

ST JAMES THEATRE CHARITABLE TRUST

REVIEW OF 2006/07 ANNUAL REPORT

1. Introduction

St James Theatre Charitable Trust (SJT) has submitted its audited annual reports for both the Trust and St James Theatre Limited, for the year to 30 June 2007.

2. Key Issues

- The Trust is continuing to experience financial pressures as a result of its below budget performance; in the 2007/08 year, it may struggle to meet its payments as they fall due
- During the year, Westpac notified the Trust that their name sponsorship of the St James Theatre will cease at 31 October 2007, thus adding to the financial pressures
- Both the Trust and the Company received a qualified audit report for not reporting their performance information against their Statement of Intent, as required by the LGA 2002. The Trust did report their KPI's to Council in a timely fashion so they could be incorporated within the Council's annual report

3. Performance

a. Financial

The Trust made an actual loss of \$1.338 million for the year, against a budgeted loss of \$0.663 million. Further points to note from an analysis of the financial statements are:

- Revenue for the Trust was down 17% (776k) on 2005/06 – theatre operations were down by \$320k from 2005/06, and grants and sponsorships were down by \$380k
- Employee benefits were up 11% (\$183k) on 2005/06
- Costs of goods and services increased by 56% (\$659k) compared to 2005/06
- The net loss before depreciation was \$634 (2005/06 - \$674k surplus)
- Cash position at 30 June 2007 is \$964k compared to \$1.758m in 2006 and trade creditors have increased from \$943k in 2005/06 to \$1.395m in 2006/07
- No cash flow statement has been prepared for 2006/07

It is noted that the 2006/07 year was not an International Festival of the Arts year.

Statement of Financial Performance

\$ '000	FY Actual	FY Budget	2005/06 Actual
Income	3,664	4,471	4,440
Expenditure	5,002	5,134	4,444
Operating surplus / (deficit)	(1,338)	(663)	(4)
Surplus / (deficit) before depreciation	(634)	330	674

Statement of Financial Position

\$ '000	FY Actual		2005/06 Actual
Current assets	1,258		2,044
Non-current assets	20,293		20,581
Current liabilities	1,562		1,081
Non current liabilities	845		1,062
Equity	19,144		20,481
Current ratio	0.81 : 1		1.9 : 1
Equity ratio			

Statement of Cash Flows

\$ '000	FY Actual		2005/06 Actual
Operating			1,159
Investing			(600)
Financing			(79)
Net			480
Closing balance			1,758

Note: the Trust's financial statements have been prepared using NZ IFRS and comparatives for the previous year have been restated to NZ IFRS accordingly.

b. KPI's

The Opera House performed well during the year, especially given that it was closed for 2 ½ months for installation of the smoke extract system, with performances and utilisation numbers ahead of 2005/06, and only narrowly below target.

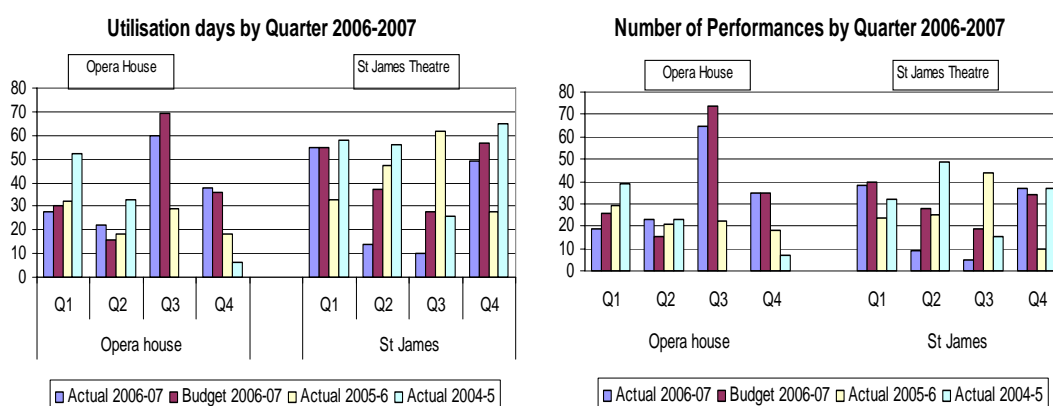
The St James failed to meet its performance and utilisation targets, and the actual numbers were down on 2005/06.

Performance measure	Target 2006/07	Actual total year 2006/07
Number of Performances at St James Theatre	121	89 ^{*)}
Number of Performances at Opera House	150	142 ^{**)}
Total number of days Utilisation at St James Theatre	177	128 ^{*)}
Total number of days Utilisation at Opera House	151	148 ^{**)}
Average Utilisation of Seats - %	55%	SJT: 53% OH: 65%
Average Utilisation of Seats 'Own shows' - %	-	SJT: 31% OH: 77%
Number of Performance Related Events SJT and OH	83	56
Average Performance Spend per Head St James	\$1.50-\$3.50	\$3.33
Average Performance Spend per Head Opera House	\$0.30-\$1.50	\$2.32

^{*)} Except for the Tutus on Tour Season the period from half November to end March was very quiet. This time of the year is always very difficult. Therefore, a risk policy has been developed and the St James Theatre started to take risk in Own Shows; the Fiddler on the Roof-season in April was an example of this.

^{**)} The amount of performances and utilisation in the Opera House was exceptional seeing the period that the Opera House was closed for installation of the Smoke Extract System from 18/12/06 – 21/01/07 and from 21/03/07 – 02/05/07.

c. Trends



4. Key items from the year

- The ten week season of Menopause the Musical was the longest in the Trust's history
- A range of building developments were undertaken during the year including the completion of the Pit Lift

- A lot of emphasis has been placed on increasing the revenue and profitability of the already strongly performing food and beverages operation, including a request for proposals for it to be outsourced.

5. Governance

Three Trustees retired during the year – Geoff Atkinson, Ross Baker and Pat Waite, and a new Trustee, Pele Walker was appointed during the year. The Trustees during the year were:

Chris Parkin (Chair)
Geoff Atkinson (retired 31 December 2006)
Ross Baker (retired 28 February 2007)
Juliet McKee
Ian McKinnon
Roger Miller
Carol Stigley
Pat Waite (retired 30 April 2007)
Pele Walker (appointed 1 January 2007)

As noted in previous year's reports, the Council appoints all the Trustees to the Board, and these Trustees are automatically Directors on the Board of St James Ltd. However, the Trust can appoint additional Directors, over and above this.

6. Comments Regarding Council

In its annual report, the Trust recognised the ongoing support of Council.

7. Future Plans / Issues

- The Trust has used analysis of previous year's performance to determine its future direction, which is to focus on its core business of Show Business whilst at the same time further utilising the cafes to increase this already significant source of revenue
- Redevelopment of the 1st floor gallery may enable the Trust to make inroads into the conference and room hire market to supplement other revenue streams
- The development of the back lot continues to be discussed, and was part of a study on Asset Development
- The next stage of the Opera House development, the installation of sprinkler systems, will progress subject to the availability of funding, and venue schedules
- The Tiffin Report, presented to Council's Strategy and Policy Committee in September 2007, recommended that all Council Controlled Organisations have Audit New Zealand appointed as their auditor.

8. Conclusion

The Trust has a major programme of asset management that it needs to undertake over the next few years, and without a significant increase in operating revenue there will be insufficient resource to undertake this work.