

WELLINGTON ZOO TRUST

REVIEW OF 2010/11 ANNUAL REPORT

The Wellington Zoo Trust (the Zoo or the Trust) presents its Annual Report including audited financial statements and performance measures.

Highlights for the year

- The Zoo increased visitors by 7% over last year to 196,267. This represents the highest level of visitors recorded for the Zoo for at least the last 45 years and was well ahead of its visitor target of 187,810.
- The Trust recorded an operating surplus of \$30k.
- The Zoo had its accreditation review from the NZ Zoo and Aquarium Association, which went very well with many positive comments. The Zoo received its five-year accreditation following a full industry peer review during a three-day site visit.
- The Zoo won a number of awards during 2010/11. The CEO, Karen Fifield, won Wellingtonian of the Year – Environment and the Zoo won the inaugural Encore Award for Business Environmental Leadership. The Nest Te Kohanga won the Wellington area NZ Institute of Architects Award, the Registered Master Builders Gold Reserve Award and the NZ Zoo and Aquarium Association Conservation Award.
- The Roost Te Pae Manu exhibit opened in February 2011, with other openings including the Mini Monkeys, Porcupines and Meerkats, the lions den refurbishment and stage one of The Hub. The additional Mojo café (the Tuck Shop) at the Hub opened in February 2011 to good initial feedback.
- The Nest Te Kohanga treated 182 native wildlife patients during the year, as well as caring for the Zoo's collection of over 500 animals. Significant patients included Happy Feet, the emperor penguin and birds of two critically endangered species, Solstice One (the kakapo chick now named Stella) and the Chatham Islands taiko.

Performance

1. Financial

Statement of Comprehensive Income

| \$ '000 | 2010/11 FY Actual | 2010/11 FY Budget | 2009/10 Actual |
|---|----------------------|----------------------|-------------------|
| Operating Income | 5,438 | 5,293 | 5,144 |
| Operating Expenditure | 5,408 | 5,293 | 5,126 |
| Operating Surplus / (Deficit) | 30 | 0 | 18 |
| Headline Net Surplus / (Deficit) (incl. Capital) | (120) | 0 | 99 |

**The 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 | 2010/11 FY Actual | 2010/11 FY Budget | 2009/10 Actual |
|-------------------------|----------------------|----------------------|-------------------|
| Current assets | 1,686 | 969 | 1,998 |
| Non current assets | 102 | 74 | 118 |
| Current liabilities | 1,318 | 555 | 1,528 |
| Non current liabilities | 48 | 45 | 46 |
| Equity | 422 | 443 | 542 |
| Current ratio | 1.3 : 1 | 1.7 : 1 | 1.3 : 1 |
| Equity ratio* | 24% | 42% | 26% |

* The equity ratio can be significantly affected by the levels of unvested sponsorship funding held

Statement of Cash Flows

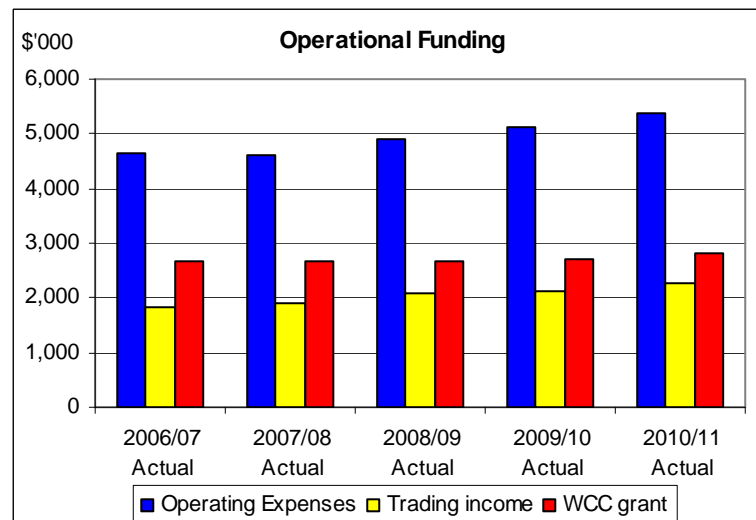
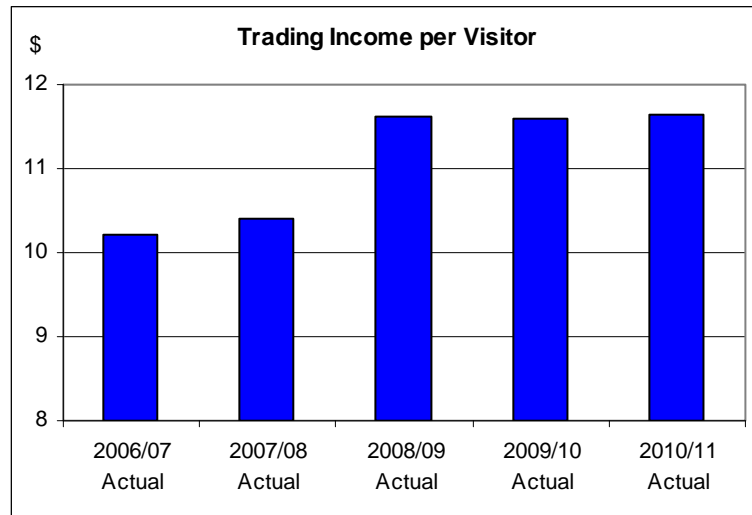
| \$ '000 | 2010/11 FY Actual | 2010/11 FY Budget | 2009/10 Actual |
|-----------------|----------------------|----------------------|-------------------|
| Operating | 131 | (56) | (448) |
| Investing | - | - | 23 |
| Financing | - | - | - |
| Net | 131 | (56) | (425) |
| Closing balance | 1,357 | 897 | 1,226 |

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

- The normalised operating surplus for 2010/11 was \$30k, compared to a breakeven budget and a surplus of \$18k for the previous year.
- The headline deficit was (\$120k), compared to a breakeven budget and a surplus of \$99k for the previous year. 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 \$2.29m, an increase of \$159k or 7% over last year and \$55k or 2% over the budget of \$2.23m. The increase was largely driven by higher admissions income and retail sales as a result of the higher visitor numbers.
- Operational sponsorships & grants were \$209k, ahead of the \$177k budget.
- Operating expenditure was \$5.4m, an increase of \$282k or 5% over last year and slightly above the budget of \$5.3m. The increase in operating expenditure was largely driven by the \$88k increase in direct costs and the \$145k increase in personnel costs (including the additional \$90k post the revised WCC grant for this purpose finalised subsequent to the SOI).
- The current ratio of 1.3x was lower than forecast (1.7x), but in line with last year. The net cash flow for the year was \$187k better than forecast, largely due to timing differences. At year end, the Trust's cash balance was \$1.4m, with \$140k in restricted funds.
- Capital project sponsorships and grants of \$943k were received, ahead of the budgeted figure of \$659k. Per the KPIs section, the Zoo raised \$580k in capital fundraising for 2010/11. The difference between these figures reflects payment timing differences (i.e. awarding of grants versus receipt of cash).
- From a Council perspective, the Trust overspent against its CX340 capital upgrade budget in 2010/11 by \$672k, or 34% on the budget of \$1.977m. This was largely offset by capital income vested to Council being \$603k

higher than budget (\$1.093m compared to budget of \$0.490m). This resulted in a net overspend of \$69k.

- As at 30 June 2011, \$13.38m has been spent on the Zoo Capital Plan (ZCP), of which the Zoo has vested 25.6% or \$3.43m. To date, this is slightly ahead of the Zoo's agreed fundraising contribution of 25% of the total ZCP spend. This compares to \$10.73m spent as of 30 June 2010, of which the Zoo had vested 22% or \$2.34m.



Trading income per visitor for the year was \$11.65, relatively consistent with last year's result of \$11.60. While there were price increases in some ticket categories, this was offset by some mix changes in the types of visitors.

Operating expenses have increased an average of 3.8% per annum over the past five years and trading income has increased an average of 5.9% per annum over this period.

2. KPIs

A full report of the 2010/11 KPIs for the year is given below, showing that the Trust met or exceeded 16 of its 20 targets set against its six strategic elements of unique and innovative visitor experiences, industry leadership, financial

sustainability, motivated and valued staff, integrated conservation and sustainability, and community support and participation.

Some of the key results include:

- The Zoo increased visitors by 7% over last year to 196,267. This represents the highest level of visitors recorded for the Zoo for at least the last 45 years and was well ahead of its visitor target. This is likely to reflect favourable word of mouth, press around new exhibits and the Zoo experience, and press around The Nest patients such as Happy Feet.
- This visitor result was achieved despite having the wettest year in the last seven years (118 wet days), compared to 97 bad weather days last year.
- Across the Zoo, there were over 1,300 hours of animal contact time. Animals that visitors can get close to include the dingo pup and his dog companion, goats, hedgehogs and a wide range of reptiles.
- Average income per visitor (excluding WCC grants) was \$13.44, against a target of \$13.76, reflecting a change in visitor mix.
- The average WCC subsidy per visitor was \$14.26, compared to a target of \$14.42. This reflects the combination of the higher than budgeted WCC grant (the additional \$90k post Statement of Intent) and higher than target visitor numbers.
- The response rate in the JRA Best Workplaces survey increased from 75% to 90% and the Zoo was ranked 12 out of 112 small-medium organisations.

| Performance targets for Wellington Zoo Trust from 2010/11 Statement of Intent | | | |
|--|--------------------|---------------------|--|
| KEY PERFORMANCE INDICATOR | TARGET | ACTUAL | RESULT |
| Fundraising targets for ZCP reached or exceeded | \$658,894 | \$579,921 | Depends on annual capex spend. For the five years of the ZCP the Trust is at \$3.45m fundraising actual vs target of \$3.33m |
| Increase total admissions by 2% each year on base year 2005/06 (170,116 visitors) as per business plan | 187,810 | 196,267 | Record attendance for at least the last 45 years |
| Average income per visitor (excluding WCC grant) | \$13.76 | \$13.44 | |
| Ratio of Trust generated income as a % WCC grant | 90% | 94% | |
| Average WCC subsidy per visitor | \$14.42 | \$14.26 | |
| Staff survey conducted | Oct 2010 | Completed Aug 2010 | |
| Staff turnover (not including casual and fixed term roles) | <15% | 22.3% | Very few due to financial reasons for life sciences team |
| Collection in managed programmes (% of total collection) | 41% | 38.1% | Variation due to regional zoo industry recommendations |
| Volunteer hours (FTE) | >5 FTE (9,600 hrs) | 5.1 FTE (9,729 hrs) | |
| Wellingtonians visiting the Zoo | 50% | 40% | Taken from residents satisfaction survey; compares to 44% in 2009/10. |

3. Council Strategies

Wellington Zoo Trust contributed to a number of Council strategies during 2010/11, with the primary ones being:

Social and Recreation – the Zoo contributes to the social fabric of Wellington in a number of ways. It provides an interactive and educational family-friendly visitor attraction and hosts many community events, such as Neighbours Night and Children’s Day. It undertakes many educational programmes, particularly for children, including Bush Builders and school holiday programmes. It also offers support to community environmental groups and projects, such as Places for Penguins, and provides an active outlet for community and corporate volunteering.

Environment – in addition to promoting its three key conservation messages to help protect the environment, the Zoo provided veterinary care to many native animals during the year. It also made significant progress in reducing its resource use and was recognised for its leadership in this area, including the Zoo’s CEO winning Wellingtonian of the Year – Environment, and the Zoo winning the inaugural Encore Award for Business Environmental Leadership.

Economic Development – the Zoo continues to play a material role in the city’s economic development in many ways, including as an employer, as a training and educational provider, and as a visitor attraction for over 196k locals and tourists.

4. Operations

During the year, the Zoo:

- Signed its first major corporate sponsorship agreement with ASB Bank.
- Successfully hatched seven tuatara in October, representing a major step towards the goal of having a self-sustaining population of this species.
- Continued to enjoy support from many other sponsors and supporters.
- Achieved record attendance for its Neighbours Night of over 960.
- Had over 10,000 students from 186 schools participate in the Ministry of Education’s LEOTC programme. Over half of all Wellington schools have been to the Zoo in the last year. Teacher satisfaction levels are high; 98% of teachers report that their sessions met or exceeded learning objectives.
- Ran its Bush Builders conservation literacy programme for over 1,000 students.
- Had over 1,140 children attend its school holiday programme.
- Continued its successful Veterinary Wildlife and Zoo Medicine Masterate Programme with Massey University.
- Renewed its primary level accreditation under the ACC’s Workplace Safety Management Practices scheme, which confirmed sound health and safety practices in place and provided an ACC levy discount.
- Ran discount promotions including \$5 Winter Wednesdays in August, GrabOne promotions, and a joint promotion with GO Wellington in May and June.
- The Zoo now has 3,938 Zoo Crew members (compared to 3,343 last year) and growing numbers of fans through Facebook and Twitter.

- In addition to its in-house efforts, the Zoo's conservation work continues in the field with its involvement with Free the Bears Asia and the Forest and Bird Society's Places for Penguins programme on Wellington's south coast. With support from the Holdsworth Charitable Trust, the Wellington Zoo Conservation Fellowships are enabling the Kea Conservation Trust and Victoria University to continue work on particular conservation projects.

The Zoo Capital Plan upgrade work continued during the year:

- The Roost Te Pae Manu exhibit, the first phase of Meet the Locals, opened in February 2011. It currently houses the majority of the Zoo's bird species and is the native bird breeding and care facility. The exhibit is designed to be as sustainable as possible with FSC timber (as in all Zoo projects), recycled concrete, insulated rooms with double glazing and a rainwater collection tank.
- Stage one of The Hub was completed in February 2011, providing an additional Mojo café (the Tuck Shop) and a function/events centre (Kamala's). It re-used many of the old elephant house materials and also added a second rainwater collection tank.
- The Mini Monkey House was designed and built by Zoo staff and opened in May 2011. Costs were minimised by reusing second-hand glass and roofing materials.
- The Porcupine and Meerkat enclosure was completed in July 2010 and was also done internally.
- The lions den was refurbished to improve animal handling safety, and new poles and ropes were installed for the gibbons' enclosure.

In February 2011, the Zoo undertook visitor research (on site and online) to ask about the impact of The Nest Te Kohanga. The findings included: that Zoo visitors overall gave it a high rating in terms of the care it gives animals and how educational, interesting and informative it is; that most people visiting the Zoo visit The Nest; and that most people stay there for at least five minutes (half stay for at least ten minutes), an exceptionally long time for zoo exhibits.

Animal changes during 2010/11 included the introduction of locally bred kunekune pigs, a number of meerkats, a new female emperor tamarin and three pygmy marmosets as well as the return of the male lions from Orana Wildlife Park. Births included a baby pygmy marmoset, a chimpanzee, and two meerkat pups. Sir Ed, the red panda, moved to Bristol Zoo; the peccaries and an otter died during the year.

The Zoo has also been involved in the community in other ways. Karen Fifield, the CEO, was recently elected as the new president of the Australasian Zoo and Aquarium Association and other staff members also occupy leadership roles within industry bodies. The Team Leader Life Science – Programmes was a finalist in the Young Community Leaders Award and the Social Innovation centre at Massey University completed a case study of Wellington Zoo as an example of how to build a community asset.

Governance

The Trustees during the year were:

Ross Martin (Chair)

Francie Russell

Simon Marsh (WCC)

Linda Meade

Alan Dixson

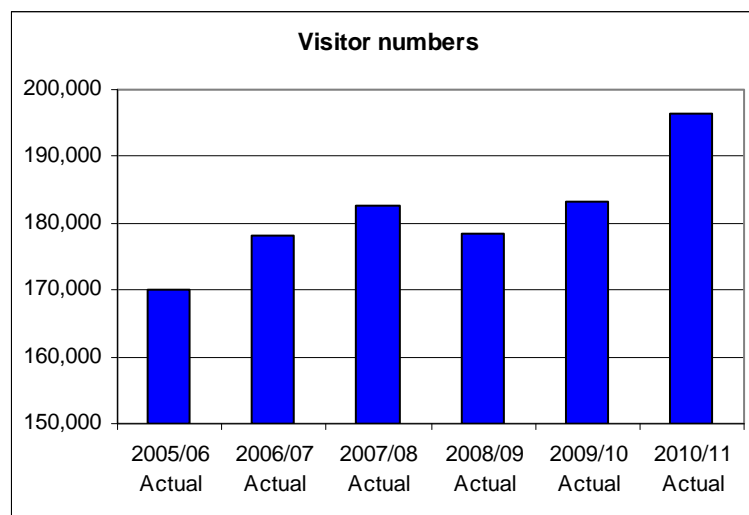
Shaan Stevens (resigned September 2011)

Linda Meade's term expires on 30 June 2012.

Key issues going forward

1. Continued visitor number growth

For 2011/12 the visitor target is 191,982, which represents a decrease of 2.2% on the record 2010/11 figure. Given 40% of Wellingtonians surveyed (and over half of Wellington schools) have visited the Zoo in the past year, combined with structural challenges at the Zoo front entrance area, continuing to increase visitor numbers over the next five years will represent an ongoing challenge for the Trust. As background, the population of Wellington is forecast to grow by 0.9% per annum over the next five years, with the Zoo's core demographic of 0-14 year olds forecast to grow by 0.6% a year.



2. Zoo Capital Plan projects

The capital development planned for 2011/12 is focused on stage two of The Hub, the Asia Precinct and a new serval exhibit.

Stage two of The Hub includes a new children's play area near The Tuckshop and landscaping work around that central part of the Zoo.

The key part of the Asia Precinct project is to build a new Sun Bears enclosure, which will be sponsored by ASB. Improvements to the existing Sun Bear exhibit have always been part of the Zoo redevelopment programme due to maintenance

issues and health and safety concerns. The existing Sun Bears exhibit is old and not designed for this species. Sun Bears are a cornerstone species at Wellington Zoo, as they are the only New Zealand zoo to hold them. The Zoo's conservation partnership with Free the Bears Asia revolves around Sun Bears. They are also visitor favourites and recent developments around this species mean that Wellington Zoo will hold them for the foreseeable future.

Work will also be undertaken to make the old Sun Bears enclosure suitable for another species and to improve the tiger viewing for visitors. Pub Charity will be the naming rights sponsor for the refurbished tiger exhibit within the Asia Precinct project.

3. Ability to raise capital donations

As in the past, the Trust needs to be able to continually source sufficient capital donations or sponsorship agreements in order to progress with the Zoo Capital Plan (ZCP). This is the ten 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 25% or \$5.2m being funded by the Zoo.

As discussed earlier, as at 30 June 2011, the Trust has vested \$3.43m to the Council, or 25.6% of the ZCP spend to date and has committed to vest an additional \$1.8m over the period from 1 July 2011 to 30 June 2016.

For 2011/12, the Trust's fundraising target is \$767k (25% of the estimated spend). The Trust has flagged in the Statement of Intent that it may need some flexibility around the timing of that fundraising contribution as it is in the process of transitioning its fundraising strategy from a project-by-project approach focusing on foundations and trusts to an overall Zoo renewal approach including corporate and individual donors. A feasibility study was undertaken on changing this approach with positive results and the Trust is now starting to implement this change, led by its new Group Manager of Commercial Development.

If external fundraising targets are not met then it is at the Council's discretion to amend the Plan accordingly. Officers note that this risk is significantly mitigated by the fact that, of the total amount still to be vested, the Trust has already been promised \$800k by various organisations.

4. Focus on conservation and sustainability

In addition to promoting its three key conservation messages to visitors, the Zoo continues to promote conservation and sustainability and position itself as a leader of sustainable business practices. It has increased its community conservation work through its Conservation Fellowships and its work with Places for Penguins and Free the Bears Asia. The Zoo's kaka have also been helping GWRC design a kaka-proof possum bait station.

The Trust has also undertaken a substantial review of its resource usage. Its water usage decreased by 36% in 2010/11 to 17.2m litres. The dramatic reduction was primarily due to upgrading the water main and associated valves and increasing the use of recycled water. Waste production decreased by 25% in 2010/11 and only 17% of the Zoo's waste is now sent to landfill. This has been achieved by

waste separation, recycling, composting and reviewing the materials used in animal care, for example switching from meadow hay to lucerne balage and using less straw. Power usage was also decreased by 6% in 2010/11, although weather is the major factor in this usage. As a result of these changes, financial savings gained over the last year through better environmental management total over \$22k.

Conclusion

Wellington Zoo Trust had a very successful year in 2010/11, with a small surplus, record visitor numbers, and a significant contribution to a number of the Council's strategies. While the Trust overspent on its CX340 capital upgrade budget for the year by a net \$69k, it is now tracking above its 25% fundraising contribution for the Zoo Capital Plan spend to date.