

WAITAKERE PROPERTIES LIMITED

MATTERS FOR THE ATTENTION OF THE SHAREHOLDER

FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

INTRODUCTION

The purpose of this report

This report is to update the the Board of Waitakere City Holdings Limited as to Waitakere Properties Limited performance for the recently concluded quarter.

Approved Annual Budget-

<u>Revenue</u>	<u>Quart 1</u>	<u>Quart 2</u>	<u>Quart 3</u>	<u>Quart 4</u>	<u>Total</u>
Development Management Fees	53,250	68,250	75,750	75,750	273,000
Construction Management Fees	30,000	25,000	25,000	30,000	110,000
Property Management Fees	26,000	39,500	36,500	36,500	138,500
Trust Account Management Fees	12,000	15,000	13,500	13,500	54,000
Interest	41,795	41,820	42,377	43,084	169,076
Rental Income	77,500	77,500	77,500	77,500	310,000
Total Revenue	240,545	267,070	270,627	276,334	1,054,576

Expenditure

Director Fees	28,000	28,000	28,000	28,000	112,000
Salary & Wages	83,077	96,923	83,077	163,269	426,346
Staff Professional Development	1,500	1,500	5,000		8,000
Staff Professional Memberships	1,000		1,000		2,000
Staff travel & Accomodation	4,000	1,500	6,000	1,500	13,000
Rent & Rates	6,501	2,167	9,000	9,000	26,668
Rent & Rates (Rental Property)	74,000	74,000	74,000	74,000	296,000
Audit Fees				11,000	11,000
Bank Fees & Interest	150	150	150	150	600
Consultancy Fees	3,000	3,000	3,000	3,000	12,000
Courier & Postage	750	750	750	750	3,000
Depreciation	7,500	7,500	7,500	7,500	30,000
Entertainment	600	1,600	600	600	3,400
Fringe Benefit Tax	2,280	2,280	2,280	2,280	9,120
General Expenses	6,000	6,000	6,000	6,000	24,000
ICT Computers-Servicing	-	1,000	-	-	1,000
ICT -Internet,E.Mail,Telephone	1,500	1,500	1,500	1,500	6,000
ICT Mobiles	600	600	600	600	2,400
Insurance	1,000				1,000
Legal Fees	1,500	1,500	1,500	1,500	6,000
Management Fees	5,250	5,250	5,250	5,250	21,000
Memberships & Subscriptions	250	500	250	250	1,250
Motor Vehicle Expense	600	600	600	600	2,400
Stationery		1,500	500		2,000
Total Expenses	229,058	237,820	236,557	316,749	1,020,184
Profit/Loss	11,487	29,250	34,070	- 40,415	34,392

WAITAKERE PROPERTIES LIMITED

MATTERS FOR THE ATTENTION OF THE SHAREHOLDER

FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

<u>Approved Annual Budget- Revenue</u>	<u>Accumulated</u>			
	<u>Quart 1</u>	<u>Quart 2</u>	<u>Quart 3</u>	<u>Quart 4</u>
Development Management Fees	53,250	121,500	197,250	273,000
Construction Management Fees	30,000	55,000	80,000	110,000
Property Management Fees	26,000	65,500	102,000	138,500
Trust Account Management Fees	12,000	27,000	40,500	54,000
Interest	41,795	83,615	125,992	169,076
Rental Income	77,500	155,000	232,500	310,000
Total Revenue	240,545	507,615	778,242	1,054,576
<u>Expenditure</u>				
Director Fees	28,000	56,000	84,000	112,000
Salary & Wages	83,077	180,000	263,077	426,346
Staff Professional Development	1,500	3,000	8,000	8,000
Staff Professional Memberships	1,000	1,000	2,000	2,000
Staff travel & Accomodation	4,000	5,500	11,500	13,000
Rent & Rates	6,501	8,668	17,668	26,668
Rent & Rates (Rental Property)	74,000	148,000	222,000	296,000
Audit Fees		-	-	11,000
Bank Fees & Interest	150	300	450	600
Consultancy Fees	3,000	6,000	9,000	12,000
Courier & Postage	750	1,500	2,250	3,000
Depreciation	7,500	15,000	22,500	30,000
Entertainment	600	2,200	2,800	3,400
Fringe Benefit Tax	2,280	4,560	8,840	9,120
General Expenses	6,000	12,000	18,000	24,000
ICT Computers-Servicing	-	1,000	1,000	1,000
ICT -Internet, E.Mail, Telephone	1,500	3,000	4,500	6,000
ICT Mobiles	600	1,200	1,800	2,400
Insurance	1,000	1,000	1,000	1,000
Legal Fees	1,500	3,000	4,500	6,000
Management Fees	5,250	10,500	15,750	21,000
Memberships & Subscriptions	250	750	1,000	1,250
Motor Vehicle Expense	600	1,200	1,800	2,400
Stationery	600	1,500	2,000	2,000
Total Expenses	229,658	466,878	703,435	1,020,184
Profit/Loss	10,887	40,737	74,807	34,392

WAITAKERE PROPERTIES LIMITED

MATTERS FOR THE ATTENTION OF THE SHAREHOLDER

FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

<u>Reporting & Statutory Compliance</u>	<u>Status</u>
Filings with Companies Office	Completed
Filings with Inland Revenue Department	Completed
Statement of Corporate intent.	Completed

Waitakere City Council

Financial Summary

January 2007

58.33% of Financial Year

	Actual Cost To Date	%age Spent	Budget Provision
<u>Net Operating Cost</u>			
Executive Suite	881,519	40.80%	2,160,800
Public Affairs	2,723,524	59.63%	4,567,700
Quality Assurance & City Development	902,979	35.11%	2,572,000
Finance	1,164,882	61.29%	1,900,700
Corporate & Civic Services	15,753,378	69.23%	22,753,610
Strategy Unit	4,468,943	45.57%	9,807,799
City Services			
Operations Support	3,587,063	59.64%	6,014,679
Project Services	(19,148)	35.46%	(54,000)
Planning & Community Services	3,517,518	48.85%	7,200,000
Regulatory Services	774,966	14.34%	5,404,098
Asset Management	32,977,070	57.31%	57,543,610
<i>Total City Services</i>	<i>40,837,469</i>	<i>53.66%</i>	<i>76,108,387</i>
Other Expenses	6,561,245	51.18%	12,821,000
Total Net Operating Costs	73,293,939	55.24%	132,691,996
<u>Net Capital Expenditure</u>			
Public Affairs	531,178	20.15%	2,636,000
City Development	4,956,938	46.78%	10,597,330
Corporate & Civic Services	4,828,182	9.44%	51,128,000
Strategy Unit	284,450	12.93%	2,200,000
City Services			
Customer Services and Cemetery	294,943	14.32%	2,060,000
Project Services	4,570,059	33.32%	13,714,000
Planning & Community Services	3,352,871	34.28%	9,781,000
Regulatory Services	69,616	12.19%	571,000
Asset Management	20,831,539	23.73%	87,803,670
<i>Total City Services</i>	<i>29,119,028</i>	<i>25.56%</i>	<i>113,929,670</i>
Total Net Capital Expenditure	39,719,776	22.01%	180,491,000
TOTAL NET COUNCIL COSTS	113,013,715	36.09%	313,182,996

Waitakere City Council
Special Fund Report
January 2007

	Opening Balance	Receipts	Expenditure	Interest Receipts	Interest Allocation	Closing balance	Expected Income / (Committed Expense)	Available balance Year End
Restricted Funds								
Recreation & Sport Fund	728,857	37,219	-44,350	34,480	26,132	782,338	183,666	966,004
Auckland Regional Services Trust (Arts)	805,398		-5,220	5,195		805,373	-532,747	272,626
Land Subdivision Reserve Fund	4,536,227	1,814,213	-406,709			5,943,731	-427,801	5,515,930
Waikumete Cemetery & Park Fund	1,672,098		-35,578			1,636,520	-507,066	1,129,454
Harbourview Orangihina Fund	920,109				33,354	953,463	-848,198	105,265
	8,662,689	1,851,432	-491,857	39,675	59,486	10,121,425	-2,132,146	7,989,279
Non Restricted Funds								
Waitemata Asset Acquisition Fund	93,071					93,071	-93,071	0
Disaster Recovery Fund	2,497,272					2,497,272		2,497,272
Rural Fire Recovery Fund	9,916					9,916		9,916
Quarry Aftercare Fund	840,173		-14,875			825,298	-33,125	792,173
Testing Station Plant Renewal Fund	30,000					30,000		30,000
Community Wellbeing Fund	629,987		-30,000		24,372	624,359		624,359
	4,100,419	0	-44,875	0	24,372	4,079,916	-126,196	3,953,720
Total Special Fund	12,763,108	1,851,432	-536,732	39,675	83,858	14,201,341	-2,258,342	11,942,999

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**WAITAKERE CITY COUNCIL ESTIMATED DEBT PORTFOLIO AT
31 January 2007**

	TERM DEBT (to fund long term assets)		(\$000's)
<i>Budget year end term debt position per 2006/2007 Annual Plan</i>	Approved Annual Plan term debt	331,937	
	Further term debt approved by Council during 2005/2006	-	
	Budget 2006/2007 year end gross term debt	331,937	
	Less Current and future funding for strategic land acquisitions	55,231	
	Forecast year end Sinking Fund Commissioner funds	-	
	Anticipated 2006/2007 Year End Net Term Debt	276,706	

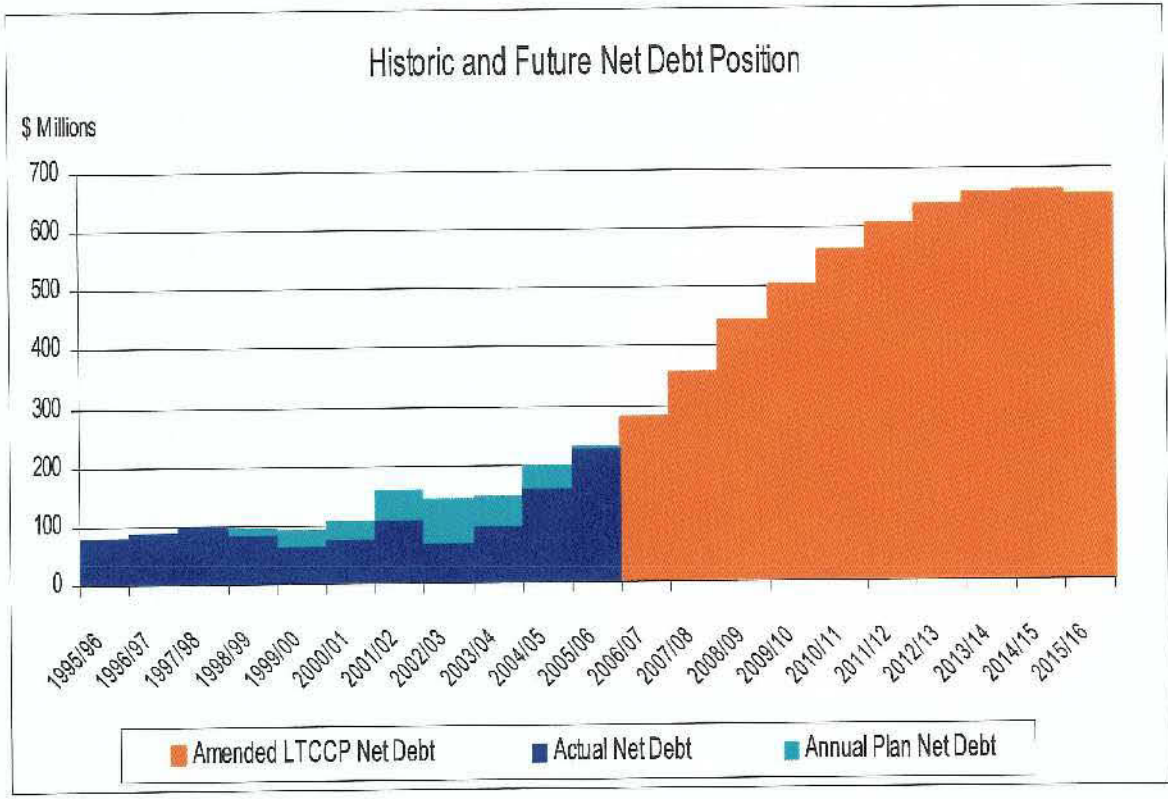
	January 07	December 06	
	Estimated	Estimated	
TERM DEBT PORTFOLIO	(\$000's)	(\$000's)	
<i>Term debt position at 31 January 2007</i>	Term debt borrowed externally	269,526	256,526
	Special funds (used to reduce Council's external borrowing)	(14,587)	(1,974)
	Gross term debt	254,939	254,552
	Total Sinking Fund Commissioner assets	1	1
	Net term debt	254,938	254,551

<i>Term debt - source of funds at 31 January 2007</i>	Debenture stock - fixed rate (security: Debenture Trust Deed)	74,501	74,501
	Debenture stock - floating rate (security: Debenture Trust Deed)	195,025	185,025
	Secured bank loans (security: Debenture Trust Deed)	15,000	15,000
	Unsecured bank loans / (investments)	(15,000)	(18,000)
	Finance Leases (security: associated asset)	0	0
	External borrowing	269,526	256,526
	Special funds (used to reduce Council's external borrowing)	(14,587)	(1,974)
	Gross term debt requirement	254,939	254,552

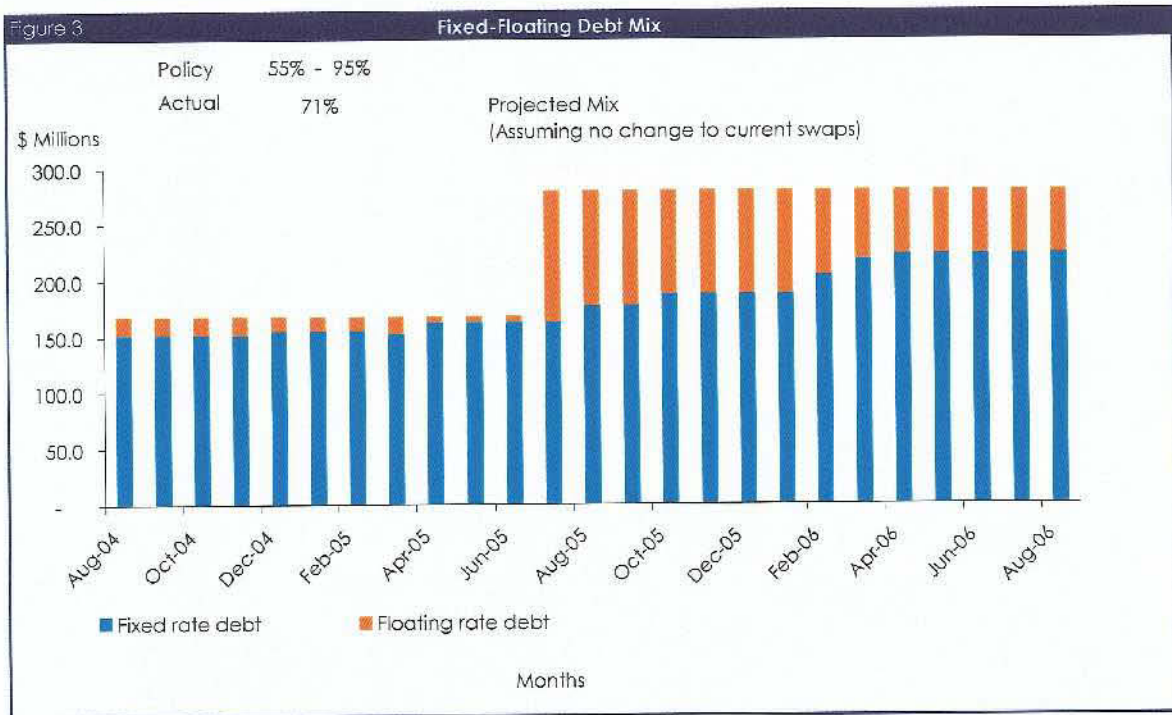
	(\$000's)	(\$000's)	
<i>Working capital borrowing at 31 January 2007</i>	WORKING CAPITAL		
	Unsecured bank loans / (investments)	14,587	-
	Special funds (used to reduce Council's external borrowing)	13,832	15,806
	Council working capital borrowing requirement	28,419	15,806

	(\$000's)	(\$000's)	
<i>Cash investments held 31 January 2007</i>	CASH INVESTMENTS		
	Other Cash Investments	-	-
	Total cash investments	-	-

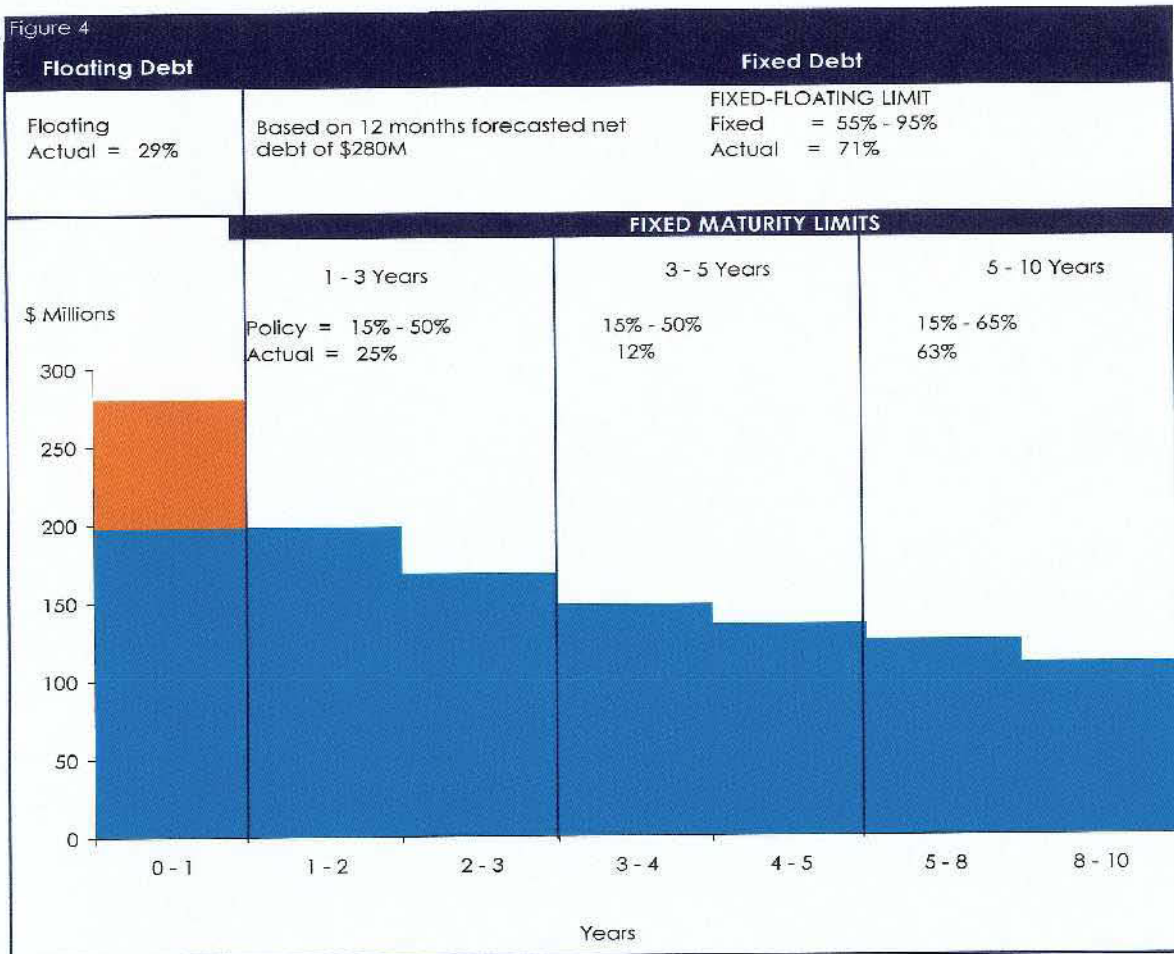
Debt Forecast

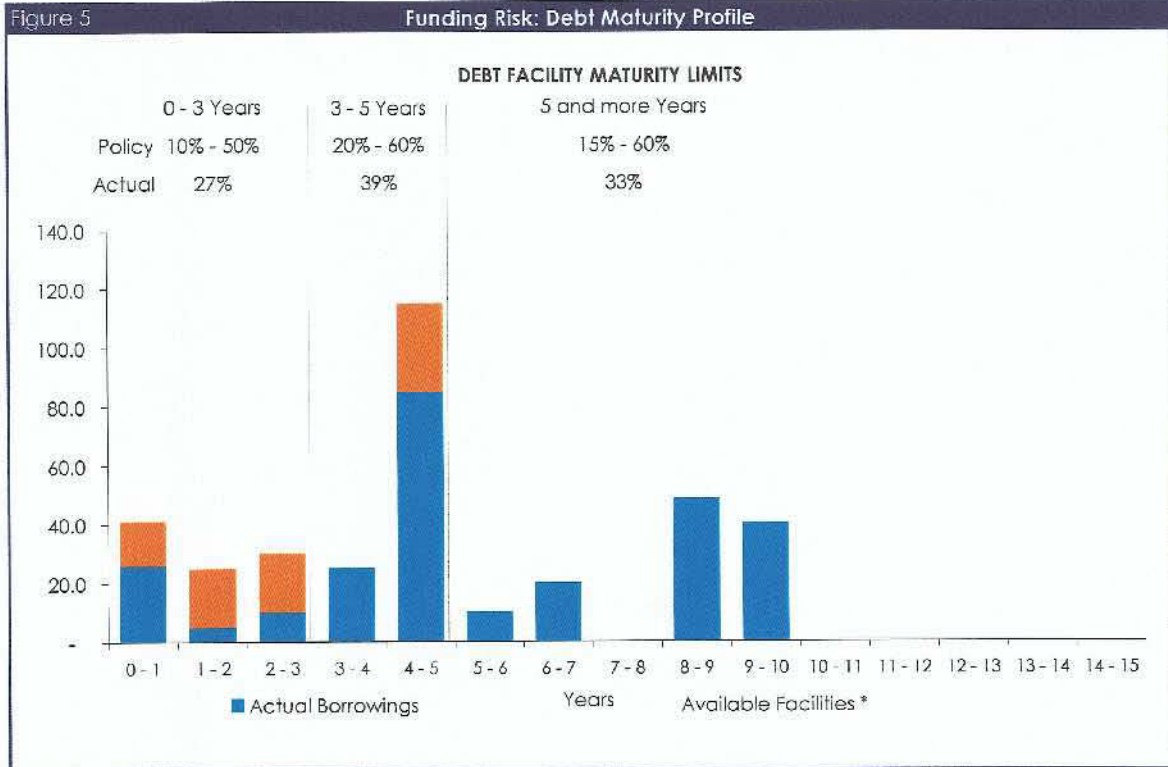


Fixed-Floating Debt Mix



Net Interest Rate Repricing Risk Profile





(1) Council is in the unique position of having \$85 million committed funding facilities. The nature of these facilities may, depending on the utilisation, result in a breach of the funding maturity limits. As this facility is very much in Council's favour this is an acceptable breach of policy.

Figure 6 \$ Millions

Council Approved Debt Sources	Total		
	Committed Funding Sources	Usage	Available
Bank Loans			
Short Term (uncommitted)	\$0.0	-\$15.0	\$15.0
Long Term (committed)	\$100.0	\$15.0	\$85.0
Commercial Paper			
Bank Overdraft	\$1.0	\$0.0	\$1.0
Senior Bonds			
Retail	\$0.0	\$0.0	\$0.0
Wholesale	\$269.5	\$269.5	\$0.0
Other	\$0.0	-\$14.6	\$14.6
TOTAL	\$370.5	\$254.9	\$115.6

The Liability Management and Investment Policy gives guideline parameters for the mix of fixed/floating interest rate management and maturity profiling. From time to time the actual position may marginally be outside the recommended guideline as a result of volatility of market interest rates or the Council's actual cash position.

Notes:

Working capital borrowing is necessary due to fluctuations in the timing of operating revenue and expenditure. The working capital borrowing requirement also includes internal deficits relating to prior years. External working capital borrowing is reduced by the use of internal special funds with any surplus requirement funded by way of unsecured bank loans.

Gross Term debt is the borrowing relating to long term loan funded capital works projects. External borrowing to fund term debt is reduced by the use of internal special funds with the surplus requirement funded by way of secured or unsecured short term bank loans, fixed or floating medium or long term bonds and finance leases.

The managed debt portfolio refers to the portion of Council's total debt portfolio that is managed to reduce interest rate risk, liquidity/funding risk, counterparty risk and operational and legal risk as defined in the Liability Management and Investment Policy. The portfolio is managed on the external net term debt requirement excluding finance leases. i.e. it is net of the special funds that have been used to reduce the external term debt requirement and the sinking fund balance. Working capital is not included in the managed debt portfolio.

Special Funds are cash funds either collected through rates or vested to Council that have been 'set aside' for specific future spending. The funds are used in the interim to reduce Council's requirement to borrow externally. The fund is managed via accounting entries and a monthly interest allocation is made to the funds based on the Council's weighted average cost of borrowing for that period.

Description of Graphs:

Figure 1

Gross term debt (blue) is the actual gross term debt position of Council as defined in the notes above. The **Forecast** (orange) is the projected gross term debt level per month in the current financial year, the figures are obtained from capital works timing forecasts (provided by budget managers on a monthly basis) and the current debt maturity profile. The **Budget** (green) line represents the gross public debt as approved in the 2006/2007 Annual Plan.

Figure 2

The prior year net term debt figures (dark blue section) are obtained directly from the published Annual Reports. The Annual Plan net term debt figures (light blue section) are obtained from that years published Annual Plan. The orange section is the Long Term Council Community Plan net term debt as published for 2005/2006 - 2015/2016.

Figure 3

The fixed (blue) and floating (orange) interest rate mix, both historic and projected, based on the 12 month rolling forecast net debt requirement. The Liability Management and Investment Policy minimum is 55% fixed and maximum 95% fixed. The positioning of the portfolio between policy minimum and policy maximum is dependent on the current and forecast financial market outlook.

Figure 4

Interest rate risk profile. Figure 4 shows, given the current fixed/floating rate mix and the debt forecast (assuming no changes to current swaps), the percentage of current fixed rate debt that will mature in future years. This enables Council to recognise and reduce significant concentrations of interest rate risk that may arise in future years. As debt forecasts change the amount of fixed cover in place may have to be adjusted to comply with the policy limits.

Figure 5

Funding and liquidity risk. Figure 5 varies from figure 4 in that it shows the actual maturity profile of current debt on issue as opposed to the profile of Council's exposure to interest rate risk arising when debt either reprices (in the case of floating rate debt or hedges) or matures. The debt maturity profile enables Council to identify significant concentrations of maturing debt and debt facilities. Where there are significant concentrations of debt maturing Council is at risk of not being able to re-borrow from the market at favourable rates.

Figure 6

In order to ensure Council has the ability to borrow from the market when funding is required committed funding facilities are arranged with approved debt sources. Figure 6 shows Council's committed funding sources and the current usage of these funds. In addition to the committed sources Council also uses uncommitted lines of funding as seen in short term bank loans and bonds, uncommitted funding is at times less expensive than committed funding however its availability is not guaranteed.

Wholesale Market Interest Rates and the Trade Weighted Index

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