

# **WELLINGTON REGIONAL STADIUM TRUST**

## **REVIEW OF 2008/09 ANNUAL REPORT**

The Stadium presents its Annual Report including unqualified audited financial statements.

### **Highlights for the year**

- The Trust recorded an annual surplus of \$2.48m, the fifth consecutive year of achieving its minimum target of \$2.0m surplus required to meet loan repayments and fund capex requirements.
- There were 54 event days during the year, higher than the forecast 47 event days, but less than the 58 event days recorded in 2007/08 as a result of the challenging economic environment.

### **Performance**

#### **1. Financial**

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

- A reported surplus of \$2.48 million is lower than the record result last year; however, is higher than the budgeted surplus of \$1.6m. The economic environment was challenging with declining rugby attendances and no major artists touring Australia and New Zealand last summer.
- Non-budgeted events in the result included rugby and football semi-finals and finals, and an additional rugby test.
- While event revenue decreased by 3%, sundry income (including carpark and tenancy income) increased by 11% and represented 54% of the operating surplus. This was partially driven by a daily carpark rate increase.
- The Trust has applied recent cash surpluses to reduce its commercial loan, with repayments now \$4m ahead of schedule.
- No surplus funds were available for repayment of the Council loans during the 2009 year.

#### Statement of Financial Performance

| \$ '000           | FY<br>Actual | FY<br>Budget | 2007/08<br>Actual |
|-------------------|--------------|--------------|-------------------|
| Event Revenue     | 7,427        | 5,660        | 7,688             |
| Total Revenue     | 16,589       | 14,780       | 16,553            |
| Expenditure       | 14,114       | 13,190       | 13,569            |
| Operating Surplus | 2,475        | 1,590        | 2,984             |

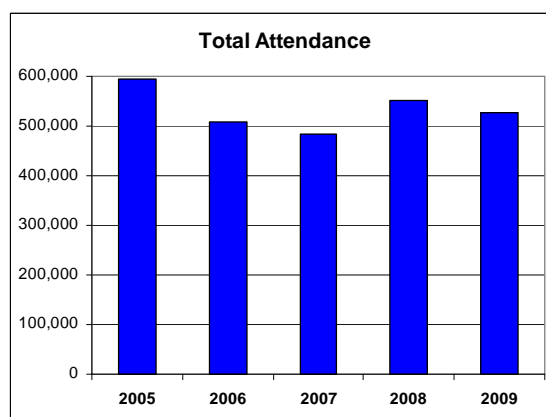
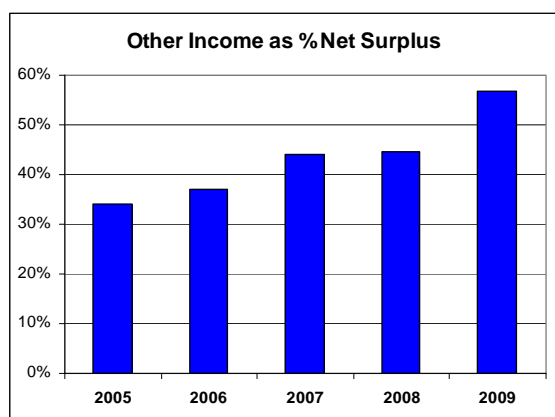
## Statement of Financial Position

| \$ '000                 | FY Actual | FY Budget | 2007/08 Actual |
|-------------------------|-----------|-----------|----------------|
| Current assets          | 4,161     | 1,500     | 1,823          |
| Non current assets      | 99,443    | 101,180   | 102,546        |
| Current liabilities     | 7,740     | 2,640     | 6,638          |
| Non current liabilities | 31,330    | 36,140    | 35,672         |
| Equity                  | 64,534    | 63,900    | 62,059         |
| Current ratio           | 0.5 : 1   | 0.6 : 1   | 0.3 : 1        |
| Equity ratio            | 62%       | 62%       | 59%            |

## Statement of Cash Flows

| \$ '000         | FY Actual | FY Budget | 2007/08 Actual |
|-----------------|-----------|-----------|----------------|
| Operating       | 3,600     |           | 3,865          |
| Investing       | (444)     |           | (1,725)        |
| Financing       | (1,500)   |           | (2,500)        |
| Net             | 1,656     |           | (360)          |
| Closing balance | 2,926     |           | 1,270          |

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



## 2. KPIs

The key non-financial KPI for the year is:

|            | 2009 Actual | 2009 Target | 2008 Actual |
|------------|-------------|-------------|-------------|
| Event days | 54          | 47          | 58          |

Other measures worth noting include:

|                                | 2009 Actual | 2008 Actual |
|--------------------------------|-------------|-------------|
| Bank borrowing to total assets | 17.7%       | 19.0%       |
| Number of attendees            | 528,038     | 550,492     |

The Stadium has performed well against its KPI targets. Although 2009 was a more challenging year than the record year in 2008, the Stadium outperformed its budgeted result.

### **3. Operational**

The Stadium hosted 54 event days in 2009, including six community events, the NZI International Sevens tournament, two rugby tests, 13 Wellington Phoenix games and the Crusty Demons tour event.

The Trust has a long term asset management plan and capex program to ensure that Westpac Stadium remains a nationally and internationally competitive venue. During 2009, the Stadium continued negotiating with contractors on the deterioration of the cladding and remedial work required for the roof. As a result of these issues, the Trust has reduced the useful life of the cladding to two years and the useful life of the roof to 12 years, resulting in a higher depreciation expense for 2009. It should be noted that both the cladding and the roof are under a 15 year warranty.

The Trust has acknowledged that on occasion in 2009 its food and service delivery standards in its corporate boxes were not met to its satisfaction and it has worked with its caterers to address these issues, with a resulting improvement in service delivery.

### **Governance**

The Trustees during the year were:

P D Collins (Chair) (reappointed from 1 July 2009)

J Morrison (WCC Councillor)

Sir John Anderson (reappointed from 1 July 2009)

D W Bale

E A Dawson

M J Egan (retired 30 June 2009)

C R Laidlaw (GWRC Councillor)

C Moller (appointed 1 July 2009)

S E Elliott

David Bale's term expires on 30 June 2010.

### **Key issues going forward**

The \$15m loan from the Council has been written down to its fair value and is due to be repaid once WRST has repaid all of its other borrowings. This is currently forecast to commence in 2025. There is a risk that WRST will not be able to repay the loan as scheduled, depending on the balance required between repaying existing funding facilities and any asset improvement program.

#### **1. Asset maintenance/Upgrades**

While the upgrades to Eden Park and AMI Stadium may present some shorter term opportunities to the Stadium, they also highlight the challenges inherent in remaining a competitive stadium in the longer term.

To ensure the long-term competitiveness of the Stadium, the Trust has an Asset Management Plan and has budgeted for the upgrading of some areas (particularly the lounges and food and beverage areas) ahead of the Rugby World Cup. The Trust has also created a five week window for turf renovation (which will be repeated in 2011).

The Stadium is continuing to work with its contractors to resolve the issues surrounding the cladding and roof outlined above.

## **2. Sponsorship**

The Stadium has renewed the naming rights to the Deloitte Club through 2014 and has recently renewed its naming rights contract with Westpac (including a rebranding agreement). The corporate box licences and Stadium memberships also expire in December 2014. Over the next few years the Trust will plan for these renewals; however, it is possible that these will be on different terms to the original agreements.

## **3. Forecasts / Outlook**

Forecast results are dependent on achieving forecast event numbers. Although this is a risk, the Council notes that a significant number of the events, especially for 2009/10, are already confirmed. Nonetheless, declining rugby attendances and the ever-changing nature of the major concert market provide ongoing challenges for the Stadium.

The Trust is currently budgeting for between 40 and 46 event days over the next three years; with the forecast surplus increasing from \$1.58m in 2010 to \$2.53m in 2012. These budgets do not include semi-finals or finals of the rugby or football competitions. It is also difficult to predict the number of non-sporting events; for example, the decision to hold two AC/DC concerts in Wellington means the Stadium will exceed its concerts budget in 2010.

In the short to medium term, there is some uncertainty around the number of rugby events due to the restructuring of the Super 14 and Air New Zealand Cup competitions. In addition, the Sevens tournament contract for the 2012 tournament and beyond is due for renewal during 2010.

During the year it was announced that the Stadium will host two quarter finals and five pool games for the Rugby World Cup in 2011.

## **Conclusion**

Given the challenging economic environment, the Stadium recorded a good result in 2008/09. While the event market remains a competitive one, the Trust is forecasting continuing surpluses over the next three years (albeit potentially at lower levels than 2008 and 2009) and repayments on its commercial loan are ahead of schedule.

\* The Wellington Regional Stadium Trust is not formally defined as a CCO. Their inclusion in this report reflects the interest that Wellington City ratepayers have in the Trust and its activities.