

# **KARORI SANCTUARY TRUST**

## **REVIEW OF 2008/09 ANNUAL REPORT**

The Karori Sanctuary Trust (the Trust) presents its Annual Report for 2008/09, including audited financial statements. The audit report was qualified, recognising that in common with other similar organisations, the Trust has limited control over the revenues from contributions and donations prior to being recorded. This is a standard clause for all not for profit organisations that engage in street appeals and can not accurately record the level of contributions.

### **Highlights for the year**

- In 2008/09 the Trust was voted one of the top 25 ecological restoration projects in Australasia by the Global Restoration Network and won the Tourism Industry Association of New Zealand award for Conservation in Action.
- A baby tuatara was discovered - almost certainly the first tuatara to have successfully hatched in the wild on mainland New Zealand in perhaps 200 years.
- The most successful breeding season for kaka to date. The Trust's first New Zealand falcon nest was found.
- In December, Prime Minister the Rt. Hon. John Key launched the new visitor brand – ZEALANDIA: The Karori Sanctuary Experience.
- A new 43 metre-long suspension bridge attraction opened in November.
- The Trust hosted during the year eight research projects, assisted two PhD projects, five MSc projects, three fourth year projects, ten undergraduate projects and a Royal Society teaching fellow.
- The Trust's 450 plus volunteers committed a total of over 25,000 hours
- Participation in guided tours increased by 23%. This helped drive a significant increase in admissions revenue.
- Following the approval of the additional loan to cover the Visitor & Education Centre project contingencies, the project is now funded through to completion and due to open in April 2010.

### **Performance**

#### **1. Financial**

A review of the Trust's financial statements highlights the following points:

- Total revenue at \$3.884m was down 14% on the \$4.525m in 2007/08. Excluding the government grant for the Visitor & Education Centre, revenue at \$2.203m was 32% lower than last year's figure of \$3.250m. This was primarily in Grants – Sundry Projects income and was driven by a reduction in non-Visitor & Education Centre related Council funding from \$1.396m in 2007/08 to \$0.35m in 2008/09.
- Admissions revenue was up 26% to \$0.555m, due to a higher prices and the increased number of visitors taking higher priced value-added tours.

- Retail sales declined by 28% in 2008/09 because of the difficult economic climate and the Trust's limiting efforts in this area as it waited on its brand relaunch.
- Over the year \$223,974 was generated through appeals, donations and bequests, a decrease of 44% over the previous year. This reflects the variability of the nature of bequests. Total expenditure at \$2.193m was 15% higher than the 2007/08 figure of \$1.912m. Apart from general cost escalations, the increase was due to costs relating to the development of visitor experiences and displays, various marketing activities including the redevelopment of the web site, branding, market research, and other costs associated in the development of infrastructure in preparation for the opening of the Visitor & Education Centre.
- The Trust recorded an operating surplus of \$1.691m as compared with last year's surplus of \$2.613m. Excluding capital related government grants, the surplus was \$9.5k as compared with last year's surplus of \$1,338k.
- During the year the Council loan facility increased from \$8m to \$10.38m (subject to certain conditions) to cover increased Visitor & Education Centre project costs and contingencies. As at year end, \$7.067m had been drawn down.

#### Statement of Financial Performance

\$ '000	FY Actual	FY Budget	2007/08 Actual
Income	3,884	6,534	4,525
Income (excluding govt grants) *	2,203	1,937	3,250
Expenditure	2,193	2,738	1,912
Operating Surplus	1,691	3,796	2,613
Operating Surplus (excluding govt grants) *	10	(801)	1,338

\* Actual numbers exclude Government grant – Visitor & Education Centre. Budgeted number excludes Crown funding.

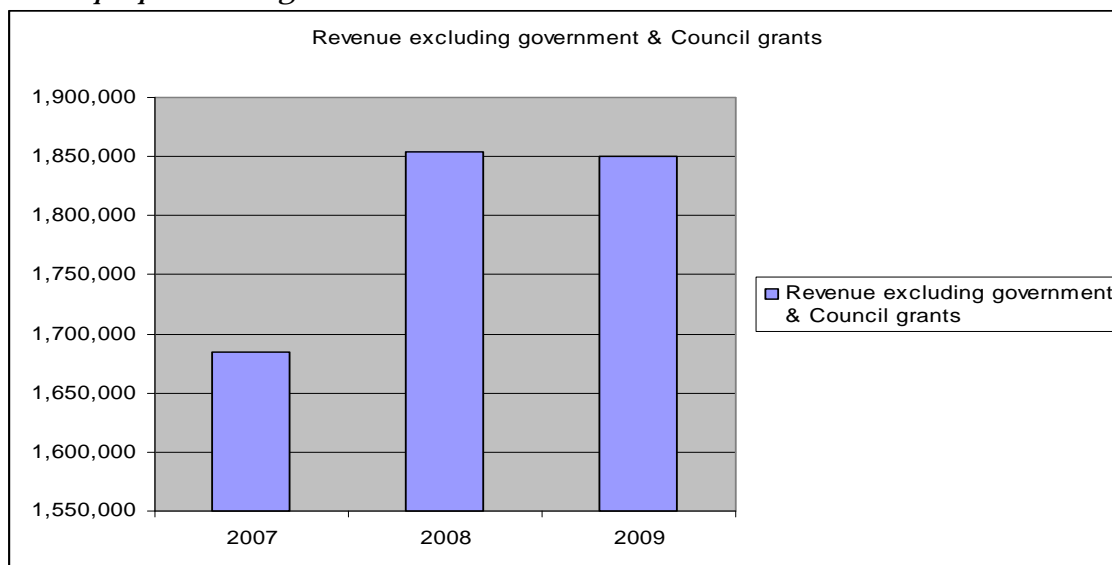
#### Statement of Financial Position

\$ '000	FY Actual	FY Budget	2007/08 Actual
Current assets	4,904	3,839	3,630
Non current assets	10,942	14,830	4,540
Current liabilities	1,321	1,522	612
Non current liabilities	9,388	8,691	2,792
Equity	6,457	8,457	4,766
Current ratio	3.7 : 1	2.5 : 1	5.9 : 1
Equity ratio	41%	45%	58%

#### Statement of Cash Flows

\$ '000	FY Actual	FY Budget	2007/08 Actual
Operating	156	(977)	1,306
Investing	(5,939)	(8,651)	(1,734)
Financing	7,057	11,046	2,867
Net	1,274	1,418	2,438
Closing balance	4,841	4,762	3,567

*Note: the Trust has taken advantage of the exemption provided by the Accounting Standard Review Board and the financial statements have not been prepared using NZ IFRS.*



## 2. KPIs

The Trust has reported two performance measures against annual targets. The number of visitors declined by 6.5% on last year, but was ahead of target. The Trust believes that visitor numbers would have been higher if not for the challenging economic environment and new Visitor and Education Centre building work.

	Actual	Target	2007/08
Visitor numbers	64,097	63,000	68,553
Membership numbers	5,300	5,400	5,561

	Actual	Target
No of school student including Outreach	5665	5,500
Total native plant species in the sanctuary	170	170
Total number of species to be planted	13	15
Total adventives plant species in the sanctuary	212	212
Number of exotic plant species targeted for control/monitoring	44	44
Total native fauna species in the sanctuary	42	42
Number of native fauna species released	3	4
New capex - suspension bridge	Complete	Complete

It should be noted that the performance measures did not form part of the audit report.

### **3. Operational**

The Trust successfully continued its conservation work and in February it discovered mainland New Zealand's first wild-born tuatara in perhaps 200 years. In March the Trust celebrated the second successful year of breeding for its population of Maud Island frogs and it had the most successful breeding season for kaka to date, with 59 fledglings banded.

During the year the Trust received prestigious conservation and tourism awards and introduced its new visitor brand ZEALANDIA: Karori Sanctuary Experience. The Trust offered its education programmes to 5,665 students, a slight decline on last year but ahead of target, and including a record 23 high schools. It also launched a new visitor website and continued making enhancements to the Trust including a suspension bridge and visible shag roost. In addition, the Trust continues to engage both individuals and businesses through a range of donor programmes and sponsorship agreements.

The Visitor and Education Centre (the Centre) project continued during the year. The Trust approached the Council in November 2008 requesting additional funding due to the increased costs and delays to the project. These were due to a number of factors, including unexpected geotechnical issues that arose on the bank supporting the new Centre, delays in consent processes, and site complexities and heritage issues. At that stage the Council approved \$1.9 million loan for the project and additional transitional operational funding of \$300k in 2009/10 and \$600k in 2010/11, due to a delay in the scheduled opening of the Centre to April 2010. In April 2009, the Council increased its interest free loan funding for the new Centre project by up to \$480k, taking its maximum total loan commitment to \$10.38 million.

During the year, an external review of the Centre project management and governance was completed. The Council's Project Management Office began monitoring the management of the project as an observer on the Trust's Project Steering Group and reporting progress to the Council's Chief Executive on a regular basis. An external quantity surveying specialist as Chair of the Project Steering Group was appointed.

The Council agreed that as a condition of its additional loan funding, it would require the Trust to amend its Trust Deed to increase the number of Council appointed Trustees from two to three and to reduce the total Board size to a minimum of seven and a maximum of eight. The Council is now satisfied that this and other conditions relating to Council's loan have been met, including the final execution of the changes to its Trust Deed. The Karori Sanctuary Trust Board now has three Council appointed members (Paul Callaghan, Russell Ballard and Graeme Mitchell) and four members appointed by the Guardians of the Trust (Peter Allport, Catherine Judd, Don Huse and Charles Daugherty).

Following the approval of the further \$0.48m loan funding in April 2009 to cover the Visitor and Education Centre project contingencies, the project is now funded through to completion.

## **Governance**

The Trustees during the year were:

Peter Allport (appointed Chair 7 July 2009)  
Prof. Paul Callaghan (appointed 1 June 2009)  
Dr. Russell Ballard (appointed 1 June 2009)  
Graeme Mitchell (appointed 1 July 2009)  
Catherine Judd (appointed 29 June 2009)  
Don Huse (appointed 29 June 2009)  
Prof. Charles Daugherty (appointed 29 June 2009)  
Richard Bentley (retired 31 May 2009)  
Andy Foster (retired 31 May 2009)  
Richard Bentley (retired 29 June 2009)  
Noel Todd (retired 29 June 2009)  
Stephen Fuller (retired 24 June 2009)  
Peter Love (retired 29 June 2009)  
Dr Colin Miskelly (retired 29 June 2009)

Richard Bentley is now chairing the newly-created Guardians of Karori Sanctuary Trust, whose role will be to appoint trustees and to guard the Trust's vision.

There are no directors due for reappointment in 2009/10.

## **Key issues going forward**

### **1. Visitor and Education Centre**

The Trust is focusing on the successful completion of the new Centre project, which is due to open in April 2010. There is currently a project contingency in place of approximately \$500k. Accordingly, the risk of the Trust requiring further Council funding for the project appears to be very low at this stage.

The Trust's forecast financial performance and ability to generate surpluses is heavily reliant on the forecast figures for visitor numbers and associated revenue. The business model shows an increase in visitor number from approximately 64,000 in 2008/09 to approximately 190,000 in 2012/13, an increase of 197% in total or around 30% a year compounding.

The Trust will continue to work with PWT (Positively Wellington Tourism) on the business case and projections. These assumptions should continue to be monitored.

### **2. Cash flow forecasts**

The majority of the Trust's cash reserves will be utilised in the 2009/10 financial year with the Trust's forecast to have a remaining cash balance at 30 June 2010 of \$332k. This drops to \$190k at 30 June 2012, and is heavily reliant on achieving its forecast results. However, note that cash flow forecasts include the repayment of the Council loan from 2012/13. Sensitivity analysis illustrates that the Trust would be able to meet expected cash obligations (excluding the repayment of the Council loan) even with a substantial drop in visitor numbers below those

forecast. Accordingly, there is a risk that the repayment of the Council loan could be delayed if target visitor numbers and revenue forecasts are not met. Given this, as part of the Trust's health check process, the Finance team recommended that the level of cash monitoring should be increased in 2009/10 and 2010/11.

### **3. Marketing strategy**

The Trust has been working closely with PWT on the development of its marketing strategy, which will be finalised in October 2009.

### **4. Systems / Other**

The Trust is also focusing on developing the infrastructure and operational structure and systems to support the new operations including the appointment of a visitor operations manager who will be responsible for customer services delivery, and the implementation of new systems for point of sale/tour bookings and memberships. This will improve the efficiency and effectiveness of its processes, improve customer service and management reporting.

The Trust is currently finalising a lease agreement with the Council.

### **Conclusion**

The Trust has achieved a number of high profile awards and had a satisfactory underlying result in 2008/09, given the challenging economic environment and the disruptive circumstances surrounding the Visitor and Education Centre project. The majority of the Trust's and the Council's attention is focused on the successful launch of the new Centre, due in April 2010.