

WELLINGTON REGIONAL STADIUM TRUST

REVIEW OF 2010/11 ANNUAL REPORT

The Wellington Regional Stadium Trust (the Trust) presents its 2010/11 audited financial statements. The full Annual Report, including commentary, will be released on the Trust's website www.westpacstadium.co.nz on 13 October 2011.

Highlights for the year

- The Trust recorded an annual surplus of \$3.5m. This result was \$2.2m higher than budget and only 4% below the 2009/10 result.
- The contract for the IRB International Sevens tournament has been secured for Wellington until 2016, following a competitive tender process. This achievement was the joint result of work by Wellington Rugby Union, Wellington City Council, Positively Wellington Tourism and the Stadium.
- The problems with the exterior cladding and the roof at the Stadium were largely resolved during 2010/11, following an agreement with the contractor. All of the exterior cladding on the Stadium has now been replaced using the same product, but with improved fastenings and changes in design that will lessen the impact of the harsh environment. A solution has also been developed and installed to deal with the leaks in the roof and in the corporate box corridor. This work was done with no significant disruption to events.
- Throughout 2010/11 the Trust continued to meet regularly with the Regional Coordination Group and Rugby New Zealand as part of Rugby World Cup 2011 preparations. All work scheduled on the Stadium for the tournament was completed on or ahead of time.
- The Colmar Brunton research undertaken for the Wellington Regional Mayoral Forum, on which entities may be deserving of potential regional financial support, rated Westpac Stadium as second only to the Wellington Free Ambulance (and ahead of Te Papa). 78% of respondents considered that most people benefited from the Stadium and 59% had used the Stadium recently, second only to Te Papa at 77%.

Performance

Statement of Comprehensive Income

\$ '000	2010/11 FY Actual	2010/11 FY Budget	2009/10 Actual
Event Revenue	6,650	5,120	8,141
Total Revenue	16,733	14,650	17,724
Expenditure	13,263	13,370	14,101
Operating Surplus	3,470	1,280	3,623

Statement of Financial Position

\$ '000	2010/11 FY Actual	2010/11 FY Budget	2009/10 Actual
Current assets	1,612	1,650	2,722
Non current assets	96,392	95,910	96,581
Current liabilities	7,581	3,360	7,154
Non current liabilities	17,919	23,830	23,258
Equity	72,504	70,370	68,891
Current ratio	0.2 : 1	0.5 : 1	0.4 : 1
Equity ratio	74%	73%	69%

Statement of Cash Flows

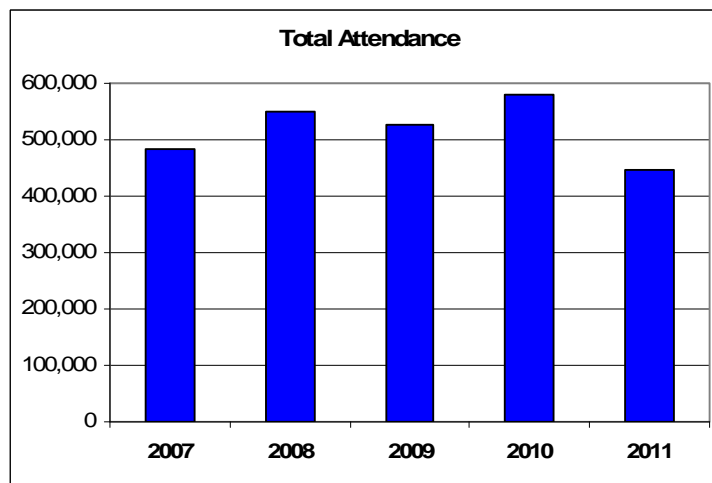
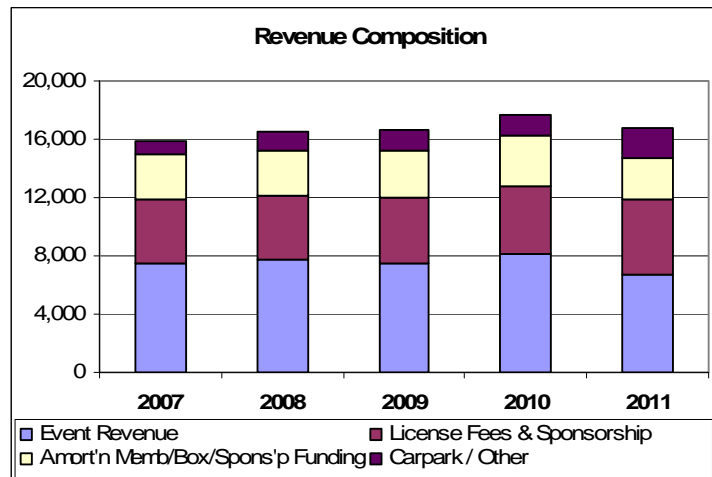
\$ '000	2010/11 FY Actual	2010/11 FY Budget	2009/10 Actual
Operating	4,092	1,750	4,806
Investing	(2,770)	(2,360)	(778)
Financing	(2,500)	-	(4,800)
Net	(1,178)	(610)	(772)
Closing balance	976	1,200	2,154

Note: the Trust's financial statements have been prepared using NZ IFRS. For consistency with quarterly reports, limited recourse loans from settlors are included in equity.

1. Financial

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

- The reported surplus of \$3.5m is \$2.2m better than budget and only 4% below last year's result of \$3.6m.
- This was a strong result considering that there were no outstanding one-off events or play-off games in the year.
- Event revenues were \$1.5m or 18% lower than last year, reflecting the lower attendance figures. The impact of this on the surplus was partially offset by higher licence fees and sponsorship revenue and higher sundry income.
- The surplus was also assisted by lower operating costs, interest expense and depreciation.
- The Trust continues to be in a sound financial position; it has produced a consistent level of surpluses and strong cash flows over the past few years.
- The commercial loan was reduced by \$2.5m during the year. Net debt is now at \$10m, with the external loan balance at \$11.0m. The budgeted external loan balance at June 2011 was \$13.5m.
- Since 2000 the Trust has reduced its commercial loan by \$22.65m and spent over \$10m on facility improvements.
- As of 30 June 2011, there was \$3m available for drawdown under the current commercial loan.
- While the current ratio was down to 0.2x at year end, this is largely the impact of the current revenue in advance balance.
- No surplus funds were available for repayment of the Council loans during 2010/11.



2. KPIs

The key non-financial KPI for the year is:

	2011 Actual	2011 Target	2010 Actual	2009 Actual
Event days	56	47	50	54

The Stadium hosted 56 event days in 2010/11, 44 event days and 12 community events. These included the Bon Jovi concert, the All Whites v Paraguay match, the Phoenix v Boca Juniors match, the Sevens tournament, Nitro Circus Live, the Italian Festival, and the Home and Garden Show. Community events included the Wellington schools sports day, access for police and defence training, and a world record attempt for Red Socks day.

As noted last year, the Trust believes that event days at this level are at the maximum level that the Stadium can host in any one year. The high number of regularly scheduled events from principal tenants, combined with pack-in and pack-out days, training sessions and turf refurbishment, does not leave much room for additional events to be scheduled.

Other measures worth noting include:

	2011 Actual	2010 Actual	2009 Actual
Bank borrowing to total assets	11.2%	13.6%	17.7%
Number of attendees	447,211	579,095	528,038

Attendances in 2010/11 were significantly lower than for the two previous years.

ITM Cup rugby attendances were disappointing with an average of 5,854; this is the lowest average attendance since opening and was well down on last year and budget. This is likely to reflect a combination of the nationwide decline in rugby attendance, the performance of the Wellington Lions and a large number of games in close proximity to each other, although this trend was largely consistent across the country. The Hurricanes Super Rugby home games averaged attendance of 11,893, which was largely in line with last year.

Excluding the Boca Juniors game, Phoenix average attendances were 7,348, which was slightly lower than last year (excluding the play-off games). The schedule included four games in November, two on Wednesday nights, which diluted attendances.

3. Council Strategies

Wellington Regional Stadium Trust contributed to a number of Council strategies during 2010/11, with the primary ones being:

Social and Recreation – the Trust was host to a wide range of events during the year (from the Boca Juniors game to Nitro Circus Live), providing Wellingtonians with the opportunity to watch a wide range of sporting and other activities live. Many events provide discounted entry for children, encouraging family outings and inspiring junior players. In addition, the Stadium hosted community events such as the Phoenix Open Day, the Wellington Marathon, the Red Socks Day record attempt and Sport Wellington's School Sports Day. The strong result from the Colmar Brunton research reiterates what a pivotal role the Stadium plays in Wellingtonians' perception of the city and its events and sporting programme.

Economic Development – as noted in the Economic Impact Report undertaken in 2009/10, over the past ten years, the Stadium has provided on average an annual economic benefit of \$48.4m and 673 full time equivalent jobs to the region.

4. Operations

During 2010/11, capital expenditure of \$2.9m was spent on the Stadium, including the following: new carpet throughout the Stadium; an upgrade of the CCTV facility; new speakers for the sound system in the bowl; and the conversion of the replay screen production equipment to a digital system.

The Trust provided turf management services at no charge to the Basin Reserve to the value of \$233,001 in 2010/11. This work continues to be recognised in the high rating accorded to the ground by New Zealand Cricket and the players.

Governance

The Trustees during the year were:

Paul Collins (Chair)

John Morrison (WCC Councillor)

Sir John Anderson

David Bale

Liz Dawson

Chris Laidlaw (GWRC Councillor)

Chris Moller

Sue Elliott

David Bale's term expired on 30 June 2011; Mark McGuinness joined the board from 1 July 2011. The terms of Paul Collins, Sir John Anderson and Chris Moller expire on 30 June 2012.

Key issues going forward

1. Revenue Outlook

The Trust has noted previously that it does not expect future profits to continue at this level, particularly given the challenging economic environment and the variability of achieving extra events like finals. Should attendance figures continue at the lower level of 2010/11, it will be difficult for the Trust to continue to generate returns at the level of the last two years. Having said that, in 2010/11 the Trust continued to successfully diversify its revenue streams to reduce its reliance on event income, with car parking, signage and sponsorship revenues providing recurring non-event income. This risk is also likely to be partially mitigated in 2011/12 by RWC 2011, a potential re-energised interest in rugby by the community post RWC 2011, and the financial stability of the Phoenix for the medium term, under the franchise's new ownership.

2. Future Events Programming

As the Trust has consistently noted, there is likely to be intense competition between major stadia in New Zealand following the Rugby World Cup 2011. For example, the Trust expects to host fewer concerts in the next three years than in the last three years because of the lower number of major stadia artists and competition from other stadia. In addition, Eden Park will be allocated the first and third rugby tests each year following Rugby World Cup 2011, leaving other venues to share the balance of the games (albeit with AMI Stadium out of action in the short to medium term). In addition, the Phoenix is currently transitioning to new ownership and the ICC is trying to accommodate the growing demand for Twenty/20 cricket and the impact of the Indian competition. The combination of these factors is likely to put additional pressure on the Stadium's financial performance going forward.

3. Box / Member Renewals

The Trust is continuing to look at developing their renewal package options over the next few years for Deloitte Club memberships and corporate box leases which both expire in 2014.

4. Future Asset Development

The Trust is currently developing a Master Plan to ensure that it continues with infrastructure investment and operational developments after the Rugby World Cup 2011. During the year, sports architecture firm Populous were appointed to help the Trust develop design concepts. The Stadium has already noted that the cost of all the work contemplated within this Master Plan can be met from the Stadium's own resources and there will be no new Council funding required.

The first stage of the project has been gathering feedback from key stakeholders on usage of the Stadium and likely future requirements. Using these ideas, the Trust and Populous have developed design concepts that have been presented to the Board for their initial approval and for further consultation with key stakeholders. There is also likely to be public consultation undertaken. Following these exercises, some initial projects may be able to be implemented within the next 12 months.

Conclusion

The Trust recorded a very good result in 2010/11, albeit on a much lower total attendance than recent years. While the stadia market is a competitive one, particularly in the current economic conditions, the Trust is well placed with a forecast continuing level of profitability that allows for capital investment and repayment of external debt.

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