



2013 ANNUAL REPORT

WELLINGTON WATERFRONT
LIMITED

POSITIVELY

Wellington

WATERFRONT

CONTENTS

- CAPABILITY STATEMENT
- FROM THE CHAIR AND CHIEF EXECUTIVE
- MAINTENANCE, RENEWAL AND RESILIENCE
- PROPERTY MAINTENANCE
- PLACEMAKING
- PROJECTS
- FINANCIAL REVIEW
- PERFORMANCE TARGETS AND OTHER MEASURES FOR 2012/13
- GOVERNANCE
- COMPANY DIRECTORY
- RESPONSIBILITY STATEMENT

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.'

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.'



DRAFT

Capability Statement



Who We Are

Wellington Waterfront Limited (WWL) is a Wellington City Council (WCC) Controlled Organisation, focussed on the development and management of Wellington's public waterfront. WWL's work involves the integration of property development and place-making with economic imperatives finely balanced against the public interest.

Our Core Competencies

We provide specialist expertise in:

- Delivering, within the public realm, commercial and public space projects;
- Creative place-making; and
- Maintenance of a highly complex physical environment.

We deliver the City's urban planning vision for the waterfront, as set out in the Wellington Waterfront Framework, through our capability, experience and ability in:

- Public space planning, design and delivery;
- Prioritising public goals and engaging private sector expertise and investment to achieve these goals;
- Master planning, environmental and resource management;
- Development, project, asset and property management;
- Enlivening the public realm through an active and diverse place-making programme;
- Financial management including feasibility, valuation and business case analysis;
- Property leasing and marketing;
- Infrastructure planning, design, engineering and maintenance;

What Defines Us?

Established – land development agency with 25 years experience in the public sector

Council Control – accountable and exacting to Council reporting and planning processes, with annual approval of plans

Governance – from an independent, commercial board and the Council's Technical Advisory Group

Flexible – responsive and nimble team with the ability to have the right expertise and scale as required

One-stop-shop – for businesses looking to invest in land development projects on the waterfront

Proven – track record recognised by 40 awards for design and project excellence

Strategic – proactive planning capable of responding to the market as well as providing direct interventions

Innovative – creating opportunities by responding to practical needs with quirky and original solutions

Sense of place – integrating public space and related building developments to use the built environment to create a sense of belonging and engagement

Place makers – activating spaces through events, activities, public art, recreational and tourist facilities, and markets

Focus – by the whole team on the delivery of excellent community and commercial objectives for the benefit of Wellington Inc

Consultative – with the public directly, as well as through resource consents, district plans, and Environment Court procedures

Experienced – team able to take a concept from inception to completion. Expert in contract negotiation and management, feasibility analysis and project management

Stability – we are a small stable team with keen institutional knowledge and continuity of involvement

Methodology driven – bespoke procedures in

- project and asset management
- design guidelines
- business continuity and disaster recovery

Public Scrutiny – forged by fire, we manage stakeholder expectations within an environment subject to intense public interest.

From the Chair and Chief Executive

Maintenance, renewal and resilience

Introduction

During the financial year ending in June 2013, Wellington Waterfront Limited increased its focus on ensuring its assets were in tip-top condition, on positioning the Company to enable it to better respond to any natural or other type of disaster and generally improving our focus on risk management. While asset management has been an ongoing programme of work over recent years, there has been an increased emphasis on overall resilience throughout 2012/13, in response to the seismic activity that resulted in tragedy for so many in Canterbury. Corporate responsibility has also been sharpened by the Pike River mine explosion.

It behoves us to learn as many lessons as we can from these terrible events and implement change wherever necessary and wherever possible. While natural disasters can seldom be avoided, our responsibility is to be as prepared as we can.

Little did we know that Wellington was going to experience two significant seismic events so soon after this preparatory work was put in place. While the size and scale of the earthquakes that followed in Wellington can hardly be compared with the colossal events experienced in Christchurch, Wellington Waterfront Limited is far better prepared to deal with an emergency than it was only a few years ago. The extent of the work done in this area will become evident as you read this year's report.

It has certainly not all been rear-guard action though! Just as we have increased our focus on maintenance and resilience, we have similarly increased our sights on place-making – activating and enlivening the waterfront for the many thousands of users of Wellington's most popular recreational space. From hosting numerous events to adding public art, to growing and improving our public market offerings, the Company has had an incredibly productive year. You could even say, Wellington Waterfront has been made fit for a (future) King!

In addition, preparation has been made for some exciting building projects that will enhance and better connect the waterfront to the central business district. More opportunities for business activity, recreation and events, at the same time as improving land conditions and continued overall resilience.

The waterfront improves each year, more people use its many and diverse recreational offerings and it continues to receive national awards for overall excellence.

It is deeply satisfying to the Board and staff of Wellington Waterfront to see the Project being so well used as it nears its 'completion'. While there never can and never should be a completion date for such a dynamic public space, the Wellington City Council plans to resume direct management of the waterfront in 2015. We are working assiduously to be able to hand back this wonderful public realm in a condition that is not only much loved and regarded by Wellingtonians and visitors alike, but that is safe, maintained to a high standard and well positioned for the future.

The Company is enormously proud of its achievements. There is, however, much to do over the next couple of years. You can expect to see even more significant additions and improvements to the waterfront ensuring this internationally acclaimed public space will continue to contribute to the health (and safety) of Wellington's residents, the health and robustness of the local economy and the City's overarching sense of place as the nation's capital.

The Waterfront Project is making a significant contribution to Wellington Inc – a place where creativity and artistic flair flourish, a place where 'talent wants to reside' and where a thriving economy benefits from an outstanding natural and built environment.

Property maintenance

Throughout the year, significant work and effort has gone into the overall management, maintenance and renewal of Wellington Waterfront's diverse asset and infrastructure base. This is often expensive and an apparently thankless work that is unseen except during the (oftentimes disruptive) work programme. This year has seen us step up our seismic resilience work, complete an important section of pile and beam maintenance, roll out a paint-and-protect programme, improve critical infrastructure in numerous ways and complete the development of a comprehensive suite of guidelines and protocols to ensure standards are maintained well into the future. Highlights of this work undertaken throughout the year are summarised below.

Wharf beam and pile maintenance programme

The extensive wharf pile and beam repair work being undertaken under the Queens Wharf Outer-T, Queens Wharf stem and Sheds 3 and 5, was completed this year. This multi-million dollar asset renewal programme is essential for the continued integrity and sustainability of this important and historic area of the waterfront. The project was completed under budget, allowing additional repairs to the Te Papa breastwork fendering system to be completed within financial existing constraints.



Shed 6 seismic strengthening

Following Wellington City Council's approval in October 2012 of the conversion of Shed 6 into a temporary convention facility (pending return to the seismically strengthened Wellington Town Hall), the Waterfront Company managed the seismic strengthening of the wharf under Shed 6. This was a major resilience programme costing \$2.9 million of additional funds made available by the Council. Users of the wharf and the brand new convention facility have certainly been made safer by the completion of this major infrastructure upgrade.



Shed 11 seismic strengthening

Shed 11 earthquake strengthening together with some internal and external modifications were completed in October 2012. The New Zealand Portrait Gallery personnel are delighted to operate from within safe, upgraded and transformed space.

Eastbourne Ferry Terminal

To commemorate this building's centenary, a full repaint was undertaken in October 2012. The building was fitted with LED lights and now shines beautifully in the night time as well as throughout the day. The building is now known as the Maritime Police Building to celebrate this heritage building's change of occupancy. We hope the Maritime Police will continue to provide a wonderful service of safety and recovery to the region generally and the waterfront specifically for many years to come.



Condition assessments

We have comprehensively completed condition assessments of all Wellington Waterfront owned buildings, we have had all of them reviewed for their earthquake resilience levels, we have reviewed the condition of our vital infrastructure including seawalls, water and electrical services and we have upgraded our understanding of our seismic vulnerability which has informed our insurance placement programme.

Sea access ladders

WWL has not only increased the number of sea access ladders but added red strip lights as a means of locating them at night should the need occur. These lights not only provide a valuable safety feature but contribute to the vibrancy of the night time vista.

Electrical Infrastructure

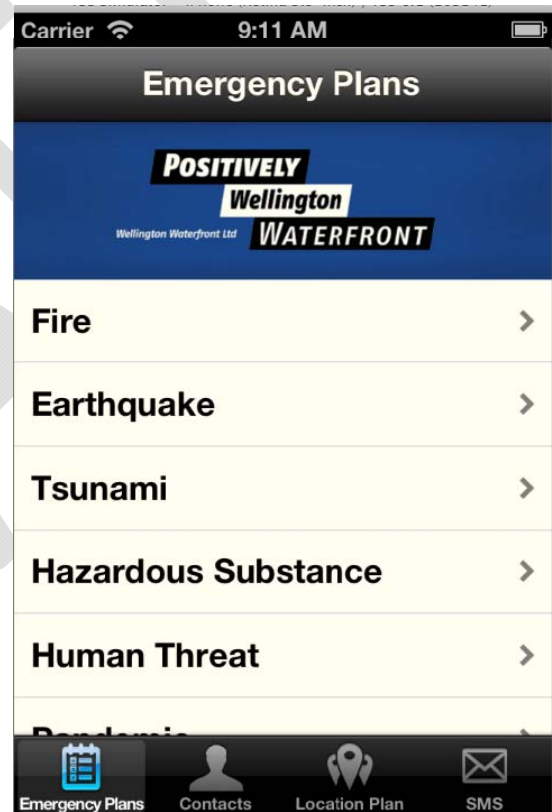
Following a thorough condition assessment of the waterfront's electrical wiring infrastructure, and recording it comprehensively on our GIS system, a wiring support renewal programme was completed under Taranaki Street Wharf, the Te Papa breastworks and the Outer-T.

Bridge Re-Painting

The Waitangi Stream, Bascule and Frank Kitts Park lagoon bridges have all been repainted – an ongoing necessity in the waterfront's harsh marine environment.

Business Continuity Plan

This year saw the development of a bespoke mobile application as an addition to our disaster recovery and business continuity resilience programme. This simple 'App' will enable streamlined, fast and easy-to-apply instructions and communications under a number of disaster scenarios. We intend making this available to our tenants over the coming year.



Maintenance and Design Guides

A suite of guidelines covering the maintenance of lighting, soft landscaping, events protocols and universal accessibility have been formally adopted during the year. These guidelines are comprehensive and easy-to-read and a further step in the delivery of a unified and resilient public environment.

Placemaking

Wellington Waterfront has significantly stepped up its role as place-maker over the last few years. We introduced a temporary Motorhome Park in 2010 to provide an inner city facility for tourists, pending development of this important Kumutoto site; we have enhanced the weekly Harbourside Market and in 2009 introduced the Wellington Underground Market – a craft emporium operating in Frank Kitts Car Park; an indoor football league runs in Shed 1, pending development of this historically and strategically important site.



We increased our focus considerably this past year and have put in place an ongoing development programme. Initiatives this year include:

Events Programme

Once again, and perhaps more than ever, the waterfront has been an incredibly popular destination – especially so during Wellington’s best summer in decades. Significant events that were either directly hosted or spilled over onto the waterfront this year include the annual New Year celebrations, the Hertz Sevens Rugby Tournament, Homegrown, the Pinot Noir festival, numerous cruise ship visits, Orienteering world series, Waitangi Day festivities, Dragon boating, the new Summer market, the Asian Night Market, Fringe Festival events, Round the Bays, Chinese New year and many others besides.

Jump! Platform

The Taranaki Street Wharf jump platform opened in November 2012 with significant public and regal approval! This project was undertaken as a direct and deliberately quirky response to a safety concern presented by young members of the Wellington population dangerously choosing to hurl themselves off the Wellington Free Ambulance Building into the harbour cut-out. If you can’t beat them, join them, was our rallying call!



Since its opening the jump platform has been claimed by the Wellington public in a way that exceeded all expectations. Many thousands of locals and visitors have enjoyed this adventure activity – it has spurred us on to consider adding other similar facilities – watch this space! In addition to winning a national Architectural Landscape award for design excellence, the jump platform was awarded the Wellington Civic Trust’s award for Innovative Public Spaces in May 2013.

Despite the Waterfront Company and the consenting authorities following due process it was regrettable that we had to close the facility in February of this year. Subsequent water quality control tests showed an unacceptably high enterococci count in the immediate vicinity. We are working closely with Wellington City Council and expect to have a remedy in place to enable this particularly popular activity to resume again in the forthcoming summer.

Diamond Jubilee Visit by HRH Prince Charles and the Duchess of Cornwall

Tens of thousands of Wellingtonians thronged the waterfront during the royal walk that took place in November 2012 as part of the Diamond Jubilee celebrations. The sun shone brightly and the harbour scene was set for a perfect visit for the future King. We took the opportunity to request Prince Charles to formally 'open' the jump platform – he did so with delight – needless to say, it did not involve the royal party getting wet! A theatrical production stage-managed by one of our project management team made for a perfect start to the royal walk.



Summer market

A Thursday evening food and entertainment market was established on Taranaki Street Wharf through the wonderful summer months of 2013. A number of bands provided a variety of musical entertainment though perhaps none better than the incredibly popular Salsa dancing which proved to be a great participative and spectator activity!



Ice Skating Rink

The ever popular ice-skating rink returned to Queens Wharf plaza through the Easter break and end of term school holidays. It attracted huge numbers and was a great success.

The Great Waterfront Scavenger Hunt

Once again, on Wellington Anniversary weekend, we contributed to this Wellington Museums Trust educational fun initiative. Thousands of young school aged children enjoy this annual programme especially designed for them to engage with the waterfront in a unique way.



Little Drivers!

This too has provided a hit amongst our very young waterfront visitors. Battery operated cars for the use of children up to seven years of age operate from Frank Kitts Park adjacent to the children's playground. These cars can be operated safely by children or their parents with a remote control. This attraction is contributing to the popularity of the waterfront for families with young children.



Hikitia

Financial contributions were made to the Maritime Heritage Trust of Wellington to enable the continuing lighting, painting and general maintenance works being undertaken on this important heritage asset. The Hikitia provides a wonderful contribution to the diverse attractions that occur on the harbour.

Nga Kina

The Wellington Sculpture Trust requested Wellington Waterfront to undertake the project management of the installation of Michel Tuffery's Nga Kina within the Kumutoto precinct. This latest piece of waterfront public art has received much public appreciation and acclaim. Nga Kina is spectacular during the day and perhaps more so at night when it glistens beautifully within declaimed harbour space that seemed made for its presence. The artwork expresses our Pasifika in a wonderfully unique way. It was a real pleasure to work with Michel and the Sculpture Trust on this project.



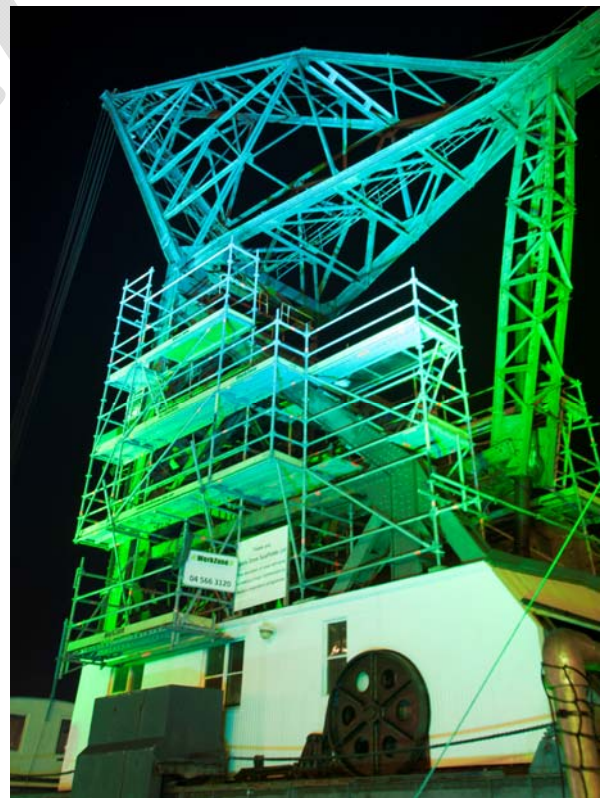
LUX lighting festival

The waterfront burst into evening light during this year's June festival. Wellington Waterfront sponsored Digital Wattle and hosted a number of other wonderful installations across the waterfront. This ever growing festival is sure to go from strength to strength.



Wellington Writers Walk

Wellington Waterfront assisted the Wellington Writers Walk committee install four new quotations across the waterfront. These were opened by WWW's patron, the Governor General, Sir Jerry Mataparae in March. The Writers Walk programme has been incredibly popular over many years and we were only too pleased to add to the ever-interesting and eclectic reflections that Wellington wordsmiths have to say about the waterfront and the City.



Projects

The overall Waterfront Project was recognised in the inaugural New Zealand Urban Design Awards held in Auckland in November 2012. We were pleased to receive a Highly Commended award in the Built Projects category for the overall Wellington waterfront project.

The citation for the award reads, in part:

'The waterfront is a series of spaces, moving from the more dense commercial uses with established streets and well defined public access...to the more relaxed and informal open spaces to the south-east. Along the way are a series of places and spaces with a variety of uses. Water has been reintroduced into parts of the site and a range of uses introduced including major public infrastructure, Te Papa being the most notable. The project has some strong environmental initiatives and the consistent palette of materials, street furniture and lighting unify the works over both space and time. The waterfront has been embraced by the community and enjoys high levels of activity.'

External validation of the work put in by the Wellington City Council, the WCC Technical Advisory Group, many consultants and developers over the years is always appreciated.

Projects progressed /completed during the year include:

Shed 5

A comprehensive refurbishment of Shed 5 was completed and has seen the introduction of a new and popular food and beverage facility on the waterfront – The Crab Shack – together with the retention of Wellington's iconic Shed 5 restaurant.

The internal and external works were undertaken within guidelines established in a Heritage Conservation Plan commissioned by the Waterfront Company prior to commencement of the refurbishment works.

Sites 9 & 10, Kumutoto

Development of a comprehensive North Kumutoto Design Brief and Open Space Masterplan were completed in November 2012. These documents were prepared in response to the Environment Court's rejection of District Plan Variation 11 and to inform developers as part of the Expressions of Interest and subsequent Request for Proposals campaigns managed by the Waterfront Company in early 2013.

At the time of writing, Wellington Waterfront has short-listed a number of developers who have presented exceptional options for the development of these two sites that will 'book-end' the northern area of the waterfront.

It is expected that decisions for the future development of these sites will be determined by the end of 2013.

Financial Review

The Project made a loss of \$1.369 million this year compared with a profit of \$55.984 million last year. The 2012 profit was primarily due to the detailed unbundling of fixed assets and a change in the valuation methodology which resulted in an extraordinary gain on revaluation of other land, buildings and infrastructure assets.

The 2013 operating loss before revaluation was \$5,292 compared to an operating profit of \$0.046 million in the previous year.

Operating revenue of \$5.172 million was \$3.043 million less than the previous year. The 2012 operating profit included a \$3.307 million profit on the sale of an asset. Operating revenue excluding the one-off gain would have been \$264,000 higher than in the 2012 financial year. This increase is primarily due to increased rental / use of facilities income, car park / motorhome park income and recoveries.

The vesting of the Nga Kina sculpture by the Wellington Sculpture Trust to the Project has resulted in vested assets income increasing by \$365,000.

Operating expenditure was \$0.829 million less than the previous year due to the unrealised gain on revaluation of investment and development properties. Without this unrealised gain, the operating expenditure for the 2013 financial year would be \$2.302 million more than the 2012 adjusted operating expenditure. This increase is almost entirely due to the increase in depreciation expense. This increase in depreciation expense is a result of the change in the valuation methodology undertaken in the 2012 financial year.

Liquidity

The Project's cash position at 30 June 2013 was \$910,000 compared with \$191,000 in 2012. The Project has a net working capital of \$1.746 million or a current ratio of 2.09.

An interest bearing advance of \$4.741 million was made to the Project by Wellington City Council.

This brings the total owing to Wellington City Council to \$19.741 million.

Summary

Special thanks go to our shareholder, the Wellington City Council, with whom we have a very constructive relationship. The Council has been totally supportive of our programme this year – one of maintenance, resilience and project development. The Council has provided the means for much of this incredibly capital intensive work to be undertaken – and to the highest of standards. The Board and Management are grateful to the guidance and financial support provided by our 100% shareholder.

Our small staff has worked especially hard this year in what continues to be difficult circumstances. We have had our fair share of setbacks and delays to our development programme – this requires a level of tenacity, perseverance and sheer grit that has been evidenced by all members of the team.

We have also lost two long standing members of the Waterfront 'family' to other opportunities. Kirstin Gardiner, our Financial Accountant, left us in March and Andrew Howie, Project Manager, left in June 2013.

We thank Kirstin and Andrew very much for their contribution to Wellington's waterfront and wish them well for the future.

A snapshot of our key performance indicators is shown overleaf.

We hope that Wellingtonians will continue to enjoy their waterfront. Concluding future work that has been in the pipeline for some years will ensure our penultimate year is an extremely busy one.

Robert Gray
Chair

Ian Pike
Chief Executive

Performance Targets and Other Measures for 2012/13

Performance Indicator	Measure	Result
Successful completion of the marketing of Shed 5, Queens Wharf	Long term lease entered into by Qtr 2	Target achieved; refurbishment works completed in Qtr 3; Shed 5 and The Crab Shack opened for trading in May 2013.
Transition site, Waitangi Park	Enter into a Memorandum of Understanding with Te Papa	Design and feasibility studies completed. Project currently on hold.
Wharf pile refurbishment, Queens Wharf	Complete stage 2 of these works within budget	Work completed under budget allowing additional wharf pile refurbishment to occur.
Asset Management and Business Continuity Plans	Complete identified improvement of these plans	Improvement Plan actions (p.103 AMP) completed. Phone based Application developed as part of the disaster recovery & business continuity plan.
Website	Refresh the WWL website and ensure all information is current, up to date and relevant	Board decision made to defer this work until 2013/14.
Jump Platform, Taranaki Street Wharf	Implement the delivery of the jump platform within the Circa cut-out space, on time and within approved budget	Platform delivered on time and on budget and to critical acclaim – recipient of two architectural awards.
Overseas Passenger Terminal, Waitangi Park	Complete the urban design proposal for the public space and achieve Technical Advisory Group sign-off	Public space design completed, resource consent granted, and construction agreement entered into.
Sites 9 & 10, Kumutoto	Upon completion of the revised North Queens Wharf Brief, call for expressions of interest for the development of these sites	Expressions of Interest and Requests for Proposal processes completed.
Maintenance Projects	Ensure waterfront-wide maintenance and infrastructure renewal is delivered to budgetary expectations	Achieved – significant projects include the refurbishment of the bascule and lagoon bridges, Frank Kitts Park lighting and Shed 5 roof.
Queens Wharf master planning	Investigate development options for Queen Wharf – including Sheds 1 & 6 and the TSB Bank Arena and make recommendation to WCC by Qtr4	Shed 6 nearing completion of conversion into temporary convention centre; plans for shed 1 developed; TSB Bank Arena plans deferred as part of shed 6 project.
Shared Services – WCC	Ensure fully integrated shared services platform is established and maintained	Platform embedded and post implementation review being conducted.
Revenue Maximisation	Maximise rental income streams through judicious asset management and by seeking additional revenue opportunities	Rental reviews completed; temporary events (eg ice skating rink) and new permanent licences (eg activities on Frank Kitts Park) resulted in unbudgeted revenue streams.
Events Management	Continue to work with WCC and WWL events team and develop for the waterfront.	Numerous events held on the waterfront including New Year celebrations, Hertz Rugby Sevens, Homegrown, Dragon Boating, Waitangi Day celebrations etc.

Financial	Manage our budget to ensure at year end:	The financial results for the year are:
	<ul style="list-style-type: none"> ▪ Waterfront Operating Costs \$6.227m ▪ Public Space Development \$2.666m ▪ Proceeds from Operating Receipts & Commercial Development \$5.494m ▪ Loan Finance Balance \$14.862m ▪ Wharf Repiling Loan Balance \$5.720m 	<ul style="list-style-type: none"> ▪ \$6.327m ▪ \$2.951m ▪ \$6.247m ▪ \$14.133m ▪ \$5.608m

DRAFT

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

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 (resigned June 2013)
Property Manager:	Allan Brown
Property Officer:	John Tiller
Financial Accountant:	Kirstin Gardiner (resigned March 2013) Sue Robbie (appointed April 2013)
Harbourside Market Managers:	Fraser Ebbett
Motorhome Park Managers:	Graham Owen James Freebairn (resigned February 2013)

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 2013 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 2013.

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

R Gray
Chair
..... 2013

D McCorkindale
Director

Audit Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Lambton Harbour Development Project's financial statements for the year ended 30 June 2013

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 [...] that comprise the statement of financial position as at 30 June 2013, 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 2013; and
 - financial performance and cash flows for the year ended on that date; and

Our audit was completed on [...] 2013. 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 of Wellington Waterfront Limited (the Board representing the Project) 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 Smail
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Lambton Harbour Development Project

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') is 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 Jervis 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.

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) Building (includes other improvements attached to this land), and infrastructure assets (includes utilities infrastructure, wharves, seawalls, bridges and other structures);
- (c) 'Other assets' comprising office equipment, computers, and plant and equipment used in the management of the Project.

Property (land, buildings & other improvements together with 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, public space improvements 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. Buildings and public space improvements together with 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.

Depreciation is provided on all property, plant and equipment, with the exception of land, investment properties and development properties. Depreciation is calculated on a straight line basis to allocate the cost or value of the asset over its estimated useful life.

The estimated useful lives of the major class of property, plant and equipment are as follows:

Land	unlimited
Buildings and public space improvements	10 to 75 years

Infrastructure assets	
- Major structures	14 to 105 years
- Utilities infrastructure	6 to 24 years
Other assets	3 to 5 years

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.

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. No shares have been sold in the current year (2011: 0).

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

There has been a change in the accounting policy in relation to the calculation of depreciation during the current year. Whereas depreciation was previously calculated on the basis of a mixture of diminishing value and straight line, depreciation has been calculated on a straight line basis only commencing from the beginning of last quarter of the current year. This policy change brings the Project's depreciation policy into alignment with the depreciation policy of the Wellington City Council.

All other accounting policies have been applied on a basis consistent with those used in prior years.

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 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 2013**

	Note	Actual 2013 \$000's	Budget 2013 \$000's	Actual 2012 \$000's
Income				
Lease income	3	4,556	4,009	4,385
Other income		596	560	511
Interest income		20	24	12
Sundry income	6	0	15	3,307
		<u>5,172</u>	<u>4,608</u>	<u>8,215</u>
Expenses				
Property costs	1	7,756	5,990	5,706
Public and commercial planning		317	600	322
Public activities and communication		44	55	33
Administration	2	1,384	1,365	1,377
Interest costs		947	1,048	708
Unrealised (gain) / loss on revaluation of investment and development properties	9	(3,558)	0	(427)
		<u>6,890</u>	<u>9,058</u>	<u>7,719</u>
Share of associate's surplus / (deficit)	7	<u>(16)</u>	<u>0</u>	<u>(23)</u>
Surplus/(deficit)		(1,734)	(4,450)	473
Other comprehensive income				
Gain/(loss) on revaluation - other land, buildings and infrastructure assets	10	0	0	55,511
Vested assets income		365	0	0
		<u>365</u>	<u>0</u>	<u>55,511</u>
Total comprehensive income		<u>(1,369)</u>	<u>(4,450)</u>	<u>55,984</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 CHANGES IN EQUITY
 FOR THE YEAR ENDED 30 JUNE 2013

	Note	Actual 2013 \$000's	Budget 2013 \$000's	Actual 2012 \$000's
Opening equity as at 1 July		210,056	210,056	152,997
Surplus/(deficit)		(1,734)	(4,450)	473
Other comprehensive income		<u>365</u>	<u>0</u>	<u>55,511</u>
Total comprehensive income		(1,369)	(4,450)	55,984
Contribution from owner - Wellington City Council		1,075	1,075	1,075
Change of equity in associate due to change in shareholding during the year	7	<u>0</u>	<u>0</u>	<u>0</u>
Balance as at 30 June		<u>209,762</u>	<u>206,681</u>	<u>210,056</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
FOR THE YEAR ENDED 30 JUNE 2013**

	Note	Actual 2013 \$000's	Actual 2012 \$000's
Current assets			
Cash and cash equivalents	4	910	191
Trade and other receivables	5	536	691
Prepayments		1,904	1,216
Property intended for realisation	6	0	0
		<u>3,350</u>	<u>2,098</u>
Non-current assets			
Investment in associate	7	901	917
Investment and development property	9	49,288	45,730
Property, plant and equipment	10	167,531	168,664
Intangible assets	11	27	48
Term receivables	12	11,229	10,983
		<u>228,976</u>	<u>226,342</u>
Total assets		<u><u>232,326</u></u>	<u><u>228,440</u></u>
Current Liabilities			
Trade and other payables	13	1,364	1,700
Deferred income	15	156	199
Retentions and bonds	14	84	110
		<u>1,604</u>	<u>2,009</u>
Non-Current Liabilities			
Term liabilities - WCC Loan		19,741	15,000
Deferred income	15	1,219	1,375
		<u>20,960</u>	<u>16,375</u>
Equity			
Wellington City Council	16	139,196	139,490
Asset revaluation reserve	16	70,566	70,566
		<u>209,762</u>	<u>210,056</u>
Total funds employed		<u><u>232,326</u></u>	<u><u>228,440</u></u>

The accompanying notes form part of these financial statements.

**LAMBTON HARBOUR DEVELOPMENT PROJECT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013**

	Note	Actual 2013 \$000's	Actual 2012 \$000's
Cash flows from operating activities:			
<i>Cash was provided from:</i>			
Receipts from customers		5,327	4,310
Interest received		20	12
Net goods and services tax received (paid)		175	6
<i>Cash was disbursed to:</i>			
Payment to suppliers		(9,545)	(4,259)
Net cash flows generated (to)/from operating activities	19	<u>(4,023)</u>	<u>69</u>
Cash flows from investing activities:			
<i>Cash was provided from:</i>			
Sale of shares		0	0
Sale of property, plant and equipment/leasehold interest		0	0
<i>Cash was disbursed to:</i>			
Purchase of property, plant and equipment		0	(4,809)
Purchase of intangible assets		0	0
Net cash flows from investing activities		<u>0</u>	<u>(4,809)</u>
Cash flows from financing activities:			
<i>Cash was provided from:</i>			
Wellington City Council equity contributions		0	0
Wellington City Council loan contributions		4,741	4,000
<i>Cash was disbursed to:</i>			
Repayment of Wellington City Council loan		0	0
Net cash flows from financing activities		<u>4,741</u>	<u>4,000</u>
Net increase/(decrease) in cash held		718	(740)
Cash at the beginning of the year		191	931
Cash at the end of the year		<u>909</u>	<u>191</u>
Represented by:			
Cash		909	931
Short term deposits		0	0
Total cash and cash equivalents	4	<u>910</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.

The accompanying notes form part of these financial statements.

**LAMBTON HARBOUR DEVELOPMENT PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

Note	2013 \$000's	2012 \$000's
1 Property costs		
<i>Depreciation</i>		
- Other land improvements and buildings	4,083	2,009
- Other assets	38	35
Amortisation	21	30
Other property costs	3,614	3,632
Total property costs	7,756	5,706
2 Administration expense		
Audit fees	36	41
Bad debts written off	3	0
Other administration expenses	1,345	1,336
Total administration expenses	1,384	1,377
During the year ended 30 June 2013 donations totalling \$1,000 were made (2012: \$540)		
3 Lease income		
Rental income	2,742	2,491
Use of facilities	31	155
Car park rental	1,699	1,603
Wharf licence	84	112
Sundry	0	24
Total lease income	4,556	4,385
4 Cash and cash equivalents		
Cash at bank and on hand	910	191
The carrying value of cash and cash equivalents approximates the fair value		
5 Trade and other receivables		
Accounts receivable	357	691
Less: provision for impairment / doubtful debts	0	0
	357	691
GST receivable	179	0
Total trade and other receivables	536	691
Analysis of trade and other receivables:		
Not past due	182	182
Past due 0-3 months	45	433
Past due 3-6 months	75	0
Past due more than 6 months	55	76
Total trade and other receivables	357	691

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 2013, \$12,900 or 3.6% (2012: \$233,000 or 34%), is owed from Wellington City Council. There is no concentration of credit risk with respect to receivables outside Wellington City Council, as the Project has a number of customers.

**LAMBTON HARBOUR DEVELOPMENT PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

Note	2013 \$000's	2012 \$000's
6 Property intended for realisation		
Land		
Land - opening balance	0	5,687
Less: sale of commercial property	<u>0</u>	<u>(8,240)</u>
	<u>0</u>	<u>(2,553)</u>
Buildings		
Buildings - opening balance	0	1,681
Less: sale of commercial property	<u>0</u>	<u>(2,435)</u>
	<u>0</u>	<u>(754)</u>
Total gain on realisation	<u>0</u>	<u>3,307</u>
Total property intended for realisation	<u>0</u>	<u>0</u>
7 Investment in associate		
The Project holds shares in Chaffers Marina Holdings Limited (Chaffers) as bare trustee on		
Share of surplus/(deficit) before tax	(16)	(23)
Share of movement in asset revaluation reserve	0	0
Equity accounted movement in associate	<u>(16)</u>	<u>(23)</u>
Share of equity at beginning of year	(428)	(428)
Change of equity due to the change in shareholding during the year	0	0
Total change in equity since acquisition	<u>(451)</u>	<u>(428)</u>
Shares at beginning of year	1,342	1,342
Change in shares during the year	0	0
Call option	26	26
Change in call option during the year	0	0
Total investment in associate	<u>901</u>	<u>917</u>

Associate	Assets 2013 \$000	Liabilities 2013 \$000	Revenues 2013 \$000	Surplus/ (Deficit) 2013 \$000
Chaffers Marina Holdings Limited	<u>6,022</u>	<u>1,248</u>	<u>850</u>	<u>(136)</u>
	2012 \$000	2012 \$000	2012 \$000	2012 \$000
Chaffers Marina Holdings Limited	<u>6,007</u>	<u>1,095</u>	<u>862</u>	<u>(264)</u>

The Project's interest in Chaffers Marina Limited of 11.45% (2012: 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.

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.

**LAMBTON HARBOUR DEVELOPMENT PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

Note	2013 \$000's	2012 \$000's
9 Investment and development property		
Investment property - at valuation		
Investment land at valuation - opening balance	9,666	9,955
Wharf repiling costs	0	0
Revaluation movement	190	(898)
Reclassification ex other Land/buildings	0	583
Reclassification to other investment and development properties	0	26
Investment land at valuation - closing balance	<u>9,856</u>	<u>9,666</u>
Investment buildings at valuation - opening balance	6,269	5,745
Additions	0	0
Capitalised costs from work in progress	0	6
Revaluation movement	1,518	432
Reclassification to other investment and development properties	0	86
Investment buildings at valuation - closing balance	<u>7,787</u>	<u>6,269</u>
Total investment property - at valuation	<u>17,643</u>	<u>15,935</u>
Development property - at valuation		
Development land at valuation - opening balance	27,955	28,850
Additions	0	0
Capitalised costs from work in progress	0	0
Revaluation movement	3,599	157
Reclassification to other investment and development properties	0	28
Reclassification to other Land/buildings	0	(1,080)
Development land at valuation - closing balance	<u>31,554</u>	<u>27,955</u>
Development buildings at valuation - opening balance	1,840	1,230
Additions	0	0
Capitalised costs from work in progress	0	14
Revaluation movement	(1,749)	736
Reclassification to other investment and development properties	0	(140)
Development buildings at valuation - closing balance	<u>91</u>	<u>1,840</u>
Total development property - at valuation	<u>31,645</u>	<u>29,795</u>
Total investment and development property	<u>49,288</u>	<u>45,730</u>
Unrealised gain / (loss) on revaluation of investment and development properties		
Revaluation movement - Investment property land	190	(898)
Revaluation movement - Investment property buildings	1,518	432
Revaluation movement - Development property land	3,599	157
Revaluation movement - Development property buildings	(1,749)	736
Total unrealised gain / (loss) on revaluation of investment and development properties	<u>3,558</u>	<u>427</u>
Wharf repiling costs - Investment and development property		<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. The costs incurred to date to repair/replace the wharf piles have been reflected in the Work in Progress balance.

LAMBTON HARBOUR DEVELOPMENT PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note	2013 \$000's	2012 \$000's
9 Investment and development property (continued)		
The investment (and development) properties earned ground leases of \$x,xxx,xxx (2012: \$3,053,063). 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.		
Direct operating expenses of investment properties		
- From investment properties that generated income	0	773
- From investment properties that did not generate income	0	0
10 Property, plant & equipment		
Other land, buildings and infrastructure assets - at valuation		
Other land at valuation - opening balance	39,712	46,436
Capitalised costs from work in progress	0	0
Reclassification of assets	0	7,601
Revaluation movement	0	(14,325)
Other land at valuation - closing balance	<u>39,712</u>	<u>39,712</u>
Other buildings & infrastructure assets at valuation - opening balance	126,505	61,754
Less accumulated depreciation	(2,009)	0
Total other buildings & infrastructure assets - opening balance	<u>124,496</u>	61,754
Additions	0	0
Depreciation expense	(4,083)	(2,009)
Capitalised costs from work in progress	2,433	1,228
Reclassification of assets	0	(6,302)
Assets written off	0	(11)
Revaluation movement	0	69,836
Other buildings and infrastructure assets at valuation - closing balance	<u>122,846</u>	<u>124,496</u>
Other land, buildings and infrastructure assets at valuation - closing balance	<u>162,558</u>	<u>164,208</u>
Other assets - at cost		
Other assets - at cost - opening balance	2,350	3,166
Less accumulated depreciation	(1,922)	(1,887)
Total other assets - opening balance	<u>428</u>	1,279
Additions	365	0
Reclassification of assets	0	(802)
Assets written off	0	(14)
Depreciation expense	(38)	(35)
Capitalised costs from Work in Progress	155	0
Other assets at cost - closing balance	<u>910</u>	<u>428</u>
Work in progress		
Work in progress - at cost - opening balance	4,028	935
Additions	2,624	4,342
Capitalised to property, plant and equipment, and investment and development property classes	(2,589)	(1,249)
Work in progress - at cost - closing balance	<u>4,063</u>	<u>4,028</u>
Total property, plant & equipment	<u>167,531</u>	<u>168,664</u>

LAMBTON HARBOUR DEVELOPMENT PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note	2013 \$000's	2012 \$000's
10 Property, plant & equipment (continued)		
Unrealised gain / (loss) on revaluation of other land, buildings, and infrastructure assets		
Revaluation movement - Other land	0	(14,325)
Revaluation movement - Other buildings	0	69,836
Total unrealised gain / (loss) on revaluation of other land, buildings, and infrastructure assets	0	55,511
Wharf repiling costs - Other land and buildings		5,150

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. The costs incurred to date to repair/replace the wharf piles have been reflected in the Work in Progress balance.

11 Intangible assets

	Software \$000's	Website \$000's	Total \$000's
Gross carrying amount			
Balance at 30 June 2012	40	62	102
Additions	0	0	0
Sales/transfers	0	0	0
Balance at 30 June 2013	40	62	102
Accumulated amortisation			
Balance at 30 June 2012	23	31	54
Amortisation expense	4	17	21
Disposals	0	0	0
Balance at 30 June 2013	27	48	75
Net carrying amount			
At 30 June 2012	17	31	48
At 30 June 2013	13	14	27

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

12 Term receivables

Lease inducements	554	308
Sale proceeds - commercial property	10,675	10,675
Total term receivables	11,229	10,983

13 Trade payables

Creditors	0	155
GST Payable	0	19
Accrued expenses	1,342	1,485
Other payables	22	41
Total trade payables	1,364	1,700

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

81

100

Bonds held on hireage venues

3

10

Total retentions and bonds

84

110

**LAMBTON HARBOUR DEVELOPMENT PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

Note	2013 \$000's	2012 \$000's
15 Deferred income		
Current	156	199
Non-current	1,219	1,375
Total deferred income	1,375	1,574
16 Equity		
<i>Shareholder funds & retained earnings</i>		
Opening balance at 1 July	139,490	137,942
Net surplus/(deficit)	(1,734)	473
Vested assets income	365	0
Contribution from Wellington City Council	1,075	1,075
Total shareholder funds & retained earnings	139,196	139,490
<i>Asset revaluation reserve</i>		
<i>Marina</i>		
Opening balance at 1 July	52	52
Realised during the year	0	0
Closing balance at 30 June	52	52
<i>Other land, buildings & infrastructure assets reserve</i>		
Opening balance at 1 July	70,514	15,003
Increase/(decrease) on revaluation	0	55,511
Closing balance 30 June	70,514	70,514
Total asset revaluation reserve	70,566	70,566
17 Contingent asset and Contingent liability		
There are no contingent assets (2012: \$Nil) or contingent liabilities (2012: \$Nil) at balance date.		
18 Contractual commitments		
<i>Capital Commitments</i>		
As at 30 June 2013 there were contractual commitments to a value of \$3,013,000 not		
<i>Operating Commitments</i>		
<u>Non-cancellable operating lease commitments - as lessee</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	182	762
Later than one year and not later than five years	0	182
Later than five years	0	0
Total non-cancellable operating lease commitments - as lessee	182	944
The project expects to recover an estimated \$174,000 (2012: \$791,000) 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	1,711	2,268
Later than one year and not later than five years	4,189	2,419
Later than five years	1,061	4,542
Total non-cancellable operating lease commitments - as lessor	6,961	9,229

**LAMBTON HARBOUR DEVELOPMENT PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

Note	2013 \$000's	2012 \$000's
19 Reconciliation of net surplus with net cash flows from operations		
Net surplus / (loss) attributable to Wellington City Council	(1,734)	473
<i>Add / (less) non cash items and non-operating items</i>		
Depreciation		2,044
Amortisation		30
Wellington Waterfront Limited Fee*		1,075
Profit on sale of assets		(3,307)
Assets written off		25
Share of associate's deficit		23
Assets revalued		(427)
	<u> </u>	<u> </u>
		(64)
<i>Add / (less) movements in working capital items relating to operations</i>		
Accounts receivable		(342)
Prepayments		(107)
Accounts payable		795
Retentions and bonds		(12)
Deferred income		(201)
Net cash flows from operating activities	<u> 0</u>	<u> 69</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.

20 Financial Instruments

Categories of financial instruments

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

Loans and receivables

Cash and cash equivalents	910	191
Debtors and other receivables	536	691
<i>Total loans and receivables</i>	<u> 1,446</u>	<u> 882</u>

Financial liabilities

Trade and other payables	1,364	1,700
Loans from WCC	19,741	15,000
<i>Total financial liabilities</i>	<u> 21,105</u>	<u> 16,700</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 AA- as determined by Standard & Poor's Rating Services and a credit rating Aa3 as determined by Moody's Investors Service on 30 June 2012.

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.

**LAMBTON HARBOUR DEVELOPMENT PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

Note	2013 \$000's	2012 \$000's	
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.			
22 Related parties			
<i>Wellington City Council</i>			
Wellington City Council has 100% equity in the Project.			
Net amount received from Wellington City Council during the year was:	554	491	
Net amount paid to Wellington City Council during the year was:	(1,026)	(1,290)	
Amount received relating to Wellington Waterfront management fee:	1,075	1,075	
Net amount owed by Wellington City Council at 30 June was:	10	233	
Net amount owed to Wellington City Council at 30 June was:	(993)	(798)	
On loan from Wellington City Council	19,741	15,000	
<i>Wellington Waterfront Limited</i>			
Land, buildings, infrastructure and leasehold interests in land within the Lambton Harbour Development Area are held by Wellington Waterfront Limited as bare trustee for Council and are included in these financial statements. Other assets and liabilities of Wellington Waterfront Limited 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 Wellington City Council as a management fee for managing the Project (2012: \$1,075,000). 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 (2012: \$1,000). The advance is repayable on demand.			
<i>Chaffers Marina Holdings Ltd</i>			
Net amount received from Chaffers Marina Holdings Ltd during the year was:	76	114	
Net amount paid to Chaffers Marina Holdings Ltd during the year was:	(78)	(48)	
Net amount owed by Chaffers Marina Holdings Ltd at 30 June was:	0	12	
Net amount owed to Chaffers Marina Holdings Ltd at 30 June was:	0	(3)	
Amounts due on marina berth sales are secured over Chaffers Marina Holdings Limited shares.			
23 Explanation of major variances against budget			
<i>Statement of comprehensive income</i>			
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)	(1,734)	(4,450)	2,716
Adjust for non budgeted items:			
- unrealised gain on revaluation of Investment Properties	3,558	0	3,558