

QUEEN ELIZABETH II NATIONAL TRUST **ANNUAL REPORT 2019**



QEII **NATIONAL TRUST**

Ngā Kairauhi Papa Forever protected

ANNUAL REPORT 2019
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.

BOARD OF DIRECTORS

Chair James Guild, Gina
Solomon, Donna Field, Michael
Legge (no longer a Director as
of March 2019), Bruce Wills,
Sue Yerex, Graham Mourie
(elected as Director from
March 2019).

CHIEF EXECUTIVE

Mike Jebson T 04 472 6626

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Patron Her Excellency

The Rt Hon Dame Patsy Reddy
GNZM QSO DStJ

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behalf of the Auditor-General

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COVER: Mulligan's Waipori Covenant located on Waipori Station in Otago's hinterland.
Credit Stephen Jaquiere, Chief Photographer for the Otago Daily Times.

Pāmu (Landcorp Farming Limited) have named this area in honour of Graeme Mulligan, a long serving employee who has worked for the company for over forty years. Adjoining Te Papanui Conservation Park, this diverse 1,306-hectare covenant is largely covered in snow tussock with deeply incised streams, shrublands, several different types of wetlands and unique schist rock outcrops and is protected from grazing. The area is home to several threatened plant and animal species including New Zealand pipit, Eastern falcon, dusky galaxias and *Carex longifructus*.

Pāmu is a state-owned enterprise farming over 155,000 hectares (effective) nationwide and has 204 covenants over 8,953 hectares.

BELOW: Canopy epiphytes in a covenant block in a tawa, mangeao, rewarewa forest in the North Island.



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Our members and covenantors continue to lead and inspire through their actions and commitment to conservation on privately owned and Crown leasehold property, and we are proud to be at the forefront

of conservation in the 70% of New Zealand that is under private ownership.

This year was a year of evaluating and building for the future and we were pleased to work with the Minister of Conservation and the Department of Conservation in commissioning an external review of the QEII National Trust. This review interviewed landowners, members, stakeholders, QEII staff and reps and the board and produced the "Future Opportunities report". We endorse the recommendations contained in the review and look forward to building on the great work we are already doing and to implementing recommendations to take QEII to the next step of our growth, as funding allows.

While we always work with landowners wherever possible when a dispute arises, there are some situations where we are left with little choice but to uphold the intent and letter of the covenant in the courts. Following on from our success in the Supreme Court last year, we found ourselves again fighting in the High Court to uphold a covenant against a new landowner who was seeking to expand a quarry into an adjacent covenant. The High Court has ruled strongly in our favour, but as with previous legal challenges we expect this may not be the end of the matter and the board and I will continue to defend the integrity of our covenants.

We continue work to embed our new branding and raising the profile of the work we do with landowners to protect some of our most precious and rare biodiversity. We have recently installed a significant interpretation signage project about the 53,000 ha Mahu Whenua covenants. This installation is in the old police cottage in Arrowtown - the gateway to the four covenants that comprise Mahu Whenua. We were also pleased to host the Minister of Conservation, Hon. Eugenie Sage for a field trip to Mahu Whenua. The goal for the day was to expose the Minister to QEII's role in coordinating the many agencies involved in the rehabilitation, science and recreation taking place on the vast and complex properties and to introduce the key stakeholders connected to Mahu Whenua.

We concluded our work on the Queens Commonwealth Canopy this year with a final dedication to the QCC - a 56ha native bush block in Redvale, Auckland. For the final dedication we held an event where we were privileged to host the Duke and Duchess of Sussex as part of their New Zealand tour in October 2018. The event was an opportunity for us to showcase the work we do on an international stage

with unprecedented media coverage of the event. We were delighted to be able to share this special event with a small number of covenantors, a local school, and Trees for Survival, a community group involved in revegetation planting. This event continued a long tradition of Royal visits for QEII, and we hope to continue this into the future.

We continue our support landowners with stewardship of their covenants through the Stephenson Fund resulting in \$276k being distributed to landowners in 2019. This was an increase on previous years Stephenson Fund allocation as we agreed to allocate additional amounts to the fund after receiving a generous bequest from an estate.

Funding from the Government for QEII's main business of covenanting land has not increased since 2015. Despite no increase in funding, our costs in terms of fencing, surveying, monitoring an increasing number of covenants, (including over 550 new covenants in the last five years) legal fees, rents and staff costs, continue to rise. This has resulted in us needing to draw on our own equity to finance our core activities. This is not a sustainable model for QEII and one which we hope to work with the Minister of Conservation to address in the near future.

The 2019 financial statements show a \$3.79m deficit for the year ended 30 June 2019. It is important to note that \$3.4m of this deficit is a non cash adjustment and is primarily due to the movement in the revaluation of the pre 1995 fencing liability. The pre 1995 fencing liability relates to a clause that was common in early covenant agreements (we ceased including this clause in covenants in 1995) which obliges QEII to contribute towards the cost of future covenant fence replacements forever. That obligation is calculated as a liability by using the average cost of new fencing, and includes factors like projected inflation rates, discount rate and a probability weighting of uptake. This revaluation is based on a roll-forward valuation prepared by Deloitte (taking factors such as the discount factor into account) and has resulted in a \$3.45m increase in the liability and a corresponding increase in covenant expenditure for the 2019 year. Clearly, the current methodology is creating aberrations that do not reflect the true financial situation of the Trust and we will be completing a full actuarial valuation of 1995 fencing provision in the next financial year.

Our board has two elected positions, which are up for election every three years. I am pleased to relay that earlier this year members of the QEII National Trust elected Donna Field and Graham Mourie to serve as Directors on the QEII Board. The election result sees us farewell Michael Legge after serving a three-year term on the board. During his time, the Trust benefited from his experience and academic robustness, passion for conservation and knowledge of environmental policy. On behalf of the board I want to extend our thanks to Mike for his contribution to protecting biodiversity on private land in New Zealand.

We also bid farewell to Mike Jebson as Chief Executive of the Trust. Mike leaves QEII after six years as CE to pursue a lifestyle change. During his time as CE, QEII has blossomed into a stronger, more respected and recognised organisation with strong teams both on the regional representative front and in head office based in Wellington. On behalf of the board I want to extend our thanks to Mike for his commitment to the Trust and his contribution to partnering with landowners to protect biodiversity on private land in New Zealand.

The QEII board and I welcome Dan Coup as the new Chief Executive of QEII. Dan brings a breadth of primary sector experience with him and we are looking forward to working with Dan, and our members on the exciting future of the Trust.

James Guild
CHAIR





I'm delighted to report QEII continues to grow the area of privately protected land in New Zealand at a rate of two new covenants a week with 111 new registered covenants this year.

These new covenants protect an additional 3,580 ha and secure some of our most precious wetlands, forests and add to the over 4,600 covenants already in place across 11 islands of New Zealand.

Our Board of Directors is made up of 4 Ministerial appointed trustees, and two board Directors elected by QEII members to represent your interests. This year we had a lot of interest from covenantors with 11 strong candidates standing for election for the two available positions. The strength and size of the field reflects our strong and growing membership and interest in our work. We were pleased with the voter turnout.

Members have re-elected Donna Field for a second term and Graham Mourie to serve his first term as Directors on the QEII Board. Both candidates will serve a three-year term, effective from March 2019, meaning our next election for board directors will be in early 2022. I wish to thank our outgoing Board member Mike Legge for his services and contribution to the Board during his term as a director.

Our work advocating for the recognition of covenantor efforts through rates remissions and exemption and other council support continues at a national level. We have developed a QEII national rates remission policy based on what we think is best practice application of rates on protected land. Our policy outlines that protected land should not be rateable, or should at the very least be eligible for rates remission. The inconsistency of the way rating legislation is applied around the country fails to support an overarching system to recognise the contribution landowners make to protecting and enhancing our biodiversity. We have launched an engagement campaign with Ministers and local authorities to promote our policy and advocate for the contribution our landowners make to protecting biodiversity to be recognised through either rates remission or rebate.

I am pleased to see the Government discussion document on a proposal for a biodiversity strategy for Aotearoa New Zealand identifies implementing a consistent national approach to rates relief for covenanted and other protected private land as an immediate priority action.

QEII has also been working closely with central government on several key documents including the discussion document about the Biodiversity strategy,

the National Policy statement on biodiversity, the response to kauri dieback and the proposed changes to the management of Crown pastoral lease land. We see bringing a QEII perspective to the work of central government as a growing and important role for the QEII National Trust and we have invested in our capacity to do more here. This is an opportunity to recognise the important role private land and landowners can play in supporting nationwide objectives.

Earlier in the year I attended an international Workshop in the Baltic Sea as part of an IUCN and World Commission on Protected Areas Specialist group. It is very pleasing to report that New Zealand is only second to the USA internationally in having the most privately protected area despite having one of the lowest levels of financial support for the efforts of landowners to protect private land. This says a lot about kiwis as kaitiaki of their land.

A focus for this year has been our QEII properties and ongoing work on them. We remain heavily involved in an ongoing resource consent process for a housing development in the catchment of the QEII owned wetland Taupō Swamp. As part of this work we have engaged experts and are pleased to report that our work has resulted in the Greater Wellington Regional Councillors recommending that the wetland be classified as 'Outstanding' after consideration of QEII evidence submitted during the Natural Resource Plan process. This has been a significant piece of work for the QEII team over several years and will help with ensuring the protection of this wetland in the face of development pressures.

This will be my last Chief Executive's report as CE of QEII. In my six and a half years at the helm I have seen major growth in areas protected, a much greater professionalism and increased recognition for the work we are doing in partnership with our members. I am proud of my time at QEII and will continue to keep abreast of QEII activities as a covenantor and member of the Trust. I would like to thank the QEII board, staff, reps and volunteers for their ongoing commitment to and support for the protection on privately owned land, and last but not least, I want to thank and acknowledge our members and covenantors – your vision and commitment is leaving a legacy for future generations to enjoy. Ngā mihi nui.

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, and other values 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.

We were formally established by farmers as a registered charity and independent statutory organisation in 1977. We are headed by a board of directors with a mix of directors appointed by the Minister of Conservation and elected from QEII membership. We have around 20 people in our head office in Wellington – this team covers legal, ecological advice, health and safety, finance, communications and policy, and coordinates nationwide activities. We also have 27 Regional Representatives nationwide.

Our annual operating budget is approximately \$6 million, of which approximately 80% is government funded 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.

Partnering to protect land

Almost 70% of New Zealand is in private land ownership, meaning that protecting biodiversity on private land is critical to reversing the decline of indigenous biodiversity. Much of this land is located in lowland areas where the biodiversity losses have been immense.

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

Over 4,000 indigenous species in New Zealand are threatened with, or at risk of extinction. Some of our most threatened animal and plant species depend on privately owned land for survival. QEII covenants protect critically endangered species including long-tailed bats, limestone cress, koheriki and Canterbury pink broom. Our partnerships with private landowners protect these precious taonga.

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

This year we registered 111 new covenants to protect 3,577.4 ha. We have also approved a further 105 covenants that will protect 4,275 ha once registered.

PHOTO: Malcolm Pullman

Covenanting numbers

111 New registrations
3,577.4 ha protected this year

New proposals approved
105 (4,275 estimated ha) will be protected

4,608
Total registered covenants

187,202 ha
Total area (approved and registered covenants
and formal agreements)

Prioritising protection

There are four National Priorities that we use to guide the prioritisation of proposals that we can progress towards covenanting in any given year. Our MoU with the Minister of Conservation also requires that 90% of approved covenants 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 110 new covenants, plus or minus 20. QEII approved 105 covenants in the 2018/19 year and 99% of these met one or more of the National Priorities. Here is the breakdown of national priority areas covered by our new approvals this year:

36% 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.

30% 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.

14% National Priority 3: Protects indigenous vegetation associated with 'originally rare' terrestrial ecosystem types not already covered by priorities 1 and 2. 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.

97% National Priority 4: Protects habitats of New Zealand's most threatened indigenous species of plants and animals. The threat status of threatened native species are determined by specific criteria in the New Zealand Threat Classification System lists created by the Department of Conservation.

Of the 105 covenants approved in the 2018/19 financial year, 70% also added to a protected corridor/landscape by being contiguous with a protected area or by adding value to a landscape where protected areas are sporadic.

In addition to protecting biodiversity values identified by the National Priorities, we also protect areas with other special values. Nine covenants were approved during 2018/19 because of their cultural, educational, landscape, or recreational values. These special sites are protected with a covenant deed tailored to their unique values.

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 in these areas are also considered important.

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 proposed protected area. 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.



Protecting the land, forever

Land that is protected by QEII covenant remains in the ownership of the landowner and they are responsible for complying with the conditions set out in the covenant. Our regional reps provide advice to landowners to support stewardship of their protected lands.

QEII is a statutory trustee of all of our registered covenants. In this role, we monitor covenants every other year to check on the condition of the protected values and discuss any threats and 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 guidance where sought or needed.

A small number of monitoring visits find gaps between what is required in the covenant agreement and what is happening on the ground, negatively impacting the values that are protected. In these instances, we work with the landowner to find the best solution.

In 2018/19 we monitored 1,972 covenants and found issues in 215 covenants that required attention. Additionally, we resolved issues requiring attention in a further 56 covenants.

Summary of monitoring results:

1,972 **covenants**
monitored this year

86% **had no issues**
requiring attention

215 **visited covenants**
require attention

56 **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 in honour of Gordon and Celia Stephenson, who were visionaries and founders of QEII and the first people to register a QEII covenant on their property.

In the 2018/19 financial year, QEII received 68 applications, collectively requesting \$500,000. QEII, through The Stephenson Fund, was only able to either provide full or partial funding towards 50 projects, up to a total of \$276,000, with covenantors and other stakeholders committing a further \$421,000. The collective project expenditure committed to these projects totalled \$697,000. It has been very rewarding to be able to support and encourage landowners who are enhancing their covenant's open space values.

A review of the past four rounds of The Stephenson Fund was undertaken in mid-2019 which looked at the funds objectives, effectiveness and processes. The review found that the fund had strong support and aligned well with our strategic plan. Looking forward, clear fund objectives and priorities will be developed to guide future rounds.

Summary of what was funded in round four of The Stephenson Fund:

PROJECT TYPE	Number of projects funded	Funding approved
Fence upgrade	3	\$31,197
Hardship application	8	\$60,869
Pest animal control	11	\$44,981
Restoration	6	\$26,684
Specialist advice	1	\$10,000
Visitor facilities	4	\$25,590
Weed control	17	\$76,679
TOTAL	50	\$276,000

Working with others

We work closely with many individuals committed to protecting and enhancing New Zealand's landscapes and biodiversity. The engagement, practical support and advice received from others is crucial for the protection and enhancement of protected places on private land.

Our partners include some regional and district councils, the Department of Conservation, Land Information New Zealand, Ministry for Primary Industries, Heritage New Zealand, Crown Research Agencies, Pāmu New Zealand, Native Forest Restoration Trust and many other national and local environmental NGOs, groups and organisations.

This year we received assistance for biodiversity protection from local and regional councils, Lottery Environment and Heritage Fund, Kauri Dieback Private Community Engagement Fund and Kiwis for kiwi.

Year one of the three-year Cape Turnagain Whangāehu Cliffs Project was also completed this year. This project is in partnership with the Lottery Environment and Heritage Fund, Hawke's Bay Regional Council, Horizons Regional Council and the landowners and aims to help restore the coastal vegetation present, control pest plant and animal species, and community education.

Kiwis for kiwi has also been key in funding predator control for the Sandy Bay Kiwi project. The Kauri Dieback Private Community Engagement Fund facilitated a capacity building workshop with our North Island regional reps which operate within the natural kauri range. This fund also helped to relocate a public walking track at our Dunn's Bush property away from a stand of kauri.

We also collaborate with universities and research organisations to promote science that will benefit conservation on private land. The QEII Athol Patterson Bursary helps support students at Massey University who demonstrate a commitment to environmental studies and sustainable farming practices. Luke Spring was this year's recipient, Luke has a keen interest in soil health and sustainable farming practices.



FROM TOP: Hinds School children at Harris Wetland

QEII Athol Patterson Bursary recipient Luke Spring

Cutting the ribbon at the new Mokotahi Hill track opening

A • Arrowtown Business and Promotion Association • Arrowtown Village Association • Arrowtown Wilding Group • Ashburton Branch of Forest and Bird • Ashburton Community Conservation Trust • Ashburton District Council • Auckland Council • Awhitu Landcare • Ayla Wiles • **B** • Balance Farm Environment awards • Bay of Plenty Regional Council • Biodiversity Northland • Brian Rance (DOC Southland) • **C** • Canterbury Botanical Society • Canterbury University • Carterton District Council • Christchurch City Council • Clea Gardiner (Kiwis for Kiwis) • Clyde Community Nursery • **D** • David Brailsford, French Farm • Dayna Davies • Department of Conservation (DOC) scientists and species specialists • Department of Conservation (Hauraki and Coromandel Districts), • DOC Funds Team • DOC GIS team • DOC Kaipara Coast • DOC Mahaanui Field Base • Dr Brian Molloy, • Dr Nick Singers (Ecological Solutions Ltd) • Dunedin City Council • **E** • East Taranaki Environment Trust • Environment Canterbury • Environment Southland • Estate of G Filer • Estate of M Irvine • Estate of S Natusch • Estate of T Irvine • **F** • Far North District Council • Fish and Game NZ • Forest and Bird nursery, Wellington • Forest and Bird • Forest Bridge Trust, • Friends of Kew Bush • Friends of Mokotahi Hill • Friends of Taupō swamp & Catchment • Friends of Te Mata Park • **G** • Gisborne District Council • Greater Wellington Regional Council • **H** • Haehaeata Natural Heritage Trust – Central Otago • Hauraki-Coromandel Predator Free Community Trust, • Hawke's Bay Botanical Society • Hawke's Bay Regional Council • Heritage NZ Pouhere Taonga • Hester Williams (PhD Candidate - Auckland University) • Hilton Ward • Horizons Regional Council • **I** • Ian and Sandy Page • Ian Mitchell (Kauri Dieback Programme) • Invercargill City Council • **J** • Jeremy Rolfe (NZPCN) • Jim Campbell (Ducks Unlimited) • Joe Cribbens (Defend NZ) • John Barkla (DOC Otago and Southland) • Julia Brady • **K** • Kaipara District Council, • Kāpiti Coast District Council • Karen Grammer (Northland Regional Council) • Kate-Loman Smith (Forest and Bird Tauranga) • Katrina Hansen (Northland Regional Council) • Kerikeri Shadehouse Volunteers • Kevin Jones, • Kim Parker (Waikato Regional Council) • Kiwi Coast Think Tank • Kiwis for kiwi • **L** • Lakes District Museum (Arrowtown) • Land Information New Zealand • Laura Shaft (Northland Regional Council) • Lincoln University • Lindsay Gow (Guardians of Pauatahanui Inlet) • Lisa Forester (Northland Regional Council) • Lottery Grants Board • Lynne Butler • **M** • Mahakirau Forest Estate Society • Manaaki Whenua - Landcare Research • Mark Dunn • Massey University Scholarships Committee • Masterton District Council, • Mid and South Canterbury Community Trust, • Moehau Environment Group • **N** • New Plymouth District Council • New Zealand Native Forest Restoration Trust • New Zealand Plant Conservation Network • Ngai Tahu • Nic Caviere Delzescaux • Nigel Miller (DOC Whangarei) • Northland Regional Council • Northshore Riding Club • NZ Landcare Trust • **O** • Otari botanical gardens • Otatara Landcare Group • Otatara Pestbusters Group • **P** • Pete Graham (Northland Regional Council Biosecurity Team) • Peter de Lange (Unitech Institute of Technology) • Pourakino Catchment Group • Predator Free Hauraki Coromandel Community Trust • Predator Free New Zealand • Predator Free Plimmerton • Project Kiwi • **Q** • Queen Alexandra's mounted rifles • Queen's Commonwealth Canopy initiative • Queenstown Climbing Club • Queenstown Lakes District Council • Queenstown Trails Trust • **R** • Rodney Straka (Scrubgrowers Ltd) • Rolf Fuchs – (DOC Whangarei Office) • **S** • S.W.A.T Tutukaka • Sarah Ongley - Barrister • Sean Holland - Armourguard • Selwyn District council • Sinclair Wetlands Management Group • South Canterbury Conservation Trust • South Invercargill Lions Club • South Taranaki District Council • Southern Ecological Restoration Network • Southern Institute of Technology • Southland Community Nursery • Southland District Council • Southland Fish and Game • Staveley Bush Presbyterian Church camp volunteers • Stewart Island Rakiura Community Environment Trust • Stratford District Council • Sustainable Business Network's Million Metres Stream project • **T** • Tahi Nursery Team • Taranaki Fish and Game • Taranaki Regional Council • Tararua District Council • Tawapou Nursery • Te Whakaoraka • Thames Coast Kiwi Care Group • Thames-Coromandel District Council • The 2nd Engineer Regiment • The Dunns Bush trapping volunteers • The Wildside project Banks Peninsula Conservation Trust • Timaru District Council • Tinui ANZAC trust • Trevor Lund • Tutukaka Landcare Coalition • **U** • University of Otago • **V** • Vertigo Weedbusters • **W** • Waiau Trust • Waikato Biodiversity Forum • Waikato Regional Council Environment Initiative Fund • Waikato Regional Council • Waikato River Authority • Waikato Weedbusters • Wairarapa Federated Farmers • Wairarapa Forest and Bird • Waitaki District Council • Walking Access Commission, Weedbusters NZ • Wellington City Council • Wendy Holland • Whareama school • Whenuakite Kiwi Care Group • Wild For Taranaki

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

The Queen's Commonwealth Canopy Initiative

The Commonwealth-wide, Queen's Commonwealth Canopy (QCC) programme was launched in 2015 to mark Queen Elizabeth II's long reign and service to the Commonwealth at the Commonwealth Heads of Government Meeting in Malta. QEII National Trust was chosen as the New Zealand partner of the programme, which aims to improve the protection of forests throughout the 53 member countries. One million dollars of grant funding spread out over three financial years was provided to us to assist with this initiative. On the 15 October 2018 the Covenant Programme came to an end after running successfully for 30 months.



Programme objectives

The programme aimed to deliver at least 40 QCC forest covenants over the 30 months. To be eligible, sites had to comprise either primary, or advanced secondary forest with a closed canopy and covering at least 3 hectares in size.

In addition, QEII also required that 100% of the QCC covenants would meet at least one or more of the four national (NZ Government) priorities for biodiversity protection on private land.

Programme results

Over the course of the 30-month programme, QEII approved the protection of and dedicated 43 forest blocks to the QCC which is more than any other participating commonwealth country both in terms of total number and diversity of forest types that are protected. So far 32 have been formally registered following fencing and survey.

These 43 blocks collectively protect 2,766 hectares of native forest ranging in size from 3.7 to 613 hectares respectively with the average size of at 64.3 hectares. All of these meet at least one of the four national priorities for protection of biodiversity on private land.

The first QCC covenant to be announced in 2016 was at the Mt Terako property owned by Sue and Peter Turnbull to protect 392 hectares of high-country beech forest, sub-alpine scrub

and shrubland in the Seaward Kaikoura range. It is home to native birds including kea, kaka and falcons.

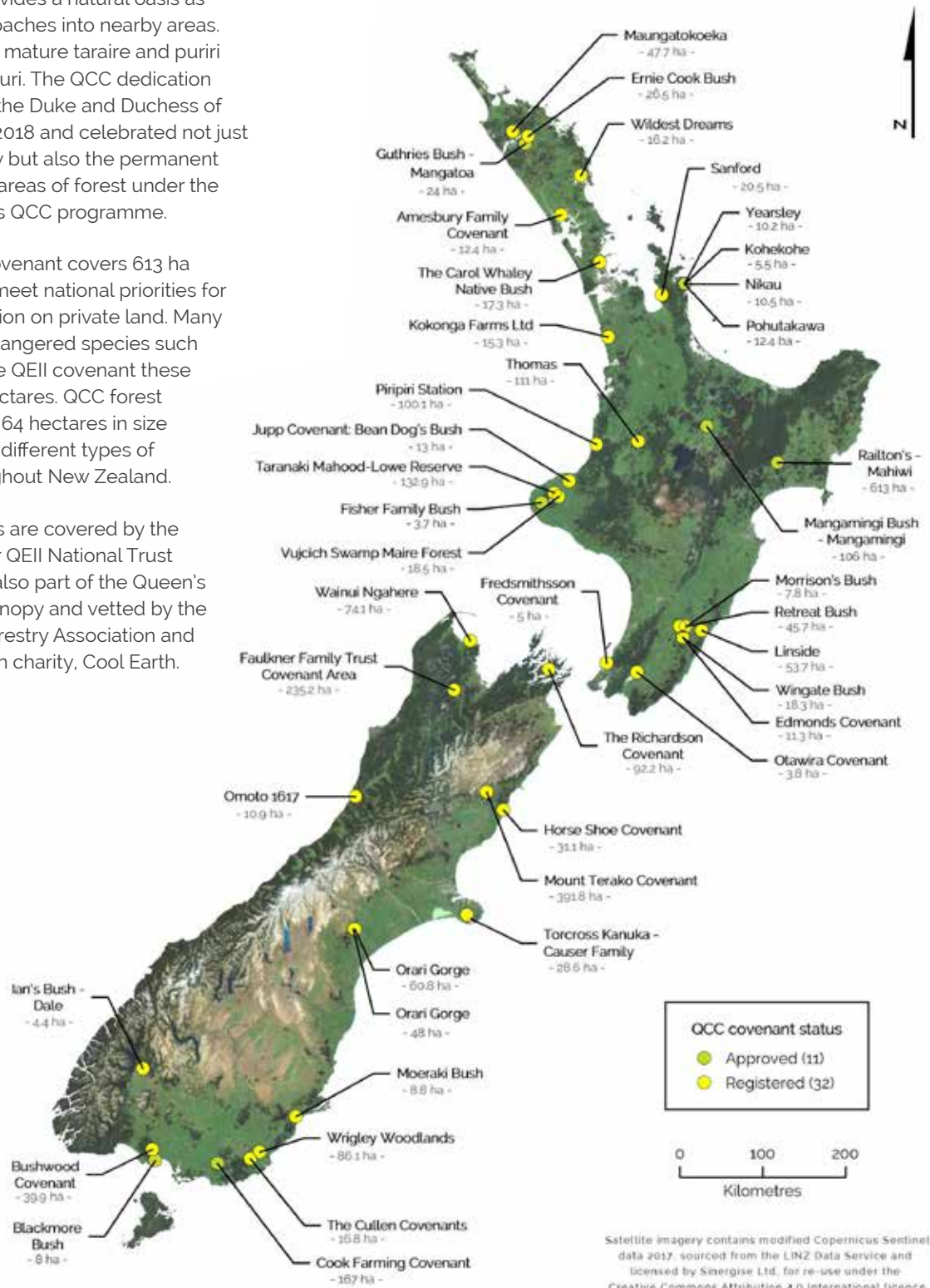
The last covenant to be dedicated to the QCC programme was The Carol Whaley Native Bush. The 93-hectare property has been owned by the riding club for over 40 years and the protected lowland forest and kākūka on the property provides a natural oasis as development encroaches into nearby areas. The forest includes mature taraire and puriri as well as young kauri. The QCC dedication was performed by the Duke and Duchess of Sussex in October 2018 and celebrated not just the Albany property but also the permanent protection of all 43 areas of forest under the QEII National Trust's QCC programme.

The largest QCC covenant covers 613 ha and all the forests meet national priorities for biodiversity protection on private land. Many are habitats for endangered species such as kiwi. The average QEII covenant these days is about 38 hectares. QCC forest covenants average 64 hectares in size and they represent different types of native forest throughout New Zealand.

The QCC covenants are covered by the usual conditions for QEII National Trust covenants but are also part of the Queen's Commonwealth Canopy and vetted by the Commonwealth Forestry Association and rainforest protection charity, Cool Earth.



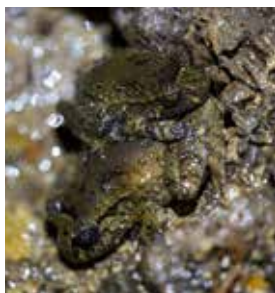
Queen's Commonwealth Canopy (QCC) Covenants



EXAMPLES OF NEW PROTECTION

Waipu Cove, Northland – “KauriKrest”

Darien and Michael Angelo have lived on a small, prominent knoll above Waipu Cove in Northland for close to 30 years, developing a substantial garden and looking after five hectares of bush, featuring majestic kauri and rimu marching down towards the valley and a bush-clad stream.



*TOP: Shaded rocky
bottomed stream*

*ABOVE: Hochstetter's frogs –
Photo credit:
Malcolm Pullman*

With a move home to Maungatapere on the horizon, having treasured this small forest, they recently decided it was time to formally protect it with a QEII covenant.

The Angelos have cared for the property, kept their grazing animals out of the bush and also maintained pest control traps. These actions have helped retain a diverse and dense understorey and groundcover. A thick, healthy leaf litter also helps reduce the speed of water as it runs off and retains the soils on the hill.

At the bottom of 200 steps, large puriri, taraire, kohekohe and kānuka shade a rocky-bottomed stream ensuring cool, clear water with minimal sediment - a great environment for macroinvertebrates and fish.



Threatened species present in the forest include giant maidenhair fern (At Risk - Relict), maire and mānuka (At Risk - Declining), kauri, kānuka and climbing rātā (Threatened - Nationally Vulnerable). Their protection here meets Priority 4 of the National Priorities for Protecting Rare and Threatened Native Biodiversity on Private Land. The wider area is a known habitat for Hochstetter's frogs (At Risk - Declining), further increasing the importance of protecting these forest areas around waterways.

It is also part of a cluster of 12 adjoining covenants that together provide important linkages and habitats on the edge of the Brynderwyn Range.

The covenant is named 'KauriKrest' after a kauri-dominated knoll in one part of the forest.

Sensitive to the issue of kauri dieback, Darien and Michael are also in the process of installing signage and boot cleaning facilities at a gate on the edge of the private walking track into the bush.



RIGHT: Young Kauri



North Taranaki – Burnside covenant

Pat Burnside has a clear passion for the old growth forest that covers most of his property near Urenui, in Taranaki. Having received numerous offers for the rights to harvest large podocarps from the forest, he had growing concerns that in future, when he no longer owned the property, the majestic old trees would be felled for monetary gain.

With support from QEII National Trust and New Plymouth District Council, Pat and his partner Raewyn have achieved their vision to protect 372 hectares of forest in perpetuity, ensuring the podocarp trees can never be milled, nor the forest cleared. Permanent fencing has recently been completed around the forest edges, thanks to a huge effort from Pat's neighbour who is also a QEII covenantor.

The covenant protects a series of ridges, towering sandstone cliffs and numerous stream systems. Fossilised seashells are easily seen in the stream gullies, evidence of the area's geological history. Emergent rimu, mataī, miro and tōtara are scattered as far as the eye can see. These old trees tower above a dense canopy and diverse understorey. Stream waters run clear and native fish are readily observed in the rocky stream beds.

By registering a covenant to protect the forest forever, Pat has significantly increased protected habitat for threatened species including North Island brown kiwi, long-tailed bats and bush falcon. Taranaki Regional Council has developed a biodiversity plan and will provide support for predator control to further protect these special taonga. The covenant is also home to *Brachyglottis turneri* - a nationally endangered cliff-dwelling daisy found only in isolated Taranaki locations.

Pat gets great pleasure knowing he has protected the "closest untouched block of podocarp forest to New Plymouth and the only privately-owned block near the coast that has never been logged".

This covenant meets priority 3 and 4 of the National Priorities for Protecting Rare and Threatened Native Biodiversity on Private Land.

FROM TOP: Emergent rimu towering over the Burnside covenant and QEII North Taranaki Regional Representative Neil Phillips

Landowner, Pat Burnside

Brachyglottis turneri - a nationally endangered cliff-dwelling daisy found only in isolated Taranaki locations. Credit - Jeremy Rolfe

Burnside covenant overview

Canterbury – The Galloway Wetlands

Craig and Lyn Galloway bought their farm in 1986 on the south bank of the North Branch of the Ashburton River. When they purchased the property, all paddocks had been developed except for the wetland paddock which remained uncultivated.

Craig and Lyn applied to the Ashburton Water Zone committee for a grant to expand their successful riparian planting programme to the margin of a stream and man-made pond. They were initially surprised, then delighted, when ECan and QEII representatives pointed out the rarity of the unprepossessing spring-fed wetlands in the stony paddock adjacent to the stream and pond. Spring-fed channel wetlands like theirs have virtually disappeared elsewhere on the Canterbury Plains. They decided to place a covenant over the whole six-hectare wetland complex to preserve the relict pre-human vegetation.

The covenant is a rare example of the highly diverse wetland complex and landform created by hydrologically connected springs associated with braided rivers. The wetland ecotone contains a spring-fed mossy fen, bog rush channel wetland, stream, man-made ponds, pukio and kiokio fern swamp, and toetoe marsh.

Even though there is an almost full complement of the expected wetland plant species, some are in perilously low numbers. The Galloway covenant protects the only known mānuka, sphagnum moss and the pink-flowered wetland ladies tresses orchid (*Spiranthes australis*) on the Ashburton Plains. Matagouri and the long-lived rhizomatous shrubby violet, known as a porcupine shrub, have survived on the stony ridges in the covenant but both are rarely encountered elsewhere in the region. The landowners plan to supplement these species with new plants, grown from seed sourced from the local area.

This covenant is one of very few that meet all four National Priorities for Protecting Rare and Threatened Biodiversity on Private Land.

With assistance from QEII and Environment Canterbury, Craig and Lyn have fenced the area and are now focused on weed control, strategic riparian planting, and predator trapping.



ABOVE: Amongst the low-growing sedge-wetland (*Carex flaviformis*) a keen eye can find sphagnum moss, native swamp St John's wort, waioriki/swamp buttercup, the herb centella, and a patch of the pink-flowered ladies tree orchid, all now rarely encountered on the Canterbury Plains.

BELOW: Craig and Lyn Galloway



Dannevirke, Tararua – Te Maunga Farms Limited 'Lord of the Rings' covenant'

Located on a 428-hectare dairy farm just east of Dannevirke is a covenant named Te Maunga Lord of the Rings. This enchanting area holds a lot of meaning to landowners Andrew Hardie and Helen Long who named it after the iconic movies. "When the kids were little, we would take them here and pretend that this was where the films were shot" Andrew remembers fondly.

Limestone cliffs and boulders are the dominant features of the four-hectare covenant which is distinctive in the surrounding landscape and an outlier of the narrow limestone belt that runs up the East Coast from the Wairarapa to Hawke's Bay. Calcareous boulderfields and cliffs are an 'originally rare' terrestrial ecosystem with a threat status of "Vulnerable", and their protection meets Priority 3 of the National Priorities for Protecting Rare and Threatened Native Biodiversity on Private Land. The area has been fenced and retired from dairy cows for a few years which is important for preventing the erosion of the features, and the geology itself has protected remnant vegetation growing on the cliffs and amongst the rocks. The limestone habitat is home to several native species such as glow worms, morepork, lizards and possibly even native bats. In addition to National Priority 3, this covenant also meets National Priorities 1 and 4.

Andrew and Helen plan to further enhance the biodiversity values of the area by planting natives, facilitating natural regeneration and carrying out weed and pest control, while still retaining the aesthetics of the geological features. This work complements other initiatives Andrew and Helen have underway, including the establishment of the Upper Manawatū catchment group. Initiated by landowners, the purpose of this catchment group is to lead the community to monitor, restore, enhance and preserve water quality in the upper Manawatū and its tributaries, while building rural resistance within the changing rural environment.

Andrew and Helen's commitment to farm sustainability was recognised last year when they received the supreme award at the 2018 Horizons Ballance Farm Environment Awards.



ABOVE: Aerial view of the covenant. Credit - Surveying Company Hawke's Bay

CLOCKWISE FROM BOTTOM LEFT:
Limestone boulderfield.

Kowhai growing in and around limestone boulders.

Hardie-Long Family - Andrew, Helen, Katelyn, Callum & Jordan in the 'Lord of the Rings' covenant'. Credit - Andrew Hardie.



Ensuring a sustainable future for QEII – Our people

QEII has steadily grown as an organisation in our 40-year history, and we are now at the point of organisational size and maturity where we are able to report on our people. One of our key strategic goals is to ensure organisational sustainability, and we see our people (both employees and contractors) as the key to achieving the best outcomes possible for the protection of open space values on private land throughout New Zealand. We are also covered by the good employer requirements of the State Sector Act and are pleased to be reporting on our employed staff for the first time in our annual report as part of this requirement.

Our commitment to valuing our people includes:

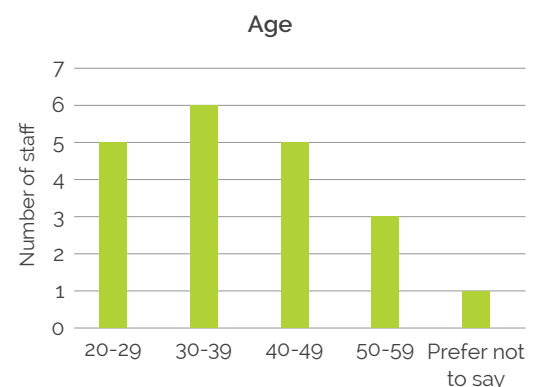
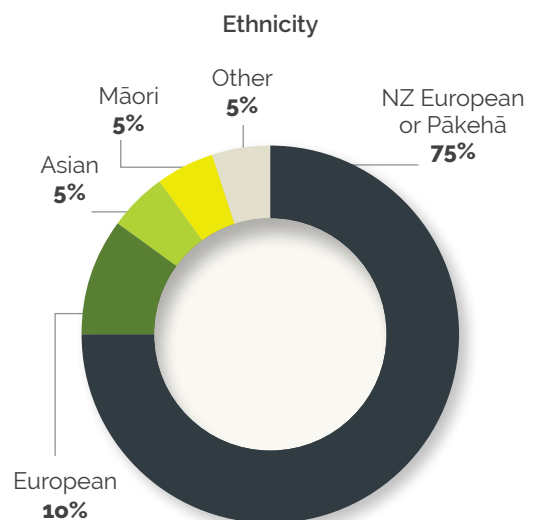
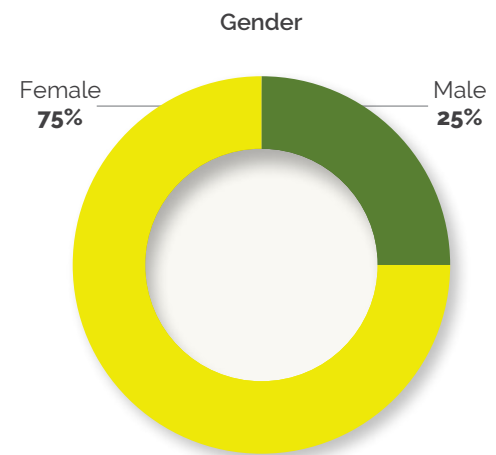
Team culture: In 2018 we ran a 'team culture' development workshop for our head office, and a workshop for all staff and reps at the 2018 QEII conference. Out of this work we have all committed to the QEII charter which maps behaviours and actions we wish to live by in our work. This has been added as a key performance indicator for staff in performance conversations this year.

Leadership and training: We value leadership and training, and in the last year have provided leadership training for 3 out of 4 of our senior leadership team, including a Women in Leadership course for one member. We support our regional reps in upskilling by providing inhouse training and opportunities for peer to peer learning through our regional hubs structure.

Health and wellness: We have implemented health and wellness policies, including a wellness committee which hosts wellness activities for head office staff to partake in as part of the working day. We provide all employees with access to employee assistance programmes as well as an annual Health and Wellbeing allowance to promote healthier living by contributing to the costs of wellness related activities items for employees.

Policies and structures for our employees: We have invested in strengthening our human resource structures and policies this year by undertaking a complete review of our existing policies. We have now agreed a suite of policies and structures that provide the structure for fair and open processes around pay, performance, recruitment, retention, flexible work, disputes and other key policies. We are pleased to see these policies in action this year with all employees having undertaken a performance conversation, we have implemented two flexible working arrangements and have flexibility around options like working from home for the majority of our people.

Wellington head office employed staff statistics

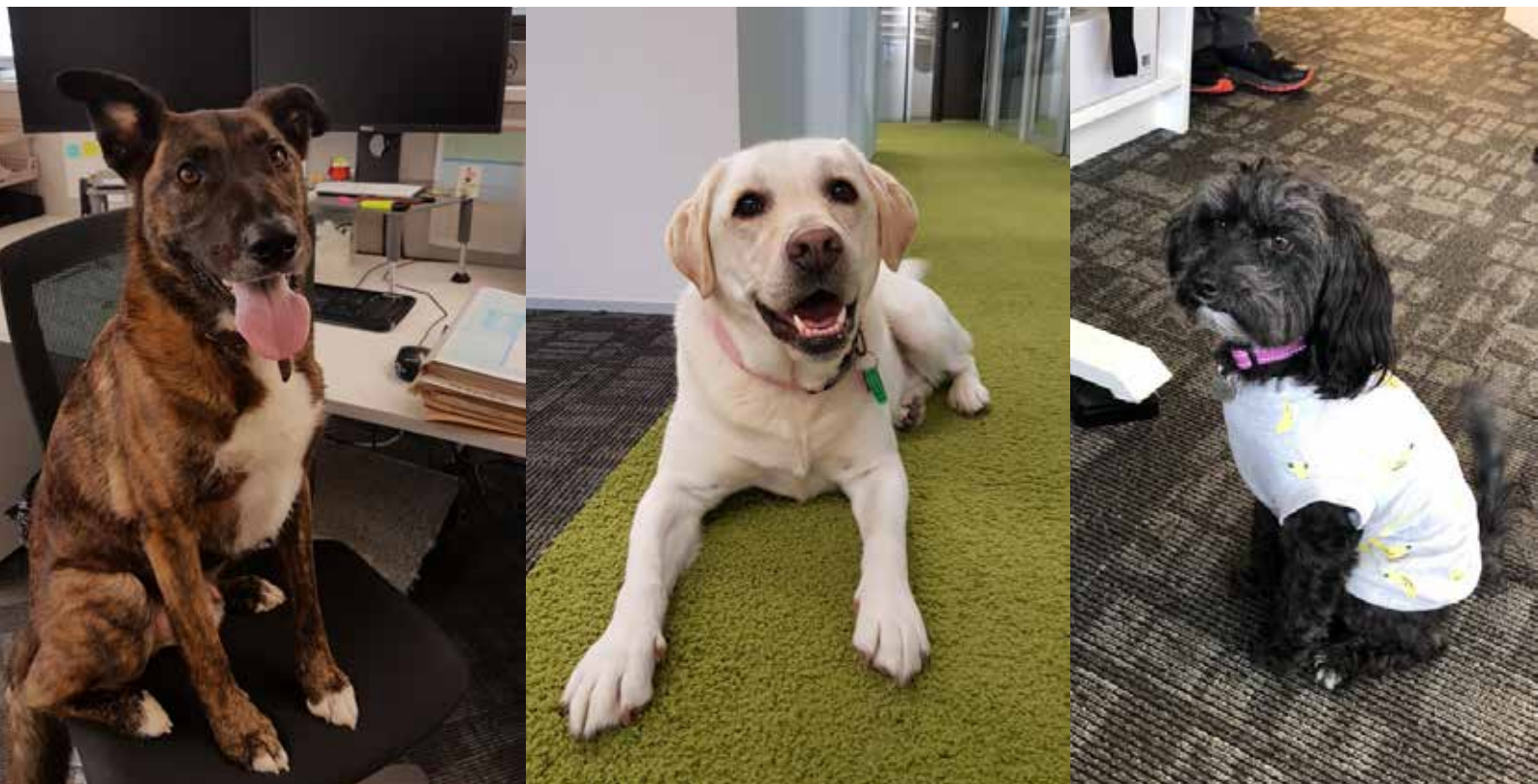


Bringing people on board: Our induction processes have been strengthened and we now have in place a structured induction for all new employees led by our HR team and includes all senior leaders. In addition any newly contracted regional representatives are inducted by our field operations team. Our induction also highlights our health and safety processes. We have broadened our reach by advertising vacancies on social media and have a robust recruitment process supported by an external recruitment agency.

Dog days: We're pleased to report that we are a dog friendly workplace, with Kg visitors to our head office on a regular basis. Anecdotally - morale, fun and general wellbeing in the office is lifted on dog days.

Health and safety: We are committed to ensuring we do everything reasonably practical to provide a safe and healthy working environment for our people. We operate under a robust Health and Safety Management System that addresses the unique risks associated with our geographically dispersed regional representatives as well as office-based head office workers. We are committed to continuous improvement and the progression towards a best practice safety culture. We have established a Health and Safety Committee with elected representation from each of QEII's work groups. Our committee meets quarterly and ensures input from staff, contractors and our board in all matters concerning the safety and wellbeing of our people. We have invested in the training and upskilling of our H&S reps, with all 4 holding qualifications, two have also completed stage 2 training.

*BOTTOM FROM LEFT:
Cyrpus, Gemma
and Messi*



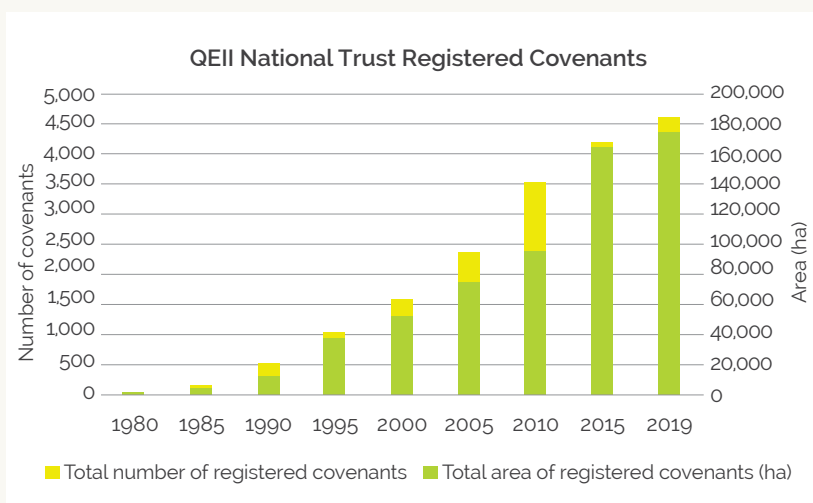
Covenant statistics

Regional Council	Area (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 covenants (ha)**	Total area of registered and formalised covenants (ha)	Largest registered covenant (ha)	Average registered covenant size (ha)	Median registered covenant size (ha)
Auckland	494,162	7	286	293	3,957.3	3,839.9	840.8	12.9	2.9
Bay of Plenty	1,207,050	8	180	188	9,313.6	9,277.8	6,563.5	52.1	3.9
Canterbury	4,450,760	49	343	392	17,154.2	14,105.0	1,679.4	42.3	8.1
Gisborne	838,582	11	139	150	5,192.9	4,435.8	1,103.8	32.1	8.9
Hawke's Bay	1,413,721	8	251	259	11,488.7	10,764.6	4,606.0	43.1	10.1
Manawatu-Whanganui	2,222,059	25	388	413	9,271.2	8,135.9	352.3	21.0	7.4
Marlborough	1,045,765	7	83	90	4,918.5	4,502.2	1,055.7	52.7	6.9
Nelson	42,441	1	18	19	323.1	319.6	139.5	17.8	5.2
Northland	1,250,032	22	727	749	10,628.0	10,222.6	420.6	14.1	3.7
Otago	3,120,863	25	206	231	65,415.3	64,592.5	21,909.6	316.6	8.2
Southland	3,119,495	20	356	376	9,770.8	8,765.3	1,456.6	24.7	8.9
Taranaki	725,436	44	413	457	10,263.3	9,451.6	915.5	23.0	6.1
Tasman	961,623	7	169	176	3,126.8	3,018.6	399.9	18.0	3.9
Waikato	2,389,990	41	647	688	17,680.1	16,856.3	801.6	25.6	6.6
Wellington	804,866	15	346	361	6,356.5	6,164.9	824.3	17.6	4.6
West Coast	2,324,381	10	88	98	2,341.5	1,899.1	202.3	21.6	9.6
All Regions		300	4,640	4,940	187,201.9	176,351.7	-	38.1	5.6

Protected open space	Number	Area (ha)
Registered covenants	4,608	175,426.7
Approved covenants**	300	10,850.2
Formal agreements*	32	925.0
TOTAL**	4,940	187,201.9

* Formalised covenants include landscape protection agreements with a territorial authority (e.g. district council) over land that has no legal title, as well as 14 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



38.1 ha
average registered covenant size

QEII National Trust covenants and Manaaki Whenua Threatened Environments Classification (2012)

95% of registered covenants are
≤100 ha

QEII National Trust-owned properties:

- **26 properties (1,439 ha)**
(14 formalised & 12 registered as covenants).
- **1 license to occupy (85 ha)**

Organisations with the most covenants:

- Pāmu (Landcorp Farming Ltd)
- **204 registered covenants (8,953 ha)**

Public Conservation Land Crown Copyright:
Department of Conservation Te Papa Atawhai [2019]
Threatened Environments Classification 2012 created by
Manaaki Whenua (Landcare Research) and licensed for
re-use under Creative Commons Attribution 3.0 NZ

Northland is
the region with
the largest number of
registered covenants

727

Gisborne is
the region with the
highest proportion of
covenanted land
classed as acutely or
chronically threatened

57%

Taranaki is
the region with
the largest number of
covenants registered
in 2018/19

22

Largest
covenant registered
in 2018/19

1,307ha

Largest
registered covenant

21,910 ha

Highest
altitude covenant
extends to

2,400m
asl

Canterbury
is the region with
the greatest area
of covenanted land
classed as acutely or
chronically threatened

4,214 ha

Otago is
the region with
the largest area of
registered covenants

64,587 ha

Legend

- Registered and approved QEII National Trust covenants
(dots represent locations only and not actual area of
covenanted land)

— Regional Council boundary

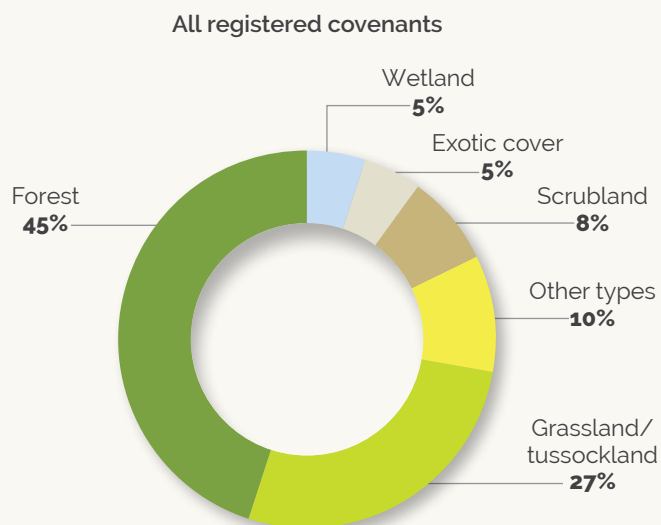
■ DOC Public Conservation Land

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)

0 50 100 200 Kilometres

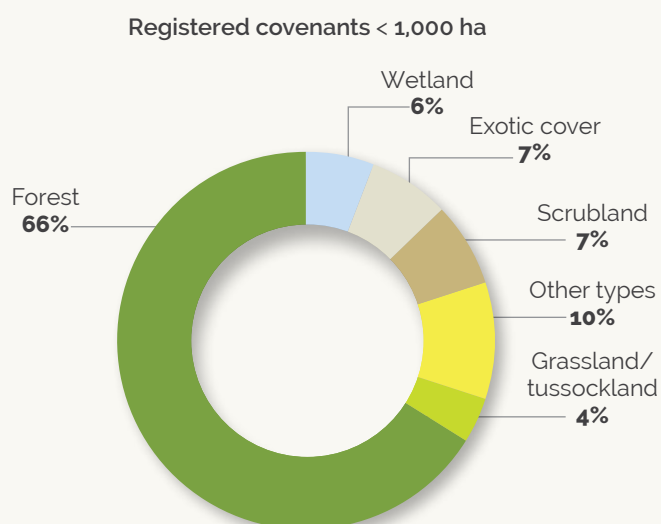
Landcover type



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 43,500 ha) is located in the 17 largest covenants, each over 1,000 ha in size.

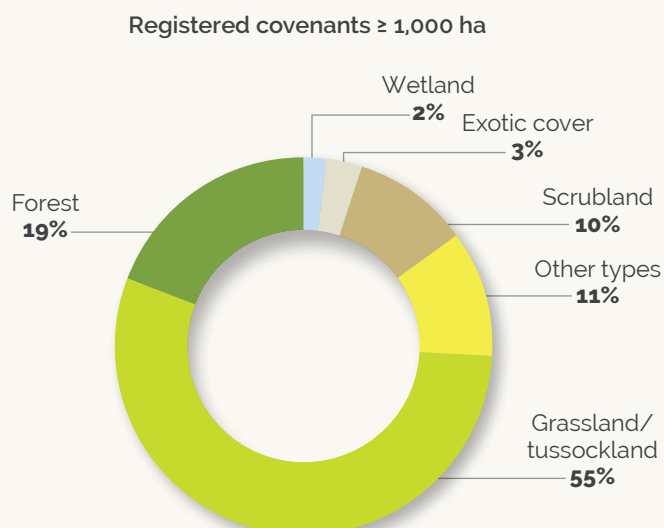
81% of covenanted forest (approximately 65,000 ha) is located in covenants < 1,000 ha in size.



99.6%

of registered covenants (4,591) 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 65,000 ha), spread across all regions of New Zealand
- of the **111** covenants registered in 2018/19, **110** were <1,000 ha, comprising **70%** forest by area (approximately 1,600 ha)



0.4%

of registered covenants (17) 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 43,500 ha)
- most of these large areas of covenanted grassland/tussockland (**99%**) are located in alpine to submontane regions of the South Island

Monitoring Report

	2018/19 Target	2018/19 Actual
Total number of covenants monitored 2018/19		
(includes covenant monitoring visits, compliance visits and fencing inspections)	1,900	1,972

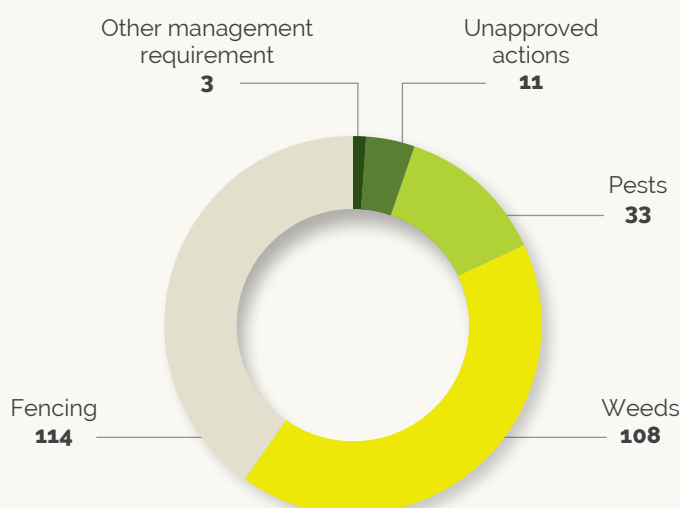
Breakdown of covenants with issues identified as requiring attention in 2018/19¹

The figures below are the number of covenants visited in 2018/19 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	91	22
Covenants with legal compliance issues only e.g. fencing, unapproved activities	80	30
Covenants with both condition and legal compliance issues	44	4
TOTAL	215	56

Nature of issues requiring attention²

	No. of covenants with unresolved issues	No. of covenants with resolved issues
Fencing	114	29
Weeds	108	24
Pests	33	7
Unapproved actions	11	3
Other management requirement	3	0

Nature of unresolved issues requiring attention²

¹ Plus an additional **86 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 is committed to supporting this approach wherever it can.

² Some covenants have more than one issue requiring attention. The 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

	2017/18 Actual		2018/19 Target		2018/19 Actual	
	Number	Area (ha)	Number	Area (ha)	Number	Area (ha)
Legal protection						
Approved covenants including QCC covenants	113	3,524.6	90-130	>2,750	105	4,275.0
Approved QCC covenants	12	1,220.1	-	-	-	-
Registered covenants including QCC covenants	112	4,126.5	100-120	>2,750	111	3,577.4
Registered QCC covenants	11	627.3	-	-	8	358.4

Note, some covenants approved in 2018/19 were also registered

Monitoring numbers and hectares for registered covenants

	2017/18 Actual		2018/19 Target		2018/19 Actual	
	Number	Area (ha)	Number	Area (ha)	Number	Area (ha)
Monitored registered covenants	1,975	42,491.9	1,900	No target	1,972	74,945.6

Other activities

	2018/19 Target	2018/19 Actual
Percentage of all new covenants approved that secure protection of one or more of the four national priorities for biodiversity protection on private land and/or add to a protected corridor or protected landscape	90%	99%
Number of Queen Elizabeth II National Trust owned/controlled properties managed for 'open space' outcomes	30	26 ¹
Provision of advice to new owners following change of covenant ownership in regards covenant values and stewardship and legal responsibilities for covenant management.	>300	372
Number of regional events held to inspire covenant stewardship	>10	6 ²
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	523

¹ Four of the QEII owned properties are comprised of more than one title. In some cases these titles have individual covenants registered against them, however for operational purposes, these clusters are grouped together under a single unique identifier (P number). In previous years it was these P numbers that were reported against, hence 26 properties being referenced. Ahead of this reporting cycle, QEII added a Kiwirail owned piece of land to the properties portfolio, as we are the holders of a 'Licence to occupy', which means we manage the site as property. QEII also returned the property 'Tokatea' to the family of the original legacy giftors since the last report.

When taking into account the addition of the 'Licence to occupy' property, the disposal of 'Tokatea', and the separation of the properties with multiple titles into their component tiles, this explains why the target is 30 properties.

² One of the six events we ran was a significantly larger event that we usually run – hosting the Duke and Duchess of Sussex at a QCC opening event. This 'Royal event' took the time and organisational resource of running around five normal QEII regional events, this is reflected in the lower number of covenantor events for the 2018/19 year.

2019 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 29 to 44 for the year ended 30 June 2019.

For and on behalf of the Board of Directors, which authorised the financial report on 23 September 2019.

James Guild
CHAIR



Dated: 23 September 2019

Bruce Wills
DIRECTOR



Dated: 23 September 2019

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue				
Government grant		4,274,000	4,274,000	4,674,000
Contestable funds		281,416	400,000	468,095
Donations and other grants		388,971	60,000	2,806,704
Other revenue		140,206	45,700	59,334
Operating revenue		5,084,593	4,779,700	8,008,133
Expenditure				
Field operations		1,858,885	1,799,840	1,860,630
Covenants	1	1,541,624	1,166,600	1,134,107
Fencing - movement in pre-1995 fencing provision	12	3,390,687	0	(898,389)
Contestable funds		340,415	400,000	480,843
Administration	2	3,073,927	2,914,904	2,538,246
Property operations		113,389	236,675	88,741
Public relations		111,267	200,740	219,583
Depreciation and amortisation	3	117,405	87,775	131,283
Operating expenditure		10,547,599	6,806,534	5,555,044
Investment income	4	3,153,324	785,000	2,181,519
Investment expenses	4	1,329,294	48,000	349,904
Net investment income		1,824,030	737,000	1,831,615
Loss on QEII properties		150,862	0	0
Net loss from QEII properties		150,862	0	0
Total comprehensive revenue and expenditure		(3,789,838)	(1,289,834)	4,284,704

Explanation of total comprehensive revenue and expenditure

The National Trust concluded the financial year ended 30 June 2019 with total comprehensive revenue and expenditure of (\$3,789,838) against a budgeted total comprehensive revenue and expenditure loss of \$1,289,834. The difference between budgeted and actual total comprehensive revenue and expenditure results primarily from four unbudgeted factors outside of the National Trust's control. They are as follows:

1. The receipt of a bequest for \$0.3m from an estate during the 2019 year (2018: \$2.8m).
2. A considerable increase in the pre-1995 fencing provision of \$3.45m due to the roll-forward actuarial valuation completed by Deloitte mainly due the 0.69% decrease in the discount rate used in the pre-1995 fencing provision calculation. 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 \$1.2m recognised as income in the Statement of Comprehensive Revenue and Expenditure. Refer to Note 4 for further information.
4. The National Trust offered to gift the Tokatea property back to the family of the original donor with the proviso this would occur after it was registered as a QEII covenant. This was accepted by the family in February 2018 and the property was officially transferred back on 8 August 2018. The resulting loss of \$129k was recorded as a loss from QEII properties with the balance of \$21k showing in the loss from QEII properties relating to returning funds to the Aroha Island Charitable Trust.

The accompanying notes on pages 32–40 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	2019 Actual \$	2019 Budget \$	2018 Actual \$
At the beginning of the period	17,429,332	17,288,198	13,144,628
Total comprehensive revenue and expenditure	(3,789,838)	(1,289,834)	4,284,704
At the end of the period	13,639,494	15,998,364	17,429,332

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	2019 Actual \$	2019 Budget \$	2018 Actual \$
Equity				
National Trust Equity		13,639,494	15,998,364	17,429,332
Total Equity		13,639,494	15,998,364	17,429,332
Represented by:				
Current assets				
Cash and cash equivalents		308,581	146,186	397,363
Accounts and other receivables	5	328,021	405,618	711,475
Investments	6	20,725,222	21,019,669	20,773,567
Total current assets		21,361,824	21,571,473	21,882,405
Less current liabilities				
Accounts and other payables	7	692,164	658,606	890,433
Deferred revenue	8	420,964	433,882	498,948
Employee entitlements		137,930	114,956	113,750
Pre-1995 fencing provision	12	1,108,742	605,215	605,215
Other current liabilities		0	0	20,000
Total current liabilities		2,359,800	1,812,659	2,128,346
Working capital		19,002,024	19,758,814	19,754,059
Non-current assets				
Property, plant and equipment	9	3,076,175	3,363,960	3,137,660
Intangible assets	11	16,222	8,182	41,182
Total non-current assets		3,092,397	3,372,142	3,178,842
Non-current liabilities				
Pre-1995 fencing provision	12	8,454,927	7,132,592	5,503,569
Total non-current liabilities		8,454,927	7,132,592	5,503,569
Net assets		13,639,494	15,998,364	17,429,332

The accompanying notes on pages 32–40 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	2019 Actual \$	2018 Actual \$
Cashflows from operating activities		
Receipts from operations	4,555,416	5,142,095
Donations, bequests and other grants received	719,380	426,525
Interest received	548,980	440,108
Dividends received	232,056	231,428
Other revenue received	159,578	58,950
Payments to suppliers	(4,690,502)	(4,060,972)
Payments to employees	(1,973,466)	(1,513,334)
Net cash flow (used in)/from operating activities	(448,558)	724,800
Cash flows from investing activities		
Proceeds from sale of investments	4,777,198	4,618,398
Purchase of investments	(4,256,767)	(6,108,638)
Purchase of property, plant and equipment	(160,655)	(45,401)
Net cash flow from/(used in) investing activities	359,776	(1,535,641)
Net cash flows from financing activities	0	0
Net (decrease) in cash and cash equivalents	(88,782)	(810,841)
Cash and cash equivalents at beginning of period	397,363	1,208,204
Cash and cash equivalents at end of period	308,581	397,363

STATEMENT OF COMMITMENTS AS AT 30 JUNE 2019

Covenant commitments		2019 \$	2018 \$
Covenant commitments are funds committed to approved covenants still in progress and working towards registration with Land Information New Zealand.		3,594,944	3,918,996
The Stephenson Fund commitments		2019 \$	2018 \$
The Stephenson Fund commitments are funds committed to approved covenant holders to assist them with stewardship on their covenants.		164,333	77,769
Operating lease commitments		2019 \$	2018 \$
A Deed of Rent Review was signed in August 2018 which was effective from 7 May 2018. The term of the lease is nine years with a right of renewal every three years.	Less than 1 year	90,798	90,798
	Between 1 and 2 years	77,613	90,798
	More than 2 years	0	77,613
Capital commitments		168,411	259,209
The National Trust has no capital commitments as of 30 June 2019 (2018: nil).			

STATEMENT OF CONTINGENCIES AS AT 30 JUNE 2019

The National Trust has no contingent liabilities as at 30 June 2019 (2018: nil).

The accompanying notes on pages 32–40 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 2019 were authorised for issue by the Board on 23 September 2019.

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 include 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 2019.

1. Covenant expenditure

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

	2019 Actual \$	2018 Actual \$
Fencing	711,856	522,260
Survey	591,829	406,999
Weed and pest control	50,635	16,514
Revegetation	4,270	500
The Stephenson Fund	183,034	187,834
Total covenant expenditure	1,541,624	1,134,107

During the year to 30 June 2019, a fourth round of The Stephenson Fund (TSF) was offered to support covenantors with strategically important enhancement projects that have been planned for their covenants (2018: 2nd & 3rd rounds). A total of \$276,002 was allocated to TSF applicants in the 4th round (2018: \$221,800). The remaining unspent amounts at 30 June 2019 are included in the TSF amount showing in the Statement of Commitments.

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

	2019 Actual \$	2018 Actual \$
Directors' fees	39,816	35,825
Remuneration of key management personnel*	770,944	737,602
Employee entitlements	1,226,702	792,526
Audit fees	34,330	31,400
Rental expenses	102,836	93,080
Doubtful debts	35,232	0
Loss on disposal of property, plant and equipment	87	1,480
Other administration expenses	863,980	846,333
Total administration expenditure	3,073,927	2,538,246

* Key management personnel: Senior Leadership Team (SLT) which is made up of the CE and four senior managers.

3. Depreciation and amortisation

	2019 Actual \$	2018 Actual \$
Depreciation has been charged on the following classes of asset:		
Furniture and fittings, plant and equipment, computer and electronic equipment	71,841	68,115
Improvements	19,618	19,480
Land fencing	1,021	1,095
Amortisation has been charged on:		
Intangible assets	24,925	42,593
Total depreciation and amortisation expenditure	117,405	131,283

4. Net investment income

	2019 Actual \$	2018 Actual \$
Investment income includes:		
Interest	506,691	503,278
Dividends	232,056	231,428
Realised gain	736,047	603,565
Unrealised gain	1,678,530	843,248
Total investment income	3,153,324	2,181,520
Investment expenditure includes:		
Discount rate unwind on pre-1995 fencing provision	64,198	157,366
Investment fees	48,168	43,434
Realised loss	0	84,323
Unrealised loss	1,216,928	64,781
Total investment expenditure	1,329,294	349,904
Net investment income	1,824,029	1,831,616

Investment income comprises interest, dividend income, and changes in the fair value of financial assets at the fair value through the Statement of Comprehensive Revenue and Expenditure and foreign currency gains.

Investment expenditure comprises foreign currency losses and changes in the fair value of financial assets at the fair value through the Statement of Comprehensive Revenue and Expenditure. Investment expenses also include any fees and transaction costs associated with maintaining the investment portfolio.

5. Accounts and other receivables

	2019 Actual \$	2018 Actual \$
Accounts receivable	207,414	541,010
Less Provision for doubtful debts	(39,692)	0
	167,722	541,010
Interest receivable	93,539	135,828
GST receivable	66,760	34,637
Total accounts and other receivables	328,021	711,475

6. Investments

	2019 Actual \$	2018 Actual \$
Fixed interest - corporate bonds	10,754,372	10,674,804
Term deposits	1,224,427	1,150,000
Equities - Australia/New Zealand	4,653,545	4,953,992
Property Equities - Australia/New Zealand	713,019	622,257
Equities - International	3,379,859	3,372,514
Total investments	20,725,222	20,773,567

7. Accounts and other payables

	2019 Actual \$	2018 Actual \$
Accounts payable	601,213	807,719
Accrued trade payables	90,951	82,714
Total accounts and other payables	692,164	890,433

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.

	2019 Actual \$	2018 Actual \$
Total deed amount	936,851	1,511,703
Amount billed to date	878,151	1,419,569
Deferred revenue	420,964	498,948

Deferred revenue comprises:

- * five individual projects from one contestable fund round from the Biodiversity Condition and Advice Fund
- * three individual projects from Lotteries Environment and Heritage Fund
- * 33 individual projects from council funds.

During the 2019 year, a large contestable fund from the Community Conversation Partnership Fund with a deed value of \$435k was closed.

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	615,965	88,195	482,177	3,757,838
Accumulated depreciation	0	(279,395)	(68,731)	(272,052)	(620,178)
Net book value at beginning of year	2,571,501	336,570	19,464	210,125	3,137,660
Acquisitions	0	144,421	2,730	13,588	160,740
Disposals *	(110,000)	(17,759)	(1,271)	(716)	(129,746)
Depreciation	0	(19,618)	(1,021)	(71,841)	(92,480)
Net book value at end of year	2,461,501	443,615	19,902	151,156	3,076,174
Cost at end of year	2,461,501	742,628	89,654	495,049	3,788,832
Accumulated depreciation	0	(299,013)	(69,752)	(343,893)	(712,658)
Net book value at end of year	2,461,501	443,615	19,902	151,156	3,076,174

- * Disposals are reported net of accumulated depreciation. The land, building and fencing disposals all relate to the returning of the Tokatea and Hartree properties to their original donors.

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

During the year ended 30 June 2019, a walking track was built on a QEII owned property called Mokotahi Hill on the Mahia Peninsula near Gisbourne. The total cost of building the track was \$138,204 (2018: \$nil).

10. Land and improvements

	Land Actual \$	Buildings and Improvements Actual \$	2019 Total Actual \$	2018 Total Actual \$
Aroha Island	425,000	273,751	698,751	710,705
Awapikopiko Reserve	42,000	26,033	68,033	69,178
Bowman's Bush	63,000	0	63,000	63,000
Dunns Bush	150,000	173	150,173	150,347
Ernest Morgan Forest Reserve	140,000	0	140,000	140,000
Hann Bush	18,000	0	18,000	18,000
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	143,661	152,661	14,457
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 Houston 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	0	0	0	127,883
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	2,461,501	443,618	2,905,119	2,908,071

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

The Hartree property recorded in the 30 June 2018 financial statements at \$Nil value was removed from the schedule during the year as the property had been transferred to the gifting family in 2014. The Tokatea property recorded in the 30 June 2018 financial statements at \$129,030 was transferred back to the gifting family in August 2018 at \$Nil value resulting in write off of \$129,030.

11. Intangible assets

	2019 Actual Software \$
Cost at beginning of year	274,048
Accumulated amortisation	(232,866)
Net book value at beginning of year	41,182
Acquisitions/(Disposals)	(35)
Amortisation	(24,925)
Net book value at end of year	16,222
Cost at end of year	274,013
Accumulated amortisation	(257,791)
Net book value at end of year	16,222

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

12. Pre-1995 fencing provision

	2019 \$	2018 \$
Provision at the beginning of the year	6,108,784	6,849,807
Amounts used/unused amounts reversed	(654,807)	(1,655,191)
Discount unwind	64,198	157,366
Effect of change in the inflation rate	127,052	(5,071)
Effect of change in the discount rate	3,918,442	761,873
Provision at the end of the year	9,563,669	6,108,784
Split between:		
Current liabilities	1,108,742	605,215
Non-current liabilities	8,454,927	5,503,569
Non-current liabilities	9,563,669	6,108,784

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 2019 year end, the National Trust engaged Deloitte to complete a roll-forward actuarial valuation. The roll-forward valuation only addresses the actual versus expected expenditure, unwind of the discount rate, changes to the discount rate and changes in the inflation rates since 30 June 2018.

12. Pre-1995 fencing provision, cont'd

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 - \$18.11 per metre. This has been calculated based on the 2018 cost per metre of \$17.81 inflated by 1.70% (the inflation rate from the June 2018 quarter to the June 2019 quarter).
- 3) The discount rate (currently using the 35 year risk-free discount rates) which results in a flat discount rate of 3.06% (2018: 3.75%).

The net discount rate has reduced approximately from 2% in the 2018 valuation to 1% in the 2019 valuation, which would suggest that the present values (PV) of a payment (p) would increase from $p/0.02 = 50p$ to $p/0.01 = 100p$ (a difference of 50p).

If the net discount rate were to reduce even further to 0.1%, the PV would increase to $p/0.001 = 1,000p$ (a difference of 900p). As we can see, the magnitude of the change increases as the discount rate decreases.

Given this, the FY19 provision is significantly more sensitive to a change in net discount rate as a result of the lower base net discount rate used on the FY19 compared to the FY18.

- 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 1.82% (2018: 1.76%) 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) (2018: 37.5%).

Effectively the calculation estimates the costs each year in the future then discounts the cost back to 30 June 2019 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 the Trust's investment portfolio will be used to fund the pre 1995 fencing liability.

Sensitivity analysis

Variable	Change	2019	2018
Discount rate	+0.25%	-\$1.5m	-\$0.6m
	-0.25%	+\$2.3m	+\$0.8m
Take-Up Factor	+20%	+\$5.1m	+\$3.2m
	-20%	-\$5.1m	-\$3.2m
Cost per metre	+15%	+\$1.4m	+\$0.9m
	-10%	-\$1.0m	-\$0.6m

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 expenditure
 - * a decrease/increase in equity
- for the amount indicated in the table above.

13. Related party transactions

There were no payments to or receipts from related parties during the 2019 year.

14. Events after balance date

There were no events after balance date.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF QUEEN ELIZABETH THE SECOND NATIONAL TRUST'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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 28 to 40, that comprise the statement of financial position as at 30 June 2019, the statement of comprehensive revenue and expenditure, 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 28 to 40:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2019; 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 23 September 2019. 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.

For the budget information reported in the financial statements, our procedures were limited to checking that the information agreed to the Trust's 2018/19 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 1 to 27, 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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