

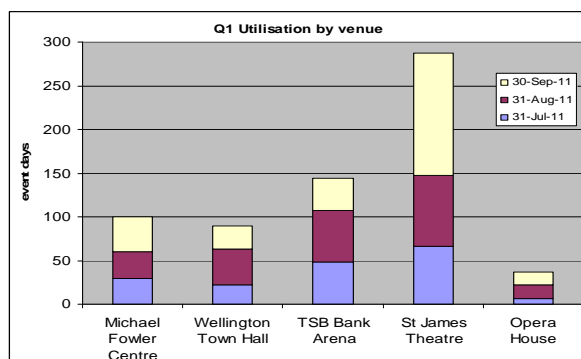
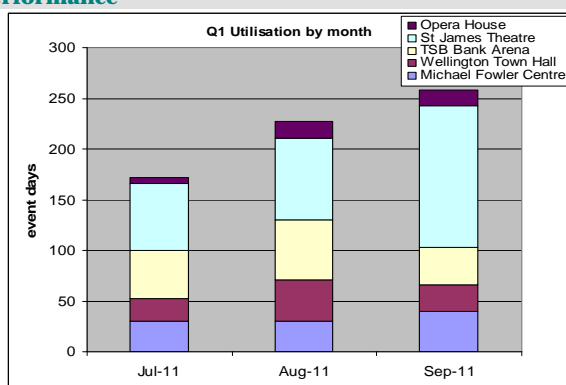
Quarterly Review – Positively Wellington Venues Ltd

Positively Wellington Venues Limited has presented its report for the quarter ended 30 September 2011 for review. A summary of key findings is presented below and the full report is attached.

Highlights: achievements

- The St James Theatre and the Opera House became part of the new Positively Wellington Venues (PWW) business structure on 1 July 2011.
- All employees from the former St James Theatre Trust were successfully migrated in to the new entity on PWW Individual Employment Agreements.
- The new senior leadership roles were advertised in August and interviews conducted in early September. Offers were on the table for all of the roles by the end of the quarter.
- A number of recent shows have sold out, including Meatloaf, Eddie Izzard and Fly My Pretties.

Performance



Macro Key Performance Indicators

The following KPIs have been reported by the company:

Venue Utilisation: Event hires per venue	2011/12 Q1 event hires
Michael Fowler Centre	100
Town Hall	89
TSB Arena	144
St James Theatre	287
Opera House	37
Total	657

- PWW is currently working to refine its performance measurements across all the venues to reflect discrete event activity undertaken within each venue, but not necessarily in the main auditorium spaces.
- The numbers reported for the St James Theatre reflect a major push that was undertaken to stage events in the Theatre during the RWC2011 period. Events included the show *4^{2nd} Street*, RWC2011 games on the big screen, and a presentation of *In Flagrante* in the upstairs gallery.

Activities during the quarter

- A number of capital expenditure projects were undertaken during the quarter, including the preparation of office space in the Michael Fowler Centre (\$180k) ahead of the transfer of non-venue specific staff from the St James Theatre.
- Three self-presented shows were staged during the quarter: *Soap*, *MacHomer*, and *In Flagrante*.
- A partnership was implemented with Positively Wellington Tourism and Te Papa to appoint a business development manager in Sydney.
- Work continues to finalise the Heads of Agreement and SLA for Shared Services between WCC and PWW.
- Work continues on progressing the wind up of the St James Theatre Trust.
- Discussions are underway with WCC officers around earthquake strengthening projects scheduled for the Town Hall and Opera House, and ways to mitigate the loss of business with the closure of these venues.
- Positively Wellington Venues name and logo and "under one umbrella" approach was soft-launched during the quarter and has received positive feedback from industry clients.

Financial Commentary

- PWW reports no major disruption to business as a result of the merger.
- The YTD operating deficit was \$187k against a budgeted surplus of \$125k. This included a \$165k 'legacy' payment, utility costs slightly over budget, and some one-off transition costs. There was also a reduced level of domestic business activity during RWC2011.
- 'Show' business accounted for 40% of revenue during the quarter, the balance relates to conventions and other events business.

Statement of Financial Performance

For the quarter ended 30 September 2011

\$'000	2011/12 Q1 Actual	2011/12 YTD Budget	2011/12 FY Budget
Income	4,237	4,266	15,849
Expenditure	4,424	4,142	16,356
Operating surplus	(187)	125	(507)
Operating Margin	(4.4)	2.9	(3.2)

Statement of Financial Position

For the year ended 30 September 2011

\$'000	2011/12 Q2 Actual	2011/12 Q2 Budget	2011/12 FY Budget
Current assets	2,624	2,645	2,751
Non-current assets	875	879	1,028
Current liabilities	2,306	2,158	2,513
Non-current liabilities	-	-	-
Equity	1,193	1,366	1,266
Current ratio	1.1	1.9	1.1
Equity ratio	34%	39%	34%

Statement of Cash Flows

For the year ended 30 September 2011

\$'000	2011/12 Q1 Actual	2011/12 Q1 Budget
Operating	696	559
Investing	-	-
Financing	-	-
Net	696	559
Closing balance	1,084	559

Contact officer:

Richard Hardie

Profile – Positively Wellington Venues Ltd

Positively Wellington Venues Ltd is a Council Controlled Trading Organisation (CCTO) that has been established as a result of the merger of the Wellington Convention Centre – a former business unit of the Wellington City Council – and the St James Theatre Charitable Trust. The decision to establish PWV was based on the potential to realise efficiency gains and savings across the two organisations, opportunities to capitalise on WCC's shared services capabilities, and the desire to see greater integration and cooperation of Wellington's venue spaces with other CCTOs and external organisations.



**POSITIVELY
WELLINGTON
VENUES**

PWV started trading on 1 February 2011 with the operations of the Convention Centre while the St James Theatre Trust saw out the financial year and was wound up.

Acting as an agent of WCC, the new entity is responsible for the management of Wellington's premiere venue spaces, including: the Michael Fowler Centre; the Wellington Town Hall; the St James Theatre; the Opera House; and the TSB Arena.

Entity Data

Established	February 2011	<i>Term expires:</i>
Board	Chris Parkin Sam Knowles Linda Rieper Stephen Whittington Kim Wicksteed Derek Fry Ngaire Best (councillor) Paul Eagle (councillor)	31 December 2011 31 December 2011 31 December 2011 31 December 2011 31 December 2011 31 December 2011 31 December 2013 31 December 2011
CEO	Glenys Coughlan	
Balance date	30 September 2011	
Number of FTE staff	80	
Website	http://www.pwv.co.nz/	
Type of entity	Company	
LGA designation	CCTO	
By reason of	Council appointees	
Council interest	100% shareholding	
Type of interest	Shares	



POSITIVELY WELLINGTON VENUES

Positively Wellington Venues

2011/12 Quarterly Report for the period July – September 2011

Introduction & Executive Summary

- An overview of PWV's first quarter

Wellington Venues Ltd (trading as Positively Wellington Venues or PWV) received final sign off on its transition SOI and 2011/12 budget in June of this year.

The first quarter of trading as a newly established CCTO has been focused on creating a new operating model for the integrated business while continuing to manage and grow the pre-existing businesses.

The St James and Opera House officially became part of the new business structure on July 01 and as part of that process all employees (both from the St James Theatre Trust and the Wellington Convention Centre) were successfully migrated on to new PWV Individual Employment Agreements.

With funding and directional certainty, in July we entered into consultation with pre-existing tier two managers on the proposed leadership team structure for the new business. We also briefed all PWV staff on our strategic direction and the change process.

We advertised the new leadership team roles in August and by the end of September we had offers of employment to our preferred candidates.

Q1 also involved working with the CCO unit at WCC to finalise the heads of Agreement and Service Level Agreements for those shared services that we source from WCC.

Good progress has been made on both our people and compliance fronts and we will have our new leadership team bedded in and relevant management agreements in place by the end of Q2 (as per our SOI).

In terms of financial performance, the first quarter of trading as a combined entity has gone well with no apparent disruption to the business as a result of the merger.

The core business has tracked well at a revenue level, with only a \$30k variance to budget YTD.

Rugby World Cup was great for Wellington - and for the country as a whole - but in common with other convention centres around New Zealand the displacement of corporate and business travel did have an impact on the convention market at quarter's end (and we can see that again in the month of October).

This displacement effect highlighted some issues with the flexibility of our workforce. Our inability to vary our wage costs in very quiet weeks is something that we will be addressing in our forward planning.

There have also been some legacy transaction costs that were not fully budgeted for. While we tried to anticipate and budget for most legacy transactions when we developed the 2011/12 budget, the responsibility for some contracted agreements had not been assigned pending final negotiation of the management agreement and as a consequence they were not budgeted for. We are working on resolving these matters with the WCC executive and our budgeting process for 2012/13 should be based on a clearer understanding of the responsibility for these legacy transactions.

Excluding the legacy one off transition costs, expenditure is only marginally above budget (+ 3%) and we will be pursuing savings across the rest of the year to try to correct this. The new leadership team structure has five tier two positions (vs nine under the previous structures) and we have carried a number of vacancies pending confirmation of the new structure. There are two recent retirements and we will not be directly replacing those roles. We are also reviewing costs and expenditure levels across each area of the business now that there is a full team of experienced people on board.

In terms of business mix, "show business" performances accounted for 40% of revenue and our "grow business" or conventions and events business accounted for 60% of revenue during the quarter.

What is particularly pleasing is that a number of recent shows have been sell-outs. These include Meatloaf and Eddie Izzard and Fly My Pretties, Cold Chisel and the Moody Blues will also sell out. Attendance at Sleeping Beauty was also very good.

Community events accounted for 10% of utilisation and we have been able to assist a number of our not-for profit hirers by honouring some pre-existing discounted deals and supporting their applications to WCC's venue subsidy fund and PAF.

Our sales pipeline and performance calendar for 2012 is strong. Approximately 67% of Q3 and Q4 revenue is contracted or first pencilled.

Recent business wins include a conference for 500 people in January (not a traditional period for conference business and a sign - along with some significant corporate bookings in November/December - that some corporate clients are beginning to spend again). Michael Coppel have just announced a Ronan Keating concert in early February. We will be working to maximise ticket sales by working with the promoter to market this in the South Island to drive out-of-town attendance while Christchurch is unable to host some of these acts.

Current activity

Although this report is intended to cover Q1 performance only, it is worth flagging a few significant projects that we have underway as part of our transition year:

- we are undertaking a pricing review to inform our rates and charges for 2012/13 and beyond. This shouldn't be interpreted as signalling an across the board price increase. We are working to ensure consistency with our pricing approach across the venues and we'd like to move to more of a dynamic pricing model to drive increased utilisation in quieter times of the year
- we are heavily engaged in the WCC's seismic strengthening programme. In addition to the feasibility work that we are involved in regarding the provision of alternative venue capacity/functionality during the strengthening of the Wellington Town Hall, we are working on making sure that our emergency evacuation procedures accommodate what we now know about the different performance of different types of buildings in the event of an earthquake
- now that the new leadership team are in place we are about to commence work on the second phase of change management (this involves confirming our tier three and four roles to complete our new organisation structure)
- we are reviewing our community access initiatives to make sure we are offering appropriate levels of support to community hirers. In addition to revamping the PAF (Performing Arts Foundation) fund we are reviewing our discounting policies and programmes and we will be launching a new initiative designed to support community access early in the new year
- we have partnered with PWT and Te Papa to appoint a business development manager in Sydney. There is considerable opportunity to grow Wellington's share of the Australian business events market and our entry into that "space" aligns well with Tourism New Zealand and Air New Zealand's increased sales and marketing investment in business events

Key Performance Indicators

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

In general terms, performance vs the KPIs in Q1 has been pleasing.

Some of the KPIs relate to full year results and we did not define quarterly deliverables so we have commented on progress towards the full year outcome.

Strategic Focus	KPI	Q1 Result	YTD Result
Business Viability	On budget or better performance	<p>The financial outcome for the quarter was a \$187,000 loss compared to a budgeted profit of \$125,000 (an adverse variance of \$312,000).</p> <p>The significant reasons for the variance to budget are some one-off unbudgeted costs including: pre-contracted event sponsorship, and transitional HR related costs. There was also a reduced level of domestic business activity during RWC2011 which caused many events to be deferred past the quarter-end.</p> <p>Management believe that the core business will meet or exceed the full-year budget although the one-off items noted above, in addition to costs relating to planning for the Town Hall seismic re-strengthening, will likely impact the final result.</p>	
	New management and organisation structure in place by end of Q2	Achieved/on track. Consultation on new tier two structures completed, Recruitment advertising in August, interviews and appointments September. On-boarding of new team in October/November. All tier two roles filled.	
	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 management agreement.	
Venue Utilisation	Achieve or exceed 5% increase in hired days (aggregate) over 2010/11 actual (YE)	Utilisation tracked reasonably well through Q1 and was at a similar level to the 2010/11. We are on track to meet the KPI.	

	Achieve or exceed budgeted number of performances/performance revenue	Q1 shows and performances included World of Wearable Arts, 42 nd Street, SOAP, Calalleria Rusticana & Pagliacci, and In Flagrante and we are on track to meet the KPI.	
	Achieve or exceed budgeted convention and event hires/revenue	Q1 conventions and events business has tracked reasonably well despite dampened trading conditions. We are on track to meet the KPI.	
	Maintain appropriate mix of commercial and community hires	Community events amounted to 10% of utilisation and we are planning to launch some new initiatives in early 2012 to further support community access.	
	Uptake/use of WCC venue subsidy	We have agreed with the WCC grants team that we will review criteria/eligibility for this subsidy particularly as we develop our new Community support programme and PAF. The fund has been well subscribed to date.	
	Establish Wellington Performing Arts Foundation and fund by end of Q1	New foundation established and a pan-venue funding model is being developed for Board consideration/approval	
Duty of Care	Pan-venue asset management plan in place by end of Q1	A complete pan-venue asset management plan is being reviewed by the newly appointed Director of Facilities and Operations who will manage this process in conjunction with WCC as building owners.	
	All health and safety requirements met	No major incidents in this quarter, ISO audit process completed and no compliance issues identified	
	Leadership in development of safety protocols	Work in progress. New Director of Facilities and Operations is reviewing all SOPs and programme underway to review emergency evacuation procedures across all venues.	
	New initiatives to give greater visibility to reducing environmental footprint	Qualmark Enviro Gold confirmed for MFC, working with WCC on energy saving initiatives.	
Marketing Edge	Successful launch of new Positively Wellington Venues brand and market positioning	Name and logo and “under one umbrella” approach soft launched and industry/hirer feedback is positive – e.g. from NZ Hotel Council, CINZ etc. Currently working on brand and marketing strategy and new sales plan now that new Director of Sales and Marketing is here.	

	Strength of sales pipeline and forward bookings	The pipeline (events at first pencil status or better) for the remainder of the current financial year was \$7.55m at 30 September which was 70% of budget.	
Outstanding Experiences	Audience and hirer satisfaction (annual survey via Angus and Associates)	Angus and Associates surveying continues to reflect good levels of patron satisfaction. Working to extend coverage to include conference delegates and SJT and OH patrons. Working on commissioning a survey of major hirers (PCOs, Promoters and Performing Arts and Community Groups)	
Performance Partnerships	At least three successful joint marketing ventures with PWT and other partners (by YE)	Joint venture partnership with PWT and Te Papa to fund new business development manager in Sydney. Range of JV projects underway with Convention Bureau 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	PWV promoted 3 significant own shows during the quarter; Soap, MacHomer, and In Flagrante. The first two events filled 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.	
Venue Development	Contingency plan for seismic strengthening of Town Hall by end of Q2	Well advanced with this – by end of September PWV Board had confirmed options for further investigation. Work currently underway with Wareham Cameron and Covec. Update from Wareham Cameron to be presented to PWV Board in November. “Placeholder” funding bid submitted to WCC alongside WCC seismic strengthening budget pending confirmation of most viable temporary solution and associated costs.	

Risks and Business Challenges

At a management/governance level we are populating a risk register to ensure that any operational or strategic risks are kept top of mind and mitigated wherever possible.

At this stage, the most significant risk to the business is the seismic strengthening of the Town Hall. Losing the Town Halls spaces for two years without an alternative venue would put close to two thirds of our annual revenue at risk. A business case outlining proposed solutions is under development.

The announcement about bringing the strengthening programme forward has also caused nervousness with some hirers who are concerned about the safety of the building.

Our ability to sign business (including repeat/regular hires) in 2013 and 2014 depends on how quickly we can go to market and confirm what and where the alternative venue will be. This can happen no later than the end of Q3 2011/12.

New Business Opportunities

We were pleased to make a submission to WCC's draft economic development strategy.

In addition to highlighting the "functional" contribution that venues can make to the delivery of the strategy we were able to reflect the significant role that PWV plays in generating export earnings (e.g. via international conference delegates) and in supporting the attraction of new investment in, for example, R&D programmes and business innovation.

We also highlighted the importance of the MICE market (meetings, incentives, conventions and exhibitions) in both securing and sustaining air services (including the attraction of long haul services) alongside the all important leisure market.

Our submission also outlined the role that our support of a vibrant performing arts and live performance calendar can play in making Wellington a more desirable place in which to live, work, play, study and invest.

We have also signalled our willingness to lead a team to assess the adequacy of city amenities for events and promotions (visitor attractions, convention centres, concert venues). This is our core business and we have already undertaken significant research in this area.

Financial Overview

(Also refer Appendix 1 for summary financial statements)

Financial Performance

Revenue flow for the quarter was very pleasing, being only slightly under budget. The marriage of the conventions/exhibition business and show business performances complement each other well. Conventions/exhibitions made a strong contribution in the first half of the period and show business

events performed well in the second half as RWC2011 reduced activity in the conventions/exhibitions market.

The result for the newly combined entity for the first quarter was a \$187,000 loss compared to a budgeted \$125,000 profit.

The significant items in this \$312,000 adverse budget variance include some unbudgeted 'legacy transaction' expenses and one off legal and recruitment costs associated with putting the new organisation structure in place.

Event related costs (catering and technical) were slightly under budget and in-line with the slight underperformance in event revenue, but unfortunately our inability to vary our wage costs in the very quiet weeks in late September 2011 (due to RWC2011) resulted in an adverse variance in wage costs.

Most overhead expenses were close to budget for the quarter with the following exceptions:

- Recruitment and HR transition costs were above budget
- Utility costs exceeded budget by \$47,000 as venue utilisation has exceeded expectation; and
- A legacy transaction cost of \$165,000 was incurred which had not been explicitly budgeted (see marketing and sponsorship line item in financial statements).

Financial Position

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

Liquidity during the quarter to 30 September 2011 improved with the bank and cash balance exceeding \$1.0m at quarter end reflecting collection of some high value prior year debtors and the prepaid nature of most of our business. The cash position is managed on a daily basis.

Outstanding debtors reduced significantly during the quarter as some high value balances were realised. The debtor balances are actively monitored and total 60+ day debtors represents only 1.2% of the total.

Fixed assets have not moved significantly during the quarter as the chattels from the St James Theatre have yet to be transferred.

Current liabilities include our unpaid invoices at quarter-end along with accrued leave and other employee related liabilities. The significant increase in employee entitlements liability over the quarter is due to addition of the St James Theatre employees.

Revenue in advance of \$667,000 represents forward booking deposits.

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

Capital expenditure

The following capital expenditure projects have been previously approved and are ongoing:

- a) Public Area Furniture and TSB Arena dressing and VIP room refit - \$23k funded in 2010/11– delivered
- b) Radio Equipment (hand held radios) \$107k funded largely from 2010/11 but \$20k will be borne in 2011/12. This project is carried forward from 2010/11 and was a joint exercise between

Positively Wellington Venues, WCC Security, WCC RWC & City Events Teams & WEMO. The radios have been delivered and at quarter-end were awaiting set-up and deployment.

- c) Portable wheelchair lift (for access to stages) \$53k (33%) funded in 2010/11 and the remainder to be funded in 2011/12. This project is carried forward from 2010/11 and is expected to be completed in early December 2011.
- d) Venues office optimisation – \$180,000k. This expenditure was approved by the PWV Board in order to make the most of the existing office space at the Michael Fowler Centre enabling us to bring all non-venue specific staff into the Michael Fowler Centre. We have kept costs to a minimum by working within the spaces that we have in order to avoid the costs of major office refit. The space-efficient ergonomic desks, chairs and desk storage units were selected to give us the flexibility of using them in other configurations. The \$180,000 included consultants' fees, construction costs and mandatory lighting improvements. Delivery commenced on 7 November 2011.

The following capital expenditure projects are undergoing management evaluation

- a) Renouf Foyer bar: management are investigating the requirements for the scheduled refurbishment of the MFC's Renouf Foyer bars. Some funding from WCC exists from prior years and we are working with the Property Group and City Care to come up with the most cost effective and flexible solution
- b) TSB Bank Arena: changing rooms and executive suite refurbishment – final stages of this programme are under review with City Care

Appendix 1 – Summary financial statements

Positively Wellington Venues Statement of Comprehensive Income for the 3 months ended 30 September 2011

(consolidation of Wellington Venues Limited and Venues Project)

\$'000	Year-to-date			2011/12
	Actual	Budget	Var	FY budget
Event revenue	3,960	4,013	(53)	14,838
Café	160	160	(0)	640
Carparking	58	56	2	250
Other income	49	28	21	36
Interest income	10	9	1	85
Total revenue	4,237	4,266	(30)	15,849
Direct costs	2,014	2,143	129	7,782
Wages	650	495	(155)	1,826
Gross profit	1,573	1,629	(56)	6,241
Salaries	740	722	(18)	2,888
Other employment costs	155	105	(50)	199
Occupancy costs	154	140	(13)	969
Utilities	238	191	(47)	693
Marketing/sponsorship	254	92	(162)	368
Admin	141	155	14	1,275
Directors' fees	30	25	(5)	102
Travel	13	9	(4)	34
Vehicle costs	11	11	(0)	4
Depreciation	24	54	30	216
Total expenses	1,760	1,504	(256)	6,748
Net profit/(surplus)	(187)	125	(312)	(507)

Appendix 1 – Summary financial statements (continued)

Positively Wellington Venues

Statement of Financial Position

(consolidation of Wellington Venues Limited and Venues Project)

	30-Sep	30-Jun
	\$'000	\$'000
Bank & cash	1,084	388
Debtors	942	1,848
Prepayments	114	73
Inventory	44	0
Accrued income	440	335
Total current assets	2,624	2,645
Fixed assets	875	879
Total assets	3,499	3,524
Creditors	1,014	1,114
Employee Entitlements	561	243
GST	6	(16)
Revenue in Advance	667	818
Provisions	58	0
Total current liabilities	2,306	2,158
Shareholders' funds	1,380	1,366
Current year result	(187)	
Total liabilities	3,499	3,524

Appendix 1 – Summary financial statements (continued)

Positively Wellington Venues

Statement of Cash Flows

for the 3 months ended 30 September 2011

(consolidation of Wellington Venues Limited and Venues Project)

	Actual 2011
Cash flows from operating activities	
Receipts from event management	4,859
Receipts from other operating activities	267
Interest income	10
Payments to suppliers and employees	(4,181)
Good and services tax (net)	(259)
Net cash flow from operating activities	<u>696</u>
Net increase/(decrease) in cash and cash equivalents	<u>696</u>
Cash and cash equivalents at the beginning of the period	<u>388</u>
Cash and cash equivalents at the end of the period	<u>1,084</u>