

**WRC Holdings Limited
Financial Statements
for the year ended 30 June 2014**

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Directory

Directors

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

Appointed

23 November 2010
14 November 2007
1 May 2005
21 November 2013
11 December 2013
14 November 2007
13 July 2011
23 November 2010

Resigned

21 November 2013
31 March 2014
21 November 2013

Registered office

Shed 39, 2 Fryatt Quay,
Pipitea, Wellington 6011

Auditor

Andy Burns
Audit New Zealand
On behalf of the Auditor-General

Bankers

ANZ Bank New Zealand Ltd

The Directors have pleasure in submitting their Annual Report including the financial statements of WRC Holdings Ltd and its subsidiaries (the Group) for the year ended 30 June 2014.

Principal Activities

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

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 2013/14 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 2013/14 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 2014 \$'000	Target 2014 \$'000	Actual 2013 \$'000
Net (deficit) / surplus before tax	(27,757)	1,060	12,119
Net (deficit) / surplus after tax	(25,149)	1,500	10,278
Earnings before interest, tax and depreciation (EBITD)	7,121	30,942	47,356
Return on total assets	(2.70)%	1.60%	3.21%
Return on shareholder's equity: excluding any increase/decrease in the value of investment property	(7.10)%	(0.40)%	3.08%
Shareholders equity to total assets	53.70%	50.80%	52.01%
Dividends	2,302	2,329	-
WRC Holdings - Parent			
Dividend distribution	2,302	2,329	-
Dividend distribution %	105.5%	100%	-
Return on equity (1)	7.72%	7.10%	(7.01)%
Return on assets (2)	4.07%	9.30%	(0.77)%

(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

The above 2014 financial results are calculated on the same basis as previous year.

However, the net deficits before and after tax and the earnings before tax and depreciation have all been adversely impacted by the following three items:

- costs arising from the Seddon earthquakes in July and August have impacted significantly on CentrePort's result
- changes in fair value and asset revaluations for both CentrePort and Greater Wellington Rail and
- a higher level of depreciation in Greater Wellington Rail due to reduced asset lives for the Ganz Mavag trains.

The adverse results flow on to the return on assets and equity.

Net (deficit) / surplus before tax

The Group posted a net deficit before tax of \$27.8 million (2013: Surplus of \$12.1 million) compared to a budget surplus before tax of \$1.06 million for the year.

The variance compared to target is due to earthquake costs from CentrePort, fair value and asset revaluations adjustments and higher depreciation in Greater Wellington Rail.

Net (deficit) / surplus after tax

The net deficit after tax was \$25.1 million (2013: Surplus of \$10.3 million), compared to a budget surplus after tax of \$1.5 million.

The variance is impacted as in the surplus before tax plus an unbudgeted subvention payment from Pringle House.

Earnings before interest, tax and depreciation (EBITD)

EBITD was \$7.1 million (2013: \$47.3 million) compared to a budget of \$30.9 million.

The variance is impacted as in the surplus before tax without the impacts of depreciation.

Return on total assets

This target is calculated as earnings before interest and tax (EBIT) and expressed as a percentage of average total assets. As at 30 June 2014, return on total assets was (2.7)% (2013: 3.2%).

Return on shareholder's equity

This target is calculated as net surplus after tax (after deduction of minority interest) as a percentage of average shareholder equity (excluding minority interest). As at 30 June 2014, the return on shareholders' equity was (7.3)% (2013: 3.1%).

Shareholder's equity to total assets

This target is expressed as a percentage calculated on average shareholders' equity (excluding minority interest) over the average of total assets. As at 30 June 2014, the shareholders' equity to total assets was 53.5% (2013: 52.0%).

Dividends paid (or payable to the shareholders)

A dividend of \$2.30 million was paid to the shareholders during the year (2013: Nil).

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 Intent 2013/14 as reported in the Financial Statements of Port Investments Limited for the year ended 30 June 2014.

SOCIAL PERFORMANCE TARGETS

Planned Target - WRC Holdings Group

- 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

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

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

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

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

CentrePort has achieved its environmental targets as set down in its statement of intent 2013/14 as reported in the financial statements of Port Investments Limited for the year ended 30 June 2014.

OTHER PERFORMANCE TARGETS - WRC Holdings Parent

Planned Target

The Parent Company 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

The Parent and its group of companies met more than 6 times a year to review each company's performance and monitor performance of the companies.

The Group's non-financial performance criteria contained in the statement of intent for the 2013/14 year, and results are summarised.

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

Directors Information

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

P M Lamason (Chair)
 F H Wilde (Deputy)
 P Blades
 B H Donaldson
 P D Swain
 P E Glensor (resigned 21 November 2013)
 M McKenna (resigned 31 March 2014)
 N Wilson (resigned 21 November 2013)

Remuneration of Directors of the Parent Company

Details of Directors' remuneration are as follows:

	2014 \$000
P M Lamason (Chair)	4
F H Wilde (Deputy)	-
P Blades	4
B H Donaldson	-
P D Swain	-
M McKenna (resigned)	2
	<u>10</u>

Entries in the Interests Register

Disclosure of interests by Directors for the year ended 30 June 2014:

P M Lamason (Chair)
 Councillor of Wellington Regional Council

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

P Blades
 None

B H Donaldson
 Councillor of Wellington Regional Council

P D Swain
 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

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

	Number of current employees
\$100,001 - \$110,000	19
\$110,001 - \$120,000	17
\$120,001 - \$130,000	10
\$130,001 - \$140,000	2
\$140,001 - \$150,000	5
\$150,001 - \$160,000	1
\$160,001 - \$170,000	2
\$170,001 - \$180,000	3
\$180,001 - \$190,000	1
\$190,001 - \$200,000	3
\$210,001 - \$220,000	2
\$250,001 - \$260,000	1
\$300,001 - \$310,000	1
\$330,001 - \$340,000	2
\$530,001 - \$540,000	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 Andy Burns of Audit New Zealand to undertake the audit.

For, and on behalf of, the Board of Directors



Director

29 September 2014



Director

29 September 2014

WRC Holdings Limited
Statement of Comprehensive Income
For the year ended 30 June 2014

	Notes	Group		Parent	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
INCOME					
Operating income		82,535	100,983	4,113	1,680
Share of associate profit accounted for using the equity method		1,806	10,266	-	-
Total income	3	84,341	111,249	4,113	1,680
Earthquake costs and gain / (loss) in fair value movements:					
Fair value of investment property - Pringle House		(650)	(4,110)	-	-
Fair value of investment properties - CentrePort		(8,455)	1,002	-	-
Fair value of financial instruments - CentrePort		3,622	5,561	-	-
Fair value of financial instruments - WRC Holdings		333	277	333	277
Revaluation loss on rail rolling stock assets	3	(6,329)	-	-	-
Earthquake related costs	3	(4,800)	-	-	-
Increase in fair value of investment in subsidiary		1,082	-	-	-
EXPENDITURE					
Expenses, excluding finance costs	3	(86,864)	(92,554)	(577)	(2,560)
Finance costs	3	(10,037)	(9,306)	(1,686)	(1,700)
(Deficit) / surplus before taxation and subvention payment		(27,757)	12,119	2,183	(2,303)
Subvention payment		(266)	-	-	-
Income tax benefit / (expense)	4	2,874	(1,841)	-	-
Profit from continuing operations		(25,149)	10,278	2,183	(2,303)
Net (deficit) / surplus after tax for the year		(25,149)	10,278	2,183	(2,303)
Other comprehensive income					
Decrease in value of CentrePort port land after tax		(2,579)	(1,860)	-	-
Revaluation gain on GWRL transport infrastructure assets after tax		5,053	-	-	-
		2,474	(1,860)	-	-
Other comprehensive income for the year, net of tax		2,474	(1,860)	-	-
Total comprehensive income for the year, net of tax		(22,675)	8,418	2,183	(2,303)
Total comprehensive income for the year is attributable to:					
Owner of WRC Holdings Limited		(21,646)	4,648		
Non-controlling interest		(1,029)	3,770		
		(22,675)	8,418		

The accompanying notes form part of these financial statements.

WRC Holdings Limited
Statement of Changes in Equity
For the year ended 30 June 2014

	Notes	Group		Parent	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Net (deficit) / surplus after tax for the year		(25,149)	10,277	2,183	(2,303)
Increase/(decrease) in asset revaluation reserves attributable to:					
Equity holders of the group		3,069	(1,430)	-	-
Non-controlling interests	20	(595)	(429)	-	-
Total comprehensive income for the year, net of tax		(22,675)	8,418	2,183	(2,303)
Other movements					
Dividends attributable to:					
Equity holders of the parent		(2,302)	-	(2,302)	-
Non-controlling interests	20	(288)	(1,235)	-	-
Prior period adjustment		-	(1,283)	-	-
Shares issued during the year	19	28,331	8,534	28,331	8,534
Total comprehensive income / (loss) for the year after dividends		3,066	14,434	28,212	6,231
Equity at beginning of the year					
Parent shareholders' interest		353,260	341,064	35,991	29,760
Non-controlling interest		46,360	44,121	-	-
		399,620	385,185	35,991	29,760
Equity at end of the year, comprising					
Parent shareholders' interest		357,644	353,260	64,203	35,991
Non-controlling interest	20	45,042	46,360	-	-
		402,686	399,620	64,203	35,991

The accompanying notes form part of these financial statements.

WRC Holdings Limited
Statement of Financial Position
As at 30 June 2014

		Group		Parent	
	Notes	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
ASSETS					
Current assets					
Cash and cash equivalents		2,195	316	4	4
Trade and other receivables	5	8,205	8,602	190	127
Other financial assets	22	41	-	41	-
Inventories		11,442	11,359	-	-
Current account - Greater Wellington Regional Council		7,863	4,339	-	-
Current account - Port Investments Limited		-	-	62	952
Current account - Pringle House Limited		-	-	1,997	1,997
Assets held for sale	6	-	347	-	-
Total current assets		29,746	24,963	2,294	3,080
Non-current assets					
Property, plant and equipment	7	487,560	481,808	-	-
Intangible assets	8	2,926	375	-	-
Investments in subsidiaries	9	-	-	106,303	78,435
Investments in joint venture	10	80,179	82,844	-	-
Trade and other receivables		4,131	3,903	-	-
Other financial assets	22	32	-	32	-
Investment properties	11	54,798	62,554	-	-
Deferred tax assets	12	6,177	2,596	-	-
Total non-current assets		635,803	634,080	106,335	78,435
Total assets		665,549	659,043	108,629	81,515
LIABILITIES					
Current liabilities					
Trade and other payables		13,087	10,588	202	144
Interest bearing liabilities	13	800	707	-	-
Taxation payable	14	592	96	-	-
Provisions for employee entitlements	15	3,423	3,351	-	-
Current account - Greater Wellington Regional Council		180	1,032	129	1,032
Other financial liabilities	22	60	-	-	-
Dividend payable	16	-	519	-	-
Total current liabilities		18,142	16,293	331	1,176
Non-current liabilities					
Interest bearing liabilities	17	158,095	154,138	44,095	44,088
Provision for employee entitlements	18	329	341	-	-
Other financial liabilities	22	6,463	10,405	-	260
Deferred tax liabilities	12	79,834	78,246	-	-
Total non-current liabilities		244,721	243,130	44,095	44,348
Total liabilities		262,863	259,423	44,426	45,524
Net assets		402,686	399,620	64,203	35,991
EQUITY					
Contributed equity	19	96,845	68,514	96,845	68,514
Reserves		53,463	50,391	-	-
Retained earnings		207,336	234,355	(32,642)	(32,523)
Non-controlling interest	20	45,042	46,360	-	-
Total equity		402,686	399,620	64,203	35,991

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


 Director

29 September 2014


 Director

29 September 2014

The accompanying notes form part of these financial statements.

WRC Holdings Limited
Statement of Cash Flows
For the year ended 30 June 2014

	Notes	Group		Parent	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
<i>Cash was provided from:</i>					
Receipts from customers		64,514	58,204	-	-
Dividend income received		4,029	6,306	2,441	-
Interest income received		21	8	1,513	1,675
		<u>68,564</u>	<u>64,518</u>	<u>3,954</u>	<u>1,675</u>
<i>Cash was disbursed to:</i>					
Payments to suppliers and employees		(45,608)	(36,924)	-	-
Subvention payments to Greater Wellington Regional Council		-	(3,000)	-	-
Income taxation paid		(600)	(1,600)	-	-
Interest expense paid		(9,619)	(9,104)	(1,513)	(1,675)
NET CASH FLOWS FROM OPERATING ACTIVITIES	21	<u>12,737</u>	<u>13,890</u>	<u>2,441</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
<i>Cash was provided from:</i>					
Proceeds from sale of property, plant and equipment		2	1	-	-
<i>Cash was applied to:</i>					
Purchase of property, plant and equipment		(9,222)	(13,049)	-	-
Development of investment properties		(2,089)	(2,402)	-	-
Subsidiary company shares		-	-	(28,331)	(8,533)
Purchase of intangible assets		-	(226)	-	-
Acquisition of subsidiary		(1,513)	-	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(12,822)</u>	<u>(15,676)</u>	<u>(28,331)</u>	<u>(8,533)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
<i>Cash was provided from:</i>					
Proceeds from borrowings		3,957	5,484	7	-
Issue of ordinary shares		-	8,533	28,331	8,533
Movement in current account - Greater Wellington Regional Council		-	(8,534)	-	-
<i>Cash was applied to:</i>					
Movement in current account - Greater Wellington Regional Council		1,116	(390)	(146)	-
Dividends paid to shareholders of the company		(3,109)	(3,462)	(2,302)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>1,964</u>	<u>1,631</u>	<u>25,890</u>	<u>8,533</u>
Net increase / (decrease) in cash, cash equivalents & bank overdraft at year end		<u>1,879</u>	<u>(155)</u>	<u>-</u>	<u>-</u>
Add opening cash, cash equivalents / (overdraft) brought forward		<u>316</u>	<u>471</u>	<u>4</u>	<u>4</u>
CASH, CASH EQUIVALENTS & BANK OVERDRAFT AT YEAR END		<u>2,195</u>	<u>316</u>	<u>4</u>	<u>4</u>

The accompanying notes form part of these financial statements.

1 Statement of compliance

The "Group" consists of WRC Holdings Limited, its wholly owned subsidiaries, Pringle House Limited, Port Investments Limited, Greater Wellington Rail Limited, and its 76.9% subsidiary CentrePort Limited, together with its subsidiaries, as disclosed in note 9.

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 2014 and the comparative information presented in these financial statements for the year ended 30 June 2013.

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

Specific accounting policies

The specific accounting policies adopted in the preparation of these financial statements, which materially affect the measurement of the statement of comprehensive 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 and equipment and investment property

Operational port land was re valued as at 31 December 2013. Refer to note 7 for disclosure of the valuation and methodology.

Investment property was revalued to fair value as at 30 June 2014. Refer to note 11 for disclosure of the valuation and 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.

2 Statement of accounting policies (continued)

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.

Joint control of Harbour Quays Special Purpose Vehicles (SPVs)

Note 10 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 Limited (the Parent) and its subsidiaries. Control is achieved when the Parent is exposed, or has rights, to variance returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent controls an investee if and only if the Parent has all of the following:

- power over the investee (i.e. existing rights that give it the current ability to direct and relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Parent 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 Parent gains control until the date when the Parent ceased to control the subsidiary (refer to note 9).

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.

2 Statement of accounting policies (continued)

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

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

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

(d) Statement of cash flow

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

- (i) Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within cash.
- (ii) Investing activities are those activities relating to the acquisition and disposal of property, plant and equipment, investment property, intangible assets and joint ventures. Investments include securities not falling within the definition of cash.
- (iii) Financing activities are those activities that result in the changes in size and composition of the capital structure of the Group. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to capital structure are included in financing activities.
- (iv) Operating activities include all transactions and other events that are not investing or financing activities.
- (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

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

2 Statement of accounting policies (continued)

Operational port freehold land is stated at valuation determined every three years by an independent registered valuer. This class of asset was revalued at 31 December 2013. 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.

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

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

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

Buildings	10 to 50 years
Wharves and paving	10 to 50 years
Cranes and floating equipment	4 to 30 years
Plant, vehicles and equipment	2 to 20 years
Rail rolling stock	5 to 35 years
Rail Infrastructure	5 to 50 years
Other assets	0 to 20 years
Capital work in progress	Not depreciated

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

(g) Investment properties

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

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

Consolidated entity as lessee:

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

2 Statement of accounting policies (continued)

Consolidated entity as lessor:

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

Lease 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 assets

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

(k) Impairment of assets

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

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

If the recoverable amount 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.

2 Statement of accounting policies (continued)

(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.

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. The present value is determined by discounting the future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liabilities.

(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 instruments

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.

Financial assets

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

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

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

(i) Financial assets at fair value through statement of comprehensive 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).

2 Statement of accounting policies (continued)

(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

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.

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

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

Cash settlement of derivatives adjusts 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 the current period

The Group has adopted NZ IFRS13 – Fair Value Measurement with a date of initial application 1 July 2013. NZ IFRS13 provides a single source of guidance on how fair value is measured and replaces the fair value measurement guidance which was previously dispersed throughout the suite of NZ IFRS standards. NZ IFRS 13 applies when fair value measurement is permitted or required by other NZ IFRS standards. It replaces and expands the disclosure requirements about fair value measurements in other NZ IFRS. In accordance with the transitional provisions of the Standard, the Group has applied the new fair value disclosures prospectively and has not provided comparative information. The adoption of NZ IFRS13 has no material impact on the financial statements of the Group.

2 Statement of accounting policies (continued)

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. These standards are effective for annual periods beginning on or after 1 January 2013. The Group has applied these five standards since the year ended 30 June 2012, in advance of their effective dates.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Company is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards have been developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is for reporting periods beginning on or after 1 July 2014 and were published in May 2013. This means the Company will transition to the new standards in preparing its 30 June 2015 financial statements.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

The Group anticipates that these standards will have no material impact on the financial statements in the period of initial application. It is likely that the changes arising from this framework will affect the disclosures required in the financial statements. However, it is not practicable to provide a reasonable estimate until a detail review has been completed.

3 Operating surplus / (deficit) before subvention and taxation

	Group		Parent	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Rental income	7,386	9,558	-	-
CentrePort income	58,987	51,315	-	-
Capital grants from Greater Wellington Regional Council (GWRC)	-	25,204	-	-
Interest	307	118	1,672	1,680
Dividend income	-	-	2,441	-
Operational grants from GWRC	15,739	14,479	-	-
Other	7	2	-	-
Gain on sale of fixed assets	109	307	-	-
Share of profit of investments using the equity method (including earthquake costs and fair value adjustments)	1,806	10,266	-	-
	84,341	111,249	4,113	1,680
Fair value (loss) / gain on investment properties:				
Pringle House Limited	(650)	(4,110)	-	-
CentrePort Limited	(8,455)	1,002	-	-
Fair value gain on financial instruments:				
CentrePort Limited	3,622	5,561	-	-
WRC Holdings Limited	333	277	333	277
Revaluation loss on rail rolling stock assets	(6,329)	-	-	-
Earthquake related costs*	(4,800)	-	-	-
Increase in fair value of investment in subsidiary	1,082	-	-	-
	(15,197)	2,730	333	277
Expenses, excluding finance costs				
Amortisation	199	221	-	-
Change in provision for doubtful debts	(4)	11	-	-
Personnel	19,449	18,037	-	-
Depreciation	24,841	25,931	-	-
Management fees	261	285	54	57
Audit fees	142	129	21	17
Directors fees and expenses	403	406	11	12
Contractors and consultants	119	191	-	-
Repairs and maintenance	16,750	13,862	-	-
Rates and insurance	5,583	6,783	5	6
Other operating expenses	15,666	13,707	10	6
Rental and lease expenses	2,160	2,118	-	-
Write-down of investment in Pringle House Limited	-	-	463	2,446
Legal fees	43	65	2	-
Tax services	188	100	11	16
Loss on sale of assets	915	8,907	-	-
Impairment of assets	149	1,801	-	-
	86,864	92,554	577	2,560
Finance costs				
Interest expense	10,037	9,306	1,686	1,700
Total finance costs	10,037	9,306	1,686	1,700
Operating surplus before subvention and taxation	(27,757)	12,119	2,183	(2,303)

* Earthquake related costs

Two significant earthquakes struck the Wellington region on 20 July 2013 and 16 August 2013. The earthquakes caused damage to CentrePort port land, property, plant and equipment plus the internal fit out of several properties owned by joint venture companies.

4 Taxation

	Group		Parent	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
(a) Income tax recognised in profit or loss				
Tax expense / (benefit) comprises:				
Current tax expense / (income)	1,087	898	-	-
Deferred tax (income) / expense relating to the origination and reversal of temporary differences	(3,961)	1,435	-	-
Tax loss recognised	-	(492)	-	-
Total Tax (benefit) / expense	(2,874)	1,841	-	-
Tax (benefit) / expense is attributable to:				
Continuing operations	(2,874)	1,841	-	-
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
(b) The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:				
(Deficit) / Surplus from operations	(27,757)	12,119	2,183	(2,303)
	(27,757)	12,119	2,183	(2,303)
Income tax (benefit) / expense calculated at 28%	(7,772)	3,393	611	(645)
Non-deductible expenses	6,529	6,916	131	685
Non-assessable income	(4,407)	(13,914)	(683)	-
Land and buildings reclassification	-	(176)	-	-
(Increase) / decrease in value of developed investment property land	(709)	-	-	-
Non-assessable increase / (decrease) in value of land for development	3,076	-	-	-
Tax effect of imputation credits	(185)	(126)	-	-
Temporary differences	576	5,765	(2)	-
Permanent differences	300	-	-	-
Tax loss offsets from or subventions paid to Group companies	(57)	(306)	-	-
Unused tax losses and tax offsets not recognised	-	-	(57)	(40)
	(2,649)	1,552	-	-
(Over) / under provision of income tax in previous period	(225)	289	-	-
Income tax (benefit) / expense	(2,874)	1,841	-	-
(c) Imputation credit account balances				
Balance at end of the period	12,781	13,814	424	370
(d) Tax losses not recognised				

WRC Holdings does not have any tax losses to carry forward to the 2014 income year (2013: \$Nil).

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

5 Trade & other receivables

	Group		Parent	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Net trade receivables				
Trade receivables	6,680	7,875	-	-
Provision for doubtful debts	-	(20)	-	-
Other receivables	772	189	(1)	(1)
Prepayments	673	558	27	36
Interest receivable	80	-	164	92
	<u>8,205</u>	<u>8,602</u>	<u>190</u>	<u>127</u>

Provision for doubtful debts

	Group		Parent	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Opening balance	20	27	-	-
Amounts written off during the year	(20)	(14)	-	-
Increased in allowance recognised in statement of comprehensive income	-	7	-	-
Closing balance	<u>-</u>	<u>20</u>	<u>-</u>	<u>-</u>

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 \$0.897 million (note 22) which are past due at 30 June 2014 (2013: \$0.677million). 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 during the year represent 0.03% (2013: 0.02%) of income.

6 Assets held for sale

Greater Wellington Rail Limited entered into an agreement for the sale and purchase of its 42 Ganz Mavag Trains on 19 June 2013.

16 Ganz Mavag trains were sold in April 2014.

The balance of 26 Ganz Mavag trains are anticipated to be sold by August 2016. These trains are currently in use and are therefore classified as plant, property and equipment.

These assets were revalued at 30 June 2014 and have a value of \$4.896 million.

7 Property, plant and equipment

Group	Operational port freehold land \$'000	Buildings \$'000	Wharves and paving \$'000	Cranes and floating equipment \$'000	Plant, vehicles and equipment \$'000	Work in progress \$'000	Rail rolling stock \$'000	Transport infrastructure \$'000	Total \$'000
At 1 July 2012									
Cost	81,977	24,411	82,048	37,642	12,667	42,608	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	49,274	24,579	3,875	42,608	217,784	45,724	479,597
Year ended 30 June 2013									
Opening net book amount	81,977	13,776	49,274	24,579	3,875	42,608	217,784	45,724	479,597
Additions	-	-	-	-	3,415	13,032	58,543	5,063	80,053
Transfers	-	1,727	4,863	10,778	-	(52,982)	(3,730)	266	(39,078)
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	14,339	51,610	32,149	6,438	2,658	245,748	48,749	481,808
At 30 June 2013									
Cost	80,117	25,762	86,865	47,132	16,073	2,658	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	14,339	51,610	32,149	6,438	2,658	245,748	48,749	481,808

7 Property, plant and equipment (continued)

Group	Operational port freehold land \$'000	Buildings \$'000	Wharves and paving \$'000	Cranes and floating equipment \$'000	Plant, vehicles and equipment \$'000	Work in progress \$'000	Rail rolling stock \$'000	Transport infrastructure \$'000	Total \$'000
Year ended 30 June 2014									
Opening net book amount	80,117	14,339	51,610	32,149	6,438	2,658	245,748	48,749	481,808
Additions	-	9	-	-	144	37,799	1,024	3,110	42,086
Transfers	60	546	270	-	597	(5,646)	484	(442)	(4,131)
Disposals / written off	-	-	-	-	(22)	-	(304)	(752)	(1,078)
Reclassification	-	-	-	-	-	-	-	-	-
Revaluation gain / (loss)	5,420	-	-	-	-	-	(6,329)	7,024	6,115
Impairment	(8,000)	-	(4,399)	-	-	-	-	-	(12,399)
Transfers to assets held for sale	-	-	-	-	-	-	-	-	-
Depreciation charge	-	(823)	(2,530)	(2,068)	(865)	-	(15,601)	(2,954)	(24,841)
Depreciation transfers	-	-	-	-	-	-	(49)	49	-
Closing net book amount	<u>77,597</u>	<u>14,071</u>	<u>44,951</u>	<u>30,081</u>	<u>6,292</u>	<u>34,811</u>	<u>224,973</u>	<u>54,784</u>	<u>487,560</u>
At 30 June 2014									
Cost	77,597	26,317	82,736	47,132	16,793	34,811	231,302	47,767	564,455
Valuation	-	-	-	-	-	-	(6,329)	7,024	695
Accumulated depreciation	-	(12,246)	(37,785)	(17,051)	(10,501)	-	-	(7)	(77,590)
Net book amount	<u>77,597</u>	<u>14,071</u>	<u>44,951</u>	<u>30,081</u>	<u>6,292</u>	<u>34,811</u>	<u>224,973</u>	<u>54,784</u>	<u>487,560</u>

7 Property, plant and equipment (continued)

(a) Impairment

The Directors have reviewed assets and tested for impairment. As a result, an impairment of \$11,099,000 (2013: \$1,663,000) has been recognised in the statement of comprehensive income.

(b) Borrowing costs capitalised

During the year no borrowing costs were capitalised (2013: \$303,000, with a weighted average capitalisation rate on funds borrowed of 7.3%).

(c) Valuation

CentrePort

Operational port land is measured at fair value. 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.

Operational port land was independently valued by registered valuers of the firm Colliers International Limited on 31 December 2013. The fair value of this land has been determined as \$84.297 million. As a result of damage sustained in the July and August 2013 Seddon earthquakes, Operational port land has been impaired by \$6.7 million resulting in a net port land value as at 30 June 2014 of \$77.597 million.

The Directors are satisfied that there has not been a material movement in the fair value as at 30 June 2014.

The fair value of operational port land has been determined in accordance with Australia and New Zealand Valuation and Property Standards, in particular Valuation Guidance Note NZVGN 1 Valuations for Use in New Zealand Financial Reports and IVS 300 Valuations for financial reporting.

The notional carrying amount that would have been recognised had operational port land been carried under the cost model would be \$14.668 million (2013: \$14.609 million) for both the Group and Parent Company.

Valuation approach

The fair value of operational port land is based on the highest and best use for transport distribution, road/rail/port linkages and logistics.

The fair value of operational port land is determined with reference to a fair value hierarchy of inputs as described below. This hierarchy reflects the significance of the inputs used in making the measurements.

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).

All inputs into the determination of fair value of operational port land sit within level 3 of this hierarchy.

(i) Valuation approach - operational port freehold land

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

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

7 Property, plant and equipment (continued)

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

Freehold land	Fair value \$'000	Valuation approach	Key valuation assumptions	Valuation impact
Operational port land	\$69,755	Comparison to sales of industrial land in similar locations	Weighted average land value \$90-\$550 psm	+/- 5%
	(After deducting \$6.7 million impairment)			+/- \$3.8m

(ii) Valuation approach - operational port leasehold land

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

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

Market rental is assessed using both the:

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

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

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

Leasehold land	Fair value \$'000	Valuation approach	Key valuation assumptions	Valuation impact
Operational port land	\$7,842	Capitalised market rental checked to comparable sales of freehold land	Capitalisation rates 7.0-7.5%	+/- 0.025% +/- \$605k

Greater Wellington Rail Limited (GWRL)

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

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

The Parent Company does not hold any property, plant and equipment.

8 Intangible assets

Group	Goodwill \$'000	Computer software \$'000	Total \$'000
At 1 July 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
Amortisation charge	-	(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
Group			
	Goodwill \$'000	Computer software \$'000	Total \$'000
Year ended 30 June 2014			
Opening net book amount	-	375	375
Additions	-	74	74
Acquisition of subsidiary	2,675	-	2,675
Amortisation	-	(198)	(198)
Closing net book amount	2,675	251	2,926
At 30 June 2014			
Cost	2,675	3,461	6,136
Accumulated amortisation and impairment	-	(3,210)	(3,210)
Net book amount	2,675	251	2,926

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

9 Investments in subsidiaries

Subsidiary acquired

Transport Systems 2000 Limited

Transport Systems 2000 Limited is a container depot business, principal activities being the storage, wash and repair of containers.

CentrePort Limited (CentrePort) initially acquired a 50% holding in Transport Systems 2000 Limited for \$330,000 and classified this investment as an associate under IAS 28. Up until 31 July 2013 CentrePort used the equity method to account for its share of undistributed profits totalling \$112,000. As a result, as at 31 July 2013 the carrying amount of CentrePort's investment in Transport Systems 2000 Limited was \$442,000.

On 31 July 2013 CentrePort acquired the remaining 50% shareholding in Transport Systems 2000 Limited for cash consideration of \$1.524 million. This acquisition bought CentrePort's ownership to 100%.

The purpose of the acquisition was to realise the benefits expected to accrue from having a container depot business fully integrated with CentrePort's container terminal business.

Acquisition related costs have been excluded from the consideration transferred and have been recognised as an expense in the profit and loss in the current year, within other operating expenses.

9 Investments in subsidiaries (continued)

Assets acquired and liabilities recognised at the time of acquisition

	2014 \$'000
Current Assets	
Cash	124
Trade and other receivables	502
Inventories	<u>16</u>
Fixed assets	92
Trade and other payables	<u>(361)</u>
Net assets	<u>373</u>

The fair value of the receivables acquired as \$502,000, which represents the contractual amounts receivable.

Goodwill arising on acquisition

Goodwill arose on the acquisition of Transport Systems 2000 Limited as a result of the synergies and revenue growth expected from combining the operations of Transport Systems 2000 Limited and CentrePort. None of the goodwill recognised is expected to be deductible for tax purposes.

	2014 \$'000
Carrying value of investment prior to acquisition	442
Revaluation of investment held prior to acquisition	<u>1,082</u>
Fair value of equity interest in Transport Systems 2000 Limited prior to acquisition	1,524
Consideration transferred for remaining 50% interest	1,524
Fair value of assets acquired	<u>(373)</u>
Goodwill arising on acquisition	<u>2,675</u>

The fair value of the CentrePort Group equity investment in Transport Systems 2000 Limited prior to the business combination on 31 July 2014 was \$1.524 million. CentrePort therefore recognised a gain of \$1.082 million as a result of measuring this investment at fair value. This gain is included as a separate line item in the CentrePort Group statement of comprehensive income for the year ended 30 June 2014.

Net cash outflow on acquisition of subsidiary

	2014 \$'000
Consideration paid in cash	1,513
Cash and cash equivalents acquired	<u>(124)</u>
Net cash generated from operating activities	<u>1,389</u>

Impact of the acquisition on the results of the Group

Included in the profit for the year is \$772,508 (profit before tax) attributable to the business generated by Transport Systems 2000 Limited. Revenue for the year includes \$3.643 million attributable to Transport Systems 2000 Limited. Had the acquisition occurred on 1 July 2013, the revenue of the group from continuing operations would have been \$3.974 million, and the profit from continuing operations \$838k. The directors consider these 'pro forma' figures to represent an approximate measure of performance of the combined group on an annualised basis.

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

9 Investments in subsidiaries (continued)

Name	Principal activity	Place of incorporation and operation	Equity holding	
			2014 %	2013 %
Pringle House Limited	Property owner	New Zealand	100.0	100.0
Port Investments Limited	Investment management	New Zealand	100.0	100.0
Greater Wellington Rail Limited	Rail rolling stock owner	New Zealand	100.0	100.0
CentrePort Limited	Port operations	New Zealand	76.9	76.9
CentrePort Property Management Limited	Management Services	New Zealand	76.9	76.9
CentrePort Properties Limited	Investment in special purpose vehicle	New Zealand	76.9	76.9
Harbour Quays Property Limited	Investment in special purpose vehicle	New Zealand	76.9	76.9
Transport System 2000 Limited (TSL)	Storage, wash and repair of containers	New Zealand	76.9	38.5

Investments in subsidiary companies

	Parent	
	2014 \$'000	2013 \$'000
Pringle House Limited	-	463
Port Investments Limited - advance	44,000	44,000
Greater Wellington Rail Limited	62,303	33,972
Total investments in subsidiary companies	<u>106,303</u>	<u>78,435</u>

10 Aggregate joint venture information

Name of entity	Principal activities	Proportion of ownership interest/voting rights held by Group	
		2014	2013
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 (TSL) *	Storage, wash and repair of containers	0%	38.5%
Wellington Port Coldstore Limited *	Cold storage of produce	38.5%	38.5%

* All companies are incorporated and operate in New Zealand

	Group		Parent	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Carrying amount at beginning of year	82,844	78,884	-	-
Equity accounted earnings of joint ventures**	1,806	10,266	-	-
Dividends from joint ventures	(4,029)	(6,306)	-	-
Transfer Net Assets of TSL joint venture to wholly owned subsidiary on acquisition of remaining interest	(442)	-	-	-
Carrying amount at end of the year	<u>80,179</u>	<u>82,844</u>	<u>-</u>	<u>-</u>
Represented by:				
Harbour Quays A1 Limited***	17,427	18,082	-	-
Harbour Quays D4 Limited***	14,368	15,576	-	-
Harbour Quays F1F2 Limited***	45,908	45,611	-	-
Individually immaterial joint ventures	2,476	3,575	-	-
Carrying amount at end of the year	<u>80,179</u>	<u>82,844</u>	<u>-</u>	<u>-</u>

10 Aggregate joint venture information (continued)

** The 2014 equity accounted earnings in joint ventures includes provisions for earthquake repairs of \$5,598,000 after tax arising from the earthquakes of 20 July 2013 and 16 August 2013 (refer note 3).

*** Refer to note 2 (b) Summary of significant accounting policies, Critical accounting estimates and judgements, Joint control of Harbour Quays Special Purpose Vehicles.

11 Investment properties

	Group		Parent	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Developed investment properties	29,927	22,650	-	-
Land available for development	24,871	32,292	-	-
Investment property under development	-	7,612	-	-
	<u>54,798</u>	<u>62,554</u>	<u>-</u>	<u>-</u>

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.

Pringle House Limited

The investment property is at 142-146 Wakefield Street, Wellington. The building is valued annually to fair value and has been valued by an independent valuer from Telfer Young (Wellington) Limited as at 30 June 2014. The valuation reflects the current value of the land plus future lease value of the premise less an allowance for demolition only given the earthquake prone status of the building. The valuation of the building was \$1.64 million (2013: \$2.29 million).

CentrePort Limited Group (CentrePort)

CentrePort's investment properties are revalued every year. Investment properties were valued on 30 June 2014 by independent registered valuers of the firms Bayleys Valuations Limited and Colliers International Limited.

The fair value of investment properties has been determined in accordance with Australia and New Zealand Valuation and Property Standards, in particular Valuation Guidance Note NZVGN 1 Valuations for use in New Zealand Financial Reports and IVS 300 Valuations for Financial Reporting. The fair value of the investment property at 30 June 2014 was \$53.2 million (2013: \$60.3 million).strengthening.

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

The valuations use existing and forecast cash flows based on existing lease terms and expected future occupancy. The capitalisation rate is consistent with comparable properties in the marketplace at 9% (2013: 9%).

Valuation approach

The fair value of freehold investment property is based on the highest and best use for commercial property. The fair value of investment property is determined with reference to a fair value hierarchy of inputs as described in Note 7. This hierarchy reflects the significance of the inputs used in making the measurements. All inputs into the determination of fair value of investment property sit within level 3 of this hierarchy.

Freehold investment property

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

11 Investment properties (continued)

Leasehold investment property

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

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

Market rental is assessed using both the:

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

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

	Fair value \$'000	Valuation approach	Key valuation assumptions	Valuation impact
Improved properties	\$10,850	Capitalised rental checked to freehold land value	Market capitalisation rate 9%	+/- 0.5% +/- \$0.6m
Leasehold land	\$17,437	Capitalised rental checked to freehold land value	Lessee capitalisation rate 7.0-7.25% checked to income capitalisation	+/- 0.025% +/- \$0.04m
Total developed investment property	\$28,287			
Development sites industrial	\$8,950	Direct sales comparison	Weighted average land value \$120-150 psm, less allowance for development costs	+/- 5.0% +/- \$0.4m
Development sites commercial	\$15,921	Direct sales comparison	Weighted average land value \$675-1900 psm (excl access/circulation/ parking), less allowance for infrastructure costs	+/- 5.0% +/- \$0.8m
Total land available for development	\$24,871			

11 Investment properties (continued)

	Group		Parent	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Developed investment properties brought forward	22,650	33,745	-	-
Additions / (disposals)	-	7	-	-
Transfer from / (to) property under development	8,915	(4,650)	-	-
Transfer from / (to) land available for development	(3,520)	(2,520)	-	-
Fair value loss on revaluation	(650)	-	-	-
Net change in the value of developed investment property	2,532	(3,932)	-	-
Developed investment properties carried forward	29,927	22,650	-	-
Land available for development brought forward	32,292	28,682	-	-
Additions / (disposals)	46	266	-	-
Transfer from / (to) developed investment property	3,520	2,520	-	-
Net change in the value of land available for development	(10,987)	824	-	-
Land available for development carried forward	24,871	32,292	-	-
Investment property under development brought forward	7,612	-	-	-
Additions / (disposals)	1,303	4,650	-	-
Transfer from developed investment property	(8,915)	2,962	-	-
Investment property held for sale	-	7,612	-	-
Total investment properties	54,798	62,554	-	-

The Group's investment properties comprise:

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

12 Deferred tax

	Group		Parent	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
The balance comprises temporary differences attributable to:				
Tax losses	3,354	2,518	-	-
Temporary differences	(77,011)	(78,168)	-	-
Net Deferred Tax	(73,657)	(75,650)	-	-

	Group		Parent	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Unrecognised deferred tax balances				
Tax losses	-	-	-	-
Unused tax credits	-	-	-	-
Temporary differences	-	-	-	-
	-	-	-	-

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)	(81,373)	959	4,242	2,026	(74,708)
Charged to income	797	(782)	(49)	(1,401)	493	(942)
At 30 June 2013	235	(82,155)	910	2,841	2,519	(75,650)

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 2013	235	(82,155)	910	2,841	2,519	(75,650)
Charged to income	(422)	4,474	87	(1,015)	835	3,959
Change to equity	-	(1,966)	-	-	-	(1,966)
At 30 June 2014	(187)	(79,647)	997	1,826	3,354	(73,657)

13 Current - Interest bearing liabilities

	Group		Parent	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Interest bearing liabilities				
Bank borrowings (accrued interest)	800	707	-	-
Total current interest bearing borrowings	800	707	-	-

14 Taxation payable

	Group		Parent	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Income tax payable attributable to:				
Other	592	96	-	-

15 Provision for employee entitlements

	Group		Parent	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Employee benefits	3,423	3,351	-	-

16 Dividends payable

	Group		Parent	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
(a) Ordinary shares				
Dividend payable to Wellington Regional Council	-	-	-	-
Dividend payable to minority interest	-	519	-	-
Total dividends payable	-	519	-	-

A final dividend of \$1.25 million (2013: Nil) has been declared post balance date by CentrePort Limited.

17 Non-current - Interest bearing liabilities

	Group		Parent	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Bank borrowings	158,095	154,138	44,095	44,088
Total non-current interest bearing liabilities	158,095	154,138	44,095	44,088

The Parent has \$44.5 million of commercial paper on issue which is supported by a \$44 million bank facility with the Commonwealth Bank of Australia Limited. 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 2014 was 3.64% p.a. (2013: 2.81% p.a.).

CentrePort has a loan facility of \$125 million in two Tranches of \$50 million and \$75 million. Effective 30 July 2014, 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.

CentrePort has put the facility out to tender and both Westpac Banking Corporation Limited and Commonwealth Bank of Australia Limited have agreed to extend the current facility to 30 September 2015 while this tender process is finalised.

The interest rate charged on the facility ranged from 2.67% to 5.99% (2013: 2.67% to 6.23%). 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).

18 Non-current - Provision for employee entitlements

	Group		Parent	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Employee benefits	<u>329</u>	<u>341</u>	<u>-</u>	<u>-</u>

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% (2013: 4.15%).

19 Equity

	Group		Parent	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
(a) Share capital				
Ordinary share capital				
34,541,100 \$1 shares, fully paid	34,541	34,541	34,541	34,541
22,170,000 \$1 shares, fully paid	22,170	22,170	22,170	22,170
5,309,283 \$1 shares fully paid	5,309	5,309	5,309	5,309
170,200,000 \$1 shares, part paid	21,100	894	21,100	894
8,000,000 \$1 shares, part paid	5,600	5,600	5,600	5,600
11,250,000 \$1 shares, fully paid	8,125	-	8,125	-
Redeemable Preference Share Capital				
25,000 \$1000 shares, paid to 1 cent	-	-	-	-
Total share capital	<u>96,845</u>	<u>68,514</u>	<u>96,845</u>	<u>68,514</u>

20 Non-controlling interest

	Group		Parent	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Opening Balance at 01 July	46,360	44,121	-	-
Share of operating surplus / (deficit)	(435)	4,199	-	-
Share of dividends paid or payable	(288)	(1,235)	-	-
Share of movements in revaluation reserve	(595)	(429)	-	-
Prior period adjustment (refer note 27)	-	(296)	-	-
Balance of Non-controlling Interest at 30 June	<u>45,042</u>	<u>46,360</u>	<u>-</u>	<u>-</u>

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

	Group		Parent	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Net (deficit) / surplus after tax	(25,149)	10,278	2,183	(2,303)
Add / (less) non-cash items:				
Depreciation	24,841	25,931	-	-
Amortisation	199	221	-	-
Impairment / written off of fixed assets	147	10,571	-	-
(Gain) / loss on sale of property, plant & equipment	808	307	-	-
Gain on fair value movement financial instruments	(3,622)	(5,561)	-	-
Revaluation loss on rail assets	6,329	-	-	-
Write down / (up) of investment properties	9,105	-	-	-
Earthquake related costs	4,800	-	-	-
Equity accounted earnings from associate companies	2,223	(3,960)	-	-
Deferred tax liability	(3,266)	943	-	-
(Increase) / decrease in value of investments in subsidiaries	(1,082)	3,108	463	2,446
Change in provision for doubtful debt	20	7	-	-
Add / (less) movements in working capital:				
Accounts receivable	445	32,829	(63)	(2)
Accounts payable	2,450	(28,675)	55	(5)
Dividends receivable	-	-	-	2,390
Inventory	(83)	(2,574)	-	-
Borrowings	100	(16)	7	(6)
Taxation - refund	496	(3,716)	-	-
Financial Instruments	(187)	(277)	(187)	(277)
Current account - Greater Wellington Regional Council	(3,000)	(496)	-	-
Current account - Port Investments Limited	-	-	890	(177)
Employee entitlements	(60)	(193)	-	-
Other movements	344	40	(6)	2
Add / (less) items classified as investing and financing activities:				
Dividends paid / payable	-	(27)	-	(2,254)
Shareholder subvention payable	-	(806)	-	-
Increase / (decrease) in current accounts relating to financing activities	(2,638)	363	(901)	186
Accounts payable related to property, plant and equipment	(28,812)	(32,938)	-	-
Gain / (loss) on sale of fixed assets	(2)	(1)	-	-
Increase in share capital	28,331	8,532	-	-
Net cash inflow from operating activities	<u>12,737</u>	<u>13,890</u>	<u>2,441</u>	<u>-</u>

22 Financial risk management

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

Financial Risk Management Objectives

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

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

Treasury activities are reported to the Board quarterly at CentrePort and at each meeting of the WRC Holdings Board. In addition, CentrePort has established a Treasury Committee with independent Treasury advisors as a member. 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 2014 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).

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.

22 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 no forward foreign exchange contracts in place at year end (2013: nil)

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 22.

Reconciliation of other financial (assets) / liabilities

	Group		Parent	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Interest rate swaps - (assets)	(73)	-	(73)	-
Interest rate swaps - liabilities	6,523	10,405	-	260
Total other financial (assets) / liabilities	6,450	10,405	(73)	260
<i>Represented by:</i>				
Current assets	(41)	-	(41)	-
Non-current assets	(32)	-	(32)	-
	(73)	-	(73)	-
Current liabilities	60	-	-	-
Non-current liabilities	6,463	10,405	-	260
	6,523	10,405	-	260
Total other financial (assets) / liabilities	6,450	10,405	(73)	260

Interest rate sensitivity

WRC Holdings - Parent

At reporting date, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the Parent's net profit would increase/decrease by \$0.441m (2013: increase/decrease by \$0.441m).

CentrePort

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% (2013: 1.0%) increase or decrease represents management's assessment of the possible change in interest rates.

At reporting date, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's net profit would increase/decrease by \$0.14m (2013: increase/decrease by \$0.008m). 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 and all other variables were held constant, the Group's interest rate costs would decrease by \$5.1 million (2013: \$5.4 million); if interest rates on the interest rate swap portfolio had been 100 basis points lower and all other variables were held constant, the Group's interest rate costs would increase by \$5.4 million (2013: \$5.4 million).

22 Financial risk management (continued)

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.

At balance date the Group had entered into the following swap agreements that had interest rates ranging from 3.66% to 6.23% (2013: 3.79% to 6.23% p.a.) and maturities of:

			2014	2013
	2014	2013	Notional value \$'000	Notional value \$'000
	%	%		
Interest rate swap agreements - Group				
Other financial assets				
Less than one year	3.66		24,000	-
One to two years	3.79		10,000	-
	3.85		<u>10,000</u>	<u>-</u>
Total other financial assets			<u>44,000</u>	<u>-</u>
Other financial liabilities				
Less than one year	5.82		10,000	-
One to two years		3.79	-	10,000
		3.92	-	10,000
Two to five years	5.76	5.76	40,000	40,000
	5.99		5,000	-
	5.20	5.20	25,000	25,000
	5.59		13,000	-
	5.42		7,000	-
		5.82	-	10,000
		5.82	-	20,000
		6.23	-	40,000
Greater than five years		5.99	-	25,000
	5.80		10,000	-
	5.84		10,000	-
	6.23		20,000	-
	6.14		10,000	-
	6.07		<u>10,000</u>	<u>-</u>
Total other financial liabilities			<u>160,000</u>	<u>180,000</u>
Group fair value assets			<u>73</u>	<u>-</u>
Group fair value liabilities			<u>(6,523)</u>	<u>(10,405)</u>
			2014	2013
	2014	2013	Notional value \$'000	Notional value \$'000
	%	%		
Interest rate swap agreements - Parent				
Other financial assets				
Less than one year	3.66		24,000	-
One to two years	3.79		10,000	-
	3.85		<u>10,000</u>	<u>-</u>
Total other financial assets			<u>44,000</u>	<u>-</u>
Other financial liabilities				
One to two years		3.79	-	10,000
		3.92	-	10,000
Total other financial liabilities			<u>-</u>	<u>20,000</u>
Parent fair value assets			<u>73</u>	<u>-</u>
Parent fair value liabilities			<u>-</u>	<u>(260)</u>

22 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 note holder 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 \$2.105 million (2013: \$3.391 million) on the balance sheets of the 3 joint venture companies at 30 June 2014.

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 \$1.177 million (to \$928,000). Reducing the building value at conversion date by 10% would increase the value of the conversion derivative by \$4.548 million (to \$6.653 million).

At reporting date, increasing forecast movements in consumer price index by 10% would result in the conversion derivative increase in value by \$939,000 (to \$3.044 million). Reducing forecast movements in consumer price index by 10% would reduce the value of the conversion derivative by \$574,000 (to \$1.531 million).

22 Financial risk management (continued)

Maturity profile of financial instruments

The following table details the Group's exposure to interest rate risk at 30 June 2014 and 30 June 2013.

	Weighted average interest rate	Variable interest rate	Maturity profile of financial instruments					Non-inter est 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	
Group 2014										
Financial Liabilities:										
Trade and other payables			13,087	-	-	-	-	-	-	13,087
Payables to employees			3,423	329	-	-	-	-	-	3,752
Debt - Parent	3.82	3.64	44,095	-	-	-	-	-	-	44,095
Debt - CentrePort	5.68	3.16	800	114,000	-	-	-	-	-	114,800
Total			<u>61,405</u>	<u>114,329</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>175,734</u>
Group 2013										
Financial Liabilities:										
Trade and other payables			10,588	-	-	-	-	-	10,588	10,588
Payables to employees			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			<u>59,253</u>	<u>110,391</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,799</u>	<u>169,644</u>
Parent 2014										
Financial Liabilities										
Trade and other payables			202	-	-	-	-	-	-	202
Payables to WRC			129	-	-	-	-	-	-	129
Borrowings - WRC										
H	3.82	3.64	44,095	-	-	-	-	-	-	44,095
Total			<u>44,426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,426</u>
Parent 2013										
Financial Liabilities										
Trade and other payables			144	-	-	-	-	-	-	144
Payables to WRC			1,032	-	-	-	-	-	-	1,032
Borrowings - WRC										
H	3.86	2.81	44,088	-	-	-	-	-	-	44,088
Total			<u>45,264</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,264</u>

(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.

22 Financial risk management (continued)

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	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
1-30 days	794	618	190	127
30-60 days	186	16	-	-
60-90 days	105	31	-	-
90-120 days	32	12	-	-
Total	<u>1,117</u>	<u>677</u>	<u>190</u>	<u>127</u>

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 (2013: \$1 million) and New Zealand dollar commercial bill facilities of \$150 million at balance date (refer note 17 Non-current interest bearing liabilities) (2013: \$150 million). Of these \$114.8 million (2013: \$110.8 million) had been drawn down by the Group at balance date. CentrePort borrows its funds from the Parent Company who sources funds from the institutional investor market via commercial paper backed by a \$44 million committed credit facility with Commonwealth Bank of Australia Limited.

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

The Parent has a \$44 million term facility with Commonwealth Bank of Australia Limited which expires in September 2016.

CentrePort has a \$125 million facility unsecured syndicated facility agreement with Westpac Banking Corporation and Commonwealth Bank of Australia. Effective 30 July 2014, the bank facility has increased to \$150 million in two tranches of \$75 million each with the two banks. These tranches have a renewal date of 7 March 2015. CentrePort has put the facility out to tender and both Westpac Banking Corporation Limited and Commonwealth Bank of Australia Limited have agreed to extend the current facility to 30 September 2015 while this tender process is finalised.

22 Financial risk management (continued)

Liquidity profile of financial instruments

The following tables detail the entity's liquidity profile based on undiscounted cash outflows at 30 June 2014 and 30 June 2013, assuming future interest cost on borrowings at 7.0% (2013: 4.8%)

Group - At 30 June 2014	Less than One Year \$'000	1-2 Years \$'000	2-3 Years \$'000	3-4 Years \$'000	4-5 Years \$'000	5+ Years \$'000	Total \$'000
Financial liabilities							
Trade and other payables	13,087	-	-	-	-	-	13,087
Payables to employees	3,423	329	-	-	-	-	3,752
Other financial liabilities	1,849	1,422	1,033	850	683	686	6,523
Borrowings	10,473	117,639	44,420	-	-	-	172,532
Total	28,832	119,390	45,453	850	683	686	195,894
Derivatives							
Other financial assets	41	32	-	-	-	-	73
Total	41	32	-	-	-	-	73
Group - At 30 June 2013							
Financial liabilities							
Trade and other payables	10,588	-	-	-	-	-	10,588
Payables to employees	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
Parent - At 30 June 2014							
Parent - At 30 June 2014	Less than One Year \$'000	1-2 Years \$'000	2-3 Years \$'000	3-4 Years \$'000	4-5 Years \$'000	5+ Years \$'000	Total \$'000
Financial liabilities							
Trade and other payables	202	-	-	-	-	-	202
Payables to WRC	129	-	-	-	-	-	129
Other financial liabilities	-	-	-	-	-	-	-
Borrowings	1,606	1,606	44,420	-	-	-	47,632
Total	1,937	1,606	44,420	-	-	-	47,963
Derivatives							
Other financial assets	41	32	-	-	-	-	73
Total	41	32	-	-	-	-	73
Parent - At 30 June 2013							
Financial liabilities							
Trade and other payables	144	-	-	-	-	-	144
Payables to WRC	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

22 Financial risk management (continued)

(e) Estimation of fair value of financial instruments

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

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

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

Fair value measurements recognised in the balance sheet

All financial instruments recognised on CentrePort Limited's balance sheet at fair value sit within level 2. See note 7 for disclosures of the land and buildings that are measured at fair value.

(f) Financial instruments by category

Financial assets as per balance sheet	Loans and receivables \$'000	At fair value through other comprehensive income \$'000	Total \$'000
Group			
At 30 June 2014			
Cash and cash equivalents	2,195	-	2,195
Trade and other receivables	7,290	-	7,290
Other financial assets	-	73	73
	<u>9,485</u>	<u>73</u>	<u>9,558</u>
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
	<u>11,666</u>	<u>-</u>	<u>11,666</u>

22 Financial risk management (continued)

Financial assets as per balance sheet	Loans and receivables \$'000	At fair value through other comprehensive income \$'000	Total \$'000
Parent			
At 30 June 2014			
Cash and cash equivalents	4	-	4
Trade and other receivables	164	-	164
Current account - Pringle House Limited	1,997	-	1,997
Current account - Port Investments Limited	62	-	62
Other financial assets	-	73	73
	<u>2,227</u>	<u>73</u>	<u>2,300</u>
At 30 June 2013			
Cash and cash equivalents	4	-	4
Trade and other receivables	92	-	92
Current account - Pringle House Limited	1,997	-	1,997
Current account - Port Investments Limited	952	-	952
Other financial assets	-	-	-
	<u>3,045</u>	<u>-</u>	<u>3,045</u>
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 2014			
Trade and other payables	-	13,087	13,087
Borrowings	-	158,895	158,895
Other financial liabilities	6,463	-	6,463
	<u>6,463</u>	<u>171,982</u>	<u>178,445</u>
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
	<u>10,405</u>	<u>169,644</u>	<u>180,049</u>
Parent			
At 30 June 2014			
Trade and other payables	-	202	202
Dividend	-	-	-
Borrowings	-	44,095	44,095
Other financial liabilities	-	-	-
Current account - Wellington Regional Council	-	129	129
	<u>-</u>	<u>44,426</u>	<u>44,426</u>
At 30 June 2013			
Trade and other payables	-	144	144
Dividend	-	-	-
Borrowings	-	44,088	44,088
Other financial liabilities	-	-	-
Current account - Wellington Regional Council	-	1,032	1,032
	<u>-</u>	<u>45,264</u>	<u>45,264</u>

23 Commitments

The Parent Company, WRC Holdings Limited and Port Investments Limited had no capital or operating commitments as at 30 June 2014 (2013: none)

(a) Capital commitments

Pringle House Limited

Pringle House had \$8,913 contractual commitments at balance date (2013: \$53,851)

Regional Wellington Centre at 142 Wakefield Street is leased to Greater Wellington Regional Council to June 2019 and can be terminated or renewed for a term till June 2025 at the option of Greater Wellington Regional Council. Therefore, there is five years remaining in the current lease.

Pringle House lease rental income has adjusted to \$240,000 per year. Greater Wellington Regional Council may be allowed to terminate the lease if the building were sold subsequently.

Greater Wellington Rail Limited (GW Rail)

GW Rail had contractual commitments at balance date of \$12,852,000 (2013: \$16,371,000). Capital commitments were \$153,367,000 (2013: \$165,969,000).

CentrePort Limited

CentrePort Limited had commitments in respect of contracts for capital expenditure of \$8.4 million (2013: \$3.7 million). This relates to seawall development and shipping channel deepening (2013: Wharves, pavements and the development of investment property).

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	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Non-cancellable operating lease payment				
Not longer than 1 Year	1,730	1,691	-	-
Longer than 1 year and not longer than 5 years	3,789	5,784	-	-
Longer than 5 years	758	1,750	-	-
Total	<u>6,277</u>	<u>9,225</u>	<u>-</u>	<u>-</u>

Disclosure for lessors

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

	Group		Parent	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Non-cancellable operating lease receipts				
Not later than 1 year	4,192	3,865	-	-
Later than 1 year and no later than 5 years	10,327	6,458	-	-
Later than 5 years	8,610	8,977	-	-
Total	<u>23,129</u>	<u>19,300</u>	<u>-</u>	<u>-</u>

24 Related party transactions

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

	Group		Parent	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Greater Wellington Regional Council (GWRC)				
Interest income on intercompany current accounts	307	95	-	(23)
Rental income received	(448)	(1,711)	-	-
Dividend paid	(2,302)	-	(2,302)	-
Payment for management fees	(261)	(285)	(54)	(57)
Payment for rent and services, CentrePort	1,313	77	-	-
Payment for use of navigational facilities, and guarantee of CentrePort borrowings	(1,258)	(1,105)	-	-
Payments under tax loss sharing agreements	-	(3,000)	-	-
WRC Holdings Subsidiaries				
Dividend income from Port Investments Ltd (PIL) and Pringle House Ltd (PHL)	-	-	2,441	-
Interest income on Port Investments Ltd advance	-	-	1,672	1,680
Current account - Receivable from PHL	-	-	1,997	1,997
Current account - Receivable from PIL	-	-	62	952
CentrePort dividend	-	-	961	4,116
CentrePac Limited				
Income received from rent and services performed.	518	406	-	-
Payment received for payroll and support services	4	(2)	-	-
Transport Systems 2000 Limited				
Income received from rent and services performed	1,338	1,229	-	-
Payment received for payroll and support services	-	-	-	-
Payment for services performed	(28)	(35)	-	-
Wellington Port Coldstore Limited				
Contribution to plant development	210	181	-	-

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

The Group has a tax loss share arrangement with GWRC and subsidiaries that allows the Group to purchase tax losses

During the year subsidiary companies charged no lease rentals to CentrePort Limited (2013: \$Nil). During the year the CentrePort Limited charged no management fee to a subsidiary company (2013: \$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.

24 Related party transactions (continued)

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

	Group		Parent	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Greater Wellington Regional Council	7,683	3,307	(129)	(1,032)
CentrePac Limited	42	17	-	-
Transport Systems 2000 Limited	-	22	-	-
Harbour Quays A1 Limited	7	18	-	-
Harbour Quays D4 Limited	7	10	-	-
Harbour Quays F1F1 Limited	18	34	-	-

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 (2013: \$0.2 million) to CentrePort Property Management Limited.

The Group received dividends from joint ventures of \$4.0 million (2013: \$6.3 million) as detailed in note 10.

It is anticipated that WRC Holdings will receive tax losses of \$202,000 from other entities in the Greater Wellington Group for the year ended 30 June 2014. For the year ended 30 June 2013, the Company received tax losses of \$142,000 from other entities in the Greater Wellington Group.

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

	Group		Parent	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Short-term employee benefits	2,157	2,143	-	-
Total key management personnel compensation	<u>2,157</u>	<u>2,143</u>	-	-

25 Contingencies

The following contingent liabilities existed at 30 June 2014:

Parent Company:

The Parent Company has uncalled capital in Port Investments Limited of \$10,000,100 (2013: \$10,000,100).

The Parent Company has uncalled capital in Greater Wellington Rail Limited of \$154,625,976 composed of 8,000,000 shares called 70 to cents, 170,200,000 shares called to \$21,099,024, 11,250,000 \$1 shares called to \$8,125,000. (2013: \$171,706,976 composed of 8,000,000 \$1 shares called to 70 cents and 170,200,000 \$1 shares called to \$893,024).

Subsidiary Companies - CentrePort Limited (CentrePort):

At balance date CentrePort had contingent liabilities of \$750,000 being shares in Wellington Port Coldstore Limited subscribed but not paid (2013: \$750,000).

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. Costs have been provided for in these financial statements in relation to the outcome of these proceedings.

The internal fit out of the investment property owned by a joint venture company, Harbour Quays F1F2 Limited, suffered damage in the earthquakes of 20 July 2013 and 16 August 2013 that struck the Wellington region.

CentrePort is a party to a claim from the tenant of the property relating to losses suffered by the tenant as a result of vacating the premises following the earthquakes.

26 Subsequent events

CentrePort has declared a final dividend post balance date of \$1.25 million (2013: Nil).

No dividend was declared post balance date by WRC Holdings (2013: \$2,302,000).

On 27th August 2014 WRC Holdings issued \$6,700,000 shares uncalled to Wellington Regional Council.

On 27th August 2014 Greater Wellington Rail issued \$6,700,000 shares uncalled to WRC Holdings Limited to cover capital expenditure in Greater Wellington Rail Limited.

The Council at its meeting on 27th August 2014 approved pursuing the sale of Pringle House, subject to Council approval.

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.

27 Prior period adjustment

CentrePort Limited made an adjustment that relates to a misclassification of an item of port land (value \$4.578 million) as property, plant and equipment in the tax fixed asset register for the year ended 30 June 2010. This resulted in an understatement of deferred tax expense for that period. The correction results in an opening balance adjustment to Group retained earnings in 2013 and an increase in the liability for deferred tax of \$1.282 million in the 2013 comparatives.

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

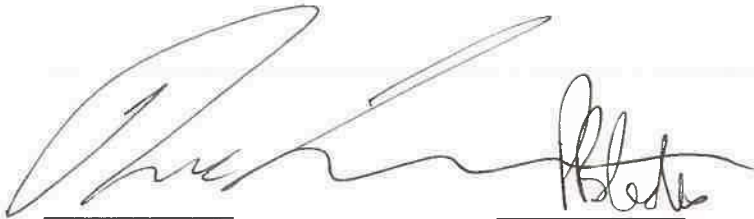
Responsibility

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 2014 fairly reflect the financial position and operations of the Company.




Director

29 September 2014

Director

29 September 2014



Chief Financial Officer

29 September 2014

Auditors' report

To the shareholders of WRC Holdings Limited

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 2014

The Auditor-General is the auditor of WRC Holdings Limited (the company) and group. The Auditor-General has appointed me, Andy Burns, 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 8 to 51, that comprise the statement of financial position as at 30 June 2014, 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 4 to 6.

Opinion

Financial statements and statement of service performance

In our opinion, the financial statements of the company and group on pages 8 to 51:

- 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 2014; 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 to 6:
 - 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 2014.

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 on 29 September 2014. 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.

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 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.



Andy Burns
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand