greater WELLINGTON
REGIONAL COUNCIL
Te Pane Matua Taiao

| | |
|---|---|
| **Report** | **13.865** |
| Date | 28 September 2013 |
| File | CFO/09/02/02 |
| **Committee** | **Council** |
| **Author** | **Mike Timmer, Treasurer** |

# WRC Holdings Limited Financial Statements for the year ending 30 June 2013

## 1. Purpose

To approve, as Shareholder, the audited financial statements of WRC Holdings Ltd, for the year ending 30 June 2013.

## 2. Background

On 24 September 2013 the directors of WRC Holdings Ltd considered and approved the 2012/13 financial statements.

The audited financial statements for WRC Holdings Ltd including the Audit report are attached (refer **Attachment 1**).

## 3. Comment

The financial statements of WRC Holdings Limited comprise Pringle House Limited, Port Investments Limited, Greater Wellington Rail Limited, and CentrePort Group Limited. The financial statements include both parent company and consolidated financial information.

## 4. Overview of the financial results

### 4.1 Pringle House Ltd (PHL)

Pringle House achieved a net profit for the year before tax and revaluations of $1.1 million, compared to a budget of $783,000.

Expenditure was lower than budget primarily due to lower insurance premiums and building repairs and maintenance costs.

The net profit after tax and revaluation adjustments was a deficit of $2.4 million, reflecting a downward valuation of $4.11 million to $2.29 million for Pringle House, offset by a deferred tax credit of $557,000.

Total equity stood at $466,000 and no dividend was declared due to PHL's equity position and viability going forward.

## 4.2 Port Investments Ltd (PIL)

PIL reported a net surplus for the year of $2,441,000, compared to the budgeted surplus of $2,696,000.

The result was less than budget as a $1 million budgeted subvention receipt from CentrePort did not eventuate. The subvention was instead paid directly to Council. This was offset by a supplementary dividend from CentrePort post their 2011/12 balance date of $653,000.

A dividend of $2,441,000 will be paid to WRC Holdings Ltd post balance date in the 2013/14 year.

## 4.3 Greater Wellington Rail Limited (GWRL)

GWRL reported a $4.1 million loss against a budget surplus of $3.2 million.

The loss was driven by a $8.6 million write down of the Ganz-Mavag trains, which have been sold. The trains were taken over from KiwiRail for nil consideration and subsequently written up in value as required by the accounting standards. This loss was offset by savings on Insurance.

Total assets of GWRL at 30 June 2013 were $314.9 million compared to $340.4 million at 30 June 2012. Equity grew by $4 million to $233.7million.

## 4.4 CentrePort Limited

CentrePort posted a $13.8 million profit before tax, fair value adjustments and asset revaluations. This was very close to their Statement of Corporate Intent. CentrePort had fair value and valuation adjustments of $4.7 million upward compared to last year's $17.5 million downward adjustments, with the bulk of these relating to their derivatives.

The overall result after the fair value adjustments and tax was a profit of $16.5 million compared to last year's loss of $5.9 million.

A dividend of $5.35 million was recorded for the 2012/13 year, but no supplementary dividend was declared this year post balance date (June 2012 $850,000).

Equity stood at $202 million ($191 million at 30 June 2012) with an asset base of $336 million.

## 4.5 WRC Holdings Ltd (WRCH)

WRCH parent reported a net loss for the year of $2.3 million after tax and fair value adjustments, this compares to a budget surplus of $2.672 million. This year's loss was attributed to non-receipt of dividend from PHL and PIL, with the latter postponed till post 30 June 2013, and a write down of WRC Holdings investment in PHL.

A dividend was declared post balance date and is calculated as the net profit after tax before any revaluation gains and losses. This ensures there is a match between the approved dividend and cash generated to fund it. The calculation was as follows:-

| | |
|---|---|
| Net profit after tax WRC Holdings Parent- | $(2,303) |
| Upward revaluation on derivatives:- | $(277) |
| Down ward revaluation on Investments:- | $2,446 |
| Dividend form Port Investments Ltd:- | $2,441 |
| Balance available for Distribution:- | **$2,302** |

This dividend will be recorded in the 2013/14 financial statements and will be paid to the Council.

Ordinary share capital was increased by $8.6 million to $35.9 million representing the equity contribution by Council towards the purchase of the Matangi Trains.

## 5. WRC Group Financial performance - Statement of Intent (SOI)

| $(000) | Actual 2013 $000 | Target 2013 $000 | Actual 2012 $000 |
|---|---|---|---|
| Net Surplus Before Tax | 12,118 | 19,919 | 119,728 |
| Net Surplus After Tax | 10,277 | 14,528 | 91,963 |
| Earnings before interest, tax & depreciation (EBITD) | 47,356 | 54,779 | 148,829 |
| Return on Total Assets | 3.2% | 4.3% | 19.9% |
| Return on Equity (excluding revaluations) | 3.1% | 3.1% | 30.7% |
| Shareholders Equity to Total assets | 52.1% | 53.8% | 46.9% |
| Dividends $000 | - | 2,672 | 2,254 |

The above table shows the SOI performance indicators against plan and presents last year's results as a comparison.

The lower ***surplus before and after tax*** compared to target is emanating from the loss in GWRL due to the write-down of the Ganz- Mavag trains.

***Earnings before interest tax and depreciation*** (EBITD) is below budget for the same reason as noted above.

***Return on total assets*** (EBIT divided by Total Assets) is lower than budget and again is as per above.

***Return on equity*** but excluding any revaluations in close to budget.

***Dividend:*** There is no dividend declared in the 2012/13 year, rather it has been declared post balance date and is $2.302 million. This is slightly lower than the 2012/13 budget due to no dividend being received from PHL in WRC Holdings parent.

This dividend will be recorded in the 2013/14 financial statements and will be paid to the Council in that year.

This is a change from prior years where it was declared and accrued at 30 June, this new process is in compliance with accounting and audit requirements.

## 6. Communication

No communication is necessary.

## 7. The decision-making process and significance

The matter requiring decision in this report has been considered by officers against the requirements of Part 6 of the Local Government Act 2002.

### 7.1 Significance of the decision

Officers have considered the significance of the matter, taking into account the Council's significance policy and decision-making guidelines. Due to the procedural nature of this decision officers recommend that the matter be considered to have low significance.

Officers do not consider that a formal record outlining consideration of the decision-making process is required in this instance.

## 8. Recommendations

*That the Council*:

1. ***Receives** the report.*
2. ***Notes** the content of the report.*
3. ***Approves,** as sole shareholder, the 2012/13 financial statements of WRC Holdings Ltd.*

| Report prepared by: | Report approved by: |
|---|---|
| **Mike Timmer** | **Warren Tocker** |
| Treasurer | Chief Financial Officer |

**Attachment 1:** Audited WRC Holdings Ltd – 2012/13 financial statements

# WRC Holdings Limited
# Financial statements
# for the year ended 30 June 2013

# Contents

## Directory

| **Directors** | **Appointed** |
| --- | --- |
| P M Lamason (Chair) | 23 November 2010 |
| F H Wilde (Deputy) | 14 November 2007 |
| P Blades | 1 May 2005 |
| P E Glensor | 14 November 2007 |
| M McKenna | 13 July 2011 |
| N Wilson | 23 November 2010 |

**Registered office**

142-146 Wakefield Street
Wellington

**Auditor**

Karen Young
Audit New Zealand
on behalf of the Auditor-General

**Solicitors**

Chapman Tripp

**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 2013.

**Principal Activities**

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

**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.

Current tenants include Statistics New Zealand, New Zealand Customs, and the Bank of New Zealand.

Own Wellington Regional Council's investments in rail rolling stock and rail infrastructure including rail stations supporting the metropolitan rail network.

**The financial objectives of the Group shall be to:**

Where possible, provide a commercial return to shareholders.

Manage its assets prudently

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

**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.

Raise awareness of environmental issues within the Group.

Ensure CentrePort and Pringle House become more energy efficient and make greater use of renewable energy.

**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 met all its objectives as set out in the 2012/13 SOI and Wellington Regional Council's 2012-2022 Long-Term Plan (LTP).

The nature and scope of activities undertaken by the group are consistent with those set in the 2010/11 Statement of Intent and Wellington Regional Council's LTP.

Contribute to the desired outcome of the Wellington Regional Strategy.

**Statement of Service Performance**

**FINANCIAL PERFORMANCE TARGETS**

**Financial Results Compared with Statement of Intent (SOI) Targets:**

| | Actual 2013 $'000 | Target 2013 $'000 | Actual 2012 $'000 |
|---|---|---|---|
| **WRC Holdings - Group** | | | |
| Net profit before tax | 12,118 | 19,919 | 119,728 |
| Net profit after tax | 10,277 | 14,528 | 91,963 |
| Earning before Interest tax, and depreciation (EBITD) | 47,356 | 54,779 | 148,829 |
| Return on total assets | 3.21% | 4.30% | 19.90% |
| Return on shareholder's equity: excluding any increase/decrease in the value of investment property | 3.08% | 3.10% | 30.70% |
| Shareholders equity to total assets | 52.01% | 53.80% | 46.90% |
| Dividends | - | 2,672 | 2,254 |
| **WRC Holdings - Parent** | | | |
| Dividend Distribution | - | 2,672 | 2,254 |
| Dividend Distribution % | - % | 100% | 100% |
| Return on equity (1) | (7.01)% | 5.80% | 8.34% |
| Return on assets (2) | (0.77)% | 4.70% | 5.52% |

(1) based on net surplus before tax divided by average equity, but excluding revaluation gains and losses.
(2) based on earnings before interest and tax divided by average assets

**Net surplus before tax**

The Group posted a net surplus before tax of $12.1 million (2012: $92.1 million) compared to a budget $19.9 million for the year.

The net surplus after tax was $10.3 million, compared to a budget of $14.5 million (2012: $92.0 million).

**Earning before tax and depreciation (EBITD)**

EBITD was $47.3 million (2012 $148.8 million) compared to a budget of $54.8 million.

**Return on total assets**

This target is calculated as earnings before interest and tax (EBIT) and expressed as a percentage of average total assets.

**Return on shareholder 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).

**Dividends paid (or payable to the shareholders)**

There was no dividend from the Group (2012: $2.254 million).

## ENVIRONMENT PERFORMANCE TARGETS

### Planned Target

Operate in an environmentally and sustainable manner.

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

Raise awareness of environmental issues within the Group.

Ensure Pringle House Limited operates in an energy efficient manner.

### 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.

Energy consumption in Pringle House is monitored on a monthly basis and annual energy use over the last several years has remained relatively constant. A number of varied proposals have been received recently offering services or equipment to further reduce energy consumption within the building. The proposals have not been progressed on economic grounds.

CentrePort has achieved its environmental targets as set down in its Statement of Corporate Intent 2012/13 as reported in the Financial Statements of Port Investments Limited for the year ended 30 June 2013.

## SOCIAL PERFORMANCE TARGETS

### Planned Target - WRC Holdings

To provide a safe and health workplace

To help sustain the economy of the region

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

### Actual Performance

WRC Holdings through Wellington Regional Council provides a safe and health working place and is supported with the development of regional cultural and community activities.

WRC Holdings through Wellington Regional Council's Economic Development Agency (Grow Wellington) assists with regional economic sustainability.

WRC Holdings 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 environmental targets as set down in its Statement of Corporate Intent 2012/13 as reported in the Financial Statements of Port Investments Limited for the year ended 30 June 2013.

## OTHER PERFORMANCE TARGETS - WRC Holdings Limited

### Planned Target

WRC Holdings to act as a responsible and inquiring shareholder and to meet at least six times a year to review the operation and financial position of the company.

### Actual Performance

WRC Holdings and the Group of companies met more than 6 times a year to review each companies performance and monitor performance of the companies.

The Group's non-financial performance criteria contained in the statement of intent for the 2012/13 year, and results are summarised.

Performance targets for CentrePort are contained in the financial statements of PIL Group.

**Directors Information**

Directors holding office during the year were:

**Parent and 100% owned subsidiaries**

P M Lamason (Chair)
F H Wilde (Deputy)
P Blades
P E Glensor
M McKenna
N Wilson

**Remuneration of Directors of the Parent Company**

Details of Directors' remuneration are as follows:

| | $ |
|---|---|
| P M Lamason (Chair) | 4,750 |
| F H Wilde (Deputy) | - |
| P Blades | 3,750 |
| P E Glensor | - |
| M McKenna | 3,750 |
| N Wilson | - |
| | 12,250 |

**Entries in the interests register**

Disclosure of interests by Directors for the year ended 30 June 2013:

P M Lamason (Chair)
Councillor of Wellington Regional Council & Shareholder of Kent Filter Services Limited

F H Wilde (Deputy)
Councillor & Chair of Wellington Regional Council

P E Glensor
Councillor of Wellington Regional Council

M McKenna
None

P Blades
None

P E Glensor
Councillor of Wellington Regional Council

N Wilson
Councillor of Wellington Regional Council

**Directors' Interest Register**

Directors have had no interest in any transaction or proposed transaction 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**

WRC Holdings limited has no employees. The Group comprising CentrePort Limited and its subsidiaries who received remuneration and other benefits in excess of $100,000 is tabulated below:

| | **Number of current employees** |
|---|---|
| $100,001 - $110,000 | **14** |
| $110,001 - $120,000 | **13** |
| $120,001 - $130,000 | **3** |
| $130,001 - $140,000 | **3** |
| $140,001 - $150,000 | **4** |
| $150,001 - $160,000 | **1** |
| $160,001 - $170,000 | **2** |
| $180,001 - $190,000 | **4** |
| $190,001 - $200,000 | **1** |
| $200,001 - $210,000 | **2** |
| $210,001 - $220,000 | **1** |
| $240,001 - $250,000 | **1** |
| $300,001 - $310,000 | **1** |
| $310,001 - $320,000 | **1** |
| $330,001 - $340,000 | **1** |
| $560,001 - $570,000 | **1** |

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 Karen Young of Audit New Zealand to undertake the audit.

For, and on behalf of, the Board of Directors

Director

September 24, 2013

Director

September 24, 2013

| | Notes | Group 2013 $'000 | Group 2012 $'000 | Parent 2013 $'000 | Parent 2012 $'000 |
|---|---|---|---|---|---|
| **INCOME** | | | | | |
| Operating Income | 3 | **100,983** | 191,676 | **1,680** | 4,167 |
| Share of associate profit accounted for using the equity method | | **10,266** | 5,849 | **-** | - |
| **TOTAL INCOME** | | **111,249** | 197,525 | **1,680** | 4,167 |
| **CHANGES IN FAIR VALUES OF ASSETS & FINANCIAL INSTRUMENTS** | | | | | |
| Net gain on disposal of property, plant and equipment | | **(4,110)** | (4,805) | **-** | - |
| Fair value gains on other financial assets at fair value | | **1,002** | (10,277) | **-** | - |
| Net gain on foreign currency derivatives not qualifying as hedges | | **5,561** | (7,364) | **-** | - |
| Net gain on sale of available-for-sale financial assets | | **277** | (340) | **277** | (340) |
| **EXPENDITURE** | 3 | | | | |
| Expenses, excluding finance costs | | **(92,554)** | (73,258) | **(2,560)** | (3,610) |
| Finance costs - net | | **(9,306)** | (9,343) | **(1,700)** | (1,794) |
| **SURPLUS BEFORE INCOME TAXATION AND SUBVENTION PAYMENT** | | **12,119** | 92,138 | **(2,303)** | (1,577) |
| Subvention payment | | **-** | (803) | **-** | - |
| Income tax (expense) | 10 | **(1,841)** | (26,962) | **-** | - |
| Profit from continuing operations | | **10,278** | 64,373 | **(2,303)** | (1,577) |
| Profit from discontinued operations | 13 | **-** | 364 | **-** | - |
| **NET SURPLUS / (DEFICIT) FOR THE YEAR** | | **10,278** | 64,737 | **(2,303)** | (1,577) |
| **Other comprehensive income** | | | | | |
| Other comprehensive income | | **(1,860)** | - | **-** | - |
| **Total comprehensive income for the year, net of tax** | | **8,418** | 64,737 | **(2,303)** | (1,577) |
| **Total comprehensive income for the year is attributable to:** | | | | | |
| Owners of WRC Holdings Limited | | **4,648** | 66,111 | | |
| Non-controlling interest | | **3,770** | (1,374) | | |
| | | **8,418** | 64,737 | | |

*The accompanying notes form part of these financial statements.*

| | Notes | Group 2013 $'000 | Group 2012 $'000 | Parent 2013 $'000 | Parent 2012 $'000 |
|---|---|---|---|---|---|
| Net surplus / (deficit) for the year | | **10,277** | 64,737 | **(2,303)** | (1,577) |
| **Increase/(decrease) in asset revaluation reserve attributable to:** | | | | | |
| Equity holders of the group | | **(1,430)** | - | - | - |
| Non-controlling interests | | **(429)** | - | - | - |
| **Total comprehensive income for the year, net of tax** | | **8,418** | 64,737 | **(2,303)** | (1,577) |
| | | | | | |
| **Other movements** | | | | | |
| Dividends attributable to: | | | | | |
| Equity holders of the parent | | **-** | (2,254) | **-** | (2,254) |
| Non-controlling interests | | **(1,235)** | (1,200) | **-** | - |
| Shares issued during the year | | **8,534** | 9,256 | **8,534** | 9,256 |
| **Total comprehensive income / (loss) for the year after dividends** | | **15,717** | 70,539 | **6,231** | 5,425 |
| | | | | | |
| **Equity at beginning of the year** | | | | | |
| Parent shareholders' interest | | **341,064** | 267,951 | **29,760** | 24,335 |
| Non-controlling interest | | **44,121** | 46,695 | **-** | - |
| | | **385,185** | 314,646 | **29,760** | 24,335 |
| | | | | | |
| **Equity at end of the year, comprising** | | | | | |
| Parent shareholders' interest | | **356,744** | 341,064 | **35,991** | 29,760 |
| Non-controlling interest | | **46,656** | 44,121 | **-** | - |
| | | **400,902** | 385,185 | **35,991** | 29,760 |

*The accompanying notes form part of these financial statements.*

| | Notes | Group 2013 $'000 | Group 2012 $'000 | Parent 2013 $'000 | Parent 2012 $'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | | **316** | 471 | **4** | 4 |
| Trade and other receivables | 7 | **8,602** | 41,430 | **127** | 2,516 |
| Inventories | | **11,359** | 8,785 | **-** | - |
| Current account - Wellington Regional Council | | **3,307** | 2,811 | **(1,032)** | (848) |
| Current account - Port Investments Ltd | | **-** | - | **952** | 775 |
| Current account - Pringle House Ltd | | **-** | - | **1,997** | 1,997 |
| Assets held for sale | 24 | **347** | - | **-** | - |
| Total current assets | | **23,931** | 53,497 | **2,048** | 4,444 |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 8 | **481,808** | 479,597 | **-** | - |
| Intangible assets | 17 | **375** | 370 | **-** | - |
| Investments in subsidiaries | 15 | **-** | - | **78,435** | 72,348 |
| Investments in joint venture | 16 | **82,844** | 78,884 | **-** | - |
| Trade and other receivables | | **3,903** | - | **-** | - |
| Investment properties | 9 | **62,554** | 62,427 | **-** | - |
| Deferred tax assets | 11 | **2,596** | 3,736 | **-** | - |
| Total non-current assets | | **634,080** | 625,014 | **78,435** | 72,348 |
| **Total assets** | | **658,011** | 678,511 | **80,483** | 76,792 |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | | **10,588** | 39,263 | **144** | 147 |
| Interest bearing liabilities | 18 | **707** | 723 | **-** | - |
| Taxation payable | 12 | **96** | 3,812 | **-** | - |
| Provisions | 14 | **3,351** | 3,349 | **-** | - |
| Other financial liabilities | | **-** | 938 | **-** | 537 |
| Dividend payable | 6 | **519** | 2,774 | **-** | 2,254 |
| Provision for subvention payment | | **-** | 806 | **-** | - |
| Total current liabilities | | **15,261** | 51,665 | **144** | 2,938 |
| **Non-current liabilities** | | | | | |
| Interest bearing liabilities | 18 | **154,138** | 148,660 | **44,088** | 44,094 |
| Provision for employee entitlements | 14 | **341** | 536 | **-** | - |
| Other financial liabilities | | **10,405** | 15,304 | **260** | - |
| Deferred tax liabilities | 11 | **76,964** | 77,161 | **-** | - |
| Total non-current liabilities | | **241,848** | 241,661 | **44,348** | 44,094 |
| **Total liabilities** | | **257,109** | 293,326 | **44,492** | 47,032 |
| **Net assets** | | **400,902** | 385,185 | **35,991** | 29,760 |
| **EQUITY** | | | | | |
| Contributed equity | 4 | **68,514** | 59,981 | **68,514** | 59,981 |
| Reserves | | **50,391** | 51,822 | **-** | - |
| Retained earnings | | **235,341** | 229,261 | **(32,523)** | (30,221) |
| Non-controlling interest | | **46,656** | 44,121 | **-** | - |
| **Total equity** | | **400,902** | 385,185 | **35,991** | 29,760 |

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

Director
September 24, 2013

Director
September 24, 2013

*The accompanying notes form part of these financial statements.*

| | Notes | Group 2013 $'000 | Group 2012 $'000 | Parent 2013 $'000 | Parent 2012 $'000 |
|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| *Cash was Provided from:* | | | | | |
| Receipts from Customers | | **58,204** | 60,520 | **-** | - |
| Dividend Income Received | | **6,306** | 4,506 | **-** | - |
| Income Taxation Received | | **-** | (2) | **-** | - |
| Interest Income Received | | **8** | - | **1,675** | 1,596 |
| GST -Received | | **-** | - | **-** | - |
| | | **64,518** | 65,024 | **1,675** | 1,596 |
| *Cash was disbursed to:* | | | | | |
| Payments to Suppliers and Employees | | **(36,924)** | (37,624) | **-** | - |
| Subvention Payments to Wellington Regional Council | | **(3,000)** | - | **-** | - |
| Income Taxation paid | | **(1,600)** | (1,175) | **-** | - |
| Interest Expense paid | | **(9,104)** | (10,978) | **(1,675)** | (1,596) |
| **NET CASH FLOWS FROM OPERATING ACTIVITIES** | 19 | **13,890** | 15,247 | **-** | - |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| *Cash was provided from:* | | | | | |
| Proceeds from Sale of Investment Property | | **-** | 75,000 | **-** | - |
| Proceeds from Sale of Property, Plant & Equipment | | **1** | 110 | **-** | - |
| Repayment of Loans by Associate Company | | **-** | - | **-** | - |
| *Cash was Applied to:* | | **-** | - | **-** | - |
| Purchase of Property, Plant & Equipment | | **(13,049)** | (10,785) | **-** | - |
| Development of Investment Properties | | **(2,402)** | (227) | **-** | - |
| Subsidiary Company Shares | | **-** | - | **(8,533)** | (9,256) |
| Purchase of Intangible Assets | | **(226)** | - | **-** | - |
| **NET CASH FLOWS FROM INVESTING ACTIVITIES** | | **(15,676)** | 64,098 | **(8,533)** | (9,256) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| *Cash was Provided rom:* | | | | | |
| Proceeds from Borrowings | | **5,484** | (3) | **-** | (3) |
| Issue of Ordinary Shares | | **8,533** | 9,257 | **8,533** | 9,256 |
| Movement in Current Account - Wellington Regional Council | | **(8,534)** | (9,276) | **-** | - |
| *Cash was Applied to:* | | **-** | - | **-** | - |
| Borrowings Repaid | | **-** | (76,540) | **-** | - |
| Movement in current account - Wellington Regional Council | | **(390)** | (1,079) | **-** | 3 |
| Dividends Paid to Shareholders of the Company | | **(3,462)** | (2,272) | **-** | - |
| **NET CASH FLOWS FROM FINANCING ACTIVITIES** | | **1,631** | (79,913) | **8,533** | 9,256 |
| **Net Increase / (Decrease) in Cash, cash equivalents & bank overdraft at year end** | | **(155)** | (568) | **-** | - |
| Add Opening Cash, cash equivalents / (Overdraft) Brought Forward | | **471** | 1,039 | **4** | 4 |
| **CASH, CASH EQUIVALENTS & BANK OVERDRAFT AT YEAR END** | | **316** | 471 | **4** | 4 |

*The accompanying notes form part of these financial statements.*

## 1 Statement of compliance

The "Group" consists of WRC Holdings Ltd, its wholly owned subsidiaries, Pringle House Ltd, Port Investments Ltd, Greater Wellington Rail Ltd, and its 76.9% subsidiary CentrePort Ltd, together with its subsidiaries, as disclosed in Note 15.

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

These financial statements are prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), as appropriate for public benefit oriented entities.

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 Pringle House Limited, 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.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2013 and the comparative information presented in these financial statements for the year ended 30 June 2012.

**Application of New and Revised International Financial Reporting Standards (IFRSs)**

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures were issued including NZ IFRS 10 Consolidated Financial Statements, NZ IFRS 11 Joint Arrangements, NZ IFRS 12 Disclosures of Interests in Other Entities, NZ IAS 27 (as revised in 2011) Separate Financial Statements, and NZ IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures. In the comparative year, the Group has applied these five standards in advance of their effective dates (annual periods beginning on or after 1 January 2013). The impact of the early application of these standards is set out below.

*Impact of the Application of NZ IFRS 10*

NZ IFRS 10 replaces the parts of NZ IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC 12 Consolidation Special Purpose Entities. NZ IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in NZ IFRS 10, all of the three criteria, including (a) an investor has power over the investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns, must be met. Previously control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

As CentrePort Limited wholly owns CentrePort Properties Limited and CentrePort Properties Management Limited (formerly Central Stevedoring Limited), the directors concluded that the Group has had control over these entities since their incorporation and are therefore correctly treated as subsidiaries.

CentrePort Properties Limited is the sole shareholder of three special purpose vehicles. These investments are treated as joint ventures rather than wholly owned subsidiaries due to the rights associated with securities issued by these companies.

*Impact of the Application of NZ IFRS 11*

## 2 Statement of accounting policies (continued)

NZ IFRS 11 replaces NZ IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities Non Monetary Contributions by Ventures. NZ IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under NZ IFRS 11, there are only two types of joint arrangements joint operations and joint ventures. The classification of joint arrangements under NZ IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. 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 arrangement. Previously, NZ IAS 31 Interest in Joint Ventures had three types of joint arrangements jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under NZ IAS 31 was primarily determined based on the legal form of the arrangement.

The subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method. Investments in joint operations are accounted for such that each joint operator recognises and measures the assets and liabilities in relation to its interest in the arrangement in accordance with the applicable Standards.

Upon the application of NZ IFRS 11, the Directors reviewed and assessed the legal form and terms of the contractual arrangements in relation to the Groups investments in joint arrangements. After assessment, the Directors concluded that the application of NZ IFRS 11 has not changed the classification and subsequent accounting of the Group's investment in existing joint arrangements. The Directors also assessed the application of NZ IFRS 11 with respect to the three special purpose vehicles wholly owned by a subsidiary of the Parent. Due to the contractual arrangement with the Accident Compensation Corporation (ACC) and the issue of mandatory convertible notes, the Directors concluded that the special purpose vehicles should be classified and treated as joint ventures and equity accounted at 100%.

*Impact of the Application of NZ IFRS 12*

NZ IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of NZ IFRS 12 has resulted in more extensive disclosures in these consolidated financial statements.

*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 Income, 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 that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below

**Property, Plant & Equipment and Investment Property**

Port operational land was re valued to fair value at 30 June 2010. Investment Property has been re valued to fair value at 30 June 2013. Refer to notes 9 and 10 respectively for disclosure about the valuations and valuation methodology

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 have been classified as Investment Property.

CentrePort estimates the extent of future infrastructure costs that will be incurred to create investment property sites at Harbour Quays. These future costs have been taken into account when determining the fair value of investment property.

## 2 Statement of accounting policies (continued)

**Joint Control of Harbour Quays Special Purpose Vehicles (SPVs)**

describes Harbour Quays A1 Limited, Harbour Quays D4 Limited and Harbour Quays F1F2 Limited (the SPVs) as joint ventures of the Group although the SPVs are wholly owned by CentrePort Properties Limited, a subsidiary of the Parent. The SPVs have issued mandatory convertible notes to the Accident Compensation Corporation (ACC). These notes provide the ACC with joint control over the SPVs. The SPVs are therefore joint ventures of the Group.

### (c) Basis of consolidation

The Group financial statements include WRC Holdings Ltd 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 is 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.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

**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 profit or loss 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 income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs).

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 Company gains control until the date when the Parent ceased to control the subsidiary (refer to note 13).

*Interests in 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 39 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.



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## 2 Statement of accounting policies (continued)

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.

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 Flows

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

(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.

(v) Goods and Services Tax (GST) is accounted for on an accruals basis consistent with the Statement of comprehensive income.

### (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 balance sheet 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.

### (f) Property, Plant and Equipment

The Group has eight classes of Property, Plant and Equipment

Freehold land
Buildings
Wharves and paving
Cranes and floating plant
Plant, vehicles and equipment
Rail Infrastructure
Rail rolling stock
Work in Progress

Operational port freehold land is stated at valuation determined every three years by an independent registered valuer. This class of asset was re-valued in 2010. The basis of valuation is fair value which is determined by reference to the assets highest and best use as determined by an independent valuer.

## 2 Statement of accounting policies (continued)

The fair value of Operational Port Freehold 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 the statement of comprehensive income, in which case the increase is credited to the statement of comprehensive to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation is charged to the statement of comprehensive income to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of port operational land.

The remaining Property, Plant & 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 & 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 & Equipment are depreciated excluding land.

GW Rail Public Transport rail station infrastructural assets were valued by Bayleys at depreciated replacement cost at 30 June 2011. GW Rail Ganz Mavag rolling stock were valued by Halcrow at depreciated replacement cost at 30 June 2011.

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 plant | 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 |
| Other assets | 0 to 20 years |
| Capital work in progress | Not depreciated |

The economic useful lives, residual values and depreciation method is 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 profit or loss in the period in which they arise.

The Group has three classes of investment properties:

Developed Investment Properties
Land Available for Development
Investment Property Under Development
Other investments are stated at the lower of cost and fair value.

### (h) Leased assets

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.

*Consolidated entity as lessor:*

## 2 Statement of accounting policies (continued)

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 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 previous carrying amount and fair value less costs to sell.

### (j) Intangibles

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 off 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 comprehensive income 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 income 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 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 income.

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.

## 2 Statement of accounting policies (continued)

### (n) 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.

### (o) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision has been made for obsolescence where applicable. Apart from fuel stocks, inventories are held for maintenance purposes only.

### (p) 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. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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.

### (q) 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.



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## 2 Statement of accounting policies (continued)

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.

### (r) 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.

### (s) 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.

### (t) Provision for dividends

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

### (u) Financial Assets and Liabilities

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.

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 profit or loss, which are initially measured at fair value.

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

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 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 income*

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

*(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

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

## 2 Statement of accounting policies (continued)

*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 statement of financial position 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.

### (v) Derivative Financial Instruments classified at Fair Value through the Statement of Comprehensive Income

The Group entity enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts, interest rate swaps and cross currency swaps.

Derivatives are initially recognised at cost on the date a derivative contract is entered into, which is equivalent to fair value, 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 the statement of comprehensive income.

Cash settlement of derivatives adjust the line in the statement of comprehensive income to which the cash settlement relates.

### (w) 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 income.

### (x) Standards, amendments, and interpretations effective in 2012

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory forthe Group's accounting periods beginning on or after 1 March 2009 or later periods but which the Group has not earlyadopted:

- **NZ IFRS 9 'Financial Instruments: Classification and measurement'** (effective 1 January 2015). NZ IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available for sale financial assets, since NZ IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available for sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the Group recognised $15,000 of such gains in other comprehensive income.

  There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from NZ IAS 39 Financial Instruments: Recognition and Measurement and have not been changed. The Group has not yet decided when to adopt NZ IFRS 9.

## 2 Statement of accounting policies (continued)

- **NZ IFRS 13 Fair Value Measurement** (effective 1 January 2013). NZ IFRS 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied from 1 January 2013.
- **NZ IAS 19 (Revised) Employee Benefits**(effective 1 January 2013). It requires the recognition of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so called 'corridor and spreading' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in the income statements. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively. Had the Group adopted the new rules in the current reporting period, profit or loss would have been lower and other comprehensive income higher by approximately $54,000. The Group has not yet decided when to adopt the new standard.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## 3 Operating surplus / (deficit) before subvention and taxation

| | Group | | Parent | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Rental income | **9,558** | 9,999 | **-** | - |
| CentrePort income | **51,315** | 51,439 | **-** | - |
| Capital Grants from Wellington Regional Council | **25,204** | 118,538 | **-** | - |
| Interest | **118** | 97 | **1,680** | 1,777 |
| Dividends | **-** | - | **-** | 2,390 |
| Operational grants from Wellington Regional Council | **14,479** | 11,603 | **-** | - |
| Other | **2** | - | **-** | - |
| Gain on sale of fixed assets | **307** | - | **-** | - |
| | **100,983** | 191,676 | **1,680** | 4,167 |
| Share of profit of investments using the equity method | **10,266** | 5,849 | **-** | - |
| | **111,249** | 197,525 | **1,680** | 4,167 |
| Fair value (loss) gain investment property: | | | | |
| Pringle House | **(4,110)** | (4,805) | **-** | - |
| CentrePort Limited | **1,002** | (10,277) | **-** | - |
| Fair value (loss) gain derivatives: | | | | |
| CentrePort Limited | **5,561** | (7,364) | **-** | - |
| WRC Holdings Limited | **277** | (340) | **277** | (340) |
| | **2,730** | (22,786) | **277** | (340) |
| **Expenses, excluding finance costs** | | | | |
| Amortisation | **221** | 285 | **-** | - |
| Change in provision for doubtful debts | **11** | 17 | **-** | - |
| Personnel | **18,037** | 17,703 | **-** | - |
| Depreciation | **25,931** | 19,758 | **-** | - |
| Management Fees | **285** | 337 | **57** | 57 |
| Audit fees | **129** | 126 | **17** | 18 |
| Directors fees and Expenses | **406** | 405 | **12** | 12 |
| Contractors and consultants | **191** | 852 | **-** | - |
| Repairs and maintenance | **13,862** | 13,112 | **-** | - |
| Rates and insurance | **6,783** | 6,466 | **6** | 5 |
| Other Operating Expenses | **13,707** | 8,867 | **6** | 2 |
| Rental and lease expenses | **2,118** | 1,949 | **-** | - |
| Write-down of investment in Pringle House | **-** | - | **2,446** | 3,492 |
| Legal fees | **65** | 110 | **-** | 2 |
| Tax services | **100** | 118 | **16** | 22 |
| Loss on sale of assets | **8,907** | 849 | **-** | - |
| Impairment of Assets | **1,801** | 2,304 | **-** | - |
| | **92,554** | 73,258 | **2,560** | 3,610 |
| **Finance costs** | | | | |
| Interest expense | **9,306** | 9,343 | **1,700** | 1,794 |
| Net finance costs | **9,306** | 9,343 | **1,700** | 1,794 |
| Operating surplus before subvention and taxation | **12,119** | 92,138 | **(2,303)** | (1,577) |

## 4 Equity

| | Group | | Parent | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **$'000** | $'000 | **$'000** | $'000 |
| **(a) Share capital** | | | | |
| Ordinary share capital | | | | |
| 50,000,000 $1 shares, uncalled | **-** | - | **-** | - |
| 34,541,100 $1 shares, fully paid | **34,541** | 34,541 | **34,541** | 34,541 |
| 22,170,000 $1 shares, fully paid | **22,170** | 20,132 | **22,170** | 20,132 |
| 5,309,283 $1 shares fully paid | **5,309** | 5,309 | **5,309** | 5,309 |
| 170,200,000 $1 shares, part paid | **894** | - | **894** | - |
| 8,000,000 $1 shares, part paid | **5,600** | - | **5,600** | - |
| Redeemable Preference Share Capital | | | | |
| 25,000 $1000 shares, paid to 1 cent | **-** | - | **-** | - |
| Total share capital | **68,514** | 59,982 | **68,514** | 59,982 |

## 5 Minority Interest

| | Group | | Parent | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Opening minority interest | **44,121** | 46,695 | **-** | - |
| Minority share of operating surplus / (deficit) | **4,199** | (1,374) | **-** | - |
| Minority share of dividends paid or payable | **(1,235)** | (1,200) | **-** | - |
| Minority share of movements in revaluation reserve | **(429)** | - | **-** | - |
| Total Minority Interest | **46,656** | 44,121 | **-** | - |

## 6 Dividends Payable

| | Group | | Parent | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **$'000** | $'000 | **$'000** | $'000 |
| **(a) Ordinary shares** | | | | |
| Dividend payable to Wellington Regional Council | **-** | 2,254 | **-** | 2,254 |
| Dividend payable to minority interest | **519** | 520 | **-** | - |
| Total dividends payable | **519** | 2,774 | **-** | 2,254 |

No dividend (2012: $850,000) has been declared post balance date by CentrePort Limited. See note 24 Subsequent events

## 7 Debtors & other receivables

| | Group | | Parent | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **$'000** | $'000 | **$'000** | $'000 |
| **Net trade receivables** | | | | |
| Trade receivables | **7,875** | 40,155 | **-** | - |
| Provision for doubtful debts | **(20)** | (27) | **-** | - |
| Dividends receivable | **-** | - | **-** | 2,390 |
| Other receivables | **189** | 484 | **(1)** | - |
| Prepayments | **558** | 818 | **36** | 36 |
| Interest receivable | **-** | - | **92** | 90 |
| | **8,602** | 41,430 | **127** | 2,516 |

**Provision for doubtful debts**

| | Group | | Parent | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Opening balance | **27** | 11 | **-** | - |
| Amounts written off during the year | **(14)** | (1) | **-** | - |
| Amounts recovered during the year | **-** | - | **-** | - |
| Increased in allowance recognised in statement of comprehensive income | **7** | 17 | **-** | - |
| **Closing balance** | **20** | 27 | **-** | - |

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 $0.677 million (note 20) which are past due at 30 June 2013 (2012: $0.900 million). CentrePort believes that the amounts (net of doubtful debt provision) are recoverable.

There are no debtor balances at year end related to any company in receivership or liquidation. Amounts written off duringthe year represent 0.02% of income.

## 8 Property, plant & equipment

| Group | Freehold Land $'000 | Buildings $'000 | Wharves and Paving $'000 | Cranes and Floating Equipment $'000 | Plant and Equipment $'000 | Work In Progress $'000 | Rail Rolling Stock $'000 | Transport Infrastructure $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|
| **At 1 July 2011** | | | | | | | | | |
| Cost | 81,977 | 23,119 | 85,258 | 37,669 | 12,851 | 49,549 | 102,850 | 41,186 | 434,459 |
| Accumulated depreciation | - | (10,314) | (31,693) | (11,428) | (8,319) | - | (9,100) | - | (70,854) |
| Net book amount | 81,977 | 12,805 | 53,565 | 26,241 | 4,532 | 49,549 | 93,750 | 41,186 | 363,605 |
| **Year ended 30 June 2012** | | | | | | | | | |
| Opening net book amount | 81,977 | 12,805 | 53,565 | 26,241 | 4,532 | 49,549 | 93,750 | 41,186 | 363,605 |
| Additions | - | 1,341 | 5,428 | 2,138 | 1,125 | 33,117 | 87,131 | 6,408 | 136,688 |
| Transfers | - | - | - | - | (41) | (48,961) | 48,961 | 41 | - |
| Disposals | - | - | - | - | - | - | (101) | - | (101) |
| Reclassification | - | 1,263 | (1,901) | 244 | 374 | - | - | - | (20) |
| Impairment | - | (817) | - | - | - | - | - | - | (817) |
| Depreciation charge | - | (816) | (2,381) | (1,909) | (784) | - | (11,957) | (1,911) | (19,758) |
| Closing net book amount | 81,977 | 13,776 | 54,711 | 26,714 | 5,206 | 33,705 | 217,784 | 45,724 | 479,597 |
| **At 30 June 2012** | | | | | | | | | |
| Cost | 81,977 | 24,411 | 87,485 | 39,777 | 13,998 | 33,705 | 238,841 | 47,635 | 567,829 |
| Accumulated depreciation | - | (10,635) | (32,774) | (13,063) | (8,792) | - | (21,057) | (1,911) | (88,232) |
| Net book amount | 81,977 | 13,776 | 54,711 | 26,714 | 5,206 | 33,705 | 217,784 | 45,724 | 479,597 |

## 8 Property, plant & equipment (continued)

| | Freehold Land $'000 | Buildings $'000 | Wharves and Paving $'000 | Cranes and Floating Equipment $'000 | Plant and Equipment $'000 | Work In Progress $'000 | Rail Rolling Stock $'000 | Transport Infrastructure $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Year ended 30 June 2013** | | | | | | | | | |
| Opening net book amount | 81,977 | 13,776 | 54,711 | 26,714 | 5,206 | 33,705 | 217,784 | 45,724 | 479,597 |
| Additions | - | 1,479 | 572 | 8,665 | 2,167 | 149 | 58,543 | 5,063 | 76,638 |
| Transfers | - | - | - | - | - | (32,199) | (3,730) | 266 | (35,663) |
| Disposals/ written off | - | - | (46) | - | (9) | - | (8,908) | - | (8,963) |
| Revaluation | (1,860) | - | - | - | - | - | - | - | (1,860) |
| Impairment | - | (375) | - | (1,288) | - | - | - | - | (1,663) |
| Transfers to assets held for sale | - | - | - | - | - | - | (347) | - | (347) |
| Depreciation charge | - | (789) | (2,481) | (1,920) | (843) | - | (17,594) | (2,304) | (25,931) |
| Closing net book amount | 80,117 | 14,091 | 52,756 | 32,171 | 6,521 | 1,655 | 245,748 | 48,749 | 481,808 |
| **At 30 June 2013** | | | | | | | | | |
| Cost | 80,117 | 25,514 | 88,011 | 47,154 | 16,156 | 1,655 | 278,870 | 52,963 | 590,440 |
| Accumulated depreciation | - | (11,423) | (35,255) | (14,983) | (9,635) | - | (33,122) | (4,214) | (108,632) |
| Net book amount | 80,117 | 14,091 | 52,756 | 32,171 | 6,521 | 1,655 | 245,748 | 48,749 | 481,808 |

## 8 Property, plant & equipment (continued)

### (a) Impairment

The Directors have reviewed assets and tested for impairment. As a result, an impairment of $1,663,000 (2012 $817,000) has been recognised in the Statement of comprehensive income.

### (b) Valuation

On 30 June 2010 Operational Port Freehold Land was independently valued by registered valuers of the firm Bayleys Valuations Limited. The 2010 valuation included $1.86 million in relation to lessor's interest in land. The value of this interest has been reduced to nil pending expiry of a lease. The valuations were based on the highest and best use of the asset in accordance with New Zealand Property Institute Practice Standard 3 – Valuations for Financial Reporting Purposes with reference to sales evidence of land sales or development sites within the wider Wellington region. Each freehold parcel of land is valued on a per square metre basis by reference to the most comparable sales evidence with appropriate adjustments for size, shape and location. Additions subsequent to the valuation are recorded at cost. All other Property, Plant & Equipment are carried at cost less accumulated depreciation and any allowance for impairment.

### (c) Borrowing costs capitalised

During the year borrowing costs of $303,000 (2012: $13,000) were capitalised. The weighted average capitalisation rate on funds borrowed was 7.3% (2012: 7.3%).

All other Property, Plant & Equipment are carried at cost less accumulated depreciation and any allowance for impairment.

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

## 9 Investment properties

| | Group | | Parent | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Developed investment properties | **22,650** | 33,745 | - | - |
| Land available for development | **32,292** | 28,682 | - | - |
| Investment property under development | **7,612** | - | - | - |
| | **62,554** | 62,427 | - | - |

### Valuation

Investment properties are revalued every year and are 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 Regional Council Centre at 142-146 Wakefield Street, Wellington was valued by Telfer Young (Wellington) Limited as at 30 June 2013. The valuation of The Regional Council Centre was $2.29million (2012: $6.4 million).

CentrePort Limited's Investment properties are revalued every year. Investment properties were valued on 30 June 2013 by independent registered valuers of the firm Colliers International Limited. The properties are 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 valuation assumes completion of the Harbour Quays Development plan as approved by the CentrePort Board and certain costs to complete the infrastructure development have been identified to reduce the valuation to the inspection date of 30 June 2013. The fair value of the investment property valued was $60.3million (2012: $56.0 million).

The valuations use existing and forecast cash flows based on existing lease terms and expected future occupancy. The capitalisation rate is consistent with comparable properties in the marketplace at 9% (2012: 10%).

## 9 Investment properties (continued)

| | Group | | Parent | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Developed investment properties brought forward | **33,745** | 42,870 | - | - |
| Additions (Disposals) | **7** | 182 | - | - |
| Transfer from (to) property under development | **(4,650)** | - | - | - |
| Transfer from (to) land available for development | **(2,520)** | 3,500 | - | - |
| Net change in the value of developed investment property | **(3,932)** | (12,807) | - | - |
| **Developed investment properties carried forward** | **22,650** | 33,745 | - | - |
| | | | | |
| Land available for development brought forward | **28,682** | 34,452 | - | - |
| Additions (Disposals) | **266** | - | - | - |
| Transfer from (to) developed investment property | **2,520** | (3,500) | - | - |
| Net change in the value of land available for development | **824** | (2,270) | - | - |
| **Land available for development carried forward** | **32,292** | 28,682 | - | - |
| | | | | |
| Investment property under development brought forward | - | - | - | - |
| Additions/(Disposals) | **4,650** | - | - | - |
| Transfer from developed investment property | **2,962** | - | - | - |
| Investment Property Held for Sale | **7,612** | - | - | - |
| **Total investment properties** | **62,554** | 62,427 | - | - |
| | | | | |
| Investment properties held for sale brought forward | - | 150,956 | - | - |
| Additions (Disposals) to property held for sale | - | (150,956) | - | - |
| Total Change in Value | - | - | - | - |

The Group's investment properties comprise:

(a) The Regional Council Centre at 142-146 Wakefield Street, Wellington.
(b) CentrePort's developed, undeveloped and held for sale investment properties.

## 10 Taxation

| | Group | | Parent | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **$'000** | $'000 | **$'000** | $'000 |
| **(a) Income tax recognised in profit or loss** | | | | |
| **Tax expense / (benefit) comprises:** | | | | |
| Current tax expense/(income) | **898** | 5,324 | - | - |
| Deferred tax expense/(income) relating to the origination and reversal of temporary differences | **1,435** | 21,319 | - | - |
| Impact of changes to building depreciation | - | 751 | - | - |
| Tax loss recognised | **(492)** | (291) | - | - |
| **Total Tax expense/(benefit)** | **1,841** | 27,103 | - | - |

## 10 Taxation (continued)

| | Group 2013 $'000 | Group 2012 $'000 | Parent 2013 $'000 | Parent 2012 $'000 |
|---|---|---|---|---|
| Tax expense/(benefit) is attributable to: | | | | |
| Continuing operations | **1,841** | 26,962 | **-** | - |
| Discontinued operations | **-** | 141 | **-** | - |
| | **1,841** | 27,103 | **-** | - |

| | Group | | Parent | |
|---|---|---|---|---|
| | **2013 $'000** | 2012 $'000 | **2013 $'000** | 2012 $'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:** | | | | |
| Surplus / (deficit) from operations | **12,119** | 92,138 | **(2,303)** | (1,577) |
| Surplus / (deficit) from discontinued operations | **-** | 505 | **-** | - |
| | **12,119** | 92,643 | **(2,303)** | (1,577) |
| Income tax expense/(benefit) calculated at 28% | **3,393** | 25,940 | **(645)** | (442) |
| Non-deductible expenses | **6,916** | 4,118 | **685** | 978 |
| Non-assessable income | **(13,914)** | (36,448) | **-** | (669) |
| Land and buildings reclassification | **(176)** | 2,787 | **-** | - |
| Tax effect of imputation credits | **(126)** | (1,157) | **-** | - |
| Temporary differences | **5,765** | 31,125 | **-** | - |
| Tax loss offsets from or subventions paid to Group companies | **(306)** | (1,452) | **-** | - |
| Unused tax losses and tax offsets not recognised | **-** | - | **(40)** | 133 |
| Impact of changes to building depreciation | **-** | 751 | **-** | - |
| | **1,552** | 25,664 | **-** | - |
| (Over)/under provision of income tax in previous period | **289** | 1,439 | **-** | - |
| Total tax expense/(benefit) | **1,841** | 27,103 | **-** | - |

| | Group | | Parent | |
|---|---|---|---|---|
| | **2013 $'000** | 2012 $'000 | **2013 $'000** | 2012 $'000 |
| **(c) Imputation credit account balances** | | | | |
| Balance at end of the period | **13,814** | 13,930 | **-** | 434 |

### (d) Tax losses not recognised

WRC Holdings does not have any tax losses to carry forward to the 2014 income year of (2012: $1,064,772).

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

## 11 Deferred tax

| | Group | | Parent | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **$'000** | $'000 | **$'000** | $'000 |
| **The balance comprises temporary differences attributable to:** | | | | |
| Tax losses | **2,518** | 2,026 | **-** | - |
| Temporary differences | **(76,886)** | (75,451) | **-** | - |
| | **(74,368)** | (73,425) | **-** | - |

| | Group | | Parent | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **$'000** | $'000 | **$'000** | $'000 |
| **Unrecognised deferred tax balances** | | | | |
| Tax losses | **-** | - | **-** | (298) |
| Unused tax credits | **-** | - | **-** | - |
| Temporary differences | **-** | - | **-** | - |
| | **-** | - | **-** | (298) |

## 11 Deferred tax (continued)

| Movements - Group | Investment properties $'000 | Property, plant and equipment $'000 | Trade and other payables $'000 | Other financial liabilities $'000 | Tax losses $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **At 1 July 2011** | (6,629) | (50,157) | 1,090 | 2,324 | 1,735 | (51,637) |
| Charged to income | 5,026 | (28,132) | (131) | 1,918 | 291 | (21,028) |
| Change in depreciation on buildings | 1,041 | (1,801) | - | - | - | (760) |
| **At 30 June 2012** | (562) | (80,090) | 959 | 4,242 | 2,026 | (73,425) |

| Movements - Group | Investment properties $'000 | Property, plant and equipment $'000 | Trade and other payables $'000 | Other financial liabilities $'000 | Tax losses $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **At 1 July 2012** | (562) | (80,090) | 959 | 4,242 | 2,026 | (73,425) |
| Charged to income | 797 | (782) | (49) | (1,401) | 492 | (943) |
| **At 30 June 2013** | 235 | (80,872) | 910 | 2,841 | 2,518 | (74,368) |

## 12 Taxation payable

| | Group | | Parent | |
|---|---|---|---|---|
| | **2013 $'000** | 2012 $'000 | **2013 $'000** | 2012 $'000 |
| **Income tax payable attributable to:** | | | | |
| Other | **96** | 3,812 | **-** | - |

## 13 Discontinued operations

### Partial Sale of CentrePort's Investment Property Portfolio

On 9 September 2011, CentrePort executed an agreement with the Accident Compensation Corporation to sell an interest in three investment properties. The properties were transferred into three investment vehicles wholly owned by the Group on 9 September 2011. Subsequently the Directors elected to early adopt NZ IFRS 10 Consolidated Financial Statements and as a result the three investment vehicles are accounted for as joint ventures using the equity method of accounting (refer Notes 2 and (c) Critical Accounting Estimates and Judgments and Basis of Consolidation). Accordingly, the discontinued operations relate to all revenue earned and expenses incurred in relation to these assets prior to execution date.

| | Group | | Parent | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Rental and Associated Income | - | 2,951 | - | - |
| Total Operating Expenses and Interest | - | (2,445) | - | - |
| Profit before income tax | - | 506 | - | - |
| Income tax expense | - | (142) | - | - |
| Profit / (Loss) for the Year from Discontinued Operations, Net of Tax | - | 364 | - | - |
| Cash Flows from Operating Activities | - | 506 | - | - |
| Cash Flows from Investing Activities | - | - | - | - |
| Cash Flows from Financing Activities | - | - | - | - |
| **Net Cash Flows** | - | 506 | - | - |

## 14 Provision for Employee Entitlements

| | Group | | Parent | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **$'000** | $'000 | **$'000** | $'000 |
| **Current** | | | | |
| Employee benefits | **3,351** | 3,349 | - | - |
| **Non-current** | | | | |
| Employee benefits | **341** | 536 | - | - |
| Total Provisions | **3,692** | 3,885 | - | - |

The provision for employee entitlements relates to employee benefits such as redundancy provisions, 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 4.15% (2012: 3.5%).

## 15 Investments in subsidiaries

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

| Name | Principal Activity | Place of incorporation and operation | Equity holding 2013 % | 2012 % |
|---|---|---|---|---|
| Pringle House Ltd | Property owner | New Zealand | **100.0** | 100.0 |
| Port Investments Ltd | Investment management | New Zealand | **100.0** | 100.0 |
| Greater Wellington Rail Ltd | Rail rolling stock owner | New Zealand | **100.0** | 100.0 |
| Greater Wellington Transport Ltd | Inactive company | New Zealand | **-** | 100.0 |
| Greater Wellington Infrastructure Ltd | Inactive company | New Zealand | **-** | 100.0 |
| CentrePort Ltd | 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** | - |

**Investments in Subsidiary Companies**

| | Parent 2013 $'000 | 2012 $'000 |
|---|---|---|
| Pringle House Ltd | **463** | 2,908 |
| Port Investments Ltd - Advance | **44,000** | 44,000 |
| Greater Wellington Rail Ltd | **33,972** | 25,440 |
| Total investments in subsidiary companies | **78,435** | 72,348 |

Greater Wellington Transport and Greater Wellington Infrastructure were closed during the 2012/13 financial year. There were no financial transactions.

## 16 Aggregate joint venture information

| Name of Joint venture | Principal activity | Proportion of ownership interest/voting rights held by group 2013 | 2012 |
|---|---|---|---|
| Harbour Quays A1 Limited * | Commercial rental property | **76.9% / 50.0%** | 76.9% / 50.0% |
| Harbour Quays D4 Limited * | Commercial rental property | **76.9% / 50.0%** | 76.9% / 50.0% |
| Harbour Quays F1F2 Limited * | Commercial rental property | **76.9% / 50.0%** | 76.9% / 50.0% |
| CentrePac Limited * | Container packing | **38.5%** | 38.5% |
| Transport Systems 2000 Limited * | Storage, wash and repair of containers | **38.5%** | 38.5% |
| Wellington Port Coldstore Limited * | Cold storage of produce | **38.5%** | 38.5% |

* All companies are incorporated and operate in New Zealand

| | Group 2013 $'000 | Group 2012 $'000 | Parent 2013 $'000 | Parent 2012 $'000 |
|---|---|---|---|---|
| Carrying Amount at Beginning of Year | **78,884** | 2,539 | - | - |
| Investment in Joint Ventures | - | 75,000 | - | - |
| Equity Accounted Earnings of Joint Ventures | **10,266** | 5,849 | - | - |
| Dividends from Joint Ventures | **(6,306)** | (4,504) | - | - |
| Carrying Amount at End of Year | **82,844** | 78,884 | - | - |
| **Represented by:** | | | | |
| Harbour Quays A1 Limited | **18,082** | 17,075 | - | - |
| Harbour Quays D4 Limited | **15,576** | 14,321 | - | - |
| Harbour Quays F1F2 Limited | **45,611** | 44,507 | - | - |
| Individually Immaterial Joint Ventures | **3,575** | 2,981 | - | - |
| Carrying Amount at End of Year | **82,844** | 78,884 | - | - |

## 17 Intangible assets

| **Group** | **Computer software $'000** | **Total $'000** |
|---|---|---|
| **At 1 July 2011** | | |
| Cost | 4,149 | 4,149 |
| Accumulated amortisation and impairment | (3,741) | (3,741) |
| Net book amount | 408 | 408 |
| **Year ended 30 June 2012** | | |
| Opening net book amount | 408 | 408 |
| Additions | 227 | 227 |
| Disposals | - | - |
| Reclassification | 20 | 20 |
| Amortisation | (285) | (285) |
| Closing net book amount | 370 | 370 |
| **At 30 June 2012** | | |
| Cost | 3,161 | 3,161 |
| Accumulated amortisation and impairment | (2,791) | (2,791) |
| Net book amount | 370 | 370 |
| **Year ended 30 June 2013** | | |
| Opening net book amount | 370 | 370 |
| Additions | 226 | 226 |
| Disposals | - | - |
| Reclassification | - | - |
| Amortisation | (221) | (221) |
| Closing net book amount | 375 | 375 |
| **At 30 June 2013** | | |
| Cost | 3,387 | 3,387 |
| Accumulated amortisation and impairment | (3,012) | (3,012) |
| Net book amount | 375 | 375 |

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

## 18 External Debt

| | Group | | Parent | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **$'000** | $'000 | **$'000** | $'000 |
| **Interest bearing liabilities** | | | | |
| Bank loans - current | **707** | 723 | **-** | - |
| Bank loans - long term | **154,138** | 148,660 | **44,088** | 44,094 |
| Total interest bearing liabilities | **154,845** | 149,383 | **44,088** | 44,094 |

### (a) Assets pledged as security

The Parent has $44.4 million of Commercial Paper on issue which is supported by a $44 million bank facility with the ASB Institutional Bank. The debt is secured by $50,000,000 of uncalled shares in favour of Wellington Regional Council. The security is maintained by Trustee Executors. The interest rate charged as at 30 June 2013 was 2.81% p.a. (30 June 2012: 2.75% p.a.).

CentrePort has a secured loan facility of $125 million in two Tranches of $50 million and $75 million. Effective 30 July 2013, the Bank facility has increased to $150 million in two equal tranches of $75 million each with Westpac Banking Corporation Limited and Commonwealth Bank Of Australia Limited. These tranches have a renewal date of 7 March 2015.

The interest rate charged on the facility ranged from 2.67% to 6.23% (2012 3.75% to 6.49%). Borrowings under the bank facility are supported by a negative pledge deed.

Wellington Regional Council (with a long-term credit rating of AA), guarantees the borrowings of CentrePort Limited up to their current banking facility limit of $150 million. In recognition of the provision of the guarantee the company pays a guarantee fee to Wellington Regional Council (refer related party transactions).

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

| | Group | | Parent | |
|---|---|---|---|---|
| | **2013** **$'000** | 2012 $'000 | **2013** **$'000** | 2012 $'000 |
| Profit for the year | **10,278** | 64,737 | **(2,303)** | (1,577) |
| Less Dividends declared | **-** | (2,254) | **-** | (2,254) |
| **Add /(less) non cash items:** | | | | |
| Depreciation | **25,931** | 19,758 | **-** | - |
| Amortisation | **221** | 285 | **-** | - |
| Impairment / written off of fixed assets | **10,571** | 817 | **-** | - |
| (Gain)/loss on sale of property, plant & equipment | **307** | 748 | **-** | - |
| Gain on fair value movement financial instruments | **-** | 7,364 | **-** | - |
| Revaluation movements | **3,108** | 15,077 | **2,446** | 3,492 |
| Equity accounted earnings from associate companies | **(3,960)** | (1,345) | **-** | - |
| Deferred tax liability | **943** | 21,794 | **-** | - |
| Deferred tax asset | **-** | - | **-** | - |
| (Increase)/decrease in value of investments | **(5,561)** | - | **-** | - |
| Bad debt expense | **-** | - | **-** | - |
| Change in provision for doubtful debt | **7** | 17 | **-** | - |
| **Add /(Less) Movements in Working Capital:** | | | | |
| Accounts receivable | **32,829** | (33,034) | **(2)** | 31 |
| Accounts payable | **(28,675)** | 28,647 | **(5)** | (39) |
| Revenue in advance | **-** | - | **-** | - |
| Dividends receivable | **-** | - | **2,390** | (1,053) |
| Inventory | **(2,574)** | 1,616 | **-** | - |
| Borrowings | **(16)** | (18) | **(6)** | (3) |
| Taxation - refund | **(3,716)** | 4,141 | **-** | - |
| Financial Instruments | **(277)** | 340 | **(277)** | 340 |
| Current account -Wellington Regional Council | **(496)** | 1,475 | **-** | - |
| Current account - Port Investments Ltd | **-** | - | **(177)** | (178) |
| Employee entitlements | **(193)** | 592 | **-** | - |
| Other movements | **40** | (12) | **2** | - |
| **Add /(Less) Items Classified as Investing and Financing Activities:** | | | | |
| Dividends paid/payable | **(27)** | 1,050 | **(2,254)** | 1,050 |
| Shareholder Subvention payable | **(806)** | (102) | **-** | - |
| Increase/(decrease) in current accounts relating to financing activities | **363** | 191 | **186** | 191 |
| Accounts Payable related to Property, Plant & Equipment | **(32,938)** | (125,893) | **-** | - |
| Gain (loss) on sale of fixed assets | **(1)** | - | **-** | - |
| Increase in Share Capital | **8,532** | 9,256 | **-** | - |
| Interest Capitalised | **-** | - | **-** | - |
| Net Cash Inflows From Operating Activities | **13,890** | 15,247 | **-** | - |

## 20 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 a members. WRC Holdings Treasury activities are covered by Wellington Regional Council's Treasury Policy.

### (a) Fair Values

The Group considers that the carrying amount of financial assets and financial liabilities (except borrowings) 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 monthly to the Board and semi-annually to our banker. All externally imposed covenants have been complied with during the period. No covenants have been breached during the 2013 financial year.

**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 the borrowings disclosed in note 17, 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 Board and semi annually to our banker. 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).

## 20 Financial risk management (continued)

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.

## 20 Financial risk management (continued)

### (b) Market risk

*Currency risk*

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

There were forward foreign exchange contracts in place at year end to protect the foreign exchange risk associated with purchasing a tug boat in Euros. The value of these contracts at balance date is a loss of $0.55 million.

*Interest rate risk*

The Group is exposed to interest rate risk as the Group borrows funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite as provided for in the Treasury Policy; ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of note 20.

**Reconciliation of Other Financial Liabilities**

| | Group | | Parent | |
|---|---|---|---|---|
| | **2013 $'000** | 2012 $'000 | **2013 $'000** | 2012 $'000 |
| Interest rate swaps | **10,405** | 15,686 | **260** | 537 |
| Foreign Exchange Contracts | **-** | 550 | **-** | - |
| Diesel | **-** | 7 | **-** | - |
| **Total Other Financial Liabilities** | **10,405** | 16,243 | **260** | 537 |
| *Represented by:* | | | | |
| Current liabilities | **-** | 939 | **-** | - |
| Non-Current liabilities | **10,405** | 15,304 | **260** | 537 |
| **Total Other Financial Liabilities** | **10,405** | 16,243 | **260** | 537 |

*Interest rate sensitivity*

The sensitivity analyses below have 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% (2012: 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 by $0.248 million and decrease by $0.248 million (2012: decrease/increase by $13,000/$133,000). 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.

At reporting date, if interest rates on the interest rate swap portfolio had been 100 basis points higher or lower and all other variables were held constant, the Group's interest rate costs would increase/decrease by $5.615 million. (2012: $6.3 million)

*Interest Rate Swap*

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.

## 20 Financial risk management (continued)

At balance date the Group had entered into the following swap agreements that had interest rates ranging from 3.79% to 6.23% (2012: 2.00% to 6.49% p.a.) and maturities of:

| | Maturity date | 2013 % | 2012 % | 2013 Face value $'000 | 2013 Fair value $'000 | 2012 Face value $'000 | 2012 Fair value $'000 |
|---|---|---|---|---|---|---|---|
| **Interest Rate Swap Agreements - Group** | | | | | | | |
| **Financial Assets:** | | | | | | | |
| Less than one year | | | * 2.67-2.00 | - | - | 24,000 | 32 |
| Two to five years | 0 | 0 | 0 | - | - | - | - |
| **Total Financial Assets** | | | | - | - | 24,000 | 32 |
| **Financial Liabilities:** | | | | | | | |
| Less than one year | | | 6.49 | - | - | 14,000 | (413) |
| Two to five years | Dec 15 | 5.76 | | 40,000 | (2,354) | - | - |
| | Dec 17 | 5.20 | | 25,000 | (1,504) | - | - |
| | Aug 14 | 5.82 | | 10,000 | (364) | - | - |
| | May 16 | 5.82 | | 20,000 | (655) | - | - |
| | Jun 21 | 6.23 | | 40,000 | (2,584) | - | - |
| | Sep 15 | 3.79 | 4.15 | 10,000 | (130) | 10,000 | (301) |
| | Sep 14 | 3.92 | 3.92 | 10,000 | (130) | 10,000 | (268) |
| | | | 5.76 | - | - | 20,000 | (1,303) |
| Greater than five years | Oct 18 | 5.99 | 5.99 | 25,000 | (2,684) | 25,000 | (3,850) |
| | | | 5.20 | - | - | 25,000 | (2,390) |
| | | | 5.76 | - | - | 40,000 | (7,193) |
| **Total financial liabilities** | | | | 180,000 | (10,405) | 144,000 | (15,718) |
| Foreign exchange contracts | | | | - | - | - | (550) |
| Diesel contracts | | | | - | - | - | (7) |
| **Total Financial Instruments** | | | | 180,000 | (10,405) | 168,000 | (16,243) |

* Interest rate option collar

| | Maturity date | 2013 % | 2012 % | 2013 Face value $'000 | 2013 Fair value $'000 | 2012 Face value $'000 | 2012 Fair value $'000 |
|---|---|---|---|---|---|---|---|
| **Interest Rate Swap Agreements - Parent** | | | | | | | |
| **Financial Assets:** | | | | | | | |
| Less than one year | | | * 2.67-2.00 | - | - | 24,000 | 32 |
| Two to five years | | | | - | - | - | - |
| **Total Financial Assets** | | | | - | - | 24,000 | 32 |
| **Financial Liabilities:** | | | | | | | |
| Less than one year | | | | - | - | - | - |
| Two to five years | | 3.79 | 4.15 | 10,000 | (130) | 10,000 | (301) |
| Two to five years | | 3.92 | 3.92 | 10,000 | (130) | 10,000 | (268) |
| **Total financial liabilities** | | | | 20,000 | (260) | 20,000 | (569) |
| Foreign exchange contracts | | | | - | - | - | - |
| Diesel contracts | | | | - | - | - | - |
| **Total Financial Instruments** | | | | 20,000 | (260) | 44,000 | (537) |

* Interest rate option collar

## 20 Financial risk management (continued)

### (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 balance sheet.

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 | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **$'000** | $'000 | **$'000** | $'000 |
| 1-30 days | **618** | 645 | **-** | - |
| 30-60 days | **16** | 17 | **-** | - |
| 60-60 days | **31** | 161 | **-** | - |
| 90-120 days | **12** | 76 | **-** | - |
| Total | **677** | 899 | **-** | - |

No collateral is held on the above amounts.

*Concentrations of credit risk*

The Group does not have any significant credit risk exposure 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.

### (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 $1 million (2012: $1 million) and New Zealand dollar Commercial Bill facilities of $125 million at balance date (refer note 19 Borrowings) (2012: $125 million). Of these $110.0 million (2012: $105.3 million) had been drawn down by the Group at balance date. Port Investments borrows it funds from WRC Holdings who sources funds from the institutional investor market via Commercial Paper backed by a $44 million committed credit facility with ASB Institutional bank.

The Board and management of CentrePort review forward cash flows on a monthly basis.

WRC Holdings has a $44 million term facility with Commonwealth Bank which expires in September 2014. CentrePort has a $125m facility unsecured syndicated facility agreement with Westpac Banking Corporation and Commonwealth Bank of Australia with renewal dates in 2014 and 2015.

*Liquidity profile of financial instruments*

The following tables detail the entity's liquidity profile based on undiscounted cash outflows at 30 June 2013 and 30 June 2012, assuming future interest cost on borrowings at 4.8% (2012: 4.8%)

| **Group - At 30 June 2013** | 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 Payables | 10,588 | - | - | - | - | - | 10,588 |
| Other Payables | 3,870 | 341 | - | - | - | - | 4,211 |
| Other Financial Liabilities | 2,284 | 2,255 | 1,896 | 1,318 | 1,130 | 1,522 | 10,405 |
| Borrowings | 10,740 | 161,587 | - | - | - | - | 172,327 |
| **Total** | 27,482 | 164,183 | 1,896 | 1,318 | 1,130 | 1,522 | 197,531 |

## 20 Financial risk management (continued)

**Group - At 30 June 2012**

| **Financial liabilities** | | | | | | | |
|---|---|---|---|---|---|---|---|
| Trade Payables | 39,263 | - | - | - | - | - | 39,263 |
| Other Payables | 7,110 | 536 | - | - | - | - | 7,646 |
| Other Financial Liabilities | 3,501 | 2,909 | 2,716 | 1,997 | 1,702 | 3,418 | 16,243 |
| Borrowings | 10,310 | 57,920 | 102,670 | - | - | - | 170,900 |
| **Total** | 60,184 | 61,365 | 105,386 | 1,997 | 1,702 | 3,418 | 234,052 |

**Parent - At 30 June 2013**

| **Financial liabilities** | | | | | | | |
|---|---|---|---|---|---|---|---|
| Trade Payables | 144 | - | - | - | - | - | 144 |
| Other Payables | 1,032 | - | - | - | - | - | 1,032 |
| Other Financial Liabilities | 162 | 84 | 14 | - | - | - | 260 |
| Borrowings | 2,112 | 46,112 | - | - | - | - | 48,224 |
| **Total** | 3,450 | 46,196 | 14 | - | - | - | 49,660 |

**Parent - At 30 June 2012**

| **Financial liabilities** | | | | | | | |
|---|---|---|---|---|---|---|---|
| Trade Payables | 147 | - | - | - | - | - | 147 |
| Other Payables | 3,102 | - | - | - | - | - | 3,102 |
| Other Financial Liabilities | 221 | 253 | 63 | - | - | - | 537 |
| Borrowings | 2,112 | 2,112 | 46,112 | - | - | - | 50,336 |
| **Total** | 5,582 | 2,365 | 46,175 | - | - | - | 54,122 |

**(e) Financial instruments by category**

| **Financial assets as per balance sheet** | **Loans and receivables $'000** | **Total $'000** |
|---|---|---|
| **Group** | | |
| **At 30 June 2013** | | |
| Cash and cash equivalents | 316 | 316 |
| Trade and other receivables | 8,043 | 8,043 |
| Other financial assets | 3,307 | 3,307 |
| | 11,666 | 11,666 |
| **At 30 June 2012** | | |
| Cash and cash equivalents | 471 | 471 |
| Trade and other receivables | 40,613 | 40,613 |
| Other financial assets | 2,811 | 2,811 |
| | 43,895 | 43,895 |
| **Parent** | | |
| **At 30 June 2013** | | |
| Cash and cash equivalents | 4 | 4 |
| Trade and other receivables | 92 | 92 |

## 20 Financial risk management (continued)

| | | |
|---|---|---|
| Other financial assets | 1,997 | 1,997 |
| | 2,093 | 2,093 |

| | | |
|---|---|---|
| **At 30 June 2012** | | |
| Cash and cash equivalents | 4 | 4 |
| Trade and other receivables | 90 | 90 |
| Other financial assets | 1,997 | 1,997 |
| | 2,091 | 2,091 |

## 20 Financial risk management (continued)

| 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 2013** | | | |
| Trade and other payables | - | 10,588 | 10,588 |
| Borrowings | - | 154,845 | 154,845 |
| Other financial liabilities | 10,405 | 4,211 | 14,616 |
| | 10,405 | 169,644 | 180,049 |
| **At 30 June 2012** | | | |
| Trade and other payables | - | 39,263 | 39,263 |
| Borrowings | - | 149,383 | 149,383 |
| Other financial liabilities | 16,243 | 6,659 | 22,902 |
| | 16,243 | 195,305 | 211,548 |
| **Parent** | | | |
| **At 30 June 2013** | | | |
| Trade and other payables | - | 144 | 144 |
| Borrowings | - | 44,088 | 44,088 |
| Other financial liabilities | - | - | - |
| Current Account - Wellington Regional Council | - | 1,032 | 1,032 |
| | - | 45,264 | 45,264 |
| **At 30 June 2012** | | | |
| Trade and other payables | - | 147 | 147 |
| Dividend | - | 2,401 | 2,401 |
| Borrowings | - | 44,094 | 44,094 |
| Other financial liabilities | 537 | - | 537 |
| Current Account - Wellington Regional Council | - | 848 | 848 |
| | 537 | 47,490 | 48,027 |

## 20 Financial risk management (continued)

**Joint Venture Company Mandatory Convertible Note (MCN) Conversion Derivative**

As mentioned in Note 2 Joint Control of Harbour Quays Special Purpose Vehicles (SPVs), MCNs have been issued to the ACC as joint venture partner. The MCNs are convertible to equity in March 2024 (or September 2026 at CentrePort Properties Limited ('CPPL') option).

On conversion, the issuer will issue to the noteholder shares to the value of the face value of the notes or 50% of the value of the securities on issue at that date, whichever is higher. The value of MCNs are adjusted annually by the consumer price index.

A conversion derivative liability has been recognised on the balance sheets of the joint venture companies to reflect the variance between forecast growth in value of the MCNs and the estimated terminal values of the commercial properties over the term of the MCNs discounted to present value.

The MCN derivatives are financial instruments with risk attaching to CPPL's investment in the 3 joint venture companies. The conversion derivatives have an aggregate liability value of $3.391 million on the balance sheets of the 3 joint venture companies at 30 June 2013.

**Sensitivity of Mandatory Convertible Note Conversion Derivative to Movements in Consumer Price Index and Building Value**

The sensitivity analyses below have been determined based on the aggregate exposure of the Mandatory Convertible Note Conversion Derivatives to movements in Consumer Price Index and estimates of building value at conversion date.

At reporting date, increasing the building values at conversion date by 10% would reduce the value of the Conversion Derivative by $3.178 million (to $213,000). Reducing the building value at conversion date by 10% would increase the value of the Conversion Derivative by $4.251 million (to $7.642 million).

At reporting date, increasing forecast movements in Consumer Price Index by 10% would result in the Conversion Derivative increase in value by $1.142 million (to $4.533 million). Reducing forecast movements in Consumer Price Index by 10% would reduce the value of the Conversion Derivative by $1.117 million (to $2.274).

## 20 Financial risk management (continued)

### Maturity profile of financial instruments

The following table details the Group's exposure to interest rate risk at 30 June 2013 and 30 June 2012.

| | 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 2013 Financial Liabilities:** | | | | | | | | | | |
| Trade Payables | | | 10,588 | - | - | - | - | - | 10,588 | 10,588 |
| Other Payables | | | 3,870 | 341 | - | - | - | - | 4,211 | 4,211 |
| Debt - Parent | **3.86** | **2.81** | 44,088 | - | - | - | - | - | - | 44,088 |
| Debt - CentrePort | **5.68** | **2.67** | 707 | 110,050 | - | - | - | - | - | 110,757 |
| **Total** | | | 59,253 | 110,391 | - | - | - | - | 14,799 | 169,644 |
| **Group 2012 Financial Liabilities:** | | | | | | | | | | |
| Trade Payables | | | 39,263 | - | - | - | - | - | 39,263 | 39,263 |
| Other Payables | | | 7,110 | 536 | - | - | - | - | 7,646 | 7,646 |
| Debt - Parent | **4.04** | **2.75** | 44,094 | - | - | - | - | - | - | 44,094 |
| Debt - CentrePort | **5.75** | **2.65** | 723 | 49,277 | 55,289 | - | - | - | - | 105,289 |
| **Total** | | | 91,190 | 49,813 | 55,289 | - | - | - | 46,909 | 196,292 |
| **Parent 2013 Financial Liabilities:** | | | | | | | | | | |
| Trade Payables | | | 144 | - | - | - | - | - | - | 144 |
| Other Payables | | | 1,032 | - | - | - | - | - | - | 1,032 |
| Borrowings - WRCH | **3.86** | **2.81** | 44,088 | - | - | - | - | - | - | 44,088 |
| **Total** | | | 45,264 | - | - | - | - | - | - | 45,264 |
| **Parent 2012 Financial Liabilities:** | | | | | | | | | | |
| Trade Payables | | | 144 | - | - | - | - | - | 147 | 144 |
| Other Payables | | | 3,102 | - | - | - | - | - | - | 3,102 |
| Borrowings - WRCH | **4.04** | **2.75** | 44,094 | - | - | - | - | - | - | 44,094 |
| **Total** | | | 47,340 | - | - | - | - | - | 147 | 47,340 |

## 21 Commitments

The parent company, WRC Holdings Limited had no capital operating commitments at 30 June 2013 (2012: None). Port Investments Limited had no capital or operating commitments at 30 June 2013 (2012: none)

CentrePort Limited had commitments in respect of contracts for capital expenditure of $3.7 million (2012: $10.3 million). This relates to wharves, pavements and the development of investment property. (2012: Wharves, pavements and the purchase of a tug).

Pringle House had $53,851 contractual commitments at balance date (30 June 2012: $100,353)

Pringle House's Regional Wellington Centre is leased to Wellington Regional Council to June 2019 and can be terminated or renewed for a term till June 2025 at the option of Wellington Regional Council. Therefore, there is six years remaining in the current lease.

Pringle House has current non-cancellable minimum lease payments of $1,672,000 per year. Wellington Regional Council may seek to cancel the lease however at balance date and before the signing of the accounts no deal had been struck between the parties.

GW Rail had contractual commitments at balance date of $16,371,000 (2012: $70,410,000). Capital commitments were $165,969,000 (2012: $34,834,000).

### Leases

Operating lease payments relate to straddles and forklift trucks. The straddle lease is for a period of 10 years, the forklift truck lease terms are between 2 to 5 years, with an option to extend. All operating lease contracts contain market review clauses in the event that the CentrePort Limited 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 | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Non-cancellable operating lease payments | | | | |
| Not longer than 1 Year | **1,691** | 1,701 | **-** | - |
| Longer than 1 year and not longer than 5 years | **5,784** | 6,190 | **-** | - |
| Longer than 5 years | **1,750** | 3,035 | **-** | - |
| | **9,225** | 10,926 | **-** | - |

### Disclosure for lessors

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

| | Group | | Parent | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Not later than 1 year | **3,865** | 5,726 | **-** | - |
| Later than 1 year and no later than 5 years | **6,458** | 8,496 | **-** | - |
| Later than 5 years | **8,977** | 9,790 | **-** | - |
| | **19,300** | 24,012 | **-** | - |

### Contractual commitments

There were $20,315 contractual commitments at balance date (2012: $99,254)

## 21 Commitments (continued)

| | Group | | Parent | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Not later than 1 Year | **12** | 44 | **12** | 44 |
| Later than 5 Years | **9** | 55 | **9** | 55 |
| | **21** | 99 | **21** | 99 |

## 22 Related party transactions

WRC Holdings Ltd is 100% owned by Wellington Regional Council. During the year transactions between WRC Holdings Ltd and related parties included:

| | Group | | Parent | |
|---|---|---|---|---|
| | **2013 $'000** | 2012 $'000 | **2013 $'000** | 2012 $'000 |
| **Wellington Regional Council** | | | | |
| Interest income on inter company current accounts | **95** | 90 | **(23)** | (21) |
| Rental income received | **(1,711)** | (1,673) | **-** | - |
| Proposed dividend | **-** | (2,254) | **-** | (2,254) |
| Payment for management fees | **(285)** | (355) | **(57)** | (57) |
| Payment for rent and services, CentrePort | **77** | 119 | **-** | - |
| Payment for use of navigational facilities, and guarantee of CentrePort borrowings | **(1,105)** | (1,100) | **-** | - |
| Payments under tax loss sharing agreements | **(3,000)** | - | **-** | - |
| **WRC Holdings Subsidiaries** | | | | |
| Dividend income from Port Investments Ltd and Pringle House Ltd | **-** | - | **-** | 2,390 |
| Interest income on Port Investments Ltd advance | **-** | - | **1,680** | 1,777 |
| CentrePort dividend | **4,116** | 4,000 | **-** | - |
| **CentrePac Limited** | | | | |
| Income received from rent and services performed. | **406** | 447 | **-** | - |
| Payment received for payroll and support services | **(2)** | (2) | **-** | - |
| **Transport Systems 2000 Limited** | | | | |
| Income received from rent and services performed | **1,229** | 1,227 | **-** | - |
| Payment received for payroll and support services | **-** | - | **-** | - |
| Payment for services performed | **(35)** | (56) | **-** | - |
| **Wellington Port Coldstore Limited** | | | | |
| Contribution to plant development | **181** | 178 | **-** | - |

All transactions with related parties have been carried out on normal commercial terms.

During the year Subsidiary Companies charged no lease rentals to CentrePort Limited (2012: $Nil). During the year the CentrePort Limited charged no management fee to a Subsidiary Company (2012: $Nil).

On 9 September 2011, CentrePort Limited 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 Limited. 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.

At year-end the following outstanding balances with related parties were recorded as an asset / (liability) other than those already disclosed above:

| | Group | | Parent | |
|---|---|---|---|---|
| | **2013 $'000** | 2012 $'000 | **2013 $'000** | 2012 $'000 |
| Wellington Regional Council and Subsidiaries | **(108)** | (107) | **-** | - |
| CentrePac Limited | **17** | 6 | **-** | - |
| Transport Systems 2000 Limited | **22** | (3) | **-** | - |
| Harbour Quays A1 Limited | **18** | 39 | **-** | - |
| Harbour Quays D4 Limited | **10** | 3 | **-** | - |
| Harbour Quays F1F1 Limited | **34** | 95 | **-** | - |

During the year Harbour Quays A1 Limited, Harbour Quays D4 Limited and Harbour Quays F1F2 Limited paid management fees and infrastructure charges of $0.2 million to CentrePort Property Management Limited.

## 22 Related party transactions (continued)

In addition to the above balances, CentrePort has a payable of $0.2m (2012: $0.2m) and a receivable of $63.7m (2012: $65.9m) due to/from subsidiaries.

The Group received dividends from joint ventures of $6.3 million (2012: $4.5 million) as detailed in note 16.

The Group has a tax loss share arrangement with the Wellington Regional Council and Subsidiaries that allows the Group to purchase tax losses

It is anticipated that WRC Holding Limited will provide tax losses of $143,000 to other entities in the Greater Wellington Group for the year ended 30 June 2013. For the year ended 30 June 2012, the Company provided tax losses of $2,188,692 to other entities.

## 22 Related party transactions (continued)

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

| | Group | | Parent | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Short-term employee benefits | **2,143** | 2,016 | **-** | - |
| Total key management personnel compensation | **2,143** | 2,016 | **-** | - |

## 23 Contingencies

The following contingent liabilities existed at 30 June 2013:

**Parent Company:**

The parent company has uncalled capital in Port Investments Limited of $10,000,100 (2012: $10,000,100).

The parent company has uncalled capital in Greater Wellington Rail Limited of $171,706,976 composed of 8,000,000 shares called 70 to cents, 170,200,000 shares called to $893,024. (2012: $2,039,640 composed of 22,170,000 $1 shares called to 90.8 cents and 8,000,000 $1 shares uncalled).

**Subsidiary Companies - CentrePort Limited:**

At balance date CentrePort Limited had contingent liabilities of $750,000 being shares in Wellington Port Coldstore Limited subscribed but not paid (2012: $750,000).

The Fire Service Commission has indicated it does not consider the basis by which the Ports Insurance Collective (of which CentrePort is a part) calculates fire service levies to be compliant with the Fire Services Act. The Ports Collective has obtained legal advice that the basis for determining levies is in fact compliant with the Act and has initiated judicial proceedings to establish this position. Should the judicial proceedings find in favour of the Fire Service Commission,CentrePort would be liable for additional levies of $200,000.

The Ministry of Business, Innovation and Employment is prosecuting CentrePort under the Health & Safety in Employment Act 1992 for a workplace fatality on 20 January 2013. The outcome of the proceedings is unknown and may result in fines and reparation costs which have not yet been determined. Legal fees associated with these proceedings have been provided for in these financial statements.

## 24 Assets held for sale

Greater Wellington Rail Lt entered into a sale agreement to dispose of its 42 Ganz Mavag Trains on19 June 2013.

16 Ganz Mavag trains have been classified as held for sale because the sale and purchase is expected to be completed by December 2013. These trains have been written down to the sale price of $347,000.

There are a further 26 Ganz Mavag trains that are anticipated to be sold by August 2016. These trains are currently in use and are therefore classified as Plant, Property and Equipment.

Depreciation for these units has been accelerated and the impact of these is to increase depreciation expense by $805,000 per annum until August 2016. This is consistent with the revised useful life of the trains being to August 2016, when they have a residual value of approximately $652,000.

## 25 Subsequent events

**Seddon Earthquakes, 21 July 2013 and 16 August 2013**

Since balance date, the Wellington region has been hit by two significant earthquakes measuring 6.5 (21 July 2013) and 6.6 (16 August 2013) on the Richter scale.

The earthquakes caused some damage to Port land, paving and wharves. Port operations have not been adversely affected. The estimated cost of repairing the damaged areas of the Port is at this point unknown.

The investment property owned by 100% owned joint venture company Harbour Quays F1F2 Limited suffered damage to the internal fit-out resulting in the tenant vacating the building. The building has been assessed following the earthquakes as structurally sound. The cost of repairing the fit-out and possible loss of rental income are at this point unknown.

**Acquisition of 50% of Shareholding In Transport Systems 2000 Limited**

On 31 July 2013 CentrePort Limited acquired the remaining 50% shareholding in Transport Systems 2000 Limited for $1.485m, increasing its total ownership to 100%.

CentrePort has not declared a final dividend post balance date (2012: $850,000).

A dividend of $2,302,000 was declared post Balance Date by WRC Holdings Limited (2012 nil)

Subsequent to Balance Date Wellington Regional Council (WRC) vacated Regional Wellington Centre. Wellington Regional Council continues to pay rent but given the earthquake status of the building, it is unlikely to be able to be re-tenanted unless substantial remedial structural work is completed. WRC has provided Pringle House with a letter of support to ensure on-going financial viability of Pringle House Limited. Pringle House is reliant on the on-going financial support of Wellington Regional Council for at least 12 months from 24 September 2013. Wellington Regional Council has confirmed that Pringle House has its support.

On 15th August 2013 Wellington Regional Council Holdings Limited issued $11,250,000 shares uncalled to Wellington Regional Council.

On 15th August Greater Wellington Rail Limited issued $11,250,000 shares uncalled to WRC Holdings Limited to cover capital expenditure in Greater Wellington Rail Limited.

There were no other subsequent events up to the date of these financial statements which would affect the amounts or disclosures in the financial statements.

**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 2013 fairly reflect the financial position and operations of the Company.

| | | |
|---|---|---|
| Director | Director | Chief Financial Officer |
| September 24, 2013 | September 24, 2013 | September 24, 2013 |

# Independent Auditor's Report

## To the readers of WRC Holdings Limited and group's financial statements and statement of service performance for the year ended 30 June 2013

The Auditor-General is the auditor of WRC Holdings Limited (the company) and group. The Auditor-General has appointed me, Karen Young, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the company and group on her behalf.

We have audited:

- the financial statements of the company and group on pages 4 and 5, that comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the company and group on pages 8 to 53.

## Opinion

### Financial statements and statement of service performance

In our opinion:

- the financial statements of the company and group on pages 8 to 53:
    - comply with generally accepted accounting practice in New Zealand; and
    - give a true and fair view of the company and group's:
        - financial position as at 30 June 2013; and
        - financial performance and cash flows for the year ended on that date; and
- the statement of service performance of the company and group on pages 4 and 5:
    - complies with generally accepted accounting practice in New Zealand; and
    - gives a true and fair view of the company and group's service performance achievements measured against the performance targets adopted for the year ended 30 June 2013.

### Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company and group as far as appears from an examination of those records.

Our audit was completed 24 September 2013. This is the date at which our opinion is expressed.

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

## Basis of opinion

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

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company and group's financial statements and statement of service performance that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control.

An audit also involves evaluating:

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

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance. Also we did not evaluate the security and controls over the electronic publication of the financial statements and statement of service performance.

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

## Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company and group's financial position, financial performance and cash flows; and
- give a true and fair view of the company and group's service performance.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements and statement of service performance, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Reporting Act 1993.

## Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

## Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the company or any of its subsidiaries.

Karen Young

Karen Young
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand