

APPENDIX SEVEN

WELLINGTON WATERFRONT LIMITED

REVIEW OF 2009/10 ANNUAL REPORT

Wellington Waterfront Limited (WWL) presents its Annual Report including audited financial statements and unaudited performance measures.

Highlights for the year

- Completed a major stage of the wharf pile refurbishment programme and were able to extend phase one of this project to additional areas of the waterfront while remaining within budget.
- The Harbourside Market is increasing in popularity and is now established as a well-attended weekly event, reaching its capacity of 50 licensed stallholders.
- The waterfront hosted a number of significant events including the NZ International Festival of the Arts, World of Wearable Arts, Pinot Noir, Homegrown, Dragon Boat Festival and Asian Festivals.
- The Kumutoto public space developed in 2007 won a further international design award this year. The award was presented in China by the International Federation of Landscape Architects.
- Frank Kitts Underground Market launched in December 2009, a vibrant arts market. In less than 6 months, over 300 businesses are operating throughout the market.
- The motorhome opened in mid-March and the Hunter St traffic control was completed.

Performance

1. Financial

A review of the financial statements of the Waterfront Project highlights the following points:

- The Project made an operating deficit of \$4.0m compared to budget of \$4.3m and a prior year operating deficit of \$5.9m.
- The overall net deficit was \$5.0m after accounting for a \$1.0m revaluation loss mainly relating to investment and development properties, compared to plan of \$4.3m and a prior year net deficit of \$9.2m after a \$3.3m revaluation loss.
- Operating revenue of \$4.3m was slightly higher than plan and that of last year. Both lease income and other income increased due to more waterfront spaces being tenanted.
- Operating expenditure of \$8.3m was lower than plan and the previous year's expenses by \$1.6m due to a combination of lower property costs, public and commercial planning costs for future developments and administration costs.

APPENDIX SEVEN

- Capital expenditure was \$2.6m for the year against budget of \$3.4m. Spend in 2010 was mainly for the development of the Wellington Waterfront Motorhome Park, the upgrade to Hunter St intersection and wharf repiling costs. The underspend compared to budget is due to deferral of the Kumutoto toilets (\$0.4m) and wharf repiling was under budget (\$0.2m).
- An interest accruing advance of \$4.4m was made to the waterfront project from Council, bringing the total advance to \$8.8m.

A summary of the Waterfront Project financial statements is given below.

Statement of Financial Performance

\$ '000	FY Actual	FY Budget	2008/09 Actual
Income	4,278	4,157	4,028
Expenditure	8,288	8,464	9,924
Operating Surplus / (Deficit)	(4,008)	(4,307)	(5,872)
Revaluation Gain / (Loss)	(980)	-	(3,339)
Net surplus	(4,988)	(4,307)	(9,211)

Statement of Financial Position

\$ '000	FY Actual	FY Budget	2008/09 Actual
Current assets	9,099	760	9,040
Non current assets	159,542	183,790	161,566
Current liabilities	961	1,200	1,775
Non current liabilities	9,161	10,065	4,892
Equity	158,519	173,285	163,939
Current ratio	9 : 1	0.6 : 1	5 : 1
Equity ratio	94%	94%	96%

Statement of Cash Flows

\$ '000	FY Actual	FY Budget	2008/09 Actual
Net cashflow	92	(226)	(1,575)
Closing balance	518	135	426

Note: the Company's financial statements have been prepared using NZ IFRS.

APPENDIX SEVEN

2. KPIs

KPIs for the year ended 30 June 2010

The company performed well during the year, making good progress against its project milestones.

Key Performance Indicator	Outcome	
Percentage of residents visiting the waterfront. Target 95%	96%	Achieved
Percentage of residents satisfied with the waterfront. Target 90%	93%	Achieved
Oversee design development and apply for resource consent for development of sites 8 & 9, Kumutoto.	100% achieved	
Project manage the construction of the wharewaka at Taranaki Street Wharf.	Construction has started, though completion is now scheduled for February 2011 compared to the original Q2 10/11.	
Oversee design development and the completion of further public space at Taranaki Street Wharf in conjunction with the wharewaka.	On target for early 2010/11 completion.	
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.	75% achieved	
Oversee design development and apply for resource consent for the redevelopment of Frank Kitts Park, subject to reaching agreement with the Wellington Chinese Garden Society and Wellington Chinese sister cities.	Resource consent application for Frank Kitts Park has been deferred until the Wellington Chinese Garden Society significantly advances its fund-raising.	
Complete phase 1 of the wharf refurbishment programme.	100% achieved and under budget.	
	Actual	Target
Capital expenditure (\$ million)	\$2.644m Council deferred Kumutoto toilets (\$0.4m) and wharf repiling was under budget (\$0.2m).	\$3.428m

Governance

The directors during the year were:

Michael Cashin (Chair)
 Ray Ahipene-Mercer (Councillor)
 Robert Gray
 David Kernohan
 Mark Petersen
 Jane Black

APPENDIX SEVEN

Michael Cashin and Robert Gray were reappointed 1 January 2010. Jane Black was appointed 1 January 2010. David Kernohan's term ended on 31 December 2009.

Key issues going forward

1. Master plan for Queens Wharf

A steering committee was established to assist in the development of a master plan for the entire Queens Wharf precinct. A 20-year implementation plan is being developed for the buildings (TSB Bank Arena, Sheds 1 & 6) and the public space in this central waterfront location together with improving how the waterfront connects with the city.

2. Kumutoto toilets

Work is ongoing to manage project costings for the Kumutoto toilets within the budget of \$375k, however it is looking unlikely that this will be achieved.

WWL will report back to Council once they have confirmed their position.

3. Asset Management Plan

WWL are scheduled to receive an Audit NZ review in September and the CEO is optimistic that they will be able to address any recommendations and achieve 'core status' by December as per their 2010/11 Statement of Intent KPI.

Subject to the Audit NZ review, WWL has 10 year forecasts for maintenance and renewals which is largely covered by the fixed amount of \$600k that they have budgeted over this period.

4. Taranaki Street Wharf overspend

The Taranaki Street Wharf costs will be over budget. WWL will need to make savings to offset this overspend.

5. Business Cases – tensile tent in Waitangi Park and ice-skating rink

The ice-skating rink is not financially viable so WWL will not be seeking approval to proceed.

The tensile tent is subject to current discussions on Queens Wharf masterplanning and whether Shed 1 can support recreational based facilities. The outcome of these discussions will determine whether WWL will present a business case for the tensile tent in Waitangi Park.

APPENDIX SEVEN

6. Shed 5

WWL has initiated discussions with the tenants of Shed 5 and this may result in the revenue from a long-term lease agreement being brought forward from 2011/12 to 2010/11.

7. Review

The transfer of activities from Wellington Waterfront Ltd to Council has been postponed indefinitely. However reviews will be taken from time to time, with the first review expected to take place in June 2012.

Conclusion

Despite economically difficult times this year, the waterfront has retained nearly all tenants and has added more tenants. WWL made good progress on its key projects during the year but will have to be careful in continuing to manage these projects within existing funding from Council and generating commercial proceeds.