

WELLINGTON ZOO TRUST

1. Introduction

The Wellington Zoo Trust (WZT) has submitted its audited annual report for the year to 30 June 2006.

2. Key Issues

- Good financial performance – a normalised/trading deficit of less than \$1,000 and external sponsorship funding received during the year of \$697k.
- Alison Lash, the Zoo's CEO in resigned April 2006 and as of September, Karen Fifield has taken over as the new CEO. During the interim, Mauritz Basson, the general Manager was Acting CEO.
- The business case for the ZCP has progressed throughout the 2005/06 year and is due to be presented to SPC in December 2006.

3. Performance

a. Financial

Statement of Financial Performance

\$ '000	FY Actual	FY Budget	2004/05 Actual
Income	4,830	3,995	3,975
Expenditure	4,164	3,995	4,282
Surplus	666	-	(307)
Operating surplus	(1)	-	3
Operating margin	0.0%	0.0%	0.1%
Return on equity	-	-	-

The Trusts statement of financial performance shows a surplus of \$666k. This comprises a \$667k surplus made up of \$617k external sponsorship receipts and \$50k bequest funds, plus a trading deficit of \$1k.

The \$617k external sponsorship funding received during the year includes \$500k from the Pub Charity. These funds are to be specifically used for capital development and on completion the asset will be vested to Council, resulting in an expense to the Profit and Loss account. As long as the asset expenditure matches the funding received, there will be a zero net effect to the Profit and Loss account, but some annual fluctuation due to the difference in timing between when the funding is received and when it is spent.

A further \$80k of bequest funds were received during the year, of which \$30k were spent, leaving \$50k to carry forward for future years - this funding is not necessarily tagged for capital expenditure.

The above external receipts have to be recognised as income in the year that they are received and, unless they are used during the year are carried forward on the balance sheet as restricted funds.

Statement of Financial Position

\$ '000	FY Actual	FY Budget	2004/05 Actual
Current assets	1,077		342
Non-current assets	70		62
Current liabilities	557		451
Non current liabilities	59		88
Equity	531		(135)
Current ratio	1.93 : 1		0.76 : 1
Equity ratio	46%		(36%)

The Zoo trust's equity position has been strengthened considerably by the external receipts. However, this is a temporary position and will reverse once the Amphitheatre is constructed. The Council has spoken to the trust on the subject of budgeting for small surpluses to strengthen its Balance Sheet.

Statement of Cash Flows

\$ '000	FY Actual	FY Budget	2004/05 Actual
Operating	759	(71)	146
Investing	(25)	(52)	(237)
Financing	-	-	-
Net	734	(123)	(91)
Closing balance	865	4	131

The external receipts have also strengthened the Zoo's cash flow position but again, this will only be temporarily.

Wellington Zoo Trust Capital Expenditure for 2005/06

The Zoo Trust receives annual funding from the Council for capital expenditure on renewals (CX125) and upgrades (CX340). During 2005/06, the Zoo worked with Council officers to produce a comprehensive Asset Management Plan for 2006/07 and beyond.

CX125 renewals

The Zoo spent \$365k during the year, mainly on security, fencing, vehicles and enclosure and building refurbishments. This was made up of \$170k brought forward from previous years plus the 2005/06 annual budget of \$195k. The budget for 2006/07 has been set at \$352k.

CX340 Upgrades

The Zoo spent almost \$2 million on CAPEX upgrades during 2005/06; a breakdown of the expenditure is given below.

Expenditure by Project	
Chimpanzee Quarters	1,479,085
Giraffe House Project	162,049
Hospital Project	41,248
Sewer Replacement	129,832
Amphitheatre Project	103,558
Environmental Management	62,022
Total for the year	1,977,794

The total budget available for 2005/06 was made up from brought forward CAPEX of \$850k plus the 2005/06 budget of \$2.75 million. The carry forward to 2006/07 is \$1.6 million.

The 2006/07 year will be a busy one for the Zoo with regard to CAPEX with the Chimps Enclosure due to be completed in December 2006, construction on the Giraffe House project being scheduled to start in November 2006, construction on the Amphitheatre due to start early in 2007 and the Hospital being in a position for construction to start early in the 2007/08 year.

In addition to this, the Zoo is currently preparing their business case for the 10 year Zoo Capital Plan, with Council officers currently scheduled to report back to SPC on the business case in December 2006. A 10 year funding programme of \$14.9 million by Council was approved at SPC in October 2005. Key considerations for the business case are for the ZCP not to exceed the above Council funding target, for the Zoo Trust to generate significant external funding, the impact of the ZCP on CX125 (CAPEX renewals) and associated operating costs and the contribution of the ZCP to Council strategies and priorities.

b. KPIs

Against targets

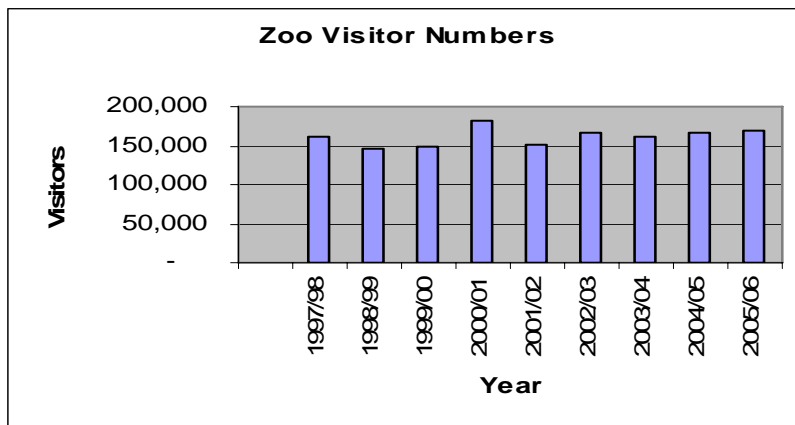
The KPI's reported below are those agreed via the Zoo Trusts annual Statement of Intent for 2005/06.

Measure	Target 2005/06	Result 2005/06	Result 2004/05	
<i>Non financial</i>				
Number of visitors per year	170,000	170,116	167,782	This is an increase of 1.4% on the previous year's result. Almost half of Wellingtonians surveyed by the Council reported visiting the Zoo during the year.
Number of school visits (students)	14,000	14,714	13,351	This is 10.2% above the previous year's result and 5.1% above the year's target. Satisfaction surveys completed by teachers associated with these groups report 100% met or exceeded the learning outcomes.
Number of sleepovers (participants)	3,700	3,801	3,606	This is an increase of 5.4% on the previous year's result and 2.7% above the annual target.
Conservation programme managed species (% total of collection)	30%	33%	30%	This exceeds the annual target. The Zoo continues to work closely with Australasian regional zoos to manage genetically sustainable populations of a range of native and exotic species.
Animal Wellbeing – Compliance with Animal Welfare Act requirements	Requirements met	Requirements met		
Learning	>95%	>100%		

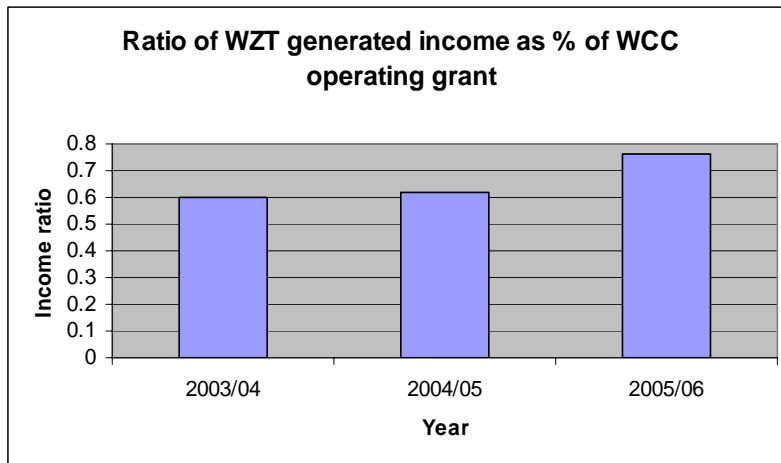
outcomes – effectiveness	teachers agree learning was effective	teachers agree learning was effective		
<i>Financial</i>				
Average subsidy per customer	\$13.90	\$13.89	\$14.26	
Average retail income per customer	\$7.95	\$8.65	\$8.21	
Average income per visitor	>\$9.40	\$10.58	\$9.29	
Ratio of Trust generated income as % of WCC grant	>65%	76%	62%	(this was not a KPI measure in 2004/05)

Trends

The Zoo continues its innovative and proactive approach to attracting visitors, and this is reflected in the steady increase in visitor numbers that has occurred since the Zoo Trust was settled in 2003.



Another measure, instigated as a KPI measure for the first time in 2005/06 by the Zoo Trust, which also reflects an improving financial performance is the ratio of Zoo Trust income as a percentage of the Council annual operating grant. The trend for the three years of the trusts existence is shown in the graph below.



4. Governance

There were no changes in Trustees for the year; however Neale Pitches, the Trust Chair has declared his intention to stand down on 31 December 2006 and has recommended Denise Church (whose term comes to an end in December 2006) to replace him as the Chair. Three other Trustees have their terms come to an end in December 2007. Having too many trustees replaced at the same time can lead to a loss of continuity in the Boards operations and risks the loss of significant experience.

5. Comments Regarding Council

The Zoo Trust recognises the continued financial support of the Council but at the same time, they have openly and energetically contested a perceived lack of Council funding in such areas as the Zoo centenary celebrations, business case planning and design, and the funding of employee annual leave (brought forward from when the Zoo was an internal Council business unit).

The Council has been clear and consistent in its reasons for declining further funding requests. The Council has to balance its funding across a diverse range of projects which may contribute to desired Council outcomes in a number of different ways. It should be noted that the Zoo has received a considerable increase in funding since being settled as a trust in 2003.

6. Future Plans / Issues

The biggest issue in the Zoo's immediate future is the presentation of their ZCP business case to SPC in December 2006.

During the year, a review of CCO's was commenced by PricewaterhouseCoopers and led by Brian Roche (the Roche Review). A number of recommendations were made that were equally applicable to all CCO's, concluding that the CCO model was fundamentally sound but that some processes could be improved.

In accordance with the adoption date of Council, WZT have adopted NZ IFRS for the accounting period commencing 1 July 2006, which is one year earlier than statutorily required.

7. Conclusion

The Zoo Trust has had a good year, as shown by its financial performance and KPI's. The most important issue for the trust in the short term is the preparation of the ZCP business case and Council officers will continue to work closely with them on this.