

ST JAMES THEATRE CHARITABLE TRUST

REVIEW OF 2008/09 ANNUAL REPORT

The St James presents its draft Annual Report for 2008/09, including financial statements and performance measures. At the time of writing, the auditors had not completed the annual audit.

Highlights for the year

- The Terracotta Warriors, chosen as an innovative show that would be educational and easily accessed by the community, high profile and fill the low season after Christmas but coincide with the cruise season, was attended by over nineteen thousand people
- 'Push' starring Sylvie Guillem in partnership with Sadlers Wells, the Sydney Opera House and the Edge ensured that the St James and Wellington remained on the global stage artistically. It succeeded financially and was a great artistic success.
- 'The Petting Zoo' in partnership with Capital E was exciting as it gave the chance for thousands of young children to interact with a show on stage at the St James
- The Jimmy continued to grow in both revenue and occupancy and provided a valuable source of cash flow during the economic downturn.

Performance

1. Financial

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

- The Trust made a deficit of \$655k against a budgeted \$571k deficit. Actual depreciation was almost \$250k less than budget after an update of the fixed asset register. Last year's actuals have also been restated due to a prior-period adjustment relating to depreciation
- The inability of the Trust to fund some or all of its depreciation and hence be able to fund future asset maintenance and renewals costs has previously been brought to the attention of the Subcommittee. During the year the Trust performed a condition assessment of its buildings which will form the basis of an Asset Management Plan
- In January 2009, cash flow pressures forced the Trust to utilise its overdraft facility for two days. Accordingly the Trust sought permission from Council to borrow against its buildings, a requirement of its trust deed. The year-end position shows poor liquidity and the latest forecasts suggest that the Trust will need to borrow against its assets again in January 2010

Statement of Financial Performance

\$ '000	FY Actual	FY Budget	2007/08 Actual
Income	4,075	5,310	4,887
Expenditure	4,730	5,882	5,381
Surplus/(Deficit)	(655)	(572)	(494)

Statement of Financial Position

\$ '000	FY Actual	FY Budget	2007/08 Actual
Current assets	547		910
Non current assets	19,377		19,647
Current liabilities	1,104		1,232
Non current liabilities	644		748
Equity	18,176		18,577
Current ratio	0.5 : 1		0.7 : 1
Equity ratio	91%		90%

Statement of Cash Flows

\$ '000	FY Actual	FY Budget	2007/08 Actual
Operating	(95)		(355)
Investing	(88)		(127)
Financing	(97)		(90)
Net	(280)		(572)
Closing balance	111		391

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

2. KPIs

A full report of the 2008/09 audited KPIs for the year is given below:

Performance measure	Target 2008/09	Actual 2008/09
Number of Performances at St James Theatre	115	175
Number of Performances at Opera House	108	97
Total number of days Utilisation at St James Theatre	162	218
Total number of days Utilisation at Opera House	140	107
Average Utilisation of Seats - %	55%	SJT: 45% OH: 70% Average - 54.5%

Included within the above KPI targets are 87 performances / utilisation days at the St James Theatre in relation to the Terracotta Warriors Exhibition which was held in the upstairs foyer. If this number is taken from the St James Theatre results, then the Theatre hasn't achieved its performance / utilisation targets, the same as the Opera House.

As noted above, the Trust has struggled to attract shows during the global recession however, the average utilisation of 54.5% compared to a target of 55% attests to solid interest at a reduced number of shows.

3. Operations

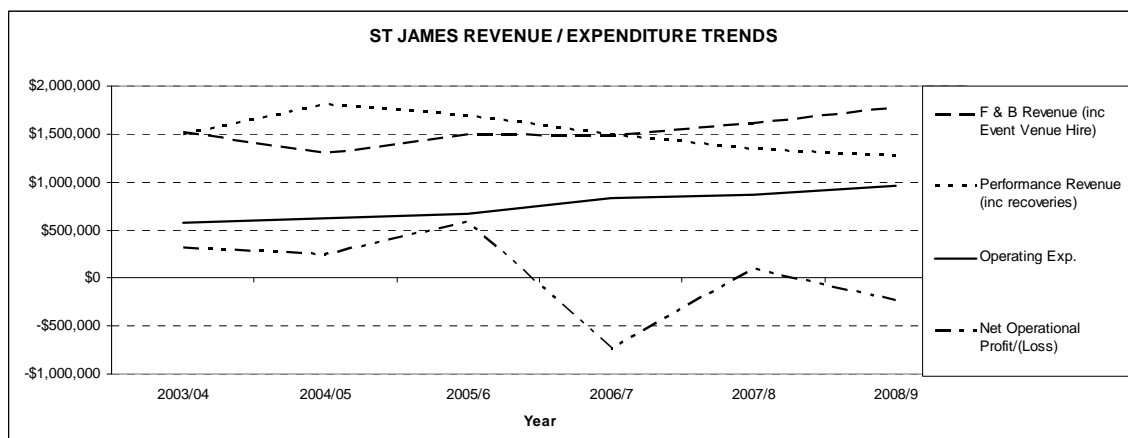
The Trust's food and beverage turnover and profit has continued to grow and deliver vital cash to the rest of the Trust.

During the year the Trust was hired for fewer performances than budgeted, and less than 2007/08, largely because of the reduced appetite of promoters with the global recession and strong Kiwi dollar. Because of the working capital pressures experienced the Trust was unable to take risk in buying many shows. The two shows that the Trust did strategically take risk on (The Terracotta Warriors and Push) however received strong attendances and artistic success.

The financial pressures experienced by the Trust mean that it has stopped filling permanent vacancies and deferred non-critical maintenance so that operating costs have been reduced as far as possible.

The Trust continues to explore ways of improving its revenue streams however any initial capital outlay indicated is well beyond the Trust's current means.

4. Trends



The graph highlights the decline in performance revenue being offset by an increase in food and beverage revenue, and the steady increase in operating expenses contributing to the trend of a decreasing operational position, moving from surplus to deficit.

Governance

The Trustees during the year were:

Chris Parkin (Chair)
Juliet McKee
Roger Miller
Pele Walker
Sam Knowles
Stephanie Cook

Chris Parkin, Juliet McKee and Sam Knowles' terms expire in December 2009 and all are eligible for reappointment.

Stephen Whittington is a Director of the St James Theatre Limited.

Key issues going forward

The Trust's minimal level of cash reserves increases the likelihood that it will need to use its overdraft facility if it does not achieve its budgeted results. While venue hire is preferred over own shows and joint ventures the low cash position will continue to affect its ability to be able to take risks on shows.

The Trust is in the process of developing an Asset Management Plan and has already indicated to CCOPS that it will need significant grants from Council to remedy the current condition of assets. Because the assets are owned by the St James, these grants will be opex to Council, and therefore rates funded.

The Trust applied to the events fund for additional money in the 2009/10 year to use to fund own shows but this fund is only available to fund specific shows rather than as a cash reserve for buying in shows.

Early in the 2009/10 year the Trust took advantage of Council's purchasing power by changing its insurance to Aon, the Council's insurer – this has released significant funding to help the Trust manage its tight cash flow.

At the time of writing, officers are conducting a review of Council venues to assess the effectiveness of the current operating models and to see if any improvements might be made.

Conclusion

The Trust performed well in a year more difficult than anticipated when the budget was set, and while performances were generally well attended the lack of productions made it hard to build the cash reserves. The continued cash flow challenges and weak economy means that the next year at least will continue to provide challenges.