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WELLINGTON ZOO TRUST

REVIEW OF 2009/10 ANNUAL REPORT

The Wellington Zoo Trust (the Zoo or the Trust) presents its Annual Report including audited financial statements and performance measures. The fully compiled Annual Report will be available online on 30 September 2010.

Highlights for the year

- The Trust recorded an operating surplus of \$18k and increased visitors by 3% over last year to 183,286. This represents a record level of visitors for the Zoo and was 99.54% of its visitor number target.
- The \$6m The Nest - Te Kōhanga exhibit opened in December 2009 to excellent feedback and media coverage. It won the Best New Large Exhibit Award at the Zoo and Aquarium Association regional conference, a first for a New Zealand zoo.
- Children's Day was very successful, attracting 3,227 visitors compared to 1,887 last year.
- The September/October school holiday programme was completely booked out, highlighted in a Dominion Post advertorial feature.
- The Zoo won a number of awards, including the People's Choice Award at the NZI Sustainability Business Network awards. This followed the Zoo winning the Supreme Sustainable Business of the Year Award in the not-for-profit category at the Central and Southern New Zealand regional level. In addition, the Zoo's CEO, Karen Fifield, won the regional HER Businesswoman of the Year Award for Sustainability and the regional and national award for Outstanding Corporate Leadership.

Performance

1. Financial

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

- The normalised operating surplus for 2009/10 was \$18k, compared to a breakeven budget and a surplus of \$166k for the previous year.
- The headline surplus was \$99k, compared to a budgeted deficit of \$1.1m. However, these figures are impacted by the timing of capital projects and sponsorship funding and do not represent the underlying operating position of the Zoo.
- Trading income (including retail sales and commercial product sales) was \$2.13m, an increase of \$55k or 3% over last year and \$72k or 3.5% over the budget of \$2.06m. Slightly lower retail sales were more than offset by higher admissions income (which increased by 4.5% to

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\$1.48m), providing comfort that the visitor numbers achieved were not generated by excessive discounting activity.

- Operational sponsorships & grants were \$172k, well ahead of the \$100k budget, although some funding also resulted in operating costs.
- Capital project sponsorships and grants of \$330k are included in the total revenue figure. This figure is well under the original budget of \$919k. However, with a revised capital plan for the year, the revised fundraising target became \$659k for 2009/10. Per the KPIs section, the Zoo raised \$720k in capital fundraising for 2009/10. The difference between the \$330k recorded in the income statement and the \$720k reported against the target reflects payment timing differences (i.e. receipt of cash versus awarding of funds).
- Operating expenditure was \$5.1m, an increase of \$219k or 4.5% over last year and slightly above the budget of \$5.0m. The increase in operating expenditure was largely driven by the 6.9% increase in personnel costs.
- At year end, the Trust's cash balance was \$1.2m, with \$290k in restricted funds.
- From a Council perspective, the Trust overspent against its capex budget in 2009/10 by \$115k, or 4% on the budget of \$2.79m.
- As at 30 June 2010, \$10.73m has been spent on the Zoo Capital Plan, of which the Zoo has vested 22% or \$2.34m.

Statement of Financial Performance

\$ '000	FY Actual	FY Budget	2008/09 Actual
Income	5,555	5,972	5,981
Expenditure	5,456	7,057	6,488
Surplus / (Deficit)	99	(1,085)	(507)
Normalised operating surplus	18	0	166

**The normalised operating surplus/(deficit) removes the impact of timing differences between the receipt of capital grants and the vesting of the resultant assets in council.*

Statement of Financial Position

\$ '000	FY Actual	FY Budget	2008/09 Actual
Current assets	1,998	868	2,397
Non current assets	118	79	151
Current liabilities	1,528	522	2,060
Non current liabilities	46	39	45
Equity	542	386	443
Current ratio	1.3 : 1	1.7 : 1	1.2 : 1
Equity ratio**	26%	41%	17%

***The equity ratio is significantly affected by the levels of unvested sponsorship funding held by the Trust*

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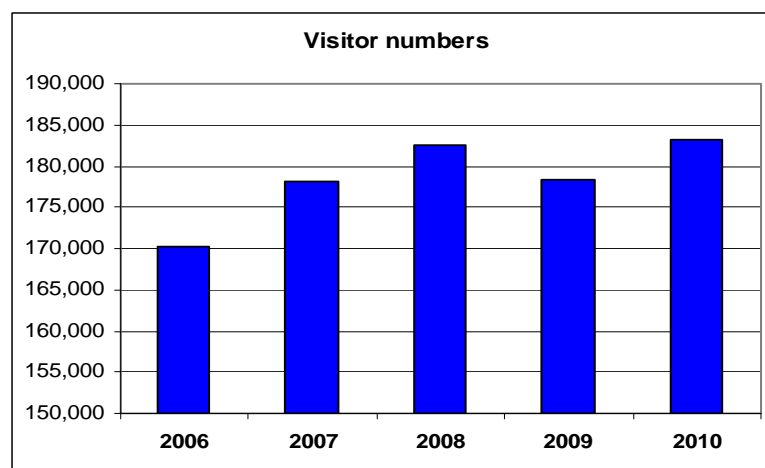
Statement of Cash Flows

\$ '000	FY Actual	FY Budget	2008/09 Actual
Operating	(448)	(1,053)	263
Investing	23	-	(31)
Financing	-	-	-
Net	(425)	(1,053)	232
Closing balance	1,228	703	1,651

Note: the Trust's financial statements have been prepared using NZ IFRS.

2. KPIs

A full report of the 2009/10 KPIs for the year is given below, showing that the Trust met or exceeded 15 of its 20 targets set against its six strategic elements of visitor experience, industry leadership, financial sustainability, staff development, conservation, and community support.



Some of the key results include:

- The Zoo was extremely close to its target of increasing visitor admissions by 2% each year on the 2006 base year, achieving 99.54% of this target with 183,286 visitors. This is a record level of visitors for the Zoo.
- Average income per visitor (excluding WCC grants) was \$13.29, against a target of \$12.73.
- As a result, the Trust was very close to its targeted \$14.71 average WCC subsidy per visitor (at \$14.78).
- The number of Wellingtonians visiting the Zoo was 44%, against a target of 49%.
- The average retail spend per visitor was \$1.27 versus a target of \$1.36.

These results were due in part to the global recession and also to four very rainy months (97 bad weather days) during the year.

The latest Council's Resident Satisfaction Survey indicated that of visitors to the Zoo, 93% rated their experience as good or very good, a 6% improvement on the previous year.

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Measure	Target 2009/10	Actual 2009/10	Narrative
<i>Outstanding, intimate & unique visitor experiences</i>			
Projects to assess visitor learning	≥ 1	2 Achieved	Ben Parsons & Assoc conducted a thorough visitor experience research project, highlighting the best possible Zoo experience for our visitors. Edy Mac Donald, Mgr Conservation & Sustainability, is conducting research into behaviour changes as a direct result of a visit to Wgtn Zoo.
Teachers rate learning programs as meeting objectives	> 97%	97% Achieved	97% of teachers who brought students to a formal LEOTC session agreed that their learning objectives were met or exceeded.
Number of students participating in an LEOTC session (new measure) 2007/08: 10,500	> 9,000	10,358 Achieved	Over 10,000 students had formal learning sessions at the Zoo, either day programmes or sleepovers.
Contact animal hours out in the Zoo (new measure)	> 200	661.5 Achieved	Target was tripled with increased emphasis on the contact animal programme and more opportunities for guides to get out in the Zoo.
<i>Industry Leadership</i>			
Staff position holders on industry committees	> 5	7 Achieved	7 Committees / positions achieved.
<i>Financial sustainability</i>			
Fundraising targets for ZCP met	≥ \$919,200	\$720,499 Achieved	Due to change in ZCP spend in 2009/10, WZT was only required to raise \$658,675 this year.
Average Zoo shop retail spend per Zoo visitor (new measure)	≥ \$1.36	\$1.27 Not achieved	The Trust considers this reflects the general difficult retail environment.
Increase total admissions by 2% each year on base year 2005/06 (170,116 visitors)	≥ 184,130	183,286 Not achieved	Very close to target (99.5%) despite rainy months in Oct, Jan, May and Jun. 2008/09: 178,386
Average income per visitor (excluding WCC grant)	\$12.73	\$13.29 Achieved	
Ratio of Trust generated income as % of WCC grant	87%	90% Achieved	
Average WCC subsidy per visitor	\$14.71	\$14.78 Not achieved	
<i>Valued and motivated staff</i>			
All staff have a personal development plan (new measure)	100%	85% Not achieved	
Staff Survey conducted	October 2009	August 2009 Achieved	Placed in top 25% of all NZ organisations that entered the JRA Best Workplaces survey.
Staff turnover (permanent staff)	< 15%	11.94%	

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Measure	Target 2009/10	Actual 2009/10	Narrative
		Achieved	
<i>Lead or participate in conservation and research programmes</i>			
Collection in managed programmes (% of total Collection)	> 38%	39.09% Achieved	
Conservation partners with formal agreements (new measure)	≥ 4	8 Achieved	
<i>Lasting Community support and participation</i>			
Partnerships formed with written agreements	≥ 6	13 Achieved	
Volunteer hours (FTE)	≥ 5 FTE	5.54 FTE Achieved	Increase in level of corporate volunteer groups.
Wellingtonians visiting the zoo	> 49%	44% Not achieved	2008/09: 44%
Retain Zoo Crew memberships from 2009/09	≥ 3,000	3,375 Achieved	

3. Operations

The new catering contract with Mojo Coffee Cartel was implemented on 1 March 2010. Work has begun on planning a redeveloped catering hub in the centre of the Zoo close to the Wild Theatre, to which Mojo will contribute capital funding. Mojo also plans to redesign and refit the existing café.

Since December, The Nest - Te Kōhanga has treated over 90 native animal cases brought from the community and other groups, including the Department of Conservation. In fact, the Zoo has now signed MoUs with both ZEALANDIA and the SPCA in regard to The Nest. In addition, the operation on Cara the chimpanzee's ear represented a world first primate surgery, even making news in *The New York Times*.

Project progress included the finalisation of the designs and budgets for The Hub and The Roost (the Bird Breeding and Care facility now has resource consent), construction of the porcupine/meerkat exhibit is complete, and the construction contract for the reconfigured Lions Den has been awarded. As well as The Nest, the African Village opened in November 2009, marking the completion of the African Unity project.

On the conservation front, the Zoo discovered fertile tuatara eggs, believed to be its first in over 20 years. Similarly, the birth of an Otago skink is important to this conservation project and illustrates that the Zoo can hold and breed native reptiles on-site.

Animal changes during 2009/10 included the introduction of three nyala antelope from South Africa (a first for New Zealand), a new emperor tamarin, and a new cotton top tamarin. There was a red panda cub born in December and two baboon babies born. Two chimpanzees moved to South Australia.

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Governance

The Trustees during the year were:

Denise Church (Chair, retired 31 December 2009)
Ross Martin (Chair, appointed 1 January 2010)
Philip Meyer (retired 31 December 2009)
Francie Russell
Celia Wade-Brown (WCC)
Linda Meade
Alan Dixson (appointed 1 January 2010)
Shaan Stevens (appointed 1 January 2010)

Celia Wade-Brown's term expires at the end of the current triennium and Francie Russell's term expires on 31 December 2010.

Key issues going forward

1. Continued visitor number growth

For 2010/11 the visitor target is 187,810, which represents an increase of 2.5% on the 2009/10 figure. Given nearly half of Wellingtonians already visit the Zoo, continually increasing visitor number targets over the next five years will represent an ongoing challenge for the Trust.

It will continue to be important to monitor the relationship between visitor numbers and admission revenue, particularly given the Zoo has recently reviewed its pricing structure, utilising external customer research as part of the process. There has been a small increase in the pricing of some products as a result, from a \$2 increase for general adult admission to a \$10 increase for some Encounters programmes. The new prices are effective from 1 July 2010.

2. Ability to generate operating revenue

The Trust is committed to increasing the operational revenue required for the Zoo and reducing its dependence on Council. The Trust actively seeks sources of funding external to Council through visitors, donors and other supporters. Council support over the next three years gives the Trust the ability to operate at the same level, but not to fulfil salary improvements or to increase investment in marketing to grow visitor numbers.

The Trust's fundraising strategy outlines the focus for Zoo fundraising for the next three years, with particular attention on capital fundraising and community support. The Trust is looking to drive membership support through Zoo Crew and Adoptions in a Box programmes.

There is a risk that the current economic climate will impact the Trust's ability to generate sufficient operating revenue as well as donations and sponsorship. Forecast operating results are somewhat dependent on achieving visitor number

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targets, although approximately 50% of the Trust's revenue is from Council grants.

3. Ability to raise capital donations

If the Trust is unable to source sufficient capital donations or sponsorship agreements, this will have an impact on the Zoo Capital Plan (ZCP), a 10 year capital programme totalling \$20.8m which commenced in 2006/07. The maximum \$15.6m that will be funded by the Council for ZCP is contingent on \$5.2m being funded by the Zoo.

As at 30 June 2010, the Trust has vested \$2.34m to the Council and has committed to fund an additional \$2.88m over the period from 1 July 2010 to 30 June 2016. If external targets are not met then it is at the Council's discretion to amend the Plan accordingly. There is a risk that if capital funding can not be sourced externally, the Trust may approach the Council for additional funding in order to complete the upgrade programme.

4. Zoo Capital Plan projects

As part of the ZCP, there are two major developments planned for completion this year. The Roost will be an on-display bird breeding and care facility. It is part of the Meet the Locals project and is scheduled for completion in late 2010. The Hub will be a new function and catering space, replacing the old elephant enclosure. It is scheduled for completion in early 2011. The Zoo also expects to complete work on the lions' den before the end of the year and to commence work on the Asia precinct in mid 2011, which will include a new sun bears enclosure and improved visitor viewing at the tiger enclosure.

There is a risk that this work programme exceeds the Council's CX340 capital budget for 2010/11 which is set at \$1.96m. Should this be the case, the planned work programme will become reliant on the Trust raising capital donations at a level higher than that discussed above. Alternatively, the Trust and Council officers may need to discuss the timing of any necessary 'catch-up' fundraising targets.

Conclusion

Wellington Zoo Trust performed very well in 2009/10, recording a small operating surplus, achieving the majority of its performance measures, winning a number of awards, and experiencing strong visitation numbers. The challenge for the Trust in the future will continue to be generating non Council revenue and attracting capital donations, particularly given the difficult economic environment.