

QUEEN ELIZABETH II NATIONAL TRUST **ANNUAL REPORT 2021**



QEII NATIONAL TRUST

Ngā Kairauhi Papa Forever protected

**ANNUAL REPORT 2021 OF
QUEEN ELIZABETH II NATIONAL
TRUST, NGĀ KAIRAUHĪ PAPA
(QEII NATIONAL TRUST).**

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

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

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Neil Cullen, Donna Field,
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COVER:
Glen Echo Station, north
view overlooking the Twin
Creeks wetland
Photo credit: Mark Sutton,
QEII regional representative
for Waiau Catchment

INSIDE COVER:
Kākābeak flower clusters
Photo credit: Malcolm
Rutherford,
QEII regional
representative
for Gisborne



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When reflecting on the 2020/2021 financial year at QEII National Trust, I am reminded that it was a year that went by both slowly and quickly.

The limitations on our movements naturally slowed us down, with overseas travel and the like still very much on hold. However, the boost in interest in conservation and in particular the work that we do at QEII with open space covenants, has accelerated our growth in the last year and we know that this will continue well into the future.

With growth comes change and over the last 12 months we have seen many changes to the QEII team. I was honoured to take on the role of Chairperson of the Trust, appointed by the Minister of Conservation and following in the footsteps of James Guild. I had the privilege of serving as a director on the QEII board for the last five and a half years of James' nine-year term as Chair. James had a distinct style of leadership and his passion and dedication to the Trust was always apparent. On behalf of the extended QEII whānau, I would like to thank James for his outstanding contribution to the Trust and for his ongoing commitment to protecting Aotearoa New Zealand's biodiversity.

Also on a governance level, QEII welcomed three new directors – Neil Cullen, Alan Livingston, and Karen Schumacher who were appointed to the board in July 2020 by the Minister of Conservation at the time, Eugenie Sage. Neil, Alan, and Karen have joined the QEII board seamlessly, through a robust induction process that was supported by our head office team.

Over the year we have also seen changes in Government with a new Minister of Conservation, Hon Kiritapu Allan, announced to take over the portfolio in November 2020. Although Minister Allan took a leave of absence for medical reasons in April 2021, upon her return to Cabinet in July 2021, Dan and I had the opportunity to meet with her and introduce her to all things QEII. We were pleased to find that she already had a thorough understanding of who we are and what we do, and she took a keen interest in the work that we and our covenantors are doing. We spent a good amount of time discussing the future of the Trust, in particular the Jobs for Nature programme and our part in contributing to this.

QEII has secured funding through the Jobs for Nature programme, which is something that the team have been excitedly preparing for over the last 6-12 months. The funding that we have been approved to receive over the next four years means that we can significantly increase areas of protection all over Aotearoa New Zealand.

While this funding is welcomed, we have continued to explore other options for finance and approved a new fundraising strategy in the last financial year. This included bringing on a new team member, Bryna O'Brien, as our fundraising manager to lead the creation of a fit-for-purpose fundraising programme, to make sure that it reflects the unique needs of the Trust and our supporters. The new fundraising programme will help secure the future of QEII, provide an avenue of support for potential benefactors who are interested in supporting the Trust and ensure that any donations or bequests we receive are acknowledged and allocated in a way that reflects the wishes of the donor. The programme will officially launch in the 2021/2022 financial year.

In the past, bequests have enabled us to allocate additional funding to the Stephenson Fund, the demand for which is increasing each year. This year marked the sixth round of funding for the Stephenson Fund and received 39 applications. We distributed \$150,000 to landowners through the Stephenson Fund, funding 30 projects.

The 2021 financial statements at the end of this annual report show that the trust has made a surplus of \$815,000 compared with the budget deficit of \$1.8m. The \$2.6m turn-around from the budgeted deficit is due to a range of issues including new funding from the Department of Conservation's 'Jobs for Nature' initiative with \$331,000 being recognised in revenue for 2021. There was a decrease in the Pre-1995 fencing provision of \$1.2m resulting in the equivalent increase in net surplus. We also received an additional \$185,000 in generous donations and bequests and enjoyed net realised and unrealised gains of \$970,000 mainly from the sale of investments.

All our changes and growth have been undertaken with the newly implemented organisational strategy at the forefront. By having a clear vision of our main objective to inspire conservation on private land, the team has been able to efficiently navigate through the challenges of an ever-changing and growing organisation.

If 2020/2021 was the year of change or growth for QEII, I predict that 2021/2022 will be the year of more. More change, more growth, and more opportunities for us to continue to lead the way in private land conservation. I am really excited about what the future holds for the QEII National Trust.

Bruce Wills

CHAIR





I am writing this report from my home office as we work through another Covid-19 induced lock-down. It's a reminder of the continuing challenge that the pandemic has created for

the efficient operation of QEII and many other organisations. Having said that, I am grateful that the disruption and real impacts for peoples' health have been minor so far, compared to what has been suffered in other parts of the world.

Despite Covid, or perhaps partly because of it, demand for QEII's services is very high. It is wonderful that there are so many people out there who want to do the right thing by their precious piece of land, and it is even more wonderful that they have sufficient trust in QEII to ask for our help. Frustratingly, it has been getting challenging for us to keep up with the demand for help in some parts of the country, where the number of hours in the day for our people has just not been enough. Securing additional funds to be able to add people to our team has been a major priority for some time, so it was very pleasing to have funding for QEII's Protecting the Gains programme announced toward the end of the financial year. Although this funding – provided through the Government's Jobs for Nature investment – is confirmed for only four years, it will allow us to do a lot more in that time. We expect to be able to protect about 260 additional pieces of land – over and above what we would have covenanted with baseline funding.

In anticipation of the increased output expectations, the QEII head office functions were restructured during the year. The restructure added some resourcing but was also intended to create 'scalability' – create a framework in which QEII can grow organically – as demand and funding allow. Restructuring is always a challenging process for a team, and I would like to thank all of the QEII staff and regional reps for contributing to that process constructively. Bedding-in a new structure always takes time, but the team is quickly coming to grips with new roles and responsibilities.

Alongside head office capacity, we have added regional rep resources – through a combination of more hours from some reps and some new faces. We've also engaged new reps to fill gaps left by some very highly respected members of our team who announced their retirements during the year. I would like to acknowledge the massive contributions that Neil Phillips, Robin Thomas, and Wayne O'Keefe have made both in their regions and to QEII generally. All three leave huge shoes to fill.

Another acknowledgement that I need to note is to Dick and Jillian Jardine who announced in November that they would gift their 900 hectare Queenstown property – Remarkables Station – to QEII. Celebrating that announcement was the culmination of a hugely generous gesture by the Jardines, a very significant decision by the QEII board to accept the gift, and now the serious work of owning and overseeing the farm begins for QEII. Our vision is that the property becomes a major asset for the local community and for all New Zealanders and an illustration of how productive farming, best practice environmental management and biodiversity enhancement can go hand-in-hand.

The financial result for the year is positive, and significantly better than what was budgeted, which is pleasing, but I am very much aware that the surplus is a result of very significant favourable movement in intangible items. The underlying operating position for QEII remains loss-making and in the medium to long term we need to address this by adding new revenue streams such that we can continue to meet demand for our help. For the next four years we expect that Protecting the Gains will allow us to do more without compromising our financial position.

Establishing new covenants and undertaking monitoring visits remain our bread and butter. Over the course of the year, we have approved 134 new covenants protecting 2,944.8 hectares and regional reps have undertaken 1,865 covenant monitoring visits – both are significant increases on the previous (also Covid-affected) year. A huge thank you to all the team for contributing to that.

On top of lockdowns, restructuring, retirements, celebrations and developing the Protecting the Gains programme, the numbers show that it has been another productive year for QEII. There remains much to be done, but we continue to be successful in our core business and are creating a solid foundation to build on into the future.

Dan Coup

CHIEF EXECUTIVE



*Photo credit: Malcolm Rutherford,
QEII regional representative for Gisborne*

*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

QEII 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 support and work with us to protect private land.

We were formally established 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 by QEII members. We have 26 regional representatives nationwide and 27 people in our head office in Wellington. Our head office team includes legal, ecological advice, health and safety, finance, communications and policy, and coordinates nationwide activities.

Our annual operating budget is approximately \$6 million, of which approximately 80% is government-funded through Vote Conservation and administered through a Letter of Expectation from 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

With 70% of land in New Zealand under private land ownership, protecting biodiversity on privately owned land is critical to reversing the decline of indigenous biodiversity. Much of this 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 rōhutu (*Lophomyrtus obcordata*), kea, pink broom, Australasian bittern/matuku-hūrepo and swamp maire/maire tawake. 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 128 new covenants to protect 1,830.2 hectares. We have also approved a further 134 covenants that will protect 2,944.8 hectares once registered.

Covenanting numbers

128

New registrations

1,830.2 ha protected this year

134

New proposals

approved

Estimated 2944.8 ha will be protected

4,912

Total registered covenants

192,574.7 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 134 covenants in the 2020/21 year and 100% 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, which makes 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.

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 or nationally endangered threat status such as ramama (*Lophomyrtus bullata*), long tailed bats (*Chalinolobus tuberculatus*), and kea (*Nestor notabilis*).

Of the 134 proposals approved in the 2021/22 financial year, 73% 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. Thirteen covenants were approved during 2020/21 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 2020/21, QEII allocated \$144,750 (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 the statutory trustee of all of its registered covenants. In this role, we monitor covenants every few years 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 it is 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 2020/21 we monitored 1,865 covenants and found issues in 197 covenants that required attention. We also resolved issues requiring attention in 50 covenants.

Summary of monitoring results:

1,865 **covenants** monitored this year

89.5% had **no issues** requiring attention

197 visited covenants **require attention**

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



The Stephenson Fund

QEII established the Stephenson Fund in 2017 with the objective to provide support for enhanced covenant stewardship. The fund is named in honour of Gordon and Celia Stephenson, key visionaries in the founding of the Trust, and the first people to register a QEII covenant on their property.

The Stephenson Fund is open to applications from across the country. In addition to enabling projects that will enhance covenants, it is also designed to provide support where hardship is the result of circumstances beyond a landowner's control.

QEII opened the sixth round of funding on 31 July 2020, with \$150,000 of contestable funding available. Applicants were encouraged to discuss project plans with their regional representative to increase their chances of a successful application and positive project funding outcomes.

The sixth funding round drew 39 applications from across the country. All eligible projects were evaluated against the fund's assessment criteria by a team consisting of members of the Land Protection and Field Operations teams, and several regional representatives. Funding was allocated across 30 projects, including two hardship applications securing grants for fencing repairs following earthquake and flooding events.

Success on Page Family Farm

Ian and Sandy Page's covenanted farm, Tahere Farm, is at the centre of Taheke Landcare, a 2,000 hectare community pest control project in Northland that has been working towards the reintroduction of North Island Brown kiwi for many years.

Increased trapping was required, so tracks were formed along the river and through the Page's 160 ha covenant, however a winter deluge in 2020 swept a line of traps away and dumped debris across the river trapping lines.

The Pages received a \$5,000 grant during round six of the Stephenson Fund to assist with both track repair and upgrading sections of low-lying track in the flood zone. This has improved access for the local community and tramping groups visiting the Tahere Farm covenant, and for kiwi monitoring and predator control crews.

Working with a team of volunteers over an eight-month period, Ian and Sandy's project achieved all its goals, including the clearance of flood debris, track realignment, building of steps, and construction of a retaining wall. Then in April this year, the community celebrated the return of kiwi to the area with 10 birds released at Tahere Farm.



Table 1: Number of general projects funded and declined by project type

KEY PROJECT ACTION	No. projects funded	No. projects declined *	Funding approved (excl GST)
Fencing upgrades	2	2	\$17,440
Weed control	10	1	\$39,402
Predator control	8	3	\$45,095
Revegetation	3	0	\$13,230
Hardship (earthquake & flooding)	2	1	\$4,000
Other **	5	2	\$31,210
TOTAL	30	9	\$150,377

* Projects may be declined due to fund limit or not meeting criteria

** Other: track work, signage, visitor experience, and a bush classroom

CLOCKWISE FROM TOP LEFT:

Kiwi handler Cam McInnes introduces Takoha the kiwi
Photo credit: Wendy Bown

10 kiwi ready for departure on Motuora Island
Photo credit: Kiwi Coast

Transporting kiwi onto Tahere Farm. Photo credit: Malcolm Pullman





WORKING WITH OTHERS

Collaboration is a key focus for QEII and we're lucky to be able to work with many like-minded groups and individuals who share our goal of protecting and enhancing New Zealand's landscapes and biodiversity. Our partnerships are wide ranging, with many driven by our regional representatives and their invaluable relationships in their regions. These partnerships are a great source of support and advice and they have a crucial role in the overall protection and enhancement of QEII covenants on private land.

Recently, we teamed up with the Hawke's Bay Regional Council to offer landowners financial incentives and on-farm support to protect and enhance areas with biodiversity values on their farms. In July 2020 we signed a memorandum of understanding (MoU) with the council, which outlines how we will work together. The MoU includes facilitating funding towards retirement fencing on new covenant areas with biodiversity values and providing support for covenant specific activities like planting, pest plant and animal control. There is also a key focus on deer fencing, to combat the significant impact feral deer are having on native bush remnants across the region. Hawke's Bay Regional Council chief executive James Palmer was pleased to partner with us as we share the same values and aspirations to develop healthy ecosystems in the region.

We also entered a funding agreement with Auckland Council to develop a programme to support new and existing QEII covenant owners throughout the region, through a contestable fund for existing covenantors, establishment fencing for new covenants and a community event. In July 2020, we launched the Auckland Council Fund, a contestable fund to support covenant stewardship. Eighteen projects were allocated funding for weed control, pest animal control, fencing and revegetation and the fund is running again this financial year.

We have had the pleasure of working with other organisations and groups through our QEII-owned properties and have worked on many projects in the last year. We would like to thank Hutchinson Consulting Engineering who provided pro-bono investigation, design, and project management for a new footbridge at our Dunn's Bush property near Puhoi. We would also like to thank the Kauri Protection Fund who provided funding to upgrade the public walking track to help protect the kauri present at our l'Anson Reserve property in the Bay of Plenty. The Western Bay of Plenty District Council also upgraded the footbridge and provided ongoing project management. Without the support of other organisations and individuals, we would be unable to undertake these actions on our properties.



LEFT: Aerial view of
Taupō Swamp
RIGHT: A track inside
l'Anson Reserve



THANK YOU

We are grateful to all the generous 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 QEII memberships. We are also extremely thankful for the dedicated support we receive through donations and bequests, which 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, and G Dear along with donations from F Campbell, B & C Hewett Charitable Trust and other anonymous donors for their generous contributions to the Trust in the 2020/2021 financial year.

LEFT: QEII Athol Patterson
Bursary recipient Erika Lilley

QEII continues to be active in the academic space, with a key focus on supporting universities and research organisations to promote science that will benefit conservation on private land. This includes the QEII Athol Patterson Bursary, which helps support students at Massey University who demonstrate a commitment to environmental studies and sustainable farming practices. This year we selected Erika Lilley for the QEII Athol Patterson Bursary. Erika is studying towards a Bachelor of Agribusiness at Massey, majoring in Farm Management. She grew up on a farm in the Bay of Plenty and is passionate about New Zealand's agricultural industry, soil science, and the link between agriculture and environmental impact.

UPHOLDING OUR PROTECTION

Examples of work undertaken in the past year

- **Submission on Porirua City Council's Plan Change 18.**

This plan change sought to rezone nearly 400 hectares of farmland across the road from Taupō Swamp, a wetland largely owned by QEII, and recognised as having "outstanding indigenous biodiversity values". We partnered with Forest and Bird, the Department of Conservation, and the Friends of Taupō Swamp care group to make a submission for strict control to ensure avoidance of detrimental effects from intensification of land use adjacent to such a sensitive environment. Through our submission, the environmental controls on this development should ensure the continued survival of this critically important wetland. QEII will continue to be involved as the development progresses.

- **Submissions on local government Long-Term Plans (2021-2031)**

This year, many councils across the country were consulting on their Long-Term Plans for 2021-2031. These plans outline a Council's strategic direction and priority programmes and allocate funding across all council portfolios. All types of local government have some level of responsibility for biodiversity, so engagement in these processes provides a good opportunity to engage with councillors on the direction of biodiversity work in a region or district.

Over the past 12 months, QEII made several submissions on Long-Term Plans, working with our regional reps to communicate the key issues for biodiversity in their areas. Our submissions focused on increasing support for conservation work on private land, ensuring councils prioritise biodiversity protection, emphasising the importance of partnering with private landowners, and advocating for rates remission for covenanted land.



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 continued to see growth in the time and effort we commit to engaging in advocacy and legal processes, ensuring that QEII remains the gold-standard for robust protection of indigenous biodiversity on private land in Aotearoa New Zealand.

Partnerships are central to our work, but where covenant values are under threat, we also champion the protection of QEII covenants and the properties we own through participation in legal processes like litigation, and involvement in RMA submissions and hearings.

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. QEII is seeing an increase in this advocacy work, more regularly making submissions on legislative changes, and engaging in policy development processes across central and local government.

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

EXAMPLES OF NEW PROTECTION

Tararua: The McKay Family Covenants

Written by Jamie Pearson, Land Protection Advisor

James and Kate McKay have a restoration vision for the newly protected wetland on their property near Alfredton in the Tararua region. By involving family, friends, the community, and local schools with planting and weed control, James and Kate hope to restore the wetland system and return natural biodiversity to the area.

James and Kate highly value the native areas on their property, and have passed on their passion to their children, Hadley, Olive and Joe. They love to spend time in the protected patches, playing in the wetland, following the track and feeding eels. Their interest in nature is growing and they are learning to identify the native plants in their forests by pressing leaves and gathering these into a book.

The McKay family has recently added the additional 3 hectare wetland to the 14 hectares of covenanted areas on the property. Their three forest blocks were previously registered in 2018 and are great examples of original forest remnants in the region, protecting rimu, tōtara, kahikatea, mataī and miro.

The newly protected wetland has patches of native vegetation dominated by *Carex secta*, *Olearia virgata* and rāupo within two boggy gullies joined by small tributary creeks. Located on river terraces formed by Te Hoe Stream, the wetland is an indigenous ecosystem type that is threatened in the Eastern Wairarapa ecological district with only 2% of the original vegetation cover remaining. The McKays are working to restore the wetland ecosystem by controlling weeds through spot spraying, release spraying, and replanting the area with over 5,500 natives. Re-establishing representative species is a key focus of the planting to restore natural diversity to the area.

The McKays knew there would be a lot of work involved in the project and saw it as a good opportunity to kick-start their newly founded local water catchment group, Ihuraua/Upper Tiraumea Catchment Group. The group is part of the wider Manawatū River Catchments Collective (MRCC), which aims to connect and support several smaller local catchments groups like Ihuraua.



The group held an annual Ihuraua planting day in August 2020, starting at the wetland. QEII regional representative Bill Wallace recalls the planting day being a great community event, with students from Alfredton School and Tararua College, local covenants, Horizons Regional Council staff and other members of the community mucking in for the day - an impressive 2,800 plants were planted in two hours.

The inspiring work of these covenants is being supported by the Manawatū River Accord, who aided the project with funding for weed control, enhancement planting and a stream health

monitoring kit. Horizons Regional Council and QEII is supporting them with fencing costs, weed control efforts, community days and ongoing monitoring.

The McKays' newest covenant fulfils National Priorities 1, 2, and 4, by protecting 'Acutely Threatened' land environments, indigenous wetland vegetation and 'Threatened' indigenous species. This covenant is an excellent example of protected areas being incorporated into farm management, as well as community engagement and environmental education.

TOP: Panoramic view of the McKay wetland

BOTTOM: A successful planting day at the wetland



Hawke's Bay: Ngaio and Kererū Bush

Written by Anna McKenzie-Pollock, Land Protection Advisor

When Steve and Trish Anstis moved to their farm, located just South of Waipukurau in the Hawke's Bay in 2017, they knew that they wanted to retire the bush areas to improve and preserve them. Their daughter Victoria has been a main driver for protecting the two remnant forest blocks on their property, Waikareao Station, with a QEII covenant.

These blocks hold a diverse range of species, including some grand mature specimens and rare plants. In a landscape with little indigenous biodiversity remaining, these forest remnants are especially precious. Together, the two areas of bush protect 10.7 ha and they have been identified by the Hawke's Bay Regional Council as Ecosystem Prioritisation Sites due to the unique biodiversity found there.

The smaller block, known as Kererū Bush, borders the Taurekakaitai Stream on one edge, which flows out of Purima Lake and Wanstead Swamp to form the headwaters of the Pōrangahau River. By protecting the forested hillslope, erodibility is reduced. The topography of Kererū Bush meant that it was not a suitable site for deer fencing, however removing stock will improve the ground cover and reduce topsoil run off and sedimentation into the waterway.

The larger of the two blocks, named Ngaio Bush, was fully deer fenced to protect it from the high levels of deer in the wider landscape, with the Hawke's Bay Regional Council, Department of Conservation, QEII and the landowners contributing to the cost. Their neighbours, the Wilders, have covenanted a piece of bush adjacent to Ngaio Bush and encircled by the deer fence. The Wilder's covenant protects an additional 1.13 ha of bush, including some mature podocarps, and allows for a simpler fence line.

Through Project Crimson's Trees that Count program, the Anstis's received funding to plant 800 trees in the Ngaio Bush block. The trees have been planted over the past two winters by friends and family and the deer fencing will help protect the young trees and allow the rest of the forest to regenerate. Victoria says that they are aiming to gradually plant the grassland every year to limit the weeds, allow regeneration, and create a safe-haven for native birds.

Another special project has been the planting of 50 heart-leaved kōhūhū (*Pittosporum obcordatum*) plants in the deer-fenced Ngaio Bush block, which are classed as 'Threatened, Nationally Vulnerable'. Numbers of this plant have decreased due to loss of habitat and browsing by ungulates. The seeds for these plants were collected by Troy Duncan, QEII regional representative for the Hawke's Bay area, and Helen Jonas from DOC. The seeds were sourced from a covenant in the Tukituki

Valley which is one of the few remaining sites in the North Island and likely to be the largest population in one site. The plants were propagated by a local volunteer nursery. Deer fenced areas give these plants the best chance of survival to 'top-up' the number in the wild. The Anstis's have appreciated the help of their regional rep, Troy, saying that he often goes above and beyond with his amazing support.

The covenant meets National Priority 4 by protecting habitats of threatened indigenous species including several members of the Myrtaceae family (kānuka, rōhutu and akatea) as well as the kārearea (New Zealand bush falcon). It also meets National Priority 1 as it is located in an area with little indigenous vegetation left.

TOP: A view of Ngaio Bush. Photo credit: Victoria Anstis

LEFT PIC: Kererū bush with an old kahikatea tree. Photo credit: Victoria Anstis

TOP RIGHT AND BOTTOM RIGHT: The new fence with QEII signage. Photo credit: Michael Schultz





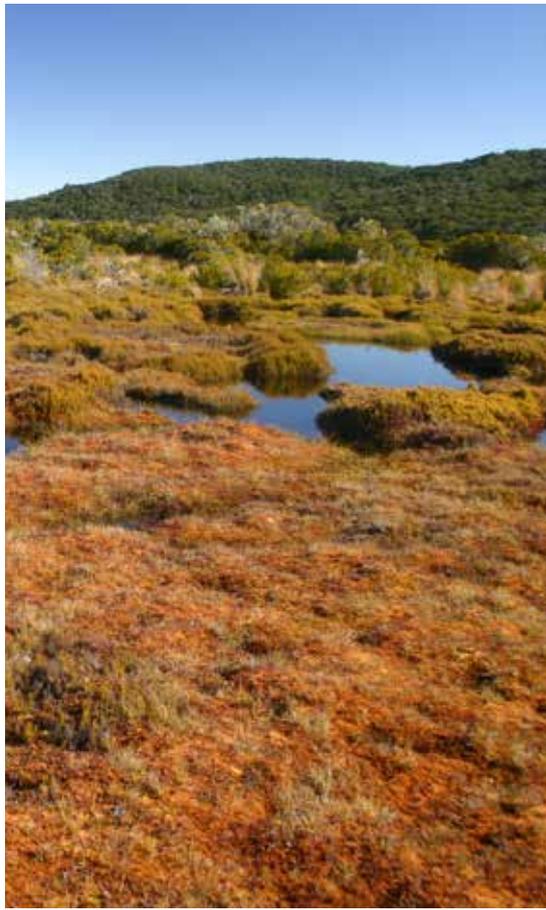
Waiau: Glen Echo covenants

Written by Anna-Kate Goodall, Anna McKenzie-Pollock and Jamie Pearson, Land Protection Advisors

Set in the beautiful Whitestone River Valley, 25 km northeast of Te Anau, is Glen Echo Station. Primarily a deer farm, with some sheep and beef, the elongated property is bordered by the picturesque Snowdon Forest DOC Estate with the Upper Whitestone River flowing through.

The property is owned by the Young and Brown families, and the farm is managed by Peter O'Brien. Together they have a strong conservation ethic with eight registered covenants and more in the pipeline. Peter recalls when they first considered covenanting, he was sceptical and looking at things from a grazing perspective. His fears of losing land from the farming operation were quickly forgotten when he saw the huge benefit to the property in terms of water quality, shelter and increased biodiversity.

The station has several QEII covenants covering a range of ecosystems, including mosaics of beech forest, red tussockland, lichenfields, wetland seepages and meandering streams. The vegetation is diverse with abundant red beech, mountain beech and tōtara in the submontane forest, and many native shrubland and wetland species including sundew and swamp orchid. Particularly special to this station is the kārearea/New Zealand falcon, which is commonly sighted sitting on a fence post or flying overhead.



The Twin Creeks covenant is the most recent addition, comprising of bog pine scrub and shrubland upon a frost flat. Peter recognised that the diversity and rarity of the area made it an amazing addition to the farm's covenants. He commented that, when taken as a whole, it is a highly diverse site that supports an extensive area of inter-linked indigenous biodiversity. The frost flat/temperature inversion ecosystem ranks very highly on a regional basis as an endangered naturally uncommon ecosystem type.

The covenant meets National Priority 2, as it protects species such as wire rush and *Carex* in the seepage wetland and stream system, while excluding grazing improves water quality. Healthy streams and wetlands allow threatened freshwater species such as longfin eels, galaxiids and invertebrates to thrive, meeting National Priority 4.

QEII regional representative for the Waiau Catchment, Mark Sutton, has worked with Peter on the covenants at the station for a number of years and is also personally connected to the station. Mark regularly visited with his father to fish from the age of seven. He recalls, "just getting there was a day mission, it's a beautiful place! That intrinsic feeling of the landscape is what makes the property really special. I struggle to put it into words." Peter says that Mark's wealth of knowledge, his guidance and encouragement has helped them to keep moving with protection of some unique areas on the property.

On reflection, Peter notes that the best thing about the covenants on the station is the inter-connection they have throughout the property. Driving past daily brings him a sense of satisfaction to know that these areas are forever protected by choice and not by regulation. As Mark says, "it's just magic!".

FROM LEFT:

Wetland seeps and springs are common throughout the Twin Creeks covenant
Photo credit:
Mark Sutton

*Sundew (*Drosera spatulata*) can also be found in Twin Peaks*

Bogland within Twin Creeks covenant with Snowdon Forest (DOC) visible in the background hills
Photo credit:
Mark Sutton

*Twin Creeks covenant is home to many rare native species, including Sun Orchid (*Thelymitra venosa*)*

Tākaka: Blue Lake

Written by Anna-Kate Goodall, Land Protection Advisor

Located at the top of the South Island in Tākaka, Golden Bay, is a lake surrounded by 3.8 hectares of native forest. Known as Blue Lake, it is a unique deep tomo, a limestone sink hole, which is both rare and beautiful. The Blyth family are the proud custodians of Blue Lake and recently protected the area with a QEII covenant. The lowland secondary forest of predominantly kānuka, kāmahī and tōtara provides an ideal backdrop and supports the tomo ecosystem. Theo Blyth and her family are committed to protecting this site and stock were excluded from the area for many years prior to covenanting.

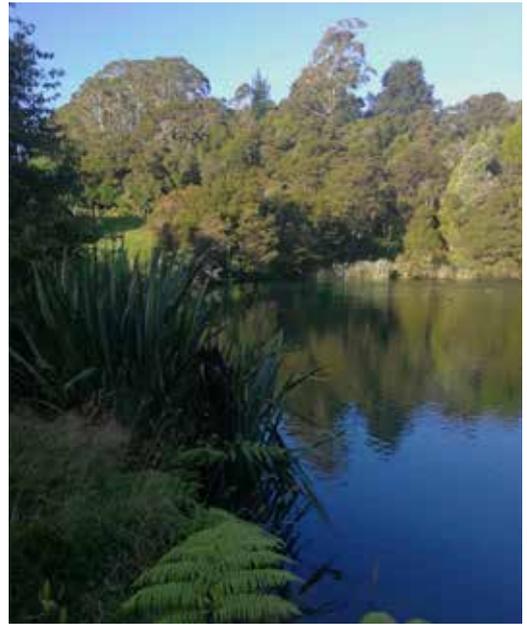
Choosing to protect the area with a QEII covenant came about as they realised that not everyone would value the area in the same way. Formal protection of the area would ensure it was there to enjoy for generations to come. Theo recalls someone offering to clear the bush for them, and her immediate reaction was, "you gotta be dreaming!"

Theo has been around the lake since she was in her 30s. Now 95, she still loves the lake, saying that it is like nature's amphitheatre, with the bush behind the lake. Spending time watching the coming and goings of the birds on the water brings her real joy and the family have fond memories of swimming in the lake on particularly hot days after milking and playing in the bush as kids in the wētā filled huts that they built.

The site also has significant ecological values. Tomo are formed by a collapse of the surface layer and are usually associated with karst geology. This tomo covers 0.5 hectares and is between 13 and 18 metres deep. Despite being habitat for wildfowl, the water quality is good due to its depth, and its depth is also what gives the lake its impressive green-blue hues. Tomo are an 'originally rare' terrestrial ecosystem with a threat status of 'Endangered' and meet National Priority 3. There is also a diverse range of wetland flora present around the lake margins, meeting National Priority 2.

The area has great bird life. Species found on the site include wood pigeon/kererū, parsons bird/tūi, bellbird/korimako, fantail/pīwakawaka, kingfisher/kōtare, grey heron/mātukutuku, white heron/kōtuku (Threatened - Nationally Critical), grey warbler/riroriro, woodhen/weka and morepork/ruru. Dabchicks/weweia (At Risk - Recovering) have also been seen on the lake, meeting National Priority 4. Dabchicks were thought to be extinct in the South Island in the 1940s, until a pair began breeding in Tākaka in 2012. Preferring freshwater lakes and dense vegetation for nesting, this limestone tomo could provide an ideal habitat for dabchicks and hopefully more will be seen here in the future.

A covenant well worth protecting. As Theo says, "Blue Lake really is the jewel in the farm's crown!".



*ABOVE FROM TOP:
A view of Blue Lake. Photo credit: Che' Blyth*

Waterfowl in Blue Lake. Photo credit: Che' Blyth

The amphitheatre behind the lake. Photo credit: Tom Stein, QEII regional representative for Marlborough and Nelson-Tasman

Our people

At QEII, we see our people as the key to 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.

Our team grew from 22 employees in the last financial year, to 27 by the end of June 2021. In addition to our head office team, we have 26 regional representatives contracted to QEII, along with four monitoring assistants. While regional representatives and monitoring assistants are not employees, QEII still works to ensure that they are engaged with our team at head office and employees and regional representatives work closely together.

The amount of work done at QEII has grown and with extra funding over the next four years from the government's Jobs for Nature programme, the organisation will continue to grow to meet these needs. We have planned additions to both our head office team and regional representatives in the upcoming 2021/2022 financial year. The increase in regional representatives also reflects the growing number of registered QEII covenants and the work required to monitor these.

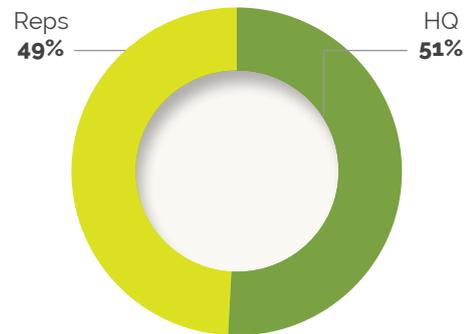
Our commitment to being a good employer:

Health and wellness: We continued to provide all employees access to employee assistance programmes, as well as an annual health and wellbeing allowance to encourage healthier living by contributing financially to wellness-related activities or items. Our staff-led health and wellbeing committee remains active in hosting wellness activities for head office staff, with a variety of activities that focus on both physical and mental health.

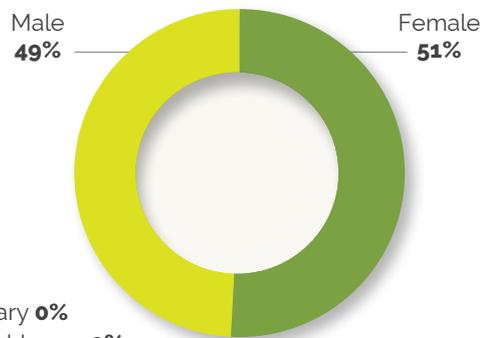
Policies and structures: We continue to invest in strengthening our human resource structures and policies. We have an agreed suite of policies and structures that provide the foundation for fair and open processes around pay, performance, recruitment, retention, flexible work, disputes, and other key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

QEII staff and regional representative statistics

Staff and regional representatives

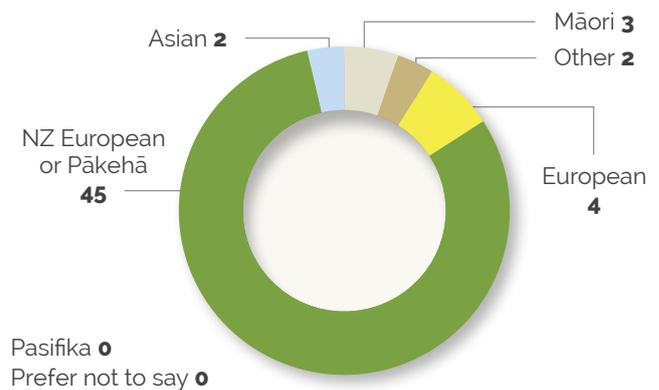


Gender

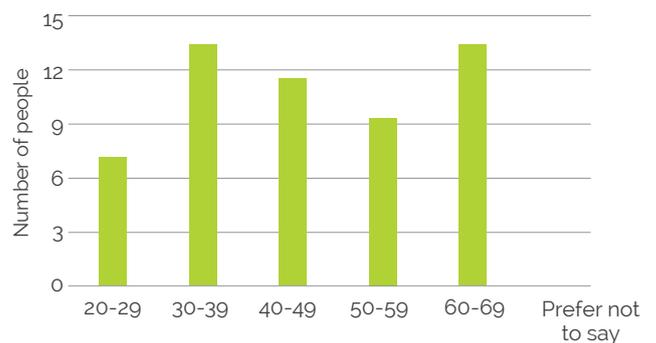


Non-binary 0%
Prefer not to say 0%
Other 0%

Ethnicity



Age





TOP: The QEII team briefing before a field trip

LEFT: Walking along Paekākāriki Escarpment Track in Kāpiti

RIGHT: Dog days with Loki, Cyprus, Maisey, Gemma and Oscar

Bringing people on board: Since last year, we have moved all our recruitment to an in-house process, led by our HR team. Onboarding new people onto our staff or board of directors continues to be a structured induction process. 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 Land Protection Team with support from all other teams within QEII.

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 continued to provide a safe and healthy working environment for our people. We operate under a robust Health and Safety Management System (HSMS) that addresses the unique risks associated with the unique work our geographically dispersed field team as well as office-based head office workers undertake. We are committed to best practice and continuous improvement of our HSMS and a positive safety culture. Our Health and Safety Committee comprises elected representatives from the board, staff and regional representatives. This ensures input from across the organisation for all matters concerning the safety and wellbeing of our people.

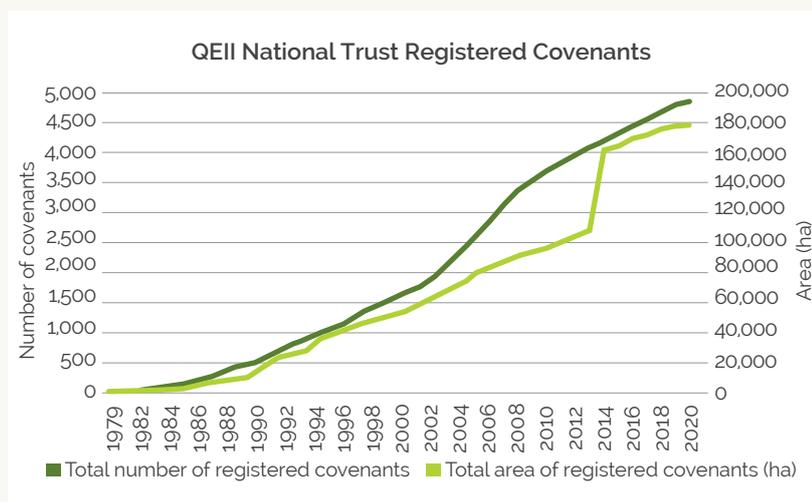
Covenant statistics

Regional Council	Total region area (ha)	Total approved (as-yet unregistered) 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 (ha)
Auckland	494,162	7	296	303	3,954.6	3,932.2	840.8	12.8	2.9
Bay of Plenty	1,207,050	5	185	190	9,313.2	9,294.5	6,563.5	50.7	3.9
Canterbury	4,450,760	42	373	415	18,932.4	14,363.7	1,679.4	39.6	8.1
Gisborne	838,582	11	142	153	5,173.3	5,025.0	1,103.8	35.6	9.1
Hawke's Bay	1,413,721	14	260	274	11,702.5	10,877.1	4,606.0	42.0	10.2
Manawatu-Whanganui	2,222,059	29	401	430	9,278.0	8,467.8	352.3	21.1	7.4
Marlborough	1,045,765	6	91	97	5,124.9	4,928.9	1,055.7	52.8	8.1
Nelson	42,441	1	18	19	323.1	319.6	139.5	17.8	5.9
Northland	1,250,032	20	761	781	10,959.6	10,590.0	420.6	13.9	3.6
Otago	3,120,863	18	218	236	66,294.5	64,678.2	21,909.6	299.4	8.2
Southland	3,119,495	24	381	405	10,270.1	9,538.5	1,456.6	25.2	8.9
Taranaki	725,436	47	451	498	10,490.8	9,570.6	915.5	21.3	2.8
Tasman	961,623	6	182	188	3,310.5	3,227.5	399.9	17.8	3.9
Waikato	2,389,990	42	691	733	18,466.2	17,218.1	801.6	24.5	6.4
Wellington	804,866	16	362	378	6,454.8	6,299.6	824.3	17.2	4.5
West Coast	2,324,381	11	100	111	2,526.1	2,142.0	233.0	21.4	7.5
All Regions		299	4,912	5,211	192,574.7	180,473.4	21,909.6	36.8	5.4

Protected open space	Number	Area (ha)
Registered covenants	4,880	179,548.4
Approved covenants**	299	12,101.3
Formal agreements*	32	925.0
TOTAL**	5,211	192,574.7

* 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



36.8 ha
average registered covenant size

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

95% of registered covenants are 100 ha or less

QEII National Trust-owned properties:

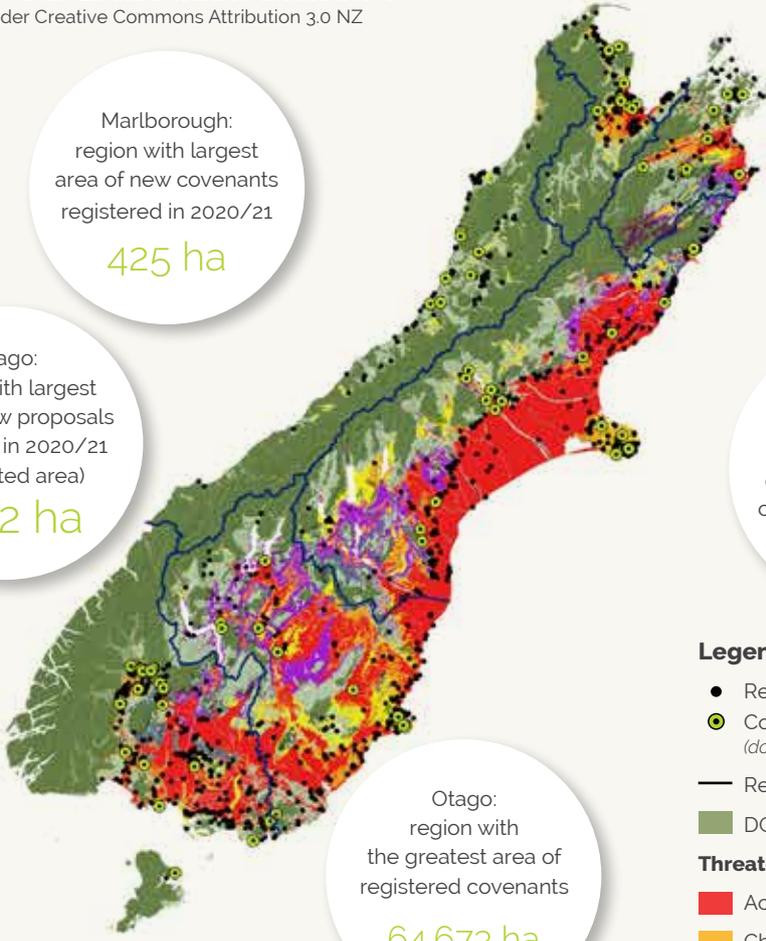
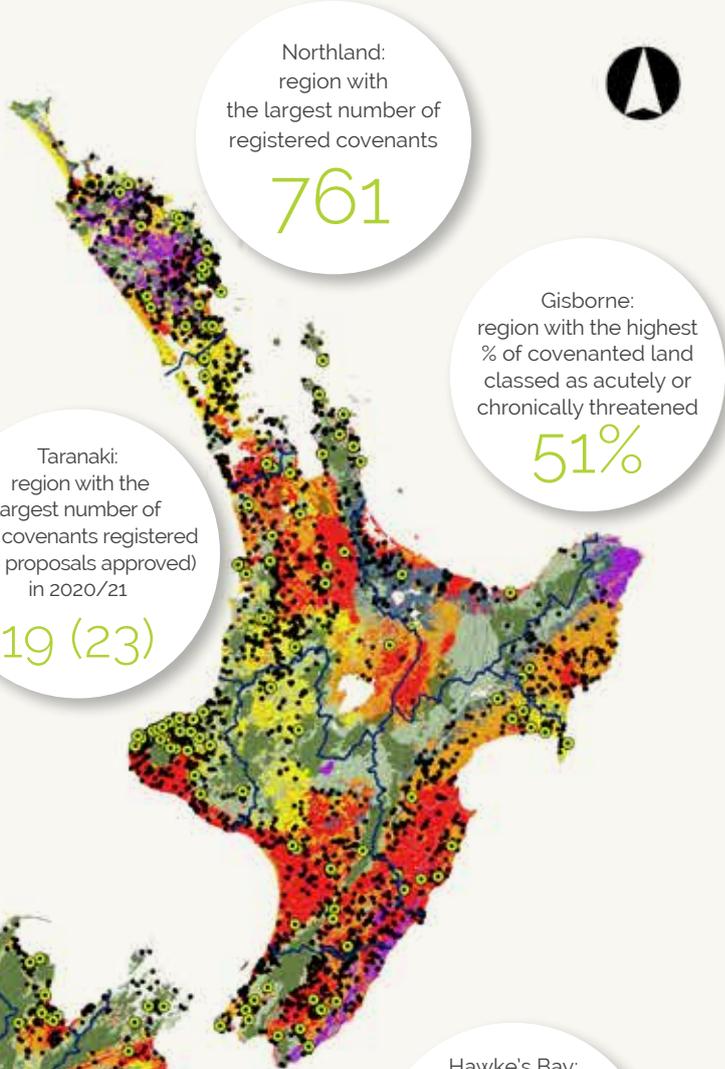
- 26 properties (1,433 ha) (14 formalised & 12 registered as covenants).
- 1 license to occupy (85 ha)

Organisations with the most covenants:

Pāmu (Landcorp Farming Ltd)

- 228 registered covenants (9,948 ha)

Public Conservation Land Crown Copyright: Department of Conservation Te Papa Atawhai [2021] Threatened Environments Classification 2012 created by Manaaki Whenua (Landcare Research) and licensed for re-use under Creative Commons Attribution 3.0 NZ



Legend

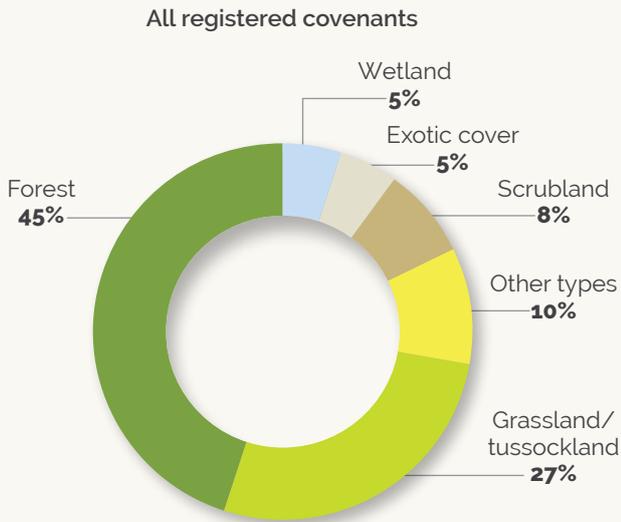
- Registered and approved QEII National Trust covenants
- Covenants registered or approved since 30 June 2020 (dots represent locations only and not actual area of covenanted land)
- Regional Council boundary
- DOC Public Conservation Land

Threatened Environments Classification (2012)

- Acutely threatened (<10% indigenous cover left)
- Chronically threatened (10-20% indigenous cover left)
- At risk (20-30% indigenous cover left)
- Critically underprotected (>30% left and <10% protected)
- Underprotected (>30% left and 10-20% protected)
- Less reduced and better protected (>30% left and >20% protected)

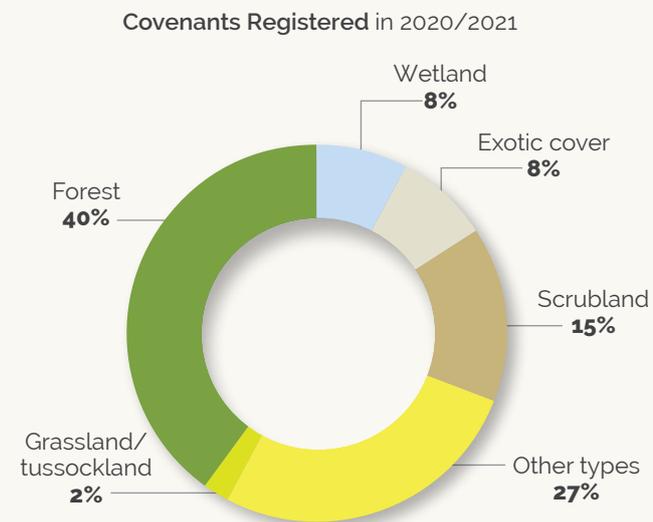


Landcover type



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

93% of covenanted grassland/tussockland (approximately 43,500 ha) is located in the 17 largest covenants, each over 1,000 ha in size.



81% of covenanted forest (approximately 67,000 ha) is located in covenants < 1,000 ha in size.

All of the 128 covenants registered in 2020/21 were < 250 ha, with the greatest vegetation type being 40% forest by area (approximately 713 ha)

176,000m of fencing, 16,600m of natural features and 73,300m of unfenced boundaries protect these newly registered covenants

Monitoring Report

Total number of registered covenants monitored (includes covenant monitoring visits, compliance visits and fencing inspections)

2019/20 Actual		2020/21 Actual	
Number	Area (ha)	Number	Area (ha)
1,427	67,735.4	1,865	61,688.1

Breakdown of registered covenants with issues identified as requiring attention in 2020/2021¹

The figures below are the number of registered covenants visited in 2020/21 which were identified as requiring attention, where the issues remained unresolved by the

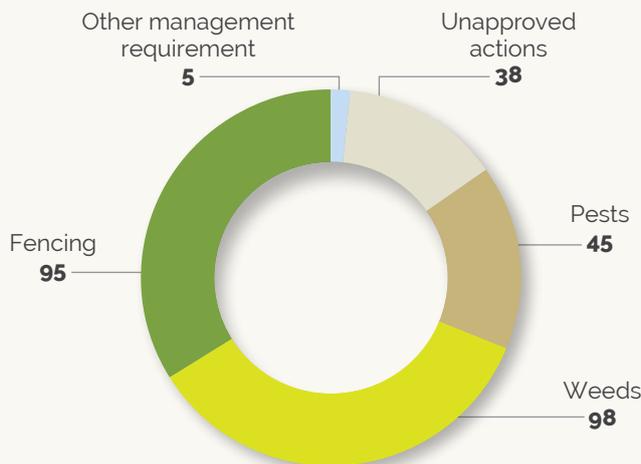
end of the year. In addition, the table also shows the number of covenants visited where an outstanding issue requiring attention was confirmed as being resolved.

	Number of covenants identified as requiring attention - ISSUES UNRESOLVED	Number of covenants identified as requiring attention - ISSUES RESOLVED
Covenants with conditions issues only e.g., weeds, pest animals	91	18
Covenants with legal compliance issues only e.g., fencing, unapproved activities	68	24
Covenants with both condition and legal compliance issues	38	8
TOTAL	197	50

Nature of issues requiring attention²

	No. of covenants with unresolved issues	No. of covenants with resolved issues
Fencing	95	31
Weeds	98	19
Pests	45	8
Unapproved actions	38	8
Other management requirement	5	1

Nature of unresolved issues requiring attention²



¹ Plus an additional **103 covenants** identified as requiring attention but marked as exempt because of a landscape-wide issue beyond the reasonable control of the landowner. A coordinated regional approach involving all stakeholder organisations and landowners is needed to effectively manage these issues, QEII is committed to supporting this approach wherever it can.

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

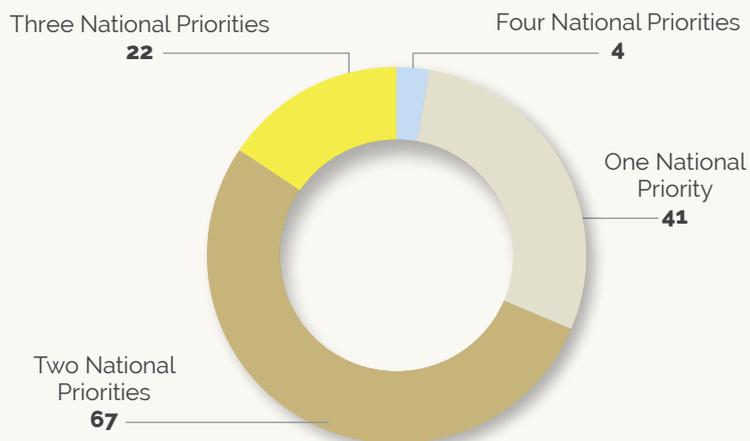
Statement of Service Performance

	2019/20 Actual		2020/21 Actual	
Legal protection	Number	Area (ha)	Number	Area (ha)
Approved covenants	120	3,276.7	134	2,944.8
Registered covenants	110	2,257.9	128	1,830.2

Other activities

	2019/20 Actual	2021/21 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	100%	100%
Provision of advice to new owners following change of covenant ownership in regards covenant values and stewardship and legal responsibilities for covenant management.	388	446

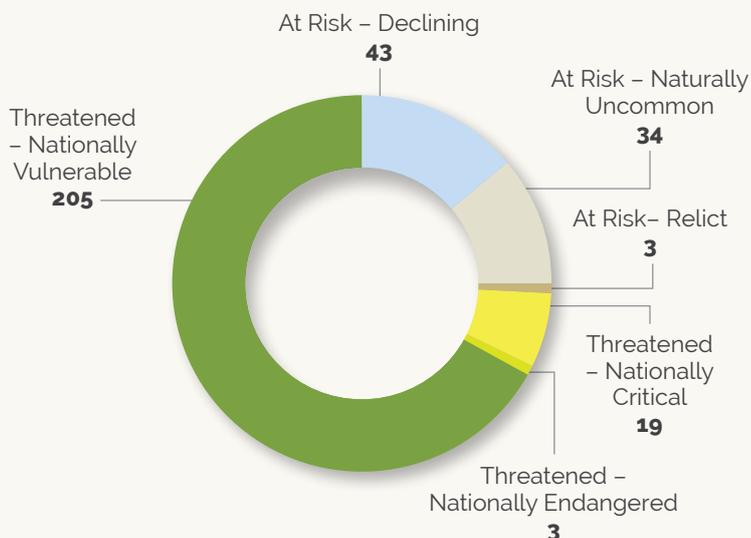
No. of National Priorities met by Covenants Approved in 2020/21



Of the **134** covenants approved in 2020/21, 100% meet at least one of the National Priorities for protection of biodiversity.

See Page 10 for more detailed information.

No. of Vegetation Species with a Threat Status Recorded in Registered Covenants 2020/21



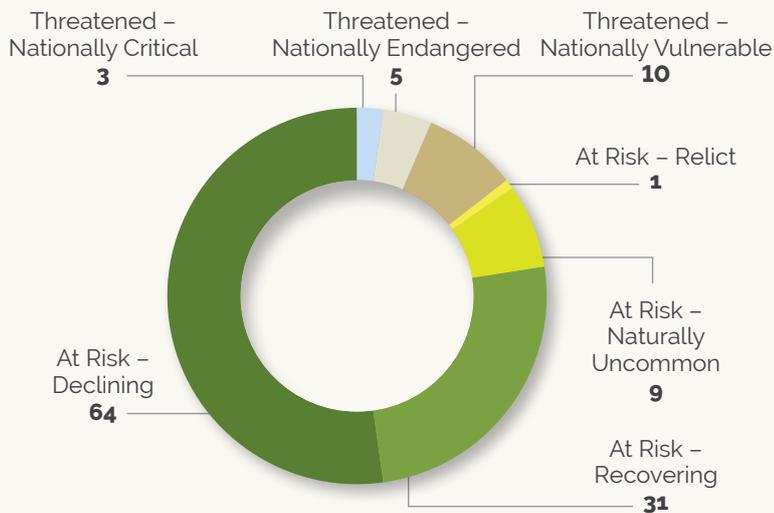
In the **128** covenants registered in 2020/21, there were **4,284** observations of vegetation recorded, from **123** vegetation family classifications.

There were also **734** observations of wildlife species recorded, from **108** family taxa.

And **756** observations of weeds and pest species recorded, from **148** species taxa.

Possum, rats and stoats account for **20%** of the pest problem and blackberry (**4%**) is the most commonly recorded weed

No. of Wildlife Species with a Threat Status Recorded in Registered Covenants 2020/21



2021 FINANCIAL STATEMENTS

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 2021.

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 34 to 47 for the year ended 30 June 2021.

For and on behalf of the board of directors, which authorised the financial report on 6 October 2021.

Bruce Wills
CHAIR



Dated: 6 October 2021

Graham Mourie
DIRECTOR



Dated: 6 October 2021

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Group/QEII 2021 Actual \$	Group/QEII 2021 Budget \$	QEII 2020 Actual \$
Operating Revenue				
Government grant		4,604,069	4,274,000	4,274,000
Contestable funds		356,624	200,000	376,529
Donations and other grants		295,724	480,000	1,218,799
Other revenue		53,887	33,897	253,702
Operating revenue		5,310,304	4,987,897	6,123,030
Operating Expenditure				
Field operations		2,023,138	2,069,212	1,747,279
Covenants	1	1,297,845	1,558,215	1,558,325
Contestable funds		356,624	200,000	376,529
Administration	2	2,898,880	2,872,641	2,804,086
Property operations		231,455	166,500	143,511
Public relations		219,969	180,547	77,945
Depreciation and amortisation	3	106,730	100,000	82,282
Operating expenditure		7,134,641	7,147,115	6,789,957
Net Operating (Deficit)		(1,824,337)	(2,159,218)	(666,927)
Pre 1995 Fencing provision and costs				
Pre 1995 fencing repairs and waivers costs		51,955	110,000	65,310
Pre-1995 movement in fencing provision	13	(1,069,222)	0	(452,464)
Net Pre 1995 Fencing provision and costs		(1,017,267)	110,000	(387,154)
Net investment income	4	1,622,624	490,611	1,192,737
Loss on QEII properties		0	0	0
Net loss from QEII properties		0	0	0
Total comprehensive revenue and expenditure		815,554	(1,778,608)	912,964

Explanation of total comprehensive revenue and expenditure

The National Trust concluded the financial year ended 30 June 2021 with total comprehensive revenue and expenditure of \$815,554 against a budgeted total comprehensive revenue and expenditure loss of \$1,778,608. The difference between budgeted and actual total comprehensive revenue and expenditure results primarily from four unbudgeted factors. They are as follows:

I. On 28 June 2021, a funding agreement for 'Protecting the Gains' was signed with the Department of Conservation as part of the 'Jobs for Nature (JFN)' initiative. During the year ended 30 June 2021, revenue totaling \$330k was recognised as income in 'Government Grants' in the Statement of Comprehensive Revenue and Expenditure. The balance of funds invoiced to the end of the year are held in 'Deferred Revenue'. Refer to Note 9 for further information.

II. During the 2021 year, QEII received two bequests totaling \$65k and one large donation of \$120k (2020: \$1.09m).

III. At the 30 June 2021, the tri-annual update of the estimated cost per metre of fence was completed resulting in a \$936k increase in the Pre 1995 Fencing valuation. This increase was offset considerably by a \$2.78m decrease in valuation due to the change in the effective discount rate. Overall, there was a \$1.2m decrease in the actuarial Pre 1995 Fencing valuation completed by Deloitte. Refer to Note 13 for further information.

IV. The net effect of the realised and unrealised gains/losses on the investment portfolio was a gain of \$971k recognised as income in the Statement of Comprehensive Revenue and Expenditure. Refer to Note 4 for further information.

The accompanying notes on pages 37-47 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	Group/QEII 2021 Actual \$	Group/QEII 2021 Budget \$	QEII 2020 Actual \$
At the beginning of the period	14,552,458	12,509,178	13,639,494
Total comprehensive revenue and expenditure	815,554	(1,778,608)	912,964
At the end of the period	15,368,012	10,730,570	14,552,458

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	Group/QEII 2021 Actual \$	Group/QEII 2021 Budget \$	QEII 2020 Actual \$
Equity				
National Trust Equity		15,368,012	10,730,570	14,552,458
Total Equity		15,368,012	10,730,570	14,552,458
Represented by:				
Current assets				
Cash and cash equivalents		1,267,462	22,867	1,684,450
Accounts and other receivables	5	1,287,795	328,021	198,301
Investments	6	20,480,797	18,882,044	20,801,414
Total current assets		23,036,054	19,232,932	22,684,165
Less current liabilities				
Accounts and other payables	8	732,353	753,438	701,386
Deferred revenue	9	1,874,118	1,005,431	1,074,020
Employee entitlements		145,113	137,930	187,435
Pre-1995 fencing provision	13	1,187,038	1,108,742	1,039,572
Total current liabilities		3,938,622	3,005,541	3,002,413
Working capital		19,097,432	16,227,391	19,681,752
Non-current assets				
Property, plant and equipment	10	3,099,264	2,958,106	3,032,484
Intangible assets	12	0	0	4,997
Total non-current assets		3,099,264	2,958,106	3,037,481
Non-current liabilities				
Pre-1995 fencing provision	13	6,828,684	8,454,927	8,166,775
Total non-current liabilities		6,828,684	8,454,927	8,166,775
Net assets		15,368,012	10,730,570	14,552,458

The accompanying notes on pages 37-47 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Group/QEII 2021 Actual \$	QEII 2020 Actual \$
Cashflows from operating activities		
Receipts from operations	4,659,094	4,684,819
Donations and other grants received	352,142	1,961,275
Interest received	458,080	478,778
Dividends received	137,647	171,032
Other revenue received	53,767	243,917
Payments to suppliers	(4,165,052)	(4,177,734)
Payments to employees	(2,271,433)	(2,022,971)
Net cash flow (used in)/from operating activities	(775,755)	1,339,116
Cash flows from investing activities		
Proceeds from sale of investments	4,563,819	3,322,656
Purchase of investments	(4,035,130)	(3,255,758)
Purchase of property, plant and equipment	(169,923)	(30,145)
Net cash flow from investing activities	358,766	36,753
Net cash flows from financing activities		
	0	0
Net (decrease)/increase in cash and cash equivalents	(416,988)	1,375,869
Cash and cash equivalents at beginning of period	1,684,450	308,581
Cash and cash equivalents at end of period	1,267,462	1,684,450

STATEMENT OF COMMITMENTS AS AT 30 JUNE 2021

	Group/QEII 2021 \$	QEII 2020 \$
Covenant commitments		
Covenant commitments are funds committed to approved covenants still in progress and working towards registration with Land Information New Zealand.	3,635,412	3,804,153
The Stephenson Fund commitments		
The Stephenson Fund commitments are funds committed to approved covenant holders to assist them with stewardship on their covenants.	178,843	175,808
Operating lease commitments		
A new agreement to lease level 4 and additional space on level 3 at 138 the Terrace, Wellington dated 31 March 2021 was signed and is effective from 7 May 2021. The term of the lease is six years and three months with two further rights of renewal of three years each. The landlord offered QEII a rent-free period of three months with two of these relating to the current year.	2021 \$	2020 \$
Less than 1 year	151,562	77,613
Between 1 and 2 years	165,340	0
More than 2 years	675,138	0
	992,040	77,613

Capital commitments

National Trust had no capital commitments as of 30 June 2021 (2020: nil).

STATEMENT OF CONTINGENCIES AS AT 30 JUNE 2021

The National Trust had no contingent liabilities as at 30 June 2021 (2020: nil).

The accompanying notes on pages 37-47 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.

Remarkables Station National Trust Limited (100% owned) is a company governed by the Companies Act 1993, is incorporated in New Zealand and has registered charitable status. The principal activity is to own and manage the covenanted Remarkables Station farm which will be gifted to QEII from the Jardine Foundation in late 2022.

The financial statements of the National Trust (and its subsidiary Remarkables Station National Trust Limited) for the year ended 30 June 2021 were authorised for issue by the Board on 6 October 2021.

Statement of compliance

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

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

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

Measurement base

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

Basis of consolidation

Group

The financial statements comprise the financial statements of QEII National Trust (QEII) and its subsidiary (the Group) as at 30 June 2021.

QEII (the parent) has control of the subsidiary through its 100% ownership which gives the parent the:

- power to direct the relevant activities of the subsidiary
- exposure, or rights, to variable benefits from its involvement with the subsidiary
- ability to use its power over the subsidiary to affect the nature and amount of the benefits from its involvement with the subsidiary.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the entity. Assets, liabilities, revenue and expenses of a subsidiary acquired or disposed of during the year are included in the financial statements from the date the Group gains control until the date the Group ceases to control of the subsidiary.

The surplus or deficit and each component of other comprehensive of revenue and expense are attributed to the owners of the subsidiary. When necessary, adjustments are made to the financial statements of subsidiary to bring its accounting policies into line with the Group's accounting policies. All intra-economic entity assets and liabilities, net assets/equity, revenue, expenses and cash flows relating to transactions between entities of the economic entity are eliminated in full upon consolidation.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction. If the Group loses control over the subsidiary, it derecognises the assets (including goodwill) and liabilities and other components of net assets/equity, while any resulting gains or losses are recognised in surplus or deficit. Any investment retained in the former subsidiary is recognised at fair value.

QEII National Trust

Investment in the subsidiary held by QEII are accounted for at cost less any impairment charges in the separate financial statements of the QEII.

Dividends and other distributions from subsidiary are recognised as revenue in QEII's separate statement of financial performance, but only to the extent that these distributions are received and receivable from the subsidiary's accumulated comprehensive revenue and expense arising after acquisition. Such distributions do not impact the recorded cost of the investment.

At the end of each reporting period, QEII assesses whether there are any indicators that the carrying value of the investment in subsidiary may be impaired. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

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.

1. Covenant expenditure

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

	Group/QEII 2021 \$	QEII 2020 \$
Fencing	617,065	858,110
Survey	420,977	469,246
Weed and pest control	50,831	75,156
Revegetation	28,074	18,457
The Stephenson Fund	180,898	137,356
Total covenant expenditure	1,297,845	1,558,325

During the year to 30 June 2021, a sixth round of The Stephenson Fund (TSF) was offered to support covenantors with strategically important enhancement projects that have been planned for their covenants (2020: fifth round). A total of \$150,377 was allocated to 30 TSF applicants in the 6th round (2020: 5th round - 28 TSF applicants with \$150,931 allocated). The remaining unspent amounts at 30 June 2021 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 covenantors' 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.

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 2021 with the Pre 1995 fencing costs and movements being presented separately from operating activities.

2. Administration expenditure

	Group/QEII 2021 Actual \$	QEII 2020 Actual \$
Directors' fees	27,449	30,068
Remuneration of key management personnel*	776,813	836,818
Employee entitlements #	1,500,578	1,235,658
Audit fees	35,485	34,665
Rental expenses	87,853	103,109
Doubtful debts	3,080	2,213
Loss on disposal of plant and equipment	10	488
Other administration expenses	467,612	561,067
Total administration expenditure	2,898,880	2,804,086

* **Key management personnel:**

During the 2021 year, the Senior Leadership Team (SLT) changed, and it is now made up of the CE and three (2020: four) senior managers.

Employee entitlements (and key management personnel costs):

Following the Covid 19 lockdowns during 2020, the government announced the JFN initiative to provide additional employment for many who lost their jobs due to Covid. After discussions with Department of Conservation, it became clear that QEII would play a large part in protecting the work generated by JFN. This work was formulated in the new 'Protecting the gains' funding agreement in June 2021 as mentioned in note 1. In order to ensure QEII had sufficient resources for this project, QEII completed a restructure of head office in December 2020 in anticipation of signing the funding agreement. The restructure resulted in a net increase in staff positions of 7, of which 5 were filled within the year to June 2021. Filling those positions and other restructure costs resulted in a 10% increase in employee entitlements compared with actual 2020 year.

3. Depreciation and amortisation

	Group/QEII 2021 Actual \$	QEII 2020 Actual \$
Depreciation has been charged on the following classes of asset:		
Furniture and fittings, plant and equipment, computer and electronic equipment	80,803	49,985
Improvements	19,910	20,052
Land fencing	1,020	1,020
Amortisation has been charged on:		
Intangible assets	4,997	11,225
Total depreciation and amortisation expenditure	106,730	82,282

4. Net investment income

	Group/QEII 2021 Actual \$	QEII 2020 Actual \$
Interest	439,940	486,530
Dividends	137,647	171,032
Discount rate unwind on pre-1995 fencing provision	121,403	(95,142)
Net realised/unrealised gains/losses	970,546	676,995
Investment fees	(46,912)	(46,678)
Net investment income	1,622,624	1,192,737

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

	Group/QEII 2021 Actual \$	QEII 2020 Actual \$
Accounts receivable	1,290,792	62,172
Less Provision for doubtful debts	0	0
	1,290,792	62,172
Interest receivable	83,151	101,291
GST receivable	(86,148)	34,838
Total accounts and other receivables	1,287,795	198,301

6. Investments

	Group/QEII 2021 Actual \$	QEII 2020 Actual \$
Fixed interest - corporate bonds	10,744,366	11,393,840
Term deposits	945,000	1,338,137
Equities - Australia/New Zealand	4,593,711	3,881,803
Property Equities - Australia/New Zealand	407,980	713,019
Equities - International	3,789,740	3,474,615
Total investments	20,480,797	20,801,414

7. Investment in a subsidiary

In September 2020, QEII signed an Endowment Deed with the Jardine Foundation to accept the gift of the Remarkables Station in Queenstown. At a QEII board meeting in November 2020, the constitution of Remarkables Station National Trust Limited (RSNTL) was approved which was incorporated to accept this gift from the Jardine Foundation in later 2022.

The RSNTL was incorporated on 26th January 2021 and its shareholding is made up of one share for no consideration and it is a wholly owned subsidiary of QEII. RSNTL has charitable and tax-exempt status in line with its owner QEII.

During the year ended 30 June 2021, there were no transactions recorded in the inter-entity books of QEII or its subsidiary RSNTL.

The reporting date of QEII and its subsidiary is 30 June.

8. Accounts and other payables

	Group/QEII 2021 \$	QEII 2020 \$
Accounts payable	596,341	603,316
Accrued trade payables	136,012	98,070
Total accounts and other payables	732,353	701,386

9. Deferred revenue

	Group/QEII 2021 Actual \$	QEII 2020 Actual \$
Deferred revenue	1,874,118	1,074,020

Made up of:

a) Contestable Funds

- * two individual projects from Lotteries Environment and Heritage Fund
- * 38 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.

	Group/QEII 2021 Actual \$	QEII 2020 Actual \$
Total contestable deed amounts	1,411,723	1,190,798
Project income to date	1,407,450	1,110,301
Deferred revenue relating to contestable funds	604,677	489,554

b) An estate bequest held

The National Trust holds a large cash bequest from an estate valued at \$595k including interest received on the funds to 30 June 2021 (2020: \$586k). 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.

c) Department of Conservation - Jobs for Nature

In June 2021, a four-year contract between QEII and the Department of Conservation (DOC) to assist with 'Protecting the Gains (PTG)' made by DOC funding of planting and weed and pest control on QEII covenants, was signed. This protection will be via either an QEII openspace covenant or a new Restoration Agreement which will be developed as part of the PTG project. This project is for \$8m over four years with the first milestone payment of \$1m being invoiced to DOC on 28 June 2021. Revenue of \$330k was recognised during the 2021 year (2020: \$nil) with the balance of funds being held as 'deferred revenue'.

10. Property, plant and equipment Group/QEII

	Land Actual \$	Buildings and Improvements Actual \$	Fencing Actual \$	Other Actual \$	Total Actual \$
Cost at beginning of year	2,461,501	733,698	84,925	467,971	3,748,095
Accumulated depreciation	0	(297,825)	(66,043)	(351,744)	(715,612)
Net book value at beginning of year	2,461,501	435,873	18,882	116,226	3,032,483
Acquisitions	0	90,302	0	79,631	169,933
Disposals *	0	0	0	(1,419)	(1,419)
Depreciation	0	(19,910)	(1,020)	(80,803)	(101,733)
Net book value at end of year	2,461,501	506,265	17,862	113,635	3,099,263
Cost at end of year	2,461,501	824,000	84,925	546,182	3,916,608
Accumulated depreciation	0	(317,735)	(67,063)	(432,547)	(817,345)
Net book value at end of year	2,461,501	506,265	17,862	113,635	3,099,263

* 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 2021, the following improvements were made to QEII owned properties:

- 1) a metal track was built through the QEII owned property at l'Anson Reserve near Tauranga. This track was built with funding assistance of \$50k from the Ministry of Primary Industries which was recorded under operating revenue in 'donations and other grants'. The total cost of the installing the new track to 30 June 2021 was \$56k.
- 2) a wooden bridge was built over a stream at a QEII owned property known as Dunns Bush in North Auckland. The total cost of building the bridge was \$34k.

During the year ended 30 June 2021, the lease for the premises on level 4, 138 The Terrace expired, and a new lease was signed. As result the balance of the cost of the 2016 fit out of the premises was fully depreciated as at 30 June 2021.

11. Land and improvements Group/QEII

	Land Actual \$	Buildings and Improvements Actual \$	2021 Total Actual \$	2020 Total Actual \$
Aroha Island	425,000	236,275	661,275	680,012
Awapikopiko Reserve	42,000	23,744	65,744	66,889
Bowman's Bush	63,000	0	63,000	63,000
Dunns Bush	150,000	33,903	183,903	150,000
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	56,370	490,370	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	164,972
Parkinson's Bush	143,000	0	143,000	143,000
Pouawa Sandhills	66,000	0	66,000	66,000
Robbs Bush	33,500	0	33,500	33,500
Robert Houstin Memorial Reserve	50,000	0	50,000	50,000
Sheps Park	1	0	1	1
Snells Bush	36,000	0	36,000	36,000
Spencer Reserve	16,000	0	16,000	16,000
Sunset Bay	45,000	0	45,000	45,000
Tata Headland	17,000	0	17,000	17,000
Taupo Swamp	98,000	0	98,000	98,000
Te Harakiki Swamp	32,000	0	32,000	32,000
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	506,265	2,967,766	2,897,374

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

12. Intangible assets

	Group/QEII 2021 Actual Software \$
Cost at beginning of year	264,548
Accumulated amortisation	(259,551)
Net book value at beginning of year	4,997
Acquisitions/(Disposals)	0
Amortisation	(4,997)
Net book value at end of year	(0)
Cost at end of year	264,548
Accumulated amortisation	(264,548)
Net book value at end of year	(0)

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

13. Pre-1995 fencing provision

	Group/QEII 2021 Actual \$	QEII 2020 Actual \$
Provision at the beginning of the year	9,206,347	9,563,669
Effect of change of methodology - risk-free discount rate of single effective rates *	0	(1,439,796)
Restated provision at the beginning of the year	9,206,347	8,123,873
Unused amounts reversed	(69,303)	(498,762)
Amounts used	51,955	65,310
Discount rate unwind +	(121,403)	95,142
Experience variance	1,112,495	277,271
Effect of change in the inflation rate	617,850	(419,853)
Effect of change in the discount rate	(2,782,219)	1,563,366
Provision at the end of the year	8,015,722	9,206,347
(Decrease) in provision	(1,190,625)	(357,322)
Split between:		
Current liabilities	1,187,038	1,039,572
Non-current liabilities	6,828,684	8,166,775
	8,015,722	9,206,347

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 in a considerable decrease of \$1.44m to the restated provision opening balance as at 1 July 2019 as indicated in the note above.

The experience variance adjustment is due to:

- * an increase in the provision of \$20k due to the updated fence information: and
- * an increase in the provision of \$936k due to the updated cost per metre of fence: and
- * an increase in the provision of \$157k 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 - \$20.89 per metre. This has been based on an estimated update of the actual cost of a metre of fencing over the past three years. In 2020, this was \$18.26 per metre which was based on 2019 estimated cost per metre of \$18.11 inflated by 0.83%.
- 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 2021.
- 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 2021.
- 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) (2020: 37.5%).

Effectively the calculation estimates the costs each year in the future then discounts the cost back to 30 June 2021 to reflect what the final cost will be in today's dollars.

It is expected that some of the National Trust's investment portfolio will be used to fund the pre-1995 fencing provision. However, investment income (interest and realised gains) from the portfolio have not been taken into account when calculating the Pre 1995 fencing provision so the net costs to the organisation are likely to be lower.

Sensitivity analysis

Variable	Change	2021	2020
Discount rate	+1.00%	-\$2.1m	-\$2.9m
	-0.50%	+\$1.9m	+\$2.7m
	-1.00%	+\$5.3m	+\$7.7m
Take-Up Factor	+20%	+\$4.3m	+\$4.9m
	-20%	-\$4.3m	-\$4.9m
Cost per metre	+10%	+\$0.8m	+\$0.9m
	-10%	-\$0.7m	-\$0.8m

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.

14. Related party transactions

During the 2021 year, QEII paid \$4,680 (2020: nil) for the repair to a Pre 1995 fence on a covenant owned by QEII director Alan Livingston.

There were no other payments to or receipts from related parties during the 2021 year other than payments to Key Management Personnel and director's fees.

15. Events after balance date

There were no events after balance date.

16. The effects of Covid-19 on the National Trust

Around the world and in New Zealand, the uncertainty and anxiety over Covid-19 continues to play havoc with businesses and their ability to plan and operate with many staff required to work-from-home. During the year ended 30 June 2021, QEII was affected by five changes in covid 19 alert levels throughout NZ. These alert level changes affect the ability of our regional representatives to visit our current and potential covenantors and effect the ability of head office to complete various aspects of QEII's annual business plan. After balance date an extended alert level 4 lockdown occurred which began on 18th August 2021. Various changes were made to the levels in different areas during the following weeks. At the time of preparation, Auckland was in alert level 3 with the rest of NZ being in alert level 2.

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 2021

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 34 to 47, that comprise the statement of financial position as at 30 June 2021, 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 34 to 47:

- present fairly, in all material respects:
 - its financial position as at 30 June 2021; 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 8 October 2021. 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 opinion.

Responsibilities of the Directors for the financial statements

The Directors are responsible on behalf of the Trust for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Directors are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 2020/2021 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



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attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Directors are responsible for the other information. The other information comprises the information included on pages 4 to 33, but does not include the financial statements, and our auditor's report thereon.

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

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

Independence

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

Other than the audit, we have no relationship with, or interests in, the Trust.

A handwritten signature in black ink, appearing to read 'Sam Nicolle', is written over a light grey circular stamp.

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



*Wetland in a Podocarp
Tawa forest near in
the Tiniroto Ecological
District near Wairoa.
Photo credit:
Malcolm Rutherford, QEII
regional representative
for Gisborne*



QEII NATIONAL TRUST

Ngā Kairauhī Papa Forever protected

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