



Wellington Waterfront Limited

QUARTERLY REPORT

to the

Council Controlled Organisations Performance

Subcommittee

Wellington City Council

Quarter ended 31 December 2011

Wellington Waterfront Limited
February 2012

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1. EXECUTIVE SUMMARY

Wellington Waterfront Limited (WWL) is pleased to present its report for the quarter ending 31 December 2011 outlining progress of the Wellington Waterfront Project and the Company.

1.1 *The Wellington Waterfront Project*

Key events during the quarter include:

- WWL has withdrawn as a S274 party to the proceedings for the appeal of District Plan Variation 11 set down for a hearing in the Environment Court commencing 12 March 2012. The Historic Places Trust has withdrawn its appeal.
- WWL signed a development agreement with Newcrest Group for Site 10 which is conditional on WCC approval. We will commence a process of public consultation in the next quarter.
- The Wellington Waterfront Motorhome Park has enjoyed significantly increased levels of occupancy since the end of the Rugby World Cup tournament.
- We are progressing with the marketing plan surrounding the sale of Shed 5.
- We are undertaking preliminary design work for the upgrading and leasing of Shed 1.
- WWL successfully completed the relocation of the Overseas Passenger Terminal tenants to new locations.
- WWL continues to work collaboratively with developers Willis Bond & Co in regard to development planning for the Overseas Passenger Terminal (OPT).
- We continue with design of the public spaces surrounding the OPT including Clyde Quay Park.
- We are continuing with the wharf pile maintenance project at the Outer-T which is ahead of schedule. Work is complete on the southern end of the Outer-T and is now moving to the stem area.

- We successfully completed new lease agreements with McDesign Ltd, Linton Sails Ltd, McMorran Services Ltd and Barton Marine Ltd.
- We successfully completed the relocation of heritage relics from the Overseas Passenger Terminal to storage at Seaview Marina.
- We commenced responding to a Request for Proposal from Porirua City Council for the establishment of a Revitalisation Project Delivery Unit.
- The waterfront successfully hosted events and celebrations in conjunction with the WCC Events team during the Rugby World Cup tournament. The fanzone in Odlin Plaza was well patronised and its life was extended beyond the quarter finals to the final.
- The Wellington Creative Underground Market continues to operate successfully and was the recipient of the Best New Business at the Wellington Her Business awards held in December.
- The ice skating rink established on Queens Wharf was a success hosting over 30,000 skaters over six weeks.
- We continue to work with WCC over the transitioning of our financial reporting, HR and IT to the WCC shared services division
- We commenced the first stage toward preparation of a disaster recovery and business continuity plan.

1.2 *The Company - Wellington Waterfront Limited*

- The Annual Report was successfully completed and distributed.

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)

The appeal of DPV11 has been set down for a hearing in the Environment Court in the week commencing 12 March 2012. WWL has, at the request of WCC, withdrawn as a S274 party to proceedings.

Following extensive engagement with the Historic Places Trust over the design of the proposed development and mitigation of adverse effects on the adjacent Eastbourne Ferry Building, the HPT has withdrawn its appeal, leaving Queens Wharf Holdings and Waterfront Watch as the two remaining principal appellants.

Resolution of DPV11 will confirm the extent of building footprints and height that will be allowable as a non-notified resource consent application.

Sites 8 & 9

WWL is currently awaiting the resolution of DPV11 to provide a greater degree of certainty to the development planning and consenting process for these sites.

Site 10

WWL has signed a development agreement with Newcrest Group for site 10. The agreement is conditional on WCC approval and WWL will commence a process of public consultation on the proposed design prior to seeking WCC approval in March 2012.

Should the proposal be approved by WCC, Newcrest will further develop the preliminary concept design prior to submitting for resource consent in mid 2012.

Wellington Waterfront Motorhome Park

The Wellington Waterfront Motorhome Park is becoming increasingly popular and well known by visitors to Wellington. Significantly increased levels of occupancy have continued since the end of the Rugby World Cup tournament.

Kumutoto Public Toilets

The avant-garde design public toilets adjacent to the Steamship Building (Foxglove) were opened in the previous quarter and are a popular and well used facility.

Queens Wharf

Shed 5

Preliminary concept design for a proposed building enhancement and draft lease and tender documentation was sent to Colliers International in anticipation of the marketing campaign commencing in late February 2012.

Shed 1

We are undertaking some preliminary concept design work and talking to prospective tenants.

Waitangi Precinct

Overseas Passenger Terminal and Clyde Quay Wharf

Temporary accommodation for the tenants displaced by the redevelopment of the Overseas Passenger Terminal has been completed. Tenants completed their relocation by the end of December.

Willis Bond & Co commenced construction on the redevelopment of the Overseas Passenger Terminal. WWL continues to work collaboratively with Willis Bond & Co in regard to the development planning for the ground floor portion of the OPT and surrounding public space.

Wharf Pile Maintenance Project

This project is running ahead of programme (by six weeks) and is now forecast to finish in September/October 2012. The contractor, G K Shaw, has completed work on the southern end of the Outer-T and work is now moving to the stem area. Currently the team is reviewing the timeframe for repair work adjacent to Shed 5.

2.2 General Operations

Property Management

New Leases, Rent Reviews and Lease Renewals

New leases were entered into between WWL and McMorran Services Ltd, McDesign Ltd and Linton Sails Ltd for premises adjacent to the Overseas Passenger Terminal and with Barton Marine Ltd for premises on the corner of Cable and Tory Streets.

Maintenance

Normal routine maintenance was undertaken during the quarter. WWL extracted a quantity of historic relics from the Overseas Passenger Terminal store which was vacated, and relocated these to a store at Seaview Marina.

Structural engineers Holmes Consulting Group is currently undertaking an extensive wharf and seawall survey to establish a defined scope of work including consideration of seismic upgrade requirements.

Insurance

A review of our insurance programme was completed and the report tabled at the Audit & Risk Committee meeting on 21 December 2011. A full review of our requirements will be undertaken in the New Year.

Porirua City Centre Revitalisation Plan Review

We commenced responding to a Request for Proposal (RFP) from Porirua City Council (PCC) for the establishment of a Revitalisation Project Delivery Unit. The RFP is due to PCC by 13 January 2012.

The Wellington Underground Market

The managers of this market in the Frank Kitts Park underground car park were the recipients of the Best New business at the Wellington Region Her Business awards held in December. We now have 50 stalls in what was previously nothing more than an unattractive underground car park.

Public Events

Rugby World Cup 2011

Wellington Waterfront worked closely with the WCC events team in helping to deliver what was acknowledged as a very successful RWC 2011 event in Wellington. The waterfront was the hub for public congregation for events and celebrations associated with the event in Wellington. The Fanzone established in Odlin Plaza was so successful that its life was extended beyond the quarter finals through to the final.

Royal NZ Navy 70th Anniversary

Celebration of this event was centred on Queens Wharf in early October when 8 vessels from the NZ Navy docked in Wellington. The celebration coincided with RWC2011 and the combination of the two events culminated in the largest crowds ever seen on Wellington's waterfront.

Ice Skating Rink

WWL worked with events promoter Douglas Webber Group to provide a temporary recreational ice-skating rink in Queens Wharf Plaza during October and November.

The ice-skating rink was an acknowledged success with over 30,000 skaters over a period of six weeks.

WWL intends to work with the promoter to stage a return of the ice-rink to Wellington in 2012-13.

Disaster Recovery/Business Continuity Plan

WWL has engaged Aon Risk Services as the first stage toward preparation of a disaster recovery and business continuity plan.

2.3 Financial Performance

Statement of Financial Performance

The YTD net operating deficit is \$1.677 million against a budgeted deficit of \$1.762 million. The main factor contributing to the \$85,000 favourable variance is YTD Lease revenue and recoveries being over budget by \$207,000. In addition planning costs and administration expenses are under budget by \$49,000 and \$38,000 respectively. However these favourable variances are offset by property costs being over budget by \$216,000. We expect property costs to reduce during the second half of the year however lease revenue will continue to remain over budget due to several unbudgeted rental increases.

Statement of Financial Position

The net assets/equity position of the Project remains strong. The major capital expenditure items in the second quarter were \$824,000 towards wharf repiling costs and \$429,000 towards the relocation of the Overseas Passenger Terminal tenants.

Liquidity

The Project's bank balance at 31 December 2011 totals \$250,000.

Current Assets and Current Liabilities totalled \$8.589 million and \$2.570 million respectively with a working capital ratio of 3.34:1.

Forecast

As at 31 December 2011 WWL has borrowed \$13 million from Council. This borrowing is forecast to increase during the third quarter by \$1 million.

3. THE COMPANY – Wellington Waterfront Limited

3.1 Comment on Progress

The annual report was completed using in-house resources and successfully distributed.

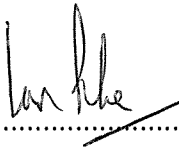
The WWL Board continues its focus on ensuring the design, consultation, funding and planning requirements of the waterfront

development are completed effectively by WWL management in accordance with the Framework.

3.2 Financial Performance

The YTD Net Surplus is \$74,000 compared to the budgeted surplus of \$43,000. The major items contributing to the \$31,000 favourable variance are \$35,000 unbudgeted management fees received from Porirua City Council.

For the Board of:
Wellington Waterfront Limited



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Ian Pike
Chief Executive Officer
February 2012

WELLINGTON'S WATERFRONT

WELLINGTON WATERFRONT PROJECT
and
WELLINGTON WATERFRONT LIMITED

FINANCIAL STATEMENTS

for the quarter ending 31 December 2011

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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 2011

Second Quarter				Year to Date			Full Year
<i>Actual</i>	<i>Plan</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							
1,023	938	85	Lease revenue	2,092	1,915	177	3,819
-	1	(1)	Sundry income	4	2	2	5
7	-	-	Venue hire/Sponsorship	9	-	9	189
91	94	(3)	Operating recoveries	235	205	30	396
2	6	(4)	Interest income	7	12	(5)	24
1,123	1,039	84	TOTAL REVENUE	2,347	2,134	213	4,433
EXPENSES							
1,398	1,339	(59)	Property Costs	2,900	2,684	(216)	5,375
106	95	(11)	Public and Commercial Planning	161	210	49	350
11	9	(2)	Public Relations and Sponsorship	16	17	1	55
485	494	9	Administration	947	985	38	2,032
2,000	1,937	63	TOTAL EXPENSES	4,024	3,896	(128)	7,812
(877)	(898)	21	NET OPERATING SURPLUS / (DEFICIT)	(1,677)	(1,762)	85	(3,379)

WELLINGTON WATERFRONT PROJECT
STATEMENT OF MOVEMENTS IN EQUITY
for the quarter ending 31st December 2011

Second Quarter				Year to Date			Full Year
<i>Actual</i>	<i>Plan</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>
90,356	90,356	-	OPENING EQUITY	152,995	152,995	-	158,517
(877)	(898)	21	Net deficit attributable to WCC	(1,677)	(1,762)	85	(3,379)
-	-	-	Movement in asset revaluation reserve	-	-	-	-
269	269	-	Contribution from WCC - Management fee	538	538	-	1,200
-	-	-	Contribution from WCC - Public space	-	-	-	5,000
89,748	89,727	21	CLOSING EQUITY	151,856	151,771	85	161,338

WELLINGTON WATERFRONT PROJECT
STATEMENT OF FINANCIAL POSITION
as at 31st December 2011

	<i>Actual</i> <i>Dec-11</i> \$000's	<i>Actual</i> <i>Sep-11</i> \$000's
CURRENT ASSETS		
Deposits/bank	250	330
Operating receivables	341	338
Prepayments	643	876
Intercompany	(13)	(6)
Properties intended for sale	7,368	7,368
TOTAL CURRENT ASSETS	8,589	8,906
NON CURRENT ASSETS		
Fixed assets	157,470	156,506
Shares in Chaffers Marina Holdings Ltd	913	913
Option asset	26	26
Meridian Building Receivables	429	429
TOTAL NON CURRENT ASSETS	158,838	157,874
TOTAL ASSETS	167,427	166,780
CURRENT LIABILITIES		
Accounts payable	637	1,012
Retentions and bonds	156	116
Deferred income	1,777	1,787
TOTAL CURRENT LIABILITIES	2,570	2,915
NON CURRENT LIABILITIES		
Advance from associate company	1	1
Long term advance - WCC	13,000	11,400
TOTAL NON CURRENT LIABILITIES	13,001	11,401
EQUITY		
Wellington City Council	136,800	137,408
Asset revaluation reserves	15,056	15,056
TOTAL EQUITY	151,856	152,464
TOTAL FUNDS EMPLOYED	167,427	166,780

WELLINGTON WATERFRONT PROJECT
STATEMENT OF CASHFLOWS
for the quarter ending 31st December 2011

Second Quarter			Year to date			Full Year	
<i>Actual</i>	<i>Plan</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							
1,186	1,019	167	Cash In	2,269	2,104	165	4,144
(1,380)	(745)	(635)	Cash Out	(2,351)	(1,901)	(450)	(5,100)
(194)	274	(468)	Net Operation Cash Flows	(82)	203	(285)	(956)
INVESTMENT							
-	-	-	Cash In	-	-	-	4,000
(1,486)	(1,852)	366	Cash Out	(2,599)	(3,176)	577	(6,050)
(1,486)	(1,852)	366	Net Investment Cash Flows	(2,599)	(3,176)	577	(2,050)
FINANCING							
1,600	1,600	-	Cash In	2,000	2,500	(500)	2,600
-	-	-	Cash Out	-	-	-	-
1,600	1,600	-	Net Financing Cash Flows	2,000	2,500	(500)	2,600
(80)	22	(102)	NET MOVEMENT IN CASH FLOWS	(681)	(473)	(208)	(406)
330	74	256	Opening Balance	931	569	362	931
250	96	154	Closing Balance	250	96	154	525

REPRESENTED BY:

-		Cash				
250		Bank Deposits	250	74	895	544
250	96	Total Cash	250	96	154	525

WELLINGTON WATERFRONT PROJECT
CAPITAL EXPENDITURE - CURRENT YEAR
as at 31st December 2011

	Year To Date				Year end
	Actual	Capitalised costs	Budget	Variance	Plan
	\$'000	\$'000	\$'000	\$'000	\$'000
PUBLIC SPACE					2,219
<i>Overseas Passenger Terminal</i>					
Overseas Passenger Terminal	150	-	102	(48)	400
Total Overseas Passenger Terminal	150		102	(48)	400
					131
<i>Kumutoto NQW</i>					
Kumutoto WC	92	384	-	(92)	-
Total Kumutoto NQW	92	384	-	(92)	-
<i>Wharf Maintenance</i>					
Wharf Maintenance	1,205	-	2,260	1,055	4,520
Total Wharf Maintenance	1,205	-	2,260	1,055	4,520
<i>Minor Works</i>					
Other	69	-	-	(69)	100
CAPEX Renewals	172	-	216	44	430
Chaffers Marina Relocation	581	-	500	(81)	500
Shed 11 - Canopy	-	-	100	100	100
Total Minor Works	822	-	816	(6)	1,130
TOTAL PUBLIC SPACE	2,269	384	3,178	909	6,050
TOTAL CAPITAL EXPENDITURE	2,269	384	3,178	909	6,050

WELLINGTON WATERFRONT LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
for the quarter ending 31st December 2011

<i>Second Quarter</i>			<i>Year to Date</i>			<i>Full Year</i>
<i>Actual</i>	<i>Plan</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						
268	268	-	537	537	-	1,075
35	-	35	35	-	35	-
2	3	(1)	5	5	-	10
305	271	34	577	542	35	1,085
EXPENSE						
180	170	10	385	361	(24)	786
18	18	-	37	37	-	76
43	56	(13)	81	101	20	214
241	244	(3)	503	499	(4)	1,076
64	27	37	74	43	31	9
NET SURPLUS (DEFICIT)						

WELLINGTON WATERFRONT LIMITED
STATEMENT OF FINANCIAL POSITION
as at 31st December 2011

	<i>Actual</i> <i>Dec-11</i> \$000's	<i>Actual</i> <i>Sep-11</i> \$000's
CURRENT ASSETS		
Deposits/Bank	552	470
Accounts Receivable	9	56
Prepayments	44	17
	605	543
NON CURRENT ASSETS		
Office Equipment	12	13
Computer Equipment	5	3
Motor Vehicle	-	1
	17	17
TOTAL ASSETS	622	560
CURRENT LIABILITIES		
Accounts Payable / Accruals	77	80
Tax Provision	-	-
Management Fee in advance	408	408
	485	488
EQUITY		
Paid Up Capital	1	1
Retained Earnings	136	71
TOTAL EQUITY	137	72
TOTAL FUNDS EMPLOYED	622	560

WELLINGTON WATERFRONT LIMITED
STATEMENT OF CASHFLOWS
for the quarter ending 31st December 2011

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>	
OPERATIONS							
379	319	60	Cash In	736	639	97	1,277
(297)	(294)	(3)	Cash Out	(649)	(588)	(61)	(1,261)
82	25	57	Net Operation Cash Flows	87	51	36	16
INVESTMENT							
-	-	-	Cash In	-	-	-	-
-	-	-	Cash Out	-	-	-	-
-	-	-	Net Investment Cash Flows	-	-	-	-
82	25	57	NET MOVEMENT IN CASH FLOWS	87	51	36	16
470	491	(21)	Opening Balance	465	465	-	465
552	516	36	Closing Balance	552	516	36	481

**WELLINGTON WATERFRONT LIMITED
KEY PERFORMANCE INDICATORS
For Year Ending 30 June 2012**

Key Performance Indicators for 2011/12

- **Overseas Passenger Terminal**
 - Facilitate the commencement of construction in Q2 (subject to Willis Bond confirming the contract) and complete all WWL ground floor lease negotiations
- **Site 10 – Kumutoto**
 - Progress development discussions with the aim of realising a development in line with funding expectations
 - Favourable DPV11 decision at the Environment Court
- **Helicopter building – Queens Wharf**
 - Subject to gaining all necessary approvals, complete project by Q4
- **Wharf pile maintenance programme**
 - Significantly advance phase 3 of wharf pile refurbishment programme
- **Transition site**
 - Progress planning for development and enter into Memorandum of Understanding with Te Papa by Q4
- **Disaster Recovery and Business Continuity Plans**
 - Complete comprehensive disaster recovery and business continuity plans by Q4
- **Maintenance projects**
 - Roll out the full planned and reactive requirements that the AMP prescribes on time and within budget
- **Rugby World Cup**
 - Constructively contribute to planning in collaboration with WCC

Measure	Frequency of measure	Target 2011/12	Quarter 2 2011/12
<i>Financial</i>			
Capital expenditure (public space and commercial development expenditure)	Quarterly	\$6.050m	\$1.489m
Commercial proceeds	Quarterly	\$4.000m	\$0