

**WRC HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**Attachment 1 to**  
**Report 12.478**

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**WRC HOLDINGS LIMITED  
DIRECTORY  
FOR THE YEAR ENDED 30 JUNE 2012**

**Directors**

	<b>Appointed</b>
P M Lamason (Chair)	23 November 2010
F H Wilde (Deputy)	14 November 2007
P Blades	1 May 2005
P E Glensor	14 November 2007
M McKenna	13 July 2011
N Wilson	23 November 2010

**Registered Office**

142-146 Wakefield Street  
Wellington

**Auditors**

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

**Solicitors**

Chapman Tripp

**Bankers**

ANZ Bank & ASB Institutional Bank

**WRC HOLDINGS LIMITED  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 30 JUNE 2012**

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 2012.

**Principal Activities**

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

**The Group's primary objectives and activities are:**

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

Own Greater Wellington'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, Telstra Clear, NZ Rugby Union, and the Bank of New Zealand.

Own Greater Wellington'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.

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

Help sustain the economy of the region.

The WRC Holdings Group met all its objectives as set out in the 2011/12 SOI and Greater Wellington's 2009-2019 Long-Term Council Community Plan (LTCCP).

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

**WRC HOLDINGS LIMITED  
FINANCIAL & NON PERFORMANCE TARGETS  
FOR THE YEAR ENDED 30 JUNE 2012**

**Statement of Service Performance**

**FINANCIAL PERFORMANCE TARGETS**

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

	<b>Actual 2012 \$000</b>	<b>Target 2012 \$000</b>	<b>Actual 2011 \$000</b>
<b>WRC Holdings - Group</b>			
Net surplus before tax	119,728	129,701	50,277
Net surplus after tax	91,963	93,340	48,757
Earning before Interest tax, and depreciation (EBITD)	148,829	167,783	73,397
Return on total assets	19.87%	20.60%	11.63%
Return on shareholder's equity: excluding any increase/decrease in the value of investment property	30.65%	34.40%	21.76%
Shareholders equity to total assets	46.88%	37.70%	39.58%
Dividends	2,254	2,304	1,204
<b>WRC Holdings - Parent</b>			
Dividend Distribution	2,254	2,034	1,205
Dividend Distribution %	100%	100%	100%
Return on equity (1)	8.34%	5.10%	0.40%
Return on assets (2)	5.52%	4.80%	3.16%

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

(2) based on earnings before interest and tax divided by average assets

**Net surplus before tax**

The Group posted a net surplus before tax, before any increases/decrease in the value of derivatives or investment property and land, of \$119.7 million (2011:\$50.3 million) compared to a budget \$129.7 million for the year. The major reason for the reduction is the timing of the Grants in Greater Wellington Rail Limited related to the Matangi Train acquisition.

The net surplus after tax was \$91.8 million, compared to a budget of \$93.3m (2011: \$48.8 million). This was before any valuation or fair value movements which were \$22.8 million downward (2011: \$10 million downward). That timing of Grant income noted above is offset by lower tax compared to budget.

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

EBITD was \$148.8 million (2011 \$73.4 million) compared to a budget of \$167.8 million. Main reason is the timing of the Matingi as note above.

**Return on total assets**

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

**Return on shareholder equity**

This target is calculated as net surplus after tax (after deduction of minority interest) as a percentage of average shareholder equity (excluding minority interest). The measure is shown both before and after any increase in the value of investment properties.

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

Dividend from the Group is \$2.254 million (2011: \$1.1204 million).

**ENVIRONMENT PERFORMANCE TARGETS**

**Planned Target**

- Operate in an environmentally and sustainable manner.
- Minimise the impact of any of the Group's activities on the environment.
- Raise awareness of environmental issues within the Group.
- Ensure Pringle House Limited operates in an energy efficient manner.

**Actual Performance**

The Group has complied with all of its resource consents.

WRC Holdings via Greater Wellington 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

**WRC HOLDINGS LIMITED  
OTHER PERFORMANCE TARGETS  
FOR THE YEAR ENDED 30 JUNE 2012**

**SOCIAL PERFORMANCE TARGETS**

**Planned Target - WRC Holdings**

To provide a safe and health workplace

To help sustain the economy of the region

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

**Actual Performance**

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

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

WRC Holdings via CentrePort to participate in development of the cultural and community activities within the region

Greater Wellington Rail Limited provides Rail rolling stock and Infrastructure which assists with the regions economic sustainability by reducing roading congestion

**OTHER PERFORMANCE TARGETS - WRC Holdings Limited**

**Planned**

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

**Actual**

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

The Group's non-financial performance criteria contained in the statement of intent for the 2011/12 year, and results are summarised.

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

**Directors Information**

Directors holding office during the year were:

**Parent and 100% owned subsidiaries**

P M Lamason (Chair)

F H Wilde (Deputy)

P Blades

P E Glensor

M McKenna

N Wilson

**Remuneration of Directors of the Parent Company**

Details of Directors' remuneration are as follows:

	\$
P M Lamason (Chair)	4,750
F H Wilde (Deputy)	Nil
P Blades	3,750
P E Glensor	Nil
M McKenna	3,750
N Wilson	Nil

**WRC HOLDINGS LIMITED  
 STATUTORY REPORT OF DIRECTORS  
 FOR THE YEAR ENDED 30 JUNE 2012**

**Entries in the Interests Register**

Disclosure of interests by Directors for the year ended 30 June 2012:

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

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

P E Glensor  
 Councillor of Greater Wellington Regional Council

M McKenna  
 None

P Blades  
 None

P E Glensor  
 Councillor of Greater Wellington Regional Council

N Wilson  
 Councillor of Greater Wellington Regional Council

**Directors' Interest Register**

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

**Directors' Insurance**

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

**Directors' Use of Company Information**

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


**Remuneration of Employees**

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

	Number of current employees
\$100,001 - \$110,000	19
\$110,001 - \$120,000	15
\$120,001 - \$130,000	3
\$130,001 - \$140,000	3
\$140,001 - \$150,000	4
\$150,001 - \$160,000	2
\$160,001 - \$170,000	2
\$180,001 - \$190,000	6
\$190,001 - \$200,000	1
\$210,001 - \$220,000	1
\$220,001 - \$230,000	1
\$270,001 - \$280,000	1
\$280,001 - \$290,000	1
\$290,001 - \$300,000	1
\$320,001 - \$330,000	1
\$550,001 - \$560,000	1

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

For, and on behalf of, the Board of Directors

Director  September 25, 2012

Director  September 25, 2012



**WRC HOLDINGS LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2012**

	Notes	Group		Parent	
		2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>INCOME</b>					
Operating Income		191,676	184,368	4,167	3,271
Share of associate profit accounted for using the equity method	9	5,849	574	-	-
<b>TOTAL INCOME</b>	2	197,525	184,942	4,167	3,271
<b>CHANGES IN FAIR VALUES OF ASSETS &amp; FINANCIAL INSTRUMENTS</b>					
Increase (Decrease) in the value of Developed Investment Property - Pringle House Ltd	2	(4,805)	3,183		
Increase (Decrease) in the value of Developed Investment Property - CentrePort Limited	2	(10,277)	(4,735)	-	-
Net change in value of Land available for Development	2		29		
Changes in Financial Instrument Fair Value	2	(7,704)	(7,693)	(340)	(655)
<b>EXPENDITURE</b>					
Operating Expenses	2	(70,105)	(49,340)	(3,610)	(1,245)
(Loss)/Gain on sale of Assets		(849)	-		
Impairment of Assets	2	(2,304)	-	-	-
<b>SURPLUS BEFORE INTEREST AND INCOME TAXATION</b>		101,481	126,386	217	1,371
Net Interest	2	(9,343)	(5,036)	(1,794)	(1,952)
<b>SURPLUS BEFORE INCOME TAXATION AND SUBVENTION PAYMENT</b>	2	92,138	121,350	(1,577)	(581)
Subvention payments	11	(803)	(908)	-	-
Income Taxation *	11	(26,962)	(32,664)	-	-
<b>NET SURPLUS / (DEFICIT) FOR THE YEAR FROM CONTINUING OPERATIONS</b>		64,373	87,778	(1,577)	(581)
<b>OTHER COMPREHENSIVE INCOME</b>					
Profit for the Year from Discontinued Operations	19	364	1,075	-	-
<b>TOTAL COMPREHENSIVE INCOME BEFORE MINORITY INTEREST</b>		64,737	88,853	(1,577)	(581)
Share of (surplus) / deficit attributable to minority interest	4	1,374	(1,377)	-	-
<b>TOTAL COMPREHENSIVE INCOME TO THE EQUITY HOLDERS</b>		<b>66,111</b>	<b>87,476</b>	<b>(1,577)</b>	<b>(581)</b>

The accompanying notes form part of these financial statements.

**WRC HOLDINGS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2012**

	Notes	Group		Parent	
		2012 \$000	2011 \$000	2012 \$000	2011 \$000
Equity - opening balance as at 1 July		314,646	213,847	24,335	12,774
Shares Issued during the year		9,256	13,346	9,256	13,346
Other Movements			727	-	-
Total comprehensive income before minority interest for the year		64,737	88,853	(1,577)	(581)
Dividends attributable to:					
Equity holders of the parent	3	(2,254)	(1,204)	(2,254)	(1,204)
Minority interest	4	(1,200)	(923)	-	-
Total dividends		(3,454)	(2,127)	(2,254)	(1,204)
Total recognised income and expenses for the period		61,283	86,726	(3,831)	(1,785)
<b>Balance as at 30 June</b>	3	<b>385,185</b>	<b>314,646</b>	<b>29,760</b>	<b>24,335</b>

The accompanying notes form part of these financial statements.




**WRC HOLDINGS LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2012**

	Notes	Group		Parent	
		2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>EQUITY</b>					
Issued and paid up capital	3	59,981	50,726	59,981	50,726
Retained earnings		229,261	174,696	(30,221)	(26,391)
Revaluation reserve		51,822	42,529	-	-
Minority interest	4	44,121	46,695	-	-
<b>TOTAL EQUITY</b>	3	<b>385,185</b>	<b>314,646</b>	<b>29,760</b>	<b>24,335</b>
Represented by:					
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents		471	1,039	4	4
Debtors and other receivables	5	41,431	8,370	2,516	1,494
Taxation refund		-	329	-	-
Current account - Greater Wellington Regional Council	6	2,811	2,275	(848)	(659)
Current account - Port Investments Ltd	6	-	-	775	597
Current account - Pringle House Ltd	6	-	-	1,997	1,997
Assets held for Sale		-	150,956	-	-
Inventories		8,785	10,401	-	-
<b>Total Current Assets</b>		<b>53,498</b>	<b>173,370</b>	<b>4,444</b>	<b>3,433</b>
<b>Non Current Assets</b>					
Investment properties	8	62,427	77,322	-	-
Investments	7	-	-	72,348	66,584
Investments in Joint Ventures	9	78,884	2,539	-	-
Property, Plant & Equipment	10	479,597	363,604	-	-
Deferred tax asset	11	3,736	1,733	-	-
Intangible assets	17	370	408	-	-
<b>Total Non Current Assets</b>		<b>625,014</b>	<b>445,606</b>	<b>72,348</b>	<b>66,584</b>
<b>TOTAL ASSETS</b>		<b>678,512</b>	<b>618,976</b>	<b>76,792</b>	<b>70,017</b>
Less:					
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Other financial liabilities	15	939	44	537	197
Trade and other payables		39,263	10,593	147	184
Borrowings	14	723	135,960	-	-
Dividend payable	13	2,774	1,666	2,254	1,204
Provision for subvention payments	11	806	908	-	-
Taxation payable	10	3,812	-	-	-
Provision for employee entitlements	12	3,349	2,592	-	-
<b>Total Current Liabilities</b>		<b>51,666</b>	<b>151,763</b>	<b>2,938</b>	<b>1,585</b>
<b>Non Current Liabilities</b>					
Borrowings	14	148,660	90,000	44,094	44,097
Other financial liabilities	15	15,304	8,495	-	-
Deferred taxation liability	11	77,161	53,371	-	-
Provision for employee entitlements	12	536	701	-	-
<b>Total Non-Current Liabilities</b>		<b>241,661</b>	<b>152,567</b>	<b>44,094</b>	<b>44,097</b>
<b>TOTAL LIABILITIES</b>		<b>293,327</b>	<b>304,330</b>	<b>47,032</b>	<b>45,682</b>
<b>NET ASSETS</b>		<b>385,185</b>	<b>314,646</b>	<b>29,760</b>	<b>24,335</b>

For, and on behalf of, the Board of Directors

Director  September 25, 2012

Director  September 25, 2012

The accompanying notes form part of these financial statements.



**WRC HOLDINGS LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

	Notes	Group		Parent	
		2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<i>Cash was Provided from:</i>					
Receipts from Customers		60,520	70,812	-	-
Dividend Income Received		4,506	250	-	-
Income Taxation Received		(2)	22	-	-
Interest Income Received		-	-	1,596	1,925
<i>Cash was disbursed to:</i>					
Payments to Suppliers and Employees		(37,624)	(39,963)	-	-
Subvention Payments to Greater Wellington Regional Council		-	-	-	-
Income Taxation paid		(1,175)	(812)	-	-
Interest Expense paid		(10,978)	(13,979)	(1,596)	(1,925)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>18</b>	<b>15,247</b>	<b>16,330</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<i>Cash was provided from:</i>					
Proceeds from Sale of Investment Property		75,000	69	-	-
Proceeds from Sale of Property, Plant & Equipment		110	-	-	-
<i>Cash was Applied to:</i>					
Purchase of Property, Plant & Equipment		(10,785)	(8,302)	-	-
Development of Investment Properties		(227)	(3,963)	-	-
Subsidiary Company Shares		-	-	(9,256)	(13,346)
Purchase of Intangible Assets		-	(49)	-	-
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>64,098</b>	<b>(12,245)</b>	<b>(9,256)</b>	<b>(13,346)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<i>Cash was Provided from:</i>					
Proceeds from Borrowings		(3)	(52)	(3)	51
Issue of Ordinary Shares		9,257	13,346	9,256	13,346
Movement in Current Account - Greater Wellington Regional Council		(9,276)	(13,346)	-	-
<i>Cash was applied to:</i>					
Borrowings Repaid		(76,540)	-	-	-
Movement in current account - Greater Wellington Regional Council		(1,079)	(2,100)	3	(48)
Dividends Paid to Shareholders of the Company		(2,272)	(1,193)	-	-
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(79,913)</b>	<b>(3,345)</b>	<b>9,256</b>	<b>13,349</b>
Net Increase / (Decrease) in Cash, cash equivalents & bank overdraft at year end		(568)	740	-	3
Add Opening Cash, cash equivalents / (Overdraft) Brought Forward		1,039	299	4	1
<b>CASH, CASH EQUIVALENTS &amp; BANK OVERDRAFT AT YEAR</b>		<b>471</b>	<b>1,039</b>	<b>4</b>	<b>4</b>

The accompanying notes form part of these financial statements.

**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**NOTE 1**

**Statement of Accounting Policies**

**Statement of Compliance**

The "Group" consists of WRC Holdings Ltd, its wholly owned subsidiaries, Pringle House Ltd, Port Investments Ltd, Greater Wellington Rail Ltd, Greater Wellington Transport Ltd, Greater Wellington Infrastructure Ltd and its 76.9% subsidiary CentrePort Ltd, together with its subsidiaries, as disclosed in Note 7.

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.

**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.

The going concern concept has been adopted in the preparation of these financial statements.

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, Greater Wellington Transport Limited, Greater Wellington Infrastructure 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 2012 and the comparative information presented in these financial statements for the year ended 30 June 2011.

**Comparatives**

During 2011 CentrePort sold an interest in three investment property buildings to the Accident Compensation Corporation. On settlement the assets were transferred into three investment vehicles wholly owned by CentrePort. At the time it was anticipated that the three investment vehicles would be fully consolidated into the financial statements of the CentrePort Group. Subsequently the Directors elected to early adopt NZ IFRS 10 Consolidated Financial Statements and as a result the three investment vehicles have been accounted for using the equity method. Accordingly the 2011 Group comparatives have been restated to show the revenues and expenses incurred in relation to these assets as discontinued operations.

**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:

**1.1 Basis of Consolidation**

The Group financial statements include WRC Holdings Ltd and its subsidiaries. The subsidiaries are accounted for using the purchase method which involves adding together corresponding assets, liabilities, revenues and expenses on a line by line basis. The associate companies are accounted for on an equity accounting basis, which shows the share of surplus/deficits in the Group's Statement of comprehensive income and share of post acquisition increases/decreases in net assets in the Group's balance sheet.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair value of the identifiable net assets acquired exceeds the cost of acquisition, the difference is credited to the Statement of comprehensive income in the period of acquisition.

**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).

**Changes in the Group's Ownership Interests in Existing Subsidiaries**

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

**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**1.1 Basis of Consolidation (continued)**

**Interests in Joint Ventures**

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The results, assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture.

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

The requirements of NZ IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with NZ IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with NZ IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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.

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**1.2 Statement of Cash Flows**

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

- (a) 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.
- (b) 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.
- (c) 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.
- (d) Operating activities include all transactions and other events that are not investing or financing activities.
- (e) Goods and Services Tax (GST) is accounted for on an accruals basis consistent with the Statement of comprehensive income.

**1.3 Revenue**

**Rendering of services**

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.

**Rental Income**

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

**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.

**Grant income**

Grants are recognised in the statement of comprehensive income when eligibility has been established by the grantor.

Income is stated exclusive of GST collected from customers.

**1.4 Property, Plant and Equipment**

The Group has seven classes of Property, Plant and Equipment

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

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

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 income to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation is charged to the statement of comprehensive income to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of port operational land.

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

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

**1.5 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

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**1.6 Leased Assets**

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

**Consolidated entity as lessee:**

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

**Consolidated entity as lessor:**

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 received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**1.7 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.

**1.8 Intangibles**

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

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**1.9 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.

**1.10 Depreciation**

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

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

**1.11 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.

**1.12 Investments**

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.

Investment properties are revalued annually to net current value. The change in valuation is recognised in the statement of comprehensive income. There is not any depreciation on investment properties.

Other investments are stated at the lower of cost and fair value.

**1.13 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.

**1.14 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.

**1.15 Income Taxation**

*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.

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.

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**1.15 Income Taxation - continued**

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.

**1.16 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.

**1.17 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.

**1.18 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.

**1.19 Financial Instruments issued by the Company**

**Equity Instruments**

Equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

**Dividends**

Dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related equity instrument. Dividends are recognised in the period that they are authorised and approved.

**1.20 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.

*Offsetting financial instruments*

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

**1.21 Financial Assets**

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

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

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

*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 1.23



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***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

**1.22 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.

**1.23 Derivative Financial Instruments classified at Fair Value through the Statement of Comprehensive Income**

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

Derivatives are initially recognised at cost on the date a derivative contract is entered into, which is equivalent to fair value, and are subsequently re-measured to fair value at each reporting date. Changes in fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in the statement of comprehensive income.

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

***Offsetting financial instruments***

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

**1.24 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.

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

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

**Impact of the Application of NZ IFRS 10**

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

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

**Impact of the Application of NZ IFRS 11**

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Previously, NZ IAS 31 Interest in Joint Ventures had three types of joint arrangements - jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under NZ IAS 31 was primarily determined based on the legal form of the arrangement.

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

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**Impact of the Application of NZ IFRS 12**

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

**Impact of the Application of NZ IAS 12 Income Taxes**

CentrePort has elected to early adopt the amendments to NZ IAS 12 Income Taxes ahead of its mandatory implementation date of periods commencing on or after 1 January 2012.

This amendments introduces the assumption that the carrying amount of investment property will be recovered through sale, which has the effect of lowering CentrePort's deferred tax liability on investment property to depreciation which would be recoverable on sale.

**1.26 Standards & interpretations effective in the current period**

The following are the new or revised Standards or Interpretations in issue that are not yet required to be adopted by the Group:

<b>Standard/Interpretation</b>	<b>Effective for Annual Reporting Periods Beginning On or After</b>
NZ IFRS 9	1 January 2013
NZ IFRS 13	1 January 2013
Amendments to NZ IAS 1 Presentation of Items of Other Comprehensive Income	1 July 2012
NZ IAS 19 Employee Benefits	1 January 2013

Other than amendments to NZ IAS 12 management has not yet fully assessed the impact of these changes.

**Adoption of New and Revised Standards**

The standards and interpretations listed below became mandatory in the current year. Management has reviewed these standards and interpretations and has determined that there is no material impact affecting the results and position of the Group.

- Amendments to NZ IAS 24 Related Party Disclosures
- Amendments to NZ IFRIC 14 Prepayments of a Minimum Funding Requirement
- Improvements to NZ IFRS (2010) - Improvements to NZ IFRS 7, NZ IAS 1, NZ IAS 34 and NZ IFRIC 13
- Amendments to NZ IAS 26 Accounting and Reporting by Retirement Benefit Plans
- Amendments to NZ IFRS 7 Financial Instruments: Disclosures
- Amendments to NZ IFRS 7 - Appendix E
- Amendments to New Zealand Equivalents to International Financial Reporting Standards to Harmonise with International Financial Reporting Standards and Australian Accounting Standards
- FRS 44 NZ Additional Disclosures
- Amendments to FRS 44 NZ Additional Disclosures

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**1.27 Standards & interpretations effective in the current period (continued)**

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

Certain items of Property, Plant & Equipment have been revalued to fair value at 30 June 2012. Investment Property has been revalued to fair value at 30 June 2012. Refer to note 10 and 8 respectively for disclosure about the valuations and valuation methodology.

The Board and management of CentrePort 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 income rental have been classified as Investment Property. CentrePort estimates the extent of future infrastructure costs that will be incurred to create investment property sites at Harbour Quays. These future costs have been taken into account when determining the fair value of investment property.

**1.28 Changes in Accounting Policies**

WRC Holdings has been redesignated a public benefit entity for financial reporting purposes, previously it was designated a profit oriented entity. There have been no other changes in accounting policies during the year.

**1.29 Critical Accounting Estimates and Judgements**

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

The estimates and assumptions are reviewed on an ongoing basis.

CentrePort estimates that the extent of future infrastructure costs 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 properties.

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

Note 9 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.

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**NOTE 2**

Operating Surplus before Subvention and Taxation	Notes	Group		Parent	
		2012 \$000	2011 \$000	2012 \$000	2011 \$000
Operating surplus before subvention and taxation & Discontinued Operations		92,138	121,350	(1,577)	(581)
<i>After Crediting:</i>					
<b>REVENUE</b>					
CentrePort Income		51,439	51,501	-	-
Rental Income		9,999	7,641	-	-
Operational Grants from Greater Wellington Regional Council		11,603	1,613	-	-
Capital Grants from Greater Wellington Regional Council		118,538	40,044	-	-
Fair Value - KiwiRail Property Plant & Equipment and Stock		-	83,417	-	-
Equity accounted earnings of associate companies		5,849	574	-	-
Dividend Income from subsidiaries		-	-	2,390	1,337
Gain on sale of fixed assets		-	69	-	-
Interest revenue		97	83	1,777	1,934
Other revenue		-	-	-	-
<b>Total Revenue</b>		<b>197,525</b>	<b>184,942</b>	<b>4,167</b>	<b>3,271</b>
Change in financial instrument fair value	15	(7,704)	(7,693)	(340)	(655)
Increase (decrease) in the value of Land available for development - CentrePort Ltd		(8,007)	29	-	-
Increase (decrease) in the value of developed investment property - Pringle House Ltd		(4,805)	3,183	-	-
Increase (decrease) in the value of developed investment property - CentrePort Ltd		(2,270)	(4,735)	-	-
Change in value of Investment property		(15,082)	(1,523)	-	-
<i>After Charging:</i>					
Impairment of Assets		2,304	-	-	-
<b>EXPENSES</b>					
Amortisation	17	285	282	-	-
Bad debts written (back)off		-	-	-	-
Change in provision for doubtful debts		17	47	-	-
Depreciation	10	19,758	9,393	-	-
Directors fees and expenses		405	397	12	10
Employee benefits expense		17,703	17,460	-	-
Energy costs (Pringle House only)		46	43	-	-
Fees paid to company auditors for:					
- Audit NZ: audit services		38	35	18	16
- Other auditor: audit services		88	99	-	-
- Audit NZ: other assurance services		-	-	-	-
- Other auditor: other assurance services		-	28	-	-
Tax services		118	102	22	21
Consultant and Professional fees		852	156	-	-
Insurance		2,141	278	5	5
Legal Fees		110	73	2	4
Management fees		337	352	57	57
Maintenance		13,112	6,621	-	-
Rates		4,325	3,151	-	-
Rental and lease expenses		1,949	1,968	-	-
Write-down of investment property - Pringle House		-	-	3,492	1,129
Other operating expenses		8,821	8,855	2	3
<b>Total Expenses</b>		<b>70,105</b>	<b>49,340</b>	<b>3,610</b>	<b>1,245</b>
Interest expense		9,343	5,036	1,794	1,952
Interest capitalised		-	-	-	-
Net interest		9,343	5,036	1,794	1,952
Loss on sale of assets		849	-	-	-
<b>Operating Surplus before Subvention and Taxation</b>		<b>92,138</b>	<b>121,350</b>	<b>(1,577)</b>	<b>(581)</b>

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**NOTE 3**  
**Equity**

	Notes	Group		Parent	
		2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Ordinary Share Capital</b>					
50,000,000 \$1 shares, uncalled		-	-	-	-
34,541,100 \$1 shares, fully paid		34,541	34,541	34,541	34,541
22,170,000 \$1 shares, part paid		20,132	16,185	20,132	16,185
5,309,283 \$1 shares fully paid		5,309		5,309	
<b>Redeemable Preference Share Capital</b>					
25,000 \$1000 shares, paid to 1 cent		-	-	-	-
<b>Total share capital</b>		<b>59,982</b>	<b>50,726</b>	<b>59,982</b>	<b>50,726</b>
<b>Revaluation reserve brought forward</b>		<b>42,529</b>	<b>43,060</b>	-	-
Transfer from operational port land		-	-	-	-
Other Movement		9,293	(531)	-	-
<b>Revaluation reserve carried forward</b>		<b>51,822</b>	<b>42,529</b>	-	-
<b>Retained Earnings / (Deficit) brought forward</b>		<b>174,696</b>	<b>87,167</b>	<b>(26,391)</b>	<b>(24,606)</b>
Operating surplus after income tax		66,111	87,476	(1,577)	(581)
Other Movement		(9,293)	1,257	-	-
Dividends to Parent		(2,254)	(1,204)	(2,254)	(1,204)
<b>Retained Earnings / (Deficit) carried forward</b>		<b>229,260</b>	<b>174,696</b>	<b>(30,222)</b>	<b>(26,391)</b>
<b>Minority Interest</b>	4	<b>44,121</b>	<b>46,695</b>	-	-
<b>Total Equity</b>		<b>385,185</b>	<b>314,646</b>	<b>29,760</b>	<b>24,335</b>

**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**NOTE 4**

**Minority Interest**

	Group		Parent	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Opening minority interest	46,695	46,241	-	-
Minority share of operating surplus	(1,374)	1,377	-	-
Minority share of dividends paid or payable	(1,200)	(923)	-	-
<b>Total Minority Interest</b>	<b>44,121</b>	<b>46,695</b>	<b>-</b>	<b>-</b>

Minority interest represent the Manawatu-Wanganui Regional Council's 23.1% share of CentrePort Ltd.

**NOTE 5**

**Debtors & other receivables**

	Group		Parent	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Trade receivables	40,156	7,391	-	-
Provisioning for doubtful debts	(27)	(11)	-	-
Other receivables	484	348	-	-
Prepayments	818	642	36	40
Interest receivable	-	-	90	117
Dividends receivable	-	-	2,390	1,337
<b>Total Receivables and Prepayments</b>	<b>41,431</b>	<b>8,370</b>	<b>2,516</b>	<b>1,494</b>

**Provision of Doubtful debts**

	Group		Parent	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Opening balance	11	12	-	-
Amounts written off during the year	(1)	(48)	-	-
Amounts recovered during the year	-	-	-	-
Increased in allowance recognised in statement of comprehensive income	17	47	-	-
<b>Closing balance</b>	<b>27</b>	<b>11</b>	<b>-</b>	<b>-</b>

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 \$0.900 million (note 15) which are past due at 30 June 2012 (2011: \$0.965 million). CentrePort believes that the amounts (net of doubtful debt provision) are recoverable.

Included in the allowance for doubtful debts are \$27,000 of debtor balances where the respective company is in receivership or liquidation. Amounts written off during the year represent 0.002% of income.

**NOTE 6**

**Current Accounts**

	Group		Parent	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Current account - Pringle House Ltd	-	-	1,997	1,997
Current account - Port Investments Ltd	-	-	775	597
Current account - Greater Wellington Regional Council	2,811	2,275	(848)	(659)
<b>Total Current Accounts</b>	<b>2,811</b>	<b>2,275</b>	<b>1,924</b>	<b>1,935</b>

**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**NOTE 7**

**Investments**

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

<b>Name</b>	<b>Relationship</b>	<b>Equity Held</b>	<b>Principal Activity</b>
Pringle House Ltd	Subsidiary	(100%)	Property owner
Port Investments Ltd	Subsidiary	(100%)	Investment management
Greater Wellington Rail Ltd	Subsidiary	(100%)	Rail rolling stock owner
Greater Wellington Transport Ltd	Subsidiary	(100%)	Inactive company
Greater Wellington Infrastructure Ltd	Subsidiary	(100%)	Inactive company
CentrePort Ltd	Subsidiary	(76.9%)	Port operations
CentrePort Property Management Limited	Subsidiary	(76.9%)	Management Services
CentrePort Properties Limited	Subsidiary	(76.9%)	Investment in Special Purpose Vehicle

	<b>Group</b>		<b>Parent</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Investments in Subsidiary Companies</b>				
Investments are stated at the lower of cost and fair value and comprise				
Pringle House Ltd	-	-	2,908	6,400
Port Investments Ltd - Advance	-	-	44,000	44,000
Greater Wellington Rail Ltd	-	-	25,440	16,184
Greater Wellington Transport Ltd	-	-	-	-
Greater Wellington Infrastructure Ltd	-	-	-	-
<b>Total investments in subsidiary companies</b>	<b>-</b>	<b>-</b>	<b>72,348</b>	<b>66,584</b>

**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 8**

**Investment Properties**

Notes	Group		Parent	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Developed investment properties	33,745	42,870	-	-
Land available for development	28,682	34,452	-	-
Investment property held for sale	-	150,956	-	-
<b>TOTAL</b>	<b>62,427</b>	<b>228,278</b>	<b>-</b>	<b>-</b>

**Valuation**

Investment properties are revalued every year and are valued in accordance with New Zealand Property Institute Practice Standard 3 – Valuations for Financial Reporting Purposes at fair value arrived at using comparable market rental information.

The Regional Council Centre at 142-146 Wakefield Street, Wellington was valued by Telfer Young (Wellington) Limited as at 30 June 2012. The valuation of The Regional Council Centre was \$6.4 million (2011: \$12.7 million).

CentrePort Investment properties are revalued every year. Investment properties were valued on 30 June 2012 by independent registered valuers of the firm Colliers International Limited. The valuation assumes completion of the Harbour Quays Development plan as approved by the CentrePort Board and certain costs to complete the infrastructure development have been identified to reduce the valuation to the inspection date of 30 June 2012. The fair value of the investment property valued was \$56 million (2011: \$217 million).

The valuations use existing and forecast cash flows based on existing lease terms and expected future occupancy. The capitalisation rate is consistent with comparable properties in the marketplace at 10% (2011: 8.45% to 11.0%).

**Reconciliation of Movements in Investment Properties**

	Group		Parent	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Developed investment properties brought forward</b>	42,870	196,098	-	-
Additions (Disposals)	182	3,963	-	-
Transfer from (to) land available for development	3,500	-	-	-
Transfer from (to) assets held for sale	-	(152,070)	-	-
Net change in the value of developed investment property	(12,807)	(5,121)	-	-
<b>Developed investment properties carried forward</b>	<b>33,745</b>	<b>42,870</b>	<b>-</b>	<b>-</b>
<b>Land available for development brought forward</b>	34,452	34,423	-	-
Transfer from (to) developed investment property	(3,500)	-	-	-
Net change in the value of land available for development	(2,270)	29	-	-
<b>Land available for development carried forward</b>	<b>28,682</b>	<b>34,452</b>	<b>-</b>	<b>-</b>
<b>Total Investment Property</b>	<b>62,427</b>	<b>77,322</b>	<b>-</b>	<b>-</b>
<b>Investment properties held for sale brought forward</b>	150,956	-	-	-
Additions (Disposals) to property held for sale	(150,956)	-	-	-
Transfer from (to) developed investment property	-	152,070	-	-
Net change in the value of developed investment property	-	(1,114)	-	-
<b>Investment Property Held for Sale</b>	<b>-</b>	<b>150,956</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>62,427</b>	<b>228,278</b>	<b>-</b>	<b>-</b>
<b>Net change in the value of investment property</b>				
Developed Investment Property	(12,812)	(5,121)		
Land Available for Development	(2,270)	29		
Investment Property Held for Sale		(1,114)		
<b>Total Change in value</b>	<b>(15,082)</b>	<b>(6,206)</b>		
<b>As Presented in the Statement of comprehensive income</b>				
As Part of Continuing Operations - Developed Investment Property	(10,277)	(3,592)		
As Part of Discontinued Operations	-	(1,114)		
Pringle House - Reduction in value	(4,805)	(1,523)		
<b>Total Change in value</b>	<b>(15,082)</b>	<b>(6,229)</b>		

The Group's investment properties comprise:

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



**WRC HOLDINGS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012**

**NOTE 9**

**Aggregate joint venture information**

	<b>Group</b>		<b>Parent</b>	
	<b>2012 \$000</b>	<b>2011 \$000</b>	<b>2012 \$000</b>	<b>2011 \$000</b>
<b>Carrying Amount at Beginning of Year</b>	2,539	2,215	-	-
Investment in Joint Ventures	75,000	-	-	-
Equity Accounted Earnings of Joint Ventures	5,849	574	-	-
Dividends from Joint Ventures	(4,504)	(250)	-	-
<b>Carrying Amount at End of Year</b>	<b>78,884</b>	<b>2,539</b>	-	-
<b>Represented by:</b>				
Harbour Quays A1 Limited	17,075	-	-	-
Harbour Quays D4 Limited	14,321	-	-	-
Harbour Quays F1F2 Limited	44,507	-	-	-
Individually Immaterial Joint Ventures	2,981	2,539	-	-
<b>Carrying Amount at End of Year</b>	<b>78,884</b>	<b>2,539</b>	-	-

On 9 September 2011 the Accident Compensation Corporation (ACC) entered into a joint venture with CentrePort Properties Limited to acquire three investment properties from CentrePort Limited. These entities are jointly controlled by ACC and CentrePort Properties Limited with ACC's purchase completed using mandatory convertible notes. These notes convert to equity in March 2024 (or September 2026 at CentrePort Properties Limited's option).

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

<b>Name of Joint venture</b>	<b>Principal activity</b>	<b>Place of incorporation and operation</b>	<b>Proportion of ownership interest/voting rights held by the Group</b>	
			<b>2012</b>	<b>2011</b>
Harbour Quays A1 Limited	Commercial rental property	New Zealand	76.9% / 50%	-
Harbour Quays D4 Limited	Commercial rental property	New Zealand	76.9% / 50%	-
Harbour Quays F1F2 Limited	Commercial rental property	New Zealand	76.9% / 50%	-
			<b>Proportion of Ownership Interest</b>	
			<b>2012</b>	<b>2011</b>
CentrePac Limited	Container packing	New Zealand	38.5%	38.5%
Transport Systems 2000 Limited	Storage, wash and repair of containers	New Zealand	38.5%	38.5%
Wellington Port Coldstore Limited	Cold storage of produce	New Zealand	38.5%	38.5%

**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**NOTE 10**

**Property, Plant & Equipment**

	Operational Port and freehold land at fair value	Buildings, Wharves, and Pavings at cost	Cranes and Floating Equipment at cost	Property, Plant and Equipment at cost	Work In Progress	Rail Rolling Stock	Rail Infra- structure	Total
Group – 2012								
Gross Carrying Amount	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 July 2011	81,977	108,377	37,669	12,851	49,549	102,850	41,186	434,459
Transfers	-	-	-	(41)	(48,961)	48,961	41	-
Additions	-	6,769	2,138	1,126	33,117	87,131	6,408	136,689
Disposals	-	(1,131)	(274)	(312)	-	(101)	-	(1,818)
Reclassificatio	-	(638)	244	374	-	-	-	(20)
Impairment	-	(1,482)	-	-	-	-	-	(1,482)
<b>Balance at 30 June 2012</b>	<b>81,977</b>	<b>111,895</b>	<b>39,777</b>	<b>13,998</b>	<b>33,705</b>	<b>238,841</b>	<b>47,635</b>	<b>567,828</b>
<b>Accumulated Depreciation/amortisation and impairment</b>								
Balance at 1 July 2011	-	42,007	11,429	8,319	-	9,100	-	70,855
Transfers	-	-	-	-	-	-	-	-
Depreciation expense	-	3,197	1,909	784	-	11,957	1,911	19,758
Disposals	-	(1,131)	(274)	(312)	-	-	-	(1,717)
Impairment	-	(665)	-	-	-	-	-	(665)
<b>Balance at 30 June 2012</b>	<b>-</b>	<b>43,408</b>	<b>13,064</b>	<b>8,791</b>	<b>-</b>	<b>21,057</b>	<b>1,911</b>	<b>88,231</b>
<b>Net Book Value as at 30 June 2012</b>	<b>81,977</b>	<b>68,487</b>	<b>26,713</b>	<b>5,207</b>	<b>33,705</b>	<b>217,784</b>	<b>45,724</b>	<b>479,597</b>

**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**NOTE 10 Continued**

**Property, Plant & Equipment**

Group – 2011	Operational Port and freehold land at fair value	Buildings, Wharves, and Pavings at cost	Cranes and Floating Equipment at cost	Property, Plant and Equipment at cost	Work In Progress	Rail Rolling Stock	Rail Infra-structure	Total
	\$000	\$000	\$000	\$000		\$000	\$000	\$000
<b>Gross Carrying Amount</b>								
Balance at 1 July 2010 *	81,977	101,243	40,400	12,099	28,244	37,145	-	301,108
Transfers to Investments	-	-	-	-	(31,974)	31,974	-	-
Additions	-	7,134	31	711	53,279	-	-	61,155
Disposals	-	-	(2,762)	-	-	-	-	(2,762)
Other Movements	-	-	-	-	-	-	-	-
Revaluations	-	-	-	41	-	33,731	41,186	74,958
<b>Balance at 30 June 2011</b>	<b>81,977</b>	<b>108,377</b>	<b>37,669</b>	<b>12,851</b>	<b>49,549</b>	<b>102,850</b>	<b>41,186</b>	<b>434,459</b>
<b>Accumulated Depreciation/amortisation and impairment</b>								
Balance at 1 July 2010	-	38,734	12,285	7,636	-	5,569	-	64,224
Transfers	-	-	-	-	-	-	-	-
Depreciation	-	3,273	1,906	683	-	3,531	-	9,393
Disposals	-	-	(2,762)	-	-	-	-	(2,762)
<b>Balance at 30 June 2011</b>	<b>-</b>	<b>42,007</b>	<b>11,429</b>	<b>8,319</b>	<b>-</b>	<b>9,100</b>	<b>-</b>	<b>70,855</b>
* includes discount on acquisition								
<b>Net Book Value</b>								
As at 30 June 2011	<b>81,977</b>	<b>66,370</b>	<b>26,240</b>	<b>4,532</b>	<b>49,549</b>	<b>93,750</b>	<b>41,186</b>	<b>363,604</b>

**Impairment**

The Directors have reviewed assets and tested for impairment. As a result, no impairment (2011 \$ Nil) has been recognised in the Statement of comprehensive income.

**Borrowing Costs Capitalised**

During the year borrowing costs of \$13,000 (2011: \$427,000) were capitalised. The weighted average capitalisation rate on funds borrowed was 7.3% (2011: 5.99%).

**Valuation**

Operational port freehold land is revalued every three years. On 30 June 2010 operational port freehold land was independently valued by registered valuers of the firm Bayleys Valuations Limited. The valuations were based on the assets highest and best use in accordance with New Zealand Property Institute Practise Standard 3 – Valuations for Financial Reporting Purposes with reference to sales evidence of land sales or development sites within the wider Wellington region. Each Freehold parcel of land is valued on a per square metre basis by reference to the most comparable sales evidence with appropriate adjustments for size, shape and location. The valuation was \$82 million. 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.

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

**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**NOTE 11**

	Group		Parent	
	2012	2011	2012	2011
	\$000	\$000	\$000	\$000
<b>(a) Income tax recognised in profit or loss</b>				
<b>Tax expense/(benefit) comprises:</b>				
Current tax expense/(income)	5,324	712	-	-
Adjustments recognised in the current period in relation to the current tax of prior periods	-	-	-	-
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	21,319	36,930	-	-
Deferred tax expense arising from the write-down, or reversal of previous write-down, of a deferred tax asset	-	645	-	-
Tax expense/(benefit) relating to discontinued activities	-	-	-	-
Impact of change in tax rate	-	(2,861)	-	-
Impact of changes to building depreciation	751	(986)	-	-
Tax loss recognised	(291)	(837)	-	-
<b>Total Tax expense/(benefit)</b>	<b>27,103</b>	<b>33,603</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:

(Profit)/loss from operations	(92,138)	(121,350)	1,577	581
(Profit)/loss from discontinued operations	(505)	(2,014)	-	-
	(92,643)	(123,364)	1,577	581
Income tax expense/(benefit) calculated at 28% (2011:30%)	25,940	37,009	(442)	(174)
Non-deductible expenses	4,118	1,530	978	339
Non-assessable income	(36,448)	(26,593)	(669)	(401)
Land and buildings reclassification	2,787	277	-	-
Tax effect of imputation credits	(1,157)	(107)	-	-
Temporary differences	31,125	673	-	-
Previously unrecognised and unused tax losses now utilised	-	(834)	-	-
Tax loss offsets from or subventions paid to Group companies	(1,452)	(272)	-	-
Unused tax losses and tax offsets not recognised	-	761	133	236
Impact of change in tax rate	-	(2,864)	-	-
Impact of changes to building depreciation	751	(986)	-	-
Impact of gain on asset acquisition	-	25,025	-	-
	25,664	33,619	(0)	-
(Over)/under provision of income tax in previous period	1,439	(16)	-	-
Tax loss	-	-	-	-
<b>Total tax expense/(benefit)</b>	<b>27,103</b>	<b>33,603</b>	<b>(0)</b>	<b>-</b>
<b>Tax expense/(benefit) is attributable to:</b>				
Continuing operations	26,962	32,664	-	-
Discontinued operations	141	939	-	-
	<b>27,103</b>	<b>33,603</b>	-	-

In May 2010, the Government announced, and passed into legislation, a reduction in the corporate tax rate from 30% to 28%, which was effective from 1 July 2011 for the Company and the Group. The effect of this change on the expected deferred tax position was accounted for in the Company's and Group's 2011 financial statements.

The Government also announced the removal of tax depreciation on buildings with a useful life of greater than 50 years, also effective from 1 July 2011 for the Company and the Group. The effect of this change on the deferred tax balance was accounted for in the Company's and Group's 2011 financial statements.

	Group		Parent	
	2012	2011	2012	2011
	\$000	\$000	\$000	\$000
<b>(c) Income tax recognised directly in equity</b>				
The following current and deferred amounts were charged/ (credited) directly to equity during the period:				
Current tax:	-	-	-	-
Deferred tax:	-	-	-	-
Adjustments to open retained earnings - due to changes in accounting policies for financial instruments	-	-	-	-
Other - change in deferred tax recognised	-	-	-	-

**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 11**  
**Taxation - Continued**  
**(b) Current tax assets and liabilities**

	Group		Parent	
	2012	2011	2012	2011
	\$000	\$000	\$000	\$000
<b>Current tax assets:</b>				
Subvention receivable	-		-	-
Tax refund receivable		329	-	-
Other	-	-	-	-
	-	329	-	-
<b>Current tax payables:</b>				
Income tax payable attributable to:				
Parent entity	-	-	-	-
Other	3,812	-	-	-
	3,812	-	-	-
<b>(c) Deferred tax balances</b>				
<b>Deferred tax assets comprise</b>				
Tax losses	2,026	1,735	-	-
Temporary differences	5,201	3,451	-	-
Other	-	-	-	-
	7,227	5,186	-	-
<b>Deferred tax liabilities comprise:</b>				
Temporary differences	80,652	56,823	-	-
	80,652	56,823	-	-

Taxable and deductible temporary differences arise from the following:

Group	Opening balance	Charged to income	Change in tax rate	Change in depreciation on buildings	Closing balance
2012	\$000	\$000	\$000	\$000	\$000
Investment properties	(6,629)	5,026	-	1,041	(562)
Property, plant and equipment	(50,157)	(28,132)	-	(1,801)	(80,090)
Trade and other payables	1,090	(131)	-	-	959
Other financial liabilities	2,324	1,918	-	-	4,242
Other	-	-	-	-	-
Tax losses	1,735	291	-	-	2,026
<b>Total</b>	<b>(51,637)</b>	<b>(21,028)</b>	<b>-</b>	<b>(760)</b>	<b>(73,425)</b>
Group	Opening balance	Charged to income	Change in tax rate	Change in depreciation on buildings	Closing balance
2011	\$000	\$000	\$000	\$000	\$000
Investment properties	(6,334)	(1,519)	564	660	(6,629)
Property, plant and equipment	(16,584)	(35,395)	1,467	355	(50,157)
Trade and other payables	1,099	36	(45)	-	1,090
Other financial liabilities	1,451	887	(14)	-	2,324
Other	37	(37)	-	-	-
Tax losses	1,582	161	(8)	-	1,735
<b>Total</b>	<b>(18,749)</b>	<b>(35,867)</b>	<b>1,964</b>	<b>1,015</b>	<b>(51,637)</b>

**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**NOTE 11**  
**Taxation - Continued**

Taxable and deductible temporary differences arise from the following:

Parent 2012	Opening balance	Charged to income	Change in tax rate	Change in depreciation on buildings	Closing balance
	\$000	\$000	\$000	\$000	\$000
Cash and cash equivalents	-	-	-	-	-
Trade and other receivables	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-
Trade and other payables	-	-	-	-	-
Other financial liabilities	-	-	-	-	-
Other	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

Parent 2011	Opening balance	Charged to income	Change in tax rate	Change in depreciation on buildings	Closing balance
	\$000	\$000	\$000	\$000	\$000
Cash and cash equivalents	-	-	-	-	-
Trade and other receivables	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-
Trade and other payables	-	-	-	-	-
Other financial liabilities	-	-	-	-	-
Other	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

Unrecognised deferred tax balances	Group		Parent	
	2012	2011	2012	2011
	\$000	\$000	\$000	\$000
The following deferred tax assets have not been brought to account as assets:				
Tax losses	-	-	(298)	(480)
Unused tax credits	-	-	-	-
Temporary differences	-	-	-	-
	-	-	<b>(298)</b>	<b>(480)</b>

**Tax losses not recognised**

WRC Holdings has a tax loss to carry forward to the 2013 income year of \$1,064,772 (2011: \$1,713,092). The tax effect of these losses is \$298,136 (2011: \$479,666) is not recognised in the Parent's accounts. However, these losses have been recognised in the Group's accounts.

Unrecognised tax losses include tax offsets of \$996,920 provided to Greater Wellington Rail Limited (2011: nil), and \$127,000 provided to Grow Wellington Limited (2011: \$31,056).

The 2012 financial statements accrue subvention payments for the utilisation of losses incurred by Greater Wellington Regional Council of \$806,433 (2011: \$908,000) payable by Pringle House Limited, and \$2,500,000 payable by CentrePort Limited (2011:nil). A subvention payment was made during the year by Pringle House Limited relating to the 2011 net loss of Greater Wellington Regional Council that was utilised in that year.

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

**(d) Imputation credit account balances**

	Group		Parent	
	2012	2011	2012	2011
	\$000	\$000	\$000	\$000
Balance at end of the period	13,930	10,815	434	381

**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 12**

**Provision for Employee Entitlements**

	Group		Parent	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Balance at beginning of year	3,293	2,998	-	-
Additional provision made	2,869	1,602	-	-
Amount	(2,277)	(1,307)	-	-
<b>Balance at End of Year</b>	<b>3,885</b>	<b>3,293</b>	<b>-</b>	<b>-</b>

This is represented by:

Current	3,349	2,592	-	-
Non-current	536	701	-	-
<b>Balance at End of Year</b>	<b>3,885</b>	<b>3,293</b>	<b>-</b>	<b>-</b>

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 3.5% (2011: 5.20%).

**NOTE 13**

**Dividends Payable**

	Group		Parent	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Proposed distributions:				
Proposed dividend to the Greater Wellington Regional Council	2,254	1,204	2,254	1,204
Proposed dividend to minority interest	520	462	-	-
<b>Total Dividends Declared</b>	<b>2,774</b>	<b>1,666</b>	<b>2,254</b>	<b>1,204</b>

A dividend of \$850,000 has been declared post balance date by CentrePort Limited see note on subsequent events

**NOTE 14**

**External Debt**

	Group		Parent	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Bank loans - current	723	135,960	-	-
Bank loans - long term	148,660	90,000	44,094	44,097
<b>Total External Debt</b>	<b>149,383</b>	<b>225,960</b>	<b>44,094</b>	<b>44,097</b>

The Parent has \$44.4 million of Commercial Paper on issue which is supported by a \$44 million bank facility with the ASB Institutional Bank. The debt is secured by \$50,000,000 of uncalled shares in favour of Greater Wellington Regional Council. The security is maintained by Trustee Executors. The interest rate charged as at 30 June 2012 was 2.75% p.a. (30 June 2011: 2.77% p.a.).

CentrePort has a secured bank loan facility of \$125 million with renewal dates in 2014 and 2015. The facility can be repaid or drawn down until expiry. The interest rate charged on this facility as at 30 June 2012 ranged from 3.75% to 6.49% p.a. (2011: 3.23% to 3.33%). No collateral was required on lending, but CentrePort has given the bank a negative pledge and there are restrictions on the quantum of borrowing made.

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 \$125 million. In recognition of the provision of the guarantee the company pays a guarantee fee to Wellington Regional Council (refer related party transactions).

**WRC HOLDINGS LIMITED**  
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**NOTE 15**

**Financial Instruments**

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

**Fair Values**

The estimated fair value of the following financial instruments are:

**Financial Risk Management Objectives**

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

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

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

**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.

**Fair value assumptions**

Cash and cash equivalents, trade and other receivables, other financial assets, trade and other payables and other financial liabilities are either fair valued or approximate fair valued on the Balance Sheet.

The fair value for assets at amortised cost (including cash, trade and other receivables, trade and other payables and other financial liabilities) is determined by using discounted cash flow models incorporating market observable data for similar instruments.

**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 both CentrePort's and WRC Holdings Limited's balance sheet at fair value sit within level 2.

**Inter- group advances**

The Parent company holds balances with other group entities. These inter-group advances are non-interest bearing, and are carried at cost not fair value. It is considered impractical to determine the fair value of these advances due to the difficulty of doing so without an actively traded market.

**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 1 to the financial statements.

**Capital risk management**

The Group 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 13 cash, reserves and retained earnings.

**Externally imposed capital requirements**

CentrePort Limited has borrowing covenant requirements for gearing and interest cover ratios. Covenants are reported semi-annually to the Board then forwarded its banker. All externally imposed covenants have been complied with during the period. WRC Holdings Limited does not have any financial covenants on its borrowing.



**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Note 15 (continued)**

The following table details the classes of financial assets and financial liabilities contained in the Balance Sheet for both the Company and the Group:

Group 2012	Loan & Receivables	Derivatives classified as held for trading	Financial liabilities at amortised cost	Total
	\$000	\$000	\$000	\$000
<b>Assets:</b>				
Cash and cash equivalents	471	-	-	471
Trade and other receivables	40,613	-	-	40,613
Other financial assets- Current Account Greater Wellington Regional Council	2,811	-	-	2,811
<b>Total Financial Assets</b>	<b>43,895</b>	<b>-</b>	<b>-</b>	<b>43,895</b>
Non Financial Assets				634,617
<b>Total Assets</b>				<b>678,512</b>
<b>Liabilities:</b>				
Trade and other payables	-	-	39,263	39,263
Borrowings	-	-	149,383	149,383
Other financial liabilities	-	16,243	6,659	22,902
<b>Total Financial Liabilities</b>	<b>-</b>	<b>16,243</b>	<b>195,305</b>	<b>211,548</b>
Non Financial Liabilities				81,779
<b>Total Liabilities</b>				<b>293,327</b>
Group 2011	Loan & Receivables	Derivatives classified as held for trading	Financial liabilities at amortised cost	Total
	\$000	\$000	\$000	\$000
<b>Assets:</b>				
Cash and cash equivalents	1,039	-	-	1,039
Trade and other receivables	7,729	-	-	7,729
Other financial assets	2,275	-	-	2,275
<b>Total Financial Assets</b>	<b>11,043</b>	<b>-</b>	<b>-</b>	<b>11,043</b>
Non Financial Assets				607,933
<b>Total Assets</b>				<b>618,976</b>
<b>Liabilities:</b>				
Trade and other payables	-	-	10,594	10,594
Borrowings	-	-	225,960	225,960
Other financial liabilities	-	8,539	4,959	13,498
<b>Total Financial Liabilities</b>	<b>-</b>	<b>8,539</b>	<b>241,513</b>	<b>250,052</b>
Non Financial Liabilities				304,330
<b>Total Liabilities</b>				<b>304,330</b>
Parent 2012	Loan & Receivables	Derivatives classified as held for trading	Financial liabilities at amortised cost	Total
	\$000	\$000	\$000	\$000
<b>Assets:</b>				
Cash and cash equivalents	4	-	-	4
Trade and other receivables	90	-	-	90
Other financial	1,997	-	46,390	48,387
<b>Total Financial Assets</b>	<b>2,091</b>	<b>-</b>	<b>46,390</b>	<b>48,481</b>
<b>Liabilities:</b>				
Trade and other payables	-	-	145	145
Borrowings	-	-	44,094	44,094
Other financial liabilities	-	197	2,254	2,451
Current Account - GWRC	-	-	848	848
<b>Total Financial Liabilities</b>	<b>-</b>	<b>197</b>	<b>47,341</b>	<b>47,538</b>

**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**Note 15 (continued)**

**Parent 2011**

	Loan & Receivables	Derivatives classified as held for trading	Financial liabilities at amortised cost	Total
	\$000	\$000	\$000	\$000
<b>Assets:</b>				
Cash and cash equivalents	4	-	-	4
Trade and other receivables	117	-	-	117
Other financial assets	1,997	-	45,337	47,334
<b>Total Financial Assets</b>	<u>2,118</u>	<u>-</u>	<u>45,337</u>	<u>47,455</u>
<b>Liabilities:</b>				
Trade and other payables	-	-	184	184
Borrowings	-	-	44,097	44,097
Other financial liabilities	-	197	1,204	1,401
Current Account - GWRC	-	-	659	659
<b>Total Financial Liabilities</b>	<u>-</u>	<u>197</u>	<u>46,144</u>	<u>46,341</u>

**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.

**Reconciliation of Other Financial Liabilities**

	Group		Parent	
	2012	2011	2012	2011
	\$000	\$000	\$000	\$000
Interest rate swaps	15,686	8,495	537	197
Foreign Exchange Contracts	550	-	-	-
Diesel	7	44	-	-
<b>Total Other Financial Liabilities</b>	<u>16,243</u>	<u>8,539</u>	<u>537</u>	<u>197</u>
	-	-	-	-

*Represented by:*

Current liabilities	939	44	537	197
Non - Current liabilities	15,304	8,495	-	-
<b>Total Other Financial Liabilities</b>	<u>16,243</u>	<u>8,539</u>	<u>537</u>	<u>197</u>

**Interest Rate Sensitivity**

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 1.0% (2011: 1.0%) increase or decrease represents management's assessment of the possible change in interest rates.

At reporting date, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's net profit would increase by \$13,000 and decrease by \$133,000 (2011: decrease/increase by \$970,000/\$1,364,000). This is mainly attributable to the Group's exposure to interest rates on its uncovered rate borrowings and excludes the unrealised gain or loss in the value of interest rate swaps.

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

**WRC HOLDINGS LIMITED**  
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**Note 15 (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 and interest rate collars (options) that had interest rates ranging from 2.00% to 6.49% (2011: 3.39% to 7.30% p.a.) and maturities of:

**Interest Rate Swap Agreements - Group**

	Interest 2012 %	Interest 2011 %	Face Value 2012 \$000	Group		Face Value 2011 \$000	Fair Value 2011 \$000
				Face Value 2012 \$000	Fair Value 2012 \$000		
<b>Financial Assets</b>							
Less than one year	*	2.67-2.00	-	24,000	32	-	-
Two to five years							
<b>Total Financial Assets</b>				<b>24,000</b>	<b>32</b>	<b>-</b>	<b>-</b>
<b>Financial Liabilities</b>							
Less than one year	6.490	6.49	14,000	(413)	24,000	(50)	(50)
One to two years	-	6.49	-	-	20,000	(1,148)	(1,148)
Two to five years	4.03	4.03			45,000	(1,009)	(1,009)
	4.15	4.15	10,000	(301)	10,000		
	3.92	3.92	10,000	(268)	10,000		
	5.757	4.05	20,000	(1,303)	45,000	(1,437)	(1,437)
	*1 5.990	4.03	25,000	(3,850)	20,000	(147)	(147)
	5.199	5.76	25,000	(2,390)	40,000	(2,620)	(2,620)
Greater than 5 years	*2 5.760	5.99	40,000	(7,193)	25,000	(2,084)	(2,084)
<b>Total Financial Liabilities</b>			<b>144,000</b>	<b>(15,718)</b>	<b>239,000</b>	<b>(8,495)</b>	<b>(8,495)</b>
Foreign Exchange contracts			-	(550)	-	-	-
Diesel contracts (Current liabilities)				(7)		(44)	(44)
<b>Total Financial Instruments</b>			<b>168,000</b>	<b>(16,243)</b>	<b>239,000</b>	<b>(8,539)</b>	<b>(8,539)</b>

\* Interest rate option collar

\*1 Commences 25 February 2013

\*2 Interest rate to 15 December 2015 5.76%; thereafter 6.229%

**Interest Rate Swap Agreements - Parent**

	Interest Rate %	Face Value 2012 \$000	Parent		Face Value 2011 \$000	Fair Value 2011 \$000
			Face Value 2012 \$000	Fair Value 2012 \$000		
<b>Financial Assets</b>						
Less than one year	*	2.67-2.00	-	24,000	32	-
Two to five years						
<b>Total Financial Assets</b>				<b>24,000</b>	<b>32</b>	<b>-</b>
<b>Financial Liabilities</b>						
Less than one year					24,000	(50)
Two to five years	4.15	10,000	(301)	10,000	(121)	(121)
Two to five years	3.92	10,000	(268)	10,000	(26)	(26)
<b>Total Financial Liabilities</b>		<b>20,000</b>	<b>(569)</b>	<b>44,000</b>	<b>(197)</b>	<b>(197)</b>
<b>Total Financial Instruments</b>		<b>20,000</b>	<b>(537)</b>	<b>44,000</b>	<b>(197)</b>	<b>(197)</b>

\* Interest rate option collar

**WRC HOLDINGS LIMITED**  
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Note 15 (continued)

**Maturity profile of financial instruments - group**

The following table details the Group's exposure to interest rate risk at 30 June 2012 and 30 June 2011.

Group 2012	Weighted Average Effective Interest Rate %	Variable interest Rate NZ \$'000	Maturity Profile of Financial Instruments					Non interest Bearing \$000	Total \$000
			Less than one year \$000	1-2 years \$000	2-3 years \$000	3-4 years \$000	4-5 years \$000		

**Financial Liabilities:**

Trade payables			39,263	-	-	-	-	-	39,263	39,263
Other payables			7,110	536	-	-	-	-	7,646	7,646
Debt - Parent	4.04%	2.75%	44,094	-	-	-	-	-	-	44,094
Debt -	5.76%	2.65%	723	49,277	55,289	-	-	-	-	105,289
<b>Total</b>			<b>91,190</b>	<b>49,813</b>	<b>55,289</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46,909</b>	<b>196,292</b>

Group 2011	Weighted Average Effective Interest Rate %	Variable interest Rate NZ \$'000	Fixed Maturity Dates					Non interest Bearing \$000	Total \$000
			Less than one year \$000	1-2 years \$000	2-3 years \$000	3-4 years \$000	4-5 years \$000		

**Financial Liabilities:**

Trade payables			10,594	-	-	-	-	-	10,594	10,594
Other payables			4,917	701	-	-	-	-	5,618	5,618
Debt - Parent	4.40%	2.77%	44,097	-	-	-	-	-	-	44,097
Debt -	4.93%	2.67%	91,863	90,000	-	-	-	-	-	181,863
<b>Total</b>			<b>151,471</b>	<b>90,701</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,212</b>	<b>242,172</b>

**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Note 15 (continued)

**Maturity Profile of Financial Instruments - Parent**

The following table details the parents exposure to interest rate risk at 30 June 2012 and 30 June 2011.

Parent 2012	Weighted Average Effective Interest Rate %	Variable interest Rate NZ \$'000	Fixed Maturity Dates					Non interest Bearing \$000	Total \$000
			Less than one year \$000	1-2 years \$000	2-3 years \$000	3-4 years \$000	4-5 years \$000		
<b>Financial liabilities:</b>									
Trade payables			145	-	-	-	-	145	145
Other payables			3,102	-	-	-	-	-	3,102
Borrowings -	4.04%	2.75%	44,094	-	-	-	-	-	44,094
<b>Total</b>			<b>47,341</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>145</b>	<b>47,341</b>

Parent 2011	Weighted Average Effective Interest Rate %	Variable interest Rate NZ \$'000	Fixed Maturity Dates					Non interest Bearing \$000	Total \$000
			Less than one year \$000	1-2 years \$000	2-3 years \$000	3-4 years \$000	4-5 years \$000		
<b>Financial Liabilities:</b>									
Trade payables			184	-	-	-	-	184	184
Other payables			1,863	-	-	-	-	-	1,863
Borrowings -	4.40%	2.77%	44,097	-	-	-	-	-	44,097
<b>Total</b>			<b>46,144</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>184</b>	<b>46,144</b>

**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Note 15 (continued)**

**Credit risk management**

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

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

Ageing past due trade receivables	Group		Parent	
	2012	2011	2012	2011
	\$000	\$000	\$000	\$000
1-30 days	645	817	-	-
30-60 days	17	26	-	-
60-90 days	161	113	-	-
90-120 days	76	9	-	-
<b>Total</b>	<b>899</b>	<b>965</b>	-	-

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.

**Currency risk**

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

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

**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 CentrePort has a bank overdraft facility of \$1 million (2011: \$1 million), New Zealand dollar Commercial bill facilities of \$125 million (2011: \$203 million). Of these \$105.3 million (2011: \$181.2 million) had been drawn down by the Group at balance date. WRC Holdings sources its funds from the institutional investor market via issuance of Commercial Paper, backed by a \$44 million committed credit facility with ASB Institutional bank.

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

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

**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Note 15 (continued)

**Liquidity profile of financial instruments - Group**

The following tables detail the entity's liquidity profile based on undiscounted cash outflows at 30 June 2012 and 30 June 2011, assuming future interest cost on borrowings at 4.8% (2011: 4.8%) of the average debt for each period.

Group 2012	Cash Flows						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

<b>Financial liabilities</b>							
Trade payables	39,263	-	-	-	-	-	39,263
Other payables	7,110	536	-	-	-	-	7,646
Other financial liabilities	3,501	2,909	2,716	1,997	1,702	3,418	16,243
Borrowings	10,310	57,920	102,670	-	-	-	170,900
<b>Financial Assets</b>							
Other financial assets	-	-	-	-	-	-	-
<b>Total</b>	<b>60,184</b>	<b>61,365</b>	<b>105,386</b>	<b>1,997</b>	<b>1,702</b>	<b>3,418</b>	<b>234,052</b>

Group 2011	Cash Flows						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

<b>Financial liabilities</b>							
Trade payables	10,594	-	-	-	-	-	10,594
Other payables	4,917	701	-	-	-	-	5,618
Other financial liabilities	2,334	2,055	1,504	897	753	994	8,538
Borrowings	100,839	94,317	46,112	-	-	-	241,268
<b>Financial Assets</b>							
Other financial assets	-	-	-	-	-	-	-
<b>Total</b>	<b>118,684</b>	<b>97,073</b>	<b>47,616</b>	<b>897</b>	<b>753</b>	<b>994</b>	<b>266,018</b>

**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Note 15 (continued)

**Liquidity profile of financial instruments - Parent**

The following tables detail the entity's liquidity profile based on undiscounted cash outflows at 30 June 2012 and 30 June 2011, assuming future interest cost on borrowings at 4.8% (2011: 4.8%) of the average debt for each period.

Parent 2012	Cash Flows						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

**Financial liabilities**

Trade payables	145	-	-	-	-	-	145
Other payables	3,102	-	-	-	-	-	3,102
Other financial liabilities	221	253	63	-	-	-	537
Borrowings	2,112	2,112	46,112	-	-	-	50,336

**Financial Assets**

Other financial assets	-	-	-	-	-	-	-
<b>Total</b>	<b>5,580</b>	<b>2,365</b>	<b>46,175</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>54,120</b>

Parent 2011	Cash Flows						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

**Financial liabilities**

Trade payables	184	-	-	-	-	-	184
Other payables	1,863	-	-	-	-	-	1,863
Other financial liabilities	50	45	45	45	12	-	198
Borrowings	2,112	2,112	46,112	-	-	-	50,336

**Financial Assets**

Other financial assets	-	-	-	-	-	-	-
<b>Total</b>	<b>4,209</b>	<b>2,157</b>	<b>46,157</b>	<b>45</b>	<b>12</b>	<b>-</b>	<b>52,581</b>



**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**NOTE 16**

**Disclosure for lessees**

**Leases**

Operating leases 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.

	Group		Parent	
	2012	2011	2012	2011
	\$000	\$000	\$000	\$000
<b>Non-cancellable operating lease payments</b>				
Not longer than 1 Year	1,701	1,754	-	-
Longer than 1 year and not longer than 5 years	6,190	6,404	-	-
Longer than 5 years	3,035	3,786	-	-
	<b>10,926</b>	<b>11,944</b>	-	-

**Disclosure for lessors**

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

	Group		Parent	
	2012	2011	2012	2011
	\$000	\$000	\$000	\$000
<b>Non-cancellable operating lease receipts:</b>				
Not later than 1 year	5,726	7,116	-	-
Later than 1 year and no later than 5 years	8,496	8,654	-	-
Later than 5 years	9,790	9,192	-	-
	<b>24,012</b>	<b>24,962</b>	-	-

Future minimum lease receipts under non-cancellable operating leases included within discontinued operations and excluded from the table above are as follows:

	Group		Parent	
	2012	2011	2012	2011
	\$000	\$000	\$001	\$002
<b>Non-cancellable operating lease receipts</b>				
Not later than 1 Year	15,632	12,623	-	-
Later than 1 Year and not later than 5 Years	50,333	50,367	-	-
Later than 5 Years	43,954	56,496	-	-
	<b>109,919</b>	<b>119,486</b>	-	-

**NOTE 17**

**Intangible Assets**

Group	Cost	Accumulated	Total
	\$000	Amortisation	\$000
<b>Group 2012</b>			
Opening	4,149	(3,741)	408
Additions	227	-	227
Disposals	(1,235)	1,235	-
Reclassification	20	-	20
Amortisation	-	(285)	(285)
<b>Closing balance</b>	<b>3,161</b>	<b>(2,791)</b>	<b>370</b>
<b>Group 2011</b>			
Opening	4,100	(3,459)	641
Additions	49	-	49
Amortisation	-	(282)	(282)
<b>Closing balance</b>	<b>4,149</b>	<b>(3,741)</b>	<b>408</b>

The amortisation expense is included in operating expenses in the Statement of comprehensive income (see Note 2).

**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**NOTE 18**

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

	Group		Parent	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Profit after tax before minority interest	64,737	88,853	(1,577)	(581)
Less Dividends declared	(2,254)	(1,205)	(2,254)	(1,204)
<b>Add/(Less) Non Cash Items:</b>				
Depreciation	19,758	9,393	-	-
Amortisation	285	282	-	-
Impairment of fixed assets	817	-	-	-
(Gain)/loss on sale of property, plant & equipment	748	(69)	-	-
Gain on fair value movement financial instruments	7,364	3,903	-	457
Revaluation movements	15,077	6,206	3,492	1,129
Impairment of investments	-	-	-	-
Equity accounted earnings from associate companies	(1,345)	(324)	-	-
Deferred tax liability	21,795	32,889	-	-
Deferred tax asset	-	-	-	-
(Increase)/decrease in value of investments	-	-	-	-
Bad debt expense	-	-	-	-
Change in provision for doubtful debt	17	47	-	-
<b>Add/(Less) Movements in Working Capital:</b>				
Accounts receivable	(33,034)	(2,884)	31	(4)
Accounts payable	28,647	1,571	(39)	41
Revenue in advance	-	-	-	-
Dividends receivable	-	-	(1,053)	65
Inventory	1,616	(9,280)	-	-
Borrowings	(18)	(198)	(3)	51
Taxation - refund	4,141	(101)	-	-
Financial Instruments	340	197	340	197
Greater Wellington Regional Council	1,475	1,209	-	-
Current account	-	-	(178)	(260)
Employee entitlements	592	295	-	-
Other movements	(13)	-	-	-
<b>Add/(Less) Items Classified as Investing and Financing Activities:</b>				
Dividends paid/payable	1,050	8	1,050	8
Shareholder Subvention payable	(102)	(99)	-	-
Increase/(decrease) in current accounts relating to financing activities	191	101	191	101
Accounts Payable related to Property, Plant & Equipment	(125,893)	(127,810)	-	-
Increase in Share Capital	9,256	13,346	-	-
Interest Capitalised	-	-	-	-
<b>Net Cash Inflows From Operating Activities</b>	<b>15,247</b>	<b>16,330</b>	<b>-</b>	<b>-</b>

**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**NOTE 19**

**Discontinued Operations**

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

On 9 September 2011, CentrePort executed an agreement with the Accident Compensation Corporation to sell an interest in three investment properties. The properties were transferred into three investment vehicles wholly owned by the Group on 9 September 2011. Subsequently the Directors elected to early adopt NZ IFRS 10 Consolidated Financial Statements and as a result the three investment vehicles are accounted for as joint ventures using the equity method of accounting (refer Notes 1 Critical Accounting Estimates and Judgments and Basis of Consolidation). Accordingly, the discontinued operations relate to all revenue earned and expenses incurred in relation to these assets prior to execution date. The 2011 Group comparatives have been restated to comply with this treatment.

<b>Profit for the Year from Discontinued Operations</b>	<b>2012</b>	<b>2011</b>
	<b>\$000</b>	<b>\$000</b>
Rental and Associated Income	2,950	13,858
Operating Expenses:		
Utilities	23	218
Insurance & Rates	506	1,692
Other Operating Expenses	95	151
Total Operating Expenses	624	2,061
Interest expense	1,821	9,096
Interest capitalised	-	(427)
	1,821	8,669
(Decrease) / Increase in the Value of Assets Held for Sale	-	(1,114)
Profit / (Loss) Before Tax	505	2,014
Attributable Income Tax Expense / (Benefit)	141	939
<b>Profit / (Loss) for the Year from Discontinued Operations, Net of Tax</b>	<b>364</b>	<b>1,075</b>

**Cash Flows from Discontinued Operations**

Cash Flows from Operating Activities	506	3,129
Cash Flows from Investing Activities	-	(2,645)
Cash Flows from Financing Activities	-	2,645
Net Cash Flows	506	3,129

**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**NOTE 20**

**Related Parties**

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

	Group		Parent	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Greater Wellington Regional Council</b>				
Interest income on inter company current accounts	90	88	(21)	(19)
Rental income received	(1,673)	(1,672)	-	-
Proposed dividend	(2,254)	(1,204)	(2,254)	(1,204)
Payment for management fees	(355)	(352)	(57)	(57)
Payment for rent and services, CentrePort	119	107	-	-
Payment for use of navigational facilities, and guarantee of CentrePort borrowings	(1,100)	(1,054)	-	-
<b>WRC Holdings Subsidiaries</b>				
Dividend income from Port Investments Ltd and Pringle House Ltd	-	-	2,390	1,337
Interest income on Port Investments Ltd advance	-	-	1,777	1,934
<b>CentrePac Ltd</b>				
Income received from rent and services performed.	447	371	-	-
Payment received for payroll and support services	(2)	(19)	-	-
<b>Transport Systems 2000 Ltd</b>				
Income received from rent and services performed	1,227	1,134	-	-
Payment received for payroll and support services	-	70	-	-
Payment for services performed	(56)	(43)	-	-
<b>Wellington Port Coldstore Limited</b>				
Income received from rent and services performed.	178	170	-	-
Contribution to plant development	-	-	-	-

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

During the year Subsidiary Companies charged no lease rentals to CentrePort Limited (2011: \$17.1 million). During the year the CentrePort Limited charged no management fee to a Subsidiary Company (2011: \$1.2 million).

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

At year-end the following outstanding balances with related parties were recorded as an asset / (liability):

	2012 \$000	2011 \$000
Greater Wellington Regional Council and Subsidiaries	(107)	(191)
CentrePac Limited	6	-
Transport Systems 2000 Limited	(3)	(2)
Harbour Quays A1 Limited	39	-
Harbour Quays D4 Limited	3	-
Harbour Quays F1F2 Limited	95	-

During the year Harbour Quays A1 Limited, Harbour Quays D4 Limited and Harbour Quays F1F2 Limited paid management fees and infrastructure charges of \$0.3m to CentrePort Property Management Limited.

The Group received dividends from CentrePort joint ventures of \$4.5 million as detailed in Note 9.

The Group has a tax loss share arrangement with the Wellington Regional Council and Subsidiaries that allows the Group to purchase tax losses. At balance date, CentrePort had an additional liability to the Wellington Regional Council and Subsidiaries for \$1 million for the purchase of tax losses.

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

	2012 \$000	2011 \$000
Short-term employee benefits	2,016	2,092
<b>Total Key Management Personnel Compensation</b>	<u>2,016</u>	<u>2,092</u>

**WRC HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**NOTE 21**

**Contingent Liabilities**

The following contingent liabilities existed at 30 June 2012:

**Parent Company**

The parent company has uncalled capital in Port Investments Ltd of \$10,000,100 (2011: \$10,000,100).

The parent company has uncalled capital in Greater Wellington Rail Ltd of \$2,039,640 composed of 22,170,000 \$1 shares unpaid to 9.20 cents and has reduced by 17.8 cents unpaid from 27.0 cents unpaid in 2011.

The parent company has uncalled capital in Greater Wellington Rail Ltd of 8,000,000 shares \$1 shares unpaid.

**Subsidiary Companies - CentrePort Ltd**

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

At balance date CentrePort Limited had contingent liabilities of \$750,000 being shares in Wellington Port Coldstore Limited subscribed but not paid (2011: \$750,000).

**Capital & Contractual Commitments**

The following capital commitments existed at 30 June 2012:

**Parent Company**

The parent company has no capital commitments (2011: Nil).

**Subsidiary Companies - CentrePort Ltd**

At balance date commitments in respect of contracts for capital expenditure are \$10.3 million for the Group and Parent (2011: \$1.1 million). This relates to wharves, pavements and the purchase of a tug (2011: wharf fender replacements).

**Subsidiary Companies - Pringle House Ltd**

There were \$45,000 in contractual commitments at balance date (30 June 2011: Nil).

**Subsidiary Companies - Greater Wellington Rail Ltd**

Estimated contractual commitments at balance date but not provided were \$70,410,000 (2011: \$150,996,000). This includes capital commitments of \$34,834,000 (2011: \$150,996,000).

**WRC HOLDINGS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012**

**NOTE 22**

**Subsequent Events**

CentrePort has declared a final dividend of \$850,000 post balance date (2011: \$700,000).

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.



**WRC HOLDINGS LIMITED**  
**STATEMENT OF COMPLIANCE AND RESPONSIBILITY**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**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 2012 fairly reflect the financial position and operations of the Company.

Director		September 25, 2012
Director		September 25, 2012
Chief Financial Officer		September 25, 2012

**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 2012**

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

We have audited:

- the financial statements of the company and group on pages 7 to 46, that comprise the statement of financial position as at 30 June 2012, 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 and 5.

**Opinion****Financial statements and statement of service performance**

In our opinion:

- the financial statements of the company and group on pages 7 to 46:
  - 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 2012; and
    - financial performance and cash flows for the year ended on that date; and
- the statement of service performance of the company and group on pages 4 and 5:
  - complies with generally accepted accounting practice in New Zealand; and
  - gives a true and fair view of the company's service performance achievements measured against the performance targets adopted for the year ended 30 June 2012.



## **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 25 September 2012. 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 would affect a reader's 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 also responsible for such internal control as it determines is necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error.

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

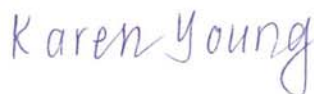
### **Responsibilities of the Auditor**

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 New Zealand Institute of Chartered Accountants.

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



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