WRC Holdings Limited
Financial Statements
for the year ended 30 June 2016

Contents

Directory

Directors	Appointed	Resigned
P M Lamason (Chair)	23 November 2010	
S H Sharif (Deputy Chair)	19 August 2015	
P Blades	01 May 2005	
B H Donaldson	11 December 2013	
P D Swain	11 December 2013	9 March 2016
F H Wilde	14 November 2007	6 March 2016
N Wilson	03 May 2016	
C R Laidlaw	03 May 2016	

Registered office

Shed 39, 2 Fryatt Quay,
Pipitea, Wellington 6011

Auditor

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

Bankers

ANZ Bank New Zealand Ltd

The Directors have pleasure in submitting their Annual Report including the financial statements of WRC Holdings Ltd and its subsidiaries (the Group) for the year ended 30 June 2016.

Principal Activities

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

The Group's primary objectives

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

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

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

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

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

The financial objectives of the Group shall be to:

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 regulatory compliance

Liaise with and communicate to stakeholders of CentrePort's environmental and sustainable performance.

Develop a culture of awareness and responsibility

The social objectives of the Group shall be to:

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

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

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

The WRC Holdings Group met all its objectives as set out in the 2015/16 SOI and Wellington Regional Council's 10 year plan 2015-2025 .

The nature and scope of activities undertaken by the group are consistent with those set in the 2015/16 Statement of Intent and Wellington Regional Council's LTP.

Contribute to the desired outcome of the Wellington Regional Strategy.

Statement of Service Performance

FINANCIAL PERFORMANCE TARGETS

Financial Results compared with Statement of Intent (SOI) Targets:

	Actual 2016 $'000	**Target 2016 $'000**	Actual 2015 $'000
Net (deficit) / surplus before tax	**(5,039)**	**586**	(2,421)
Net (deficit) / surplus after tax	**(17,365)**	**2,170**	720
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**26,933**	**32,955**	29,682
Return on total assets	**0.46%**	**1.40%**	1.16%
Return on Shareholder's equity	**(4.10)%**	**(0.30)%**	0.20%
Shareholders equity to total assets	**56.30%**	**58.90%**	56.00%
Dividends	**3,578**	**2,557**	2,360
WRC Holdings - Parent			
Dividend distribution	**3,578**	**2,557**	2,360
Dividend distribution %	**70.0%**	**100%**	106%
Return on equity (1)	**3.55%**	**1.60%**	2.94%
Return on assets (2)	**3.41%**	**2.20%**	3.35%

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

The above 2016 financial results are calculated on the same basis as previous year.

Net (deficit) / surplus before tax

The Group posted a net deficit before tax of $5.04 million (2015: Deficit of $2.42 million) compared to a budget surplus before tax of $0.586 for the year.

The variance to budget is predominately due to the under-budgeted loss in inventory adjustment and depreciation expense in Greater Wellington Rail Limited..

Net (deficit) / surplus after tax

The net deficit after tax was $17.365 million (2015: Surplus of $0.720 million), compared to a budget surplus after tax of $2.170 million.

The variance is impacted, as in the Net deficit before tax section above and unbudgeted deferred tax expenses in Greater Wellington Rail Limited.

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

EBITDA was $26.933 million (2015: $29.7 million) compared to a budget of $33 million.

The variance to budget is largely due to the under-budgeted loss in inventory adjustment in Greater Wellington Rail Limited.

Return on total assets

This target is calculated as earnings before interest and tax (EBIT) and expressed as a percentage of average total assets. As at 30 June 2016, return on total assets was 0.46% (2015: 1.16%).

The variance to target is predominately due to lower EBIT.

Return on shareholder's equity

This target is calculated as net surplus after tax (after deduction of minority interest) as a percentage of average shareholder equity (excluding minority interest). As at 30 June 2016, the return on shareholders' equity was -4.1% (2015: 0.2%).

The variance to target is predominately due to lower net deficit after tax.

Shareholder's equity to total assets

This target is expressed as a percentage calculated on average shareholders' equity (excluding minority interest) over the average of total assets. As at 30 June 2016, the shareholders' equity to total assets was 56.3% (2015: 56.0%).

The variance to target is predominately due to the lower net profit after tax

Dividends paid (or payable to the shareholders)

A dividend of $3.6 million was paid to the shareholders during the year (2015: $2.3 million).

ENVIRONMENT PERFORMANCE TARGETS

Planned Target

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

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

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

Ensure regulatory compliance.

Actual Performance

The Group has complied with all of its resource consents.

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

CentrePort has achieved its environmental targets as set down in its Statement of Intent 2015/16 as reported in the Financial Statements of Port Investments Limited for the year ended 30 June 2015 except 6 complaints received relating to ship noise.

SOCIAL PERFORMANCE TARGETS

Planned Target - WRC Holdings Group

To provide a safe and health workplace

To help sustain the economy of the region

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

Actual Performance

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

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

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

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

CentrePort has achieved its social performance targets as set down in its statement of intent 2015/16 as reported in the financial statements of Port Investments Limited for the year ended 30 June 2016.

OTHER PERFORMANCE TARGETS - WRC Holdings Parent

Planned Target

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

Actual Performance

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

The Group's non-financial performance criteria contained in the statement of intent for the 2015/16 year, and results are summarised.

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

Directors Information

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

P M Lamason (Chair)
S H Sharif (Deputy Chair)
P Blades
B H Donaldson
P D Swain (Resigned)
F H Wilde (Resigned)
C R Laidlaw
N Wilson

Remuneration of Directors of the Parent Company

Details of Directors' remuneration are as follows:

	2016 $000
P M Lamason (Chair)	**1**
S H Sharif (Deputy Chair)	**4**
P Blades	**5**
B H Donaldson	**-**
P D Swain (Resigned)	**-**
F H Wilde (Resigned)	**-**
N Wilson	**-**
C R Laidlaw	**-**
	10

Entries in the Interests Register

Disclosure of interests by Directors for the year ended 30 June 2016:

P M Lamason (Chair)
Councillor of Wellington Regional Council

S H Sharif (Deputy)

B H Donaldson
Councillor of Wellington Regional Council

P D Swain
Councillor of Wellington Regional Council

C R Laidlaw
Chair of Wellington Regional Council

N Wilson
Councillor of Wellington Regional Council

Directors' Interest Register

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

Directors’ Insurance

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

Directors’ Use of Company Information

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

Remuneration of Employees

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

	Number of current employees
$100,001 - $110,000	**8**
$110,001 - $120,000	**8**
$120,001 - $130,000	**18**
$130,001 - $140,000	**4**
$140,001 - $150,000	**5**
$150,001 - $160,000	**3**
$160,001 - $170,000	**2**
$170,001 - $180,000	**1**
$180,001 - $190,000	**-**
$190,001 - $200,000	**-**
$200,001 - $210,000	**6**
$210,001 - $220,000	**1**
$290,001 - $300,000	**1**
$300,001 - $310,000	**1**
$310,001 - $320,000	**1**
$330,001 - $340,000	**1**
$350,001 - $360,000	**1**
$490,001 - $500,000	**1**
	62

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

For, and on behalf of, the Board of Directors

Director

27 September 2016

Director

27 September 2016

WRC Holdings Limited
Statement of Comprehensive Revenue and Expense
For the year ended 30 June 2016

	Notes	Group 2016 $'000	Group 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
REVENUE					
Operating revenue		**94,646**	88,344	**6,645**	4,294
Share of associate profit accounted for using the equity method		**13,315**	7,564	**-**	-
Total revenue	3	**107,961**	95,908	**6,645**	4,294
Earthquake costs and gain / (loss) in fair value movements:					
Fair value of investment property - Pringle House		**-**	1,960	**-**	-
Fair value of investment properties - CentrePort		**2,801**	2,557	**-**	-
Fair value of financial instruments - CentrePort		**(7,639)**	(4,946)	**-**	-
Fair value of financial instruments - WRC Holdings		**26**	(100)	**26**	(100)
EXPENDITURE					
Expenses, excluding finance costs	3	**(99,769)**	(87,610)	**(152)**	(122)
Finance costs	3	**(8,419)**	(10,190)	**(1,410)**	(1,838)
(Deficit) / surplus before taxation and subvention payment		**(5,039)**	(2,421)	**5,109**	2,234
Income tax benefit / (expense)	4	**(12,326)**	3,141	**-**	-
Profit from continuing operations		**(17,365)**	720	**5,109**	2,234
Net (deficit) / surplus after tax for the year		**(17,365)**	720	**5,109**	2,234
Other comprehensive revenue and expenditure					
Increase/(Decrease) in value of CentrePort port land after tax		**-**	(355)	**-**	-
Revaluation gain/(loss) on GWRL transport infrastructure assets after tax		**(19)**	-	**-**	-
Other comprehensive income for the year, net of tax		**(19)**	(355)	**-**	-
Total comprehensive income for the year		**(17,384)**	365	**5,109**	2,234
Total comprehensive revenue and expenditure for the year is attributable to:					
Owner of WRC Holdings Limited		**(21,518)**	(2,791)		
Non-controlling interest		**4,134**	3,156		
		(17,384)	365		

The accompanying notes form part of these financial statements.

WRC Holdings Limited
Statement of Changes in Equity
For the year ended 30 June 2016

		Group		Parent	
	Notes	**2016 $'000**	2015 $'000	**2016 $'000**	2015 $'000
Net (deficit) / surplus after tax for the year		**(17,365)**	720	**5,109**	2,234
Increase/(decrease) in asset revaluation reserves attributable to:					
Equity holders of the group		**(19)**	(274)	**-**	-
Non-controlling interests	18	**-**	(81)	**-**	-
Total comprehensive income for the year, net of tax		**(17,384)**	365	**5,109**	2,234
Other movements					
Dividends attributable to:					
Equity holders of the parent		**(3,578)**	(2,360)	**(3,578)**	(2,360)
Non-controlling interests	18	**(1,571)**	(1,583)	**-**	-
Prior period adjustment		**-**	-	**-**	-
Shares issued during the year	17	**110,929**	23,440	**110,929**	23,440
Total comprehensive income / (loss) for the year after dividends		**88,396**	19,862	**112,460**	23,314
Equity at beginning of the year					
Parent shareholders' interest		**375,931**	357,644	**87,519**	64,203
Non-controlling interest		**46,616**	45,042	**-**	-
		422,547	402,686	**87,519**	64,203
Equity at end of the year, comprising					
Parent shareholders' interest		**461,764**	375,931	**199,980**	87,519
Non-controlling interest	18	**49,180**	46,616	**-**	-
		510,944	422,547	**199,980**	87,519

The accompanying notes form part of these financial statements.

WRC Holdings Limited
Statement of Financial Position
As at 30 June 2016

		Group		Parent	
	Notes	**2016 $'000**	2015 $'000	**2016 $'000**	2015 $'000
ASSETS					
Current assets					
Cash and cash equivalents		**993**	888	**4**	4
Trade and other receivables	5	**15,670**	9,191	**3,764**	2,595
Inventories		**13,403**	13,055	**-**	-
Current tax receivables		**621**	226	**-**	-
Current account - Greater Wellington Regional Council		**9,781**	8,653	**2,953**	-
Investment Property		**-**	3,600	**-**	-
Current account - Port Investments Limited		**-**	-	**297**	183
Current account - Pringle House Limited		**-**	-	**-**	1,997
Total current assets		**40,468**	35,613	**7,018**	4,779
Non-current assets					
Property, plant and equipment	6	**602,630**	494,294	**-**	-
Intangible assets	7	**3,047**	3,067	**-**	-
Investments in subsidiaries	8	**-**	-	**240,673**	129,743
Investments in joint venture	9	**90,990**	83,728	**-**	-
Investment properties	10	**47,932**	50,384	**-**	-
Deferred tax assets	11	**11,743**	4,077	**-**	-
Total non-current assets		**756,342**	635,550	**240,673**	129,743
Total assets		**796,810**	671,163	**247,691**	134,522
LIABILITIES					
Current liabilities					
Trade and other payables		**10,822**	8,361	**83**	139
Interest bearing liabilities	12	**876**	1,009	**-**	-
Provisions for employee entitlements	13	**3,140**	3,486	**-**	-
Current account - Greater Wellington Regional Council		**8,427**	457	**-**	457
Derivatives	20	**36**	410	**-**	26
Dividend payable	14	**3,578**	2,360	**3,578**	2,360
Other liabilities		**-**	360	**-**	-
Total current liabilities		**26,879**	16,443	**3,661**	2,982
Non-current liabilities					
Interest bearing liabilities	15	**146,050**	146,021	**44,050**	44,021
Provision for employee entitlements	16	**906**	276	**-**	-
Derivatives	20	**19,073**	11,086	**-**	-
Deferred tax liabilities	11	**92,958**	74,790	**-**	-
Total non-current liabilities		**258,987**	232,173	**44,050**	44,021
Total liabilities		**285,866**	248,616	**47,711**	47,003
Net assets		**510,944**	422,547	**199,980**	87,519
EQUITY					
Contributed equity	17	**231,215**	120,285	**231,215**	120,285
Reserves		**53,169**	53,189	**-**	-
Retained earnings		**177,380**	202,457	**(31,235)**	(32,766)
Non-controlling interest	18	**49,180**	46,616	**-**	-
Total equity		**510,944**	422,547	**199,980**	87,519

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

Director
27 September 2016

Director
27 September 2016

The accompanying notes form part of these financial statements.

WRC Holdings Limited
Statement of Cash Flows
For the year ended 30 June 2016

	Notes	Group 2016 $'000	Group 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from customers		**74,912**	70,105	**-**	-
Dividend income received		**5,778**	4,015	**3,978**	-
Interest income received		**125**	45	**1,499**	1,885
Income tax transfer receipts from group companies		**405**	140	**-**	-
		81,220	74,305	**5,477**	1,885
Cash was disbursed to:					
Payments to suppliers and employees		**(52,852)**	(48,155)	**-**	-
Subvention payments to Greater Wellington Regional Council		**-**	-	**-**	-
Income taxation paid		**(2,617)**	(760)	**-**	-
Interest expense paid		**(8,304)**	(9,749)	**(1,411)**	(1,838)
NET CASH FLOWS FROM OPERATING ACTIVITIES	19	**17,447**	15,641	**4,066**	47
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Proceeds from Sale of Investment Property		**-**	10,092	**-**	-
Proceeds from sale of property, plant and equipment		**-**	1,390	**-**	-
Cash was applied to:					
Purchase of property, plant and equipment		**(11,640)**	(11,237)	**-**	-
Development of investment properties		**(311)**	-	**-**	-
Subsidiary company shares		**-**	-	**(110,930)**	(23,440)
Purchase of intangible assets		**-**	-	**-**	-
Acquisition of subsidiary		**(355)**	(11)	**-**	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(12,306)**	234	**(110,930)**	(23,440)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided rom:					
Proceeds from borrowings		**29**	(12,074)	**29**	(74)
Issue of ordinary shares		**110,930**	-	**110,930**	23,440
Movement in current account - Greater Wellington Regional Council		**-**	-	**-**	-
Cash was applied to:					
Movement in current account - Greater Wellington Regional Council		**(112,593)**	(3,526)	**(1,735)**	27
Dividends paid to shareholders of the company		**(3,929)**	(1,582)	**(2,360)**	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(5,563)**	(17,182)	**106,864**	23,393
Net increase / (decrease) in cash, cash equivalents & bank overdraft at year end		**(422)**	(1,307)	**-**	-
Add opening cash, cash equivalents / (overdraft) brought forward		**888**	2,195	**4**	4
Acquisition of subsidiary		**527**	-	**-**	-
CASH, CASH EQUIVALENTS & BANK OVERDRAFT AT YEAR END		**993**	888	**4**	4

The accompanying notes form part of these financial statements.

1 Statement of compliance

The "Group" consists of WRC Holdings Limited, its wholly owned subsidiaries, Port Investments Limited, Greater Wellington Rail Limited, and its 76.9% subsidiary CentrePort Limited, together with its subsidiaries, as disclosed in note 9. WRC Holdings principal address is 2 Fryatt Quay, Wellington, New Zealand.

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

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

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

These financial statements are the first financial statements presented in accordance with the new PBE accounting standards. The material adjustments arising on transition to the PBE accounting standards are explained in Note 2.

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

2 Statement of accounting policies

(a) Basis of preparation

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

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

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

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements with those used at 30 June 2015.

Specific accounting policies

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

(b) Critical accounting estimates and judgements

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Property, plant and equipment and investment property

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

Investment property was revalued to fair value as at 30 June 2016. Refer to note 11 for disclosure of the valuation and methodology.

2 Statement of accounting policies (continued)

The Board and management have undertaken a process to determine what constitutes investment property and what constitutes property, plant & equipment. There is an element of judgement in this. There is a developed port plan, and those items of land that are considered integral to the operations of the port have been included in operational port land. Land held specifically for capital appreciation or to derive rental income have been classified as investment property.

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

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.

Capital Work in Progress

This includes capital projects requiring resource consent to proceed. The Board and management regularly review these projects to determine whether the assumptions supporting the project proceeding continue to be valid. The Capital Works in Progress balance is carried forward on the basis the projects have been deterined they will proceed.

(c) Basis of consolidation

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

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

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

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

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

Other facts that must also be considered include:

• potential voting rights held by the Company, other vote holders or other parties;
• rights arising from other contractual arrangements; and

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

2 Statement of accounting policies (continued)

Consolidation of a subsidiary begins when the Parent obtains control over the subsidiary and ceases when the Parent loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Parent gains control until the date when the Parent ceased to control the subsidiary (refer to note 9).

Interests in joint ventures

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

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

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

The requirements of IPSAS 26 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 IPSAS 26 Impairment of Cash Generating 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 IPSAS 26 to the extent that the recoverable amount of the investment subsequently increases.

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

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

(d) Statement of cash flow

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

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

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

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

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

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

(e) Revenue recognition

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

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

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

2 Statement of accounting policies (continued)

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

(f) Property, plant and equipment

The Group has eight classes of property, plant and equipment

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

Operational port freehold land is stated at valuation determined every three years by an independent registered valuer. This class of asset was revalued at 31 December 2013. The basis of valuation is fair value which is determined by reference to the assets highest and best use as determined by an independent valuer.

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

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

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

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

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

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

(g) Investment properties

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

2 Statement of accounting policies (continued)

The Group has three classes of investment properties:

Developed investment properties
Land available for development
Investment property under development

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

(h) Leases

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

Consolidated entity as lessee:

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

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

Lease incentive

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

(i) Assets held for sale

Assets are classified as held for sale if it is intended that their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(j) Intangibles assets

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

(k) Impairment of assets

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

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

Cash generating assets are assets that are held with the primary objective of generating a commercial return. Non cash generating assets are assets other than cash generating assets.

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.

2 Statement of accounting policies (continued)

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

(l) Borrowing costs

All borrowing costs are recognised as an expense in the period in which they are incurred in accordance with IPSAS 5.

(m) Investments in subsidiaries and associates

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

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

(n) Cash and cash equivalents

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

(o) Inventories

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

(p) Income tax

Current tax

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

Deferred tax

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

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

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

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

2 Statement of accounting policies (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax for the period

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

2 Statement of accounting policies (continued)

(q) Goods and services tax (GST)

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

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

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

(r) Provision for employee entitlements

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

(s) Provisions

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

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

(t) Provision for dividends

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

(u) Financial instruments

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

Financial assets

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

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

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

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

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

2 Statement of accounting policies (continued)

(ii) Loans and receivables

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

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

Financial liabilities

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

Trade and other Payables

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

Borrowings

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

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

Offsetting financial instruments

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

(v) Derivative financial instruments classified at fair value through the statement of comprehensive income

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

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

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

(w) Foreign currency transactions

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

(x) Standards, amendments, and interpretations effective in the current period

Management has reviewed the Standards and Interpretations that became mandatory in the current year, and has determined that they have no material effect on the results and position of the Group.

3 Operating surplus / (deficit) before subvention and taxation

	Group		**Parent**	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Rental income (exchange revenue)	**9,080**	7,722	**-**	-
CentrePort income (exchange revenue)	**70,900**	64,346	**-**	-
Interest (exchange revenue)	**259**	202	**1,437**	1,833
Dividend income (exchange revenue)	**-**	-	**5,208**	2,461
Operational grants from GWRC (non-exchange revenue)	**12,999**	14,953	**-**	-
Other (exchange revenue)	**128**	10	**-**	-
Gain on sale of fixed assets (exchange revenue)	**1,280**	1,111	**-**	-
Share of profit of investments using the equity method (including earthquake costs and fair value adjustments)	**13,315**	7,564	**-**	-
	107,961	95,908	**6,645**	4,294
Fair value (loss) / gain on investment properties:				
Pringle House Limited	**-**	1,960	**-**	-
CentrePort Limited	**2,801**	2,557	**-**	-
Fair value gain on financial instruments:				
CentrePort Limited	**(7,639)**	(4,946)	**-**	-
WRC Holdings Limited	**26**	(100)	**26**	(100)
	(4,812)	(529)	**26**	(100)
Expenses, excluding finance costs				
Amortisation	**182**	179	**-**	-
Personnel	**22,024**	19,963	**-**	-
Depreciation	**23,371**	21,734	**-**	-
Management fees	**123**	158	**67**	59
Other services provided by audit	**15**	-	**-**	-
Audit fees	**140**	165	**19**	23
Directors fees and expenses	**484**	388	**10**	6
Contractors and consultants	**1,132**	1,513	**-**	-
Repairs and maintenance	**13,214**	14,324	**-**	-
Rates and insurance	**5,070**	5,492	**6**	5
Other operating expenses	**25,362**	20,528	**5**	4
Rental and lease expenses	**2,678**	2,379	**-**	-
Legal fees	**518**	455	**24**	5
Tax services	**85**	67	**21**	20
Loss on sale of assets	**222**	238	**-**	-
Stock and other impairment	**5,149**	27	**-**	-
	99,769	87,610	**152**	122
Finance costs				
Interest expense	**8,419**	10,190	**1,410**	1,838
Net finance costs	**8,419**	10,190	**1,410**	1,838
Operating surplus before subvention and taxation	**(5,039)**	(2,421)	**5,109**	2,234

4 Taxation

	Group		Parent	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
(a) Income tax recognised in profit or loss				
Tax expense / (benefit) comprises:				
Current tax expense / (income)	**1,824**	(197)	**-**	-
Deferred tax (income) / expense relating to the origination and reversal of temporary differences	**10,502**	(2,944)	**-**	-
Tax loss recognised	**-**	-	**-**	-
Total Tax (benefit) / expense	**12,326**	(3,141)	**-**	-
Tax (benefit) / expense is attributable to:				
Continuing operations	**12,326**	(3,141)	**-**	-

	Group		Parent	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
(b) The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:				
(Deficit) / Surplus from operations	**(5,039)**	(2,421)	**5,109**	2,234
	(5,039)	(2,421)	**5,109**	2,234
Income tax (benefit) / expense calculated at 28%	**(1,411)**	(678)	**1,430**	626
Non-deductible expenses	**5,164**	4,444	**3**	-
Non-assessable income	**(7,765)**	(6,315)	**(1,458)**	(689)
Land and buildings reclassification	**-**	-	**-**	-
(Increase) / decrease in value of developed investment property land	**(784)**	(1,265)	**-**	-
Non-assessable increase / (decrease) in value of land for development	**-**	-	**-**	-
Tax effect of imputation credits	**-**	-	**-**	-
Temporary differences	**17,030**	1,888	**-**	-
Permanent differences	**(130)**	(1,313)	**-**	-
Tax loss offsets from or subventions paid to Group companies	**-**	40	**-**	-
Unused tax losses and tax offsets not recognised	**-**	-	**25**	63
	12,104	(3,199)	**-**	-
(Over) / under provision of income tax in previous period	**222**	58	**-**	-
Income tax expense	**12,326**	(3,141)	**-**	-
(c) Imputation credit account balances				
Balance at end of the period	**13,625**	13,202	**508**	464

(d) Tax losses not recognised

WRC Holdings have unrecognised tax losses of $316,551 (2015: $227,256) available to be carried forward and to be offset against taxable income in the future. The tax effect of these losses at 28% is $88,634 (2015: $63,632)

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

5 Exchange trade & other receivables

	Group		Parent	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Net trade receivables				
Trade receivables	**7,562**	8,314	**-**	-
Provision for doubtful debts	**(2)**	-	**-**	-
	7,560	8,314	**-**	-
Dividends receivable	**-**	-	**3,691**	2,461
Net other receivables				
Other receivables	**365**	375	**1**	-
Receivable on sale of property	**7,100**	-	**-**	-
	7,465	375	**1**	-
Prepayments	**645**	468	**23**	23
Interest receivable	**-**	34	**49**	111
	15,670	9,191	**3,764**	2,595

Provision for doubtful debts

	Group		Parent	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Opening balance	**-**	-	**-**	-
Amounts written off during the year	**(3)**	(14)	**-**	-
Amounts recovered during the year	**5**	-	**-**	-
Increased in allowance recognised in statement of comprehensive income	**-**	14	**-**	-
Closing balance	**2**	-	**-**	-

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

Included in trade receivables are debtors with a carrying amount of $1.317 million (note 20) which are past due at 30 June 2016 (2015: $1.136million). CentrePort believes that the amounts (net of doubtful debt provision) are recoverable.

There are no debtor balances at year end related to any company in receivership or liquidation. Amounts written off during the year represent 0.003% (2015: 0.03%) of income.

6 Property, plant and equipment

Group	Operational port freehold land	Buildings	Wharves and paving	Cranes and floating equipment	Plant, vehicles and equipment	Work in progress	Rail rolling stock	Transport infrastructure	Total
Year ended 30 June 2015									
Opening net book amount	77,597	14,071	44,951	30,081	6,292	34,811	224,973	54,784	487,560
Additions	-	2	-	-	37	28,560	535	4,826	33,960
Transfers	6,185	1,083	4,982	11	3,674	(21,221)	362	4,923	(1)
Disposals / written off	-	-	-	(1,329)	(48)	-	-	(238)	(1,615)
Reclassification	(3,668)	(40)	(782)	76	(184)	-	-	-	(4,598)
Revaluation	(870)	-	-	-	-	-	-	-	(870)
Impairment	515	(849)	849	-	-	-	-	-	515
Transfers to assets held for sale	-	-	-	-	-	-	-	-	-
Depreciation charge	-	(826)	(2,729)	(1,983)	(796)	-	(12,415)	(2,985)	(21,734)
Writedown of assets damaged by earthquake	-	-	(7)	1,085	(1)	-	-	-	1,077
Closing net book amount	79,759	13,441	47,264	27,941	8,974	42,150	213,455	61,310	494,294
At 30 June 2015									
Cost	79,759	27,046	93,919	44,017	19,686	42,150	225,871	57,304	589,752
Valuation	-	-	-	-	-	-	-	6,977	6,977
Accumulated depreciation	-	(13,605)	(46,655)	(16,076)	(10,712)	-	(12,416)	(2,971)	(102,435)
Net book amount	79,759	13,441	47,264	27,941	8,974	42,150	213,455	61,310	494,294

6 Property, plant and equipment (continued)

Group	Operational port freehold land $'000	Buildings $'000	Wharves and paving $'000	Cranes and floating equipment $'000	Plant, vehicles and equipment $'000	Work in progress $'000	Rail rolling stock $'000	Transport infrastructure $'000	Total $'000
Year ended 30 June 2016									
Opening net book amount	79,759	13,441	47,264	27,941	8,974	42,150	213,455	61,310	494,294
Additions	-	-	-	-	32	42,577	84,131	5,411	132,151
Transfers	82	197	3,599	2,488	715	(36,915)	27,643	2,126	(65)
Disposals / written off	-	-	-	-	-	-	-	(242)	(242)
Reclassification	81	-	-	2,237	(2,237)	-	-	-	81
Revaluation gain / (loss)	-	-	-	-	-	-	-	-	-
Impairment	-	-	(218)	-	-	-	-	-	(218)
Depreciation charge	-	(822)	(2,710)	(2,494)	(743)	-	(12,972)	(3,630)	(23,371)
Loss on disposal	-	-	-	-	-	-	-	-	-
Depreciation transfers	-	-	-	-	-	-	-	-	-
Closing net book amount	79,922	12,816	47,935	30,172	6,741	47,812	312,257	64,975	602,630
At 30 June 2016									
Cost	79,922	27,243	97,300	48,742	18,197	47,812	342,386	64,586	726,188
Valuation	-	-	-	-	-	-	(4,923)	6,957	2,034
Accumulated depreciation	-	(14,427)	(49,365)	(18,570)	(11,456)	-	(25,206)	(6,568)	(125,592)
Net book amount	79,922	12,816	47,935	30,172	6,741	47,812	312,257	64,975	602,630

6 Property, plant and equipment (continued)

(a) Borrowing costs capitalised

During the year no borrowing costs were capitalised (2015: Nil).

CentrePort

Operational port land is measured at fair value. Additions subsequent to the valuation are recorded at cost. All other property, plant & equipment is carried at cost less accumulated depreciation and any allowance for impairment.

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

The notional carrying amount that would have been recognised had operational port land been carried under the cost model would be $17.266 million (2015: $20.853 million) for both the Group and Parent Company.

Valuation approach

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

The fair value of operational port land is determined with reference to a fair value hierarchy of inputs as described below. This hierarchy reflects the significance of the inputs used in making the measurements.
- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

(i) Valuation approach - operational port freehold land

Each freehold parcel of land is valued on a rate per square metre basis using the direct sales comparison approach. In carrying out this comparison, consideration is given to:
- sales of land or development sites within the wider Wellington region
- size, shape, location and access to services
- road frontage , exposure to vehicles
- allowable height and density of use.

6 Property, plant and equipment (continued)

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

Freehold land	Fair value $'000	Valuation approach	Key valuation assumptions	Valuation impact
Industrial Zoned	$67,266	Comparison to sales of industrial land in similar locations	Weighted average land value $90 - $550 psm	+ / - 5% + / - $3.4m
Commercial Zoned	$4,651	Comparison to sales of commercially zoned land in similar locations	Weighted average land value $1,400 - $1,500 psm	+ / - 5% + / - $0.2m

(ii) Valuation approach - operational port leasehold land

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

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

Market rental is assessed using both the:

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

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

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

Leasehold land	Fair value $'000	Valuation approach	Key valuation assumptions	Valuation impact
Operational port land	$7,842	Capitalised market rental checked to comparable sales of freehold land	Capitalisation rates 7.0% - 7.5%	+ / - 0.025% + / - $0.6m

Greater Wellington Rail Limited (GWRL)

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

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

6 Property, plant and equipment (continued)

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

7 Intangible assets

Group	Goodwill $'000	Computer software $'000	Total $'000
Year ended 30 June 2015			
Opening net book amount	2,675	251	2,926
Additions	-	320	320
Amortisation charge	-	(179)	(179)
Closing net book amount	2,675	392	3,067
At 30 June 2015			
Cost	2,675	3,476	6,151
Accumulated amortisation and impairment	-	(3,084)	(3,084)
Net book amount	2,675	392	3,067

Group	Goodwill $'000	Computer software $'000	Total $'000
Year ended 30 June 2016			
Opening net book amount	2,675	392	3,067
Additions	15	160	175
Acquisition of subsidiary	-	-	-
Impairment charge	(15)	-	(15)
Amortisation	-	(180)	(180)
Closing net book amount	2,675	372	3,047
At 30 June 2016			
Cost	2,675	3,636	6,311
Accumulated amortisation and impairment	-	(3,264)	(3,264)
Net book amount	2,675	372	3,047

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

The goodwill premium paid of $15,000 for the cash generating unit acquired in 2016 has been impaired in 2016 as it has been assessed by the Board and management to have a nil value.

8 Investments in subsidiaries

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

Port Investments Limited	Investment management	New Zealand	**100.0**	100.0
Greater Wellington Rail Limited	Rail rolling stock owner	New Zealand	**100.0**	100.0
CentrePort Limited	Port operations	New Zealand	**76.9**	76.9
CentrePort Property Management Limited	Management Services	New Zealand	**76.9**	76.9
CentrePort Properties Limited	Investment in special purpose vehicle	New Zealand	**76.9**	76.9
Harbour Quays Property Limited	Investment in special purpose vehicle	New Zealand	**76.9**	76.9
Transport System 2000 Limited (TSL)	Storage, wash and repair of containers	New Zealand	**76.9**	76.9

8 Investments in subsidiaries (continued)

	Parent	
	2016	2015
	$'000	$'000
Port Investments Limited - advance	**44,000**	44,000
Greater Wellington Rail Limited	**196,673**	85,743
Total investments in subsidiary companies	**240,673**	129,743

9 Aggregate joint venture information

		Proportion of ownership interest/voting rights held by Group	
Name of entity	**Principal activities**	**2016**	**2015**
Harbour Quays A1 Limited *	Commercial rental property	**76.9%**	76.9%
Harbour Quays D4 Limited *	Commercial rental property	**76.9%**	76.9%
Harbour Quays F1F2 Limited *	Commercial rental property	**76.9%**	76.9%
Direct Connect Series Limited	Transport hubbing and logistics	**38.5%**	0%
Wellington Port Coldstore Limited *	Cold storage of produce	**38.5%**	38.5%

* All companies are incorporated and operate in New Zealand

	Group		Parent	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Carrying amount at beginning of year	**83,728**	80,179	**-**	-
Equity accounted earnings of joint ventures**	**13,315**	7,564	**-**	-
Dividends from joint ventures	**(5,778)**	(4,015)	**-**	-
Investment in Direct Connect Series Limited	**(300)**	-	**-**	-
Investments in Joint Ventures	**25**	-	**-**	-
Carrying amount at end of the year	**90,990**	83,728	**-**	-
Represented by:				
Harbour Quays A1 Limited***	**20,839**	16,824	**-**	-
Harbour Quays D4 Limited***	**16,793**	15,843	**-**	-
Harbour Quays F1F2 Limited***	**51,226**	48,868	**-**	-
Individually immaterial joint ventures	**2,132**	2,193	**-**	-
Carrying amount at end of the year	**90,990**	83,728	**-**	-

** The equity accounted earnings in joint ventures includes provisions for earthquake repairs less insurance claims net of tax of $363,000 income in 2016 (2015: $142,000 expense) arising from the earthquakes of 20 July 2013 and 16 August 2013

*** Refer to note 2 (b) Summary of significant accounting policies, critical accounting estimates and judgements, joint control of Harbour Quays special purpose vehicles

10 Investment properties

	Group		Parent	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Developed investment properties	**26,336**	26,548	**-**	-
Land available for development	**21,596**	23,836	**-**	-
	47,932	50,384	**-**	-

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.

CentrePort Limited Group (CentrePort)

CentrePort's investment properties are revalued every year. Investment properties were valued on 30 June 2016 by independent registered valuers of the firm Colliers International Limited.

The fair value of investment properties has been determined in accordance with Australia and New Zealand Valuation and Property Standards, in particular Valuation Guidance Note NZVGN 1 - Valuations for use in New Zealand Financial Reports and IVS 300 Valuations for Financail Reporting.

The fair value of the investment property at 30 June 2016 was $47.9 million (2015: $49.6 million).

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

Valuation approach

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

Freehold investment property

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

Leasehold investment property

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

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

Market rental is assessed using both the:

- Classic approach under which the valuer adjusts a basket of comparable rental settlements for a ground rental rate psm pa and multiplies by the land area leased, and the

- Traditional approach whereby the valuer assesses a market land value and applies a market based ground rental percentage against this value.

10 Investment properties (continued)

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

	Fair value $'000	Valuation approach	Key valuation assumptions	Valuation impact
Improved properties	$10,660	Capitalised rental checked to freehold land value	Market capitilisation rate of 8.625%	+ / - 0.25% + / - $0.3m
Leasehold land	$15,676	Capitalised rental checked to freehold land value	Lessee capitilisation rate of 6.75% - 7.50%	+ / - 0.25% +$.05m / - 0.6m
Total developed investment property	**$26,336**			
Development sites commercial	$21,596	Direct sales comparison	Weighted average land value $450 - $2,000 psm (excl common areas), less allowance for infrastructure costs.	+ / - 0.5% + / - $1.1m
Total land available for development	**$21,596**			

10 Investment properties (continued)

	Group		Parent	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Developed investment properties brought forward	**26,598**	28,287	**-**	-
Additions / (disposals)	**-**	-	**-**	-
Transfer from / (to) property under development	**-**	-	**-**	-
Transfer from / (to) land available for development	**37**	(1,080)	**-**	-
Fair value loss on revaluation	**(249)**	(659)	**-**	-
Developed investment properties carried forward	**26,386**	26,548	**-**	-
Land available for development brought forward	**23,836**	24,871	**-**	-
Additions / (disposals)	**(5,116)**	(9,929)	**-**	-
Transfer from / (to) developed investment property	**(37)**	1,080	**-**	-
Transfer from / (to) property under development	**-**	4,598	**-**	-
Transfer to Port Land	**(81)**	-	**-**	-
Depreciation of Infrastructure	**(63)**	-	**-**	-
Net change in the value of land available for development	**3,057**	3,216	**-**	-
Land available for development carried forward	**21,596**	23,836	**-**	-
	47,982	50,384	**-**	-

11 Deferred tax

	Group 2016 $'000	Group 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
The balance comprises temporary differences attributable to:				
Tax losses	**5,374**	4,077	**-**	-
Temporary differences	**(86,589)**	(74,790)	**-**	-
Net Deferred Tax	**(81,215)**	(70,713)	**-**	-

	Group 2016 $'000	Group 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
Unrecognised deferred tax balances				
Tax losses	**-**	-	**(89)**	(64)
Unused tax credits	**-**	-	**-**	-
Temporary differences	**-**	-	**(3)**	(3)
	-	-	**(92)**	(67)

Movements - Group	**Investment properties $'000**	**Property, plant and equipment $'000**	**Trade and other payables $'000**	**Other financial liabilities $'000**	**Tax losses $'000**	**Total $'000**
At 1 July 2014	(187)	(79,647)	997	1,826	3,354	(73,657)
Charged to income	(369)	1,201	4	1,385	723	2,944
At 30 June 2015	(556)	(78,446)	1,001	3,211	4,077	(70,713)

Movements - Group	**Investment properties $'000**	**Property, plant and equipment $'000**	**Trade and other payables $'000**	**Other financial liabilities $'000**	**Tax losses $'000**	**Total $'000**
At 1 July 2015	(556)	(78,446)	1,001	3,211	4,077	(70,713)
Charged to income	(422)	(13,534)	18	2,139	1,297	(10,502)
Change in tax rate	-	-	-	-	-	-
At 30 June 2016	(978)	(91,980)	1,019	5,350	5,374	(81,215)

12 Current - Interest bearing liabilities

	Group 2016 $'000	Group 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
Interest bearing liabilities				
Bank borrowings (accrued interest)	**876**	1,009	**-**	-
Total current interest bearing borrowings	**876**	1,009	**-**	-

13 Current - Provision for employee entitlements

	Group		Parent	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Employee benefits	**3,140**	3,486	**-**	-

14 Dividends payable

	Group		Parent	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
(a) Ordinary shares				
Dividend payable to Wellington Regional Council	**3,578**	2,360	**3,578**	2,360
Total dividends payable	**3,578**	2,360	**3,578**	2,360

A final dividend of $0.7 million (2015: $0.7 million) has been declared post balance date by CentrePort Limited.

15 Non-current - Interest bearing liabilities

	Group		Parent	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Bank borrowings	**146,050**	146,021	**44,050**	44,021
Total non-current interest bearing liabilities	**146,050**	146,021	**44,050**	44,021

The Parent has $44.3 million of commercial paper on issue which is supported by a $44 million bank facility with the Commonwealth Bank of Australia Limited. The debt is secured by $50,000,000 of uncalled shares in favour of Wellington Regional Council. The security is maintained by Trustee Executors. The interest rate charged as at 30 June 2016 was 2.38% p.a. (2015: 3.64% p.a.).

On 18 December 2014 CentrePort Limited entered into new revolving cash advance agreements with ANZ Bank New Zealand Limited, Commonwealth Bank of Australia Limited and Westpac Banking Corporation Limited. The bank facilities total $150m with renewal dates ranging from 2 to 5 years for $125m of the facilities. There is also evergreen facility of $25m subject to a 13 month cancellation notice.

The interest rate charged on the facilities ranged from 2.40% to 5.86% p.a. (2015: 2.67% to 5.99%) plus bank margins. Borrowings under the bank facilities are supported by a negative pledge deed.

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

16 Non-current - Provision for employee entitlements

	Group		Parent	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Employee benefits	**906**	276	**-**	-

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.

16 Non-current - Provision for employee entitlements (continued)

The rate used for discounting the provision for future payments is 2.9% (2015: 3.9%).

17 Equity

	Group		Parent	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
(a) Share capital				
Ordinary shares				
34,541,100 $1 shares, fully paid	**34,541**	34,541	**34,541**	34,541
22,170,000 $1 shares, fully paid	**22,170**	22,170	**22,170**	22,170
5,309,283 $1 shares fully paid	**5,309**	5,309	**5,309**	5,309
170,200,000 $1 shares, partly called	**139,425**	37,164	**139,425**	37,164
8,000,000 $1 shares, partly called	**5,600**	5,600	**5,600**	5,600
11,250,000 $1 shares, fully paid	**11,250**	11,250	**11,250**	11,250
6,700,000 $1 shares, fully called	**6,700**	4,250	**6,700**	4,250
10,100,000 $1 shares partly called	**6,220**	-	**6,220**	-
50,000,000 $1 shares uncalled	**-**	-	**-**	-
Redeemable Preference Share Capital				
25,000 $1000 shares, paid to 1 cent	**-**	-	**-**	-
Total share capital	**231,215**	120,284	**231,215**	120,284

18 Non-controlling interest

	Group		Parent	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Opening Balance at 01 July	**46,616**	45,042	**-**	-
Share of operating surplus / (deficit)	**4,135**	3,238	**-**	-
Share of dividends paid or payable	**(1,571)**	(1,583)	**-**	-
Share of movements in revaluation reserve	**-**	(81)	**-**	-
Balance of Non-controlling Interest at 30 June	**49,180**	46,616	**-**	-

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

	Group		Parent	
	2016 **$'000**	2015 $'000	**2016** **$'000**	2015 $'000
Net (deficit) / surplus after tax	**(17,365)**	720	**5,109**	2,234
Add / (less) non cash items:				
Depreciation	**23,371**	21,734	**-**	-
Amortisation	**182**	179	**-**	-
Impairment / written off of fixed assets	**233**	-	**-**	-
Inventory adjustment	**4,901**	27	**-**	-
(Gain) / loss on sale of property, plant & equipment	**(1,058)**	238	**-**	-
Loss on fair value movement financial instruments	**7,639**	4,946	**-**	-
Revaluation loss on rail assets	**-**	-	**-**	-
Write down / (up) of investment properties	**(2,801)**	(4,517)	**-**	-
Equity accounted earnings from associate companies	**(7,537)**	(3,549)	**-**	-
Deferred tax liability	**10,501**	(2,944)	**-**	-
Change in provision for doubtful debt	**(2)**	14	**-**	-
Add / (less) movements in working capital:				
Accounts receivable	**(1,381)**	1,305	**61**	53
Accounts payable	**2,433**	(4,312)	**-**	-
Dividends receivable	**-**	-	**(1,230)**	(2,461)
Inventory	**(5,250)**	(1,614)	**-**	-
Borrowings	**(133)**	209	**-**	-
Taxation - refund	**(388)**	(818)	**-**	-
Financial Instruments	**-**	-	**-**	(99)
Current account - Greater Wellington Regional Council	**11,544**	(842)	**-**	-
Current account - Port Investments Limited	**-**	-	**-**	-
Employee entitlements	**284**	-	**-**	-
Other movements	**2,174**	1,855	**-**	-
Add / (less) items classified as investing and financing activities:				
Increase / (decrease) in current accounts relating to financing activities	**82**	3,896	**126**	320
Accounts payable related to property, plant and equipment	**(120,912)**	(23,215)	**-**	-
Gain / (loss) on sale of fixed assets	**-**	(1,111)	**-**	-
Increase in share capital	**110,930**	23,440	**-**	-
Net cash inflow from operating activities	**17,447**	15,641	**4,066**	47

20 Financial risk management

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

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

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

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

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

Inter group advances
CentrePort has borrowing covenant requirements for gearing and interest cover ratios. Performance against covenants is reported monthly to the Board and semi-annually to our banker. All externally imposed covenants have been complied with during the period. No covenants have been breached during the 2016 financial year.

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

Capital risk management
CentrePort manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 15, cash reserves and retained earnings.

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

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

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

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

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

20 Financial risk management (continued)

(b) Market risk

Currency risk

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

As at 30 June 2016, neither WRC Holdings parent nor WRC Holdings Group had entered into any forward exchange contracts (WRC Holdings Group 2015: EUR80, 452; NZ$125,295).

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.

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

Reconciliation of other financial (assets) / liabilities

	Group		Parent	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Interest rate swaps - (assets)	**-**	-	**-**	-
Interest rate swaps - liabilities	**19,109**	11,496	**-**	26
Total other financial (assets) / liabilities	**19,109**	11,496	**-**	26
Represented by:				
Current assets	**-**	-	**-**	-
Non-current assets	**-**	-	**-**	-
Current liabilities	**36**	410	**-**	26
Non-current liabilities	**19,073**	11,086	**-**	-
Total other financial (assets) / liabilities	**19,109**	11,496	**-**	26

Interest rate sensitivity

WRC Holdings - Parent

At reporting date, if interest rates had been 100 basis point higher or lower and all other variables were held constant, the Parents net profit would increase/decrease by $441,000 (2015: increase/decrease by $441,000).

At reporting date, WRC Holdings Parent had not entered into any swaps. Therfore if swap rates had been 100 basis points higher and all other variables were held constant, the Parents interest rate costs would not be impacted (2015: $26,000). If the swap rates had been 100 basis points lower and all other variables were held constant, the Parents interest rate costs would not be impacted (2015: $26,000).

CentrePort

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 1.0% (2015: 1.0%) increase or decrease represents management's assessment of the possible change in interest rates.

At reporting date, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's net profit would increase/decrease by $1.02 million (2015: increase/decrease by $0.04 million). This is mainly attributable to the Group's exposure to interest rates on its uncovered rate borrowings and excludes the unrealised gain or loss in the value of interest rate swaps.

20 Financial risk management (continued)

At reporting date, if interest rates on the interest rate swap portfolio had been 100 basis points higher and all other variables were held constant, the fair value movement in financial instruments in the Statement of Comprehensive Revenue and Expense the Group's interest rate costs would decrease by $7.1 million (2015: $5.3 million); if interest rates on the interest rate swap portfolio had been 100 basis points lower and all other variables were held constant, the fair value movement in financial instruments in the Statement of Comprehensive Revenue and Expense of the Group's interest rate costs would increase by $7.7 million (2015: $5.7 million).

20 Financial risk management (continued)

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

At balance date the Group had entered into the following swap agreements that had interest rates ranging from 4.19% to 5.96% (2015: 3.79% to 6.23% p.a.) and maturities of:

	2016 %	2015 %	**2016 Notional Value $'000**	2015 Notional value $'000
Interest rate swap agreements - Group				
Other financial assets				
Less than one year			**-**	-
One to two years			**-**	-
			-	-
Other financial liabilities				
Less than one year		3.79% - 5.76%	**-**	50,000
Two to five years	**4.19% - 4.53%**	4.52% - 5.84%	**30,000**	70,000
Greater than Five years	**4.37% - 5.96%**	6.00% - 6.23%	**80,000**	40,000
Total other financial liabilities			**110,000**	160,000
Group fair value assets			**-**	-
Group fair value liabilities			**19,109**	11,496

	2016 %	2015 %	**2016 Notional value $'000**	2015 Notional value $'000
Interest rate swap agreements - Parent				
Other financial liabilities				
Less than one year		3.79%	**-**	10,000
		3.85%	**-**	10,000
Total other financial liabilities			**-**	20,000
Parent fair value liabilities			-	26

Joint venture company mandatory convertible note (MCN) conversion derivative

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

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

A conversion derivative liability is recognised on the balance sheets of the joint venture companies when the CPI adjusted fair value of the Mandatory Convertible Note is expected to exceed 50% of the conversion property values. The liability reflects the variance between forecast growth in the value of Mandatory Convertible Notes and the estimated terminal values of the commercial properties over the term of the Manadatory Convertible Notes discounted present value.

The MCN derivatives are financial instruments with risk attaching to CPPL's investment in the 3 joint venture companies. The conversion derivatives have a nil liability on the balance sheets of the 3 joint venture companies at 30 June 2016 (2015: $0.311 million).

20 Financial risk management (continued)

Sensitivity of mandatory convertible note conversion derivative to movements in consumer price index and building value

The sensitivity analyses below have been determined based on the aggregate exposure of the mandatory convertible note conversion derivatives to movements in consumer price index and estimates of building value at conversion date.

At reporting date, increasing the building values at conversion date by 10% would result in no change to the value of the Conversion Derivative of nil. Reducing the building value at conversion date by 10% would increase the value of the Conversion Derivative by $692,000 (to $692,000).

At reporting date, increasing forecast movements in Consumer Price Index by +1.0% would result in the Conversion Derivative increase in value by $419,000 (to $419,000). Reducing forecast movements in Consumer Price Index by -1.0% would result in no change to the Conversion Derivatives of $nil.

20 Financial risk management (continued)

Maturity profile of financial instruments

The following table details the Group's exposure to interest rate risk at 30 June 2016 and 30 June 2015.

	Weighted average interest rate	Variable interest rate	Maturity profile of financial instruments						Non-interest bearing	Total
			Less than one year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years		
	%	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group 2016 Financial Liabilities:										
Trade and other payables			10,822	-	-	-	-	-	10,822	10,822
Payables to employees			3,140	906	-	-	-	-	4,046	4,046
Debt - Parent	**3.19**	**2.38**	44,050	-	-	-	-	-	-	44,050
Debt - CentrePort	**5.20**	**2.40**	876	25,000	77,000	-	-	-	-	102,876
Total			58,888	25,906	77,000	-	-	-	14,868	161,794
Group 2015 Financial Liabilities:										
Trade and other payables			8,361	-	-	-	-	-	8,361	8,361
Payables to employees			3,486	276	-	-	-	-	3,762	3,762
Debt - Parent	4.17	3.34	44,021	-	-	-	-	-	-	44,021
Debt - CentrePort	5.41	3.05	1,009	25,000	-	50,000	27,000	-	-	103,009
Total			56,877	25,276	-	50,000	27,000	-	12,123	159,153
Parent 2016 Financial Liabilities										
Trade and other payables			83	-	-	-	-	-	83	83
Payables to WRC			-	-	-	-	-	-	-	-
Borrowings - WRC H	**3.19**	**2.38**	44,050	-	-	-	-	-	-	44,050
Total			44,133	-	-	-	-	-	83	44,133
Parent 2015 Financial Liabilities										
Trade and other payables			139	-	-	-	-	-	139	139
Payables to WRC			457	-	-	-	-	-	-	457
Borrowings - WRC H	4.17	3.34	44,021	-	-	-	-	-	-	44,021
Total			44,617	-	-	-	-	-	139	44,617

(c) Credit risk management

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

20 Financial risk management (continued)

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

	Group		Parent	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
1-30 days	**14,292**	-	**72**	134
30-60 days	**249**	884	**-**	-
60-90 days	**474**	163	**-**	-
90-120 days	**367**	37	**-**	-
121 days +	**227**	52	**-**	-
Total	**15,609**	1,136	**72**	134

No collateral is held on the above amounts.

Concentrations of credit risk

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

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds at short notice to meet its financial commitments as they fall due. To reduce the exposure to liquidity risk the Group has a bank overdraft facility of $2 million (2015: $1 million) and New Zealand dollar commercial bill facilities of $150 million at balance date (refer note 15 Non-current interest bearing liabilities) (2015: $150 million). Of these $102 million (2015: $102 million) had been drawn down by the Group at balance date. Port Investments borrows its funds from the Parent Company who sources funds from the institutional investor market via commercial paper, backed by a $44 million committed credit facility with Commonwealth Bank of Australia Limited.

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

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

On 18 December 2014 CentrePort Limited entered into new revolving cash advance agreements with ANZ Bank New Zealand Limited, Commonwealth Bank of Australia Limited and Westpac Banking Corporation Limited. The bank facilities total $150m with renewal dates ranging from 2 to 5 years for $125m of the facilities. There is also evergreen facility of $25m subject to a 13 month cancellation notice.

20 Financial risk management (continued)

Liquidity profile of financial instruments

The following tables detail the entity's liquidity profile based on undiscounted cash outflows at 30 June 2016 and 30 June 2015, assuming future interest cost on borrowings at 6.7% (2015: 7.0%)

Group - At 30 June 2016	Less than One Year $'000	1-2 Years $'000	2-3 Years $'000	3-4 Years $'000	4-5 Years $'000	5+ Years $'000	Total $'000
Financial liabilities							
Trade and other payables	10,822	-	-	-	-	-	10,822
Payables to employees	3,140	906	-	-	-	-	4,046
Other financial liabilities	36	-	-	331	2,086	16,656	19,109
Borrowings	8,698	31,581	49,459	79,601	-	-	169,339
Total	22,696	32,487	49,459	79,932	2,086	16,656	203,316
Group - At 30 June 2015							
Financial liabilities							
Trade and other payables	8,361	-	-	-	-	-	8,361
Payables to employees	3,486	276	-	-	-	-	3,762
Other financial liabilities	410	-	782	-	4,563	5,741	11,496
Borrowings	9,823	32,468	48,800	53,041	27,796	-	171,928
Total	22,080	32,744	49,582	53,041	32,359	5,741	195,547

Parent - At 30 June 2016	Less than One Year $'000	1-2 Years $'000	2-3 Years $'000	3-4 Years $'000	4-5 Years $'000	5+ Years $'000	Total $'000
Financial liabilities							
Trade and other payables	83	-	-	-	-	-	83
Payables to WRC	346	-	-	-	-	-	346
Other financial liabilities	-	-	-	-	-	-	-
Borrowings	1,000	1,000	44,300	-	-	-	46,300
Total	1,429	1,000	44,300	-	-	-	46,729
Parent - At 30 June 2015							
Financial liabilities							
Trade and other payables	139	-	-	-	-	-	139
Payables to WRC	457	-	-	-	-	-	457
Other financial liabilities	26	-	-	-	-	-	26
Borrowings	1,470	1,470	44,298	-	-	-	47,238
Total	2,092	1,470	44,298	-	-	-	47,860

20 Financial risk management (continued)

(e) Estimation of fair value of financial instruments

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Fair value measurements recognised in the balance sheet

All financial instruments recognised on CentrePort Limited's balance sheet at fair value sit within level 2. See note 6 for disclosures of the land and buildings that are measured at fair value.

(f) Financial instruments by category

Financial assets as per balance sheet	Loans and receivables $'000	At fair value through other comprehensive income $'000	Total $'000
Group			
At 30 June 2016			
Cash and cash equivalents	993	-	993
Trade and other receivables	15,670	-	15,670
Current account - Wellington Regional Council	9,781	-	9,781
	26,444	-	26,444
At 30 June 2015			
Cash and cash equivalents	888	-	888
Trade and other receivables	8,723	-	8,723
Current account - Wellington Regional Council	8,653	-	8,653
	18,264	-	18,264

20 Financial risk management (continued)

Financial assets as per balance sheet	Loans and receivables $'000	At fair value through other comprehensive income $'000	Total $'000
Parent			
At 30 June 2016			
Cash and cash equivalents	4	-	4
Trade and other receivables	3,764	-	3,764
Current account - Pringle House Limited	-	-	-
Current account - Port Investments Limited	297	-	297
Current account - Wellington Regional Council	2,953	-	2,953
Other financial assets	-	-	-
	7,018	-	7,018
At 30 June 2015			
Cash and cash equivalents	4	-	4
Trade and other receivables	2,595	-	2,595
Current account - Pringle House Limited	1,997	-	1,997
Current account - Port Investments Limited	183	-	183
Other financial assets	-	-	-
	4,779	-	4,779

Financial liabilities as per balance sheet	Derivatives classified as held for trading $'000	Financial liabilities at amortised cost $'000	Total $'000
Group			
At 30 June 2016			
Trade and other payables	-	10,822	10,822
Borrowings	-	146,050	146,050
Other financial liabilities	19,109	-	19,109
	19,109	156,872	175,981
At 30 June 2015			
Trade and other payables	-	8,361	8,361
Borrowings	-	146,021	146,021
Other financial liabilities	11,496	-	11,496
	11,496	154,382	165,878
Parent			
At 30 June 2016			
Trade and other payables	-	83	83
Borrowings	-	44,050	44,050
Other financial liabilities	-	-	-
Current account - Wellington Regional Council	-	-	-
	-	44,133	44,133
At 30 June 2015			
Trade and other payables	-	139	139
Borrowings	-	44,021	44,021
Other financial liabilities	-	26	26
Current account - Wellington Regional Council	-	457	457
	-	44,643	44,643

21 Commitments

The Parent Company, WRC Holdings Limited and Port Investments Limited had no capital or operating commitments as at 30 June 2016 (2015: none)

(a) Capital commitments

Greater Wellington Rail Limited (GW Rail)

GW Rail had contractual commitments at balance date of $1,590,000 (2015: $13,863,000). Capital commitments were $20,775,147 (2015: $136,599,000).

CentrePort Limited

Centreport Limited had commitments in respect of contracts for capital expenditure of $10.1 million (2015: $2.8 million). This relates to shipping channel deepening, pavements and wharves.

Leases

Operating lease payments relate to straddles and forklift trucks. The straddle lease is for a period of 10 years, the forklift truck lease terms are between 2 to 5 years, with an option to extend. All operating lease contracts contain market review clauses in the event that the CentrePort Limited exercises its option to renew. CentrePort Limited does not have an option to purchase the leased asset at the expiry of the lease period.

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

Disclosure for lessees

	Group		Parent	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Non-cancellable operating lease payment				
Within 1 Year	**1,367**	2,045	**-**	-
Longer than 1 year and not longer than 5 years	**2,567**	4,442	**-**	-
Longer than 5 years	**868**	651	**-**	-
Total	**4,802**	7,138	**-**	-

Disclosure for lessors

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

	Group		Parent	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Non-cancellable operating lease receipts				
Within 1 year	**4,760**	6,679	**-**	-
Longer than 1 year and no later than 5 years	**8,062**	11,681	**-**	-
Longer than 5 years	**8,226**	9,384	**-**	-
	21,048	27,744	**-**	-

22 Related party transactions

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

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

Related party transactions required to be disclosed

WRCH has no related party transactions required to be disclosed during the year.

Key management personnel

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

	Group		**Parent**	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Short-term employee benefits	**2,759**	2,192	**-**	-
Total key management personnel compensation	**2,759**	2,192	**-**	-

There are 6 full time key management personnel

23 Contingencies

The following contingent liabilities existed at 30 June 2016:

Parent Company:

The Parent Company has uncalled capital in Port Investments Limited of $10,000,100 (2015: $10,000,100).

The Parent Company has uncalled capital in Greater Wellington Rail Limited of $37,055,976 composed of 8,000,000 shares called 70 to cents, 170,200,000 shares called to $139,424,024, 10,100,000 shares called to 6,220,000 (2015: 137,885,976 composed of 8,000,000 shares called 70 to cents, 170,200,000 shares called to $37,164,024, 6,700,000 $1 shares called to $4,250,000).

Subsidiary Companies - CentrePort Limited (CentrePort):

Centreport Limited had no contingent liabilities as at 30 June 2016 (2015: Unquantified claim that was resolved during the 2016 financial year).

24 Subsequent events

CentrePort Limited has declared a final dividend post balance date of $0.7 million (2015: $0.7m).

No dividend was declared post balance date by WRC Holdings (2015: Nil).

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
As at 30 June 2016

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 2016 fairly reflect the financial position and operations of the Company.

Director	Director	Chief Financial Officer
27 September 2016	27 September 2016	27 September 2016

Auditors' report

To the shareholders of WRC Holdings Limited