

# ANNUAL REPORT 2010



A Year in Review. Lambton Harbour Development Project: Managed by Wellington Waterfront Limited. A Wellington City Council Company





## Vision

Wellington's waterfront is a special place that welcomes all people to live, work and play in the beautiful and inspiring spaces and architecture that connect our city to the sea and protect our heritage for future generations.

## Mission

To deliver the city's vision for the waterfront and, in so doing, be recognised as a leading waterfront development organisation, confident of our position, trusted by our stakeholders and playing a leadership role as an integral part of our business. ”



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# “From the Chair”

Getting it right as we help define the capital city



Michael Cashin

**‘Wellington’s waterfront defines the city, and that is why it is so important that the city gets its development right’.** So ran the editorial in the Dominion Post on 16 November 2009. We are well aware that the waterfront is an integral piece of Wellington’s landscape that has been embraced by the whole city. How right these sentiments are and how conscious the team at Wellington Waterfront is in ensuring that we ‘get it right’ for the majority of Wellingtonians and visitors alike.

How can this be achieved?

Wellington Waterfront Limited is appointed by the Council as its implementation manager of the Lambton Harbour Development Project. We work closely with the Council and acknowledge the valuable contribution the Council makes towards the operation of the Waterfront. Our key relationships are with the Council’s Technical Advisory Group (an independent group of architecture and design experts, who review all waterfront developments), the Council Controlled Organisation Performance Sub-Committee and the Urban Strategy Group. These groups provide invaluable assistance and expertise and enable us to be confident that we are indeed making right decisions. The skill sets within these various groups are second to none in New Zealand.

We are responsible for ensuring that an open and effective basis for consultation and co-operation is maintained with Council; that the waterfront is clean, safe and well maintained; that contracts entered into are appropriate and deliver the desired outcome at all times reflecting Council’s policy; and that public space development projects are delivered to plan, on time and on budget.

We also undertake active engagement with the waterfront’s various communities of interest, and promote to the public and foster input into the implementation of the waterfront’s various projects, through specific communications activities planned for each project.

Wellington Waterfront’s ultimate accountability is to Wellingtonians and we demonstrate this by aiming to operate with transparency and through a willingness to engage with the public. Feedback is encouraged through our website, the Waterfront Project Information Centre, the public consultation process and other one-off activities such as the Outer-T ideas competition that we ran this year.

Community groups are encouraged to provide input through these various processes as well as by presentations and face-to-face meetings. We are also in regular contact with various interest groups including the media, arts, Employers’ Chamber of Commerce, tenants and businesses and our neighbours.

I hope this is helpful in letting you know how careful we are with the responsibility that comes with the management of the waterfront.

We think we are on the right track. But more importantly so does the public. Wellington’s waterfront has been rated as one of the best public spaces in New Zealand and Australia. Our model has been so successful it is being emulated in Auckland.

Year after year, resident satisfaction surveys tell us Wellingtonians are extremely pleased and proud of their waterfront. Figures are consistently in the 90 per cent plus range.

The endorsement we receive from the public of Wellington is both gratifying and affirming.

## Waterfront Objectives

Seven objectives have been set for the waterfront. The overall design is being developed to achieve these objectives when the redevelopment is completed. The objectives are:

The waterfront is locally and internationally recognised for its design

The waterfront is readily accessible to all people

The waterfront is, and is perceived to be, safe at all times

The waterfront is seen as an attractive place that draws Wellingtonians and visitors alike

The waterfront successfully caters for a wide range of events and activities

Significant heritage buildings are protected on the waterfront

Activities on the waterfront are integrated with those on the harbour

## Wellington City Council Waterfront Review

A further review of Wellington Waterfront Limited was undertaken in 2009/10 to test a previous decision taken by Council to transfer the activities of the Company into the Council by 30 June 2010. The outcome of these most recent deliberations was to determine that the activities of the Company are so important in helping define our capital city that the transfer of activities was postponed indefinitely. In accordance with good business practice, reviews will be undertaken from time to time, with the first review expected to take place in June 2012.

## Financial Position

The economy remains weak and this is having a significant impact on our ability to progress development activity. Periods of lesser economic activity of course present opportunities. We have been using this time not only to carefully plan developments to enable us to quickly take advantage of the eventual and inevitable turnaround but also to benefit from a competitive construction market. Completing a major stage of a waterfront-wide wharf pile refurbishment programme is a case in point. As a result of a very competitive tendering environment we were able to extend phase one of this project to additional areas of the waterfront while remaining within budget. So too is the construction of the wharewaka. This development provides a financial stimulus during difficult times in the construction industry.

While we await capital inflows from development activity we remain reliant on Council funding. By the end of the 2009/10 financial year \$8.8 million of funding had been advanced to meet contractual and operating obligations. We are grateful to Wellington City Council for its assistance which enables the project to continue during straitened times.

## Governance

I am indebted to a diligent and committed board of directors. In times of economic uncertainty the wisdom, guidance and unflinching creativity of a tight-knit board is all the more important. The board takes its responsibility in helping define our capital city very seriously.

The board has seen a number of changes throughout the year. David Kernohan's tenure on the board expired in December 2009. David has had an involvement on the waterfront for over eight years. I would like to make special mention of the long and high quality contribution David has made to the waterfront in his various roles over the years, as a director commencing January 2004 and chairman of the Wellington City Council's Waterfront Development Subcommittee from August 2001 to December 2003. David's background in heritage and design has been of significant benefit to the Board and waterfront company. His professional response to some particularly challenging decisions in his various roles has been invaluable.

We welcomed Jane Black to the board in January 2010. Jane has previously provided vital liaison between Wellington Waterfront, TAG and the Council. Jane's experience in urban design and public consultation processes will be invaluable as we strive toward the completion of the project.

Staff numbers have increased over the year as a result of business development initiatives. While the core team remains at seven, we have added a number of part time staff to manage and develop the Harbourside Market and the Motorhome Park. The Harbourside Market is increasing in popularity and is arguably Wellington's best attended regular weekly event. Motorhome Park staff are providing excellent administrative support to the Company during the slow winter months. We will certainly be well poised to deliver a wonderful central city facility for the influx of visitors expected next year for the Rugby World Cup.

I am absolutely certain that the dedicated small team that is Wellington Waterfront Limited is completely committed to help define our wonderful capital city.



David Kernohan

# “ Chief Executive’s Report ”

‘It is a bad plan that admits of no modification’ – Publilius Syrus (100BC)

While it has been business as usual at the waterfront this year in terms of our day-to-day implementation, a stalled property development environment has resulted in us thinking creatively about modifying, at least temporarily, our plans. Changed economic circumstances, locally and globally, have resulted in the likelihood of waterfront sites not being developed in the short or even medium term. Uses other than car parking have been considered as more appropriate during the next few years. Much work has been done on positioning the waterfront as a major venue in its own right, and to ensure that it continues to provide commercial, recreational, events and tourism based opportunities.



From left to right: Allan Brown (Property Manager), Ian Pike (Chief Executive), Michael Faherty (Project Manager), Maria Mouroukis, (Executive Assistant), Graham Joe (Harbourside Market Manager), Kirstin Gardiner (Financial Accountant), Graham Owen (Motorhome Park Manager), Nikolett Devenyi (Motorhome Park Assistant Manager), Andrew Howie (Project Manager), Catherine Skinner (Harbourside Market Assistant Manager), John Tiller (Administration Officer), Gavin Smith (Maintenance Contractor).

## Business as usual

As the implementation manager of the project we are responsible for a number of activities on a day-to-day basis. These include:

- Managing the operations on the waterfront. Property management activities include leasing, cleaning, maintenance and security;
- Advising Council committees on all aspects of waterfront development, including budgeting, development phasing, technical information, costs, feasibility and commercial issues;
- Commissioning work on detailed designs for both public spaces and buildings based on approved performance briefs;
- Selecting and appointing designers and other consultants;
- Marketing waterfront sites and properties to get the best return for the Council. The commercial return received from these properties is used to fund public space expenditure;
- Acting as the contact point for anybody interested in a development project;
- Negotiating and managing contracts for the design and construction of public space, leases for all building development sites and the refurbishment and re-use of existing buildings;
- Managing the Harbourside Market and Motorhome Park; *and*
- Developing long term plans for the operation of the waterfront at the conclusion of the project.

## Achievements this year

In a constrained economic climate, it was gratifying to see so many projects come to fruition or get underway this past year.

### Waterfront – wide

Continued development of the waterfront as a significant venue for the hosting of a huge number of events – this year various building modifications were made to accommodate the 2010 New Zealand International Festival of the Arts. Notably, Shed 6 was converted into Pacific Blue ‘festival central’. Other significant event highlights include the World of Wearable Arts, Pinot Noir, Homegrown, Dragon Boat Festival and Asian Festivals.

Car park management across the waterfront was brought in-house this year saving costs and generating extra revenue.

Assistance was given to the development of the Great Harbour Way – a cycle and pedestrian walkway extending around the inner harbour. The waterfront will likely be a popular starting point to experience this unique route as it gets developed.

Formal recognition was given to the Wellington Waterfront Framework document by the NZ Institute of Architects for the role it has played in guiding exceptional outcomes. The Framework has served the waterfront development well for the last nine years, and is as relevant and applicable now as it was when it was first developed.



Pacific Blue – Shed 6  
NZ International Arts Festival 2010  
Photo: Robert Catto

## Kumutoto

The Wellington Waterfront Motorhome Park was established on a large site toward the north of the waterfront, pending future development. Corporate sponsorship was secured for this temporary facility by New World Railway Metro. The timing of this development will enable it to play a major role in providing much needed affordable accommodation during the Rugby World Cup in 2011.

Negotiations were concluded with the New Zealand Portrait Gallery and we are delighted to welcome this wonderful public facility on to the waterfront within Shed 11.

The Maritime Police base moved into the former Eastbourne Ferry Terminal building providing an authentic water-based use for this charming heritage structure. The security offered by the Police being accommodated adjacent to the Motorhome Park is an added benefit.

Portofino opened its doors within the Meridian Building and together with another newcomer, Foxglove, in the Steamship Wharf building, has added to the food and beverage offerings available in Kumutoto.

We provided input and support for Wellington City Council's proposed District Plan Variation 11. While this district plan change was endorsed by independent resource consent commissioners, it is now the subject of appeal to the Environment Court.

The public space developed in 2007 won a further important international design award this year. The award was presented in China by the International Federation of Landscape Architects. This year there were twenty seven entries from ten countries. Four landscape awards were presented and the Kumutoto public space received a Merit Award.

## Queens Wharf

A major opportunity to solicit ideas from the public was made available by way of the Outer-T Blue Skies competition held in August 2009. This very successful call for ideas culminated in a breakfast for all entrants and the announcement of six selected entries; work continues on developing the ideas presented in this process.

Following this project a steering group was established to assist in the development of a master plan for the entire Queens Wharf precinct. A twenty-year implementation plan is being developed for the buildings (TSB Bank Arena, Sheds 1 & 6) and the public space in this central waterfront location together with improving how the waterfront connects with the city.

Access bollards were installed at the Hunter Street entrance to the waterfront restricting vehicular traffic along the promenade adjacent to Shed 6 and to the Outer- T. Improved paving and landscaping have considerably tidied up the area south of the TSB Bank Arena.



NZ Police Maritime Unit & National Dive Squad

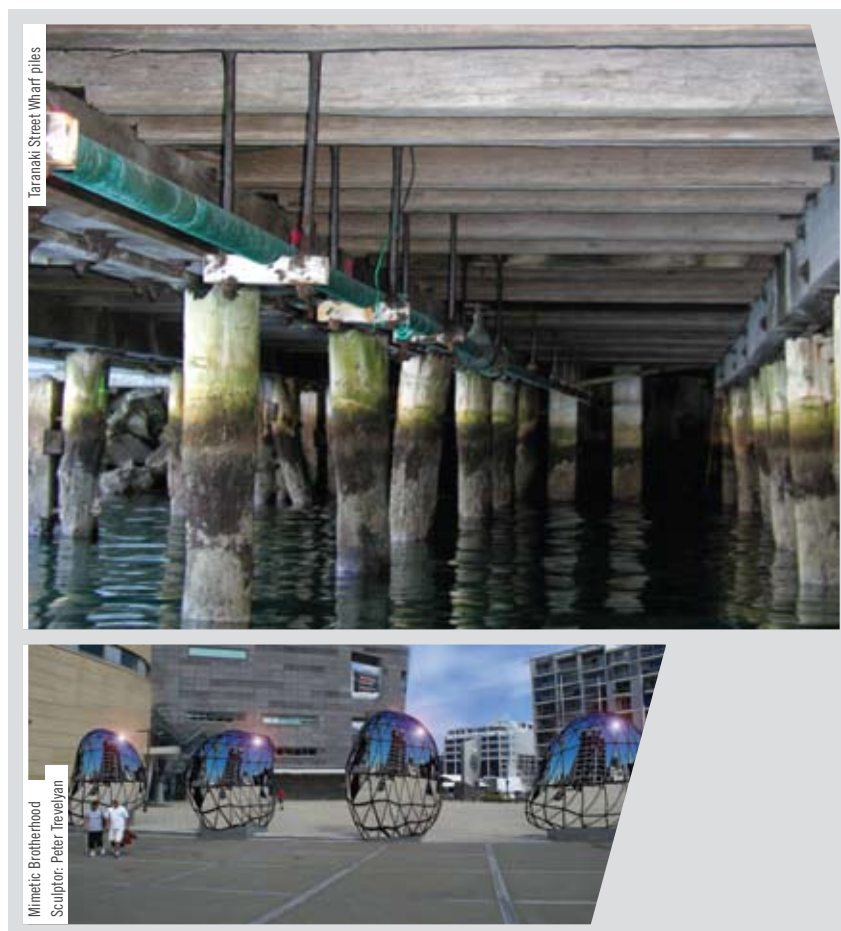


TO A I: Blue Sky design award winners, from left: Martin Jenkins, at front, with Mike Callaghan, Matt Collett, Peter Mitchell, Tim Gittos & Rick Lucas. Photo: Craig Simcox — Dominion Post

## Frank Kitts Park

The Frank Kitts Underground Market opened its doors in time for Christmas 2009. Each week arts and crafts are available in this innovative weekend use of a downtown car park.

Sister-city endorsement has been gained for the Chinese Garden design included within the planned Frank Kitts Park re-development. Following a delegation to China, the Wellington Chinese Garden Society and Wellington Waterfront are confident that significant assistance will be forthcoming from China, which will greatly facilitate the demands of the construction programme.



## Taranaki Street Wharf

Construction commenced on the wharewaka – this development will make a wonderful contribution to our city's cultural landscape and together with the soon to be developed surrounding public space will ultimately be regarded as a legacy development that New Zealanders will be proud of for many years to come.

The first stage of a waterfront-wide wharf pile refurbishment programme was implemented this year. A major repair of the seawall under Taranaki Street Wharf together with replacement of deteriorated piles was completed.

The waterfront welcomed Peter Trevelyan's Mimetic Brotherhood on the Four Plinths near Te Papa. This newest waterfront sculpture will remain in place for two years until the next Arts Festival. The Wellington Sculpture Trust runs this bi-annual sculpture programme and Wellington Waterfront proudly supports it.

## Waitangi Park

Following the Environment Court decision upholding the resource consent for the Overseas Passenger Terminal, work has been undertaken on the site in readiness for its redevelopment including resolution of technical and engineering issues, public space design and continued commercial negotiations with the developer and marine service tenants.





Motorhome Park



Motorhome Park Toilets

## Financial Review

The Project made a loss of \$4.988 million this year, compared with a loss of \$9.211 million last year.

The operating deficit before revaluations in 2010 was \$4.008 million, compared with \$5.872 million in 2009. This year the unrealised loss on revaluations was \$980,000 compared to \$3.339 million in the previous year.

Operating revenue of \$4.278 million in 2010 was slightly higher than that of last year.

Both lease income and other income increased due to more waterfront spaces being tenanted.

Operating expenditure for the year was lower than the previous year's expenses by \$1.624 million due to a combination of lower property costs, public and commercial planning costs for future developments and administration costs.

Capital expenditure incurred in 2010 was mainly for the development of the Wellington Waterfront Motorhome Park, the upgrade to the Hunter Street intersection and wharf repiling costs.

## Liquidity

The company's cash position at the end of the year was \$518,000 compared with \$426,000 at the end of 2009. An interest accruing advance of \$4.4 million was made to the waterfront project from the Wellington City Council bringing the total advance to \$8.800 million.

## Summary

Looking back over the past year we have continued to plan the development of the waterfront, construction has progressed and 'on the ground' it is apparent that the waterfront is much improved even since this time last year.

They say there is nothing as constant as change. We have adapted to new economic circumstances and embraced the changes that are going on all around us. We have delivered facilities and activities that are appropriate for the 'new world order'. The Motorhome Park and Frank Kitts Park Market provide two examples of a changed response. We will continue to adapt our plans to ensure that the waterfront is developed to the very best outcome that we can possibly deliver.

Innovative solutions come about because I have a staff with flair, dedication and commitment to the city that they so want to help define. They realise that plans need modifying in response to the very engaged Wellington public and to altered conditions. They are unstinting in their enthusiasm for the development of New Zealand's best waterfront development, bar none.

Credit must be given too to the many businesses and tenants that provide an eclectic dimension to the waterfront experience. It may not have been the best of times economically over the last year, but across the waterfront we have retained nearly all tenants and have added even more.

Thank you for being there, and may you prosper in the year ahead.

“

# Waterfront Tenants & Businesses”



Foxglove

**Foxglove** opened its door on 6 June 2010 and is an exciting new addition to the Kumutoto area offering a high end but unpretentious selection of amazing food in cosy and inspiring surrounds.

**Portofino Restaurant** joined the cluster of restaurants on Wellington's waterfront in late July 2009 and is a family owned and operated restaurant that offers an authentic taste of Italy.

Situated in the Meridian building with its warm, stylish interior, crisp service, knowledgeable waiters and authentic Italian cuisine – all served up against the backdrop of the beautiful Wellington harbour.



Portofino

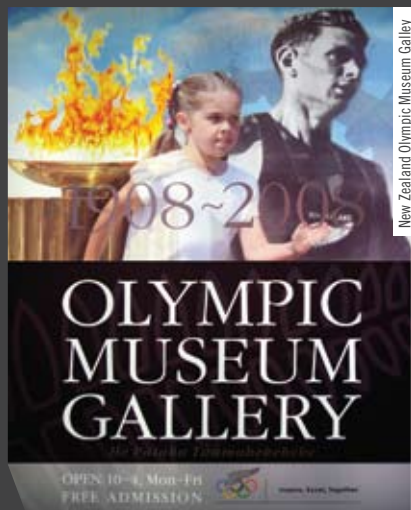


Maori Arts Gallery

**Maori Arts Gallery** – is situated in the boat sheds at Frank Kitts Park. Bill Rawiri is the owner/operator and is dedicated and passionate about his culture, traditions and art. Exquisite pieces of greenstone/pounamu are on display. Each piece is unique in its shape and holds its own meaning as does the colour and texture of the stone. Contemporary ornamented cloaks/korowai and high quality framed art are also works that are available for purchase.

**The New Zealand Olympic Museum Gallery** – located in the TSB Bank Arena in Queens Wharf. The gallery is managed and operated by the New Zealand Olympic Committee.

It contains Olympic memorabilia encompassing a treasure-trove of special items that are freely available for public viewing. The Museum Gallery creates a wonderful opportunity for New Zealanders to celebrate and learn about the Olympic movement and the role they can play in it. The New Zealand Olympic Museum Gallery provides guided museum visits, as part of an education service.



New Zealand Olympic Museum Gallery



# Notable Events,



The Wellington Rowing Club



The Star Boating Club



Hikitia

- **The Wellington Rowing Club** celebrated its 125th anniversary of one of the Capital's greatest sporting organisations on 15 and 16 May this year. Several hundred people including Olympic rowers and medal-winners attended the celebrations.
- **The Star Boating Club** building on Wellington's waterfront has been granted category one Historic Places Trust status. The building, designed by architect William Chatfield, is of architectural and technological significance to Wellingtonians. It was built for the 143-year-old club in 1886 and was originally sited on reclaimed land on Customhouse Quay. Three years later, harbour reclamations resulted in it being moved south by steam engine to a site on Jervois Quay, where it remained for 100 years.  
  
In 1989, it was moved to its present site on Aotea Lagoon as part of the redevelopment of Wellington's waterfront and to this day the Star Boating Club building retains its original purpose as clubrooms for rowers.
- **Wellington Harbour Board** – In November 2009 a plaque (commissioned by Wellington Waterfront Limited and CentrePort Wellington) was unveiled to commemorate the work of the members and staff of the Wellington Harbour Board who regulated, managed and developed the Harbour and Port of Wellington from 1880 to 1989. The plaque is located at the northern entrance of the Bond Store.
- **Malaya plaque** – a plaque unveiling commemorating the First Battalion New Zealand Regiment sailing out of Wellington for Malaya on the Captain Cook in 1957 was unveiled on the memorial wall in Frank Kitts Park on 8 December 2009.
- **Hikitia** – the Hikitia is a colourful addition to the waterfront. Following five months of refurbishment at Lyttelton, the floating Hikitia crane was welcomed back to Wellington harbour in October 2009. This was the first time the Hikitia has left Wellington since it arrived in 1926 from Paisley in Scotland.  
  
The Hikitia is an important part of our city's heritage, it is the only working crane of its kind in the world.

# “ Sustainability ”

## Frank Kitts Underground Market



“Cheeky Mouthful” – Stall

### Artists go underground

Frank Kitts Underground Market launched in December 2009 with Mayor Kerry Prendergast proclaiming it to become the “face of the Creative Capital”.

Following a three year search, market directors Helena Tobin and Wendy Jasper finally found what they were looking for; a suitable venue for their new venture. On 12 December 2009 the car park underneath the southern end of Frank Kitts Park was transformed into a vibrant arts market, now known as the Frank Kitts Underground Market.

Wellington Waterfront Limited facilitated lease arrangements and made significant improvements to the venue including painting, increased lighting and installation of power points for stallholders to utilise.

The market's goal is to assist Wellington artisans and designers in making a living from their talents. It allows shoppers to have access to some of the world class art and creativity that Wellington is renowned for. The market also facilitates ongoing business training for artists and designers ensuring they have the necessary skills and knowledge to have productive and profitable businesses ideally resulting in successful retail and export businesses.

### Vision

The vision for Frank Kitts Underground Market is for it to be the best place to source and sell New Zealand made/creative goods. It is a bustling, vibrant market with a friendly atmosphere that will quickly grow to become an iconic Wellington (Kiwi) experience.

The market also aims to be:

- The number two tourist destination in Wellington (second to Te Papa)
- A valuable business asset to Wellington City as a springboard for launching creative retail/export businesses
- At the forefront of sustainable business practice
- An award-winning reason for tourists to choose to visit Wellington or extend their stay
- An attraction for visitors to Wellington with its monthly larger themed event markets
- A 'must do in Wellington' in the Lonely Planet and AA guide
- In the top 20 things to do in NZ

Large arts markets are a well proven business model as a tourist destination, local shopping experience and stepping stone for designers and artists to test the waters before moving on to bigger things.

Frank Kitts Underground Market is already, in less than six months, the largest business incubator in Wellington, with over 300 businesses operating through the market. Three stallholders have already left the market to focus full time on retail.

The market is perfectly positioned to become a significant economic business and tourism asset to Wellington. As a start-up business it is growing and strengthening consistently, and after six months in business Frank Kitts Underground Market has survived the worst of the winter weather, which as we know, is quite some feat!

### Achievements so far

- Established and operating for over six months.
- Three years of research and knowledge in place, as well as established business systems and practices
- Around 50 stallholders attending per market (up to 120 for the Christmas markets)
- Support from Wellington City Council
- Tourists are finding the market and spending
- Good venue – out of the weather, warm, great location
- Strong business partnerships
- 'Whats On' newsletter distributed to 650 people weekly
- Good use of social media. Informative website, blog, Facebook site and Twitter page
- Business mentor (Chris Elphick) engaged to assist in helping businesses in the arts sector and with the market generally
- Waiting list of top quality musicians/entertainers wishing to perform at the market
- An active marketing/advertising plan rolling out throughout the year



Christina Bonalack, jeweller, admiring Sara Noaro's garments at the stall, "Gorgeous".

## Goals

- To have 150 stalls attending each week with 10 quality stalls on a waiting list
- To have a good variety of stall content
- To have mentoring and business support available to all stallholders
- For all stallholders to have a profitable experience at the market
- To be known as Wellington's best destination for good ready-to-eat variety ethnic food
- For the venue to be clearly signed, lit, powered and decorated in keeping with the market's needs/values/aesthetics
- To have eleven larger themed event markets per year which attract tourists to Wellington.
  - February – Kids. Lots of activities and things for kids (in conjunction with the WCC Summer in the City programme)
  - June – The Wonder of Wool. A celebration of the region's fibre artists
  - September – Fashion & Jewellery Show – showcasing Wellington designers
  - November- Guy Fawkes evening market
  - December- Christmas Market – which will become a Christmas shopping destination, with extended days and hours

With business and stallholder bookings growing each week, the outlook for the Frank Kitts Underground Market is as optimistic and as vital as the rest of the waterfront, which is fast becoming a world class showcase for the "best little capital in the World"!

The Frank Kitts Underground Market is open every Saturday 10am-4pm, at the Lagoon end of Frank Kitts Park.

[www.frankkittsmarket.co.nz](http://www.frankkittsmarket.co.nz)



Market Directors: Wendy Jasper & Helena Tobin

## Governance

Wellington Waterfront Limited is a Council Controlled Organisation (CCO) with a mandate to implement plans and projects, oversee development contracts, and manage the day-to-day operations of the waterfront.

### Role of the Board of Directors

Wellington Waterfront Limited's Board is responsible to its shareholder, Wellington City Council, for the implementation of the Waterfront Development Project. The Board sets objectives, strategy, key policy areas and approval of key project phases and specific agreements.

The Board and its Code of Conduct are governed by Wellington Waterfront Limited's constitution, policy manual, the Land Trust Deed, the Company's Overview Agreement with Wellington City Council, and the Board's Annual Work Plan. These documents set out those matters on which only the Board can make decisions. These include borrowings, approval of annual accounts, providing information to the shareholder, major capital projects, approval of development contracts and the disposal of assets.

Each year the company produces a three-year Strategic Plan, a Business Plan, and an operating budget for the Waterfront Project. These are reviewed and approved by the Board. Financial statements and individual project reports are prepared monthly, and reviewed by the Board throughout the year, to monitor management's performance against the Business Plan and operating budget.

The Board aims to ensure that the shareholder and stakeholders are informed of all major developments affecting the project. Management meets regularly with Council officers to plan and discuss the project's progress, and regularly provides progress reports to various Wellington City Council committees.

Information is communicated to the shareholder and stakeholders in the Annual Report, Half Yearly Report and Quarterly Reports to the Monitoring Sub-committee, monthly financial reports and narrative, as well as numerous other communications. The Board also facilitates input from stakeholders and specific interest and user groups on various developments, as well as the Wellington City Council, in the formulation of its Business Plan and Statement of Intent.

### Board Membership

The Company's Constitution sets the size of the Board at not less than four. The Board currently comprises five directors, all appointed by the shareholder, which also sets Director remuneration annually.

## Board Operations

The Board normally meets monthly and additionally when required.

### Conflicts of Interest

The Directors are aware of their responsibility to act in the best interests of the project and Wellington Waterfront Limited. An Interests Register is maintained and updated at each Board meeting.

### Board Committees

The Board has two formally-constituted committees that focus on specific areas of responsibility. From time to time, special committees are appointed to deal with specific matters.

#### Audit and Risk Committee

The Audit and Risk committee provides a direct link between the external auditors and the Board to ensure that financial reporting responsibilities are met. The committee oversees management's practices, policies and controls in protecting both the project and the company's financial position and meeting legislative requirements. The Committee also ensures the effectiveness of audit and risk management processes.

#### People and Performance Review Committee

This committee sets and reviews the terms and conditions of the Chief Executive's employment contract. The People and Performance Review Committee is also responsible for setting objectives and performance targets for the Chief Executive and monitoring their achievement. Wellington Waterfront Limited's human resources and remuneration policies are also set and managed by this committee.

## Company Directory

of the Lambton Harbour Development Project for the year ended 30 June 2010

Company Name	Wellington Waterfront Limited
Nature of Business:	Management services – implementation of the development of Wellington's waterfront and day to day operation of the waterfront area
Registered Office:	Shed 6, Queens Wharf, Jervois Quay, Wellington
Postal Address:	PO Box 395, Wellington 6140
Telephone:	64 4 495 7820
Facsimile:	64 4 473 2912
Directors:	Michael Cashin – Chair Ray Ahipene Mercer Robert Gray David Kernohan (term ended 31 December 2009) Mark Petersen Jane Black (appointed 1 January 2010)
Bankers:	ASB Bank Limited, Wellington
Auditor:	Audit New Zealand, on behalf of Auditor-General
Shareholder:	Wellington City Council – 1,000 shares
Solicitors:	Greenwood Roche Chisnall Simpson Grierson DLA Phillips Fox Chapman Tripp
Website Address:	<a href="http://www.wellingtonwaterfront.co.nz">www.wellingtonwaterfront.co.nz</a>
Chief Executive:	Ian Pike
Executive Assistant:	Maria Mouroukis
Project Managers:	Michael Faherty Andrew Howie
Property Manager:	Allan Brown
Financial Accountant:	Kirstin Gardiner
Administration Officer:	John Tiller
Harbourside Market Manager:	Graham Joe
Motorhome Park Manager:	Graham Owen
Motorhome Park Manager:	Nikolett Devenyi



## Financial Statements

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## RESPONSIBILITY STATEMENT

Of the Lambton Harbour Development Project For the year ended 30 June 2010

The Directors of Wellington Waterfront Limited (the Directors) are responsible for preparing the financial statements and ensuring that they comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Lambton Harbour Development Project as at 30 June 2010 and the results of its operations and cash flows for the year ended on that date.

The Directors consider that the financial statements of the Lambton Harbour Development Project have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Lambton Harbour Development Project, and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The Directors consider that they have taken adequate steps to safeguard the assets of the Lambton Harbour Development Project, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

**The Directors are pleased to present the financial statements for the Lambton Harbour Development Project for the year ended 30 June 2010.**

For and on behalf of the Board of Directors of Wellington Waterfront Limited:



**M Cashin**  
Chair



**M Petersen**  
Director

August 2010



## AUDIT REPORT

To the readers of Lambton Harbour Development Project's (known as Wellington Waterfront Project) Financial Statements for the year ended 30 June 2010

The Auditor-General is the auditor of Lambton Harbour Development Project (the Project). The Auditor-General has appointed me, Andy Burns, using the staff and resources of Audit New Zealand, to carry out the audit on her behalf. The audit covers the financial statements included in the annual report of the Project for the year ended 30 June 2010.

### Unqualified opinion

In our opinion:

- the financial statements of the Project on pages 16 to 32:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect:
    - the Project's financial position as at 30 June 2010; and
    - the results of its operations and cash flows for the year ended on that date.

The audit was completed on 25 August 2010, and is the date at which our opinion is expressed.

The basis of the opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and the Auditor, and explain our independence.

### Basis of opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in the opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all required disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

### Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing the financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Project as at 30 June 2010 and the results of its operations and cash flows for the year ended on that date. The Board of Directors' responsibilities arise from the Local Government Act 2002.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

### Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the Project.



A P Burns

Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand

# STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Lambton Harbour Development Project Financial Statements for the year ended 30 June 2010

## Nature of the entity

The Wellington Harbour Board and the Wellington City Council Vesting and Empowering Act 1987 ('the Empowering Act') established the Lambton Harbour Development Project (known as 'the Wellington Waterfront Project' or 'the Project') as a joint venture between the Wellington Harbour Board and the Wellington City Council. With the dissolution of the Wellington Harbour Board on 31 October 1989, its interest in the Project was transferred to the Wellington City Council under the provisions of the Local Government (Wellington Region) Reorganisation Order 1989.

These financial statements have been prepared to meet the requirements of Section 16 of the Empowering Act. This section requires that annual financial statements of the Project be prepared. The statements cover the works and activities carried out for the Wellington City Council in the area described below. They have been prepared by Wellington Waterfront Limited which, by agreement with Wellington City Council, undertakes the management and development of the Project.

In the Empowering Act:

- *the term 'Lambton Harbour Development Project' means:*  
"the implementation and promotion of the concept plan and includes all works and activities –  
(a) Within the Lambton Harbour Development Area; and  
(b) Outside the Lambton Harbour Development Area in respect of land, airspace, or subsoil used as a means of ingress or egress, plaza, terrace, podium or for other purposes associated with or incidental to the Lambton Harbour Development Area."
- *the term 'Lambton Harbour Development Area' means:*  
"the land described in the Second Schedule to this Act; and includes any variation of the Lambton Harbour Development Area".  
The Second Schedule to the Empowering Act lists parcels of land totalling approximately twenty hectares in area. This land is on the seaward side of Waterloo and Jervois Quays, Wakefield Street and Oriental Parade, and stretches from Wellington Railway Station in the north to the Overseas Passenger Terminal in the south.
- *the term 'land' includes:*  
Land under the sea constituting part of the bed of the Harbour of Wellington.  
The Second Schedule to the Empowering Act also itemises twelve hectares, being part of the bed of the Harbour of Wellington, and this 'land' therefore also constitutes part of the Project.

## Basis of preparation

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with NZ International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards as appropriate for public benefit entities (PBE).

For financial reporting periods commencing on or after 1 January 2007, New Zealand reporting entities were required to apply NZ IFRS. The Project adopted NZ IFRS for external reporting purposes for the accounting period commencing 1 July 2006 which means that these accounts have been prepared in accordance with NZ IFRS applicable to PBE for the fourth time.

The Project is a PBE for the purposes of NZ IFRS and has elected to take advantages of certain exemptions within the individual NZ IFRS. These exemptions have been taken only where practicable and necessary with the intention to efficiently and cost effectively manage the impact of the transition upon the Project.

The accounting principles recognised as appropriate for the measurement and reporting of comprehensive income and financial position on a historical cost basis are followed by the Project, with the exception of certain assets which are valued in accordance with the policies stated below.

The financial statements are presented in New Zealand dollars and are rounded to the nearest thousand.

## Specific accounting policies

The following particular accounting policies that materially affect the measurement of financial performance and financial position have been applied:

### Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings as a current liability in the statement of financial position.

### Financial instruments

The Project is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short term investments, receivables and payables. All financial instruments are recognised in the statement of financial position and all revenues and expenses in relation to financial instruments are recognised in the statement of comprehensive income.

### Revenue

Revenue is recognised when earned and is reported in the financial period to which it relates.

### Trade and Other receivables

Receivables are stated at their expected net realisable value after providing for any doubtful and uncollectable debts.

A provision for impairment of receivables is established when there is objective evidence that the Project will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

### Deferred income

Lease income received that does not relate to the current accounting year has been recorded as a liability. Development margins are recognised using the percentage of completion method.

**Investments**

Investments are stated at the lower of cost and net realisable value. Any decreases are recognised in the statement of comprehensive income.

Investments in bank deposits are initially measured at fair value plus transaction costs.

After initial recognition investments in bank deposits are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the statement of comprehensive income.

At each balance sheet date the Project assesses whether there is any objective evidence that an investment is impaired. Any impairment losses are recognised in the statement of comprehensive income.

**Property, plant and equipment**

Land comprising the Lambton Harbour Development Area (see ‘Nature of the entity’ above) is held by Wellington Waterfront Limited as bare trustee for Wellington City Council and is reflected in these financial statements.

“Property, plant and equipment” comprises the following items:

- (a) Land, as above;
- (b) Buildings and other improvements attached to this land;
- (c) ‘Other assets’ comprising office equipment, computers, and plant and equipment used in the management of the Project.

Property (land, buildings and other improvements) is further categorised as follows:

- (a) Investment property: - property leased long term for an annual rental;
- (b) Development property: - property intended for future commercial development as either investment property or for realisation (but on which no specific commitment has been made or intention to proceed declared);
- (c) Property intended for realisation: - property intended to be realised by way of commercial development and on which a specific decision has been taken;
- (d) Other land & buildings: – comprising all other property and includes land and buildings held primarily or solely for recreational purposes, plus roadways, promenades and the like.

All property is re-valued annually by an independent registered valuer.

Investment properties and development properties are valued at current market value as prescribed under IAS 40 – Investment Property. Depreciation is not charged on these properties. Revaluation gains or losses are recognised in the statement of comprehensive income in the year which they occur.

Wellington Waterfront Limited has entered into agreements with property developers to lease and develop various development sites around the Lambton Harbour Development Area. The term of these lease arrangements range from 35 to 999 years. On termination of the leases, the land and buildings revert back to the Project or its successor.

The proceeds received from the granting of development rights at the commencement of these arrangements are credited against the investment property, with any surplus or loss taken to the statement of comprehensive income.

As these are investment properties they are re-valued annually to current market value, taking into account any future rental income & any reversionary interest in the property on termination of the lease.

Property intended for realisation is treated in a similar fashion to investment property and development property except that it is valued at the lower of cost (or carrying value at the time it was categorised as property intended for realisation) and net realisable value.

Other land and buildings are valued at fair value. Revaluation gains or losses are credited or debited to the revaluation reserve under the asset class “other land and buildings”, except that revaluation gains which reverse previous revaluation losses that were recognised in the statement of comprehensive income are recognised as revenue in the statement of comprehensive income. If losses debited to the revaluation reserve result in a debit balance in the other property class, then this balance is expensed in the statement of comprehensive income. On sale or disposal of a property in this category the gain or loss, calculated as the difference between the sale price and the carrying value, is recognised in the statement of comprehensive income and any balance remaining for that property in the revaluation reserve is transferred to retained earnings.

Development work in progress is stated at cost.

Open spaces infrastructure, office equipment, architectural models, plant and equipment and fixtures and fittings are stated at cost less accumulated depreciation.

Major depreciation rates are:

Buildings	1 – 2.5% Diminishing Value or
	2 – 10% of valuation

*(Note: Depreciation is not provided on buildings held for investment or development purposes.)*

Other assets	33.3% Straight Line or
	20 – 40% Diminishing Value

Capital work in progress is not depreciated. The total cost of a project is transferred to land and buildings and/or plant and equipment on its completion and then depreciated.

**Intangible assets**

Acquired computer software and licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software are recognised as an expense when incurred.

Software is a finite life intangible and is recorded at cost less accumulated amortisation and impairment.

Costs that are directly associated with the establishment and functional improvements of the Motorhome Park website are capitalised as incurred. Costs associated with maintaining and advertising the Motorhome Park website are recognised as an expense as incurred.

Major amortisation rates are:

Software	33% Straight line
Website	33% Straight line

## Impairment

The carrying amounts of property, plant and equipment and intangible assets are reviewed at least annually to determine if there is any indication of impairment. Where an asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised.

The recoverable amount is the higher of an item's fair value less costs to sell and value in use. Losses resulting from impairment are reported in the statement of comprehensive income, unless the asset is carried at a revalued amount in which case any impairment loss is treated as a revaluation decrease.

We are continually reviewing the maintenance required on our wharves and have engaged specialist engineers to undertake a comprehensive review of all wharf structures.

## Revaluations

The result of any revaluation of the Project's property, plant and equipment is credited or debited to the asset revaluation reserve for that class of property, plant and equipment. Where this results in a debit balance in the reserve for a class of property, plant and equipment, the balance is expensed in the statement of comprehensive income. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the statement of comprehensive income will be recognised firstly in the statement of comprehensive income up to the amount previously expensed, and then secondly credited to the revaluation reserve for that class of property, plant and equipment.

Accumulated depreciation at revaluation date is eliminated against the gross carrying amount so that the carrying amount after revaluation equals the revalued amount.

The carrying amount of non-current assets measured at cost has been reviewed to determine whether it is in excess of the asset's recoverable amount. Where an asset's recoverable amount is lower than its carrying amount, it has been written down to that lower value.

## Marina revaluation reserve

The Marina revaluation reserve comprises the unrealised development margin relating to the sale of Chaffers Marina. When Chaffers Marina was originally sold to Chaffers Marina Holdings Limited, Lambton Harbour Development Project received shares as payment for the unsold marina berths. This unrealised development margin is progressively realised as the shares are sold.

## Associate companies

Wellington Waterfront Limited's shares in Chaffers Marina Holdings Limited are held in a fiduciary capacity for Wellington City Council.

The interest in Chaffers Marina Holdings Limited has been reflected in the financial statements on an equity accounting basis, which shows the share of surpluses/deficits in the statement of comprehensive income and the share of post acquisition increases/decreases in net assets in the statement of financial position.

## Goods and services tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to Inland Revenue (IRD) is included as part of the receivables or payables in the statement of financial position.

The net GST paid to, or received from IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

## Statement of cash flows

For the purpose of the statement of cash flows, cash includes cash on hand and deposits held at call with banks.

Operating activities include cash received from all income sources and records the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise capital injections by, or repayment of capital to, Wellington City Council.

## Commitments

Future expenses and liabilities to be incurred on contracts that have been entered into at balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

## Contingencies

Contingent liabilities are disclosed at the point at which the contingency is evident.

## Changes in accounting policies

There have been no further changes in accounting policies. All accounting policies have been applied on a consistent basis throughout the year.

# STATEMENT OF COMPREHENSIVE INCOME

Lambton Harbour Development Project Financial Statements for the year ended 30 June 2010

	Note	2010 \$000's	2009 \$000's
<b>Income</b>			
Lease income		3,773	3,517
Other income		494	436
Interest income		11	75
<b>Total income</b>		<b>4,278</b>	<b>4,028</b>
<b>Expenses</b>			
Property costs	1	5,476	5,978
Public and commercial planning		525	1,277
Public activities and communication		461	512
Administration	2	1,514	1,846
Interest costs		312	299
<b>Total expenses</b>		<b>8,288</b>	<b>9,912</b>
<b>Share of associate's surplus / (deficit)</b>	6	<b>2</b>	<b>12</b>
<b>Operating deficit</b>		<b>(4,008)</b>	<b>(5,872)</b>
<b>Unrealised gain on revaluation</b>			
Unrealised gain / (loss) on revaluation of investment and development properties	8	(958)	(336)
Wharf Repiling costs of investment and development properties	8	(22)	(3,003)
Total unrealised gain / (loss) on revaluation		(980)	(3,339)
<b>Net surplus / (deficit) attributable to Wellington City Council</b>		<b>(4,988)</b>	<b>(9,211)</b>
<b>Movement in asset revaluation reserves</b>			
Other land and buildings	9	(3,249)	1,106
Wharf repiling costs of other land and buildings	9	1,617	(6,767)
Total movement in asset revaluation reserves		(1,632)	(5,661)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(6,620)</b>	<b>(14,872)</b>

## STATEMENT OF CHANGES IN EQUITY

Lambton Harbour Development Project Financial Statements for the year ended 30 June 2010

	Note	2010	2009
		\$000's	\$000's
<b>Total comprehensive income for the year</b>		<b>(6,620)</b>	(14,872)
Contribution from owner - Wellington City Council		1,200	1,650
Contribution from / (Distribution to) owner - Wellington City Council		–	47
<b>Change in equity for the period</b>		<b>(5,420)</b>	(13,175)
<b>Opening equity</b>			
Equity brought forward as at 1 July		163,939	177,114
<b>Total opening equity</b>		<b>163,939</b>	177,114
<b>EQUITY AS AT 30 JUNE</b>		<b>158,519</b>	163,939

# STATEMENT OF FINANCIAL POSITION

Lambton Harbour Development Project Financial Statements for the year ended 30 June 2010

	Note	2010 \$000's	2009 \$000's
<b>Current assets</b>			
Cash and cash equivalents	3	518	426
Trade and other receivables	4	374	380
Prepayments		839	866
Property intended for realisation	5	7,368	7,368
		<b>9,099</b>	9,040
<b>Non-current assets</b>			
Investment in associate	6	1,011	1,009
Investment and development property	8	49,115	49,342
Property, plant and equipment	9	108,998	110,810
Intangible assets	10	87	–
Term receivables	11	331	405
		<b>159,542</b>	161,566
<b>TOTAL ASSETS</b>		<b>168,641</b>	170,606
<b>Liabilities</b>			
Trade and other payables		725	1,508
Deferred income		144	205
Retentions and bonds	12	92	62
		<b>961</b>	1,775
<b>Non-Current Liabilities</b>			
Term Liabilities		8,800	4,400
Deferred income		361	492
		<b>9,161</b>	4,892
<b>Equity</b>			
Wellington City Council		143,272	147,060
Asset revaluation reserve	13	15,247	16,879
		<b>158,519</b>	163,939
<b>TOTAL FUNDS EMPLOYED</b>		<b>168,641</b>	170,606

# STATEMENT OF CASH FLOWS

Lambton Harbour Development Project Financial Statements for the year ended 30 June 2010

	Note	2010 \$000's	2009 \$000's
<b>Cash flows from operating activities:</b>			
<i>Cash was provided from:</i>			
Receipts from customers		4,067	4,356
Interest received		11	75
Net goods and services tax received (paid)		96	(177)
<i>Cash was disbursed to:</i>			
Payment to suppliers		(5,719)	(6,033)
<b>Net cash flows generated (to)/from operating activities</b>	16	<b>(1,545)</b>	<b>(1,779)</b>
<b>Cash flows from investing activities:</b>			
<i>Cash was provided from:</i>			
Sale of shares		–	11
<i>Cash was disbursed to:</i>			
Purchase of property, plant and equipment		(2,673)	(354)
Purchase of intangible assets		(90)	–
<b>Net cash flows from investing activities</b>		<b>(2,763)</b>	<b>(343)</b>
<b>Cash flows from financing activities:</b>			
<i>Cash was provided from:</i>			
Wellington City Council equity contributions		–	47
Wellington City Council loan contributions		4,400	500
<i>Cash was disbursed to:</i>			
Repayment of Wellington City Council loan		–	–
<b>Net cash flows from financing activities</b>		<b>4,400</b>	<b>547</b>
Net increase/(decrease) in cash held		92	(1,575)
Cash at the beginning of the year		426	2,001
<b>CASH AT THE END OF THE YEAR</b>		<b>518</b>	<b>426</b>
<b>Represented by:</b>			
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	3	<b>518</b>	<b>426</b>

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.



# NOTES TO THE FINANCIAL STATEMENTS

Lambton Harbour Development Project Financial Statements for the year ended 30 June 2010

Note	2010 \$000's	2009 \$000's
<b>1 PROPERTY COSTS</b>		
<i>Depreciation</i>		
- Other land improvements and buildings	2,033	2,152
- Other assets	95	92
Amortisation	3	-
Other property costs	3,345	3,734
<b>TOTAL PROPERTY COSTS</b>	<b>5,476</b>	<b>5,978</b>

<b>2 ADMINISTRATION EXPENSE</b>		
Audit fees	35	37
Bad debts written off	6	156
Other administration expenses	1,473	1,653
<b>TOTAL ADMINISTRATION EXPENSES</b>	<b>1,514</b>	<b>1,846</b>

<b>3 CASH AND CASH EQUIVALENTS</b>		
<i>Cash at bank and on hand</i>	518	426
Short term deposit maturing within three months of balance date.	-	-
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>518</b>	<b>426</b>

<b>4 TRADE AND OTHER RECEIVABLES</b>		
Accounts receivable	374	380
less provision for impairment / doubtful debts	-	-
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b>374</b>	<b>380</b>

*Analysis of trade and other receivables*

Not past due	199	283
Past due 0-3 months	144	70
Past due 3-6 months	13	7
Past due more than 6 months	18	20

<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b>374</b>	<b>380</b>
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There are no impairment disclosures as all receivables are considered collectable. Therefore, the carrying value of trade and other receivables approximates the fair value.

Of the amount outstanding at 30 June 2010, \$4,000 or 1% (2009: \$53,000 or 14%), is owed from Wellington City Council. There is no concentration of credit risk with respect to receivables outside WCC, as the Project has a number of customers.

Note	2010	2009
	\$000's	\$000's
<b>5 PROPERTY INTENDED FOR REALISATION</b>		
Land	5,687	5,687
Buildings	1,681	1,681
<b>TOTAL PROPERTY INTENDED FOR REALISATION</b>	<b>7,368</b>	<b>7,368</b>

Property intended for realisation has been revalued to the lower of carrying value or net realisable value. The Overseas Passenger Terminal resource consent was upheld by the Environment Court in June 2009. This satisfies a necessary condition within the Development Agreement; the Agreement remains conditional upon the Developer securing minimum agreements for sale and purchase and/or leasing commitments for the completed building.

As at 30 June 2010, the sale of Overseas Passenger Terminal was expected to take place within the next one year period. The asset has therefore been reclassified as a current asset intended for realisation in these financial statements.

Note	2010	2009
	\$000's	\$000's
<b>6 INVESTMENT IN ASSOCIATE</b>		

Wellington Waterfront Limited (Wellington Waterfront) holds shares in Chaffers Marina Holdings Limited (Chaffers) as bare trustee on behalf of Wellington City Council.

Share of deficit before tax	2	12
Share of movement in asset revaluation reserve	–	–
Equity accounted movement in associate	2	12
Share of equity at beginning of year	(396)	(408)
Change of equity due to the change in shareholding during the year	–	–
<b>Total change in equity since acquisition</b>	<b>(394)</b>	<b>(396)</b>
Shares at beginning of year	1,379	1,379
Change in shares during the year	–	–
Call option	26	26
Change in call option during the year	–	–
<b>TOTAL INVESTMENT IN ASSOCIATE</b>	<b>1,011</b>	<b>1,009</b>

Associate	Assets	Liabilities	Revenues	Surplus/ (Deficit)
	2010	2010	2010	2010
	\$000's	\$000's	\$000's	\$000's
Chaffers Marina Holdings Limited	6,356	942	976	11

Wellington Waterfront's interest in Chaffers Marina Limited of 14.8% (2009: 14.8%) has been reflected in the financial statements on an equity accounting basis reflecting the special rights (as set out in Chaffers Marina Limited's Constitution) which attach to the golden shares that it holds in Chaffers Marina Limited. Wellington Waterfront Limited has significant influence in Chaffers Marina Limited as the single largest shareholder and the holder of the golden share with significant rights attached.

## 7 VALUATION OF PROPERTY

Property intended for realisation has been revalued to the lower of carrying value or net current value. Investment property and Development property has been revalued to current market value. Other land and buildings have been revalued to fair value, as at 30 June 2010 by Andrew Washington, BCom (VPM), SPINZ, Registered Valuer, Director of Colliers International Valuers (2009: Paul Butchers BBS, FNZPI, Registered Valuer, Director of International Property consultants, CB Richard Ellis).

*The revaluations take into account the following developments:*

On 19 July 2000 Wellington City Council approved in principle a three stage process. Stage 1 being development of an overall framework for the waterfront. Stage 2 being development of plans for each area of the waterfront, and Stage 3 implementation.

Stage 1 of this process has been undertaken by the Waterfront Leadership Group. Their proposed framework for the waterfront was adopted as policy by the Wellington City Council on 3 April 2001.

Features of the Wellington Waterfront Framework will be incorporated into the District Plan by way of a variation to that Plan (Variation No.22) and forms the basis for future design briefs under Stage 2 of the process. This variation was approved by Wellington City Council on 29 April 2002.

The valuation of the waterfront's land and buildings is greatly influenced by their permitted uses. The values ascribed reflect the uses as can best be determined from the Wellington Waterfront Framework.

Note	2010	2009
	\$000's	\$000's
<b>8 INVESTMENT AND DEVELOPMENT PROPERTY</b>		
<b>Investment property - at valuation</b>		
Investment land at valuation - opening balance	10,678	12,460
Wharf repiling costs	(22)	(3,003)
Revaluation movement	14	1,221
Investment land at valuation - closing balance	10,670	10,678
Investment buildings at valuation - opening balance	4,535	4,831
Additions	44	13
Capitalised costs from work in progress	–	12
Revaluation movement	1,541	(321)
Investment buildings at valuation - closing balance	6,120	4,535
<b>Total investment property - at valuation</b>	<b>16,790</b>	<b>15,213</b>
<b>Development property - at valuation</b>		
Development land at valuation - opening balance	33,469	34,157
Additions	11	–
Capitalised costs from work in progress	698	–
Revaluation movement	(3,033)	(688)
Development land at valuation - closing balance	31,145	33,469
Development buildings at valuation - opening balance	660	1,208
Revaluation movement	520	(548)
Development buildings at valuation - closing balance	1,180	660
<b>Total development property - at valuation</b>	<b>32,325</b>	<b>34,129</b>
<b>TOTAL INVESTMENT AND DEVELOPMENT PROPERTY</b>	<b>49,115</b>	<b>49,342</b>

Note	2010 \$000's	2009 \$000's
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## 8 INVESTMENT AND DEVELOPMENT PROPERTY (continued)

### Unrealised gain / (loss) on revaluation of investment and development properties

Revaluation movement - Investment property land	14	1,221
Revaluation movement - Investment property buildings	1,541	(321)
Revaluation movement - Development property land	(3,033)	(688)
<i>Revaluation movement - Development property buildings</i>	520	(548)
<b>TOTAL UNREALISED GAIN / (LOSS) ON REVALUATION OF INVESTMENT AND DEVELOPMENT PROPERTIES</b>	<b>(958)</b>	<b>(336)</b>

### Wharf repiling costs - Investment and development property

Opening balance	3,003	–
Wharf repiling costs movement - Investment land	22	3,003
<b>CLOSING BALANCE</b>	<b>3,025</b>	<b>3,003</b>

Holmes Consulting Limited has performed a comprehensive survey of Wellington Waterfront Limited's wharf piles, and have estimated the expected costs to repair/replace the wharf piles. As a result the asset values of investment and development properties have reduced by \$3.03 million in this years accounts (2009: \$3.00 million).

Wellington Waterfront Limited has budgeted for these costs to be expended over a ten year timeframe. This expenditure began during the 2009/10 financial year.

The investment (and development) properties earned ground leases of \$2,576,290 (2009: \$2,483,611). Ground leases are parcels of land owned by the Lambton Harbour Development Project on the waterfront. The buildings on the ground leases are owned by other parties (building owners). The land has been leased to the building owners for periods ranging from 35 to 999 years. The land and buildings are properties which are not held for operational purposes and are leased to external parties.

Direct operating expenses of investment properties		
– From investment properties that generated income	479	557
– From investment properties that did not generate income	–	–

Note	2010 \$000's	2009 \$000's
<b>9 PROPERTY, PLANT &amp; EQUIPMENT</b>		
<b>Other land and buildings - at valuation</b>		
Other land at valuation - opening balance	46,824	54,909
Capitalised costs from work in progress	1,193	–
Wharf repiling costs	279	(4,679)
	(2,105)	(3,406)
Other land at valuation - closing balance	46,191	46,824
<b>Other buildings at valuation - opening balance</b>		
Other buildings at valuation - opening balance	61,356	61,042
Less accumulated depreciation	–	–
Total other buildings - opening balance	61,356	61,042
<b>Additions</b>		
Depreciation expense	(2,033)	(2,152)
Capitalised costs from work in progress	538	17
Wharf repiling costs	1,338	(2,088)
Revaluation movement	(1,144)	4,512
Other buildings at valuation - closing balance	60,074	61,356
<b>Total other land and buildings property - at valuation</b>	<b>106,265</b>	<b>108,180</b>
<b>Other assets - at cost</b>		
Other assets - at cost	3,134	3,074
Less accumulated depreciation	(1,715)	(1,623)
Total other assets - opening balance	1,419	1,451
<b>Additions</b>		
Depreciation expense	(95)	(92)
Capitalised costs from Work in Progress	30	–
<b>Other assets at cost - closing balance</b>	<b>1,363</b>	<b>1,419</b>
<b>Work in progress</b>		
Work in progress - at cost - opening balance	1,211	998
Additions	2,618	242
Capitalised to property, plant and equipment classes	(2,459)	(29)
Work in progress - at cost - closing balance	1,370	1,211
<b>TOTAL PROPERTY, PLANT &amp; EQUIPMENT</b>	<b>108,998</b>	<b>110,810</b>
<b>Unrealised gain / (loss) on revaluation of other land and buildings property</b>		
Revaluation movement - Other land	(2,105)	(3,406)
Revaluation movement - Other buildings	(1,144)	4,512
<b>TOTAL UNREALISED GAIN / (LOSS) ON REVALUATION OF OTHER LAND &amp; BUILDINGS PROPERTY</b>	<b>(3,249)</b>	<b>1,106</b>

Note	2010 \$000's	2009 \$000's
<b>9 PROPERTY, PLANT &amp; EQUIPMENT (continued)</b>		
<b>Wharf repiling costs</b>		
<b>Wharf repiling costs Other land and buildings</b>		
Opening balance	6,767	–
Wharf repiling costs movement - Other land	(279)	4,679
Wharf repiling costs movement - Other buildings	(1,338)	2,088
Total movement	(1,617)	6,767
<b>Closing balance</b>	<b>5,150</b>	<b>6,767</b>

Holmes Consulting Limited has performed a comprehensive survey of Wellington Waterfront Limited's wharf piles, and have estimated the expected costs to repair/replace the wharf piles. As a result the asset values of other land and buildings have reduced by \$5.15 million in this years accounts (2009: \$6.77 million). Wellington Waterfront Limited has budgeted for these costs to be expended over a ten year timeframe. This expenditure began during the 2009/10 financial year.

Note	Software \$000's	Website \$000's	Total \$000's
<b>10 INTANGIBLE ASSETS</b>			
<b>Gross carrying amount</b>			
Balance at 30 June 2009	–	–	–
Additions	28	62	90
Sales/transfers	–	–	–
Balance at 30 June 2010	28	62	90
<b>Accumulated amortisation</b>			
Balance at 30 June 2009	–	–	–
Amortisation expense	–	3	3
Disposals	–	–	–
Balance at 30 June 2010	–	3	3
<b>Net carrying amount</b>			
At 30 June 2009	–	–	–
<b>AT 30 JUNE 2010</b>	<b>28</b>	<b>59</b>	<b>87</b>

Note	2010 \$000's	2009 \$000's
<b>11 TERM RECEIVABLES</b>		
LT Receivable	331	405
<b>TOTAL TERM RECEIVABLES</b>	<b>331</b>	<b>405</b>
<b>12 RETENTIONS AND BONDS</b>		
Retentions on construction contracts	91	61
Tender deposits	–	–
Bonds held on hireage venues	1	1
<b>TOTAL RETENTIONS AND BONDS</b>	<b>92</b>	<b>62</b>
<b>13 ASSET REVALUATION RESERVE</b>		
<i>Marina</i>		
Opening balance at 1 July	52	52
Realised during the year	–	–
<b>Closing balance at 30 June</b>	<b>52</b>	<b>52</b>
<i>Other land and buildings</i>		
Opening balance at 1 July	16,827	22,488
Surplus on revaluation	(3,249)	1,106
Wharf repiling costs movement	1,617	(6,767)
Total Surplus on revaluation	(1,632)	(5,661)
Closing balance at 30 June (before transfer to statement of financial performance)	15,195	16,827
Credit balance transferred to statement of financial performance	–	–
Closing balance at 30 June	15,195	16,827
<b>TOTAL ASSET REVALUATION RESERVE</b>	<b>15,247</b>	<b>16,879</b>
<b>14 CONTINGENT ASSET AND CONTINGENT LIABILITY</b>		

As mentioned in Note 4, the resource consent relating to the Overseas Passenger Terminal was upheld by the Environment Court in June 2009. As a result Wellington Waterfront Limited may receive revenue arising from development of the site commencing in 2011. (2009: Revenue from sale of OPT). There are no contingent liabilities at 30 June 2010 (2009: Nil).

Note	2010	2009
	\$000's	\$000's

## 15 CONTRACTUAL COMMITMENTS

### Capital Commitments

As at 30 June 2010 there were contractual commitments to a value of \$274,000 not provided for in the financial statements (2009: \$1,631,000).

### Operating Commitments

Non-cancellable operating lease commitments - as lessee

The Project leases back space in buildings which have been sold to third parties for the purpose of maintaining control of ground floor spaces to ensure those spaces remain publicly accessible.

### Operating Commitments

Not later than one year	646	646
Later than one year and not later than five years	1,395	1,329
Later than five years	-	-
<b>Total non-cancellable operating lease commitments - as lessee</b>	<b>2,041</b>	<b>1,975</b>

The project expects to recover an estimated \$725,000 per year from subleasing these spaces.

### Non-cancellable operating lease commitments - as lessor

The Project leases out land and buildings to various tenants for durations ranging from one month to 999 years.

### Land and buildings

Not later than one year	1,948	2,011
Later than one year and not later than five years	3,879	3,339
Later than five years	3,053	3,051
<b>Total non-cancellable operating lease commitments - as lessor</b>	<b>8,880</b>	<b>8,401</b>

Contingent rentals totalling \$Nil (2009: \$76,000) have been recorded as lease income in these accounts.

## 16 RECONCILIATION OF NET SURPLUS WITH NET CASH FLOWS FROM OPERATIONS

<b>Net surplus attributable to Wellington City Council</b>	<b>(4,988)</b>	<b>(9,211)</b>
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### Add/(less) non cash items and non-operating items

Depreciation	2,128	2,244
Amortisation	3	
Wellington Waterfront Limited Fee*	1,200	1,650
Share of associate's deficit	(2)	(12)
Assets revalued	980	3,339
	<b>(679)</b>	<b>(1,990)</b>

### Add/(less) movements in working capital items relating to operations

Decrease/(increase) in accounts receivable	80	531
Decrease/(increase) in prepayments	27	(297)
Increase/(decrease) in accounts payable	(810)	184
Decrease/(increase) in retentions and bonds	30	(140)
Increase/(decrease) in deferred income	(193)	(67)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>(1,545)</b>	<b>(1,779)</b>

\*Since 1 July 1998 Wellington Waterfront Limited's fee has been paid directly to Wellington Waterfront Limited by Wellington City Council. It is recorded in these financial statements as a non-cash expense with a contra equity contribution from Wellington City Council.



## 17 FINANCIAL INSTRUMENTS

### Credit risk

In the normal course of business the Lambton Harbour Development Project incurs credit risk from short term investments, trade debtors and term receivables. There are no significant concentrations of credit risk. The Lambton Harbour Development Project invests only in deposits with registered banks with satisfactory credit ratings. The Project has processes in place to review the credit quality of customers prior to the granting of credit. The Project's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash equivalents (note 2), and trade receivables (note 3). There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired. The cash and cash equivalents and short term deposits are held with the ASB Bank Limited which has a credit rating of Aa2 as determined by Moody's Investors Service on 11 May 2007.

### Interest rate risk

Interest on short term deposits is at fixed rates. Interest on call deposits is at a floating rate set by the bank.

### Foreign currency risk

The Lambton Harbour Development Project has no foreign currency risk.

### Liquidity Risk

Liquidity risk is the risk that the Project will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash. The Project has recently received approval for short-term funding from Council to cover cash requirements arising from delays in receipt of commercial proceeds. Any of the Project's deposits are short-term.

### *Cash and other receivables comprise cash and cash equivalents and trade and other receivables.*

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Project provides money, goods or services directly to a debtor with no intention of trading the receivable. Trade and other receivables are recognised at fair value. Allowances for estimated irrecoverable amounts are recognised when there is objective evidence that the asset is impaired.

Cash and cash equivalents comprise cash balances and call deposits with up to three months maturity from the date of acquisition. These are recorded at their nominal value.

### *Financial liabilities*

Financial liabilities comprise trade and other payables. Financial liabilities entered into with duration less than 12 months are recognised at their nominal value.

The term liability to Wellington City Council is being charged at an arrogate rate of 5.48%.

## 18 CAPITAL MANAGEMENT

The Project's capital is its equity, which comprises capital and retained surpluses. Equity is represented by net assets. The Project requires the directors to manage its revenues, expenses, assets, liabilities, investments and general financial dealings prudently. The Project's equity is largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments and general financial dealings.

Note	2010	2009
	\$000's	\$000's

## 19 RELATED PARTIES

### Wellington City Council (Council)

Wellington City Council has 100% equity in the Lambton Harbour Development Project.

Net amount received from/(paid to) Council during the year was:

- relating to operating revenue and expenses	(1,050)	(608)
- relating to Wellington Waterfront Limited Management fee	1,200	1,650

Net amount owed by/(owed to) Council at 30 June was:

- relating to operating revenue and expenses	(359)	(978)
- on loan from Council	(8,800)	(4,400)

### Wellington Waterfront Limited (Wellington Waterfront)

Land, buildings, infrastructure and leasehold interests in land within the Lambton Harbour Development Area are held by Wellington Waterfront as bare trustee for Council and are included in these financial statements. Other assets and liabilities of Wellington Waterfront held on behalf of the Lambton Harbour Development Project have also been reflected in these financial statements.

Wellington Waterfront received \$1,200,000 from Council as a management fee for managing the Lambton Harbour Development Project (2009 \$1,650,000). This amount is recognised in these financial statements as an equity contribution, and as management fee expense.

Lambton Harbour Development Project has an advance from Wellington Waterfront of \$1,000 (2009 \$1,000). The advance is repayable on demand.

### Chaffers Marina Holdings Ltd (Chaffers)

Net amount received from/(paid to) Chaffers during the year was:

- relating to operating revenue and expenses	51	(171)
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Net amount owed by/(owed to) Chaffers at 30 June was:

- relating to operating revenue and expenses	(6)	(3)
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Wellington Waterfront will be paying \$250,000 plus GST to Chaffers Marina Limited in February 2011 as a contribution towards deferred maintenance of the wavescreen (2009: \$250,000 paid).

Amounts due on marina berth sales are secured over Chaffers Marina Holdings Limited shares.

Wellington Waterfront received a net \$121,101 (2009: \$121,000) from CentrePort Limited for wharf licence fees and electricity recharges. Mark Petersen, a director of Wellington Waterfront Limited, is also a director of CentrePort Limited.

## 20 SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to balance date the Project signed a new lease agreement with the New Zealand Portrait Gallery Trust for the lease of Shed 11. The duration of the lease is for 25 years and the rent of \$1,450,000 is to be fully paid in advance in July 2010. As part of the agreement an initial contribution of \$100,000 will be paid to the Portrait Gallery (2009: Nil).

## 21 GOING CONCERN ASSUMPTION

The going concern assumption has been applied during the preparation of these financial statements. Wellington City Council completed a review of Wellington Waterfront Limited's operation in the 2009/10 year and it was decided that Wellington Waterfront Limited would continue operation until June 2012.

An abstract graphic design featuring a large, irregular shape in a vibrant orange color. This shape is set against a background of a solid, bright blue. The orange shape has several jagged, protruding edges, particularly on the left and bottom sides. In the lower-left corner, there are two light blue rectangular boxes containing text. The overall composition is minimalist and modern.

Design

Gibson Rusden Design Wellington

Neil Price – Wellington City Council  
Robert Catto

Craig Simcox – Dominion Post  
Richard Harvey

Photography

Gibson Rusden Design Wellington  
Wellington Waterfront Limited



new 200x300da hardwood cap beam e.i.  
M24 4.6/S91200ora galv  
with 80x80x6 galv washers  
exist deteriorated timber  
cap beam

trim exist corbel face to fit  
new timber post as required  
provide H4 timber packers  
at bolts as required  
trim exist pile face to seat  
new timber post as required

new 200x300da hardwood  
cap beam e.i.  
M24 4.6/S91200ora galv  
with 80x80x6 galv washers  
exist deteriorated timber  
cap beam

provide H4 timber packers  
at bolts as required  
trim exist pile face to seat  
new timber post as required

NOTE  
remove any exist brackets  
& fixings from exist  
timbers as required to  
allow new timbers to fit

new 300x200x1500lb  
post e.i. 3-M24 4.6/S ss  
with 80x80x6mm ss washers

FRP tube  
400 nom stump  
turbine hardwood

new 0.5mm sheet  
copper flash  
section through  
new 400 nom stump  
FRP tube  
exist asphalt surfacing  
exist deck slab  
on dwg 502-04

new 300x200 hardwood  
stringer  
length to suit (3.2m)

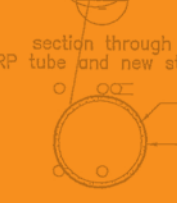
new 300x200 hardwood  
stringer  
length to suit (3.2m)

new 300x200 hardwood  
stringer  
length to suit (3.2m)

new 300x200 hardwood  
stringer  
length to suit (3.2m)

new 300x200 hardwood  
stringer  
length to suit (3.2m)

new 300x200 hardwood  
stringer  
length to suit (3.2m)



pile stumping  
with FRP jacket repair  
option 1

section through  
FRP tube and new stump

section through  
FRP tube and new stump

section through  
FRP tube and new stump

section through  
FRP tube and new stump

section through  
FRP tube and new stump

section through  
FRP tube and new stump

section through  
FRP tube and new stump

section through  
FRP tube and new stump

section through  
FRP tube and new stump

section through  
FRP tube and new stump

section through  
FRP tube and new stump

Continued on dwg 502-02

FRP jacket

new stump

FRP jacket

new stump

FRP jacket

new stump