



POSITIVELY WELLINGTON VENUES

Quarterly Report to CCOPS for the period January – March 2012

1. PWV Business review - Q3 2011/12

The third quarter of the year was a quiet period for venue management with revenue of only \$2.3m for the quarter (Q1: \$3.96m; Q2: \$3.96m). The Christmas holiday season and subsequent statutory holidays resulted in the first seven weeks of the new year being very quiet with very little significant show or grow business. However, the New Zealand International Arts Festival commenced on 18 February 2012 and was the most significant event during the quarter with 27 events being staged in PWV's venues. Pleasingly PWV's 2012 performance bar revenue (from bars at the St James Theatre and the Opera House) increased 24% over the 2010 Festival due to higher attendance.

Financial performance for the quarter exceeded budget by \$56,000. The net result was a \$391,000 loss against a budget loss of \$447,000. Total revenue was \$390,000 below budget for the quarter as the extent of the seasonality of the business was not fully anticipated in the budget. However, direct event costs were also under budget, due to the associated revenue under-performance and a higher performance event business mix, and overheads were also under budget due to the management restructure and deliberate cost savings which enabled us to achieve the better than budget result.

As noted in our prior quarter's report, a new management team was recruited in Q2 and the current quarter has been a period for them to come up to speed with their portfolios and start managing the business. As well as this, significant management time was devoted to three other projects: developing the 2012/13 Statement of Intent; completing the organisational restructure; and continuing efforts to secure an alternative venue for the Town Hall when it is decommissioned for seismic re-strengthening in 2013.

The draft 2012/13 Statement of Intent was prepared during the quarter and presented to CCOPS on 23 April 2012. The draft SOI outlined PWV's vision, business objectives, addressed the letter of expectations and outlined our seven strategic platforms. A breakeven budget was also presented in the SOI as requested in the letter of expectations. Different scenario budgets for 2013/14 and 2014/15 were also presented with varying outcomes depending on whether a suitable alternative venue is commissioned.

A major part of combining the businesses of the WCC Convention Centre and the St James Theatre/Opera House has been the need to integrate the workforce to ensure we have high quality management and consistently high operating standards over all six venues. We are also striving to achieve high levels of efficiency by ensuring all staff have pan-venue responsibility. Accordingly, a comprehensive organisation restructure had previously been signalled to staff and this commenced during the quarter. The proposed structure was released to all staff on 8 February 2012 and this was followed by: distribution of a change pack to all staff; staff presentations; informal sessions with the CEO for questions; formal staff feedback sessions and the distribution of FAQ's to all staff. Written

submissions to the proposed structure were received and the structure was refined based on those submissions and the staff meetings. The final structure was announced to staff on 22 March 2012.

PWV continued to develop its business case during the quarter for a replacement venue to the Town Hall when it is decommissioned for seismic re-strengthening in July 2013. A comprehensive business case, which was supported by property analysis of different options by Wareham Cameron and economic analysis of the effect of the Town Hall closure by economists COVEC, was presented to senior Council Officers in support of a \$5m capital expenditure bid in the LTP process.

PWV's preferred option is to refit Shed 6 and improve its connectivity to TSB Bank Arena so that the larger convention business which is normally jointly hosted in the Town Hall and Michael Fowler Centre can be relocated to Shed 6 and TSB Bank Arena. This would ensure that the estimated \$12m per annum of economic benefit which this convention business brings to Wellington is not lost.

Following lengthy and robust debate Council approved a \$4m capital expenditure bid for a replacement venue to be included in the LTP for public consultation, which closed on 18 May 2012. While public consultation has been underway PWV has spent considerable time refining the business case for the preferred option to better meet the needs of users and to reduce the project costs to within the \$4m funding limit, as well as comprehensively reviewing other venue options.

Community events continued to be supported with 5 hire days provided during the quarter. Although this was reduced on previous quarters this was in-line with the overall reduced hirer appetite during the quarter due to the holiday season. We have also continued to assist a number of our community hirers by honouring some pre-existing discounted deals and also by supporting their funding applications to WCC's venue subsidy fund and the Performing Arts Foundation, as below:

- Wellington Photographic Society – Photographic Convention (assistance in obtaining WCC venue subsidy funding)
- Marklin Model Railway Club – Railex 2013 exhibition (assistance in obtaining WCC venue subsidy funding)
- UN Youth Conference (assistance in obtaining WCC venue subsidy funding)
- Royal Thai Embassy – Mahidol University Symphony Orchestra (assistance in obtaining WCC venue subsidy funding)
- Tiara and the Magic Toy Shop (PAF venue subsidy funding for increasing participation in theatrical participation)
- Instep Dance Studios (PAF venue subsidy funding for involving children in theatre)
- First Laughs (PAF venue subsidy funding for increasing community theatre interest)

Our sales pipeline for the remainder of the financial year is currently at 71% of budget and at 62% of budget for the 2012/13 financial year. Business wins during the quarter included:

- A 550 person national awards dinner in May 2013
- 3 performances of Flight of the Conchords in June 2012
- 6 performances of a childrens' show based on a popular book series in October 2012
- 5 performances of a cover band show in October 2012
- A celebration function for the completion of a filming event in July 2012
- A 250 delegate 4 day public sector conference in October 2012

- A 500 person Christmas dinner in December 2012
- An 800 person Christmas cocktail function in December 2012.

As detailed in the following sections, PWV remains on target to achieve its KPI targets for the year and to meet its full year budget result.

2. Key Performance Indicators

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

We have continued to make good progress in Q3 towards achieving the 2011/12 KPIs.

Strategic Focus	KPI	Q1-3 results
Business Viability	On budget or better performance	<p>The Q3 financial outcome for “business as usual” was a \$391,000 loss compared to a budgeted loss of \$447,000 (a beneficial variance of \$56,000). On a year-to-date basis the business as usual result was a \$382,000 loss (budget \$580,000 loss).</p> <p>The Q3 beneficial variance has occurred due to overheads being managed to below budget levels. Revenue for the quarter has been under budget but this has been offset by direct event costs also being under budget.</p> <p>The pipeline for Q4 is not currently at budget but management are working to maximise sales opportunities and to minimise costs so as to achieve an operating result as near to budget as possible.</p> <p>One-off legacy transactions for the 9 months to date total \$584,000 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 Q2 and the final organisational structure was implemented in Q3, although recruitment to new positions will continue into Q4.
	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 over-riding heads of agreement.
Venue Utilisation	Achieve or exceed 5% increase in hired days (aggregate) over 2010/11 actual (YE)	<p>Utilisation tracked reasonably well through Q1 and Q2 at similar levels to the 2010/11. Q3 utilisation has been subdued but again this is similar to past years albeit 2012 is a festival year so utilisation in performance venues is significantly improved</p> <p>We are on target to meet the KPI.</p>

	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>Q3 was dominated by the 2012 NZ International Arts festival with a wide range of performance events held in all venues (except Shed 6). Performances and performance revenue (excluding the effect of the 2010 Festival Club bar in Shed 6) was improved on 2010.</p> <p>We are on track to meet the KPI.</p>
	Achieve or exceed budgeted convention and event hires/revenue	<p>Q1 and Q2 conventions and events business tracked reasonably well despite dampened trading conditions. Q3 has been subdued however we are on track to meet the KPI.</p>
	Maintain appropriate mix of commercial and community hires	<p>Community access to the venues in 2011/12 has been very strong due to some multi-day public events such as screenings of RWC2011 games in the Town Hall. Q3 community access has reduced compared to the prior quarters but this is very much in-line with the general decrease in demand for venues in the weeks immediately following Christmas</p> <p>As noted in our 2012/12 SOI we are planning to launch some new initiatives to further support community access.</p>
	Uptake/use of WCC venue subsidy	<p>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.</p> <p>The fund has been fully subscribed for 2011/12.</p>
	Establish Wellington Performing Arts Foundation and fund by end of Q1	<p>A new trust has been established and we are awaiting charitable status from the Charities Commission. A pan-venue funding model is being developed for Board consideration/approval.</p> <p>Improved reporting and liaison with WCC officers is being discussed with the PAF Trustees.</p>
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 scheduled to be prepared in late Q4 2011/12 or early Q1 2012/13. The delay in producing this has arisen due to staffing changes. The asset management plan is expected to be operational by Q2 2012/13.</p> <p>The asset management plan for buildings is managed by WCC as building owners and PWV's Director of Facilities and Operations provides input into these plans.</p>
	All health and safety requirements met	<p>No major incidents noted during the quarter or the year.</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	<p>The Director of Facilities and Operations is reviewing all SOPs and a programme is underway to review emergency procedures across all venues.</p> <p>The H&S Policy and Strategy has been signed off and presented to PWV Board. The safety management plan is being developed incorporating a full review of venue health & safety with generic pan venue SOPs.</p> <p>We are in the final stages of developing pan venue emergency procedures and finalising delivery modes for different audiences/stakeholders. In the meantime individual venue emergency procedures are still operating</p>
	New initiatives to give greater visibility to reducing environmental footprint	<p>The Qualmark Enviro Gold was confirmed for the MFC and Town Hall in Q1 and continuous efficiency improvements are being implemented, eg lighting, in conjunction with WCC.</p> <p>PWV is in the process of pursuing an all-venue certification in International Standards Organisation ISO quality and environment standards and the audit for this is scheduled for 29 May 2012</p> <p>Discussions with ECCA and Council to engage in energy reduction initiatives through corporate/ECCA/Council sponsored quantity surveys and efficiency installations is ongoing.</p> <p>Initiatives such as Cargo Bikes for transferring light equipment and supplies between venues and engaging with clients like "smokefree rockfest" and their environmental sponsors to provide recycling bins from "LoveNZ" are being actioned.</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 patron/delegate/hirer research as below.</p> <p>Q3: The PWV website is on track to incorporate content from predecessor websites by 30 June 2012.</p> <p>'Show Me Wellington', PWV's convention and events expo on 18 July 2012 has been rebranded and was relaunched to the market in April.</p>
	Strength of sales pipeline and forward bookings	<p>The forward pipeline for 2011/12 (as noted more fully above) is considered reasonable and is sufficient to enable PWV to meet its bottom line target.</p> <p>The 2012/13 pipeline is also at good levels.</p>
Outstanding Experiences	Audience and hirer satisfaction (annual survey via Angus and Associates)	<p>Q1-Q2: 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>Q3: Patron surveys have been put on hold while scope of research is widened to include other target audiences including hirers and stakeholders both here and in Australia. Future research may be in</p>

		<p>a focus group format with prioritisation of needs and perceptions of current brand being given importance.</p> <p>An online event feedback survey is currently in development to gain hirer satisfaction from individual events. Information gathered here will be used to: deliver improved customer service, coach and develop our people; and improve processes.</p>
Performance Partnerships	At least three successful joint marketing ventures with PWT and other partners (by YE)	The 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> <p>PWV has consciously chosen to reduce its JV and own show exposure and has chosen to offer promoters capped rate deals or other variations to standard performance contracts in order to maintain a strong performance offering to the City with a lower risk profile.</p> <p>Q3: No JVs or own shows, however planning work for a refreshed Wellington Expo which will showcase the city and wider region to event organisers has commenced. The general theme of the revamped expo has now been aligned with work done by Positively Wellington Tourism.</p>
Venue Development	Contingency plan for seismic strengthening of Town Hall by end of Q2	<p>PWV's \$5m capital expenditure bid to refit Shed6 and TSB Bank Arena as a replacement venue for the Town Hall resulted in Council approving \$4m of expenditure to be included in the LTP which is currently undergoing public consultation.</p> <p>PWV has continued to work with Council, Council Officers and other CCO's to mitigate the loss of \$32m to \$42m of benefit to the Wellington economy which accrue from convention business which would otherwise be based in the Town Hall.</p>

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.

3. Financial Performance

The financial result for the quarter was \$56,000 better than budget with a loss from the core business of \$391,000 (budget \$447,000 loss). Total revenue was under budget by \$390,000 but this shortfall was more than offset by lower than budget direct costs and net savings of \$109,000 in overheads.

Positively Wellington Venues

Statement of Comprehensive Income (adjusted for transition items)

\$'000	Q3: Jan13-Mar12			Year-to-date			2011/12
	Actual	Budget	Var	Actual	Budget	Var	FY budget
Event revenue	2,304	2,661	(357)	10,229	10,498	(270)	14,838
Café	137	151	(14)	431	471	(40)	640
Carparking	64	67	(3)	186	191	(5)	250
Other income	26	42	(16)	104	113	(9)	36
Interest income	11	11	(1)	37	29	7	85
Total revenue	2,542	2,932	(390)	10,985	11,302	(316)	15,849
Direct event costs	1,006	1,428	422	5,175	5,542	367	7,782
Wages	423	339	(84)	1,456	1,338	(118)	1,880
Gross profit	1,113	1,165	(52)	4,354	4,421	(67)	6,187
Salaries	689	797	108	2,276	2,284	8	3,109
Other employment costs	32	37	5	179	255	76	274
Occupancy costs	269	252	(17)	815	846	31	1,315
Utilities	136	169	32	504	525	21	713
Marketing	115	97	(18)	316	298	(18)	379
Admin	115	127	12	324	414	90	645
IT and Comms	37	40	4	81	102	21	142
Directors' fees	34	30	(4)	94	83	(11)	105
Travel	8	9	1	28	26	(2)	35
Vehicle costs	2	1	(1)	4	3	(1)	4
Depreciation	68	54	(14)	117	166	49	223
Total expenses	1,504	1,612	109	4,736	5,001	265	6,944
Savings							250
Core business profit/(loss)	(391)	(447)	56	(382)	(580)	198	(507)
<i>Add unbudgeted transition/one-off costs</i>							
<i>Legacy transaction costs</i>	0			165	0	0	
<i>HR/Legal advice</i>	0			110	0	0	
<i>Recruitment/ personnel costs</i>	0			251	0	0	
<i>Seismic project costs</i>	20			56	0	0	
<i>Office fitout</i>	0			3	0	0	
<i>total transition/one-off costs</i>	20	0	0	584	0	0	
Net profit/(loss)	(411)	(447)	36	(967)	(580)	(387)	

The January to March quarter is generally very weak in the both convention and show business with very little business booked, especially in the first half of the quarter, due to the effect of the Christmas holidays, school holidays and multiple statutory holidays. However, 2012 was a NZ International Festival of the Arts' year in Wellington which meant that utilisation picked up from the last week of February.

Event revenue for the quarter was significantly below budget with the most significant shortfall noted in March as there had been higher expectations of Festival booking levels when the budget was set. Café revenue was also below budget for the quarter with January income being more affected by the

holiday season than anticipated. The relocation of the nearby Telecom offices has also had an adverse effect.

Direct event costs for the quarter were lower than budget in-line with event revenue being under budgeted also due to the much lower event costs associated with the Festival events. Event revenue and direct event costs are also lower than expectation as the arrangement for technical assistance with the Festival differs from standard practice with technical charges being billed directly to the Festival instead of via PWV (although commission is still received).

Overheads for the quarter were 6.7% below budget with significant savings noted in salaries as annual leave liability reduced over the summer period and the effect of the early stages of the organisation restructure have become visible with some staff departures late in Q2 causing unfilled roles in Q3 resulting in the favourable variance of \$108,000.

The only transition item during the quarter was \$20,000 of consultants fees related to completing the business case for an alternative venue to the Town hall.

On a year-to-date basis total revenue is \$316,000 below budget largely due to the weaknesses in Q3 event and café revenue as noted above, and direct event costs are \$367,000 below budget due to the revenue weakness and the event mix. Overheads are \$265,000 below budget with expenditure in several areas being delayed due to the rebuilding of the management structure and management actively targeting cost efficiencies. Depreciation charges for assets at the St James Theatre and the Opera House will be accounted for in Q4 as these assets were only transferred onto the WCC fixed asset system very late in Q3. Unbudgeted one-off/transition items totalling \$584,000 have been incurred and these items include legacy transactions, grandfathered staffing costs, and costs associated with seismic re-strengthening of the Town Hall.

4. Financial Position

PWV's balance sheet remains clean and there are no issues which require highlighting. In general, balance sheet values at quarter-end were lower than for prior quarters as a result of Q3 business levels being relatively subdued.

Positively Wellington Venues				
Statement of Financial Position				
	31-Mar	31-Dec	30-Sep	30-Jun
	\$'000	\$'000	\$'000	\$'000
Bank & cash	837	1,136	1,084	388
Debtors	751	1,295	942	1,849
Prepayments	72	62	114	73
Inventory	52	49	44	0
Accrued income	24	117	440	335
Total current assets	1,737	2,659	2,624	2,645
Fixed assets	1,152	939	875	879
Total assets	2,890	3,597	3,499	3,524
Creditors	689	1,240	1,014	1,113
Employee Entitlements	389	345	561	243
GST	2	123	6	(16)
Revenue in Advance	1,154	990	667	818
Provisions	65	75	58	0
Total current liabilities	2,299	2,773	2,306	2,158
Shareholders' funds	1,557	1,380	1,380	1,366
Current year result	(967)	(556)	(187)	
Total liabilities and equity	2,890	3,597	3,499	3,524

Bank & cash levels during the quarter decreased in-line with the quarter's operating loss but were partially offset by good debt collection.

Outstanding debtors have decreased significantly during the quarter in-line with the subdued levels of business but also reflecting the dominance of performance based business at the end of the quarter which has very short settlement terms. Debtor balances are actively monitored and total 60+ day debtors were only \$50,000 being \$36,000 due from WoW (received early in Q4) and \$14,000 of forward deposits.

Fixed assets increased in the quarter with the transfer of the St James and Opera house assets plus the purchase of some office furniture.

Creditors balances at quarter-end were also much reduced in value due to the subdued level of trading and also the dominance of performance business in the last few weeks which did not have any significant event related costs.

Employee entitlements increased slightly during Q3 due to higher levels of payroll accruals at quarter-end related to the timing of the payroll cycle and also an increased PAYE liability associated with the higher Festival-related staffing during March. The accrued annual leave liability reduced by

\$38,000 during the quarter reflecting the January 2012 portion of the Venues close-down period and other leave taken during the quarter.

Revenue in advance, which represents deposits for future bookings, increased by \$164,000 during the quarter reflecting the receipt of second deposits for May 2012 events, which shows good utilisation, and initial deposits for 2012/13 which has good forward booking levels.

Provisions reduced slightly during the quarter as expenses relating to the St James wind-down have been incurred.

5. Cash flow

As noted above Q3 is a quiet period for PWV with venue management receipts and expenditure at approximately 75% of Q2 (which is also affected by the Xmas holidays). Business levels were subdued (both show and grow business) in the first 7 weeks of the calendar year as consumers were more focussed on holiday and summer activities orientated than business conventions or theatre entertainment.

Positively Wellington Venues Statement of Cash Flows (all amounts \$'000)

	Q3	Q2	Q1
Cash flows from operating activities			
Receipts from venue management	3,105	4,249	4,859
Receipts from other operating activities	227	232	267
Interest income	11	16	10
Payments to suppliers and employees	(3,419)	(4,474)	(4,181)
Good and services tax (net)	(121)	117	(259)
Net cash flow from operating activities	(197)	140	696
Cash flows from investing activities			
Purchase of property, plant and equipment	(102)	(88)	0
Net cash flow from investing activities	(102)	(88)	0
Net increase/(decrease) in cash and cash equivalents	(299)	52	696
Cash and cash equivalents at the beginning of the period	1,136	1,084	388
Cash and cash equivalents at the end of the period	837	1,136	1,084

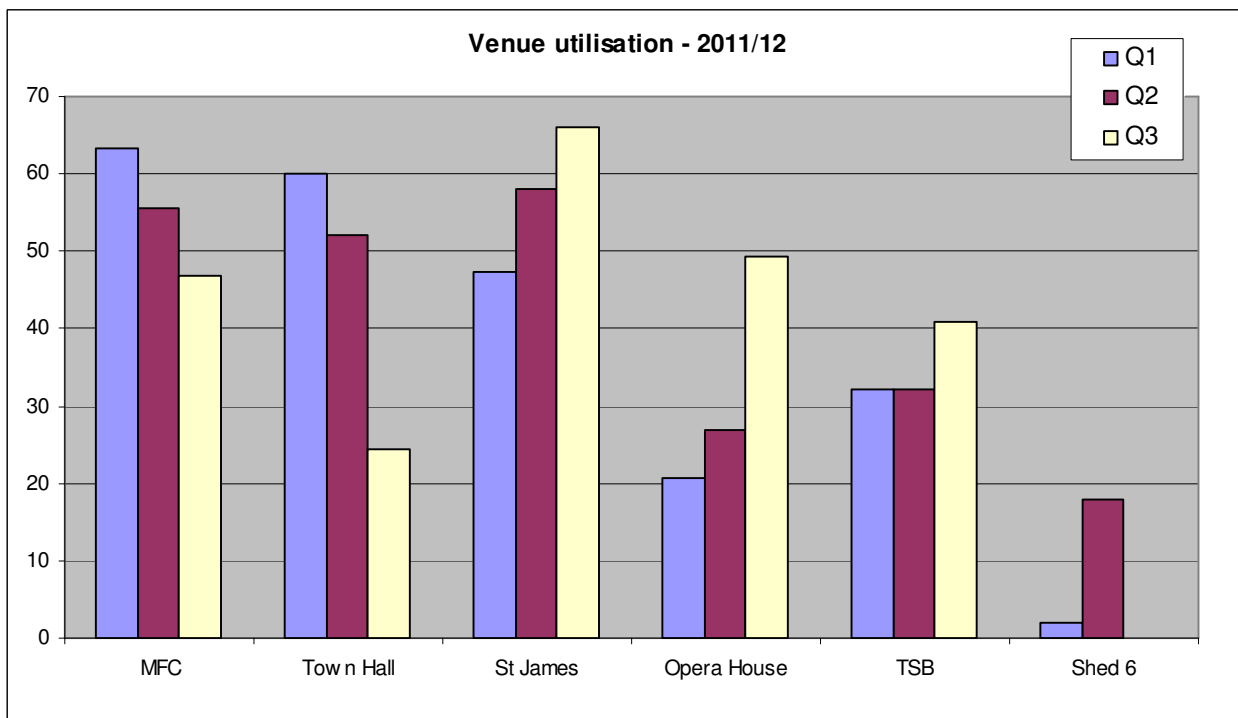
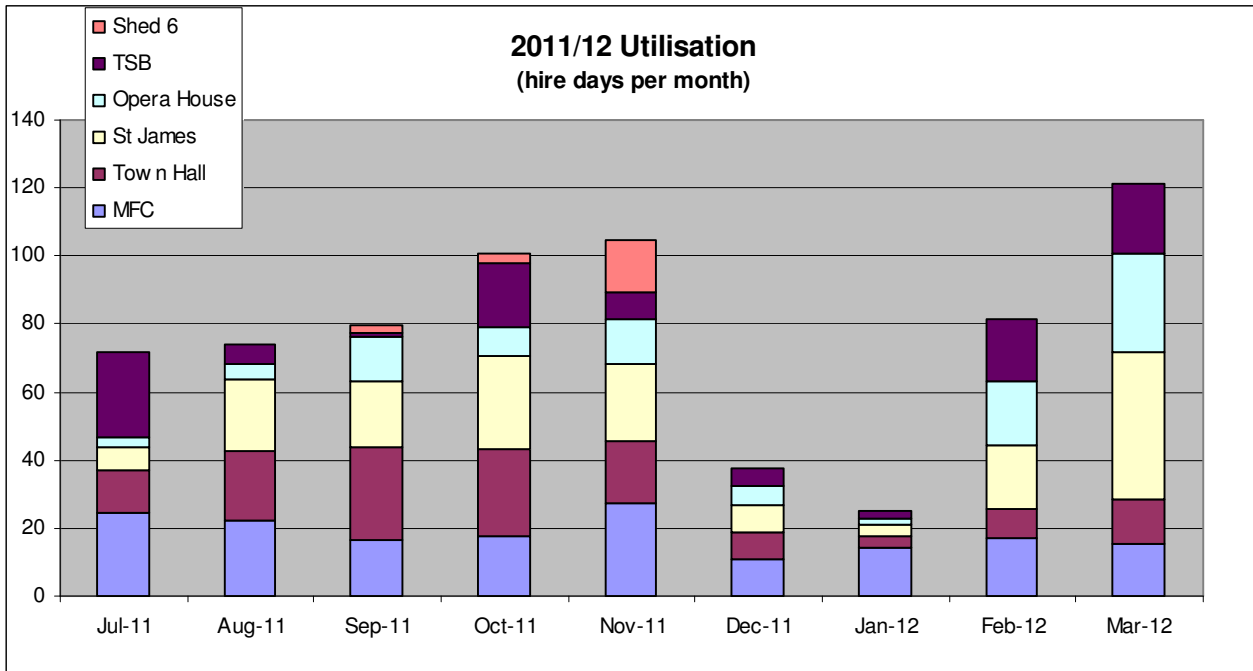
6. Capital expenditure

A small quantity of office furniture was purchased during the quarter as the Michael Fowler Centre has become the operational centre for the majority of staff and more space efficient furniture was required to house the extra staff. Other than this there was no other significant capital expenditure during the quarter.

As noted above, the furniture and chattels from the St James Theatre and the Opera House were transferred onto the PWV balance sheet during the quarter. The total book value of assets transferred was \$189,000.

7. Venue Utilisation

Venue utilisation was very mixed during the quarter with subdued business levels noted in the first half of the quarter followed by a significant uplift in utilisation as the New Zealand International Arts Festival commenced as did a modest level of non-performance business. This can be evidenced in the utilisation graphs below with January utilisation being almost insignificant followed by increasingly good utilisation levels (especially at the St James, the Opera House, MFC and TSB Bank Arena) which can be used as performance venues.



8. Community hire days

In-line with a quieter Q3 across the business, as a result of the holiday season, the number of community hire days has also been subdued.

As can be seen from the monthly analysis below, community hire days were very high in August 2011 with two open art exhibitions and in September and October 2011 with Town Hall screenings of RWC2011 games.

As well as the community access reported below it is worth noting that the entrance areas of the MFC, the St James Theatre, the Opera House and the Town Hall are open for public access. The St James and the Town Hall are also included on the Wellington Foyer tours. Access to the interiors of all venues can also be achieved by attending ticketed events, eg exhibitions and performance events, in TSB Bank Arena, MFC, Town Hall, St James and Opera House.

