



WELLINGTON WATERFRONT LIMITED
STATEMENT OF INTENT
2009/2010



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Appendices

Appendix 1: Key Performance Indicators

Appendix 2: Accounting Policies

This Statement of Intent provides an overview of the planned objectives and activities for the Company for 2009/10. Following the Council decision to transfer the Waterfront Project to Council from 1 July 2010 (subject to further review in mid 2010) this Statement of Intent covers the one year period to 30 June 2010 only. Detailed objectives and activities are described more fully in the Company's annual Business Plan. The key performance indicators which the Company reports on quarterly to the shareholder are attached in Appendix 1.

1. THE WELLINGTON WATERFRONT FRAMEWORK (The Framework)

Wellington Waterfront Limited is a Council Controlled Organisation (CCO) established to implement the Wellington Waterfront Framework. The Framework, which outlines the City's vision for the waterfront, also includes criteria for the development of each area of the waterfront and is the Company's principal guiding document.

The vision, themes, principles and objectives for the development of the waterfront, contained within the Framework are as follows:

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.

Themes, values and principles

A number of inter-linking themes reflect areas of high public interest in the future of the waterfront. They are developed for the waterfront as a whole and for each of the individual areas:

- Expression of heritage and history
- Expression of Maori heritage and presence
- Sense of place for Wellingtonians
- Diversity of experience
- Sense of collective ownership and involvement
- Experience of space and openness
- Ease of access for all

- Areas of the waterfront

There are five distinct areas on the waterfront. Each precinct has its own character that relates to both the built form and open spaces and reflects the close proximity of the area to the central city:

- Kumutoto
- Queens Wharf
- Frank Kitts Park
- Taranaki Street Wharf
- Waitangi Park

Overall objective

The Company's overall objective is to fully implement the high level concept plan articulated in the Framework. In doing this the Company will:

- Develop a waterfront that is locally and internationally recognised for its design
- Develop an attractive waterfront that is accessible, safe and caters to a wide range of activities for locals and visitors
- Celebrate waterfront heritage, maritime activity and history, and the city's cultural diversity
- Integrate the waterfront with the adjoining city and harbour
- Complete the design, consultation, funding and planning requirements of the waterfront development by 30 June 2010, within budget.

2. OPERATING LEGISLATION

Wellington Waterfront Limited (the 'Company') was established as the implementation agency for the Waterfront Project and reports to the Council Controlled Organisations Performance Subcommittee (CCOPS) which monitors the ongoing operational performance of the Company against agreed targets, project milestones and performance.

Wellington Waterfront Limited has the following main legislation / authorities under which it must operate:

- Wellington Harbour Board and Wellington City Council Vesting and Empowering Act 1987
- Constitution of Lambton Harbour Management Limited (now Wellington Waterfront Limited)

- Overview Agreement between Wellington City Council and Wellington Waterfront Limited
- Board of Directors' Charter
- The Wellington Waterfront Framework (the 'Framework')

The Company is appointed by the Wellington City Council (WCC) as its implementation manager of the Lambton Harbour Development Project (the 'Project').

The Project is defined in the enabling legislation as meaning:

"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."*

Foreshore & Seabed Act 2004

Following representations from the Company and WCC the Government has included a special provision in the Foreshore & Seabed legislation to ensure that, should there be any conflict between its provisions and the 1987 legislation that established the Lambton Harbour Development Project, the 1987 legislation will still apply. This provision ensures that there is no legal impediment to the development of the Company's seabed titles in line with the Framework and the original legislation.

3. COMPANY ETHOS

The Company will exhibit at all times, consistent with the conduct of a successful business, a sense of social responsibility and environmental sustainability and have regard to the interests of the community.

The Company will strive to be a good employer at all times and has adopted appropriate equal employment opportunity policies.

The Company acknowledges the valuable contribution the Council makes towards the operation of the Waterfront.

The Company adopts a no surprises policy whereby Council is informed of any significant issue thus allowing it to manage risk.

4. NATURE AND SCOPE OF THE ACTIVITIES TO BE UNDERTAKEN

Over the one year timeframe of this Statement of Intent, the Company will exercise its responsibility as implementation manager of the Project for Wellington City Council.

Management services of the following types (all in relation to the Project), will be undertaken:

- Prepare an annual business plan covering implementation tasks and project operations. The business plan will support Council's Waterfront Development Plan and will be approved annually by Council and recognises the strategies and objectives outlined in this Statement of Intent.
- Manage day-to-day operations on the waterfront, including general property management ie leasing, cleaning, maintenance, and security as well as the management of the Waitangi Park market. A detailed Asset Management Plan has been developed.
- Advise the appropriate Council committees on all aspects of waterfront development, including budgets, development phasing, technical information, costs, feasibility and commercial issues.
- Commission work on detailed designs based on approved performance briefs, followed by the selection and appointment of designers.
- Market waterfront sites and properties as appropriate to get the best return for the Council (within any constraints imposed by the development plan). The commercial return received from these properties is used to fund the public space expenditure on the waterfront. This commercial return is in addition to the agreed WCC funding.
- Act as the contact point for anybody interested in a private development project on the waterfront.
- Negotiate and manage contracts for the design and construction of public space.

- Negotiate and manage contracts and leases for all building development sites and the refurbishment and re-use of existing buildings.
- Develop long term plans for the operation of the waterfront at the conclusion of the Project.
- Develop plans that include extending the scope of the Company to beyond the Lambton Harbour Development Area – eg Land Development Agency.
- Maintain and refurbish wharves and supporting infrastructure.

The Company is responsible for ensuring that:

- It complies with governing legislation.
- For its part, an open and effective basis for consultation and co-operation is maintained with Council.
- The waterfront is clean, safe and well maintained.
- Council has relevant and timely advice to inform its decision-making. This will include financial advice and will involve WWL maintaining a financial model for the waterfront.
- The management of the business and its assets within budgetary constraints
- Contracts entered into are appropriate to deliver the desired outcome and reflect Council's Policy.
- Public space development projects are delivered to plan, on time and on budget.

Specific proposals for the services to be undertaken, including the particular public space developments and commercial developments proposed, are included in the business plan for the Project.

Any proposed developments will be consistent with the principles laid down in the Wellington Waterfront Framework.

5. TRANSITIONAL ARRANGEMENTS TO WCC

On 1 July 2007 Council assumed responsibility for the maintenance of Waitangi Park and the events facilitation on the waterfront. The Company assisted in the

smooth transfer to Council and will use this experience to plan for the final transition.

In December 2008, following an extensive internal review of Wellington Waterfront, Council passed the following recommendations regarding the implementation of the next stages of the Project:

- Implementation of the Waterfront Project is to be transferred to and undertaken by the Council from 1 July 2010;
- Prior to transferring functions the Council will review whether market conditions warrant reconsideration of the preferred implementation option; and
- The Council will review the accountability documents relating to Wellington Waterfront Limited.

The Council currently provides WWL with \$1.65 million per annum which funds the management and governance processes.

WWL has reviewed its governance and operational structure to better align with the anticipated work programme. It has reduced the size of its board and staff resulting in the management fee renegotiated to \$1.2 million per annum.

In early 2009 responsibility for the overview of the financial management of the Company was transferred to the Corporate Finance Business Unit of Council. A Service Level Agreement defining roles and responsibilities was formally agreed between Council and WWL.

During the year the Company will prepare a comprehensive transitional plan that anticipates waterfront operations moving to Council over an approximate six month period between July and December 2010.

Operational requirements handed over to Council will largely consist of the property management of the waterfront and the Company will endeavour to secure key personnel for transfer to Council to ensure projects are delivered to plan. Other issues to be considered during the transition include:

- The Empowering Act and other legislative undertakings
- Assessment of the need for a separate land owning company to be maintained
- Transfer of electronic and physical records (and institutional knowledge)
- Transfer of project management practices (including the Project Management Manual)

- Transfer of the Corporate Manual and Asset Management Plan
- Staff development programmes
- Provide input into the Council's Long-Term Council Community Plan (LTCCP) regarding ongoing management costs.

The Company has developed a comprehensive Asset Management Plan (AMP) outlining all major assets on the waterfront. Included within the AMP is a 10 year financial summary detailing forecast maintenance. It is proposed in the time leading up to the transition that the content of the AMP will be integrated within Council's asset management systems.

6. RISK MANAGEMENT

WWL is a publicly owned company and there is a considerable degree of community interest in WWL's work – an interest that often generates controversy. The company must attempt to balance diverse community and commercial interests.

The following is a list of key risk areas that WWL must manage in order to achieve its objectives:

1. The economic environment
2. Balancing financial and community demands
3. Public opinion
4. The Wellington property market
5. The construction market
6. The resource consent process
7. Natural catastrophes and disaster recovery
8. Threats to security
9. Managing stakeholder relationships
10. The political environment

These risks are reviewed on a regular basis with regards to their likelihood of occurrence, impacts and mitigation measures. Greater detail of the risks, probability, impact and mitigation strategies are contained in the risk matrix within the Risk Management Policy.

Currently any risks of a significant nature are advised to Council during regular meetings between the Company and the Council's Chief Operating Officer and at Mayoral meetings.

Audit and Risk Assurance Processes

The Board's Audit and Risk committee believes the issues of segregation of duties, project management disciplines, contract / payment authorisation and banking controls, and the regular monthly reporting of financial information to the Board and to WCC are appropriate.

The Board's Audit and Risk committee provides an additional level of financial review / oversight into the internal policies and procedures operational throughout the Company. With positive follow-up audits following on from initial procurement (and project management) audits in recent years by the WCC's Risk Assurance Unit and Audit New Zealand, the development of a comprehensive Project Management Manual, Corporate Manual, and the annual interim and financial audits by Audit New Zealand, the Company believes an internal audit function is not required at this stage. If there were any causes for concerns this position may need to change.

Funding and cash flow

As a consequence of delays in receipt of commercial proceeds WWL received approval from Council in June 2007 for temporary additional funding to fund public space development.

Approval for temporary funding was dependent on the receipt of commercial developments from the following projects:

1. Hilton hotel
2. Overseas Passenger Terminal (OPT)
3. Site 10
4. Sites 8 & 9
5. Shed 6 redevelopment
6. Sale of WWL's remaining 19 berths in Chaffers marina.

The Hilton hotel project on the Outer-T was overturned by the Environment Court in 2008. It is now likely that, rather than generating income, the development of the Outer-T will require Council funding. Funding will be necessary for the significant cost of wharf refurbishment as well as the future redevelopment of Shed 1.

The Environment Court decision regarding the redevelopment of the OPT is pending. If the decision is favourable, the Company expects commercial proceeds to flow from pre-existing contractual arrangements. It is anticipated, however, that there will be delays in the receipt of commercial proceeds, as a

result of the current economic environment. The sale of Chaffers Marina berths are linked with this redevelopment project.

Tenant and developer interest in sites 8, 9 and 10 and Shed 6 are not expected to be realised within the near future.

The impacts of regulatory delays and the deteriorating economic climate have combined to have a significant impact on the Company's ability to deliver planned projects. The Company does not anticipate receiving any commercial proceeds from developments during the remaining period of its tenure and for the two years following the transfer of activities to Council.

As a consequence, development of public space has been pared back to a bare minimum. Essential infrastructural work such as wharf refurbishment will be undertaken. Additional Council funding may be required to enable this work to be completed in a timely manner.

By agreement with Council, Wellington Waterfront Limited will focus its attention on planning for both developments and public space works. This work will include consultation and design and then obtaining the necessary resource consents for as many projects as is possible within the next twelve months. By the end of June 2010 plans will be developed and resource consents obtained (or applied for) for all significant projects including sites 8, 9 & 10, Shed 6, Queens Wharf master planning and Frank Kitts Park.

At the time of completing our Strategic and Business Plan for 2009/10 in May 2009 the following table will be completed to show the Company's forecast year end outstanding short term advance.

Year	Temporary additional funding from Council \$m	Repayment from waterfront project \$m	Net additional funding at year-end \$m
2007/08	3.90	-	3.90
2008/09			
2009/10			
2010/11			
4 year total			

As a result of the deepening economic recession (particularly as it affects the property development market), repayments previously expected to be received

in 2009/10 and 2010/11 are now considered unlikely to occur within the next three years.

7. GOVERNANCE

Wellington Waterfront Limited is a Council Controlled Organisation (CCO) with a mandate to implement plans and projects, manage development contracts, and manage day to day operations on the waterfront. The specific roles and responsibilities of the Company are set out in section 4 above.

WWL operates independently from, although regularly consulting with, Council. The main role of the full Council in relation to the operation of the waterfront is to approve ground leases where the lease term exceeds ten years.

Role of the Board of Directors

The Board is responsible to shareholders for the implementation of the Project by participation in the setting of objectives, strategy, and key policy areas, and the approval of key project phases and specific agreements.

The workings of the Board and its code of conduct are governed by the Company's constitution, the Company's policy manual, the Company's Overview Agreement with Council, the Board of Director's Charter and the annual business plan. These documents clearly set out those matters on which the Board can make decisions. These include approval of annual accounts, provision of information to shareholders, major capital projects, approval of development contracts, and disposal of assets.

Each year the Company produces an annual business plan, and an operating budget which are reviewed and approved by the Board. Financial statements and individual project reports are prepared monthly and reviewed by the Board progressively through the year to monitor management's performance against the budget and, previously, the three year plan.

The Board aims to ensure that all shareholders and stakeholders are informed of all major developments affecting the project. Management meets regularly with Council Officers to plan and discuss the progress of the Project, and reports on progress regularly to various committees of the Council.

Information is communicated to shareholders and stakeholders in the annual report, the half yearly Report, and the quarterly reports to the CCO Performance Sub-Committee. The Board also facilitates input from stakeholders, and specific interest and user groups on the various projects.

Board Membership

The Company's Constitution sets the size of the Board at not less than four. The Board currently comprises five directors including a Chair. Director remuneration is set by the shareholder annually.

Name	Term Expires
Michael Cashin (Chair)	December 2009
David Kernohan	December 2009
Mark Petersen	December 2010
Councillor Ray Ahipene-Mercer	October 2010
Robert Gray	December 2009

Board Operations

The Board meets monthly and additionally when required. The Chief Executive Officer attends all board meetings and is accompanied by other managers as required.

Conflicts of Interest

The Directors are acutely aware of their responsibility to act in the best interest of the Project and the Company. An interests' register is maintained and is addressed at each formal Board meeting.

Board Committees

The Board has two formally constituted committees that focus on specific areas of the Board's responsibilities and special committees are appointed to deal with specific matters from time to time. Terms of Reference for each of the two committees have been approved by the Board.

Audit and Risk Committee

The Audit and Risk Committee oversees management's practices, policies and controls in protecting the Project's and the Company's financial position and meeting legislative requirements. In addition the Committee ensures the effectiveness of audit and risk management processes and liaises directly with external auditors on matters relating to financial reporting compliance. The purpose of the Committee is to assist the Board in discharging its responsibilities relative to financial reporting, regulatory conformance and risk management.

People and Performance Committee

The People and Performance Committee ensures that appropriate remuneration and people policies, procedures and programmes are in place. The Committee determines and assesses board performance criteria. The Committee also reviews the terms and conditions of the Chief Executive Officer's employment, and is responsible for setting the objectives and performance targets for the Chief Executive Officer.

Board Performance

The Board conducts an annual self evaluation by way of a survey of each Board member. The following criteria are used as a focus for discussion:

- Board preparation and attendance
- Corporate governance
- Process of board meetings
- Knowledge of the business and industry
- Engagement with management
- Board resource
- Operational framework

The Board's performance is the sum of the contributions of the individual directors, and directors are encouraged to consider their own skill sets in light of the Board's overall needs and discuss with the Chair whether any development work is needed.

The Chair's performance is similarly reviewed at the same time.

8. THE RATIO OF SHAREHOLDERS' FUNDS TO TOTAL ASSETS, AND DEFINITION OF THOSE TERMS

During the past year the Company advised Council of a number of factors influencing the timing of our commercial proceeds including delays on all redevelopments.

As a consequence of delays in receipt of commercial proceeds WWL received approval from Council for additional funding to fund necessary public space development and planning costs.

The Company notes the Framework requirement that, where possible, commercial proceeds should be used to fund public space expenditure.

Shareholders funds are defined as equity (\$1,000) plus accumulated profits.

Total assets are defined as current assets plus non-current assets less current liabilities.

The ratio of Shareholders' Funds to Total Assets is expected to be 1:1.

9. PERFORMANCE TARGETS and other measures by which the performance of the Company may be judged in relation to its objectives

Appendix 1 sets out key performance indicators for both the Company (in respect of its own activities) and for the Project.

10. THE ACCOUNTING POLICIES

Appendix 2 sets out the accounting policies adopted by Wellington Waterfront Limited in the WWL Financial Statements for the year ended 30 June 2008.

Prior to the June 2009 year-end Management will be investigating the adoption of NZ International Financial Reporting Standards (IFRS) that have been issued and become effective for reporting periods after 1 January 2009. These include, but are not limited to:

- NZ IAS 1 – Presentation of Financial Statements (Revised)
- NZ IFRIC 15 – Agreements for the Construction of Real Estate
- NZ IAS 19, 29, 36 (various disclosures), and
- NZ IAS 40 – Property under construction or development for future use as investment property.

Wellington Waterfront Limited adopted IFRS for external reporting purposes for the accounting period commencing 1 July 2006.

11. DISTRIBUTION TO SHAREHOLDERS

The Company does not expect to make any distribution to shareholders during the three years covered by this Statement.

12. INFORMATION TO BE PROVIDED TO THE SHAREHOLDER DURING THE PERIOD COVERED BY THIS STATEMENT

Reports will be provided to the shareholder in accordance with the Overview Agreement and as required by legislation. These include:

1. A copy of the monthly financial statements (including cash flows) and commentary.
2. A quarterly report in respect of all activities in regard to the waterfront, including all services being provided by the Company to Council.
3. Half yearly reports prepared in accordance with Section 66 of the Local Government Act 2002.
4. Annual reports prepared in accordance with the Section 67 of the Local Government Act 2002, and the Financial Reporting Act 1993.

The Company undertakes to provide open communications to Council, a no surprises approach, and aims to work constructively to resolve differences while acknowledging that operating environments may be different.

Regular (minuted) meetings are held between the Company and Council at a mayoral level (Mayor, WCC Chief Executive Officer and Chief Operating Officer and WWL Chair, Chair of the Audit and Risk Committee, and Chief Executive Officer) and operational level (WCC Chief Operating Officer, CCO Unit Portfolio Manager, TAG representative, and WWL Chief Executive Officer).

The Company's Statement of Intent and Council's Waterfront Development Plan are approved by the Strategy and Policy Committee.

The following financial and operational measures will be reported on a quarterly basis:

- Statement of Financial Performance
- Statement of Financial Position
- Statement of Cash Flows
- Statement of Change in Equity
- Capital Expenditure

- Performance against key performance indicators as detailed in the Business Plan.

13. ACQUIRING OF SHARES BY THE COMPANY IN ANY COMPANY OR OTHER ORGANISATION

Acquiring of shares by the Company in any other organisation will only be carried out by resolution of the shareholder. There are no current plans for such acquisition.

14. ACTIVITIES FOR WHICH THE DIRECTORATE SEEKS COMPENSATION FROM ANY LOCAL AUTHORITY

The Company has entered into an agreement with the Wellington City Council whereby it has been appointed as implementation manager of the Project.

Compensation by way of a management fee is received for this service. This is negotiated annually by the Company with Wellington City Council.

Wellington City Council may also elect to contribute to the cost of developing public space on the Waterfront or to meet the operational costs of the Project. Any such contribution will be contained within the Business Plan and recorded in the accounts for the Project.

15. DIRECTORATE'S ESTIMATE OF THE COMMERCIAL VALUE OF THE SHAREHOLDERS' INVESTMENT IN THE COMPANY AND THE MANNER IN WHICH, AND THE TIMES AT WHICH, THE VALUE IS TO BE REASSESSED

The Company's share capital is \$1,000. As no profits or losses and no additional assets or liabilities are planned, the value is assessed as \$1,000.

The shareholders' investment in the Company is reassessed each year by reference to net assets as shown in the annual audited financial statements.

16. OTHER MATTERS AGREED BY SHAREHOLDER AND THE BOARD

Under the terms of a Trust entered into by the Council, the Company is a bare trustee of the land forming the Lambton Harbour Development Area.

There are no other matters relevant to the Statement of Intent that have been agreed between Shareholder and the Board.

WELLINGTON WATERFRONT LIMITED

KEY PERFORMANCE INDICATORS

For Year ending 30th June 2010

Key Performance Indicators for 2009/10

- Oversee design development and apply for resource consent for Kumutoto sites 8, 9 and 10
- Oversee design development and apply for resource consent for the redevelopment of Frank Kitts Park
- Project manage the construction of the wharewaka at Taranaki Street Wharf
- Oversee design development and the construction of further public space developments at Taranaki St Wharf in conjunction with the wharewaka
- Develop concepts, seek approvals, and oversee design development for the redevelopment of Queens Wharf, including Shed 6 and the Outer-T and prepare a master plan that will be publicly consulted upon as part of the process of adopting it as a variation to the district plan
- Complete Phase 1 of the wharf refurbishment programme.

Measure	Frequency of measure	Target 2009/10
<i>Financial</i>		
Capital expenditure (public space and commercial development expenditure)	Quarterly	tbc
Commercial proceeds	Quarterly	tbc

WELLINGTON WATERFRONT LIMITED

ACCOUNTING POLICIES

For Year ending 30th June 2008

Nature of entity

Wellington Waterfront Limited is 100% owned by Wellington City Council. It is a council-controlled organisation as defined by Part 1, section 6 of the Local Government Act 2002 and a company incorporated under the Companies Act 1993. Wellington Waterfront Limited manages the Wellington Waterfront Project for the Wellington City Council.

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).

Wellington Waterfront Limited 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 Wellington Waterfront Limited.

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 Wellington Waterfront Limited, 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 specific accounting policies which materially affect the measurement of financial performance and the 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 Company is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short term deposits, 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.

Trade and Other receivables

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

A provision for impairment of receivables is established when there is objective evidence that the Company 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.

Investments

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

Investments in bank deposits are initially measured at fair value plus transaction costs. After initial recognition investments in bank deposits are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the statement of financial performance.

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

Property, Plant and Equipment

Wellington Waterfront Limited has two classes of property, plant and equipment; motor vehicles and office equipment. All property, plant and equipment are recorded at cost.

When an item of property, plant or equipment is disposed of, any gain or loss is recognised in the statement of financial performance and is calculated as the difference between the sale proceeds and the carrying value of the item.

Depreciation is provided for on a diminishing value (DV) basis at tax rates.

Motor vehicles	31.2% DV
Office and computer equipment	9% – 60% DV

Impairment

The carrying amounts of property, plant and equipment are reviewed at least annually to determine if there is any indication of impairment. Where an asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. The recoverable amount is the higher of an item's fair value less costs to sell and value in use. Losses resulting from impairment are

reported in the Statement of Financial Performance, unless the asset is carried at a revalued amount in which case any impairment loss is treated as a revaluation decrease.

Leases

Wellington Waterfront Limited lease certain plant and equipment. All leases are operating leases. Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the lease items, are included in the determination of the net surplus in equal instalments over the period of the lease.

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.

Taxation

Income tax expense comprises both current tax and deferred tax, and is calculated using tax rates that have been enacted or substantively enacted by balance date.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Current tax and deferred tax is charged or credited to the statement of financial performance, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

Statement of cash flows

For the purpose of the statement of cash flows, cash includes cash on hand and deposits held 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.

Employee entitlements

A liability for annual leave is accrued and recognised in the statement of financial position. The annual leave liability has been calculated on an actual entitlement basis at current rates of pay.

Commitments

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

Contingencies

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

Changes in accounting policies

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