

WELLINGTON WATERFRONT PROJECT (INCLUDING WELLINGTON WATERFRONT LIMITED)

REVIEW OF 2006/07 ANNUAL REPORT

1. Introduction

Wellington Waterfront Limited (WWL) has submitted its audited annual reports for the year to 30 June 2007, for both the Waterfront Project and for WWL. This review focuses on the annual report for the Waterfront Project.

2. Key Issues

- As a result of non-realisation of commercial proceeds, Wellington Waterfront Limited (WWL) requested temporary additional funding from Council to enable them to continue public space developments. In June 2007, Council approved the requested funding, all of which is forecast to be repaid before the end of the 2009/10 year
- The claims against WWL by Construction Services Limited (CSC) for damages of over \$4 million were rejected by the High Court.

3. Performance

a. Financial

Statement of Financial Performance

\$ '000	FY Actual	FY Budget	2005/06 Actual
Income	2,896	4,361	4,878
Expenditure	8,288	7,488	6,588
Operating Surplus	(5,392)	(3,127)	(1,710)
Revaluation Gain	8,288		5,018
Net surplus	2,896		3,308

As in 2005/06, the project has achieved a surplus as a result of unrealised property revaluations.

Statement of Financial Position

\$ '000	FY Actual	FY Budget	2005/06 Actual
Current assets	5,180	1,062	5,166
Non-current assets	144,829	131,364	129,166
Current liabilities	2,295	796	3,374
Non current liabilities	765	818	1,109
Equity	146,949	130,812	129,849
Current ratio	2.3 : 1	1.3 : 1	1.5 : 1
Equity ratio	98%	99%	97%

The increase of \$15.6 million in the value of non-current assets is a result of upward revaluations of development property (\$5,720m) and investment property (\$2,567m).

Statement of Cash Flows

\$ '000	FY Actual	FY Budget	2005/06 Actual
Operating	(2,816)	(2,764)	2,013
Investing	(7,655)	1,213	(12,841)
Financing	7,569	-	4,000
Net	(2,902)	(1,551)	(6,828)
Closing balance	946	62	3,848

Note: the Trust's financial statements have been prepared using NZ IFRS and comparatives for the previous year have been restated to NZ IFRS accordingly.

b. KPI's

WWL didn't achieve its capital expenditure, commercial proceeds or project timeliness KPI targets, largely as a result of construction and resource consent delays. However, good progress was made on public space development and the achievement of the other KPI's, significantly resident visits and satisfaction, reflect WWL's continued sound management of the waterfront.

	2007 Actual	2007 Target	2006 Actual
Financial (\$000's)			
Capital Expenditure	8,406	11,462	16,944
Commercial Proceeds	319*	4,800	3,700
Non-Financial			
Percentage of residents visiting the Waterfront at least once during the year	95%	95%	99%
Number of organised events on the Waterfront	353	225	355
Percentage of residents satisfied with the Waterfront**	86%	80%	86%

Project timeliness***	48%	75%	79%
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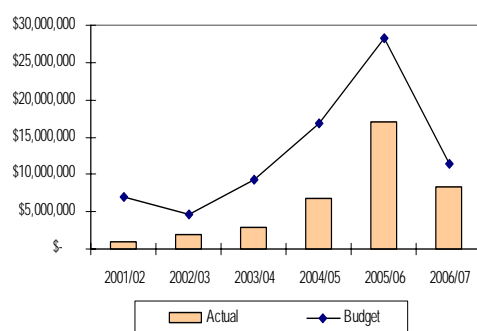
* The proceeds are for the refurbishment of the TSB Arena. The proceeds from the Chaffers Dock development have been delayed and are forecast to be received in October 2007.

** Satisfaction is measured by responses of good or very good in the latest UMR Research survey

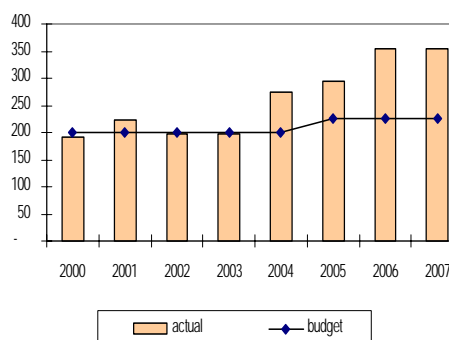
*** Project timeliness is a weighted scale measuring timeliness, quality and performance against financial targets for all items identified in the WWL Statement of Intent.

c. Trends

Public space expenditure



Number of events



d. Wellington Waterfront Limited

- Wellington Waterfront Ltd (WWL) is a Council controlled organisation who act as the implementation agency for the development of the waterfront as well as managing the day to day operations of the waterfront, excluding events and the maintenance of Waitangi Park
- During the year, WWL agreed to a reduction in the 2007/08 management fee to reflect the reduction in their waterfront responsibilities and to help avoid incurring any tax liabilities

4. Key items from the year

- Development Agreement with Willis Bond for the redevelopment of the Overseas Passenger Terminal (OPT) was completed in June 2007, as was Council's approval for the long term lease of the OPT site
- Construction started on the \$11 million Kumutoto public space development in January 2007, with the majority of work expected to be finished before Christmas
- As per a Strategy and Policy Committee resolution in September 2006, the transfer of responsibility for waterfront events and the maintenance of Waitangi Park was completed in time for the 1 July 2007 handover

- The resource consent for the proposed Hilton hotel was appealed to the Environment Court and was heard by them in July 2007.

5. Governance

There were no changes in governance during the year.

6. Comments Regarding Council

WWL have acknowledged Council's ongoing support.

7. Future Plans / Issues

- In August 2007, Fran Wilde, the Chair of the WWL Board tendered her resignation. Michael Cashin replaced her as Chair, and at the same time, Robert Gray was also appointed as a Director
- WWL and Council officers will review the operating structure of WWL, and specifically its relationships within Council, in light of the first stage of the Waterfront Framework having been completed
- WWL will continue to work with marina berth-holders to reach a satisfactory agreement over their concerns arising in relation to the proposed OPT redevelopment.

8. Conclusion

WWL has continued to progress the waterfront development with notable highlights for the year being the commencement of construction on the Kumutoto public space and the approval of the OPT deal.