

A Year In Review

Lambton Harbour Development Project

Annual Report – 2006

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

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



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From the Chair

This year, Wellington's waterfront experience has been enriched and intensified, as public space concepts were realised and fresh ideas advanced. Public feedback tells us that Wellingtonians are enthusiastic about these enhancements and believe they are strengthening the waterfront's attraction as an interesting and exciting destination.

Public feedback

Wellington Waterfront Limited (WWL) commissions an annual survey of Wellingtonians from independent consumer research specialists. This year's survey, by UMR Research, provided strong confirmation of the strategy and project execution adopted by WWL. I am particularly pleased that:

- 95% said it was a place to which they were proud to bring friends and relatives
- 86% said it was a more interesting and exciting place to visit than it was 5 years ago (up from 76% a year ago)
- 75% agreed that the public space developments so far have been money well spent.

Wellington Waterfront Limited also received high ratings for its achievements so far towards its objective to develop a waterfront that caters for a wide range of activities, and that is accessible.

As well as formal research, we also receive substantial informal feedback from Wellingtonians who give us bouquets (and occasional brickbats) about our delivery.

We welcome all the feedback we get. It helps us check that we are on track and to identify areas where we can improve our game.



The team at Wellington Waterfront Limited works hard to balance the competing

Within the Taranaki Street Wharf Precinct, a newly refurbished and invigorated Odlin Building has been revealed to become the NZX Centre, with offices and apartments, bringing more life to the waterfront. Its neighbour, the Wellington Free Ambulance Building, had its facelift completed and is now home to mixed uses of office and hospitality spaces.

The waterfront's past is now being re-told in detail with a heritage trail of beautifully designed signposts, unveiled during the year along the length of the promenade.

Construction projects underway

Construction work also began this year on the striking, environmentally-sustainable "green" building on Site 7 in the Kumutoto Precinct. References to the area's history as well as greater access to the water's edge are being incorporated into the design of the sheltered, intimate open space that will be developed around the building over the next year.

Within the Waitangi Precinct, work on the conversion of the former Herd Street Post Office into the Chaffers Dock high quality apartment and retail complex continued throughout the year and is nearing completion.

Consultation and collaboration

In the surveys mentioned earlier, Wellingtonians told us that the waterfront has a "holiday atmosphere". They say this can be seen in the many ways people find to relax on the waterfront and also in the events, nightlife and other activities that bring it alive. At Wellington Waterfront we're doing all we can to celebrate this atmosphere and ensure all new developments contribute towards it.

Any waterfront development comes about as a result of collaboration and consultation with many communities of influence and interest. On most occasions, developments run smoothly with everyone working towards the achievement of a common goal. However, like any relationship, there has to be a degree of give and take and, occasionally, the parties do not agree.

The team at WWL works hard to balance the competing interests over waterfront developments. We recognise the fervour that Wellingtonians feel about this precious area of the city and, while listening to all sides of the (frequent!) debates, take our guidance from the Waterfront Framework, from internationally benchmarked design and from the substantial and objective public opinion surveys that we commission from an independent agency.



interests over waterfront developments.

Financial performance

Costs in the construction market have continued to rise dramatically, adding to already tight budgets for the development of the public space. The highly publicised increase in the cost of Waitangi Park was a demonstration of the tension between quality delivery and a limited budget.

Current budget projections of the cost of all the public space on the waterfront show that the Council's overall contribution of \$15 million will stretch to only a quarter of the estimated \$60 million to redevelop to the standard required.

So far, WWL has been able to manage within our overall budget, offsetting cost increases by negotiating favourable commercial arrangements for development sites. It is our intention to continue to do this, but it is important that the community understands the financial constraints under which we operate.

Governance

The Board welcomed its newest member in January this year. Michael Cashin, an experienced director, was appointed as Deputy Chair for a period of one year to provide additional expertise during this busy development period.

My thanks to the Board and the staff for their continued commitment during what has been arguably the biggest year of delivery in the existence of the company.

I am delighted to continue to lead this committed and forward thinking organisation. It is set to make further progress in the forthcoming year.



Fran Wilde
Chair



Chief Executive's Report

'Progress' and 'innovation' are the two words which best describe WWL's delivery and development of the waterfront experience this year.

Waitangi Precinct

Completed

The supremely innovative Waitangi Park has been embraced by Wellingtonians with hundreds of thousands of visitors using the park for numerous activities since it was opened to the public in February.

During February and March, the New Zealand International Arts Festival chose Waitangi Park as its vibrant hub, making the park come alive for 24 days and nights. The park proved its versatility and capacity as it accommodated the tremendous 'Les Arts Sauts' inflatable

Families flock to the park so kids, from tots to tweens,

dome, the National Bank Festival Club cabaret venue and outdoor staging for free public concerts. The pathways through the park became a meandering outdoor art gallery showcasing the magnificent *Earth From Above* exhibition.

The region's skateboarders, trick cyclists and in-line skaters make daily (and nightly!) use of Waitangi Park's state-of-the-art skate park. The skate bowl has been declared world class and the whole facility dubbed one of the best in the country.

Families flock to the park so kids, from tots to tweens, can enjoy the imaginative children's play garden. In fact, the playground had to open early due to demand from parents and children.

Despite all the buzz and excitement at its edges, the park also provides a tranquil respite from urban life. Many people enjoy relaxing in the field or beside the wetlands with friends, a good book or a packaged lunch.

Under development

The transformation of the down-at-heel Herd Street post office building into a modern and stylish apartment and retail complex, continued throughout the year. The Mahoney Corporation development, now called Chaffers Dock, will house 64 apartments on the upper five levels and a mix of retail and food and beverage outlets at ground level. Beneath a glass atrium ceiling, the ground floor will connect Waitangi Park with the waterfront promenade and provide shade and shelter for park users.

On the drawing board

Overseas Passenger Terminal

Following a rigorous evaluation and selection process, WWL chose Willis Bond and Company Ltd's proposal for the development of the Overseas Passenger Terminal and Clyde Quay Wharf.

The concept for the development is for apartments on the upper levels with space for marina services, restaurants and bars, functions facilities and boutique spaces for interactive retail uses.

The key heritage values of the wharf and building are being retained in some form within the design.

Car parking for marina users, ground floor tenants and the public will be accommodated, either on-site or elsewhere within the Precinct. Car parking for the apartment dwellers will be contained within an ingenious car park slung beneath the wharf, and at the northern-most end of the wharf at ground level.

Age and the harsh marine environment have brought the wharf into serious need of repair. The estimated \$10 million cost would be absorbed by Willis Bond as part of the costs of redevelopment.

The concept has been presented to the City Council and received approval from the Waterfront Development Subcommittee. It now awaits approval from the full Council to enable WWL to enter into a ground lease with Willis Bond and a head lease over the ground floor.



can enjoy the imaginative children's play garden.

75%
of Wellingtonians say
waterfront developments
so far have been money
well spent*

WWL has spent \$25.7 million over the past 3 years on the development of public space – of this only \$4 million (15.5%) has come from WCC. The balance is met from other income, the majority coming from proceeds from commercial arrangements.

International Architectural Design Competition

Wellington Waterfront Ltd invited some of the world's most renowned architecture firms to submit concepts for those building sites that are an integral part of the winning Waitangi Park design.

Wellington was exceptionally lucky to have a high level of interest from leading architects within New Zealand and internationally. The concepts selected were popular with the 3,000 members of the public who visited a special exhibition of the entries held prior to the judging phase.

A judging panel led by respected architect Professor John Hunt, assessed each of the five finalists.

The winners are John Wardle Architects (Melbourne), for two sites adjacent to the Overseas Passenger Terminal, and UN Studio (Amsterdam) for the site in the lee of Te Papa.

The Wardle design offers significant advantages for the public in providing shelter, invitation and human scale, with a strong relationship to the water. The design concept will enhance public enjoyment and experience of Waitangi Park, as well as providing a link between the park with its current buildings and the Overseas Passenger Terminal.

The UN Studio concept offers a sculptural external form, a dramatic threshold between Te Papa and Waitangi Park and an exceptional contemporary interior.

The concepts were presented to and approved by the Waterfront Development Sub-committee. These concepts are just the beginning of a process of development and require further consultation and feasibility study.



Views through the area will be improved, either by creating new views or better

Taranaki Street Wharf Precinct

Completed

NZX Centre

The Odlin building has been spruced up by developer Willis Bond and Co and reinvigorated as the NZX Centre, home to New Zealand's stock exchange together with corporate offices. The eye is drawn to the building by the colourful electronic banner that partially encircles it, giving real-time updates on individual share prices. The building is the embodiment of the Wellington waterfront 'live, work and play' ethos with apartments on the top floor, the stock exchange and other offices in the middle and the ground floor soon to be occupied as a restaurant and bar venue.

Wellington Free Ambulance Building

Since its construction in the 1930s as a home for Wellington's Free Ambulance Service, this fine example of Art Deco architecture has had a variety of incarnations in recent years, as a night club, a theatre and an events venue. In 2005-06 it underwent a complete refurbishment inside and out by Willis Bond and Co and now features boutique office space on the upper levels and a restaurant and bar soon to be opening on the ground floor.

Obtaining Consent

Resource consent applications were lodged for proposals to create a unique corner of the waterfront that acknowledges Wellington's past, gives expression to its Maori cultural dimension and creates a safe, sunny and fun place for people to relax or play. The applications were granted during the 2005-06 year.

Public space enhancement

New, gently sloping grassed lawns and beach will offer comfortable, sunny, relatively-sheltered areas of open space, accessible to all. Views through the area will be improved, either by creating new views or better framing those that currently exist. The enhancements will also make the area safer by opening up the environment visually, encouraging greater use throughout the day and into the evening and better lighting. A gentle slope will provide elevated viewing of lagoon activities.

Wellington Waterfront Ltd was unhappy with some of the consent conditions regarding vehicle access and parking for the two neighbouring rowing clubs and lodged an appeal with the Environment Court. The appeal was lodged on the basis that these conditions were unfair to other waterfront users, having the potential to compromise access and safety, and were unworkable given the confines of the site.

Following an Environment Court mediation process with the rowing clubs, a compromise was reached with the new arrangements written into formal lease agreements between WWL and each club.

Maori cultural building

The proposal for this development will increase the Maori presence on the waterfront, in line with the Wellington Waterfront Framework. The design of a wharewaka, housing waka and other related activities will increase opportunities for Wellingtonians and visitors to interact with the local Maori cultural experience and will complement other Maori facilities within the city (e.g. Pipitea Marae and Te Papa).

Developer of the proposal, The Wellington Tenth Trust, is working with WWL and the Wellington City Council on refining the concept to enable waka to be accessed from land or sea and create an active, busy environment that showcases a thriving and vibrant waka culture.



framing those that currently exist.

49%
of Wellingtonians say
they visit the waterfront
at least once a week*

The waterfront is an important pedestrian and cycle-friendly thoroughfare with 23,000 Wellingtonians using it to get to work each day and is the city's biggest gym with 100,000 Wellingtonians saying they go to the waterfront to exercise.

Frank Kitts Park Precinct

Completed

A kinetic water sculpture designed by the late creative genius, New Zealand sculptor and film maker Len Lye, was built by an engineer from the Len Lye Foundation and installed on a specially designed pier off the northern end of the Frank Kitts Park promenade.

Since it was officially opened in March 2006, the *Water Whirler* has captivated waterfront visitors of every age and interest as it bends and twirls, in a crazily choreographed dance, creating artistic designs out of millions of droplets of water.

The Wellington Sculpture Trust also collaborated with the Len Lye Foundation and WWL on this project.

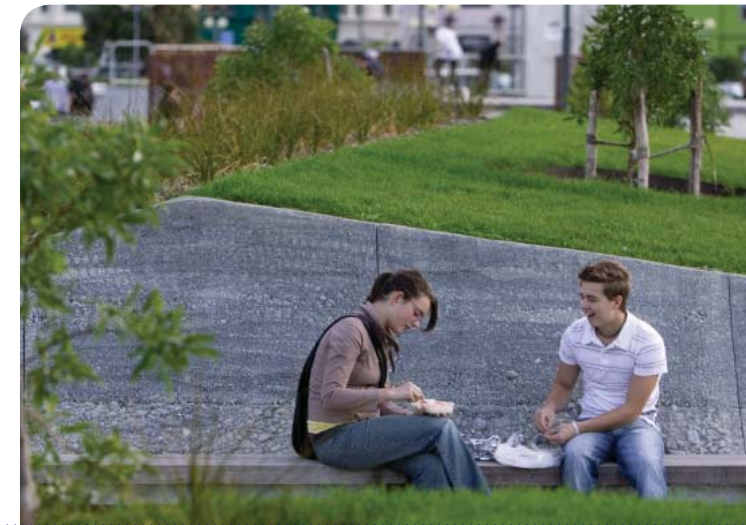
Queens Wharf Precinct

Seeking consent

The backers of a proposal to build a Hilton Hotel on the outer-T of Queens Wharf lodged their application in December 2005 to the Greater Wellington Regional Council for resource consent to go ahead with the project.

It was with deep sadness that we mourned the passing of the project's long-time champion George Middleditch, who passed away after a long illness just before the hearing began in July.

In mid-September 2006 resource consent was granted.



In the pursuit of continuous improvement, WWL joined the New Zealand Business

Kumutoto Precinct

Under development

Site 7

New Zealand's 'greenest' commercial building is currently under construction on Site 7 of the Kumutoto Precinct.

Giving the illusion of a transparent building floating above the water and using the principles of Environmentally Sustainable Design, the Studio of Pacific Architecture has created a stunning design that when complete, will use 60% less energy and 70% less water than comparable buildings, while providing an outstanding working environment.

These features enabled us to secure blue chip tenant the Meridian Energy corporate office, for the building's upper three levels, and attract property investor Dominion Funds Ltd to purchase the development opportunity - proving good environmental principles and commercial imperatives are not mutually exclusive.

The building will contain public attractions and activities on the ground level and office space on the upper levels. This mix of use combines city vitality with sea air and will bring people into the area and support vibrant, safe, 24-hour use of the waterfront. To this end, WWL has taken a head lease over the ground floor of the building.

Kumutoto Plaza and Wharf Plaza

As part of the complete redevelopment of the Kumutoto Precinct, construction of two new areas also began this year: Kumutoto Plaza and the Wharf Plaza will feature top quality landscape design from some of New Zealand's leading landscape and architectural designers.

Organisational capability and capacity

In the pursuit of continuous improvement, WWL joined the New Zealand Business Excellence Foundation and adopted its best practice business framework. Our systems and processes were scrutinised by the Foundation using

its assessment criteria. We were delighted with the results which showed we are operating at a level more than 50% better than comparable businesses of similar size, using the same assessment criteria.

At the request of WWL, Audit New Zealand undertook a review of how the process for awarding the construction contract of Waitangi Park was managed. Their report highlighted a number of deficiencies in some of the project management and decision-making made by WWL at the time. Prior to receiving the report, we had also reviewed our practices and made a range of changes that have rectified the deficiencies identified by the Audit New Zealand report. We are satisfied our processes are robust and meet industry standards.



Excellence Foundation and adopted its best practice business framework.

72%
of Wellingtonians say
the waterfront has
a good balance
between public and
private spaces*

75% of the waterfront is public open space and 98% of the land area (including the ground floors of buildings) is publicly accessible.

During the year we had a few additions and alterations to our staff line up. Receptionist Ana Easton left for her OE in July. In August, long-serving project and development manager John Karl resigned to take up the project management of a huge development in Dubai. His departure was quickly followed by the arrival of Chris Fox as Corporate Manager. In November we welcomed Project Manager Andrew Howie to the team. In February we were joined by Receptionist Sophea Saing and in April 2006, Kirstin Gardiner took up a permanent role as Accountant.

Delivering the waterfront experience

Maintaining and enhancing the delivery of the current waterfront experience is a priority for WWL. It is, after all, how Wellingtonians judge the attractiveness of the waterfront as a destination and measure our performance as its manager.

Property management

Wellington Waterfront Ltd's property portfolio includes 70 leases and licences. We are also responsible for the day to day management of the waterfront, maintenance, cleaning and security.

Each year we survey the waterfront community to gauge their satisfaction of our performance as manager and/or landlord on the waterfront. Overall, the results were positive and trending upwards, but we continue to work to improve our communication and service delivery.

A key WWL asset, the Queens Wharf Events Centre had a name change to the TSB Bank Arena. We were very pleased to announce this agreement; TSB Bank is a successful, New Zealand-owned operation, recognised for its commercial acumen as well as its high levels of customer satisfaction. We think these attributes are a great fit with the waterfront experience.

The new name, TSB Bank Arena, is also a reflection of the new life recently breathed into the venue. Both WWL and the Wellington City Council have invested significantly in upgrading it by extending seating capacity and improving back-of-house facilities.

Throughout the year, we undertake many routine maintenance projects. The largest of these was some under-wharf repairs on the Kumutoto Tug Wharf. This involved the closure of the wharf – a major thoroughfare for commuters – for about 3 weeks. The work was completed without a hitch and pedestrians and cyclists managed to successfully negotiate the alternative route through the area with no problems.

This research enables us to track our performance and ensure our activities are

Events

Part of the excitement and colour of Wellington's waterfront is derived from the huge range of events and activities held outdoors or in various venues, throughout the year.

A major highlight this year was the inaugural hosting of the World of Wearable Arts (WoW) in the Queens Wharf Events Centre (now known as TSB Bank Arena). This international class event, held over two weeks, attracted audiences in the thousands, many of whom were from out of town, and we were delighted to welcome them to the waterfront. We also worked hard behind the scenes with the WoW crew ensuring they had the space and resources to be able to house the many gorgeous outfits and rehearse the complex shows.

Once again, the waterfront played a key role as the backdrop for many New Zealand International Arts Festival events and shows. As already mentioned, Waitangi Park was the place to be for the Festival. We also enjoyed hosting the 'Les Arts Sauts' international school in our company board room for a month, so that the children of the performers and crew could continue their lessons. They were more than happy with their school playground – all 20 hectares of it!

Another huge event on the waterfront was the World Press Photo Exhibition. According to our survey of Wellingtonians, this single exhibition attracted 22% of the city's population. That's not counting the many people who journeyed to see the exhibition from elsewhere within the region and beyond.

The Vodaphone X-Air Games also attracted huge audiences again, drawing massive crowds to its various events around the waterfront.

Once again, Wellington showed its hospitality to international yachties, this year hosting a short stop-over of the famous Volvo Ocean Race. Despite only being here for two days, Wellingtonians came out in numbers to see the boats and crews at Queens Wharf and gave them an enthusiastic send off on the next leg of their journey around the world.

Communications

Good communications should be two way and WWL makes a great deal of effort to communicate with its audiences throughout the year.

What the people say

Each year, WWL commissions independent research to survey Wellingtonians about their use of the waterfront, their satisfaction with their experiences and to determine any issues of concern or areas that could be improved. This research enables us to track our performance and ensure our activities are measuring up to expectations.

Throughout this document, highlights from the quantitative aspect of the research are featured. However, a further qualitative dimension was added through the use of focus groups. One of the aims of this qualitative research was to explore Wellingtonians' views about what made the waterfront special.



measuring up to expectations.

86%
of Wellingtonians say
the waterfront is a more
interesting and exciting
place to visit than it
was 5 years ago*

In the past 5 years the waterfront has added 3 new sculptural features, 23 new businesses (including 7 new food and beverage outlets), 62 more events and 6 hectares of new park and playground.

The key distinction, backed up by earlier research we have conducted, is that the waterfront is a relaxing haven from the hustle and bustle of everyday life while at the same time being a buzzy, exciting environment. This seeming contradiction was neatly summed up as the waterfront's 'holiday atmosphere'.

This 'holiday atmosphere' theme has been incorporated into the branding for the waterfront and is used throughout WWL's marketing.

Keeping everyone up to date

As a key city asset there are many parties with an interest in our activities and proposals for the waterfront's development. Keeping stakeholders up to date requires the use of a range of channels.

This year we:

- Revamped the WWL website – more than trebling the average number of unique visitors to the site per month to 30,000+
- Produced 11 issues of *On The Waterfront* newsletter with distribution now in excess of 2500 subscribers and a readership of many more
- Revamped the Waterfront Project Information Centre
- Responded to hundreds of public enquiries via the web, feedback forms, general correspondence and face to face visits
- Delivered approximately 30 presentations to public meetings, school groups, Council committee meetings, conferences and interest groups
- Prepared communication plans for the development proposal for the Overseas Passenger Terminal, the

Waitangi Precinct architectural design competition, the launch of the Len Lye Water Whirler, marketing of Site 7, Kumutoto ground floor tenancies and maintenance of the Tug Wharf in Kumutoto.

Financial Review

The project made a surplus of \$3.31 million this year, compared with \$25.02 million last year. This reduction in surplus was due to lower unrealised gains on the revaluation of our property portfolio compared with 2005. Our operating deficit before revaluations in 2006 was \$1.71 million, compared with \$1.86 million in 2005.

At \$4.88 million, our operating revenue was slightly up on last year. Lease and other revenue and interest income were slightly lower, but these were offset by the surplus on the sale of assets.

Operating expenditure for the year was slightly lower than the previous year's expenses by \$76,000 due to lower public space and development/commercial planning costs. Property costs were higher than in 2005 as a result of writing off one-off costs incurred in the development of Waitangi Park.

Capital expenditure incurred in 2006 was mainly for the construction of Waitangi Park. Other capital expenditure included Kumutoto public space, the Len Lye Water Whirler, paving Taranaki Street Wharf and other minor public space enhancements.

Liquidity

The company's cash position has reduced as a result of public space expenditure, with cash and short term deposits of \$3.85 million as at 30 June 2006. This compares with \$10.68 million as at 30 June 2005.

Summary

This year has been a wild ride for the team at Wellington Waterfront Ltd. After reading through this Report I find it hard to comprehend that we only had 13 staff!

I'd like to thank those staff very much for their perseverance, hard work and commitment to meeting our goals. I also want to acknowledge the contribution of our licence holders and tenants and other waterfront businesses, our contractors, consultants, suppliers, the community groups, Council staff, public submitters and the many thousands of others who share a passion, enthusiasm and commitment to preserve and enhance the waterfront's special combination of city vitality and sea air.



Ian Pike
Chief Executive

97%
*of Wellingtonians say
the waterfront provides
a lovely environment to
walk, run or bike**

From Oriental Parade to opposite the Railway Station, the waterfront provides 8.3 kms of paths, walkways and promenades.



Sustainability Report

Steps towards sustainability

In developing the waterfront, Wellington Waterfront Ltd is working to the themes, values, principles and objectives contained in the Wellington Waterfront Framework.

The Framework was developed by Wellington City Council in consultation with the community, and sets out clear outcomes to be achieved. All parties agree that in developing the waterfront, we must seek to achieve excellent economic, environmental and social outcomes.

Working towards sustainability in these three areas provides significant benefits to both the city and the people who live within it. We aim to reduce the negative and enhance the positive impacts on the environment, provide local and regional economic benefits and create a waterfront experience that enhances the wellbeing and enjoyment of Wellingtonians and visitors alike, while delivering outstanding urban design.

Environmental Sustainability

We are committed to creating a cohesive, integrated and environmentally sustainable environment that enhances the experience, enjoyment and wellbeing of all people who live, work and play on the waterfront. To make sure that happens, we ensure all designs take environmental factors strongly into account.

We are committed to:

- all designs maximising sun, shelter and security for people using public spaces
- all building developments effectively integrating with their surrounding public space
- designs enhancing, complementing and integrating with the surrounding landscape
- investigating and using environmentally sustainable design and materials
- creating an environment that enlivens and enhances visitor enjoyment.

Highlights for 2005-06

Completing Area One of Waitangi Park

Urban wetlands

The wetlands 'daylight' the historic Waitangi Stream and channel it through a series of treatment systems designed into the park landscape.

The wetlands improve the stream's water quality significantly, by passing it through both artificial and natural filtration systems. The treated water meets or exceeds fresh water quality guidelines before being discharged into the harbour or re-used for the irrigation of the park.

Over the past decade, constructed wetland systems have been used successfully around the world to treat urban stormwater run-off to improve water quality and protect the health of downstream aquatic environments.

Water Sensitive Urban Design

The first flush of rain water run-off from hard surfaces such as roads and paths, is full of heavy metals, oils and other pollutants. Ordinarily, this water flows into the stormwater system and is discharged straight into the sea. In Waitangi Park, run-off from within the park and the road around it, is diverted, collected and filtered through various features integral to the park design, before it is discharged into the harbour.

Renewable irrigation

As mentioned above, irrigation of the park's Field, other planted areas within the park and neighbouring planting around Chaffers Dock and Te Papa will be irrigated by water pumped from the wetland lagoon. This means the park uses entirely renewable water sources, rather than that of the Town Supply.

Eco-sourced vegetation

The vegetation used in the wetland and coastal planting within the park was grown from seed eco-sourced directly from plants endemic to the Wellington region's wetlands and coastline specifically for the park project.

Construction underway in Kumutoto

Site 7

Initially designed for WWL using Environmentally Sustainable Design principles, building owner Dominion Funds want to raise the bar even further and make this building the standard for sustainable design within

The waterfront is a recreational focal point in the city, with venues, open spaces

New Zealand. Their aim is for this commercial building to be the first to achieve the equivalent of a five-star rating of Australia's Greenstar system – the only measure of this type currently within Australasia. Design features include:

- Integrated design of building and services
- External and intermediate solar shading
- Natural light plus daylight compensation control
- 100% outdoor air supply with heat recovery
- Mixed mode natural and mechanical ventilation
- Demand controlled heating, cooling and ventilation
- Heat pump heating and cooling
- Solar water heating
- Rainwater collection and recycling
- Water efficient sanitary-ware specification
- Environmentally preferable materials selection.

Not surprisingly, this highly energy efficient building has attracted blue chip tenant Meridian Energy's corporate office as its main tenant, reinforcing the quality of the building and its location and proving the Kumutoto development is good for Wellington – and the waterfront.

Urban protocols

During the 05/06 year, WWL adopted the Ministry for the Environment's Urban Design Protocols.

The decision to seek the world's best architectural practitioners to design buildings for the four sites within Waitangi Precinct was in line with these protocols, aiming to achieve and promote best practice in the area of urban design.

Social Sustainability

The waterfront is a recreational focal point in the city, with venues, open spaces and activities attracting people of all ages and interests.

As well as ensuring we provide the best possible physical environment with quality facilities and spaces, we are committed to facilitating a range of exciting, innovative, creative events to entertain and enthral Wellingtonians and visitors alike.

The Waterfront Framework intends that Wellingtonians feel a sense of ownership of their waterfront. WWL actively seeks input from Wellingtonians to ensure we're giving them what they want.



We are committed to:

- attracting innovative, creative, exciting events to the waterfront
- maintaining a high level of transparency in all our business and decision-making and a willingness to engage with stakeholders and interest groups.

Highlights for 2005-06

- We either facilitated, introduced and/or sponsored 355 events across the waterfront. These events cover a broad range from low-key 'come-across' events under the sails in Queens Wharf Square to massive events attracting audiences in excess of 100,000.
- We have assisted in the growth and development of the Chinese New Year Festival on the waterfront, through a partnership approach with the event organisers from the Chinese community.
- We continued our annual surveys of Wellingtonians and waterfront businesses. This year we reviewed the questionnaires and methodologies to ensure we were capturing the information most relevant to the ongoing enhancement of the waterfront experience.
- We undertook communications programmes to proactively inform the public about the proposals for the Waitangi Precinct Architectural Design Competition and the Overseas Passenger Terminal development proposal.
- We gave presentations to a wide range of organisations and community groups on the waterfront development.
- We completed the revamp of our website and our Information Centre.

and activities attracting people of all ages and interests.

95%

of Wellingtonians say they're proud to bring friends and relatives to the waterfront*

Wellington's waterfront is now a core element in Positively Wellington Tourism's city promotion activities.

Economic Sustainability

The waterfront is a key component of Wellington's creative and innovative capital vision. It not only provides a great place to play – it's also a great place to live and work and contributes to the Wellington city and regional economy.

We have responsibility for the development of the waterfront without incurring a massive impact on ratepayers. The Council has committed \$15 million to the approximately \$60 million cost of development of the waterfront's public space. To achieve the other \$45 million, we engage in commercial arrangements with developers and property investors over development opportunities on the waterfront.

We are committed to:

- encouraging a variety of uses within the commercial sites that will contribute to Wellington's economy
- maximising the return from disposal of commercial development sites to help meet the cost of development public space
- identifying and managing risks effectively and minimising adverse effects.

Highlights for 2005-06

- We obtained significant proceeds from the sale of development opportunities for Site 7, Kumutoto and the Wellington Free Ambulance Building
- We advanced the possibility to enter into further commercial deals in the coming year.



PHOTO BY ROBERT CATTO / WWW.CATTO.CO.NZ

Governance

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

Role of the Board of Directors

The Board of Wellington Waterfront Ltd 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 Ltd'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 Strategic Plan, 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 eight directors. Michael Cashin was appointed as Deputy Chair on 1 January 2006 for a one year term. Director remuneration is set by the shareholder 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 Ltd. An Interests Register is maintained.

Board Committees

The Board has two formally-constituted committees that focus on specific areas of the Board's responsibilities. 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 the Board meets its financial reporting responsibilities. 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 People and Performance Review Committee sets and reviews the terms and conditions of the Chief Executive's employment contract. The Committee is also responsible for setting the objectives and performance targets for the Chief Executive and monitoring their achievement. WWL's HR and remuneration policies are also set and managed by this committee.

26%

**of Wellingtonians say
the waterfront has
enough affordable car
parking***

The Wellington Waterfront Framework requires surface car parking to be gradually removed from the waterfront. Weekend rates for all waterfront car parks (excluding Te Papa) do not exceed \$5.00 for the whole day.

Financial Statements

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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, give a true and fair view of the financial position of the Lambton Harbour Development Project as at 30 June 2006 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.

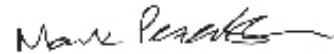
The Directors consider that they have taken adequate steps to safeguard the assets of the Lambton Harbour Development Project and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity 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 2006.

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



Fran Wilde
Chair



Mark Petersen
Director

28 September 2006

Audit Report

The Auditor-General is the auditor of Lambton Harbour Development Project (the Project). The Auditor-General has appointed me, Rudie Tomlinson, using the staff and resources of Audit New Zealand to carry out the audit of the financial statements and performance information of the Project, on his behalf, for the year ended 30 June 2006.

Unqualified opinion

In our opinion:

- the financial statements of the Project on pages 22 to 31:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the Project's financial position as at 30 June 2006; and
 - the results of its operations and cash flows for the year ended on that date.

The audit was completed on 28 September 2006, and is the date at which our opinion is expressed.

The basis of the opinion is explained below. In addition, we outline the responsibilities of the Board of Wellington Waterfront Limited (the Board representing the Project) and the Auditor, and explain our independence.

Basis of opinion

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

TO THE READERS OF LAMBTON HARBOUR DEVELOPMENT PROJECT'S (KNOWN AS WELLINGTON WATERFRONT PROJECT) FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

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

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

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

Audit procedures generally include:

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

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

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

Responsibilities of the Board and the Auditor

The Board is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the Project as at 30 June 2006. They must also fairly reflect the results of its operations and cash flows for the year ended on that date. The Board's responsibilities arise from section 16 of the Wellington Harbour Board and Wellington City Council Vesting and Empowering Act 1987.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 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 Institute of Chartered Accountants of New Zealand.

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

R L Tomlinson
Audit New Zealand



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

Statement of Significant Accounting Policies

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 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.

Measurement base

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

Specific accounting policies

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

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 financial performance.

Revenue

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

Receivables

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

Deferred income

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

Investments

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

Property, plant and equipment

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

"Property, plant and equipment" comprises the following items:

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

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

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

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

Investment properties and development properties are valued at net current value. Depreciation is not charged on these properties. Revaluation gains or losses are recognised in the statement of financial performance in the year which they occur.

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

As these are investment properties they are revalued annually to net current 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 and buildings are valued at fair value. Revaluation gains or losses are credited or debited to the revaluation reserve under the asset class "other land and buildings", except that revaluation gains which reverse previous revaluation losses that were recognised in the statement of financial performance are recognised as revenue in the statement of financial performance. 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 financial performance. 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 financial performance and any balance remaining for that property in the revaluation reserve is transferred to retained earnings.

Development work in progress is stated at cost.

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

Major depreciation rates are:

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

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

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

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

Marina revaluation reserve

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

Associate companies

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

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

Goods and services tax

The financial statements have been prepared exclusive of GST with the exception of receivables and payables which are stated GST inclusive.

Statement of cash flows

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

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

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

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

Commitments

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

Contingencies

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

Comparative amounts

Comparative amounts have been restated for changes in presentation.

First time adoption of New Zealand equivalents of International Financial Reporting Standards (NZ IFRS)

For financial reporting periods commencing on or after 1 January 2007, New Zealand reporting entities will be required to apply NZ IFRS. Wellington Waterfront Project intends to adopt NZ IFRS for external reporting purposes for the accounting period commencing 1 July 2006. This is one year earlier than the 1 July 2007 deadline. This timeline is in accordance with the adoption date for the Wellington City Council, of which Wellington Waterfront Project is a reporting entity.

The following information is disclosed in accordance with NZ FRS-41: *Disclosing the Impact of Adopting New Zealand Equivalents to International Financial Reporting Standards*.



Planning for the transition to NZ IFRS

To manage the transition, Wellington Waterfront Project has worked with Wellington City Council to:

- identify and understand the impact of adopting NZ IFRS
- review and update, where necessary, Wellington Waterfront Project's accounting policies to ensure that they are fully compliant with NZ IFRS
- prepare the restated opening Balance Sheet as at 1 July 2005
- raise awareness and foster understanding of the implications of NZ IFRS
- ensure that Wellington Waterfront Project has systems and processes in place to produce the information required by NZ IFRS.

Key differences in accounting policies

Wellington Waterfront Project is a Public Benefit Entity (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 Wellington Waterfront Project.

Financial impact of the first-time adoption of NZ IFRS

The impact of the adoption of NZ IFRS for the Wellington Waterfront Project is the valuation of the investment properties. The value of the investment properties as at 1 July 2006 will be increased by \$807,500 to add back the expected costs of disposal. This disclosure is in accordance with NZ IAS 40 – Investment Property. Equity will increase by the same amount.

Changes in accounting policies

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

Statement of Financial Performance

For the year ended 30 June 2006

	Note	2006 \$000's	2005 \$000's
Operating Revenue			
Lease revenue		2,598	2,912
Other revenue		299	266
Interest income		262	783
Surplus on sale of assets		1,719	848
Total operating revenue		4,878	4,809
Operating Expense	1		
Property costs		3,551	3,186
Public and commercial planning		329	947
Public activities and communication		737	690
Administration		1,948	1,818
Total operating expense		6,565	6,641
Share of associate's deficit	5	23	31
Operating deficit		(1,710)	(1,863)
Unrealised gain on revaluation			
Unrealised gain on revaluation of investment/development properties		3,969	13,199
Unrealised gain on revaluation of other land and buildings	9	1,049	13,687
Total unrealised gain on revaluation		5,018	26,886
Net surplus attributable to Wellington City Council		3,308	25,023

The accompanying notes form part of the financial statement

Statement of Movement in Equity

For the year ended 30 June 2006

	Note	2006 \$000's	2005 \$000's
Net surplus attributed to Wellington City Council		3,308	25,023
Movement in asset revaluation reserves:			
Marina	9	0	0
Other Land and Buildings	9	4,682	0
Share of movement in associates asset revaluation reserve	5	0	0
		4,682	0
Total recognised revenues and expenses for the year		7,990	25,023
Contribution from owner - Wellington City Council		1,811	1,671
Contribution from/(Distribution to) owner - Wellington City Council		4,000	(675)
Movement in equity for the period		13,801	26,019
Opening equity			
Equity brought forward as at 1 July		116,064	90,028
Change of equity in associate due to change in shareholding during the year	5	(16)	17
Total opening equity		116,048	90,045
Equity as at 30 June		129,849	116,064

Statement of Financial Position

As at 30 June 2006

	Note	2006 \$000's	2005 \$000's
Current assets			
Cash		1,348	276
Short term deposits	2	2,500	10,400
Receivables and prepayments	3	833	1,343
Property intended for realisation	4	485	485
		5,166	12,504
Non-current assets			
Investment in associate	5	1,024	975
Property, plant and equipment	6	125,142	104,600
Term receivables	7	3,000	80
		129,166	105,655
Total assets		134,332	118,159
Liabilities			
Payables		2,262	1,544
Deferred income		131	60
Retentions and bonds	8	981	491
		3,374	2,095
Non-Current Liabilities			
Term Liabilities		200	-
Deferred income		909	-
		1,109	-
Equity			
Wellington City Council		125,115	116,012
Asset revaluation reserve	9	4,734	52
		129,849	116,064
Total funds employed		134,332	118,159

The accompanying notes form part of the financial statement

Statement of Cash Flows

For the year ended 30 June 2006

	Note	2006 \$000's	2005 \$000's
Cash flows from operating activities:			
<i>Cash was provided from:</i>			
Receipts from customers		4,403	3,694
Interest received		344	759
Goods and services tax received (paid)		109	(477)
<i>Cash was disbursed to:</i>			
Payment to suppliers		(2,843)	(4,194)
Net cash flows generated (to)/from operating activities	12	2,013	(218)
Cash flows from investing activities:			
<i>Cash was provided from:</i>			
Sale of shares		311	162
Sale of property, plant and equipment/leasehold interest		4,080	7,348
<i>Cash was disbursed to:</i>			
Purchase of property, plant and equipment		(17,232)	(6,467)
Net cash flows from investing activities		(12,841)	1,043
Cash flows from financing activities:			
<i>Cash was provided from:</i>			
Wellington City Council equity contributions		4,000	-
Net cash flows from financing activities		4,000	-
Net increase/(decrease) in cash held		(6,828)	825
Cash at the beginning of the year		10,676	9,851
Cash at the end of the year		3,848	10,676
Represented by:			
Cash		1,348	276
Short term deposits		2,500	10,400
Total cash		3,848	10,676

Notes to the Financial Statements

For the year ended 30 June 2006

	2006 \$000's	2005 \$000's		2006 \$000's	2005 \$000's
1 Operating expense			5 Investment in associate		
Total operating expenses include the following:			Wellington Waterfront Limited (Wellington Waterfront) holds shares in Chaffers Marina Holdings Limited as bare trustee on behalf of Wellington City Council.		
Audit fees	36	28	Share of deficit before tax	(23)	(31)
Bad debts written off	-	5	Share of movement in asset revaluation reserve	-	-
Change in the provision for doubtful debts	-	-	Equity accounted movement in associate	(23)	(31)
<i>Depreciation</i>			Share of equity at beginning of year	(341)	(327)
Other land improvements and buildings	669	765	Change of equity due to the change in shareholding during the year	(17)	17
Other assets	102	117	Total change in equity since acquisition	(381)	(341)
Total depreciation	771	882	Shares at beginning of year	1,274	1,379
			Change in shares during the year	105	(105)
2 Short term deposits			Call option	42	50
Short term deposit is at 7.35% and matures on 19 July 2006 (2005 at 7.0% and 7.09% and mature between 6 July and 30 December 2005).			Change in call option during the year	(16)	(8)
	2,500	10,400	Total investment in associate	1,024	975
3 Receivables and prepayments					
Accounts receivable	227	461			
Current portion of marina sales	64	364			
Prepayments	542	518			
	833	1,343			
Less provision for doubtful debts	-	-			
Total receivables and prepayments	833	1,343			
4 Property intended for realisation					
Land	485	485			
Buildings	-	-			
	485	485			
Property intended for realisation has been revalued to the lower of carrying value or net realisable value.					

Notes to the Financial Statements (continued)

For the year ended 30 June 2006

As at 30 June 2006 Wellington Waterfront held a 16.9% interest in Chaffers Marina (2005 21.6%).

Of this, 2.2% (2005 7.6%) was subject to sale and purchase agreements where share ownership passes from Wellington Waterfront when the terms of each agreement are fulfilled. Amounts owing under these sale and purchase agreements have been recognised as receivables (see notes 3 and 7).

Wellington Waterfront's interest in Chaffers Marina Limited of 14.8% (2005 13.9%) 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.

6 Property, plant & equipment

Valuation of property

Property intended for realisation has been revalued to the lower of carrying value or net current value. Investment property and Development property have been revalued to net current value. Other land and buildings have been revalued to fair value, as at 30 June 2006 by Paul Butchers BBS, SNZPI, Registered Valuer, Director of International Property consultants, CB Richard Ellis.

The revaluations take into account the following developments:

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

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

Features of the Wellington Waterfront Framework have been incorporated into the District Plan by way of a variation to that Plan (Variation 22) approved by Wellington City Council on 29 April 2002. The principles of the Framework underpin the development of plans for each area of the waterfront.

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.

Investment property - at valuation

	2006 \$000's	2005 \$000's
Land	7,301	5,496
Buildings	3,296	3,054
	10,597	8,550

Development property - at valuation

Land	20,920	22,174
Buildings	6,297	7,049
	27,217	29,223

Other land and buildings - at valuation

Land	38,282	33,873
Buildings	46,834	23,169
	85,116	57,042

Other assets - at cost

Cost	2,119	2,089
Less accumulated depreciation	(1,412)	(1,310)
Net book value	708	779

Work in progress - public space development

Total property, plant & equipment

	125,142	104,600
7 Term receivables		
LT Receivable	3,000	-
Marina berth sales on terms: term portion	-	80
Total term receivables	3,000	80

Current portion of marina term sales, \$64,000 is included in accounts receivable (2005 \$364,000).

Notes to the Financial Statements (continued)

For the year ended 30 June 2006

	2006 \$000's	2005 \$000's
8 Retentions and bonds		
Retentions on construction contracts	977	484
Tender deposits	-	-
Bonds held on hireage venues	4	7
Total retentions and bonds	981	491
9 Asset revaluation reserve		
<i>Marina</i>		
Opening balance at 1 July	52	52
Realised during the year	-	-
Closing balance at 30 June	52	52
<i>Other land and buildings</i>		
Opening balance at 1 July	-	-
Surplus on revaluation	5,731	13,687
Closing balance at 30 June (before transfer to statement of financial performance)	5,731	13,687
Credit balance transferred to statement of financial performance	(1,049)	(13,687)
Closing balance at 30 June	4,682	-
Total asset revaluation reserve	4,734	52
10 Contingent liabilities		
As at 30 June 2006 there was one significant contingency. Wellington Waterfront Limited has received claims totalling \$4.131 million from Construction Service Company (Wellington) Limited (In Receivership) in relation to work on Waitangi Park (2005 Nil).		
11 Contractual commitments		
<i>Capital Commitments</i>		
As at 30 June 2006 there were contractual commitments to a value of \$285,000 not provided for in the financial statements (2005 \$12,858,000). These commitments all relate to the 2006/2007 financial year.		

	2006 \$000's	2005 \$000's
11 Contractual commitments (continued)		
<i>Operating Commitments</i>		
As at 30 June 2006 contractual commitments to a value of \$12,000 not provided for in the financial statements (2005 \$95,000). These commitments all relate to the 2006/2007 financial year.		
12 Reconciliation of net surplus with net cash flows from operations		
Net surplus attributable to Wellington City Council	3,308	25,023
<i>Add/(less) non cash items and non-operating items</i>		
Depreciation	771	882
Loss on disposal of assets	-	-
Vested Income	(12)	-
Wellington Waterfront Limited Fee*	1,811	1,671
Share of associate's deficit	23	31
Assets revalued	(5,018)	(26,886)
Profit on sale of property, plant and equipment	(1,687)	(840)
Profit on sale of shares	(20)	(10)
	(824)	(129)
<i>Add/(less) movements in working capital items relating to operations</i>		
Decrease/(increase) in accounts receivable	225	(205)
Decrease/(increase) in prepayments	(24)	83
Increase/(decrease) in accounts payable	1,166	(189)
Decrease/(increase) in retentions and bonds	490	192
Increase in deferred income	980	30
Net cash flows from operating activities	2,013	(218)
<small>*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.</small>		

Notes to the Financial Statements (continued)

For the year ended 30 June 2006

	2006 \$000's	2005 \$000's		2006 \$000's	2005 \$000's
13 Financial Instruments			14 Related parties (continued)		
<i>Credit risk</i>			as bare trustee for Council and are included in these financial statements. Other assets and liabilities of Wellington Waterfront held on behalf of the Wellington Waterfront Development Project have also been reflected in these financial statements.		
In the normal course of business the Lambton Harbour Development Project incurs credit risk from short term investments, trade debtors and term receivables. There are no significant concentrations of credit risk. The Lambton Harbour Development Project invests only in deposits with registered banks with satisfactory credit ratings.			Wellington Waterfront received \$1,811,000 from Council as management fee for managing the Wellington Waterfront Development Project (2005 \$1,671,000). This amount is recognised in these financial statements as an equity contribution and as management fee expense.		
<i>Interest rate risk</i>			Wellington Waterfront Development Project has an advance from Wellington Waterfront of \$1,000 (2005 \$1,000). The advance is repayable on demand.		
Interest on short term deposits is at fixed rates. Interest on call deposits is at a floating rate set by the bank.			<i>Chaffers Marina Holdings Ltd (Chaffers)</i>		
<i>Foreign currency risk</i>			Net amount received from/(paid to) Chaffers during the year was:		
The Lambton Harbour Development Project has no foreign currency risk.			- relating to operating revenue and expenses	4	3
14 Related parties			Net amount owed by/(owed to) Chaffers at 30 June was:	(2)	(1)
<i>Wellington City Council (Council)</i>			- relating to operating revenue and expenses		
Wellington City Council has 100% equity in the Lambton Harbour Development Project.			Amounts due on marina berth sales (notes 3 and 7) are secured over Chaffers Marina Holdings Limited shares.		
Net amount received from/(paid to) Council during the year was:			15 Significant events subsequent to balance date		
- relating to operating revenue and expenses	2,606	2,457	There have been no significant events subsequent to 30 June 2006 other than that referred to in Note 10.		
- relating to Wellington Waterfront Limited Management fee	1,811	1,671			
Net amount owed by/(owed to) Council at 30 June was:					
- relating to operating revenue and expenses	(3)	(22)			
- on deposit with Council	-	-			
<i>Wellington Waterfront Limited (Wellington Waterfront)</i>					
Land, buildings, infrastructure and leasehold interests in land within the Wellington Waterfront Development Project Area are held by Wellington Waterfront.					

Directory

Company Name: Wellington Waterfront Limited

Nature of business: Management services
– implementation of
Wellington's waterfront
development and operation
of 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: Fran Wilde – Chair
Michael Cashin – Deputy Chair
(from Jan 2006)
Mark Petersen
Alison Timms
David Pritchard
Stephen Kos
David Kernohan
Ray Ahipene-Mercer

Bankers: ASB Bank Limited
Wellington

Auditor: Audit New Zealand,
on behalf of the Auditor-General

Shareholder: Wellington City Council
1,000 shares

Solicitors: Chapman Tripp Sheffield Young
Wellington

Website address: www.wellingtonwaterfront.co.nz

Staff:

Chief Executive:	Ian Pike
Executive Assistant:	Maria Mouroukis
Project and Development Managers:	Mike Hannaway John Karl
Project Managers:	Byron Roff Louise Harrod Andrew Howie
Corporate Manager:	Chris Fox
Accountant:	Kirstin Gardiner
Administration Officer:	John Tiller
Communications Manager:	Barbara Bercic
Events Manager:	Perry Walker
Property Manager:	Michael Hibma
Receptionist:	Sophea Saing

Annual Report credits

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