

Karori Sanctuary Trust
Statement of Intent
2009-10

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1 STATUS

The Karori Sanctuary Trust (the Trust) is incorporated under the Charitable Trust Act 1957. This Statement of Intent is prepared in accordance with the Funding Deed signed between the Trust and the Council on 19th November 2007, and the Deed Amending Funding Deed signed on 18th August 2009.

2 VISION

Our vision is to be a world-class conservation site portraying our natural heritage that captures people's imagination, understanding and commitment¹ - a 500 year journey to restore our forest and freshwater ecosystems, a leader in eco-restoration, a model for other conservation projects and a place where people's understanding of our biodiversity and environmental issues is enhanced through their involvement, enjoyment, learning and experience, and their behaviours are influenced in their own environment.

3 OBJECTIVES

The Karori Sanctuary Trust's Trust Deed² states the objects of the Trust as follows:

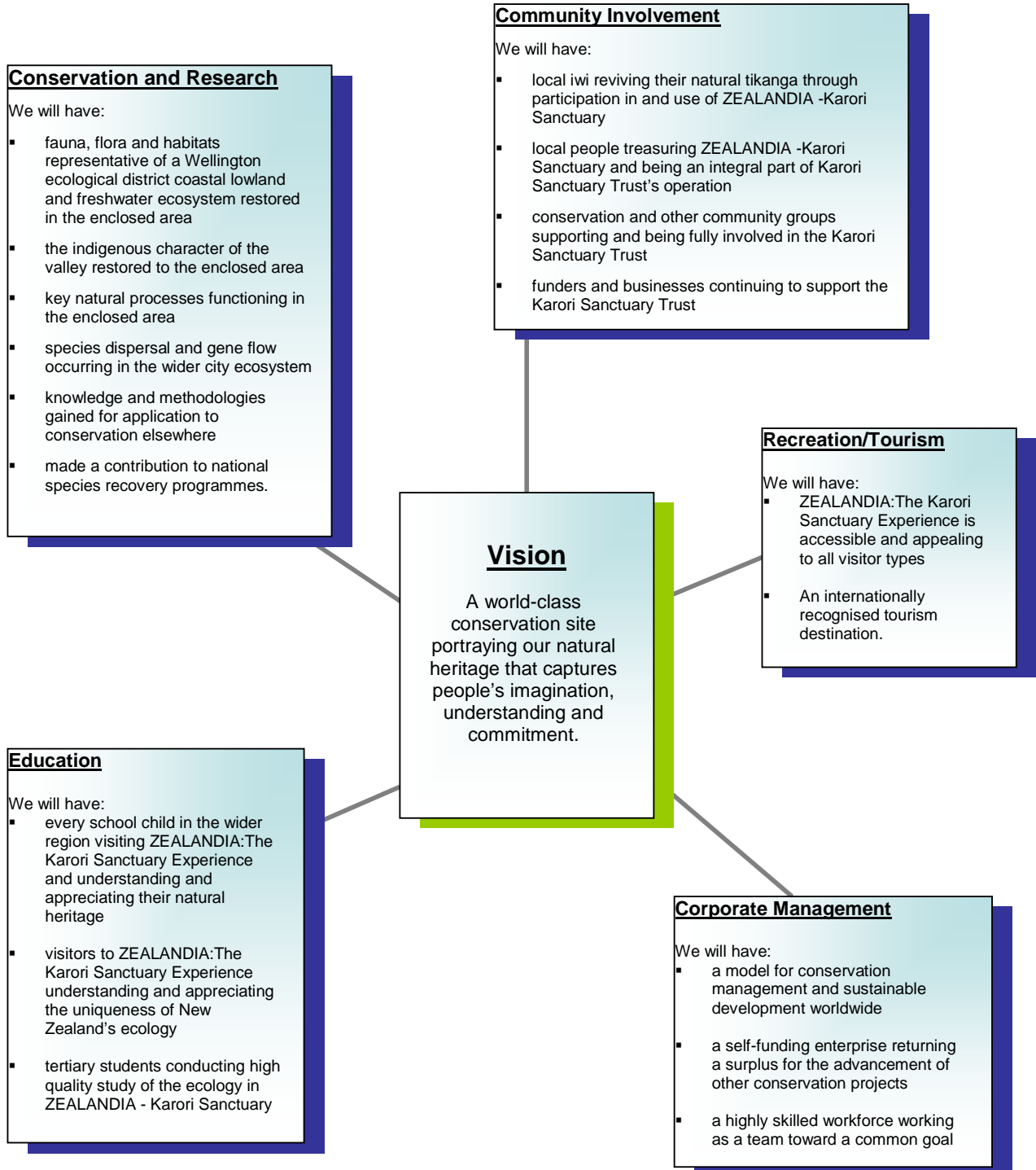
- (a) To carry out education and research into all matters pertaining to the conservation and restoration of New Zealand's natural heritage and in particular to restore representative examples of New Zealand's natural heritage.
- (b) To establish and maintain a secure native wildlife sanctuary in the Karori Reservoir in the City of Wellington.
- (c) To restore the reservoir area as closely as possible to its presumed pre-human state but allowing for construction of specific habitats to enhance its diversity and conservation values.
- (d) To provide facilities for recreation and tourism activities.
- (e) To seek and foster community support and participation.
- (f) To manage and manipulate such ecosystems as may be necessary to maintain requisite populations.

¹ Karori Sanctuary Strategic Planning Session 13 October 2004

² dated 1995, consolidated to 25th June 2009

4 STRATEGIC GOALS/OUTCOMES

Our long term goals over the 500 year journey cover five strategic achievement areas as follows.



5 GOVERNANCE

The Trust was established in 1995 to establish a secure native wildlife sanctuary in the Karori Reservoir in the City of Wellington.

5.1 ROLE OF THE BOARD

The Trust Board is responsible for:

- Setting the strategic direction for the Trust
- Monitoring the organisation's performance
- Ensuring effective risk management practices
- Hiring and evaluating the performance of the Chief Executive.

The Trust Board approves the Statement of Intent and Annual Business Plan and Budgets, and delegates the day to day management of the Trust to the Chief Executive and her management team who report regularly to the Board.

5.2 NEW GOVERNANCE STRUCTURE & BOARD MEMBERSHIP

In June/July 2009, as a condition of Council's additional loan funding of \$2.38m, the Trust implemented a new governance structure as agreed with the Council. This included:

- Increasing the number of Council appointed trustees from two to three
- Reducing the total Board size to a minimum of seven and a maximum of eight
- Granting Council the right to appoint the chair from its appointed trustees
- The appointment of Dean Riddell as chair of the Visitor & Education Centre steering committee
- An independent Council observer to be in attendance at the steering committee

The Trust Deed was subsequently amended on the 25th June 2009 to reflect the above changes. The board of Karori Sanctuary Trust now has three Council appointed members and four members appointed by the Guardians of the Trust.

Name	Term Expires
Peter Allport (Chairperson)	25.06.2012
Prof. Charles Daugherty	25.06.2012
Catherine Judd	25.06.2012
Don Huse	25.06.2012
Russ Ballard (WCC nominee)	31.05.2012
Graeme Mitchell (WCC nominee)	28.06.2012
Paul Callaghan (WCC nominee)	31.05.2012

All Board members are remunerated.

5.3 BOARD OPERATIONS

The Board meets at least eight times a year. The Chief executive attends all meetings accompanied by her management team as required.

5.4 BOARD COMMITTEES

The Board currently operates two Committees:

1. Audit and Risk Committee (*permanent*)

Chair: Graeme Mitchell (Trustee)
 Members: Peter Allport (Trust Chairman)
 Don Huse (Trustee)
 Warren Allen, Partner, Ernst & Young
 David Clarke, Partner, Russell McVeagh

2. Visitor & Education Centre Project steering committee (*for the duration of the Project*)

Chair: Dean Riddell (Davis Langdon)
 Members: Peter Allport (Trust Chairman)
 Russ Ballard (Trustee)
 Nancy McIntosh-Ward (Chief Executive)

 Jim Coard (Council's independent observer)

The Board establishes committees as required.

5.5 BOARD PERFORMANCE

The Chair and the Board as a whole will participate in an annual review of their performance as follows:

- the chair by the board
- the board as a whole by the board.

The method/standards used to assess the performance will be based on the standards as issued by the NZ Institute of Directors adapted for the Karori Sanctuary Trust. From these reviews, development needs and any other actions required to ensure best practice governance and performance standards are met will be determined and implemented.

The Board undertakes an annual review of the Chief Executive's performance.

6 NATURE AND SCOPE OF THE TRUST'S ACTIVITIES

6.1 CORE BUSINESS

The Trust's core business can be summarised as follows:

- Progressively restore the forest and freshwater ecosystems as much as possible to its pre human state.
- Develop self sustaining populations of wildlife that support natural dispersal or transfer to improve conservation outcomes elsewhere
- Carry out research in conjunction with partners to enable the delivery of its eco-restoration outcomes and to contribute to the national conservation outcomes.
- Provide opportunities for a range of visitors to enhance their understanding of conservation and environment issues and to influence their behaviour in their own environment.
- Develop and operate an internationally recognised tourist attraction that will generate sufficient revenue to assist the Trust to be self sustaining in the long term
- Provide a curriculum linked education programme
- Provide opportunities for community involvement to enhance social and environmental outcomes.
- Fundraising from various sources to contribute to funding the operating costs of the organisation.

6.2 MEDIUM TERM FOCUS & STRATEGIES

The Karori Sanctuary Trust's focus for the next three years is to manage the transition of the current operations to a successful financially viable international conservation attraction within the current allocated Council funding. Key strategies to achieve this include the following.

- Complete the visitor and education centre and manage the risks to ensure the project is delivered on time, on budget and to a good quality
- Develop an integrated visitor experience and package new and existing products to meet targeted market needs
- Market and position ZEALANDIA - The Karori Sanctuary Experience to local, domestic and international targeted visitors, including working closely and in conjunction with Positively Wellington Tourism and to leverage on other events such as the Rugby World Cup to ensure the potential of ZEALANDIA is fully realised in terms of visitor numbers and profitability while managing the local community expectations
- Develop ancillary revenue streams from the café/function and retail businesses
- Establish capability and capacities at governance and management level to ensure strategies are delivered and change is managed

- Maintain leadership in conservation management and sustainable development within an urban environment
- Continue fundraising programme to ensure the completion of the visitor & education centre project and to provide working capital during transition
- Continue to develop and maintain community relationships in the environment of change, and to develop and refine our education programme in line with the new experience

The Trust's focus at present is very much on the successful completion of the Visitor Centre. At this stage in the project, most of the construction elements have been locked in, which lowers the risk contingencies, and lessens the likelihood of any further variations materialising. However, as noted in the later sections, the Trust continues to closely monitor the project.

This SOI has been prepared in an economic environment that is at best uncertain. The financial forecasts have been settled on only after engaging independent expert advice where appropriate to validate our assumptions. While New Zealand may be technically through the worst of the recession, the impacts on our economy, including tourism, will continue to be felt for the next few years. Therefore, caution must be applied to all forecasts. There are no certainties in this business, and while the Trust believes it has prepared an achievable and realistic plan, a recurring theme throughout will be the need to monitor conditions closely, and to be prepared to adapt to changing conditions.

One tangible change that is largely attributable to the current economic conditions has occurred with the cafe. In the original business plan, this was intended to be leased out to an owner/operator, who would pay for the fit-out and run the operation. In this environment, no suitable operator has been identified, so after reviewing its options (and given the project timeframes) the Trust has decided to change to an in-house operation. The cafe and refreshment operation is critical to the overall visitor experience, as proven by attractions the world over. Because the cafe will now be operated by the Trust, the upside is the increased revenue streams that will result, with the Trust now receiving all cafe revenues rather than a commission-based income stream. This arrangement also increases the opportunities for value-added propositions, such as packaging tours with food and beverage. To ensure a successful operation, the Trust is engaging with staff and advisors that have extensive hospitality experience.

Increasingly focus now moves to preparing for the opening, and having the operational structures and processes in place. This will include staff, marketing and promotions, materials and programmes. The Trust has the advantage of over ten years' experience as a conservation operation and visitor experience – so the processes are not new. Having said that, the Trust intends to ensure that visitors get a world-class experience from day one, which means the hard work starts now.

The Trust is also commencing detailed work on the inter-related issues of exhibit refresh planning and overall asset management. This will result in a comprehensive asset management plan for the operation, which will in turn inform the funding requirements and maintenance planning for the entire operation.

7 CONTRIBUTION TO COUNCIL'S VISION AND OUTCOMES

The Karori Sanctuary Trust's Vision and Objectives align strongly with the Council's Vision to be a vibrant, internationally competitive, and affordable city. It:

- is the first fenced sanctuary of its kind in an urban environment
- has achieved ground-breaking results in conservation and restoration,
- is a model for other conservation projects and fenced sanctuaries in New Zealand and overseas, and
- is a highly supported community asset of Wellington.

The current development – the Visitor & Education Centre – will develop the sanctuary into an internationally recognised tourist attraction, strengthening the City's reputation as a tourist destination, which will further contribute to the vibrancy and competitiveness of the capital, increasing environmental awareness and community participation and enhancing the local sense of place.

The Karori Sanctuary Trust contributes across the Environmental, Economic Development, Social and Recreation, and Cultural Well Being Strategic Areas as follows:

Council Strategic Area: Environment (2009- 2019 LTCCP)
<p>Contribution to Council's Long Term Outcomes</p> <ul style="list-style-type: none"> • Healthier - Wellington will protect and restore its land - and water-based ecosystems to sustain their natural processes, and to provide habitats for a range of indigenous and non-indigenous plants and animals • More sustainable - Wellington will reduce its environmental impact by making efficient use of energy, water, land and other resources; shifting towards renewable energy resources, conserving resources and minimising waste • Better Connected - Wellington will have a network of green spaces and corridors linking the coastline, Town Belt and Outer Green Belt • More actively engaged - Wellington will pursue a collaborative, participatory approach towards environmental kaitiakitanga, by sharing information within the community and establishing partnerships to achieve environmental goals • More competitive - Wellington's high-quality natural environment will attract visitors, residents and businesses

1. The objectives of the Karori Sanctuary Trust's Management Plan and Restoration Strategy have and will continue to directly contribute to the protection and restoration of Wellington's land and water-based ecosystems, to sustain their natural processes, and to provide habitats for a range of indigenous and non indigenous plants and animals. The sanctuary has increased natural biodiversity in the region by removal of animal pests and control of plant pests in the sanctuary, and reintroductions of locally extinct or rare species, many now spreading beyond the safety of the sanctuary fence. Research continues into the feasibility of removal

of exotic fish from the streams and lakes in the sanctuary to restore the freshwater ecosystem inside the sanctuary and improve the quality of water flowing downstream. Techniques developed at the sanctuary will be useful in freshwater restoration projects elsewhere.

For the 2009/10 financial year, we aim to release and monitor four species of native fauna, propagate and plant at least 30 species of native plants and target 44 exotic plant species for control and monitoring. We will continue to work with DoC to address the removal of exotic fish in the lake and with Waikato University, Cawthron Institute and NIWA regarding monitoring and management of the lower lake's algae blooms.

2. The Trust's 500 year vision is of an ecologically self-sustaining valley with benefits flowing beyond its boundary – this will be a significant asset in meeting the City's goal to reduce its environmental impact.

3. The Visitor & Education Centre has adopted environmentally sustainable design practices where possible (grey water for toilets, double glazing, natural ventilation and sustainable building material etc). The minimisation of waste and conservation of resources are already in practice at the sanctuary. All these support the City's aim of sustainable development. The Trust aims to achieve Enviro Gold award (part of Qualmark) in 2009/10.

4. Not only does the sanctuary form a natural hub in Wellington, connecting a network of green spaces and corridors from east to west and north to south, it is also connected to the marine environment being situated at the head of Kaiwharawhara Stream catchment and home to diadromous native fish, and a safe roosting and nesting area for four species of shags. Ecological benefits have already been realised outside the sanctuary with habitat enhancement and control of pests elsewhere, especially in city reserves, and dispersal of native fauna from the sanctuary has increased.

5. The Karori Sanctuary Trust has strong partnerships with other stakeholders to increase environmental awareness:

- We aim to continue to develop our curriculum linked environmental education programme and in 2009/10 plan to achieve 5,500 visits by school children including outreach
- We work with organisations such as Forest & Bird, Rotary, Lions, DoC, OSNZ, Wellington Botanical Society, Te Papa, Wellington Zoo, Otari Wilton Bush, Project Kaiwharawhara, Wellington Native Bird Trust and the community at large in a variety of ways including
 - involvement in special events, seminars and promotions
 - assistance with conservation and education programmes (information transfer, signage, plant nursery, planting and weeding, animal transfers, rehabilitation of injured birds, surveys and monitoring)
- We work closely with Council's Parks and Gardens Unit and the Berhampore nursery on various initiatives to enhance biodiversity including
 - an experiment to establish rata epiphytically in the sanctuary

- assisting schools to increase environmental awareness and enhance local biodiversity by planting trees in their neighbourhood
- We work with Greater Wellington Regional Council in
 - controlling plant and animal pests, especially in neighbouring areas
 - stream testing
 - the environmental education programme (e.g. workshops for landowners) and
 - the establishment of a biodiversity monitoring network in Wellington.
- We provide opportunities for corporate groups and sponsors to participate in events and volunteer days, directly assisting in restoration work
- We share information with our members and encourage participation through events, member seminars and specific campaigns
- We share information with our volunteers, and provide many opportunities for involvement in the conservation and education programme at the sanctuary. We have volunteers involved in all aspects of the restoration and education programme
- We work with universities (both New Zealand and overseas) and Industry partners on joint research projects and we facilitate research and teaching activities at the sanctuary.

6. ZEALANDIA: The Karori Sanctuary Experience

- Will tell a New Zealand Conservation story which will further enhance visitors understanding of biodiversity and environmental issues and help influence their behaviour in their own communities
- Will provide financial sustainability which allows the Karori Sanctuary Trust to continue its ground breaking research and restoration programmes and further increase natural biodiversity

Economic Development (2009- 2019 LTCCP)
<p>Contribution to Council's Long Term Outcomes</p> <ul style="list-style-type: none"> • Stronger sense of place - Wellington will be a prime tourist and conference destination, with diverse and changing attractions that fit and highlight Wellington's best features • More entrepreneurial and innovative - Wellington will have high levels of innovation underpinned by strong education and training, research, entrepreneurial and investment

1. As the first urban fenced sanctuary in New Zealand and a leader in eco-restoration, Karori Sanctuary Trust has gained knowledge and developed technology that will be applicable to eco-restoration and conservation projects elsewhere. It is now a blue print for many other conservation projects and fenced sanctuaries around New Zealand, contributing to Council's outcome of being more entrepreneurial and innovative.

2. Research underpins what we do at the sanctuary. It is the most accessible living laboratory providing an excellent facility where students and scientists can undertake innovative research which will benefit conservation, environmental, social and economical outcomes. The Karori Sanctuary Trust partners with Industry, Victoria University of Wellington and other universities. Over 100 research projects have been undertaken at the sanctuary contributing to the innovative capital.

3. ZEALANDIA: The Karori Sanctuary Experience will be the only place in New Zealand that tells a comprehensive New Zealand conservation story via immersive interactive exhibitions alongside a live example of conservation in action. It will become a “must see” international tourist destination that fits with the brand positioning of Tourism New Zealand and is a priority for PWT to promote as a commissionable product. With a stunning view and serene environment, ZEALANDIA will also be able to tap into the small/medium conference market for after hours functions. The Trust aims to achieve around 140,000 visitors in the first full year of operations after the opening gradually building up to 199,000 visitors per annum after the transition years. An independent study has indicated the estimated economic benefits to Wellington are \$4.3m per annum.

4. ZEALANDIA will be the most accessible education site where students can learn a comprehensive New Zealand Conservation Story of past, present and future together with a live example of conservation in action. The Visitor & Education Centre enriches our existing education programme by providing a context of what student will learn in the sanctuary valley.

Cultural Wellbeing (2009- 2019 LTCCP)

Contribution to Council’s Long Term Outcomes

- Stronger sense of place - Wellington will have a strong local identity that celebrates and protects its sense of place, capital city status, distinctive landform and landmarks, defining features, history, heritage buildings, places and spaces
- More inclusive - Wellington will celebrate its bicultural heritage and growing ethnic, religious and social diversity, and be tolerant, welcoming and inclusive of people’s differences to create a sense of belonging, shared understanding and identity

1. ZEALANDIA: The Karori Sanctuary Experience contributes to both the quality and variety of the experience of living in the city. It is a defining area for Wellington locals as well as a visitor destination, helping in the recognition of New Zealand and Wellington’s history and creating stronger links to its distinctive landforms, defining features, history, heritage, places and spaces. The Visitor & Education Centre will further enhance the environmental values that the area holds and will help in the education of young and old of our important terrestrial and freshwater ecosystems. It will provide a sense of pride and identities as Wellingtonians and as New Zealanders.

2. The Karori Sanctuary Trust has strong relationships with Te Atiawa the Wellington Tenth Trust.

Social and Recreation(2009- 2019 LTCCP)

Contribution to Council’s Long Term Outcomes

- More liveable - Wellington will be a great place to live, work and play, offering a stimulating and high quality range of community amenities and services, including affordable housing
- More actively engaged - Wellington residents will be actively engaged in their communities, and in recreation and leisure activities

1. The Karori Sanctuary Trust is a community based organisation. It has strong community support from over 400 active volunteers, 15,000 individual members, community groups, and businesses big or small. The Trust is recognised by the community as a key contributor to the increase in native wildlife in the city. With the increase in the dispersal of native fauna from the sanctuary, kaka is increasingly seen in all parts of Wellington - enriching the quality of life of Wellingtonians.

2. The Trust has an ongoing volunteering and intern programme to provide active involvement opportunities. It also works with businesses to provide opportunity for involvement. The Visitor & Education Centre project will further provide additional opportunities to get involved. The Trust works closely with a number of community organisations.

3. The Trust recognises the value of gaining local customers buy in and to be the ambassadors for ZEALANDIA. Word of mouth is the most significant tool to generate VFR (visiting friends and relatives) visitation. To this end, the Trust will be launching a specific strategy for the local market which will include the expansion of its current membership programme and promotions/offers for non members that will encourage repeat visits and visiting friends and relatives while provide opportunities to address seasonality issues. The Trust will continue to offer gold coin donation day(s) to address those who cannot afford to come to ZEALANDIA.

4. Themed public event days will continue to be held regularly to encourage the community to participate in learning and experiential activities.

Other Council Objectives (as outlined in the letter of 9th February from the Chair of Council Controlled Organisations Performance Subcommittee)

- Partnership approach with Council and CCO's
- Regional Focus, where this is appropriate
- Acknowledgement of contribution of Council
- Achieve maximum effectiveness and efficiency of, and concentrated focus on service delivery
- Access alternative sources of funding and endeavour to reduce reliance on ongoing Council funding
- Operate at breakeven after depreciation expense

1. As a leader in eco-restoration, the Trust contributes significantly to local, regional and national environmental, conservation, educational, tourism, and economical outcomes. This is evidenced by the Trust being one of the recipients from the government's Significant Community Based Projects Fund. The Fund recognises community organisations which contribute to outcomes of national and regional significance. The Trust has already provided and will continue to provide assistance to other projects within New Zealand and overseas – it is a model for other conservation projects and sanctuaries. The Visitor & Education Centre project will further elevate the Trust's position as a national centre of conservation and an

internationally recognised tourist attraction. The Trust's ultimate goal is to generate surplus funds for reinvestment in advancing other conservation projects.

2. In recognition of the Trust's contribution to the Council's environmental and social outcomes, the Council has provided ongoing grants to the Trust since 2002/3. It has always been the objective of the Trust to be financially self sustaining in the long term and to reduce its reliance on Council funding. To this end, the Council has agreed up to \$10.38m in an interest free loan contributing to the capital costs of the Visitor & Education Centre. The Trust is committed to work with Council in a partnership to achieve Council's outcomes and to be self sustaining in the long term. It has and will continue to acknowledge the Council as a major funder.

3. The Trust has a wide network of partners nationally and internationally. It works with a range of CCO's where it is mutually beneficial for both organisations and for the city as a whole. These include Wellington Zoo Trust (Education and Conservation), Wellington Cable Car Company (Tourism), Otari Wilton Bush (Conservation and Community), Capital E, St James Theatre, Capacity and Council's internal units such as Parks & Gardens. The Trust is also working with Positively Wellington Tourism on various marketing matters including a MOU which sets out the principles of how the two organisations would work together to leverage on each other strengths and skills to achieve our respective organisation's objectives. The Trust is also committed to work with the Council and other organisations in maximising the opportunities the Rugby World Cup will bring.

4. To achieve its business case targets, the Trust recognises that it needs to develop and implement strategies to market and position ZEALANDIA as a must see attraction and to develop and implement organisational change that will ensure the delivery of a quality customer service which matches its world class facility while maximising efficiencies. The business plan will outline these strategies.

5. The Trust aims to operate at breakeven after depreciation expenses in the long term after the transition years as it builds up its visitor numbers.

8 MEASURES

8.1 HIGH LEVEL OUTCOME MEASURES

Measure	2009/10 Target (April opening)	2010/11 Target	2011/12 Target
Total visitation numbers	64,336*	144,448	172,425
Members units	5,400	5,800	5,800
Number of school student visits (including outreach)	5,500	6,000	6,000
Total native plant species in the sanctuary	171	172	172
Total number of species to be planted	30	30	30
Total adventives plant species in the sanctuary	212	212	212
Number of exotic plant species targeted for control/monitoring	44	44	44
Total native fauna species in the sanctuary	43	43	43
Number of native fauna species released	4	4	4
Major new capex	New Visitor Centre		

**Reason for lower visitor numbers: With the Visitor & Education Centre scheduled to open in early April, it is anticipated the Trust may close its visitor operations for a period to prepare for the opening.*

8.2 COST EFFECTIVENESS MEASURES

Measure	2009/10 Target	2010/11 Target	2011/12 Target
Average subsidy per visit	\$18.03	\$4.85	None
Average revenue per visit (excludes Council & Government grants)	\$21.27	\$22.81	\$23.83

8.3 ORGANISATIONAL HEALTH AND CAPABILITY MEASURES

Measure	2008/9 Target	2009/10 Target	2010/11 Target
% of visitors surveyed rate their visit as being good to excellent	>95%	>95%	>95%
Volunteer numbers	>400	>400	>400
% of school visits rate their overall satisfaction as being good to excellent	>98%	>98%	>98%
Performance appraisals completed	100%	100%	100%
Qualmark accredited	Achieved	Achieved	Achieved

9 RISK MANAGEMENT

The Karori Sanctuary Trust has a robust risk management process which is monitored by an Audit and Risk committee. This committee reports to the main Trust Board. The Karori Sanctuary Trust has robust fit-for-purpose systems and processes and financial delegations. There were no issues raised in the Management Letter issued by the external auditor during the last external audit.

The Karori Sanctuary Trust has insurance policies for Material Damage, Business Interruption, Combined Liability (Public, Employer, Statutory, Fidelity Guarantee and Lawsafe) and Trustee Liability.

9.1 RISK MATRIX & MITIGATION STRUCTURE

The Trust divides its risk management matrix into the following categories:

- Visitor & Education Centre capital works
- Conservation
- Natural disasters
- Health and safety
- Financial and
- Reputation.

For each risk that is identified the raw risk is evaluated using the following matrix.

Likelihood	Impact			
	Minor(1)	Moderate(2)	Major(3)	Catastrophic(4)
Highly likely (4)	Low (4)	Medium (8)	High (12)	High (16)
Likely (3)	Low (3)	Medium (6)	Medium (9)	High (12)
Possible (2)	Low (2)	Low (4)	Medium (6)	Medium (8)
Unlikely (1)	Low (1)	Low (2)	Low (3)	Low (4)

For medium and high risks, control systems and management strategies are established, as appropriate. The objective is to reduce the residual risk to the point where all cost-effective mitigations have been put in place. The Audit and Risk committee is responsible for reviewing these strategies. The Trust's management is responsible for their implementation.

The current risk matrix and assessment of the Trust is detailed below. This assessment is continually revised to reflect the updated position and should be read in conjunction with the following supporting information.

Risks	Likelihood ratings	Impact ratings	Overall ratings	Control system/mitigation strategies	Residual Risk
VISITOR & EDUCATION CENTRE PROJECT					
Overall assessment of the risks to the visitor centre project is <u>Low to Medium</u>					
Encounter cost increase that exceeds contingency available resulting in: - insufficient funds to complete the project - loss of credibility with Council	Possible	Major	Medium	<ul style="list-style-type: none"> Ensure all contract elements are contracted/ pricing confirmed Eliminate variations/defer where feasible Robust governance structure (ongoing management of progress) 	Low
Delay in opening Visitor & Education Centre resulting in: - loss of revenue - possible higher costs	Possible	Moderate	Low	<ul style="list-style-type: none"> Robust governance structure (ongoing management of progress) Monitor and adjust timing of implementing new operating structures 	Low
FINANCIAL/OPERATIONAL					
Failure to achieve required quality experience because visitor experience does not appeal to market needs	Unlikely	Major	Low	<ul style="list-style-type: none"> Understanding of our market – thoroughly research visitor needs Utilise best of breed in quality exhibitions, based on expertise of advisors PWT/TNZ input Content experts 	Low
Negative economic environment (fuel, climate change, currency etc) resulting in non achievement of visitor numbers/ revenue	Possible	Major	Medium	<ul style="list-style-type: none"> Reduce costs to compensate loss of revenue Fundraising Innovative and aggressive promotion packages 	Medium
Fierce market competition and hence inability to achieve visitor no's and revenue	Possible	Major	Medium	<ul style="list-style-type: none"> Product innovation Effective marketing campaign – all marketing mix Reduce costs Fundraising 	Medium
Failure to market the organisation to targeted audience and hence non achievement of visitor numbers and/or revenue	Possible	Major	Medium	<ul style="list-style-type: none"> Ensure sufficient marketing expenditure Ensure robust marketing and communication plan Ensure competencies in place Ensure PWT/TNZ partner with the Trust to market Fundraising 	Low

Failure to secure non-visitor revenue	Possible	Medium	Medium	<ul style="list-style-type: none"> Reduce costs to compensate loss of revenue Slow down/reduce operational programmes 	Medium to Low
Ancillary revenue sources being in-house (cafe, retail) cause operational distractions and underperform	Possible	Minor	Low	<ul style="list-style-type: none"> engage a visitor operations manager who is skilled in running cafe/functions 	Low
Failure to engage community resulting in: -fewer donations -fewer memberships	Possible	Medium	Medium	<ul style="list-style-type: none"> Implement local strategy to ensure local buy in, address affordability, create a call to action 	Medium to Low
CONSERVATION					
Failure to maintain its position as a leading fenced sanctuary resulting in: - lack of credibility - reduced visitor numbers	Possible	Severe	Medium	<ul style="list-style-type: none"> Ensure competent staff Ensure conservation work is not compromised Proactively maintaining a wide network of experts and partners Stakeholders management 	Medium - Low
Failure to develop self sustaining population of wildlife resulting in: - reduced fauna visibility - reduce visitor numbers	Possible	Major	Medium	<ul style="list-style-type: none"> Ensure competent staff Ensure conservation work is not compromised Proactively maintaining a wide network of experts and partners to assist 	Medium
NATURAL DISASTERS/BIOSECURITY					
Overall assessment of risks in this area is Low					
Biosecurity breach, ecoterrorism resulting in significant loss of wildlife, additional costs above what has been allowed for, and loss of credibility	Possible	Major	Medium	<ul style="list-style-type: none"> Ensure robust biosecurity strategy and programme Proactively maintaining a wide network of experts and partners to assist 	Medium
Fire, earthquake, bird flu, resulting in significant loss of wildlife, additional costs above what has been allowed for, closure for long period	Unlikely	Severe	Low	<ul style="list-style-type: none"> Emergency plan in place to deal with natural disaster Business continuity plan will be developed Proactively maintaining a wide network of experts and partners to assist Ensure adequate insurance cover 	Low
HEALTH & SAFETY					
Overall assessment of risks in this area is <u>Low</u>					

Potential legal issues which may affect the Trust reputation and additional costs to deal with issues	Possible	Moderate	Low	<ul style="list-style-type: none"> • A comprehensive health and safety plan is in place and regularly reviewed • Clear communication to visitors of safety rules • Clear communication to staff and volunteer • Event management process 	Low
REPUTATION					
Overall assessment of risks in this area is <u>Low</u>					
Failure to maintain relationships with key stakeholders <ul style="list-style-type: none"> • Loss of credibility • Loss of support 	Unlikely	Low	Low	<ul style="list-style-type: none"> • Ensure strong stakeholder engagement 	Low

9.2 VISITOR & EDUCATION CENTRE PROJECT STRUCTURE

The Visitor & Education Centre project has a robust governance structure as follows:

- The Board has established a steering committee to oversee the capital project. The steering committee includes an independent chair Dean Riddell from Davis Langdon, the Trust's chair, one other board member and the chief executive. The Committee meets monthly. Formal agenda and minutes are kept and the minutes are circulated to the Board.
- There is an independent Council observer who attends the steering committee and reports directly to the Council Controlled Organisation Performance Sub-Committee.
- A Content Committee is established to oversee the development of content for the exhibitions to ensure credibility and quality for the content of our exhibits. This Committee comprises of expert scientists and specialists and report to the steering committee.
- As part of the Funding Deed with the Council, a robust monitoring and reporting structure is in place including regular meeting with Council officials.
- As part of the Funding Agreement with the Government, all expenditure is certified independently by the Project Manager as work completed before passing onto the Trust for payment.

9.3 VISITOR NUMBERS

One of the priorities of the new Trust Board was to revalidate the key assumptions of the business case. As part of this process the Trust had consulted PWT and had sought independent advice to review the domestic and international projected visitor numbers and the pricing. This review was based on the findings from market research conducted in September 2008 which assessed the awareness of ZEALANDIA, the interest in our new products and pricing elasticity.

Based on the independent assessment and the analysis of the pricing elasticity, it indicated that the projected visitor numbers are feasible. The board has also adopted the pricing for domestic and international market relative to the forecast visitor numbers. This pricing was accepted by PWT as being appropriate for both domestic and international markets.

The Trust recognises the different expectations of the local market in respect of pricing. As a result the Trust will be implementing a membership structure/pricing, and various targeted promotions for non-member locals with the objectives of developing a pricing and benefits structure for the local market which will:

- Enable the Trust to meet its revenue/surplus target based on the forecast local visitor numbers
- Create a good community relationship, support and buy in
- Encourage visiting friends/relatives (VFR)
- Encourage repeat visits
- Address seasonality and
- Create a call to action

Notwithstanding the robust process the Board has taken in validating the key assumptions of the business case, the board acknowledged that there are a number of significant risks and challenges as follows:

- While the Trust has performed very well to-date and has increasingly established a reputation both in the ecological restoration and the tourism industries, ZEALANDIA with its new offerings is a new product which would still require investment in marketing expenditure and build up time to get its brand established
- The recovery from the global recession is still unknown and in particular how this will impact on the international market
- The competitive and depressed fundraising and sponsorship market

The combinations of the above conditions mean that the provision of forecasts or "market guidance" at this time is problematic. In the same way that public listed companies are finding the changing economic conditions too volatile to enable any forecasting certainty, so the Trust is faced with changing tourism conditions even as it establishes a new visitor attraction in Wellington.

However the board is committed to ensuring a successful and sustainable operation and has adopted a comprehensive risk management strategy to reduce its risks. It has provided forecasts based on a 'most likely' scenario for visitor numbers, but with a strong caveat that changing conditions may drive a change in the business plan.

As an example, should visitor numbers vary too far, the financial implications may call for revisiting other assumptions – such as the level of capital expenditure, and timing and amount of the loan repayments to Council. While the organisation has limited scope for changes to the scale of operations, these will also be reviewed in the context of key business drivers, such as visitor numbers and conservation programmes. The Trust will be closely monitoring performance, and will respond to these conditions with updates if required.

The Trust also acknowledges that the cash flows during the transitional years will be tight and need to be carefully managed in respect of the fluctuations within and between years. One mitigation strategy is to work with the Council and other stakeholders to access a revolving fund facility should this be necessary.

10 RELATIONSHIPS WITH COUNCIL

10.1 RELATIONSHIPS, REPORTING AND MONITORING REGIME

The Council is a strategic partner and major funder of the Karori Sanctuary Trust. The Funding Deed between the Council and the Trust sets out the Council's reporting and monitoring regime and the conditions for major transactions requiring Council approval.

The Trust will report quarterly to the Council through the Council Controlled Organisations Performance Sub-Committee on the agreed measures which will include a Statement of Financial Performance, Statement of Financial Position, Cash Flow Statement and Cash Flow Reconciliation Statement.

Due to the new Board not commencing until part way through the new financial year, Council has agreed that a delay to the timing of presentation of the Trust's SOI is reasonable and appropriate. The draft will be provided to Council for approval at its October meeting.

The Trust's Statement of Financial Performance and audited accounts will be presented to Council by due date.

Disclosure of any material or potentially contentious transactions that are planned will be included in the Trust's annual business plan. Where this is not possible, the earliest practicable notice will be given to Council of such transactions.

10.2 THE PRINCIPLES

- Council will be provided with access to information it requests
- A "no surprises" approach
- Work in a collaborative and constructive manner recognising each other's view points and respecting differences
- Act towards each other honestly and always in good faith
- Communicate with each other openly, promptly and in a clear and timely manner
- Recognise the accountabilities that each have to the other and to those for the benefit of whom services are provided
- Encourage new and creative ways to achieve the outcomes required under this document.

11 STATEMENT OF ACCOUNTING POLICIES

BASIS OF REPORTING

11.1 BASIS OF REPORTING

The financial statements presented here are for the reporting entity, the Karori Sanctuary Trust. The Trust is a charitable trust registered under the Charities Act 2005, established to develop a secure native wildlife sanctuary in the Karori Reservoir valley in the city of Wellington.

The Trust is a qualifying entity within the differential reporting framework issued by the New Zealand Institute of Chartered Accountants. The Trust qualifies on the basis that it has no public accountability (that is: not an issuer as defined under the Financial Reporting Act 1993 nor does it have coercive power to tax, rate or levy to obtain public funds) and is not considered large as defined by the framework. The Trust has taken advantage of all differential reporting concessions available to it except for FRS10 Statement of Cash Flows.

The financial statements have been prepared in accordance with generally accepted accounting practice. The Trust has chosen not to adopt the NZ equivalent to International Financial Reporting Standards (NZ IFRS). The decision not to adopt is consistent with the exemption provided by the Accounting Standard Review Board (“ASRB”) Release 9, issued September 2007. ASRB Release 9 provides a choice to certain qualifying entities to either adopt NZ IFRS or to continue to apply NZ Financial Reporting Standards (NZ FRS).

The measurement base adopted is that of historical cost.

Reliance is placed on the assumption that the Trust continues to receive sufficient income to fund ongoing operations.

11.2 RECOGNITION OF INCOME

Grants are recognised as income when the requirements under the grant agreement have been met. Any grants for which the requirements under the grant agreement have not been completed are carried as liabilities until all the conditions have been fulfilled.

Income received from membership subscriptions is allocated proportionally over the period to which they relate. The unearned portion of subscriptions is shown under current liabilities. Prepaid visits are also treated as current liabilities.

Other income is accounted for on a cash basis.

In the accounts, there is no financial recognition of support given in the form of donated labour and materials.

11.3 FIXED ASSETS

Fixed Assets are recorded at cost less accumulated depreciation.

11.4 DEPRECIATION

Depreciation of fixed assets is calculated on a straight-line basis so as to allocate the cost of the assets over their useful lives as follows:

Predator Fence	25 years
Buildings/Infrastructure	10-50 years
Leasehold Improvements	10-50 years
Fixtures Plant and Equipment	3-5 years
Boat	15 years
Vehicles	5-10 years
Other Assets	3-5 years

11.5 RECEIVABLES

Receivables are stated at anticipated realisable value.

11.6 RETAIL STOCK ON HAND

Retail stock on hand is stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis.

11.7 GOODS AND SERVICES TAX

The financial statements have been prepared so that all components are stated exclusive of GST with the exception of receivables and payables that include GST invoiced.

11.8 INCOME TAX

The Trust being a charitable organisation is income tax exempt under the Income Tax Act 2007.

11.9 CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies. All policies have been applied on a basis consistent with the prior year.

12 ACTIVITIES FOR WHICH COMPENSATION FROM COUNCIL IS SOUGHT

It is the objective of the Trust to be financially self-sustaining in the long term and by so doing to reduce its reliance on Council funding. To assist the Trust in achieving this objective the Council agreed in 2005 to an \$8m interest free loan and transitional funding to assist the development of the Visitor & Education Centre.

Due to a delay in securing Government funding, geotechnical issues and a delay in the consents process, the Visitor & Education Centre Project has experienced cost increases and delay. The Council has agreed to provide an additional loan of up to \$2.38m and transitional funding of \$1,160,000 in 2009/10 and \$700,000 in 2010/11.

13 FORECAST SURPLUS FUNDS PAYMENT TO WCC

The Trust's first full year of operations with the Visitor Centre operating is 2010/11 with both 2010/11 and 2011/12 being transition years. It is expected to build up its visitor numbers to 190,000 in 2012/13. Based on this forecast, the Trust is expected to commence loan repayments in 2012/13 at \$415,200 per annum, with annual payments over a period of 25 years.

14 FINANCIAL INFORMATION

14.1 ASSUMPTIONS

Please refer to the Trust's business plan for detailed assumptions. In essence the budgets and business plan are based on the 'most likely' set of assumptions, including forecast visitor numbers and revenues. Given the current economic environment, these numbers are considered to be at the conservative end of the scale, and while they are realistic and achievable, the Trust acknowledges that some uncertainty must exist.

While Council has a policy discouraging CCO's from budgeting a loss before depreciation, the Trust is forecasting a period of transitional losses. In 2009/10 there is an operating loss after depreciation, due to the mix of pre- and post-opening operations. The loss after depreciation in 2011/12, and 2012/13 is due to the impact of a full year depreciation expense relating to the Visitor & Education Centre Project while visitor numbers (and revenues) are growing still.

The Trust has planned for this approach from the outset, utilising its cash reserves to minimise the call on the Council or other stakeholders. That is, the transitional operational funding sought from the Council excludes funding for depreciation. The Trust's exhibition refresh programme (and other capital expenditure) will be funded from operating funds and cash reserves.

As has been stated, the forecast is based on the expected visitor numbers and financial performance; but this will be closely monitored during the transition years, so that forecasts and budgets can be revised if necessary in a timely manner.

STATEMENT OF FINANCIAL PERFORMANCE		2008/9	2009/10	2010/11	2011/12
Operating Revenue					
	Entry	554,688	604,552	2,111,981	2,708,811
	Membership	266,137	300,644	389,313	422,579
	Retail	142,467	106,820	211,531	269,079
	Food	0	23,700	310,234	395,138
	Operational funding	668,585	310,000	273,000	313,000
	WCC grant	353,000	1,160,000	700,000	0
	Interest received	217,713	23,000	0	0
Total Operating Revenue		2,202,590	2,528,716	3,996,059	4,108,607
Less Operating Expenses					
	General	1,889,305	3,234,222	3,688,615	3,706,596
	Depreciation	198,331	389,393	922,276	942,710
Total Operating Expenses		2,087,636	3,623,615	4,610,891	4,649,306
Surplus/(deficit) before Interest		114,954	(1,094,899)	(614,832)	(540,699)
	Interest	105,449	81,829	83,000	74,700
Surplus/(deficit) after Interest		9,505	(1,176,728)	(697,832)	(615,399)
Add Visitor & Education Centre Funding		1,681,774	3,469,162	196,596	
Surplus/ (deficit)		1,691,279	2,292,434	(501,236)	(615,399)

STATEMENT OF FINANCIAL POSITION		2008/9	2009/10	2010/11	2011/12
Equity	Accumulated funds bf	4,766,047	6,457,326	8,749,760	8,248,524
	Profit / Loss for year	1,691,279	2,292,434	(501,236)	(615,399)
	Accumulated funds cf	6,457,326	8,749,760	8,248,524	7,633,126
Current Assets	Bank Account	4,840,999	332,456	244,099	190,029
	Accounts receivable	39,056	36,474	41,163	41,929
	Stock on hand	23,872	51,838	58,511	61,719
Total Current Assets		4,903,927	420,768	343,773	293,677
Non Current Assets	Existing Assets		3,304,444	3,304,330	3,313,781
	Visitor centre - buildings		13,040,261	12,778,145	12,516,029
	Visitor centre - fit out		341,250	306,250	271,250
	Exhibitions		3,656,701	3,281,653	2,906,609
Total Non-Current Assets		10,941,712	20,342,656	19,670,378	19,007,669
Total Assets		15,845,639	20,763,424	20,014,151	19,301,346
Current Liabilities	Unearned income	130,463	138,296	179,084	194,386
	Holiday pay	104,994	119,062	146,974	149,396
	Creditors	800,111	366,227	149,492	134,360
	GST to pay	77,589	1,745	1,745	1,745
	WCC repayments	0	0	0	415,200
	Grants received in advance	100,000	0	0	0
	Community Trust Loan (Current)	108,333	108,333	108,333	108,333
Total Current Liabilities		1,321,490	733,663	585,628	1,003,420
Term Liabilities	Non-recourse WCC funds	7,066,823	10,380,000	10,380,000	9,964,800
	Community Trust Loan	1,000,000	900,000	800,000	700,000
Total Term Liabilities		8,066,823	11,280,000	11,180,000	10,664,800
Total Liabilities		9,388,313	12,013,663	11,765,628	11,668,220
Net Assets		6,457,326	8,749,760	8,248,524	7,633,126

STATEMENT OF CASH FLOWS		2008/9	2009/10	2010/11	2011/12
Surplus/(Deficit) from operations		9,505	(1,176,728)	(697,832)	(615,399)
Add non cash items					
Depreciation		198,331	389,393	922,276	942,710
Add(deduct) movements in working capital					
Dec(Inc) in GST Receivable		136,160	(75,844)	0	0
Dec/(Inc) in Stock		(1,045)	(27,966)	(6,673)	(3,208)
Dec/(Inc) in Accounts Receivable		840	2,582	(4,689)	(766)
(Dec)/Inc in Income in Advance Operations		(71,829)	7,833	40,788	15,302
(Dec)/Inc in Accounts payable Operations		(116,182)	35,299	7,774	(12,710)
Net cash flows from operating activities		155,780	(845,430)	261,643	325,930
Cash flows from investing activities					
Cash was applied to:					
Fixed Asset additions			(575,000)	(250,000)	(280,000)
Visitor& Education Centre			(9,670,452)	(196,596)	
Net cash flows from investing activities		(5,938,913)	(10,245,452)	(446,596)	(280,000)
Cash flows from financing activities					
Cash was provided from:					
WCC non-recourse funding		5,375,059	3,313,177		
Crown Funding - V & E Centre		1,681,774	3,369,162	196,596	
Other - V & E Centre		100,000			
Cash was applied to:					
Repayments to WCC		0	0	0	0
Community Trust Loan Repayment		(100,000)	(100,000)	(100,000)	(100,000)
Net cash flows from financing activities		7,056,833	6,582,339	96,596	(100,000)
Net increase / (decrease) in cash		1,273,700	(4,508,543)	(88,357)	(54,070)
Opening cash		3,567,299	4,840,999	332,456	244,099
Closing cash		4,840,999	332,456	244,099	190,029