

**ST JAMES THEATRE
CHARITABLE TRUST**

**Business Plan
2006-7**

31 May 2006

**Prepared for the Wellington City Council in its
capacity as the Settlor of the
St James Theatre Charitable Trust**

Name of Organisation

St James Theatre Charitable Trust
PO Box 9132
Wellington

The St James Theatre Charitable Trust is a Registered Charitable Trust established by the Wellington City Council to manage Wellington's St James Theatre and (subsequently) the Opera House. The Trust has provision for the appointment of up to nine Trustees. The current Trustees are:

Geoff Atkinson (Chair)
Simon Jamieson
Pat Waite
Carol Stigley
Ian McKinnon
Roger Miller
Juliet McKee

The Trust is also the sole shareholder of St James Theatre Ltd, which operates the two venues. Directors of St James Theatre Ltd are the above Trustees plus:

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Westpac
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ANZ Banking Group
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Solicitors

Buddle Findlay
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Founding Sponsors

Wellington City Council;
Lotteries Grants Board;
Wellington Community Trust

Gold Sponsor

Westpac

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31 May 2006

Wellington City Council ("the Settlor", St James Theatre Charitable Trust),
P O Box 2199
WELLINGTON

Dear Councillors

ST JAMES THEATRE CHARITABLE TRUST - BUSINESS PLAN 2006-7

The 2005-6 year is providing better than expected results for the St James Theatre Charitable Trust ("The Trust"): in the number and quality of performances, in another year of positive cash flow and in key project implementations, such as the St James Pit Lift. The Trust therefore approaches the 2006-7 operating year in sound fiscal shape and with a dedicated, experienced team of managers and staff appropriate to manage its challenges.

However, while the business is in excellent shape, the Trust is not complacent about the future. We face a number of challenges to our ongoing success outlined below and which – along with initiatives to deal with them – are discussed in the attached Business Plan.

While the economic boom of the past few years obviously aided the entertainment sector, the forecast economic slow down will conversely have a significant negative impact on the sector. Compounding this is that, while the recent strength of the Kiwi dollar lowered the cost of bringing international shows to Wellington, that situation is also now reversing.

Furthermore, the success of the Council's "*Creative Wellington – Innovation Capital*" strategy continues to negatively impact organisations (like the Trust) that have historically been a vital part of the city's success story. The Stadium's increasing number of non-traditional sports events (e.g. large pop and classical concerts, Sevens-type events, Food Fairs), and the Council's success in attracting events like the World of Wearable Arts to the city, are providing increasing competition for the discretionary entertainment spend and time.

The Trust also has to review the nature of its relationship with promoters. The only growth in demand for large, traditional, theatre venues is in newer, less well-known, more controversial productions. Modern promoters operate in a quite different fiscal regime to historical touring theatre companies. Events are increasingly being offered to venues that risk-partner in various ways with promoters, rather than those that demand rental contracts that guarantee the venue a profit while the promoter bares all the risk.

As community custodians of these iconic theatres, the Trust is conscious of its need to carefully manage risk. However, the Trust believes there may be moderate-risk ways we can facilitate Wellingtonians having the opportunity to enjoy such attractions, when a promoter's initial reaction is that choosing a larger market would entail less risk. One possible scenario is the creation of a separate risk-venture affiliate of the Trust to specifically manage such relationships.

While the Westpac St James Theatre essentially meets 21st century venue standards, that still cannot be said about the Opera House. It requires further significant expenditure to improve access, power supply, security, comfort and non-event entertainment facilities, so as to maximise its revenue generating capability. Our plan is to progress this work over the next 2-3 years at times that fit with events scheduling.

Traditional live theatre genres – drama, music, opera and dance – while still popular with their devotees, are not growth businesses. Hence, the Trust is disappointed that the council has withdrawn support for the audience development project. This sought to engage young people with theatrical performance generally and to develop the habit of theatre going earlier in their lives. Over 1/3rd of the Wellington region's schools have so far participated, without council support, the ability of the Trust to sustain this schools programme (which benefits competitive venues as well as our own), must be reviewed.

The Trust continues to examine ideas for increasing revenue generation outside of the auditorium in support of the overall business. We are actively progressing investigation of the potential for development of the back lot behind the Westpac St James Theatre, (probably in partnership with neighboring property owners). A firm proposal is targeted to be developed for the Board and Settlor's review during the year. Enhancing revenue from greater utilisation of *The Jimmy*, as well as from non-event businesses, continues to be of high focus for management and the Board. Achieving this will likely require a major redevelopment of the 1st floor gallery to enhance its attractiveness to the meeting market.

As the Trust approaches the end of a decade of operating the restored St James, our core sponsorships are approaching renewal. The Trust has already commenced discussing Westpac's interest in continuing with naming rights-sponsorships, while other sponsoring arrangements for the spaces within the Westpac St James Theatre (and the Opera House) are major goals for the Plan year.

Even with the above initiatives, significant near-term revenue growth is unlikely. Yet the operating costs continue to suffer upwards pressure. The Westpac St James Theatre is also facing a growing amount of routine refurbishment and maintenance. However, the venue fees (often claimed as "too high" by promoter and community groups) have not changed in the eight years since the Westpac St James Theatre re-opened. While not showing additional rental revenue in this Plan, during the coming year the Trust will be implementing increases in our rental and service charges to levels more closely aligned to the underlying costs.

Our continuing objective is for the Trust to achieve cash operating profits from these theatres, an outcome almost unique in Australasia. This enables the Trust to provide quality live theatre entertainment in its prestigious Wellington venues without recourse to funding from the broader ratepayer base, many of whom may not agree with their money being spent to subsidise facilities that they do not choose to frequent.

Our venues will thus continue to be both preserved as iconic structures and as dynamic contributors to the "*Creative Wellington – Innovation Capital*" vision and to the enjoyment of Wellingtonians of all ages.

Geoff Atkinson
Chair

1. Introduction

While the Trust's Mission Statement is reviewed annually, the Trust exists to fulfill the same fundamental objective since its inception which is:

- ***To keep the two historic theatres operating as viable working theatres***

The Trust's mission was updated in 2005 to reflect the current long-term role of the Trust and continues to be relevant for 2006-7: viz;

To provide a world class theatre experience to Wellingtonians, visitors and local and international theatre hirers at the Westpac St James Theatre and the Opera House.

In order to satisfy the Mission the Trust works to achieve the financial viability and overall success of both theatres, preservation of the heritage aspects of both buildings, provision of a broad range of high quality patron and hirer services to enhance and make viable the total theatre experience, a highly skilled and dedicated staff, leadership in the adoption of best and safe practice in the industry and to continually broaden and grow the audience base and attractions for current and future generations and in doing so to be a major contributor to the Quality of Life in Creative Wellington - Innovation Capital.

In short the Trust works to achieve its logo tag line of "Entertaining Wellington"

The nature and scope of the Trust's activities are fully set out in the accompanying Statement of Intent.

Of particular note the Trust contributes to the **Cultural Wellbeing** of Wellington and the following, as outlined in The Council's community outcomes:

- ***Stronger Sense of Place***

Wellington will have a strong local identity that celebrates and protects its sense of place, capital-city status, distinctive landform and landmarks, defining features, history, heritage buildings, places and spaces.

The Westpac St James Theatre and Opera House are both landmark, historic, heritage buildings restored for the people of Wellington and to people from outside Wellington.

- ***More Eventful***

Wellington will be recognised as the arts and culture capital, and known for its exciting entertainment scene and full calendar of events, festivals, exhibitions and concerts.

The Westpac St James Theatre and Opera House both provide busy calendars of significant events in a broad range of genre including ballet, dance, opera, touring shows, musicals, comedy, and childrens', music including NZ music, rock and pop and classical concerts and community performances.

- **More Actively Engaged**

Wellington will encourage greater engagement and participation by offering an exceptional range of arts and cultural amenities that cater to all tastes as well as a high quality environment that fosters a vibrant city life.

In addition to the wide range of performances The Westpac St James Theatre and Opera House engages directly with its patrons through its up to date database membership and its Audience Development programme including the schools and adult programmes.

1.1 Results of 2005-6 Business Plan

Of the strategic initiatives noted in the last plan:

Theatre Programming 2005/6

The Trust continues to achieve its objective of complementary programming between the two venues i.e. each theatre has its own market with some but little crossover. The Complementary Programming Policy is outlined in section 2.2.1 below.

Of particular note the Trust continues to work at and build reputation and relationships with major promoters and venues throughout New Zealand, Australia and Asia Pacific. So much so that the Trust was recently considered by an international promoter for an international tour of an icon show that, in previous years, would never have considered Wellington. The Trust has also won a venue contract for a 10 week season of an international show in the Opera House in Jan – April 2007. This is the longest season on record for the Trust. These promoter and venue relationships are vital to the survival of the theatres and to their being able to obtain touring product suitable for both theatres and their audiences.

Through 3Q 2005/6 as at 31.03.06:

St James Theatre achieved 94 performances against a target of 94 (0%) and 157 occupied days against a target of 167 (6%). Forecast to year end 31.06.06 is 126 performances and 198 utilised days. The Opera House achieved 73 performances against a target of 83 (12%) and 90 occupied days against a target of 106 (15%). Forecast to year end 31.06.06 is 107 performances and 129 utilised days.

Marketing 2005/6

The Trust achieved all of the marketing objectives and more. Marketing is a key focus and the Trust continues to grow the marketing activities particularly in new and specialized areas of direct and e-marketing. Specific results include:

- Increase in database membership from 12,800 to 16,000 active members in 2005/6
- Increase in marketing services available to promoters/producers
- Increase in size and circulation of the season brochure from 30,000 – 35,000 to 40,000 – 45,000 per issue. Apart from communicating to Wellingtonians (and patrons outside Wellington on the database) that the theatres are alive and busy the season brochure has proved to be a vital marketing tool in getting hirers to go to contract in order to publicise shows up to 3 months in advance. Lead time before the season brochure was traditionally 6 weeks.
- Increase in e-marketing
- Development of Audience Development activities refer below.

The Trusts marketing activities contribute considerably to the Council's outcomes of Stronger Sense of Place, More eventful and More Actively Engaged. Prior to this activity

the Westpac St James Theatre and Opera House were considered black holes on Courtenay Place and Manners St. Now patrons are constantly commenting on how busy and alive the theatres are.

Food, Beverage & Events 2005/6

These operations continue to make a substantial financial and activity contribution to the theatres and are essential to completing the 'theatre experience'. They are of particular importance in attracting corporate clients to entertain at shows. In addition they bring non performance revenue and activity on non – show days which assists with both cash flow and marketing of the theatres when either one or other theatre is "dark". The Jimmy Café, Opera House Espresso Bar, the 1st floor Gallery, the Opera House Foyers and Hospitality Suite, the St James Hospitality Suite and the Denis Adam Suite are all valuable elements of the theatres activities.

Audience Development 2005/6

The Trust has achieved great success and exceeded all targets with its Audience Development pilot project in 2005/6.

As outlined in the 2005/6 plan the Trust made a commitment to invest in projects that will contribute to long term audience development. The Trust received a New Initiative Grant for three years funding for the Trust's Audience Development programme in the 2003 Council Annual Plan to end on 30 June 2006.

The programme was developed from the understanding that the world is into its 3rd generation of DVD, computer games and X Box watchers and that "if a young person has not been to a theatre by the time they are 18 it is unlikely they will" as it is not part of their experience.

The Audience Development Programme was developed for the long-term benefit of the Westpac St James Theatre, The Opera House and all theatre in Wellington and for the development of the Cultural Wellbeing of Wellington and its status as **Creative Wellington - Innovation Capital** Culture Capital of NZ. The Audience Development Programme was designed to have citywide benefit and to encourage first time attendance from different sectors of the community as well as build the performing arts audience base for today and tomorrow thus achieving the Trust's long-term objectives:

- Artistic and social - to widen access to and increase attendance at the theatres
- Commercial - to develop partnerships with the theatre's hirers for the purposes of assuring future audiences
- Financial - to assure the future of the Trust's two venues and the associated arts infrastructure

In realising these long-term objectives, the Audience Development programme aimed to:

- actively increase attendance at the theatres
- increase 'new audiences' by bringing people into contact with the theatre for the first time including school groups, children and families, first time attendees
- develop understanding, knowledge and appreciation of theatre and its value in enriching the lives of individuals and the community
- develop partnerships between schools, the theatre and major hirers
- provide students with possible career options to ultimately strengthen the arts infrastructures.

Specific projects to date included:

Schools - the SJT *Theatre for Schools Programme*, Preview Evenings for Performing Arts teachers, *Theatre for Schools* web page, SJT *Theatre for Schools* Teachers' Resource Pack.

Adult Audiences - Preview Evenings for corporate and government department Social Club representatives, Group Ticket Bookers programme, Season Brochure registration on the scheme, Group Booker web page and monthly information emails.

With the non renewal of the Council's New Initiative funding the Audience Development programme will unfortunately cease on 30 June 2006. The Trust will review whether it is possible to incorporate key aspects of the programme into its generic marketing function.

Other "Added Value Initiatives 2005/6

In addition to the above the 1st floor Gallery continues to be curated by the Wellington Artists Gallery Trust as a visual art Gallery.

Refurbishment of the Opera House 2005/6

This has been a major focus of the Trust as outlined in the 2001/2, 2002/3, 2003/4, 2004/5 and 2005/6 Business Plans and will be ongoing in this 2006/7 plan. The work completed to date at the Opera House includes:

2000 - new roof and repainting of the façade

2001 – refurbishment of the Espresso Bar

2001 - refurbishment of the downstairs and upstairs foyers

2002 - refurbishment of the auditorium and replacement of stage 'blacks'. This work was completed primarily from Trust funds with sponsorship from Community Trust of Wellington (stage blacks) and Dulux (paint).

2003 - Creation of new hospitality suite in the dress circle foyer, installation of security alarm system and installation of second power switchboard to increase power supply to cater for show and front of house needs

2004/5 - Replacement of the old flying system with a new system similar to that at the St James for health and safety reasons. This was a major capital item and assistance was provided in the Council Annual Plan in the form of an annual grant for a period of ten years to assist the Trust with the payment of the \$1.1m loan from the ANZ bank. The Trust funded an additional \$235,000 to complete the work. The Opera House closed from December 2004 to mid May 2005 for this major work.

2005/6 – Planning and scoping of the staged upgrade of the sprinkler system and hanging points in the Opera House to commence in 2006/7.

2005/6 - Replacement of the old power switchboard dating back to early 1970's.

Work on the Opera House will continue in 2006/7. Refer 2.3 Opera House below.

Sponsorship & Fundraising 2005/6

The Trust continues to be committed to developing and strengthening relationships with existing sponsors including Westpac, Pernod Riccard (NZ) Ltd), NZ Breweries (Lion Nathan) & Marsh Ltd. PricewaterhouseCoopers chose not to renew their Silver Sponsorship of the 1st Floor Gallery on its expiry in December 2005. The partners of PricewaterhouseCoopers assured the Trust that PWC had enjoyed the benefits of the sponsorship and that the non renewal was only due to a change in sponsorship focus for PWC. An alternative naming rights sponsor for this space is actively being sought

The major sponsorship success in 2005/6 was the grant of \$300,000 in July 2005 from the NZ Community Trust towards the installation of the \$378,000 Pit Lift in the Westpac St James Theatre. This was an item that was not completed during the 1998 refurbishment due to cost. Work commenced on the pit lift design, manufacture and installation in July 2005 and is expected to be complete in June 2006.

2. The Business Environment

2.1 The Theatre Business

The volatility of the theatre industry worldwide continues to be a given. It is often likened to horseracing (some of the Trusts promoters are involved in the horseracing business too). Theatre is a high risk business in which the promoters, producers and venues live on the knife edge not knowing until the last minute whether the funding, investment or box office will materialise to either make the show happen or pay the bills after the event.

The Trust held its annual strategy day on 31 January 2006 during which the business performance over the past 6 years was analysed and the direction redefined for the future. The direction set out in the 2005/6 business plan has proved to be appropriate and will remain the basis for going forward with some new initiatives and projects in specific areas.

As per the 2005/6 Business Plan the Trust recognizes that it is now entering its third key stage of life i.e.

Stage 1 – Saving, refurbishment and opening of the Westpac St James Theatre and acquisition of the Opera House

Stage 2 – Establishing operational viability and acceptance in the international and local touring circuit and refurbishment of the Opera House

Stage 3 – The business is mature and the Trust is focusing on growing the business, exploring new revenue streams, diversifying theatre show genre and hirers and increasing audiences in order to ensure the theatres' viability into the future.

The Trust continues to earn its revenue from three key sources: Theatre, Food & Beverage and other (sponsorship, tenancies, etc).

As per the 2005/6 plan the Trust recognises that the number of days to sell and potential revenue from current resources has a finite limit at \$3.5M - \$4.5M (in current dollars) and that this limit has been reached during several periods over that past 2-3 years. The Trust is mindful that several costs are continuing to rise well above CPI while an upper limit of revenue from current resources will soon be reached. While the Trust recognises that it can achieve more from the base business it also recognises that it will need to change or add to base resources, e.g. alteration of the 1st Floor Gallery to cater for day time corporate business, or look for new revenue streams in the years ahead.

2.2 Strategic Objectives

The strategic objectives of the 2005/6 Business Plan proved to be appropriate and have been updated, with additions, in the 2006/7 year.

2.2.1 Theatre Programming

Theatre accounts for approximately \$1.5M - \$2M revenue per annum.

Glossary of terminology:

Artistic Company – produces work for artistic as opposed to commercial reasons. E.g. Royal NZ Ballet, NBR NZ Opera, Sydney Dance Co.

Investment – where an investor invests money in specific season(s) or whole tour with the potential for either loss or gain according to the success of the season/tour.

Joint Venture – a project where two or more parties present a show, share the risk and divide the box office in proportion to their contribution.

Presenter – a venue or organisation that presents a ready made show and takes risk in conjunction with an Artistic Company, a Producer or a Promoter. Examples: St James Theatre, Opera House, The Edge.

Producer – individual or organisation that produces a show, usually for commercial reasons, obtaining the rights, employing director, crew, cast, marketing etc and touring such shows nationally and internationally either alone or with a Promoter or Presenter. e.g. Wellington Musical Theatre (Wgt), Cameron Macintosh (UK), Jacobsen's (Aus), and Stetson Productions (NZ).

Promoter - individual or organisation that promotes (and usually tours) a ready-made, usually commercial, show owned by a producer. Examples: Stetson Entertainment (NZ), BLP (NZ), Frontier Touring (NZ/Aus), JB Farms Ltd (NZ), McPherson Ink Pty Ltd (Aus).

Receiving House – a venue that 'receives' a ready made show, charging rent for its use with no direct involvement in risk. Examples: St James Theatre, Opera House, The Edge and most theatres in NZ.

Introduction to the Theatre Booking Calendar

The Trust's booking calendar, for both theatres, changes daily as promoters, both local and international, bid against each others for rights to shows and plan and re-plan national and international tours around availability of rights, artists and venues.

The booking calendar at any one time may hold multiple pencil bookings for many days and no bookings at all for several periods. In general promoters will hold pencil bookings for anything from 4 weeks to 3 years out but they will not confirm and contract until the last possible moment, often the day before they wish to go on sale, which is usually about 6 weeks out from the show. The only exception to this is the RNZB and NBR NZ Opera which hold pencil bookings up to 5 and 3 years respectively and which contract each year in November for their subsequent annual subscription season. Even these companies are not immune to cancellation and re-planning as was seen when the RNZB reduced its major seasons from 4 to 3 and NBR NZ Opera from 3 to 2 (plus one road tour) in 2006 calendar year.

With the exception of the spike in March in each Festival year preceded and followed by the customary desert and the traditional Christmas New year slump, there is very little pattern in bookings from month to month and year to year throughout the rest to the year. There is also no significant difference in the total number of performances p.a. in a Festival or non Festival year. Refer the Westpac St James Theatre and Opera House monthly performance graphs (**Appendix C**).

Wellington Audiences

In general traditional Wellington theatre audiences are very discerning, have traveled widely, have seen major shows overseas and look for quality in the shows that they will buy tickets for in Wellington. While Wellingtonians may see a range of quality in shows when they travel they will not pay to see non top quality shows at home. Nor will they pay as much at home as they do for tickets overseas, no matter what the quality.

Theatre Audience Strategy 1 – Consequently the Trust looks to source, both through venue rentals and own show, shows of high quality within a price range that they will accept for a show at home, for its traditional theater going audience.

Theatre Audience Strategy 2 – the Trust works to attract shows of different genre in order to attract new, non traditional theatre goers. For example the tours of Russian ballet over the past three years have attracted a new audience that does not, in general, attend RNZB performances and the new pop and rock concerts e.g. Salmonella Dub, the Phoenix Foundation, Anika Moa, Brooke Fraser, the Finn Brother, Jack Johnson, Jack Black and Hayley Westenra have all attracted a whole new market of young and old audiences that did not previously attend the theatre.

Wellington on the International and Local Touring Circuit

Westpac St James Theatre and the Opera House hold a unique place in the theatre touring circuit both international and local. For the most part both venues are too large to host most of the NZ shows that tours to all the other regional centres. The venues are also on the edge of viability for many of the larger overseas touring shows.

Touring Circuit Strategy – The Trust works to source NZ shows that are classed as large on the NZ circuit and that in general can only tour to major centres including Auckland and Wellington and sometimes Christchurch e.g. Maui and mid range shows on the international touring circuit that in the past have only toured to Auckland and now, with the Trusts input, may come to Wellington.

Budget

The Council (and therefore Trust) financial year does not coincide with the hirers'/promoters' year. Most hirers and promoters work on a calendar year for their planning and booking of shows. Traditionally the Trust will receive a flurry of bookings in November and December for the following calendar year as hirers try to lock in their tours for the following year. This makes it particularly difficult to budget for the 2nd half of the Council financial year as most promoters will not be thinking about the following calendar year until later in the current calendar year.

In general at the annual Budget and Business Plan time (April/May each year) the Trust will have some idea of what may happen in the first six months of the financial year (July – December). However at Budget time the Trust will have very few or no bookings, other than RNZB and NBR NZ Opera, held or confirmed for the second half of the financial year (Jan – June). This pattern means that the Trust can only best guess its Budget based on gut feel about what its hirers might be planning to do in the coming Council financial year.

Budget Strategy 1 – The Trust works to build strong relationships with its hirers as it is conversations with hirers' not actual pencil bookings that give the most valuable information about the coming year's potential bookings for the budget.

Budget Strategy 2 – The Trust continues to review and re-forecast Programming and Events budgets quarterly to give an up to date picture of year to date and year end results.

Hirer Relationships

The Trust relationships with its hirers are vital to the theatres survival. The Trust continues to work to build relationships with all hirers both local and overseas. The Australian promoters are particularly key as they are the key source of international shows to New Zealand.

In 2005 one of the Trust's major international hirers and providers of high class international product collapsed overnight. However ongoing relationships with individual producers and promoters in this company has meant that the Trust has acquired several smaller potential hirers as these individual producers and promoters reestablish their businesses under different companies.

Hirer Strategy 1 – Local Hirers - The Trust's management continue to build strong relationships with local promoters/producers providing them, if required, with marketing, budgeting, ticket pricing and technical assistance and advice in order to ensure that their productions are viable and are reach the target audiences

Hirer Strategy 2 – International Hirers - The Trust's management continue to build strong relationships with overseas (in particular Australian) Promoters/Producers providing them with marketing, ticket pricing, technical, budgeting and other assistance and advice to help them make their tour viable and to break down barriers of perception that Wellington is too small to make an international show viable and to encourage promoters to come to Wellington as well as Auckland.

Hirer Strategy 3 - In order to keep these relationships current the Trust's management maintain an ongoing dialogue with hirers and promoters and both the CEO and Marketing Manager travel regularly to visit the key Melbourne and Sydney based promoters in order to be "top of mind" when a touring opportunity arises. (The seasons of "Bollywood" and "Menopause the Musical" were won in this way).

The Trust has gained a reputation amongst international promoters for being, along with QPAC Brisbane, one of the top two most forward thinking and hirer friendly venues and has won several seasons recently that would heretofore not have played Wellington.

Factors Affecting the Theatre Booking Calendar

While previous years results are interesting they give very little indication as to what may happen in the coming year as each year is different and based on many factors including: the financial health of the hirers both local and international, the international touring circuit, the state of the NZ economy, the \$NZ exchange rate and other local and global economic and political factors.

Booking Strategy 1 - To counter this, the Trust continues to examine a wide variety of sources for shows through different promoters, the venue consortium, different genre and different source countries.

Booking Strategy 2 – The Trust prioretises bookings to maximize yield in terms of performance numbers. Priority is given in the Westpac St James to season bookings of multiple nights or weeks. The Opera House is available for one night bookings, although priority is usually given to bookings of multiple nights.

Booking History

In general the Trust has achieved a good spread of shows over the past 4 – 5 years with very few long dark periods, as was experienced in the first few years of the newly refurbished St James. The Opera House too has achieved a good spread of smaller seasons and one – two nighters within its own market.

As noted in the 2003/4 to 2005/6 Business Plans, the Trust can experience dark periods followed by extremely busy periods.

In general, over programming is managed by the hirers themselves who closely monitor the product on tour and who will “pull” a show rather than make a loss against competition. However, many hirers also have to work within the timing of international tours and the Trust also has to accept shows as and when they are available.

Booking Strategy 3 - The Trust continues to work with hirers to try to spread programming across the year and the two houses so as to avoid the negative effect of over programming and dividing the market in similar genre. As noted in the 2005/6 Business Plan the Trust accepts that for this reason it has to have some ‘dark periods’, which are then sold to non performance clients.

Forward Bookings

Forward bookings for the first half of 2006/7 are good but, in line with the late booking pattern of ticket buyers, are slower and slower to confirm as each year goes by. As is usual at the time of writing the only pencil bookings for the second half of 2006/7 are regular hirers RNZB and NBR Opera - with one exception. The Trust is pleased to announce the unprecedented 10 week contracted booking for the international season of “Menopause the Musical” which will play in the Opera House from January to April 2007.

Booking Strategy 4 – The Trust uses its season brochure (published three times a year) to push hirers to contract as a hirer cannot publicise in the season brochure or sell tickets to a show until it is contracted. This has resulted in contracts being issued well in advance (sometimes up to six months) of when they would be without a season brochure.

Complementary Programming

With two lyric theatres to maintain the Trust developed a ‘complementary programming’ policy in its 2000/1 Business Plan. This policy remains current and is as follows:

Programming Strategy - The Westpac St James Theatre primarily hosts the major seasons including Royal New Zealand Ballet, NBR NZ Opera, major musicals both local and international and major acts or one or more nights. The Opera House hosts the mid scale international touring and local productions, contemporary dance, comedy, music, local dance school productions and many one nighters including the newly developed (for the Trust) pop and rock genre.

Dark Periods in the Theatres

The Trust can experience dark periods. Sometimes this is desirable e.g. after a very busy period when the patrons and their credit cards need time to recover, and sometime it is not.

Strategy 1 - During these periods the Trust clear the time to the Events department to sell for non performance related events. Refer 2.2.4 Food & Beverage below.

Strategy 2 – When a dark period is not desirable the Trust will take risk and present and “Own Show” in order to keep the lights on in the theatre and to ensure that Wellington continues to fulfill its outcomes of “Stronger Sense of Place”, “More Eventful” and “More Actively Engaged”. Refer 2.2.2 Risk management below.

Other Theatre Business

A surprising but growing part of the theatre business is in commercial film shoots and church services. These provide regular income on days when there are no shows. The Opera House Stage Door Lane is particularly popular with film companies, the Opera House featured in King Kong (one week booking to make 15 seconds of film) and the St James has hosted several major filming including Hayley Westenra, TVNZ Ghost Stories and TVNZ’s filming of RNZB’s The Wedding.

Strategy – the Trust continues to build relationships with film companies and several large churches to attract this business on non show days. Unlike all the Trust’s other clients the churches have good budgets and rarely quibble about the price, making them very good business.

Venue Consortium

In order to know what shows are becoming available the Trust needs to be a key player with other venues in the industry.

Consortium Strategy - Wellington being a city of only 450,000 is almost too small to be a member of the Australian and Asia Pacific consortiums. However the Trust has managed to win membership for the theatres in two key venue consortia due to its proven ability to take risk. The Trust continues to develop strong strategic alliances as follows:

New Zealand: including primarily The Edge (Auckland) and Bruce Mason Centre (Nth Shore) for international and mid scale touring.

Regional New Zealand: including Napier Municipal Theatre, Founders Theatre (Hamilton), The Regent (Dunedin), The Regent (Palmerton North), Baycourt (Tauranga), Sky City (Auckland), Theatre Royal and NCC (Christchurch) and Telstra Clear Events Centre (Manukau). Regional work is primarily for initiating smaller regional tours where the Trust is often the driver.

Australia: including primarily The Arts Centre Melbourne, QPAC Brisbane, Sydney Opera House, Perth Theatres and Adelaide Festival Centre. The Trust is now, by invitation, a member of the OZPAC Programmers Group comprising the main arts centres in Australia which meets twice annually to share touring information.

Asia Pacific: including primarily The Esplanade (Singapore), LG Arts Centre Seoul, Tapei Arts Centre, Hong Kong Performing Arts Centre and Macau Arts & Cultural Centre. The Trust is now a member of AAPPAC (Association of Asia Pacific Performing Arts Centres) Programmers Group comprising the main arts centres in Asia Pacific which meets annually to share touring information.

Festivals: primarily Taranaki, Christchurch, Perth, Melbourne, Tasmania, Auckland and Sydney Festivals. The majority of this work is done in conjunction with The Edge.

Rental Strategy - The cost to rent the Westpac St James Theatre has not changed since the Westpac St James Theatre reopened in early 1998. Since that time nearly every one of the theatres' costs and every associated parameter (such as ticket prices) has shown a significant increase, the NZ CPI, for example, growing nearly 20% over that period. In fact, many costs (insurance, electricity, etc) have grown at a faster rate than CPI.

While the Trust has resisted (with great assistance from our renters!) any change for eight years, the more rapid increase in costs over the past 12-18 months has shown that the Trust cannot sustain the business without moving to incorporate some elements of these cost increases in the rental fee structure.

The Trust is therefore developing an implementation process for a new venue rental fee structure (at both venues) to be introduced during the course of the 2006/07 year.

The Trust is cognizant that the Council may well be asked to bear some of these higher costs by various user groups dependent on Council funding. The Trust will keep Council Officers apprised of changes in rental fees.

2.2.2 Risk Management

Own Risk Shows

As outlined above the Trust can experience dark periods. Sometime this can be desirable refer above. When this is not desirable the Trust will take risk on an "Own Show" in order to fill a dark time or to fulfill needs for a genre that not being met by a hirer.

Risk Strategy - the Trust continues to actively seek product, both local and overseas, that has the highest likelihood of materialising and being viable and offers the broadest appeal.

In the 2000/1 and subsequent Business Plans the Trust adopted the policy of presenting its own shows, in addition to being a 'receiving house'. To date the Trust has presented fourteen major seasons in joint venture with artistic and commercial companies. These include Sydney Dance Company (Jan 2000, Sept 2003 and Nov 2004), Rambert Dance Company and Cirque Eloize (March 2001), Joe Labero, The Magic Master and Ennio Marchetto (Sept 2001), Shanghai Circus (April 2004), 7 Fingers (March 2005), The Hobbit (April 2005), Maui – One Man Against the Gods (May 2005), Dorothy the Dinosaur Dance Party (July 2005) and Les Ballets Trockadero de Monte Carlo (Nov 2005). Discussions are ongoing with several companies for future projects.

Risk Strategy - The Trust's risk activity broadened in 2005/6 to include joint ventures, "buys" and investment options with both artistic companies and now commercial presenters/producers. This is to ensure that Wellington is in the market to attract good quality product to Wellington as opposed to just Auckland.

The Trust continues to prove that:

- The Trust can manage risk by negotiating joint ventures with artistic and commercial companies for dark periods or periods where pencil bookings with promoters are insecure. The Trust can use its ability to joint venture and assist with marketing as a significant draw card to encourage promoters to Wellington and to make Wellington seasons viable.

- Own presentations, with careful planning and management, are financially viable (excluding world events outside its control). Own presentations provide many other benefits for audience development, corporate involvement, theatre promotion and ancillary revenue earning over and above the consideration of straight box office revenue.

The Trust continues to apply its risk management policy, as outlined in the 2000/1 Business Plan, to govern own presentation activities. The current policy addresses the three risk areas of Financial Risk, Performance/Delivery risk and Audience Risk as detailed below:

The Trust will not invest more than 25% of its available funds (cash and credit lines), in any one project.

The maximum permissible share of assessed downside risk is to be no more than 10% of available funds on any one project.

In descending order of preference, funds would be invested in shows which:

1. are assessed to be viable on the basis of a Wellington region audience only
2. are assessed to be viable on the basis of a New Zealand tour circuit
3. are assessed to be viable on the basis of an Australasian tour circuit
4. other

The Trust will not generally invest in large projects where it is the sole risk party. But it will do so for smaller projects where the breakeven point is low to medium, it is clear the product will have good audience support and the financial outlay is within the above guidelines.

These parameters have been reassessed and determined to still be appropriate and will continue in 2006/7. The Trust has accepted that it may also have to 'risk rent' and add other services in order to attract certain products to Wellington and has approved that this fits within the CEO's current delegations. 'Risking rent' does not require injection of capital and services are either paid for by promoters or built into the rental cost.

The Trust is also exploring the establishment of a new "investco" to be the entity that undertakes such risk-based activities on its behalf. This would ensure appropriate risk-protection of the Trust's assets and enable the engagement of additional staff with appropriate skills for such activities.

Foreign Exchange Rate

The fluctuating \$NZ is presenting the Trust with challenges in securing overseas touring as both the promoter and the venue cannot lock in budgets adding an uncontrollable element of risk to touring projects.

Insurance

Following the 124% increase in 2002/3 and 25% increase in 2003/4 in its insurance premiums, in the Trust managed to secure insurance for both venues in 2004/5 and 2005/6 for all perils, at a cost reduction from 2003/4.

The Trust's insurance brokers have advised hardening of the market but are unable to provide an indication of \$ yet. Insurance remains a large cost item for the Trust as it manages two historic buildings, with sole purpose use, both on an earthquake fault with no back up facilities in other centres to spread the risk. The Trust will continue to face issues in relation to affordability of premiums and extent of cover in the 2005/6 year and beyond,

depending on economic changes and world events and is working with its insurance brokers to mitigate these.

2.2.3 Marketing and Audience Development

Marketing

The Marketing function is vital to both parts of the business i.e. Theatre and Food and Beverage/Events.

Theatre Marketing

The most significant draw card that the Trust has developed to attract Promoters and Producers to Wellington is the advice and assistance that the Trust offers both local and international hirers on a non-liability basis. This includes marketing, ticket pricing, technical, budgeting and other assistance and advice to help them make their tour viable. Interestingly the international hirers are much more interested in receiving advice and assistance than local hirers are.

As outlined above and in the 2005/6 Business Plan, marketing is an increasingly major factor in the success of attracting product to Wellington and in gaining occupancy for the promoters/producers and in growing the brand for non performance events during dark periods.

Audience Development

As discussed earlier with the unfortunate non-renewal of the Council "New Initiative" funding for this programme on 30 June 2006 the Trust is reviewing whether or how to incorporate any of these activities into its generic marketing activities.

F&B and Events Marketing

The Marketing Manager continues to work closely with the Food, Beverage and Events Sales Manager to develop marketing campaigns to develop the brand of Westpac St James theatre and Opera House for performance and non-performance related events.

Strategy - This will be achieved through:

1. An increase in staffing with the addition of a full time marketing Assistant in 2006/7
2. Continuing to offer and developing all the marketing services including marketing advice, season brochure, direct marketing, e marketing, database, web site, Star Experience, corporate initiatives and full marketing and publicity service to all hirers on a non-liability basis.
3. Offering the full Marketing service to hirers as a recoverable revenue stream
4. Keeping ahead of developments in marketing to access specific audiences directly e.g. TV and newspaper can no longer be relied upon to access audiences as patrons get their news and information from different sources e.g. cable, internet and by direct e marketing.
5. Increasing the specific direct and e-marketing campaign to get to target specific audiences
6. Working with Positively Wellington Tourism, where possible, on joint marketing projects to attract Promoters/Producers of icon events to Wellington
7. Promoting St James Theatre and Opera House brands through the very successful season brochure (3 times p.a. with a distribution of 40 - 45,000 per issue.
8. Continuing to develop the www.stjames.co.nz website to increase national and international exposure.
9. Continuing to increase loyalty and direct marketing through St James data base

10. Developing the Audience Development Schools Programme offering dress rehearsal, performance, theatre tours and workshop activities to schools throughout the lower north island
11. Continuing the Audience Development Group Bookers email newsletter service
12. Continue the Audience Development Preview Evenings through which Group Bookers and database members are invited, three times per year, to see previews of the upcoming shows
13. Continuing to use preferential booking and other initiatives to increase advance ticket sales and patron loyalty.
14. Increasing corporate and specialist group booking and entertaining.
15. Proactively promoting performance and non-performance events and F&B facilities.

2.2.4 Food, Beverage & Events

Food, Beverage & Events accounts for approximately \$1.5 million revenue per annum.

The Food and Beverage operation is well established and respected in the market place. While it is almost on an equal footing with the theatres in revenue terms, it still exists to support the theatre and programming during the day and on non show days. The food and beverage operation continues to grow with enhanced facilities at the Opera House Espresso bar, foyers and Hospitality Suite. It is important to note that many corporate clients are using the Opera House since its refurbishment in particular the performance related Star Experience.

As noted in the 2005/6 Business Plan the two main operations, theatre and events, cannot run concurrently at present. During a programmed week the spaces are not available for non-performance related events and priority always goes to performance, so major revenue cannot show in both streams at the same time.

The Jimmy is a theatre café/bar established primarily as a marketing tool to rid Courtenay Place of the “dark hole” that existed for many years when the old St James stood closed and neglected. *The Jimmy* exists primarily to keep the lights on day and night to remind Wellingtonians that the Westpac St James Theatre is alive and well and open for business.

The other spaces exist primarily for performance related hospitality. Non – performance related business is a bonus assisting with cash flow and contribution to the bottom line of the theatres. The non – performance related business is also important as it attracts business people to the theatres who then might bring their clients or families and friends back to a show on another occasion.

Because of the F&B operation’s interdependence with the theatres the Trust therefore does not expect the F&B operation to bear a full commercial allocation of the fixed overheads. However, the Trust does expect it to perform positively on a cash cost basis, which it currently does, and thereby make a vital contribution to overheads and cash flow.

The performance related F&B revenue continues to grow. However it is always subject to several factors, outside the control of the theatre, including number and type of performance, audience demographic, interval or no interval and seat occupancy on shows that are not presented by the Trust.

One of the key challenges in F&B is the continued acute shortage of trained and experienced F&B management staff. The Trust has experienced gaps of up to six months while trying to recruit appropriately experienced F&B management staff. This is a national phenomena felt even more acutely in Wellington due the every corner having a café or F&B outlet on it. There are simply not enough experienced F&B management staff in the

country. Currently the Trust has a good core of excellent key management staff however, as has been the case for over two years, it is still one key F&B management member short.

Strategy - In order to maintain and grow this part of the business to support the theatres the Trust:

1. Has employed a dedicated part time sales and marketing assistant employed solely to make sales calls to current and new F&B clients. This has resulted in an increase in day time corporate events business which, while small in scale, is high in return.
2. Has employed a Trainee Duty Manager to try to counter, in part, the shortage of experienced F&B management staff by training from within
3. Works to maintain its current F&B management staff
4. Continues to promote the events facilities as a "short-order" venue for a wide variety of commercial uses including meetings, training courses, presentations, cocktail parties and product launches
5. Develop a new market for AGM's providing what other conference facilities cannot provide for large numbers of attendees in an auditorium facility
6. Continues to build on repeat business and word of mouth recommendation
7. Continues to develop the product mix of each area including daytime café, performance related F&B, Star Experience, and non-performance related F&B and events at both theatres
8. Continues to improve the levels of service and customer loyalty and satisfaction
9. Is investigating options to develop the 1st Floor gallery into multiple smaller spaces to increase non-performance F&B and event business without interrupting performance or other business.
10. Is conducting thorough analyses of individual F&B areas to establish which are most profitable and which exist primarily for marketing purposes.

2.2.5 Other "Added Value" Initiatives

The arrangement with the Wellington Artists Gallery Trust continues to prove to be successful both in terms of foot traffic, usage and revenue from works sold.

2.2.6 SWOT Analysis

The Trust SWOT Analyses as updated at the January Strategy day is attached in Appendix All current and future strategies will address these issues.

2.3 The Opera House

2.3.1 Opera House Development

Development of the Opera House, on a project-by-project basis, continues.

Long term Development

In the 1999/2000 Business Plan the Trust outlined the results of a feasibility study on the redevelopment of the Opera House and proposed a plan to achieve this in four stages consequent on a programme of successful fundraising to achieve the outcomes.

Sprinkler System Upgrade

The 4th stage has been delayed by the fact that any further development of the Opera House has now become dependent on the successful expansion of the current sprinkler system to the auditorium and front of house areas estimated. This work is essential to

gaining permits to do any further work in any other areas of the theatre. The total cost of this project is estimated at \$660K and will be done in two key stages, dependent on Trust funds. The planning, design and tendering for the 1st key stage commenced in 2005/6. the cost of this stage is in the region of costing \$435,00. The 2nd stage of the sprinkler system project will be completed in 2007/8 subject to Trust funds.

Sub Main

In addition to the sprinkler system upgrade in order to achieve the lift access to the Gallery the Trust will need to install a sub main to provide feed into the building for the increased power needed to run a lift. The Trust installed a new switchboard in the Opera House in 2003 in order to provide sufficient power to both front and back of house at the same time. This took care of the internal power requirements at the time however in order to run a lift (and kitchen) more power will be required to come into the building. The current facilities are a basic commercial supply which is insufficient to run a lift hence the need to a new sub main as is currently used at Westpac St James Theatre.

The remaining 4th Stage of the refurbishment programme can only commence once the sprinkler system upgrade has been completed and includes the following:

1. Ongoing refurbishment of dressing rooms, corridors and laundry.
2. Refurbished toilets and showers for artists back stage.
3. Increased and refurbished toilets Front of House.
4. Under canopy lighting (chasers) along pavement façade.
5. Façade lighting above the canopy to full front of building.
6. Improvement in the seating in the Gallery. Note that the Trust may decide to install a more comfortable, up to date version of the banquet or stadium seating that the Opera House currently has, as this is the type of seating for which the Gallery was originally constructed. To install theatre flip up seating would require re-tiering work, which would cost more than could be justified in terms of consequential revenue increases. This type of work would also bring in to play new building codes.
7. Access to the Gallery through the front of House foyers should the 3rd floor office space become available.
8. Lift access to Gallery. This type of work may be affected by new building codes and associated complications and costs.

Priority for all projects is dependant on availability of funds and the requirement to minimise business interruption at the Opera House.

2.3.2 Size and pricing

As outlined in the 2003/4 to and 2005/6 plans the successful introduction of a two tier pricing structure (creating an 855 seat (2 levels) and a 1350 seat (3 levels) theatre continues to make a significant contribution to the attractiveness of Wellington as part of the national touring circuit for mid range size shows. The two tier pricing structure has increased the overall accessibility of the Opera House, particularly to community and mid scale shows. The Trust intends to continue this policy in the 2006/7 year.

2.3.3 Community Usage

As noted in the 2005/6 Business Plan there is still a general lack of awareness amongst community groups as to the actual cost of hiring and running a venue such as the Opera House. However difficulties have been significantly reduced with the introduction of the two tier pricing structure and the Community access policy, which has been in place for six years and was ratified by the WCC led Venues Group. The Performing Arts Foundation

subsidy continues to be available to these groups and goes a long way to offsetting their venue hire costs.

2.4 Westpac St James Theatre

Most of the contracts relating to the refurbishment of the Westpac St James Theatre were signed for 10 years. In year 2007/8 most items will be out of contract and full maintenance is imminent. Therefore the Trust has developed a staged maintenance plan to deal with major renewal and maintenance items in the future. The Trust will be committing to at least one major maintenance/renewal item each year.

In 2006/7 the Trust, along with Mainzeal, will be completely stripping back and renewing the coating on the façade which has been falling off in pieces since 2001. Other major projects for 2006/7 include maintenance of major plant, now 9 years old, in particular repainting of air handling ducts on the roof and ongoing weather proofing of the building.

2.5 Capex Plan

The Trust intends to spend \$XXXX on capital expenditure in 2006/7, \$XXXX in 2007/8 and \$XXXX in 2008/9, depending on available cash flow. The majority of this will be spent on Opera House refurbishment, development of the 1st Floor Gallery of the St James Theatre and improving the façade and lighting on both theatres. The remainder will be spent on smaller items of capital expenditure to improve productivity and increase business.

2.6 Sponsorship and Fundraising

The Trust is acutely aware of the changes and difficulties in the current sponsorship market. Sponsors are no longer interested in bricks and mortar or naming rights and are looking more and more to how an organization can get their brand in front of the right target market with quantifiable commercial results, not just in one locale but throughout New Zealand.

The Trust, being Wellington based only, finds it increasingly difficult to fulfill sponsors requirements for national coverage and without small children and furry animals to assist in the appeal the sponsorship drive is increasingly difficult.

The Trust is taking those factors into account in the discussions it has commenced with Westpac over the future of the Gold Sponsorship relationship after its ten year term expires towards the end of 2007.

Strategy - While the Trust continues to explore all avenues of sponsorship including philanthropic, corporate, commercial investment in shows and grants from trusts, the Trust has been forced to reduce its expectations and reliance particularly on corporate sponsorship for future projects. The focus has moved from corporate sponsorship to Trust fundraising for specific projects (usually CAPEX).

2.7 Back Lot Development

The Trust has engaged property consultants to facilitate preparation of a detailed Back Lot development proposal. It expects to be in position to review its recommended action plan and associated economic implications with the Settlor by the end of the Plan year.

2.8 Performing Arts Foundation

The Performing Arts Foundation, largely funded by a levy on tickets sales (only) at the Trust's two venues, continues to be a significant source of project fundraising for the Trust. The Trust and PAF are looking at ways to increase the effectiveness of this role.

3. Financial Outlook

3.1 Operating Parameters, Strategy and Objectives

The financial strategy and objective of the Trust is to breakeven by whatever mix of business theatric/non-theatric can be achieved at the time.

The Trust's Business Plan continues to be predicated on managing the enterprise to be at least breakeven on a profit and loss basis and to maintain a positive cash flow. The Trust is confident that the business is viable over the longer term and that an acceptable level of profitability can be achieved by implementing the strategies outlined above.

To the extent possible the Trust's policy is to apply free cash flow to the development of the business and enhancement of the theatres.

3.2 Financial Forecasts

The Trust's forecasts should continue to be assessed within the relatively volatile nature of theatre industry revenues. Years 2 and 3 of the Plan are indicative only and merely reflect modeling based on a % increase and not actual data for the period. The nature of the business is such that forward planning cannot be done with certainty beyond 3 months at any time.

| Statement of Future Financial Performance – Trust Consolidated | | | | |
|-----------------------------------------------------------------------|--------------------------------------------|---------------------------------------------|--------------------------------------------|--|
| Forecast FYE 05-06 \$'000s | Year 1 30 June 2007 \$'000s | Year 2 30 June 2008 \$' 000s | Year 3 30 June 2009 \$'000s | |
| | Revenue | | | |
| | Sponsorship | | | |
| | Theatre Revenue | | | |
| | Box Office | | | |
| | Food and Beverage Revenue | | | |
| | Other Revenue | | | |
| | TOTAL | | | |
| | Expenses | | | |
| | Payroll | | | |
| | Property | | | |
| | House Expenses | | | |
| | F&B Cost of Goods Sold | | | |
| | Depn – Operational Assets | | | |
| | TOTAL | | | |
| | EBITD | | | |
| | Depn – Infrastructural Assets | | | |
| | EBIT | | | |
| | Interest Expense | | | |
| | Net Profit/Loss | | | |
| | Net Operating Cash flow | | | |

Assumptions:

General –

1. Consolidation excludes Performing Arts Foundation.

| Statement of Future Financial Position – Trust Consolidated | | | | |
|--------------------------------------------------------------------|----------------------------------|---------------------|---------------------|--|
| Forecast | Year 1 | Year 2 | Year 3 | |
| FYE 05-.06 | 30 June 2007 | 30 June 2008 | 30 June 2009 | |
| \$'000s | \$'000s | \$'000s | \$'000s | |
| | Assets | | | |
| | Current Assets | | | |
| | Cash & Cash Equiv | | | |
| | Receivables | | | |
| | Stock | | | |
| | Other Current Assets | | | |
| | Total Current Assets | | | |
| | Non Current Assets | | | |
| | Fixed Assets | | | |
| | Total Assets | | | |
| | Liabilities | | | |
| | Current Liabilities | | | |
| | Payables | | | |
| | GST | | | |
| | Deposits Held | | | |
| | Other Current Liabilities | | | |
| | Total Current Liabilities | | | |
| | Non Current Liabilities | | | |
| | ANZ Treasury Term Loan | | | |
| | WCC Loan/Capital | | | |
| | Total Liabilities | | | |
| | Net Assets | | | |
| | Retained Earnings | | | |

Notes and Assumptions:

1. Free cash flow is used to reduce external debt otherwise invested in short-term deposits.
2. 'Deposits Held' relate to pre bookings of venue and events.
3. Asset valuations on land and buildings have been received yet to be approved/accepted Trust – not included above.

| St James Theatre Trust Consolidated: Cash Flow Projections | | | | |
|-------------------------------------------------------------------|------------------------------------------------|----------------|---------------|----------------|
| Forecast | | Year 1 | Year 2 | Year 3 |
| FYE 05-06 | | Jun 07 | Jun 08 | June 09 |
| \$'000s | | \$'000s | \$'000 | \$'000 |
| | Cash Flow from Operating Activities | | | |
| | Cash was provided from: | | | |
| | Receipts from Customers | | | |
| | Interest | | | |
| | Cash was applied to: | | | |
| | Payments to Suppliers and Employees | | | |
| | GST | | | |
| | Interest Paid | | | |
| | Net Cash Flow from Operating Activities | | | |
| | Cash Flow from Investment Activities | | | |
| | Cash was provided from: | | | |
| | Proceeds from the sale of Assets | | | |
| | Cash was applied to: | | | |
| | Purchase of Fixed Assets | | | |
| | Net Cash flow from Investing Activities | | | |
| | Cash Flow from Financing Activities | | | |
| | Cash was provided from: | | | |
| | Additional funding | | | |
| | Cash was applied to: | | | |
| | Repayment of funding | | | |
| | Distributions | | | |
| | Net Cash flow from Financing Activities | | | |
| | Net Increase/(Decrease) in cash held | | | |
| | Add Opening Cash Balance brought forward | | | |
| | Closing Cash Balance | | | |

APPENDIX 1

RISK ANALYSIS REPORT

Risk Analysis Report

The purpose of this report is to identify the areas of risk for the following entity

- St James Theatre Charitable Trust

The report will also demonstrate how the Trustees and Management will manage the risks identified. In general management will be through the establishment of and the continuous monitoring of a framework of business controls.

Risk is the exposure to the possibility of such things as the loss of a significant season, economic or financial loss or gain, physical damage, injury or delay, as a consequence of pursuing a particular course of action. Risk has been classified and will be discussed below under the headings of strategic and operational risk. The risks identified have been analysed as high, medium or low based on the impact they would have on operations ('Impact'), the likelihood of their occurrence ('likelihood') and the risk remaining after implementation of the mitigating controls ('residual').

| Identified Risks | Analysis of Risk | | | Mitigating Controls |
|----------------------------------------------------------------------------------------------------|-------------------------|-------------------|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <i>Impact</i> | <i>Likelihood</i> | <i>Residual</i> | |
| Strategic | | | | |
| 1. Lack of working capital and over-reliance on debt funding for business development | H | M | M | WCC's ownership interest is maintained with regular reporting of results via the quarterly reporting mechanism. Flexible credit facility with the ANZ is in place. The Trust successfully negotiated with Westpac to advance payment of sponsorship monies. |
| 2. Pressure by the Wellington City Council as to the performance criteria / returns from the Trust | L | L | L | The council is informed as to the forecast and actual performance indicators through the council appointed Trustee and the reporting requirements of the Monitoring Committee. |
| 3. Increased liquidity risk within the Trust and corresponding pressure on the business | L | M | L | Monthly reporting of performance indicators against forecasts to the Trustees. Flexible credit facility with ANZ in place for current reporting year. |

| Identified Risks | Analysis of Risk | | | Mitigating Controls |
|----------------------------------------------------------------------------------------------|-------------------------|-------------------|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <i>Impact</i> | <i>Likelihood</i> | <i>Residual</i> | |
| Strategic - Continued | | | | |
| 4. Loss of a Trustee | L | M | L | Council reviews Trustees performance. One new Board member recently appointed. Council has a consultative process to match Trustees to perceived skillsets required by the Trust. |
| 5. Loss of access to / damage to the St James Theatre and / or the Opera House | H | L | L | Insurance cover obtained in respect of Material Damage to both buildings and their contents and for Business Interruption. |
| 6. Increased Insurance Premiums | H | H | H | Trust will when necessary restructure existing covers to match the Trusts ability to pay and take more self insurance e.g. indemnity only for all perils including earthquake. |
| 7. Conflict between requirement of WCC for break even results and pressure for community use | M | M | M | Use of two level hiring option, community access policy and PAF subsidy for community groups. |

| Identified Risks | Analysis of Risk | | | Mitigating Controls |
|----------------------------------------------------------------------------------------------------------------|-------------------------|-------------------|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <i>Impact</i> | <i>Likelihood</i> | <i>Residual</i> | |
| Operational | | | | |
| 1. Inability to attract producers and therefore performances to the theatre | H | M | M | <p>Theatre industry knowledge and relationships held within the industry by the CEO, Marketing Manager and PA to CEO.</p> <p>Building relationships with existing and new promoters</p> <p>Presentation of own product to fill gaps between regular hirers</p> <p>Member of formal and informal venues consortium working together to present own product</p> <p>Three annual seasons from each of The Royal New Zealand Ballet, and two annual seasons from NBR NZ Opera, and the biannual NZ Festival are known attractions.</p> <p>Reliance on performance revenue is reduced by F&B revenue stream from the cafés at both venues, plus non-performance related events i.e.: not dependent performances.</p> <p>Close management of bottom line and the regular assessment of performance against budget.</p> |
| 2. Further deterioration of the Opera House, which will deter hirers from paying appropriate levels of rental. | H | M | L | Extensive renovation over past four years including upgrade of flying system plus ongoing refurbishment pan, subject to funding. |
| 3. Promotional strategy fails to achieve predicted result | H | M | M | Risk management guidelines in place to govern and limit potential exposure. Sign off by Board required for each project in this category. |
| 4. Poor quality product within the theatre | M | L | L | <p>Theatre industry knowledge and relationships held within the industry by the CEO and Marketing Manager.</p> <p>Shifting NZ mindset of the theatre being just a 'hall for hire' and working with the producers to achieve the best result for both parties.</p> <p>Comprehensive hireage contract which allows for CEO involvement and input in addressing quality issues.</p> |
| 5. Loss of the core users of the theatre - the Royal New Zealand Ballet, NBR New Zealand Opera and the NZ | H | M | L | <p>Establishment of strong relationships with key personnel within each organisation.</p> <p>The identification and awareness of alternative uses for Ballet or Opera's premises.</p> |

| | | | | |
|-----------------------------------------------------------------------------------------------------------|-------------------------|-------------------|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| International Festival of the Arts. | | | | Future stability of core users may be dependent on outcomes of WCC's Annual Plan and potential changes to Arts/Cultural Funding. |
| Identified Risks | Analysis of Risk | | | Mitigating Controls |
| | <i>Impact</i> | <i>Likelihood</i> | <i>Residual</i> | |
| Operational - Continued | | | | |
| 6. Disruption to a performance or performances due to technical failure | H | L | L | Regular inspection and testing of plant and equipment by service contracts from independent qualified companies. Material damage and business interruption insurance policies are in place. |
| 7. Loss of key management staff | H | M | L | Formal performance reviews are undertaken on a regular basis. Succession planning is undertaken. Knowledge management has been in place for three years. |
| 8. Challenging labour market particularly in sourcing experienced Food& Beverage and Technical Management | H | H | M | Knowledge management of all roles. All operations roles have been redesigned to cover all areas. Internal Trainee Management position established |
| 9. Insufficient business to make food & beverage or theatre operation unviable | H | L | L | Revenue provided by two key streams thereby supporting each other Ability to utilise hospitality areas for other commercial events. Business development initiatives strong, proven and ongoing in all areas. |

APPENDIX 2

SWOT ANALYSIS

SWOT Analysis/Risk Assessment

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| <p>Strengths</p> <ul style="list-style-type: none"> Established reputation Strong branding Personnel International and domestic credibility with industry Venues High Profile Complementary programming between two houses Versatility (F & B spaces etc) Events, programmes & shows offered Jimmy – keeping the lights on and marketing Ownership (and relationship with owners) Sites In a cultural environment Monopoly of biggest stages and Proscenium Arch theatres. Blank slate – not restricted to one genre State of Art Flying in both houses Established name and identity Financial position Partnerships Broadening spread of core hirers Acquisition of new hirers Broadening of genre Corporate support Comprehensive, up to date database Knowledge management | <p>Weaknesses</p> <ul style="list-style-type: none"> Dependence on core users Small market in Wellington Short-order hire for events Volatile Business Lack of market research outside CBD Lack of ancillary equipment for F & B, and conferences Lack of modern technology ie CCTV/Event equipment Loss of key personnel. Lack of toilets and lift in OH Trust branding of venues OH missed out of Trust name Jimmy -cost Box off shows Lack of integration between www and database. On the coat tails of the international touring circuit rather than a key player Too big for regional touring Too small for major international touring product |
| <p>Opportunities</p> <ul style="list-style-type: none"> Working with other venues Leveraging off other Wellington and NZ events and initiatives, e.g. Creative Capital Developing new audiences (children and non-users) Opera House utilisation Jimmy utilisation for non performance events Event, F & B development Leveraging off conferences Development of sponsorship Increased use of the Web Improve ticketing. Joint Ventures Risk shows Changes in marketing patterns | <p>Threats</p> <ul style="list-style-type: none"> Challenging labour market Loss of key management staff Economic environment Fluctuating \$NZ Increased costs Declining live theatre audience Declining sponsorship market Competition for discretionary dollar Volatility of business Promoters losing money in Wgtn Over-programming Loss of core hirers Competition for discretionary finance TV, DVD, technology entertainment Free events competition for discretionary time Increased number of venues |

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| <p>Audience accessibility Development of 1st Floor Gallery at Westpac St James Develop OH after sprinkler system installation. Site/Back Lot development Integration of www and database Short lead for events venue Naming rights sponsorship Marketing partnerships/sponsorship</p> | <p>Potential 800 seat venue in Wellington Mega-shows Any failure disrupting performance Lack of discretionary time Lack of toilets and lift in OH Lack of sprinkler system in OH Increased competition from Stadium Building consent and compliance in historic buildings Restrictions of historic buildings</p> |
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APPENDIX 3



