

Karori Sanctuary Trust

Draft Statement of Intent

2010-11

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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:

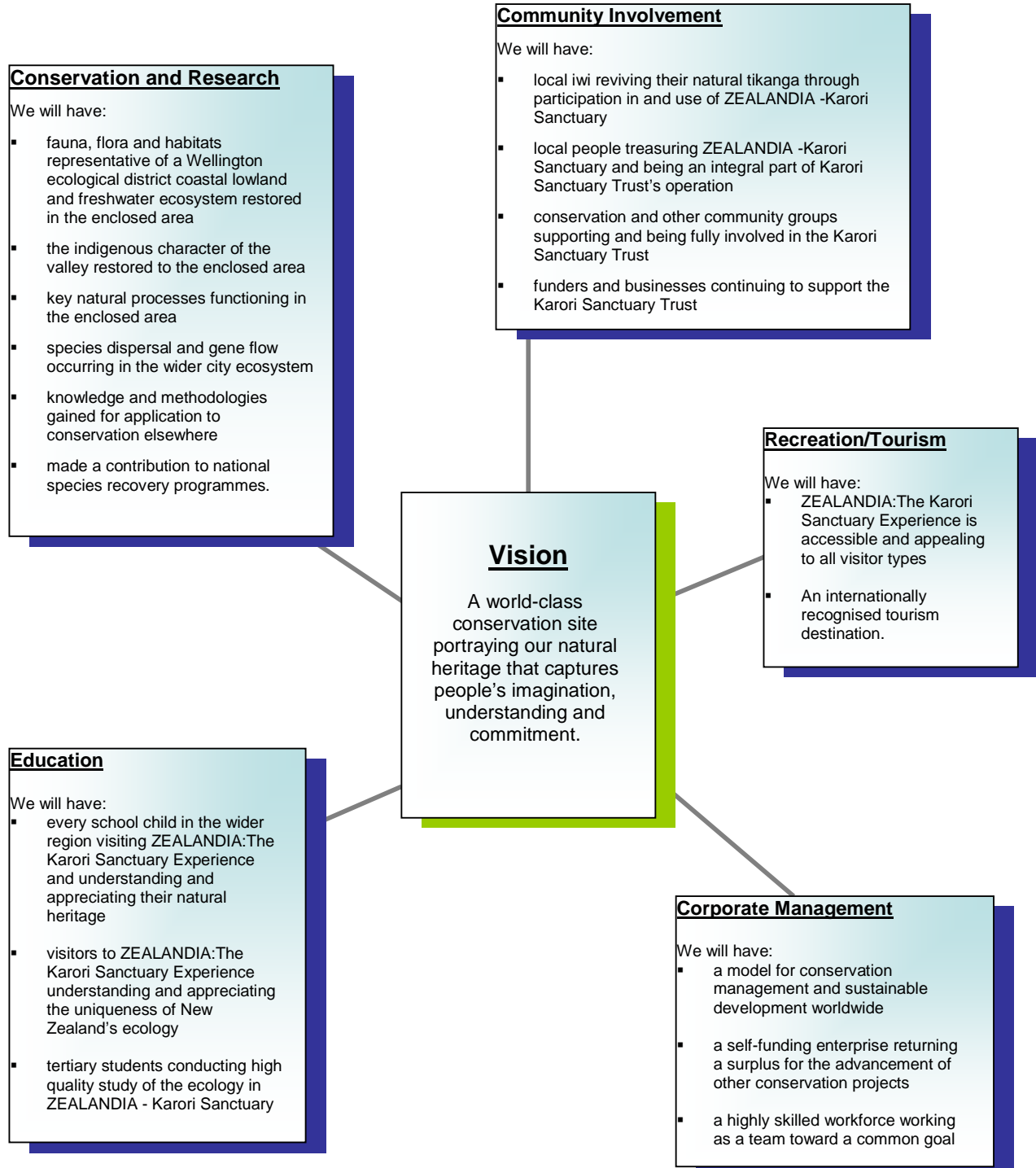
- (a) To carry out education and research into all matters pertaining to the conservation and restoration of New Zealand's natural heritage and in particular to restore representative examples of New Zealand's natural heritage.
- (b) To establish and maintain a secure native wildlife sanctuary in the 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 GOVERNANCE STRUCTURE & BOARD MEMBERSHIP

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)
 David Clarke, Partner, Russell McVeagh

2. ZEALANDIA Visitor 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

With the opening of ZEALANDIA Visitor Centre in April 2010, 2010/11 will be the first full year of operation with the Centre. The Karori Sanctuary Trust's focus is to build up its visitor numbers during this transition period to a sustainable level which will enable the Trust to be financially sustainable. Key strategies to achieve this include the following.

- 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
- Refine its products, resources and operations after its opening to ensure they meet target market needs
- Maintain leadership in conservation management and sustainable development within an urban environment
- Continue fundraising programme to provide ongoing funding

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. This impact is reflected in the Ministry of Tourism's latest visitor forecasts whereby international visit to Wellington have been reduced. 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.

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.

With the opening of ZEALANDIA Visitor Centre, ZEALANDIA: The Karori Sanctuary Experience will elevate 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 <p>Future Council's environmental initiatives</p> <ul style="list-style-type: none"> • Reduce the city's greenhouse gas emissions, reduce resource use and convert to renewable energy • Dispose of waste in ways that protect the environment and encourage recycling.

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 2010/11 financial year, we aim to release and monitor three 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 Trust is accredited Qualmark Enviro Gold. We are committed to sustainable tourism and we incorporate sustainable practices whenever we can, in our offices, within our sanctuary and ZEALANDIA Visitor Centre. For example, the Centre has adopted environmentally sustainable design practices (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.
4. We also have policies, monitoring systems and planned actions in place to address greenhouse gas emissions reduction, water consumption management and waste minimisation. When examining our organisation's environmental impact, we look at the wider sustainability considerations including environmental impact, social and economical perspectives). We believe our approach will hold up in a new emissions trading environment.
5. 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.
6. 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 2010/11 plan to achieve 6,000 visits by school children and 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 and interns 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

Contribution to Council's Long Term Outcomes

- 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 2010/11 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 exhibition will be an integral part of our education programme further enhancing students understanding of environmental, social, cultural and economic issues by providing a context of what student will learn in the sanctuary valley.

<p>Cultural Wellbeing (2009- 2019 LTCCP)</p>

<p>Contribution to Council's Long Term Outcomes</p>
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| <ul style="list-style-type: none"> • 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 |
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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. It will 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 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. The Trust's strategy for the local market will include a membership programme with competitive and flexible pricing structure 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 29th January 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
- Rugby World Cup
- Access alternative sources of funding and endeavour to reduce reliance on ongoing Council funding
- Operate at breakeven or better before 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 and other organisations 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 and TePapa. The Trust is also working with Positively Wellington Tourism in the implementation of the principles that are set out in the signed MOU including leveraging on each other strengths and skills to achieve our respective organisation's objectives.

4. The Trust will work with PWT and Council's Rugby World Cup project team to maximise the opportunities presented by Rugby World Cup 2011 and to ensure visitors have an enjoyable time in our city. Specifically the Trust will run themed events with food to attract visitors and to participate in joint activities with other attractions.

5. 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.

6. The Trust aims to operate at breakeven or better before depreciation expenses during transition years as it builds up its visitor numbers, and to operate at breakeven or better after depreciation expenses in the long term.

8 MEASURES

8.1 HIGH LEVEL OUTCOME MEASURES

Measure	2010/11 Target	2011/12 Target	2012/13 Target
Total visitation numbers	144,201	172,567	196,614
Members units	5,800	5,800	5,800
Number of school student visits (including outreach)	6,000	6,000	6,000
Total native plant species in the sanctuary	172	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	3	2	2

8.2 COST EFFECTIVENESS MEASURES

Measure	2010/11 Target	2011/12 Target	2012/13 Target
Average subsidy per visit	\$4.85	\$0.23	None
Average revenue per visit (excludes Council & Government grants)	\$25.23	\$25.61	\$25.65

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:

- 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)	Severe(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
FINANCIAL/OPERATIONAL					
Overall assessment of this risk is <u>Moderate to Low</u>					
Failure to meet targets and hence unable to meet loan repayment as per agreement	Possible	Major	Moderate	• See various mitigation strategies as below	Moderate

Failure to market the organisation to targeted audience and hence non achievement of visitor numbers and/or revenue	Possible	Major	Moderate	<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 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	Moderate	<ul style="list-style-type: none"> • Reduce costs to compensate loss of revenue • Fundraising • Innovative and aggressive promotion packages 	Moderate
Fierce market competition and hence inability to achieve visitor no's and revenue	Possible	Major	Moderate	<ul style="list-style-type: none"> • Product innovation • Effective marketing campaign – all marketing mix • Reduce costs • Fundraising 	Moderate
Failure to secure non-visitor revenue	Possible	Moderate	Moderate	<ul style="list-style-type: none"> • Reduce costs to compensate loss of revenue • Slow down/reduce operational programmes 	Moderate 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	Moderate	Moderate	<ul style="list-style-type: none"> • Implement local strategy to ensure local buy in, address affordability, create a call to action 	Moderate to Low
Impact of external agencies and organisations undertake work within and outside sanctuary eg, Long Gully Drift Track; lowering of lake etc	Possible	Moderate to Major	Moderate	<ul style="list-style-type: none"> • Continue discussions with Council and other agencies • Monitor progress 	Moderate to Low
Operational transitional issues eg failure to maintain staff morale, work load, new systems etc	Possible	Moderate	Low	<ul style="list-style-type: none"> • Ongoing Communication • Engage temporary staff to help 	Low

CONSERVATION					
Overall assessment of this risk is <u>Moderate</u>.					
Failure to maintain its position as a leading fenced sanctuary resulting in: - lack of credibility - reduced visitor numbers	Possible	Severe	Moderate	<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 	Moderate - Low
Failure to develop self sustaining population of wildlife resulting in: - reduced fauna visibility - reduce visitor numbers	Possible	Major	Moderate	<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 	Moderate
NATURAL DISASTERS/BIOSECURITY					
Overall assessment of risks is <u>Low</u>					
Biosecurity breach, ecoterrorism resulting in significant loss of wildlife, additional costs above what has been allowed for, and loss of credibility	Possible	Major	Moderate	<ul style="list-style-type: none"> • Ensure robust biosecurity strategy and programme • Proactively maintaining a wide network of experts and partners to assist 	Moderate
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 being developed • Proactively maintaining a wide network of experts and partners to assist • Ensure adequate insurance cover 	Low
HEALTH & SAFETY					
Overall assessment of risks 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 	Low

				<ul style="list-style-type: none"> • Clear communication to staff and volunteer • Event management process 	
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 NUMBERS

Last year the Trust 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. The result of the independent assessment 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.

The Ministry of Tourism has now updated the visitor forecasts to New Zealand (New Zealand Tourism Forecasts 2009 – 2015). It shows an overall increase in overnight visits to Wellington with lower international visits but compensate by higher domestic visits. This reflects the impact of the world recession. Given this uncertain economic environment, the Trust Board decided to use the same total visitor numbers as previously forecasted as a prudent measure.

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 (as seen by the Ministry revised forecasts)
- 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; 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.

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
Exhibitions	10 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 provides up to \$10.38m interest free loan and transitional funding to assist the development of ZEALANDIA Visitor Centre.

The amount of transitional funding sought is \$700,000 in 2010/11 and \$40,000 in 2011/12.

Council asked the Trust to provide some indication in its SOI as to what services would be forgone or could be reduced should Council funding decrease by 5%. The Trust 2010/11 funding was based on the minimum funds required to cover the transition period until the Trust is self sustaining. With the uncertain economic environment, any reduction in funding will pose a significant risk to managing the transition in ensuring the Trust has every opportunity to achieve its financial sustainability. The funding is critical and we cannot forgo any activities

13 FORECAST SURPLUS FUNDS PAYMENT TO WCC

The Trust's first full year of operations with ZEALANDIA 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

The detailed assumptions will be contained in the Trust's business plan.

The financial forecasts have now been updated with the latest Ministry of Tourism forecast data (2009-2015) which shows an overall increase of visitors to Wellington as compared to the previous forecast. However there is a change in mix with a decrease in international overnight visits which is offset by an increase in domestic overnight visits. The lower international visit forecasts is influenced by the global recession and while the outlook beyond 2010 becomes positive as world economies improve and normal travel patterns are re-established, the net effect is a softening of forecast growth rates relative to previous years.

The lower international visitor numbers does have a small negative effect on ZEALANDIA's financial performance especially in later years because international visitors have a higher uptake of higher end products.

With the uncertain economic environment, to be prudent, the Trust has adopted the same visitor numbers as previously forecasted despite the Ministry forecast of a higher overall visitor numbers to Wellington.

The café and retail revenue and costs have also been updated since the last forecasts to reflect a more realistic target.

While the Council has a policy discouraging CCO's from budgeting a loss after depreciation, the Trust is forecasting a period of transitional losses after depreciation as can be expected for a start up business as visitor numbers are growing. 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.

Before depreciation, the Trust makes surpluses.

The forecast will be closely monitored during the transition years, so that forecasts and budgets can be revised if necessary in a timely manner.

The Trust will be 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.

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STATEMENT OF FINANCIAL PERFORMANCE		2009/10	2010/11	2011/12	2012/13
Operating Revenue					
	Entry	604,552	2,042,298	2,613,286	3,084,091
	Membership	300,644	389,313	422,579	422,579
	Retail	106,820	314,792	372,649	425,659
	Food	23,700	618,342	738,200	838,737
	Operational funding	310,000	273,000	273,000	273,000
	WCC grant	1,160,000	700,000	40,000	0
	Interest received	23,000		0	0
Total Operating Revenue		2,528,716	4,337,745	4,459,714	5,044,066
Less Operating Expenses					
	General	3,234,222	4,031,308	4,053,631	4,171,887
	Depreciation	389,393	922,276	942,710	942,710
Total Operating Expenses		3,623,615	4,953,584	4,996,341	5,114,597
Surplus/(deficit) before Interest					
		-			
		1,094,899	-615,839	-536,627	-70,531
	Interest	81,829	83,000	74,700	56,000
Surplus/(deficit) after Interest					
		-			
		1,176,728	-698,839	-611,327	-126,531
Add Visitor & Education Centre Funding					
		3,469,162	196,596		
Surplus/ (deficit)		2,292,434	-502,243	-611,327	-126,531

STATEMENT OF FINANCIAL POSITION		2009/10	2010/11	2011/12	2012/13
Equity	Accumulated funds bf	6,457,326	8,749,760	8,247,517	7,636,190
	Profit / Loss for year	2,292,434	-502,243	-611,327	-126,531
	Accumulated funds cf	8,749,760	8,247,517	7,636,190	7,509,659
Current Assets	Bank Account	313,114	244,055	178,492	184,846
	Accounts receivable	36,474	40,058	39,237	42,228
	Stock on hand	71,179	90,325	89,294	101,907
Total Current Assets		420,767	374,438	307,023	328,981
Non Current Assets	Existing Assets	3,304,444	3,304,330	3,313,781	3,323,233
	Visitor centre - buildings	13,040,261	12,778,145	12,516,029	12,253,914
	Visitor centre - fit out	341,250	306,250	271,250	236,250
	Exhibitions	3,656,701	3,281,653	2,906,609	2,531,561
Total Non-Current Assets		20,342,656	19,670,378	19,007,669	18,344,958
Total Assets		20,763,423	20,044,816	19,314,692	18,673,939
Current Liabilities	Unearned income	138,296	179,084	194,386	194,386
	Holiday pay	119,062	154,618	158,527	161,806
	Creditors	366,227	153,519	135,511	133,210
	GST to pay	1,745	1,745	1,745	1,745
	WCC repayments	0	0	415,200	415,200
	Grants received in advance	0	0	0	0
	Community Trust Loan (Current)	108,333	108,333	108,333	108,333
Total Current Liabilities		733,663	597,299	1,013,702	1,014,680
Term Liabilities	Non-recourse WCC funds	10,380,000	10,380,000	9,964,800	9,549,600
	Community Trust Loan	900,000	800,000	700,000	600,000
Total Term Liabilities		11,280,000	11,180,000	10,664,800	10,149,600
Total Liabilities		12,013,663	11,777,299	11,678,502	11,164,280
Net Assets		8,749,760	8,267,517	7,636,190	7,509,659

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STATEMENT OF CASH FLOWS	2009/10	2010/11	2011/12	2012/13
Surplus/(Deficit) from operations	-1,176,728	-698,839	611,327	126,531
Add non cash items				
Depreciation	389,393	922,276	942,710	942,710
Add(deduct) movements in working capital				
Dec(Inc) in GST Receivable	-75,844	0	0	0
Dec/(Inc) in Stock	-47,307	-19,146	1,031	-12,613
Dec/(Inc) in Accounts Receivable	2,582	-3,584	821	-2,991
(Dec)/Inc in Income in Advance Operations	7,833	40,788	15,302	0
(Dec)/Inc in Accounts payable Operations	35,299	19,444	-14,099	978
Net cash flows from operating activities	-864,772	260,939	334,438	801,553
Cash flows from investing activities				
Cash was applied to:				
Fixed Asset additions	-575,000	-250,000	280,000	280,000
Visitor& Education Centre	-9,670,452	-196,596		
Net cash flows from investing activities	10,245,452	-446,596	280,000	280,000
Cash flows from financing activities				
Cash was provided from:				
WCC non-recourse funding	3,313,177			
Crown Funding - V & E Centre	3,369,162	196,596		
Other - V & E Centre				
Cash was applied to:				
Repayments to WCC	0	0	0	415,200
Community Trust Loan Repayment	-100,000	-100,000	100,000	100,000
Net cash flows from financing activities	6,582,339	96,596	100,000	515,200
Net increase / (decrease) in cash	-4,527,885	-89,061	-45,562	6,353
Opening cash	4,840,999	313,114	224,053	178,491
Closing cash	313,114	224,053	178,491	184,844