenditure	235,718	206,167

A full actuarial valuation of the pre-1995 fencing provision liability was completed by Deloitte and the value of the fencing liability was updated as at 30 June 2018. This liability reflects the National Trust's contractual obligation to contribute to the cost of replacing fences in some covenants entered into before 1995 in perpetuity. A change was made for the 30 June 2018 valuation which now uses the 35 year risk-free discount rate yield of 3.75% as opposed to the Treasury Yield curve previously used. Further to this, more accurate data with respect to fence length and replacement date obtained by National Trust representatives' visiting all relevant covenants over the past two years. These two factors have contributed to a significant decrease in the pre-1995 fencing provision liability of \$898,389 (2017: \$861,791) and a reduction in fencing expenditure of the same amount. Refer to Note 12 for additional information.

During the year to 30 June 2018, two further rounds of The Stephenson Fund were offered to support covenantors with strategically important enhancement projects that have been planned for their covenants. The fund can be used to help covenantors with recovery plans for their covenants after being hit by extreme natural events, or if they are facing other challenges such as large financial burdens or health issues. Successful applicants for this contestable fund may receive up to 50% of the total costs of their projects up to a maximum of \$20,000.

2. Administration expenditure

	2018 Actual \$	2017 Actual \$
Directors' fees	35,825	36,962
Remuneration of key management personnel*	737,602	544,699
Employee entitlements	792,526	791,095
Audit fees	31,400	31,071
Rental expenses	93,080	94,615
Doubtful debts	0	2,432
Loss on disposal of property, plant and equipment	1,480	19,432
Other administration expenses	846,333	468,599
Total administration expenditure	2,538,246	1,988,905

*Key management personnel: senior leadership team (SLT) which is made up of the CEO and four senior managers (2017: three senior managers).

3. Depreciation and amortisation

	2018 Actual \$	2017 Actual \$
Depreciation has been charged on the following classes of asset:		
Furniture and fittings, plant and equipment, computer and electronic equipment	68,115	70,392
Improvements	19,480	15,127
Land fencing	1,095	1,095
Amortisation has been charged on:		
Intangible assets	42,593	52,716
Total depreciation and amortisation expenditure	131,283	139,330

4. Net investment income

	2018 Actual \$	2017 Actual \$
Investment income includes:		
Interest	503,278	396,586
Dividends	231,428	220,807
Realised gain	603,565	73,217
Unrealised gain	843,248	617,690
Total investment income	2,181,519	1,308,300
Investment expenditure includes:		
Discount rate unwind on pre-1995 fencing provision	157,366	65,598
Investment fees	43,434	36,884
Realised loss	84,323	26,862
Unrealised loss	64,781	153,006
Total investment expenditure	349,904	282,350
Net investment income	1,831,615	1,025,950

5. Accounts and other receivables

	2018 Actual \$	2017 Actual \$
Accounts receivable	541,010	319,677
Less Provision for doubtful debts	0	(5,536)
	541,010	314,141
Interest receivable	135,828	72,658
GST receivable	34,637	18,819
Total accounts and other receivables	711,475	405,618
Split between:		
Current asset	711,475	355,618
Non-current asset	0	50,000
Total accounts and other receivables	711,475	405,618

6. Investments

	2018 Actual \$	2017 Actual \$
Fixed interest - corporate bonds	10,674,804	7,963,819
Term deposits	750,000	750,000
Equities - Australia/NZ	5,576,249	4,972,517
Equities - International	3,372,514	2,503,502
Total investments	20,373,567	16,189,838

7. Accounts and other payables

	2018 Actual \$	2017 Actual \$
Accounts payable	807,719	442,215
Accrued trade payables	82,714	41,896
Total accounts and other payables	890,433	484,111

8. Deferred revenue/contestable funds

Funds have been approved for specific projects as stated in the project deeds. Some projects may take longer than a year to complete. At the end of each financial year money received for projects that has not been spent for the designated purpose and that has a return obligation if unspent is reported as deferred revenue.

	2018 Actual \$	2017 Actual \$
Total deed amount	1,511,703	2,052,767
Project income to date	1,419,569	1,903,218
Deferred revenue	498,948	474,882

Deferred revenue comprises:

- * five individual projects from one contestable fund round from the Biodiversity Condition and Advice Fund
- * one individual project from Community Conservation Partnership Fund
- * four individual projects from Lotteries Environment and Heritage Fund
- * 36 individual projects from council funds

9. Property, plant and equipment

	Land Actual \$	Buildings and Improvements Actual \$	Fencing Actual \$	Other Actual \$	Total Actual \$
Cost at beginning of year	2,571,501	605,757	88,195	446,984	3,712,437
Accumulated depreciation	0	(259,915)	(67,636)	(203,937)	(531,488)
Net book value at beginning of year	2,571,501	345,842	20,559	243,047	3,180,949
Acquisitions	0	10,208	0	36,673	46,881
Disposals *	0	0	0	(1,480)	(1,480)
Depreciation	0	(19,480)	(1,095)	(68,115)	(88,690)
Net book value at end of year	2,571,501	336,570	19,464	210,125	3,137,660
Cost at end of year	2,571,501	615,965	88,195	482,177	3,757,838
Accumulated depreciation	0	(279,395)	(68,731)	(272,052)	(620,178)
Net book value at end of year	2,571,501	336,570	19,464	210,125	3,137,660

* Disposals are reported net of accumulated depreciation

Other assets consists of furniture, plant and equipment, computer equipment and electronic equipment.

During the year ended 30 June 2018, no significant capital expenditure projects were undertaken.

10. Land and improvements

	Land Actual \$	Buildings and Improvements Actual \$	2018 Total Actual \$	2017 Total Actual \$
Aroha Island	425,000	285,705	710,705	723,520
Awapikopiko Reserve	42,000	27,178	69,178	70,322
Bowman's Bush	63,000	0	63,000	63,000
Dunns Bush	150,000	347	150,347	150,000
Ernest Morgan Forest Reserve	140,000	0	140,000	140,000
Hann Bush	18,000	0	18,000	18,000
Hartree Bush	0	0	0	0
L'Anson Reserve	434,000	0	434,000	434,000
Ira Menzies Duneland	250,000	0	250,000	250,000
Mara Point	80,000	0	80,000	80,000
Maungaruahine Bush	74,000	0	74,000	74,000
Miro Bay	100,000	0	100,000	100,000
Mokotahi Hill	9,000	5,457	14,457	9,000
Parkinson's Bush	143,000	0	143,000	143,000
Pouawa Sandhills	66,000	0	66,000	66,000
Robbs Bush	33,500	0	33,500	33,500
Robert Houstin Memorial Reserve	50,000	0	50,000	50,000
Sheps Park	1	0	1	1
Snells Bush	36,000	0	36,000	36,000
Spencer Reserve	16,000	0	16,000	16,000
Sunset Bay	45,000	0	45,000	45,000
Tata Headland	17,000	0	17,000	17,000
Taupo Swamp	98,000	0	98,000	98,000
Te Harakiki Swamp	32,000	0	32,000	32,000
Tokatea	110,000	17,883	127,883	129,000
Tumutumu Bush	115,000	0	115,000	115,000
Waiata Bush	25,000	0	25,000	25,000
Lake Wainamu (vested)	0	0	0	0
Total land and improvements	2,571,501	336,570	2,908,071	2,917,343

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

11. Intangible assets

	2018 Actual Software \$
Cost at beginning of year	274,048
Accumulated amortisation	(190,273)
Net book value at beginning of year	83,775
Acquisitions	0
Amortisation	(42,593)
Net book value at end of year	41,182
Cost at end of year	274,048
Accumulated amortisation	(232,866)
Net book value at end of year	41,182

Intangible assets consist mainly of the National Trusts web-based covenant management system developed to improve the covenanting process.

12. Pre-1995 fencing provision

	2018 \$	2017 \$
Provision at the beginning of the year	6,849,807	7,646,000
Additional provisions made	0	0
Amounts used/unused amounts reversed	(1,655,191)	0
Discount unwind	157,366	65,598
Effect of change in the inflation rate	(5,071)	0
Effect of change in the discount rate	761,873	(861,791)
Provision at the end of the year	6,108,784	6,849,807

The National Trust has a liability to contribute to fencing in perpetuity in some covenants agreed before 1995. The fences are mostly maintained by landowners on a day-to-day basis. It is the Trust's objective to reduce the liability over time.

Based on history and expectations there will be some level of costs to meet these covenants each year for the foreseeable future.

For the 2018 year-end, the National Trust engaged Deloitte to complete a full actuarial valuation to ensure that the estimate of the National Trust's 1995 fencing provision is correctly quantified. The valuation was based on the updated data with respect to fencing length and replacement date. This data has been updated over the past two years by the National Trust's field representatives as they visited each covenant registered prior to 1995 that is included in the provision.

The main areas of uncertainty in the calculation of the reasonable estimate are:

- 1) Fence lifetime (currently estimated to be 40 years) and the timing of replacement of particular lengths of fencing
- 2) Cost of fencing per metre - \$17.81 per metre (up until 2017 used \$17.84 per metre)
- 3) The discount rate (currently using the 35 year risk-free discount rates) which results in a flat discount rate of 3.75% (2017: 4.10%).

This is a change from 2017, when the risk-free discount rate yield curve for accounting valuation purposes was used, as this rate only relates to 22 year spot rates. The actual duration of the liabilities is closer to 35 years hence the change in use to the 35 year risk-free discount rate.

- 4) An inflation rate assumption that the current cost per metre will increase with the NZ Treasury's CPI forecast has been included in this valuation and a flat inflation rate of 1.76% (2017: 1.77%) has been used and this is deducted from the discount rate above to give a net discount rate.
- 5) The fencing assumption - the percentage of those fences where the National Trust has a contractual obligation to contribute to the replacement cost, which the National Trust expects will need replacing, and where the landowner will ask the National Trust to contribute to the cost of replacing the fence (currently as assumption of 37.5% has been adopted based on a probability weighting) (2017: 37.5%).

Effectively the calculation estimates the costs each year in the future then discounts the cost back to 30 June 2018 to reflect what the final cost will be in today's dollars.

The estimate cannot take into account expected dedicated future funding to this liability so the net costs to the organisation are likely to be lower. It is expected that some of Trust's investment portfolio will be used to fund the pre-1995 fencing liability.

Sensitivity analysis

Variable	Change	2018	2017
Net Discount rate	+1%	-\$1.7m	-\$0.6m
	-1%	+\$5.2m	+\$1.2m
Fencing assumption	+20%	+\$3.2m	+\$3.7m
	-20%	-\$3.2m	-\$3.7m
Cost per metre	+15%	+\$0.9m	+\$1.0m
	-10%	-\$0.6m	-\$0.7m

A percentage increase/decrease in any of the variables above would result in the following:

- * a decrease/increase in the pre-1995 Fencing provision liability
- * a decrease/increase in the covenant's expenditure
- * a decrease/increase in equity

for the amount indicated in the table above.

13. Related party transactions

During the year ended 30 June 2018, the National Trust made no further payments to High Peak Partnership. In 2017 the National Trust paid \$15,141 to High Peak Partnership which was a contribution to the fencing costs surrounding two new covenants. The National Trust Chair, James Guild, is a partner in High Peak Partnership.

There were no payments to or receipts from related parties during the 2018 year.

14. Events after balance date

In July 2018, the final settlement funds for two large bequests were deposited to National Trust bank account. These funds totalled \$315,021 and they have been accrued into the 30 June 2018 financial statements.

Subsequent to 30 June 2018, the National Trust signed a contract to rebuild a track on a National Trust owned property at Mokotahi Hill in the Gisborne area with the work expected to be completed by December 2018. The value of this contract is \$126,000 (excluding GST).

In addition, a National Trust owned property called Tokotea near Gisborne was offered back to the gifting family and this property was transferred back to the gifting family on 8th August 2018.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF QUEEN ELIZABETH THE SECOND NATIONAL TRUST'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

Opinion

We have audited the financial statements of the Trust on pages 24 to 36, that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies; and

In our opinion:

- the financial statements of the Trust on pages 24 to 36:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2018; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards with disclosure concessions.

Our audit was completed on 24 September 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Directors and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

Basis for our opinion

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

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

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

Responsibilities of the Directors for the financial statements

The Directors are responsible on behalf of the Trust for preparing financial statements that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Directors are responsible for such internal control as they determine is necessary to enable them to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible on behalf of the Trust for assessing the Trust's ability to continue as a going concern. The Directors are also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Directors intend to wind-up the Trust or to cease operations, or have no realistic alternative but to do so.

The Director's responsibilities arise from the Crown Entities Act 2004 and section 32 of the Queen Elizabeth the Second National Trust Act 1977.

Responsibilities of the auditor for the audit of the financial statements

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

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

For the budget information reported in the financial statements, our procedures were limited to checking that the information agreed to the Trust's 2017/18 Budget.

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

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

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Trust and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Directors are responsible for the other information. The other information comprises the information included on pages 2 to 23, but does not include the financial statements, and our auditor's report thereon.

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

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

Independence

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

Other than in our capacity as auditor, we have no relationship with, or interests, in the Trust.



David Borrie
Ernst & Young
Chartered Accountants
On behalf of the Auditor-General
Wellington, New Zealand



QEII NATIONAL TRUST

Ngā Kairauhi Papa | Forever protected

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