

QUEEN ELIZABETH II NATIONAL TRUST **ANNUAL REPORT 2020**



QEII **NATIONAL TRUST**

Ngā Kairauhi Papa Forever protected

**ANNUAL REPORT 2020 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
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Registration number CC28488.

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Chair Bruce Wills, Donna Field,
Graham Mourie, Alan Livingston,
Karen Schumacher, Neil Cullen.

BOARD OF DIRECTORS

Up to 28 July 2020

Chair James Guild, Gina
Solomon, Donna Field,
Bruce Wills, Sue Yerex,
Graham Mourie.

CHIEF EXECUTIVE Dan Coup

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COVER:

View of part of the shoreline of the
Natusch Family covenant, coastal turfs
and rimu-rata-hardwood forest. Located
in the Patterson Inlet, Stewart Island.
Photo credit: Jesse Bythell, QEII regional
representative for Southland.

INSIDE COVER:

Bracket fungi, *Stereum ostrea*, growing on
a fallen tree. Photo credit: Robbie Bennett,
QEII regional representative for Waikato
East - Taupo.



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As we came to the end of the 2019/2020 financial year, I was encouraged by our members and covenantors who continued to lead and inspire through their actions and commitment to conservation, all while dealing with a nationwide lockdown and a Covid-19 landscape that is still largely unknown.

In October 2019, the trust welcomed Dan Coup as chief executive. His natural talent for teamwork and trust that he has in his team has seen him quickly build a rapport with staff, regional representatives, and board directors alike. We also finalised a new organisational strategy with clear objectives to help us achieve our mission, which is to inspire private landowners to protect and enhance open spaces of ecological and cultural significance. This includes increasing the area of high-value indigenous biodiversity under robust protection, enhancing the values within protected areas, ensuring that our work is part of larger scale projects and inspiring people to connect with QEII protected places.

Dan was also thrown the curveball of adjusting to working under a nationwide lockdown and I was particularly impressed with Dan and his senior leadership team for the smooth transition into working from home. This meant that the trust was able to keep operating during the level-4 lockdown period whilst keeping the health and wellbeing of our people and members at front of mind.

In June 2020, I completed the maximum of nine years' service so this will be my last report as chairman of the trust. This being an annual report, I thought it would be fitting to share some numbers from my time as chair. In the last nine years, QEII has approved 1,099 new covenants amounting to over 84,000 hectares. That's over a thousand new special areas spread throughout Aotearoa that will be protected forever, bringing our total to 4,729 covenants.

Just as importantly, I have thoroughly enjoyed the fellowship of the QEII whānau and I have had the pleasure of working alongside our inspiring regional representatives, our talented team at head office in Wellington and my dedicated fellow directors on the QEII board.

The trust also says farewell to two other members of our whānau this year, board directors Sue Yerex and Gina Solomon. Both brought valued skills to the board table and I would like to thank Sue and Gina for their dedication and commitment to protecting biodiversity on private land in New Zealand over eight and seven years, respectively. The Minister of Conservation, Eugenie Sage, has appointed a familiar face, Bruce Wills as my successor. Bruce has served on the board as a director for the last five and a half years. The Minister also appointed three new directors,

Neil Cullen, Alan Livingston and Karen Schumacher, for terms of three years starting from July 2020.

During my nine years as chair there has been only one increase in baseline funding for the trust. During that period, the area protected by QEII has increased by over 42 per cent and the number of covenants has grown by over 30 per cent. Further to the additional expense of servicing increased areas of land and new partnerships, our operating costs such as fencing, surveying, monitoring, 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 soon.

The trust is also exploring other avenues of funding, including a potential fundraising strategy. In entering a partnership with the trust, every covenantor becomes a benefactor to the nation. So, we know that our members and supporters are generous, and we already receive significant bequests and donations from people who value the work that we do, all of which are extremely helpful. But we need to appeal to a broader supporter base than just landowners and increase appreciation of the benefits of private land conservation in a national context.

In the past, bequests have enabled us to allocate additional funding to the Stephenson Fund, the demand for which is increasing each year. The trust ran this contestable funding for the fifth time this year and received over 50 applications. We distributed \$150,000 to landowners through the Stephenson Fund, funding 28 projects.

The 2020 financial statements at the end of this annual report show that the trust has made a surplus of \$912,000 compared with the budget deficit of \$1.2m. The \$2.1m turn-around from the budgeted deficit is due to a range of issues including a change in the methodology used to calculate the pre-1995 fencing provision. By using full treasury discount rates, we saw a \$357,000 decrease in the provision, resulting in the equivalent increase in revenue. We also received an additional \$900,000 in generous bequests, net realised gains of \$531,000 from the sale of investments and finally \$230,000 from a Public Works Act settlement.

A new financial year brings with it a new set of challenges, however as an organisation QEII is well prepared. All the work that has gone into preparing a new strategic plan will allow the organisation to use this experience to strengthen and future-proof itself and continue to lead the way in private land conservation.

I would like to close with some observations drawn from my time on the board of the QEII National Trust and 25 years as a covenanting landowner.

By any measure, the QEII model is extraordinarily successful in fostering and protecting in perpetuity the unique flora and fauna of New Zealand. Now in its fifth decade, the trust's approach rejects the blunt instruments of bribery, bullying or coercion in favour of willing partnerships forged out of a sense of national responsibility and a conviction that protecting nature on private land is the right thing to do. This is a winning formula, is extremely cost effective, efficient but flexible, and cannot meet the demand for its services. At a time when many on this planet are re-evaluating mankind's relationship with nature and the role of environmental activism, there are valuable lessons to be learned from the collaborative ethos of an unassuming but high achieving organisation such as the QEII National Trust.

It has been an honour to have been allowed to contribute to the QEII National Trust.



James Guild
CHAIR



My first write up in a QEII publication was in issue 97 of Open Space, published in November 2019. At the time of writing it, I had been the Chief Executive of QEII for a fortnight. I described how I had

needed to hit the ground running and I have to say that I do not feel like there has been opportunity to slow down at all.

I spent my early months working with the wider team and board to create a new strategic plan for the organisation, getting to know the QEII team and becoming more familiar with the work that we do and the values that are important to our people. Then, along with the rest of New Zealand, we were thrown the curveball of the lockdown in March 2020.

Covid-19 has proven to be one of the most disruptive events in the world and I am pleased that as an organisation we were able to show resilience and be adaptive. By quickly moving to a work from home model, our team was able to continue business as usual: getting bills paid, recruitment progressed, and new protection went ahead. We also used the time to reallocate skills and knowledge, with regional representatives and head office staff collaborating to kick-off several projects to advance our new strategy.

There were some restrictions on the work that our regional representatives were able to do, as much of their role takes them into covenants to undertake regular monitoring visits and other tasks. Although we were tracking well pre-lockdown, seven weeks of no fieldwork coupled with restrictive weather events this past year made for challenging circumstances. Despite this, and thanks to a committed final push by our regional representatives, we still monitored 1,427 covenants in the last year – 545 less visits than last financial year, but still a solid achievement in the circumstances.

Despite the lockdown, QEII continued to increase the area of privately protected land in New Zealand at a rate of two new covenants a week with 120 new covenants approved this year. These new covenants protect an additional 3,276.7 ha and secure some of our most precious wetlands and forests. This adds to the over 4,700 covenants already in place across Aotearoa.

This year we continued our work on the advocacy for QEII covenants. Defending covenants and ensuring that protection over covenanted land is upheld is core business for us. We have put resource into making submissions on legislative changes and engaging in policy development processes across central and local government, specifically

to advocate for conditions and policies that will directly impact our work and ensure optimal outcomes for the values that QEII covenants protect. In the last year we made submissions on the National Policy Statement for Indigenous Biodiversity and the Greater Wellington Regional Council's Proposed Natural Resources Plan.

Our end of year financial position is pleasing in that it shows a surplus instead of the budgeted loss. Much of this surplus relates, unfortunately, to intangible balance sheet changes – a favourable revaluation of our future fencing liability and surprisingly healthy performance of our investment portfolio. I am very conscious that our underlying operating result is still a significant loss and addressing this will be an area of focus for me. We do not intend to reduce the amount of work we do with existing covenantors or in establishing new covenants, so the operating loss will need to be addressed by improving revenues.

Finally, I would like to extend a big thank you to our departing chair, James Guild, for his outstanding contribution to QEII and for his continued commitment to protecting Aotearoa New Zealand's biodiversity and inspiring conservation on private land. James completed the maximum term of nine years as chair in June 2020 and his leadership and dedication over the last nine years has been a defining characteristic of his time as chair. James has overseen a modernisation and new strategic direction for QEII, while ensuring that meaningful and trusted relationships between the board and our covenantors and other stakeholders endure.

2019/20 was hectic for me and full of challenges for QEII and most of the world, but the organisation has coped remarkably well. There is much yet to be done, but we have finished the year with a clear strategy, a plan to implement it and a great team of field reps and head office staff to help us get there.

Dan Coup
CHIEF EXECUTIVE



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

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

WHO WE ARE AND WHAT WE DO

QEI National Trust works 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 just over 20 people in our head office in Wellington – this team includes legal, ecological advice, health and safety, finance, communications and policy, and coordinates nationwide activities. We also have 26 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.

We partner with landowners to protect a range of ecosystems and other unique features found on privately owned 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.

Partnering to protect land

Approximately 70% of New Zealand is in private land ownership. This means that protecting biodiversity on private land is critical to reversing the decline of indigenous biodiversity. Much of privately owned land is in lowland areas where the biodiversity losses have been immense.

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 habitat of critically or nationally endangered species including kakī/black stilt, Canterbury mud fish, Otago skink and weeping tree 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 110 new covenants to protect 2,257.9 ha. We have also approved a further 120 covenants that will protect 3,276.7 ha once registered.

Covenanted numbers

110

New registrations

2,577.9 ha protected this year

New proposals approved

120 (3,276.7 estimated ha) will be protected

4,729

Total registered covenants

190,276.8^{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 covenant proposals. QEII has an understanding with the Minister of Conservation that requires 90% of our new protected land to 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 120 covenants in the 2019/20 year and 93% of these met one or more of the national priorities.

National priority areas covered by new approvals this year:

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.

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.

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.

National Priority 4: Protects habitats of New Zealand's most threatened indigenous species of plants and animals. The threat status of threatened native species is determined by specific criteria in the New Zealand Threat Classification System lists created by the Department of Conservation. Covenants approved this year will provide habitat for a number of threatened species including some with a nationally critical threat status such as rohutu (*Lophomyrtus obcordata*), dwarf mistletoe (*Korthalsella salicornioides*) and Australasian bittern (*Botaurus poiciloptilus*).

Of the 120 proposals approved in the 2019/20 financial year, 68% 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. Five covenants were approved during 2019/20 because of their cultural, educational, landscape, or recreational values. These special sites are protected with a covenant deed tailored to their unique management needs.

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 timeframe. Because unmodified cover is increasingly rare in some regions, 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 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 assessing a proposed covenant.

At approval, a covenant can be allocated a one-off establishment grant which landowners can use to assist with weed or pest animal control, or revegetation. In 2019/20, QEII allocated \$96,800 (excluding GST) of establishment funding to new covenants.



Protecting the land, forever

Land protected with a QEII covenant remains in the ownership of the landowner and they are responsible for complying with the conditions set out in the covenant agreement. Our regional representatives provide advice to landowners to support their stewardship of their covenant and the open space values.

QEII is a statutory trustee of all 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. This monitoring visit is also an opportunity for our regional representatives 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 2019/20 we monitored 1,427 covenants and found issues in 167 covenants that required attention. We also resolved issues requiring attention in 45 covenants.

Summary of monitoring results:

1,427 **covenants** monitored this year

85% **had no issues** requiring attention

167 **visited covenants** require attention

45 **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.

QEII opened the fifth round of funding in November 2019 with applications closing on 20 December 2019. Approximately 3,700 members were advised by email that the fund was open and information was published in the November Open Space magazine. There was \$150,000 available to allocate, with \$30,000 prioritised towards hardship applications.

The fund was oversubscribed and received 50 applications requesting \$290,972. All eligible projects were assessed against new project assessment criteria and allocated a score out of 55. The projects were ranked, and the funding was allocated until exhausted. Approved projects received an assessment score from 44 to 23 out of 55. Projects which scored lower than 23 did not receive funding.

A total of 28 projects were approved and allocated \$150,931, with applicants committing a further \$269,369 as their contribution towards the projects. These were made up of three hardship applications and 25 projects from the general pool. Four applications for hardship were received, requesting \$35,663. The three approved hardship applications totalled \$23,923 and the remaining funds were placed in the general pool for reallocation. The 25 projects approved from the general pool totalled \$127,008.

Scott Smithline and Linda Connor received \$3,245 plus GST from this round of the Stephenson Fund to further enhance their covenant's ecological values. The covenant is lowland regenerating forest, dominated by kānuka within the Nelson region. Their project sought funding to undertake weed control and to purchase plant guards for native eco-sourced plants, provided by a grant from Nelson City Council. These project actions are currently occurring and work is expected to be completed by the end of February 2021. QEII is proud that The Stephenson Fund is able to support and encourage landowners like Scott and Linda who are keen to further enhance their covenant's open space values.

Table 1: Number of general projects funded and declined by project type (including hardship applications).

KEY PROJECT ACTION	Number of projects funded	Number of projects declined	Funding approved
Fencing	3	1	\$23,668
Weed control	9	12	\$40,760
Pest Control	5	2	\$35,335
Revegetation	6	2	\$20,848
Other*	5	5	\$30,320
TOTAL	28	22	\$150,931

*other: education, signage, Kauri dieback washdown facility, track work



WORKING WITH OTHERS

QEI works with many individuals and groups committed to protecting and enhancing New Zealand's landscapes and biodiversity. Our partnerships are wide ranging, with many driven by our regional representatives and their invaluable partnerships within the regions. These partnerships are a great source of support and advice and they have a crucial role in the overall protection and enhancement of QEI covenants on private land.

In Canterbury our regional representatives Miles Giller, Alice Shanks and Rob Smith work closely with the biodiversity and land management officers at Environment Canterbury to secure additional funding and support for new covenants. This support helps protect the biodiversity in the region and without this support, larger projects may be unaffordable to pursue or would need to take place at a reduced scale. In return, Environment Canterbury values the security that QEI covenants provide over their biodiversity investments. Similar partnerships exist throughout the country and we are grateful to work alongside other national agencies, councils and landowners to achieve significant biodiversity outcomes.

Our QEI owned properties provide opportunities to partner with community groups to achieve shared goals. We have seen this happen in Auckland at Dunn's Bush, where the Forest Bridge Trust coordinates volunteers and undertakes an extensive trapping regime throughout the property. Similarly, in the Bay of Plenty, the Friends of l'Anson Reserve hold regular weeding bees to complement the larger scale weed control operations. The group has also recently expanded their actions to include a network of traps throughout the property. In the Wellington region, the Friends of Taupō Swamp undertake extensive weed control, revegetation and wetland advocacy actions at Taupō Swamp, an outstanding natural wetland. By partnering with these groups, we can achieve biodiversity wins for our properties that we would be unable to achieve alone. We are lucky to work with many groups nationally and we thank them for all their hard work helping us protect and enhance New Zealand's natural biodiversity and open space values.

We have also seen exciting outcomes from our partnerships with the Lottery Environment and Heritage Fund Manawahe Kōkako project. After several years of planning and preparation, year one of the project was completed this year, with three kōkako pairs translocated

from the Kahaora Conservation Area and the adjoining Onaia Ecological Area to Manawahe forest. This exciting outcome for the kōkako populations was only possible because of the high-level of community involvement with the project and support from local iwi, community groups and keen individuals all working together in this space.

QEII also continues to work with the Waiau Fisheries and Wildlife Habitat Enhancement Trust. This year the Waiau Trust provided grants for nine new covenants, approved to protect approximately 225 hectares in their catchment area. Grants from Waiau Trust and QEII significantly reduce fencing costs for landowners wishing to ensure indigenous biodiversity is protected in perpetuity.

The academic space also remains a priority for QEII with our support for universities and research organisations to promote science that will benefit conservation on private land continuing. The QEII Athol Patterson Bursary helps support students at Massey University who demonstrate a commitment to environmental studies and sustainable farming practices. This year's recipient was Bill Hamilton who showed a keen interest and passion for environmental farming practices. Bill has a long-term goal to contribute to an environmentally, socially and economically sustainable dairy industry in New Zealand.



FAR LEFT: Event at l'Anson Reserve in Tauranga.

LEFT: QEII Athol Patterson Bursary recipient Bill Hamilton.

BELOW: Kōkako translocation. Photo credit: Neil Robert Hutton.

THANK YOU

We would like to thank all the individuals, groups and organisations that we have worked alongside in the last year as well as our financial members who have supported us through their memberships. QEII is also grateful for monetary donations and bequests as these greatly assist us in our work to protect and enhance QEII covenants on private land. Notably, we would like to thank the estates of M G Irvine, P R Perrin and W Irvine along with donations from B Alexander, E Jones and P R Mcleish for their significant monetary contributions to the trust in the 2019/20 financial year.





UPHOLDING OUR COVENANTS

Upholding covenants on behalf of landowners and advocating for issues that impact the work that we do has become an increasing area of focus for QEII. In the last financial year, we have committed significantly more time towards engaging in advocacy and legal processes and we anticipate that this will continue as QEII's work across Aotearoa grows and evolves.

Partnerships are central to our work, but we also champion the protection of QEII covenants and the properties we own through participation in legal processes. These include the RMA process, litigation, and other legal mechanisms where necessary. Our involvement generally focuses on specific covenants or QEII properties where protected values are under threat and where our mechanisms for protection are being questioned. Currently there is one issue before the courts, and we are actively involved in five planning processes to ensure that QEII protection is upheld in perpetuity.

We advocate on relevant environmental issues by making submissions on legislative changes and engaging in policy development processes across central and local government. Most often our submissions advocate specifically for conditions and policies that will directly impact our work on private land and ensure optimal outcomes for the values that QEII protects. We also have a mandate under our Act to advocate for and advise on the protection, preservation, use and enhancement of open space values in Aotearoa New Zealand more generally.



*FROM TOP: Taupō Swamp in Plimmerton.
Photo credit: Hamish Kendall.*

While the focus for engaging in these processes is championing QEII protection, it is also a way for us to collaborate with others and build stakeholder relationships and awareness of QEII's work across different sectors and levels of government.

Examples of work undertaken in the past year

- Submission on National Policy Statement for Indigenous Biodiversity (NPS IB). The NPS Indigenous Biodiversity looks to introduce measures to halt the decline of indigenous biodiversity across Aotearoa. These are focused on private land so are very relevant to QEII's work. We agreed that action is needed, and we are generally very supportive of the draft NPS proposed by the government. Drawing on QEII's expertise in protecting indigenous biodiversity on private land, we emphasised the importance of well-designed and resourced implementation and offered our suggestions for how this might be best achieved, including the use of incentives to smooth the transition towards a regulatory framework for landowners.
- Greater Wellington Regional Council's Proposed Natural Resources Plan. QEII became involved in GWRC's Proposed Natural Resources Plan (PNRP) primarily to ensure the protection of Taupō Swamp, a nationally significant harakeke wetland complex partially owned by QEII. Following our submissions on the PNRP, Taupō Swamp was elevated to the status of "Outstanding Natural Wetland". This means that all detrimental effects on the swamp must be avoided, not merely mitigated or minimised. The PNRP has since been appealed, with some appeals looking to reduce the protection for Outstanding Wetlands. We have joined in opposition to these appeals to ensure that Taupō Swamp is appropriately protected.

EXAMPLES OF NEW PROTECTION

North Otago – Anatini Fossil Valley Covenant

John Hore and his wife Margaret have lived at their property for over fifty years. Together they run a homestay on a beef and sheep farm at Duntroon in the lower Waitaki Valley. John and Margaret are passionate about their land and want its outstanding features looked after long after they are gone.



The covenant protects a wetland of just over 1 hectare dominated by *Carex secta*, bog rush and toetoe. The wetland is habitat for several rare plant species, including the nationally critical marsh arrow grass *Triglochin palustris*, found only on the eastern side of the South Island. The wetland has been fenced off from stock for over 20 years, originally with a temporary electric fence. This has since been replaced by a robust fence with assistance from Environment Canterbury, Waitaki District Council and QEII National Trust. John is also working to progressively control the willows in the wetland with support from Environment Canterbury and QEII.



The second part of the covenant is a spectacular 13-hectare limestone escarpment. This supports several threatened plant species including a population of an unnamed *Geranium sp.*, found only at limestone sites in Canterbury. The limestone area will continue to be lightly grazed by sheep as this is an essential management technique for preventing introduced grasses from outcompeting the rare native plants. Fortunately, the soil within the limestone remnant area has never been



ploughed and so it has retained much of the sub-soil biodiversity. John and Margaret are continuing to revegetate the tops of the cliffs and the wetland with eco-sourced plants.

The covenant is also able to be enjoyed by the public with the Alps 2 Ocean Cycle Trail passing through the covenant area. The site is also part of the Vanished World Fossil Trail with a range of fossils present within the limestone area including whale and dolphin bones. The fossils are regularly studied by university students and researchers. John notes there were also rock art sites, which unfortunately have eroded away over the years.

Thousands of visitors use these trails and they learn about the covenant as they bike or walk through the area. John and Margaret are also working with the Walking Access Commission to ensure that the public will always have access to the fossils on their property.

This covenant is one of very few that meet all four national priorities for protecting rare and threatened biodiversity on private land.



MAIN PHOTO: Aerial overview of the Anatini Fossil Valley Covenant.

INSET FROM TOP: John and Margaret Hore at their favourite place looking over to the limestone caves and honeycomb formations from the cycle trail.

Geranium sp., currently being described, only known from limestone sites in Canterbury.

Limestone outcrops.



West Coast, Mahināpua – Dave's Bush

Landowners Mike and Pip Meuli love the kahikatea forest and wetland complex block on their farm, located alongside the true left bank of the Mahināpua Creek, just south of Hokitika. The Meuli's are committed to permanently protecting this one hectare block of coastal wetland rainforest, recognising its important contribution as a valuable ecological corridor and wanting to share its intrinsic beauty with the public.



TOP: Typical kahikatea-dominated wetland vegetation.

ABOVE: Australasian Bittern. Photo credit: Imogen Warren Photography.

BELOW: View of the covenant wetland from the West Coast Wilderness Cycle Trail bridge over Mahināpua Creek.

Mahināpua Creek is a historic waterway, which provided passage to logging and goldfields in the past. Nowadays, it is frequented by walkers, cyclists and kayakers. A public walkway passes through an easement on the property, with the adjacent West Coast Wilderness Cycle Trail offering spectacular views of the covenant. The Mahināpua tourist paddleboat cruises by the covenant block, providing an alternative view of the wetland forest remnant and its wild inhabitants from the water. Mike and Pip are passionate and want to make sure that this special place will remain forever for people to enjoy.

Only 3% of lowland kahikatea forest remains in the local ecological district and this remnant is a quintessential example, containing high biodiversity values. Although the covenanted block is small, it contributes to the protected adjacent areas of the Mahināpua Creek Conservation Area and the Fish and Game

riparian reserve. The covenant meets National Priority 2 as it protects wetland vegetation and National Priority 4 as it has multiple 'Threatened' and 'At Risk' species present. Habitat for indigenous birds include Australasian bittern, white heron, grey duck, black shag and fernbird, while indigenous freshwater fish species present include shortjaw kokopu, giant kokopu, and longfin eel.

QEI regional representative for the West Coast, Martin Abel, has influenced Mike and Pip with his informative enthusiasm for the importance of conservation of lowland wetlands and rainforest as they support ecological corridors from the hills to the coast. The relationship between the Meuli's and Martin has been a driving force to ensuring protection of not only the covenant block but also fencing and weed management in other patches of bush.



North Canterbury – Scargill Creek North and Scargill Hills Covenant Area

South of the Hurunui River in North Canterbury on the dry inland hills is Scargill Valley, where the Earl and Murray families are working together to protect a locally rare example of dryland vegetation on their properties.

Initiated by the Earl family after purchasing a new block and recognising the potential importance of the area, they sought independent advice and then contacted the local council about protecting some of the more significant dryland vegetation.

Drylands are areas with naturally low rainfall. They contain some of the least protected and most threatened native ecosystems and species. Irrigation, vegetation clearance, changing land use and weeds are the main threats to drylands, often occurring because the values of drylands are not widely recognised.

Spurred on by their desire to protect this area, the Earl family approached their neighbours, the Murray family about protecting the adjoining area of dryland vegetation on their land. The Murray family were also keen to protect the vegetation on their land and ensure that it could be managed more appropriately following years of stock grazing.

Together the covenants protect 3.8 hectares of scattered kānuka and mānuka (both now rare in the Waikari Ecological District), coprosma species and dwarf kōwhai, providing habitat for a variety of rare flora and fauna; meeting National Priorities 1 and 4. The kānuka is also host to a large population of a nationally critical pygmy mistletoe (*Korthalsella salicornioides*), with several kānuka observed to have more mistletoe 'foliage' than their own leaves. Several native species are currently restricted to a few small areas due to grazing and can be expected to move into a wider range of sites now that these areas have been fenced and de-stocked.

Funding support was secured from Environment Canterbury to fence and carry out weed control within the Murray covenant, and the Hurunui District Council contributed towards the cost of fencing the covenant boundary on the Earl's property, with the remaining costs split between QEII and the landowners.

"It is a great partnership model. QEII were really good to work with, it is easy to take these kinds of places for granted but our QEII rep Miles helped us identify the features and outlined what we could do to protect them," reflects Duncan Murray.

Encouraged by the protection of this area, the Murray family are now looking at other areas to retire on their farm. "Dryland vegetation does not look super sexy until someone points it out to you, but this process has changed our perspective and we are now keen to do our bit."

Future management of the area will involve ongoing weed and pest control and monitoring of the site's values. It is hoped that in the long-term the area will remain a small but secure representation of the flora and fauna of the Scargill hill-country.



FROM TOP: Dwarf kōwhai scrub (*Sophora prostrata*).

Earl in the foreground, Murray to the rear, viewed from northeast.

Hypericum involutum (At Risk – declining).

Nationally critical pygmy mistletoe (*Korthalsella salicornioides*) hosted on kōwhai scrub.

RIGHT: Overview of Delaney's Bush covenant with Mount Ruapehu in the background.

BELOW: Covenantors Jan and Will Abel.

The Abel family and QEII National Trust shared the costs of new fencing to protect Delaney's Bush from stock grazed on adjacent land.

Kiwi captured in Delaney's bush by dog handlers as part of Operation Nest Egg work.

Manunui covenant sign.

Kererū sitting on a rimu trough built by William Abel.



Raetihi, Manawatu – Delaney's Bush

Jan and Will Abel are passionate conservationists on a mission to protect valuable habitat for vulnerable New Zealand fauna. They registered their first covenant in 2014 to protect 'Manunui', a 75 hectare block of modified primary forest followed by an adjoining six hectares in 2015. With the registration of their most recent QEII covenant this year, they have now protected over 211 hectares of contiguous forest in perpetuity – an outstanding legacy for future generations.

"We were very interested in QEII's efforts in the courts a couple of years ago to defend a Coromandel covenant against development, it was very important to us to know our bush block has the same protection," says Will, referring to the 2018 Supreme Court judgement that QEII covenants are indefeasible, meaning they cannot be removed by future owners.

The newest covenant is named 'Delaney's Bush' after former owner Colin Delaney – a forest surveyor known to have given the forest a "hair cut" over the years. Colin's selective logging of rimu allowed the occasional mature tree to tower above the kāmahi and tawa dominant forest canopy today.

Delaney's Bush covenant meets National Priority 4 with several nationally threatened species inhabiting the forest including North Island brown kiwi, long-tailed bats, bush falcon, whitehead, North Island robin, and long-tailed cuckoo. Rohutu, a small endemic tree with a nationally critical threat status, is also present.

Jan and Will undertake intensive predator control in the wider area with help from their neighbour Blake Cole. Together, they check 150 DOC 200 traps twice a month throughout the year and fill 80 bait stations along their 10 km track network every 3-4 weeks. Eric Dodd of Horizons Regional Council also provides

valuable support, ensuring the network of bait stations through the covenants are serviced twice a year. A small amount of grazing land outside of the covenanted area is leased to fund ongoing management of all three covenants.

"We absolutely love it. We've seen huge increases in birds like bellbird, tomtit, and flocks of whitehead. We love having the grandkids stay up there during holidays, they're learning how special it is and how to care for it," says Will.

Researcher Kerry Oates of Enviro Research Ltd has helped them understand their kiwi population and they know that chicks are surviving their most vulnerable first year because of the intensive predator control. With an estimated twelve pairs of kiwi inhabiting their property, Will and Jan also work closely with Kiwis for Kiwi, who they say have been "absolutely wonderful to work with". Eggs found in their covenant are hatched at Operation Nest Egg facilities before being translocated to establish new populations elsewhere.

QEII regional representative John Williamson speaks very highly of Will and Jan's achievements. And of their forest, with its history of logging and the network of old tram tracks running through it, he says, "when you visit, you quickly realise that a place doesn't have to be perfect to be perfect".



Our people

The 2019 annual report was the first time we included reporting information on our people. We see our people 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.

In addition to the 22 employees that we have at QEII head office, we also contract 26 regional representatives and five monitoring assistants based all around the country. While regional representatives and monitoring assistants are not employees, QEII still works to ensure that they are engaged with head office. Head office employees and regional representatives work closely together to inspire private landowners to protect and enhance open spaces of ecological and cultural significance, more recently they have been working together on our new strategic implementation projects.

This year, to show a more complete picture of the way that QEII works as an organisation, we have included reporting information about our regional representatives and monitoring assistants.

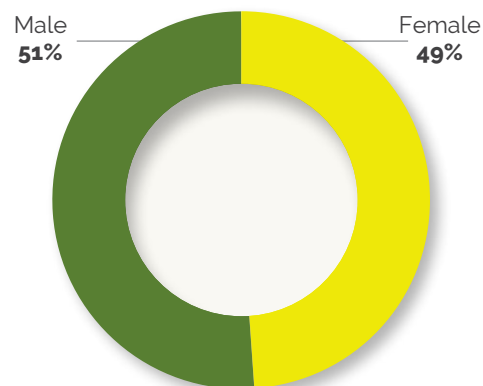
Our commitment to being a Good Employer:

Health and wellness: We continued to provide all employees 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 or items for employees. Our health and wellbeing committee remains in place and is active in hosting wellness activities for head office staff. During the lockdown, the health and wellbeing committee continued to create and host activities that employees and regional representatives could take part in safely, to encourage a focus on wellness and connection at a time of uncertainty and isolation.

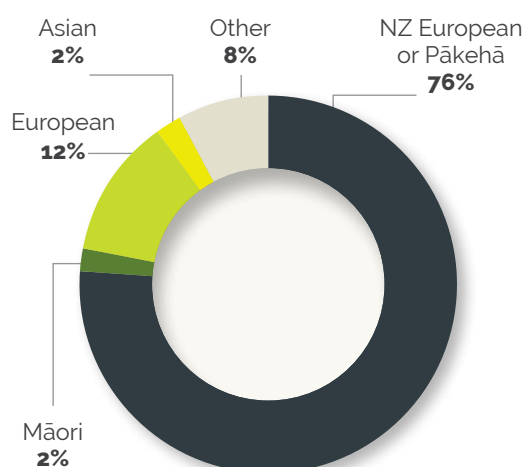
Policies and structures: We continue to invest in strengthening our human resource structures and policies. We have an agreed suite of policies and structures that provide for fair and open processes around pay, performance, recruitment, retention, flexible work, disputes and other key policies. Flexibility in the workplace was a focus for us after the lockdown and we continue work with staff on their flexible working arrangements with working from home options easily available.

QEII staff and regional representative statistics

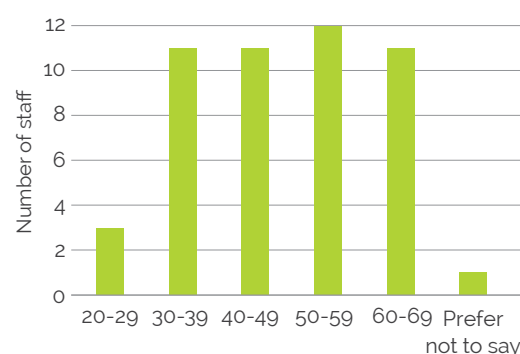
Gender



Ethnicity



Age





ABOVE: Field trip to the Paekākāriki Escarpment Track in September 2019.

BELOW: Dog days with Loki, Gemma and Percy.

Bringing people on board: We continued to widen our reach for new talent by advertising vacancies in various spaces such as social media and conservation minded platforms. We have a robust recruitment process supported by an external recruitment agency and have begun to conduct a small amount of recruitment in house, led by our HR team. We have a structured induction process to welcome new people onto our staff and board of directors. The induction is run by our HR team with support from all senior leaders and highlights our health and safety processes. In addition, any newly contracted regional representatives are inducted by our field operations team.



Dog days: We continue to be a dog friendly workplace, with four pawed visitors to our head office on a regular basis. Anecdotally – staff morale, fun and general wellbeing in the office is lifted on dog days.

Health and safety: We operate under a robust Health and Safety Management System (HSMS) that addresses the unique risks associated with our geographically dispersed field team as well as office-based head office workers. We are committed to continuous improvement and the progression towards a best practice safety culture. Our Health and Safety Committee comprises elected representatives from each of QEII's work groups. This ensures input from staff, contractors and our board in all matters concerning the safety and wellbeing of our people.

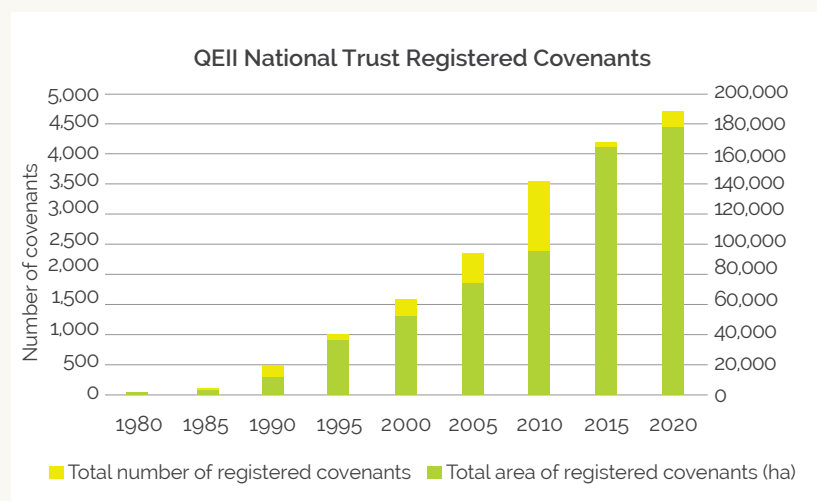
Covenant statistics

Regional Council	Area (ha)	Total Approved covenants	Total number of registered and formalised*	Total number of approved, registered and formalised	Total area of approved, registered and formalised (ha)**	Total area of registered and formalised (ha)	Largest registered covenant (ha)	Average registered covenant size (ha)	Median registered covenant size
Auckland	494,162	10	288	298	3,936.0	3,840.3	840.8	12.8	2.8
Bay of Plenty	1,207,050	6	184	190	9,311.5	9,293.8	6,563.5	51.0	4.0
Canterbury	4,450,760	47	357	404	18,826.3	14,224.5	1,679.4	41.0	8.1
Gisborne	838,582	9	142	151	5,162.9	5,025.0	1,103.8	35.6	9.1
Hawke's Bay	1,413,721	8	255	263	11,509.1	10,790.7	4,606.0	42.5	10.1
Manawatu-Wanganui	2,222,059	24	397	421	9,332.3	8,380.1	352.3	21.1	7.4
Marlborough	1,045,765	11	84	95	4,987.0	4,503.7	1,055.7	52.1	7.7
Nelson	42,441	1	18	19	323.1	319.6	139.5	17.8	5.9
Northland	1,250,032	22	745	767	10,867.6	10,478.0	420.6	14.1	3.7
Otago	3,120,863	25	210	235	65,479.3	64,623.5	21,909.6	310.7	8.4
Southland	3,119,495	22	367	389	10,129.4	9,242.9	1,456.6	25.3	8.9
Taranaki	725,436	50	431	481	10,549.8	9,517.8	915.5	22.2	2.8
Tasman	961,623	5	174	179	3,297.9	3,179.5	399.9	18.4	4.0
Waikato	2,389,990	41	669	710	17,769.7	17,113.9	801.6	25.2	6.7
Wellington	804,866	15	350	365	6,382.9	6,177.5	824.3	17.5	4.6
West Coast	2,324,381	14	90	104	2,411.9	1,900.1	202.3	21.1	9.6
All Regions		310	4,761	5,071	190,276.8	178,610.8	21,909.6	37.6	5.5

Protected open space	Number	Area (ha)
Registered covenants	4,729	177,685.9
Approved covenants**	310	11,665.9
Formal agreements*	32	925.0
TOTAL**	5,071	190,276.8

* 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



37.6 ha
average registered covenant size

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

95% of registered covenants are
≤100 ha

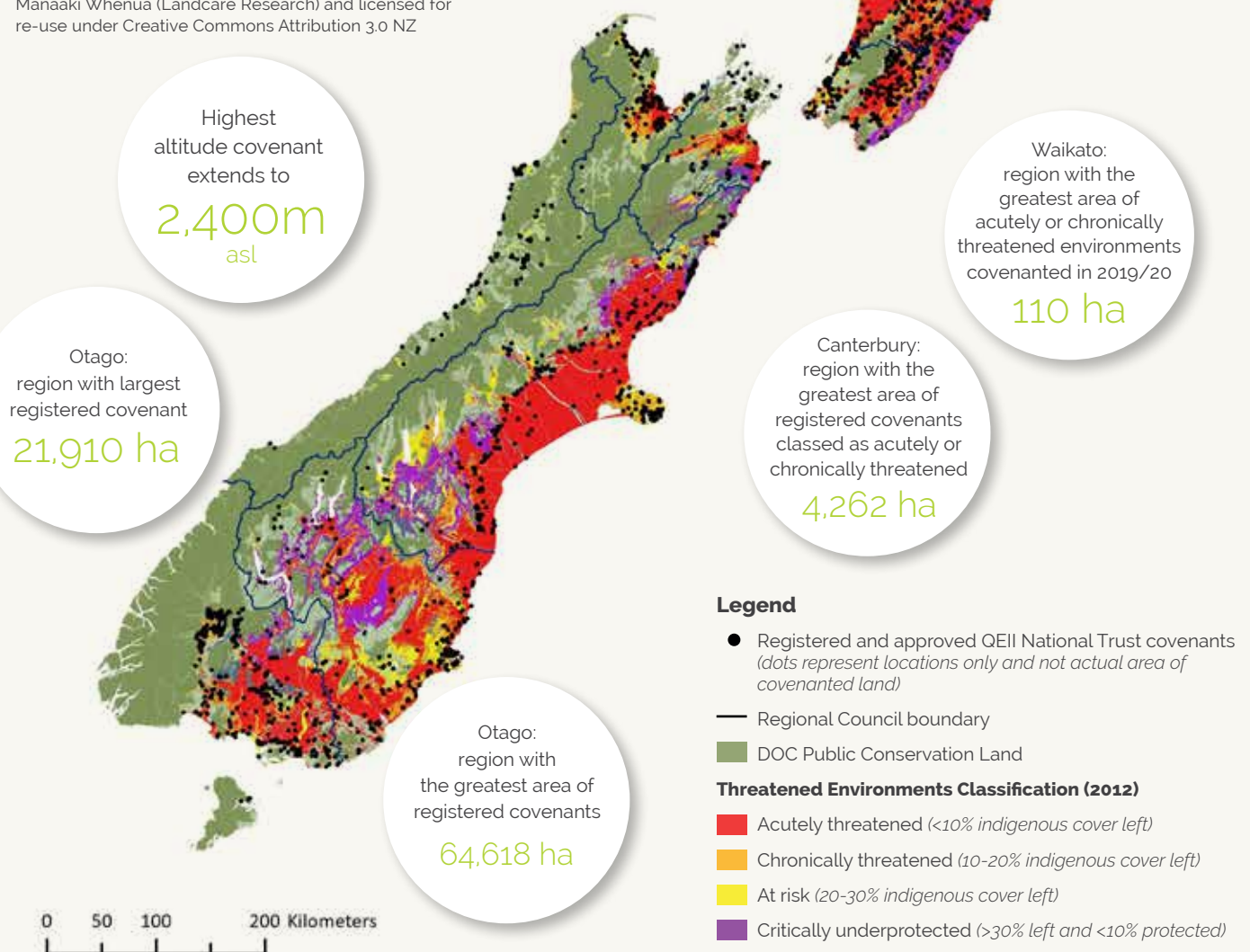
QEI National Trust-owned properties:

- **26 properties (1,433 ha)**
(14 formalised & 12 registered as covenants).
- **1 license to occupy (85 ha)**

Organisations with the most covenants:

- Pāmu (Landcorp Farming Ltd)
- **217 registered covenants (9,526 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



Legend

- Registered and approved QEI 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)

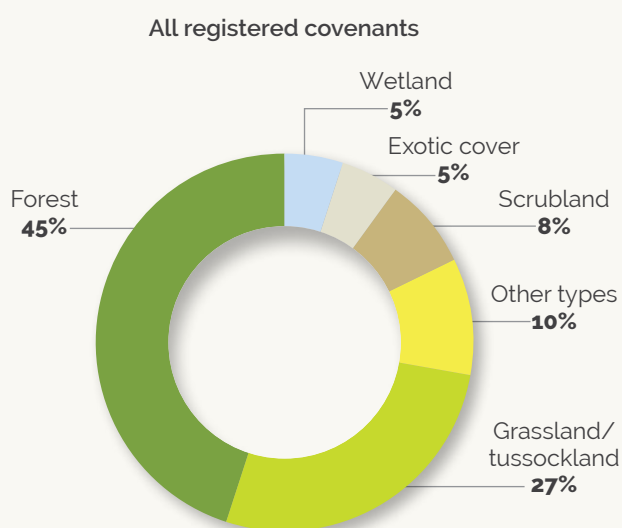
Statement of Service Performance

	2018/19 Actual		2019/20 Actual	
	Number	Area (ha)	Number	Area (ha)
Approved covenants	105	4,275.0	120	3,276.7
Registered covenants	111	3,577.4	110	2,257.9

Other activities

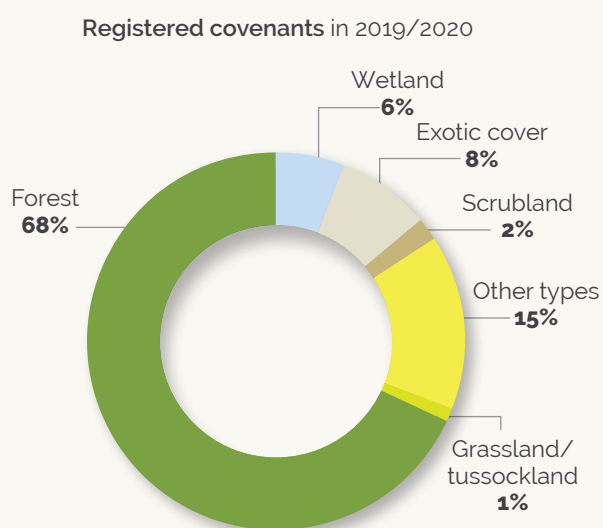
	2018/19 Actual	2019/20 Actual
Percentage of all new covenants approved that secure protection of one or more of the four national priorities for biodiversity protection on private land and/or add to a protected corridor or protected landscape	99%	100%
Provision of advice to new owners following change of covenant ownership in regards covenant values and stewardship and legal responsibilities for covenant management.	372	388

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 66,000 ha) is located in covenants < 1,000 ha in size.

All of the **110** covenants registered in 2019/20 were <1,000 ha, with the greatest vegetation type being **68%** forest by area (approximately 1,550 ha)

160km of fencing, **41km** of natural features and **22km** of unfenced boundaries protect these newly registered covenants

Monitoring Report

Total number of covenants monitored 2018/19	2018/19 Actual		2019/20 Actual	
	Number	Area (ha)	Number	Area (ha)
Total number of registered covenants monitored (includes covenant monitoring visits, compliance visits and fencing inspections)	1,972	74,945.6	1,427	67,735.4

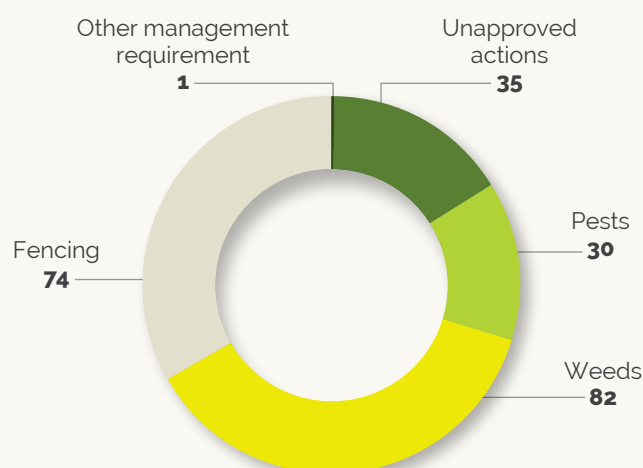
Breakdown of covenants with issues identified as requiring attention in 2019/20¹

The figures below are the number of registered covenants visited in 2019/20 which were identified as requiring attention, where the issues remained unresolved by the end of the year. 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 condition issues only e.g. weeds, pest animals	73	11
Covenants with legal compliance issues only e.g. fencing, unapproved activities	49	27
Covenants with both condition and legal compliance issues	35	7
TOTAL	167	45

Nature of issues requiring attention²

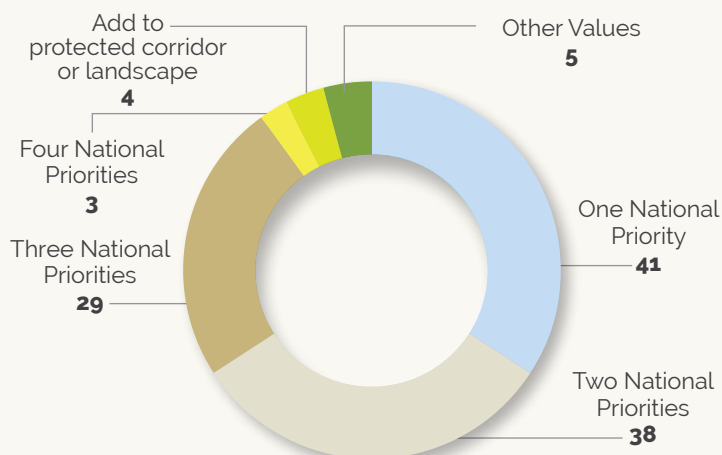
	No. of covenants with unresolved issues	No. of covenants with resolved issues
Fencing	74	34
Weeds	82	10
Pests	30	6
Unapproved actions	35	9
Other management requirement	1	5

Nature of unresolved issues requiring attention²

¹ Plus an additional **87 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, the National Trust is committed to supporting this approach wherever it can.

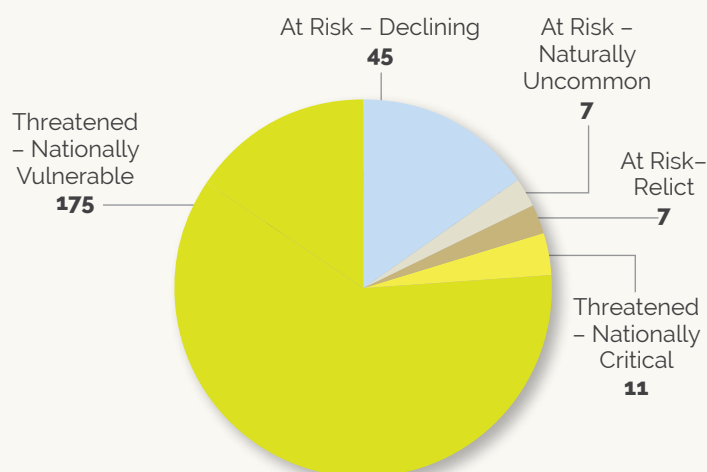
² Some covenants have more than one issue requiring attention. The Trust has let landowners know about the issue(s) and provided advice on how best to address them. Resolution time frames vary depending on the nature of the issues.

Number national priorities met by approved covenants



Of the **120** covenants approved in 2019/20, **100%** met at least one National Priority for protection of biodiversity on private land and/or adds to a protected area. See Page 10 for more detailed information.

Number of vegetation species with a threat status observed in registered covenants, 2019/20

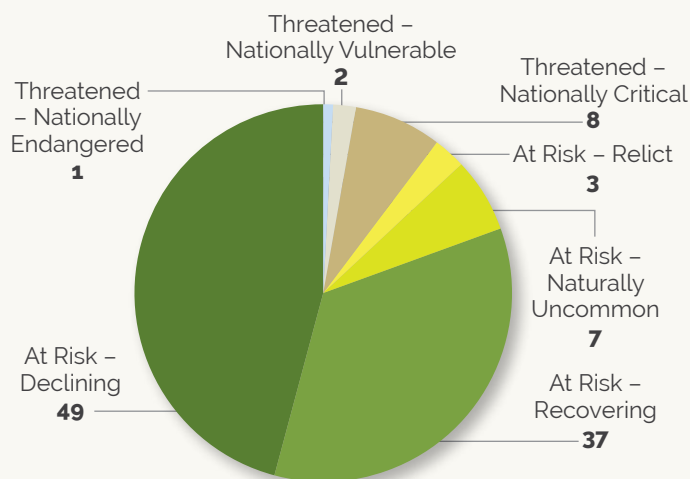


In the **110** covenants registered in 2019/20, there were **2,932** observations of vegetation recorded, from **110** vegetation family classifications.

There were also **526** observations of wildlife species recorded, from **70** family taxa.

And **472** observations of weeds and pest species recorded, from **108** taxa.

Number of wildlife species with a threat status observed in registered covenants 2019/20



The largest pest problem is possum (**13%**) and gorse (**7%**) is the most commonly recorded weed species.

Statement of responsibility

The Board is responsible for the preparation of the National Trust's financial statements and Statement of Performance and for judgements made in them.

The Board has the responsibility for establishing and maintaining a system of internal controls designed to provide reasonable assurances as to the reliability and integrity of financial and nonfinancial reporting.

In the Board's opinion, these financial statements and Statement of Performance fairly reflect the financial position and operations of the National Trust for the year ended 30 June 2020.

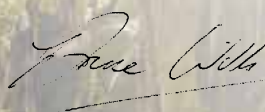
Approval of the financial statements

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 40 for the year ended 30 June 2020.

For and on behalf of the Board of Directors, which authorised the financial report on 22 September 2020.

Bruce Wills

CHAIR



Dated: 22 September 2020

Graham Mourie

DIRECTOR



Dated: 22 September 2020

2020 FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 Actual \$	2020 Budget \$	2019 Actual \$
Revenue				
Government grant		4,274,000	4,274,000	4,274,000
Contestable funds		376,529	200,000	281,416
Donations and other grants		1,218,799	265,000	388,971
Other revenue		253,702	60,000	140,206
Operating revenue		6,123,030	4,799,000	5,084,593
Expenditure				
Field operations		1,747,279	1,795,116	1,809,917
Covenants	1	1,558,325	1,263,717	1,541,624
Contestable funds		376,529	200,000	340,415
Administration	2	2,804,086	2,938,883	3,073,927
Property operations		143,511	243,250	113,389
Public relations		77,945	188,867	111,267
Depreciation and amortisation	3	82,282	84,000	117,405
Operating expenditure		6,789,957	6,713,832	7,107,944
Net Operating (Deficit)		(666,927)	(1,914,832)	(2,023,351)
Pre-1995 fencing provision and costs				
Pre-1995 fencing repairs and waivers costs		65,310	0	48,968
Fencing - movement in pre-1995 fencing provision	12	(452,464)	0	3,390,687
Net pre-1995 fencing provision and costs		(387,154)	0	3,439,655
Investment income				
Investment income	4	3,157,921	731,000	3,153,324
Investment expenses	4	1,965,184	48,000	1,329,294
Net investment income		1,192,737	683,000	1,824,030
Loss on QEII properties		0	0	150,862
Net loss from QEII properties		0	0	150,862
Total comprehensive revenue and expenditure		912,964	(1,231,832)	(3,789,838)

Explanation of total comprehensive revenue and expenditure

The National Trust concluded the financial year ended 30 June 2020 with total comprehensive revenue and expenditure of \$912,964 against a budgeted total comprehensive revenue and expenditure deficit of \$1,231,832. The difference between budgeted and actual total comprehensive revenue and expenditure results primarily from three unbudgeted factors outside of the National Trust's control. They are as follows:

1. The receipt of three bequests totaling for \$1.09m from three different estates during the 2020 year (2019: \$0.3m).
2. A change in methodology whereby the full Treasury

discount rate was approved by the Board and was used in calculating the pre-1995 fencing provision for the 2020 year. There was a \$357k decrease in the actuarial valuation completed by Deloitte, with \$1.44m of that decrease relating to the change in the opening balance of the pre-1995 fencing valuation at 1 July 2019 to account for the change to using the full Treasury discount rate. 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 \$677k recognised as income in the Statement of Comprehensive Revenue and Expenditure. Refer to Note 4 for further information.

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 2020

	2020 Actual \$	2020 Budget \$	2019 Actual \$
At the beginning of the period	13,639,494	16,974,267	17,429,332
Total comprehensive revenue and expenditure	912,964	(1,231,832)	(3,789,838)
At the end of the period	14,552,458	15,742,434	13,639,494

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2020 Actual \$	2020 Budget \$	2019 Actual \$
Equity				
National Trust Equity		14,552,458	15,742,434	13,639,494
Total Equity		14,552,458	15,742,434	13,639,494
Represented by:				
Current assets				
Cash and cash equivalents		1,684,450	221,687	308,581
Accounts and other receivables	5	198,301	396,454	328,021
Investments	6	20,801,414	19,506,529	20,725,222
Total current assets		22,684,165	20,124,670	21,361,824
Less current liabilities				
Accounts and other payables	7	701,386	835,530	692,164
Deferred revenue	8	1,074,020	498,948	420,964
Employee entitlements		187,435	113,750	137,930
Pre-1995 fencing provision	12	1,039,572	605,215	1,108,742
Total current liabilities		3,002,413	2,053,443	2,359,800
Working capital		19,681,752	18,071,227	19,002,024
Non-current assets				
Property, plant and equipment	9	3,032,484	3,174,776	3,076,175
Intangible assets	11	4,997	0	16,222
Total non-current assets		3,037,481	3,174,776	3,092,397
Non-current liabilities				
Pre-1995 fencing provision	12	8,166,775	5,503,569	8,454,927
Total non-current liabilities		8,166,775	5,503,569	8,454,927
Net assets		14,552,458	15,742,434	13,639,494

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 2020

	2020 Actual \$	2019 Actual \$
Cashflows from operating activities		
Receipts from operations	4,684,819	4,555,416
Donations and other grants received	1,961,275	719,380
Interest received	478,778	548,980
Dividends received	171,032	232,056
Other revenue received	243,917	159,578
Payments to suppliers	(4,177,734)	(4,690,502)
Payments to employees	(2,022,971)	(1,973,466)
Net cash flow (used in)/from operating activities	1,339,116	(448,558)
Cash flows from investing activities		
Proceeds from sale of investments	3,322,656	4,777,198
Purchase of investments	(3,255,758)	(4,256,767)
Purchase of property, plant and equipment	(30,145)	(160,655)
Net cash flow from investing activities	36,753	359,776
Net cash flows from financing activities	0	0
Net increase/(decrease) in cash and cash equivalents	1,375,869	(88,782)
Cash and cash equivalents at beginning of period	308,581	397,363
Cash and cash equivalents at end of period	1,684,450	308,581

STATEMENT OF COMMITMENTS AS AT 30 JUNE 2020**Covenant commitments**

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

2020 \$	2019 \$
3,804,153	3,594,944

The Stephenson Fund commitments

The Stephenson Fund commitments are funds committed to approved covenant holders to assist them with stewardship on their covenants.

2020 \$	2019 \$
175,808	164,333

Operating lease commitments

A Deed of Rent Review was signed in August 2018 which was effective from 7 May 2018. The term of the lease is three years with two further rights of renewal of three years each.

Less than 1 year
Between 1 and 2 years

2020 \$	2019 \$
77,613	90,798
0	77,613
77,613	168,411

Capital commitments

The National Trust had no capital commitments as of 30 June 2020 (2019: nil).

STATEMENT OF CONTINGENCIES AS AT 30 JUNE 2020

The National Trust had no contingent liabilities as at 30 June 2020 (2019: 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 2020 were authorised for issue by the Board on 22 September 2020.

Statement of compliance

The financial statements have been prepared in accordance with Queen Elizabeth the Second National 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 and the pre-1995 fencing liability which is valued annually.

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 surplus or deficit.

Subsequent to initial recognition, financial instruments at fair value through surplus or deficit are measured at fair value, and changes therein are recognised in the surplus or deficit. 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 2020 with the pre-1995 fencing costs and movements being presented separately from operating activities.

1. Covenant expenditure

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

	2020 Actual \$	2019 Actual \$
Fencing	858,110	711,856
Survey	469,246	591,829
Weed and pest control	75,156	50,635
Revegetation	18,457	4,270
The Stephenson Fund	137,356	183,034
Total covenant expenditure	1,558,325	1,541,624

During the year to 30 June 2020, a fifth round of The Stephenson Fund (TSF) was offered to support covenantors with strategically important enhancement projects that have been planned for their covenants (2019: 4th round). A total of \$150,931 was allocated to 28 TSF applicants in the 5th round (2019: 4th round - 50 TSF applicants with \$276,002 allocated). The remaining unspent amounts at 30 June 2020 are included in the TSF amount showing in the Statement of Commitments.

The key aim of the Stephenson Fund is to support stewardship for QEII covenants by strengthening our partnership with covenantors, through projects that protect, restore and manage a covenants open space values. Grants ranging from \$2,000 up to a maximum amount of \$20,000 plus GST (if GST registered) are available to support landowners with the ongoing management and enhancement of their QEII covenants open space values. A 50% contribution is required for most projects from the applicant, apart from hardship which may fund up to 100% of the project costs.

2. Administration expenditure

	2020 Actual \$	2019 Actual \$
Directors' fees	30,068	39,816
Remuneration of key management personnel*	836,818	770,944
Employee entitlements	1,235,658	1,226,702
Audit fees	34,665	34,330
Rental expenses	103,109	102,836
Doubtful debts	2,213	35,232
Loss on disposal of plant and equipment	488	87
Other administration expenses	561,067	863,980
Total administration expenditure	2,804,086	3,073,927

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

3. Depreciation and amortisation

	2020 Actual \$	2019 Actual \$
Depreciation has been charged on the following classes of asset:		
Furniture and fittings, plant and equipment, computer and electronic equipment	49,985	71,841
Improvements	20,052	19,618
Land fencing	1,020	1,021
Amortisation has been charged on:		
Intangible assets	11,225	24,925
Total depreciation and amortisation expenditure	82,282	117,405

4. Net investment income

	2020 Actual \$	2019 Actual \$
Investment income includes:		
Interest	486,530	506,691
Dividends	171,032	232,056
Realised gain	649,513	736,047
Unrealised gain	1,850,847	1,678,530
Total investment income	3,157,921	3,153,324
Investment expenditure includes:		
Discount rate unwind on pre-1995 fencing provision	95,142	64,198
Investment fees	46,678	48,168
Realised loss	118,401	0
Unrealised loss	1,704,963	1,216,928
Total investment expenditure	1,965,184	1,329,294
Net investment income	1,192,737	1,824,029

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

	2020 Actual \$	2019 Actual \$
Accounts receivable	62,172	207,414
Less Provision for doubtful debts	0	(39,692)
	62,172	167,722
Interest receivable	101,291	93,539
GST receivable	34,838	66,760
Total accounts and other receivables	198,301	328,021

6. Investments

	2020 Actual \$	2019 Actual \$
Fixed interest - corporate bonds	11,393,840	10,754,372
Term deposits	1,338,137	1,224,427
Equities - Australia/New Zealand	3,881,803	4,653,545
Property Equities - Australia/New Zealand	713,019	713,019
Equities - International	3,474,615	3,379,859
Total investments	20,801,414	20,725,222

7. Accounts and other payables

	2020 Actual \$	2019 Actual \$
Accounts payable	603,316	601,213
Accrued trade payables	98,070	90,951
Total accounts and other payables	701,386	692,164

8. Deferred revenue

	2020 Actual \$	2019 Actual \$
Deferred revenue	1,074,020	420,964

Made up of:

a) Contestable Funds

- * three individual projects from Lotteries Environment and Heritage Fund
- * 31 individual projects from council funds

Contestable 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.

	2020 Actual \$	2019 Actual \$
Total contestable deed amounts	1,190,798	936,851
Project income to date	1,110,301	878,151
Deferred revenue relating to contestable funds	489,554	420,964

b) An estate bequest held (see note below)

During 2020, the National Trust received a large cash bequest from an estate valued at \$586k (2019: \$nil). The estate deed included a clause requiring the funds be used to purchase an area of land. Until a suitable area of land that meets the requirement of the estate can be purchased by the National Trust, the funds will be held as 'deferred revenue'. The relevant clause in the estate deed requires full repayment of these funds if a suitable area of land cannot be purchased within a five-year timeframe.

9. Property, plant and equipment

	Land Actual \$	Buildings and Improvements Actual \$	Fencing Actual \$	Other Actual \$	Total Actual \$
Cost at beginning of year	2,461,501	721,387	84,925	493,105	3,760,918
Accumulated depreciation	0	(277,772)	(65,023)	(341,949)	(684,744)
Net book value at beginning of year	2,461,501	443,615	19,902	151,156	3,076,174
Acquisitions	0	12,311	0	18,322	30,633
Disposals *	0	0	0	(3,267)	(3,267)
Depreciation	0	(20,052)	(1,020)	(49,985)	(71,058)
Net book value at end of year	2,461,501	435,873	18,882	116,226	3,032,483
Cost at end of year	2,461,501	733,698	84,925	508,161	3,788,285
Accumulated depreciation	0	(297,825)	(66,043)	(391,934)	(755,802)
Net book value at end of year	2,461,501	435,873	18,882	116,226	3,032,483

* Disposals are reported net of accumulated depreciation.

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

During the year ended 30 June 2020, a seat was added to the walking track on a QEII owned property called Mokotahi Hill on the Mahia Peninsula near Gisborne. The total cost of the purchase and installation of the seat was \$12,311 which was added to the cost of building the track in 2018/2019 of \$143,661.

10. Land and improvements

	Land Actual \$	Buildings and Improvements Actual \$	2020 Total Actual \$	2019 Total Actual \$
Aroha Island	425,000	255,012	680,012	698,751
Awapikopiko Reserve	42,000	24,889	66,889	68,033
Bowman's Bush	63,000	0	63,000	63,000
Dunns Bush	150,000	0	150,000	150,173
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	155,972	164,972	152,661
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
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	435,873	2,897,374	2,905,119

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

11. Intangible assets

	2020 Actual Software \$
Cost at beginning of year	272,949
Accumulated amortisation	(256,727)
Net book value at beginning of year	16,222
Acquisitions/(Disposals)	0
Amortisation	(11,225)
Net book value at end of year	4,997
Cost at end of year	272,949
Accumulated amortisation	(267,952)
Net book value at end of year	4,997

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

12. Pre-1995 fencing provision

	2020 Actual \$	2019 Actual \$
Provision at the beginning of the year	9,563,669	6,108,784
Effect of change of methodology - risk-free discount rate cf single effective rates *	(1,439,796)	0
Restated provision at the beginning of the year	8,123,873	6,108,784
Unused amounts reversed	(498,762)	(703,775)
Amounts used	65,310	48,968
Discount rate unwind +	95,142	64,198
Experience variance	277,271	0
Effect of change in the inflation rate	(419,853)	127,052
Effect of change in the discount rate	1,563,366	3,918,442
Provision at the end of the year	9,206,347	9,563,669
Increase/(decrease) in provision	(357,322)	3,454,885
Split between:		
Current liabilities	1,039,572	1,108,742
Non-current liabilities	8,166,775	8,454,927
	9,206,347	9,563,669

The National Trust has a provision 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 provision over time.

* During the 2020 year, the National Trust at the request of its Board, engaged Deloitte to complete a review of the discount rate methodology used to calculate the pre-1995 fencing provision. As a result of that review, and as approved by the Board, the 2020 pre-1995 fencing provision was amended to apply the full Treasury risk-free discount rate and inflation curves rather than a flat discount rate. All other aspects for the actuarial valuation were unchanged.

+ The discount rate unwind forms part of the Investment Income note. Please refer to Note 4.

The effect of the change of methodology from single effective rates to full Treasury risk-free discount rates resulted on a considerable decrease of \$1.44m to the restated provision opening balance as indicated in the note above.

The experience variance adjustment is due to:

- * a reduction in the provision of \$146k due to the updated fence information: and
- * an increase in the provision of \$424k due to the assumption that fences with a replacement date prior to the valuation date are expected to have their fences replaced in the coming year.

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

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 - \$18.26 per metre. This has been calculated based on the 2019 cost per metre of \$18.11 inflated by 0.83% (with reference to the 2020 rate).
- 3) The discounted future cash flows back to the valuation date uses the risk-free discount rate curve published by the New Zealand Treasury as at 30 June 2020.

12. Pre-1995 fencing provision, cont'd

- 4) An inflation rate assumption is that the future cost per metre will increase in line with the New Zealand Treasury CPI forecast as at 30 June 2020.
- 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) (2019: 37.5%).

Effectively the calculation estimates the costs each year in the future then discounts the cost back to 30 June 2020 to reflect what the final cost will be in today's dollars.

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

Variable	Change	2020	2019
Discount rate	+1.00%	-\$2.9m	-\$2.4m
	-0.50%	+\$2.7m	+\$2.2m
	-1.00%	+\$7.7m	+\$6.2m
Take-Up Factor	+20%	+\$4.9m	+\$4.3m
	-20%	-\$4.9m	-\$4.3m
Cost per metre	+10%	+\$0.9m	+\$0.8m
	-10%	-\$0.8m	-\$0.7m

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

- * a decrease/increase in the pre-1995 fencing provision liability
- * a decrease/increase in the covenant 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 2020 year other than payments to Key Management Personnel and to director's for fees.

14. Events after balance date

There were no events after balance date.

15. The effects of COVID 19 on the National Trust

On 11 March 2020, the World Health Organisation declared the outbreak of Covid-19 a pandemic and two weeks later the New Zealand Government declared a State of National Emergency. The country was in lockdown at Alert Level 4 from 26 March 2020 to 27 April 2020, and then remained in lockdown at Alert Level 3 until 13 May 2020.

The effect on our operations of COVID-19 is reflected in these financial statements, based on the information available to the date these financial statements are signed. To date there has not been a significant impact on the National Trust's financial performance or position.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF THE QUEEN ELIZABETH THE SECOND NATIONAL TRUST'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The Auditor-General is the auditor of the Queen Elizabeth The Second National Trust (the Trust). The Auditor-General has appointed me, Sam Nicolle, 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 29 to 40, that comprise the statement of financial position as at 30 June 2020, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies; and

In our opinion:

- the financial statements of the Trust on pages 29 to 40:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2020; 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 the Public Benefit Entity Standards with disclosure concessions.

Our audit was completed on 22 September 2020. 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.

Impact of COVID-19

Without modifying our opinion, we draw attention to the disclosures about the impact of COVID-19 on the Trust as set out in note 15 to the financial statements.

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 there is an intention to merge or to terminate the activities of the Trust, or there is no realistic alternative but to do so.

The Directors' responsibilities arise from the Queen Elizabeth the Second National Trust Act 1977 and the Crown Entities Act 2004.

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 and the performance information, our procedures were limited to checking that the information agreed to the Trust's 2019/2020 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 Directors 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 and the performance information 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.

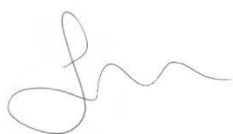
We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

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: *International 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.



Sam Nicolle
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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