



Wellington Waterfront Limited

QUARTERLY REPORT

to the

Council Controlled Organisations Performance

Subcommittee

Wellington City Council

Quarter ended 31 December 2008

Wellington Waterfront Limited
February 2009

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Appendix A - Financial Statements and KPI's

1. EXECUTIVE SUMMARY

Wellington Waterfront Limited (WWL) is pleased to present its report for the quarter ending 31 December 2008 outlining progress of the Wellington Waterfront Project and the Company.

1.1 *The Wellington Waterfront Project*

Key events during the quarter include:

- Planning for the redevelopment of sites 8, 9 and 10 in the Kumutoto precinct
- Investigations into optimal uses for Shed 13 were undertaken and a lease was agreed, with the tenant likely to occupy at the beginning of the first quarter 2009/10
- Assisted Willis Bond and Company Limited with preparatory work for the Environment Court appeal of the Overseas Passenger Terminal redevelopment proposal
- A number of awards were won for the Meridian building and Kumutoto public space.

1.2 *The Company - Wellington Waterfront Limited*

The Board and Management continue to actively pursue the implementation of the strategies and work plans required to ensure that the design, consultation, funding and planning requirements of the waterfront development are completed effectively and according to the Framework.

In December 2008 Council confirmed the Company would continue planning the various projects until June 2010 at which point the day to day operations of the waterfront, including the implementation of projects, would be undertaken by Council.

The Company has reviewed its governance and operational structure and will be reducing its number of directors from eight to five and will be reducing staffing levels. The management fee paid by Council to the Company will reduce from \$1.65 million to \$1.20 million by the end of the current financial year.

The quarter saw the appointment of a new property manager.

2. THE WELLINGTON WATERFRONT PROJECT

2.1 *Work Plan Implementation*

Progress on implementing the work plan is reported below.

Kumutoto

Meridian building

Wagamama restaurant and Mojo Coffee have been trading successfully since their opening in January 2008 and June 2008 respectively.

EON Design Centre, who was to occupy the south eastern corner of the ground floor of the building, went into receivership (and subsequent liquidation) in late November. The Company has secured a restaurant tenancy for this space and it is anticipated they will commence trading in June 2009.

The Meridian building won the NZ Institute of Architects – Wellington Architecture Award for Sustainable Architecture (awarded to Studio Pacific Architecture in association with Peddle Thorp Architects).

Kumutoto Public Space

During the quarter the Kumutoto public space won two awards:

- October 2008 – Illumination Engineering Society – Lighting Design – Award of Excellence – Kumutoto Public Space
- NZ Institute of Architects – Wellington Architecture Award for Urban Design – Kumutoto, North Queens Wharf (awarded to Studio Pacific Architecture in association with Isthmus Group).

Sites 8-10

Athfield Architects was selected as the design competition winner for sites 8, 9 and 10 in late 2007.

Work continued throughout the quarter on designing the buildings to achieve the optimal affordable / high quality mix.

Negotiations continued with prospective tenants for the three sites.

We are likely to apply for resource consents in the last quarter of 2008/09 after the outcome of the district plan changes consultation is known.

Shed 13

Discussions continued with various operators throughout the quarter and an agreement to lease is being finalised with the lessee occupying the space in the first quarter of 2009/10.

Queens Wharf

Outer-T

Following the successful outcome of an appeal against the application for a Hilton hotel on the Outer-T, WWL intended conducting a concept competition during this quarter. When Council considered the Waterfront Development Plan in July it adopted the recommendation deferring planning work on the Outer-T until the financial review of the Wellington Waterfront Project is completed.

Frank Kitts Park

Frank Kitts Park

In late December 2007 Council approved WWL's redevelopment proposal for Frank Kitts Park.

Detailed planning continued throughout the quarter. In July Council passed a resolution deferring further planning work (excluding the Chinese Garden) until the financial review of the Wellington Waterfront Project is completed.

Discussions continued with representatives of the Chinese Garden community and agreement was reached over the final design of the Chinese garden elements. With the final design known the Chinese community intends seeking financial support locally and from Wellington's sister cities in China. Delegations from both sister cities are expected to visit Wellington in February 2009.

Taranaki Street Wharf

Taranaki Street Wharf West

Discussions continued with the Wellington Tenth Trust over plans for the construction of a wharewaka.

The Company commenced negotiations to purchase *Solace in the Wind* from the artist, ensuring it remains in Wellington.

Solace in the Wind was awarded the People's (Art) Choice Award in the Wellington Civic Trust Awards.

Waitangi Precinct

Overseas Passenger Terminal and Clyde Quay Wharf

Resource consent was lodged in September 2007. Two applications have been lodged, the first for the building with Willis Bond and Company the sole applicant and the second for the wharf perimeter as a joint application with WWL.

Resource consent was granted, however, Waterfront Watch submitted an appeal, against the resource consent, to the Environment Court on 22 May and additional parties joined the appeal during July.

A pre-mediation hearing was heard in the Environment Court and the full appeal is timetabled to be heard in the Environment Court in May 2009.

2.2 General Operations

Property Management

As well as routine maintenance, focus has been on the under wharf condition survey being undertaken by Holmes Consulting.

Queens Wharf, Taranaki Street Wharf, Taranaki Street Breastworks and the Clyde Quay (Overseas Passenger Terminal) Wharf were comprehensively reviewed and a detailed condition report is being prepared.

Community Relations

During the quarter WWL undertook the following community relations activities:

- Regular updates to WWL's web site to ensure project information and business listings were current
- Updated displays in the Waterfront Project Information Centre
- Responded to media and public enquiries.

2.3 Financial Performance

Statement of Financial Performance

The YTD net operating deficit of \$3.072m compares against a budgeted deficit of \$2.900m. Greater than budgeted revenue (\$421k) offset by higher than budgeted expenditure (\$593k) has contributed to this unfavourable variance of \$0.172m.

Revenues for the year are \$421,000 higher than budget; largely resulting from greater than budgeted car parking revenue and unbudgeted lease revenue on recently negotiated ground leases.

Year to date expenses are greater than budgeted because of higher property costs (repairs and maintenance and unbudgeted ground lease payments – offsetting the revenue), higher than budgeted charges from Council for Waitangi Park maintenance and events facilitation. In addition we have provided for a bad debt from EON Design Centre Limited (EON) after they went into receivership and subsequent liquidation. EON was to occupy the south eastern ground floor space in the Meridian building.

Statement of Financial Position

The net assets / equity position of the Project remains strong. There was no major capital expenditure item in the quarter.

Liquidity

The Project's bank balance at 31 December 2008 totals \$1.053m. This balance is higher than budgeted due to the delays in the receipt of invoices for contractual obligations.

Current Assets and Current Liabilities totalled \$1.635m and \$1.834m respectively with a working capital ratio of 0.89:1.

Forecast

In June 2007, due to delays in receipt of commercial proceeds, Council agreed further short-term funding for the three years covered by the Company's Strategic Plan.

As at 31 December 2008 we have borrowed \$3.900 million from Council. This borrowing is unchanged from 30 June balance date as planned public space developments have been deferred.

Future Outlook

Borrowing is forecast to increase during the forthcoming months as remedial works on the wharves is undertaken. With the exception of the above work, expenditure on large capital expenditure projects has been halted.

3. THE COMPANY – Wellington Waterfront Limited

3.1 *Comment on Progress*

The Board continues its focus on ensuring the design, consultation, funding, and planning requirements of the waterfront development are completed effectively and according to the Framework by WWL management.

3.2 *Financial Performance*

The net year to date surplus (before tax) of \$218k for the period ended 31 December 2008 is better than the budgeted surplus of \$51k. This variance has arisen largely as a result of Personnel costs being lower than budget.

For the Board of:
Wellington Waterfront Limited



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Ian Pike
Chief Executive Officer

3 February 2009

WELLINGTON WATERFRONT LIMITED
KEY PERFORMANCE INDICATORS
For Year ending 30 June 2009

Key Performance Indicators for 2008/09

- Oversee design development, apply for resource consent and undertake construction planning for Kumutoto sites 8, 9 and 10
- Complete the internal fit-out of Shed 13
- Oversee design development, apply for resource consent and complete construction planning for the redevelopment of Frank Kitts Park
- Project manage the construction of the wharewaka at Taranaki Street Wharf
- Oversee design development and the completion of further public space developments at Taranaki St Wharf
- Develop concepts, seek approvals, and oversee design development for the redevelopment of Queens Wharf, including Shed 6 and the Outer-T and prepare a master plan that will be publicly consulted upon as part of the process of adopting it as a variation to the district plan.
- Call for ideas from the public for potential outcomes for the Outer-T.

Measure	Frequency of measure	Target 2008/09	Quarter 2 2008/09
<i>Financial</i>			
Capital expenditure (public space and commercial development expenditure)	Quarterly	\$ 2.075m	\$0.216m
Commercial proceeds	Quarterly	\$ 0.000m	\$0.000m

WELLINGTON'S WATERFRONT

WELLINGTON WATERFRONT PROJECT
and
WELLINGTON WATERFRONT LIMITED

FINANCIAL STATEMENTS

for the quarter ending 31st December 2008

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Note:

The Wellington Harbour Board and Wellington City Council Vesting and Empowering Act 1987 requires the Wellington City Council to cause to be prepared financial statements for the Lambton Harbour Development Project (as defined in the Act).

The term "Wellington Waterfront Project" as used in these financial statements is synonymous with "Lambton Harbour Development Project".

WELLINGTON WATERFRONT PROJECT
STATEMENT OF FINANCIAL PERFORMANCE
for the quarter ending 31st December 2008

Second Quarter			Year to Date			Full Year
Actual	Budget	Variance	Actual	Budget	Variance	Budget
\$000's	\$000's		\$000's	\$000's	\$000's	\$000's
REVENUE						
783	659	124	1,596	1,299	297	2,548
4	3	1	4	4	-	7
1	1		2	2	-	135
99	64	35	224	129	95	259
20	15	5	59	30	24	60
907	742	165	1,885	1,464	421	3,009
EXPENSES						
1,547	1,260	(287)	2,963	2,613	(350)	6,126
248	225	(23)	656	750	94	1,500
120	47	(73)	266	114	(152)	200
584	444	(140)	1,072	887	(185)	2,288
2,499	1,976	523	4,957	4,364	(593)	10,114
(1,592)	(1,234)	(358)	(3,072)	(2,900)	(172)	(7,105)

WELLINGTON WATERFRONT PROJECT
STATEMENT OF MOVEMENTS IN EQUITY
for the quarter ending 31st December 2008

Second Quarter			Year to Date			Full Year
Actual	Budget	Variance	Actual	Budget	Variance	Budget
\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
176,454	177,516	(1,062)	177,520	177,520	-	177,520
(1,592)	(1,234)	(358)	(3,072)	(2,900)	(172)	(7,105)
-	-	-	-	-	-	-
413	413		825	825	-	1,811
-	850	(850)	-	2,100	(2,100)	6,450
26	-	26	28	-	28	-
175,301	177,545	(2,244)	175,301	177,545	(2,244)	178,676

WELLINGTON WATERFRONT PROJECT
STATEMENT OF FINANCIAL POSITION
as at 31st December 2008

	<i>Actual Dec-08 \$000's</i>	<i>Actual Sep-08 \$000's</i>	<i>Last Year Jun-08 \$000's</i>
CURRENT ASSETS			
Deposits/bank	1,053	1,295	2,001
Operating receivables	344	530	901
Marina receivables - current portion	-	11	11
Prepayments	255	420	569
Intercompany	(17)	(15)	(15)
Properties intended for sale	7,368	7,368	7,368
TOTAL CURRENT ASSETS	9,003	9,609	10,835
NON CURRENT ASSETS			
Fixed assets	170,173	170,617	171,056
Shares in Chaffers Marina Holdings Ltd	1,379	1,379	1,379
Option asset	26	26	26
Meridian Building Receivables	455	455	405
TOTAL NON CURRENT ASSETS	172,033	172,477	172,866
TOTAL ASSETS	181,036	182,086	183,701
CURRENT LIABILITIES			
Accounts payable	881	765	1,314
Retentions and bonds	157	181	202
Deferred income	796	784	764
TOTAL CURRENT LIABILITIES	1,834	1,730	2,280
NON CURRENT LIABILITIES			
Advance from associate company	1	1	1
Long term advance - WCC	3,900	3,900	3,900
TOTAL NON CURRENT LIABILITIES	3,901	3,901	3,901
EQUITY			
Wellington City Council	175,249	176,403	177,468
Asset revaluation reserves	52	52	52
TOTAL EQUITY	175,301	176,455	177,520
TOTAL FUNDS EMPLOYED	181,036	182,086	183,701

WELLINGTON WATERFRONT PROJECT
STATEMENT OF CASHFLOWS
for the quarter ending 31st December 2008

Second Quarter				Year to Date			Full Year
<i>Actual</i>	<i>Budget</i>	<i>Variance</i>		<i>Actual</i>	<i>Budget</i>	<i>Variance</i>	<i>Budget</i>
<i>\$000's</i>	<i>\$000's</i>	<i>\$000's</i>		<i>\$000's</i>	<i>\$000's</i>	<i>\$000's</i>	<i>\$000's</i>
OPERATIONS							
1,108	1,153	(45)	Cash In	2,335	2,289	46	4,528
(1,123)	(1,300)	177	Cash Out	(2,682)	(3,013)	331	(8,061)
(15)	(147)	132	Net Operation Cash Flows	(347)	(724)	377	(3,533)
INVESTMENT							
36	850	(814)	Cash In	38	2,100	(2,062)	5,450
(263)	(560)	297	Cash Out	(639)	(1,535)	896	(2,075)
(227)	290	(517)	Net Investment Cash Flows	(601)	565	(1,166)	3,375
FINANCING							
-	-	-	Cash In	-	-	-	-
-	-	-	Cash Out	-	-	-	-
-	-	-	Net Financing Cash Flows	-	-	-	-
(242)	143	(385)	NET MOVEMENT IN CASH FLOWS	(948)	(159)	(789)	(158)
1,295	400	895	Opening Balance	2,001	702	1,299	702
1,053	543	510	Closing Balance	1,053	543	510	544

WELLINGTON WATERFRONT PROJECT
CAPITAL EXPENDITURE - CURRENT YEAR
as at 31st December 2008

	Actual \$'000	Year To Date			Year end
		Total \$'000	Budget \$'000	Variance \$'000	Budget \$'000
PUBLIC SPACE					
<i>Taranaki Wharf Project</i>					
Taranaki Wharf West	3	3	-	(3)	440
Total Taranaki Wharf	3	3	-	(3)	440
<i>Wharewaka</i>					
Wharewaka	202	202	560	358	560
Total Wharewaka	202	202	560	358	560
<i>Waitangi Park Area 2,3</i>					
Waitangi Park Area 3	-	-	-	-	-
Total Waitangi Park Area 2,3	-	-	-	-	-
<i>Kumutoto NQW</i>					
Kumutoto Public Space	6	6	250	244	250
Total Kumutoto NQW	6	6	250	244	250
<i>Other Projects</i>					
Shed 11	-	-	-	-	-
Shed 13 interior fitout	-	-	625	625	625
TSB Bank Arena - WWL CAPEX	(2)	(2)	-	2	-
TSB Bank Arena - WCC	2	2	-	(2)	-
Total Other Projects	-	-	625	625	625
<i>Minor Works</i>					
Other	-	-	-	-	100
Chaffers Marina maintenance	3	3	-	(3)	-
Traffic Control System	23	23	100	77	100
Total Minor Works	26	26	100	74	200
TOTAL PUBLIC SPACE	237	237	1,535	1,298	2,075
TOTAL CAPITAL EXPENDITURE	237	237	1,535	1,298	2,075

WELLINGTON WATERFRONT LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
for the quarter ending 31st December 2008

<i>Second Quarter</i>				<i>Year to Date</i>			<i>Full Year</i>
<i>Actual</i>	<i>Budget</i>	<i>Variance</i>		<i>Actual</i>	<i>Budget</i>	<i>Variance</i>	<i>Budget</i>
<i>\$000's</i>	<i>\$000's</i>	<i>\$000's</i>		<i>\$000's</i>	<i>\$000's</i>	<i>\$000's</i>	<i>\$000's</i>
REVENUE							
412	412	-	Management Fees	825	825	-	1,650
9	2	7	Interest	17	5	12	10
421	414	7	TOTAL REVENUE	842	830	12	1,660
EXPENSE							
203	271	(68)	Personnel	436	547	111	1,197
57	57	-	Governance	113	115	2	230
34	58	(24)	Other	75	117	42	233
294	386	(92)	TOTAL EXPENSE	624	779	155	1,660
127	28	99	NET SURPLUS (DEFICIT)	218	51	167	-

WELLINGTON WATERFRONT LIMITED
STATEMENT OF FINANCIAL POSITION
as at 31st December 2008

	<i>Actual Dec-08 \$000's</i>	<i>Actual Sep-08 \$000's</i>	<i>Actual Jun-08 \$000's</i>
CURRENT ASSETS			
Deposits/Bank	392	259	246
Accounts Receivable	497	491	37
Prepayments	6	13	17
	895	763	300
NON CURRENT ASSETS			
Office Equipment	22	23	24
Computer Equipment	18	20	23
Motor Vehicle	1	1	1
	41	44	48
TOTAL ASSETS	936	807	348
CURRENT LIABILITIES			
Accounts Payable / Accruals	150	149	193
Tax Provision	-	-	-
Management Fee in advance	412	412	93
	562	561	286
EQUITY			
Paid Up Capital	1	1	1
Retained Earnings	373	245	61
TOTAL EQUITY	374	246	62
TOTAL FUNDS EMPLOYED	936	807	348

WELLINGTON WATERFRONT LIMITED
STATEMENT OF CASHFLOWS
for the quarter ending 31st December 2008

Second Quarter				Year to date			Full Year
<i>Actual</i>	<i>Budget</i>	<i>Variance</i>		<i>Actual</i>	<i>Budget</i>	<i>Variance</i>	<i>Budget</i>
<i>\$000's</i>	<i>\$000's</i>	<i>\$000's</i>		<i>\$000's</i>	<i>\$000's</i>	<i>\$000's</i>	<i>\$000's</i>
			OPERATIONS				
422	415		Cash In	844	830	14	1,660
(288)	(415)		Cash Out	(697)	(830)	133	(1,660)
134	-		Net Operation Cash Flows	147	-	147	-
			INVESTMENT				
(1)	-		Cash In	(1)	-	-	-
-	-		Cash Out	-	-	-	-
(1)	-		Net Investment Cash Flows	(1)	-	-	-
133	-		NET MOVEMENT IN CASH FLOWS	146	-	147	-
259	246		Opening Balance	246	246		246
392	246		Closing Balance	392	246	147	246