WRC Holdings Limited
Financial Statements
for the year ended 30 June 2018

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Directors	Appointed
S H Sharif (Chair)	12 August 2015
P M Lamason (Deputy Chair)	18 November 2010
B H Donaldson	21 November 2013
R W G Blakeley	29 November 2016
I D McKinnon	29 November 2016
N O Leggett	12 October 2017

Registered office

Shed 39, 2 Fryatt Quay,
Pipitea, Wellington 6011

Auditor

Jacques Coetzee
Audit New Zealand
on behalf of the Auditor-General

Bankers

ANZ Bank New Zealand Ltd

The Directors have pleasure in submitting their Annual Report including the financial statements of WRC Holdings Ltd and its subsidiaries (the Group) for the year ended 30 June 2018.

Principal Activities

WRC Holdings Limited (the Parent Company) is the investment holding company of Wellington Regional Council. The WRC Holdings Limited Group (the Group) consists of WRC Holdings Limited, its wholly owned subsidiaries, Port Investments Limited, Greater Wellington Rail Limited, and is a 76.9% owner of CentrePort Limited.

CentrePort owns and operates the Port of Wellington and related facilities at Seaview. It also owns and operates a number of commercial properties.

Greater Wellington Rail Limited owns and manage rail rolling stock and rail infrastructural assets.

The Group's primary objectives

Support Wellington Regional Council's strategic vision, operate as a successful, sustainable and responsible business.

Own Wellington Regional Council's interest in CentrePort Ltd, to maximise the commercial value of CentrePort to the shareholders and to protect the shareholders' investment, including land and property, while maintaining the CentrePort's strategic value to the economy of the region.

CentrePort owns and operates the Port of Wellington and related facilities at Seaview and Miramar. It also owns and operates a number of commercial properties.

Achieve the objectives and performance targets of the shareholder

Own Greater Wellington Rail Limited, manage rail rolling stock and infrastructural assets.

The financial objectives of the Group shall be to:

Provide a commercial return to shareholders.

Manage its assets prudently.

Adopt policies that prudently manage risk and protect the investment of shareholders.

Conduct its affairs in accordance with sound business practice.

The environmental objectives of the Group shall be to:

Operate in an environmentally responsible and sustainable manner.

Minimise the impact of any of the Group's activities on the environment.

Engage with stakeholders on environmental matters.

Ensure regulatory compliance

Develop a culture of awareness and responsibility

The social objectives of the Group shall be to:

Provide a safe and healthy workplace, that provides opportunities and skills to enhance our employees

Participate in development, cultural and community activities within the regions in which the Group operates.

Help sustain the economy of the region, with high quality port services to support international and coastal trade.

The WRC Holdings Group largely met all its objectives as set out in the 2017/18 SOI and Wellington Regional Council's 10 year plan 2015-2025 with exception of some of its financial performance targets and a number of CentrePorts performance targets, mostly attributable to the November 2016 earthquakes.

Contribute to the desired outcome of the Wellington Regional Strategy.

The nature and scope of activities undertaken by the group are consistent with those set in the 2017/18 Statement of Intent and Wellington Regional Council's LTP.

Statement of Service Performance

FINANCIAL PERFORMANCE TARGETS

Financial WRCH group results compared with Statement of Intent (SOI) Targets:

	Actual 2018 $'000	Target 2018 $'000	Actual 2017 $'000
Net (deficit) / surplus before tax	23,776	77,319	48,628
Net (deficit) / surplus after tax	23,069	78,082	36,166
Earnings before interest, tax, depreciation and amortisation (EBITDA)	60,016	104,993	82,941
Return on Shareholder's equity (1)	3.08%	11.90%	5.35%
Return on total assets (2)	5.13%	17.00%	8.00%
Shareholders equity to total assets	65.81%	66.20%	61.09%
Dividends	-	-	-
WRC Holdings - Parent			
Dividend distribution	-	-	-
Dividend distribution %	- %	- %	- %
Return on equity (1)	(0.05)%	- %	(0.04)%
Return on assets (2)	0.34%	0.40%	(0.03)%
Shareholders funds to total assets	83.4%	84.2%	82.0

(1) based on WRCH holdings share of net surplus after tax but excluding revaluation gains and losses divided by average equity less minority interest.
(2) based on earnings before interest, tax, depreciation and amortisation divided by average assets.

The above 2018 financial results are calculated on the same basis as previous year.

Net (deficit) / surplus before tax

The Group posted net surplus before tax of $23.78 million (2017: deficit of $48.63 million) compared to a budget surplus before tax of $77.32 million for the year.

The main drivers for the variance to target are lower insurance proceeds than budgeted (CentrePort received a large payment before the start of the year after the budget was struck), higher expenditure including finance costs by CentrePort offset by a less extent higher Port revenues and the write up of Associate companies relating to the BNZ building.

Net (deficit) / surplus after tax

The net surplus after tax was $23.07 million (2017: surplus of $36.17 million), compared to a budget surplus after tax of $78.08 million. The variance is impacted, as in the net deficit before tax as above.

Earnings before interest, tax, depreciation and amortisation (EBITDA)

EBITDA was $60.01 million (2017: $82.94 million) compared to a budget of $105.00 million.

This variance is impacted as in the net deficit before tax above, but reduced and offset by higher interest costs in CentrePort and depreciation in both CentrePort and GWRL.

Return on total assets

This target is calculated as earnings before interest and tax (EBIT) and expressed as a percentage of average total assets. As at 30 June 2018, return on total assets was 5.13% (2017: 8.0%).

The variance to target is predominately due to lower EBIT, offset by a much lesser extent by lower assets levels.

Return on shareholder's equity

This target is calculated as net surplus after tax (after deduction of minority interest) as a percentage of average shareholder equity (excluding minority interest). As at 30 June 2018, the return on shareholders' equity was 3.08% (2017: 5.35%), compared to a budget of 17.0%.

The variance to target is predominately due to lower net surplus after tax as noted above but offset to a lesser extent by lower level of equity in CentrePort and to a lesser extent GWRL.

Shareholder's equity to total assets

As at 30 June 2018 the ratio of shareholders equity to total assets stood at 65.81% (2017: 61.09%) and compared to a budget of 66.20%.

The result is slightly lower than budget with both assets and equity lower than budget. Equity however has reduced relatively more.

Dividends paid (or payable to the shareholders)

No dividend paid to the shareholders during the year (2017: nil).

WRC HOLDINGS - OPERATIONAL PERFORMANCE MEASURES

WRC Holdings to act as a responsible and inquiring Shareholder.

The Board has close liaison with its partners, Wellington Regional Council who manage the Rail operations in conjunction with Transdev Wellington, CentrePort who manage the Port operations, and the Wellington Regional stadium Trustees who manager the operations of the Stadium. These bodies regularly report and meet with the respective Boards of the WRC Holdings Limited Group.

WRC Holdings meet at least six times a year to review the operational and financial position of the companies and Group.

WRC Holdings Board met a scheduled 7 times during the year plus had two additional meetings to discuss particular issues.

WRC Holdings Group to report quarterly on the financial performance of WRC Holdings Group to Council.

The results of WRC Holdings are reported quarterly to Council and are supplemented with a presentation from the Chair of WRC Holdings.

WRC Holdings Group to present quarterly on WRC Holding Group activities to Council and to keep Council informed of significant matters as they occur.

WRC Holdings Chair has reported to Council quarterly over the course of the last financial year.

Statement of Intent and Annual Accounts are delivered in compliance with statutory requirements.

The draft statement of Intent and the final statement of Intent were delivered to Council as required by the Local Government Act also the annual financial statements were provided in accordance with section 67 (1) of the Local Government Act.

FINANCIAL PERFORMANCE MEASURES - WRC Holdings Parent

The financial performance targets for WRC Holdings parent are on budget, with the exception of the Shareholders funds to total assets, which is lower due to lower share calls required by Greater Wellington Rail to fund its capital expenditure programme related to timing of this expenditure.

ENVIRONMENT PERFORMANCE TARGETS

Planned Target

Operate in an environmentally and sustainable manner and realise opportunities to be more sustainable.

Minimise the impact of any of the Group's activities on the environment.

Develop a culture of awareness of environmental issues within the Group.

Ensure regulatory compliance.

Actual Performance

The Group has complied with all of its resource consents.

WRC Holdings via Wellington Regional Council operates in a sustainable environmental manner, by minimising on environmental impacts, and raising awareness within the Group. These include but not limited to such activities as choosing vehicles with the lowest environmental impact, and supporting public transport usage.

CentrePort has partially achieved its environmental targets as set down in its Statement of Intent 2017/18, as reported in the Financial Statements of Port Investments Limited for the year ended 30 June 2018. Some of the objectives are still in progress or is being deferred.

SOCIAL PERFORMANCE TARGETS

Planned Target - WRC Holdings Group

To provide a safe and healthy workplace

To help sustain the economy of the region

To participate in development, cultural and community activities within the region in which the Group operates.

Actual Performance

The Group through Wellington Regional Council provides a safe and healthy working place and is supported with the development of regional cultural and community activities.

The Group through Wellington Regional Council's Economic Development Agency assists with regional economic sustainability.

The Group via CentrePort to participate in development of the cultural and community activities within the region.

Greater Wellington Rail Limited provides Rail rolling stock and Infrastructure which assists with the region's economic sustainability by reducing roading congestion.

CentrePort has achieved its social performance targets as set down in its statement of intent 2017/18 as reported in the financial statements of Port Investments Limited for the year ended 30 June 2018.

Directors Information

Directors holding office for the Parent and its 100% owned subsidiaries during the year were:

S H Sharif (Chair)
P M Lamason (Deputy Chair)
B H Donaldson
R W G Blakeley
I D McKinnon
N O Leggett

Remuneration of Directors of the Parent Company

Details of Directors' remuneration are as follows:

	2018 **$'000**	2017 $'000
S H Sharif (Chair)	**11**	8
P M Lamason (Deputy Chair)	**-**	3
P Blades (resigned)	**-**	2
B H Donaldson	**-**	-
I D McKinnon	**-**	-
R W G Blakeley	**-**	-
N O Leggett	**5**	-
	16	13

Relevant entries in the Interests Register

Disclosure of interests by Directors for the year ended 30 June 2018:

S H Sharif (Chair)

Flirtey Limited (Director)

Coastal Oil Logistics Limited (Independent adviser)

Greater Wellington Rail Limited (Director)

Port Investments Limited (Director)

WRC Holdings Limited (Director)

Motor Trades Association Group (Director)

Animal Control Products Limited (Director)

NZ Standards Approval Board (Member)

NZ Institute of Safety Management Inc (Member of Advisory Board)

MTA Group Investments Limited (Director)

Everest Enterprises Lmited (Director and shareholder)

P M Lamason (Deputy Chair)

Wellington Regional Council (Councillor)

Hutt Mana Charitable Trust (Deputy Chair and Trustee)

She Trust (Trustee)

Hutt Valley District Health Board (Member)

Britannia House (Trustee)

WRC Holdings Limited (Director)

Port Investments Limited (Director)

Greater Wellington Rail Limited (Director)

B H Donaldson

Wellington Regional Council (Councillor)

Port Investments Limited (Director)

WRC Holdings Limited (Director)

Greater Wellington Rail Limited (Director)

R W G Blakeley

Wellington Regional Council (Councillor)

Greater Wellington Rail Limited (Director)

WRC Holdings Limited (Director)

Port Investments Limited (Director)

Capital and Coast District Health Board (Member)

I D McKinnon

Wellington Regional Council (Councillor)

Port Investments Limited (Director)

WRC Holdings Limited (Director)

Greater Wellington Rail Limited (Director)

N O Leggett

WRC Holdings Limited (Director)

Port Investments Limited (Director)

Greater Wellington Rail Limited (Director)

NZ Alcohol Beverages Council (Executive Director)

Spark Foundation (Chair)

Hutt Mana Charitable Trust (Trustee)

Collins Commercial Limited (Broker)

Directors' Interest Register

Directors have had no interest in any transaction or proposed transactions with the Group.

Directors' Insurance

The Company has arranged Directors' and Officers' Liability insurance cover to indemnify the Directors against loss as a result of actions undertaken by them as directors and employees respectively, provided they operate within the law. This disclosure is made in terms of section 162 of the Companies Act 1993.

Directors' Use of Company Information

The board received no notices during the year from Directors requesting use of company information received in their capacity as Directors which would not have otherwise been available to them.

Remuneration of Employees

The Parent Company and all its 100% owned subsidiaries have no employees. The 76.9% owned subsidiary, CentrePort Limited and its group of subsidiaries who received remuneration and other benefits in excess of $100,000 are tabulated below:

	Number of current employees
$100,001 - $110,000	22
$110,001 - $120,000	25
$120,001 - $130,000	13
$130,001 - $140,000	12
$140,001 - $150,000	5
$150,001 - $160,000	2
$160,001 - $170,000	2
$170,001 - $180,000	1
$180,001 - $190,000	4
$190,001 - $200,000*	1
$210,001 - $220,000*	6
$230,001 - $240,000	1
$240,001 - $250,000	2
$280,001 - $290,000	1
$300,001 - $310,000*	1
$380,001 - $390,000*	1
$500,001 - $510,000*	1
	100

* These amounts include variable performance related remuneration benefits

The Auditor-General is the appointed auditor in accordance with section 15 of the Public Audit Act 2001 and section 70 of the Local Government Act 2002. The Auditor-General has appointed Jacques Coetzee of Audit New Zealand to undertake the audit.

For, and on behalf of, the Board of Directors

Director

September 28, 2018

Director

September 28, 2018

	Notes	Group 2018 $'000	Group 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
REVENUE					
Operating revenue		**92,679**	80,715	**1,047**	1,146
Share of associate profit accounted for using the equity method	12	**22,999**	(18,614)	**-**	-
Total revenue	3	**115,678**	62,101	**1,047**	1,146
Earthquake related costs:					
Insurance deductible expenses	4	**(33,628)**	(19,305)	**-**	-
Impairment of assets	4	**(2,596)**	(63,968)	**-**	-
Insurance progress payment receivable	4	**55,583**	166,042	**-**	-
Gain / (loss) in fair value movements:					
Loss on disposal / revaluation		**(438)**	(97)	**-**	-
Fair value gain on financial instruments - CentrePort		**8,778**	10,330	**-**	-
Fair value of investment properties - CentrePort		**(826)**	-	**-**	-
EXPENDITURE					
Expenses, excluding finance costs	3	**(106,353)**	(95,762)	**(157)**	(138)
Finance costs	3	**(12,422)**	(10,713)	**(994)**	(1,083)
(Deficit) / surplus before taxation and subvention payment		**23,776**	48,628	**(104)**	(75)
Income tax benefit / (expense)	5	**(707)**	(12,462)	**-**	-
Profit from continuing operations		**23,069**	36,166	**(104)**	(75)
Net (deficit) / surplus after tax for the year		**23,069**	36,166	**(104)**	(75)
Other comprehensive revenue and expenditure					
Revaluation gain/(loss) on infrastructure assets after tax		**-**	(54,113)	**-**	-
Deferred tax recognised in reserves		**-**	50	**-**	-
Other comprehensive income for the year, net of tax		**-**	(54,063)	**-**	-
Total comprehensive income (loss) for the year		**23,069**	(17,897)	**(104)**	(75)
Total comprehensive revenue and expenditure for the year is attributable to:					
Owner of WRC Holdings Limited		**14,269**	(17,897)		
Non-controlling interest		**8,800**	-		
		23,069	(17,897)		

The accompanying notes form part of these financial statements.

Statement of changes in equity

For the year ended 30 June 2018

Group	Notes	Attributable to equity holders of the Company			Non-controlling interest	Total
		Contributed Equity $'000	Revaluation Reserves $'000	Retained earnings $'000	$'000	$'000
Balance as at 1 July 2016		231,215	53,169	168,323	46,459	499,166
Total Comprehensive Income for the Year		-	-	24,220	11,946	36,166
Contributed Equity		17,780	-	-	-	17,780
Increase / (Decrease) in Revaluation reserve		-	(41,591)	-	(12,472)	(54,063)
Transfer		-	(54)	54	-	-
Dividends		-	-	-	(162)	(162)
Balance as at 30 June 2017		248,995	11,524	192,597	45,771	498,887

Group	Notes	Attributable to equity holders of the Company			Non-controlling interest	Total
		Share Capital $'000	Revaluation Reserves $'000	Retained earnings $'000	$'000	$'000
Balance as at 1 July 2017		248,995	11,524	192,597	45,771	498,887
Total Comprehensive Income for the Year		-	-	14,269	8,800	23,069
Contributed Equity		7,450	-	-	-	7,450
Dividends		-	-	-	(461)	(461)
Balance as at 30 June 2018		256,445	11,524	206,866	54,110	528,945

The accompanying notes form part of these financial statements.

Parent	Notes	**Attributable to equity holders of the Company**		
		Share Capital $'000	**Retained earnings $'000**	**Total equity $'000**
Balance as at 1 July 2016		231,215	(31,235)	199,980
Profit or loss for the year		-	(75)	(75)
Contributed equity		17,780	-	17,780
Balance as at 30 June 2017		248,995	(31,310)	217,685

Parent	Notes	**Attributable to equity holders of the Company**		
		Share Capital $'000	**Retained earnings $'000**	**Total equity $'000**
Balance as at 1 July 2017		248,995	(31,310)	217,685
Profit or loss for the year		-	(104)	(104)
Contributed equity		7,450	-	7,450
Balance as at 30 June 2018		256,445	(31,414)	225,031

The accompanying notes form part of these financial statements.

	Notes	Group 2018 $'000	Group 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
ASSETS					
Current assets					
Cash and cash equivalents	15	**2,313**	221	**4**	4
Trade and other receivables	6	**9,257**	7,112	**93**	76
Inventories	7	**1,351**	1,423	**-**	-
Current tax receivables		**-**	601	**-**	-
Insurance Receivable		**59,268**	62,685	**-**	-
Current accounts - Greater Wellington Regional Council		**8,119**	6,271	**3,208**	3,314
Total current assets		**80,308**	78,313	**3,305**	3,394
Non-current assets					
Property, plant and equipment	8	**533,127**	536,928	**-**	-
Intangible assets	9	**3,212**	3,287	**-**	-
Investments in subsidiaries	10	**-**	-	**221,903**	214,453
Investments in joint venture	12	**74,584**	59,397	**-**	-
Advances to subsidiaries	10	**-**	-	**44,000**	44,000
Investment properties	11	**18,180**	16,772	**-**	-
Deferred tax assets	13	**2,938**	2,947	**-**	-
Total non-current assets		**632,041**	619,331	**265,903**	258,453
Total assets		**712,349**	697,644	**269,208**	261,847
LIABILITIES					
Current liabilities					
Trade and other payables		**14,959**	9,325	**97**	83
Interest bearing liabilities	14	**22,040**	145	**-**	-
Provisions for employee entitlements	16	**3,523**	3,153	**-**	-
Total current liabilities		**40,522**	12,623	**97**	83
Non-current liabilities					
Interest bearing liabilities	14	**44,080**	80,080	**44,080**	44,080
Provision for employee entitlements		**645**	752	**-**	-
Derivatives	22	**-**	8,778	**-**	-
Deferred tax liabilities	13	**98,157**	96,524	**-**	-
Total non-current liabilities		**142,882**	186,134	**44,080**	44,080
Total liabilities		**183,404**	198,757	**44,177**	44,163
Net assets		**528,945**	498,887	**225,031**	217,684
EQUITY					
Contributed equity	18	**256,445**	248,995	**256,445**	248,995
Reserves		**11,524**	11,524	**-**	-
Retained earnings		**206,866**	192,597	**(31,414)**	(31,311)
Non-controlling interest	19	**54,110**	45,771	**-**	-
Total equity		**528,945**	498,887	**225,031**	217,684

For, and on behalf of, the Board of Directors.

Director
September 28, 2018

Director
September 28, 2018

The accompanying notes form part of these financial statements.

	Notes	Group 2018 $'000	Group 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from customers		**71,377**	64,703	**-**	-
Dividend income received		**500**	1,213	**-**	3,691
Rental income		**6,599**	6,166	**-**	-
Interest income received		**137**	183	**1,044**	1,141
Income tax refund		**1,535**	-	**-**	-
Subsidies		**12,184**	10,639	**-**	-
Sale of inventory		**-**	12,149	**-**	-
		92,332	95,053	**1,044**	4,832
Cash was disbursed to:					
Payments to suppliers and employees		**(76,555)**	(75,202)	**(156)**	(137)
Business Interruption - temporary work		**33,628**	19,305	**-**	-
Business Interruption - loss of rents		**8,477**	8,985	**-**	-
Income taxation paid		**-**	-	**-**	-
Interest expense paid		**(12,594)**	(11,411)	**(994)**	(1,083)
Temporary work		**(36,678)**	(19,305)	**-**	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	21	**8,610**	17,425	**(106)**	3,612
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Cash balance from Joint Venture		**16,758**	-	**-**	-
Proceeds from sale of Property, Plant & Equipment		**229**	6,696	**-**	-
Earthquake insurance payment received		**16,895**	75,066	**-**	-
Cash was applied to:					
Purchase of Property, Plant & Equipment		**(14,730)**	(38,680)	**-**	-
Development of Investment Properties		**(2,707)**	(2,076)	**-**	-
Purchase of Intangibles		**(159)**	-	**-**	-
Subsidiary company shares		**-**	-	**(7,450)**	(17,780)
Purchase of Intangibles		**-**	-	**-**	-
Acquisition of Joint Venture		**(7,750)**	-	**-**	-
Other transfers		**(90)**	-	**-**	-
Earthquake capital expenditure		**(6,141)**	(2,357)	**-**	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		**2,305**	38,649	**(7,450)**	(17,780)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Proceeds from borrowings		**-**	30	**-**	30
Issue of ordinary shares		**7,450**	17,780	**7,450**	17,780
Cash was applied to:					
Borrowings repaid		**(18,000)**	(66,000)	**-**	-
Movement in current account		**(1,848)**	(4,916)	**106**	(64)
Dividends paid to shareholders		**(462)**	(3,740)	**-**	(3,578)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(12,860)**	(56,846)	**7,556**	14,168
Net increase / (decrease) in cash, cash equivalents & bank overdraft at year end		**(1,945)**	(772)	**-**	-
Add opening cash, cash equivalents / (overdraft) brought forward		**221**	993	**4**	4

The accompanying notes form part of these financial statements.

CASH, CASH EQUIVALENTS & BANK OVERDRAFT AT YEAR END	15	**(1,724)**	221	**4**	4

The accompanying notes form part of these financial statements.

1 Statement of compliance

The "Group" consists of WRC Holdings Limited, its wholly owned subsidiaries, Port Investments Limited, Greater Wellington Rail Limited, and its 76.9% subsidiary CentrePort Limited, together with its subsidiaries, as disclosed in note 10. WRC Holdings principal address is 2 Fryatt Quay, Wellington, New Zealand.

WRC Holdings provides transport, infrastructure, buildings and port facility and operations to the Greater Wellington region via its subsidiaries, for community and social benefit, rather than to make a financial return. Accordingly WRC Holdings has designated its self as public benefit entities (PBE's) and applies New Zealand Tier 1 Public Sector Public Benefit Entity accounting standards (PBE Accounting Standards).

The financial statements are presented in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 2013 and the Local Government Act 2002 and New Zealand Generally Accepted Accounting Practices (NZ GAAP).

These financial statements are presented in accordance with Tier 1 PBE Accounting Standards, and comply with PBE Standards.

Unless otherwise stated, all amounts are rounded to $000 and are expressed in New Zealand currency.

2 Statement of accounting policies

(a) Basis of preparation

The financial statements have been prepared on the basis of historical cost except for the revaluation of operational port freehold land, investment properties and financial instruments as outlined below.

Cost is based on the fair value of the consideration given in exchange for assets.

For the purposes of financial reporting, WRC Holdings is designated as a public benefit entity. The subsidiary companies comprise, Port Investments Limited, Greater Wellington Rail Limited, and CentrePort Limited. All subsidiaries, except Greater Wellington Rail Limited, are designated as profit-oriented entities. Greater Wellington Rail is designated as a public benefit entity.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements with those used at 30 June 2018.

There have been no changes in accounting policies during the financial year.

Specific accounting policies

The specific accounting policies adopted in the preparation of these financial statements, which materially affect the measurement of the statement of comprehensive revenue and expenditure, statement of movements in equity, balance sheet and cash flows are set out below:

(b) Critical accounting estimates and judgements

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Detailed information about each of these estimates and judgements is included in the notes together with information about the basis of calculation for each affected line item in the financial statements.

The areas involving significant estimates or judgements are:

The estimates and assumptions are reviewed on an on-going basis.

Income tax calculations (note 5)

Revenue recognition relating to insurance revenue and accounting for earthquake costs (note 4) including joint ventures and associates (note 12).

Fair value of Port land (note 8)

Earthquake uncertainties in the accounting for Harbour Quays Special Purpose Vehicles (SPV's) (note 12)

Impairment of Port assets held at cost (note 8)

(c) Basis of consolidation

The Group financial statements include WRC Holdings Limited (the Parent) and its subsidiaries. Control is achieved when the Parent is exposed, or has rights, to variance returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent controls an investee if and only if the Parent has all of the following:

• power over the investee (i.e. existing rights that give it the current ability to direct and relevant activities of the investee);

• exposure, or rights, to variable returns from its involvement with the investee; and

• the ability to use its power over the investee to affect its returns.

Other facts that must also be considered include:

• potential voting rights held by the Company, other vote holders or other parties;

• rights arising from other contractual arrangements; and

• any additional facts or circumstances that indicate the Company has, or does not have, the current ability to direct the relevant activities at the time the decisions need to be made, including voting patterns at previous shareholders' meetings.

• the size of the Company's holding of voting rights relative to the size and dispersion of holdings of other vote holders;

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

When the Group loses control of a subsidiary, a gain or loss is recognised in revenue and expenditure and is calculated as the difference between (i) the aggregate of the fair value of consideration received and the fair value of any returned interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive revenue and expenditure and accumulated in equity, the amounts previously recognised in other comprehensive revenue and expenditure and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to revenue and expenditure or transferred directly to retained earnings as specified by applicable PBE Accounting Standards).

Consolidation of a subsidiary begins when the Parent obtains control over the subsidiary and ceases when the Parent loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Parent gains control until the date when the Parent ceased to control the subsidiary. Refer to note 10

All intra-group transactions are eliminated on consolidation. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

(d) Statement of cash flow

The following are the definitions used in the statement of cash flow:

(i) Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within cash.

(ii) Investing activities are those activities relating to the acquisition and disposal of property, plant and equipment, investment property, intangible assets and joint ventures. Investments include securities not falling within the definition of cash.

(iii) Financing activities are those activities that result in the changes in size and composition of the capital structure of the Group. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to capital structure are included in financing activities.

(iv) Operating activities include all transactions and other events that are not investing or financing activities.

(e) Revenue recognition

Revenue shown in the statement of comprehensive income comprises the amounts received and receivable by the Group for services provided to customers in the ordinary course of business based on the stage of completion of the contract at statement of financial position date.

(i) Rendering of services
Revenues from services are recognised in the accounting period in which the services have been rendered.

(ii) Rental income
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(iii) Dividend and interest revenue
Dividend revenue from investments is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Business interruption insurance

Business interruption insurance is recognised on an accruals basis.

Income is stated exclusive of GST collected from customers.

(f) Property, plant and equipment

The Group has eight classes of property, plant and equipment

Operational port freehold land
Buildings
Wharves and paving
Cranes and floating equipment
Plant, vehicles and equipment
Rail Infrastructure
Rail rolling stock
Work in progress

Operational Port Land is stated at valuation determined every three to five years by an independent registered valuer. This class of asset has been re valued at 30 June 2017. The basis of valuation is fair value which is determined by reference to the highest and best use of land as determined by an independent valuer.

The fair value of Operational Port Land is recognised in the financial statements of the Group and reviewed at the end of each reporting period to ensure that the carrying value of land is not materially different from its fair value. Any revaluation increase of Operational Port Land is recognised in other comprehensive income and accumulated as a separate component of equity in the properties revaluation reserve, except to the extent it reverses a previous revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit and loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation is charged to the profit and loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation.

The remaining property, plant and equipment acquired by CentrePort on 1 October 1988 are recorded at cost less accumulated depreciation and impairment, based on a business valuation carried out in accordance with the Company plan under Section 21 of the Port Companies Act 1988. Subsequent purchases of remaining property, plant and equipment are recorded at cost. Cost represents the value of the consideration given to acquire the assets and the value of other directly attributable costs that have been incurred in bringing the assets to the location and condition necessary for their intended service. All these property, plant and equipment are depreciated excluding land.

The Board and management have undertaken a process to determine what constitutes Investment Property and what constitutes Property, Plant & Equipment. There is an element of judgement in this. There is a developed Port plan, and those items of land that are considered integral to the operations of the Port have been included in Operational Port Land. Land held specifically for capital appreciation or to derive rental income has been classed as Investment Property.

Greater Wellington Rail public transport rail station infrastructural assets and its Ganz Mavag rolling stock were valued by Bayleys at depreciated replacement cost at 30 June 2014.

There is no depreciation on capital works in progress and on land or investment properties. Depreciation on all other property, plant and equipment is charged on a straight line basis so as to write off the cost of the assets to their estimated residual value over their expected economic lives. The expected economic lives are as follows:

Buildings	10 to 50 years
Wharves and paving	10 to 50 years
Cranes and floating equipment	4 to 30 years
Plant, vehicles and equipment	2 to 20 years
Rail rolling stock	5 to 35 years
Rail Infrastructure	5 to 50 years
Capital work in progress	Not depreciated

The economic useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

(g) Investment properties

Investment properties, which is property held to earn rentals and/or for capital appreciation, is measured at its fair value at the reporting date. Gains or losses arising from changes in fair value of investment property are included in revenue and expenditure in the period in which they arise.

The Group has three classes of investment properties:

Developed investment properties
Land available for development
Lessors interest

(h) Leases

Group entities lease certain land, buildings, wharves and plant. Leases are finance leases wherever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessee. All other leases are classified as operating leases. All leases held by the Group are classified as operating leases.

Consolidated entity as lessee:

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Operating leases relate to subleases of properties (excluding land) leased with lease terms between 1 and 12 years, with an option to extend for a further period between 1 to 6 years. All operating lease contracts (excluding land) contain market review clauses. An operating lease relating to land has a term of 125 years. The lessee does not have an option to purchase the property or land at expiry of the lease period.

Lease incentive

In the event that lease incentives are provided to lessees to enter into operating leases, such incentives are recognised as a reduction of rental income on a straight line basis.

(i) Assets held for sale

Assets are classified as held for sale if it is intended that their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

(j) Intangibles assets

Software is a finite life intangible and is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives between 1 and 5 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

(k) Impairment of assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidation entity estimates the recoverable amount of the cash-generating using to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the Statement of revenue and expenditure immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had not impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the statement of comprehensive revenue and expenditure immediately, unless the relevant assets is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(l) Borrowing costs

Borrowing costs are recorded at amortised cost. Borrowing costs directly attributable to capital construction are capitalised as part of the cost of those assets. All other borrowing costs are recognised as an expense in the period in which they are incurred.

(m) Investments in subsidiaries and associates

Investments in subsidiaries are valued annually at the lower of cost and net asset backing. The change in valuation is recognised in the statement of comprehensive revenue and expenditure.

Investments in associates are stated at the fair market value of the net tangible assets at acquisition plus the share of post-acquisition increases in reserves.

In the parent financial statements, subsequent to initial recognition, investments in subsidiaries and joint ventures are measured at cost.

(n) Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results, assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the consolidated Balance Sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture.

An investment is accounted for using the equity method from the date on which the investee becomes a joint venture.

The requirements of NZ IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with NZ IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with NZ IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a joint venture of the Group, profit and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interest in the joint venture that are not related to the Group.

(o) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposit held at call with banks, other short term highly liquid investments with original maturities of 3 months or less.

(p) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(q) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable). Tax assets and liabilities are offset only when the Group has a legally enforceable right to set off the recognised amounts, and intends to settle on a net basis.

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(r) Goods and services tax (GST)

The Group is part of the Wellington Regional Council GST Group. All items in the financial statements are exclusive of GST, with the exception of CentrePort's receivables and payables, which are consolidated inclusive of GST.

Cash flows are included in the cash flow statement on a net basis for GST purposes. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Where GST is not recoverable as an input tax it is recognised as part of the related asset or expense.

(s) Provision for employee entitlements

A provision for employee entitlements is recognised as a liability in respect of benefits earned by employees but not yet received at balance date when it is probable that settlement will be required and they are capable of being measured reliably. Employee benefits include salaries, wages, annual leave, sick leave and long service leave. Where the services that gave rise to the employee benefits are expected to be settled within twelve months of balance date, the provision is the estimated amount expected to be paid by the Group. The provision for employee benefits not expected to be settled within twelve months are measured at the present value of the estimated future cash outflows expected to be incurred. The present value is determined by discounting the future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liabilities.

(t) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(u) Provision for dividends

Dividends are recognised in the period that they are authorised and approved.

(v) Financial instruments

Financial Instruments Issued by the Company

As part of normal operations, the Group is party to financial instruments with risk to meet operational needs. These financial instruments include bank overdraft facilities, interest rate swap agreements, forward foreign exchange contracts and an option to extend the term of the mandatory convertible notes. Interest rate swap agreements are used within predetermined policies and limits in order to manage interest rate exposure.

The Group has reduced its level of exposure to financial instruments as proceeds from the insurance claim have been used to repay borrowings.

The Group regularly undertakes reviews of its financial risk management as its capital structure changes.

Financial instruments at fair value through profit or loss

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate, fuel cost and foreign exchange rate risk, including forward foreign exchange contracts and interest rate swap agreements.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to fair value at each reporting date. Changes in fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

Cash settlements of derivatives adjust the line in the Statement of Comprehensive Income to which the cash settlement relates.

Financial assets

Investments are recognised and derecognised on trade date where purchase and sale of an investment is under a contract whose terms require delivery of the investments within the timeframe established by the market concerned, and are initially at fair value, plus transactions costs, except for those financial assets classified as at fair value through the statement of comprehensive revenue and expenditure, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through statement of comprehensive income', and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(i) Financial assets at fair value through statement of comprehensive revenue and expenditure

The Group has classified certain derivative instruments as financial assets at fair value through the statement of comprehensive revenue and expenditure. The policy for these items is outlined in note 2(w).

(ii) Loans and receivables

Cash and cash equivalents, trade receivables, loans, and other receivables are recorded at amortised cost using the effective interest method less impairment.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the instrument or a shorter period, where appropriate, to the net carrying amount of the financial assets or financial liability.

Nature of activities and management policies with respect to financial instruments:

Financial liabilities

Financial liabilities are classified as either fair value through revenue and expenditure, or at amortised cost. Financial liabilities at amortised cost include trade and other payables and borrowings.

Trade and other Payables

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services and are subsequently recorded at amortised cost using the effective interest method.

Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised costs with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

Offsetting financial instruments

Financial Assets and Liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(w) Derivative financial instruments classified at fair value through the statement of comprehensive revenue and expenditure

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate, fuel cost and foreign exchange rate risk, including forward foreign exchange contracts and interest rate swap agreements.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re measured to fair value at each reporting date. Changes in fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in revenue and expenditure.

Cash settlement of derivatives adjusts the line in the statement of comprehensive revenue and expenditure to which the cash settlement relates.

(x) Foreign currency transactions

Transactions in foreign currency are converted at the rate of exchange ruling at the date of the transaction. At balance date, foreign monetary assets and liabilities are translated at the closing rate and exchange variations arising from these transactions are recognised in the statement of comprehensive revenue and expenses.

(y) Standards, amendments, and interpretations issued but not yet effective.

PBE IPSAS 36 Disclosures of interest in other entities - effective date 1 January 2019

Requires increased disclosures regarding judgments and assumptions made in determining whether an entity controls, jointly controls or significantly influences another entity.

PBE IFRS 9 Financial Instruments - effective date 1 January 2021

This standard has been released in advance of IPSASB issuing a new financial instruments standard based on IFRS 9. This standard gives mixed groups the opportunity to early adopt a PBE standard that is based on the for profit standard NZ IFRS 9 on the same date that NZ IFRS 9 becomes mandatory in the for-profit sector.

Impairment of revalued assets (amendments to PBE IPSAS 21 and 36) – effective date 1 January 2019

The amendment brings revalued property, plant and equipment and intangible assets within the scope of PBE IPSAS 21 and PBE IPSAS 26.

PBE IPSAS 35 Consolidated financial statements - effective date 1 January 2019

The standard introduces a new definition of control requiring both power and exposure to variable benefits and includes guidance on assessing control.

PBBE IPSAS 37 Joint arrangements - effective date 1 January 2019

Establishes two types of joint arrangements (1) joint operations and (2) joint ventures based on whether the investor has rights to the assets and obligations for the liabilities of the joint arrangement or rights to the net assets of the joint arrangement.

Management is yet to assess the impact of these standards and does not expect to adopt them before their respective effective dates.

3 Operating surplus / (deficit) before subvention and taxation

	Group		Parent	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Other revenue				
Rental income (exchange revenue)	**11,815**	12,740	**-**	-
Operating Revenue	**68,585**	57,115	**-**	-
Interest (exchange revenue)	**95**	58	**1,047**	1,146
Operational grants from GWRC (non-exchange revenue)	**12,184**	10,639	**-**	-
Interest received	**-**	161	**-**	-
Other (exchange revenue)	**-**	2	**-**	-
	92,679	80,715	**1,047**	1,146
Share of profit of investments using the equity method (including earthquake costs and fair value adjustments)	**22,999**	(18,614)	**-**	-
	115,678	62,101	**1,047**	1,146
Fair value (loss) / gain on investment properties GW Rail	**(438)**	(97)	**-**	-
Fair value gain on financial instruments	**8,778**	10,330	**-**	-
Fair value (loss) gain on CentrePort investment property	**(826)**	-	**-**	-
	7,514	10,233	**-**	-
Expenses, excluding finance costs				
Amortisation	**214**	196	**-**	-
Employee benefits expense	**25,225**	23,078	**-**	-
Depreciation	**23,604**	23,404	**-**	-
Audit Services	**346**	224	**26**	19
Directors fees and expenses	**532**	495	**17**	13
Management fees	**157**	152	**77**	77
Repairs and Maintenance	**18,489**	16,667	**-**	-
Rates and Insurance	**7,531**	4,021	**6**	6
Other operating expenses	**28,558**	24,492	**2**	5
Tax services	**58**	52	**11**	10
Legal	**53**	33	**18**	8
Rental and lease expenses	**1,586**	2,821	**-**	-
Stock and other impairment	**-**	127	**-**	-
	106,353	95,762	**157**	138
Net finance costs	**12,422**	10,713	**994**	1,083
Operating surplus before subvention, taxation and earthquake related costs	**4,417**	(34,141)	**(104)**	(75)

4 Earthquake Related Items

Kaikoura Earthquake

A 7.8 magnitude earthquake struck in the early hours of 14 November 2016 in Kaikoura which has had a significant impact on CentrePort. The earthquake significantly damaged Port infrastructure and Port properties including the land on which the Port operates. The major Port operations impacted were the Container services and the Investment property portfolio held by the Port. Other Port services including logs, ferries, fuel, cruise and break bulk activities had substantially recovered immediately following the earthquake.

The impact of the earthquake has been reflected in these financial statements with the information available to the date these financial statements are signed. The insurance claim process has commenced and engineering damage assessments are being completed. Extensive repairs are still to be commenced and this brings considerable uncertainty in relation to the final quantification of insurance claims. The Group is working closely with independent advisors and the insurers assessors to progress the claim.

The Group has separate insurance policies for CentrePort and CentrePort Properties Limited. The Group received $100m of progress payments in 2018 for claims on these policies of which $60m related to CentrePort and $40m related to CentrePort Properties Limited.

CentrePort has a total insured value (in relation to port infrastructure) of $600m for both Material Damage and Business Interruption combined. The Business Interruption covers a 36 month indemnity period. Insurance progress payments of $60m were received by CentrePort in the year ended 30 June 2018 (2017: $100m) bringing total progress payments received to 30 June 2018 to $160m. These payments are applied to business interruption (loss of rents and temporary works) in the first instance and secondly to material damage.

CentrePort Properties Limited, including its associate entities (SPVs') has a total insured value of their property portfolio of $276.3m including loss of rents (of up to $49.8m). The indemnity period is 36 months.

CentrePort Properties Limited received a progress payment of $40m in the year ended 30 June 2018 (2017: $10m) bringing total progress payments received to date to $50m. An allocation totalling $41.0m (2017: $7.2m) has been made to the SPVs.

Initial draft damage assessment reports for the investment properties have been prepared by independent advisors. Insurance and property related impacts for CentrePort Properties Limited are included in the Group line items as expanded on below. As the SPVs are equity accounted, the impact of the earthquake in relation to the SPVs is accounted for separately as described in note 12.

The following table shows the net proceeds applied in the financial statements for the year ended 30 June 2018:

	Material Damage $'000	Business Interruption $'000	2018 $'000	2017 $'000
Loss of gross profits and rents	-	8,477	8,477	8,985
Temporary works expenditure incurred to date	-	33,628	33,628	19,305
Material damage preliminary estimates	13,478	-	13,478	137,751
Total Insurance income in the year	13,478	42,105	55,583	166,041
Total Insurance Income	151,229	70,395	221,624	166,041
Less progress payments received	(91,961)	(70,395)	(162,356)	(103,356)
Receivable as at 30 June	59,268	-	59,268	62,685

Impairment of Assets

CentrePort determined that the earthquake on 14 November was an indicator of impairment as per PBE IPSAS 26, Impairment of Cash-Generating Assets and PBE IPSAS 21, Impairment of Non-Cash-Generating Assets. CentrePort's key infrastructural assets such as wharfs and pavements are held at cost less depreciation. These assets were subject to technical and engineering assessments following the earthquake to assess whether they were partly or completely damaged and need to be derecognised. Those assets considered to be destroyed have been completely written off. For assets that were partially damaged CentrePort has estimated the impairment adjustments. However as engineering estimates are not yet complete these estimates may be subject to change in future periods.

	2018 $'000	2017 $'000
Asset impairment arising out of the earthquake:		
- Estimated asset impairments relating to damaged assets	**1,996**	51,207
- Impairment and fair value write-down on investment properties owned by Centerport Properties Ltd	**600**	12,761
	2,596	63,968

Impairment Sensitivity Analysis

Of the aggregate $66m impairment, $49m relates to assets that are completely destroyed and fully written off and $17m relates to estimates of impairment for partially damaged assets ranging from 10% to 80%. At balance date damage assessments are still ongoing and the impairment reflects the best estimate to date. If the percentage of estimated damage is altered by +/- 10% this would result in an increase or decrease in the impairment provision (and therefore total comprehensive income) by $1.7m.

Port Land

An adjustment of $63m to the fair value of land has been made to recognise the resilience work that needs to be undertaken to support the land. This adjustment is discussed in (note 8).

Business Interruption

An estimate of the amount recoverable for Loss of Gross Profit and Rents has been made for the period to 30 June 2018. The amount has been calculated based on the estimated loss of revenue and has not yet been agreed with the insurer and therefore could be subject to change in future periods.

A change to the estimated loss of revenue of + / - 10% would result in an increase / decrease in the Business Interruption and Loss of Rents income estimate accrued of $0.9m.

Material Damage Insurance Receivable

CentrePort Group is entitled to insurance claims for damage incurred to its insured assets and infrastructure. The insurers have accepted that the damage is covered under the group insurance policies, however, as damage assessments and repairs have not been completed the final settlement amount has not yet been agreed.

As damage assessments for all assets have not yet been fully completed, assumptions have been made and judgement applied in determining the insurance proceeds to be recognised for material damage

Where the minimum amount recoverable for damage to specific port assets can be reliably estimated, it has been recorded as income. Insurance proceeds have not been recognised where further work is required to quantify repair costs and related insurance income. These amounts will be clarified in due course as the insurance claim progresses. There is, therefore, the potential for adjustments to be made in future years to recognise further insurance proceeds and these proceeds may be material.

There is a contingent asset in relation to the insurance claim for the Port (note 25)

Earthquake deductible expenditure

Under the insurance policies the Group is liable to meet a deductible amount toward the cost of repair or reinstatement of the damaged assets. These total $18.3m of which $13.5m relates to CentrePort Infrastructure and $4.8m relates to commercial property assets.

Net Insurance Recovery - Associates and Joint Ventures

The Wellington Port Coldstore insurance claim was settled during the year ended 30 June 2018. Following conclusion of the claim, CentrePort purchased the remaining 50% of shares to increase its shareholding to 100%. Insurance proceeds on completion of the claim have been accounted for in the year ended 30 June 2018. CentrePort's share of the net impact on concluding the claim of $1.1m has been accounted for in the year ended 30 June 2018 (2017: $3.6m) and is included in the associate earnings for the year.

The estimated impact of the earthquake related items on the SPV entities is a net gain of $29.3m (2017: $27.2m loss). This has been included in the Share of profit/(loss) of investments using the equity method

For further information on the material assumptions and sensitivities related to the impact of the earthquake refer to note 12 for the impact on associates and joint ventures.

Tax impact

Refer to note 5 for information on the material assumptions and sensitivities related to the impact of the earthquake on income tax.

5 Taxation

	Group 2018 $'000	Group 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
(a) Income tax recognised in profit or loss				
Tax expense / (benefit) comprises:				
Current tax expense / (income)	**(938)**	50	**-**	-
Deferred tax (income) / expense relating to the origination and reversal of temporary differences	**2,000**	13,784	**-**	-
Adjustments recognised in current period in relation to deferred tax in prior periods	**(355)**	(1,372)	**-**	-
Tax loss recognised	**-**	-	**-**	-
Total Tax (benefit) / expense	**707**	12,462	**-**	-
Tax (benefit) / expense is attributable to:				
Continuing operations	**707**	12,462	**-**	-

	Group 2018 $'000	Group 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
(b) The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:				
(Deficit) / Surplus from operations	**23,776**	48,628	**(104)**	(75)
	23,776	48,628	**(104)**	(75)
Income tax (benefit) / expense calculated at 28%	**6,657**	13,616	**(29)**	(21)
Non-deductible expenses	**3,658**	8,273	**-**	-
Non-assessable income	**(10,752)**	(12,075)	**-**	-
Land and buildings reclassification	**-**	-	**-**	-
(Increase) / decrease in value of developed investment property land	**274**	1,592	**-**	-
Non-assessable increase / (decrease) in value of land for development	**-**	-	**-**	-
Tax effect of imputation credits	**-**	-	**-**	-
Temporary differences	**739**	2,462	**-**	-
Permanent differences	**344**	16	**-**	-
Tax loss offsets from or subventions paid to Group companies	**-**	-	**-**	-
Unused tax losses and tax offsets not recognised	**-**	-	**29**	21
	920	13,884	**-**	-
(Over) / under provision of income tax in previous period	**(213)**	(1,422)	**-**	-
Income tax expense	**707**	12,462	**-**	-
(c) Imputation credit account balances				
Balance at end of the period	**14,197**	14,924	**508**	508

(d) Tax losses not recognised

WRC Holdings have unrecognised tax losses of $495,171 (2017: $392,175) available to be carried forward and to be offset against taxable income in the future. The tax effect of these losses at 28% is $138,648 (2017: $109,809).

The ability to carry forward tax losses is contingent upon the relevant companies continuing to meet the requirements of the Income Tax Act 2007.

6 Trade & other receivables

	Group		Parent	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Net trade receivables				
Trade debtors	**8,175**	6,012	**-**	-
Provision for doubtful debts	**(285)**	(23)	**-**	-
	7,890	5,989	**-**	-
Associated entity receivable	**(11)**	9	**-**	-
Dividends receivable	**-**	-	**-**	-
Other receivables	**1,079**	875	**1**	-
Prepayments	**243**	186	**36**	23
Interest receivable	**56**	53	**56**	53
	9,257	7,112	**93**	76

Provision for doubtful debts

	Group		Parent	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Opening balance	**23**	2	**-**	-
Amounts written off during the year	**(23)**	-	**-**	-
Increased in allowance recognised in statement of comprehensive income	**285**	21	**-**	-
Closing balance	**285**	23	**-**	-

The average credit period on sales is 30 days. No interest is charged on the trade receivables. An allowance has been made for estimated irrecoverable amounts from the sales of services, determined by reference to past default experience.

Included in trade receivables are debtors with a carrying amount of $1.5 million, which are past due at 30 June 2018 (2017: $1.5 million). The Group believes that the amounts (net of doubtful debt provision) are recoverable. See (note 22)

7 Current Assets - Inventory

No inventories are held as security for liabilities as at 30 June 2018 (2017: Nil).

	Group		Parent	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Inventories				
Spares stock control	**1,237**	1,305	-	-
Fuel and stock control	**114**	118	-	-
	1,351	1,423	-	-

8 Property, plant and equipment

Group	Operational port freehold land $'000	Buildings $'000	Wharves and paving $'000	Cranes and floating equipment $'000	Plant, vehicles and equipment $'000	Rolling stock $'000	Transport infrastructure $'000	Work in Progress $'000	Total $'000
Year ended 30 June 2017									
Opening net book amount	79,922	12,816	47,935	30,172	6,741	312,257	64,975	47,812	602,630
Provision for resilience	(63,000)	-	-	-	-	-	-	-	(63,000)
Additions	-	-	1,214	-	-	13,219	382	21,324	36,139
Transfers	24,718	2,171	4,465	-	7,896	35,646	791	(48,628)	27,059
Disposals / written off	-	-	-	(23)	(63)	-	(171)	-	(257)
Revaluation gain / (loss)	9,012	-	-	-	-	-	-	-	9,012
Impairment	-	(6,850)	(34,075)	(3,580)	(842)	-	(125)	(5,860)	(51,332)
Depreciation charge	-	(590)	(1,596)	(1,611)	(1,095)	(14,645)	(3,868)	-	(23,405)
Depreciation retired	-	-	-	-	-	-	80	-	80
Closing net book amount	50,652	7,547	17,943	24,958	12,637	346,477	62,064	14,648	536,926
At 30 June 2017									
Cost	50,652	22,567	67,670	49,093	16,857	386,328	72,364	14,650	680,181
Valuation	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	(15,020)	(49,727)	(24,135)	(4,220)	(39,851)	(10,300)	-	(143,253)
Net book amount	50,652	7,547	17,943	24,958	12,637	346,477	62,064	14,650	536,928

Group	Operational port freehold land $'000	Buildings $'000	Wharves and paving $'000	Cranes and floating equipment $'000	Plant, vehicles and equipment $'000	Rolling stock $'000	Transport infrastructure $'000	Work in Progress $'000	Total $'000
Year ended 30 June 2018									
Opening net book amount	50,652	7,547	17,943	24,958	12,637	346,477	62,064	14,650	536,928
Transfer to investment property	(127)	-	-	-	-	-	-	-	(127)
Transfers	-	-	-	-	-	-	-	(5,906)	(5,906)
Additions	-	-	-	349	63	1,033	1,550	19,435	22,430
Transfers from work in progress	2,889	134	120	11,620	680	1,274	4,514	(15,501)	5,730
Disposals / written off	(23)	(1)	-	-	(50)	-	-	-	(74)
Reclassification	-	-	1,252	5,442	(5,469)	-	-	(1,252)	(27)
Impairment	-	(794)	(330)	-	(872)	-	-	-	(1,996)
Depreciation charge	-	(431)	(994)	(2,524)	(1,082)	(14,522)	(4,050)	-	(23,603)
Temporary works depreciation	-	-	-	(228)	-	-	-	-	(228)
Closing net book amount	53,391	6,455	17,991	39,617	5,907	334,262	64,078	11,426	533,127
At 30 June 2018									
Cost	116,391	29,545	102,624	68,808	18,383	383,920	78,429	17,286	815,386
Accumulated impairment	(63,000)	(7,644)	(34,405)	(3,580)	(1,714)	-	-	(5,860)	(116,203)
Accumulated depreciation	-	(15,446)	(50,228)	(25,611)	(10,762)	(49,658)	(14,351)	-	(166,056)
Net book amount	53,391	6,455	17,991	39,617	5,907	334,262	64,078	11,426	533,127

Capitalised Work in Progress

	2018 $'000	2017 $'000
Project		
Wharves	1,131	334
Mobile	-	2,977
Other	1,846	1,556
Total	2,977	4,867

Borrowing costs capitalised

During the year no borrowing costs were capitalised (2017: nil).

The parent does not hold any property, plant or equipment.

Operational Port Land

The Operational port land is comprised of the following land values:

Operational Port Land was last independently valued by Bayleys, a registered valuer, on 30 June 2017. The assessed value at that time was $110.5m (which excludes $3.1m of land acquired during the year ended 30 June 2017) which was adjusted by $63m for estimated Operational Port Land resilience costs. The Directors are satisfied that there has not been a material movement in the fair value as at 30 June 2018.

	2018 $'000
Industrial Zoned Land	79,590
Commercial Zoned	8,831
Other Port Land	25,231
Total Operational Port Land	113,652
Provision for Resilience	(63,000)
Carrying Value Operational Port Land	50,652
Additions, Transfers, and Disposals of Port Land	2,739
Carrying Value Operational Port Land 30 June 2018	53,391

The fair value of Operational Port Land has been determined in accordance with Australia and New Zealand Valuation and Property Standards, in particular Valuation Guidance Note NZVGN 1 Valuations for Use in New Zealand Financial Reports and IVS 300 Valuations for Financial Reporting.

Operational Port Land was independently valued by registered valuers of the firm Bayleys on 30 June 2017. The fair value of Operational Port Land is based on the highest and best use for transport distribution, road/rail/port linkages and logistics.

The fair value of Operational Port Land is determined with reference to a fair value hierarchy of inputs. All inputs into the determination of fair value of Operational Port Land sit within level 3 of this hierarchy as they are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Each freehold parcel of land is valued on a rate per square metre basis using the direct sales comparison approach. In carrying out this comparison, consideration is given to:

- sales of land or development sites within the wider Wellington region
- size, shape, location and access to services
- road frontage , exposure to vehicles
- allowable height and density of use.

Key assumptions underlying the valuation are set out below:

(i) Land at Aotea Quay, the Northern Reclamation and Point Howard have been valued in their current condition.

(ii) Parts of the port incurred significant settlement resulting in undulations and sharp height variations to some sealed areas. The valuation was completed on the basis that all remediation work was complete, including re levelling and laying new seal.

The table below summarises the valuation approach and key assumptions used by the valuers to arrive at fair value and the sensitivity of the valuation to movements in unobservable inputs.

Freehold land	**Fair value $'000**	**Valuation approach**	**Key valuation assumptions**	**Valuation impact**
Operational Port Land				
Industrial Zoned	$79,590	Comparison to sales of industrial land in similar locations	Weighted average land value $40 - $600 psm	+/- 5% ($4.0m)
Commercial Zoned	$8,831	Comparison to sales of commercially zoned land in similar locations	Weighted average land value $750 - $2,100 psm	+/- 5% ($0.4m)

Valuation approach - operational port leasehold land

A capitalised net rental approach is used to value leasehold land, where market ground rental is capitalised with reference to sales of lessors interests, with an allowance made for differences between contract and market rents adjusted for the terms of the lease. Inputs into this valuation approach are:

- comparable recent rental settlements on a rate per square metre of land,
- perpetually renewable or terminating lease
- rental review periods
- forecast trends for interest rates and market based property yields.

Market rental is assessed using both the:

- Classic approach under which the valuer adjusts a basket of comparable rental settlements for a ground rental rate psm pa and multiplies by the land area leased, and the
- Traditional approach whereby the valuer assesses a market land value and applies a market based ground rental percentage against this value.

Value is assessed once the market rental is assessed; the overage or underage is calculated until rent review date. To this figure is added the value of right to renew if perpetual lease or the PV of the total market value of the site deferred until lease end.

The following table summarises the key inputs and assumptions used by the valuer to arrive at fair value and the sensitivity of the valuation to movements in unobservable inputs.

Leasehold land	Fair value $'000	Valuation approach	Key valuation assumptions	Valuation impact
Operational port land	$25,231	Capitalised market rental checked to comparable sales of freehold land	Weighted average land value $120 - $2,100 psm	+/- 5% ($1.3m)

Port Land Resilience

An adjustment of $63m (2017: $63m) has been made to the fair value of Operational Port Land at 30 June 2018 to recognise the resilience work that needed to be undertaken to support the land. The resilience works costs are estimated with reference to the expected costs for remediation works undertaken for part of the operational port land.

There is a high level of uncertainty attached to the level of adjustment to be recognised against the port land resilience. This uncertainty includes the appropriate level of resilience required for each area of land, the range of potential technical solutions available to provide the desired level of resilience, and the cost of each potential solution.

Planning for the works to be undertaken is underway. The adjustment to the fair value of Operational Port Land is a critical accounting estimate as the actual costs of resilience works may differ significantly from the estimate.

A 15% increase/decrease in the estimate of the cost of the works would result in a movement in the fair value of Operational Port Land of $9.5m.

Greater Wellington Rail Limited (GWRL)

GWRL infrastructural assets and its rolling stock were independently valued by John Freeman, FPINZ, TechRICS, MACostE, Registered Plant and Machinery Valuer, a Director of Bayleys Valuations Limited as at 30 June 2014 using Optimised Depreciated Replacement Cost (ODRC) methodology.

All other property, plant and equipment are carried at cost less accumulated depreciation and any allowance for impairment.

9 Intangible assets

Group	Goodwill $'000	Computer software $'000	Total $'000
At 30 June 2017			
Cost	2,675	4,038	6,713
Accumulated amortisation and impairment	-	(3,426)	(3,426)
Net book amount	2,675	612	3,287
Year ended 30 June 2017			
Opening net book amount	2,675	372	3,047
Additions	-	436	436
Amortisation charge	-	(196)	(196)
Closing net book amount	2,675	612	3,287
At 30 June 2017			
Cost	2,675	4,038	6,713
Accumulated amortisation and impairment	-	(3,426)	(3,426)
Net book amount	2,675	612	3,287

Group	Goodwill $'000	Computer software $'000	Total $'000
Year ended 30 June 2018			
Opening net book amount	2,675	612	3,287
Additions	-	289	289
Disposals	-	(103)	(103)
Amortisation charge	-	(261)	(261)
Amortisation	-	-	-
Closing net book amount	2,675	537	3,212
At 30 June 2018			
Cost	2,675	4,224	6,899
Accumulated amortisation and impairment	-	(3,687)	(3,687)
Net book amount	2,675	537	3,212

The amortisation expense is included in operating expenses in the statement of comprehensive income

10 Investments in subsidiaries

PIL owns 76.9% of CentrePort group and the Group had the following subsidiaries at 30 June 2018.

All group entities have a common balance date of 30 June and all significant inter-entity transactions have been eliminated on consolidation.

Name	**Principal activity**	**Place of incorporation and operation**	**Equity holding**	
Port Investments Limited	Investment management	New Zealand	**100.0%**	100.0%
Greater Wellington Rail Limited	Rail rolling stock owner	New Zealand	**100.0%**	100.0%
CentrePac Limited	Container packing	New Zealand	**- %**	76.9%
Harbour Quays D3 Limited	Commercial rental property	New Zealand	**- %**	76.9%
Harbour Quays C1 limited	Commercial rental property	New Zealand	**- %**	76.9%
CentrePort Limited	Port operations	New Zealand	**76.9%**	76.9%
CentrePort Property Management Limited	Management Services	New Zealand	**76.9%**	76.9%
CentrePort Properties Limited	Investment in special purpose vehicle	New Zealand	**76.9%**	76.9%
Harbour Quays Property Limited	Investment in special purpose vehicle	New Zealand	**76.9%**	76.9%
Harbour Quays Shed 39 Limited	Commercial rental property	New Zealand	**76.9%**	76.9%
Wellington Port Coldstores Limited	Cold Storage	New Zealand	**76.9**	38.5

On 20 November 2017, Harbour Quays D3 Limited and Harbour Quays C1 Limited were removed from the Companies Register. In addition, on 12 January 2018 CentrePac Limited and CentrePort Limited were amalgamated.

On 31 January 2018, CentrePort Limited purchased the remaining 50% of shares of Wellington Port Coldstores Limited from Hamstead Enterprises Limited.

		2018	2017
		$'000	$'000
Greater Wellington Rail Limited	**221,903**	214,453	
Total investments in subsidiary companies		**221,903**	214,453

WRCHL has a long term advance of $44 million to PIL. This advance is non interest bearing and does not have a fixed payment term.

11 Investment Properties

	Group		Parent	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Developed Investment Properties	**4,500**	4,750	-	-
Land Available for Development	**13,516**	12,022	-	-
Lessors interest	**164**	-	-	-
	18,180	16,772	-	-
Developed Investment Properties				
Developed Investment Property as at 1 July	**4,750**	26,336	-	-
Transfer to Port Land	**-**	(15,676)	-	-
Additions	**201**	519	-	-
Impairments and Fair Value Change (earthquake)	**(600)**	(6,429)	-	-
Increase / (decrease) in fair value	**149**	-	-	-
	4,500	4,750	-	-
Land Available for Development	**12,022**	21,596	-	-
Transfer to Port Land	**-**	(5,942)	-	-
Additions	**2,507**	2,700	-	-
Impairments and Fair Value Change (earthquake)	**-**	(6,332)	-	-
Increase / (decrease) in fair value	**(1,013)**	-	-	-
	13,516	12,022	-	-
Lessors Interests				
Transfers from Property, Plant, and Equipment	**127**	-	-	-
Increase / (decrease) in fair value	**37**	-	-	-
	164	-	-	-
	18,180	16,772	-	-

Valuation

Developed investment property consists of Shed 39, a commercial property (both building and a leasehold interest in the land upon which the building sits) leased to a third party.

The developed investment property was valued on 30 June 2018 by independent registered valuers of the firm Bayleys. The property is valued in accordance with New Zealand Property Institute Practice Standard 3 Valuations for Financial Reporting Purposes at fair value arrived at using comparable market rental information. The value determined by Bayleys was $8.1 million, after allowing for impairment, based on the expected costs to repair the building, the fair value of the investment property is $4.5 million (2017: $4.75 million) based on the assumptions set out below.

The valuation assumes that the building is structurally sound (at least 90% NBS) and no allowance has been made for any structural, seismic or refurbishment works to be incurred in relation to remedying the building following the earthquake.

The property sustained significant damage to the building as a result of the Kaikoura earthquake. It is expected that repairs will commence over the next financial year.

The determination of fair value includes allowance for land and infrastructure works yet to be completed, consistent with the Harbour Quays Development plan approved by the CentrePort Board. This includes above and below ground services and some seawall strengthening.

The valuations use existing and forecast cash flows based on existing lease terms and expected future occupancy. The capitalisation rate of 9.25% (2017: 8.75%) and a discount rate of 9% has been used.

The building and accommodation is reinstated to a level akin to that provided prior to the November 2016 earthquake. The current tenant is occupying the entire property and paying full rent per the rent agreement.

The tenant has temporarily vacated part of the building but will reoccupy once all structural repairs and resulting damage has been rectified.

Land Available for Development and Lessors Interests - Valuation

The Land Available for Development and Lessors Interests were valued on 30 June 2018 by independent registered valuers of the firm Bayleys. The property is valued in accordance with New Zealand Property Institute Practice Standard 3 Valuations for Financial Reporting Purposes at fair value arrived at using comparable market rental information. After allowing for impairment, based on the expected cost to reinstate the land, the fair value of the investment property valued was $13.515 million (2017: $12.022 million).

Valuation Approach

The fair value of Freehold Investment Property is based on the highest and best use for commercial property.

The fair value of Investment Property is determined with reference to a fair value hierarchy of inputs as described in Note 22. This hierarchy reflects the significance of the inputs used in making the measurements.

All inputs into the determination of fair value of Investment Property sit within level 3 of this hierarchy.

Freehold Investment Property

Each freehold investment property is valued on an income capitalisation and discounted cash flow basis using the direct sales comparison approach and market derived parameters for rental and yields. In carrying out this comparison, consideration is given to sales of similar property within the wider Wellington region.

Leasehold Investment Property

A capitalised net rental approach is used to value leasehold land, where market ground rental is capitalised with reference to sales of lessors interests, with an allowance made for differences between contract and market rents adjusted for the terms of the lease. Inputs into this valuation approach are:

- comparable recent rental settlements on a rate per square metre of land.
- perpetually renewable or terminating lease
- rental review periods
- forecast trends for interest rates and market based property yields.

Market rental is assessed using both the:

- Classic Approach under which the valuer adjusts a basket of comparable rental settlements for a ground rental rate psm pa and multiplies by the land area leased, and the
- Traditional Approach whereby the valuer assesses a market land value and applies a market based ground rental percentage against this value.

The table below summarises the valuation approach used by the valuers before allowances for infrastructure service costs to arrive at fair value and the sensitivity of the valuation to the movements in unobservable inputs.

	Fair Value $'000	**Valuation Approach**	**Key Valuation Assumptions**	**Valuation Impact**
Improved Properties	$8,100	Capitalised rental checked to freehold land value	Market capitalisation rate of 9.25%	+ / - 0.25% +$0.2m / - $0.2m
Development Sites Commercial	$23,409	Direct sales comparison	Weighted average land value $600 to $1,950 psm (excl. common area) less allowance for infrastructure costs and demolition costs	+/- 5% ($1.1m)

12 Aggregated Joint Venture Information

Interests in Joint Ventures

Harbour Quays A1 Limited, Harbour Quays D4 Limited and Harbour Quays F1F2 Limited (the SPVs) are accounted for as joint ventures of the Group although the SPVs are wholly owned by CentrePort Properties Limited. The SPVs have issued Mandatory Convertible Notes (MCNs) to the Accident Compensation Corporation (ACC). These notes provide the ACC with joint control over the SPVs.

Summarised financial information for joint ventures

	Port Associates		**Property Associates**		**Total**	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000
Cash and cash equivalents	**18**	1,587	**35,015**	7,454	**35,033**	9,041
Insurance receivable	**-**	10,419	**90,595**	93,220	**90,595**	103,639
Other current assets (excluding cash)	**156**	269	**440**	8	**596**	277
Total current assets	**174**	12,275	**126,050**	100,682	**126,224**	112,957
Other current liabilities (including trade payables)	**(126)**	(429)	**(3,079)**	(1,821)	**(3,205)**	(2,250)
Total current liabilities	**(126)**	(429)	**(3,079)**	(1,821)	**(3,205)**	(2,250)
Non-current assets	**77**	14	**36,608**	38,572	**36,685**	38,586
Total non-current assets	**77**	14	**36,608**	38,572	**36,685**	38,586
Financial liabilities	**-**	-	**(84,872)**	(83,965)	**(84,872)**	(83,965)
Other liabilities	**(370)**	-	**-**	-	**(370)**	-
Total non-current liabilities	**(370)**	-	**(84,872)**	(83,965)	**(85,242)**	(83,965)
Net assets	**(245)**	11,860	**74,707**	53,468	**74,462**	65,328
Share of Net Assets	**(123)**	5,929	**74,707**	53,468	**74,584**	59,397

Summarised statements of comprehensive income

	Port Associates		Property Associates		Total	
	2018	2017	**2018**	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Revenue	**1,326**	2,236	**2,280**	5,631	**3,606**	7,867
Operating expenses	**(1,664)**	(3,259)	**(3,868)**	(4,161)	**(5,532)**	(7,420)
Net finance cost	**-**	(62)	**(5,430)**	(5,275)	**(5,430)**	(5,337)
	(338)	(1,085)	**(7,018)**	(3,805)	**(7,356)**	(4,890)
	-	-	-	-	-	-
Earthquake Related Items						
Costs and impairments	**-**	(6,917)	**(8,749)**	(130,766)	**(8,749)**	(137,683)
Insurance income	**2,857**	15,599	**38,073**	103,530	**40,930**	119,129
Post-tax profit from continuing operations	**2,519**	7,597	**22,306**	(31,041)	**24,825**	(23,444)
Income tax (expense)/ benefit	**-**	-	**(2,068)**	265	**(2,068)**	265
	2,519	7,597	**20,238**	(30,776)	**22,757**	(23,179)
Fair value adjustments	**-**	-	**1,500**	8,364	**1,500**	8,364
	2,519	7,597	**21,738**	(22,412)	**24,257**	(14,815)
Share of comprehensive income	**1,260**	3,798	**21,739**	(22,412)	**22,999**	(18,614)
Dividends received from joint venture or associate	**-**	-	**500**	1,200	**500**	1,200

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint venture

	Port Associates		Property Associates		Total	
	2018	2017	**2018**	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Opening net assets 30 June	**11,858**	4,261	**53,468**	77,080	**65,326**	81,341
Profit/(loss) for the year	**2,519**	7,597	**21,738**	(22,412)	**24,257**	(14,815)
WPC	**(14,622)**	-	**-**	-	**(14,622)**	-
Dividend	**-**	-	**(500)**	(1,200)	**(500)**	(1,200)
Closing net assets	**(245)**	11,858	**74,706**	53,468	**74,461**	65,326
Interest in joint venture	**(122)**	5,929	**74,706**	53,468	**74,584**	59,397
Carrying value	**(122)**	5,929	**74,706**	53,468	**74,584**	59,397

Details of the Group's material joint ventures at the end of the reporting period are as follows:

Name of entity	Principal activities	Proportion of ownership interest 2018	2017
Harbour Quays A1 Limited	Commercial rental property	**100%**	100%
Harbour Quays D4 Limited	Commercial rental property	**100%**	100%
Harbour Quays F1F2 Limited	Commercial rental property	**100%**	100%
Wellington Port Coldstore Limited	Cold storage or products	**100%**	50%
Direct Connect Container Services Limited	Transport hubbing and logistics	**50%**	50%

The remaining 50% shareholding of Wellington Port Coldstore Limited was acquired during the year and from acquisition date is accounted for as a subsidiary.

	Group 2018 $'000	Group 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Carrying amount at beginning of year	**59,397**	79,211	-	-
Share of profit / (loss) of joint ventures	**22,999**	(18,614)	-	-
Dividends from joint ventures	**(500)**	(1,200)	-	-
Consolidation of net assets of Wellington Port Coldstores Limited on acquisition	**(7,312)**	-	-	-
Transfer net assets of CentrePac Limited to wholly owned subsidiary on acquisition of remaining interest	**-**	-	-	-
Investment in Direct Connect Series Limited	**-**	-	-	-
Total current assets	**74,584**	59,397	-	-
Represented by:				
Harbour Quays A1 Limited	**18,157**	16,085	-	-
Harbour Quays D4 Limited	**13,599**	13,071	-	-
Harbour Quays F1F2 Limited	**42,952**	24,312	-	-
Other Joint Venture Companies	**(124)**	5,929	-	-
	74,584	59,397	-	-

Earthquake damage

The investment properties owned by the SPV companies and the Wellington Port Coldstore were significantly damaged in the November 2016 earthquake. CentrePort's equity accounted earnings from these entities have been affected by the estimated cost of earthquake related costs and insurance proceeds accounted for in these entities.

CentrePort Properties Limited is managing the insurance process for the SPV group. Work has commenced on the insurance claim process.

A summary of the SPV earthquake treatment follows. These include a number of critical accounting estimates and judgements.

Harbour Quays A1 Limited

The Statistics New Zealand building sustained significant damage as a result of the Kaikoura earthquake. Damage assessments concluded that the building is destroyed and is uneconomic to repair or restore the damage. This building was demolished during the year ended 30 June 2018 and turned into a carpark. The property has an insured indemnity value of $36.45m plus demolition costs and has been accounted for on the basis that the insurance claim for the total loss of the building will be accepted. The Company has a Business Interruption loss of rents policy which covers a 36 month indemnity period.

Harbour Quays D4 Limited

The Customhouse property was damaged in the earthquake and damage assessments have concluded that both structural and non structural damage was caused however it was relatively minor compared to the damage sustained by other buildings. The building has an insured value of $38.5m and a Business Interruption loss of rents policy which covers a 36 month indemnity period. The building has been repaired and reoccupied since December 2017, with $3 million of material damage income recorded.

Harbour Quays F1F2 Limited

BNZ House sustained significant damage in the earthquake and damage assessment reports conclude that the building is destroyed and is uneconomic to repair or restore. The building has an insured indemnity value of $84.8m and Business Interruption Loss of Rents which covers a 36 month indemnity period expiring November 2019. The financial statements for HQ F1F2 Limited have been prepared on the basis that the insurance claim for the earthquake damage to the building will be accepted for the full loss to the building (being the indemnity value of $84.8m). This is a change from the prior year where the expected proceeds from the insurance claim were based on the estimated cost to repair the building.

The property impairment and the estimated amounts receivable for insurance are critical accounting judgements. As the property has been fully written off and an estimate of the insurance receivable has been recognised there is the potential for adjustments to be made in future years that may be material.

Wellington Port Coldstore Limited

Wellington Port Coldstores Ltd (WPCL) formerly owned and operated a cold storage business located at CentrePort. The coldstore building sustained significant damage as a result of the Kaikoura earthquake and the building was written-off in 2017. In January 2018 the insurance claim for damage to the building was settled and WPCL received $15.7m of insurance proceeds, which was in addition to the $4m previously received.

Joint Venture Company Mandatory Convertible Note (MCN) Conversion Derivative

MCNs have been issued by the SPVs to the ACC. The MCNs are convertible to equity in March 2024 (or September 2026 at CentrePort Properties Limited's discretion).

On conversion, the SPV will issue to the MCN holder shares to the value of the index adjusted principal amount (IAPA) of the notes or 50% of the value of the securities on issue at that date, whichever is higher.

A conversion derivative liability is recognised on the balance sheets of the SPVs when the IAPA is expected to be less than 50% of the security values at the conversion date. The liability reflects the variance between the present value of (i) the forecast growth in the index adjusted present amount of the MCN value, and (ii) 50% of the estimated values of the securities at the conversion date.

The MCN derivatives are financial instruments with risk attaching to CPPL's investment in the SPVs. The conversion derivatives have a $nil liability on the balance sheets of the SPVs at 30 June 2018 (2017: $nil).

Acquisition of Wellington Port Coldstores Ltd

CentrePort initially acquired a 50% shareholding in WPCL from Hamstead Enterprises Ltd in July 2008 and recognised the investment as an associate.

On 31 January 2018 CentrePort acquired the remaining 50% shareholding in WPCL for cash of $7.8m.

The fair value of CentrePort's existing 50% shareholding at the date of the transaction was assessed at $7.3m. This gives rise to a fair value loss of $0.5m for CentrePort's existing shareholding in WPCL in the Statement of Comprehensive Income in 2018.

13 Deferred tax

	Group 2018 $'000	Group 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
The balance comprises temporary differences attributable to:				
Tax losses	**11,208**	16,367	**-**	-
Temporary differences	**(106,427)**	(109,945)	**-**	-
Net Deferred Tax	**(95,219)**	(93,578)	**-**	-

	Group 2018 $'000	Group 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Unrecognised deferred tax balances				
Tax losses	**-**	-	**(139)**	(110)
Unused tax credits	**-**	-	**-**	-
Temporary differences	**-**	-	**(3)**	(3)
	-	-	**(142)**	(113)

Movements - Group	Investment properties $'000	Property, plant and equipment $'000	Trade and other payables $'000	Other financial liabilities $'000	Tax losses $'000	Insurance recoverable $'000	Total $'000
At 1 July 2016	(978)	(91,980)	1,019	5,350	5,374	-	(81,215)
Charged to income	1,229	12,023	2,143	(2,892)	10,993	(35,908)	(12,412)
Change in tax rate	-	50	-	-	-	-	50
At 30 June 2017	251	(79,907)	3,162	2,458	16,367	(35,908)	(93,577)

Movements - Group	Investment properties $'000	Property, plant and equipment $'000	Trade and other payables $'000	Other financial liabilities $'000	Tax losses $'000	Insurance recoverable $'000	Total $'000
At 1 July 2017	251	(79,907)	3,162	2,458	16,367	(35,908)	(93,577)
Charged to income	134	2,930	(768)	(2,378)	(5,159)	3,599	(1,642)
At 30 June 2018	385	(76,977)	2,394	80	11,208	(32,309)	(95,219)

The net deferred tax balance comprises of a deferred tax asset of $2,938 and a deferred tax liability of $98,157.

14 Interest bearing liabilities

	Group		Parent	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Interest bearing liabilities				
Bank overdrafts	**4,037**	-	-	-
Bank borrowings	**18,003**	145	-	-
Total secured current interest bearing borrowings	**22,040**	145	-	-
Total current interest bearing borrowings	**22,040**	145	-	-
Non-current				
Bank borrowings	**44,080**	80,080	**44,080**	44,080
Total non-current interest bearing liabilities	**44,080**	80,080	**44,080**	44,080
Total interest bearing liabilities	**66,120**	80,225	**44,080**	44,080

The Parent has a commercial paper of $44.3 million (2017: $44.3 million) on issue which is supported by a $44 million (2017: $44 million) bank facility with the Commonwealth Bank of Australia Limited. The debt is secured by $50 million of uncalled shares in favour of Wellington Regional Council. The security is maintained by Trustee Executors. The interest rate charged as at 30 June 2018 was 2.0250% p.a. (2017: 2.00% p.a.).

On 18 December 2014 CentrePort entered into new revolving cash advance agreements with ANZ Bank New Zealand Limited, Commonwealth Bank Of Australia Limited and Westpac Banking Corporation Limited. The bank facilities total $125m with renewal dates ranging from 1 to 4 years. Included in the bank facilities is an evergreen facility of $25m subject to a 13 month cancellation notice.

The average effective interest rate on the bank facilities and interest rate swaps was 7.25% (2017: 7.06%).

Wellington Regional Council (with a long-term S&P credit rating of AA), guarantees the Group borrowings up to the full limit of the facility. CentrePort pays a guarantee fee to Greater Wellington Regional Council (refer for note 24). Port Investments has an unsecured advance facility of $44 million (2017: $44 million) with its parent WRC Holdings Limited. On 29 September 2017, the board of Directors of WRC Holdings extended the term of the loan to PIL to be repaid on 28 October 20038. Refer to note 22 for additional information regarding the Groups exposure and sensitivity risk.

15 Current assets - Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held on call with banks, other short-term, highly liquid investments with original maturities of three months or less. This does not include CentrePort's overdraft balance of $4.0m (2017: nil).

	Group		Parent	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	**2,313**	221	**4**	4

Including the overdraft, the net cash and cash equivalents is a current liability of $1.7m (2017: $0.2m current asset).

	Group		Parent	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	**2,313**	221	**4**	4
Bank overdraft	**(4,037)**	-	**-**	-
Cash and cash equivalents	**(1,724)**	221	**4**	4

16 Employee entitlements

	Group		Parent	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Current				
Employee benefits	**3,523**	3,153	**-**	-
Non-current				
Employee benefits	**645**	752	**-**	-
Total Provisions	**4,168**	3,905	**-**	-

The provision for employee entitlements relates to employee benefits, accrued annual leave, sick leave and long service leave. The provision is affected by a number of estimates, including the expected length of service of employees and the timing of benefits being taken.

The rate used for discounting the provision for future payments is 2.90% (2017: 2.90%).

17 Dividends payable

No dividend has been declared post balance date by CentrePort Limited (2017: $nil).

18 Equity

	Group 2018 $'000	Group 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
(a) Share capital				
Ordinary shares				
34,541,100 $1 shares, fully paid	**34,541**	34,541	**34,541**	34,541
22,170,000 $1 shares, fully paid	**22,170**	22,170	**22,170**	22,170
5,309,283 $1 shares fully paid	**5,309**	5,309	**5,309**	5,309
170,200,000 $1 shares, partly called	**158,375**	150,925	**158,375**	150,925
8,000,000 $1 shares, fully paid	**8,000**	8,000	**8,000**	8,000
11,250,000 $1 shares, fully paid	**11,250**	11,250	**11,250**	11,250
6,700,000 $1 shares, fully paid	**6,700**	6,700	**6,700**	6,700
10,100,000 $1 shares fully paid	**10,100**	10,100	**10,100**	10,100
50,000,000 $1 shares uncalled	**-**	-	**-**	-
Redeemable Preference Share Capital				
25,000 $1000 shares, paid to 1 cent	**-**	-	**-**	-
Total share capital	**256,445**	248,995	**256,445**	248,995

19 Non-controlling interest

	Group 2018 $'000	Group 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Opening Balance at 01 July	**45,771**	46,459	**-**	-
Share of operating surplus / (deficit)	**8,800**	11,946	**-**	-
Share of dividends paid or payable	**(461)**	(162)	**-**	-
Share of movements in revaluation reserve	**-**	(12,472)	**-**	-
Balance of Non-controlling Interest at 30 June	**54,110**	45,771	**-**	-

The non-controlling interest represents the Manawatu Regional Council's 23.1% share of CentrePort Limited.

20 Major variances between actual and budget

	Group Actual 2018 $'000	Group Budget 2018 $'000
Statement of Comprehensive Revenue and Expense		
REVENUE		
Operating revenue	92,679	75,658
Share of associate profit accounted for using the equity method	22,999	3,786
Total revenue	115,678	79,444
Earthquake related costs	19,359	82,608
Gain / (loss) in fair value movements	7,514	4,007
EXPENDITURE		
Expenses, excluding finance costs	(106,353)	(83,673)
Finance costs	(12,422)	(5,117)
(Deficit) / surplus before taxation and subvention payment	23,776	77,269
Income tax benefit / (expense)	(707)	764
Net (deficit) / surplus after tax for the year	23,069	78,033
Owner of WRC Holdings Limited	14,269	56,823
Non-controlling interest	8,800	21,260
	23,069	78,083
Statement of Financial Position		
ASSETS		
Current Assets	80,308	68,015
Non-Current assets		
Property, plant and equipment	536,339	603,377
Investments	95,702	68,427
Total assets	712,349	739,819
LIABILITIES		
Total current liabilities	40,522	13,727
Interest bearing liabilities	44,080	86,050
Non-current liabilities	98,802	87,835
Total liabilities	183,404	187,612
Net assets	528,945	552,207
EQUITY		
Opening equity	498,887	456,135
Opening equity (non controlling interests)	(45,771)	(35,141)
Shares to be issued during the year	7,450	17,990
Total comprehensive income applicable to parent	14,269	56,823
Closing Equity (Non-controlling interest)	54,110	56,400
Total Equity	528,945	552,207
Equity applicable to parent	474,835	495,807
Non controlling interest	54,110	56,400

20 Major variances between actual and budget (continued)

Total Equity	528,945	552,207

20 Major variances between actual and budget (continued)

Statement of Cash Flows

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	**98,634**	**97,544**
Dividend income received	**500**	17,798
Interest income received	**137**	**2,273**
Payments to suppliers and employees	**(76,552)**	**(69,978)**
Income taxation paid	**1,535**	**(3,475)**
Interest expense paid	**(12,594)**	**(4,940)**
Temporary work	(3,050)	(18,220)
NET CASH FLOWS FROM OPERATING ACTIVITIES	8,610	21,002
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of Property, Plant & Equipment	**229**	**6,750**
Earthquake insurance payment received	**16,895**	49,058
Purchase of Property, Plant & Equipment	**(17,596)**	**(17,990)**
Earthquake capital expenditure	**(6,141)**	**(78,403)**
Other investing activities	8,918	-
NET CASH FLOWS FROM INVESTING ACTIVITIES	2,305	(40,585)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	**(18,000)**	**1,500**
Issue of ordinary shares	**7,450**	17,990
Movement in current account	(2,310)	1,333
NET CASH FLOWS FROM FINANCING ACTIVITIES	**(12,860)**	**20,823**
Net increase / (decrease) in cash, cash equivalents & bank overdraft at year end	**(1,945)**	**1,239**
Add opening cash, cash equivalents / (overdraft) brought forward	221	4,013
CASH, CASH EQUIVALENTS & BANK OVERDRAFT AT YEAR END	(1,724)	5,252

Significant Components of actual group results variances to budgets are:

Revenue

Revenues were $36.2 million higher due to:

$18 million higher revenue from Port operations, given the uncertainly around forecasting activity after the November earthquake.

A write up of associate containing the BNZ building in relating to the Insurance claim being received rather than repaired.

Earthquake related items

Overall net revenues were $63 million lower that budget. This stems from the fact a large insurance payments was received by CentrePort after the budget was set and prior to 30 June 2017. This lead to lower receipts than budgeted during 2017/18 year and a higher starting equity balance due to higher profits in 2016/17, not considered when the budget was set.

Gain/Loss in fair value movements

The gains were $3.5 million higher than budget, predominantly due to the write back of CentrePort's swaps portfolio which was terminated during the year.

20 Major variances between actual and budget (continued)

Expenditure

Overall expenditures including finance costs were $29.9 million higher than budget.

GWRL expenditures were higher relating to deprecation and maintenance.

Port cost were higher due increased costs of the port following the Earthquake in particular higher levels of maintenance and labour and much higher levels of activity from Port operations as noted in revenue above.

Finance costs at the Port were higher due to the cost of terminating their swaps portfolio.

Assets

Investments are higher than budget due to the write up in CentrePort of the BNZ building as noted above.

Current assets were higher than budget in CentrePort due to a higher Earthquake receivable than planned which is a timing issue.

These increases were offset by lower levels of capital expenditure leading to lower level of fixed assets overall from both CPL and GWRL.

Liabilities

Liabilities are higher than budgeted predominately due to a higher level of deferred tax in CentrePort, offset by lower levels of debt in CentrePort, and an unbudgeted termination of the swaps portfolio liability. The higher deferred tax in CentrePort's result is due to lower levels of tax paid during the year and timing differences.

Equity

Equity is lower than budget primarily due to a lower overall profit relating to CentrePort and lower levels of shares issued during the year to fund GWRL capex but offset by a higher opening equity balance relating to the timing of when the budget was set, see the comment above in relation to Earthquake items.

Cash flow

Operating cash flow

The operating cash flow is lower than budget predominately due to non-receipt of an expected repatriation of settlement proceeds from Statistics House and wind up of the related Mandatory Convertible Notes. This is a timing issue.

Investing cash flow

The proceeds from Insurers and the capital expenditure works done are both significantly lower than budget. Capex spend is also lower in GWRL due to timing. Most of the earthquake related works undertaken at CentrePort related to temporary works and demolition costs which are recorded in the operating cash flow.

Financing cash flow

CentrePort has repaid debt during the year as the proceeds from insurers and operating cash flow have been greater than the level of capital expending and investing activities. The lower levels of share issuance by GWRL is balanced by lower levels of capital expenditure in GWRL.

21 Reconciliation of surplus for the year with cash flows from operating activities

	Group		Parent	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Net (deficit) / surplus after tax	**23,069**	36,166	**(104)**	(75)
Add / (less) non-cash items:				
Depreciation	**23,832**	23,467	-	-
Amortisation	**214**	193	-	-
Impairment / written off of fixed assets	-	-	-	-
Inventory adjustment	-	127	-	-
(Gain) / loss on sale of property, plant & equipment	**73**	92	-	-
Loss on fair value movement financial instruments	**(8,778)**	(10,330)	-	-
Revaluation loss on rail assets	-	-	-	-
Write down / (up) of investment properties	**826**	-	-	-
Earthquake related costs	**2,596**	63,968	-	-
Equity accounted earnings from associate companies	**(22,499)**	19,814	-	-
Deferred tax liability	**6,487**	18,038	-	-
Change in provision for doubtful debt	-	-	-	-
Add / (less) movements in working capital:				
Accounts receivable	**(2,133)**	8,606	**(3)**	(4)
Prepayment	**(13)**	-	**(13)**	-
Accounts payable	**5,635**	(1,545)	**14**	-
Insurance receivable	**3,417**	(62,685)	-	-
Dividends receivable	-	-	-	3,691
Inventory	**73**	11,853	-	-
Borrowings	**(146)**	(730)	-	-
Taxation - refund/payable	**(4,244)**	(5,604)	-	-
Financial Instruments	-	-	-	-
Current account - Greater Wellington Regional Council	-	-	-	-
Current account - Port Investments Limited	-	-	-	-
Employee entitlements	**263**	(141)	-	-
Working capital on WPCL acquisition	**(1,900)**	-	-	-
Add / (less) items classified as investing and financing activities:				
Accounts payable related to property, plant and equipment	**(1,379)**	(1,698)	-	-
Accounts receivable related to property, plant and equipment	-	(7,100)	-	-
Insurance progress payment schedule	**(16,895)**	(75,066)	-	-
Increase in share capital	-	-	-	-
Other	**112**	-	-	-
Net cash inflow from operating activities	**8,610**	17,425	**(106)**	3,612

22 Financial risk management

Nature of activities and management policies with respect to financial instruments:

Financial Risk Management Objectives
The Group's finance function provides services to the business, co-ordinates access to financial markets, monitors and manages the financial risk relating to the operations of the Group through internal risk reports which analyses exposure by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks, by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments. The Group does not enter into or trade financial instruments, including derivative financial instruments for speculative purposes.

Treasury activities are reported to the Board quarterly at CentrePort and at each meeting of the WRC Holdings Board. In addition, CentrePort has established a Treasury Committee with independent Treasury advisors as members. WRC Holdings Treasury activities are covered by Wellington Regional Council's Treasury Policy.

(a) Fair value assumptions
The Group considers that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values. The fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instrument.

Inter group advances
CentrePort has borrowing covenant requirements for gearing and interest cover ratios. Performance against covenants is reported quarterly to the Audit and Risk Committee. These covenants have been complied with during the period.

Significant accounting policies
Details of the significant accounting policies and methods adopted, including the criteria for recognition, and the basis of measurement applied in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Capital risk management
CentrePort manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes borrowings - disclosed in note 14 - , cash reserves and retained earnings.

Externally imposed capital requirements
CentrePort has borrowing covenant requirements for gearing and interest cover ratios. Performance against covenants is reported monthly to the CentrePort Board and semi-annually to its. All externally imposed covenants have been complied with during the period.

Estimation of fair value of financial instruments
The fair value of financial instruments is determined on a hierarchical basis that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Assumptions for valuation models are based on management's judgements and estimates. Changes in the assumptions used in these models and projections of future cash flows could affect the reported fair value of financial instruments.

Fair value measurements recognised in the statement of financial position
All financial instruments recognised on both CentrePort's and WRC Holdings Limited's balance sheet at fair value sit within level 2.

(b) Market risk

Currency risk

The Group enters into forward exchange contracts to hedge the group's foreign currency risk on major asset purchases.

As at 30 June 2018, neither WRC Holdings parent nor WRC Holdings Group had entered into any forward exchange contracts (WRC Holdings Group 2017: no FX contracts).

Interest rate risk

The Group is exposed to interest rate risk as the Group borrows funds at both fixed and floating interest rates. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite as provided for in the Treasury Policy.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of note 22.

Reconciliation of other financial (assets) / liabilities

	Group		**Parent**	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Interest rate swaps - (assets)	-	-	-	-
Interest rate swaps - liabilities	-	8,778	-	-
Total other financial (assets) / liabilities	-	8,778	-	-
Current assets	-	-	-	-
Non-current assets	-	-	-	-
Current liabilities	-	-	-	-
Non-current liabilities	-	8,778	-	-

Interest rate sensitivity

WRC Holdings - Parent

At reporting date, if interest rates had been 100 basis point higher or lower and all other variables were held constant, the Parents net profit would increase/decrease by $441,000 (2017: increase/decrease by $441,000).

At reporting date, WRC Holdings Parent had not entered into any swaps (2017: no swaps). Therefore a change in swap rates has no impact (2017: no impact).

CentrePort

The sensitivity analysis has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 1.0% (2017: 1.0%) increase or decrease represents management's assessment of the possible change in interest rates.

At reporting date, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's net profit would increase/decrease by $0.5 million (2017: increase/decrease by $0.8 million). This is mainly attributable to the Group's exposure to interest rates on its uncovered rate borrowings and excludes the unrealised gain or loss in the value of interest rate swaps.

During the year CentrePort terminated its interest rate swap portfolio. At the end of the year the company holds no interest rate swaps.

In November 2017 $50m of interest rate swaps on hand were terminated which resulted in a cash cost of $9.5m. At yearend, the Group held no interest rate swap agreements.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps are based on market values of equivalent instruments at the reporting date and are disclosed below. The average interest rate is based on the outstanding balances.

			2018	2017
	2018 %	2017 %	**Notional Value $'000**	Notional value $'000
Interest rate swap agreements - Group				
Other financial liabilities				
Two to five years		1.98% - 1.99%	-	(15,000)
Greater than Five years		5.36% - 5.96%	-	50,000
Total other financial liabilities			-	35,000
Group fair value liabilities				
Represented by:				
Current Liabilities			-	-
Non-current Liabilities			-	8,778
Total financial liabilities			-	8,778

Maturity profile of financial instruments

The following table details the Group's exposure to interest rate risk at 30 June 2018 and 30 June 2017.

	Weighted average interest rate	Variable interest rate	Maturity profile of financial instruments						Non-interest bearing	Total
			Less than one year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years		
	%	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group 2018 Financial Liabilities:										
Trade and other payables			14,959	-	-	-	-	-	14,959	14,959
Payables to employees			3,523	645	-	-	-	-	4,168	4,168
Debt - Parent	**1.99**	**2.03**	44,080	-	-	-	-	-	-	44,080
Debt - CentrePort	**2.54**	**1.94**	22,040	-	-	-	-	-	-	22,040
Total			84,602	645	-	-	-	-	19,127	85,247
Group 2017										
Trade and other payables			9,325	-	-	-	-	-	9,325	9,325
Payables to employees			3,153	752	-	-	-	-	3,905	3,905
Debt - Parent	2.11	2.00	44,080	-	-	-	-	-	-	44,080
Debt - CentrePort	5.34	1.95	36,146	-	-	-	-	-	-	36,146
Total			92,704	752	-	-	-	-	13,230	93,456
Parent 2018										
Trade and other payables			97	-	-	-	-	-	97	97
Borrowings - WRC H	**1.99**	**2.03**	44,080	-	-	-	-	-	-	44,080
Total			44,177	-	-	-	-	-	97	44,177
Parent 2017 Financial Liabilities										
Trade and other payables			83	-	-	-	-	-	83	83
Borrowings - WRC H	2.11	2.00	44,080	-	-	-	-	-	-	44,080
Total			44,163	-	-	-	-	-	83	44,163

(c) Credit risk management

Credit risk is the risk that the counter party to a transaction with the Group will fail to discharge its obligations, causing the Group to incur a financial loss. The Group is exposed to credit risk through the normal trade credit cycle and advances to third parties. The Group performs credit evaluations on all customers requiring credit and generally does not require collateral. Maximum exposures to credit risk as at balance date are the carrying value of financial assets in the statement of financial position.

Trade and other receivables include amounts that are unimpaired but considered past due as at balance date. An analysis of the age of such trade receivables is included in the table following

	Group		Parent	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
30-60 days	**1,226**	719	-	-
60-90 days	**89**	160	-	-
90-120 days	**52**	415	-	-
121 days +	**329**	254	-	-
Total	**1,696**	1,548	-	-

No collateral is held on the above amounts.

Insurance receivables credit risk

A total of $59 million is recognised by CentrePort as a receivable in relation to insurance proceeds at balance date due from various insurance institutions. The SPVs recognised insurance receivable of $91 million at balance date. The credit ratings of the largest insurance credit exposure as published by Standard & Poors is rated A+ and above as at the date of these financial statements.

Concentrations of credit risk

The Group does not have any significant credit risk exposure other than insurance receivable to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by International credit-rating agencies.

Currency Risk

The Group enters into forward exchange contracts to hedge the Group's foreign currency risk on major asset purchases.

As at 30 June 2018, CentrePort Group had not entered into any forward contracts. (2017: nil).

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds at short notice to meet its financial commitments as they fall due. To reduce the exposure to liquidity risk the Group has a bank overdraft facility of $2 million net, with gross indebtness of $4 million through a set off arrangement, (2017: $6 million) and banking facilities of $125 million at balance date (refer to note 14Interest Bearing Liabilities) (2017: $150 million). Of these $22 million (2017: $36 million) had been drawn down by the Group at balance date. The bank overdraft of $4 million at 30 June 2018 is offset by $2.3 million cash on hand (note 15). Port Investments borrows its funds from the Parent Company who sources funds from the institutional investor market via commercial paper, backed by a $44 million committed credit facility with Commonwealth Bank of Australia Limited.

The Parent has a $44 million term facility with Commonwealth Bank of Australia Limited which expires in September 2018.

On 18 December 2014 CentrePort Limited entered into new revolving cash advance agreements with ANZ Bank New Zealand Limited, Commonwealth Bank of Australia Limited and Westpac Banking Corporation Limited. The bank facilities total $125m with renewal dates ranging from 1 to 4 years for $100m of the facilities. There is also evergreen facility of $25m subject to a 13 month cancellation notice.

Liquidity profile of financial instruments

The following tables detail the groups liquidity profile based on undiscounted cash outflows at 30 June 2018 and 30 June 2017, assuming future interest cost on borrowings at nil% (2017: 7.05%).

Group - At 30 June 2018	Less than One Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	5+ Years	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities							
Trade and other payables	14,959	-	-	-	-	-	14,959
Payables to employees	3,523	645	-	-	-	-	4,168
Other financial liabilities	-	-	-	-	-	-	-
Borrowings	22,926	44,300	-	-	-	-	67,226
Total	41,408	44,945	-	-	-	-	86,353
Group - At 30 June 2017							
Financial liabilities							
Trade and other payables	9,325	-	-	-	-	-	9,325
Payables to employees	3,153	752	-	-	-	-	3,905
Other financial liabilities	-	14	-	-	-	8,764	8,778
Borrowings	6,788	70,205	14,118	-	-	12,846	103,957
Total	19,266	70,971	14,118	-	-	21,610	125,965

Parent - At 30 June 2018	Less than One Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	5+ Years	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities							
Trade and other payables	97	-	-	-	-	-	97
Borrowings	886	44,300	-	-	-	-	45,186
Total	983	44,300	-	-	-	-	45,283
Parent - At 30 June 2017							
Financial liabilities							
Trade and other payables	83	-	-	-	-	-	83
Payables to WRC	346	-	-	-	-	-	346
Borrowings	1,000	1,000	44,300	-	-	-	46,300
Total	1,429	1,000	44,300	-	-	-	46,729

(e) Financial instruments by category

Financial assets as per balance sheet	Loans and receivables $'000	At fair value through other comprehensive income $'000	Total $'000
Group			
At 30 June 2018			
Cash and cash equivalents	2,313	-	2,313
Trade and other receivables	68,525	-	68,525
Current account - Wellington Regional Council	8,119	-	8,119
	78,957	-	78,957
At 30 June 2017			
Cash and cash equivalents	221	-	221
Trade and other receivables	69,800	-	69,800
Current account - Wellington Regional Council	6,271	-	6,271
	76,292	-	76,292

Financial assets as per balance sheet	**Loans and receivables $'000**	**At fair value through other comprehensive income $'000**	**Total $'000**
Parent			
At 30 June 2018			
Cash and cash equivalents	4	-	4
Trade and other receivables	93	-	93
Current account - Port Investments Limited	539	-	539
Current account - Wellington Regional Council	2,669	-	2,669
	3,305	-	3,305
At 30 June 2017			
Cash and cash equivalents	4	-	4
Trade and other receivables	76	-	76
Current account - Port Investments Limited	416	-	416
Current account - Wellington Regional Council	2,898	-	2,898
	3,394	-	3,394

Financial liabilities as per balance sheet	**Derivatives classified as held for trading $'000**	**Financial liabilities at amortised cost $'000**	**Total $'000**
Group			
At 30 June 2018			
Trade and other payables	-	14,959	14,959
Borrowings	-	66,120	66,120
Other financial liabilities	-	-	-
	-	81,079	81,079
At 30 June 2017			
Trade and other payables	-	9,325	9,325
Borrowings	-	80,080	80,080
Other financial liabilities	8,778	-	8,778
	8,778	89,405	98,183
Parent			
At 30 June 2018			
Trade and other payables	-	97	97
Borrowings	-	44,080	44,080
	-	44,177	44,177
At 30 June 2017			
Trade and other payables	-	83	83
Borrowings	-	44,080	44,080
	-	44,163	44,163

23 Commitments

Capital commitments

The Parent Company, WRC Holdings Limited and Port Investments Limited has no capital or operating commitments as at 30 June 2018 (2017: nil)

At balance date CentrePort had commitments for expenditure of $5.1m for the Group (2017: $1.9m). This relates to Kings Wharf Partial demolition, E-Sites Remediation, Demolition of Thorndon Container Wharf, Shed 51 Cruise Terminal, Seaview Wharf and Straddle House Floor.

Greater Wellington Rail at balance date had commitments in respect of contracts for capital expenditure of $71.6 million (2017: $71.4 million). This relates to the heavy maintenance the rolling stock.

Leases

Group entities lease certain land and plant. Leases are finance leases wherever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessee. All other leases are classified as operating leases.

Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Group as Lessor

Operating leases relate to subleases of properties (excluding land) leased with lease terms between 1 and 12 years, with an option to extend for a further period between 1 to 6 years. All operating lease contracts (excluding land) contain market review clauses. An operating lease relating to land has a term of 125 years. The lessee does not have an option to purchase the property or land at expiry of the lease period.

Lease Incentives

In the event that lease incentives are provided to lessees to enter into operating leases, such incentives are recognised a reduction of rental income on a straight-line basis.

Operating Leases

All operating lease contracts contain market review clauses in the event that the CentrePort exercises its option to renew. CentrePort Limited does not have an option to purchase the leased asset at the expiry of the lease period.

Operating lease receipts relate to commercial property rental in accordance with a rental agreement.

Disclosure for Lessees

	Group		Parent	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Not longer than 1 Year	**311**	484	-	-
Longer than 1 Year and not longer than 5 Years	**904**	966	-	-
Longer than 5 Years	**317**	751	-	-
	1,532	2,201	-	-

Disclosure for lessors

Future minimum lease receipts under non-cancellable operating leases are as follows:

	Group		Parent	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Non-cancellable operating lease receipts				
Not later than 1 Year	**7,717**	8,348	**-**	-
Later than 1 Year and not later than 5 Years	**23,876**	25,688	**-**	-
Later than 5 Years	**18,741**	26,626	**-**	-
	50,334	60,662	**-**	-

24 Related party transactions

Related party disclosures have not been made for transaction with related parties that are with a normal supplier or client/recipient relationship on terms and condition no more favourable than those that it is reasonable to expect WRCH and Group would have adopted in dealing with the party at arm's length in the same circumstances.

Related party disclosures have also not been made for transactions with entities within the WRCH Group, where the transactions are consistent with the normal operating relationships between the entities and are on normal terms and conditions for such transactions.

Related party transactions required to be disclosed

At year end the Company is owed $539,400 by Port Investments Limited, its fully owned subsidiary (2017: The company was owed $416,237 by Port Investments Limited). No interest is charged on these outstanding balances. Apart from this there are no related party transactions required to be disclosed during the year.

On 9 September 2011, CentrePort sold three investment properties to three special purpose vehicles that are wholly owned by CentrePort Properties Limited for a total consideration of $150 million. CentrePort Properties Limited is a wholly owned subsidiary of CentrePort. CentrePort Properties Limited also entered into three 125 year ground leases with the special purpose vehicles for the site on which the buildings sit at $1 per annum per lease.

Key management personnel

The compensation of the Directors and executives, being the key management personnel of the Group, is set out below:

	Group		Parent	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Short-term employee benefits	**3,190**	3,108	**16**	13
Total key management personnel compensation	**3,190**	3,108	**16**	13

There are 6 full time key management personnel

25 Contingencies

The following contingent liabilities existed at 30 June 2018:

Contingent Liabilities

The Parent Company has uncalled capital in Port Investments Limited of $10,000,100 (2017: $10,000,100).

The Parent Company has uncalled capital in Greater Wellington Rail Limited of $11,825,976 composed of 170,200,000 shares called to $158,374,024 (2017: $19,275,976 composed of 170,200,000 shares called to $150,924,024).

CentrePort Limited had no contingent liabilities as at 30 June 2018 (2017: Nil).

Contingent Asset
The parent company has uncalled capital with its owner Greater Wellington Regional Council of $50 million (2017: $50 million)

The Group is entitled to insurance claims for damage incurred to its insured assets and infrastructure from the November 2016 earthquake. The insurers have accepted that the damage is covered under the group insurance policies. However, the damage assessments and repairs have not been completed and the final settlement amount has not yet been agreed.

In the Company's Statement of Intent issued to shareholders, $400m of insurance proceeds are forecast to be recognised over the period to 30 June 2020 in relation to port operations, of which CentrePort has recognised $210m to 30 June 2018.Until the insurance claim process is finalised it is not possible to reliably estimate the value of the contingent asset.

Full provision has been made for insurance claims on the commercial properties (note 12)

26 Subsequent events

No dividend was declared post balance date by WRC Holdings (2017: Nil).

Financials statements will be authorised for issue by the Board of Directors on 28 September 2018.

Subsequent to balance date, CentrePort received a non specific insurance advance of $50m and CentrePort Properties Group received a non specific insurance advance of $50m of which $3.6m has been allocated to Harbour Quays A1 Limited and $46.3m to Harbour Quays F1F2 Limited.

Subsequent to balance date, CentrePort Properties Ltd and the insurers have agreed terms for a final settlement of the insurance claim for CentrePort Properties Ltd, Harbour Quays A1 Ltd, Harbour Quays D4 Ltd and Harbour Quays F1F2 Ltd. At the date of signing, the final settlement documentation has not been finalised.

Compliance

The Directors and management of the Company confirm that all the statutory requirements of the Local Government Act 2002 in relation to the financial report have been complied with.

Responsibility

The Directors and management of the Group accept responsibility for the preparation of the annual financial statements and the statement of service performance and the judgements used in them.

The Directors have authority to sign these financial statements.

The Directors and management of the Company accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Directors and management of the Company, the annual financial statements and the statement of service performance for the year ended 30 June 2018 fairly reflect the financial position and operations of the Company.

Director	Director	Chief Financial Officer
September 28, 2018	September 28, 2018	September 28, 2018

Independent Auditor's Report

To the readers of WRC Holdings Limited and group's financial statements and performance information for the year ended 30 June 2018

The Auditor-General is the auditor of WRC Holdings Limited and group (WRCHL and group). The Auditor-General has appointed me, Jacques Coetzee, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of WRCHL and group, on his behalf.

Opinion

We have audited:

- the financial statements of WRCHL and group on pages 10 to 63, that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of WRCHL and group on pages 4 to 6.

In our opinion:

- The financial statements of WRCHL and group on pages 10 to 63:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2018; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.
- The performance information of WRCHL and group on pages 4 to 6 presents fairly, in all material respects, WRCHL and group's actual performance compared against the performance targets and other measures by which performance was judged in relation to WRCHL and group's objectives for the year ended 30 June 2018.

Our audit was completed on 28 September 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below and we draw your attention to the uncertainties arising from the impact of the Kaikoura earthquake. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Uncertainties arising from the impact of the Kaikoura earthquake

Without modifying our opinion, we draw attention to Note 4 of the financial statements, which explains the material impact of the Kaikoura earthquake on the group. This note explains and links to other disclosures in the financial statements that outline the assumptions around the insurance proceeds expected to be received, and the extent of impairment of assets, and related tax treatment, and the significant uncertainties and judgements involved in estimating them. Note 12 also explains how the Kaikoura earthquake affected the equity accounted results of the group's joint ventures, including the significant uncertainties and judgements involved in estimating earthquake related costs and insurance proceeds.

Basis for opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of WRCHL and group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for WRCHL and group.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of WRCHL and group for assessing WRCHL and group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate WRCHL and group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in note 20 of the financial statements, our procedures were limited to checking that the information agreed to WRCHL and group's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WRCHL and group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We evaluate the appropriateness of the reported performance information within WRCHL and group's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on WRCHL and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause WRCHL and group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within WRCHL and group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible solely for the direction, supervision and performance of WRCHL and group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify in our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 64, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

Independence

We are independent of WRCHL and group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners*, issued by New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, WRCHL and group.

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