

Question and Answer

The last twelve months have continued to see some positive outcomes for Zoos SA and we are pleased to report that we have generated a \$916,576 surplus for the year. Despite a tough budget and challenging revenue targets we have improved our base financial standing. After achieving strong visitor growth during the 2013/14 financial year, 2014/15 saw us consolidate with Monarto Zoo once again achieving its highest ever number of visitors and Adelaide increasing by 2.6% compared to the prior year. This was driven by record membership levels for Zoos SA and high membership and education visitation at both sites. This resulted in a \$223,000 increase in membership income and \$107,000 in education compared to the prior year.

The year also saw the receipt of some one-off items which contributed to the strong result. After ceasing operations at Warrawong Wildlife Sanctuary in 2012/13, during 2014/15 we were able to negotiate with the landowners, Ngarrindjeri Ruwe Contracting, to terminate the lease which was not due to expire till 30 June 2025. This resulted in the reversal of the previously recognised onerous lease. We also received bequest income totalling \$1,531,798. Other significant income streams including catering, events, tours, fundraising and sponsorship consolidated on the prior year's growth. It remains a difficult market for corporate sponsorship and corporate venue hire.

With an improved financial standing we were able to increase capital expenditure during the year, improve cash flow, invest \$500,000 in shares as part of our long-term investment strategy thanks to a bequest we received in late 2013/14 and make a debt repayment of \$1,000,000 from our operating surplus, well ahead of schedule.

The audited extract of the financial statements included in the Zoos SA Annual Report 2014/15 has been signed off by the directors and auditors. We are pleased that a clean audit opinion has been issued for the third year in a row. The Zoos SA Annual Report 2014-15 complete statutory Financial Statement and Audit Opinion is available on our website.

1. How did Zoos SA achieve such a significant profit during 2014/15?

Note 2 of the financial statements provides a detailed breakdown of income and expenditure items. As described above, membership income increased by more than \$200,000 compared to 2013/14 and education by more than \$100,000. The major contributing factors however were one-off items received including a \$1,500,000 bequest and the accounting reversal of the onerous lease expense following the termination of the Warrawong lease. This reversal totaled \$790,000 and whilst it was not a cash benefit, it did remove the long-term liability Zoos SA had to pay for the property's annual lease cost. The statement of financial position shows that this provision no longer exists and further information is provided within question seven of this document.

Expenditure was tightly controlled and came in under budget with opportunities taken to drive efficiencies. To achieve revenue, visitation and membership growth, whilst tightly controlling expenditure, is a clear measure of improved productivity. As a business we are facing cost pressures, particularly with energy and water prices. To overcome this, we continue to explore a number of innovate opportunities to reduce cost and consumption and we expect to realise further reductions in 2015/16.

2. If attendance numbers increased in 2014/15, why did admissions income decrease from the previous financial year?



Attendance numbers increased due to high membership and education visitation at both sites. This is accounted for separately to admissions income and resulted in significant increases for these areas and more than offset the \$8,000 admissions income reduction. Furthermore, the highly popular dinosaur attraction held during the 2013/14 financial year contributed more than \$200,000 in paid admissions and this did not occur during 2014/15 financial year.

3. Why was Sundry Sales/Income in 2014/15 \$654,000 lower than the previous financial year?

Last year included a one-off historical GFT and fuel tax credit refund of \$561,000. The GST and fuel tax credit refund was due to resubmitting prior year Business Activity Statements to correct a historical error.

4. Why was Other Expenses in 2014/15 \$442k higher than the previous financial year?

This was primarily due to the adjustment of asset values following a review during 2014/15 and with a number of assets transferred to the landowner as part of the Warrawong lease negotiation. It also followed from costs incurred in relation to the review of the zoo's key IT system and the recognition of costs relating to contra sponsorship support received during the year, including the implementation of Wi-Fi for visitors at Adelaide Zoo.

5. What was the \$1.5m bequest spent on?

The receipt of the generous bequest improved Zoos SA's financial standing and allowed for major and significant outcomes such as an increase in capital expenditure including the commencement of the exciting Nature's Playground project at Adelaide Zoo. It also supported the negotiation to terminate the long term Warrawong lease liability and to retain control over land owned by Zoos SA adjacent to Monarto Zoo. As outlined in our Master Plan, where it is referred to as Wild Africa, it is envisaged that this land will allow for major future development and income diversification including potential accommodation options which will not only guarantee visitors a unique South Australian experience but underpin Zoos SA's vital conservation work with new revenue streams. Further information is provided within question six of this document.

6. What is the 'Held for Sale Property' as mentioned in the Statement of Financial Position and why is it now \$0?

The held for sale property, as discussed above, represented the freehold land owned by Zoos SA adjacent to Monarto Zoo. There was a commitment in place to sell this land in 2014 and apply the proceeds against the loan with Westpac, however at the time it was agreed to postpone this sale. During 2014/15, following a debt repayment of \$1,000,000 from our operating surplus, Westpac and the State Government agreed to remove the requirement to sell the land therefore, within our accounts, it is no longer necessary to recognise this as 'held for sale'. Further information on this can be found within Note 7 of the financial statements. This has also meant that we no longer recognise \$1.5m as a current liability within 'loans and borrowings' in our statement of financial position.

7. What is the 'Provision for Onerous Lease' as mentioned in the Statement of Financial Position and why is it now \$0?

The onerous lease provision was recognised during the 2012/13 year after Zoos SA ceased operations at Warrawong Wildlife Sanctuary. Zoos SA had a lease for the property at Warrawong

through to 2024/25. As discussed above, following discussions with the owners of the land, both parties agreed to terminate the lease therefore it was no longer necessary to recognise the net present value of future lease payments within our accounts and the outstanding liability was reversed. Further information on this can be found within Note 14 of the financial statements.

8. Why has the 'Receivables and Prepayments' and 'Sundry Creditors' balance in the Statement of Financial Position both decreased by more than \$2m?

This is due to a payment from the Australian Government in relation to the funding of the agreement with China with respect to the Giant Pandas. This payment totaled USD \$3m (AUS \$3.9m) with USD \$2m relating to 2012/13 and 2013/14 and which had been previously recognised within our accounts and was therefore reversed. The full receipt of the USD \$3m and current value of the Australian dollar was also the primary contributor to the increase in grants income and conservation and research projects expenditure within the statement of profit or loss compared to 2013/14.

9. Why has 'Property, Plant and Equipment' in the Statement of Financial Position only increased by \$200,000 if the \$1.5m 'Held for Sale Property' is now included in this?

The main reason for this is the depreciation of the property, plant and equipment items, which have reduced in value by a net \$1.3m. We were able to invest \$1.3m in much needed capital maintenance and upgrades during the year. This compares to \$1,000,000 the prior year (and \$370,000 in 2013/14), however what is clear is that there is no capacity to reduce the investment level as it is still approximately 50% of what we are depreciating and the bulk of this expenditure is on maintenance and compliance issues rather than significant new exhibits or upgrades. Further information on this can be found within Note 8 of the financial statements. We will increase our capital spend during 2015/16 and invest in an exciting new Nature's Playground at Adelaide Zoo.

10. What are the 'Loans and Borrowings' as mentioned in the Statement of Financial Position?

The majority of this is a business loan facility of \$6.5m with Westpac which decreased by \$1m due to the repayment as outlined above. The other major component is a fully drawn advance of \$1.9m with the South Australian Government. Further information on these loans and a detailed breakdown is provided under Note 11 of the financial statements.

11. What is the non-current liability 'Income in Advance' amount of \$500k?

As part of the Westpac negotiations and debt forgiveness in 2011/12, Zoos SA entered into a five- year partnering agreement with Westpac as its principal sponsoring partner. This sponsorship was valued at \$2.5m over five years. One year of this amount (\$500,000) is included as a non-current liability and one year (\$500,000) has been included as a current liability in 'income in advance'.