

Esplanade at a Glance

The Balanced Scorecard was designed to measure whether TECL was achieving our artistic and social objectives beyond the pure financial numbers. There are four perspectives that taken together would provide a holistic view of our performance.

The National Perspective

The first aspect is perhaps the most important and overarching reason for Esplanade's existence – its contribution to the social and national good. The objectives here are twofold. The first is Esplanade's contribution to enhancing the sense of community and belonging in Singapore and the second is its contribution to the vibrancy of Singapore as an international arts city.

Since the opening of Esplanade in October 2002, it has gradually but firmly established itself as a major arts venue both in Singapore and internationally. Aside from being a presenting venue, Esplanade has developed a calendar of festivals and activities throughout the year. Esplanade's programmes encourage audiences to go beyond popular works to a deeper appreciation of the arts. The community is engaged through the festivals that are timed with major ethnic celebrations.

	FY08/09
a) No. of Activities	
– Ticketed	876
– Non-Ticketed	1,609
Total No. of Activities – Ticketed & Non-Ticketed	2,485
b) Attendance	
– Ticketed	482,722
– Non-Ticketed	1,273,749
Total Attendance – Ticketed & Non-Ticketed	1,756,471
c) Outreach	
– No. of Activities	506
– No. of Participants	16,269
d) Visitorship	7,174,846

The number of activities and attendance is a total of all events at the centre, consisting of both *Esplanade Presents* and hirer shows. The non-ticketed activities and attendance are largely *Esplanade Presents* programmes. Through our free performances, we have made the arts accessible to all and lived up to our mission of being a centre for everyone.

Leveraging on the diverse range of programmes that Esplanade presents, the Corporate Communications & Public Affairs Department organises activities and initiatives that engage youths, students, educators, community organisations as well as disadvantaged groups. The core objective of our efforts is to build an affinity for Esplanade and the arts among the different community segments through activities organised around our arts programmes. Through regular engagement with these community groups, we hope to increase their appreciation of the arts, strengthen racial harmony and community ties.

While visitorship has reached a steady state of over 7 million, the numbers in FY08/09 have also been adversely impacted by the increasing number of events around Marina Bay, the resulting road closures and the disruption from their setup and teardown activities.

The Industry Perspective

The second aspect relates to Esplanade's contribution to the development of the arts industry as a whole. As one of the leading arts institutions in Singapore, Esplanade has an important role to play in this area. In its work with artists and sharing of experience and expertise, Esplanade is contributing to the growth and revitalisation of the nation's arts industry.

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	FY08/09
a) No. of New Hirers	63
b) No. of New Sponsors	14
c) Job Opportunities for	
– Artists/Crew	32,035
– Casual Staff ¹	43,854
d) No. of Courses Conducted	5
– No. of Participants	72
e) No. of Collaboration Performances	220
f) No. of New Works Presented	26

Corporate sponsorship is an area which Esplanade has cultivated over the years by working with like-minded sponsors who share our vision of bringing the arts closer to the community. In cultivating sponsors, we do not approach existing arts sponsors but instead, we reach out to organisations who are new to arts sponsorship. Despite the financial crisis, we still managed to cultivate 14 new sponsors during the year.

Esplanade has grown the industry by providing an increasing number of job opportunities for artists, crew and our casual staff. Esplanade has trained a pool of casuals, mainly for front-of-house operations and production. This pool of staff go through a rigorous training process before they are certified, after which they are still required to attend refresher courses each year to retain their certification. Not only do these casuals work for Esplanade but also for other venues, raising the level of proficiency and professionalism in the sector. A total of 43,854 job opportunities were created for our certified casual pool of 689 staff during the year. In addition, technical training courses are organised for those who are interested in working within the arts industry.

Artists are also developed through collaboration works with Esplanade and international groups. Besides sharing the financial risk, Esplanade also shares its expertise especially in the areas of programming, marketing and production. We will continue to work with our local artists to improve the quality of productions and grow collaborations that help spur the industry. Across our programmes, from non-ticketed to ticketed, we will find ways to nurture existing talents to raise their performance standards and build audiences for them.

As the international environment changes rapidly, Asia will play an increasingly important role in many areas, including the arts. We will invest in works that are of Asian significance to reflect the contributions of the region. We will put in more resources to shape new works and invite Asian artists for residences at Esplanade. We will grow the body of Asian work by commissioning work or co-productions with local/regional companies, increasing current levels while maintaining quality. Positioning ourselves as a centre that nurtures and promotes new works, we will also be able to capitalize on our existing networks with international arts centres to create co-productions, thereby positioning Singapore as a contributor to world culture.

The Customer Perspective

Delivering the Esplanade Experience remains at the heart of the centre's service ethos and we constantly strive to improve our services and processes in order to meet and even go beyond their expectations. The customer perspective aims to quantify the satisfaction of our customers who are divided into three main groups – patrons/audience, artists who perform here and hirers who rent our venues. However, our patrons have indicated their fatigue due to our frequent surveys and we have decided to take a break from the survey for FY08/09.

¹ A total of 43,854 job opportunities were created for our certified casual pool of 689 staff during the year

Esplanade at a Glance

	FY08/09
a) Interruptions to Performance	2
b) Customer Satisfaction Ratings	
i) Patrons	
– Ushers & Box Office Officers (Overall Average) ²	–
ii) Artists (Overall Average) ³	–
iii) Hirers (Overall Average) ⁴	–

There were two interruptions to a performance in FY08/09 due to software failure. Appropriate action has been taken to avoid similar incidents. In both these cases, the performance continued after the interruption.

The Organisational Perspective

These indicators track the performance of Esplanade as a company and measure general aspects of the company's operations, including financial outcomes, cost recovery and other ratios that relate to more specific aspects of its operation and provide an overview of the operational efficiency of the organisation.

	FY08/09
a) Key Financial Indicators	
– Income	\$24,995,163
– Expenditure	\$63,953,426
– Cost Recovery Rate	51.2%
b) Corporate Support	
– Sponsorship	\$3,807,696
– Number of Sponsors	47
c) Productivity	
– Event to staff ratio	13
– Income to staff ratio	\$132,250
d) Staff Development	
– Training (% of Annual Basic Salaries)	3.0%
– Staff Turnover (Monthly Average)	1.3%
(National Average)	2.0%

Despite the financial crisis, income closed at \$25.0m, which is the second highest income ever achieved. Expenditure reached \$64.0m, an increase of \$2.2m over last year, of which \$1.1m was due to the increase in rental expense. While we continue to control expenditure, it is inevitable for cost to increase with inflation, an aging centre and a tight labour market with competition from the Integrated Resorts and regional job opportunities.

As we transit from the foundational phase into the next phase of growth, we seek to deepen engagement with audiences and artists while building on the growth momentum. Audiences can expect to see a wider range of programmes and festivals, in particular Asian works, which will bring greater vibrancy to the local arts scene. Programmes to develop the young will be intensified while local industry support will be strengthened through more collaboration efforts and the development of new works. These development initiatives will involve a different level of investment and therefore affect Cost Recovery Rates.

Even in the midst of the difficult operating environment in FY08/09, we managed to have 47 sponsors, close to the peak of 48 last year, not withstanding that many of our corporate box sponsors were financial institutions who were badly affected by the financial crisis and did not renew their contracts. In fact, we managed to retain 70% of our sponsors from last year, the highest retention rate since our opening.

In terms of productivity, event to staff ratio is the highest ever but income to staff ratio was affected by the lower income as the headcount in FY08/09 was largely maintained over last year. Our staff turnover has also consistently been below the national average regardless of the buoyancy of the job market.

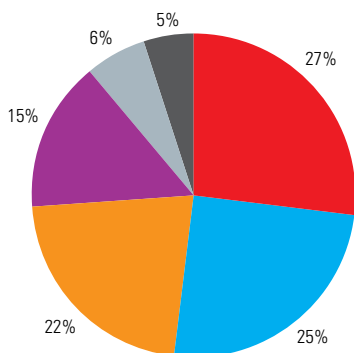
² Rated on friendliness, helpfulness, grooming, competence and ease of ticket purchase

³ Rated on production management and technical support, in areas such as professionalism and understanding of event requirements; as well as artist management, in areas such as management of logistics for the artist, helpfulness and competency of the artist liaison officer and the comfort level of accommodation etc; lastly, the likelihood of recommendation

⁴ Rated Venue & Events officers in areas such as promptness in response, friendliness, helpfulness, communication skills etc; as well as production management and technical support on professionalism, responsiveness, technical competence etc; lastly, the likelihood of recommendation

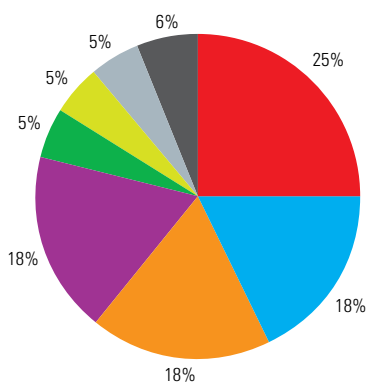
Financial Highlights

	FY08/09 \$'000	FY07/08 \$'000
TOTAL INCOME	24,995	27,248
TOTAL OPERATING EXPENDITURE	(63,953)	(61,706)
DEFICIT BEFORE GRANTS	(38,958)	(34,458)
SHARE OF PROFIT OF ASSOCIATED COMPANY	580	421
RESULTS AFTER SHARE OF PROFIT OF ASSOCIATED COMPANY	(38,378)	(34,037)
GRANTS FOR THE YEAR	28,587	27,066
GOVERNMENT SUBVENTION - RENTAL OF PROPERTY	11,813	10,735
RESULTS FOR THE YEAR	2,022	3,764
COST RECOVERY RATE	51%	57%
CAPITAL EXPENDITURE	2,266	4,023
TOTAL ASSETS	55,582	55,749



INCOME for the financial year ended 31 March 2009

	FY08/09 \$'000	%	FY07/08 \$'000	%
Venue hire and event services	6,837	27	7,734	28
Mall and other rentals	6,228	25	5,956	22
Ticketing	5,481	22	5,650	21
Sponsorships, donations and specific funds	3,808	15	4,912	18
Car parking	1,410	6	1,648	6
Other Income	1,231	5	1,348	5
Total	24,995	100	27,248	100



EXPENDITURE for the financial year ended 31 March 2009

	FY08/09 \$'000	%	FY07/08 \$'000	%
Employee compensation	16,114	25	14,763	24
Property maintenance and utilities	11,277	18	11,201	18
Rental of property	11,813	18	10,735	17
Programming	11,759	18	12,001	19
Marketing and Communications	3,306	5	4,165	7
Depreciation and amortisation	3,291	5	2,879	5
Presentation services and relations	2,843	5	2,776	5
Others	3,550	6	3,186	5
Total	63,953	100	61,706	100

Operating & Financial Review

Operating Review

In FY08/09, Esplanade faced many external factors beyond our control. We maintained the delicate balance between fulfilling our national and social objectives of developing the arts and the community and achieving a credible financial performance concurrently, despite the rapid deterioration of the economic environment in the second half of our financial year.

We were able to weather the storm, having built strong business fundamentals over the years. Like any profit driven enterprise, Esplanade is keenly aware that there is no room for complacency in any part of our business. While we strive to achieve our objectives, revenue maximisation, cost control, operational efficiency and effectiveness remain foremost. Our efforts in establishing a calendar of events and laying the groundwork for the development of the arts in Singapore over the last six years have put us in good stead as audiences are familiar with our programmes and have come to identify Esplanade as a venue for quality performances.

As we transited from a peak in FY07/08 to a challenging FY08/09, Esplanade responded promptly and creatively to the changing climate. New revenue streams were developed, for example, by carving out unconventional spaces for lease. We now have a car grooming workshop in our basement car park and a mobile bar operating on our roof terrace. We also moderated ticket prices for our *Mosaic Music Festival* to keep the performances accessible. At the same time, we uplifted spirits as we increased the level of non-ticketed activity without increasing cost during *Mosaic* to reach out to more audiences who responded positively with a 46% increase in attendance. After careful consideration, bearing in mind public sentiments, we decided to cancel a large scale high cost and high profile event even though it was budgeted. This was in view of the financial crisis, where the usual sponsorship from financial institutions would not be forthcoming. It would also not have been appropriate to price tickets at the prices necessary for such a high profile event.

Despite the adverse economic outlook, Esplanade's income decreased by only 8% or \$2.3m over last year while expenditure (excluding rental of property) increased by 2% or \$1.2m. Although our Cost Recovery Rate (CRR) dropped to 51.2%, it was still within the 50% envisaged for the long term.

Sponsorship income accounted for the largest decline in income of 22% or \$1.1m from the previous year. This was mainly due to the decrease in sponsorship from our corporate patrons, many of whom are financial institutions and were affected by the downturn. Venue hire income decreased by 12% or \$0.9m mainly due to a bumper year in FY07/08 where there were a large number of musicals and major productions which increased our variable income. We also lost a major musical in FY08/09 due to *Formula 1™* dates that clashed with the tour of the musical.

With Esplanade being in the *Formula 1™* race park, visitors avoided coming to the area due to the road closures and perceived inconveniences during the set up and tear down days, before and after race days. The increasing number of activities in the popular Marina Bay area has also resulted in more frequent road closures and diversions. Aside from affecting our visitorship numbers, our car park income also declined 14% or \$0.2m compared to the previous year.

As we intensified our efforts to develop the arts and build audiences, we stepped up programming activities by 10% from 459 ticketed events to 503 this year while our free activities also grew 3% to 1,561 events. These were achieved with a 2% reduction in programming cost.

Excluding rental of property, expenditure increased \$1.2m or 2% over FY07/08. This was mainly due to HR cost as we continued to invest in training to increase the capability of the technical team since we do not have a ready pool of recruits and the Integrated Resorts are also recruiting from the same pool of staff. Besides this investment, part of the increase also goes towards annual service increments and promotions.

Property maintenance and utilities costs were well controlled despite the ageing centre. The consumption of electricity in kwh declined from last year due to energy saving measures implemented. The 2% or \$0.2m increase in cost was due to increased electricity tariff rates. This has since been controlled as we renewed our energy contract with a new vendor. Over the past six years, we have continually implemented energy saving measures so that our current consumption has reduced by 30% from our first full year of operations in FY03/04 despite the increase in activity levels by 67% from FY03/04 to 2,485 in FY08/09.

FY08/09 closed with a deficit before grant of \$39.0m compared to \$34.5m last year. Out of the increase of \$4.5m, \$1.1m was due to the increase in rental of property. Our associate company SISTIC continued to be profitable, contributing \$0.6m to our results, bringing our deficit to \$38.4m which was funded via a grant of \$28.6m and government subvention of \$11.8m, resulting in a balance of \$2.0m. Government grants continue to be awarded under stricter conditions and increasing emphasis on Esplanade's earned income.

Operating & Financial Review

Financial Review

Esplanade's reserve policy is to maintain an amount equivalent to half its annual operating expenditure. Our accumulated funds to date stand at \$30.0m, still less than half of our annual operating expenditure of \$64.0m for FY08/09. As Esplanade's programming activities require commitments to be made in advance and the business operates largely on a cash basis, it is prudent to maintain a certain level of reserves to respond to any contingencies or business interruptions. This reserve will also enable special projects to be undertaken as these would be over and above the normal funding levels. These projects will be approved by Esplanade's Board of Directors.

Esplanade's investment policy allows surplus cash to be placed in fixed deposits with established financial institutions only, although interest rates have dropped, the risks are low. Esplanade has not invested in any financial instruments.

As part of our belt tightening, we also reduced additions to capital expenditure from \$4.0m in FY07/08 to \$2.3m in FY08/09. We extended the useful life of our assets through regular maintenance and by looking for cost effective alternatives without compromising the efficiency of our operations.

With MICA's financial support, the re-developed Outdoor Theatre opened in August 2008, in time for the National Day celebrations. The venue can now accommodate the large crowds that regularly attend our free performances and its larger canopy is also able to provide better rain cover.

RAP 6 is a Recommended Accounting Practice approved by the ICPAS for charities whose financial year begins on or after 1 January 2006. RAP 6 sets out recommendations on the way in which a charity should account for and report on the resources entrusted to it and the activities that it undertakes. As Esplanade is a company limited by guarantee, it operates very much like a company with the objective of being a performing arts centre for everyone. Esplanade also does not engage in any fund raising activities from the general public. Esplanade has reviewed RAP 6 and the financial statements have complied with RAP 6 where applicable.

Going Forward

Since Esplanade opened its doors in 2002, it has established itself as a major arts venue. Annually, more than a quarter of all arts performances in Singapore are held at Esplanade, accounting for over a third of total ticketed performing arts attendances.

The second stage of Esplanade's development will focus on deepening relationships and strengthening Singapore's profile through a long-term view of investing in artist and audience development.

However, in the midst of our development, we are also faced with unprecedented challenges. As the financial crisis evolves, Esplanade has braced itself for a long, tough road ahead. The momentum of growth built over the last six years must continue and we will continue to nurture the arts industry. Our programming expenditure will be carefully considered to ensure that all performances are in keeping with our objectives. On the expenditure side, we have left no stone unturned in our efforts to trim costs but there is a limit to further cuts that we can make without affecting the operations of the centre. On the manpower front, we will be prudent with labour cost even as the upcoming Integrated Resorts compete with us for specialised talent.

Despite the tough times, but also because of the tough times, people still need their spirits raised and some temporary escape. We will continue to provide that outlet for release, stay the course, work towards our long term objectives, and ensure that the show goes on.