

DRAFT!



POSITIVELY

Wellington

Wellington Waterfront Ltd

WATERFRONT

2012 ANNUAL REPORT

WELLINGTON WATERFRONT LIMITED

A Year In Review

Lambton Harbour Development Project: Managed by Wellington Waterfront Limited.

A Wellington City Council Company.



TRAVEL

FROM THE CHAIR AND CHIEF EXECUTIVE 3
 FINANCIAL REVIEW 8
 LIQUIDITY..... 8
 SUMMARY..... 8
GOVERNANCE..... 27
COMPANY DIRECTORY..... 28
FINANCIAL STATEMENTS..... 30



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.

FROM THE CHAIR AND CHIEF EXECUTIVE

Achievements, disappointments and hopes in our silver jubilee year



Robert Gray - Chair



Ian Pike – Chief Executive

Wellington Waterfront Limited (originally Lambton Harbour Management Limited) was incorporated in September 1987 and, in partnership with others, has worked steadily over the past 25 years to bring about the waterfront as we know it today.

This year, in a special anniversary edition, we reflect upon the achievements, disappointments and hopes of the development of Wellington’s waterfront over the last 25 years.

Debates and issues about the development and redevelopment of this precious interface between the Central Business District and the waterfront have been loud and contentious for many years.

This year’s annual report retrospective contends that despite, or more likely because of, the fact that this piece of land attracts such impassioned scrutiny (perhaps like no other part of the City), the result has turned out incredibly well.

It is good to remind ourselves that not long ago – certainly in the early 1980s – Wellington’s waterfront was looking somewhat dejected. The harbour setting was as stunning as ever, but it had become harder for people to get down to the water. Much of the former port area was empty asphalt and old wharves and wharf sheds stood decaying and disused.

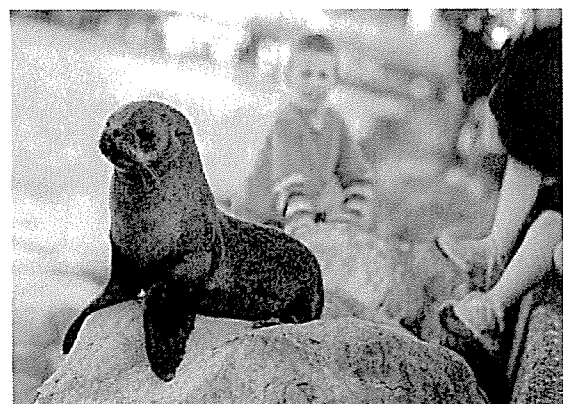


Over the ensuing years a renaissance, a re-awakening has occurred. It has not been all plain sailing, but we think the results speak for themselves.

The people of Wellington have been engaged and clear about their desire to have a very real say over harbour development.

Wellington City Council, in response to the voice of the people, undertook an intense consultation process toward the end of the 1990s. The result was the development of The Wellington Waterfront Framework – a blueprint for the revitalisation of the waterfront.

During this past year Wellington City Council took some public soundings on the direction of the waterfront development, past, present and future, to see if we remain on the right track. The results were conclusive.



Wellingtonians love their waterfront. They are very happy with the development that has occurred and they want it to keep going. The call is for a development that has an enhanced diversity of experience, for quality building design to continue, creative quality landscape design to continue, heritage and historical references to continue, more events and more facilities. The values that have guided the development since 2001 are regarded as relevant and as important now and in the future as they ever have been.

Places for people to live, work and play have been created across the whole waterfront. A waterfront that is exciting, dynamic, accessible and attractive to all types of people is the result.

Independent and objective validation of the quality of the overall waterfront development is offered by the more than 40 local, national and international awards that have been received by Wellington Waterfront and its advisors over the last 25 years.

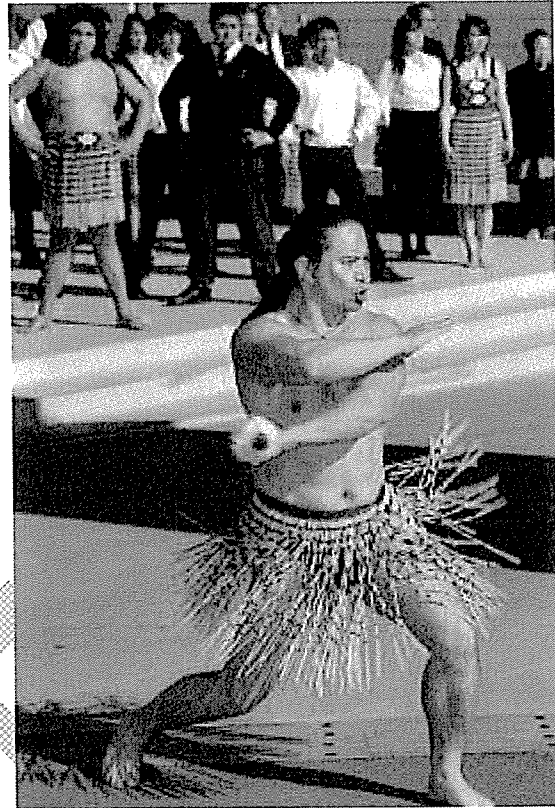
We hope you enjoy the pictorial/narrative perspective we have put together to celebrate the last 25 years. Full size storyboards (with easy to read photographic references) are on display in the Waterfront Project Information Centre in Shed 6, Queens Wharf.



Like each year that preceded it, 2011/12 has been rich and full of activity and results.

The waterfront made a significant contribution to the showcasing of Wellington this year, when eyes from all around the world saw images of our fabulous city throughout the Rugby World Cup festival.

International visitors flocked into Wellington over a six week period. The fan zone was established within Te Raukura and the Odlin Plaza space, the motorhome accommodated thousands of visitors and the celebration of the 70th anniversary of our naval forces coincided with a 'double-header' weekend of rugby football. The waterfront was a sea of colour, sounds, people, excitement and anticipation. Even the weather gods shone on the show. Never have we looked so good!

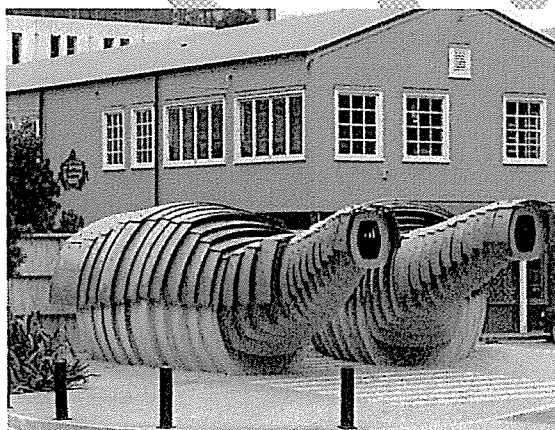


The temporary ice-skating rink that was set up under the sails on Queens Wharf in October was an outstanding success drawing over 20,000 skaters. We look forward to bringing this attraction back in coming years.

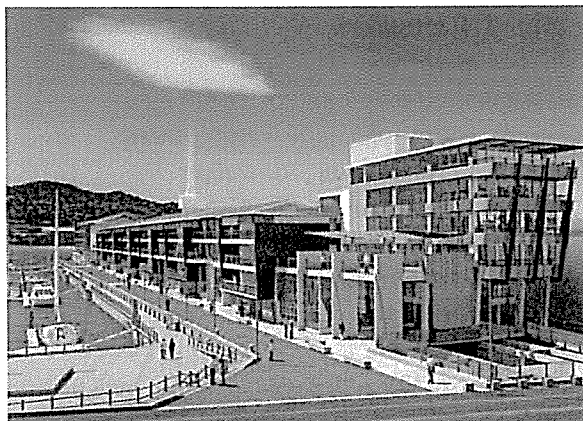


The Rugby World Cup proved to be a useful catalyst for upgrading some of our infrastructural assets and facilities. The 'designer dunnies' were opened in time for the Cup and importantly go some way to address the perennial complaint that there are insufficient toilet facilities on the waterfront. We also took the opportunity to upgrade the toilet facilities within sheds 1 and 6 and under Frank Kitts Park and at the same time we brought them all up to code. We 'beefed up' our recycling facilities across the waterfront, which also helped to deal with the increased amount of rubbish generated by all the visitors.

A \$4 million wharf pile refurbishment project commenced during the year – carefully managed to ensure that necessary works neither interrupted nor were visible during the Cup. This stage of the upgrade project is ongoing and is expected to be completed by November 2012.



With considerable anticipation, built up over many years during the commercial negotiations surrounding the redevelopment of the Overseas Passenger Terminal, the project has finally commenced! It is exciting to see this building gradually being converted into the new Clyde Quay Apartments. While there is likely to be another two years before this project comes to fruition, we eagerly watch it edge ever closer to becoming, yet again, a landmark property on the Wellington skyline.



Following the tragic events that unfolded in Christchurch, Wellington property owners have become increasingly vigilant about their responsibilities regarding human safety within buildings. The waterfront company has reviewed its assets from a seismic perspective and has commenced a programme of strengthening where required. We have also applied considerable resource and focus to ensure that as a business we are well placed to continue our operations and to be as prepared as we can be for a disaster following a catastrophic event.

On a brighter note, the success of our non-development activities continues unabated. The Wellington Motorhome experiences increased visitor nights, the Harbourside Market goes from strength to strength and the managers of the Wellington Underground Market were the happy recipients of the Best New Business at the Wellington Region Her Business awards. We now have over 50 stalls regularly selling their wares from what was previously nothing more than an unattractive underground car park. We are reminded how important the waterfront is for a wide variety of activities and people.

One of the big disappointments of the year was the Environment Court's decision regarding District Plan variation 11 to the Wellington District Plan. The variation was intended to give increased certainty and validation to the North Queens Wharf Design Brief which was prepared and fully consulted

upon some ten years ago. While the Court's decision provided a greater understanding of the development potential for the various sites in the area now known as Kumutoto, the Company was disappointed with some of the restrictions placed on the area. We look forward to making progress on the development of this rather bleak end of the waterfront once the Brief has been revised to incorporate the findings of the Court.

One of the significant consequences of the decision was its impact on the financial viability of the waterfront project. Readers of the Company's annual reports over the years will understand that the development of the waterfront depends on a combination of rate payer funding and private enterprise. The reduction in the development capacity of Kumutoto places an increased burden on the ratepayer, which is particularly difficult during these times of financial austerity.

Nevertheless, Wellington City Councillors recognise the contribution the waterfront makes to the city and confirmed an increase in funding to the waterfront project allowing it to continue delivering what the vast majority of Wellingtonians consistently tell us they want to see on 'their place'.

The year ahead looks promising, with activities planned for all five precincts of the waterfront. We look forward to adding more facilities and activities and continuing to develop the waterfront experience.

Financial Review

The detailed unbundling of fixed assets for valuation purposes and the change in valuation methodology from Fair Value to Optimised Depreciation Replacement Cost (ODRC) has had a significant impact on the financial result and required a restatement of last year's comparatives.

The Project made a loss of \$13.096 million this year compared with a loss of \$6.722 million last year. However, the recognition of fixed asset components not previously recorded in these financial statements (refer note 10) has resulted in the retrospective restatement of last year's result in these accounts (by \$77.45 million) from a loss of \$6.722 million to a profit of \$70.731 million.

The operating deficit before revaluations in 2012 was \$134,000 compared with \$3.123 million in the previous year.

Operating revenue of \$10.214 million was \$5.496 million higher than 2011 due to the profit gained by entering into long term leases on commercial property of \$5.3 million.

Operating expenditure was \$1.014 million higher than last year due largely to the additional depreciation of \$2.179 million on assets not previously recorded in these financial statements being offset by a smaller unrealised loss on investment & development properties.

Capital expenditure incurred in 2012 was mainly on the construction of the Kumutoto public toilets and temporary buildings for marina service businesses near the Overseas Passenger Terminal.

Liquidity

The Project's cash position at the end of the year was \$191,000 compared with \$931,000 last year. An interest bearing advance of \$4 million was made to the Project by the Wellington City Council, bringing the total loans to \$15 million.

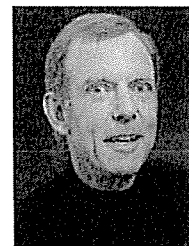
Summary

Special thanks go to our shareholder, the Wellington City Council, with whom we have a very constructive relationship. Without the Council's financial support, the project simply could not be advanced. We firmly believe this would be to the detriment of our city. The Board and Management team are especially grateful to the guidance provided by our 100% shareholder.

We welcomed Councillor Justin Lester and Derek McCorkindale on to the Board this year and their contribution has already been significant.



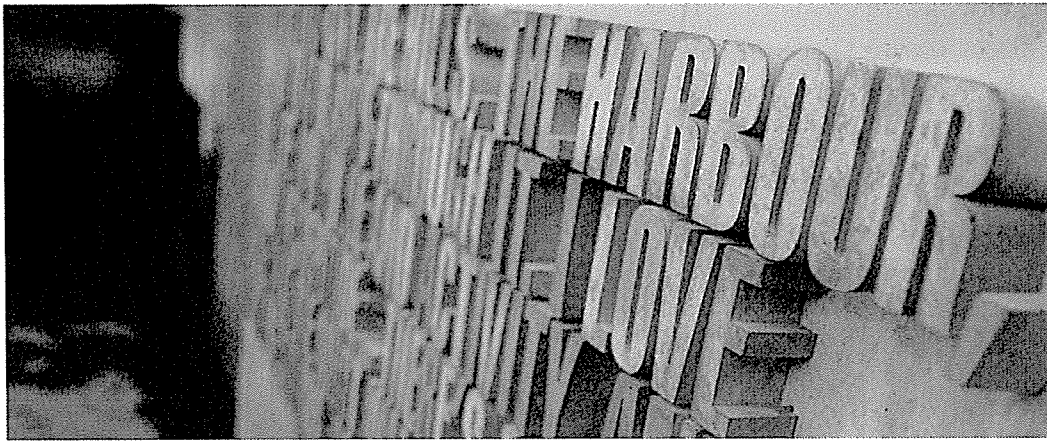
Cr Justin Lester



Derek McCorkindale

A final mention goes to the staff of Wellington Waterfront. While the staff all feel privileged to contribute to this special area of Wellington, their individual and collective efforts and commitment extend well beyond usual expectations. We are fortunate indeed to be served by this small and dedicated team.

Please enjoy this year's special edition which reflects on the past and looks forward to what we hope to share with Wellingtonians in the year ahead.



A WATERFRONT RENAISSANCE

The modern development of Wellington's waterfront

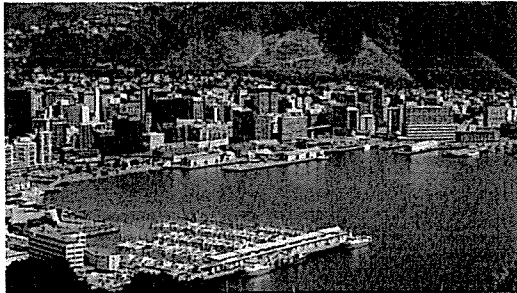


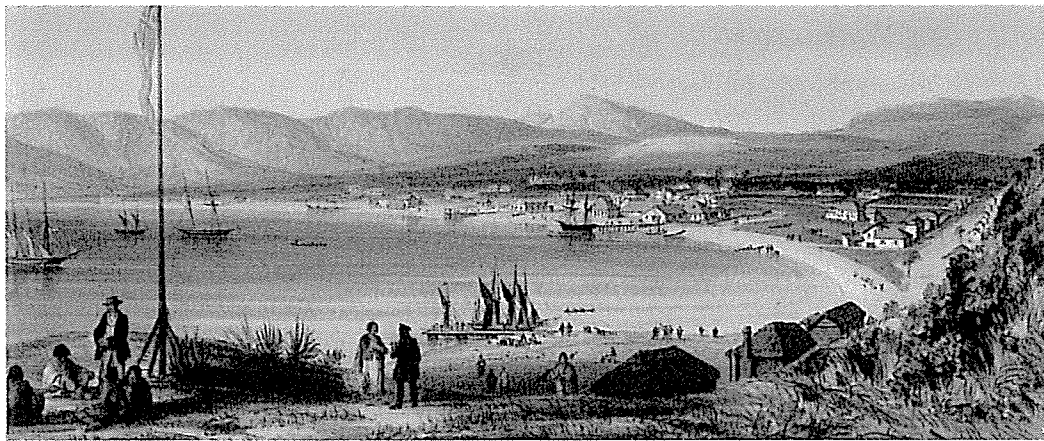
In December 1986, following much public consultation, Wellington Harbour Board and Wellington City Council signed up to a concept plan for the development of Wellington's inner harbour. The following year an Empowering Act was passed enabling the Lambton Harbour Development to proceed.

Wellington Waterfront Ltd (originally Lambton Harbour Management Ltd) was incorporated in September 1987 and, in partnership with others, has worked steadily ever since to bring about the waterfront as we know it today.

Over this period, what was once fast becoming an industrial wasteland has been transformed into a vital, vibrant and exciting place that now houses 66 separate businesses; four outstanding arts and cultural institutions, 152 apartments, and the finest of restaurants, bars and cafes.

The waterfront has seen the refurbishment and re-use of heritage buildings, hosts on average more than 300 events per year and is visited by some 77% of Wellingtonians at least once a month and 41% weekly!





AN IMPORTANT PLACE IN MAORI HISTORY

Long before Europeans settled in Wellington, the waterfront was the centre of local Maori life.

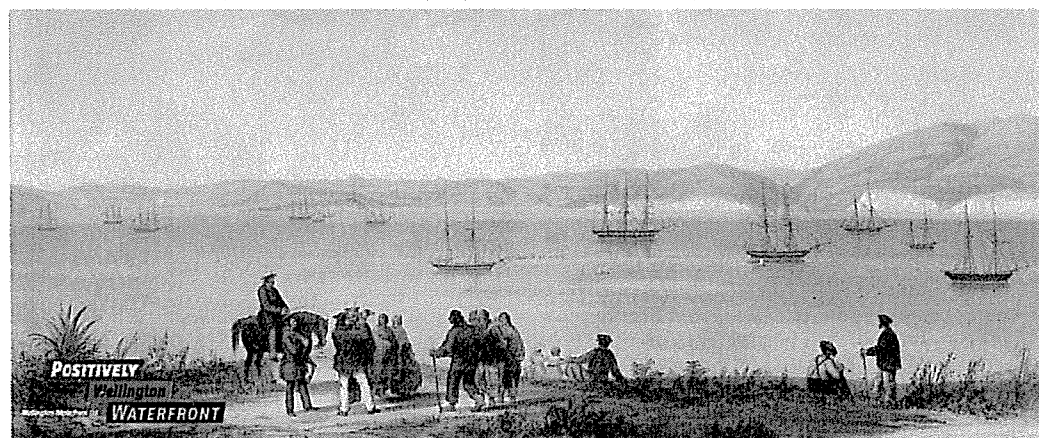
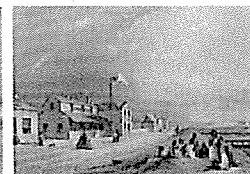
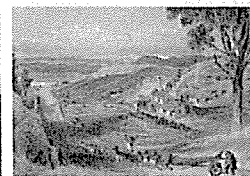
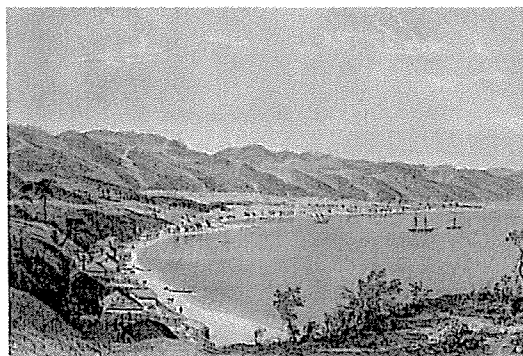
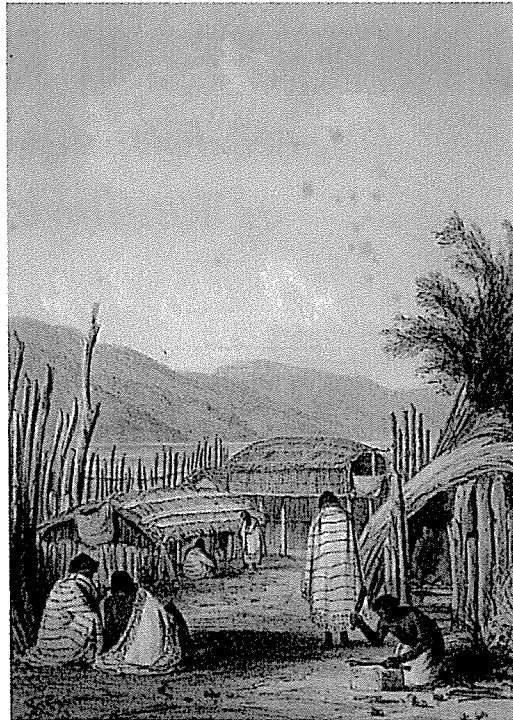
Kupe, the great Maori explorer, is said to have stayed in the harbour hundreds of years ago and many place names in the harbour acknowledge his presence – Matiu and Makaro, or Somes and Ward Islands as they are also known, are the names of two of Kupe's nieces.

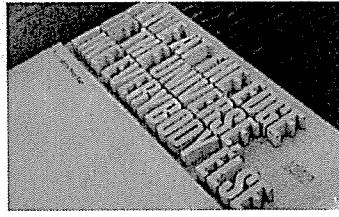
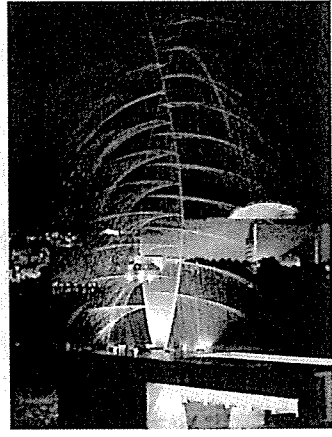
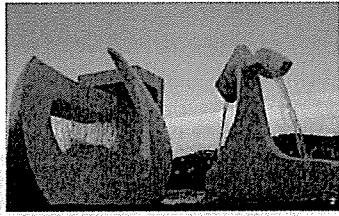
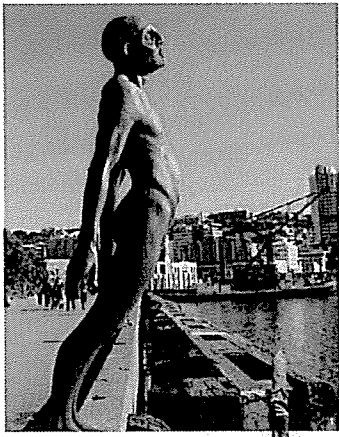
When European settlers arrived they found thriving Maori settlements stretching from Waiwhetu on the eastern side of the Hutt Valley, Petone, round to settlements at the mouth of the Kaiwharawhara Stream to Pipitea Pa, Kumutoto Pa, Tiakiwai Pa and into Te Aro Pa in the heart of the waterfront.

Te Atiawa settled the inner harbour area and had a close relationship with Ngati Toa further north. Not only were the settlements thriving, there was also a healthy water-based trade and communication system.

The area south of Te Aro Pa was well-cultivated. Gardens extended to where the old Museum at Buckle Street now stands and on some of the hilly area up to Brooklyn and Vogelstown.

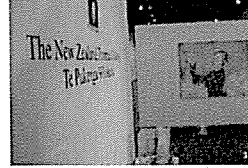
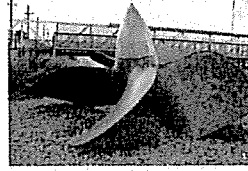
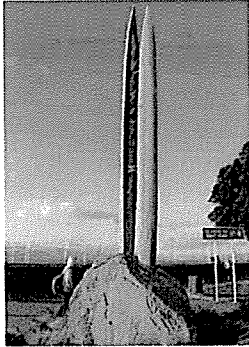
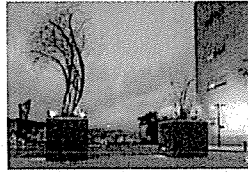
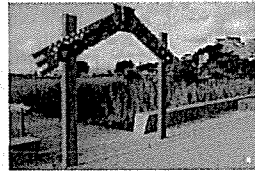
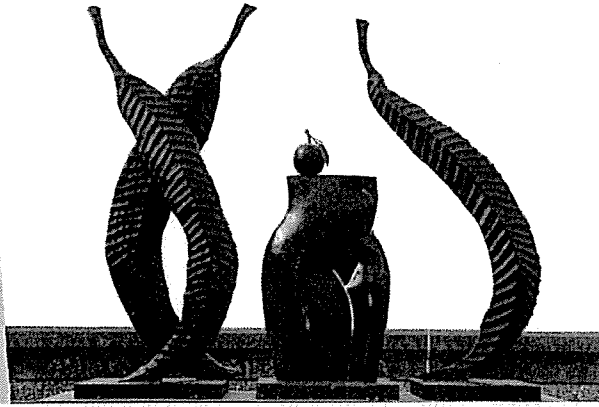
Streams, the Waitangi Lagoon on the eastern side of Te Aro Flat (near the site of Waitangi Park), surrounding bush and the harbour itself were rich food sources, and a source of other supplies such as flax and wood.

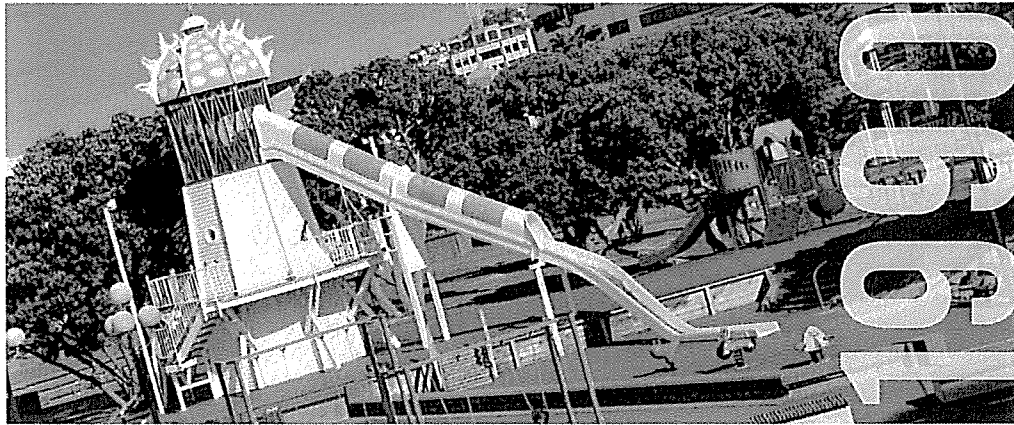




ART ON THE WATERFRONT

From the marriage of typographical and literary arts of the Writers Walk, to the beauty of Tanya Ashken's Albatross next to the lagoon, art is intrinsic to the waterfront experience, creating surprise and delight in even the most unlikely of places.

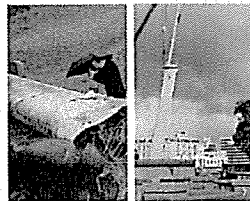
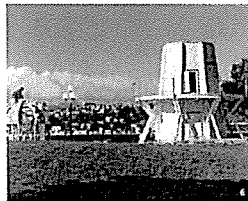
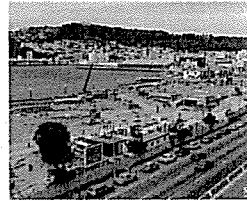
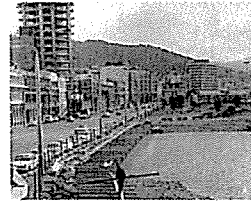
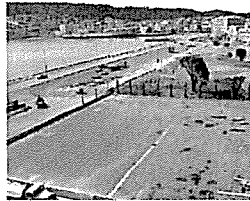
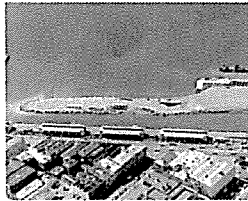
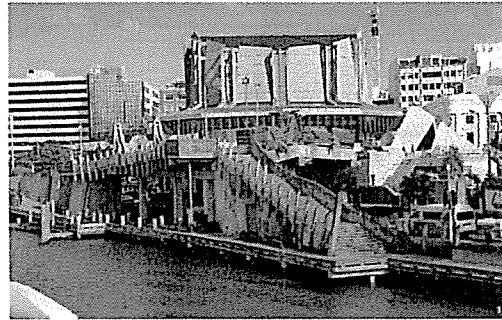




FRANK KITTS PARK

The first of the waterfront projects was the Frank Kitts Park development, doubling the size of the original Marine Park.

The original park was created in 1974 on land reclaimed in 1969 for port use and a proposed motorway. It was renamed Frank Kitts Park in 1979, after Wellington's longest serving mayor. The park and promenade redesign was influenced by the annual street race that ran through the area at the time.

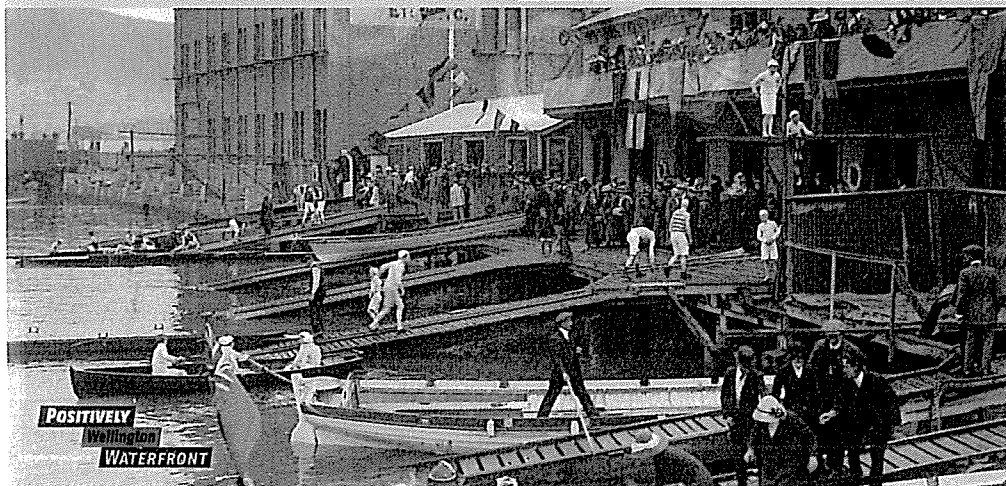
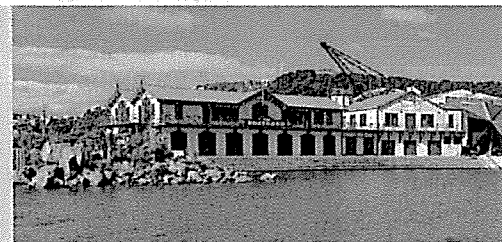


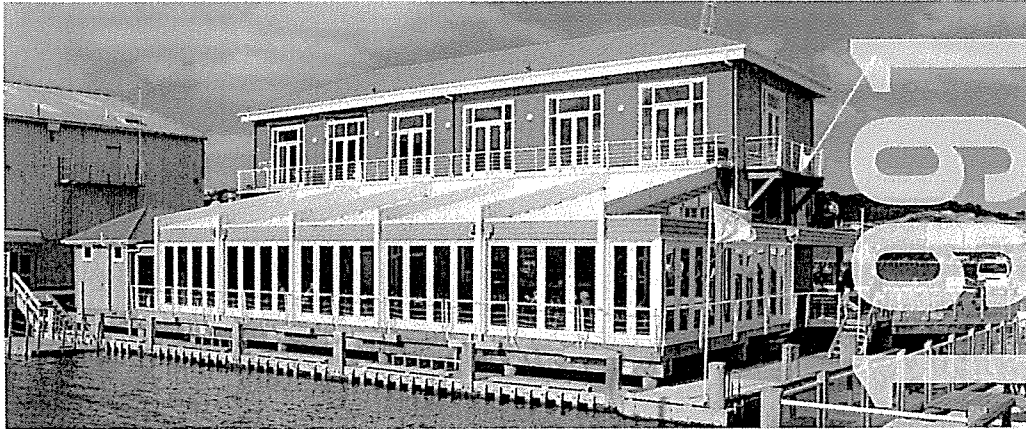
THE ROWING CLUBS

The project also included the relocation of Wellington's two rowing club buildings.

The Star Boating Club began in the 1860's and is Wellington's oldest sporting club. The building was built on Customhouse Quay in 1887, moved next to the Odlins Building in 1889 and in 1989 to its current site.

The Wellington Rowing Club building was built in 1894 for the Wellington Naval Artillery Volunteers, in response to an 1884 Defence report call to boost Wellington's harbour defences to help prevent a possible Russian invasion.

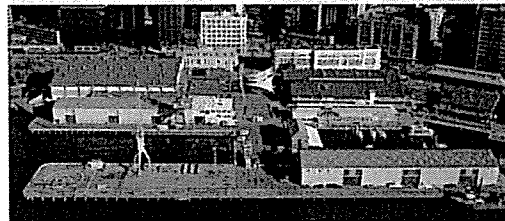
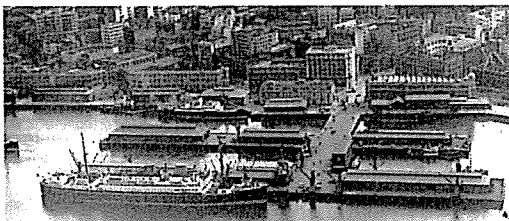
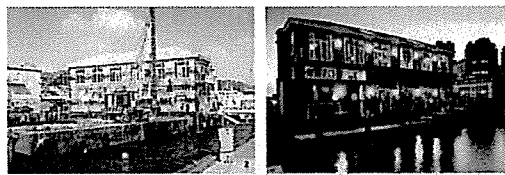
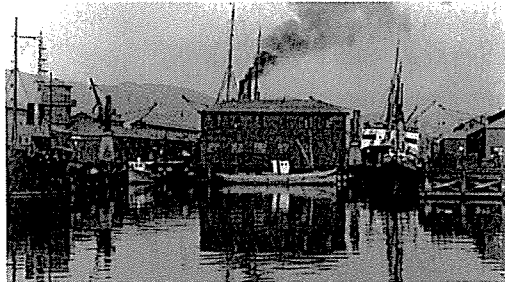




DOCKSIDE & SHED 5

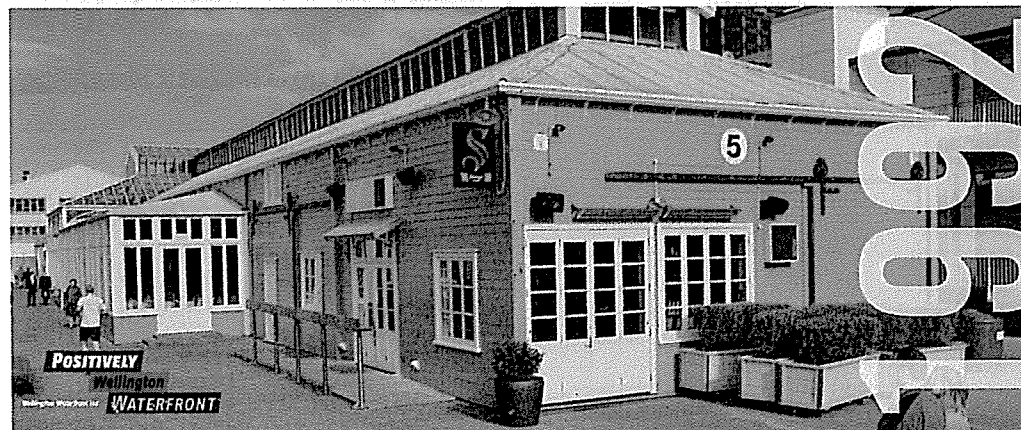
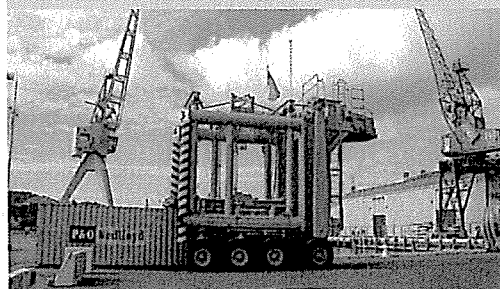
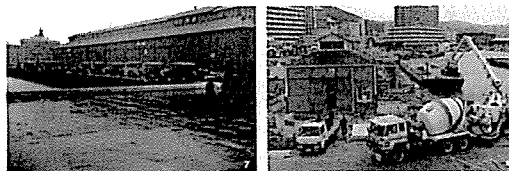
Sheds 3 (Dockside) and 5 are the oldest buildings on the waterfront. Their conversion into restaurants/bars – Shed 3 in 1991 and Shed 5 in 1992 – were the first private commercial operations on the waterfront.

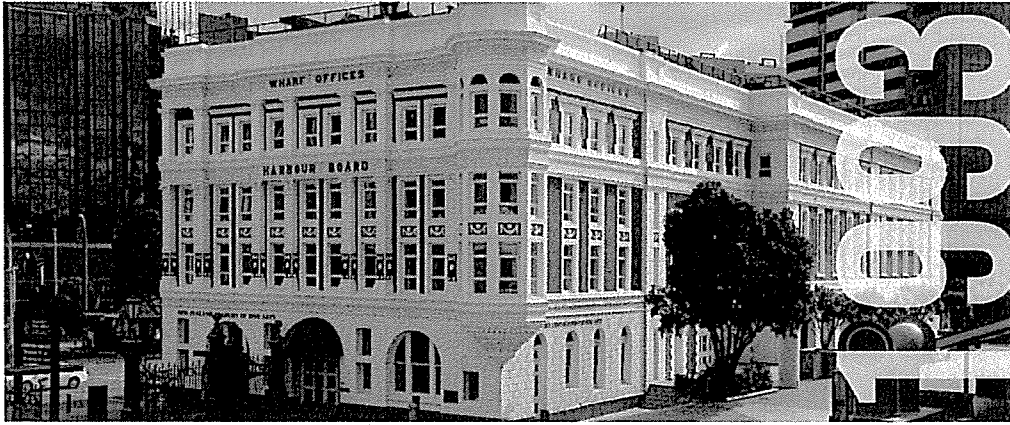
Completed in 1887, seven years after the Wellington Harbour Board was established, these sheds were part of a series of mainly timber buildings built on the wharves. Both were used to store goods and then by the tug and pilot staff.



HERITAGE CRANES

Two rare examples of the many cranes that once lined the waterfront were restored in 2000 for display on Queen's Wharf. On the Outer-T is a Tripod Crane, commonly used until containerisation. The other is a Level Luffing Crane made in 1951 – probably the last surviving example in the country. The straddle carrier was also restored at the time.

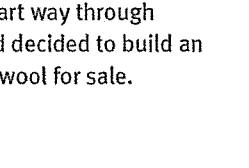
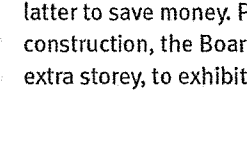
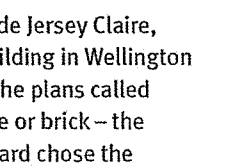
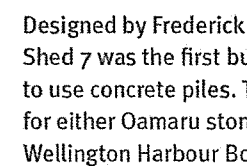
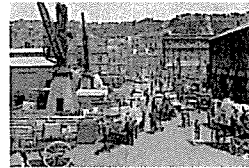
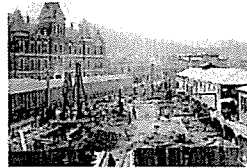
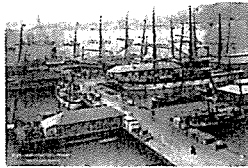




WHARF OFFICES

The ornately decorated Shed 7 was built in 1894 for Wellington Harbour Board offices and a woolstore. The building was strengthened and partitioned into apartments and offices in 1993, and renamed Wharf Offices Apartments.

In 2000 the New Zealand Academy of Fine Arts moved in to the ground floor.

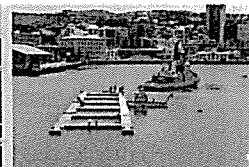


Designed by Frederick de Jersey Claire, Shed 7 was the first building in Wellington to use concrete piles. The plans called for either Oamaru stone or brick – the Wellington Harbour Board chose the latter to save money. Part way through construction, the Board decided to build an extra storey, to exhibit wool for sale.

CHAFFERS MARINA

Named after Edward Main Chaffers, a founder of Wellington and the first Harbour Master, Chaffers Marina was opened in 1993.

Built on the city side of the Overseas Passenger Terminal, an area rich in yachting history, the Marina has 165 berths ranging from 10 to 18 metres.

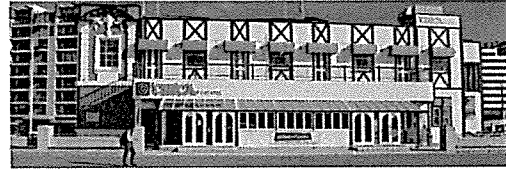
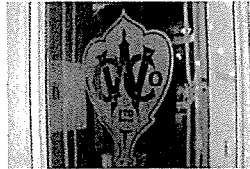
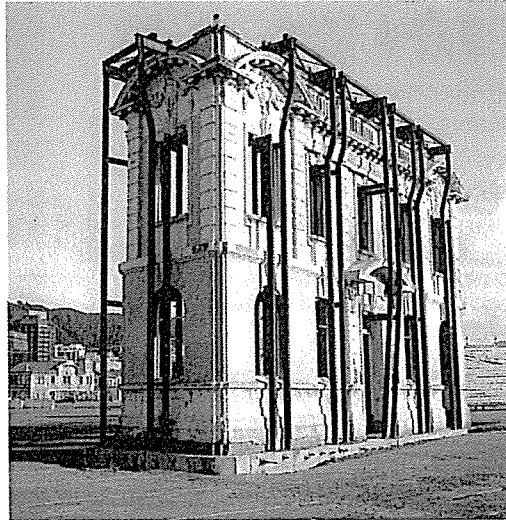




CIRCA THEATRE

Circa Theatre moved from the Ilott Building on the corner of Jervois Quay and Harris Street, to its purpose-built waterfront premises in 1994.

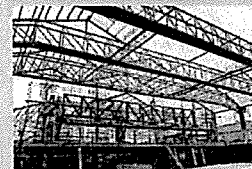
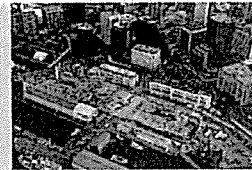
The building includes the western façade of the former Westport Coal Chambers which was across the road on what is now the BP Roadmaster site. Timber salvaged from the former Odlin (now NZX) Building was also used, as part of the Theatre's bar area.



QUEENS WHARF CENTRE TSB BANK ARENA

These two buildings on each side of the centre of Queens Wharf were opened in 1995 as the Queens Wharf Retail and Events Centres.

The Events Centre was unique in the Wellington region and a first for New Zealand in combining the latest technology in seating, flooring and lighting systems. This new generation multipurpose facility had the flexibility to accommodate a wide range of activity, seven days a week. Sponsorship saw the Centre's renaming as the TSB Bank Arena in 2006.

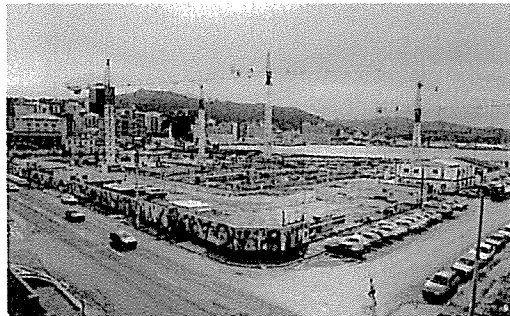
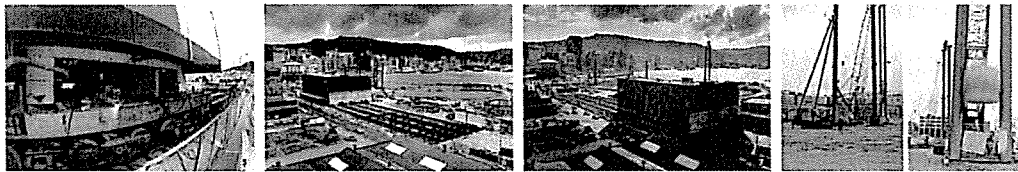
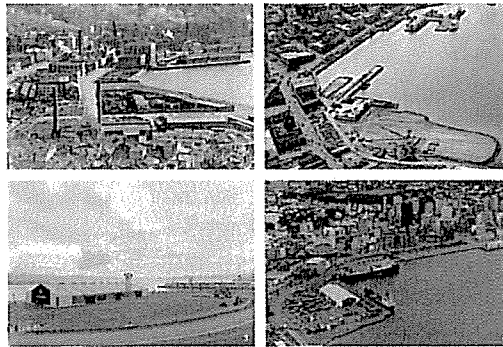




TE PAPA TONGAREWA

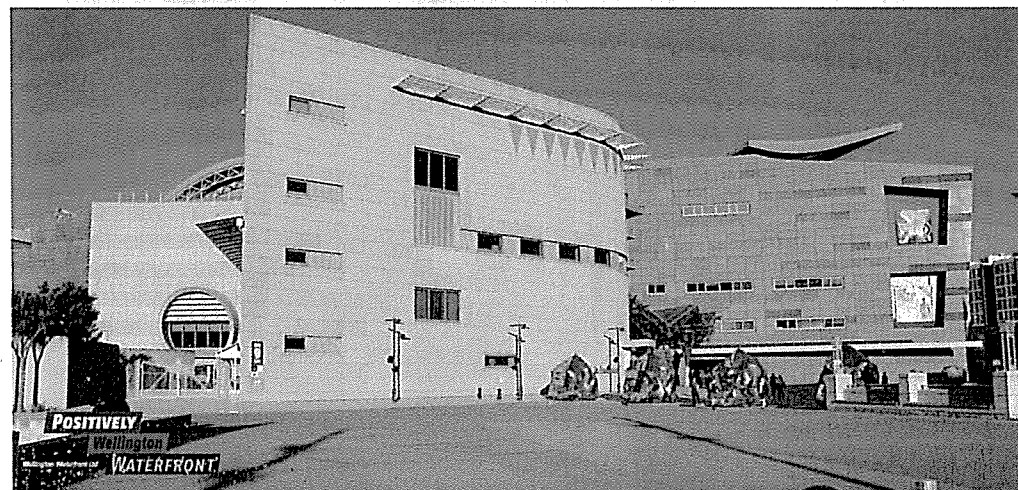
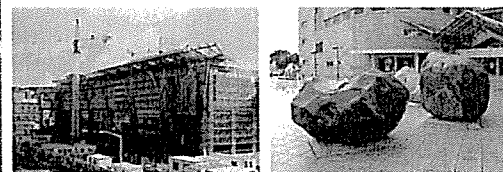
After four years of construction on its waterfront site, The Museum of New Zealand Te Papa Tongarewa was officially opened on 14 February 1998.

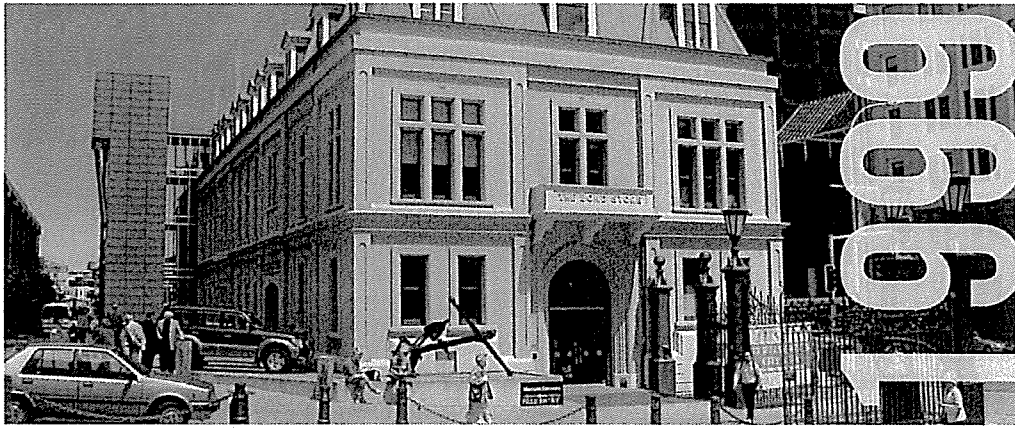
Te Papa is New Zealand's national museum and its collections cover Art, History, Pacific, Maori and the Natural Environment on 36,000m² of public floor space. Over 17 million people have visited the museum since its opening.



This iconic building was designed by Jasmx Architects. To stabilise the reclaimed site, 30-tonne weights were dropped 50,000 times before installation of 150 rubber and lead shock absorbers to support the 64,000-tonne building.

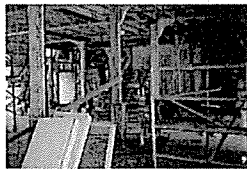
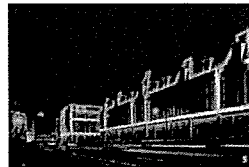
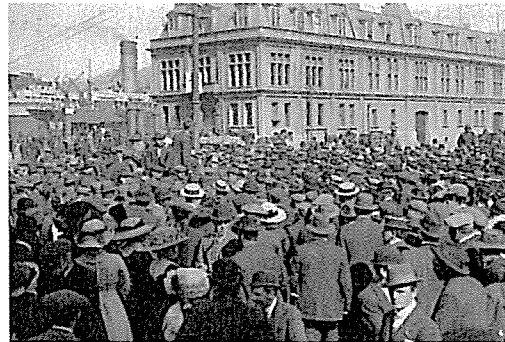
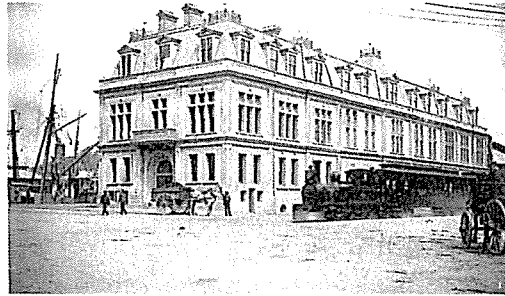
Te Papa's marae, Rongomaraeroa, reflects a fully functioning 'marae for all people', where New Zealanders can meet, debate and celebrate and all peoples have the right to stand. It is unique in that protocols (kawa) change depending on which iwi (tribal group) is in residence.





THE BOND STORE

This building has great historic value to the city – as Head Office of the Wellington Harbour Board, it was the seat of harbour management for almost 100 years. It was earthquake strengthened and refurbished in 1999 to be home to the Museum of Wellington City & Sea.



Built in 1892, the Bond Store was designed by Frederick de Jersey Claire – who also designed the Wellington Rowing Club and Wharf Office Apartments buildings.

In 1972 the Wellington Maritime Museum was established at the southern end of the building. The end of the Wellington Harbour Board in 1989 saw the museum taken over by a charitable trust. It took over the whole building in 1999.

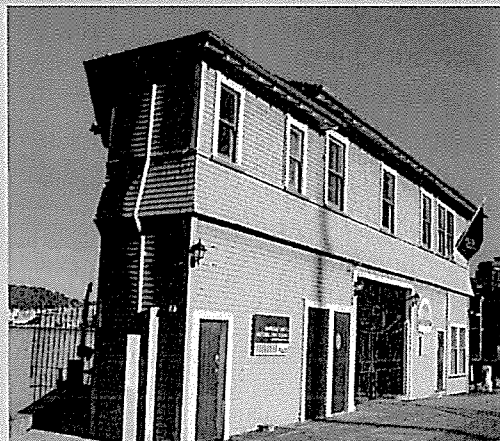
OLD FERRY TERMINAL

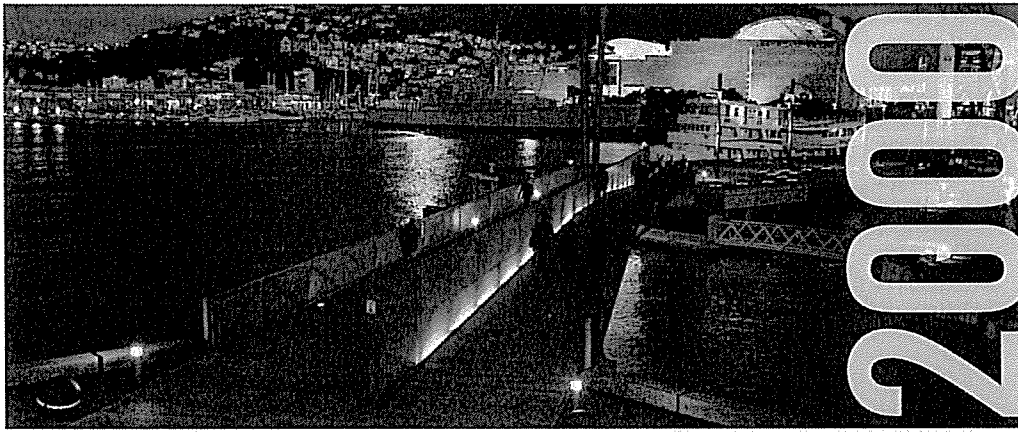
Built in 1912 to serve Eastbourne commuters, the Ferry Terminal had many uses over the years and was refurbished in 1999.

The ferry service ran from the 1880's until 1948 and was taken over by the Eastbourne Borough Council in 1912, with the ferries 'Duco', 'Duchess', 'Muritai' and 'Cobar' becoming familiar names in Wellington.

This attractive building has had many uses including the offices of the Eastbourne Borough Council, ships' garbage disposal, barber shop and maritime art gallery, architects and a graphic design office. It is now home to the Police Maritime Unit and National Dive Squad.

The wharf on which it sits was built from Australian hardwoods and New Zealand totara in 1896 and is one of the few remaining timber wharves from the period.

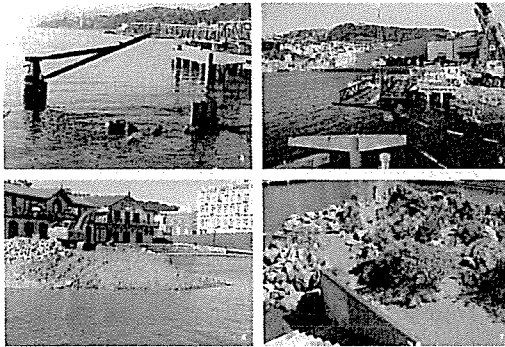
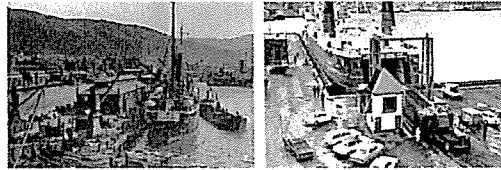
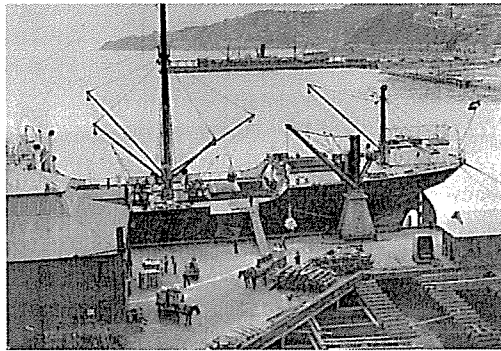




TARANAKI ST WHARF

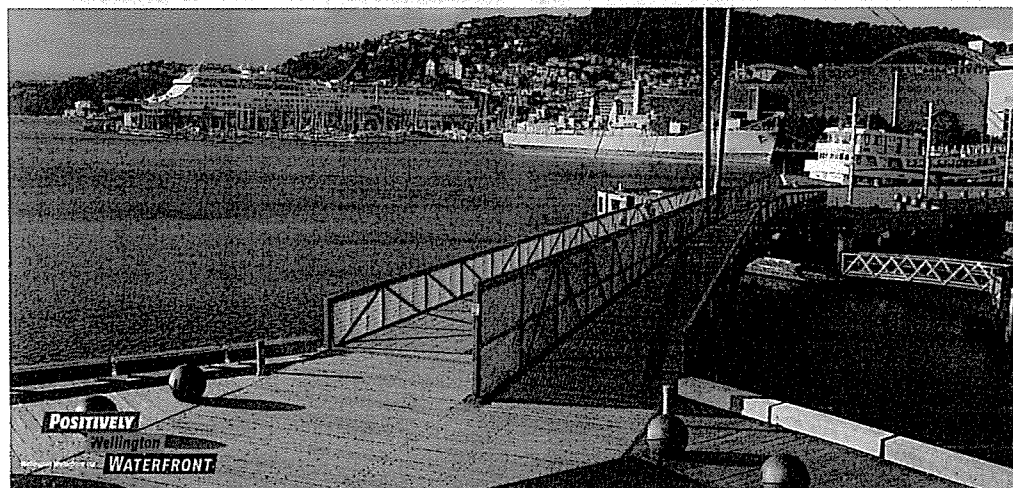
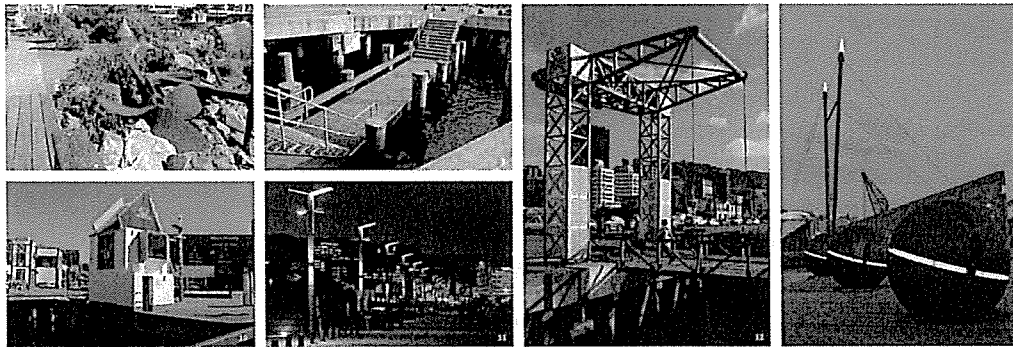
This development included wharf repiling and resurfacing, landscaping around the Boating Clubs, Odlin Plaza, lagoon entrance widening and a new 'treasure island' peninsula.

Other work included a new bridge across the lagoon entrance and floating pontoon beneath, an extension to the wharf cut-out, decorative bollards, lighting and the siting of a re-cast bronze Kupe Group statue.



Reclamation of the Taranaki Street Wharf area began in 1901 and the wharf was completed in 1906. It was named after the street at its gates, but there is debate over whether Taranaki refers to the Ngati Mutunga tribe of Taranaki that settled in the area or the New Plymouth settlement for which the street surveyors left Wellington in 1840.

From the late 1960s until the early 1990s, the wharf was used for the berthing of ships on the trans-Tasman trade using adjacent land for cargo storage.



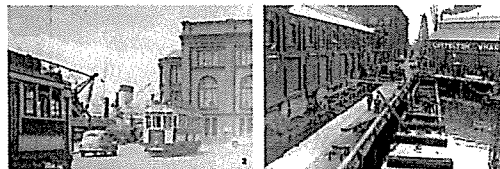


SHED 21

Built in 1911, Shed 21 was considered the 'grandest wool store in the country'. While its exterior has remained unchanged, the interior was extensively refurbished as apartments and offices and reopened as Waterloo on Quay Apartments in 2002.

Shed 21 replaced the site's original 1882 building destroyed in a fire in 1909 which threatened the whole port. First used as the venue of the 1911 Coronation New Zealand Industrial Exhibition, it was then used for wool storage, with the upper floor for the exhibiting of wool.

Shed 21 had Wellington Harbour Board's first electric cranes, built by Henry Royce, with his company later joining Charles Rolls to become Rolls-Royce.



SHED 22

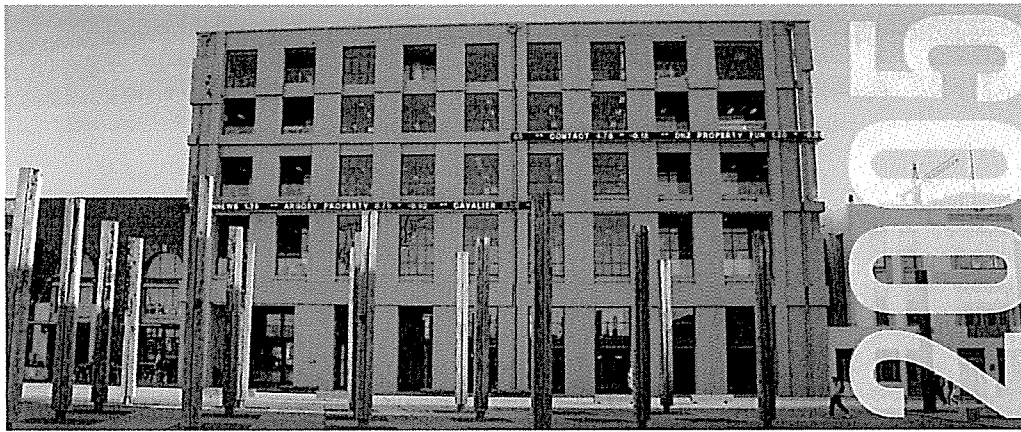
Built in 1921, Shed 22 was the last Wellington Harbour Board store built before the large steel-framed and clad structures of the 1960s. In 2002 Shed 22 was strengthened and converted into a popular bar and restaurant.

Designed in the functional tradition with an emphasised base, regular arches and piers, plain-face brickwork, rectangular façade and the plain parapet,

Shed 22 was a general storage shed and, latterly, a maintenance area for straddle carriers.

With the arrival of container shipping the shed became redundant, and over the years housed an auctioneers and various retail outlets and markets.



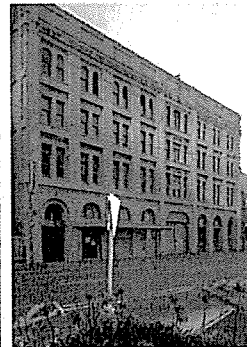
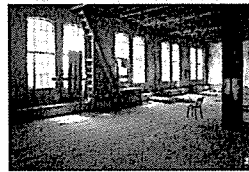


ODLIN BUILDING

The former Odlin building (now the NZX Centre), was built in 1907 as a warehouse and head office of timber and building hardware merchants, C & A Odlin Ltd.

Constructed on newly reclaimed land, the five storey warehouse remains a rare example of Edwardian industrial building design.

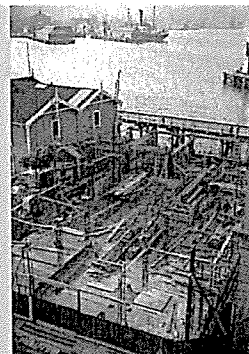
Following Odlin's move to Petone in the 1970s, the building sat largely empty before a major face-lift and refurbishment in 2005 by Willis Bond & Co. It is now home to the New Zealand Stock Exchange, commercial offices and seven boutique apartments on the top floor.

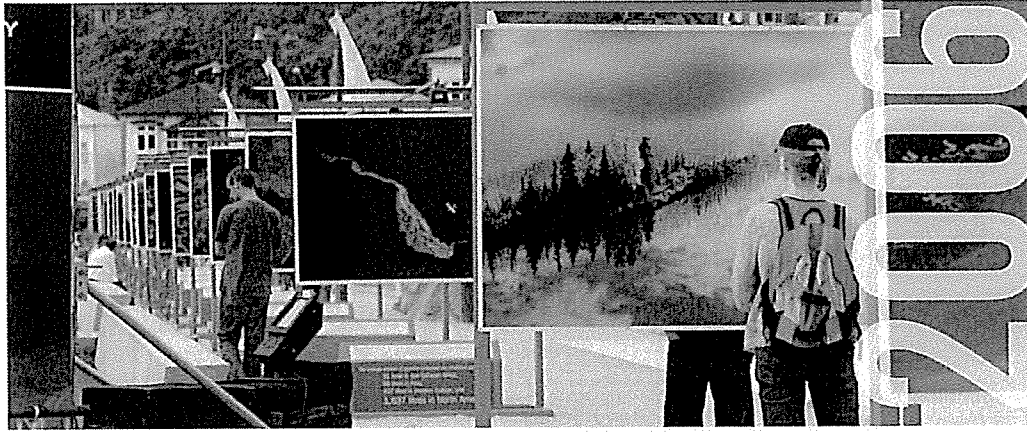


WELLINGTON FREE AMBULANCE BUILDING

The Wellington Free Ambulance Service began in 1927 using what is now the Wellington Rowing Club building before moving to its new purpose-built station in 1932. Designed by William Turnbull, it is one of the finest Art Deco buildings in the city.

Since 1994, the building has seen a number of uses including a temporary bar, theatre space and a variety of special events. It was refurbished by Willis Bond & Co in 2005 and is now home to St John's Heineken Hotel and Bar and boutique offices.

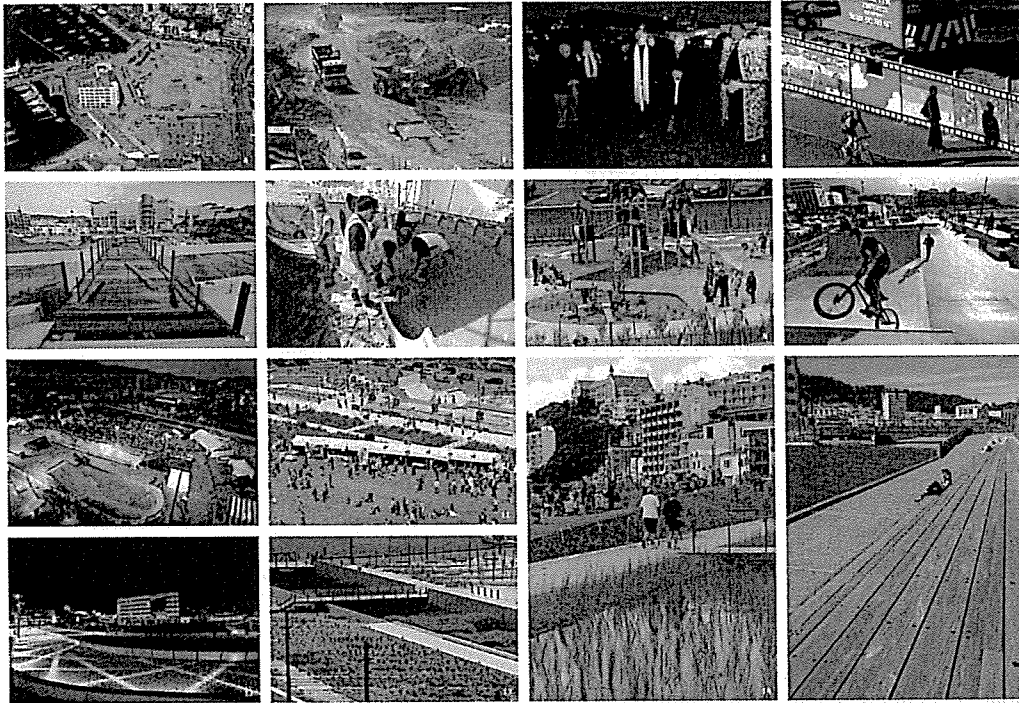
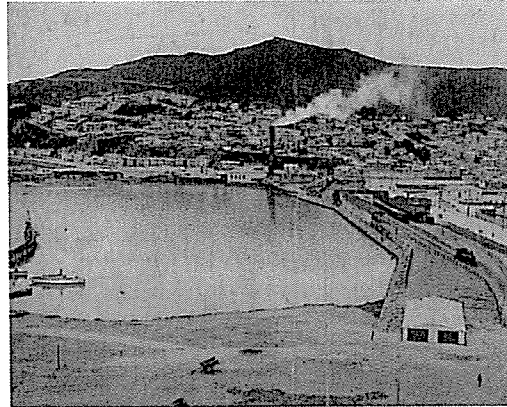




WAITANGI PARK

In 2006, Chaffers Park was transformed into Waitangi Park – Wellington’s biggest and most exciting urban park, covering almost 30% of the waterfront project area.

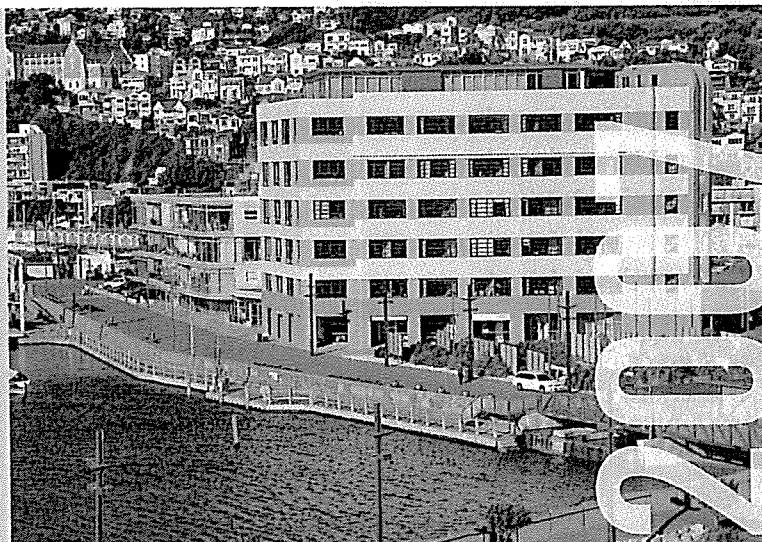
The area has seen many changes, including major land reclamations and an earthquake in 1855 that lifted it by 1.5 metres. The Park is near the site of the Waitangi Lagoon, fed by Waitangi Stream, which played a major role in the lives of the manawhenua (local Maori). Reclaimed in 1901/04, the area had many uses, including Council incinerator/ destructor site, tram repair yard, and bus depot.

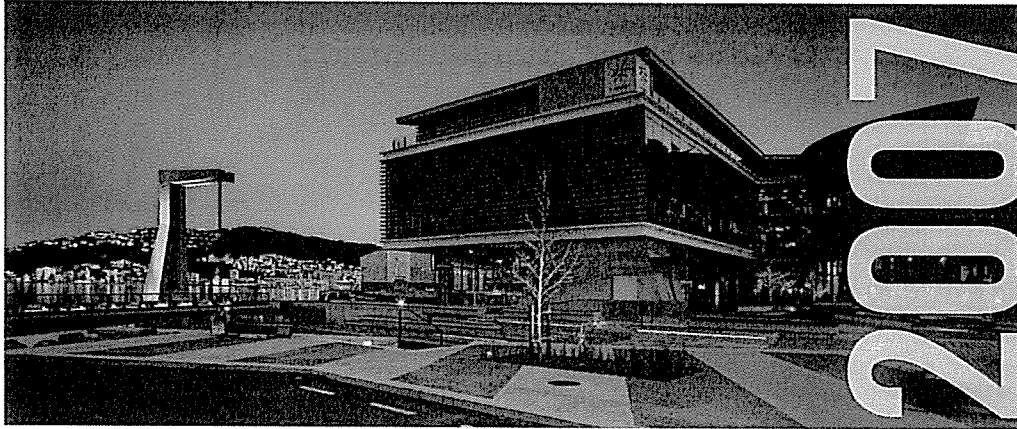


CHAFFERS DOCK

Designed by Edmund Anscombe and built in 1939, the old 'Herd Street Post Office' is one of Wellington's most distinctive Art Deco buildings. During the Waitangi Park project the building was redeveloped into Chaffers Dock – a mix of apartments, restaurants and shops.

POSITIVELY
Wellington
WATERFRONT

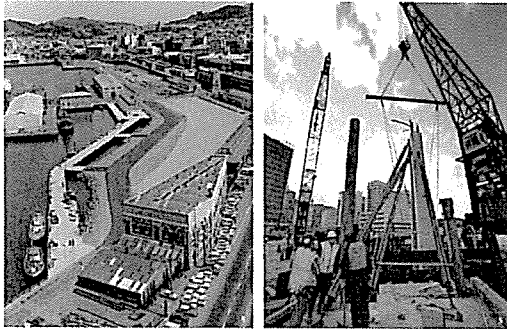
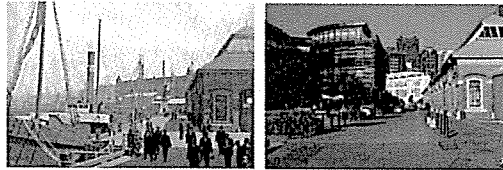




KUMUTOTO

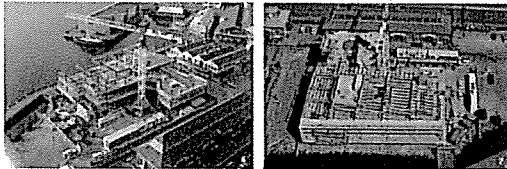
A jewel on the waterfront is the Meridian Building – one of New Zealand’s ‘greenest’ commercial buildings – set in a popular extensively landscaped public space.

The Meridian Building was built using environmentally sustainable design principles and holding a 5-star ‘green’ rating from the NZ Green Building Council. The building is home to Meridian Energy’s Corporate Office, Mojo Coffee, Wagamama, Portofino and East by West Ferries.

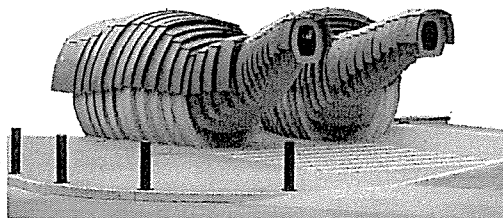
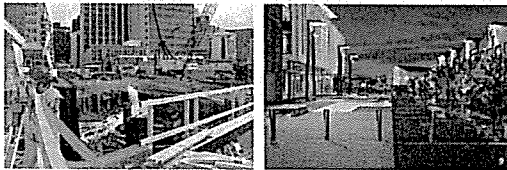


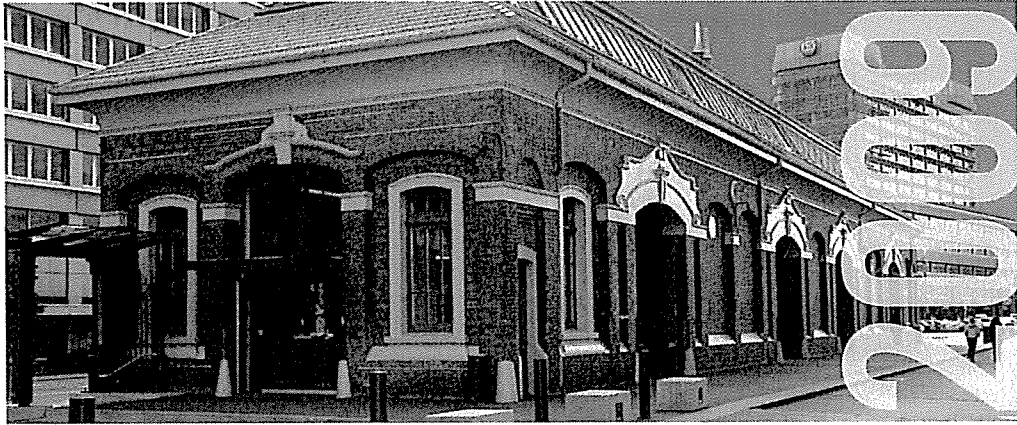
This port area was used for coastal shipping utilising Sheds 11 and 13 before reclamation began in 1970 for a six lane arterial motorway as well as harbour-side storage. With motorway plans shelved the area was used for shipping purposes only.

The surrounds of the Meridian building, Kumutoto public space, provides a popular setting for a peaceful harbourside lunch.



Further developments in the area include a motorhome park in the northern sector of Kumutoto and the ‘designer dunnies’ toilet block (below) between the Steamship Wharf building and Shed 11.



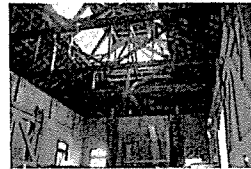
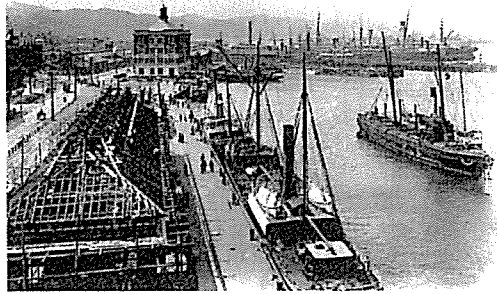


SHED 13

Together with Shed 11, Shed 13 was built in 1904-5 as an industrial warehouse on land reclaimed in 1903. In 2009, the shed was earthquake strengthened and externally refurbished and is now the roastery and offices for Mojo Coffee.

The interior was one large space for storage use by the coastal shipping trade and still contains the 106-year-old pulleys and hydraulic crane equipment. It was built using load-bearing brickwork, reinforced with hoop iron between courses, highlighted by decorative motifs including Dutch-style lintels over the doors. The roof is supported on 14 timber scissor trusses spanning the width of the building.

Twin sister, Shed 11, was strengthened in 1985 for use as the National Art Gallery, and is now home to the New Zealand Portrait Gallery. Note that both sheds use odd numbers – all sheds to the north of Queens Wharf have odd numbers, all to the south have even numbers.

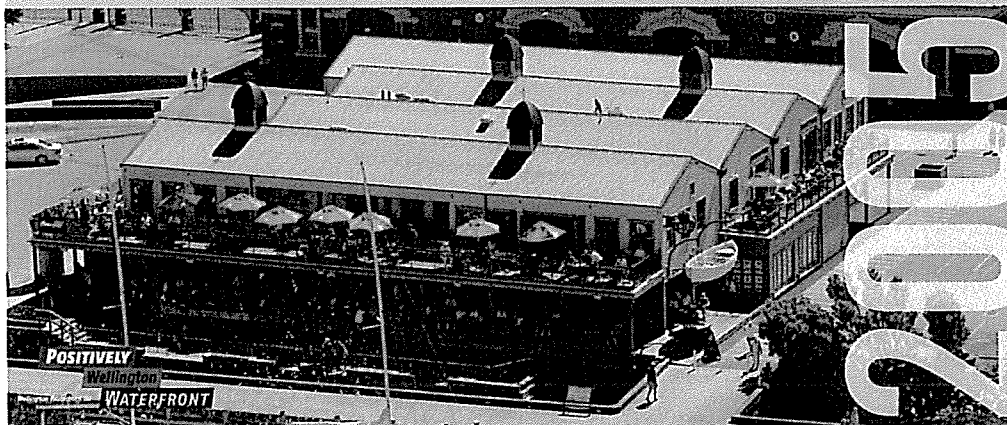
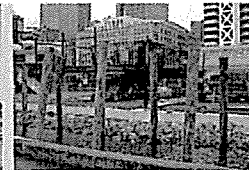


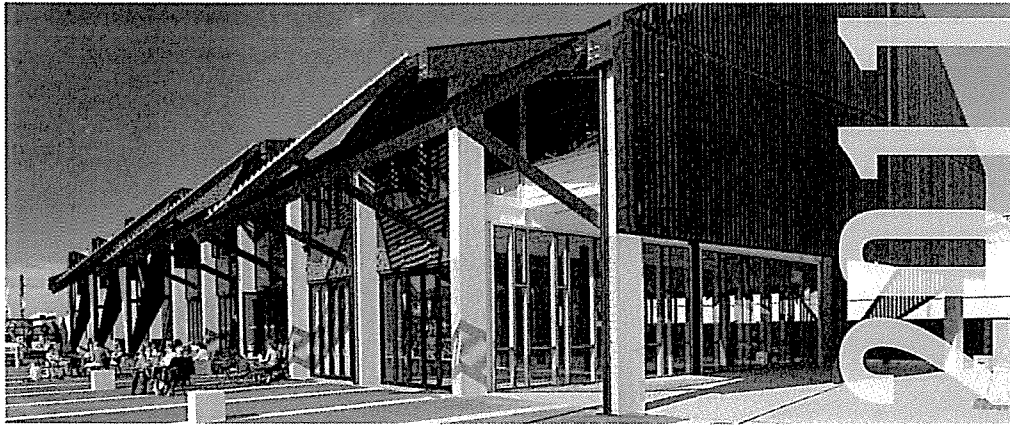
STEAMSHIP WHARF

Facing demolition at its Greta Point site, this historic building was moved to Wellington waterfront in 2005, and converted into restaurants, bars and function facilities.

The original building was built in the late 1800's by the Union Steamship Company as a 'marine warehouse and laundry' and is historically significant as it is one of the few surviving examples of 19th century marine industrial warehouses fronting onto the harbour.

In the 1980's the building had been converted to become Greta Point Tavern.





TE RAUKURA WHAREWAKA

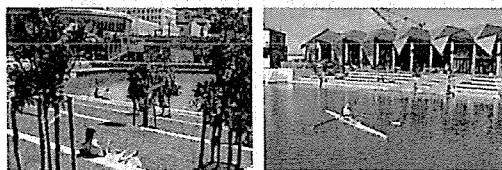
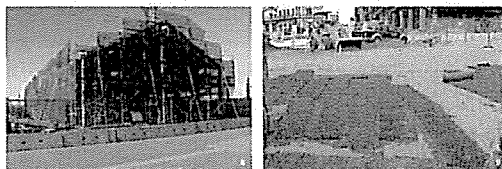
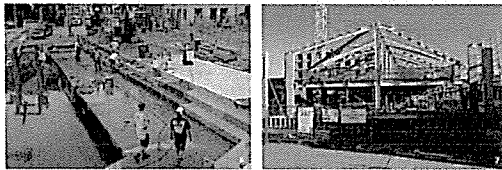
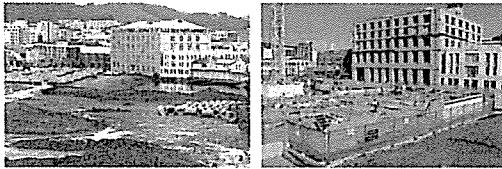
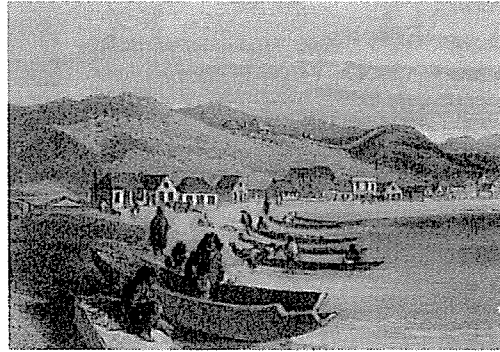
He honore he kororia ki te Atua

He maungarongo ki te whenua

He whakaaro pai ki ngā tāngata katoa

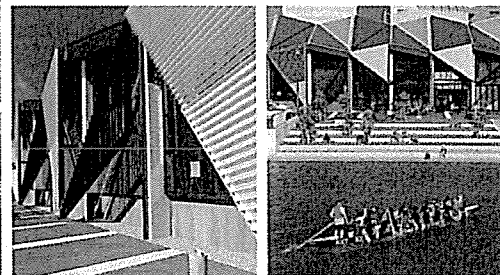
Built near the site of Te Aro Pa, until the 1880's, home to one of the area's largest Maori communities, Te Raukura Wharewaka brings an extremely important and significant cultural presence to the waterfront.

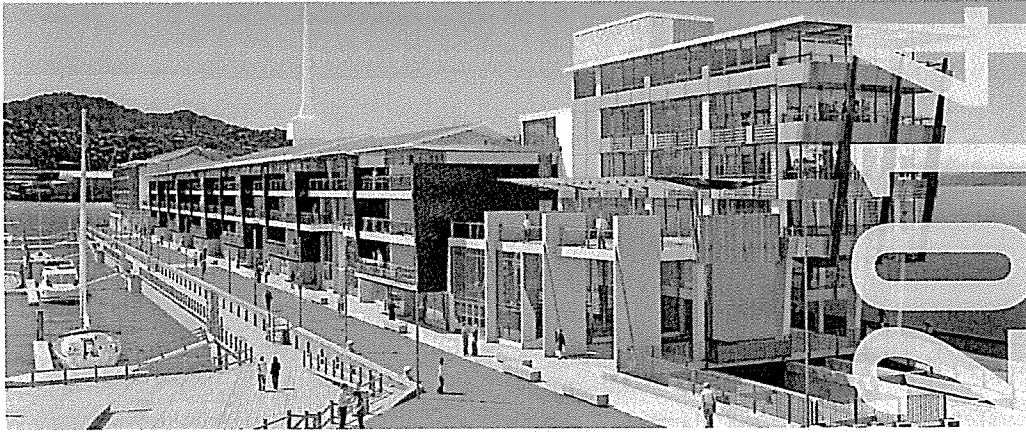
Te Raukura is built on ground reclaimed in 1969. The surrounding public space has become a popular location for a tranquil respite on the edge of the city.



Opened on Waitangi Day 2011, the wharewaka Te Raukura showcases and shelters local waka, and is a significant venue for meeting and the telling of the stories of the pa located around Te Whanganui-a-Tara (the great harbour of Tara).

Te Raukura has a strong spatial relationship to the open space on all sides with the front of the marae atea facing northeast, as is the convention.



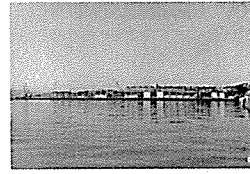
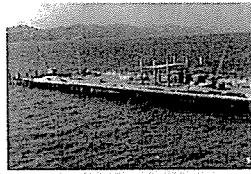
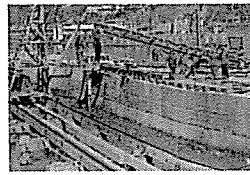
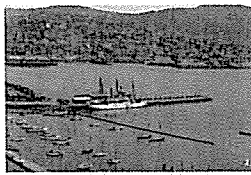
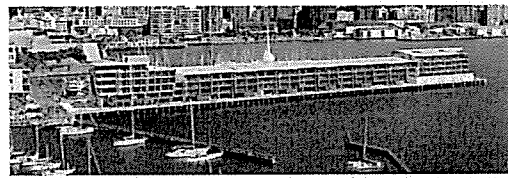
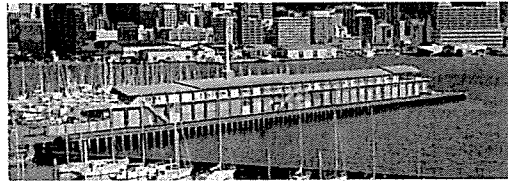


OVERSEAS PASSENGER TERMINAL

The transformation of the landmark Overseas Passenger Terminal into 76 apartments with a carpark for residents beneath, sees it retake its historic name of Clyde Quay Wharf.

At ground level is a mix of restaurants, retail uses, space for marina services and other public activities.

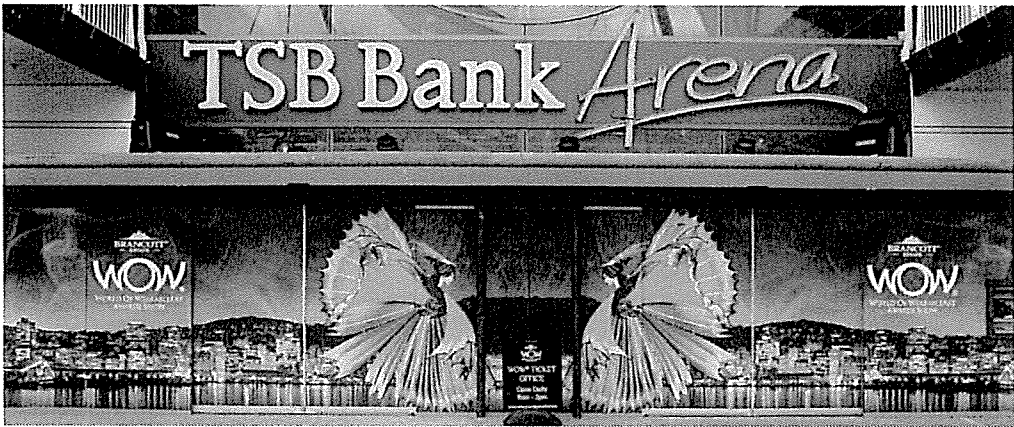
The design brief for developers required that they adhere to the guiding Wellington Waterfront Framework, which acknowledges the heritage value of the Terminal. Following much interest from within New Zealand and overseas, the proposal by Willis Bond & Co was accepted.



The original Clyde Quay Wharf was built on concrete piles in 1910. The wharf was widened in 1962 and extended and widened again in 1964 when the Overseas Passenger Terminal was being constructed.

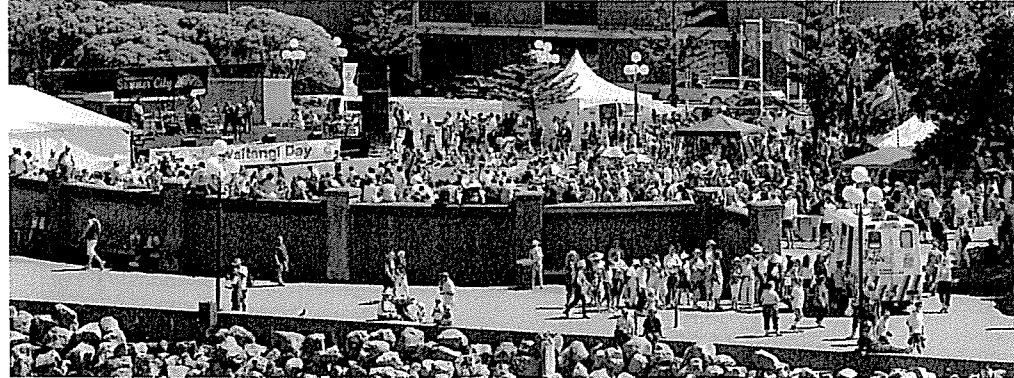
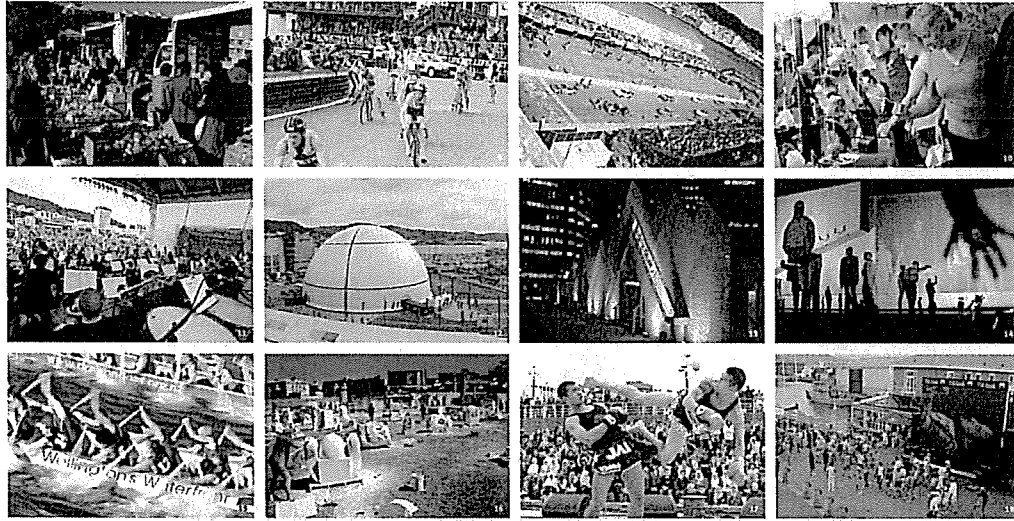
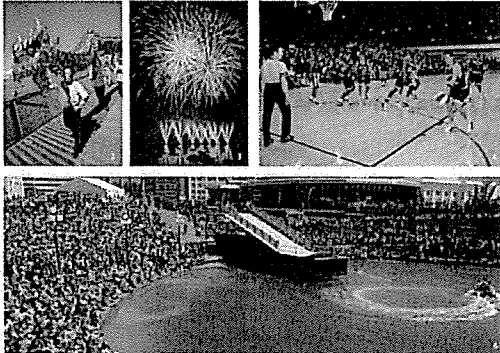
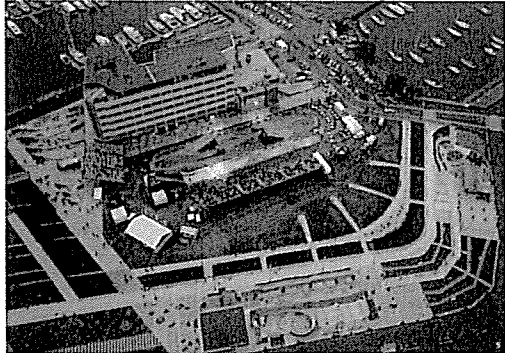
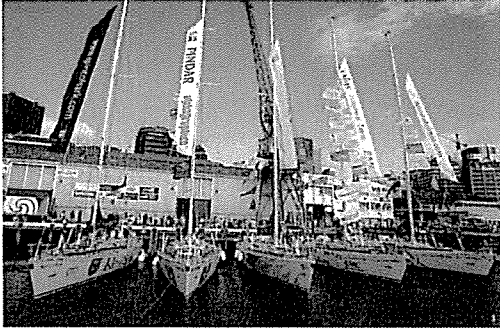
The Terminal was to be the 'Gateway to New Zealand', built as part of Wellington Harbour Board's 'modernisation programme ... to meet the need for an anticipated increased volume of sea-borne passenger traffic'. But the Terminal never realised its purpose, as air travel rapidly took over the international market. It has since been largely used as a function centre and for businesses serving the marina.





EVENTS ON THE WATERFRONT

With a diverse range of indoor and outdoor venues, the waterfront hosts over 300 events a year attended by over 1,000,000 people.



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 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 four 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
 The 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 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 2012

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:	Robert Gray – Chair Jane Black Justin Lester Derek McCorkindale
Bankers:	ASB Bank Limited, Wellington
Auditor:	Audit New Zealand, on behalf of the Auditor-General
Shareholder:	Wellington City Council – 1,000 shares
Solicitors:	Greenwood Roche Chisnall Simpson Grierson DLA Phillips Fox Chapman Tripp
Website Address:	www.wellingtonwaterfront.co.nz
Chief Executive:	Ian Pike
Executive Assistant:	Maria Mouroukis
Project Managers:	Michael Faherty Andrew Howie
Property Manager:	Allan Brown
Property Officer:	John Tiller
Financial Accountant:	Kirstin Gardiner
Harbourside Market Managers:	Graham Joe Fraser Ebbett
Motorhome Park Managers:	Graham Owen James Freebairn

**Lambton Harbour Development Project
Financial Statements
For the Year Ended 30 June 2012**

RESPONSIBILITY STATEMENT

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 2012 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 2012.

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

R Gray
Chair
August 2012

D McCorkindale
Director

Independent Auditor's Report

**To the readers of
Lambton Harbour Development Project's
financial statements
for the year ended 30 June 2012**

The Auditor-General is the auditor of Lambton Harbour Development Project (the Project). The Auditor-General has appointed me, J. R. Smaill, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Project on her behalf.

We have audited the financial statements of the Project on pages [...] to [...], that comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

Opinion

In our opinion:

- the financial statements of the Project on pages [...] to [...]:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect the Project's:
 - financial position as at 30 June 2012; and
 - financial performance and cash flows for the year ended on that date; and

Our audit was completed on [date]. This is the date at which our opinion is expressed.

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

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Project's financial statements that fairly reflect the matters to

which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board

The Board is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Project's financial position, financial performance and cash flows.

The Board is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Board's responsibilities arise from section 16 of the Wellington Harbour Board and Wellington City Council Vesting and Empowering Act 1987.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 17 of the Wellington Harbour Board and Wellington City Council Vesting and Empowering Act 1987.

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.

J. R. Smaill
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Lambton Harbour Development Project

Statement of Significant Accounting Policies

For the Year Ended 30 June 2012

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).

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.

Lambton Harbour Development Project

Statement of Significant Accounting Policies

For the Year Ended 30 June 2012

Measurement base

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 measured at the fair value of the consideration received or receivable.

Trade and Other receivables

Receivables are recorded at their face value, less any provision for impairment.

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.

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" consists of the following asset classes:

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

Lambton Harbour Development Project Statement of Significant Accounting Policies For the Year Ended 30 June 2012

Property (land, buildings & other improvements together with other infrastructure assets) 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 and Infrastructure assets: – comprising all other property and includes land and buildings held primarily or solely for recreational purposes, plus roadways, promenades, wharves, seawalls bridges 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 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 and 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 is valued at fair value and buildings together with other infrastructure assets are valued on an optimised depreciated replacement cost (ODRC) basis. Revaluation gains or losses are credited or debited to the revaluation reserve under the asset class “other land, buildings and infrastructure assets”, 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.

Office equipment, architectural models, plant and equipment and fixtures and fittings are stated at cost less accumulated depreciation.

**Lambton Harbour Development Project
Statement of Significant Accounting Policies
For the Year Ended 30 June 2012**

Major depreciation rates are:

Buildings	1 – 2.5% Diminishing Value or 2 – 10% of valuation
<i>(Note: Depreciation is not provided on buildings held for investment or development purposes.)</i>	
Infrastructure assets	Based on registered valuer's estimate of expected remaining years of life.
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 surplus or deficit, unless the asset is carried at a revalued amount in which case any impairment loss is treated as a revaluation decrease.

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 surplus or deficit. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the surplus or deficit 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.

Lambton Harbour Development Project Statement of Significant Accounting Policies For the Year Ended 30 June 2012

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 is 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.

Changes in accounting policies

All accounting policies have been applied on a consistent basis throughout the year and are aligned to those of the Wellington City Council.

The Project has adopted the following revisions to accounting standards during the financial year, which have had only a presentational or disclosure effect:

- Amendments to NZ IAS 1 Presentation of Financial Statements. The amendments introduce a requirement to present, either in the statement of changes in equity or the notes, for each component of equity, an analysis of other comprehensive income by item. The Project has decided to present this analysis in note 16.
- FRS-44 New Zealand Additional Disclosures and Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments) – The purpose of the new standard and amendments is to harmonise Australian and New Zealand accounting standards with source IFRS and to eliminate many of the differences between the accounting standards in each jurisdiction. The main effect of the amendments on the Project is that certain

Lambton Harbour Development Project Statement of Significant Accounting Policies For the Year Ended 30 June 2012

information about property valuations is no longer required to be disclosed. Notes 8-10 have been updated for these changes.

- Amendments to NZ IFRS 7 Financial Instruments: Disclosures – The amendment reduces the disclosure requirements relating to credit risk. Note 20 has been updated for the amendments.

Standards, amendments, and interpretations issued that are not yet effective and have not been early adopted and which are relevant to the Project, are:

- NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, The Project is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. This means the Project expects to transition to the new standards in preparing its 30 June 2015 financial statements. As the PAS are still under development, the Project is unable to assess the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope

**LAMBTON HARBOUR DEVELOPMENT PROJECT
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012**

	Note	Actual 2012 \$000's	Budget 2012 \$000's	Actual 2011 \$000's
Income				
Lease income	3	4,385	4,013	4,163
Other income		510	396	517
Interest income		12	24	31
Sundry income		5,307	-	7
Total income		10,214	4,433	4,718
Expenses				
Property costs	1	7,885	5,375	5,617
Public and commercial planning		322	350	217
Public activities and communication		33	55	20
Administration	2	1,377	1,315	1,408
Interest costs		708	717	545
Unrealised (gain) / loss on revaluation of investment and development properties	9	1,903	-	3,407
Total expenses		12,228	7,812	11,214
Share of associate's surplus / (deficit)	7	(23)	-	(34)
Surplus/(deficit)		(2,037)	(3,379)	(6,530)
Other comprehensive income				
Loss on revaluation - other land, buildings and infrastructure assets	10	(11,059)	-	77,261
Total other comprehensive income		(11,059)	-	77,261
Total comprehensive income		(13,096)	(3,379)	70,731

Explanations of major variances against budget are provided in Note 25.

The accompanying notes form part of these financial statements.

**LAMBTON HARBOUR DEVELOPMENT PROJECT
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012**

	Actual 2012 \$000's	Budget 2012 \$000's	Actual 2011 \$000's
Opening equity Balance at 1 July	230,450	152,995	158,519
Surplus/(deficit)	(2,037)	(3,379)	(6,530)
Other comprehensive income	(11,059)	-	77,261
Total comprehensive income	<u>(13,096)</u>	<u>(3,379)</u>	<u>70,731</u>
Contribution from owner - Wellington City Council	1,075	1,075	1,200
Balance as at 30 June	<u>218,429</u>	<u>150,691</u>	<u>230,450</u>

Explanations of major variances against budget are provided in Note 25.

The accompanying notes form part of these financial statements.

**LAMBTON HARBOUR DEVELOPMENT PROJECT
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012**

	Note	Actual 2012 \$000's	Actual 2011 \$000's
Current assets			
Cash and cash equivalents	4	191	931
Trade and other receivables	5	691	289
Prepayments		1,215	1,109
Property intended for realisation	6	-	7,368
		<u>2,097</u>	<u>9,697</u>
Non-current assets			
Investment in associate	7	917	940
Investment and development property	9	43,897	45,780
Property, plant and equipment	10	176,871	187,857
Intangible assets	11	48	66
Term receivables	12	12,983	368
		<u>234,716</u>	<u>235,011</u>
Total assets		<u>236,813</u>	<u>244,708</u>
Current Liabilities			
Trade and other payables	13	1,700	869
Deferred income	15	199	210
Retentions and bonds	14	110	122
		<u>2,009</u>	<u>1,201</u>
Non-Current Liabilities			
Term liabilities - WCC Loan		15,000	11,000
Capital payables		-	492
Deferred income	15	1,375	1,565
		<u>16,375</u>	<u>13,057</u>
Equity			
Wellington City Council	16	136,980	137,942
Asset revaluation reserve	16	81,449	92,508
		<u>218,429</u>	<u>230,450</u>
Total funds employed		<u>236,813</u>	<u>244,708</u>

The accompanying notes form part of these financial statements.

**LAMBTON HARBOUR DEVELOPMENT PROJECT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012**

	Note	Actual 2012 \$000's	Actual 2011 \$000's
Cash flows from operating activities:			
<i>Cash was provided from:</i>			
Receipts from customers		4,309	5,988
Interest received		12	31
Net goods and services tax received (paid)		6	8
<i>Cash was disbursed to:</i>			
Payment to suppliers		<u>(4,259)</u>	<u>(4,550)</u>
Net cash flows generated (to)/from operating activities	19	<u>68</u>	<u>1,477</u>
Cash flows from investing activities:			
<i>Cash was provided from:</i>			
Sale of shares		-	44
<i>Cash was disbursed to:</i>			
Purchase of property, plant and equipment		(4,808)	(3,308)
Purchase of intangible assets		-	-
Net cash flows from investing activities		<u>(4,808)</u>	<u>(3,264)</u>
Cash flows from financing activities:			
<i>Cash was provided from:</i>			
Wellington City Council equity contributions		-	-
Wellington City Council loan contributions		4,000	2,200
<i>Cash was disbursed to:</i>			
Repayment of Wellington City Council loan		-	-
Net cash flows from financing activities		<u>4,000</u>	<u>2,200</u>
Net increase/(decrease) in cash held		(740)	413
Cash at the beginning of the year		931	518
Cash at the end of the year		<u>191</u>	<u>931</u>
Represented by:			
Total cash and cash equivalents	4	<u>191</u>	<u>931</u>

The GST (net) component of operating activities reflects the net GST paid and received from 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.

**LAMBTON HARBOUR DEVELOPMENT PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Note	2012 \$000's	2011 \$000's
1 Property costs		
<i>Depreciation</i>		
- Other land improvements and buildings	2,098	1,972
- Other assets	2,125	90
Amortisation	30	21
Other property costs	3,632	3,534
Total property costs	7,885	5,617

A change in accounting estimate in respect of depreciation in the last quarter from a mix of straight line and diminishing values to straight line has been assessed as a difference of \$55k.

2 Administration expense		
Audit fees	41	39
Bad debts written off	-	3
Other administration expenses	1,336	1,366
Total administration expenses	1,377	1,408

During the year ended 30 June 2012 donations totalling \$540 were made (2010: \$1,080)

3 Lease income		
Rental income	2,491	2,319
Use of facilities	155	150
Car park rental	1,603	1,572
Wharf licence	112	112
Sundry	24	10
Total lease income	4,385	4,163

4 Cash and cash equivalents		
Cash at bank and on hand	191	931
Total cash and cash equivalents	191	931

The carrying value of cash and cash equivalents approximates the fair value.

5 Trade and other receivables		
Accounts receivable	691	289
less provision for impairment / doubtful debts	-	-
Total trade and other receivables	691	289

Analysis of trade and other receivables

Not past due	182	258
Past due 0-3 months	433	10
Past due 3-6 months	-	6
Past due more than 6 months	76	15
Total trade and other receivables	691	289

There are no impairment provisions as all receivables are considered collectable. Therefore, the carrying value of trade and other receivables approximates their fair value.

Of the amount outstanding at 30 June 2012, \$233,000 or 34% (2011: \$2,000 or 1%), 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.

**LAMBTON HARBOUR DEVELOPMENT PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Note	2012 \$000's	2011 \$000's
6 Property intended for realisation		
Land - opening balance	-	5,687
Buildings - opening balance	-	1,681
Total property intended for realisation	-	7,368

Commercial property intended for sale at the end of the last financial year went unconditional during 2012. Settlement price due on completion of development construction is reflected as a long term receivable in the Statement of Financial Position (refer note 12). The gain on sale of \$5.3m is reflected in the Statement of Comprehensive Income as Sundry Income.

7 Investment in associate

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

Share of surplus/(deficit) before tax	(23)	(34)
Share of movement in asset revaluation reserve	-	-
Equity accounted movement in associate	(23)	(34)
Share of equity at beginning of year	(428)	(394)
Change of equity due to the change in shareholding during the year	-	-
Total change in equity since acquisition	(451)	(428)
Shares at beginning of year	1,342	1,379
Change in shares during the year		(37)
Call option	26	26
Change in call option during the year	-	-
Total investment in associate	917	940

Associate	Assets	Liabilities	Revenues	Surplus / (Deficit)
	2012 \$000	2012 \$000	2012 \$000	2012 \$000
Chaffers Marina Holdings Limited	6,007	1,095	862	(264)

The Project's interest in Chaffers Marina Limited of 11.45% (2011: 11.45%) 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. The Project has significant influence in Chaffers Marina Limited as the single largest shareholder and the holder of the golden share with significant rights attached.

The share of surplus is recognised on unaudited figures. Any adjustment is recognised in the following year's financial statements.

**LAMBTON HARBOUR DEVELOPMENT PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Note

8 Valuation of property

Property intended for realisation has been valued to the lower of carrying value or net current value. Investment and development property has been revalued to current market value. These valuations have been undertaken by Paul Butchers BBS,FPINZ, FNZIV, Director of Bayleys Valuation Ltd.

Other land, buildings and other infrastructure assets have been valued on an Optimised Depreciated Replacement Cost basis by John Vessey BE, BA, FIPNZ, CPEng, Senior Advisor, Strategic Management Services, Opus International Consultants Ltd.

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 form the basis under Stage 2 of the process.

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.

	2012 \$000's	2011 \$000's
9 Investment and development property		
Investment property - at valuation		
Investment land at valuation - opening balance	9,955	10,670
Revaluation movement	<u>(757)</u>	<u>(715)</u>
Investment land at valuation - closing balance	9,198	9,955
Investment buildings at valuation - opening balance	5,745	6,120
Additions		47
Capitalised costs from work in progress	6	-
Revaluation movement	<u>313</u>	<u>(422)</u>
Investment buildings at valuation - closing balance	6,064	5,745
Total investment property - at valuation	<u>15,262</u>	<u>15,700</u>

**LAMBTON HARBOUR DEVELOPMENT PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Note	2012 \$000's	2011 \$000's
9 Investment and development property (continued)		
Development property - at valuation		
Development land at valuation - opening balance	28,850	31,145
Additions	-	-
Capitalised costs from work in progress	-	8
Reclassification to Buildings	(1,390)	-
Revaluation movement	(965)	(2,303)
Development land at valuation - closing balance	<u>26,495</u>	<u>28,850</u>
Development buildings at valuation - opening balance	1,230	1,180
Additions	-	17
Capitalised costs from work in progress	14	-
Reclassification ex Land	1,390	-
Revaluation movement	(494)	33
Development buildings at valuation - closing balance	<u>2,140</u>	<u>1,230</u>
Total development property - at valuation	<u>28,635</u>	<u>30,080</u>
Total investment and development property	<u>43,897</u>	<u>45,780</u>
Unrealised gain / (loss) on revaluation of investment and development properties		
Revaluation movement - Investment property land	(757)	(715)
Revaluation movement - Investment property buildings	313	(422)
Revaluation movement - Development property land	(965)	(2,303)
Revaluation movement - Development property buildings	(494)	33
Total unrealised gain / (loss) on revaluation of investment and development properties	<u>(1,903)</u>	<u>(3,407)</u>
Wharf repiling costs - Investment and development property		
Opening balance	3,025	3,025
Wharf repiling costs movement - Investment land	-	-
Closing balance	<u>3,025</u>	<u>3,025</u>

In the 2008/09 financial year, Holmes Consulting Limited performed a comprehensive survey of the Project's wharf piles and estimated the expected costs to repair/replace the wharf piles. As a result the asset values of investment and development properties were reduced by \$3.025 million. The Project has budgeted for these costs to be expended over a ten year timeframe. This expenditure began during the 2009/10 financial year.

**LAMBTON HARBOUR DEVELOPMENT PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Note

9 Investment and development property (continued)

The investment (and development) properties earned ground leases of \$3,053,063 (2011: \$2,826,922). Ground leases are parcels of land owned by the 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.

	2012 \$000's	2011 \$000's
Direct operating expenses of investment properties		
- From investment properties that generated income	773	656
- From investment properties that did not generate income	-	-

10 Property, plant & equipment

Other land and buildings - at valuation

Other land at valuation - opening balance	52,253	46,191
Capitalised costs from work in progress	-	-
Wharf repiling costs	-	-
Reclassification of assets	530	-
Revaluation movement	(11,926)	6,062
Other land at valuation - closing balance	<u>40,857</u>	<u>52,253</u>
Other buildings at valuation - opening balance	64,923	60,074
Less accumulated depreciation	-	-
Total other buildings - opening balance	<u>64,923</u>	<u>60,074</u>
Additions		19
Depreciation expense	(2,098)	(1,972)
Capitalised costs from work in progress	1,228	4,070
Reclassification of assets	(550)	-
Wharf repiling costs	-	-
Revaluation movement	(2,641)	2,732
Other buildings at valuation - closing balance	<u>60,862</u>	<u>64,923</u>
Total other land and buildings property - at valuation	<u>101,719</u>	<u>117,176</u>

Other assets - at cost

Other assets - at cost	3,166	3,160
Less accumulated depreciation	(1,887)	(1,797)
Total other assets - opening balance	<u>1,279</u>	<u>1,363</u>
Additions		6
Reclassification of assets	(802)	-
Assets written off	(14)	-
Depreciation expense	(35)	(90)
Capitalised costs from Work in Progress	-	-
Other assets at cost - closing balance	<u>428</u>	<u>1,279</u>

**LAMBTON HARBOUR DEVELOPMENT PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Note	2012 \$000's	2011 \$000's
10 Property, plant & equipment (continued)		
Other Infrastructure assets - at valuation		
Other Infrastructure assets - opening balance	68,468	-
Capitalised costs from work in progress	-	-
Reclassification of assets	822	-
Revaluation movement	3,507	68,468
Depreciation expense	(2,090)	-
Assets written off	(11)	-
Other Infrastructure assets at valuation - closing balance	<u>70,696</u>	<u>68,468</u>

The June 2012 valuation was undertaken by OPUS on an Optimised Depreciated Replacement Cost (ODRC) basis and used Wellington Waterfront Limited's (WWL) Asset Management Plan and WWL's GIS data as the basis for the valuation. This has resulted in a more detailed and comprehensive valuation than those carried out in the recent past. The combination of a change in valuation methodology together with the recognition of assets by components has resulted in a net increase in the valuation of \$66.394m.

The unbundling of these assets is recognised for the first time in these financial statements and because the current year's Other Comprehensive Income movement is considered material (on the assumption the accumulated fair value of the movement mainly relates to prior years valuation movements), the Project has retrospectively restated the Revaluation Reserve balances as at 30 June 2011, being the earliest year in which the Project can reliably determine the fair value of these assets retrospectively. Accordingly, of the total \$66,394m 2012 year unrealised gain on revaluation, a loss of \$11.059m was attributed to the current year's result and a \$77.453m gain to the prior period.

Recognition of these assets also resulted in an additional depreciation expense of \$2.719m for the year.

Work in progress

Work in progress - at cost - opening balance	935	1,370
Additions	4,342	3,643
Capitalised to property, plant and equipment classes	(1,249)	(4,078)
Work in progress - at cost - closing balance	<u>4,028</u>	<u>935</u>
Total property, plant & equipment	<u>176,871</u>	<u>187,857</u>

Unrealised gain / (loss) on revaluation of other land and buildings property

Revaluation movement - Other land	(11,925)	6,061
Revaluation movement - Other buildings	(2,641)	2,732
Revaluation movement - Other infrastructure assets	3,507	68,468
Total unrealised gain / (loss) on revaluation of other land and buildings property	<u>(11,059)</u>	<u>77,261</u>

Wharf repiling costs

Other land and buildings		
Opening balance	5,150	5,150
Wharf repiling costs movement - Other land	-	-
Wharf repiling costs movement - Other buildings	-	-
Total movement	-	-
Closing balance	<u>5,150</u>	<u>5,150</u>

In the 2008/09 financial year, Holmes Consulting Limited performed a comprehensive survey of the Project's wharf piles, and estimated the expected costs to repair/replace the wharf piles. As a result the asset values of other land and buildings were reduced by \$5.15 million. The Project has budgeted for these costs to be expended over a ten year timeframe. This expenditure began during the 2009/10 financial year.

**LAMBTON HARBOUR DEVELOPMENT PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Note

11 Intangible assets

	Software \$000's	Website \$000's	Total \$000's
Gross carrying amount			
Balance at 30 June 2010	28	62	90
Additions	-	-	-
Sales/transfers	-	-	-
Balance at 30 June 2011	<u>28</u>	<u>62</u>	<u>90</u>
Additions	12	-	12
Sales/transfers	-	-	-
Balance at 30 June 2012	<u>40</u>	<u>62</u>	<u>102</u>
Accumulated amortisation			
Balance at 30 June 2010	-	3	3
Amortisation expense	-	21	21
Disposals	-	-	-
Balance at 30 June 2011	<u>-</u>	<u>24</u>	<u>24</u>
Amortisation expense	23	7	30
Disposals	-	-	-
Balance at 30 June 2012	<u>23</u>	<u>31</u>	<u>54</u>
Net carrying amount			
* At 30 June 2010	28	59	87
At 30 June 2011	28	38	66
At 30 June 2012	<u>17</u>	<u>31</u>	<u>48</u>

There are no restrictions over the the Project's intangible assets, nor are any intangible assets pledged as security for liabilities.

	2012 \$000's	2011 \$000's
12 Term receivables		
Lease inducements	308	368
Sale proceeds - commercial property	12,675	-
Total term receivables	<u>12,983</u>	<u>368</u>
13 Trade payables		
Creditors	155	100
GST Payable	19	16
Accrued expenses	1,485	702
Other payables	41	51
Total trade payables	<u>1,700</u>	<u>869</u>
Trade payables are non-interest bearing and normally settled on 30 day terms. The carrying value of trade payables approximates their fair value.		
14 Retentions and bonds		
Retentions on construction contracts	100	121
Bonds held on hireage venues	10	1
Total retentions and bonds	<u>110</u>	<u>122</u>
15 Deferred income		
Current	199	210
Non-current	1,375	1,565
Total deferred income	<u>1,574</u>	<u>1,775</u>

**LAMBTON HARBOUR DEVELOPMENT PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Note	2012 \$000's	2011 \$000's
16 Equity		
<i>Shareholder funds & retained earnings</i>		
Opening balance at 1 July	137,942	143,272
Net surplus/(deficit)	(2,037)	(6,530)
Contribution from Wellington City Council	1,075	1,200
Total shareholder funds & retained earnings	136,980	137,942
<i>Asset revaluation reserve</i>		
<i>Marina</i>		
Opening balance at 1 July	52	52
Realised during the year	-	-
Closing balance at 30 June	<u>52</u>	<u>52</u>
<i>Other land</i>		
Opening balance at 1 July	20,820	-
Increase/(decrease) on revaluation	(11,925)	5,817
Reclassification	-	15,003
Wharf repiling costs movement	-	-
Closing balance 30 June	<u>8,895</u>	<u>20,820</u>
<i>Other buildings</i>		
Opening balance at 1 July	3,168	15,195
Increase/(decrease) on revaluation	(2,641)	2,976
Reclassification	-	(15,003)
Wharf repiling costs movement	-	-
Closing balance 30 June	<u>527</u>	<u>3,168</u>
<i>Other Infrastructure assets</i>		
Opening balance at 1 July	68,468	-
Increase/(decrease) on revaluation	3,507	68,468
Closing balance 30 June	<u>71,975</u>	<u>68,468</u>
<i>Other land / buildings and infrastructure assets</i>		
Closing balance at 30 June (before transfer to statement of financial performance)	81,397	92,456
Credit balance transferred to statement of financial performance	-	-
Closing balance at 30 June	<u>81,397</u>	<u>92,456</u>
Total asset revaluation reserve	81,449	92,508
17 Contingent asset and Contingent liability		
There are no contingent assets (2011: nil) or contingent liabilities (2011: nil) at balance date.		

**LAMBTON HARBOUR DEVELOPMENT PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Note	2012 \$000's	2011 \$000's
18 Contractual commitments		
<i>Capital Commitments</i>		
As at 30 June 2012 there were contractual commitments to a value of \$6,824,000 not provided for in the financial statements (2011: \$190,000).		
<i>Operating Commitments</i>		
<u>Non-cancellable operating lease commitments - as leasee</u>		
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	762	692
Later than one year and not later than five years	182	805
Later than five years	-	-
Total non-cancellable operating lease commitments - as leasee	<u>944</u>	<u>1,497</u>
The project expects to recover an estimated \$791,000 (2011: \$742,000) per year from subleasing these spaces.		
<u>Non-cancellable operating lease commitments - as lessor</u>		
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	2,268	1,952
Later than one year and not later than five years	2,419	3,028
Later than five years	4,542	2,804
Total non-cancellable operating lease commitments - as lessor	<u>9,229</u>	<u>7,784</u>
19 Reconciliation of net surplus with net cash flows from operations		
Net surplus attributable to Wellington City Council	(2,037)	(6,530)
<i>Add/(less) non cash items and non-operating items</i>		
Depreciation	4,223	2,061
Amortisation	30	21
Wellington Waterfront Limited Fee*	1,075	1,200
Profit on sale of shares	-	(7)
Profit on sale assets	(5,307)	-
Assets written off	25	-
Share of associate's deficit	23	34
Assets revalued	1,903	3,407
	<u>(65)</u>	<u>186</u>
<i>Add/(less) movements in working capital items relating to operations</i>		
Accounts receivable	(342)	48
Prepayments	(106)	(267)
Accounts payable	794	210
Retentions and bonds	(12)	30
Deferred income	(201)	1,271
Net cash flows from operating activities	<u>68</u>	<u>1,477</u>

*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.

**LAMBTON HARBOUR DEVELOPMENT PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Note

20 Financial Instruments

Categories of financial instruments

The carrying amount of financial instruments in each of the NZ IAS 39 categories are as follows:

	2012 \$000's	2011 \$000's
Loans and receivables		
Cash and cash equivalents	191	931
Debtors and other receivables	691	289
<i>Total loans and receivables</i>	<u>882</u>	<u>1,220</u>
Financial liabilities		
Trade and other payables	1,700	869
Capital payables	-	492
Loans from WCC	15,000	11,000
<i>Total financial liabilities</i>	<u>16,700</u>	<u>12,361</u>

The carrying amount of the financial liabilities is equal to the contractual cash flows.

Credit risk

In the normal course of business the Project incurs credit risk from short term investments, trade debtors and term receivables. There are no significant concentrations of credit risk. The 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 4), and trade receivables (note 5). 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 Aa3 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 Project is not exposed to foreign currency risk, as it does not enter into foreign currency transactions.

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 access to a loan facility with the Wellington City Council should the Project require extra funds. Any of the Project's deposits are short-term.

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.

In December 2008 Wellington City Council (the Council) approved a new 10 year financial plan which included a \$14.95m short term advance to manage timing differences between commercial proceeds and public expenditure.

In June 2012 the Council authorised an extension to this loan facility to \$16.3m for the current year and to further extend the loan financing in the long term for the Project to \$20.58m through to 30 June 2014. During the year a further \$4m (2011: \$2.2m) was drawn down to bring total loan funding to \$15m.

The term liability to Wellington City Council is being charged at an aggregate rate of 5.56%.

**LAMBTON HARBOUR DEVELOPMENT PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Note

21 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.

	2012 \$000's	2011 \$000's
22 Related parties		
<i>Wellington City Council (Council)</i>		
Wellington City Council has 100% equity in the Project.		
Net amount received from Council during the year was:	491	396
Net amount paid to Council during the year was:	(1,290)	(1,009)
Relating to Wellington Waterfront management fee:	1,075	1,200
Net amount owed by Council at 30 June was:	233	-
Net amount owed to Council at 30 June was:	(798)	(554)
On loan from Council	15,000	(11,000)

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 Limited received \$1,075,000 from Council as a management fee for managing the the Project (2011: \$1,200,000). This amount is recognised in these financial statements as an equity contribution, and as management fee expense.

The Project has an advance from Wellington Waterfront Limited of \$1,000 (2011: \$1,000). The advance is repayable on demand.

Chaffers Marina Holdings Ltd (Chaffers)

Net amount received from Chaffers during the year was:	114	98
Net amount paid to Chaffers during the year was:	(48)	(306)
Net amount owed by Chaffers at 30 June was:	12	-
Net amount owed to Chaffers at 30 June was:	(3)	(7)

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

23 Significant events subsequent to balance date

There were no subsequent events that have a material impact on these financial statements (2011: Nil).

24 Going concern assumption

The going concern assumption has been applied during the preparation of these financial statements. Wellington City Council completed a review of the Project's operation in the 2010/11 year and it was decided that the Project would continue operation and may undergo a further review in October 2013.

**LAMBTON HARBOUR DEVELOPMENT PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Note

25 Explanation of major variances against budget

Statement of comprehensive income

The overall underlying result from operations for the year was in-line with plan with the exception of the following items not budgeted:

	Actual	Budget	Variance	%
Surplus/(deficit)	(2,037)	(3,379)	1,342	
Adjust for non budgeted items:				
- additional depreciation on assets not previously recognised	2,179	-	2,179	
- unrealised loss on revaluation of Investment Properties	1,903	-	1,903	
- profit on sale of commercial property	(5,307)	-	(5,307)	
	<u>(3,262)</u>	<u>(3,379)</u>	<u>117</u>	3%

Statement of changes in equity

The favourable variance in the opening equity, results from the unbudgeted retrospective restatement of the Revaluation Reserves as a result of recognising assets not previously recorded in these financial statements - also refer to note 10.

