

WELLINGTON WATERFRONT LIMITED

REVIEW OF 2010/11 ANNUAL REPORT

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

Highlights for the year

- In February 2010, the results of a comprehensive review of the implementation agency for the waterfront was presented to the Council. As a result, it was agreed that a reduced status quo option for Wellington Waterfront Ltd was the best option and this has been implemented.
- Completion of the Wharewaka and surrounding public space, thereby completing the development of the Taranaki Street Wharf precinct.
- The Asset Management Plan was completed and preparations begun to roll out the prescribed maintenance work.
- Significant planning work was undertaken to develop the Fanzone and related activities on the waterfront as part of Rugby World Cup 2011. The waterfront will feature strongly in activities throughout the World Cup period.

Performance

1. Financial

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

Statement of Comprehensive Income

\$ '000	2010/11 FY Actual	2010/11 FY Budget	2009/10 Actual
Income	4,718	4,408	4,278
Expenditure	7,807	8,803	8,288
Operating Surplus / (Deficit)	(3,123)	(4,395)	(4,008)
Revaluation Gain / (Loss)	(3,407)	-	(980)
Net surplus	(6,530)	(4,395)	(4,988)

Statement of Financial Position

\$ '000	2010/11 FY Actual	2010/11 FY Budget	2009/10 Actual
Current assets	9,697	9,396	9,099
Non current assets	157,558	172,262	159,542
Current liabilities	1,201	1,274	916
Non current liabilities	13,057	14,700	9,206
Equity	152,997	165,684	158,519
Current ratio	8 : 1	7 : 1	9 : 1
Equity ratio	91%	91%	94%

Statement of Cash Flows

\$ '000	2010/11 FY Actual	2010/11 FY Budget	2009/10 Actual
Net cashflow	413	628	92
Closing balance	931	828	518

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

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

- The Project made an operating deficit of \$3.1m compared to a budget deficit of (\$4.4m) and a prior year operating deficit of (\$4.0m).
- The overall net deficit was (\$6.5m) after accounting for an unbudgeted \$3.4m revaluation mainly relating to investment and development properties, and compared to a prior year net deficit of (\$5.0m) after a \$1.0m revaluation.
- Operating revenue of \$4.7m exceeded the budget of \$4.3m by 9% and was \$500k more than last year. Both lease income and other income increased due to more waterfront spaces being tenanted.
- Operating expenditure of \$7.8m was \$1.0m under budget due primarily to a combination of lower public and commercial planning costs for future developments and reduced interest costs.
- Capital expenditure was \$3.6m for the year against a budget of \$4.4m as a result of the cancellation of the 'interim use' projects (\$800k). Key projects in 2010/11 included the development of the Wharewaka and Taranaki Street Wharf public space (\$2.1m), the Kumutoto toilets (\$282k) and maintenance on the Chaffers Marina (\$250k).
- The total of the WCC loan is \$11m at year end, up from \$8.8m the previous year.

2. KPIs

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%	90%	Achieved
Oversee design development and construction of the Wharewaka and surrounding public space.	Achieved.	
OPT: Facilitate the commencement of construction of the Overseas Passenger Terminal	Achieved. Willis and Bond still to confirm contract.	
OPT: complete all WWL ground floor lease negotiations	Not achieved, but progress has been made.	
Site 10: Favourable DPV11 decision at the Environment Court	Not achieved. Court hearing is now set for Q2 2011/12.	
Queen's Wharf redevelopment: complete the master plan for redevelopment.	Achieved. Presented to the Council in May.	
Queen's Wharf redevelopment: gain WCC approvals to the future direction of this precinct.	Formal approval not yet granted.	
Interim use projects: development of business cases for approval by WCC	Achieved. Financial investigations for both projects concluded that they were not feasible. As a result, both projects were cancelled.	
Service Jetty, Kumutoto: subject to NZ Police approval, complete the design planning and regulatory approval phases of this project	Design work was terminated upon advice from NZ Police that funding was no longer available to advance the project.	
Frank Kitts Park: gain full stakeholder agreement to the Chinese Garden and commencement of fundraising	Achieved. The project, however, cannot progress until the Chinese Garden Society secure funding.	
UN Studio and Wardle building: complete feasibility study	Not achieved. Project is on hold.	
Asset Management Plan: Achieve core AMP status	Achieved.	
Maintenance Projects: roll out the full planned and reactive maintenance requirements that the AMP prescribes	Deferred to 2011/12.	
Kumutoto Toilets: complete construction	Not achieved. Fabrication is well advanced and construction set for completion Q1 2011/12 but within budget.	
RWC2011: constructively contribute to RWC planning in collaboration with WCC	Achieved.	
	Actual	Target
Capital expenditure (\$ million)	\$3.643m Variance is due mainly to the cancellation of work on the Transition site (\$800k), the delay of work on Chaffers Marina relocation to 2011/12 (\$500k), and \$93k of deferred work on the completion of the Kumutoto toilets.	\$4.394m

3. Council Strategies

Wellington Waterfront Ltd contributed to a number of Council strategies during 2010/11, primarily:

Economic Development: Work on the Overseas Passenger Terminal redevelopment will ensure that high-quality apartment accommodation and ground-floor public retail services continue to attract people to the waterfront. WWL are also negotiating lease agreements with existing tenants to support the retail and service economy in the CBD. During the year, WWL worked with the Council to establish free wi-fi access on the Waterfront. The market in the Frank Kitts car park continues to go from strength to strength. WWL will be providing support in a number of areas for RWC2011, particularly in the establishment of the *Fanzone* in the Taranaki St Wharf precinct.

Social and Recreation: The results of this year's residents survey confirmed that Wellington's waterfront remains a significant area for social and recreational activities. In addition to ensuring that the waterfront is accessible for a range of formal and informal events, WWL is continuously reviewing their public spaces to ensure that a healthy and safe environment is maintained for all visitors to the waterfront. The recent upgrade of toilet facilities is a good example of this.

Cultural Wellbeing: WWL engages with events organizers (in particular, Positively Wellington Tourism and Wellington Venues Ltd) to ensure that a range of cultural events are maintained on the waterfront and that the appropriate facilities and infrastructure are available. Completion of the Wharewaka and surrounding public space were significant achievements this year with the Waterfront hosting both the Waitangi Day celebrations and the arrival of the new waka to the city. Preparations were set for hosting a range of events as part of RWC2011, including Festival of Carnivale performances on the *Fanzone* stage.

Governance

The directors during the year were:

Michael Cashin (Chair)
Robert Gray (Chair)
Mark Petersen
Jane Black

Michael Cashin passed away in November 2010 and Robert Gray was subsequently appointed as Chair. Mark Patersen's term ended on 30 June 2011. Cr Justin Lester and Derek McCorkindale have been appointed from 1 July 2011.

Key issues and activities going forward

1. Overseas Passenger Terminal

Construction is set to begin on the Overseas Passenger Terminal and public space during 2011/12. Negotiations on ground floor tenancies and the temporary and

permanent re-location of existing tenants during the construction phase will continue.

2. Site 10 Kumutoto

Establishment of long-term concept plans will continue with developers. Wellington Waterfront Ltd will work closely with the Council in support of District Plan Variation 11 as it is presented during the year at an Environmental Court hearing.

3. Wharf pile and general maintenance programmes

The next phase of the wharf pile refurbishment programme will be advanced significantly during 2011/12 with work on the Queen's Wharf Outer-T piles. This work will be funded in part by commercial proceeds generated through the sale of leases to Shed 5 and Dockside restaurants.

Having completed the Asset Management Plan during 2010/11, WWL will undertake the rollout of planned and reactive maintenance requirements prescribed in the Asset Management plan within budget.

4. Financial

WWL will continue to work towards achieving the savings targets outlined in the review of the Waterfront Implementation Agency, and reassess the schedule of Capital Expenditure and proceeds from Commercial Developments to ensure that cash flow is balanced.

Conclusion

It has been a challenging year for WWL as a consequence of economically difficult times, the cancellation of the unviable tensile structure and ice skating rink interim projects, and the review that resulted in the decision to implement the reduced status quo option for the company. However, WWL has delivered on several significant projects, including the completion of the Wharewaka, the Asset Management Plan, and significantly advancing work on the Overseas Passenger Terminal. There will be pressure on WWL's loan financing in 2011/12 and the company will have to manage these projects carefully within existing funding from Council while generating commercial proceeds.