



Wellington Waterfront Limited

QUARTERLY REPORT

to the

Council Controlled Organisations Performance

Subcommittee

Wellington City Council

Quarter ended 31 December 2010

Wellington Waterfront Limited
February 2011

Contents

Page

1. EXECUTIVE SUMMARY	3
1.1 The Wellington Waterfront Project	3
1.2 The Company - Wellington Waterfront Limited	4
2. THE WELLINGTON WATERFRONT PROJECT	4
2.1 Work Plan Implementation	4
Kumutoto	4
District Plan - Proposed Variation 11 (DPV11)	4
Sites 8 & 9	4
Site 10	4
Wellington Waterfront Motorhome Park	5
Service Jetty (ex Eastbourne Ferry Wharf)	5
Kumutoto Public Toilets	5
Queens Wharf	5
Queens Wharf Precinct	5
Frank Kitts Park	5
Frank Kitts Park	5
Taranaki Street Wharf	5
Wharewaka	5
Taranaki St Wharf Public Space	6
Waitangi Precinct	6
Overseas Passenger Terminal and Clyde Quay Wharf	6
2.2 General Operations	6
Property Management	6
Asset Management Plan	6
New Leases, Rent Reviews and Lease Renewals	6
Maintenance	6
Public Events	6
2.3 Financial Performance	7
Statement of Financial Performance	7
Statement of Financial Position	7
Liquidity	7
Forecast	7
3. THE COMPANY – WELLINGTON WATERFRONT LIMITED	7
3.1 Comment on Progress	7
3.2 Financial Performance	8

Appendix:

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 2010 outlining progress of the Wellington Waterfront Project and the Company.

1.1 *The Wellington Waterfront Project*

Key events during the quarter include:

- WWL continued project management on behalf of The Wharewaka o Poneke Charitable Trust development of the wharewaka. The project is being undertaken simultaneously with WWL's development of the surrounding public space adjacent to the wharewaka and lagoon. Both projects remain on budget and on time for completion before the proposed opening on Waitangi Day on 6 February 2011
- WWL assisted developers Willis Bond & Co with preparation of the launch of the proposed redevelopment of the Overseas Passenger Terminal to be publicly announced in January 2011
- WWL appointed architects Tennent & Brown to prepare a preliminary concept design for the possible establishment of a building on the service jetty (ex-Eastbourne Ferry Wharf) to accommodate the operational requirements of the Wellington Maritime Police and Police National Dive Squad
- Further progress was made toward completion of the WWL Asset Management Plan
- WWL continues its involvement in planning for the Rugby World Cup 2011
- Preliminary negotiations commenced with the proprietors of both Shed 5 Restaurant & Bar and Dockside Bar & Restaurant for new long term leases for each property
- Detailed planning has commenced for the proposed development of new public toilets at Kumutoto ahead of construction commencement in March 2011

1.2 *The Company - Wellington Waterfront Limited*

During the quarter the board of directors of WWL reduced from 5 to 3 with the unexpected passing of the chairman of WWL and WCC not appointing a city councillor representative to the board.

In response to an earlier request by the WWL Board Chairman, the newly elected Wellington City Council initiated a comprehensive review of the operations of Wellington Waterfront Limited. The review is expected to be completed by March 2011.

2. THE WELLINGTON WATERFRONT PROJECT

2.1 *Work Plan Implementation*

Progress on implementing the work plan is reported below.

Kumutoto

District Plan - Proposed Variation 11 (DPV11)

Progress of DPV11 has been deferred pending outcome of the review of the Waterfront Framework by June 2011.

Sites 8 & 9

WWL has terminated discussions with an Auckland based developer interested in investigating the development potential of sites 8 & 9 due to uncertainty relating to the outcome of DPV11 and review of the Framework.

Site 10

A Wellington based developer that WWL had previously granted a three month exclusive option to develop a concept design submitted its design in early December.

The concept was not acceptable to WWL and its Technical and Advisory Group (TAG) for design and commercial reasons.

WWL has subsequently commenced preliminary discussions with an Auckland based developer that has excellent credentials, including a strong balance sheet and successful past involvement in several major Wellington developments.

WWL proposes to negotiate and conclude an agreement that will grant the developer an exclusive option for three months to develop a concept design and preliminary feasibility study for WWL consideration.

Wellington Waterfront Motorhome Park

The motorhome park continues to become better known and more established with numbers of overnight visitors increasing over the summer months to a regular 15 – 20 motorhome vehicles per night.

Service Jetty (ex Eastbourne Ferry Wharf)

WWL has appointed architects Tennent & Brown to prepare a preliminary concept design for the possible establishment of a building on the service jetty (ex-Eastbourne Ferry Wharf) to accommodate the operational requirements of the Wellington Maritime Police and Police National Dive Squad. The project will not proceed unless it meets stringent design and consenting requirements and competitive cost parameters.

The project will also include required seismic upgrading of the service jetty itself.

Kumutoto Public Toilets

WCC approved the development conditional on maximum cost budget of \$375,000. Detailed planning will commence in early 2011 ahead of construction commencement expected in April 2011.

Queens Wharf

Queens Wharf Precinct

Master-planning concluded in November 2010. This and subsequent work by WWL to align potential uses and public expectations with affordable and financially feasible future redevelopment is expected to be presented to WCC in the first quarter of 2011.

Frank Kitts Park

Frank Kitts Park

Redevelopment plans have advanced to the point where further progress requires the Wellington Chinese Garden Society to commence fund-raising for its part of the project.

Taranaki Street Wharf

Wharewaka

WWL provides construction project management services for the Wharewaka o Poneke Charitable Trust development of the new wharewaka (waka house) adjacent to the Taranaki St Wharf.

Construction commenced in January 2010 and remains on budget and on time for expected completion and opening on Waitangi Day 2011.

Taranaki St Wharf Public Space

Construction of the public space surrounding the wharewaka commenced in late July 2010 and remains on budget and on time for expected completion and opening on Waitangi Day 2011.

The wharewaka and environs will be the hub of the Rugby World Cup 2011 village in Wellington.

Waitangi Precinct

Overseas Passenger Terminal and Clyde Quay Wharf

WWL assisted developers Willis Bond & Co with preparation of the launch of the proposed redevelopment of the Overseas Passenger Terminal to be publicly announced in January 2011.

2.2 General Operations

Property Management

Asset Management Plan

The development of the WWL Asset Management Plan continues. The comprehensive AMP report and database is expected to be complete and ready for external audit in March 2011.

New Leases, Rent Reviews and Lease Renewals

WWL commenced preliminary discussions with the proprietors of both Shed 5 Restaurant & Bar and Dockside Bar & Restaurant for new long terms leases for each establishment.

Waterfront Carparks

WWL installed additional and more reliable carpark ticket vending machines ahead of proposed carpark tariff increases in early 2011.

Maintenance

Normal routine maintenance was undertaken during the quarter.

Public Events

Wellington Waterfront will be the focus of public events and celebrations associated with Rugby World Cup 2011 in Wellington and WWL continues its participation in planning for the event.

2.3 Financial Performance

Statement of Financial Performance

The YTD net operating deficit is \$1.622 million against a budgeted deficit of \$1.836 million. The main factor contributing to the \$214,000 favourable variance are YTD Public and Commercial planning costs being \$153,000 under budget. This is due to timing differences between the budget and commencement of projects and some projects being cancelled.

Statement of Financial Position

The net assets/equity position of the Project remains strong. The major capital expenditure item in the second quarter was \$1.449 million towards the Taranaki Street Wharf public space development.

Liquidity

The Project's bank balance at 31 December 2010 totals \$530,000.

Current Assets and Current Liabilities totalled \$8.686 million and \$3.123 million respectively with a working capital ratio of 2.78:1.

Forecast

As at 31 December 2010 WWL has borrowed \$8.800 million from Council. This borrowing is forecast to increase during the third quarter by \$1.2 million.

3. THE COMPANY – Wellington Waterfront Limited

3.1 Comment on Progress

During the quarter, the chairman of WWL's Board of directors requested a WCC review of the waterfront company due to concerns about the viability of the company given a potentially reduced workload following the global financial crisis of 2007/08.


WCC agreed to conduct a review to determine the best implementation agency option and report back to council with options and recommendations in February and Council vote in March 2011.

During the quarter, the size of the WWL board of directors reduced from 5 to 3 with the unexpected passing of the chairman of WWL and WCC not appointing a city councillor representative to the board following November's local body elections and pending the outcome of the WCC review.

3.2 Financial Performance

The YTD Net Surplus is \$176,000 compared with the budgeted deficit of \$39,000. The major items contributing to the \$215,000 favourable variance are YTD Personnel costs being under budget by \$199,000. This is due to timing differences in the payment of a retention payment and they are expected to be close to budget by the end of the third quarter.

For the Board of:
Wellington Waterfront Limited



.....
Ian Pike
Chief Executive Officer
15 February 2011

WELLINGTON WATERFRONT LIMITED
KEY PERFORMANCE INDICATORS
For Year Ending 30 June 2011

Key Performance Indicators for 2010/11

- Wharewaka - Continue project management of the construction of the wharewaka at Taranaki Street Wharf which is due for completion in February 2011 – **on target**.
- Taranaki Street Public Space - Continue project management of the construction of further public space developments at Taranaki St Wharf in conjunction with the wharewaka – **on target**.
- Overseas Passenger Terminal Redevelopment - Facilitate the commencement of construction in mid 2011 (subject to developer Willis Bond & Co confirming the contract) and complete all WWL ground floor lease negotiations – **on target**.
- Frank Kitts Park - Oversee design development, apply for resource consent and complete construction planning for the redevelopment of Frank Kitts Park subject to reaching agreement with the Wellington Chinese Garden Society and Wellington Chinese sister cities. **Application for resource consent has been deferred until the Wellington Chinese Garden Society significantly advances its fundraising.**
- Sites 8, 9 & 10 – Achieve a favourable DPV11 decision at the Environment Court by Q2 – **progress to the Environment Court delayed pending review of the Waterfront Framework in Q4.**
- Kumutoto Toilet – **target date for completion of project deferred from Q2 to Q4**
- Queens Wharf Master-planning – Complete the master-plan and gain WCC approvals to the direction of the precinct by Q4 – **on target**
- Service Jetty – Kumutoto – complete design planning and regulatory approvals phases by Q2 – **target date now deferred to Q4.**
- Interim Uses – the proposed seasonal ice-skating rink at Queens Wharf and Tensile Structure at Barnett St have been abandoned due to the financial non-viability of either project.

- UN Studio Building – target date of Q2 for preliminary feasibility study deferred (until Q4), pending preliminary high level discussions between WWL, WCC and central government for establishment of the UN Studio building as a national art gallery
- Asset Management Plan – Achieve ‘core’ status by Q2 – target date now deferred to Q3
- Rugby World Cup – WWL participation in planning for RWC 2011 is ongoing.

Measure	Frequency of measure	Target 2010/11	Quarter 2 2010/11
<i>Financial</i>			
Capital expenditure (public space and commercial development expenditure)	Quarterly	\$4.394m	\$1.497m
Commercial proceeds	Quarterly	\$1.450m	\$0

WELLINGTON'S WATERFRONT

WELLINGTON WATERFRONT PROJECT
and
WELLINGTON WATERFRONT LIMITED

FINANCIAL STATEMENTS

for the quarter ending 31 December 2010

CONTENTS

	Page
Wellington Waterfront Project (WWP)	
Statement of Financial Performance	1
Statement of Movements in Equity	1
Statement of Financial Position	2
Statement of Cashflows	3
Capital Expenditure - Current Year	4
Wellington Waterfront Limited (WWL)	
Statement of Financial Performance	5
Statement of Financial Position	6
Statement of Cashflows	7
Key Performance Indicators	

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 31 December 2010

Second Quarter				Second Quarter			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>
REVENUE							
1,015	984	31	Lease revenue	1,950	1,942	8	3,819
14	1	13	Sundry income	22	1	21	1
5	5	-	Venue hire/Sponsorship	6	5	1	131
94	113	(19)	Operating recoveries	247	227	20	433
10	6	4	Interest income	23	12	11	24
1,138	1,109	29	TOTAL REVENUE	2,248	2,187	61	4,408
EXPENSES							
1,385	1,463	78	Property Costs	2,781	2,914	133	5,786
51	120	69	Public and Commercial Planning	132	400	268	840
2	10	8	Public Relations and Sponsorship	7	20	13	61
479	345	(134)	Administration	950	689	(261)	2,116
1,917	1,938	21	TOTAL EXPENSES	3,870	4,023	153	8,803
(779)	(829)	50	NET OPERATING SURPLUS / (DEFICIT)	(1,622)	(1,836)	214	(4,395)

WELLINGTON WATERFRONT PROJECT
STATEMENT OF MOVEMENTS IN EQUITY
for the quarter ending 31 December 2010

Second Quarter				Second Quarter			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>
157,974	158,710	(736)	OPENING EQUITY	158,517	158,517	-	158,517
(779)	(829)	50	Net deficit attributable to WCC	(1,622)	(1,836)	214	(4,395)
-	-	-	Movement in asset revaluation reserve	-	-	-	-
300	300	-	Contribution from WCC - Management fee	600	600	-	1,200
-	1,000	(1,000)	Contribution from WCC - Public space	-	1,900	(1,900)	5,000
157,495	159,181	(1,686)	CLOSING EQUITY	157,495	159,181	(1,686)	160,322

WELLINGTON WATERFRONT PROJECT
STATEMENT OF FINANCIAL POSITION
as at 31 December 2010

	<i>Actual</i> <i>Dec-10</i> \$000's	<i>Actual</i> <i>Sep-10</i> \$000's
CURRENT ASSETS		
Deposits/bank	530	1,704
Operating receivables	295	324
Prepayments	496	677
Intercompany	(3)	(3)
Properties intended for sale	7,368	7,368
TOTAL CURRENT ASSETS	8,686	10,070
NON CURRENT ASSETS		
Fixed assets	159,335	158,357
Shares in Chaffers Marina Holdings Ltd	985	985
Option asset	26	26
Meridian Building Receivables	387	387
Properties intended for sale	-	-
TOTAL NON CURRENT ASSETS	160,733	159,755
TOTAL ASSETS	169,419	169,825
CURRENT LIABILITIES		
Accounts payable	975	942
Retentions and bonds	140	106
Deferred income	2,008	2,001
TOTAL CURRENT LIABILITIES	3,123	3,049
NON CURRENT LIABILITIES		
Advance from associate company	1	1
Long term advance - WCC	8,800	8,800
TOTAL NON CURRENT LIABILITIES	8,801	8,801
EQUITY		
Wellington City Council	142,247	142,727
Asset revaluation reserves	15,248	15,248
TOTAL EQUITY	157,495	157,975
TOTAL FUNDS EMPLOYED	169,419	169,825

WELLINGTON WATERFRONT PROJECT
STATEMENT OF CASHFLOWS
for the quarter ending 31 December 2010

Second Quarter			Second Quarter			Full Year	
<i>Actual</i>	<i>Budget</i>	<i>Variance</i>	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>	<i>Budget</i>	
\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	
OPERATIONS							
1,207	1,091	116	Cash In	2,338	2,186	152	4,274
(1,397)	(1,011)	(386)	Cash Out	(2,088)	(2,595)	507	(5,904)
(190)	80	(270)	Net Operation Cash Flows	250	(409)	659	(1,630)
INVESTMENT							
-	1,000	(1,000)	Cash In	1,450	3,350	(1,900)	6,450
(984)	(1,005)	21	Cash Out	(1,688)	(2,894)	1,206	(4,394)
(984)	(5)	(979)	Net Investment Cash Flows	(238)	456	(694)	2,056
FINANCING							
-	-	-	Cash In	-	-	-	-
-	-	-	Cash Out	-	-	-	-
-	-	-	Net Financing Cash Flows	-	-	-	-
(1,174)	75	(1,249)	NET MOVEMENT IN CASH FLOWS	12	47	(35)	426
1,704	197	1,507	Opening Balance	518	225	293	242
530	272	258	Closing Balance	530	272	258	668
REPRESENTED BY:							
530	272		Cash				
			Bank Deposits	530	400	895	544
530	272		Total Cash	530	272	258	668

WELLINGTON WATERFRONT PROJECT
CAPITAL EXPENDITURE - CURRENT YEAR
as at 31 December 2010

	Year To Date			Year end
	Actual	Budget	Variance	Plan
	\$'000	\$'000	\$'000	\$'000
PUBLIC SPACE				
<i>Taranaki Wharf Project</i>				
TSW Public Space	1,918	2,100	182	2,100
Total Taranaki Wharf	1,918	2,100	182	2,100
<i>Wharewaka</i>				
Wharewaka	69	69	-	69
Total Wharewaka	69	69	-	69
<i>Overseas Passenger Terminal</i>				
Overseas Passenger Terminal	75	-	(75)	-
Total Overseas Passenger Terminal	75	-	(75)	-
<i>Kumutoto NQW</i>				
Kumutoto WC	4	375	371	375
Total Kumutoto NQW	4	375	371	375
<i>Minor Works</i>				
Other	8	-	(8)	100
WWMP	-	-	-	-
Chaffers Marina Maintenance	-	250	250	250
Chaffers Marina Relocation	-	-	-	500
Shed 11 sale	100	200	100	200
Tensile Structure	-	-	-	800
Total Minor Works	108	450	342	1,850
TOTAL PUBLIC SPACE	2,174	2,994	820	4,394
TOTAL CAPITAL EXPENDITURE	2,174	2,994	820	4,394

WELLINGTON WATERFRONT LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
for the quarter ending 31 December 2010

<i>Second Quarter</i>				<i>Second Quarter</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>
REVENUE							
300	300	-	Management Fees	600	600	-	1,200
4	3	1	Interest	9	7	2	14
304	303	1	TOTAL REVENUE	609	607	2	1,214
EXPENSE							
170	323	(153)	Personnel	312	511	199	885
24	29	(5)	Governance	53	59	6	117
35	38	(3)	Other	68	76	8	172
229	390	(161)	TOTAL EXPENSE	433	646	213	1,174
75	(87)	162	NET SURPLUS (DEFICIT)	176	(39)	215	40

WELLINGTON WATERFRONT LIMITED
STATEMENT OF FINANCIAL POSITION
as at 31 December 2010

	<i>Actual Dec-10 \$000's</i>	<i>Actual Sep-10 \$000's</i>
CURRENT ASSETS		
Deposits/Bank	547	414
Accounts Receivable	48	91
Prepayments	8	16
	603	521
NON CURRENT ASSETS		
Office Equipment	15	16
Computer Equipment	5	6
Motor Vehicle	1	1
	21	23
TOTAL ASSETS	624	544
CURRENT LIABILITIES		
Accounts Payable / Accruals	65	60
Tax Provision	-	-
Management Fee in advance	321	321
	386	381
EQUITY		
Paid Up Capital	1	1
Retained Earnings	237	162
TOTAL EQUITY	238	163
TOTAL FUNDS EMPLOYED	624	544

WELLINGTON WATERFRONT LIMITED
STATEMENT OF CASHFLOWS
for the quarter ending 31 December 2010

	<i>Actual</i> \$000's	First Quarter <i>Budget</i> \$000's	Variance \$000's	Full Year <i>Budget</i> \$000's
OPERATIONS				
Cash In	419	395	24	1,427
Cash Out	(286)	(345)	59	(1,377)
Net Operation Cash Flows	133	50	83	50
INVESTMENT				
Cash In	-	-	-	-
Cash Out	-	-	-	-
Net Investment Cash Flows	-	-	-	-
NET MOVEMENT IN CASH FLOWS				
NET MOVEMENT IN CASH FLOWS	133	50	83	50
Opening Balance	483	483	-	523
Closing Balance	616	533	83	573
REPRESENTED BY:				
Cash	547	533	14	573
Total Cash	547	533	14	573