Wellington Waterfront Ltd

Wellington Waterfront Limited

QUARTERLY REPORT

to the

Council Controlled Organisations Performance

Subcommittee

Wellington City Council

Quarter ended 31 March 2009

Wellington Waterfront Limited
May 2009

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1. EXECUTIVE SUMMARY

Wellington Waterfront Limited (WWL) is pleased to present its report for the quarter ending 31 March 2009 outlining progress of the Wellington Waterfront Project and the Company.

1.1 The Wellington Waterfront Project

Key events during the quarter include:

- Planning for the redevelopment of sites 8, 9 and 10 in the Kumutoto precinct
- Signing a lease with Mojo Coffee Cartel for Shed 13 with occupation likely in the first quarter of 2009/10
- Signing a lease with Portofino, a Mediterranean style restaurant, for the vacant space in the ground floor of the Meridian building with occupation likely in the first quarter of 2009/10
- Assisted Willis Bond and Company Limited with preparatory work for the Environment Court appeal of the Overseas Passenger Terminal redevelopment proposal

1.2 The Company - Wellington Waterfront Limited

The Board and Management continue to actively pursue the implementation of the strategies and work plans required to ensure that the design, consultation, funding and planning requirements of the waterfront development are completed effectively and according to the Framework.

The Company commenced strategic planning during the quarter with a focus on growing the business from within (and not beyond WWL boundaries – an example being project management opportunities in other areas of the City) including preparation of preliminary business cases for some interim uses on selected development sites.

In December 2008 Council confirmed the Company would continue planning the various projects until June 2010. Prior to that date Council will implement a review of its December 2008 decision.

2. THE WELLINGTON WATERFRONT PROJECT

2.1 Work Plan Implementation

Progress on implementing the work plan is reported below.

Kumutoto

Meridian building

East by West ferries has benefited from its new offices especially over the very busy summer period.

The Company has secured a restaurant tenancy, Portofino, for the space previously leased to EON Design Centre Limited (now in liquidation) and it is anticipated they will commence trading in mid - July 2009.

Sites 8-10

Athfield Architects was selected as the design competition winner for sites 8, 9 and 10 in late 2007, and has continued to refine and develop designs particularly for sites 8 & 9.

Work continued throughout the quarter on geo technical sub-soil condition testing and plan refinement of the buildings on sites 8 and 9.

Negotiations continued with potential developers for site 10.

We are likely to apply for resource consents in the first quarter of 2009 / 10 after the outcome of the district plan changes / Variation 11 consultation is known.

Shed 11

The New Zealand Portrait Gallery took up occupancy of the Shed on a one year and three months lease basis. A number of exhibitions were held during the quarter attracting reasonable numbers.

Shed 13

An agreement to lease with Mojo Coffee Cartel was finalised with occupation likely in the first quarter of 2009/10.

Queens Wharf

Outer-T

Following the Environment Court's decision to overturn the resource consent for a Hilton hotel on the Outer-T, WWL intended conducting an ideas competition during this quarter. When Council considered the Waterfront Development Plan in July 2008 it adopted the recommendation deferring planning work on the Outer-T until the financial review of the Wellington Waterfront Project was completed.

The Company has prepared a paper for the Strategy and Policy committee requesting approval for the Company to conduct a public ideas competition and master planning project early in the 2009/10 financial year.

Frank Kitts Park

Frank Kitts Park

In late December 2007 Council approved WWL's redevelopment proposal for Frank Kitts Park.

In July 2008 Council passed a resolution deferring further planning work (excluding the Chinese Garden) until the financial review of the Wellington Waterfront Project was completed.

We met with delegations from Wellington's sister cities, Xiamen and Bejing in February 2009 and proposed designs are currently being reviewed in China.

Upon finalising the design of the Chinese garden, the Wellington Chinese community intends seeking financial support locally and from Wellington's sister cities in China.

The Company intends lodging for resource consent for the redevelopment of Frank Kitts Park during the 2nd quarter of the 2009/10 year.

Taranaki Street Wharf

Taranaki Street Wharf West

Discussions continued with the Wellington Tenths Trust over plans for the construction of a wharewaka and the Company was appointed as the preferred project manager.

The Company purchased *Solace in the Wind* from the artist, ensuring it remains in Wellington.

Waitangi Precinct

Overseas Passenger Terminal and Clyde Quay Wharf

Resource consent was lodged in September 2007. Two applications have been lodged, the first for the building by Willis Bond & Company and the second for the wharf perimeter as a joint application with WWL.

Resource consent was granted, however, Waterfront Watch submitted an appeal, against the resource consent, to the Environment Court on 22 May 2008 and additional parties joined the appeal during July.

The Company has spent considerable time during the quarter preparing and submitting comprehensive statements of rebuttal for the full appeal being heard in the Environment Court commencing 4 May 2009.

2.2 General Operations

Property Management

As well as routine maintenance, focus has continued on the under wharf condition survey being undertaken by Holmes Consulting.

A detailed condition report has been prepared comprehensively reviewing Queens Wharf, Taranaki Street Wharf, Taranaki Street Breastworks and the Clyde Quay (Overseas Passenger Terminal) Wharf. Tenders will be called for the first stage of the refurbishment work during the final quarter of the year.

A complete external refurbishment of Shed 5, including replacement of rotten weatherboards, and full re-paint commenced and will be concluded during May 2009.

The Company initiated a review of the earthquake prone status of all Company owned buildings and we are awaiting the report.

Community Relations

During the quarter WWL undertook the following community relations activities:

- Regular updates to WWL's web site to ensure project information and business listings were current
- Updated displays in the Waterfront Project Information Centre
- Responded to media and public enquiries.

2.3 Financial Performance

Statement of Financial Performance

The YTD net operating deficit of $4.601m compares against a budgeted deficit of $4.275m. Greater than budgeted revenue ($589k) offset by higher than budgeted expenditure ($915k) has contributed to this unfavourable variance of $0.326m.

Revenues for the year are $589,000 higher than budget; largely resulting from greater than budgeted car parking revenue on sites 8 & 9 and the entrance way to the Overseas Passenger Terminal and unbudgeted lease revenue on recently negotiated leases in the front of the TSB Arena.

Year to date expenses are greater than budgeted because of higher property costs (repairs and maintenance and unbudgeted lease payments – offsetting the revenue), higher than budgeted charges from Council for Waitangi Park maintenance and events facilitation. In addition we have written off the bad debt from EON Design Centre Limited (EON) after it went into receivership and subsequent liquidation. EON was to occupy the south eastern ground floor space in the Meridian building.

Statement of Financial Position

The net assets / equity position of the Project remains strong. The major capital expenditure item was an agreed contribution towards the wharewaka project.

Liquidity

The Project's bank balance at 31 March 2009 totals $885k. This balance is higher than budgeted due to delays in the receipt of invoices for contractual obligations.

Current Assets and Current Liabilities totalled $1.288m and $2.057m respectively with a working capital ratio of 0.63:1.

Forecast
In June 2007, due to delays in receipt of commercial proceeds, Council agreed further short-term funding for the three years covered by the Company's Strategic Plan. Funding was re-considered and confirmed as part of the December 2008 review.

As at 31 March 2009 we have borrowed $3.900 million from Council. This borrowing is unchanged from 30 June balance date as planned public space developments have been deferred.

Future Outlook
Borrowing is forecast to increase during the forthcoming months as remedial works on the wharves is undertaken. With the exception of the above work, expenditure on large capital expenditure projects has been deferred.

3. THE COMPANY – Wellington Waterfront Limited

3.1 Comment on Progress

The Board continues its focus on ensuring the design, consultation, funding, and planning requirements of the waterfront development are completed effectively and according to the Framework by WWL management.

3.2 Financial Performance

The net year to date surplus (before tax subvention payment) of $350k for the period ended 31 March 2009 is better than the budgeted surplus of $76k. This variance has arisen largely as a result of Personnel costs being lower than budget and Governance costs being lower than budgeted reflecting the reduction in the number of directors and lower director fees since 1 January 2009.

For the Board of:
Wellington Waterfront Limited

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Ian Pike
Chief Executive Officer

8 May 2009

WELLINGTON WATERFRONT LIMITED
KEY PERFORMANCE INDICATORS

For Year ending 30 June 2009

Key Performance Indicators for 2008/09

- Oversee design development, apply for resource consent and undertake construction planning for Kumutoto sites 8, 9 and 10
- Complete the internal fit-out of Shed 13
- Oversee design development, apply for resource consent and complete construction planning for the redevelopment of Frank Kitts Park
- Project manage the construction of the wharewaka at Taranaki Street Wharf
- Oversee design development and the completion of further public space developments at Taranaki St Wharf
- Develop concepts, seek approvals, and oversee design development for the redevelopment of Queens Wharf, including Shed 6 and the Outer-T and prepare a master plan that will be publicly consulted upon as part of the process of adopting it as a variation to the district plan.
- Call for ideas from the public for potential outcomes for the Outer-T.

Measure	Frequency of measure	Target 2008/09	Quarter 2 2008/09
Financial			
Capital expenditure (public space and commercial development expenditure)	Quarterly	$ 2.075m	$0.053m
Commercial proceeds	Quarterly	$ 0.000m	$0.000m

WELLINGTON'S WATERFRONT

WELLINGTON WATERFRONT PROJECT
and
WELLINGTON WATERFRONT LIMTIED

FINANCIAL STATEMENTS

for the quarter ending 31st March 2009

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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 March 2009

Third Quarter Actual $000's	Third Quarter Budget $000's	Third Quarter Variance		Year to Date Actual $000's	Year to Date Budget $000's	Year to Date Variance $000's	Full Year Budget $000's
			REVENUE				
761	625	136	Lease revenue	2,357	1,924	433	2,548
1	1	-	Sundry income	5	5	-	7
12	1		Venue hire/Sponsorship	14	3	11	135
91	65	26	Operating recoveries	315	194	121	259
10	15	(5)	Interest income	69	45	24	60
875	**707**	**168**	**TOTAL REVENUE**	**2,760**	**2,171**	**589**	**3,009**
			EXPENSES				
1,322	1,253	(69)	Property Costs	4,285	3,866	(419)	5,126
305	350	45	Public and Commercial Planning	961	1,100	139	1,500
110	19	(91)	Public Relations and Sponsorship	376	133	(243)	200
667	460	(207)	Administration	1,739	1,347	(392)	2,288
2,404	**2,082**	**322**	**TOTAL EXPENSES**	**7,361**	**6,446**	**(915)**	**9,114**
(1,529)	**(1,375)**	**(154)**	**NET OPERATING SURPLUS / (DEFICIT)**	**(4,601)**	**(4,275)**	**(326)**	**(6,105)**

WELLINGTON WATERFRONT PROJECT

STATEMENT OF MOVEMENTS IN EQUITY

for the quarter ending 31st March 2009

Third Quarter Actual $000's	Third Quarter Budget $000's	Third Quarter Variance $000's		Year to Date Actual $000's	Year to Date Budget $000's	Year to Date Variance $000's	Full Year Budget $000's
175,301	177,545	(2,244)	**OPENING EQUITY**	177,520	177,520	-	177,520
(1,529)	(1,375)	(154)	Net deficit attributable to WCC	(4,601)	(4,275)	(326)	(6,105)
-	-	-	Movement in asset revaluation reserve	-	-	-	-
412	412		Contribution from WCC - Management fee	1,237	1,237	-	1,811
20	1,200	(1,180)	Contribution from WCC - Public space	20	3,300	(3,280)	6,450
(1)	-	(1)	Contribution from WCC - TSB Bank Arena	27	-	27	-
174,203	177,782	(3,579)	**CLOSING EQUITY**	174,203	177,782	(3,579)	179,676

WELLINGTON WATERFRONT PROJECT
STATEMENT OF FINANCIAL POSITION
as at 31st March 2009

	Actual Mar-09 $000's	*Actual Dec-08 $000's*	*Last Year Jun-08 $000's*
CURRENT ASSETS			
Deposits/bank	885	1,053	2,001
Operating receivables	314	344	901
Marina receivables - current portion	-	-	11
Prepayments	106	255	569
Intercompany	(17)	(17)	(15)
Properties intended for sale	7,368	7,368	7,368
TOTAL CURRENT ASSETS	**8,656**	**9,003**	**10,835**
NON CURRENT ASSETS			
Fixed assets	169,739	170,173	171,056
Shares in Chaffers Marina Holdings Ltd	1,379	1,379	1,379
Option asset	26	26	26
Meridian Building Receivables	361	455	405
TOTAL NON CURRENT ASSETS	**171,505**	**172,033**	**172,866**
TOTAL ASSETS	**180,161**	**181,036**	**183,701**
CURRENT LIABILITIES			
Accounts payable	1,068	881	1,314
Retentions and bonds	143	157	202
Deferred income	846	796	764
TOTAL CURRENT LIABILITIES	**2,057**	**1,834**	**2,280**
NON CURRENT LIABILITIES			
Advance from associate company	1	1	1
Long term advanve - WCC	3,900	3,900	3,900
TOTAL NON CURRENT LIABILITIES	**3,901**	**3,901**	**3,901**
EQUITY			
Wellington City Council	174,151	175,249	177,468
Asset revaluation reserves	52	52	52
TOTAL EQUITY	**174,203**	**175,301**	**177,520**
TOTAL FUNDS EMPLOYED	**180,161**	**181,036**	**183,701**

WELLINGTON WATERFRONT PROJECT
STATEMENT OF CASHFLOWS
for the quarter ending 31st March 2009

Third Quarter				Year to Date			Full Year
Actual $000's	*Budget $000's*	*Variance $000's*		*Actual $000's*	*Budget $000's*	*Variance $000's*	*Budget $000's*
			OPERATIONS				
1,046	1,121	(75)	Cash In	3,381	3,410	(29)	4,528
(1,451)	(2,157)	706	Cash Out	(4,133)	(5,170)	1,037	(8,061)
(405)	(1,036)	631	**Net Operation Cash Flows**	(752)	(1,760)	1,008	(3,533)
		-					
		-	**INVESTMENT**				
20	1,200	(1,180)	Cash In	58	3,300	(3,242)	5,450
217	(440)	657	Cash Out	(422)	(1,975)	1,553	(2,075)
237	760	(523)	**Net Investment Cash Flows**	(364)	1,325	(1,689)	3,375
		-					
		-	**FINANCING**				
-		-	Cash In	-	-	-	-
-	-	-	Cash Out	-	-	-	-
-	-	-	**Net Financing Cash Flows**	-	-	-	-
		-				-	
(168)	(276)	108	**NET MOVEMENT IN CASH FLOWS**	(1,116)	(435)	(681)	(158)
1,053	543	510	**Opening Balance**	2,001	702	1,299	702
885	**267**	618	**Closing Balance**	**885**	**267**	618	**544**

WELLINGTON WATERFRONT PROJECT
CAPITAL EXPENDITURE - CURRENT YEAR
for the quarter ending 31st March 2009

		Year To Date			Year end
	Actual	Total	Budget	Variance	Budget
	$'000	$'000	$'000	$'000	$'000
PUBLIC SPACE					
Taranaki Wharf Project					
Taranaki Wharf West	3	3	440	437	440
Total Taranaki Wharf	**3**	**3**	**440**	**437**	440
Wharewaka					
Wharewaka	212	212	560	348	560
Total Wharewaka	**212**	**212**	**560**	**348**	560
Waitangi Park Area 2,3					
Waitangi Park Area 3	-	-	-	-	-
Total Waitangi Park Area 2,3	**-**	**-**	**-**	**-**	-
Kumutoto NQW					
Kumutoto Public Space	36	36	250	214	250
Total Kumutoto NQW	**36**	**36**	**250**	**214**	250
Other Projects					
Shed 11	-	-	-	-	-
Shed 13 interior fitout	-	-	625	625	625
TSB Bank Arena - WWL CAPEX	(2)	(2)	-	2	-
TSB Bank Arena - WCC	2	2	-	(2)	-
Total Other Projects	**-**	**-**	**625**	**625**	625
Minor Works					
Other	1	1	-	(1)	100
Chaffers Marina maintenance	3	3	-	(3)	-
Traffic Control System	35	35	100	65	100
Total Minor Works	**39**	**39**	**100**	**61**	200
TOTAL PUBLIC SPACE	**290**	**290**	**1,975**	**1,685**	**2,075**
TOTAL CAPITAL EXPENDITURE	**290**	**290**	**1,975**	**1,685**	**2,075**

WELLINGTON WATERFRONT LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
for the quarter ending 31st March 2009

Third Quarter Actual $000's	Third Quarter Budget $000's	Third Quarter Variance $000's		Year to Date Actual $000's	Year to Date Budget $000's	Year to Date Variance $000's	Full Year Budget $000's
			REVENUE				
413	413	-	Management Fees	1,238	1,238	-	1,650
5	-	5	Interest	22	8	14	10
418	413	5	**TOTAL REVENUE**	1,260	1,246	14	1,660
			EXPENSE				
213	275	(62)	Personnel	649	822	173	1,197
29	58	(29)	Governance	142	173	31	230
44	57	(13)	Other	119	174	55	233
286	390	(104)	**TOTAL EXPENSE**	910	1,169	259	1,660
132	23	109	**NET SURPLUS (DEFICIT)**	350	77	273	-
86	-	(86)	Subvention Payment	86	-	(86)	-
46	23	195	**NET SURPLUS (DEFICIT) AFTER TAX**	264	77	187	-

WELLINGTON WATERFRONT LIMITED
STATEMENT OF FINANCIAL POSITION
as at 31st March 2009

	Actual Mar-09 $000's	*Actual Dec-08 $000's*	*Actual Jun-08 $000's*
CURRENT ASSETS			
Deposits/Bank	431	392	246
Accounts Receivable	502	497	37
Prepayments	1	6	17
	934	895	300
NON CURRENT ASSETS			
Office Equipment	21	22	24
Computer Equipment	15	18	23
Motor Vehicle	1	1	1
	37	41	48
TOTAL ASSETS	**971**	**936**	**348**
CURRENT LIABILITIES			
Accounts Payable / Accruals	139	150	193
Tax Provision	-	-	-
Management Fee in advance	413	412	93
	552	562	286
EQUITY			
Paid Up Capital	1	1	1
Retained Earnings	418	373	61
TOTAL EQUITY	**419**	**374**	**62**
TOTAL FUNDS EMPLOYED	**971**	**936**	**348**

WELLINGTON WATERFRONT LIMITED
STATEMENT OF CASHFLOWS
for the quarter ending 31st March 2009

Second Quarter				Year to date			Full Year
Actual	*Budget*	Variance		*Actual*	*Budget*	Variance	*Budget*
$000's	*$000's*	$000's		*$000's*	*$000's*	$000's	*$000's*
			OPERATIONS				
415	415		Cash In	1,259	1,245	14	1,660
(376)	(415)		Cash Out	(1,073)	(1,245)	172	(1,660)
39	-		**Net Operation Cash Flows**	186	-	186	-
			INVESTMENT				
-	-		Cash In	(1)	-	-	-
-	-		Cash Out	-	-	-	-
-	**-**		**Net Investment Cash Flows**	**(1)**	**-**	**-**	**-**
39	-		**NET MOVEMENT IN CASH FLOWS**	185	-	186	-
392	246		**Opening Balance**	246	246	-	246
431	**246**		**Closing Balance**	**431**	**246**	**186**	**246**