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KARORI SANCTUARY TRUST

REVIEW OF 2009/10 ANNUAL REPORT

The Karori Sanctuary Trust (the Trust) presents its Annual Report for 2009/10, including audited financial statements.

Highlights for the year

- In March, the ZEALANDIA Visitor Centre was completed on time and within budget: a world class, all-weather, state-of-the-art visitor and education facility. The complex was officially opened on 31 March by Prime Minister John Key.
- Successful breeding programmes established. For the second year running, juvenile tuatara were found, suggesting a healthy breeding population has been established just four years after the first release. The successful breeding of giant weta was confirmed for the first time since release. Pied shags were added to the list of breeding species with the discovery of the first nest in May.
- The kiwi population grew at an estimated 9.5% annual growth rate, much faster than the national average of 6%.
- Awarded another three-year Learning Outside of the Classroom contract by the Ministry of Education. As one of only 21 social sciences providers nationally, this is a strong endorsement on the quality of ZEALANDIA's programme.
- Making the inaugural Green Travel List, produced by UK broadsheet The Guardian, as one of the world's top 75 eco-tourism operators.
- Teacher evaluation of the education programme continues to be extremely positive, with 96% of teachers rating the quality of the programme as excellent or very good.
- ZEALANDIA enjoyed a number of major media hits including a segment on TVNZ's Close Up and had a high level of international media profile this year, including features in The Guardian (UK), The Independent (UK) and leading science magazine Nature.

Performance

1. Financial

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

- Allowing for depreciation, the Trust recorded an operating deficit (excluding Visitor Centre grants) of \$288k compared to last year's surplus of \$10k and against a budgeted deficit of \$1.2m.
- Operating revenue was higher than budget by \$486k mainly due to higher grants, admissions and donations (\$505k favourable). Operating expenses were also lower than budget by \$402k due to the deferral of the local marketing campaign (to October before the summer season) and the timing of some conservation programmes (such as kakariki transfers).
- Visitor Centre grants for the year were \$3.6m for the ZEALANDIA Visitor Centre compared to \$1.7m in the previous year.

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- Operating revenue (excluding Visitor Centre grants and Council funding) was \$1.9m for the year, the same as in the previous year. Admissions and food and beverage sales were up on last year by \$186k and donations were up by \$93k (42%); however, this was offset by grants which were down by \$223k (54%) and interest and other income down by \$52k.
- Total expenditure was \$3.3m against the prior year of \$2.2m, an increase of 51%. The increase on last year is mainly driven by development costs for infrastructure in preparation for the opening of the Visitor Centre and the additional costs of the new operations for its first three months. Total expenditure was \$402k lower than budget as discussed above.
- Fixed assets increased significantly from last year as the Visitor Centre was completed (2010: \$19.5m; 2009: \$10.9m).

Statement of Financial Performance

\$ '000	FY Actual	FY Budget	2008/09 Actual
Income	6,681	5,998	3,884
Income (excluding govt grants)	3,015	2,529	2,203
Expenditure	3,303	3,705	2,193
Net Surplus (including govt grants)	3,378	2,292	1,691
Operating Surplus/(Deficit) (excluding govt grants)	(288)	(1,177)	10

Statement of Financial Position

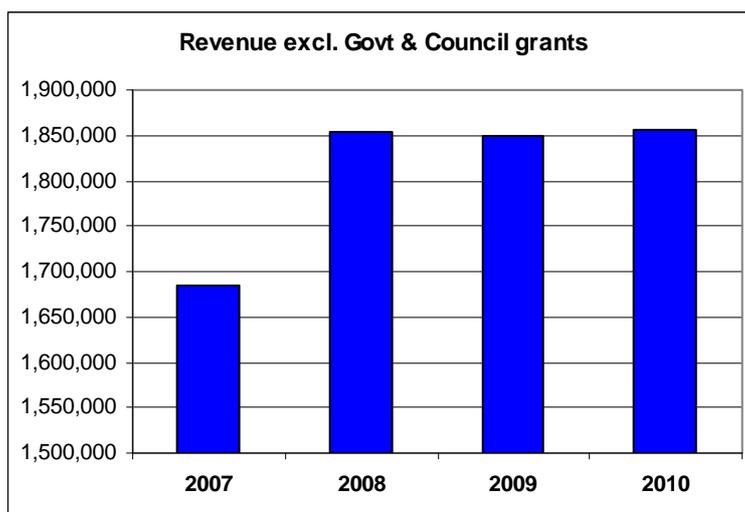
\$ '000	FY Actual	FY Budget	2008/09 Actual
Current assets	2,316	421	4,826
Non current assets	19,540	20,343	10,942
Current liabilities	775	734	1,244
Non current liabilities	11,247	11,280	8,067
Equity	9,835	8,750	6,457
Current ratio	3.0 : 1	0.6 : 1	3.9 : 1
Equity ratio	45%	42%	41%

Statement of Cash Flows

\$ '000	FY Actual	FY Budget	2008/09 Actual
Operating	(153)	(845)	156
Investing	(9,395)	(10,245)	(5,939)
Financing	6,746	6,852	7,057
Net	(2,803)	(4,509)	1,274
Closing balance	2,038	332	4,841

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

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2. KPIs

The Trust has reported two performance measures against annual targets – number of visitors and members. While the number of visitors declined by 3% on last year and was 4% below target, this was impacted by the disruption of the Visitor Centre construction and having minimal car parking space.

	Actual	Target	2008/09
Visitor numbers	62,054	64,336	64,097
Membership numbers	5,314	5,400	5,300

	Actual	Target
No of school student including Outreach	5,859	5,500
Total native plant species in the sanctuary	177	171
Total number of species to be planted	49	30
Total adventives plant species in the sanctuary	212	212
Number of exotic plant species targeted for control/monitoring	43	44
Total native fauna species in the sanctuary	41	43
Number of native fauna species released	3	4
New capex - new visitor centre	Complete	Complete

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

Governance

The Trustees during the year were:

Peter Allport (retired 30 June 2010)
 Prof. Paul Callaghan (appointed 1 June 2009)
 Dr. Russell Ballard (appointed 1 June 2009)

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Graeme Mitchell (appointed 1 July 2009)
Don Huse (appointed 29 June 2009)
Prof. Charles Daugherty (reappointed 29 June 2009)

Catherine Isaac replaces Peter Allport as Chair on 1 July 2010.

Key issues going forward

1. ZEALANDIA Visitor Centre

With the opening of ZEALANDIA Visitor Centre in April 2010, 2010/11 will be its first full year of operation. The Trust's focus is to build up its visitor numbers to a level which will enable the Trust to be financially sustainable. Key strategies will include working closely with Positively Wellington Tourism to leverage off the new hop-on hop-off bus and to maximise opportunities arising from other events such as the Rugby World Cup 2011.

2. Financial sustainability

The Council has provided ongoing grants to the Trust since 2002/3; however, 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.

Note that cash flow forecasts include the repayment of the Council loan from 2012/13 and the Council grant decreases from \$700k in 2010/11 to \$40k in 2011/12.

The Trust's forecast financial performance and ability to generate surpluses is heavily reliant on the forecast figures for visitor numbers and associated revenue. The 2010/11 Statement of Intent shows an increase in visitor numbers from approximately 64,000 in 2009/10 (actual 62,000) to approximately 196,000 in 2012/13, an increase of over 200% in total.

The Trust will need to be diligent in monitoring their visitor numbers and revenues and address any risk should visitor numbers vary too far from forecast, with actions such as fundraising, more aggressive marketing and driving more income out of ancillary operations (e.g. functions).

Conclusion

The Trust has performed well this year with the completion of the ZEALANDIA Visitor Centre and continued success in its conservation, research and education programmes. The challenge ahead is to strive for financial sustainability by marketing and positioning ZEALANDIA to ensure its targets are met in terms of visitor numbers and revenues.