



POSITIVELY WELLINGTON VENUES

2011/12 Quarterly Report for the period October – December 2011

Executive Summary

The second quarter of trading as a newly established CCTO has been focused on setting up the business for the future whilst continuing to manage and grow the pre-existing businesses.

A key milestone this quarter was the completion of the recruitment process for the new management structure resulting in five new director level staff being appointed. The new management team has rapidly assimilated the current operating conditions in their respective portfolios and have been integral in developing the final organisational structure which is being implemented in Q3.

The other major focus during the quarter has been finding a replacement venue for the Wellington Town Hall during its seismic strengthening period. WCC have advised that the Town Hall is likely to be out of commission for a minimum period of 24 months from mid 2013 and this will significantly affect PWV and Wellington's ability to host large conferences and dinners as the Town Hall provides flat floor space of almost 1000m² in conjunction with 5 breakout rooms, a 200 seat theatre and the commercial kitchen. Conference and dinner business worth \$4.5m per annum to PWV (28% of annual turnover) is likely to be affected and this is estimated to be worth \$12.1m per annum in wider economic benefit to Wellington.

During the quarter PWV have devoted significant resource to quantifying the effect of the Town Hall closure and identifying alternative sites for the affected business. PWV submitted a capital expenditure bid with WCC for \$5.0m of funding for 2012/13 to complete a refit of Shed 6 and TSB Bank Arena which would enable venue facilities similar to the Town Hall / Michael Fowler centre combination to be offered to hirers. This bid is currently awaiting approval as part of WCC's long-term planning process.

As noted in our Q1 report, there have also been some significant legacy costs that were not fully budgeted for. While we tried to anticipate and budget for most legacy transactions when we developed the 2011/12 budget, the responsibility for some contracted agreements had not been assigned pending final negotiation of the management agreement and as a consequence they were not budgeted for. The PWV Chair has discussed these items with the WCC CEO and it has been agreed that these items should be separately disclosed in our financial reporting (refer Appendix 1). Our financial commentary therefore will also reflect our business-as-usual result and a review of legacy costs incurred.

In terms of financial performance, the second quarter continued on from the first quarter with no apparent disruption to the business as a result of the merger, however RWC2011 caused a displacement of business from October 2011 to November 2011.

Excluding legacy costs, PWV recorded a profit of \$193,000 for the quarter against a budget deficit of \$194,000. This was based on good revenue flow (2.5% above budget) and some significant savings in

expenditure against budget (including separation of legacy costs). For the six months year-to-date PWV has traded to a \$7,000 profit against a budget deficit of \$148,000.

Legacy costs for the six months total \$566,000 and these include: a WCC pre-contracted event sponsorship, HR restructuring and transition costs (including HR advice, development of new HR policies and procedures manual including code of conduct, performance appraisal system etc and legal costs) and employment related charges associated with the retirement/resignation of three longstanding employees) and project costs for the Town Hall replacement of \$35,000. Management are not aware of any further significant legacy transactions however further unbudgeted costs may be incurred in relation to developing the business case and furthering the high-level design for the replacement Town Hall venue.

In terms of business mix, “show business” performances accounted for 35% of revenue and our “grow business” or conventions and events business accounted for 65% of revenue during the quarter, and this is also reflected in our utilisation statistics. Although performance revenue was 51% of total in October 2011, this ratio reduced significantly in the following months as significant corporate and convention business occurred.

Community events accounted for 6% of utilisation and we have been able to assist a number of our not-for profit hirers by honouring some pre-existing discounted deals and supporting their applications to WCC’s venue subsidy fund and PAF.

Our sales pipeline and performance calendar for the remainder of the financial year is currently 60% of budget and 45% of budget for the 2012/13 financial year. Our Marketing & Sales team are actively working to achieve more bookings so that the 2011/12 budget is achieved. However, the increased risk awareness of the seismic resilience of buildings coupled with the Town Hall being noted as an earthquake prone building has resulted in the loss of \$700,000 of bookings as hirers take alternative venues which are perceived to be less risky. Venue uncertainty for 2014 is also preventing some events from being confirmed and this currently affects \$650,000 of business.

Recent business wins include:

- a 600 delegate national conference in Jul 2013 (repeat business)
- a 3000 person cocktail in July 2012 (new business)
- a 350 delegate national industry conference in October 2012 (repeat business)
- a 500 delegate national conference in October 2013 (repeat business)
- international comedy performance in June 2012 in the MFC – max capacity 2200
- a 3000 person Xmas function in Dec 2012 (repeat business)
- a 4 day art sale rebooked for 2014 and 2015 (repeat business)
- an international ice show – 12 day booking for May 2013 – estimated 15,000 patrons

Key Performance Indicators

The following set of KPIs were approved as part of the Positively Wellington Venues interim SOI and transition business plan.

In general terms, performance vs the KPIs in Q2 has been pleasing.

Strategic Focus	KPI	Q1/2 results	YTD result
Business Viability	On budget or better performance	<p>The Q2 financial outcome for business as usual was a \$193,000 surplus compared to a budgeted deficit of \$194,000 (a beneficial variance of \$387,000). On a year-to-date basis the business as usual result was a \$7,000 surplus (budget \$148,000 deficit).</p> <p>The Q2 beneficial variance has been driven by revenue being slightly above budget and managing costs to below budgeted levels especially in training, marketing and administration costs. Management believe that the business as usual result will meet the full-year budget.</p> <p>Legacy transactions for the 6 months to date total \$556,000 and include pre-contracted event sponsorship; transitional HR related costs and consultants fees for seismic project work.</p>	
	New management and organisation structure in place by end of Q2	The new management structure was completed during the quarter. The final organisational structure will be implemented in Q3.	
	SLAs in place for WCC shared services by end of Q2	A draft SLA has been prepared which is currently being reviewed to ensure consistency with the overriding heads of agreement.	
Venue Utilisation	Achieve or exceed 5% increase in hired days (aggregate) over 2010/11 actual (YE)	Utilisation tracked reasonably well through Q1 and Q2 at similar levels to the 2010/11. We are on track to meet the KPI.	
	Achieve or exceed budgeted number of performances/performance revenue	<p>Q1 shows and performances included World of Wearable Arts, 42nd Street, SOAP, Calalleria Rusticana & Pagliacci, and In Flagrante.</p> <p>Q2 shows included RNZB's Sleeping Beauty, Meat Loaf (sold out), NZSO Brahmissimo, RWC2011 screenings, Eddie Izzard, Pam Ayers and Cold Chisel.</p> <p>We are on track to meet the KPI.</p>	
	Achieve or exceed budgeted convention and event hires/revenue	Q1 and Q2 conventions and events business has tracked reasonably well despite dampened trading conditions. We are on track to meet the KPI.	
	Maintain appropriate mix of commercial and	Community events amounted to 6% of utilisation in Q2 and we are planning to launch some new	

Strategic Focus	KPI	Q1/2 results	YTD result
	community hires	initiatives in early 2012 to further support community access.	
	Uptake/use of WCC venue subsidy	We have agreed with the WCC grants team that we will review criteria/eligibility for this subsidy particularly as we develop our new Community support programme and PAF. The fund has been well subscribed to date.	
	Establish Wellington Performing Arts Foundation and fund by end of Q1	A new Trust has been established and we are awaiting Charitable Board registration. A pan-venue funding model is being developed for Board consideration/approval	
Duty of Care	Pan-venue asset management plan in place by end of Q1	<p>A pan-venue asset management plan for PWV equipment and chattels is being prepared. The delay in producing this relates to the appointment of the new Director of Facilities and Operations which occurred in Q2 The final plan is expected to be operational by Q1 2012/13.</p> <p>The asset management plan for buildings is managed by WCC as building owners and the Director of Facilities and Operations provides input into these plans.</p>	
	All health and safety requirements met	<p>No major incidents noted in this quarter.</p> <p>ISO certification for 4 venues has been renewed. Pan venue processes are being implemented which will enable the St James Theatre and the Opera House, which have not previously had certification, to meet the ISO standard.</p>	
	Leadership in development of safety protocols	The Director of Facilities and Operations is reviewing all SOPs and a programme is underway to review emergency procedures across all venues.	
	New initiatives to give greater visibility to reducing environmental footprint	<p>The Qualmark Enviro Gold was confirmed for MFC in Q1 and continuous efficiency improvements are being implemented, eg lighting, in conjunction with WCC.</p> <p>We are also running the Energy Efficiency and Conservation Authority (ECCA) programme which identifies possible energy efficiencies which can be effected. Implementation is subject to cost/benefit analysis.</p>	
Marketing Edge	Successful launch of new Positively Wellington Venues brand and market positioning	<p>Q1: The Positively Wellington Venues name and logo were soft launched with positive industry/hirer feedback.</p> <p>Q2: the rebranded and re-skinned website was launched covering all 6 venues. Further brand positioning will follow the results of</p>	

Strategic Focus	KPI	Q1/2 results	YTD result
		patron/delegate/hirer research as below.	
	Strength of sales pipeline and forward bookings	<p>The pipeline (events at first pencil status or better) for the second half of the year is \$4.1m which is 60% of budget. The 2012/13 pipeline is currently \$7.0m which is 45% of budget.</p> <p>\$700,000 of business for the Town Hall have been lost as a result of the heightened awareness of EQPB ratings for buildings which has reduced the value of the pipeline, and a further \$650,000 cannot be confirmed until there is certainty over venue availability in 2014.</p>	
Outstanding Experiences	Audience and hirer satisfaction (annual survey via Angus and Associates)	<p>Patron satisfaction has been measured in quarterly surveys since mid-2008. Feedback from Q2 continues to reflect good levels of patron satisfaction with Q2 satisfaction measures being at or above prior period ratings. Overall satisfaction was rated at 8.6/10.0 which was up from 8.3/10 in the prior quarter.</p> <p>We are working to extend coverage to include patrons at all venues and we are also working on initiating focus groups of hirers to obtain their feedback.</p>	
Performance Partnerships	At least three successful joint marketing ventures with PWT and other partners (by YE)	Joint venture partnership with PWT and Te Papa to fund new business development manager in Sydney continues. Range of JV projects and new marketing partnerships to grow low season events (VISA Wellington on a Plate, Handmade and a new initiative, Wellington on Stage)	
	JVs/Own Shows successfully promoted and make a positive contribution to the bottom line	<p>Q1: PWV promoted 3 significant own shows: Soap, MacHomer, and In Flagrante. The first two events filled a dark period in the performance calendar and the latter was developed as an offering to complement RWC2011. Financial success for these events was mixed but overall a profit was achieved which in the light of trading conditions is considered pleasing.</p> <p>Q2: A joint venture was run with Pam Ayres at the Opera House. This show was financially successful.</p>	
Venue Development	Contingency plan for seismic strengthening of Town Hall by end of Q2	A capital expenditure bid has been lodged with WCC and this has received favourable response from the WCC Management Board. A significant number of further approvals are required before final approval is received but management are cautiously optimistic that funding for an alternative venue will be received.	

Some KPIs are based on full year results and were not defined as quarterly deliverables so we have commented on progress towards the full year outcome.

Risks and Business Challenges

At a management/governance level we are populating a risk register to ensure that strategic and operational risks are reviewed and mitigated wherever possible.

At this stage, the most significant risk to the business is the possibility of not receiving funding from WCC for a replacement venue for the Town Hall when it is decommissioned for seismic strengthening. At the time of writing (early February 2011) we have received feedback that our \$5m capex bid for the fitout of Shed 6 / TSB Bank Arena has received an initial favourable response subject to satisfactory answers to several queries. Beyond this, several more hurdles remain until final WCC approval is received. PWV will continue to champion this capex bid through the Councillors and public submission stages of the LTP process.

Associated business challenges associated with the seismic rating of the Town Hall have been:

- to reassure hirers that the Town Hall remains as safe a venue as it has always been (although risk perceptions may have changed),
- to continue to book long-lead business beyond mid-2013 where there is considerable uncertainty about the availability of venue space, and
- to finalise safety procedures for all venues for all emergency events.

New Business Opportunities

Tourism New Zealand (TNZ) has started to put much more emphasis on promoting New Zealand as a business events destination.

In addition to taking over the administration of the CAP fund (Conference Assistance Programme) from the Ministry of Economic Development, TNZ have appointed dedicated business events marketing people in the USA and China. The team at TNZ have also developed a marketing strategy that will profile what New Zealand has to offer in the business events space. This awareness generating activity will be coupled with a partnership programme with CINZ (Conventions and Incentives New Zealand) and the country's different Convention Bureau. With Christchurch out of action and some uncertainty around the start time for the development of a national convention centre in Auckland, there are good opportunities for Wellington to stick it's hand up for more business.

Venue Utilisation

(also refer Appendix 2 for more details)

Overall good levels of utilisation have continued during Q2 with MFC, the Town Hall and St James continuing as the most usable and popular venues. Utilisation tails off in December due to the Xmas holiday season and is not expected to improve until February. While the New Zealand International Arts Festival will see a significant lift in venue utilisation in February, current discounting agreements will impact on revenue and profitability.

Financial Overview

(Also refer Appendix 1 for summary financial statements)

Financial Performance

Revenue for the quarter was very pleasing, being slightly above budget. October 2011 was very quiet with significant business displacement due to RWC 2011, however November 2011 was a very strong month. The \$193,000 surplus for the quarter (excluding transitional items) was very pleasing.

The most significant transitional items during the quarter were personnel related with some significant costs arising from the departure of 3 long-serving staff members plus associated legal costs and HR consultants being utilised to provide HR support during the merger of the two organisations. Part of the HR support function was to develop a new HR policies and procedures manual that draws on best practice from small and medium sized New Zealand businesses while retaining links to WCC processes.

Event related costs (catering and technical) were slightly over budget but in-line with event revenue being over budget. Business mix causes fluctuations in the level of direct events costs as a proportion of event revenue (although the observable range has been 50% to 56%) with performance events typically having a higher staff cost and dinners having a higher catering proportional cost.

Most overhead expenses were at or under budget for the quarter with the following items of note:

- recruitment fees relating to the tier 2 recruitment process were transferred to transitional costs;
- a one-off legacy marketing charge was transferred to transition costs;
- occupancy costs (maintenance charges, consumables and rates) were lower than budget
- administration costs were under budget due to savings in uniforms costs and consultants fees.

Financial Position

The balance sheet remains clean and there are no issues which require highlighting. In general, balance sheet values at quarter-end were as expected for the current business levels and time of the year.

Liquidity during the quarter improved very slightly with the bank and cash balance exceeding \$1.1m at quarter end reflecting continued good collection of debtors and the prepaid nature of our business.

Outstanding debtors rose slightly at quarter-end due to the holiday period and at \$1.29m is within the normal range given current business levels. The debtor balances are actively monitored and total 60+ day debtors represents only 1.8% of the total.

Fixed assets have not moved significantly during the quarter. The major item in the small increase is the radio equipment. The chattels from the St James Theatre and Opera House have yet to be transferred onto the PWV balance sheet.

Current liabilities include our unpaid invoices at quarter-end along with accrued leave and other employee related liabilities. Creditors is higher than the prior quarter-end due to the Xmas break affecting payment runs in December. Employee entitlements (largely accrued annual leave has reduced during the quarter reflecting the December 2011 portion of the Venues close-down period .

Revenue in advance of \$990,000 represents forward booking deposits.

Provisions at 30 September 2011 have been raised for sundry St James Theatre Limited and St James Charitable Trust wind-down costs.

Capital expenditure

The following capital expenditure projects were completed during the quarter:

- a) Radio Equipment (hand held radios) \$107,000 funded largely from 2010/11 and \$20,000 will be borne in 2011/12. This project is carried forward from 2010/11 and was a joint exercise between Positively Wellington Venues, WCC Security, WCC RWC & City Events Teams & WEMO. The equipment has been installed and successfully deployed.
- b) Venues office optimisation – \$180,000. PWV has adopted a hub and spoke model for its personnel and this has resulted in more staff being based at the Michael Fowler Centre. This has necessitated minor office alterations and more space efficient furniture which was successfully completed during the Xmas break.

Appendix 1 – Summary financial statements

Positively Wellington Venues

Statement of Comprehensive Income (adjusted for transition items)

\$'000	Q2: Oct11-Dec11			Year-to-date			2011/12
	Actual	Budget	Var	Actual	Budget	Var	FY budget
Event revenue	3,956	3,825	132	7,919	7,838	82	14,838
Café	134	160	(26)	294	320	(26)	640
Carparking	64	67	(4)	122	123	(2)	250
Other income	34	42	(8)	83	70	13	36
Interest income	16	9	7	26	18	8	85
Total revenue	4,204	4,103	101	8,444	8,369	74	15,849
Direct event costs	2,194	2,026	(169)	4,169	4,129	(40)	7,782
Wages	491	487	(4)	1,033	999	(34)	1,880
Gross profit	1,518	1,590	(71)	3,241	3,242	(0)	6,187
Salaries	739	743	4	1,587	1,487	(100)	3,109
Other employment costs	(8)	111	119	147	218	71	274
Occupancy costs	301	357	56	528	575	47	1,315
Utilities	150	163	12	368	357	(11)	713
Marketing	(60)	107	167	201	201	1	379
Admin	88	161	72	190	287	97	645
IT and Comms	43	40	(3)	64	61	(3)	142
Directors' fees	30	26	(4)	60	53	(8)	105
Travel	8	9	1	20	18	(3)	35
Vehicle costs	10	11	1	21	22	0	4
Depreciation	24	56	32	49	112	63	223
Total expenses	1,326	1,783	458	3,234	3,389	155	6,944
Savings							250
Core business profit/(loss)	193	(194)	386	7	(148)	155	(507)
<i>Add transition/one-off costs*</i>							
Legacy transaction costs	165			165	0	0	
HR/Legal advice	110			110	0	0	
Recruitment/ personnel costs	251			251	0	0	
Seismic project costs	35			35	0	0	
Office fitout	3			3	0	0	
total transition/one-off costs	563	0	0	563	0	0	
Net profit/(loss)	(371)	(194)	(177)	(556)	(148)	(408)	

* all 2011 transition costs have been presented as current quarter items for Q2 disclosure purposes

Appendix 1 – Summary financial statements (continued)

Positively Wellington Venues Statement of Financial Position

	31-Dec	30-Sep	30-Jun
	\$'000	\$'000	\$'000
Bank & cash	1,136	1,084	388
Debtors	1,295	942	1,849
Prepayments	62	114	73
Inventory	49	44	0
Accrued income	117	440	335
Total current assets	2,659	2,624	2,645
Fixed assets	939	875	879
Total assets	3,597	3,499	3,524
Creditors	1,240	1,014	1,113
Employee Entitlements	345	561	243
GST	123	6	(16)
Revenue in Advance	990	667	818
Provisions	75	58	0
Total current liabilities	2,773	2,306	2,158
Shareholders' funds	1,380	1,380	1,366
Current year result	(556)	(187)	
Total liabilities and equity	3,597	3,499	3,524

Appendix 1 – Summary financial statements (continued)

Positively Wellington Venues

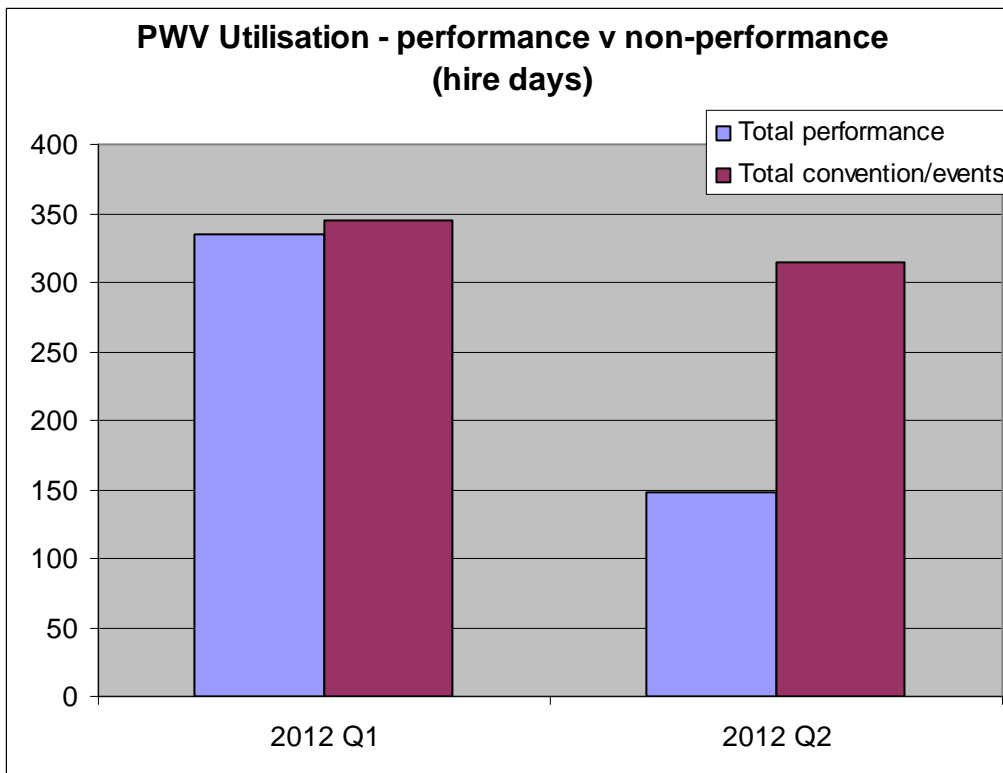
Statement of Cash Flows

	Oct-Dec 2011	Jul-Sep 2011
Cash flows from operating activities		
Receipts from event management	4,249	4,859
Receipts from other operating activities	232	267
Interest income	16	10
Payments to suppliers and employees	(4,474)	(4,181)
Good and services tax (net)	117	(259)
Net cash flow from operating activities	140	696
Cash flows from investing activities		
Purchase of property, plant and equipment	(88)	0
Net cash flow from investing activities	(88)	0
Net increase/(decrease) in cash and cash equivalents	52	696
Cash and cash equivalents at the beginning of the period	1,084	388
Cash and cash equivalents at the end of the period	1,136	1,084

Appendix 2 – Venue utilisation analysis

Overall quarterly utilisation (by number of days and by number of events) is noted in the following table and graph.

Quarterly CCOPS utilisation reporting						
<small>(Utilisation of any PWV space, internal events excluded)</small>						
	2012 Q1	2012 Q1	2012 Q2	2012 Q2	2012 YTD	2012 YTD
	# of events	# of days	# of events	# of days	# of events	# of days
Total performance	91	335	70	148	161	483
Total convention/events	160	345	148	314	308	659
Total events	251	680	218	462	469	1142
Community events	24	43	14	26	38	69
Ratio of community events to total	10%	6%	6%	6%	8%	6%



Appendix 2 – Venue utilisation analysis (continued)

Utilisation by venue is analysed in the table and the graph below.

Quarterly CCOPS utilisation reporting

(Utilisation in days, any PWV space, internal events excluded)

Venue	31-Jul-11	31-Aug-11	30-Sep-11	31-Oct-11	30-Nov-11	31-Dec-11
Michael Fowler Centre	30	30	40	46	33	50
Wellington Town Hall	22	41	26	27	25	20
TSB Bank Arena	48	59	37	18	14	5
St James Theatre	66	81	140	42	91	43
Opera House	6	16	15	16	15	6
Shed 6				1		10
Total	172	227	258	150	178	134

