

WELLINGTON WATERFRONT LIMITED

REVIEW OF 2007/08 ANNUAL REPORT

The Company presents its Annual Report including audited financial statements and audited performance measures.

Highlights for the year

- The Kumutoto public space project was completed and received national acclaim by way of the NZ institute of Landscape Architect's Supreme Award
- Meridian Energy's new corporate office was opened by the Prime Minister. The building has gone on to win numerous plaudits from organisations as diverse as the Property Council, NZ Green Building Council and the Engineering Association
- The Government's budget announced a \$7 million contribution towards the Wellington Tenth's Trust's long-planned development of a wharewaka in Taranaki Street Wharf.

Performance

1. Financial

A review of the financial statements of both the Waterfront Project and Wellington Waterfront Limited noted the following points:

- the Project made an \$8.9m surplus after unrealised gains on revaluation of \$12.6m
- the value of net assets increased by \$30m over the year, largely due to an increase in non-current assets, arising from the completion of Kumutoto and unrealised revaluation gains
- as at 30 June 2008 the Company had received \$3.9 million in temporary additional funding from the Council, on which the Company has been charged interest
- during the year, the Company successfully recovered \$994k from Contractors Bonding Limited for the bond and interest relating to the construction of Waitangi Park.

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

Statement of Financial Performance

\$ '000	FY Actual	FY Budget	2006/07 Actual
Income	4,812	2,426	2,896
Expenditure	8,583	9,712	8,288
Operating Surplus	(3,771)	7,286	(5,392)

/ (Deficit)			
Revaluation Gain	12,630	-	8,288
Net surplus	8,859	-	2,896

Statement of Financial Position

\$ '000	FY Actual	FY Budget	2006/07 Actual
Current assets	10,849	1,022	5,180
Non current assets	172,458	144,747	144,829
Current liabilities	1,660	1,110	2,295
Non current liabilities	4,533	943	765
Equity	177,114	139,116	146,949
Current ratio	6.5 : 1	0.9 : 1	2.3 : 1
Equity ratio	7%	95%	98%

Statement of Cash Flows

\$ '000	FY Actual	FY Budget	2006/07 Actual
Operating	1,168	(4,618)	(2,816)
Investing	(9,790)	4,603	(7,655)
Financing	9,677	-	7,569
Net	1,055	(15)	(2,902)
Closing balance	2,001	631	946

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

2. KPIs

The KPIs reported by the Company are given below:

Measure	2007/08 Actual	2007/08 Target	2006/07 Actual
% residents visiting waterfront*	96%	95%	95%
Wellington Waterfront is a more interesting and exciting place to visit*	84%	95%	95%
Project milestones achieved			
Capital expenditure (\$ million)	9.281	12.697	8.406
Commercial proceeds (\$ million)	3.600	7.150	319

#from UMR 2008 research survey

3. Operations

The Hilton Hotel development was granted resource consent but this was subsequently overturned in an appeal to the Environment Court. The resource consent granted in May 2008 for the redevelopment of the Overseas Passenger

Terminal (OPT) has been appealed and is expected to be heard in the Environment Court in early 2009.

The Company staged two exhibitions to gain public feedback on the entries in both the Kumutoto sites 8 – 10 and Frank Kitts Park redevelopment design competitions. The competition jury unanimously declared Athfield Architects as the winners for their concept designs for Sites 8 – 10 and Wraight & Associates produced the winning design for the Frank Kitts Park redevelopment.

The Waterfront Development Subcommittee was wound up during the year as the key reason for their existence, the approval of all the project design briefs, is no longer necessary now that all the briefs have been completed.

4. Governance

The directors during the year were:

Michael Cashin (Chair – effective 29 August 2007)

Ray Ahipene-Mercer (Councillor)

Robert Gray (appointed 30 August 2007)

David Kernohan

Stephen Kos

Mark Petersen

Dave Pritchard

Alison Timms

Fran Wilde (resigned 29 August 2007)

5. Key issues going forward

Officers are currently preparing a paper to present to the Strategy and Policy Committee in November on options for the waterfront's future. The intention is to establish parameters for the Wellington Waterfront work programme and identify implications for implementation and transition.

This will provide an opportunity for the Council to clarify the following areas:

- Governance processes
- Development Scenarios - how should the remaining developments be staged taking into account other Council priorities?
- Operating functions - should elements of the operating responsibilities be transitioned back to Council sooner than planned?
- Future roles - are there other areas where the capability of the company could be used to undertake development?

Financially, the outcome of the OPT appeal and the ability to lease Site 8,9 and 10 are critical to the project.

6. Conclusion

The Company has had a difficult year with the end of the Hilton Hotel project and the appeal of the OPT resource consent to the Environment Court, leading to

further delays in the realisation of commercial receipts, although this has been tempered by the positive responses to the Meridian Building and the new Kumutoto precinct.