

17 February 2006

Warren Ulesele
Portfolio Manager, Council Controlled Organisations
Wellington City Council
P O Box 2199
WELLINGTON

Dear Warren

December 2006 Quarterly report

Please find attached the quarterly report for the Wellington Regional Stadium Trust for the quarter ending 31 December 2006.

Please contact me if you require any further information.

Yours sincerely



David Gray
CHIEF EXECUTIVE

**Wellington Regional Stadium Trust
Report to Settlers
For quarter ending 31 December 2006**

The Trustees are pleased to present this report on operations for the quarter ending 31 December 2006.

Events

Traditionally October to December has been our quietest quarter of operation, however this year it has proved to be a busy one with three non-sporting events, a Rugby League Test, a quarter final in the inaugural Air New Zealand Cup competition and the first Twenty/20 Cricket match played at the Stadium.

The Air New Zealand Cup quarter final was held on Friday 6 October against Canterbury. Attendance was 17,641 and Wellington won. While Wellington went on to reach the finals, their position in the table meant none of the subsequent games were held at the Stadium. We are pleased with the reformatted competition announced for 2007 as it provides more certainty around which weekends are required for rugby, and frees up other weekends which now become available for other events and functions.

On Friday 2 November, the Stadium hosted the Royal New Zealand Returned Services Association - Year of the Veteran Military Pageant. This was an outstanding event featuring massed bands, mock battles, soloists, marching teams, police dogs displays and the 1812 overture and was equal in quality to the Edinburgh Tattoo. However attendance was disappointing at only 5,600.

A week later we hosted the Rugby League Test between New Zealand and Great Britain as part of the Tri Nations series. An excellent game and a very enthusiastic crowd of 15,600. Attendance was probably affected by New Zealand's loss of points in the Tri Nations competition as a result of playing an ineligible player.

The Trust's major annual community event, Carols by Candlelight was held on Saturday 2 December and attended by 14,900. The Trust provides the venue free of venue rental and all other costs and gets support from its various contractors and suppliers.

Wednesday 6 December saw the Stadium hold its second major concert of 2006 following the Rolling Stones concert in April, with Sir Elton John performing a one and only New Zealand concert in his Captain and the Kid tour. Following less than ideal spring weather, Wellington turned on a perfect night and 33,000 people enjoyed a fantastic show. This was a relatively late booking which was enthusiastically supported by attendees from all over New Zealand.

The final event of the year was the first Twenty/20 match held at the Stadium between Sri Lanka and New Zealand, on Friday 22 December. While many would have left town already for the Christmas break, we were very pleased with the attendance of 13,000 who braved the wintry conditions. This crowd compares very favourably with our usual January one day international. Unfortunately the match was affected by the weather and was rained out after 5.5 overs in the second innings. We look forward to hosting further games in this new format which obviously has a big following.

Financial Results

The net surplus for the December half year is \$721,361 which is \$605,373 above budget. As noted in the business plan the actual timing of events can vary from what was anticipated at the time the business plan was completed. This largely explains the variance above budget, as the concert, the cricket game and the military pageant were all budgeted to take place in the following six month period. The quarter final of the Air NZ Cup was also not budgeted.

Event revenues are 57% above budget. Event related expenditure is consequently also ahead of budget.

Total revenues are 18% above budget for the quarter. Operating expenses are 18% above budget, due to the write down of the replay screen which is discussed later in this report. If this non-cash adjustment is removed operating expenses are 4% below budget.

The value of turf management services provided at no cost to the Basin Reserve Trust during the quarter was \$37,444. The majority of the Basin Reserve costs fall in the second half of the year.

Creative Wellington – Innovation Capital

The Trust continues to work closely with promoters in New Zealand and overseas and with the Wellington City Council and Positively Wellington Tourism to attract concerts, sporting and other non-sporting events to the Stadium.

Securing events for the Stadium is our most important function and we maintain regular contact with promoters who can deliver the events we want. We need to balance the existing programme, so we market ourselves to promoters who provide events ranging from concerts to extreme sports and exhibitions. We also maintain a close working relationship with rugby league and soccer.

The City Council event fund and the support of Council is critical in ensuring that we remain competitive internationally and have overseas promoters interested in bringing events to Wellington.

Maintenance

We operate a regular preventative and reactive maintenance program in accordance with the Asset Management Plan, which is reviewed regularly. We have just completed a full renovation of corporate box seats which took place under a warranty arrangement and included replacement of parts and re-covering of the seats.

As part of our planned improvements as we head to the Rugby World Cup, we commenced the renovation of three function rooms on Level 2 to improve their utilisation for functions and events. Renovation of all function areas are planned prior to RWC 2011.

Capital Expenditure

During the quarter, capital expenditure was \$70,000. This mainly covered replacement of turf machinery. The variance compared to budget is due to timing of actual expenditure compared to budget.

Replay Screens

Our business plans and annual reports from 2005 have recorded the Trust's plan to purchase a second replay screen for the Southern end of the ground. The successful bid for the 2011 Rugby World Cup has meant that the purchase of the second screen now has a clear timeline. The Trust has now been able to bring forward that purchase into the current year because of an outstanding arrangement negotiated with Mitsubishi Electric. We have secured very favourable terms to upgrade the existing 84m² screen and to purchase a 52m² screen for the Southern end. The screens will be state of the art LED technology and will provide a significant improvement in picture quality. It is important that we have the same technology at both ends of the ground, utilising the existing control room equipment and infrastructure. As part of the upgrade we will also install uninterrupted power supply to one of the screens and the sound system which will provide a major enhancement to our emergency egress capabilities.

There is significant benefit to our major hirers from the introduction of the second screen which will increase the value of the 6,000 seats in the Stadium which currently do not get a view of the screen.

One outcome of this transaction is a write down of the remaining value of the existing screen which will be recognised in this year's accounts. Half of the write down has been reflected in the accounts at 31 December and the balance will be recognised over the subsequent two quarters.

We are able to fully fund the purchase of the new screen and the replacement of the existing screen out of current cash resources.

Turf Management

In the October to December quarter the Stadium usually conducts a major eight week turf renovation. The number of events held in the quarter this year restricted us to undertaking a minor renovation in this period, with further work scheduled between 24 February and 31 March when there are no events scheduled. An annual turf renovation is essential if we are to maintain a quality playing surface. It is important that this requirement is recognised as we face increasing demand for use of the Stadium in this period.

During the period, the portable cricket wicket was moved from the nursery on the side of the ground into the centre in preparation for the trial match which was held in January. This was very successful and we will now remove the remaining permanent wicket in March. We will then play all cricket on the portable wickets leaving us with a rugby field free of cricket wickets during the rugby season.

Customer Satisfaction

The annual Deloitte Club members' survey was undertaken in September 2006. Seventy eight percent of members who responded rated the overall level of service as above average or excellent which was comparable to the result obtained last year.

The annual corporate box survey was also undertaken. Only a quarter of boxes responded. Overall results were satisfactory. Boxes are also surveyed at each event, so they have plenty of opportunity to provide feedback on their experience.

We continue to monitor queue times at all the main food and beverage outlets at each event. The queuing times are under the 6 minute minimum KPI, except for some peak periods at 'full house' events.

During the quarter we received the results from New Zealand Rugby Union's mystery shopper survey programme undertaken at the July rugby test. The overall score received was 44.5 out of a possible 50 points. This is a slight decrease from the previous year but an improvement over the two years prior to that.

Conclusion

The December half year result reflects a strong performance for the first six months, and we look forward to continuing this during the second half of the financial year.

Paul Collins
Chairman
February 2007

Wellington Regional Stadium Trust
Statement of Financial Performance
For the Six Months Ending 31 December 2006

	Actual YTD	Budget YTD	Variance	Annual Budget	(12 months) 30/06/06 Actuals
	\$	\$	\$	\$	\$
Operating Revenue					
Event Revenues	3,157,572	2,009,972	1,147,600	5,661,665	8,001,580
Amortisation	3,798,599	3,791,075	7,524	7,678,944	7,587,981
Sundry income	197,353	214,023	(16,670)	479,679	539,793
	<u>7,153,524</u>	<u>6,015,070</u>	<u>1,138,454</u>	<u>13,820,288</u>	<u>16,129,354</u>
Investment Revenues	136,817	158,458	(21,641)	358,059	302,779
Total Revenue	7,290,341	6,173,528	1,116,813	14,178,347	16,432,133
Operating Expenses	<u>4,044,573</u>	<u>3,421,795</u>	<u>(622,778)</u>	<u>7,188,476</u>	<u>8,899,412</u>
Operating Surplus before Depreciation and Interest	3,245,768	2,751,733	494,035	6,989,871	7,532,721
Depreciation	1,548,326	1,600,131	51,805	3,204,313	3,167,129
Interest	976,081	1,035,614	59,533	2,083,603	2,086,362
Net Operating Surplus	<u><u>721,361</u></u>	<u><u>115,988</u></u>	<u><u>605,373</u></u>	<u><u>1,701,955</u></u>	<u><u>2,279,230</u></u>

Wellington Regional Stadium Trust
Statement of Financial Position
As at 31 December 2006

	31-Dec-06	30-Jun-06
	\$	\$
Trust Funds		
Accumulated Surplus	17,592,580	16,871,219
Limited Recourse Loans		
Wellington Regional Council	25,000,000	25,000,000
Wellington City Council	15,000,000	15,000,000
Wellington City Council - Accrued Interest	394,893	394,893
Total Trust Funds & Limited Recourse Loans	<u>57,987,473</u>	<u>57,266,112</u>
Non Current Liabilities		
Term Loans	23,950,000	23,950,000
Revenue in Advance	23,586,343	25,249,543
Total Non Current Liabilities	<u>47,536,343</u>	<u>49,199,543</u>
Current Liabilities		
Payables & Accruals	1,375,717	1,176,979
Revenue in Advance	3,827,352	1,995,273
Total Current Liabilities	<u>5,203,069</u>	<u>3,172,252</u>
Total Funding	<u><u>110,726,885</u></u>	<u><u>109,637,907</u></u>
Represented by:		
Non Current Assets		
Fixed Assets	105,970,498	107,863,272
Total Non Current Assets	<u>105,970,498</u>	<u>107,863,272</u>
Current Assets		
Cash	2,324,458	1,172,826
Receivables & Prepayments	2,431,929	601,809
Total Current Assets	<u>4,756,387</u>	<u>1,774,635</u>
Total Assets	<u><u>110,726,885</u></u>	<u><u>109,637,907</u></u>

Wellington Regional Stadium Trust
Statement of Cash Flows
For the six months ended 31 December 2006

	6 months 31-Dec-06 \$	12 mths 30-Jun-06 \$
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Event and operating income	3,488,878	8,865,752
Corporate Box fees and sponsorships	2,554,145	4,365,846
Interest received	21,891	119,949
Sundry income	67,327	175,346
	<u>6,132,241</u>	<u>13,526,893</u>
<i>Cash was applied to:</i>		
Payments to suppliers and employees	(3,860,204)	(8,009,845)
Interest paid	(960,104)	(2,129,477)
	<u>(4,820,308)</u>	<u>(10,139,322)</u>
Net cash inflow from operating activities	1,311,933	3,387,571
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
<i>Cash was applied to:</i>		
Purchase of fixed assets	(160,301)	(504,559)
Net cash outflow from investing activities	<u>(160,301)</u>	<u>(504,559)</u>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Memberships	-	81,233
	<u>-</u>	<u>81,233</u>
<i>Cash was applied to:</i>		
Repayment of loans	-	(3,012,191)
	<u>-</u>	<u>(3,012,191)</u>
Net cash inflow/(outflow) from financing activities	-	(2,930,958)
NET INCREASE/(DECREASE) IN CASH HELD	1,151,632	(47,946)
Cash at beginning of the period	1,172,826	1,220,772
CASH AT END OF THE PERIOD	<u>2,324,458</u>	<u>1,172,826</u>
<i>Composition of cash:</i>		
Cash at bank	43,081	78,237
Money market investments	2,281,377	1,094,589
	<u>2,324,458</u>	<u>1,172,826</u>